



PRELIMINARY 2H2022 OUTLOOK

BRACING FOR A HIGH VOLATILITY FUTURE



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"The market may be more "sensitive" and volatile to negative information, especially as valuations have reached a much higher level than prior to the first outbreak of Covid (Mar 2020)..." Rong Viet yearly report 2022.

Despite being concerned about events that could negatively affect the market such as global inflation and geopolitical tensions, the actual impact was much stronger than our expectation. The VNIndex plummeted 20% YTD in 6M 2022.

In our base case, we believe that global inflation has peaked and that the VNIndex's 20% year-to-date decline fully reflects the impact of the most negative events. Looking to 2H2022, we believe that Vietnam's economy in general, and the profits of listed companies in particular will maintain a good growth rate. An expansionary monetary policy could not be expected in the current context, but the cooling down of global inflation as well as the USD Index has offered the SBV more room to regulate the monetary market, not only can stabilize the operating interest rates and keep the volatility of the exchange rate within the target range but also can provide enough credit quota to the economy.

The VN Index is expected to stay in the range of 1225 – 1398. Concurrently, the average order-matching value on the HSX may increase by 20% compared to the average of Q2 to 17,000 - 19,000 VND/session in the rest 2022. However, given the current possibility of tightening monetary policy, we reckon the market's recovery will take place in a tug-of-war trend. Therefore, the disbursement strategy is also recommended to be cautious, not chasing buying in unexpected uptrends and always save buying power for market corrections. For the long-term and highly defensive investors, the stock :cash ratio can be maintained at 70:30.

The lists of positive industry groups that will have positive prospects in 2H 2022 are Industrial Parks, Aviation, IT, Banking, Pharmaceuticals, Tires, Fisheries, Food & Beverage with stocks like VCB, CTG, TCB, MBB, LHG, PHR, KBC, ACV, AST, FPT, CMG, DBD, DRC, ANV, HAX, VNM and QNS.

Not pessimistic, but not enthusiastic to the prospect of economic recovery, especially from late 2022 to early 2023. Amidst global inflation and geopolitical tensions, there are still many potential risks. The Chinese economy is struggling to grow due to the "Zero-Covid" policy; the world economic growth outlook is becoming less bright. Vietnam's economic growth prospects as well as monetary policy in the coming time will still be affected by the above events. These are likely to be major barriers to the market's ability to recover.

Last but not least, with the limitation of bank credit, the congestion of the corporate bond market could devastate the financial health of leveraged industries/enterprises. Bond default risk could completely happen and indirectly hit the stock market.

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Investment themes	Rationales	Stock picks
Commodities prices/Inflation to peak in 2H-2022	Central banks around the world are aggressively raising interest rates to tame inflation. We expect inflation to peak in the coming months, though the speed of normalization is quite unpredictable, mostly due to elevated energy prices and the risk of prolonged supply-chain bottlenecks. Against this backdrop, we expect commodities prices, which are also input costs for manufacturers, to cool down in the months ahead and be supportive for these companies' profit margins. Ones with medium to high pricing power can even expand their profit margins by delaying output prices decrease.	VNM, DRC, BMP
High profit growth	We consider the tightening policy and regulation headwinds in banking industry relating to hesitation in granting credit growth quota as transitory. Thereby, we believe that when the credit growth constraint is lifted, private bank like of TCB, MBB will have plenty of room to maneuver and deliver expectedly high earnings growth. Meanwhile, state-owned banks with better risk cost management, which resulting in lower provisioning expenses, like VCB, CTG will have greater certainty for strong earnings growth. High earnings growth off last year's low base to beat market consensus: Last year's nationwide lock down has caused a low base in earnings of many list companies. While this information is well-known in the market, we believe there are still surprise in the magnitude of the growth rate for some companies like KBC, LHG, PHR, PNJ and ACV. Extraordinary income from assets liquidation: We expect the bottom line of PVT is likely to jump significantly in 2H 2022 thanks on the back of abnormal profit from liquidating PVT Athena vessel.	TCB, MBB, VCB, CTG, KBC, PHR, LHG, PNJ, ACV, PVT
Defensive positioning with high dividend yield stocks	We expect HND and NT2, two thermal power companies which finished and soon to finish its debt obligations, to capitalize on their free cash flow to pay cash dividends for shareholders. Forecasted dividend yield for HND stay at 6%-10% over FY22- 25 period, while we forecast a high FCFE per share of NT2 (around VND 3,000) will make its dividend yield very attractive at 11%.	NT2, HND

Table 1: Updated model portfolio

Ticker	Exchange	Market cap (USD mn)	Target price (VND)	Current price* (VND)	Total Return	2022F		2023F		PER		PBR Cur. (x)	Div Yield (%)	Foreign remaining room (%)
						+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)	2022F (x)	2023F (x)			
TCB	HOSE	5,971	62,700	39,000	61%	20.6	25.5	18.5	18.0	6.1	5.2	1.3	0.0	0.0
MBB	HOSE	4,490	42,800	27,250	57%	26.5	42.0	17.1	17.4	5.5	4.7	1.5	0.0	0.0
LHG	HOSE	86	56,300	39,450	48%	10.6	-14.2	8.1	45.5	8.3	5.7	1.4	4.8	34.3
HND	UPCOM	351	23,300	16,080	47%	21.3	81.9	5.4	27.2	10.6	8.3	1.2	2.5	49.0
PHR	HOSE	405	88,400	68,600	33%	-12.7	117.8	15.0	10.5	13.2	11.9	2.8	4.4	35.4
PNJ	HOSE	1,216	143,900	115,000	27%	47.2	70.0	11.3	9.7	17.7	17.5	3.4	1.7	0.0
VNM	HOSE	6,544	85,100	71,800	24%	6.9	-2.2	7.0	10.8	16.2	14.6	4.4	5.4	45.5
VCB	HOSE	16,821	96,900	81,500	19%	16.3	34.8	13.8	12.2	13.1	12.5	3.1	0.0	6.4
DRC	HOSE	157	34,700	30,400	18%	17.5	5.2	15.9	17.6	13.1	11.1	2.1	3.9	40.0
KBC	HOSE	1,280	44,900	38,250	17%	18.4	418.9	118.3	-10.3	7.2	8.0	1.7	0.0	29.4
CTG	HOSE	6,120	34,000	29,200	16%	15.2	52.5	12.3	10.6	9.3	8.4	1.4	0.0	3.2
PVT	HOSE	296	23,800	21,000	16%	15.0	33.3	-3.9	-10.0	8.6	10.6	1.2	2.4	35.1
NT2	HOSE	331	29,200	26,350	15%	29.1	54.9	12.6	11.6	9.4	8.4	1.7	3.8	34.4
ACV	UPCOM	8,380	100,400	88,271	14%	141.8	556.5	32.6	19.3	35.3	29.6	4.7	0.0	45.2
BMP	HOSE	236	70,300	66,200	10%	16.5	115.4	10.8	20.8	12.9	10.7	2.2	4.2	14.6

Source: Bloomberg, Rong Viet Securities, *data as of Aug 16th, 2022

No.	Subsector	Supply - Demand	Input price	Legal Environment	Long-term Growth Potential	Technological Development	Competition	View	Stock Picks	Watch List
1	RE - Industrial park	++	+	++	++	-	++	Positive	LHG, PHR, KBC, DPR	
2	Aviation	++	--		+			Positive	ACV	AST
3	Technology	+	-	++	++	+		Positive	FPT	ELC, CMG
4	Bank	+	-	+	++	++	+	Good	TCB, MBB, VPB, ACB, HDB, VCB, CTG	BID
5	Phamarceutical	+	-	-	+	+	+	Good		DBD, IMP
6	Automotive - Rubber Tires	++	+	++	+	+	--	Good	DRC	
7	Fishery	+	-	+	+	+	+	Good	FMC, ANV	VHC
8	Automotive retail	+	-	+	+	++	-	Good	HAX	
9	F&B (Beer, milk)	+	+	+	+	+	---	Good	VNM	MSN, QNS
10	Logistics	-		+	++		-	Neutral	GMD	SCS, HAH, VSC
11	Retail	-			++		+	Neutral	PNJ, FRT, MWG	
12	Textile	-	-	+	+	+	+	Neutral	TNG	TCM, STK, MSH
13	Power			++	+	-		Neutral	NT2, PC1	REE, HND, PPC, GEG
14	Oil & Gas	-		+	-	+		Neutral	PLX, PVT	PVD, PVS
15	RE - Residential	-			++			Neutral		NLG, KDH, HDG
16	Construction materials	-	-		+		-	Negative	HPG	NKG, BMP, HSG, SMC
17	Chemicals - Fertilizers/ Agrochemicals	-	-	-	-	+	-	Negative	DPM	BFC
18	Insurance	-		+			-	Negative		

Source: Rong Viet Securities

RONG VIET SECURITIES COVERAGE RANKED BY TOTAL RETURN (1)

Ticker	Exchange	Market		Current price* (VND)	Total Return	Rating	2021		2022F		2023F		PER		PBR Cur. (x)	Div Yield (%)	Foreign remaining room (%)
		cap (USD mn)	Target price (VND)				+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)	2022F (x)	2023F (x)			
TCB	HOSE	5,971	62,700	39,000	61%	Buy	37.1	46.4	20.6	25.5	18.5	18.0	6.1	5.2	1.3	0.0	0.0
MBB	HOSE	4,490	42,800	27,250	57%	Buy	35.0	53.7	26.5	42.0	17.1	17.4	5.5	4.7	1.5	0.0	0.0
VPB	HOSE	5,845	46,200	30,150	53%	Buy	13.5	13.4	31.6	69.9	22.3	18.3	7.0	6.5	1.5	0.0	0.1
NLG	HOSE	715	62,100	42,800	49%	Buy	134.8	28.3	-5.7	-27.7	130.1	160.3	25.8	12.7	1.9	3.5	9.2
LHG	HOSE	86	56,300	39,450	48%	Buy	21.5	48.5	10.6	-14.2	8.1	45.5	8.3	5.7	1.4	4.8	34.3
HND	UPCOM	351	23,300	16,080	47%	Buy	-16.9	-69.5	21.3	81.9	5.4	27.2	10.6	8.3	1.2	2.5	49.0
KDH	HOSE	1,215	53,500	38,850	38%	Buy	-17.4	4.3	-9.9	14.6	0.3	2.5	19.4	20.4	2.5	0.0	16.9
ACB	HNX	3,660	33,600	24,850	35%	Buy	29.7	25.0	18.3	37.7	19.0	15.6	6.4	5.5	1.6	0.0	0.0
HPG	HOSE	6,226	33,000	24,550	34%	Buy	66.1	156.6	-6.7	-29.5	19.0	35.1	6.2	4.6	1.4	0.0	28.7
PHR	HOSE	405	88,400	68,600	33%	Buy	19.0	-49.8	-12.7	117.8	15.0	10.5	13.2	11.9	2.8	4.4	35.4
MWG	HOSE	4,213	83,200	66,000	28%	Buy	13.3	25.0	11.8	24.9	23.6	53.7	15.8	10.4	4.3	2.3	0.0
IMP	HOSE	181	79,000	62,100	27%	Buy	-7.5	-9.8	18.5	18.5	35.0	44.6	20.2	14.0	2.3	0.0	0.1
PNJ	HOSE	1,216	143,900	115,000	27%	Buy	12.0	-3.4	47.2	70.0	11.3	9.7	17.7	17.5	3.4	1.7	0.0
FPT	HOSE	4,244	110,300	88,700	27%	Buy	19.5	22.5	21.3	41.1	20.9	19.6	16.0	13.4	5.0	2.3	0.0
PPC	HOSE	250	22,500	17,850	26%	Buy	-51.0	-71.5	45.2	41.8	23.8	117.2	18.5	8.5	1.2	0.0	35.6
VNM	HOSE	6,544	85,100	71,800	24%	Buy	2.2	-5.1	6.9	-2.2	7.0	10.8	16.2	14.6	4.4	5.4	45.5
HDB	HOSE	2,312	32,000	26,350	21%	Buy	21.6	42.5	31.3	37.3	30.2	36.4	6.6	4.8	1.6	0.0	4.1
QNS	UPCOM	688	50,300	44,196	21%	Buy	13.0	17.9	13.3	2.0	12.1	14.9	10.6	9.2	2.3	6.8	30.7
STK	HOSE	161	52,700	45,000	20%	Buy	15.7	94.2	14.7	6.5	15.9	7.4	10.7	10.0	2.6	3.3	87.1
HAX	HOSE	56	26,500	22,450	20%	Buy	-0.3	28.2	8.9	75.0	10.3	9.3	4.7	4.9	1.5	2.2	35.6
TNG	HNX	125	34,000	28,700	20%	Buy	0.0	0.0	18.6	30.0	5.6	23.4	10.5	9.0	2.0	1.7	-4.8
FMC	HOSE	149	60,500	52,100	20%	Accumulate	17.8	18.1	17.4	27.3	12.6	16.2	10.0	8.6	1.9	3.8	18.4

Source: Bloomberg, Rong Viet Securities, *data as of Aug 16th, 2022

RONG VIET SECURITIES COVERAGE RANKED BY TOTAL RETURN (2)

Ticker	Exchange	Market cap (USD mn)	Target price (VND)	Current price* (VND)	Total Return	Rating	2021		2022F		2023F		PER		PBR Cur. (x)	Div Yield (%)	Foreign remaining room (%)
							+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)	2022F (x)	2023F (x)			
OCB	HOSE	1,090	21,700	18,250	19%	Accumulate	11.3	24.6	-2.0	-9.9	22.2	28.3	6.5	5.3	1.1	0.0	0.2
VCB	HOSE	16,821	96,900	81,500	19%	Accumulate	15.7	18.8	16.3	34.8	13.8	12.2	13.1	12.5	3.1	0.0	6.4
DRC	HOSE	157	34,700	30,400	18%	Accumulate	20.1	13.4	17.5	5.2	15.9	17.6	13.1	11.1	2.1	3.9	40.0
NKG	HOSE	255	25,100	22,200	18%	Accumulate	143.7	653.3	-28.8	-60.7	-5.3	37.8	6.7	5.3	1.0	4.5	43.5
KBC	HOSE	1,280	44,900	38,250	17%	Accumulate	100.3	198.7	18.4	418.9	118.3	-10.3	7.2	8.0	1.7	0.0	29.4
GMD	HOSE	699	61,100	53,200	17%	Accumulate	23.1	65.4	19.9	76.8	6.6	7.4	14.8	13.8	2.3	2.3	2.8
CTG	HOSE	6,120	34,000	29,200	16%	Accumulate	17.4	3.0	15.2	52.5	12.3	10.6	9.3	8.4	1.4	0.0	3.2
PVT	HOSE	296	23,800	21,000	16%	Accumulate	-0.2	-0.5	15.0	33.3	-3.9	-10.0	8.6	10.6	1.2	2.4	35.1
NT2	HOSE	331	29,200	26,350	15%	Accumulate	1.1	-14.6	29.1	54.9	12.6	11.6	9.4	8.4	1.7	3.8	34.4
ACV	UPCOM	8,380	100,400	88,271	14%	Accumulate	-38.4	-90.8	141.8	556.5	32.6	19.3	35.3	29.6	4.7	0.0	45.2
FRT	HOSE	445	96,900	86,100	14%	Accumulate	53.4	1,695.1	30.6	46.2	19.1	22.5	15.7	12.8	5.6	1.2	30.7
BFC	HOSE	61	25,800	24,500	13%	Accumulate	42.2	64.5	14.0	-1.8	-9.4	-8.8	7.2	8.7	1.3	8.2	45.3
MSH	HOSE	145	48,200	44,300	13%	Accumulate	24.5	90.8	20.9	-17.4	4.1	21.1	9.4	7.8	2.1	4.5	42.6
BMP	HOSE	236	70,300	66,200	10%	Accumulate	-2.8	-59.0	16.5	115.4	10.8	20.8	12.9	10.7	2.2	4.2	14.6
PC1	HOSE	410	43,800	39,950	10%	Accumulate	47.4	36.8	-25.2	-31.0	30.9	53.0	21.9	14.3	1.9	0.0	45.4
GEG	HOSE	317	24,700	22,550	10%	Accumulate	-7.5	9.4	53.2	9.9	2.6	21.5	23.0	18.9	2.1	0.0	14.8
HDG	HOSE	576	57,758	54,000	9%	Accumulate	-23.2	11.3	-0.7	36.4	-11.2	-6.3	10.2	11.9	2.7	1.9	36.3
REE	HOSE	1,305	90,700	84,200	8%	Accumulate	3.0	13.9	37.3	25.3	13.6	5.2	12.9	12.2	2.1	0.0	0.0
VHC	HOSE	694	91,000	86,800	7%	Accumulate	28.7	56.2	49.3	98.5	-10.4	-20.8	7.4	9.4	2.2	2.3	72.6
SCS	HOSE	352	91,900	86,000	7%	Accumulate	21.1	21.6	10.4	12.2	11.8	13.6	14.3	12.4	5.9	0.0	22.4
ANV	HOSE	284	52,500	51,200	4%	Neutral	1.6	-36.7	51.2	569.8	-2.9	-16.1	7.5	9.0	2.3	2.0	46.2
MSN	HOSE	6,768	112,800	109,000	3%	Neutral	14.8	593.9	-3.5	-45.6	11.9	13.4	20.7	12.3	5.3	0.0	20.3

Source: Bloomberg, Rong Viet Securities, * data as of Aug 16th, 2022

RONG VIET SECURITIES COVERAGE RANKED BY TOTAL RETURN (3)

Ticker	Exchange	Market cap (USD mn)	Target price (VND)	Current price* (VND)	Total Return	Rating	2021		2022F		2023F		PER		PBR Cur. (x)	Div Yield (%)	Foreign remaining room (%)
							+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)	2022F (x)	2023F (x)			
DPR	HOSE	138	72,600	73,500	3%	Neutral	6.7	152.0	13.1	32.9	-9.7	19.4	9.3	7.4	1.5	4.1	-3.6
VSC	HOSE	199	36,000	37,700	-2%	Neutral	12.0	45.7	4.0	15.4	4.3	6.9	11.3	10.6	1.6	2.7	43.6
DPM	HOSE	816	40,700	47,800	-4%	Neutral	64.7	349.6	30.4	48.6	-20.2	-44.1	4.1	7.3	1.4	10.5	33.2
PGI	HOSE	133	24,800	27,500	-7%	Reduce	1.3	101.2	2.7	-28.7	14.0	19.1	12.0	9.5	1.7	2.9	79.4
BID	HOSE	8,935	37,400	40,500	-7%	Reduce	24.7	48.1	12.5	54.1	9.5	14.1	15.7	14.7	2.3	0.2	13.0
TCM	HOSE	170	42,200	47,500	-10%	Reduce	1.9	-48.2	18.7	86.0	6.0	23.7	16.3	13.2	2.1	1.1	2.8
HAH	HOSE	207	59,300	69,600	-13%	Reduce	64.1	222.1	31.0	93.3	-5.2	-16.6	5.9	7.1	2.5	1.4	27.1
PVS	HNX	538	21,500	25,800	-14%	Reduce	-29.5	-3.5	16.6	10.1	-4.3	-1.2	20.7	20.9	1.0	2.7	39.7
PVD	HOSE	467	16,000	19,250	-17%	Reduce	-23.7	-89.6	31.4	N/A	1.1	N/A	0.0	621.0	0.8	0.0	43.3
DBD	HOSE	135	Under review	41,500	Under review	Under review	24.0	19.8	19.9	41.3	8.6	6.0	9.8	9.2	2.5	0.0	93.4

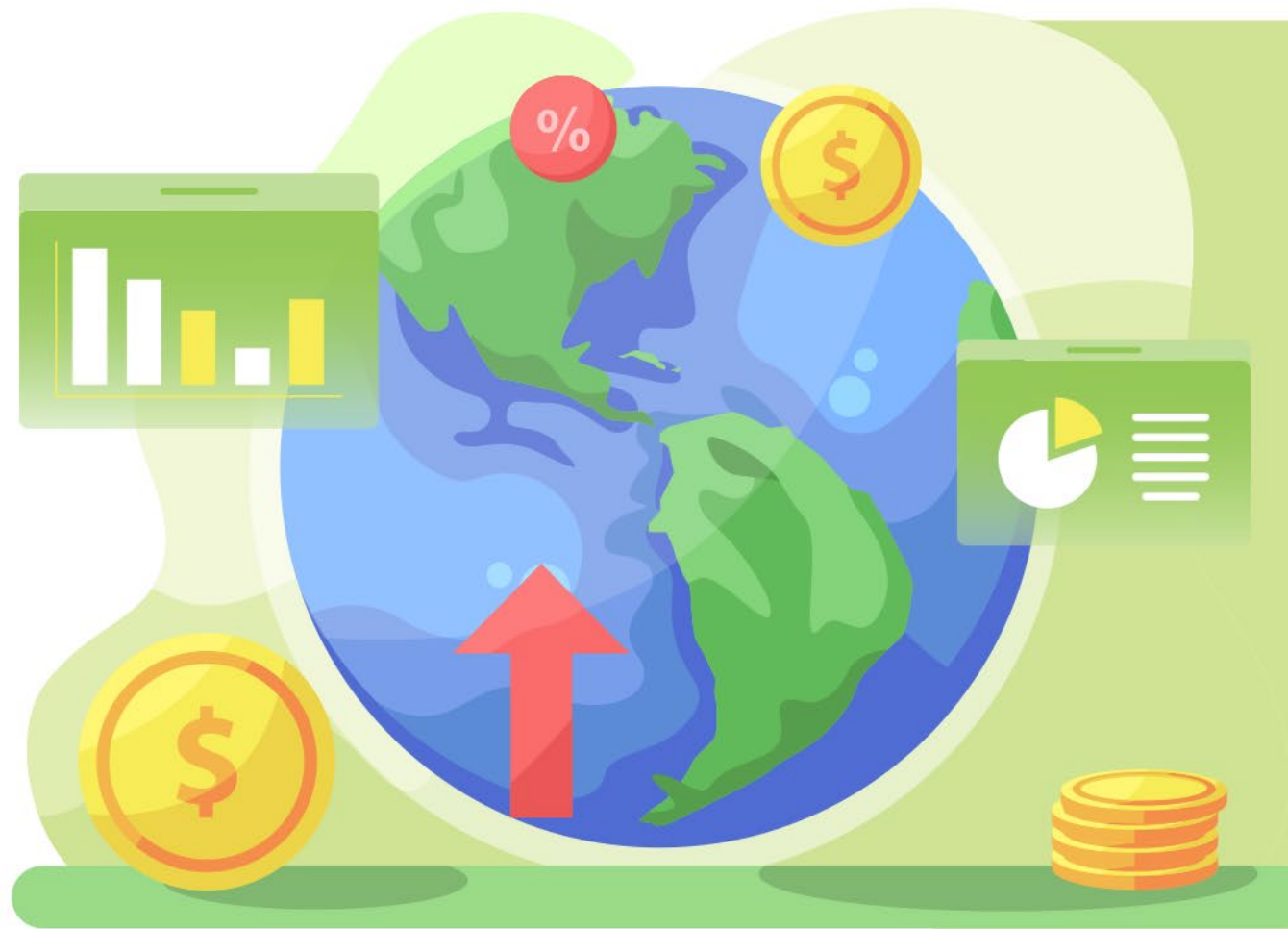
Source: Bloomberg, Rong Viet Securities, * data as of Aug 16th, 2022

MACROECONOMY OUTLOOK

BETWEEN A ROCK AND
HARD PLACE

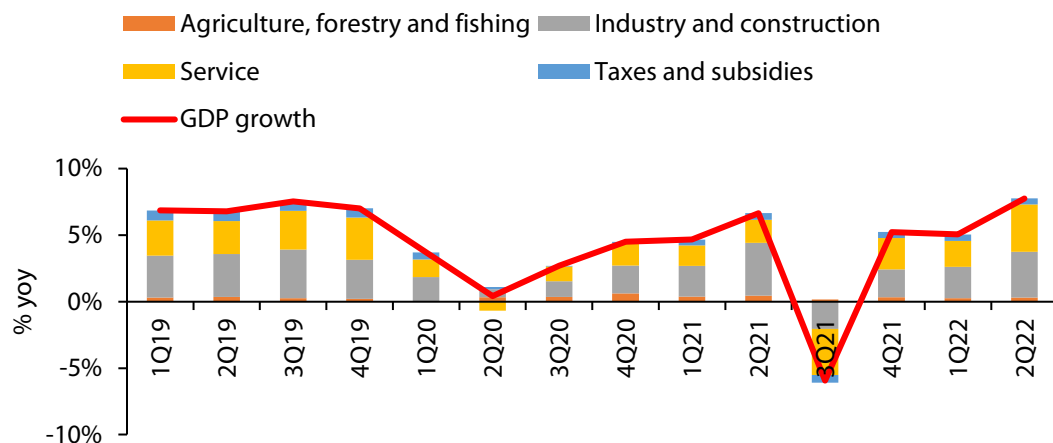


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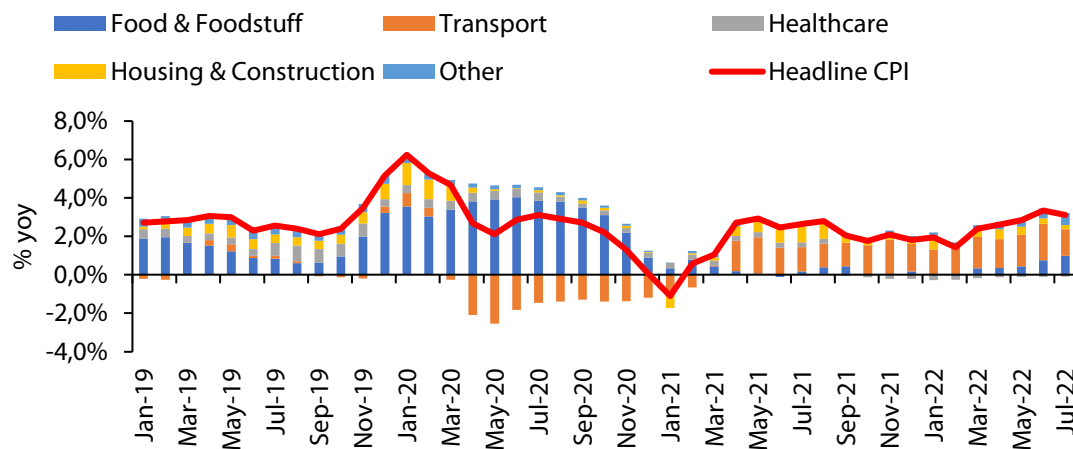
- **In 1H22, the economy showed strong economic recovery** as demonstrated by 1) positive industrial production growth, 2) recovery in consumption and tourism, and 3) rising exports.
- **Despite high global commodity prices, Vietnam's inflation is still under control at 2.5% in 7M2022.** Currently, high petrol prices' impact on inflation has slowed down while the impact of high petrol prices on other goods has shown up. Inflation in June-July was above 3% over the same period last year.
- **Some notable developments of the money and capital markets in 1H22:**
 - ✓ Interest rates have significantly risen by 50-350 bps compared to the end of 2021 (depending on the type of interest rate), except for the regulatory interest rate.
 - ✓ The exchange rate was under the pressure from the Fed's aggressive rate hikes. The dong depreciated 2.3% compared to the end of 2021.
 - ✓ Credit accelerated along with economic recovery with an increase of 17% over the same period, but the remaining credit room was limited.
 - ✓ The government tightened regulations on corporate bond issuance and controlled securities manipulation.
- **On the side of budget spending to support the recovery, public investment continued to miss** while the support package to stimulate economic recovery and development was disbursed slowly, entangled with many procedures.

Figure 1: Economic growth accelerated in 2Q22



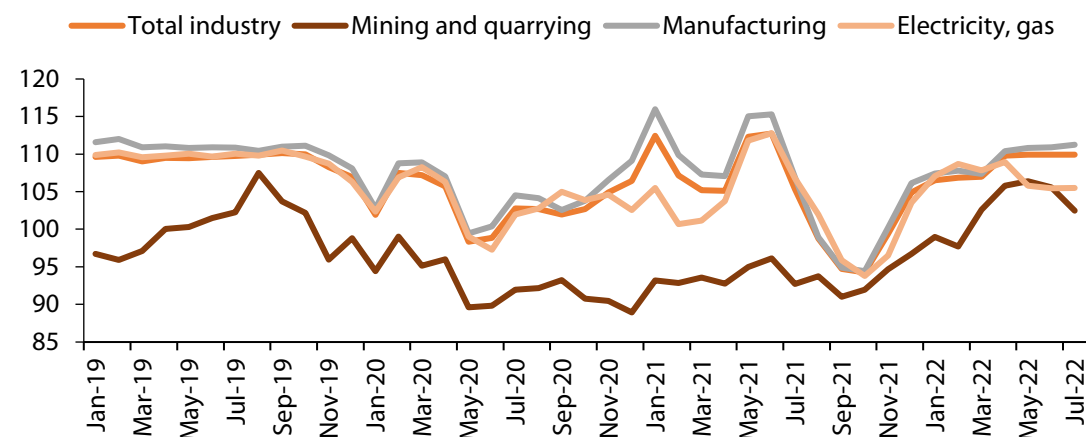
Source: GSO, RongViet Securities

Figure 3: Oil price is key factor that influenced inflation in 7M22



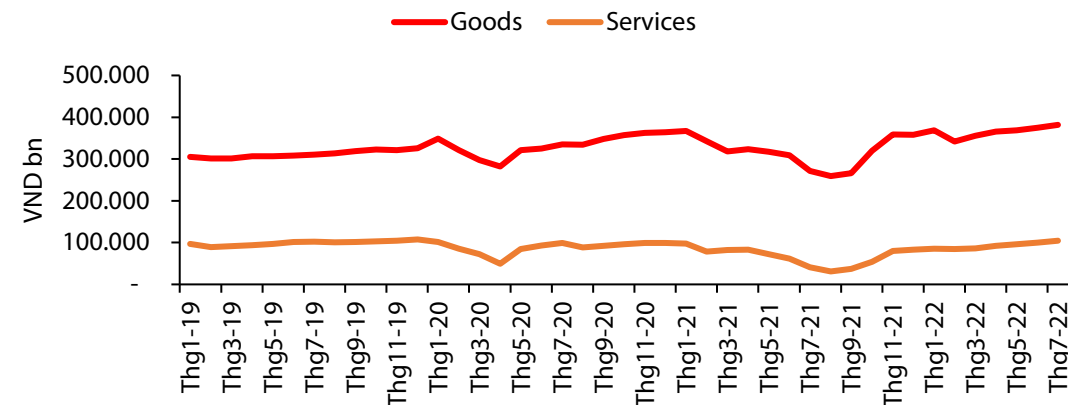
Source: GSO, RongViet Securities

Figure 2: Sustained expansion in manufacturing activities



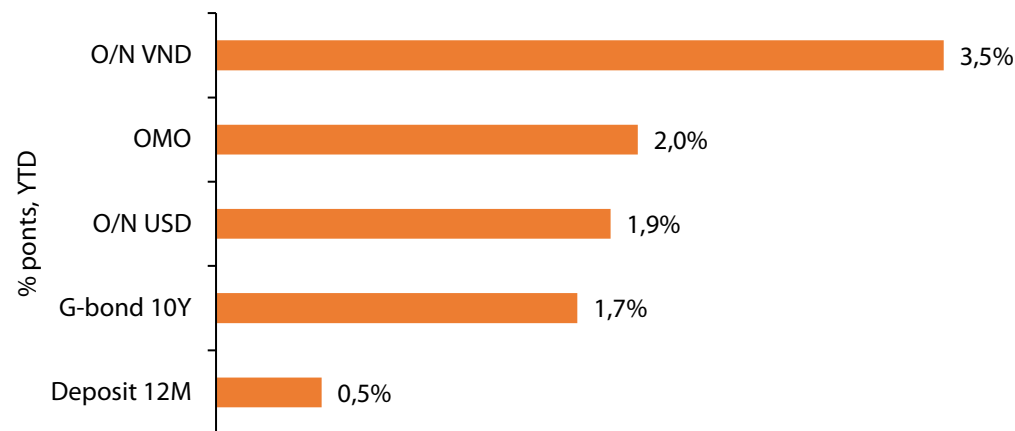
Source: GSO, RongViet Securities

Figure 4: Retail sales are back to the pre-pandemic levels



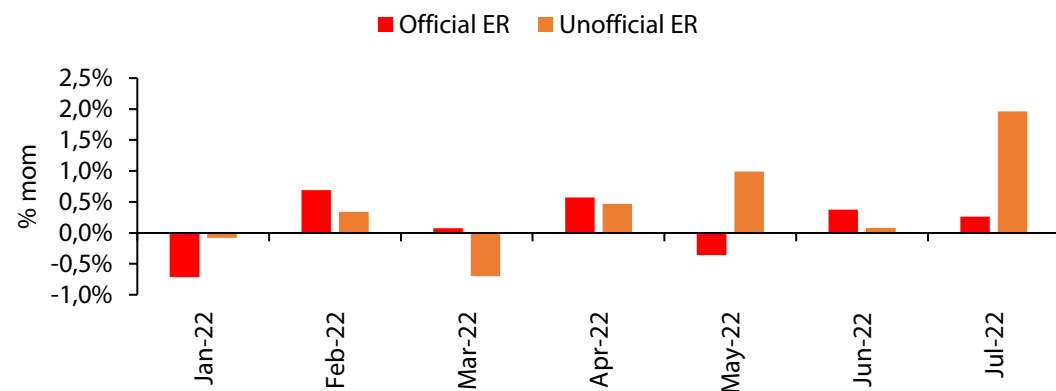
Source: GSO, RongViet Securities

Figure 5: Most interests rates have risen in 7M22



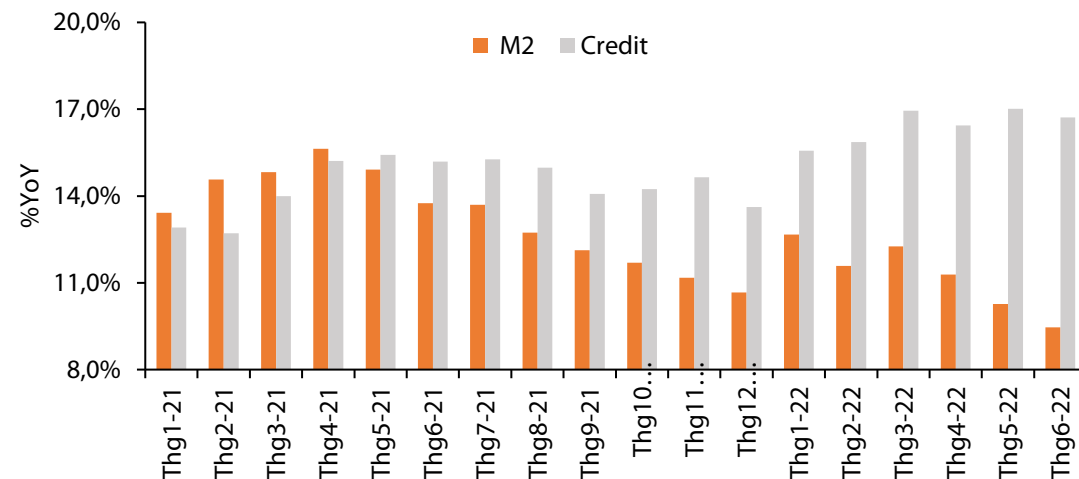
Source: RongViet Securities

Figure 7: The dong continuously depreciated after the Fed became more aggressive in hiking interest rates



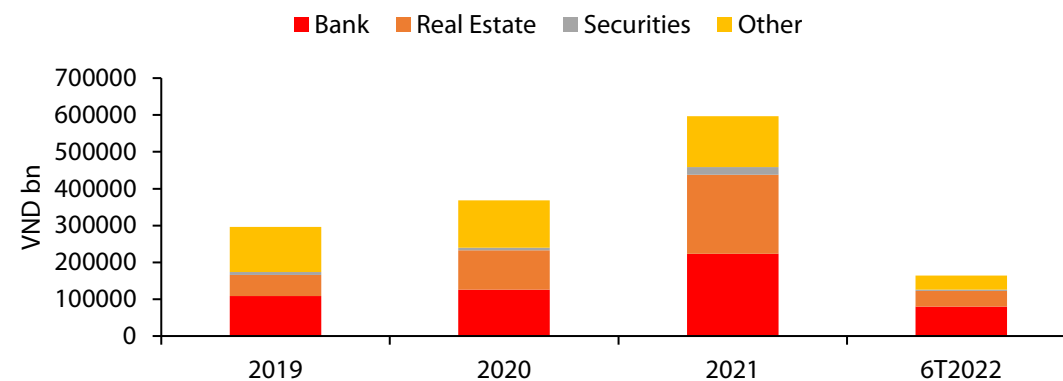
Source: Fiinpro, Bloomberg,, RongViet Securities

Figure 6: Sharp increase in credit growth while M2 growth decreased



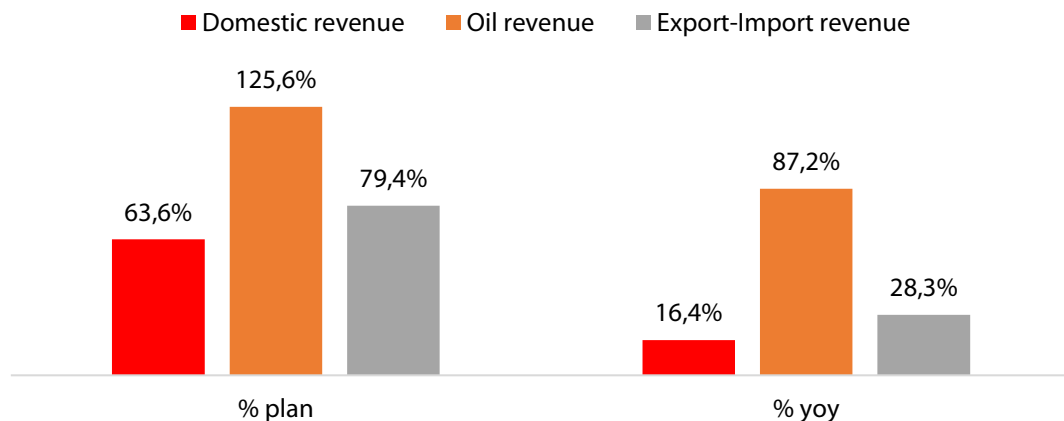
Source: SBV, RongViet Securities

Figure 8: Corporate bond issuance dropped significantly in 1H, especially real estate bond issuance



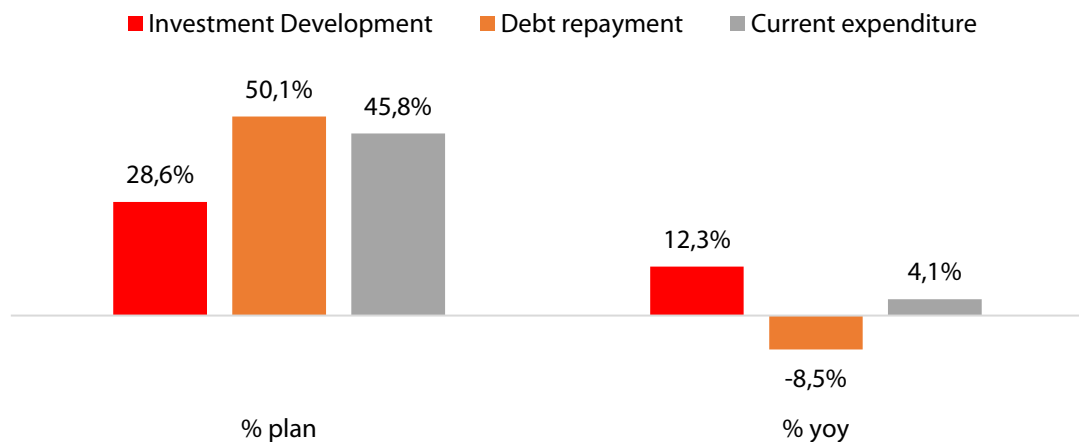
Source: VBMA, RongViet Securities

Figure 9: Budget revenue grew sharply in 1H22



Source: MoF, RongViet Securities

Figure 12: Public investment recorded a low disbursement rate



Source: MoF, RongViet Securities

Figure 10: The implemented result of recovery program

Disbursed: VND48,000 bn/ Plan: VND347,000 bn

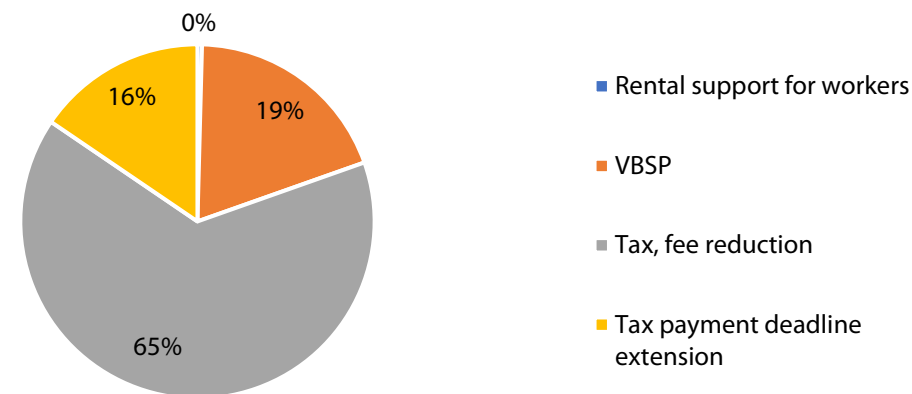
13,8%

Capital Allocation:

- The 2% interest rate support package for 2022: VND16,035 bn/ Plan: VND40,000 bn.
- Completed investment procedures for 91 projects in the recovery program: VND146,898 bn/Plan: VND176,000 bn

Source: MPI, RongViet Securities

Figure 11: Breakdown of the disbursement of recovery program

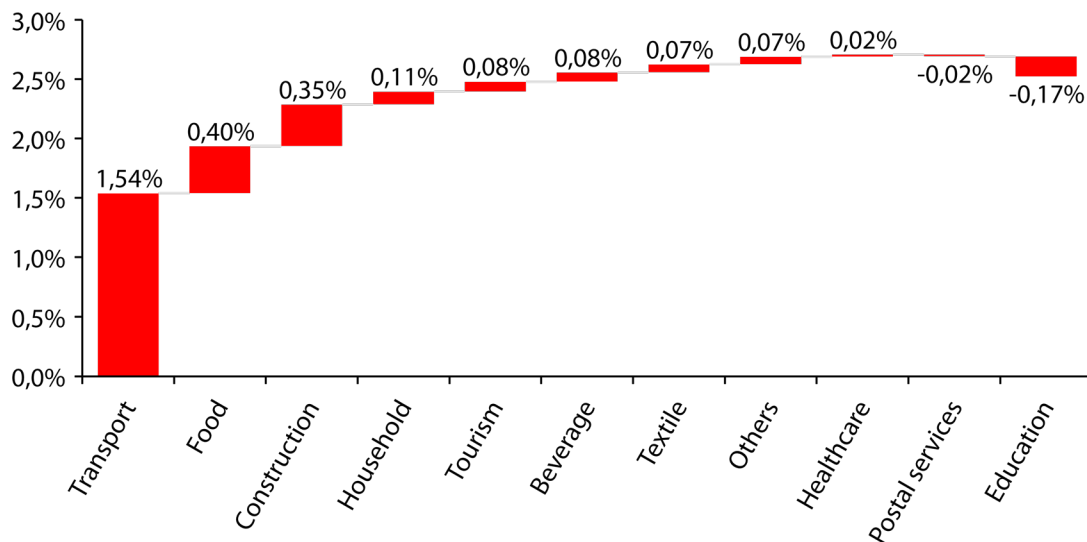


Source: MPI, RongViet Securities

- **We expect GDP growth to accelerate in 3Q22 and then slow down from the end of the year:**
 - ✓ In 2H22, GDP growth may reach over 8% thanks to 1) the low base effect; 2) relatively stable manufacturing activities, and 3) the recovery of the tourism and services sectors. In the base case scenario, we expect full-year 2022 growth to reach 7.3%.
 - ✓ In 2023, the Government may set a conservative target of 6.0-6.5% as recession risks in major economies are possible. If the global economy falls into recession, Vietnam's growth could only reach about 5.0-5.5% (excluding the Covid-19 period). We expect economic growth in 2023 at 6.1-6.3%. The disbursement of public investment is currently slow and weak; however, the acceleration of public investment could be the catalyst for next year's growth.
- **The impact of high oil prices on other goods will become more apparent:**
 - ✓ Oil price may decrease in the short term, but the risk of a rebound is quite high. Assuming the average oil price in 2H22 is above \$120/barrel, annual average inflation is estimated at 4.5%. In case the oil price is on average at \$100/barrel, inflation will be able to stay at 4.0%.
 - ✓ The second-round impact of oil prices on other goods will continue to be reflected in 1H23 inflation. Most oil price forecasters expect prices to fall in 2023, however, we are not too optimistic because: 1) the Russian-Ukrainian war has not ended; 2) China's economic recovery may push energy demand. The baseline scenario for inflation in 2023 is about 4.0-4.5%.

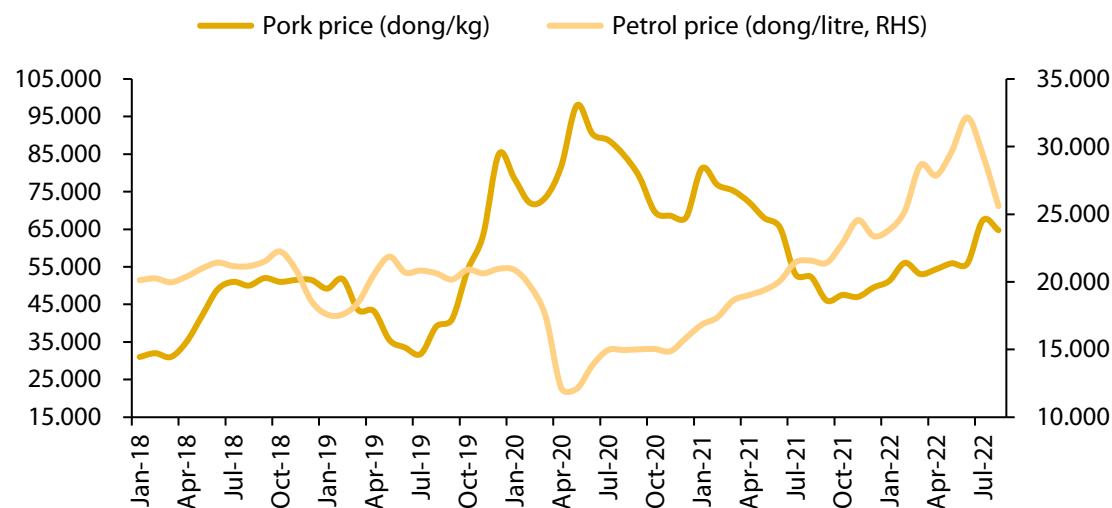
- **In the base case, average oil prices trading at below \$120/barrel for the rest of 2022 will be a tailwind for Vietnam's inflation.**
- In the short term, controlling inflation will be the Government's top priority. Rising budget revenue with slow public investment might create room for fiscal support to control gasoline prices or government-regulated prices.
- **The second-round impact of gasoline prices on prices of other goods will be the main factor affecting inflation in 2H22 and 1H23.** The upward adjustment of the environmental protection tax on gasoline may cause pressure for next year's inflation.

Figure 12: Contribution to Vietnam's CPI in 7M22



Source: GSO, RongViet Securities

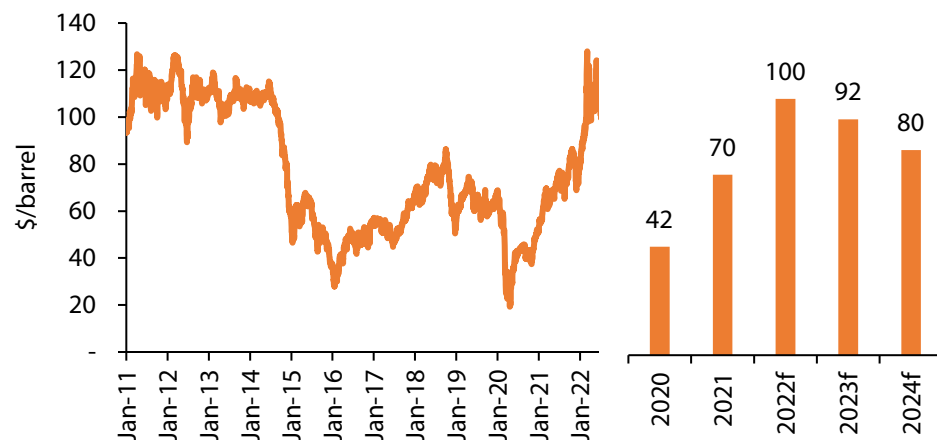
Figure 13: Petrol price vs. pork price



Source: Vietnambiz, PLX, RongViet Securities

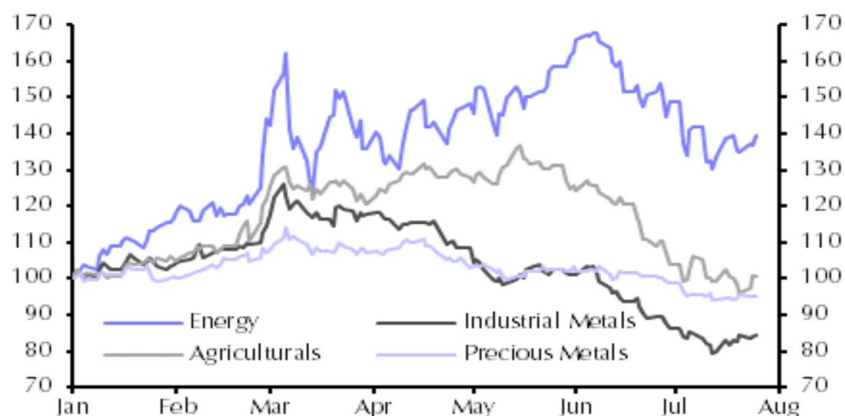
- **External volatilities and impact on Vietnam**
 - ✓ Global commodity prices outlook and domestic inflation.
 - ✓ The race to hike rates by global central banks and the pressure on Vietnam's money market.
 - ✓ Global recession risk & export outlook.
- **How much will Vietnam's interest rates increase?**
 - ✓ Domestic inflation is key fundamental for the interest rate outlook ([see more on Page 19 about Vietnam's inflation outlook](#)).
 - ✓ Have the increases in domestic interest rates during 7M22 fully reflected future expectations?
 - ✓ Monetary policy and interest rate outlook.
- **Public investment can be a catalyst for economic growth**
 - ✓ Public investment disbursement is expected to accelerate in the last quarter of the year.
 - ✓ Assess the reasons for slow disbursement of public investment and identify the possibility of removal.

Figure 13: Brent oil price and forecast



Source: Bloomberg, Worldbank, Rong Viet Securities

Figure 14: Global commodity prices



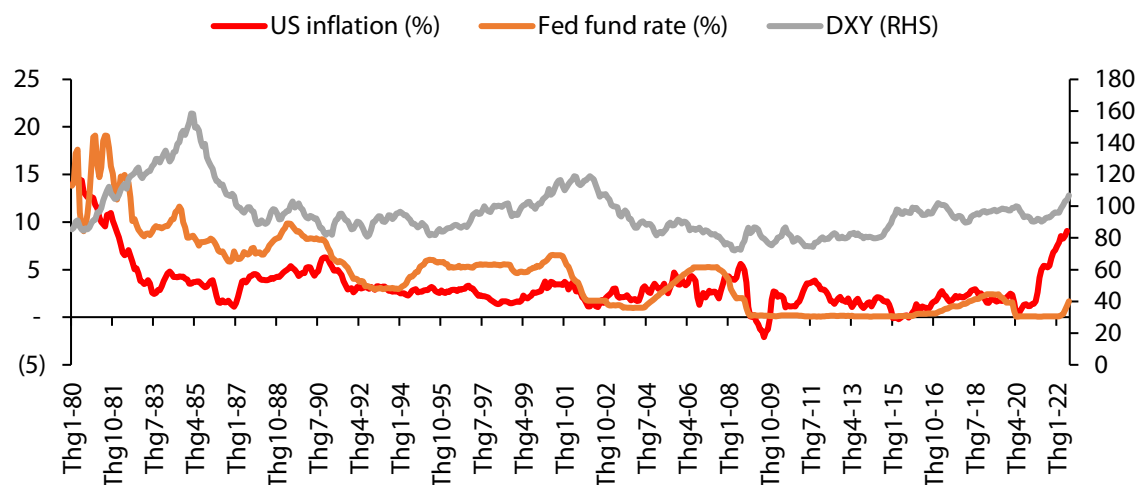
Source: Capital Economics, Rong Viet Securities

- **The recent drop in oil prices is mainly due to concerns about the risk of economic recession**, but oil supply shocks could happen at any time, so there is still a high probability for prices rising again and anchoring at above \$100/barrel.
- China's economic recovery is expected to be slow. Global supply chain disruptions will be alleviated thanks to a less stringent zero-Covid policy but recovering demand might boost commodity prices.
- Non-energy commodities have dropped significantly compared to the beginning of the year, and demand for commodities has also declined amid concerns about an economic recession. However, the supply risks have not completely disappeared, and at the same time, sustained high energy prices will affect the production and transportation costs of the remaining goods.
- Global commodity prices will remain at a high level in the second half of 2022 and 2023. **Pressure from the disruption of the global crude oil supply remains the biggest risk to Vietnam's inflation outlook.**

Figure 15: Policy rates outlook of global central banks

Central Bank	Since Start of 2022	3Q22F	4Q22F	2022	End 2022 (%)
China	-10 bps	-15 bps	-	-25 bps	3.55
Japan	-	-	-	-	-0.10
Thailand	-	-	25 bps	25 bps	0.75
Malaysia	25 bps	50 bps	-	75 bps	2.50
Indonesia	-	50 bps	50 bps	100 bps	4.50
Philippines	50 bps	50 bps	50 bps	150 bps	3.50
Korea	75 bps	50 bps	25 bps	150 bps	2.50
India	90 bps	50 bps	25 bps	165 bps	5.65
Australia	75 bps	40 bps	50 bps	165 bps	1.75
New Zealand	125 bps	50 bps	50 bps	225 bps	3.00
Canada	37.5 bps	12.5 bps	12.5 bps	62.5 bps	1.75
EU	-	75 bps	-	75 bps	0.75
UK	100 bps	50 bps	50 bps	200 bps	3.25
US	225 bps	150 bps	50 bps	350 bps	3.75

Source: UOB, CME Fed Watch, Rong Viet Securities

Figure 16: US inflation, Fed fund rate and DXY Index


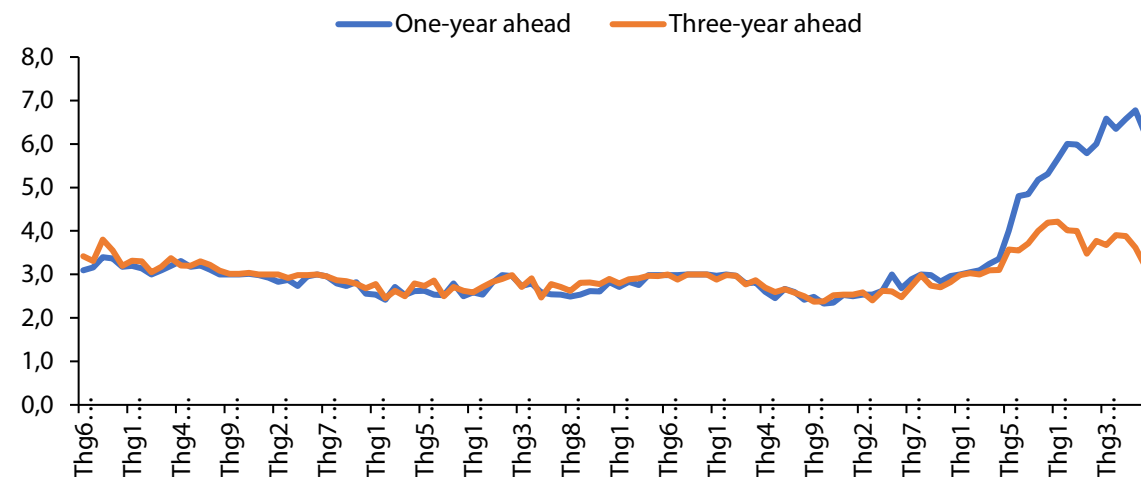
Source: FRED, Bloomberg, Rong Viet Securities

- Currently, US inflation is at its highest level since the 1980s. Meanwhile, the DXY index is at its highest level since 2002.
 - Although the Fed has been very hawkish in hiking rates since 2Q22, the Fed's policy rates have only reached the 2019 level.
- The sharp increase of the USD index has reflected the Fed's expectation of hiking rates in the remaining months of 2022 and the different paces of monetary tightening among other central banks. **It is questionable whether the dollar's rally lasts in the context of slowing economic growth.**
- Although the Fed may consider the risk of a recession in the upcoming interest rate hikes, **the pace of monetary policy tightening is still highly dependent on inflation expectations.**

Figure 17: Global GDP projection

	2020	2021	2022f	2023f
World Output	-3.1	6.1	3.2	2.9
Advanced Economies	-4.5	5.2	2.5	1.4
United States	-3.4	5.7	2.3	1.0
Euro Area	-6.3	5.4	2.6	1.2
Germany	-4.6	2.9	1.2	0.8
France	-7.9	6.8	2.3	1.0
Italy	-9.0	6.6	3.0	0.7
Spain	-10.8	5.1	4.0	2.0
Japan	-4.5	1.7	1.7	1.7
United Kingdom	-9.3	7.4	3.2	0.5
Canada	-5.2	4.5	3.4	1.8
Emerging Market and Developing Economies	-2.0	6.8	3.6	3.9
Emerging and Developing Asia	-0.8	7.3	4.6	5.0
China	2.2	8.1	3.3	4.6
India	-6.6	8.7	7.4	6.1
ASEAN-5	-3.4	3.4	5.3	5.1

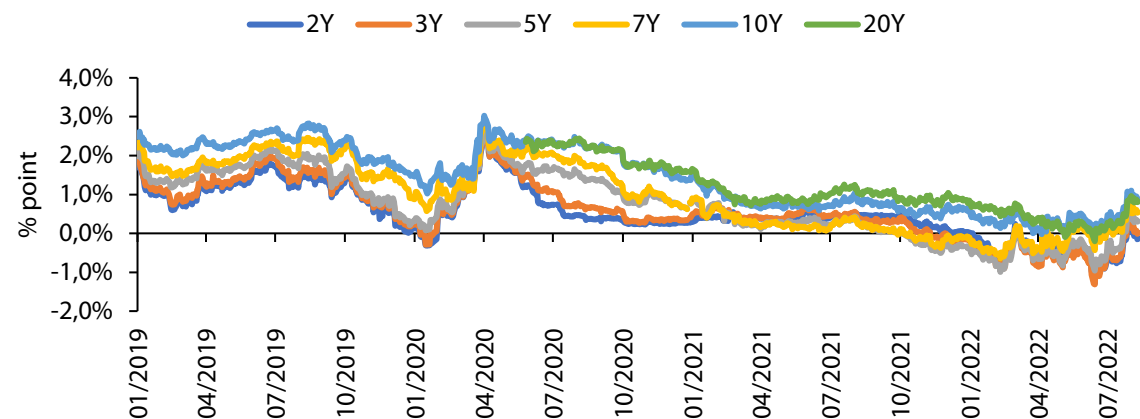
Source: IMF WEO Jul 2022, Rong Viet Securities

Figure 18: US Inflation expectation


Source: FT, Rong Viet Securities

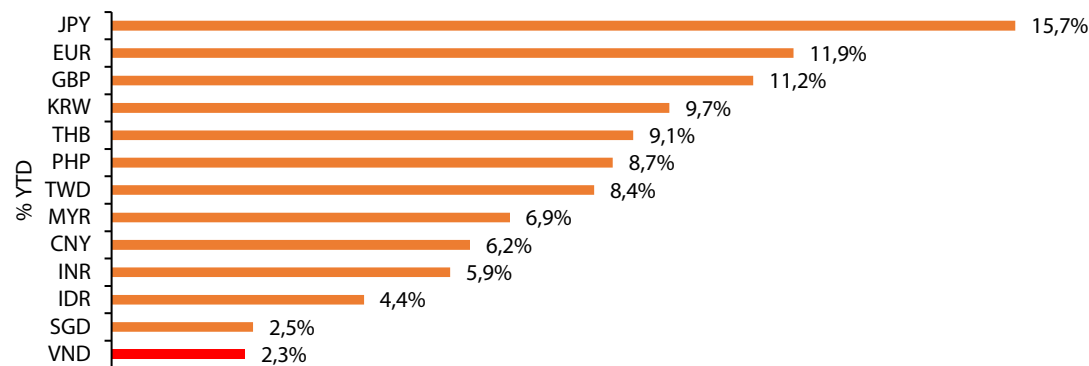
- The IMF forecast predicts that GDP growth of advanced economies in 2023 will walk a fine line between expansion and contraction. However, the US economy is expected to grow better than most developed economies. According to Goldman Sachs, the risk of the US, European, and UK economies falling into recession in 2023 is 30%, 40%, and 45% respectively. But the degree of economic contraction will not be serious. As a result, **the strength of the USD will be maintained, meaning that the DXY index will be anchored at a high level.**
- According to the results of the New York Fed's monthly survey, US consumers expect inflation to grow at a rate of 6.2% next year and 3.2% over the next three years. Although inflation might have peaked in June. Inflation expectations are still high, **the Fed's tightening cycle may slow down but it won't necessarily end in 2023.**

Figure 19: The gap between Vietnam G-bond yield and US bond yield



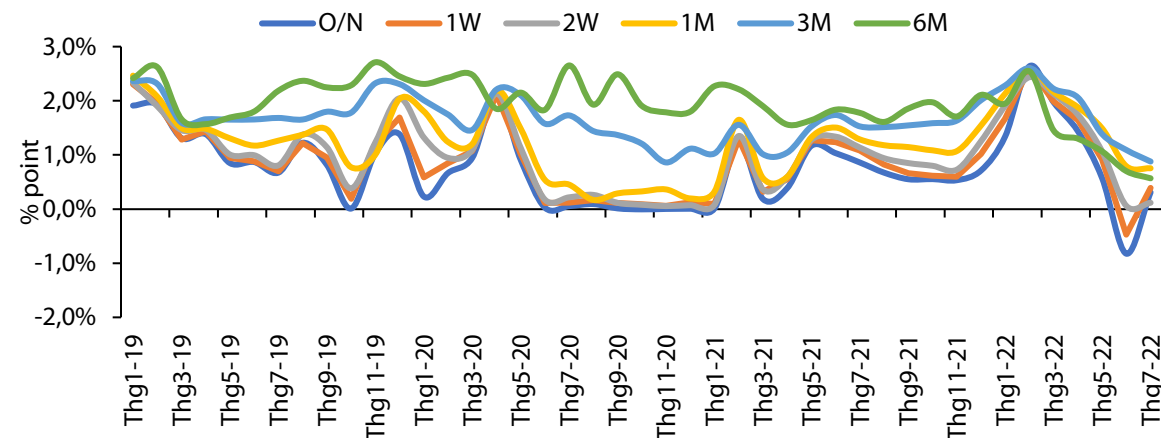
Source: Investing.vn, Rong Viet Securities

Figure 23: The dong depreciated the least compared to other currencies



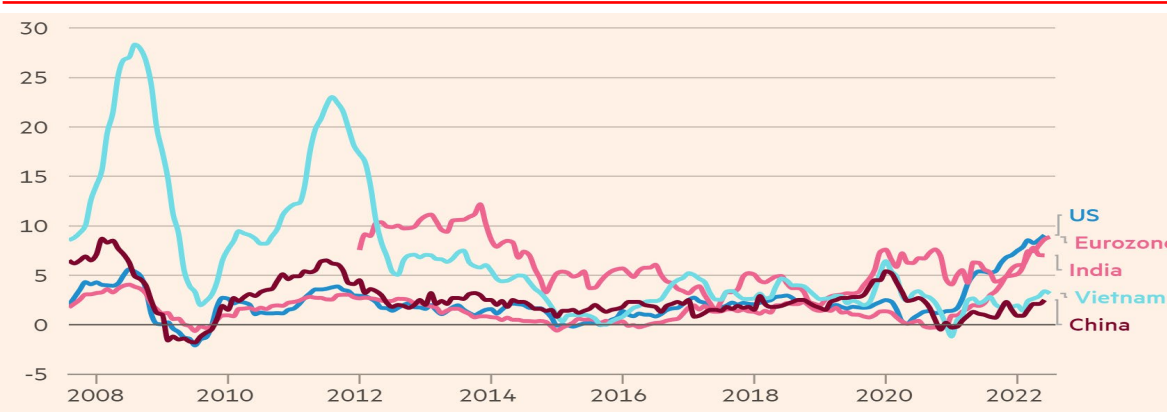
Source: Bloomberg, Fiinpro, RongViet Securities

Figure 20: The gap between VND O/N rate and USD O/N rate



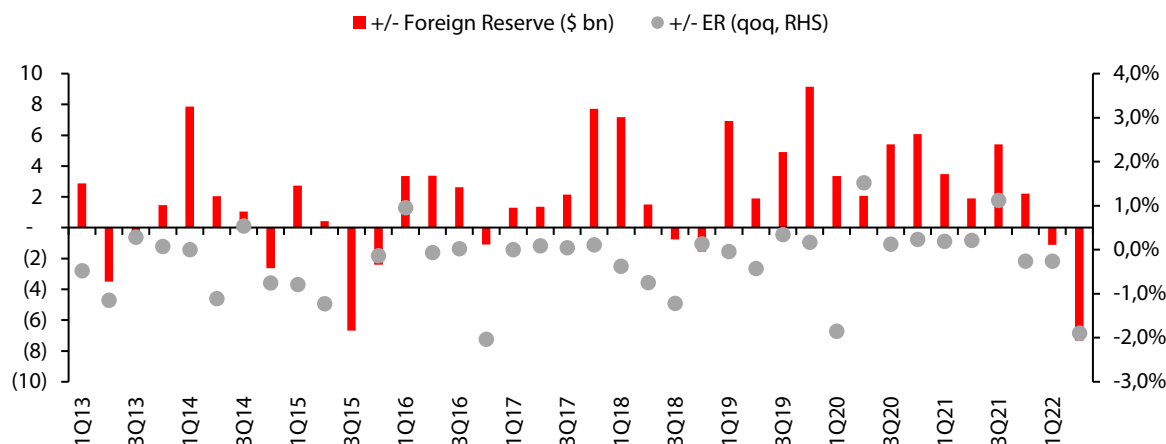
Source: SBV, Rong Viet Securities

Figure 22: Vietnam's inflation was lower than that of most countries (%)



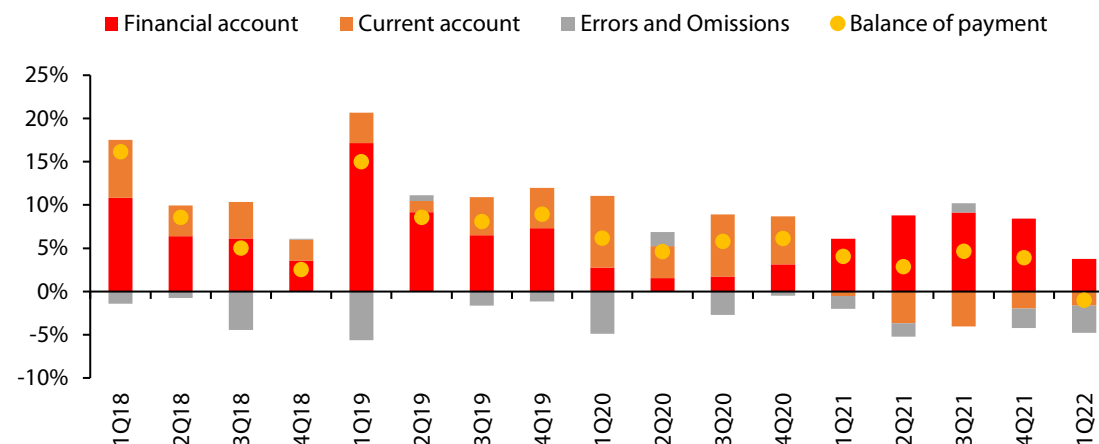
Source: FT, RongViet Securities

Figure 23: The SBV has sold USD at a record level



Source: VCB, Bloomberg, RongViet Securities

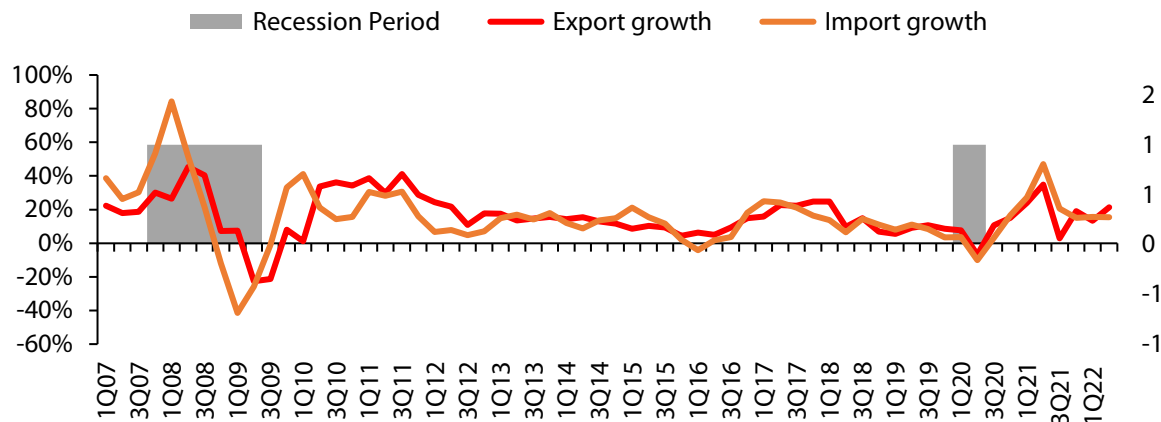
Figure 24: Weakening balance account



Source: SBV, RongViet Securities

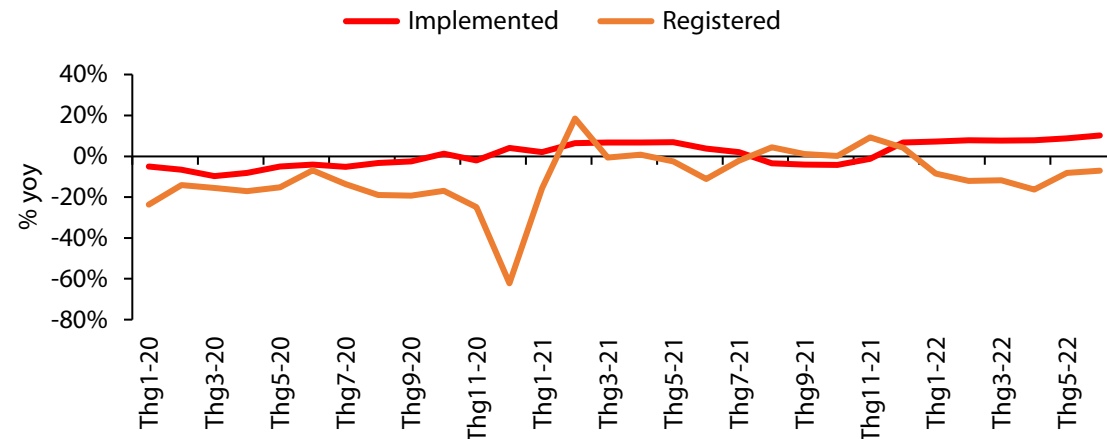
- We see that **the factors that put pressure on the USDVND exchange rate during the past period**, including strong USD, and quick and aggressive monetary policy tightening by the Fed **have somewhat cooled down**.
- However, also because of huge pressure in the first months of 2022, **Vietnam's foreign exchange reserve buffer is shrinking, and the balance of payments outlook is no longer as positive as before** in the context of weakening global growth. We believe that the strength of these buffers will be tested in the last months of the year, the Fed's rate hike at the Sep 2022 meeting will be an important test.
- In the base scenario, **we expect the dong depreciation to slow down for the rest of 2022 but pressure could return in early 2023**.

Figure 25: Vietnam trade growth dropped during global recession



Source: FRED, Customs, RongViet Securities

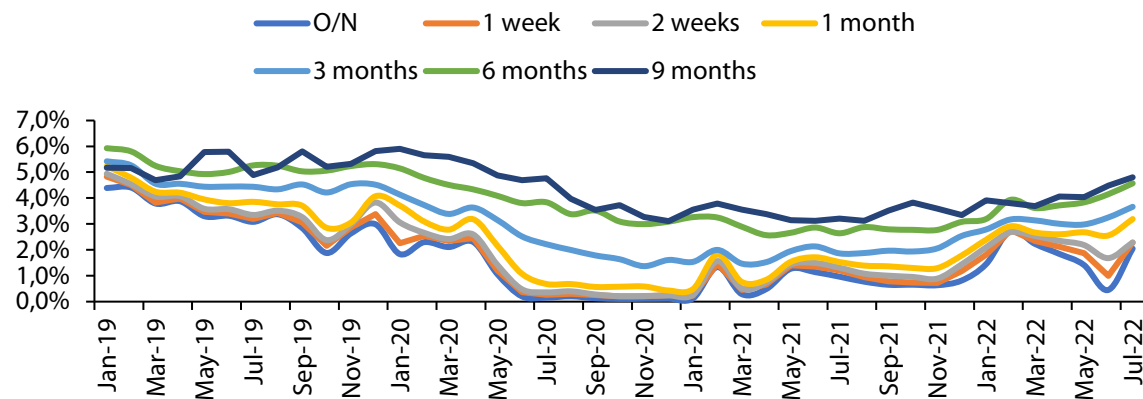
Figure 26: Implemented FDI recovered but registered FDI was weak



Source: GSO, RongViet Securities

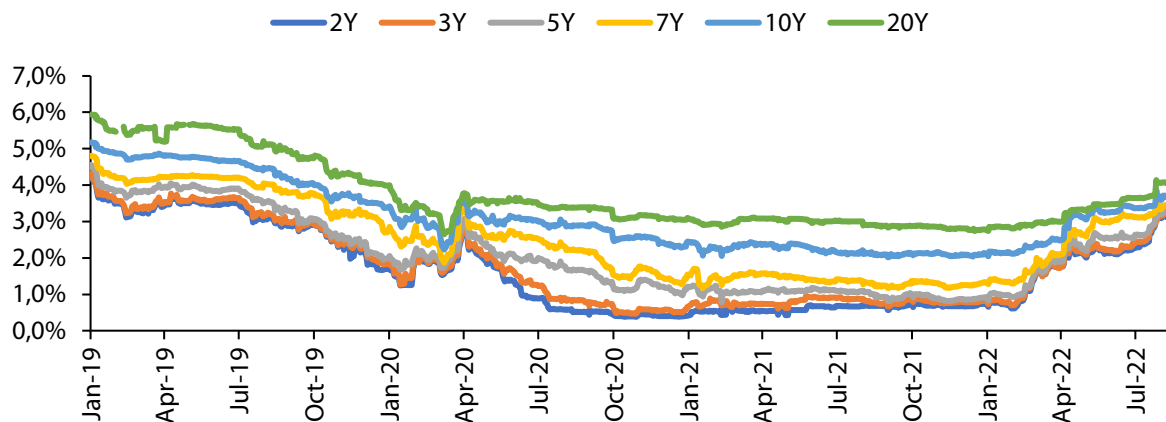
- **The export outlook in 2H22 could be less favorable than 1H22, albeit positive growth remains.**
- The economic crisis in 2008-09 caused a sharp decline in Vietnam's exports and imports, similarly, the recession triggered by Covid-19 in early 2020 also caused a drop in Vietnam's trade growth, but to a weaker extent.
- The recovery of FDI disbursement is a factor supporting the export growth of the FDI sector, however, exports of domestic enterprises will face more difficulties when global economic growth weakens.
- We expect that in 2023, the economic slowdown in key export markets will be less severe than in the 2008 and 2020 periods, at the same time, the FDI sector still plays a vital role in export growth. Therefore, **we expect export to grow in 2023 at a low single-digit level.**

Figure 27: VND Interbank interest rate by tenor



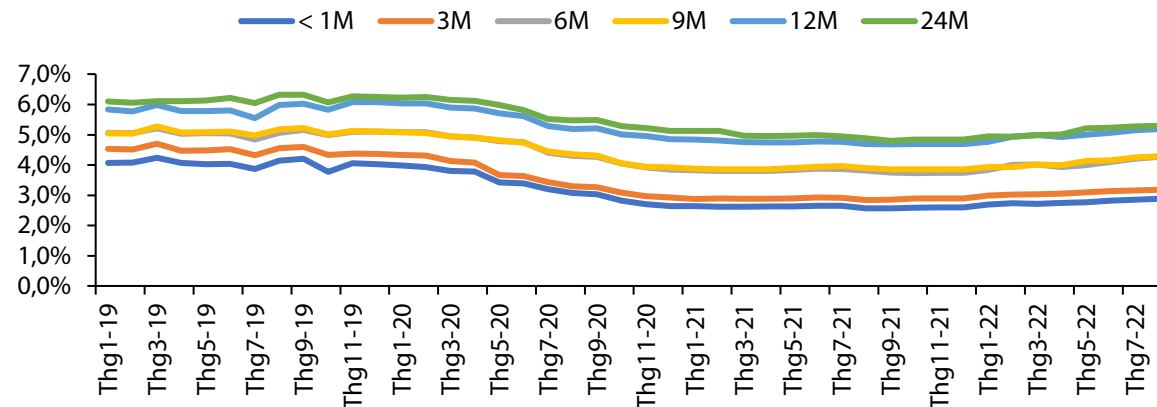
Source: SBV, RongViet Securities

Figure 29: Vietnam's G-bond yield by tenor (%)



Source: Investing.vn, RongViet Securities

Figure 28: Deposit interest rate by tenor (%)



Source: RongViet Securities compiled

- **Both short and long-term rates in the primary market have returned to pre-pandemic levels.** In the secondary market, **deposit interest rates rose at a different pace between groups of banks.**
- State-owned commercial banks have just raised interest rates recently with a small hike. Deposit rates of private commercial banks have increased by 50-100 basis points. Lending interest rates have been adjusted upward for short-term loans and new loans, while long-term loans have risen slower.

- All types of interest rates have increased except for the policy interest rate, since the start of 2022, the deposit interest rates of banks have increased by 0.5-1.0 percentage points, the sharp increase took place in deposit rate of 6-9 months.
- Interbank interest rates fluctuated in a wide range, but currently trading at the highest level since Jan 2019. Meanwhile, the OMO interest rate increased from 2.5% to 3.8%, equivalent to an increase of 1.3 percentage points. Government bond interest rates witnessed a stronger increase of 1.7-2.5 percentage points.

- We think **the SBV will continue to regulate the dong' liquidity in the banking system in the short term** to stabilize the exchange rate and respond to rate hikes of global central banks.
- A sharp increase in the policy rate might negatively affect the economic growth prospects in 2023. However, if the policy interest rate remains unchanged, external pressure will remain. As of end-2022, the Fed's interest rate could be raised to approximately 3.5-3.75% points, which is close to Vietnam's refinancing rate of 4.0%. **We think the SBV could consider hiking its policy rates in early 2023 with an increase of 50 bps.**
- **Lending interest rates are under pressure to increase sharply in 2H22 and 2023** due to 1) limited credit room; 2) deposit rates could continue to increase in 2H22 and 3) the dong's liquidity will not be abundant as the State prioritizes exchange rate stability and inflation control.
- **If domestic inflation can be controlled at 4.0%, it will be a tailwind for the interest rate outlook and vice versa.**

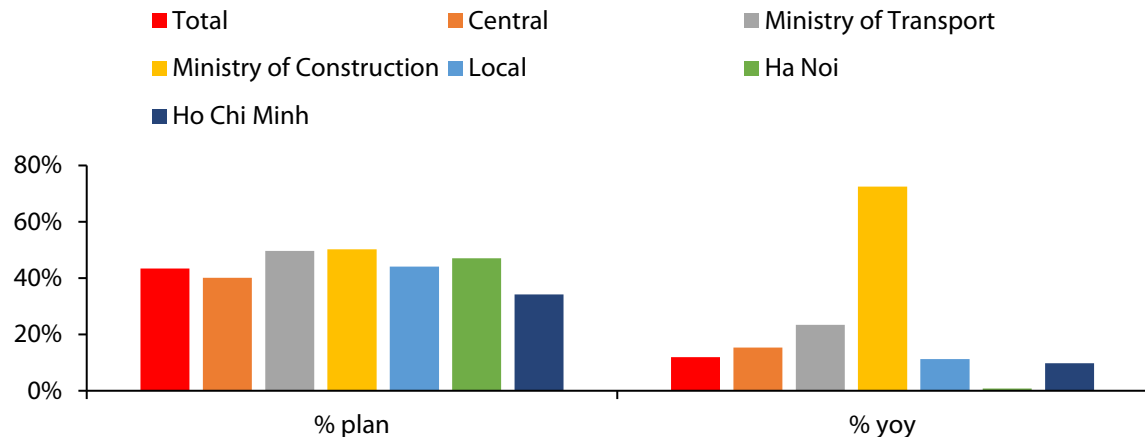
Figure 30: Reasons for slow disbursement of public investment

Reasons	Difficulties
Project preparation, investment procedures	It usually takes time at the beginning of the year, but most of the reason is due to institutional problems and inconsistent legal regulations.
Compensation, site clearance	Problems in determining land prices, land classification, procedures and time of acquisition.
Competence of the parties involved	The activeness of central and local leaders. Professional capacity of contractors and project managers.
Time of capital planning	2022 is the first year of implementing the medium-term public investment plan for the 2021-2025 period.
Impact of rising construction materials prices	Adjusting the unit price leads to change or adjustment of the project, the construction progress is slow.

Source: MPI, Rong Viet Securities

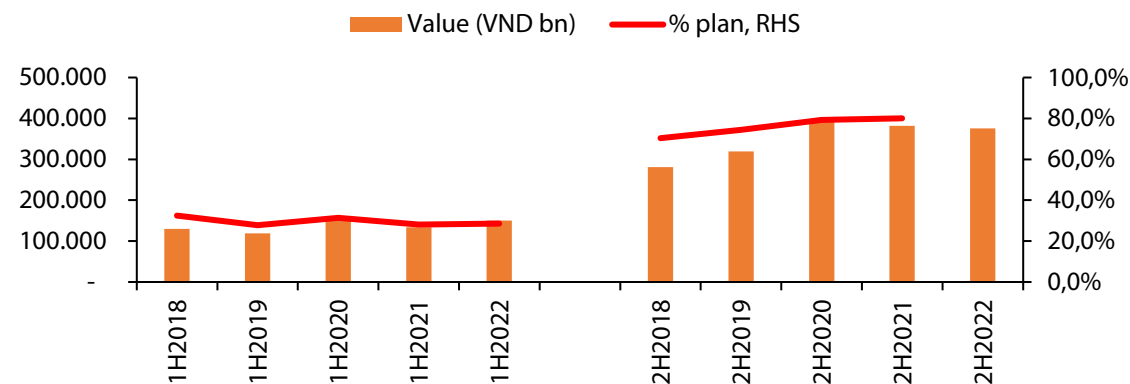
- Among the reasons mentioned above, we expect **only two factors could be removed in the short-term: 1) The time of capital planning and 2) The impact of construction materials.** Normally, it takes 6-8 months to complete the procedure, so the disbursement progress of newly started projects could be accelerated in the last months of the year. At the same time, having a policy to adjust contract prices and building material prices will also help speed up investment.
- **The first three causes will take a long time to change.**

Figure 31: Public investment disbursement results in 7M22



Source: GSO, RongViet Securities

Figure 32: Public investment disbursement usually accelerates in 2H



Source: MoF, RongViet Securities, 2H22's data is estimated based on the yearly plan

We expect a more positive public investment disbursement due to the following reasons:

- Usually, public investment capital is disbursed more strongly in the second half of the year, especially in 4Q.
- Investment projects under the economic recovery program have been allocated and approved, awaiting disbursement in the following year.
- Unresolved challenges in the short term will cause the disbursement of public investment capital in the first half of the 21-25 period to be delayed, the rapid acceleration may happen in the second half of the period (2023-25).

Summary:

1. The economic growth momentum will gradually weaken, not taking into account the low base effect. However, inflation under control is a factor to help rebalance the macro picture in the coming time.
2. External pressures have weakened compared to at the start of 2022, but the risks of commodity supply shocks have not completely disappeared.
3. Internal buffers to cope with external risks are weakening, so stronger pressure will make it more difficult to maintain stable macroeconomic balances.
4. Interest rates in the economy have risen in the primary market in both short-term and long-term terms. Interest rates hike in the secondary market will lag and the average increase may be lower than what has happened in the primary market. The policy interest rate may be hiked in early 2023 with an increase of 50 bps.
5. Expectations for an acceleration in public investment remain, and the impact of public investment on economic growth often lags.

Figure 33: Vietnam macroeconomic indicators

	2020	2021	2022f	2023f
GDP growth (%)	2.9	2.6	7.3	6.1-6.3
Average CPI (%)	3.2	1.8	4.5	4.0-4.5
Exports (%)	7.0	19.0	12.3	5.0
Imports (%)	3.8	26.5	13.4	4.0
Trade balance (\$ bn)	19.9	4.4	1.5	4.8
Exchange rate (USD/VND)	23,098	22,826	23,400	23,868
Credit growth (%)	12.2	13.6	16.0	14.0
Rediscounting rate (%)	2.5	2.5	2.5	3.0
Refinancing rate (%)	4.0	4.0	4.0	4.5

Source: GSO, SBV, Customs, RongViet Securities

Things to happen		Probability/Forecast	Impact on Vietnam
Oil price to overshoot 150\$/bbl	Russia stops/reduces oil exports in response to the Western's act of imposing a ceiling price on Russian crude oil.	A cut of 3 million bpd would push oil prices up to \$190/bbl. A cut of 5 million bpd would push oil prices up to \$380/bbl, according to JPMorgan.	This scenario would negatively impact both inflation and growth prospects. The magnitude of the impact will depend on how long it takes for oil prices to stay at this level.
Large-scale and prolonged lockdown in China	The pandemic spread on a large scale, and the number of deaths increased rapidly.	China's vaccine coverage: 89.7%; 61.0% of people over 80 years old are fully vaccinated; and 56% of the population received the 3rd dose. The probability is low, but a temporary local lockdown can happen.	The partial lockdown will drag down China's economic growth as happened in the second quarter of 2022. Since this is a repeat risk, we don't think the direct impact on Vietnam will be serious.
Global recession	Negative GDP growth but inflation has been cooled down.	The risk of the US, European and UK economies falling into a recession in 2023 is 30%, 40% and 45% respectively, but the magnitude of the next recession (if any) will not be severe, according to Goldman Sachs.	This risk brings both advantages and challenges to Vietnam. The advantage is that the pressure to tighten monetary policy will decrease both at home and abroad. The challenge is that a negative industrial production growth outlook will drag down economic growth.
Stagflation risk	Weak economic growth goes along with high and sustained inflation.	Low probability to happen	We believe that this scenario has the same negative impact as the scenario where oil price rises above \$150/bbl.

MARKET OUTLOOK

BRACING FOR A HIGH VOLATILITY FUTURE



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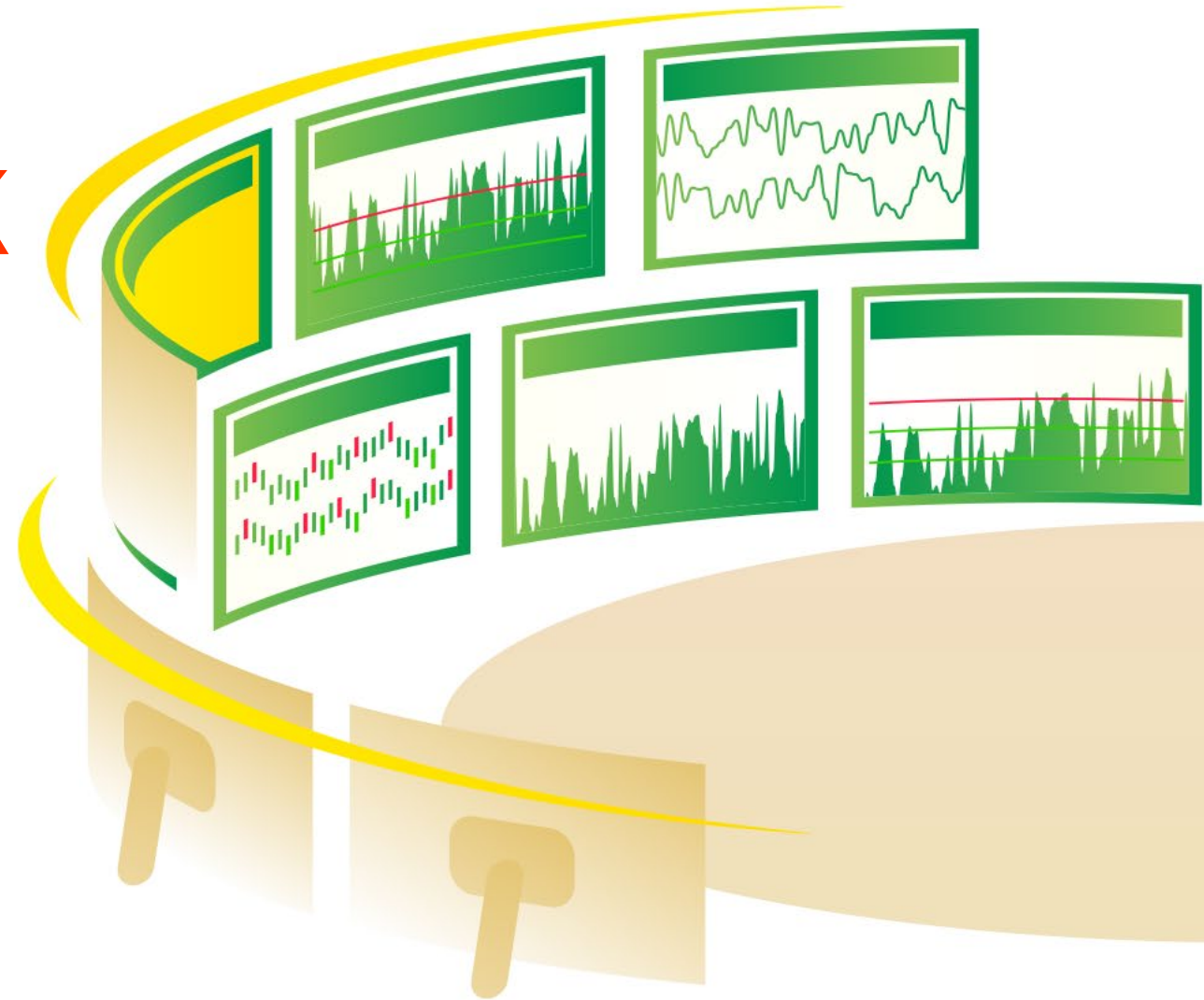
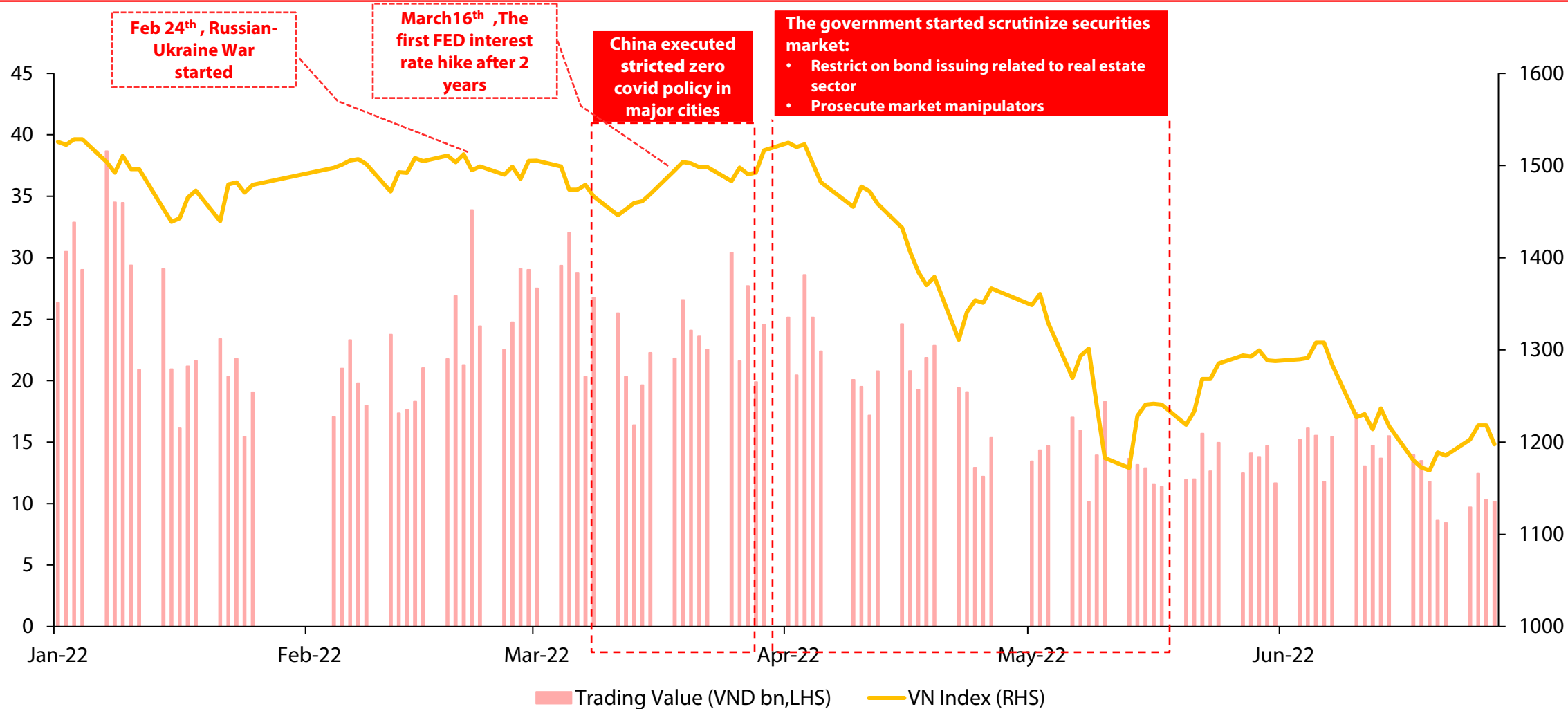
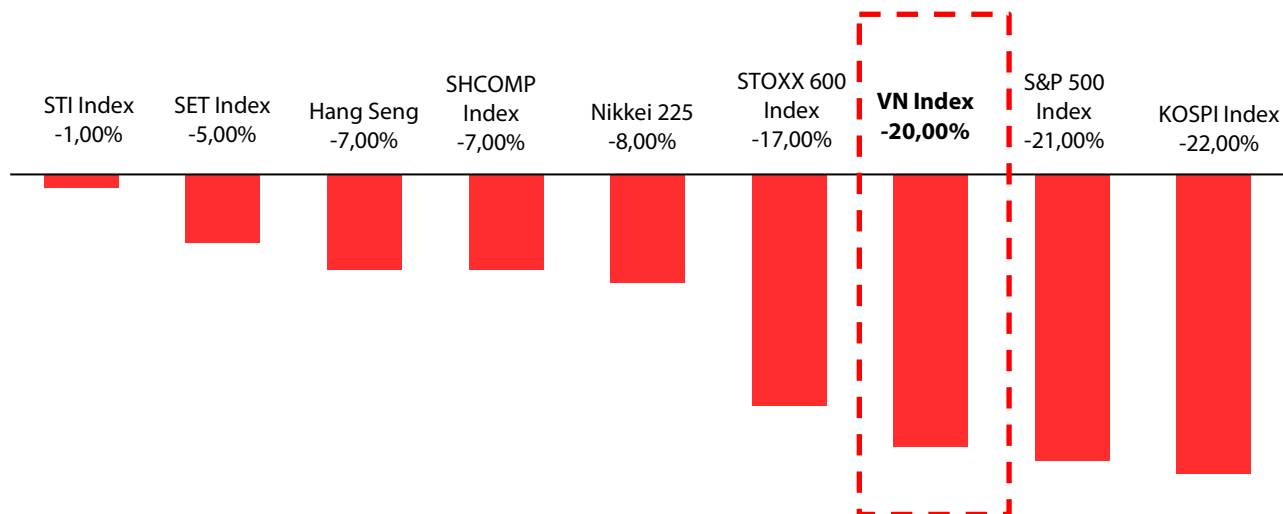


Figure 1: VN-Index recap in 1H2022



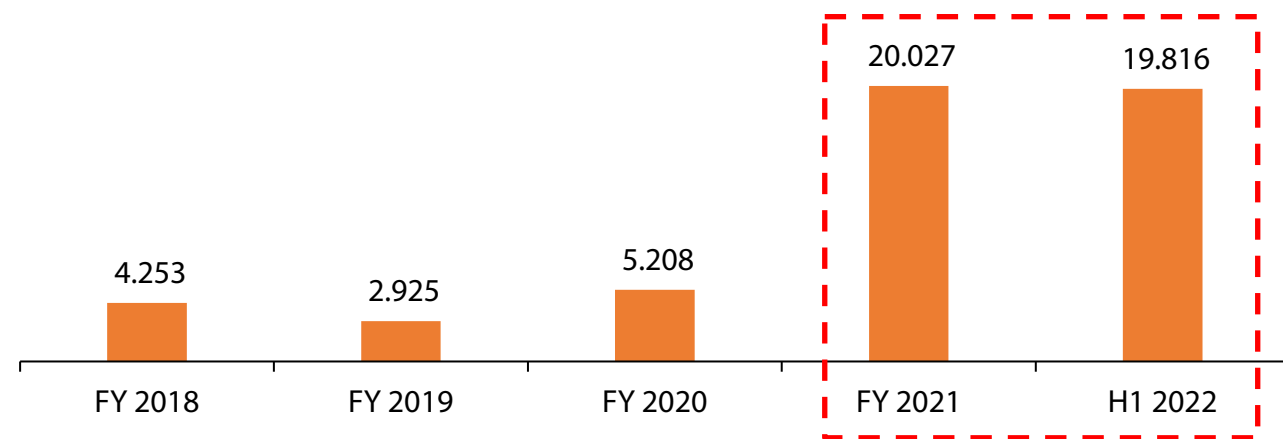
Source: Bloomberg, Rong Viet Securities, (*) Updated as of June 30th, 2022

Figure 2: VN-Index vs other major indices (%)



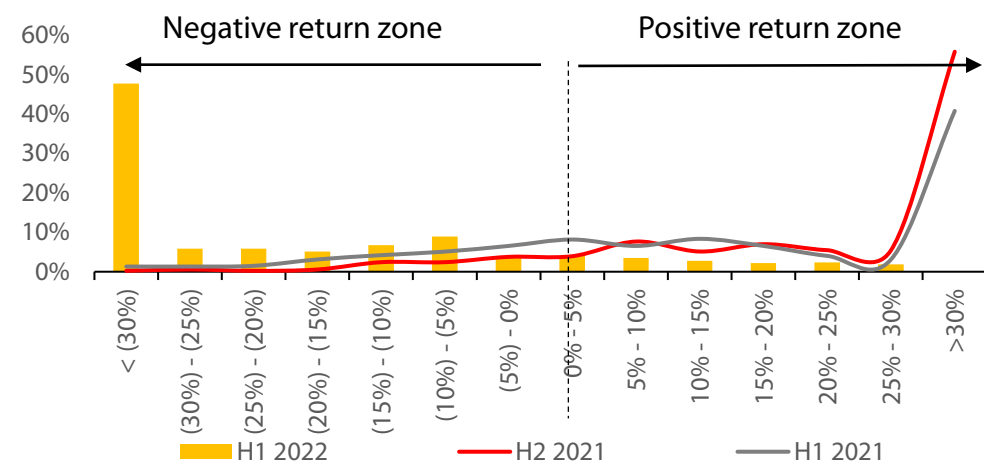
Source: Bloomberg, Rong Viet Securities

Figure 3: Historical average daily matching-order trading value (VND Bn)



Source: Bloomberg, Rong Viet Securities

Figure 4: Stock return distribution on HSX and HNX (%)



Source: Bloomberg, Rong Viet Securities

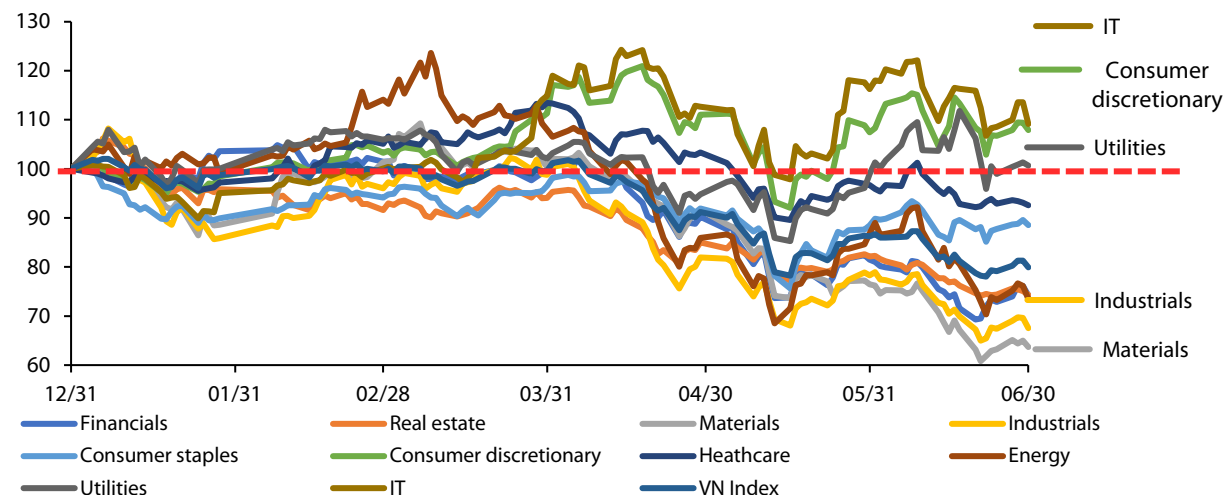
- VN Index turned in to bear market in 1H2022, which is similar with other popular indices due to geopolitical risk and hawkish monetary policy from major Central Banks as inflation spiked higher than expected (Figure 2).
- Liquidity evaporated in later 1H2022. However, daily average trading value still reached ~ VND20,000 bn or ~\$858.37 mn in 6M2022, which was close to all time high level in 2021 and still a boom compared to 2020 and before (Figure 3).
- Return distribution witness an opposite with the last two halves as there were 83% of stocks have YTD negative return of above 30%.

Table1 : Performance by market cap in 1H2022

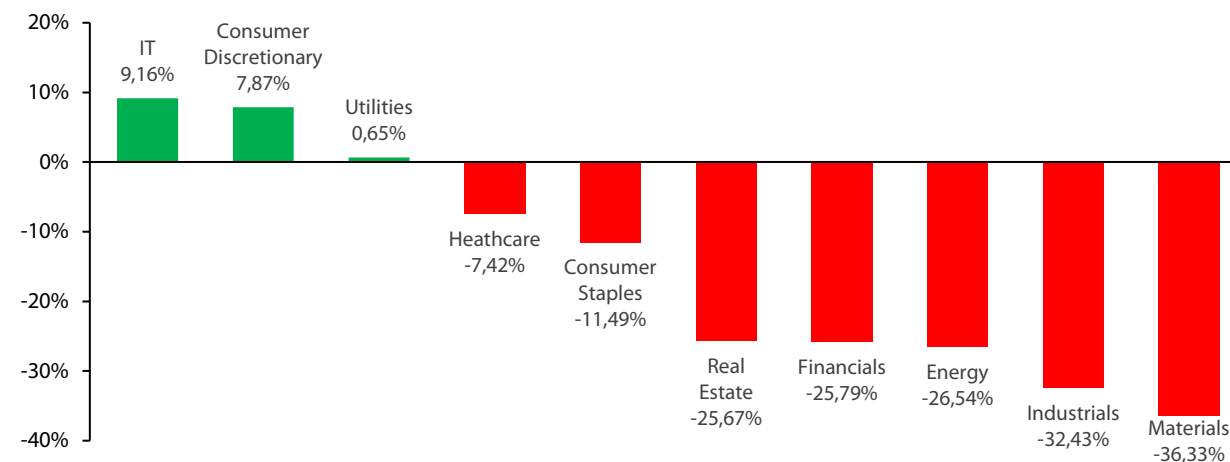
	VN30		VNMid		VNSmall	
	ADTV (billion VND)	Price change	ADTV (billion VND)	Price change	ADTV (billion VND)	Price change
1H2021	9,208	42.79%	4,340	33.04%	1,786	29.46%
2H2021	9,497	0.44%	7,539	32.60%	3,703	55.99%
1H2022	7,052	-18.67%	8,051	-29.69%	3,376	-34.48%

Source: Rong Viet Securities compiled

- By Cap Size, Small Cap and Mid Cap group were the hardest hit group with return of -34.48% and -29.69% respectively.
- Among sectors, only 3 sectors had positive returns for the 1st half. IT took the lead with 9.16% return. In which, the tech giant, FPT(+12.2%) led the sector. In contrast, energy (-26.54%), industrials(-32.43%), materials (-36.33%) were the laggards. Notably, there were 5 sectors had negative return above 25% including Real Estate and Financials, which account a major part of total market cap.

Figure 5: Sector performance in 1H2022


Source: Bloomberg, Rong Viet Securities

Figure 6: Sector return in 1H2022


Source: Bloomberg, Rong Viet Securities

Retail investors

- As retail investors still dominated total trade on the market, movement of retail investors have strong correlation with market performance.
- In 1H2022, retail investors maintained net buying position with accumulated amount of VND 6,702 billion or ~\$287.64 mn. However, strong sell pressure from retail investors pushed market turn in to bearish territory as showed in figure (7).

Figure 7: YTD Monthly net buying/selling by local retail investor on HSX

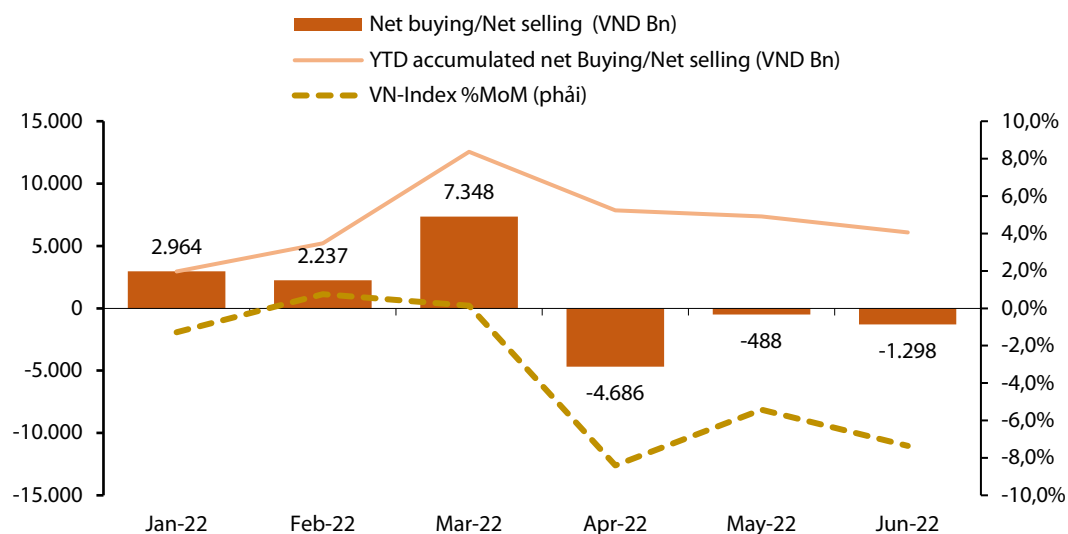
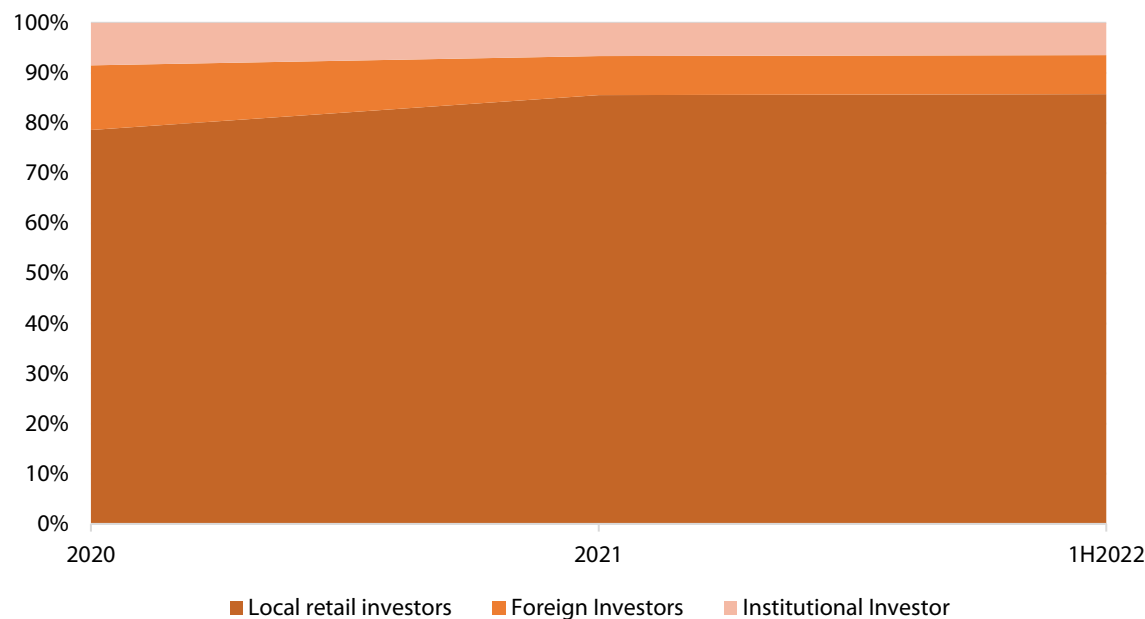


Figure 8: Trading value breakdown by investor (VND bn)

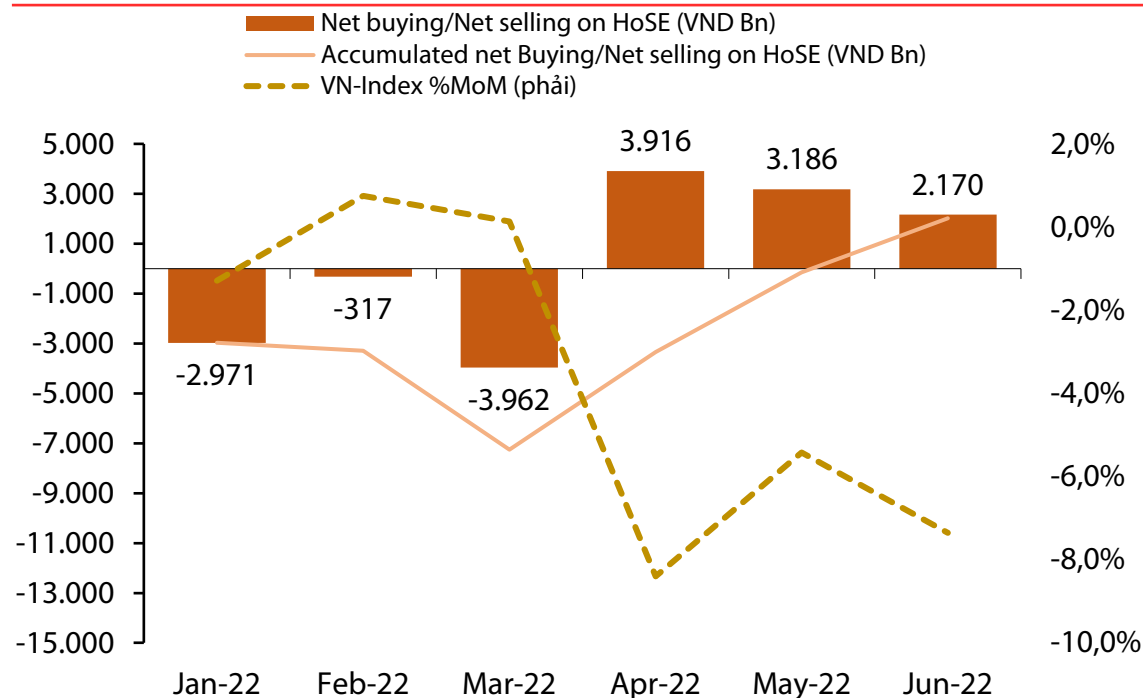


Source: Fiinpro, Rong Viet Securities

Foreign investors and foreign capital flow

- In contrast to retail investors, foreign investors kept buying since market changed direction, which made their accumulated amount turn positive from May and ended up the first half at VND 2,022 billion or ~\$86.78 mn.
- In another statistics, Vietnam Capital from foreign portfolio investment (FPI) to Vietnam equity market posted a positive number in 1H2022 as showed in table 2

Figure 9: Monthly net buying/selling by local foreign investor on HSX YTD



Source: Fiinpro, Rong Viet Securities

Table 2: Foreign portfolio investment flow to equity market

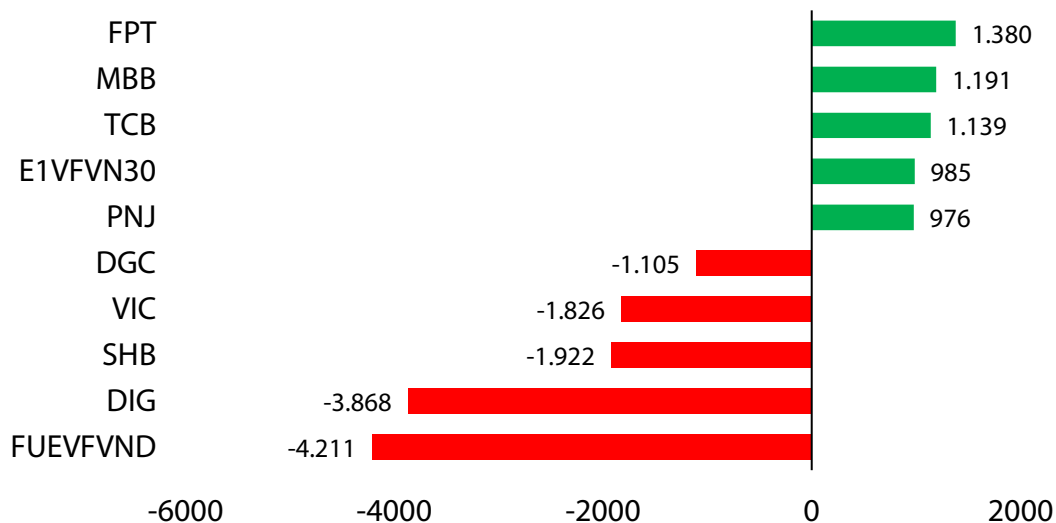
Countries	Foreign Capital Flow (\$ mn)		
	1M	QTD	YTD
India	2,650	3,486	-25,071
Indonesia	113	-37	4,231
Japan	452	5,415	5,988
Maylaysia	230	257	1,718
Philippines	-181	-261	-1,037
S.Korea	1,540	2,765	-13,184
Sri Lanka	-3	-1	-9
Taiwan	-651	-1,276	-35,346
Thailand	685	813	4,255
Vietnam	115	129	97

Source: Bloomberg, Rong Viet Securities

Local institutional investors

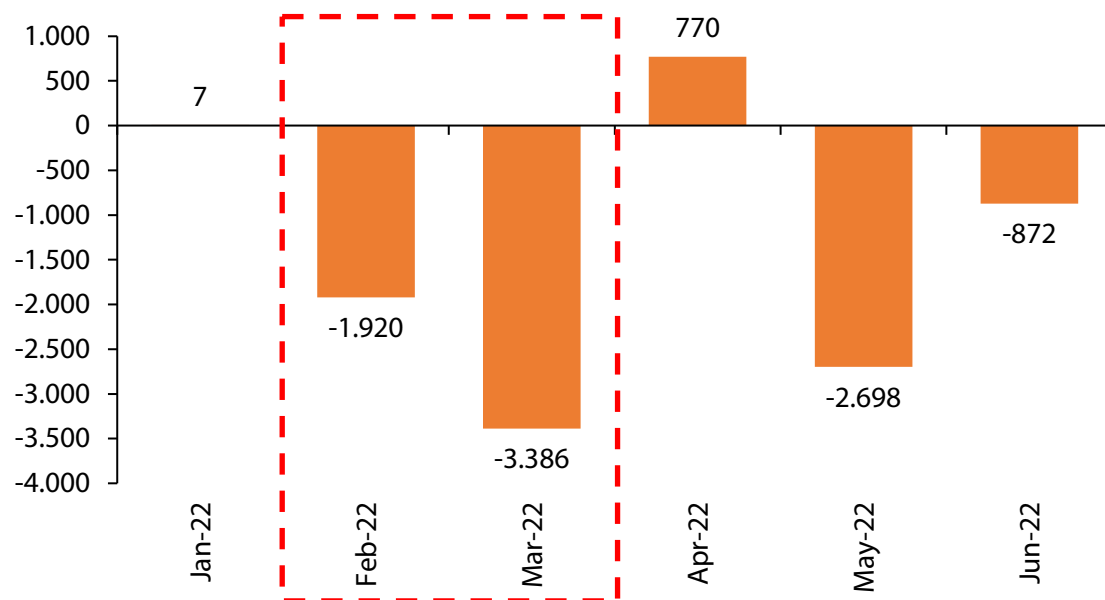
- Local institutional investors almost net sold in most of time of 1H2022 and end with a net selling position of VND -8,099 billion or ~ - \$347.6 mn. Notably, they strongly sold right before the market correct beginning in April.

Figure 10: Top net sold/bought stocks by local institutions in 1H2022 (VND bn)



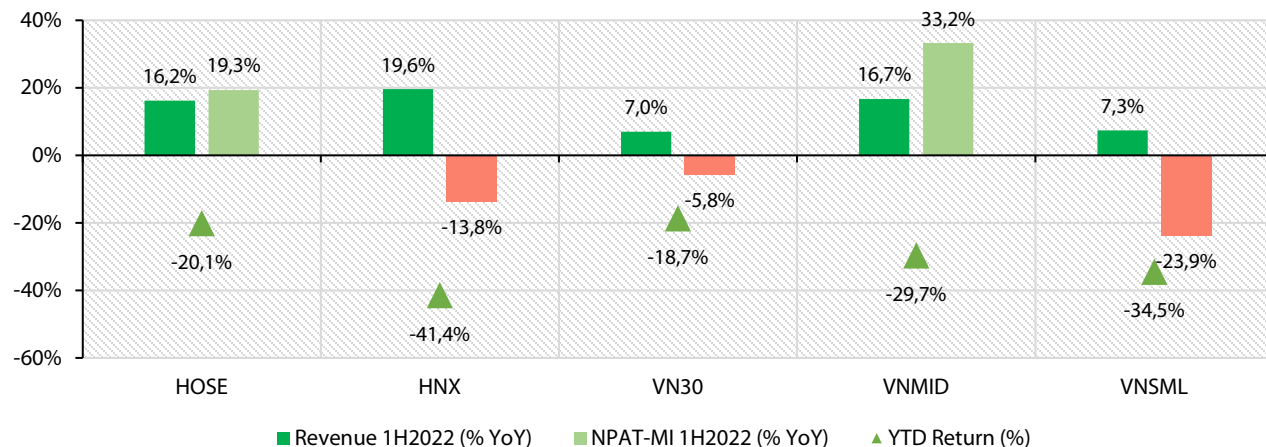
Source: Fiinpro, Rong Viet Securities

Figure 11: Trading activity by local institutional investors on HSX (VND bn)



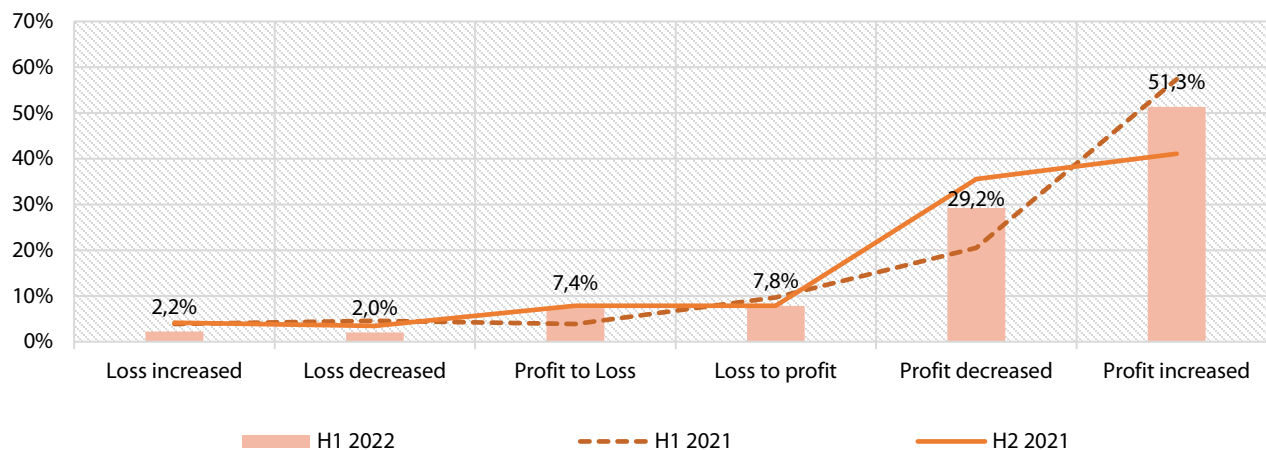
Source: Fiinpro, Rong Viet Securities

Figure 12: Earning results (%YoY) and stock return YTD (%)



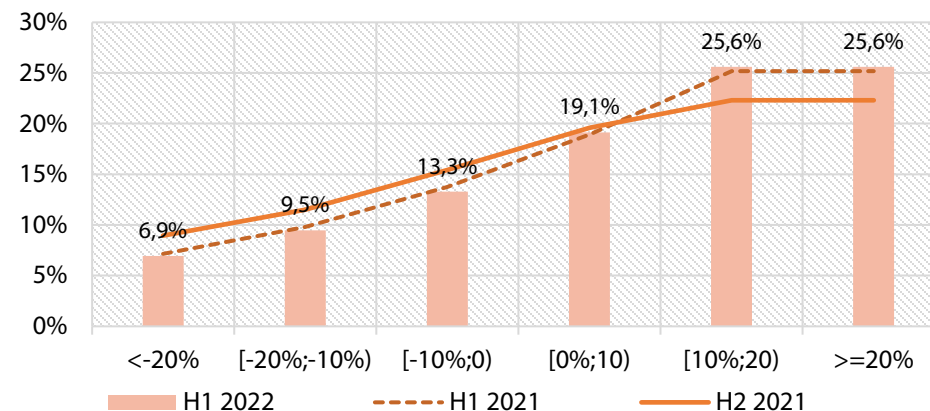
Source: Bloomberg, Rong Viet Securities

Figure 14: Earnings results distribution on HOSE and HNX (%)



Source: Bloomberg, Rong Viet Securities

Figure 13: Revenue growth distribution on HOSE and HNX (%)

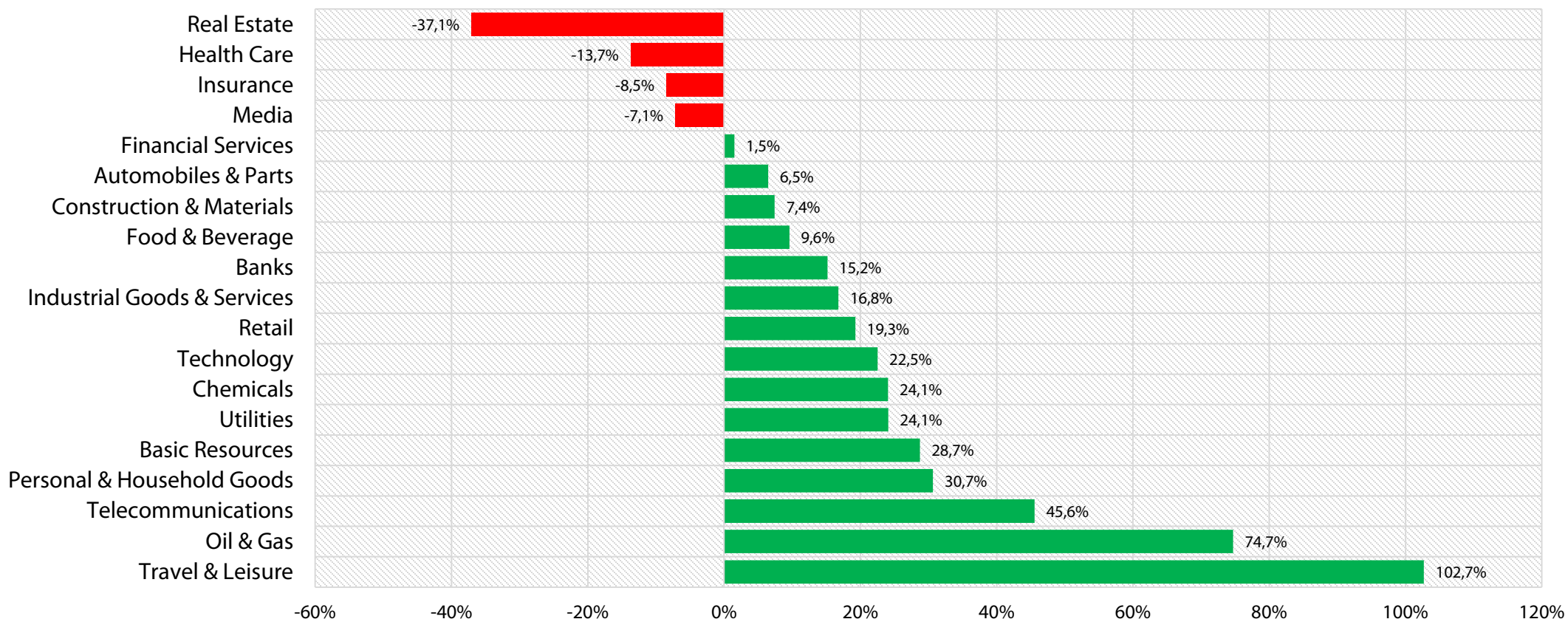


Source: Bloomberg, Rong Viet Securities

- In 1H2022, majority of listed enterprises kept growing in revenue and had profit with proportion of 70.3% and 88.4% respectively.
- In term of revenue, the distribution was in line with 1H2021. While there were more enterprises witnessing decreases in profit and turning to loss compared to last year number as showed in figure 13, 14.

- In 1H2022, 15/19 sectors record growth in revenue. Travel & Leisure, Oil & Gas, and Telecommunication were top performers as show in figure (15). Notably, Travel & Leisure was hard-hit sectors due to pandemic and witnessed strong recovered in revenue (103%). It still saw a loss, but the loss has reduced by 48% YoY

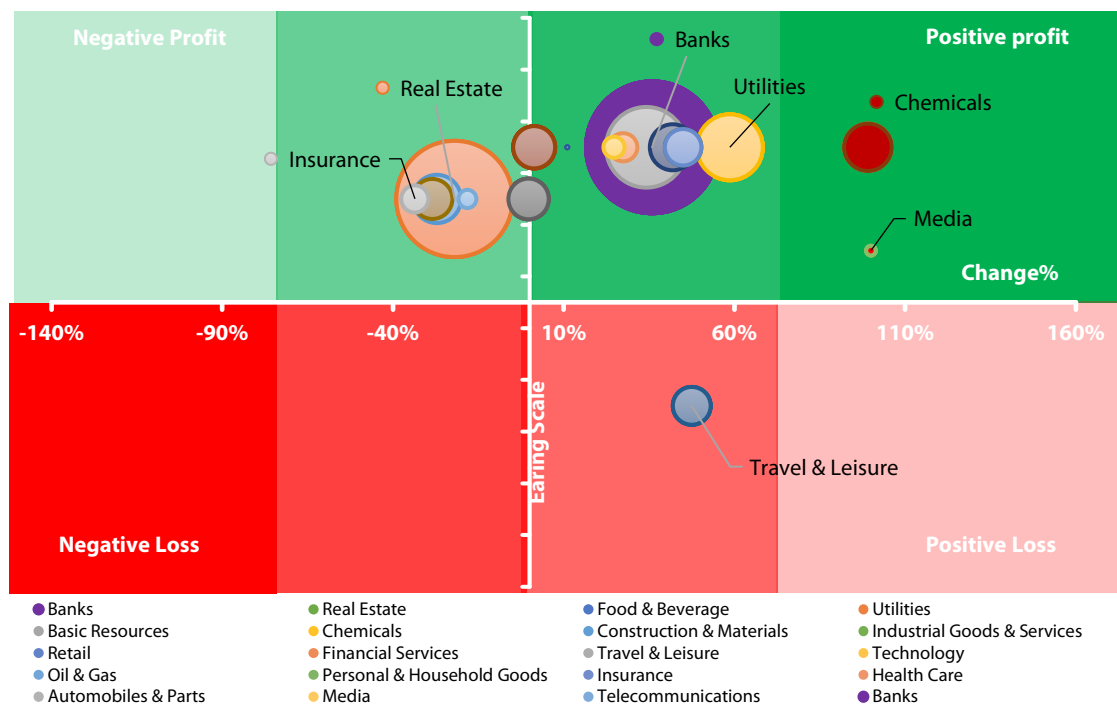
Figure 15: Revenue changes by sectors in 1H2022 (% YoY)



Source: Bloomberg, Rong Viet Securities

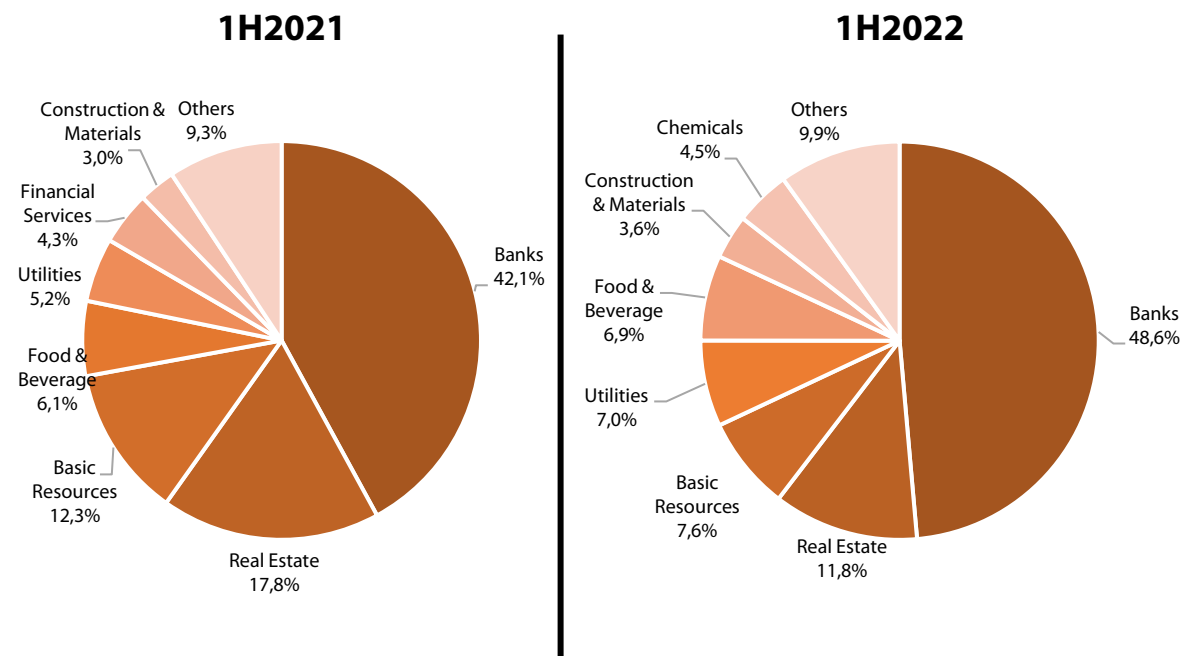
- In term of profit, 18/19 sectors recorded profits. In which, 10 sectors showed profit growth. The leading sector was chemical with +99% YoY. The following ones were Utilities (+59%), Technology (+45%), Construction & Materials (+42%), Bank (+36%), F&B (+34%), Personal & Household Goods (+27%), Health Care (+25%), telecommunication (+11%).
- Interestingly, banking sectors continued to contribute more to and account a major part of market's earnings growth as its earning showed +36% and proportion jumped to 48.6% in 1H2022 compared to 42.1% of 1H2021. Notably, Chemical with ~100% earning growth replaced Financial services sector to be on top contributors.

Figure 16: Earnings landscape by sectors in 1H 2022 (%YoY)



Source: Bloomberg, Rong Viet Securities

Figure 17: Earnings contribution breakdown by sectors (%)



Source: Bloomberg, Rong Viet Securities

- **Inflation tends to cool down:** In August 2022, the US announced inflation at 8.5%, starting a cooling trend compared to the record high of 9.1% in the past 40 years. In which, power, food and world goods circulation are the three factors that have the strongest impact on the inflation index, which tends to improve positively from mid-June 2022.
- **Employment data in the US is still positive:** the US unemployment rate in the July 2022 report is at 3.5%, gluing the downward trend of 0.1% compared to June. The U.S hit record low unemployment in the past 10 years. This information has also partly eased worries about the recession risk of the US market.
- **However, there are still many factors to be observed:** (1) The recovery of the Chinese economy, (2) Risks of US economic recession, (3) China - US tension, (4) Russia – Ukraine tension.

Figure 19: Shipping time for container ships on the East-West route

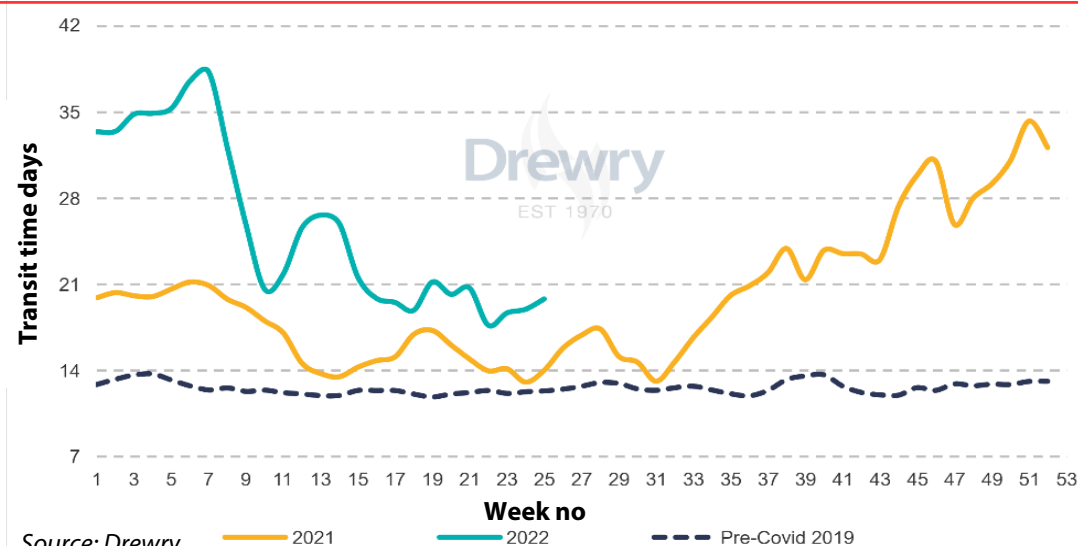


Figure 18: Brent oil price movement

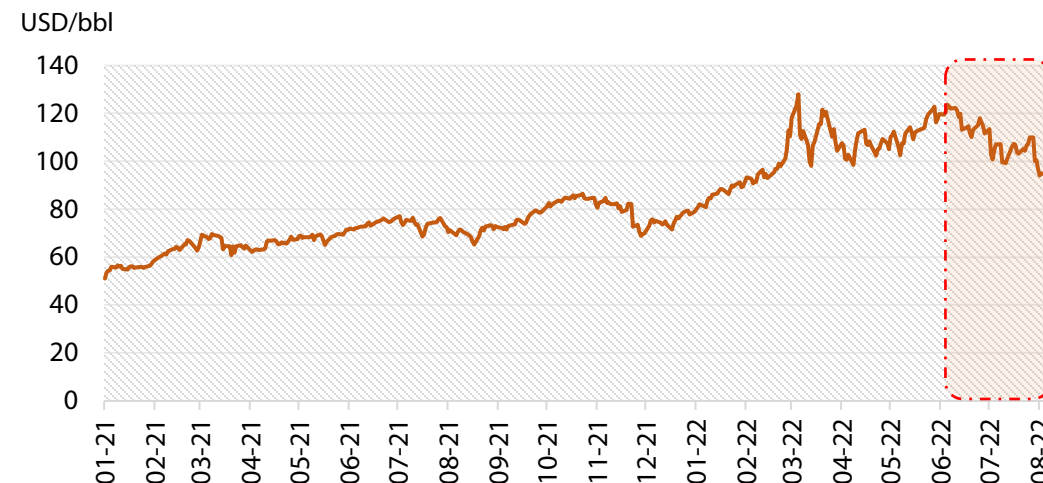
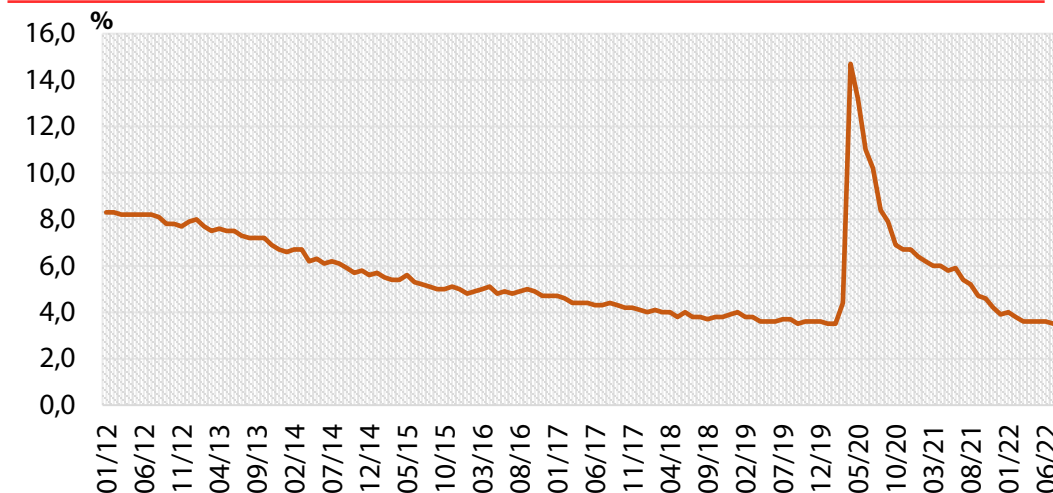


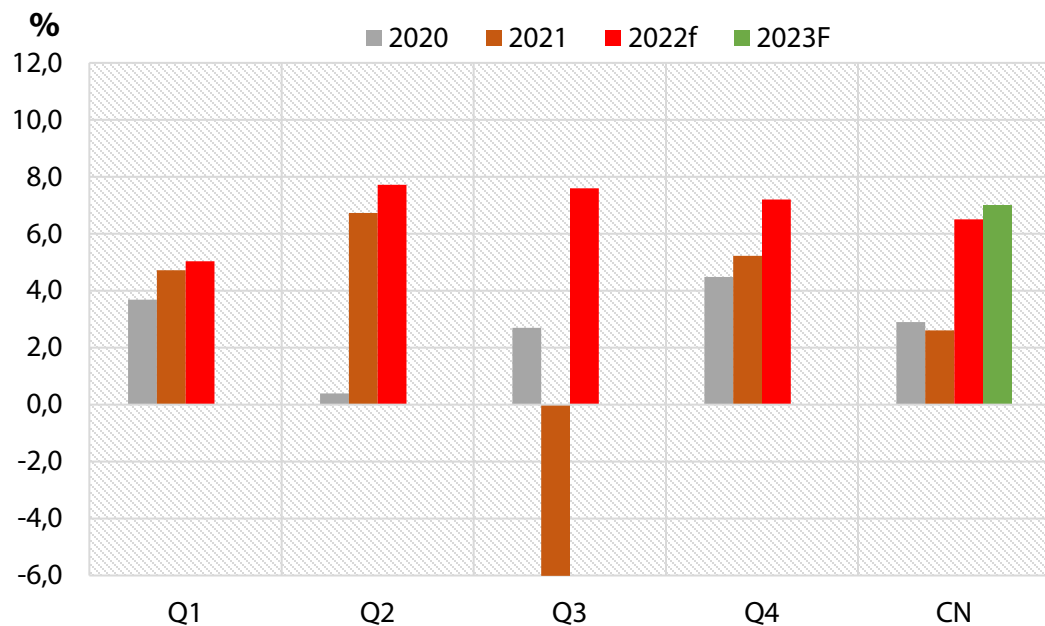
Figure 20: Unemployment rate in the US



Outlook for growth recovery

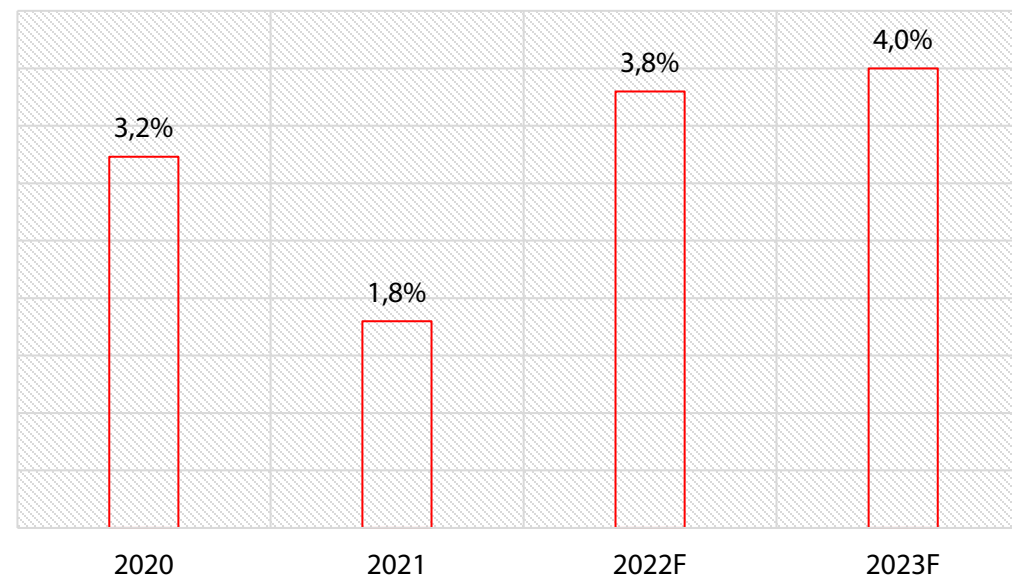
- Vietnam's economic recovery accelerated in the 6M2022, with growth of 5.1% in 1Q2022, and 7.7% in 2Q2022 as the industrial sector maintained its solid growth momentum (+9.7%), service sector recovered strongly, besides the advancement of consumer purchasing power.
- According to the World Bank's forecast, Vietnam's GDP growth for the whole of 2022 could be up to 7.5% and at 6.7% in 2023.
- Average inflation in 2022-2023 is expected to remain stable below 4% (WB).

Figure 21: GDP growth in 2020-2023F



Source: World Bank

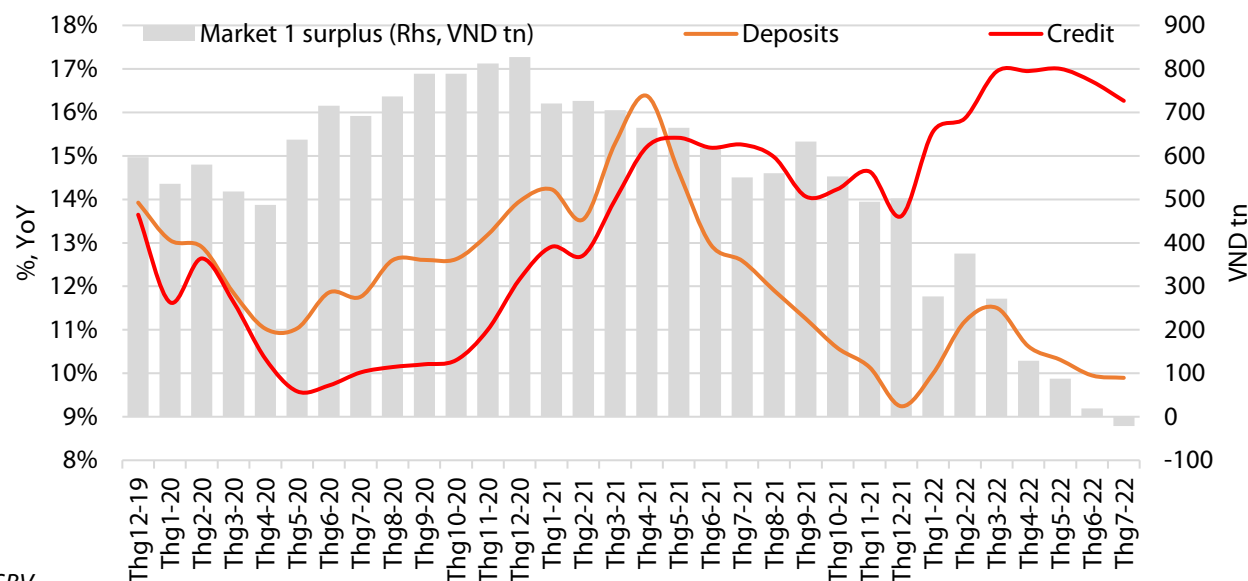
Figure 22: CPI in Vietnam



Source: World Bank

- By July, the difference between deposit and credit had turned negative, which led commercial banks to increase mobilization to ensure liquidity ratios and expand lending activities. On this basis, most commercial banks have slightly increased deposit rates from 0.1-0.3% for some terms.
- We expect funding demand of commercial banks is not too large given the credit growth limit for the remaining five (05) months is only 4.6% (credit growth target for the whole year is 14%) in order to avoid the interest rate race among banks, and at the same time to stabilize the exchange rate and inflation. Therefore, we expect deposit interest rate will slight increase in the remaining months of the year, at less than 0.5%.

Figure 24: Credit – deposit growth and market 1 surplus (% , YoY, VND)



Source: SBV

Figure 23: YTD credit growth in 2021-2022

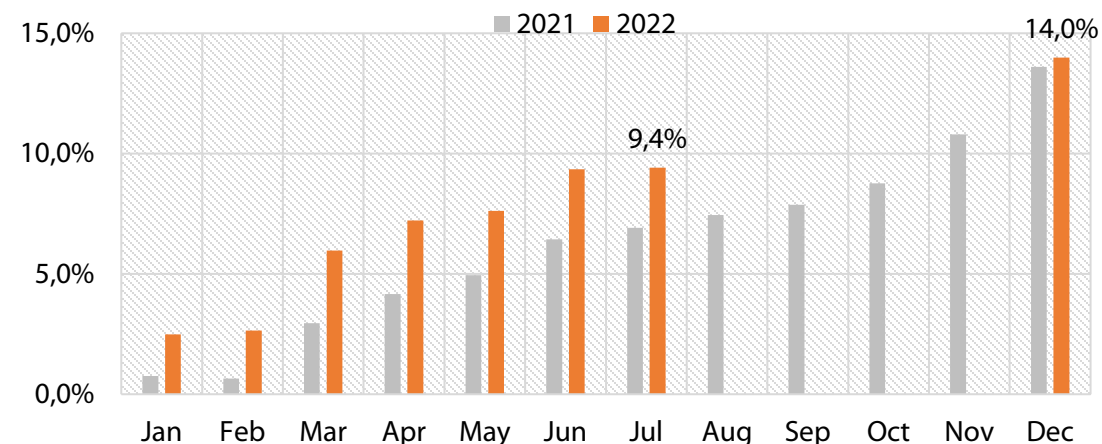
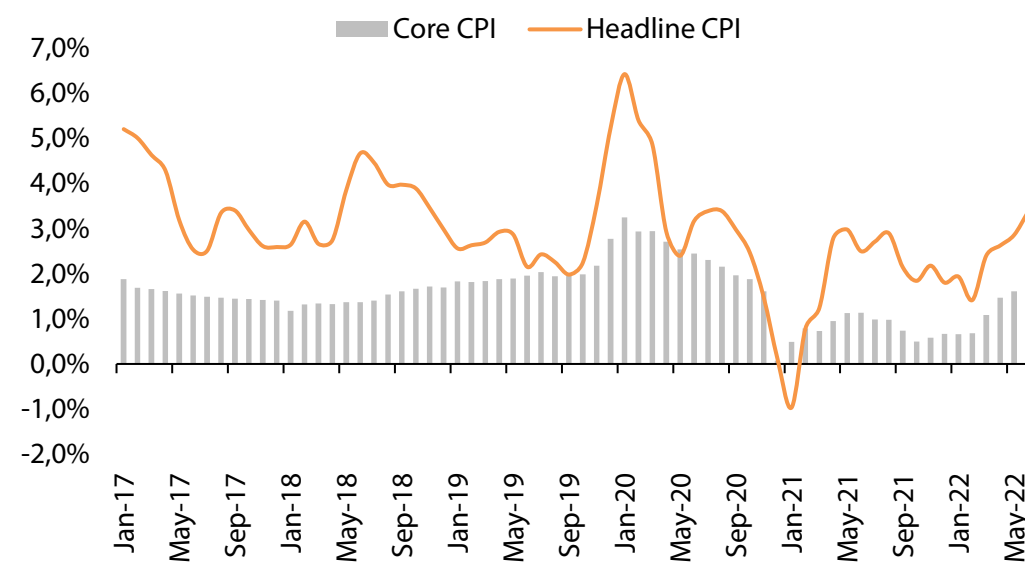


Figure 25: CPI in Vietnam (YoY)



CORPORATES' PROFIT OUTLOOK IS FORECASTED TO GROW POSITIVELY IN 2H2022, BUT NOT TOO GREAT

Table 3: Growth prospects of sectors in H2/2022

Level 2 sector	1H-2022 YoY%	2H-2022F YoY%	2H- 2022F/1H- 2022	2022F YoY%	PE	PB
Banks	-24%	47%	-4%	39%	9,9	1,8
Health Care	-12%	46%	34%	30%	18,2	2,4
Financials	-44%	43%	3%	59%	14,2	1,8
Consumer Services	-7%	42%	36%	25%	18,7	4,5
Utilities	-38%	25%	-26%	44%	14,5	1,5
Technology	-22%	3%	-3%	14%	19,8	4,2
Industrials	-31%	-17%	-41%	14%	13,2	1,6
Basic Materials	8%	-31%	-15%	-20%	4,7	1,4
Consumer Goods	-21%	-34%	-8%	-12%	14,9	3,6
Oil & Gas	-54%	-44%	-140%	-345%		0,8
Coveraged list	25%	14%	-6%	19%	10,3	2,0
VN-INDEX	18%	5%	-12%	12%	13,5	2,1

In 2H2022, Rong Viet's prophecy of a brighter outlook would be set for VN-Index's NPAT.

- In which, we expect the following industry groups: Banking, Pharmaceutical, Real Estate, Aviation, Retail & Utilities may be beneficiaries of profit growth in 2H2022 compared to the same period in 2021.
- By contrast, the Oil & Gas, Consumer Goods & Basic Materials industries are forecast to experience a downside risk of profit growth compared to 1H2021.

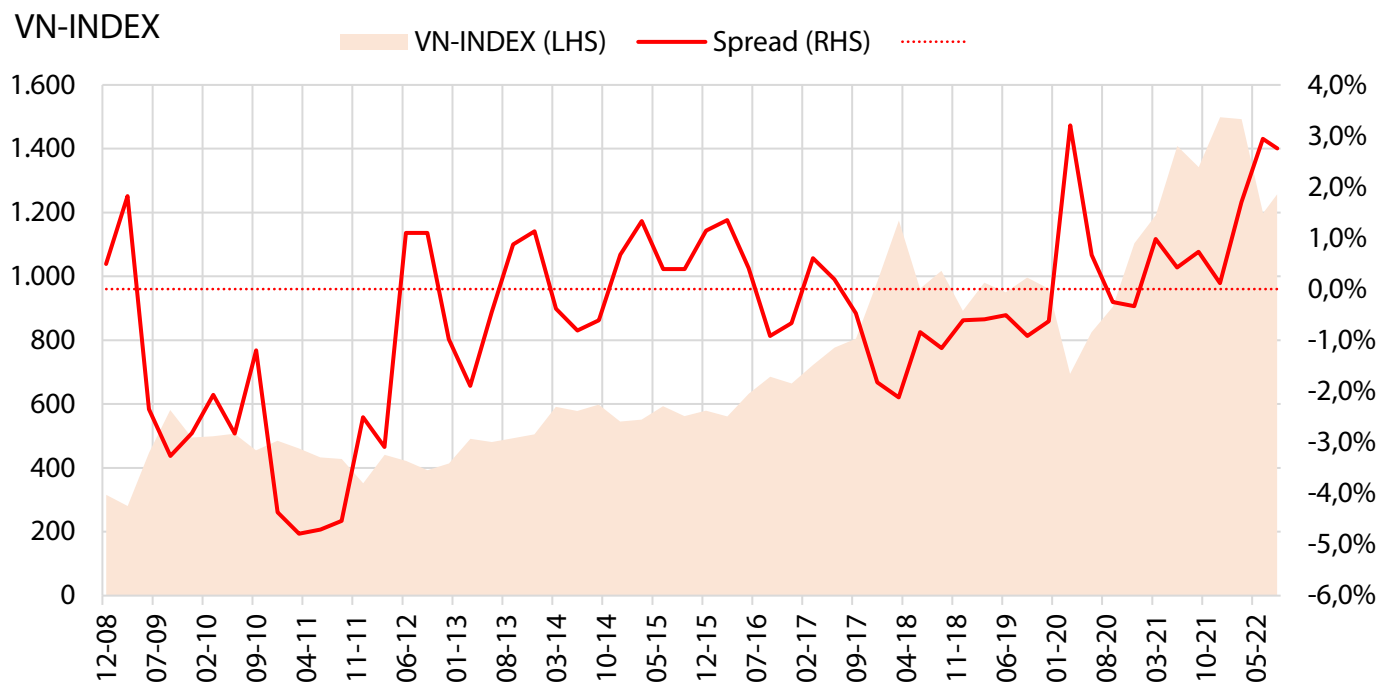
Source: Bloomberg, Rong Viet securities

* Sector's growth & coverage list: based on Estimates of 49 stocks which Rong Viet is focusing

** Based on company plans

- VN-INDEX's E/P (forward) performance at the moment (August 10, 2022) is estimated at 11%, which is 2.8% higher than the deposit interest rate. At the same time, the current spread is also quite attractive (high) compared to historical data.
- In addition, analyzing the macro-outlook, Vietnam is being evaluated positively by world organizations compared to most countries in the region.

Figure 26: Compare E/P (forward) and deposit interest rates from time to time



Source: Fiinpro

Spread = E/P forward – VCB reference deposit rate

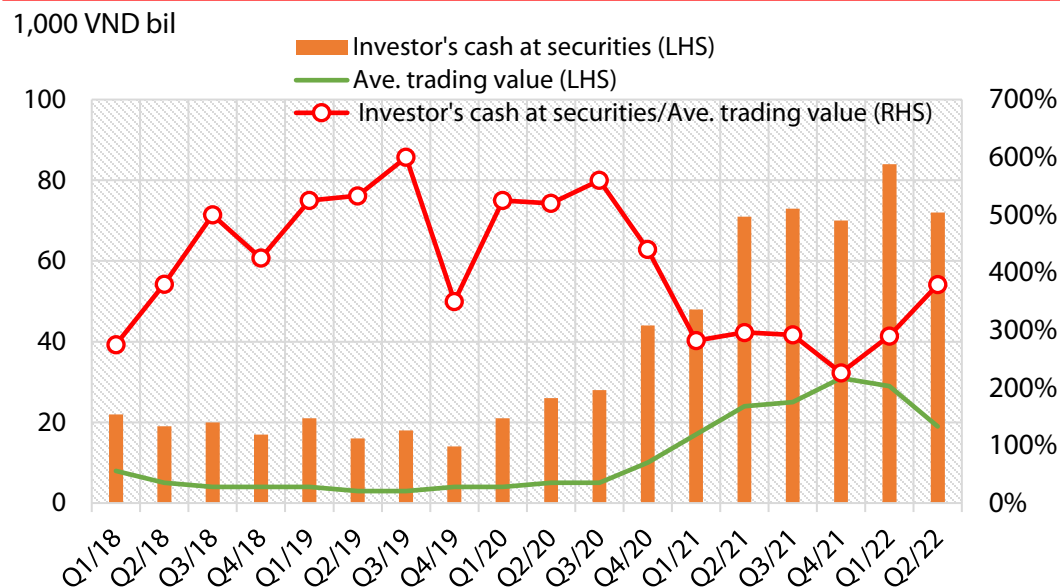
Table 4: GDP, interest rates and exchange rate data in some countries

Country	Total Hike/cut Quantum Since Start of 2022	Total Quantum Hike/cut for 2022	CPI 2022F	FX/USD YTD	GDP2021	GDP 2022F
Indonesia	-	100bps hike	3,3%	-4,6%	3,7%	4,8%
Malaysia	25bps hike	75bps hike	3,0%	-5,5%	3,1%	5,5%
Philippines	50bps hike	150bps hike	5,0%	-7,5%	5,7%	6,5%
Singapore			5,0%	-3,4%	7,6%	3,5%
Thailand	-	25bps hike	6,0%	-6,4%	1,6%	3,2%
Vietnam	-	-	3,8%	-2,0%	2,6%	7,5%
Hongkong			2,2%	-0,7%	6,3%	1,3%
South Korea	75bps hike	150bps hike	4,3%	-8,5%	4,1%	2,7%
Taiwan	37,5bps hike	62,5bps hike	3,0%	-7,0%	6,6%	3,6%
USA	150bps hike	325bps hike	7,5%	-	5,7%	2,0%
China	10bps cut	25bps cut	2,5%	-5,2%	8,1%	4,1%

Source: WB

- According to data from Fiinpro, by the end of Q2/2022, the amount of money from investors at securities companies is still quite high at over VND 70 Tn, down 14% compared to the end of Q1 and is 3.8 times higher if compared to the average liquidity of VND 19 Tn at the moment.
- Besides, the market margin value is estimated at 154 VND Tn, down 24% compared to the peak in Q1/2022. In parallel with the increase in equity of securities companies, the margin on equity is only at 80%, which is significantly down from 128% in Q1.
- T+2 transaction is expected to start being applied from the end of August 2022, which is also expected to contribute to improving the current liquidity of the market.

Figure 27: Deposits of investors at securities companies



Source: Fiinpro

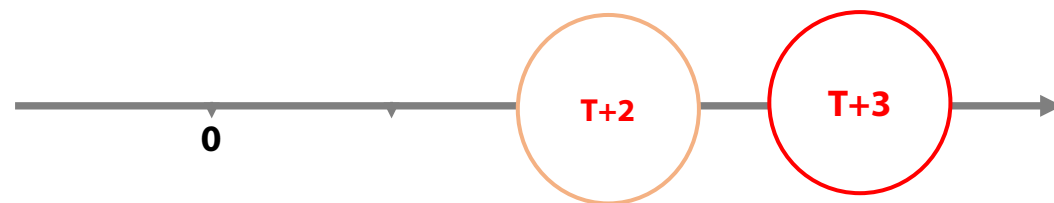
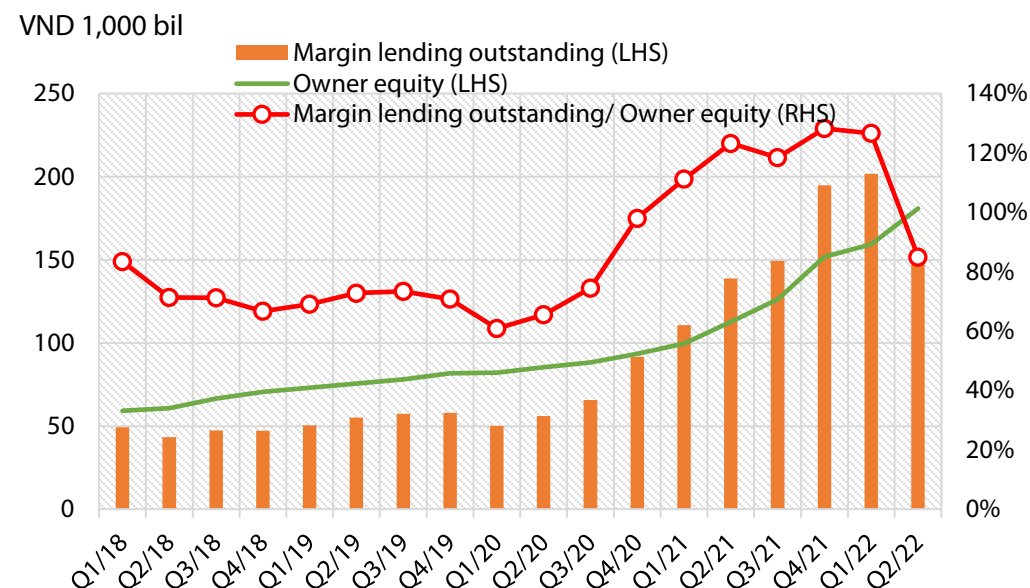


Figure 28: Margin balance at securities companies



Source: Fiinpro

PROSPECTS	FUNDAMENTAL FACTOR
Neutral Perspective	(1) World inflation tends to cool down, (2) US jobs data is still positive, (3) Market valuation is at an attractive level, (4) Cash flow is likely to recover significantly through the analysis of: (i) investors' deposit balance is high, (ii) margin usage is low, and (iii) liquidity from trading T+2.
Neutral Perspective	(1) Vietnam's economic growth is forecasted to remain positive in H2/2022-2023, (2) Interest rates and money policy have not created much impetus for the market to improve significantly, (3) Outlook for NPAT of listed companies is still positively growth in H2/2022,
Factors to be observed	(1) Risk of US economic recession, (2) China's economic recovery, (3) Russia - Ukraine tension.

- Based on the analytical factors on growth expectations, interest rates - monetary policy and risks listed in the above table, we expect VN-INDEX to fluctuate at **1,225 -1,398** for the rest of 2022.
- Additionally, lean on analysis (1) securities companies' ratio of using margin on equity stays at 80%, decreasing sharply from the peak of 120% in 1Q2022. It is also at a low level compared to an average of over 90% in the last 5 years (2017-2022). Furthermore, (2) investors' cash flow is still relatively high, about VND70 tn, down only 14% compared to the end of 1Q and is 3.8 times higher than the average liquidity of 19 tn in the current market. Along with (3) T+2 transactions are expected to upcoming apply. Therefore, we expect the average matching value of VN-INDEX can reach **17-19 tn/session**, improving at least 20% in 2H2022 compared to this stage.

INDUSTRIAL PARKS

TOWARD SUSTAINABLE DEVELOPMENT

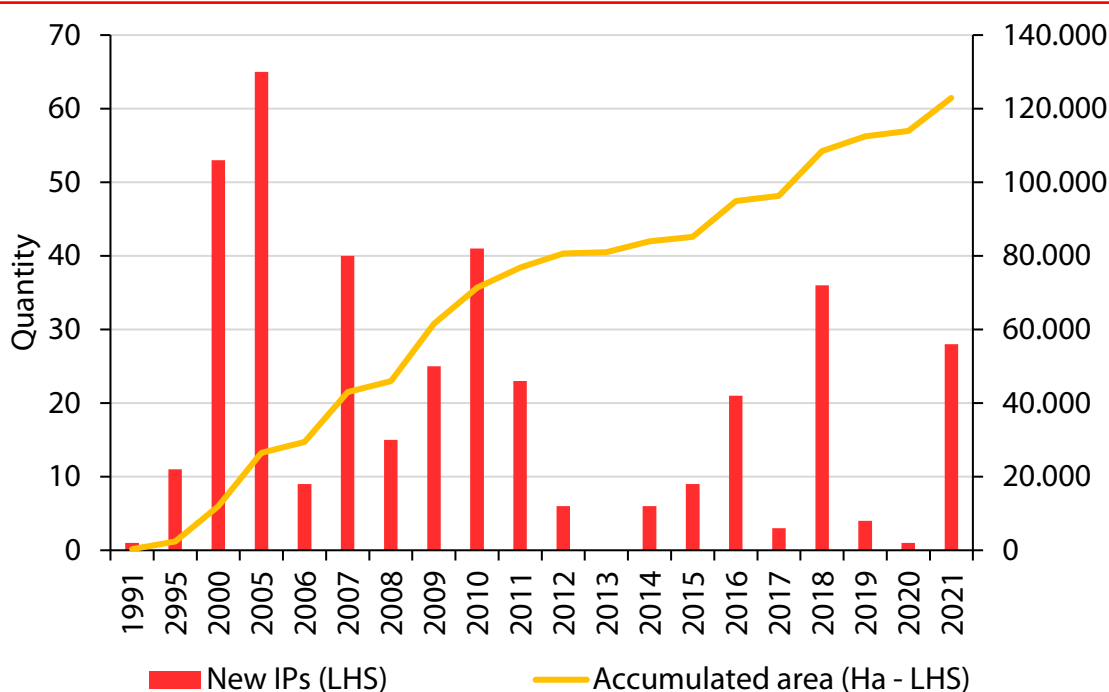


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- “China +One” strategy and Covid-19 pandemic were main substances boosting many Industrial Parks (IPs) to be established since March 2020.
- There were 28 IPs were approved to establish with 8,900 hectares in 2021, which was significant compared with previous 2 years. Totally, 397 IPs were established, in which, 291 IPs are operating with occupancy rate of 52,5% on average.
- In 1H2022, there were 13 IPs approved by Prime Minister with a total area of 3,682 hectares. In which, the majority IPs located in Long An province.

Figure 1: New IPs from 1991 to 2021



Source: MoPI, Rong Viet Securities

Figure 2: New established IPs in 1H2022 summary

IP Name	Province	Area (Ha)
Hoa Cam - Phase 2	Da Nang	119.0
Tien Thanh	Hai Phong	410.5
Hoa Phu Expansion	Bac Giang	85.0
Dong Van I Expansion	Ha Nam	49.1
Thang Long II Expansion (phase3)	Hung Yen	180.5
Yen My II Expansion	Hung Yen	216.0
Loc Giang	Long An	466.0
PRODEZI	Long An	400.0
Tan Lap	Long An	654.0
TANDOLAND	Long An	250.0
Tam Thang Expansion	Quang Nam	248.9
Dong Vang	Thanh Hoa	491.9
Phuc Yen	Vinh Phuc	111.3

Source: Rong Viet Securities

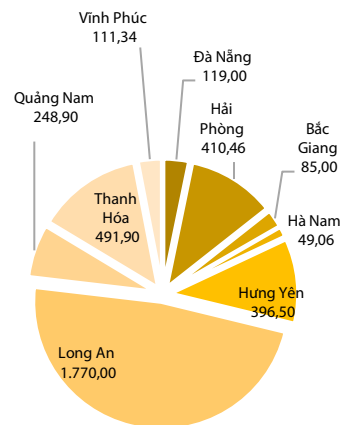
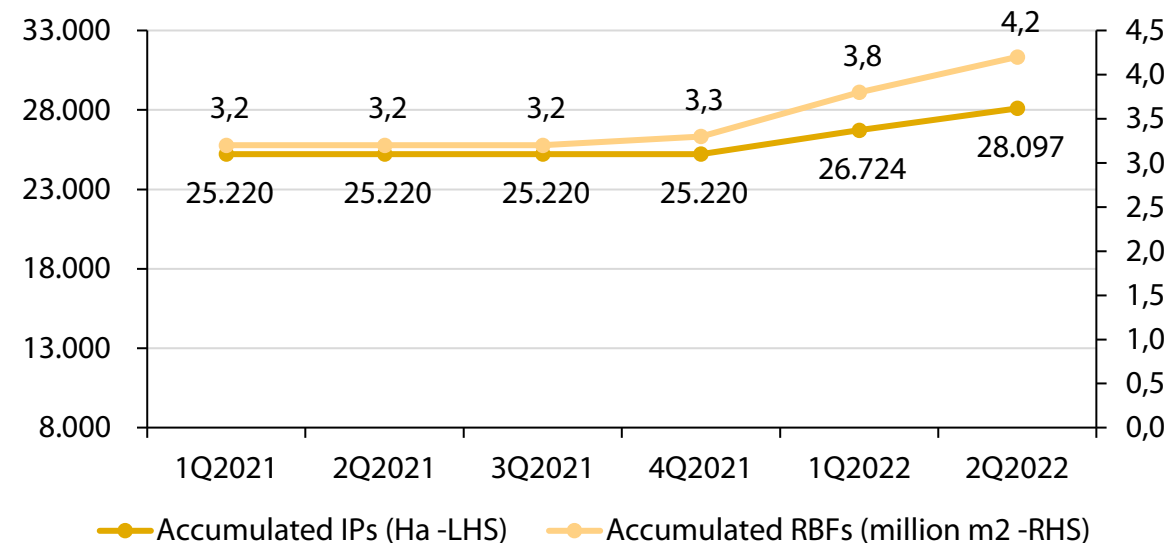


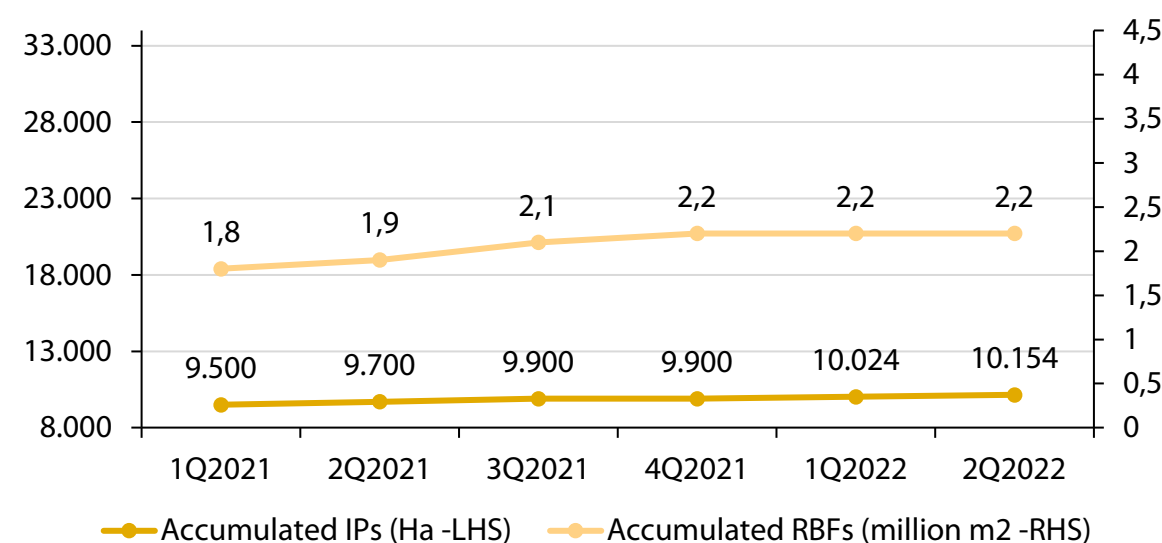
Figure 3: Southern industrial land and Ready-built Factory(RBF)



Source: JLL, Rong Viet Securities

Southern area consists of HCMC, Binh Duong, Dong Nai, Ba Ria Vung Tau and Long An markets

Figure 4: Northern industrial land and Ready-built Factory(RBF)



Source: JLL, Rong Viet Securities

Northern area consists of Hanoi, Hai Phong, Bac Ninh, Hung Yen and Hai Duong markets.

- In 1H2022, Industrial land market recorded increases in supply in both the Northern and Southern region. Occupancy rates remained high in both side at 79% and 83.6% respectively. Notably, There was a significant increase in supply in the South (3,131 ha) compared to the North (254 ha) in the 1H2022.
- Southern RBFs market also witnessed a sharp increase in supply with ~ 1 million sqm in 1H2022. While the North have not recorded any new supply in the first 6 months.

Figure 5: Northern industrial land supply

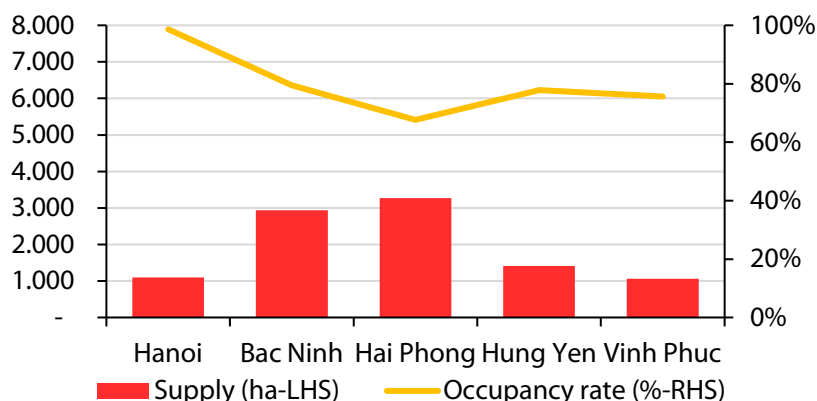


Figure 6: Central industrial land supply

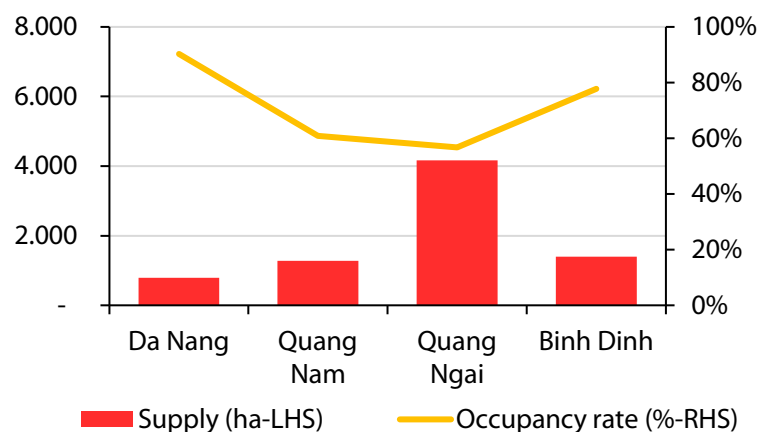


Figure 7: Southern industrial land supply

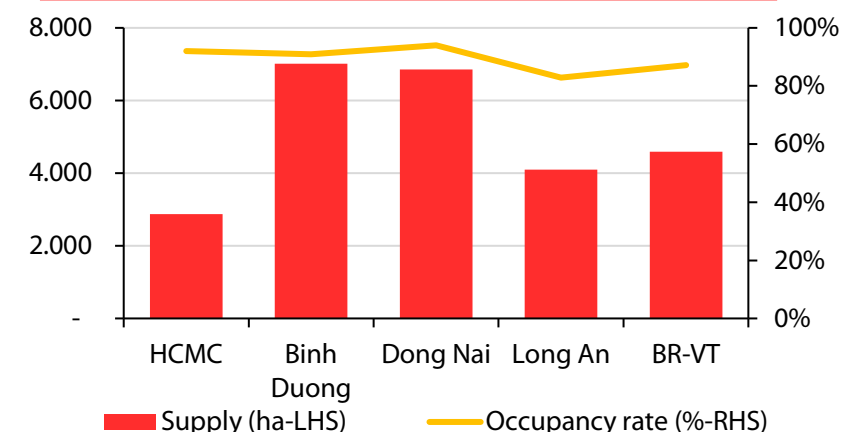
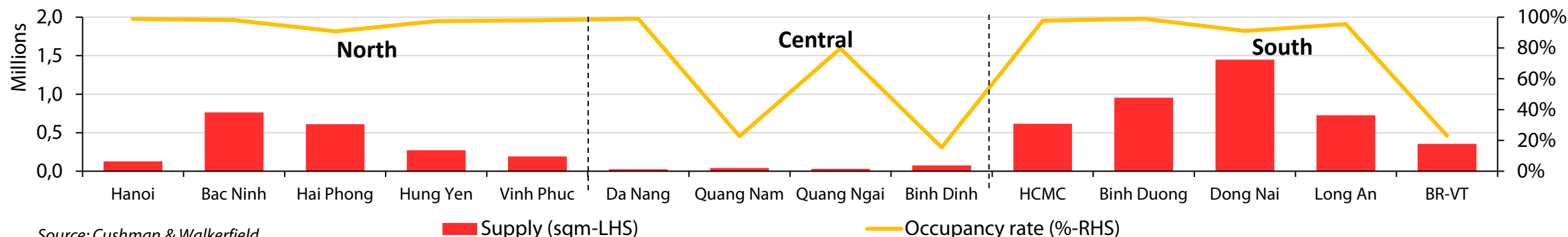


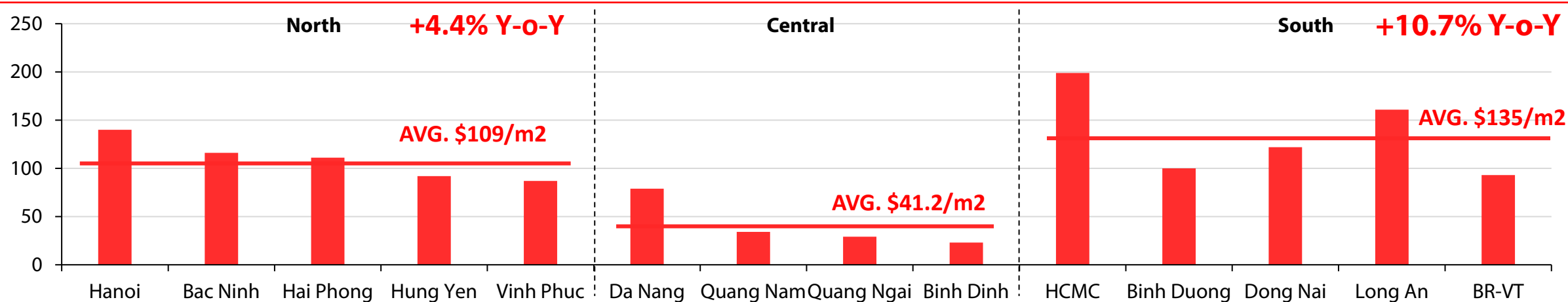
Figure 8: Ready-built Factory(RBF) supply



Source: Cushman & Walkerfield

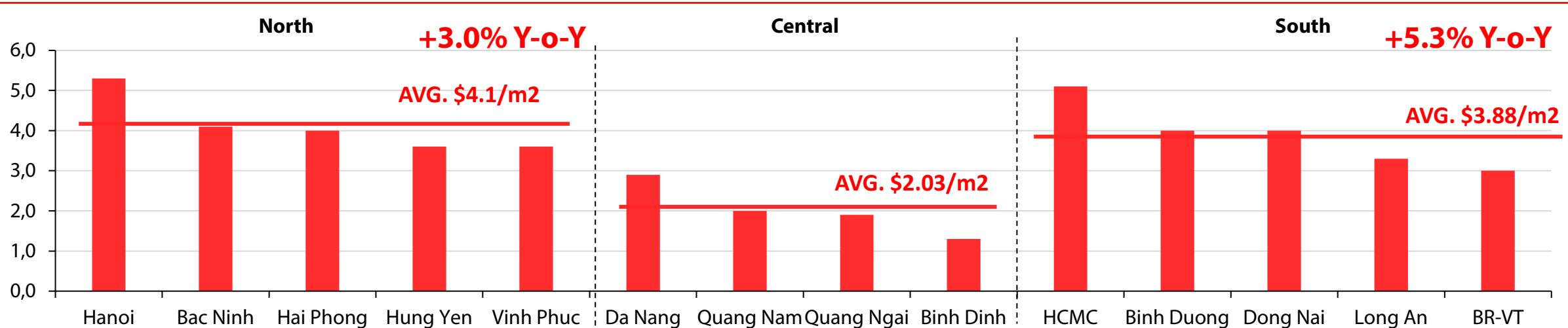
- The North is considered as the top choice for global manufactures looking to expand out of China while maintaining proximity in supplies. Bac Ninh and Hai Phong are attractive destinations as having large land bank and low occupancy rate compared to peers in the region.
- Large land bank, dense seaport system will make the central industrial parks more attractive to investor in the future as national expressway completed.
- The South maintained its industrial center position as the most preferred destination for new manufactures entering the Vietnam market. HCMC, Binh Duong, Dong Nai nearly reach the supply limit, Long An and BR-VT will become the next hot spots to replace those industrial centers.
- The RBF market operated effective in major cities as occupancy rate maintained above 90%.

Figure 9: Industrial land leasing price (USD/m2/cycle)



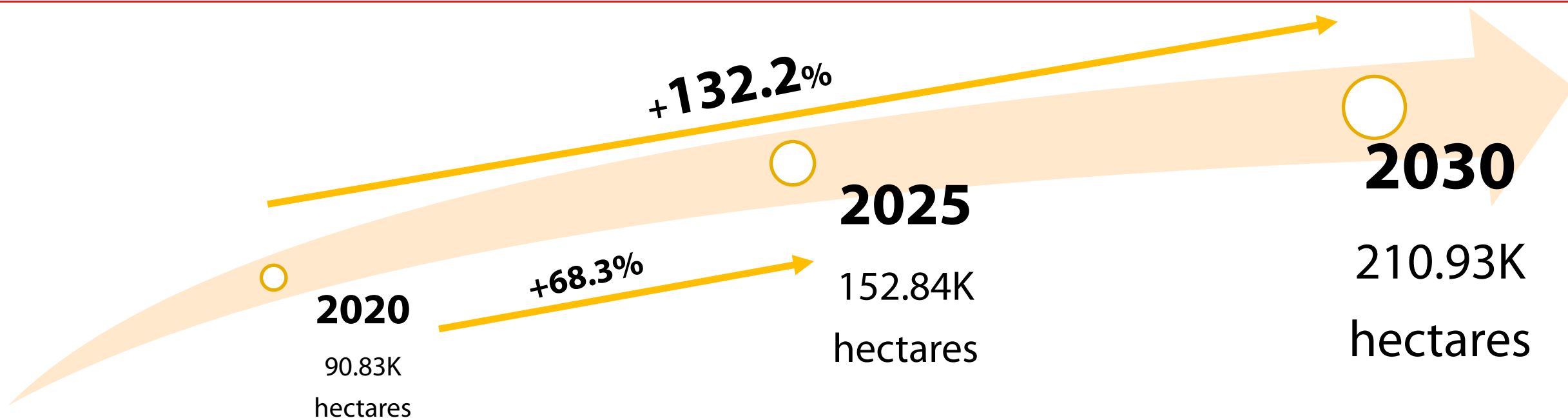
Source: JLL, Cushman & Walkerfield

Figure xx: Ready-built Factory leasing price (USD/m2/month)



Source: JLL, Cushman & Walkerfield

Figure 10: IP land bank development pipeline in the Resolution 39/2021/QH15



Source: Rong Viet Securities

- On 13th November 2021, National Assembly passed resolution about national plan of land use in the period of 2021-2030 ensuring demand for the 10-year socio-economic development strategy.
- The resolution reveals the allocation pipeline to increase IP land bank from 90.83 K hectares in 2020 to 152.84 K hectares (+68.3%) in 2025 and 210.93 K hectares (+132.2%) in 2030. This original base to estimate the future supplies the next 10 years.

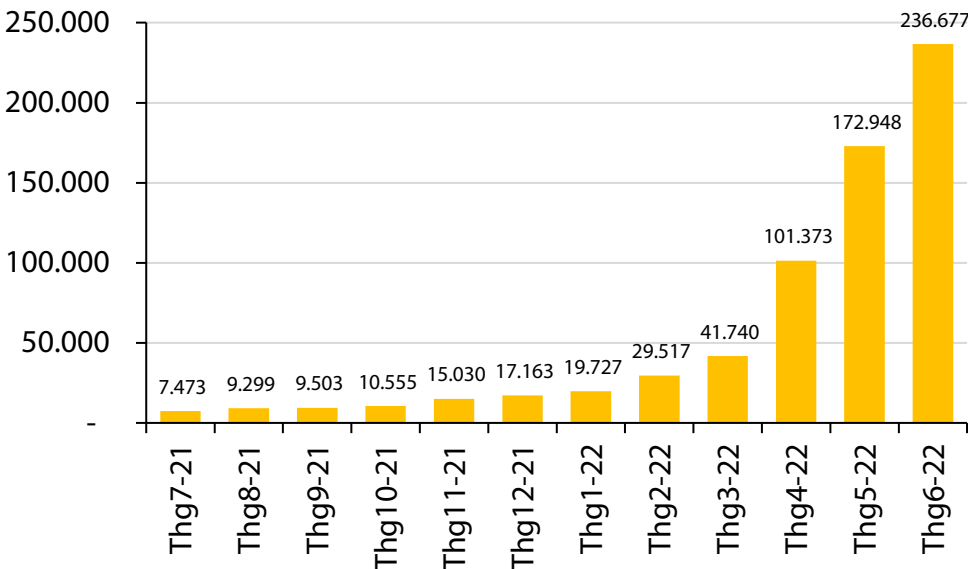
Changes in Decree 35/2022/NĐ-CP related to Industrial Park establishment

Decree 35/2022/NĐ-CP	Comment
- Article 2, Clause 6 defines Hi-tech Park terminology - Article 2, Clause 22 defines conditions to account for occupancy rate - Article 2, Clause 23 defines public service and utility facility for workers in an industrial park - Article 2, Clause 24 defines the term “<i>National industrial park or economic zone information system</i>”	There are more terminologies to be defined, which cause ambiguous in the previous decree
Article 4, Clause 4 lists conditions to compile a list of industrial parks in a province or centrally-affiliated city	The requirements are set to be higher, ones of those are: -Industrial parks be synchronously connected to technical utility, social infrastructure and can attract human resources and serve as a hub to mobilize resources needed for development of industrial parks. -Each industrial park must reserve the space accounting for 2% of total area for development of accommodation, public service and utility facilities for workers and employees
Article 6, Clause 6 :An industrial park is defined as already established since the competent authority	The clause helps reducing time and simplifies IPs investment process
Article 7, clause 6: People’s Committees of provinces shall be responsible for collecting written opinions on proposals involved in the master construction plan of the industrial park having area of above 200 hectares from Ministry of construction and Ministry of Planning and Investment.	This may prolong processing time but ensure long term sustainability as focusing more on synchronous planning in general.

Continues...

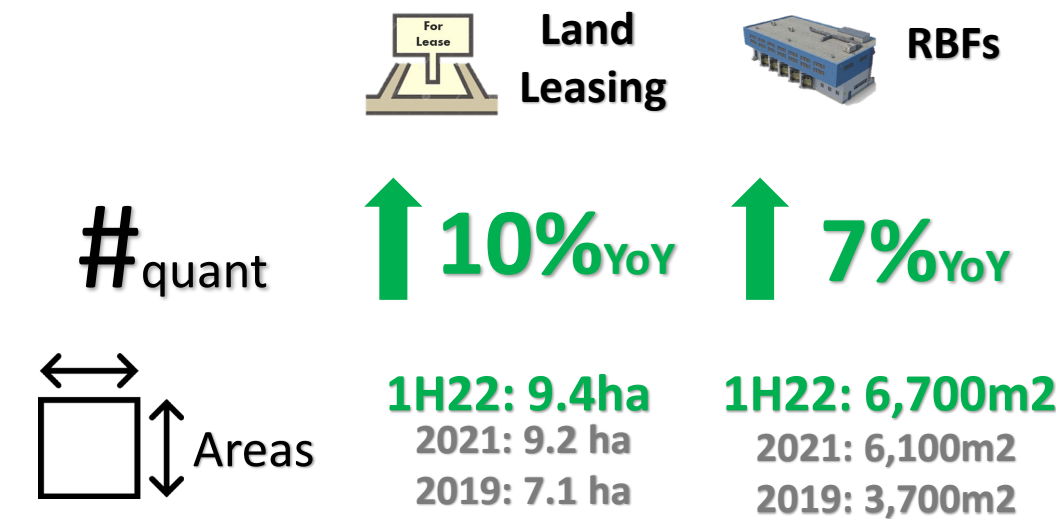
Decree 35/2022/ND-CP	Comment
Article 7, clause 7: The People's Committee of a province shall decide to adjust location and size of land included in the planning schemes for construction of the industrial park without any change of its district in several cases	This clause give People's Committees of provinces more authorities in adjusting minor changes, which save more processing time than before.
Article 8, Clause 5 mentions requirements for project expansion.	The initial investor will be prioritized in being selected for the expansion phase
Article 9 listed Preconditions for investment in infrastructure facilities of industrial park projects including minimum areas for SMEs	The conditions are clearer to ensure sustainable development. Notably, SMEs are paid attention.
Article 10 mentions Eligibility requirements of investors in IP projects	The experienced developers with strong financial capability have more competitive advantage in bidding.
Article 27: Rights and obligations of investors	The article regulates pricing framework for developers to their customers.
Article 29, clause 5: People's Committee shall approve the planning scheme for construction of the industrial park associated with the planning scheme for construction of housing blocks, public service and utility facilities for workers and employees in that industrial park	The clause shows encouragement in housing development for workers and employees in IP area.
Article 32, 33, 37, 39, 40, 43. 44 mentions requirements, promotions policies, conditions to certify, termination policies for specialized industrial parks, eco-industrial parks, hi-tech industrial parks.	The government encourage to develop more these types of IP in the future toward sustainability.
Chapter V: NATIONAL INDUSTRIAL PARK AND ECONOMIC ZONE INFORMATION SYSTEM	The government want to execute digital transformation in managing developments and operation of IPs and economic zones

Figure 11: International arrivals to Vietnam (visitors)



Source: tradingeconomics.com

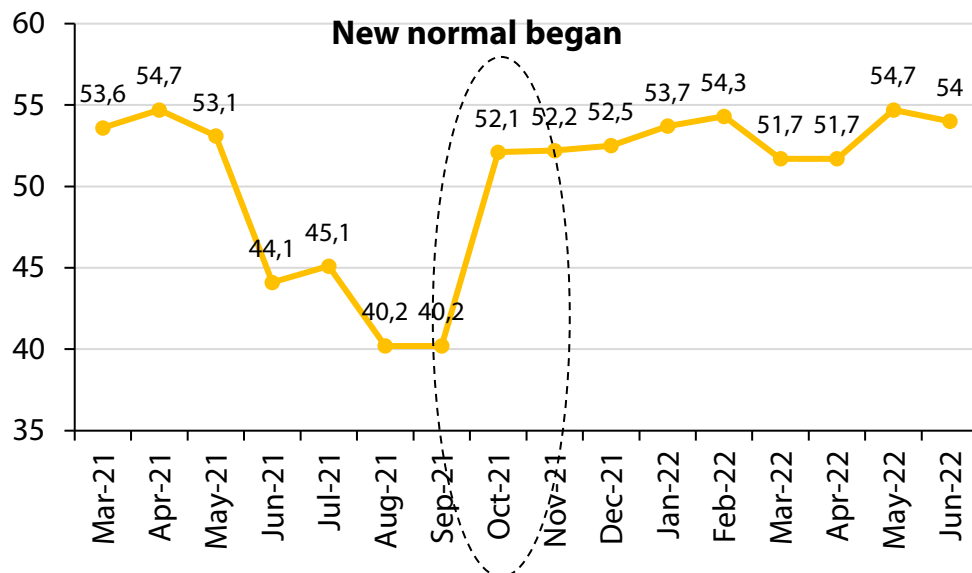
Figure 12: CBRE statistics in 1H2022



Source: CBRE

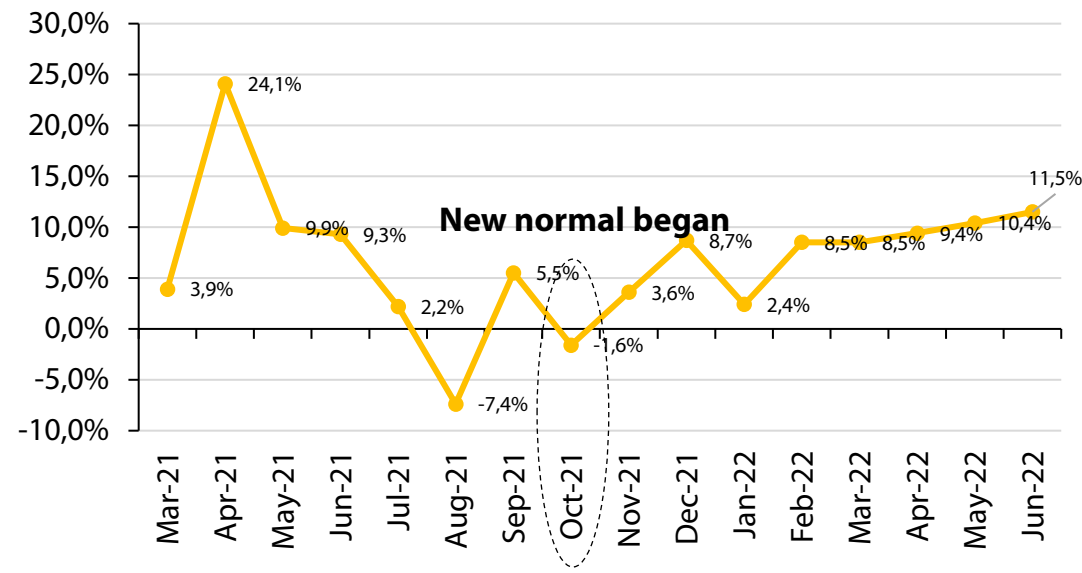
- International arrivals to Vietnam recorded a robust recovery in 1H2022 as Vietnam has fully opened its tourism sector following further improvement in the COVID-19 situation and resumption of international flight after two year. Considering the first six months, arrivals surged 582.2 % to ~ 602 thousand.
- Fully opening partly support boosting leasing operation in IPs. According to a statistics from CRBE, there was a significant numbers of requests in both land leasing and RBFs to CBRE compared to previous years.

Figure 13: Vietnam monthly PMI



Source: tradingeconomics.com/

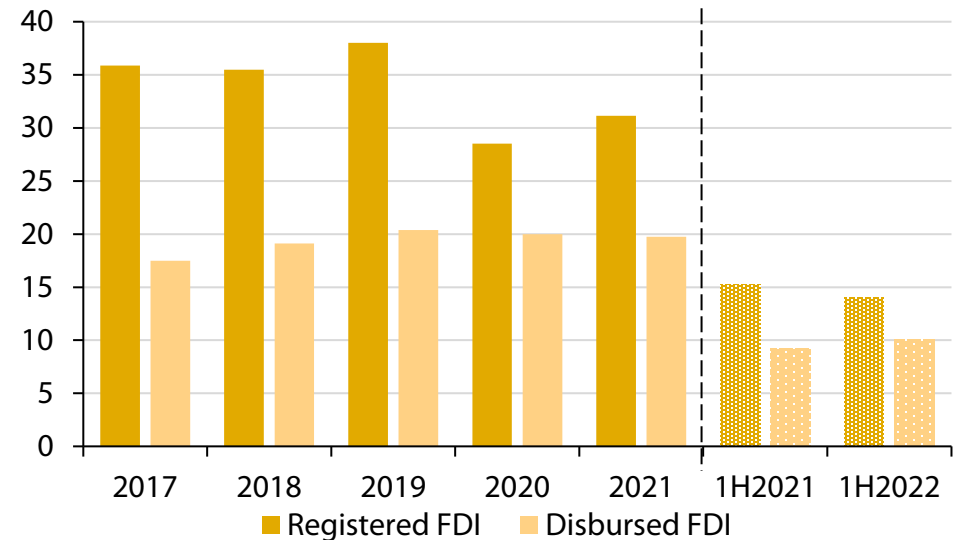
Figure 14: Vietnam monthly Industrial Output (YoY%)



Source: CBRE

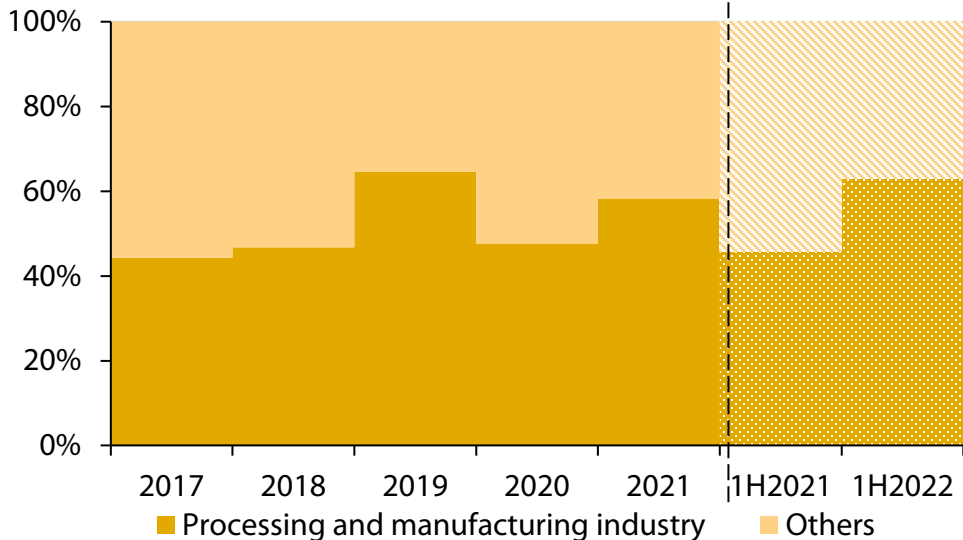
- Vietnam factory growth remains robust as PMI closed the 1H2022 at 54 pointing to the ninth straight month of expansion in factory activity as a lack of disruption from the COVID-19 pandemic restrictions.
- In addition, Vietnam industrial sector constantly performed well as industrial production output have showed positive growth since Vietnam stopped social distancing in October, 2021.

Figure 15: FDI Inflows (USD bn)



Source: GSO, Rong Viet Securities

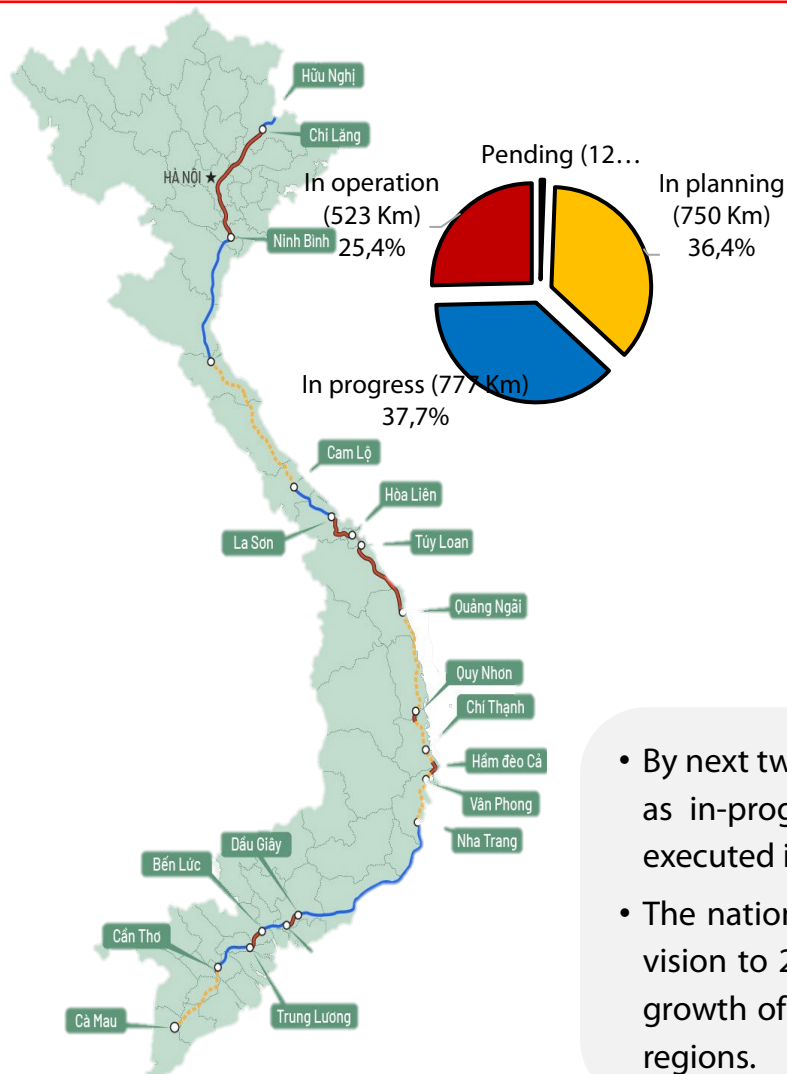
Figure 16: Registered FDI Breakdown (%)



Source: GSO, Rong Viet Securities

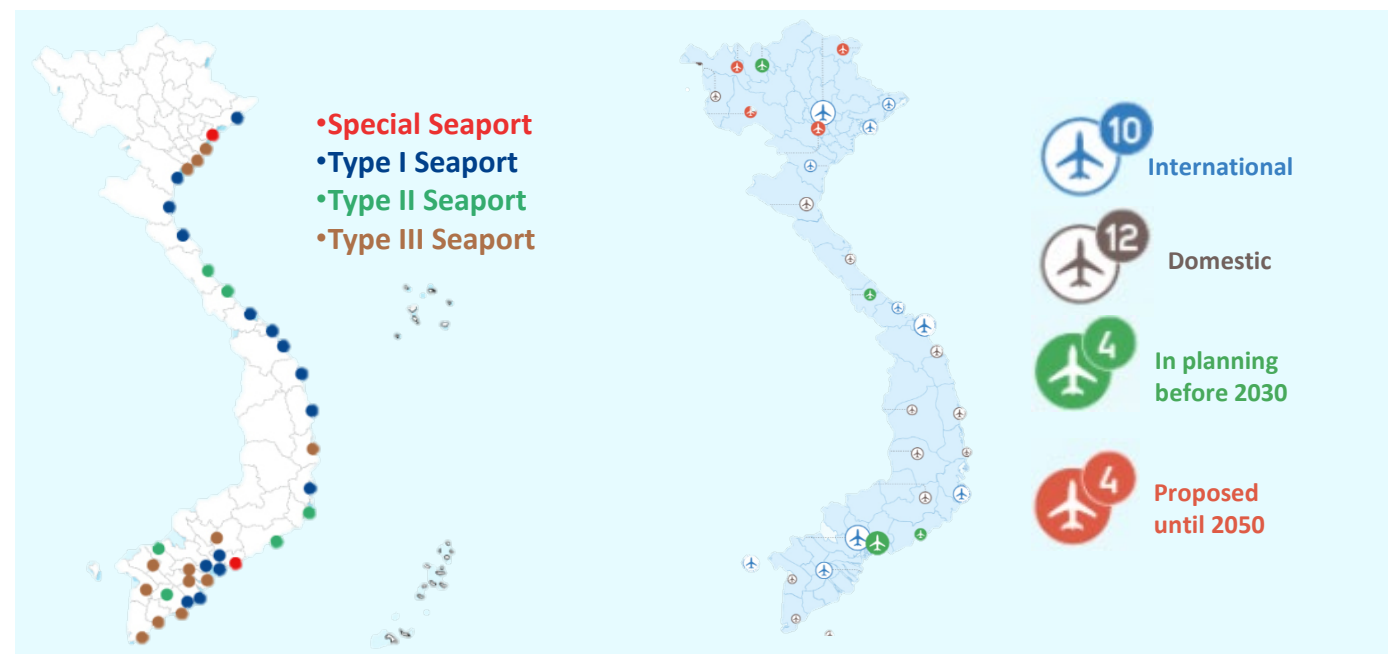
- 1H2022, disbursed FDI reached USD 10.06bn (+% 8.85yoy). The manufacturing and processing sector continues to take lead in attracting investment capital, with registered FDI reaching USD 8.8bn, accounting for 63% of the total investment capital
- There were 84 countries and territories invested in Vietnam in the first six months. Among which, Singapore led with a total investment of more than USD 4.1 billion, accounting for 29.5%. The Republic of Korea ranked second with ~ USD 2.66 billion, accounting for ~ 19% (+29.6%YoY). With a large-scale Lego project worth over USD1.3 billion of total investment capital, Denmark ranked third with a total registered capital of ~ USD 1.32 billion.

Figure 17: National Expressway Map



Source: Vnexpress, Rong Viet Securities

Figure 18: Vietnam Airports and Seaports system plan until 2030, vision to 2050



Source: Vnexpress, Rong Viet Securities

- By next two years, total distances of national expressway project is expected to be ~1300 km (or +63% of total project) as in-progress constructions completed. Recently, the 12 in-planning projects (~750 Km) were approved to be executed in the period of 2021-2025 by Ministry of Transport.
- The national expressway combining with government plan in developing seaports and airports network until 2030, vision to 2050 will enhance Vietnam logistics capability and impliedly reduce logistics costs. Which will support the growth of industrial sectors, international trade, and reduce uneven distribution in industrial concentration between regions.

Figure 19: Free trade agreements summary

Region	Viet Nam	Malaysia	Thailand	Philippines
AFTA	✓	✓	✓	✓
AFTA-CN	✓	✓	✓	✓
India	✓	✓	✓	✓
Korea	✓	✓	✓	✓
Japan	✓	✓	✓	✓
CPTPP	✓	✓	✗	✗
EU	✓	○	○	○
US	✗	○	○	✗

○: in negotiations

Source: Savill

Figure 20: Elements affecting business environment summary

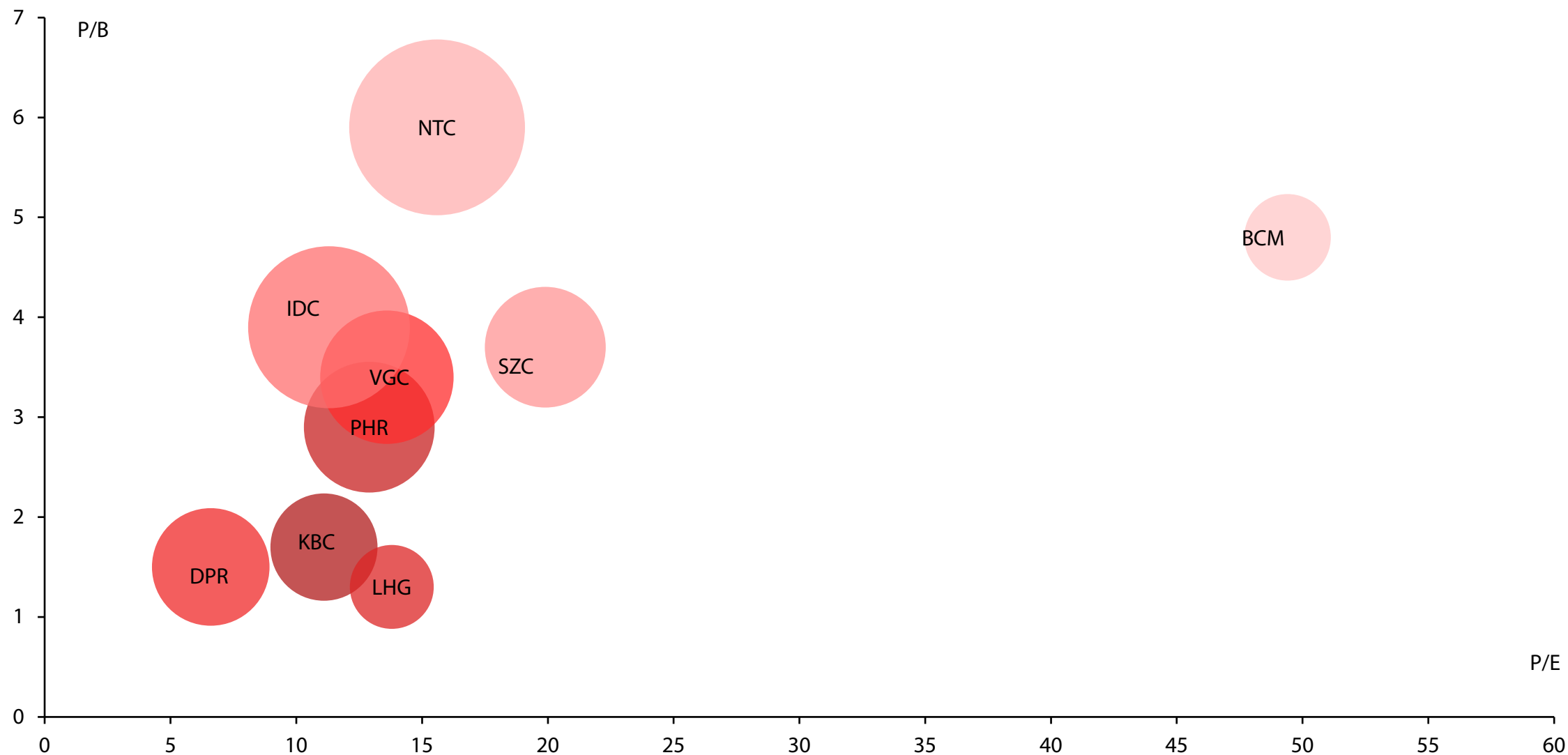
Nation	Manufacturing Salaries (\$/month)	Avg Price of Industrial Land (\$/sqm)	Industrial construction cost* (\$/sqm)	Tax rate (%)	Number of IPs
Vietnam	315	109	309-389	20	394
Malaysia	784	171	326-380	24	340
Thailand	407	159	534-668	20	89
Philippines	302	109	519-584	30	342
Indonesia	203	159	336-365	25	230
China	1,072	n/a	273-334	25	n/a

Source: Savill, Cushman & Walkerfield, Arcadis
*Data were taken at the major cities in each nations

Southeast Asia countries are dominating the market in attracting manufactures from China thanks to affordable costs, rising domestic consumption and improving infrastructure. Vietnam is a rising star among those to become a leading industrial hub as having competitive advantages to peers. Beside stable politics, Vietnam participated in many FTAs. In addition, capex and recurring expense are still relatively low compared to peers in the region.

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	1,245.3	44,900	-38.18	-39.19	34.86	32.32	209.42	97.49	8.22	18.46	0.00	11.08	1.71
PHR	403.0	88,400	-5.13	26.00	25.13	18.64	-5.94	36.95	10.97	21.10	3.61	12.94	2.85
LHG	78.9	56,300	-49.71	-58.89	0.00	0.00	-60.27	29.05	4.56	9.49	5.17	13.78	1.29
DPR	135.8	72,600	1.98	22.09	35.53	25.96	130.52	35.86	11.98	22.04	2.04	6.58	1.47
VGC	1,135.3	N/A	38.77	62.23	34.82	17.40	107.31	13.94	9.65	27.65	2.54	13.56	3.44
IDC	897.9	N/A	25.68	86.89	46.67	34.31	71.90	26.55	11.66	39.70	3.15	11.31	3.85
SZC	231.3	N/A	51.33	61.70	89.08	39.31	8.52	31.88	4.88	19.34	1.86	19.88	3.66
NTC	189.9	N/A	2.89	6.07	68.01	53.05	1.13	108.50	6.80	44.73	8.65	15.57	5.86
BCM	3,553.6	N/A	22.10	17.51	36.58	34.21	-25.85	24.93	3.68	11.06	1.00	49.38	4.80

Source: Bloomberg, Rong Viet Securities. Share price as of August 10th, 2022.



Source: Bloomberg, Rong Viet Securities. Bubble size equals respective ROE. Share price as of August 10th, 2022.

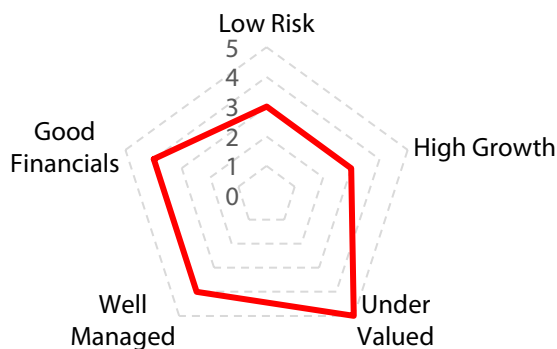
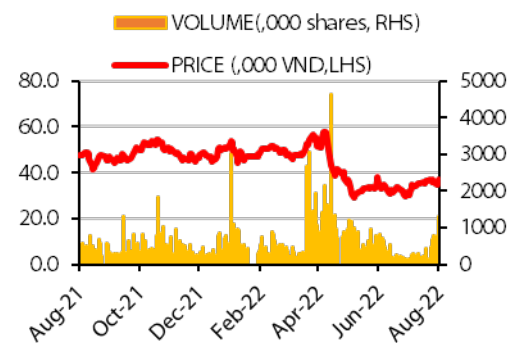
BUY: +53%
<MP 36,750>
<TP: 56,300>
STOCK INFO

Sector
Market Cap (USD Mn)
Current Shares O/S (Mn shares)
3M Avg. Volume (K)
3M Avg. Trading Value (VND bn)
Remaining foreign room (%)
52-week range ('000 VND)

Industrial Park
Revenue (VND bn)
NPATMI (VND bn)
ROA (%)
ROE (%)
EPS (VND)
Book Value (VND)
Cash dividend (VND)
P/E (x) (*)
P/B (x) (*)

FINANCIALS
2021A 2022F 2023F

782 865 935
295 253 368
10.8 8.3 10.6
21.5 16.7 22.1
5,900 4,758 6,918
29,236 31,314 35,324
1,900 1,900 1,900
9.6 12.9 8.8
1.8 1.8 1.6


INVESTMENT RATIONALES
Prime location of Long Hau 3-phase 1 IP (LH3-p1) ensure profit until 2026

- With leasing rate of at least 12 ha/year on average and leasable area of ~ 60 ha as of December 31st 2021, we believe that LHG had enough supply for leasing until at least 2025. In addition, prime location closing to strategical infrastructure will push up ASP in the future. In 2022F, we expect the IP land sales will be 12ha (+9% yoy) and the ASP would be \$220/ sqm (+11.67%).

Long Hau 3-phase 2 and An Dinh IPs will be soon approved investment policy ensuring long-term business plan

- Long Hau 3-phase 2 and An Dinh IPs are submitting investment policy to the Prime Minister. LHG expects that LH3-p2 will be approved in 3Q2022, and Anh Dinh IPs will get approval in 4Q2022. LHG also expects these IP to be commercialized from 2024.

One of top ready-built factories (RBFs) developers with ambitious expansion plan.

- As of 2021, there are ~ 100 thousands sqm of RBF area. The company plans to launch another ~ 35 thousand sqm from 2022 and 2022. In addition, LHG planned to launch a 10,000 sqm warehouse in 2023 in LH 3 IP. Notably, RBFs project (~30 ha) in Da Nang Hi-Tech park will make LHG as one the top RBFs developers in Vietnam.

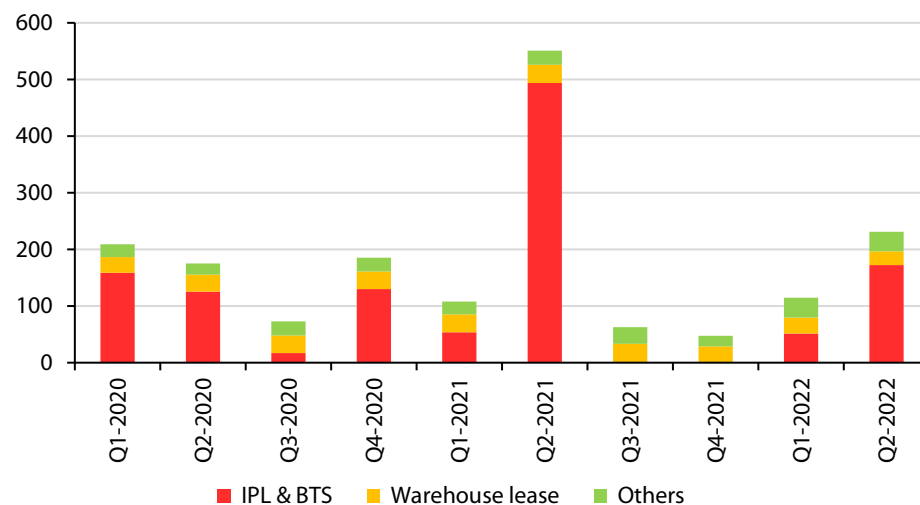
RISK TO OUR CALL

- Higher investment costs due to slower than expected progress of land clearance and land rental fee payment.
- Higher than expected potential payable to IPC due to dispute of investment expenditure amount for Long Hau resident relocation

Table 1: 6M2022's performance

(VND Bn)	6M 2022	+/- YoY
Revenue	348	-48%
Gross profit	118	-25%
EBIT	309	-1.4%
NPAT	90	-64.7%

Source: LHG, Rong Viet Securities

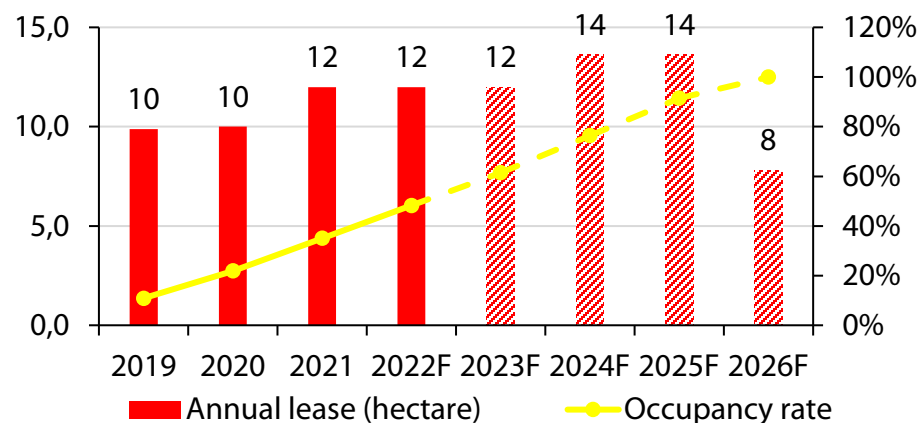
Figure 1: LHG sales breakdowns (VND bn)


Source: LHG, Rong Viet Securities

IP segment was back in 6M 2022

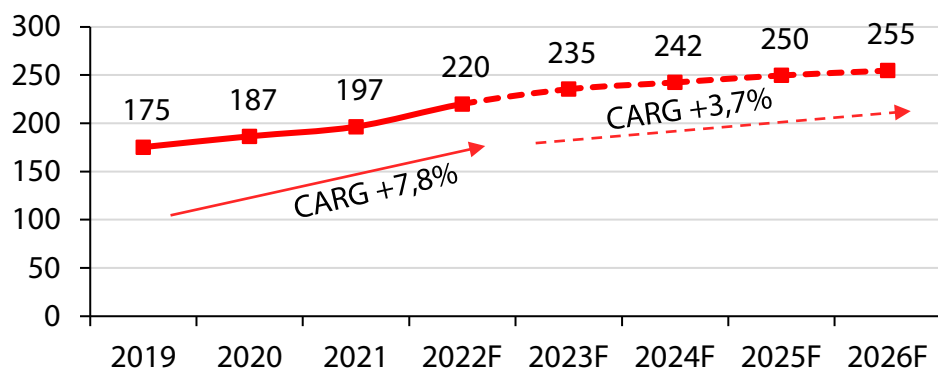
- Long Hau recorded revenue of VND 347.7 billion or ~\$14.92 mn (-47.8% yoy) and NPAT of VND 89.52 billion or ~\$3.84 mn (-64.4% yoy) in 6M 2022. The company completed 45% of planned revenue and 81% planned NPAT.
- IP segment: after not recording any new IP land lease in 2H2021, revenue and gross profit reached VND 224 bn or ~\$9.61 mn (-59.1%) and VND 63 bn or ~\$2.7 mn (-79.2%) respectively in 1H2021. The YoY underperformance was due to (1) high base of 2Q2021 as LHG recorded the historical high in earnings thanks to leasing contract of 10 hectares with LOGOS, and (2) deteriorated GPM of industrial land leasing segment to 18% in last quarter. In particular, shareholders approved to increase the total investment cost of Long Hau 3 phase 1 (LH3.1) by ~24% at AGM on April 28, (from VND1,706 billion or ~\$73.22 mn to VND 2,107 billion or ~\$90.43 mn). This upward revision was due to higher clearance cost (+ ~ VND 290 billion or ~\$12.45 mn), new obligation to local government (+VND 56 billion or ~\$2.4 mn), and other provisions related to legal procedure (+VND 55 billion or ~\$2.36 mn) and led to higher COGS.
- Warehouse: Revenue and gross profit reached VND 53bn or ~\$2.27 mn (-18.1%) and VND 31bn or ~\$1.33 mn (-14.7%) respectively.
- Others: revenue and gross profit reached VND 71 bn or ~\$3.05 mn (+31.6%) and VND 24 bn or ~\$1.03 mn (+26.1%) .
- General GPM was 33.9%, lower than that of 6M 2021 (53.7%) because of the higher investment cost to LH 3.1.

Figure 2: LH3-p1 leasing schedule forecast



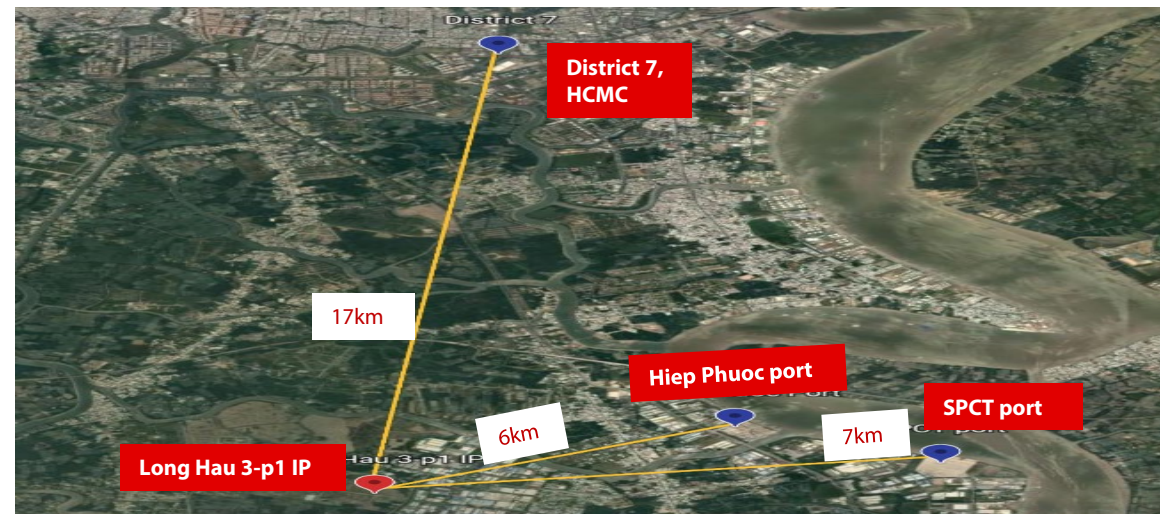
Source: LHG, Rong Viet Securities

Figure 4: Leasing price estimate of LH3-p1 IP (USD per sqm)



Source: LHG, Rong Viet Securities

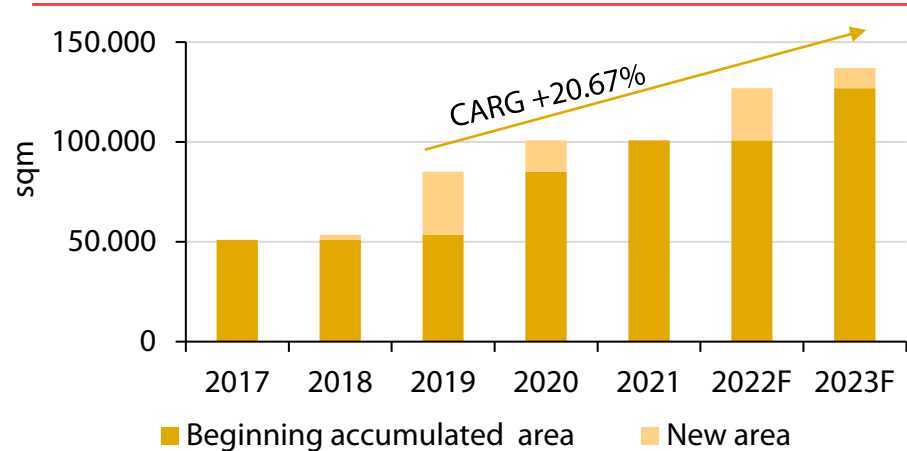
Figure 3: Location of LH3-p1 IP



We are confident that current leasable land bank in LH3-p1 ensure Long Hau 's performance until at least 2025 with leasing rate of at least 10 ha per year. The plan is feasible due to:

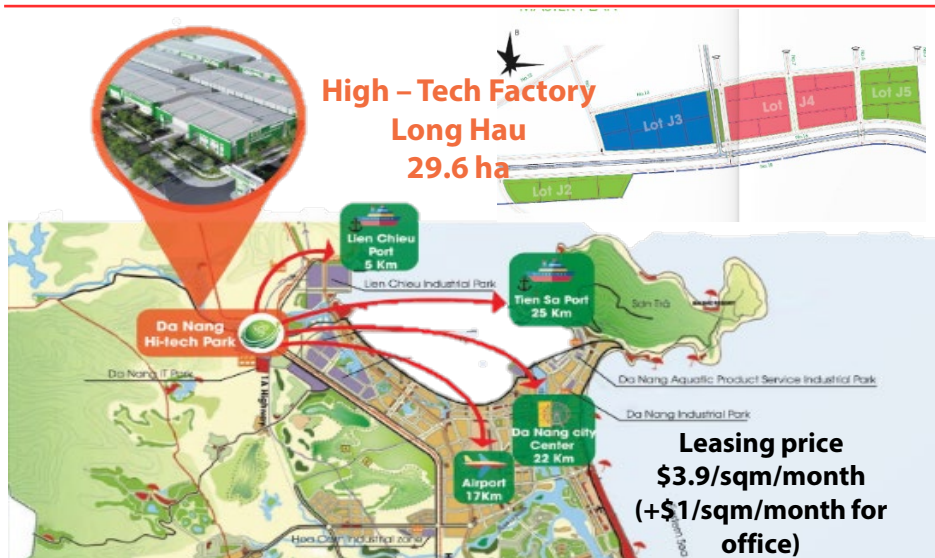
- 1) The LH3-p1 IP is close to the Hiep Phuoc port cluster.
- 2) The tenants of the nearby IP (Hiep Phuoc II), still cannot pay land rental fee and obtain their land use rights.
- 3) Overall occupancy rate of IPs in Long An province statistically reached 90% proved the attractiveness of Long Hau 3-p1
- 4) LHG has one-stop services supporting tentants from pre- to post-investing

Figure 5: Long Hau 's RBFs bank



Source: LHG, Rong Viet Securities

Figure 6: RBFs of Long Hau in Da Nang Hi-Tech park (sqm)



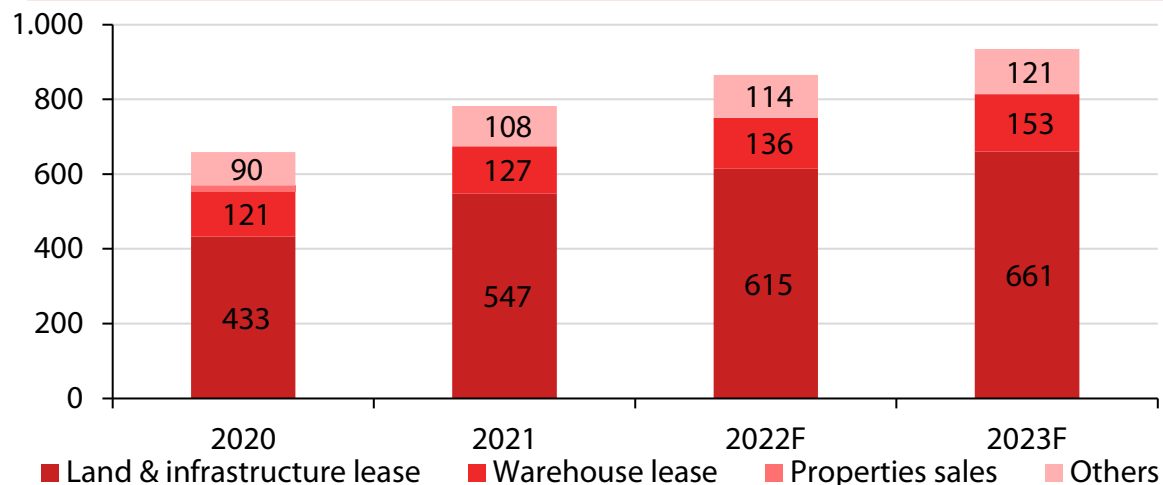
Source: LHG

Table 2: Top RBFs developers in Vietnam in term of leasing space

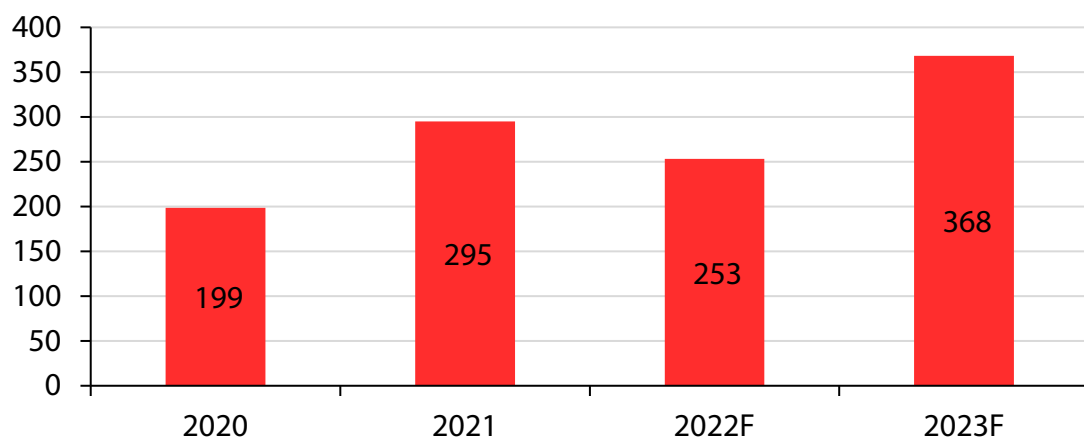
RBF developers	Area (sqm)
Kinh Bac City	577,000
BWID	488,000
Shenzhen Shenyue	263,000
Kizuna JV JSC	222,000
Amata	197,500
Thang Long IP	181,500
KTG Industrial	181,000
Mapletree	181,000
FU CHUAN Ltd	174,000
Tanimex	162,400

Source: Cushman & Wakefield

- Long Hau 's RBF segment expect to had stable income with steady annual cashflow and will show strong growth in next few year as Long Hau plan to expand leasing area aggressively. By the end of 2023, Long Hau will add ~36,000 sqm of leasing space, bring the GFA of Long Hau to ~137,000 sqm.
- We expect that Long Hau will soon become one of leading RBF developers in Vietnam in term of GFA. This is supported by RBFs project in Da Nang Hi –tech Park (29.6 ha) and High-rise RBF expansion in Long Hau 3 IP.

Figure 7: FY22-23 revenue forecast (VND bn)


Source: LHG, Rong Viet Securities

Figure 8: FY21-22 NPAT-MI forecast (VND bn)


Source: LHG, Rong Viet Securities

FY2022 forecast

We estimated that LHG will reach revenue of VND 865 billion (or ~USD 37 million, +10.7%) and NPAT-MI of VND 253 billion (or ~ USD 11 million, - 14%). In which

- 1) IP segment: Revenue will reach VND 615 billion or ~\$26.39 mn (+12.5%). We assume that LHG will lease 12 hectares of LH3-p1 IP with an average lease price of 220 USD per sqm.
- 2) Warehouse: Revenue is estimated at VND 136 billion or ~\$5.84 mn (+5% yoy) and gross profit will reach VND 77 billion or ~\$3.3 mn (+7% yoy).
- 3) Others: Revenue and gross profit will reach VND 114 billion or ~\$4.89 mn and VND 41 billion or ~\$1.76 mn, respectively.

Earnings takes back to growth trajectory in 2023

In 2023, we projected that revenue reach VND 935 bn or ~\$40.13 mn (+8.04%) and NPAT-MI will show improvement and reach VND 368 bn or ~\$15.79 mn (+45.4%) as GPM of Industrial land leasing go back up and Long Hau will launch new RBFs in 2023.

Table 3: Valuation summary

SOTP (VND bn)	NPV	Ownership	Effective NPV
LH3-P1 IP	1,285	100%	1,285
LH3-P2 IP	145	100%	145
AN DINH IP	163	100%	163
WAREHOUSE	707	100%	707
CASH AND SHORT-TERM INVESTMENT		100%	1,077
OTHER LONG-TERM INVESTMENTS		100%	202
Less: TOTAL DEBT		100%	-187
Less: PAYABLES TO THE GOVERNMENT AND IPC		100%	-574
Less: MINORITY INTEREST		100%	-1
RNAV			2,818
Shares outstanding (million shares)			50
Fair value per share (VND)			56,300

Source: Rong Viet Securities

Based on the sum-of-the-part valuation method (SOTP), we estimate the target price to be VND 56,300 per share. The total expected profit is about 53.2% (compared to the closing price on August 10th, 2022).

For long term, we expect LH 3.2 and An Dinh IPs will receive investment policy approvals in 2022 and be available for lease from 2024 onward.

BUY: +27.6%
<MP: 69,300>
<TP: 88,400>

STOCK INFO

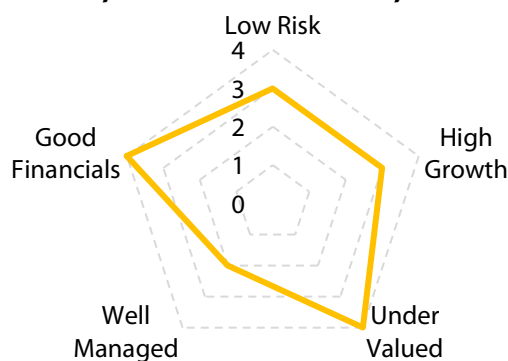
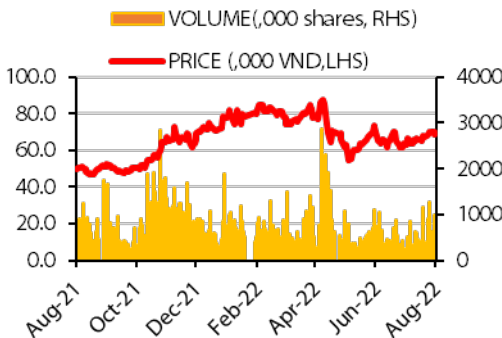
Sector
Market Cap (\$ mn)
Current Shares O/S (mn shares)
3M Avg. Volume (K)
3M Avg. Trading Value (\$ mn)
Remaining foreign room (%)
52-week range ('000 VND)

Industrial Park
402
135
519
34
35,3
90,7 - 49,3

FINANCIALS

Revenue (VND bn)
NPATMI VND bn)
ROA (%)
ROE (%)
EPS (VND)
Book Value (VND)
Cash dividend (VND)
P/E (x)
P/B (x)

	2021A	2022F	2023F
Revenue (VND bn)	1,945	1,703	1,958
NPATMI VND bn)	478	1,005	1,114
ROA (%)	7.6	15.7	15.1
ROE (%)	15.4	29.4	276.3
EPS (VND)	2,363	5,194	5,754
Book Value (VND)	22,057	28,734	34,128
Cash dividend (VND)	10,500	4,000	4,000
P/E (x)	19.7	9.3	8.4
P/B (x)	3.1	2.4	2.0



INVESTMENT RATIONALES

The land handover compensation will boost earnings in 2022 as well as 2023:

- PHR is on the process of handing over 691 hectares to VSIP for developing VSIP 3 IP as VSIP received the approval for VSIP 3 investment plan. PHR will receive the compensation of VND 691 bn (~USD 30 mn) from VSIP in 2022 and the rest VND 207 bn (~USD 9 mn) in 2023. Besides that, PHR will receive at least VND 1.2 bn/ ha following selling progress of VSIP 3 as part of handover compensation agreement. We estimate that the additional compensation could contribute VND 81 billion/ year (or USD 3.5 mn) to EBT at leasing rate of ~10% of total leasable area or ~68 ha/ year.

Abundant land bank in Binh Duong ensures mid- and long-term growth:

- PHR plans to convert 5,600 hectares of 15,000 hectares rubber farm in Vietnam into industrial parks. Of which, 2,600 hectares area of four IPs including NTC 3, VSIP 3, Tan Lap 1 and Tan Binh expansion might be put into operation in 2022-2024.

Rubber and wood processing segment weaken in short-term:

- Lower demand from China and higher input cost affects short-term performance of PHR. Besides, wood processing segment will be impacted in 2022 as rubber tree structure is younger than before. So that, there are not many old trees to be liquidated and supply for wood processing business.

RISKS TO OUR CALL

- Lower than expected progress of new IP projects.
- Volatility of rubber price

A part of compensation payment from land transfer to VSIP 3 IP contributed a major part to PHR's earnings in the first half of 2022:

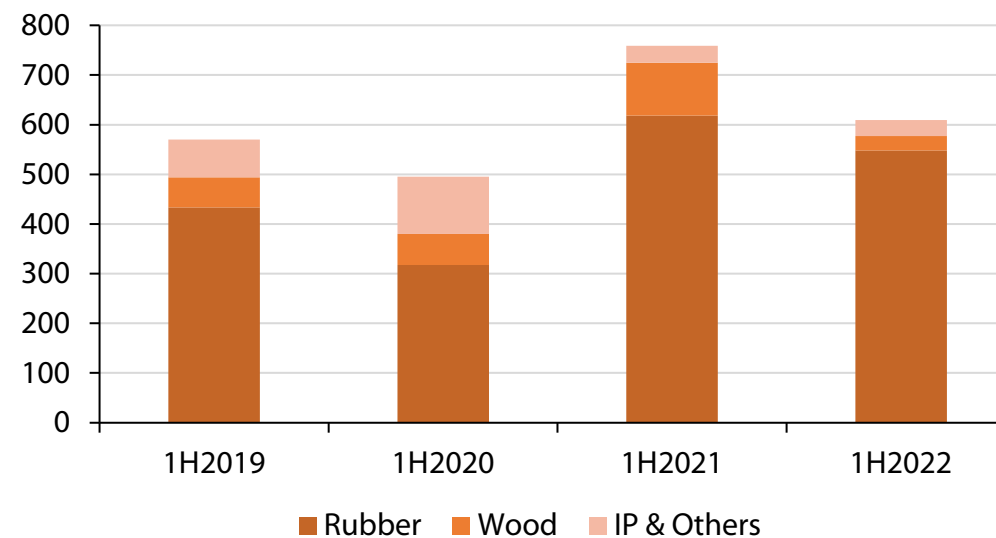
- 6M2022 revenue posted VND 607 bn (-19.6% YoY, USD 26.4 mn) and NPAT reached VND 355 bn (+109.1% YoY, USD 15.43 mn). Revenue impaired due to rubber and wood processing segments. The surge in the bottom line was the result of compensation payment from VSIP 3.
- Rubber segment: revenue reached VND 548 bn (USD 23.826 mn), down by 11.3% YoY. The lower-than-expected result is due to decrease in external purchasing. Price of material input, fertilizers, and labor cost increase combine with ASP calm affected total of selling output of PHR in the last half. In addition, Wood processing took hit as young rubber trees account for major part in tree bank structure and there are fewer old trees to cut. Thus, revenue of the segment plummeted to VND 28 bn (USD 1.2 mn) or -73.1% YoY
- The legal procedure of VSIP 3 IP –Phase 1 was completed. PHR received VND 289 bn(~USD 12.5mn) as a part of compensation payment in 6H2021 making other incomes surge by 1916.7% YoY, to VND 292 bn (USD 12.7 mn).

Table 1: 1H2022 earning results

(VND Bn)	6M 2022	+/- %YoY
Revenue	607	-19.6
Gross profit	98	-24.4
EBIT	44	-43.9
NPAT	355	109.1

Source: PHR, Rong Viet Securities

Figure 1: Revenue by segment (VND bn)



Source: PHR, Rong Viet Securities

Table 2: Industrial park projects (hectares)

IP projects	% Ownership	Area	Status	Implementary year
Tan Binh	80	352	The last 6 hectares will be leased in H2/2022	Done
VSIP III	20 (expected)	1,000	Phase 1 (196,45 ha) has been approved, 60 hectares were leased	2022
Tan Lap I	51	202	Included in 2016-2020 master plan, waiting for resolution related auction concern mentioned in Decree 167/2017/ND - CP	2023
NTC-3	32.85	345.86	waiting for resolution related auction concern mentioned in Decree 167/2017/ND - CP	2023
Tan Binh – Expansion	80	739	Included in 2021-2025 master plan	2024
Tan Lap II	51	180	Included in 2016-2020 master plan	2024-2025
Hoi Nghia	100	715	Included in 2021-2025 master plan	After 2025
Binh My	100	1,002	Included in 2021-2025 master plan	After 2025

Source: PHR, Rong Viet Securities

VSIP III IP, PHR had a common agreement with VSIP to invest 20% stake in VSIP III, both sides have yet signed the business cooperation contract. In addition, the total investment was adjusted from USD 253 million to USD 516 million, it is estimated that PHR's capital contribution will be at ~USD 15.48 million (~VND 356.04 billion). As planned, PHR will disburse according to the project investment progress. Recently, VSIP has signed contracts of 60 hectares (in which, 44 hectares was taken by Lego), the leasing price is in range 110 USD/m2 to 115 USD/m2.

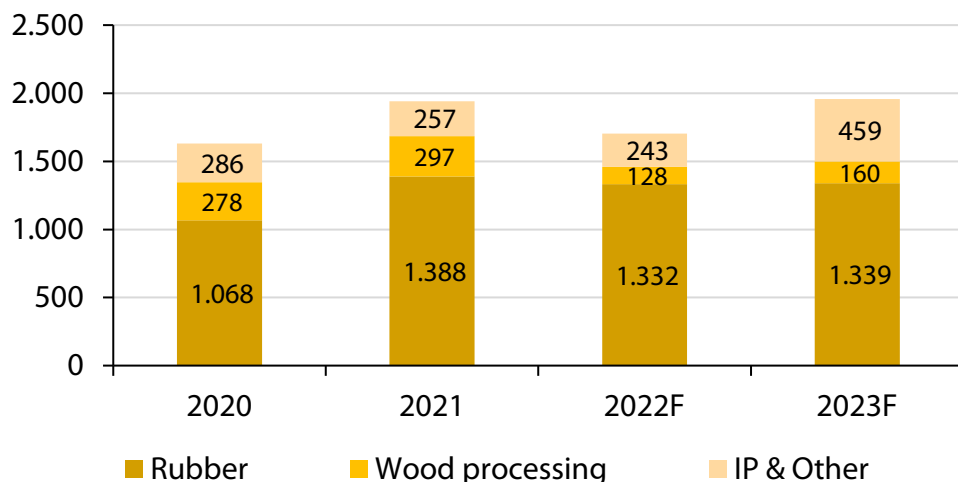
Tan Binh IP PHR ensured that the last 6 hectares will be leased this year, there are some interested investors recently, PHR is just seeking the best price. This source of revenue will be recognized in 2023.

Tan Binh – Expansion IP, the project was included in 2021-2025 master plan of Binh Duong province and will be progressed further when the plan is approved at the Central level.

Tan Lap I IP, the project will be the next priority after VSIP III and NTC-3, was included in the 2016 – 2020 master plan. However, the projects bottlenecked due to auction concerned related to Decree 167/2017/ND-CP. Therefore, we expected that the project cannot move further by the end of this year.

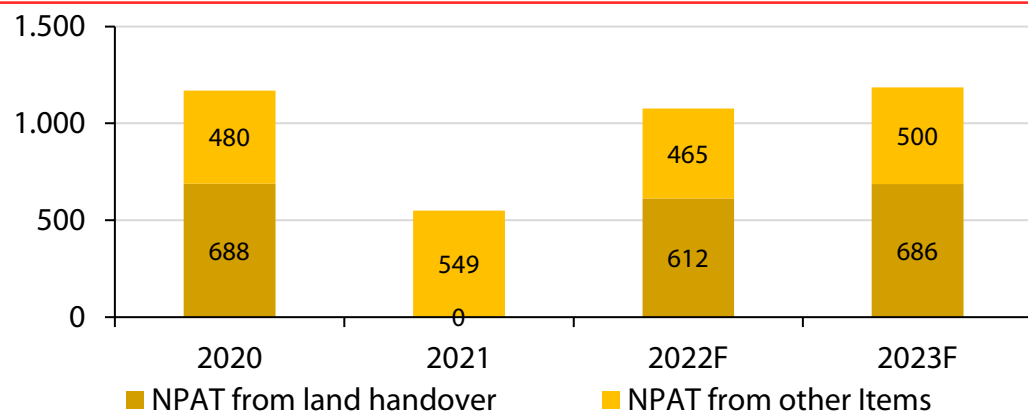
Other IPs, Binh My IP and Hoi Nghia IP were included in the 2016 – 2020 master plan of Binh Duong as Tan Binh – expansion IP. However, PHR has yet planned any things for these two IPs.

Figure 2: FY2022-2023 sales forecast (VND bn)



Source: Rong Viet Securities

Figure 3: FY2022-2023 earnings forecast breakdown(VND bn)



Source: Rong Viet Securities

2H2022 forecast

Revenue will slightly decrease by -7.6% YoY and NPAT will grow 68.2% YoY. In particular:

- 1) Revenue reached VND 1,093 bn (~\$47 mn). We estimate that rubber sales to reach ~VND 783bn (+1.8% yoy, ~ \$33.6mn). While wood processing segment deteriorated due to lacking supply that mentioned above with revenue of VND 99 bn (~ \$4.2 mn). IP segment expect to record the very last sale of Tan Binh IP and is expected to record VND 210 bn (~\$9.01 mn) in revenue.
- 2) In addition, NPAT spiked thanks to the abnormal other income from land handover to VSIP 3. Specifically, PHR expected to record VND 475bn (~\$20.39 mn) in 2H2022. Including fixed amount and varied amount based on sale progress of VSIP 3.

PHR's FY2023 forecast: Other incomes contribute the major part

We expect that revenue will recover and reach of VND 1,958 bn or ~\$84.03 mn (+15% YoY) thanks to availability to lease of Tan Lap I (202 ha). In addition, NPAT grows 10.4% to VND 1,150 bn or ~\$49.36 mn as compensation stream based on sale progress of VSIP 3 keep topping up to other income item.

<ACCUMULATE +19%>
<MP: 37,800>
<TP: 44,900>
STOCK INFO

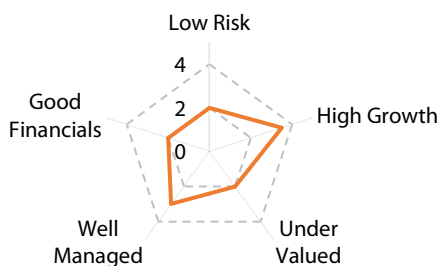
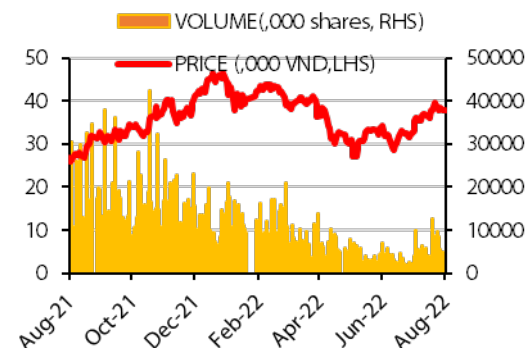
Sector
Market Cap (\$ mn)
Current Shares O/S (mn shares)
3M Avg. Volume (K)
3M Avg. Trading Value (\$ mn)
Remaining foreign room (%)
52-week range ('000 VND)

Industrial Park
1,241
768
4460
154
29.3
47.18 - 26.33

FINANCIALS

Revenue (VND bn)
NPATMI VND bn)
ROA (%)
ROE (%)
EPS (VND)
Book Value (VND)
Cash dividend (VND)
P/E (x)
P/B (x)

	2021A	2022F	2023F
Revenue (VND bn)	4,309	5,104	11,140
NPATMI VND bn)	784	4,068	3,648
ROA (%)	3.5	12.3	9.2
ROE (%)	5.9	20.1	15.3
EPS (VND)	1,647	5,299	4,752
Book Value (VND)	29,203	26,373	31,125
Cash dividend (VND)	-	-	-
P/E (x)	36.9	7.1	8.0
P/B (x)	2.1	1.4	1.2


INVESTMENT RATIONALES
2022 outlook: Ability to fulfill business plan depends on bulk-sale in Trang Cat UA

- KBC targets 9,800 billion (+227.5% YoY) in revenue and NPAT of 4,500 billion (+471.2%) in 2022 given the contribution of handover IPs (NSHL, Tan Phu Trung) and residential land (Trang Cat, Phuc Ninh, and Trang Due). In which, revenue from Trang Cat UA will contribute more than 60% in revenue and c. 67% in NPAT guidance for FY2022.
- In 1H2022, the handover of industrial park area was quite slow compared to the same period last year (equivalent to about 29% YoY), making the total revenue filled merely 11% of the full year plan. Meanwhile, owing to re-evaluating the investment in SDN, KBC recorded a one-off profit of c. VND 2.4 Tn and filled c. 55% of the NPAT target.

Residential land transferring to boost gross profit margin in the mid-term

- Trang Cat and Phuc Ninh are the two profitable projects which will contribute to revenue and profit from the YE2022. In the base case, we expect KBC can handover apart of its bulk-sale area in Trang Cat by YE2022, while delay the transferring of Phuc Ninh to 2023.
- Revenue from residential projects will account for more than 70% of KBC's total revenue on average in 2023 – 2026, making its GPM expand to average 67% in the same period.

Large land-bank requires large amount of investment capital

- By the end of June 2022, KBC's total IP and residential land bank are 6,417 ha and 1,178 ha respectively which are large enough for the company to develop in next 10 – 20 years. About 20% of its land bank is cleaned land.
- To fulfill legal documents for those projects available for sales, it requires large amount of investment fund. We expect that the company will gradually develop its projects or it will have financial difficulties or income diluted (due to stock-issuance).

RISKS TO OUR CALL

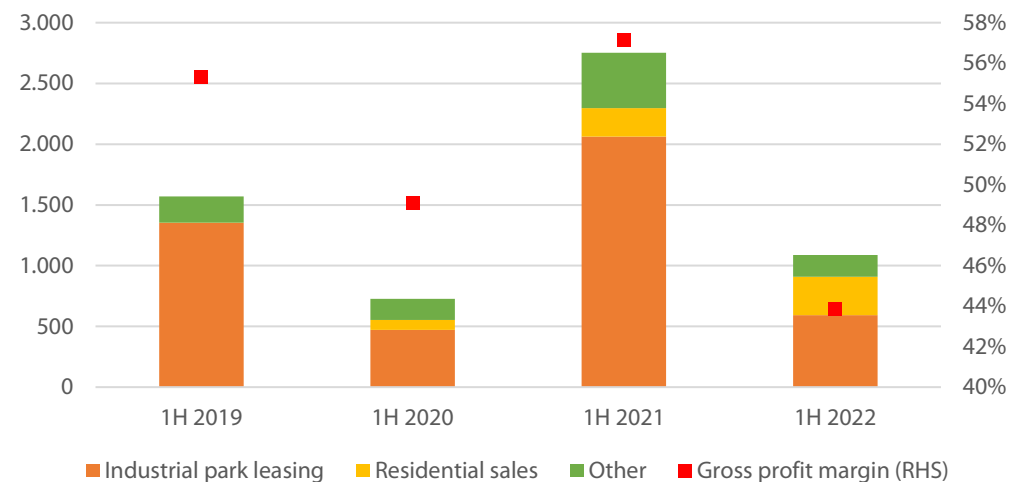
- Upside risk: we expect the company will handover about one-third of Trang Cat UB area compared to its 2022 plan. In case KBC can successfully transfer all 30ha bulk sale in 2022, the company will exceed its profit guidance more than 30%, which will positively impact on the stock price in the short-term.

By the end of 6M2022, total revenue came at roughly VND 1,087 billion (-60% YoY, fulfilling 11% of the guidance) and NPAT posted VND 2,457 billion (+210% YoY, completing 54.6% of the plan).

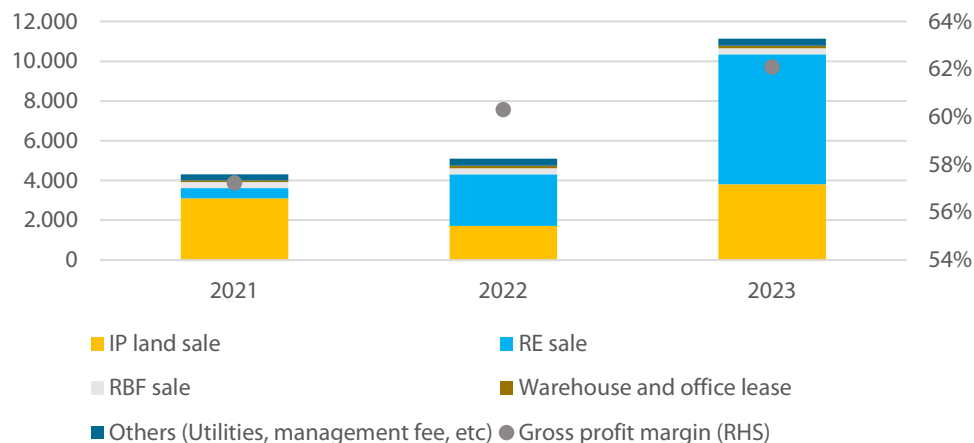
- The handover of industrial park land was quite slow compared to the same period last year (equivalent to about 29% YoY), making the total revenue from core business activities only filled 11% of the full year business plan.
- Owing to re-evaluating the investment in SDN, KBC recorded a one-off profit of nearly 2,400 billion dong. As such, KBC has completed nearly 55% of the NPAT target for the whole year 2022.
- 6M2022 delivered area:
 - (1) Leasing 16.8 ha in Tan Phu Trung Industrial Park. Thus, KBC will hand over an additional 13.2 hectares in the second half of 2022, according to the plan.
 - (2) Transferring 4 hectares of urban land in Trang Due project. It's expected to hand over about 2 more hectares in 2H 22.

Figure 2: 1H business results

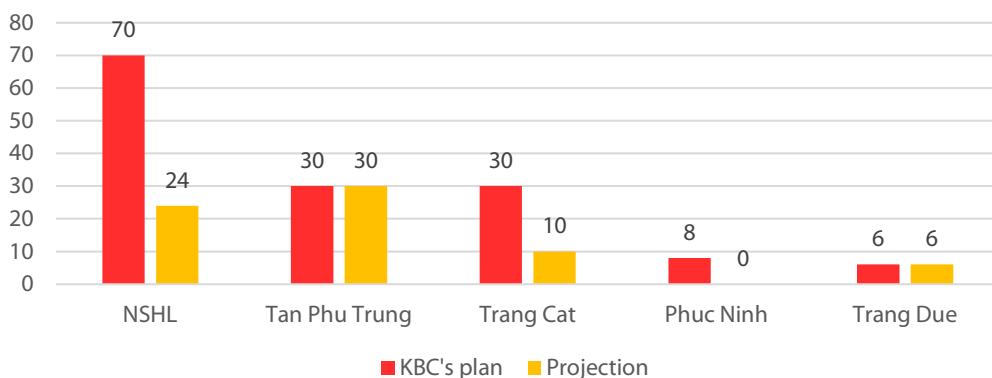
(VND Bn)	6M 2022	+/- %YoY
Revenue	1,087	-61
Gross profit	477	-70
EBIT	236	-81
NPAT	2,374	271

Figure 1: Revenue by segment (VND bn)


Source: KBC, Rong Viet Securities

Figure 3: FY2022-2023 sales forecast (VND bn)


Source: Rong Viet Securities

Figure 4: FY2022 land-handover forecast


Source: Rong Viet Securities

Aggressive business plan's growth owing to bulk-sales in Trang Cat UA

- In 2022, KBC targets 9,800 billion (+227.5% YoY) in revenue and NPAT of 4,500 billion (+471.2%).
- The ambitious plan comes mostly from residential project named Trang Cat UA. Particularly, the company plans to bulk-sale about 30ha in this project, contribute 61% of revenue plan and 67% of net profit plan.
- The handover IPs in Nam Son Hap Linh (NSHL), Tan Phu Trung and transfer residential projects in Phuc Ninh and Trang Due will contribute the remaining revenue and net profit in its FY2022 guidance.

2H 2022 forecast

In our base case, we expect KBC can complete its business plan in Tan Phu Trung IP, Trang Due UA, and a part area of NSHL IP and Trang Due UA. Due to legal processing, KBC may have to delay handover land in Phuc Ninh to 2023.

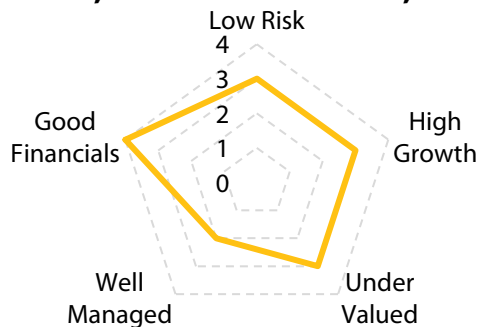
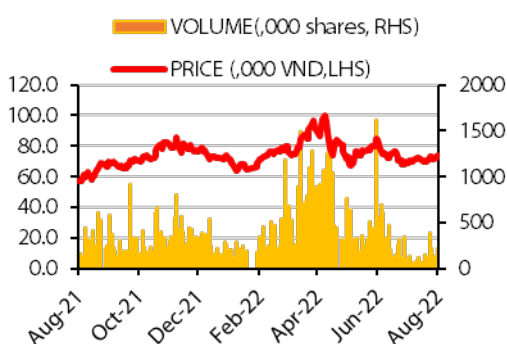
2H 2022 revenue and net profit will be at VND 4.0 Tn (or USD 174 mn, +270% HoH) and VND 1.7 Tn (or USD 73 mn, -29% HoH), respectively.

FY2022 total revenue and NPAT will be at VND 5.1 Tn (or USD 221 mn, +18% YoY) and VND 4.1 Tn (or USD 176 mn, +419% YoY), fulfill 52% its revenue and 89% its net profit guidance for 2022.

<NEUTRAL: -1.4%>

<MP 75,900>

<TP: 72,600>



STOCK INFO

Sector
Market Cap (USD Mn)
Current Shares O/S (Mn shares)
3M Avg. Volume (K)
3M Avg. Trading Value (VND bn)
Remaining foreign room (%)
52-week range ('000 VND)

Industrial Park
135
43
247
19
0
102.1 – 58.5

FINANCIALS

Revenue (VND bn)
NPATMI (VND bn)
ROA (%)
ROE (%)
EPS (VND)
Book Value (VND)
Cash dividend (VND)
P/E (x) (*)
P/B (x) (*)

	2021A	2022F	2023F
Revenue (VND bn)	1,217	1,376	1,242
NPATMI (VND bn)	431	496	652
ROA (%)	5.6	11.7	13.6
ROE (%)	9.1	20.6	22.8
EPS (VND)	7,235	7,894	9,945
Book Value (VND)	50,762	52,501	62,446
Cash dividend (VND)	3,000	3,000	3,000
P/E (x) (*)	10.0	9.3	7.4
P/B (x) (*)	1.4	1.4	1.2

INVESTMENT RATIONALES

Rubber land handover will bring steady cashflow for DPR in next 10 years.

- In next 10 years, DPR has plan to change the use of 2,000 hectares of rubber land to the third parties, which is benefit from master plan of Binh Phuoc Province in period of 2020-2030, to develop industrial parks and or residential area. Hand overing is expected to bring VND 20 bn/ year to DPR or contribute ~ VND 4,500 to EPS each year.

Industrial park segment will be benefit as the expansion IPs is located in strategic area of Binh Phuoc to develop industrial sector and is close to key future infrastructures

- The expansion plan of Bac Dong Phu IP and Nam Dong Phu IP are waiting for investment policy approval. The total expansion area is 797 hectares, which is three times larger than the current one. Beside closing to Binh Duong, the leasing price will be promoted as these Ips locate in heat zone of industrial-oriented area of Binh Phuoc and is close to major roads such as QL13, DT 741, QL14 and potential Expressways.

Strong cash balance secure cash dividends payment plan for years or even large investment plan

- Having an amount of VND 1,264 bn or ~\$54.25 mn in cash and short-term investment as of 06/30/2022, which accounts for 31.7% total assets and is equivalent to VND 29,390 per share, we believe DPR can maintain the payment of a dividend of VND 3.000 per share.

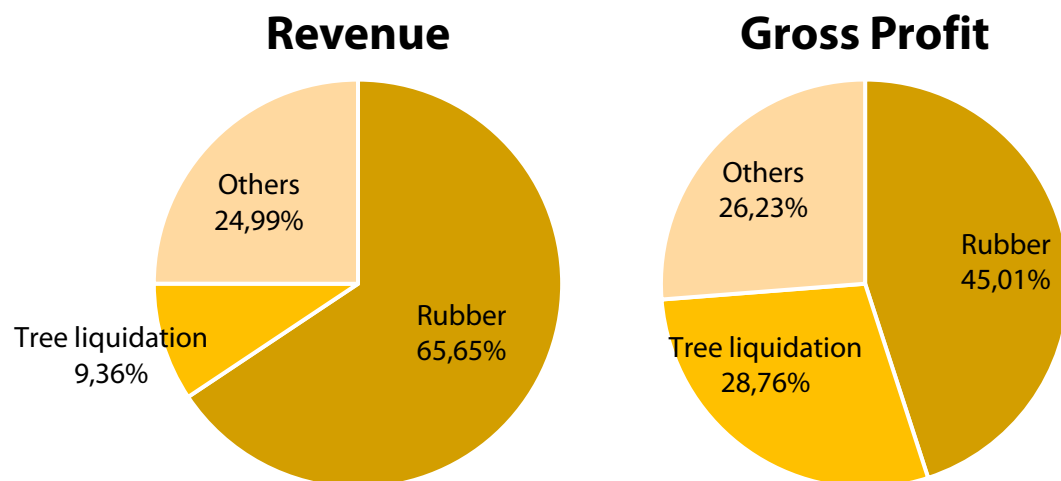
RISK TO OUR CALL

- Slower in rubber land hand overing process than expected due to lack of interested-in investors.
- Rubber price fluctuation.

Table 1: 6M2022 business results

(VND Bn)	6M 2022	+/- %YoY
Revenue	500	17.3
Gross profit	150	17.4
EBIT	101	31.3
NPAT	103	46.2

Source: DPR, Rong Viet Securities

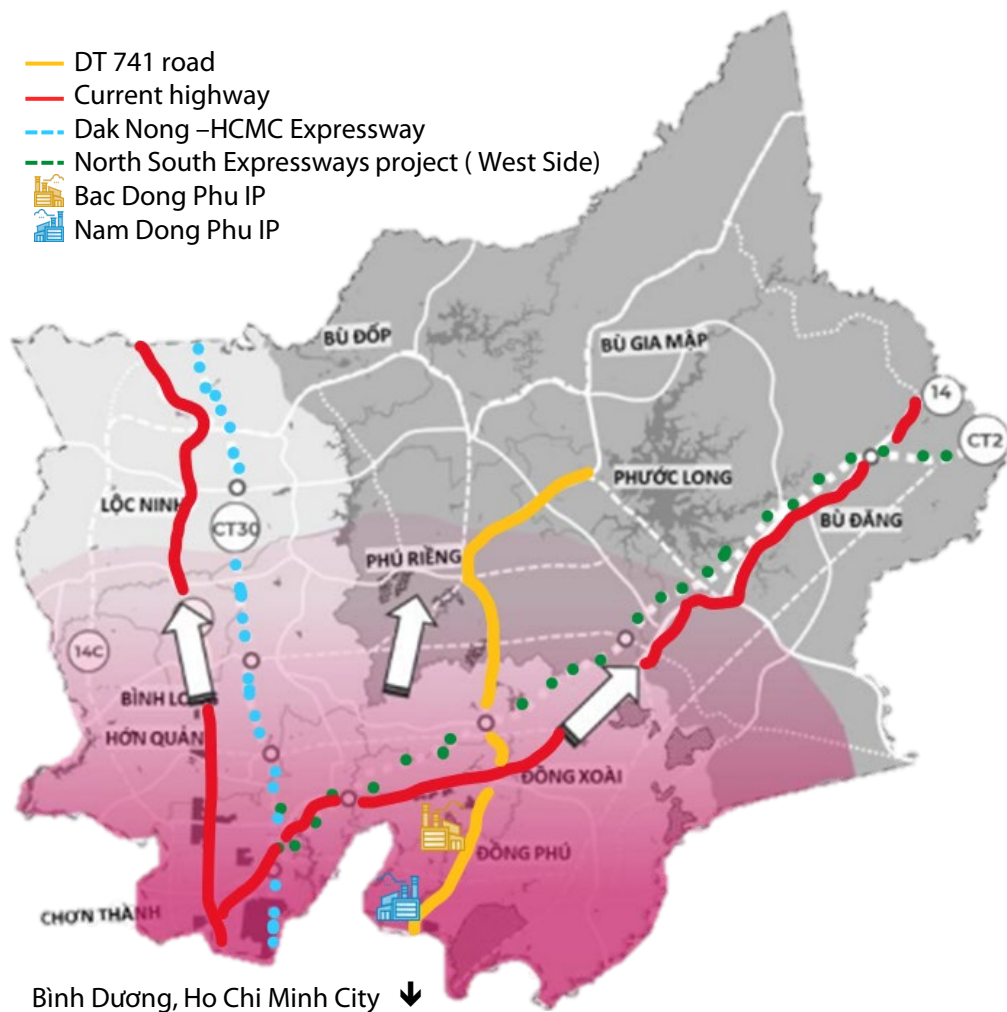
Figure 1: Revenue and GP breakdows by segments


Source: DPR

6M 2022 RESULTS: RUBBER SEGMENT WAS STILL THE MAIN PILLAR

- DPR recorded consolidated revenue of ~VND 500bn or ~\$21.46 mn (+17.3% yoy) and NPAT of VND 103bn or ~\$4.42 mn (+46.2% yoy) in 6M 2022. In which:
- The rubber segment was the main pillar in both revenue and profit, thanks to stronger increase in sale volume (~17.8% YoY) than ASP's decrease (~7.4%). As a result, revenue of the segment reached VND 328.1 bn or ~\$14.08 mn (+9.1%), while GP was VND 67 bn or ~\$2.88 mn (-41.2%)
- The company also recognized ~ VND 47bn or ~\$2.02 mn (+61.1% YoY) from the liquidation of rubber trees and GP of the segment reached VND 43.2 bn or ~\$1.85 mn (+66.3%YoY)
- The other segments including IP land leasing, other services brought ~VND 125 bn or ~\$5.36 mn (+38.9%YoY) in revenue and VND 39.4 bn or ~\$1.69 mn (+84.4%) in GP.

Figure 2: Space orientation for industrial development in the period of 2021 – 2030 (Pink zone)



Source: Binh Phuoc Province, Rong Viet Securities

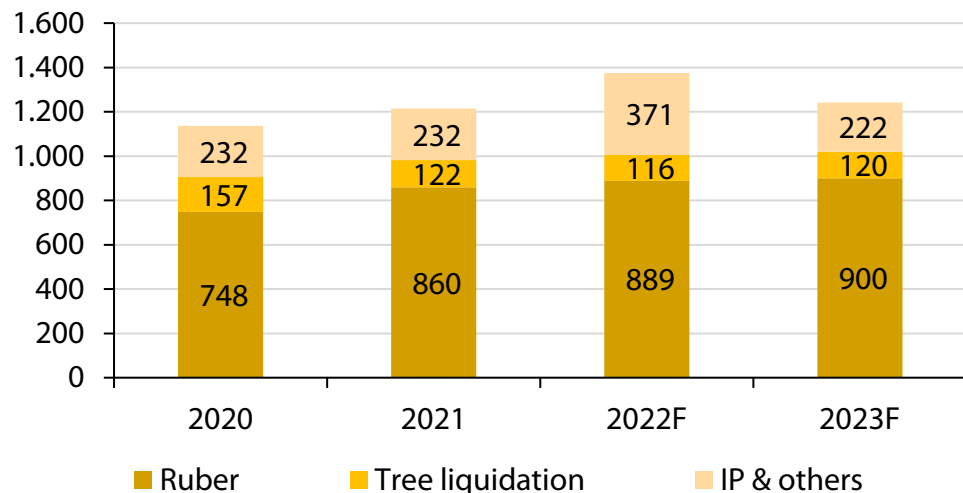
Table 2: Overview of DPR Land Fund

DPR's land bank	Area (ha)	Notes
Rubber plants area	4,800	Down from 5,500 hectares since 2021
Handover to Binh Phuoc province	1,828	Compensation price is 1.042 billion /ha
Self-developed IPs & other projects	2258	
• Bac Dong Phu IP	258	15 hectares remaining for lease, expected to fill in 2022, 2023
• Bac Dong Phu expansion IP	317	Waiting for investment policy approval, expected to start leasing at the end of 2023
• Nam Dong Phu expansion IP	480	Waiting for investment policy approval, expected to start leasing in 2026
• Other projects	1,203	In planning for the period of 2021-2030
Total	8,886	

Source: DPR, Rong Viet Securities

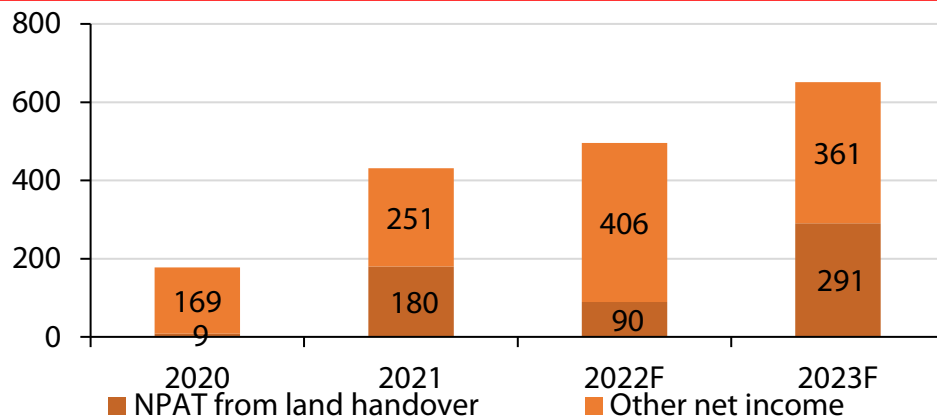
- According to the master plan of Binh Phuoc Province for period 2021-20230, DPR possibly convert 4,000 ha of rubber land for industrial or residential purposes. Besides plan of hand overing 2,000 ha to the province for 3rd parties. DPR had plans to self develop on the remaining areas of 2000 hectares.
- The self-developing plan will benefit from (1) future infrastructure developments as shown in figure 2, (2) as well as Binh Phuoc province's strategy to attract industrial investments in southern region, where it has regional link with Binh Duong. In this area, DPR is expanding Bac Dong Phu IP and Nam Dong Phu IP. The projects are on progress to get investment policies approval from the Government. We expected these 2 IP to start leasing from 2024 and 2026, respectively.

Figure 3: FY2022-2023 sales forecast (VND bn)



Source: Rong Viet Securities

Figure 4: FY2022-2023 earnings forecast (VND bn)



Source: Rong Viet Securities

2H2022 forecast

Revenue and NPAT will grow 11.1% YoY and 11.6% YoY respectively:

- 1) Revenue reached VND 876 bn or ~\$37.6 mn. We estimate rubber sales to reach ~VND 561bn or ~\$24.08 mn (+0.28% yoy) as sales volume and ASP are expected to be similar as last year. While the last area of Bac Dong Phu IP will be record once instead of annual allocation.
- 2) In addition, NPAT spiked thanks to the abnormal income from land handover of to Binh Phuoc People's Committee. The handover area would be 100 hectares and is expected to bring VND 96 bn or ~\$4.12 mn for DPR.

DPR's FY2023 forecast: Other income will skyrocket

We expect that revenue will slightly decrease to VND 1,244 bn or ~\$53.39 mn (-9.7% YoY) due to IP segment lack of inventory, while NPAT will show a strong growth of ~31% to VND 652 bn or ~\$27.98 mn as land handover will take lead and contribute a large part in other income items. In particular:

- 1) We expect that DPR will lease the last 2 ha of Bac Dong Phu IP and ~ 1% of Bac Dong Phu expansion IP or 5 ha in 2023 compared with 12 ha leased as expected in 2022.
- 2) Beside the annual income stream from land handover to Binh Phuoc province, we expected that, DPR will record another abnormal income from land handover to Bac Dong Phu IP developer, who owners are DPR (51%) , NTC (40%) and others (9%) to execute the expansion project

Table 3: Valuation summary

SOTP (VND bn)	NPV	Ownership	Effective NPV
RUBBER	566	100%	566
TREE LIQUIDATION	462	100%	462
IP	512	51%	261
LAND TRANSFER	1,007	100%	1,007
CASH	593	100%	593
SHORT-TERM AND LONG-TERM INVESTMENTS	839	100%	839
Less: DEBT	-54	100%	-54
Less: MINORITY INTERESTS	-551	100%	-551
Total equity value			3,123
Shares outstanding (million shares)			43
Fair value per share (VND)			72,600

Source: Rong Viet Securities

Based on the sum-of-the-part valuation method (SOTP), we estimate the target price to be VND 72,600 per share, which translates to total expected profit of -1.4% (compared to the closing price on August 10th, 2022).

In the long term, the recognition of 200bn per year thanks to land handover activities will still be a positive point for the company's cash flow from 2021 to 2030. In addition, we expect that from 2023 onwards, the expanded industrial parks of Bac Dong Phu (317ha) and Nam Dong Phu (480ha) support DPR 's revenues and profit growth.

Nonetheless, the risks of delay longer than expected in the legal process of land transfers and investments of the above industrial zones are noteworthy.

AVIATION

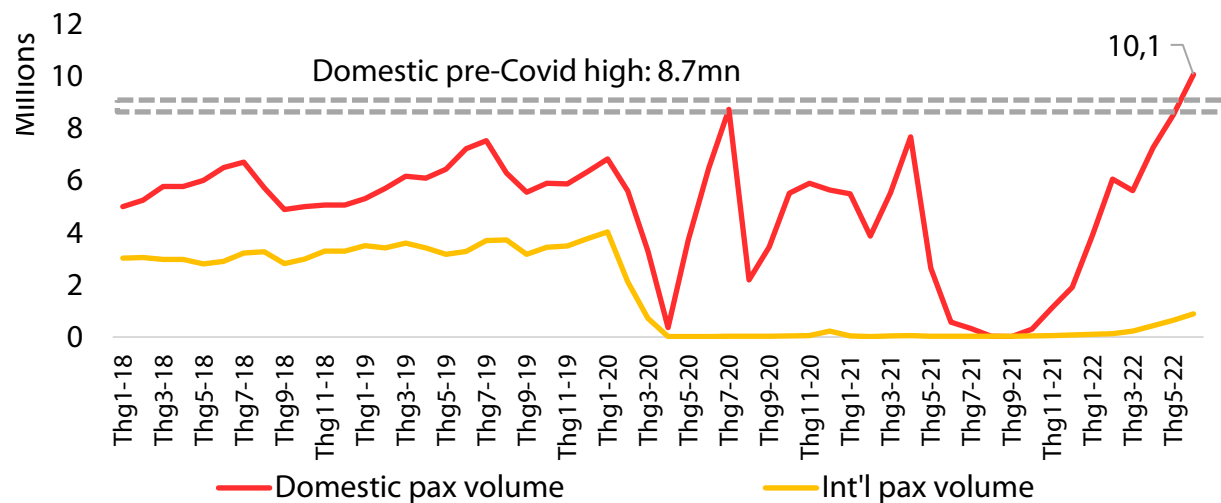
THE WORST HAS PASSED



Tung Do – tung.dt@vdsc.com.vn

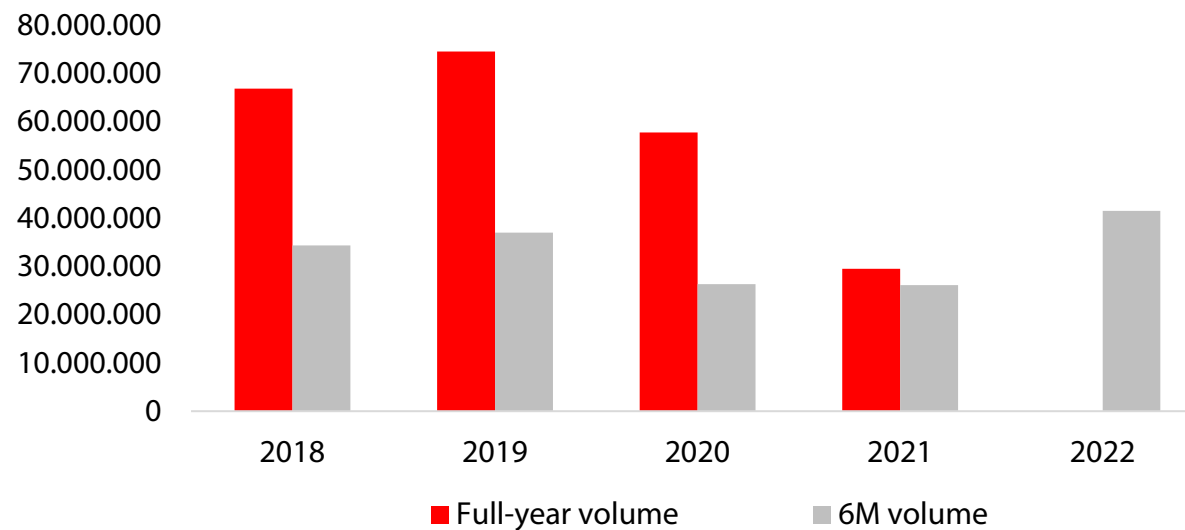


Figure 1: Pax volume recorded a new all-time high of near 11 mn pax



Source: ACV, Rong Viet Securities

Figure 2: The strongest first-half-result of the domestic market

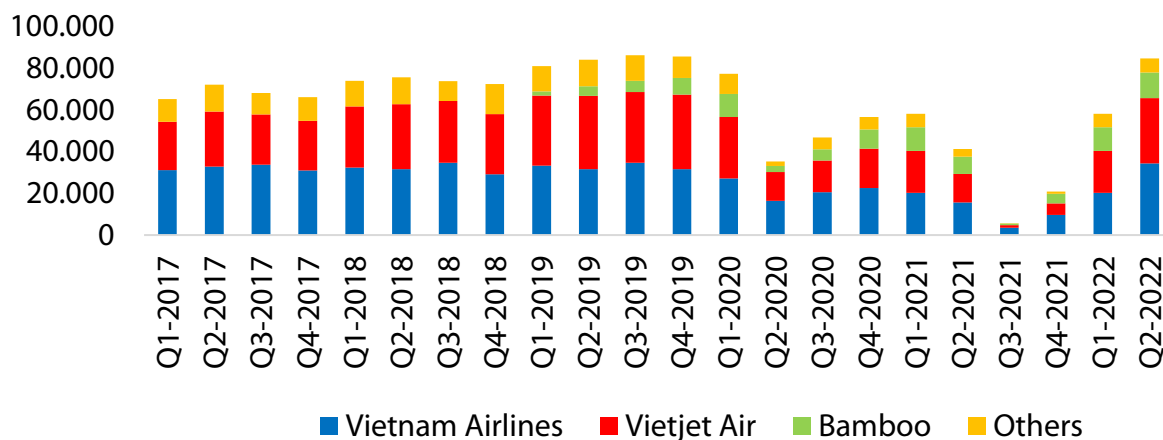


Source: ACV, Rong Viet Securities

- Domestic market maintains high momentum into the peak season, breaking the all-time high record in June 2022 with a volume of 10.1 mn pax.
- International market is gradually picking up but remains under 1 mn pax in June 2022.

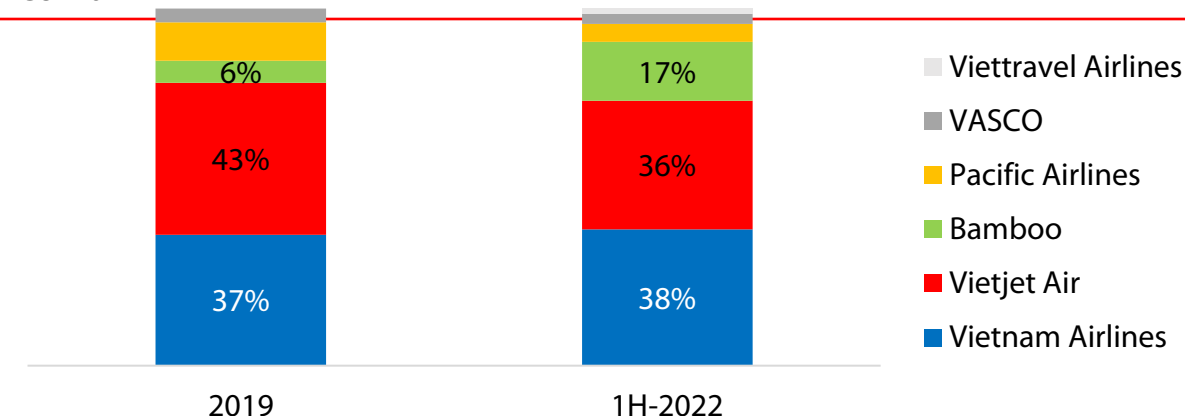
- The number of total flight of Vietnamese airlines is just around the peak in Q2 and Q3 of 2019 (~85k).
- Given the new high of quarterly pax volume, we estimate the implied pax per flights and, thus, load factors have improved largely in Q2-2022.
- Vietnam Airlines and Bamboo Airways saw their market shares growing after Covid.

Figure 4: Total number of flights is reaching historical high



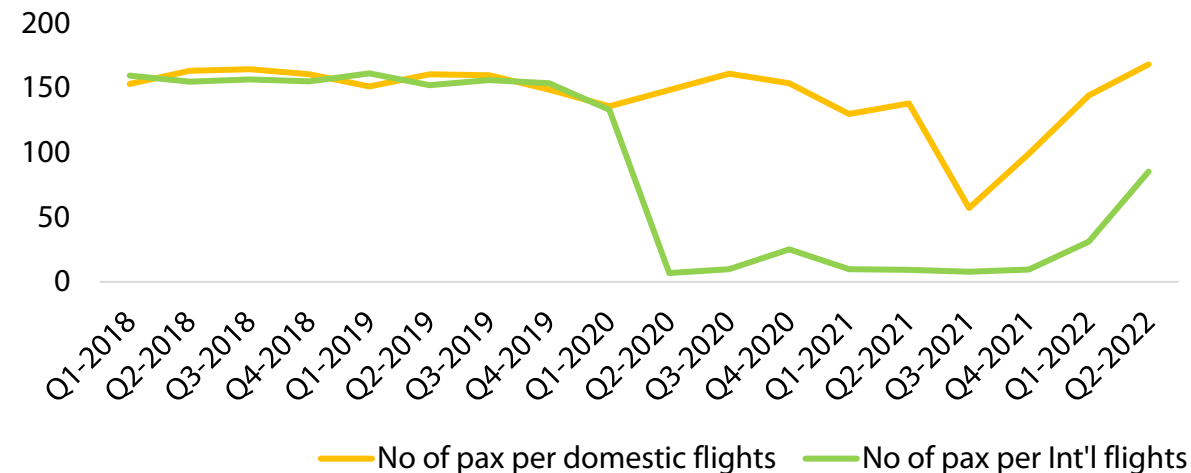
Source: CAAV, Rong Viet Securities

Figure 3: Domestic airlines market share by number of flight post-covid



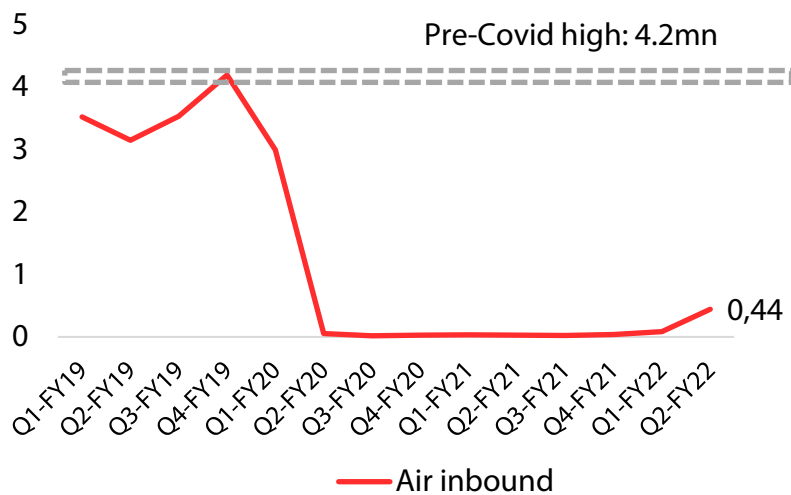
Source: CAAV, Rong Viet Securities

Figure 4: Improved load factor for domestic airlines



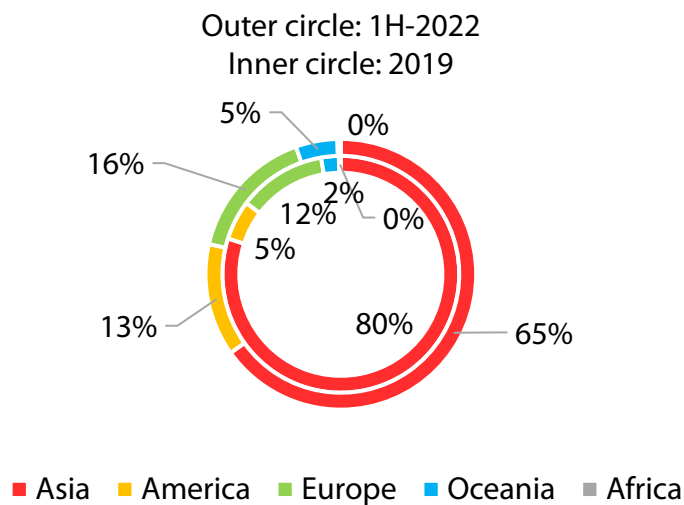
Source: ACV, Rong Viet Securities

Figure 6: International tourist inbound (mn)



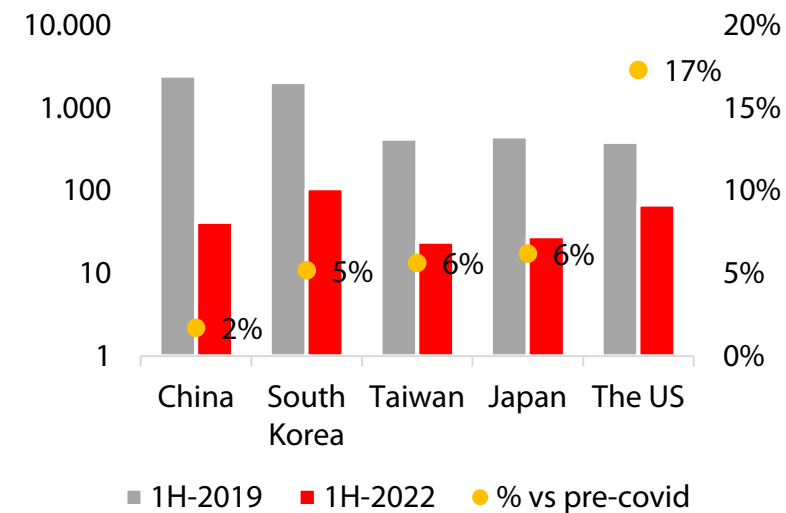
Source: GSO, Rong Viet Securities

Figure 7: International arrivals composition



Source: GSO, Rong Viet Securities

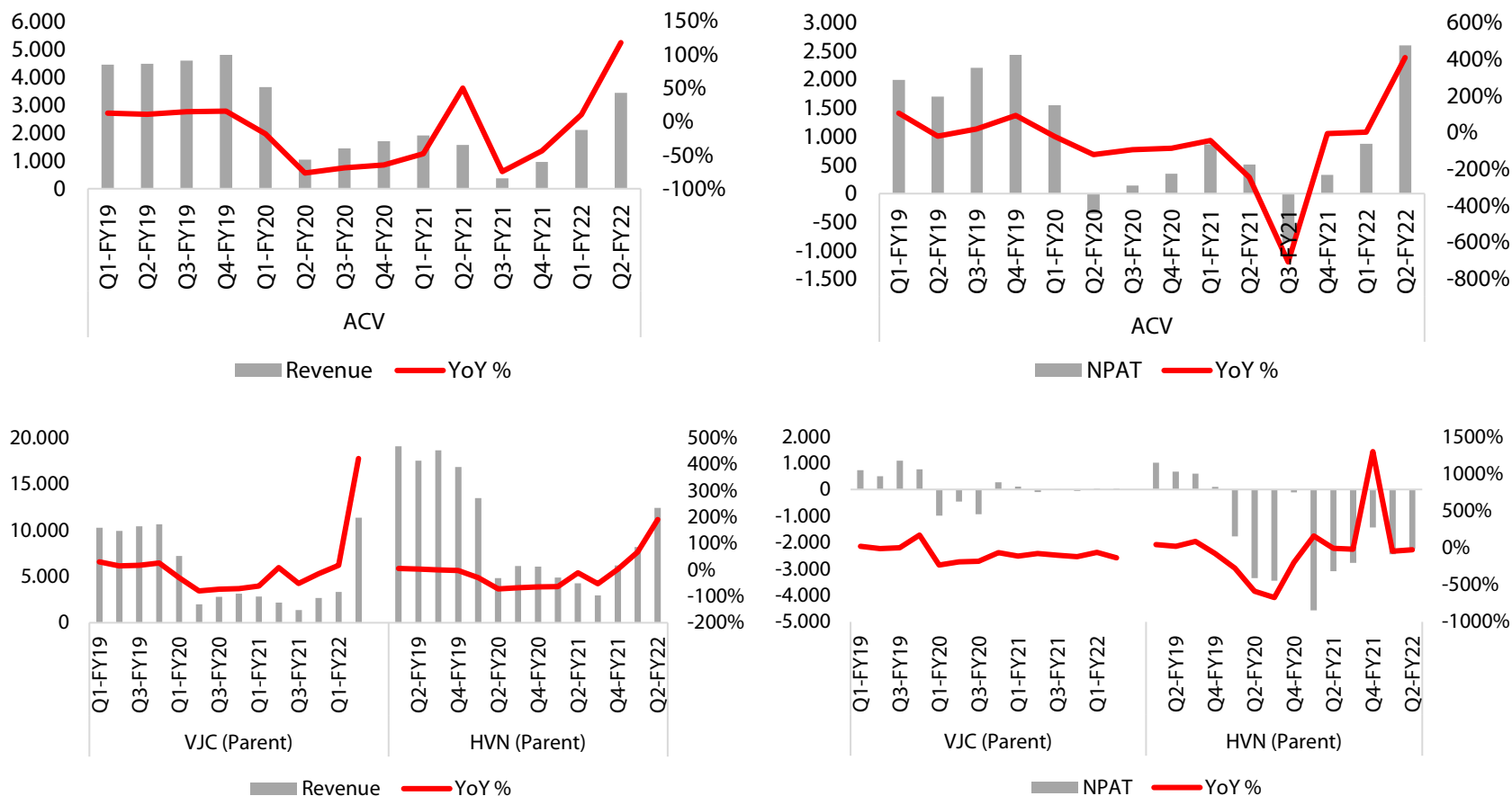
Figure 8: Top 5 markets (Unit: '000 arrival)



Source: GSO, Rong Viet Securities

- The international market is gradually recovering, but the recovery rate is still low because many countries and regions (especially Northeast Asian countries) are still applying regulations and policies on travel restrictions
- Asia remains the largest inbound market, but the contribution decreased to 65% from pre-covid level of 80% due to declining Chinese tourist, a result of its restrictive traveling policies.
- Vietnamese and foreign airlines to increase frequency, reopen/open new routes connecting Vietnam with India, Singapore, South Korea, Malaysia, China.

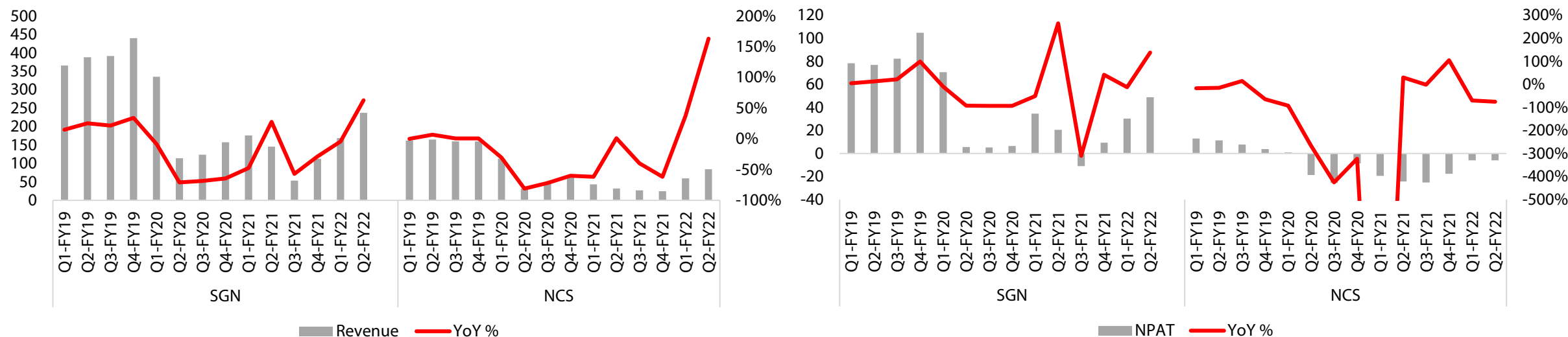
Figure 9: ACV, VJC, HVN's revenue and net profit



Source: Companies filings, Rong Viet Securities

- The strong passenger volume seen in May and June has directly driven ACV, VJC and HVN's sales in Q2-2022.
- ACV and HVN's sales recovered to around 70%~ pre-covid level while VJC's revenue in Q2-2022 exceeded Q2-2019's by 15% due to recognition of sales of aircrafts buying rights transfer.
- Unlike ACV who has a high operating leverage, airlines are still struggling to breakeven due to surging fuel expenses.

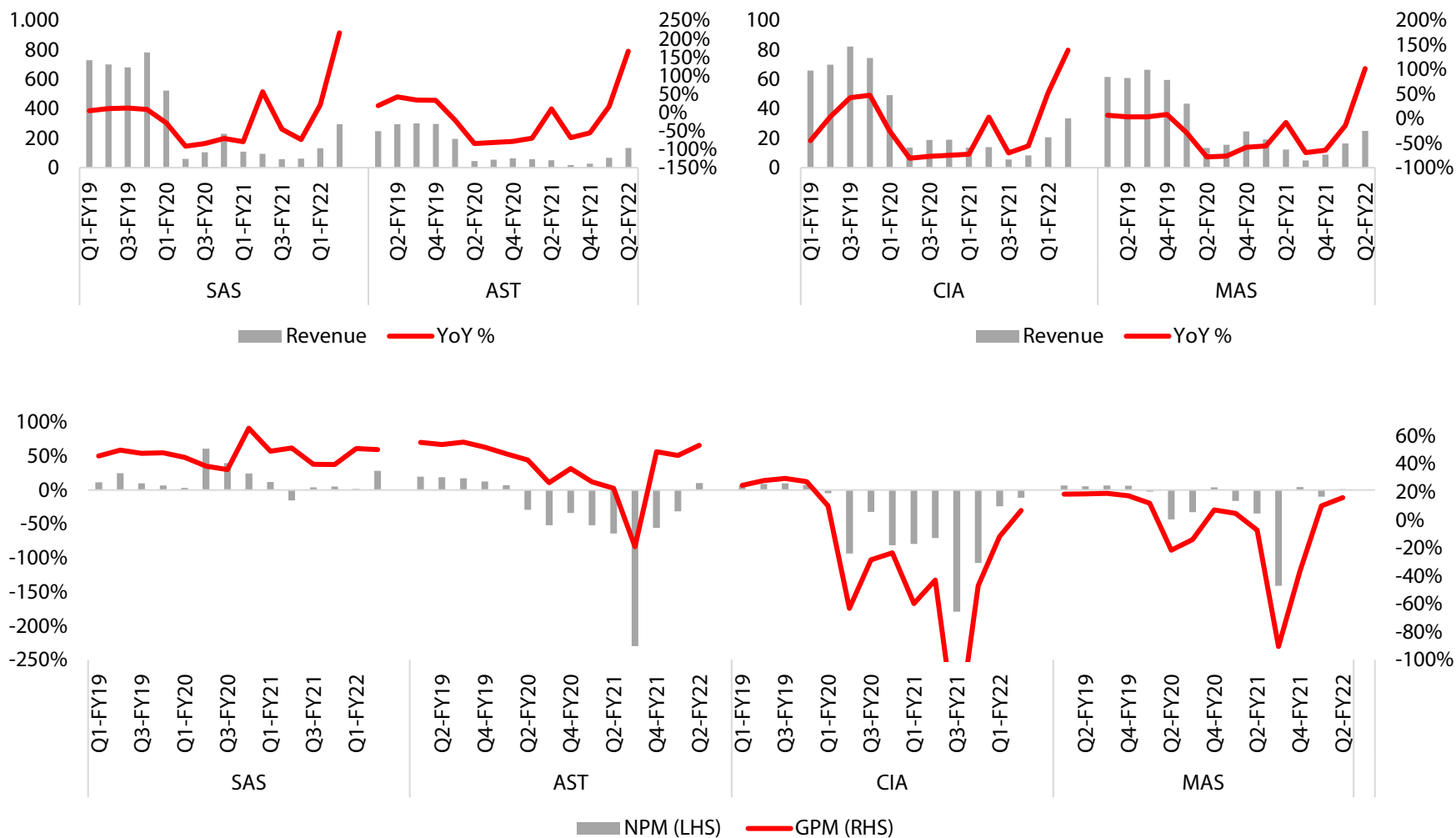
Figure: Ground handling operator SGN has recovered faster than air meals producer NCS in terms of both revenue and profit



Source: Companies filings, Rong Viet Securities

- SGN's revenue stood at 60% pre-covid level while NCS's was only 50% due to increasing pressure from new competitor namely VINACS.
- SGN's high operating leverage and duopoly nature of the market supported the company to protect its profit margins and quickly recover its net profit given good number of total flights.
- Higher competition and lower contribution of international air meals make NCS's GPM contract to only 5% in 1H 2022 vs 15% in 2019, resulting in a continued net losses.

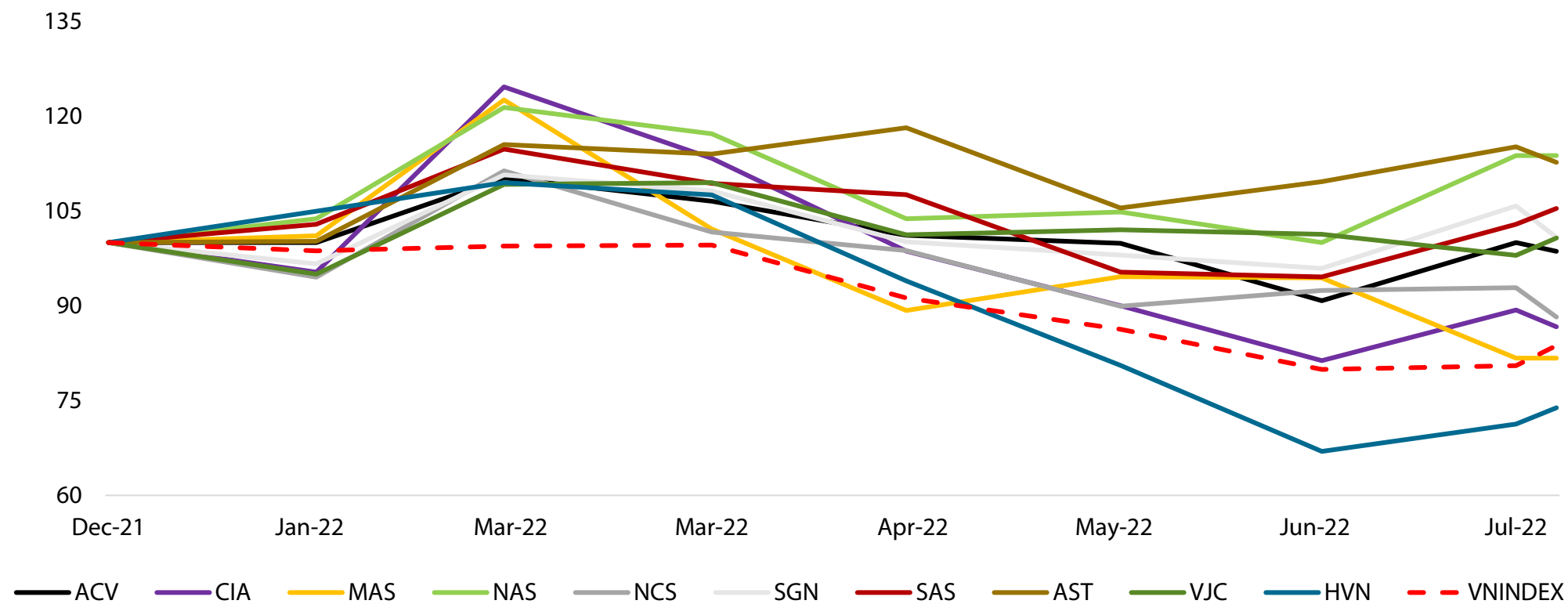
Figure 10-: Airport retailers' revenue and profit



Source: Companies filings, Rong Viet Securities

- Impacted purchasing power of domestic passengers and lack of international customers have led to lower recovery level of retailers (~45% vs pre-covid) compared to other services in the industry.
- Retailers who have stores in busy airports like SGN, HAN posted higher profit margins than retailers located in DAD and CXR.

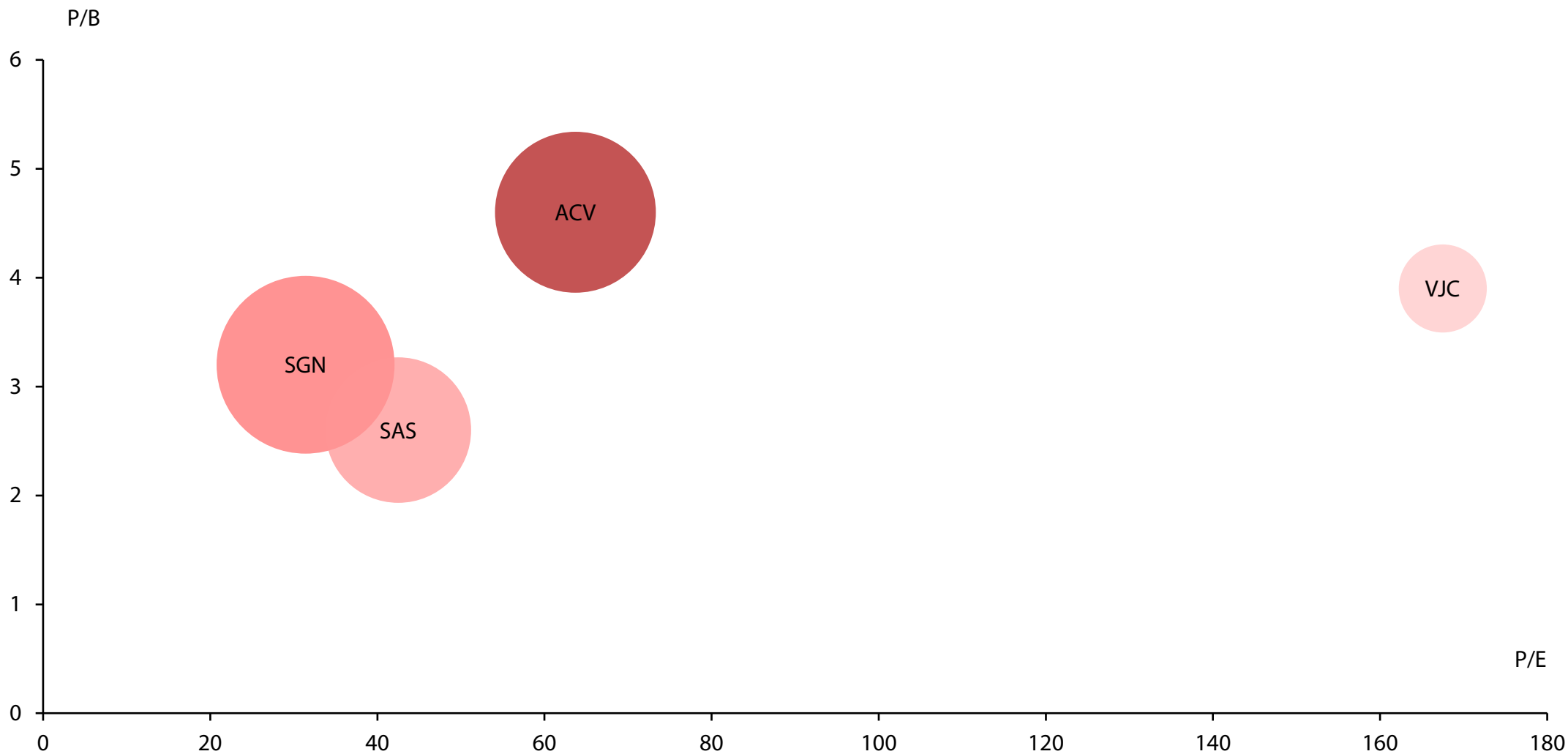
Figure 11: Aviation stock prices monthly performance



Source: Bloomberg, Rong Viet Securities

Ticker	Market cap (VND bn)	Target price (VND)	Sales Growth (% YoY)	EBITDA Growth (% YoY)	EBITDA Margin (%)	Operating Income Margin (%)	Net Income Growth (% YoY)	Net Profit Margin (%)	ROA (%)	ROE (%)	DY (%)	Current P/E (x)	Current P/B (x)
ACV	187,871	102,300	-1.65	1.20	68.27	47.42	1.94	37.85	9.69	15.70	0.00	237.88	5.00
CIA	239	N/A	4.39	41.07	-27.43	-56.09	36.62	-41.01	-8.10	-10.83	0.00	N/A	0.97
MAS	162	N/A	-23.63	N/A	0.00	0.00	22.89	-16.13	-10.93	-32.83	0.00	N/A	6.56
NAS	268	N/A	5.05	19.89	2.41	1.29	1509.08	0.90	2.35	12.97	0.00	N/A	6.65
NCS	377	N/A	9.61	N/A	9.37	1.81	3.58	143.08	22.02	23.66	0.00	N/A	4.94
SGN	2,431	N/A	-5.15	-0.02	33.81	13.47	15.34	13.52	7.37	10.03	6.91	31.42	3.18
SAS	3,870	N/A	5.58	-4.57	25.61	10.46	-17.64	2.92	0.78	2.51	3.91	1,260.87	2.72
AST	2,678	N/A	-26.21	-8.14	-40.89	-63.96	-19.25	-67.98	-20.62	-27.15	0.00	N/A	7.61
VJC	67,918	N/A	44.75	21.90	3.76	3.31	155.89	1.75	0.66	2.18	0.00	180.43	3.89
HVN	40,081	N/A	47.54	N/A	-14.55	-20.32	27.90	-21.96	-15.07	N/A	0.00	N/A	N/A

Source: Fiinpro, Rong Viet Securities. Share price as of August 10 2022.



Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 10 August 2022.

ACCUMULATE: 18%

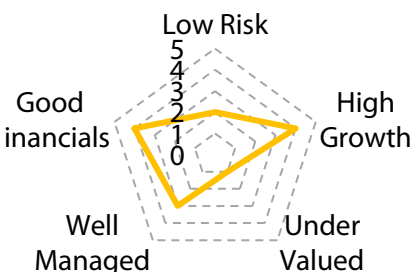
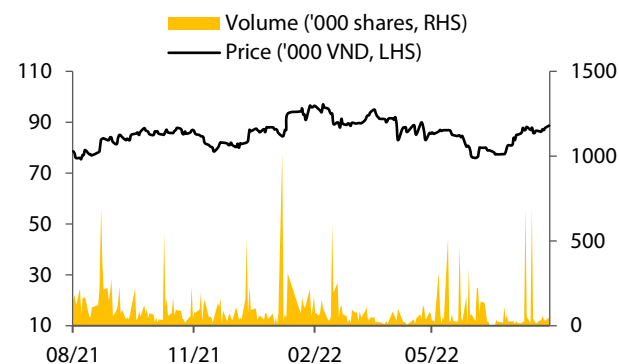
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STOCK INFO

FINANCIALS

2021A 2022F 2023F



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

Aviation
8,053.8
187,653.1
91
0.0
--
75.5-97.0

	2021A	2022F	2023F
Revenue (VND bn)	4,752	11,503	15,248
NPATMI VND bn)	790	5,449	6,498
ROA (%)	1.4%	9.2%	10.0%
ROE (%)	2.1%	12.6%	13.2%
EPS (VND)	363	2,503	2,985
Book Value (VND)	17,275	19,890	22,577
Cash dividend (VND)	900	0	0
P/E (x)	220.5	34.4	28.8
P/B (x)	4.6	4.3	3.8

INVESTMENT RATIONALES

Air passenger volume is increasing rapidly after the lifting of travel/entry restrictions, boding well for a strong recovery path ahead.

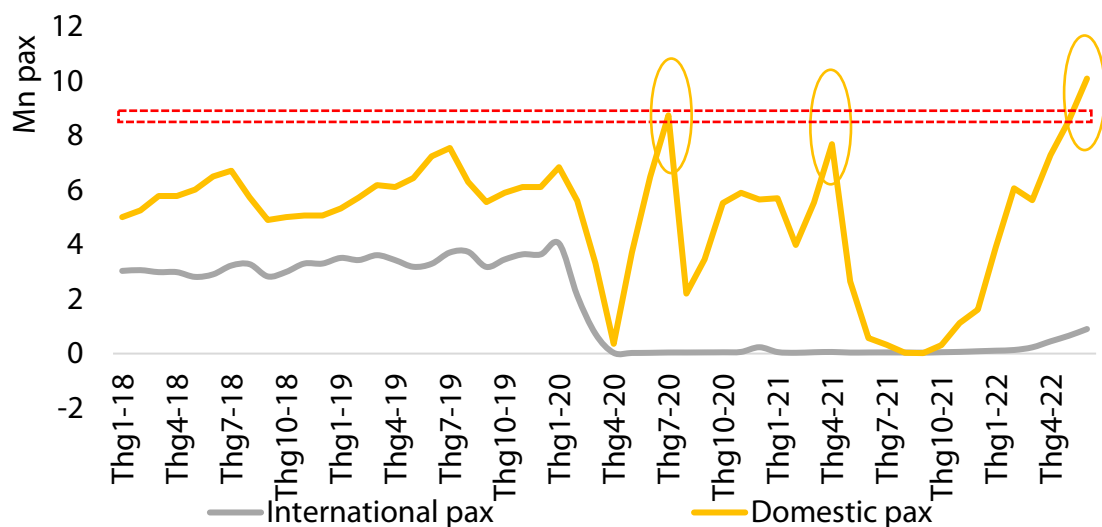
- Monthly domestic volume broke the all-time high in June 2022, showing very strong momentum of recovery. We project that the domestic market will recover to pre-covid level in this year, reaching 71 million, followed by a 3Y CAGR of 10% over 2022F-25F. Meanwhile, the recovery progress of the international market should be slower as international travel restrictions were lifted at the end of Q1-2022 and depends on the covid-19 control policies of other countries. 2022F international pax volume stands at 7 million pax, followed by a high 3Y CAGR of 78% over 2022F-25F.
- 3Y CAGR of Sales and NPAT-MI over 2022F-25F are projected at 30% and 28%, respectively.

Catalyst related to HOSE listing may not materialize soon as no significant progress in removing auditor's emphasis of matter was witnessed. Although ACV was able to manage aerodrome assets and record related sales/ expenses, the company has not yet been able to legally consolidate these assets into its balance sheet due to the lack of a legal scheme. This factor, together with the lack of equitization settlement, makes it difficult for ACV to remove the emphasis of matter from the auditor relating to aerodrome assets.

RISKS TO OUR CALL

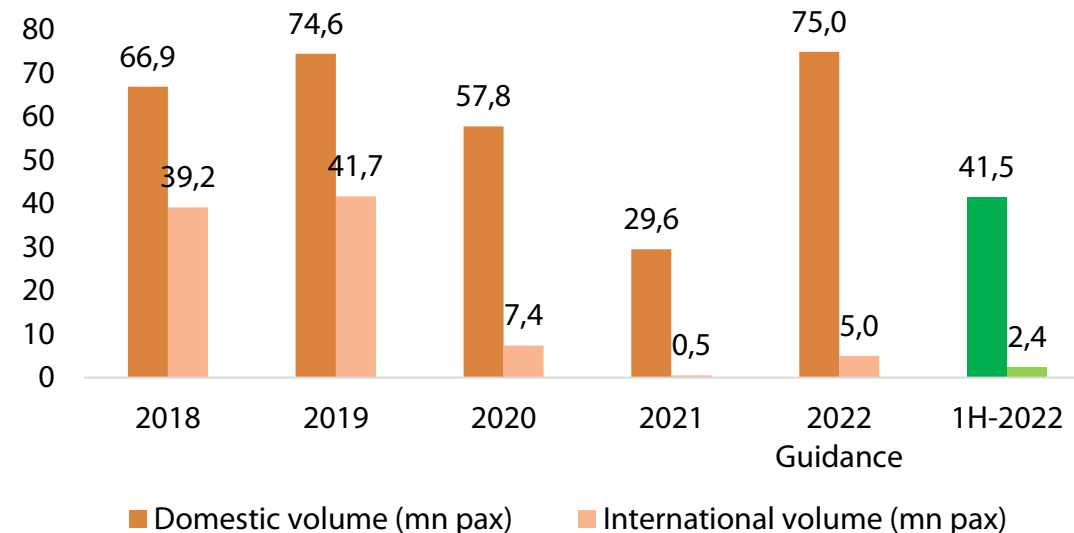
- Upside risks: Recording of reversal of provisions for doubtful receivables from airlines.
- Downside risks: High inflation to affect traveling spending, uncertainty relating to geopolitical risks and China's "zero-covid" policy.

Figure 1: Monthly pax volume



Source: ACV, Rong Viet Securities

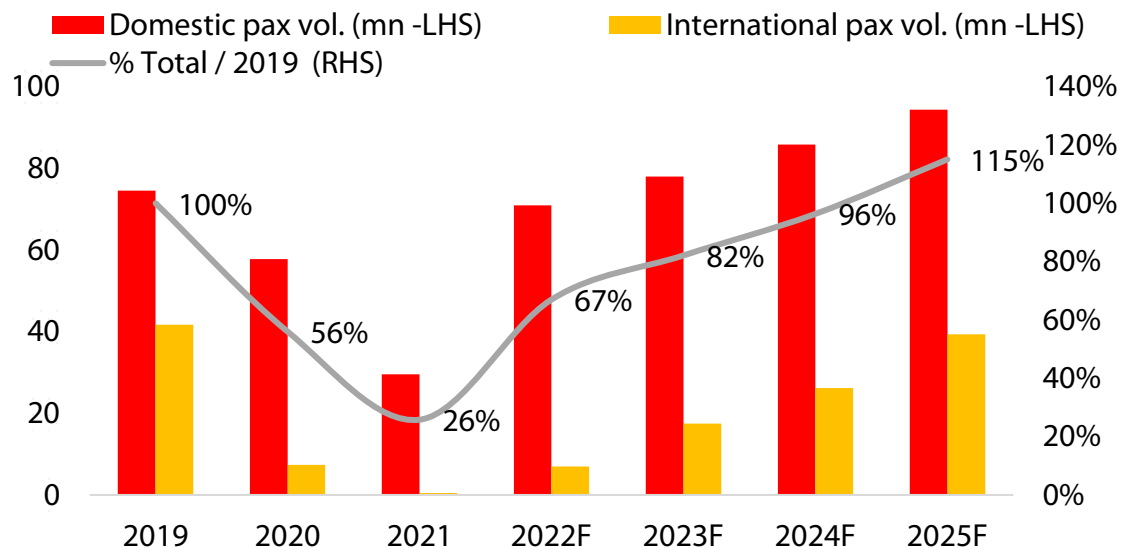
Figure 2: Accumulated pax volume



Source: ACV, Rong Viet Securities

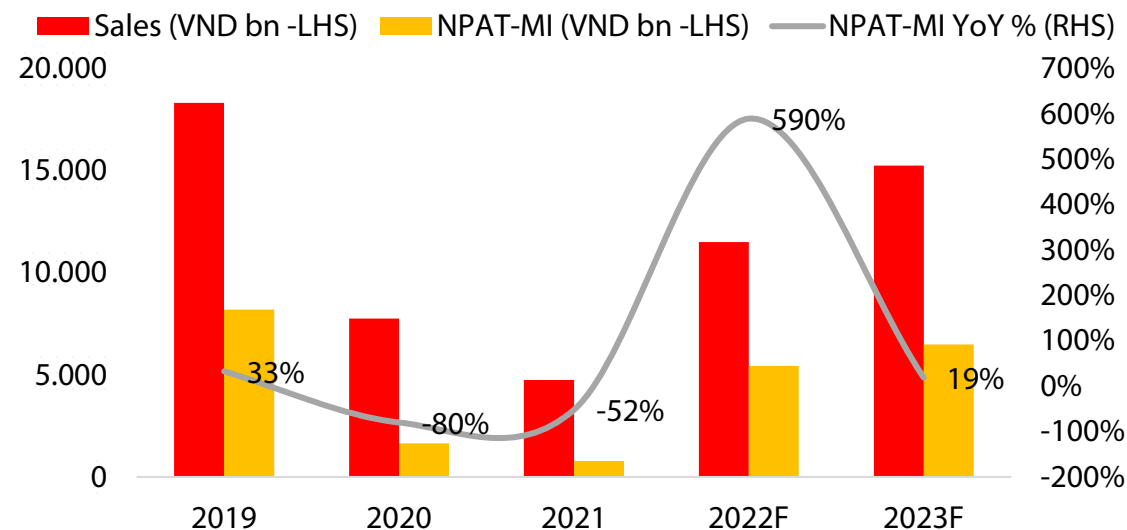
- Monthly domestic volume broke the all-time high in June 2022, showing very strong momentum of recovery.
- The recovery progress of the international market should be slower as international travel restrictions were lifted at the end of Q1-2022 and depends on the covid-19 control policies of other countries (i.e.. China's "zero-covid" policy).
- Domestic and international pax volume have fulfilled 55% and 49% of full-year guidance, respectively.

Figure 3: Forecasted pax volume by market



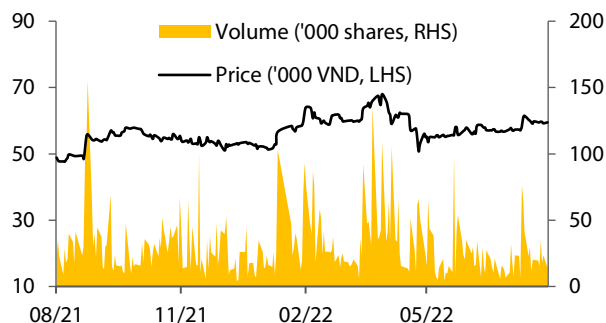
Source: ACV, Rong Viet Securities

Figure 4: Forecasted financials



Source: ACV, Rong Viet Securities

- The domestic aviation market will recover to pre-covid level by the end of this year, better-than-expected while we expect that international market will return to 2019 level by 2025F with inflation risks, covid control policy and geopolitical risks are headwinds.
- The 3-year CAGR for domestic/international volume for 2022F-25F are projected at 10% / 78%, spurring NPAT to grow at a 3-year CAGR of 28% over the same period.

<NON-RATED>
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STOCK INFO

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

FINANCIALS

		2019A	2020A	2021A
Airport retail	Revenue (VND bn)	1,141	359	154
	NPATMI VND bn)	191	-49	-118
115.3	ROA (%)	22%	-8%	-23%
2,686.5	ROE (%)	32%	-10%	-32%
25	EPS (VND)	4,241	-1,089	-2,623
0.0	Book Value (VND)	13,107	10,896	8,289
6.4	Cash dividend (VND)	1,000	0	0
47.6-68	P/E (x)	19.6	-47.7	-19.8
	P/B (x)	5.8	4.8	6.3

INVESTMENT RATIONALES

While the robust recovery of domestic air passenger traffic has bolstered core earnings in late Q1 and Q2-2022, we believe that ramping up operation in international terminals, amid recovering international pax, will drive stronger earnings in 2H-2022.

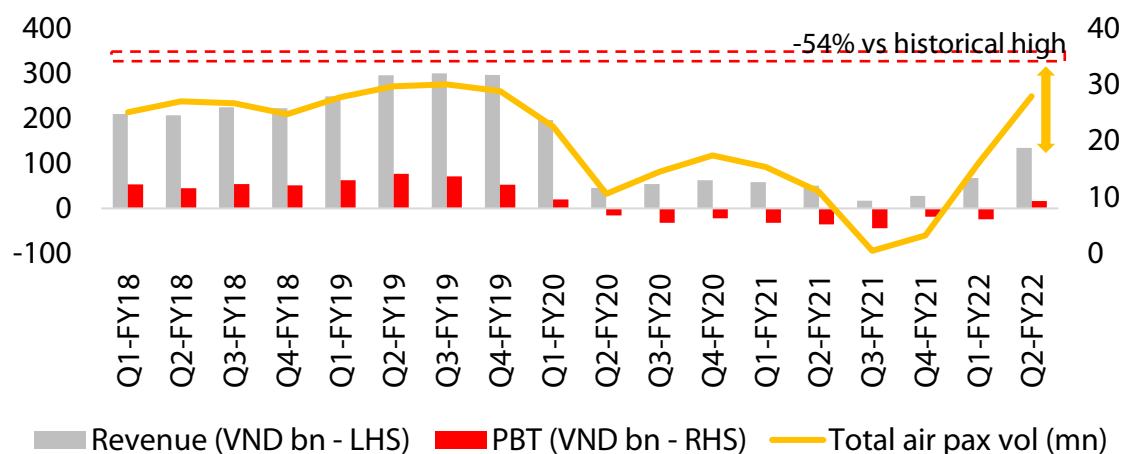
- AST reopened 70% of its store-counts by the end of Q2-2022, in which outlets in domestic terminals were fully reopened. This largely bolstered AST's retail revenue, which jumped to around VND 100 bn in 1H-2022 vs VND 59bn in 2021.
- About 40% of outlets in international terminals remains closed currently. Given ongoing recovery of international market, the company will reopen all of its closing stores in international terminals (SGN, HAN, PQC, DAD), which provide more upside to earnings in 2H-2022.

While we believe that the recovery of airports' passenger traffic will boost earnings prospect going forward, current valuation is still unjustified with 2022F P/E (assuming that the company meets profit guidance) of 103x.

RISKS TO OUR CALL

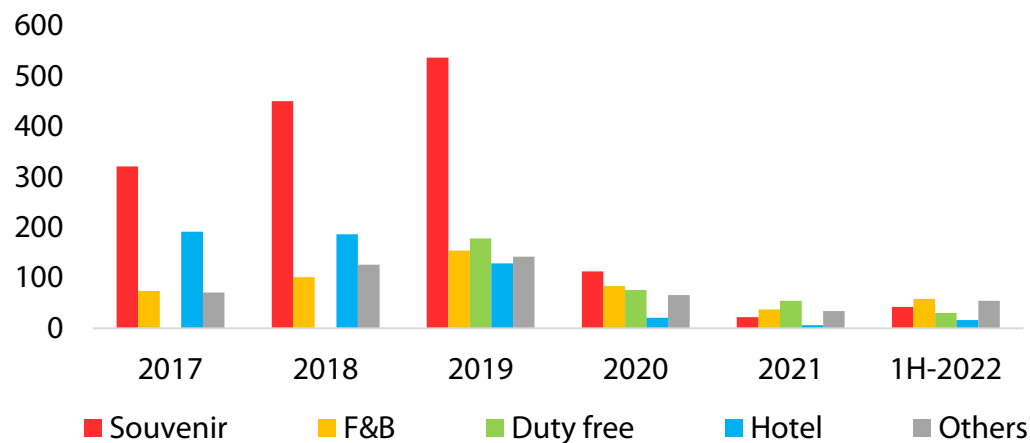
- Softer-than-expected purchasing power of air travelers.

Figure 1: Profit turned positive on recovering air traffic



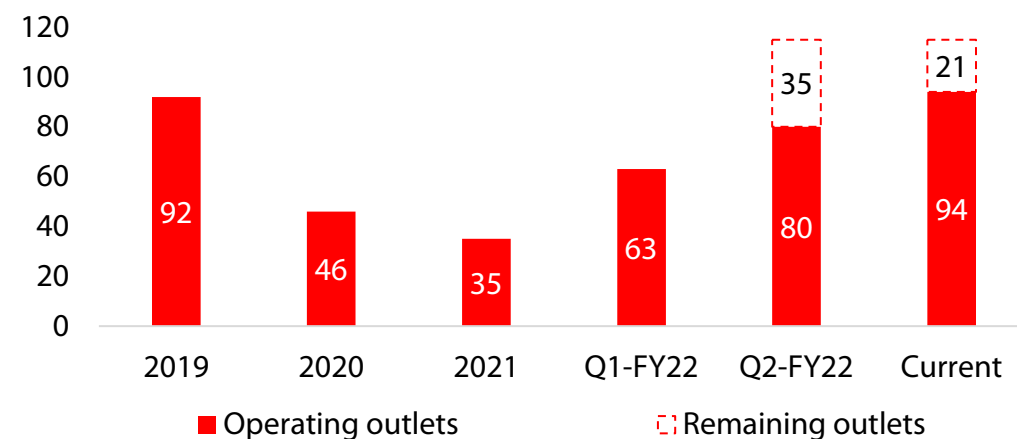
Source: AST, Rong Viet Securities

Figure 3: Revenue breakdown by segment



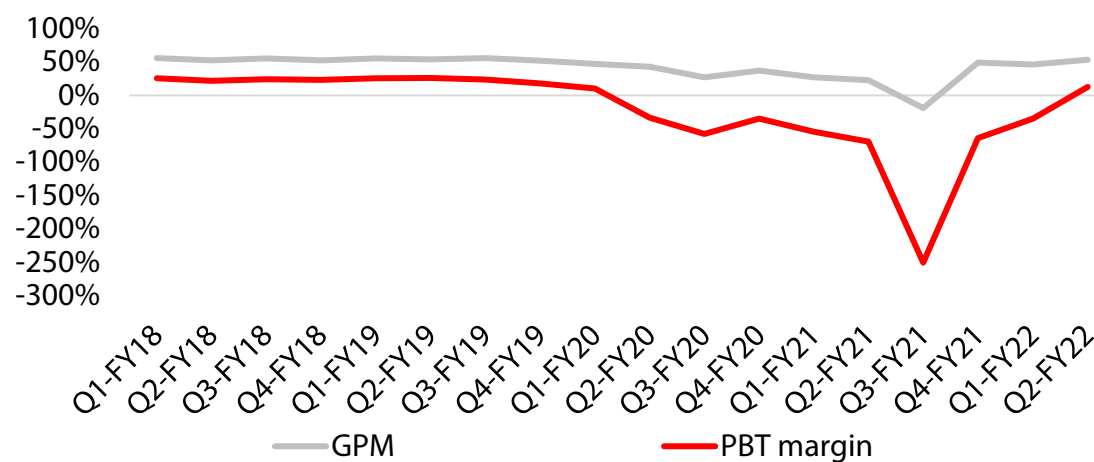
Source: AST, Rong Viet Securities

Figure 2: Continue to reopen remaining stores going forward



Source: AST, Rong Viet Securities

Figure 4: GPM returned to pre-covid level in Q2-2022



Source: AST, Rong Viet Securities

INFORMATION TECHNOLOGY (IT)

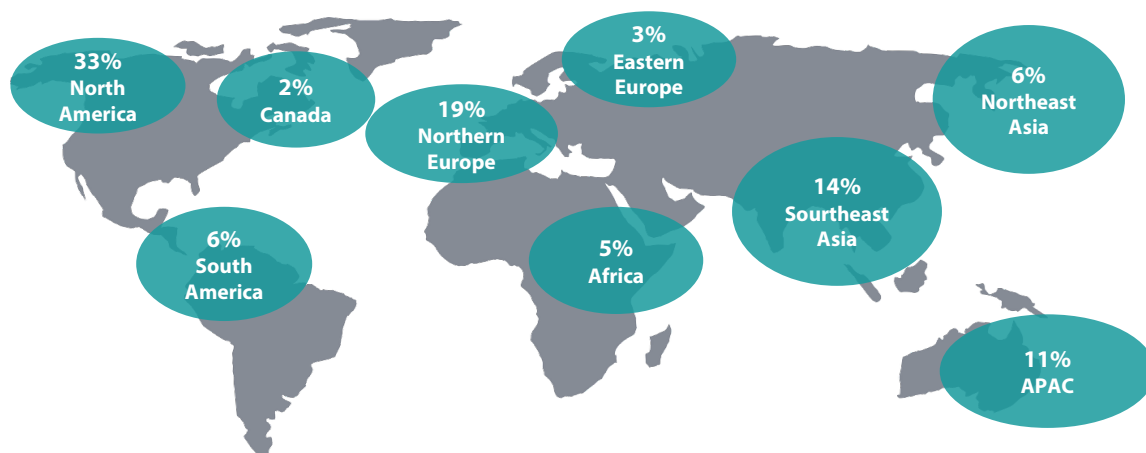
**SUSTAINABLE GROWTH IN
THE LONG TERM**



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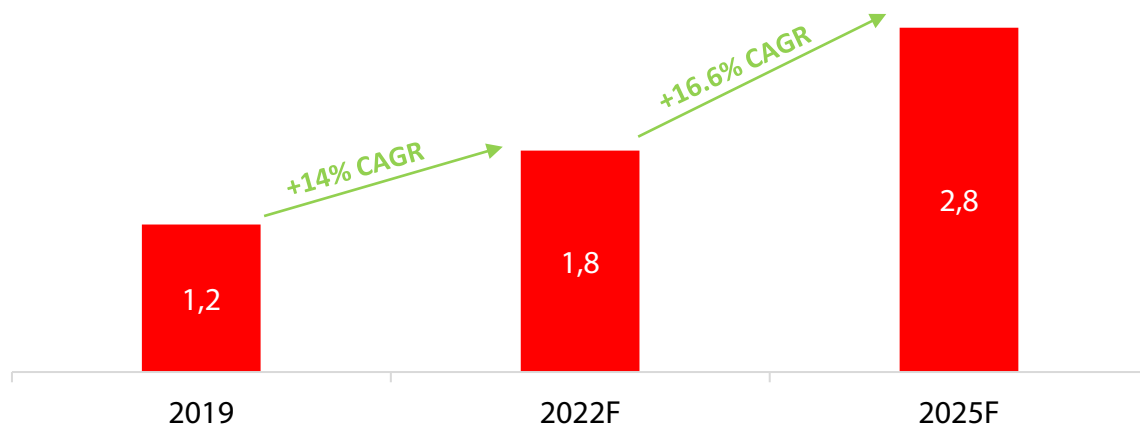


Figure 1: Global IT industry spending share by region



Source: IDC, Rong Viet Securities

Figure 2: Digital Transformation spending (USD trillion)



Source: IDC, Rong Viet Securities

Spending on digital transformation will continue to grow strongly from 2022 to 2025

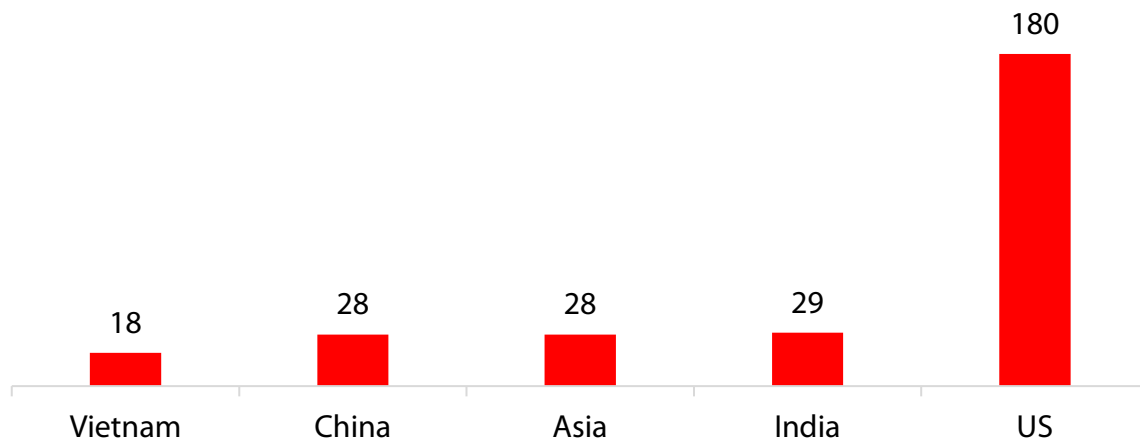
According to the forecast of IDC – A provider of market data on IT:

- The technology industry is on track to surpass USD 5,300 billion by 2022, with an average annual growth rate of 5% - 6%. In which, the US is the world's largest technology market, accounting for 33% of total spending, equivalent to about USD 1.8 trillion for 2022.
- Digital Transformation is forecast to grow 17.6% this year to reach USD1.8 trillion and continue to grow sustainably at 16.6% CAGR over the next three years.

Vietnamese software outsourcing companies have been stepping into the most potential markets

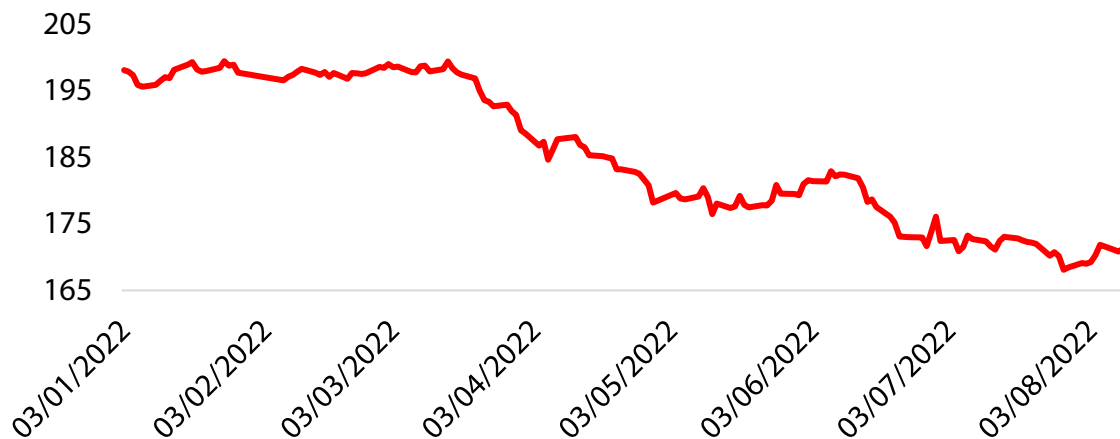
- FPT started in international markets such as Japan, US, EU, APC with software outsourcing services and now has gradually moved into the field of digital transformation combined with consulting.
- CMG currently has customers in the Asia-Pacific region, the EU region and will officially enter the potential US market in 2022.

Figure 3: Hourly software development cost (USD)



Source: HSBC, Rong Viet Securities

Figure 4: Exchange rate of JPY/VND



Source: Bloomberg, Rong Viet Securities

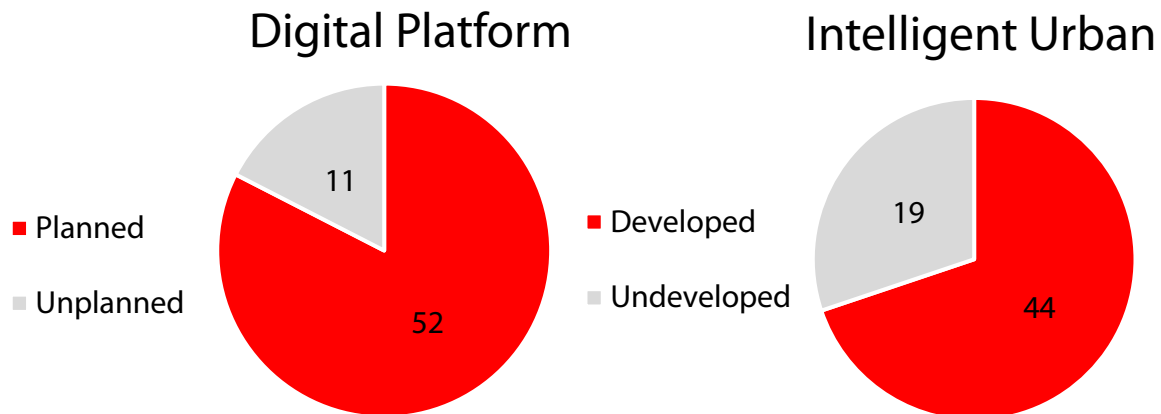
Cheap labor costs and reasonable business orientation increase the competitiveness of Vietnamese enterprises

- Vietnam is selected as the ideal destination for international customers when the hourly software development cost of engineers is only 64% and 10% when compared with Asian countries and the US, respectively.
- The strategy of accompanying big consulting firms in the world helps FPT and CMG make remarkable progress when entering the world.

Fluctuations from the world economy have negative impacts

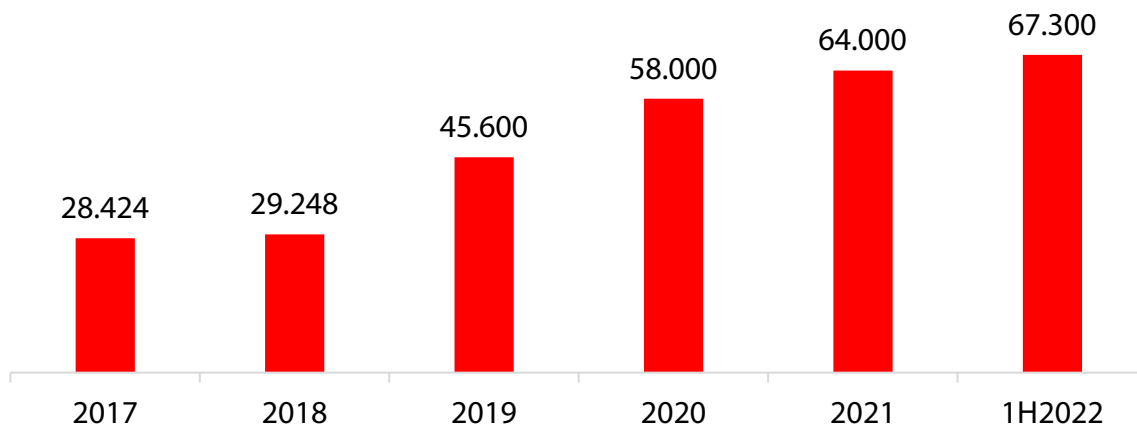
- Japan is a big market for many Vietnamese outsourcing enterprises. Since the beginning of the year, the JPY/VND exchange rate has decreased by 13% YTD, negatively impacting revenue transfer to Vietnam.
- Inflation in the US has increased rapidly since February 2022, the CPI reached a record of 9.1% in June 2022. We are concerned that inflation will affect IT spending in the US market. However, a stronger USD can offset this effect.

Figure 5: Number of local number of digital transformation 1H2022



Source: Ministry of information and communication, Rong Viet Securities

Figure 6: Number of digital transformation enterprises 1H2022



Source: Ministry of information and communication, Rong Viet Securities

The trend of digital transformation spreads across the public and private sectors

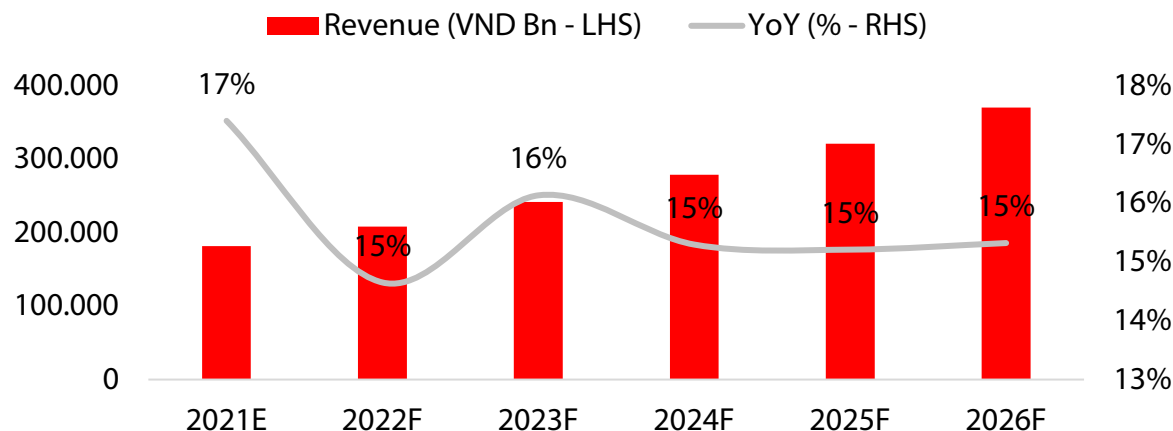
- By the end of the second half of 2022, 52/63 localities have announced the selection of digital platforms to deploy in 2022. The Government's mandate is that 63/63 localities must have at least one digital platform in 2022.
- Currently, 44/63 localities have deployed provincial intelligent monitoring and control centers.
- The goal is that by the end of the year, Vietnam will have 70,000 digital transformation businesses, growing by 9% YoY. The cumulative number of businesses participating in digital transformation in Vietnam in 1H2022 reached 67,300 enterprises, an increase of 3,300 compared to the beginning of the year and completing 55% of the year plan.

According to the Ministry of Planning and Investment in March 2022, the total amount of public investment capital under the state budget for the technology sector in the period of 2021 - 2025 is about VND 10,157 billion (accounting for 0.35% of total investment capital), of which 8,312 billion dong for the central government and 1,845 billion dong for the local.

There are many limitations in the local digital transformation process

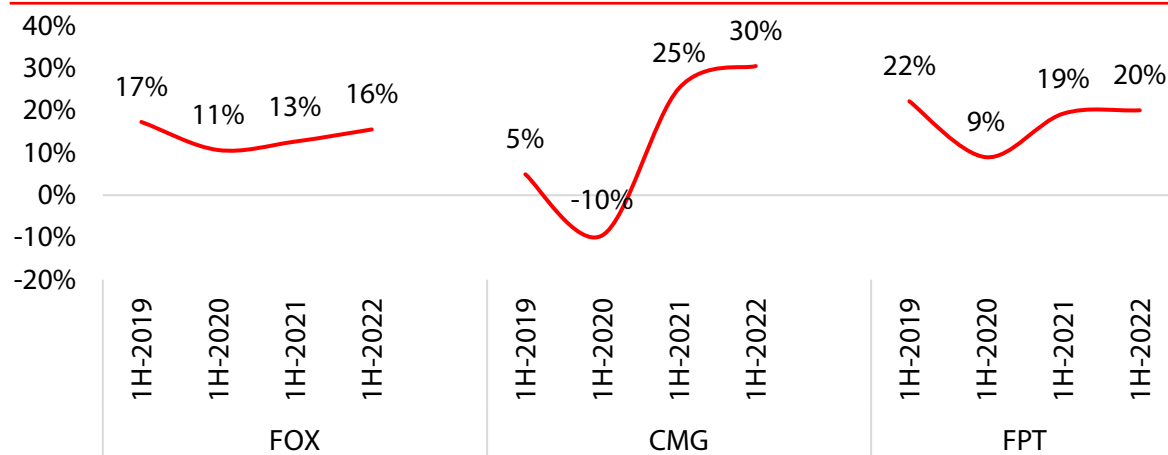
- The local digital transformation platform stops at a basic level.
- The implementation of digital transformation across the country is uneven, lacks a consistent structure, and the disbursement speed is still slow.

Figure 7: Estimated IT revenue



Source: BMI, Rong Viet Securities

Figure 8: Revenue growth of typical companies YoY (%)



Source: FOX, CMG, FPT, Rong Viet Securities

The information technology sector is forecast to maintain double-digit growth in the long term

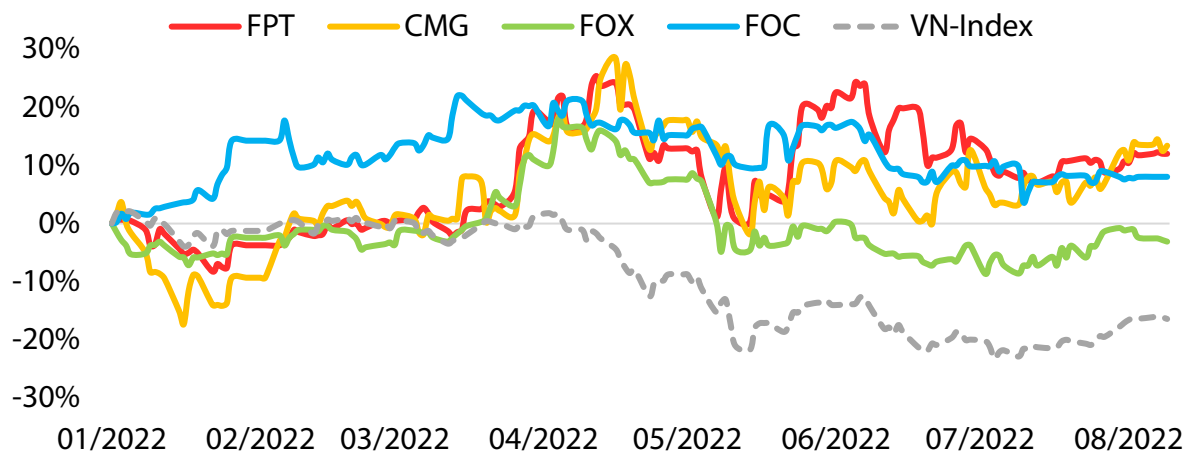
Fitch Solutions forecasts that the Vietnamese IT market size will reach VND 208 trillion in 2022 and VND 370 trillion in 2026, equivalent to CAGR of 15%. Growth drivers come from:

- High demand for multi-sector digital transformation in the public and private sectors to keep pace with the world's development.
- Digital transformation is considered as a solution to improve efficiency and optimize work processes, thereby boosting Vietnam's economy to an expected GDP growth rate of 6.5% - equivalent to developing countries.

In the post-COVID-19 period, IT businesses

- Leading technology companies such as FOX, CMG, and FPT recorded 1H2022 revenue of VND 7,077 billion (+16% YoY), VND 3,485 billion (+30% YoY) and VND 19,480 billion (+20% YoY), respectively.
- The growth rate of these companies continues to remain high in the first half of 2022, which is quite similar to the forecast of Fitch Solutions.

Figure 9: Technology's stock prices performance (%)



Source: Bloomberg, Rong Viet Securities

Figure 10: FPT P/E

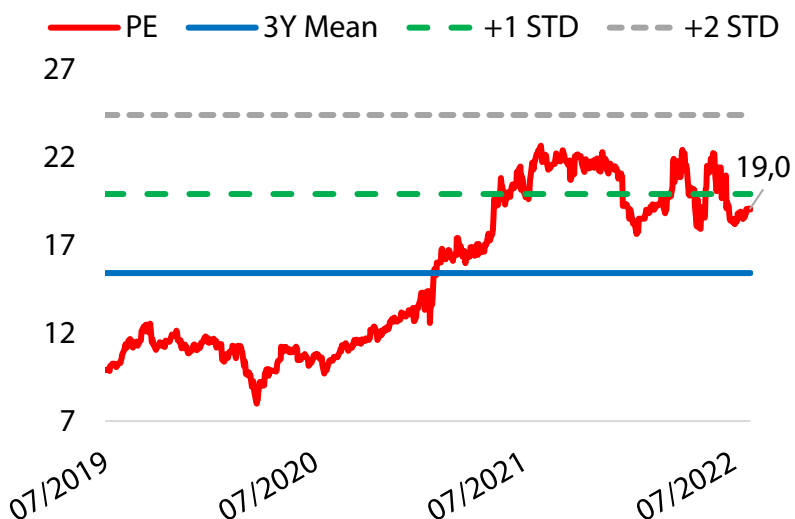


Figure 11: CMG P/E

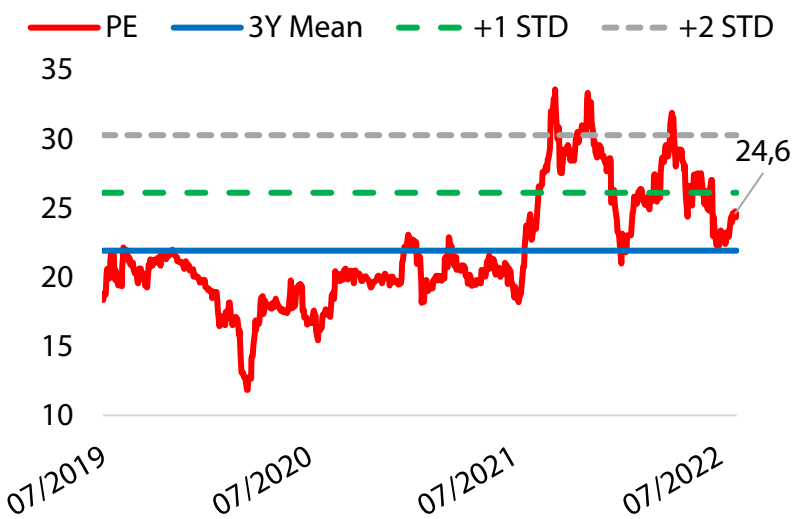
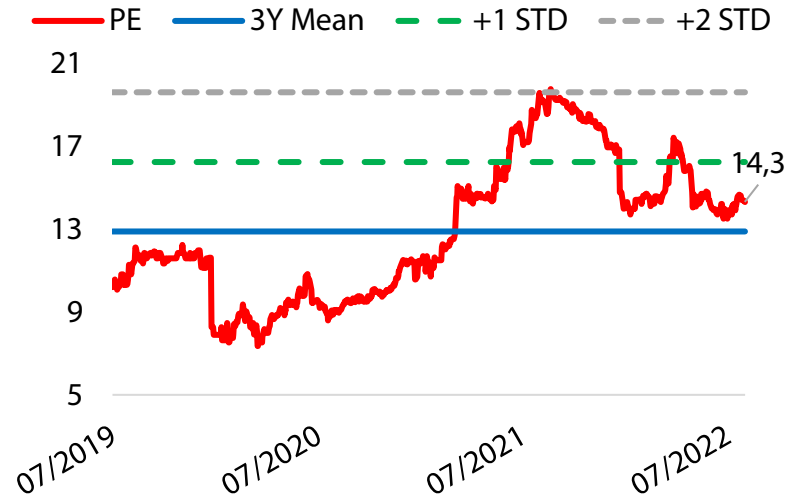


Figure 12: FOX P/E



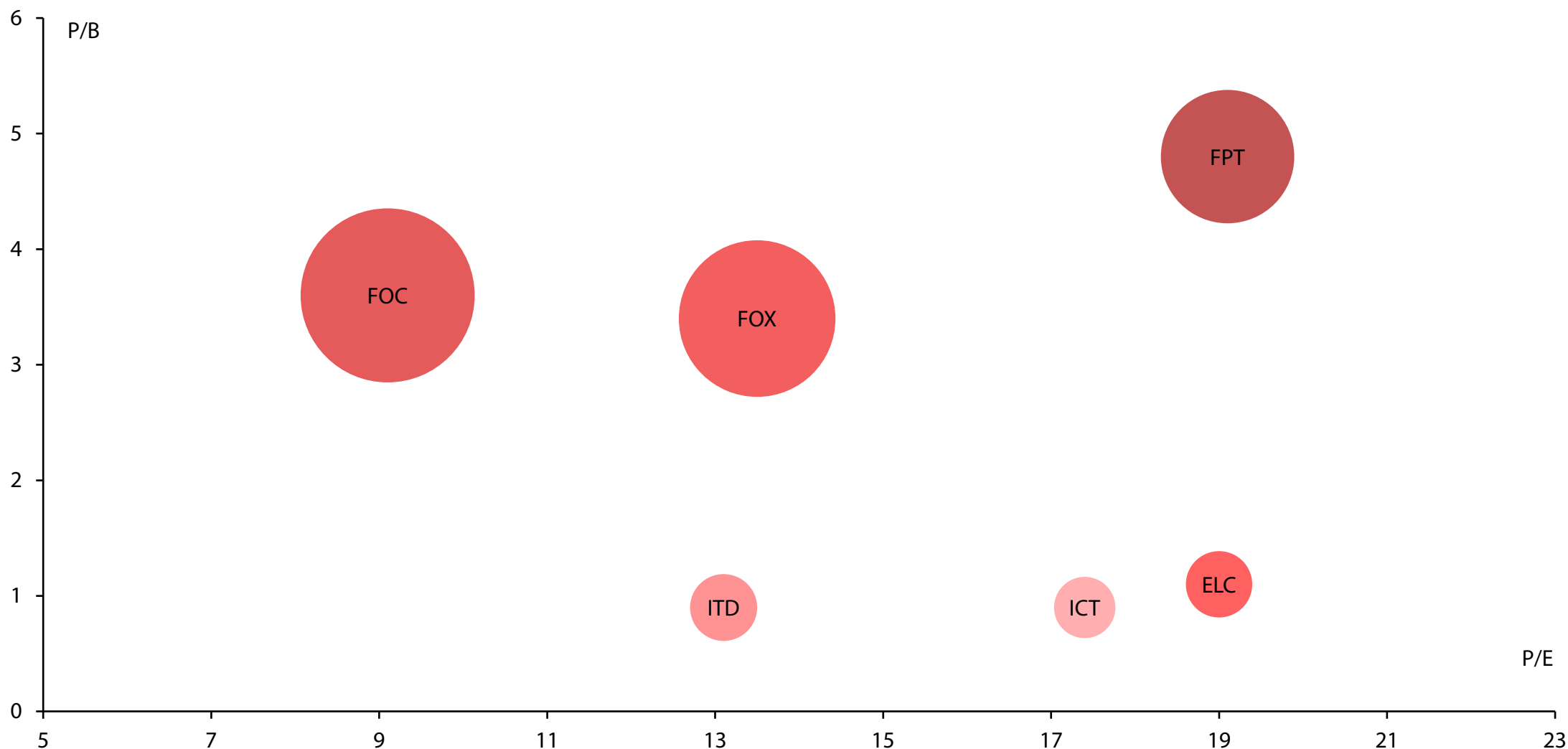
Source: Bloomberg, Rong Viet Securities

The price movement of technology stocks tends to be similar to the VNINDEX index and is somewhat more positive when it does not drop too strongly during the market correction period.

- FPT increased strongly in the period of May 2022 thanks to the cash flow of ETF VN Diamond which improved its performance better than other stocks in the same industry and VNINDEX.
- After a sideways period in Q2/2022, CMG announced positive Q1-2022 results (reporting period March 1 - June 30) thanks to growth in international business and the recovery of the general market. help stock price rise again.

Ticker	Market cap (VND bn)	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)
FPT	94,344	110,300	16.83	302.93	19.32	17.66	25.08	15.37	9.20	22.32	1.16	19.09	4.82
CMG	6,747	N/A	31.39	440.70	9.55	6.44	81.23	5.18	4.60	10.50	0.00	24.37	2.96
FOC	2,210	N/A	26.52	268.75	42.28	44.90	17.21	35.83	27.88	37.97	6.67	9.09	3.57
FOX	23,277	N/A	12.64	306.96	25.85	19.45	21.02	15.54	9.61	30.72	1.41	13.49	3.43
ICT	563	N/A	12.22	247.67	4.51	3.64	-90.35	1.75	1.79	4.68	7.43	17.35	0.86
ELC	916	16,100	51.48	226.24	6.03	8.79	-58.83	7.53	4.13	5.49	0.00	19.01	1.05
ITD	262	N/A	169.00	158.00	3.63	13.41	-381.12	10.42	3.42	5.55	0.00	13.08	0.87

Source: Fiinpro, Rong Viet Securities. Share price as of August 10th, 2022.



Source: FiiGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 10 August 2022.

BUY: 30%

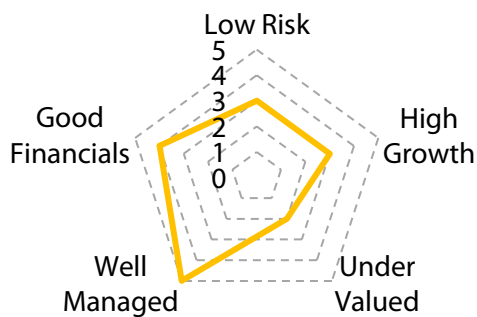
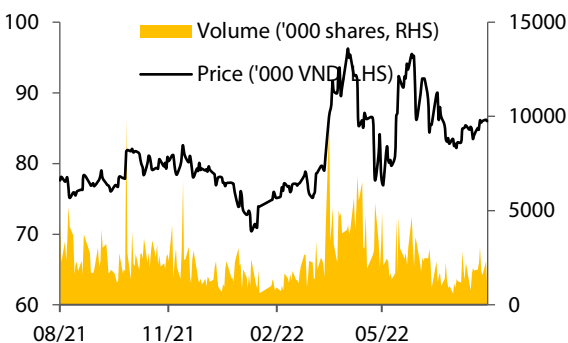
<MP: 86,400>

<TP: 110,300>

STOCK INFO

FINANCIALS

2021A 2022F 2033F



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

Technology	Revenue (VND bn)	35,657	43,254	52,284
	NPATMI VND bn)	4,337	6,114	7,310
	ROA (%)	8.1%	11.4%	8.9%
	ROE (%)	24.2%	34.1%	25.1%
	EPS (VND)	4,779	5,552	6,639
	Book Value (VND)	19,765	19,765	26,598
	Cash dividend (VND)	2,000	2,000	2,000
	P/E (x)	19.5	15.6	13.0
	P/B (x)	3.9	4.4	3.2

INVESTMENT RATIONALES

We believe the Global IT services segment's attractive long-term outlook remain intact; The segment will be spearheading the Group's earnings growth in the next 3Y.

- While a global economy recession remains as our key concern as it will impact IT spending, but it also make enterprises opt for more optimal alternatives, which should bring opportunities for mid-sized IT vendor like FPT Software, who is offer competitive prices vs Indian competitors.
- We see that F-Soft is well positioned in capitalizing structural trend of digital adoption with enhanced core technology capabilities, bolstered by highly adaptive to new technologies young workforce, and wider scope of services (i.e. consulting).
- The US market the second largest market, will be spurring the segment as FPT Software is also upgrading its US's near-shore delivery capabilities with new investment in Intetec, and new offices in the US (New York in May 2022 and Miami in 2H-2022).

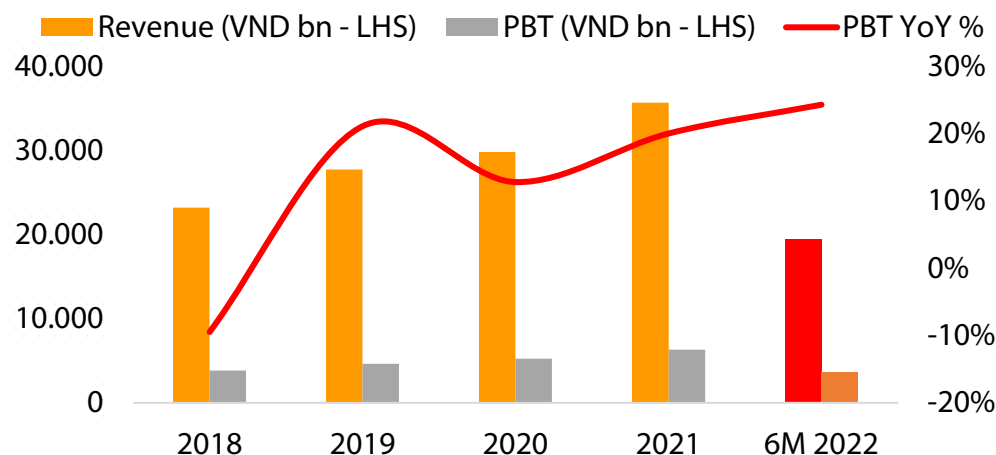
Short-term deceleration of domestic IT services will create room for higher growth in 2H-2022 and onwards. Though FIS' some domains like Banking, Real estate have faced some slowdown in 1H-2022 and affected overall growth rate of the segment, we believe that there is a huge opportunities for FIS to cater healthy DX demand in the domestic market in the long run as we believe that the digital adoption is an inevitable trend.

Pay TV, Data center (DC) to provide high growth opportunities for Telecom segment while K-12 education expansion is the key driver for Education segment.

RISK TO OUR CALL

- Foreign currencies depreciation to impact F-Soft revenue growth in respective markets.

Figure 1: 6M 2021 Business results overview



Source: FPT, RongViet Securities

Figure 2: Business results by segment

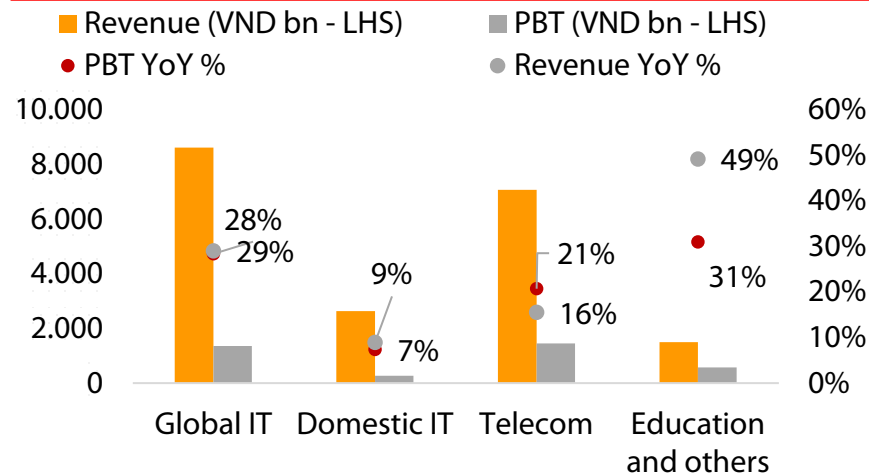


Figure 3: PBT Margin

Segment	6M-2022	YoY
Global IT	15.8%	-8 bps
Domestic IT	10.0%	-14 bps
Telecom	19.1%	+86 bps
Online ads	44.9%	-102 bps
PBT margin	18.3%	+25 bps

Technology sector continues to play a key role, contributing 57% of the Group's revenue and 45% of PBT. In which, global IT services' performance robust resilient despite recession risk and JPY devaluation. Meanwhile, domestic IT services segment has decelerated in Q2-2022 due to headwinds in banking (limited lending room) and real estate domains .

Telecom segment saw PBT jumping by 21% YoY, contributing 40% of total PBT with expanding profit margins in both broadband services and Pay TV services.

Education, investments and others segment's PBT grew by 31% YoY on the back of strong results of key JVs namely FPT Retail and Synnex FPT, while education activities still see gradual growth in the number of students.

Figure 4: Business results overview

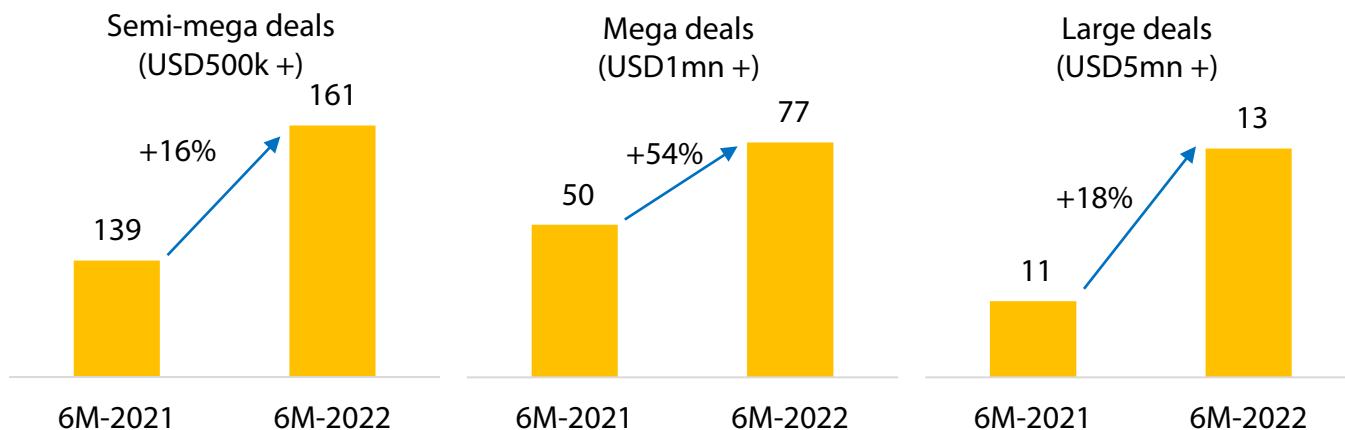


Figure 5: Signed revenue

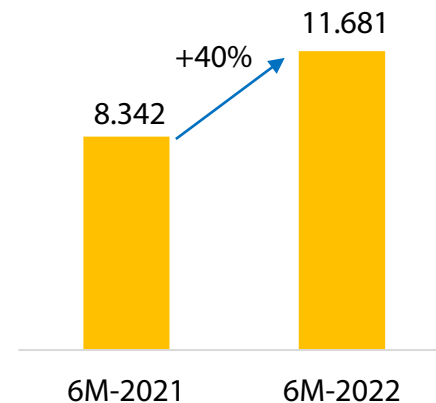


Figure 6: DX revenue

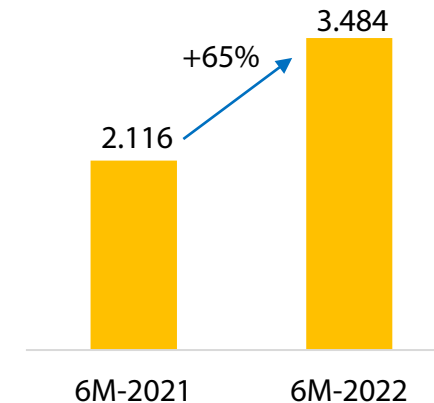
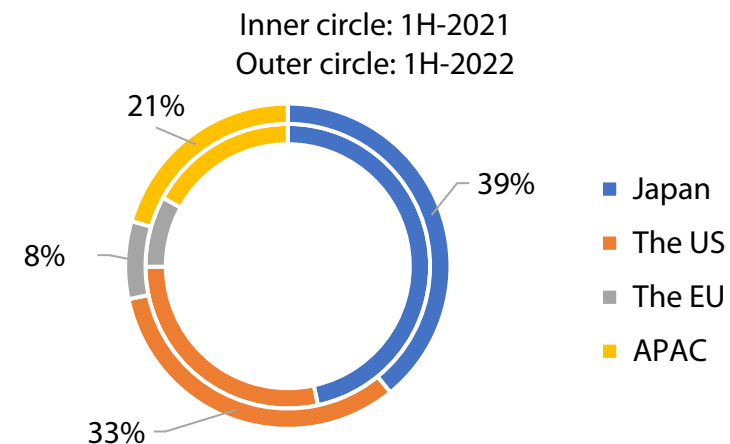


Figure 7: International market contribution

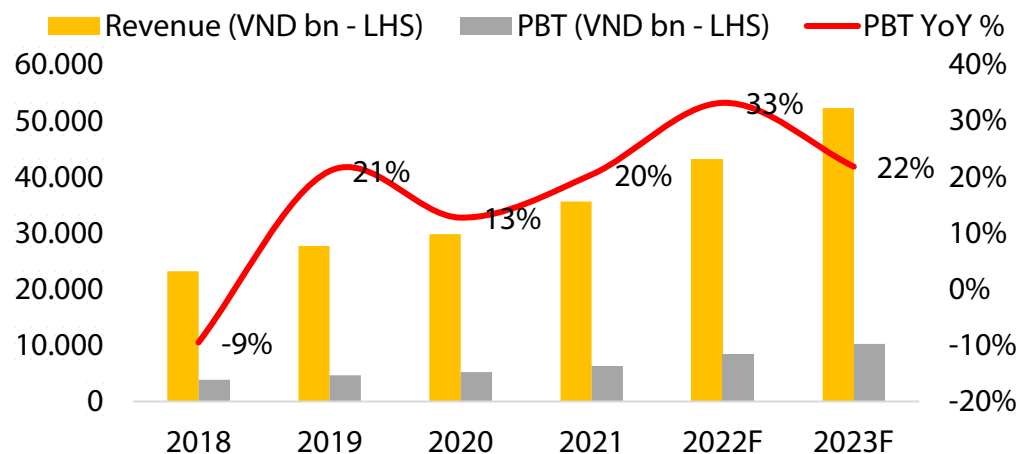


Market	6M-2022 (VND bn)	YoY
Japan	3,375	8%
The US	2,811	48%
The EU	666	24%
APAC	1,770	56%
Global IT services	8,622	29%

- The value of newly signed orders robustly surged by 40% YoY to VND11.7 Tn.
- 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 3,484 bn, up 65% YoY.
- Notably, the Group secured 13 large deals (contract value of more than USD 5mn) in 6M 2022.

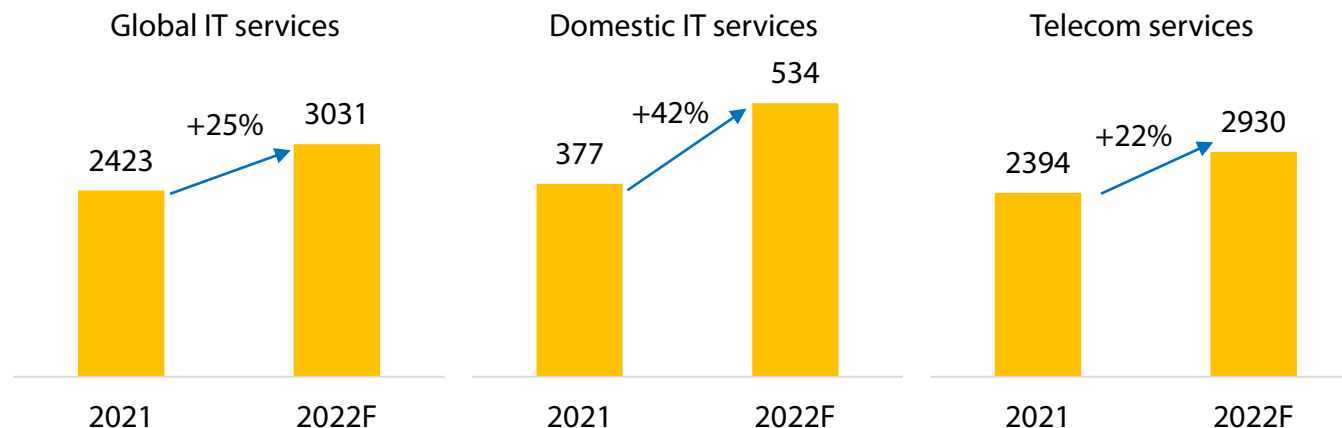
Source: FPT, RongViet Securities

Figure 8: 2022F-23F forecasts



Source: FPT, RongViet Securities

Figure 9: Segments' PBT forecasts



For 2022F/23F we project that PBT will grow by 33% YoY/22% YoY with respective PBT growth rates are as follows:

- Global IT services 25% YoY/22%. We believe the Global IT services will maintain its high growth over the next two years given robust growth of signed revenue in 6M-2022. The competitive advantage of young labor force and cheaper prices should protect FPT Software well in case the global economies slowdown worsens.
- Domestic IT services 42% YoY/33%. The low base of domestic IT services in Q4-2021 should drive the growth of this segment in the 2H-2022, with upside from the recovery of key domains of Banking and Real estate.
- Telecom segment 22% YoY/17% YoY. We expect PayTV and Data center to support the segment in terms of revenue and PBT margin while the broadband services seem to be affected by the saturation of the industry.

<ACCUMULATE: -7%>

<MP: 18,000>

<TP: 16,100>

STOCK INFO

Sector
Market Cap (USD mn)
Current Shares O/S (mn shares)
3M Avg. Volume (K)
3M Avg. Trading Value (VND mn)
Remaining foreign room (%)
52-week range ('000 VND)

Technology

39

51

397

7

45.4

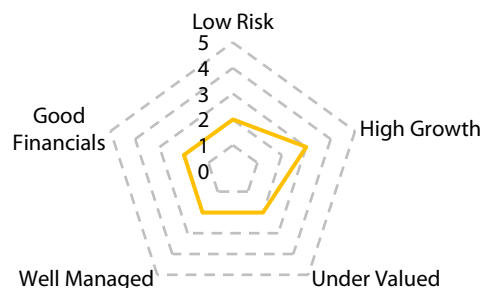
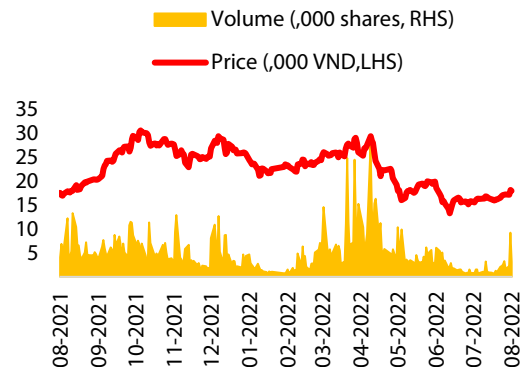
30.85 – 12.7

FINANCIALS

Revenue (VND bn)
NPATMI VND bn)
ROA (%)
ROE (%)
EPS (VND)
Book Value (VND)
Cash dividend (VND)
P/E (x)
P/B (x)

2021A 2022F 2023F

659 908 970
48 58 64
4.2% 4.2% 4.5%
5.6% 5.7% 6.2%
946 1,092 1,215
16,828 14,537 14,853
600 600 0
27.3 20.4 18.4
1.5 1.1 1.1



INVESTMENT RATIONALES

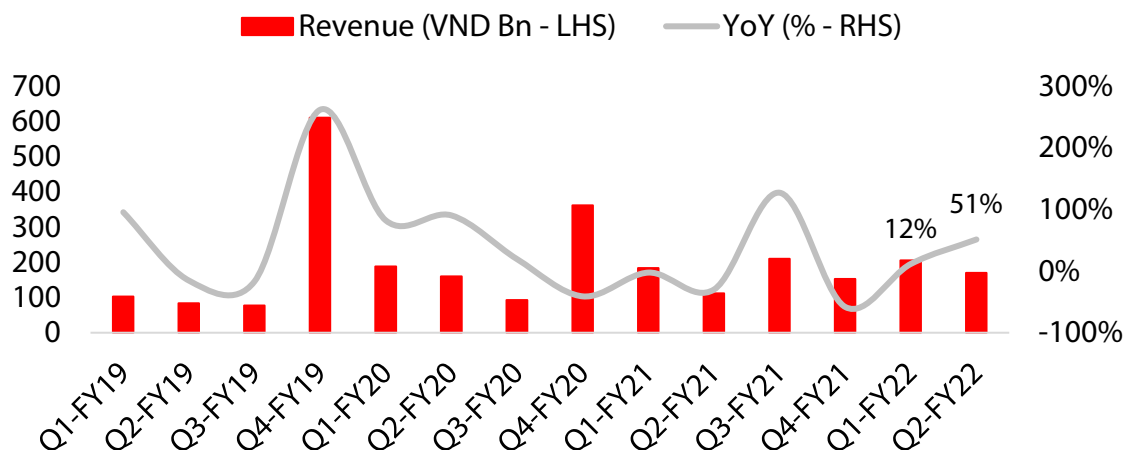
Public investment will provide a "fertile ground" for an ample-experienced-enterprise in Intelligent Transport Systems (ITS) as ELC.

- **The significant investment scale for smart traffic on North-South expressways and in urban areas.** North-South Expressway is a pivotal project of the Government in the period 2017 - 2025, with a vast investment budget worth up to VND 265,000 bn, divided into two phases from 2017 - 2021 and 2021 – 2025. We estimate the ITS value to be about VND 9,500 bn. Meanwhile, the trend of localities to build ITS in urban areas is increasing rapidly in recent years. Enterprises estimate the scale for urban ITS construction projects to be up to VND 6,000 billion from 2022 to 2026.
- **The government is boosting digital transformation, applying a non-stop automatic toll collection system (ETC) at all toll stations nationwide.** In 2Q2022, Vietnam transformed 246 non-stop ETC lanes, thereby completing all 821/821 ETC lanes belonging to 118 toll stations that have been put into operation.
- **ELC – an ample experience contractor in ITS.** ELC has accomplished many projects to supply and install ITS equipment on urban and highways. Thus, we believe that ELC's revenue in the ITS segment could maintain over VND300 bn in the forthcoming five years.
- **Telecommunications and National Defense Security bring stable revenue.** Yet enterprises that have focused on advancement in these two sectors in 2022 - 2026. Therefore, the primary revenue will come from annual projects worth 200 – 300 billion/year for each field.

RISKS TO OUR CALL

- The North-South Expressway construction progress is slower than expected.

Figure 1: Quarterly revenue and growth

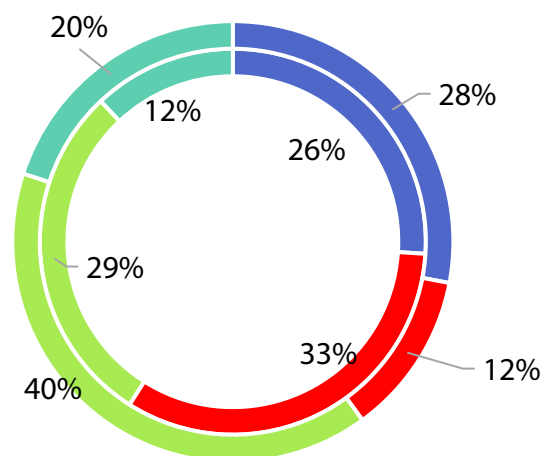


Source: ELC, Rong Viet Securities

Figure 3: Revenue breakdown by sectors

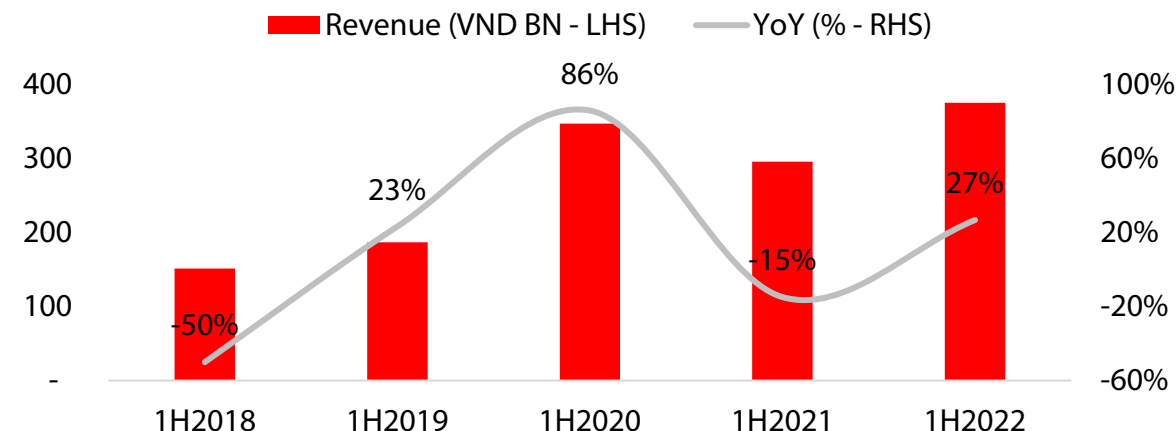
Inner: 2021
Outer: 1H2022

- Telecommunication
- National security
- Intelligent transport
- Other



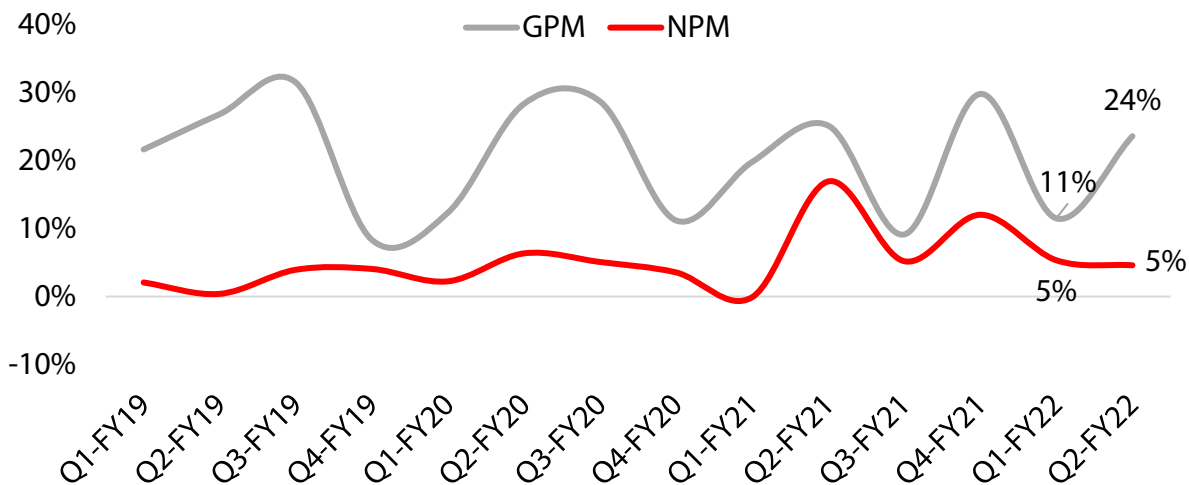
Source: ELC, Rong Viet Securities

Figure 2: Cumulative revenue and growth in 1H2022

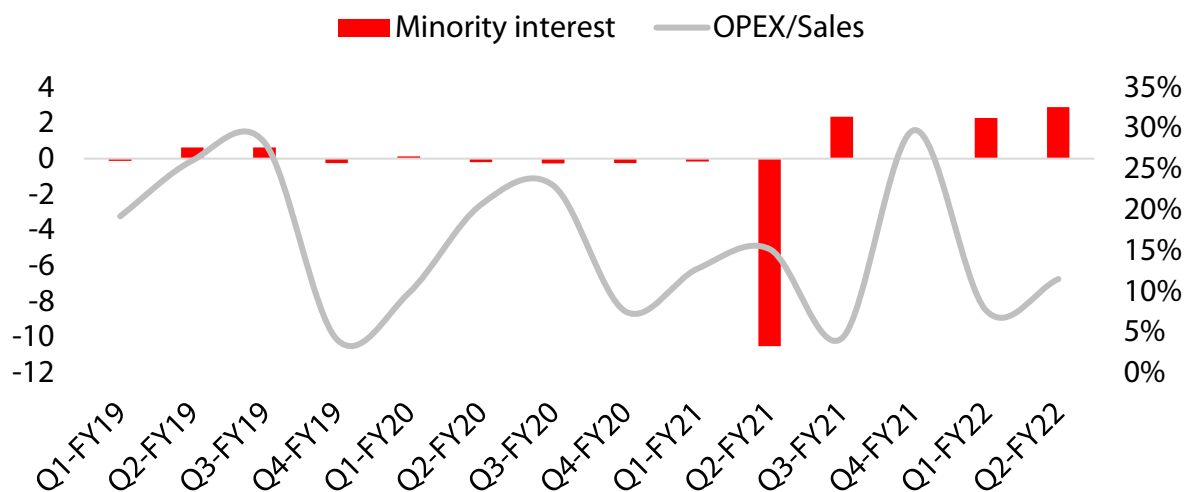


Source: ELC, Rong Viet Securities

- In the end of 1H2022, revenue and NPAT reached VND 376 bn (+27% YoY) and VND 19 bn (+0% YoY), respectively, completing 38% and 27% of the plan.
- The traffic segment grew positively thanks to the toll stations nationwide applying the non-stop ETC, accounting for 40% of 1H2022 revenue.
- The telecommunications segment contributed 28% of the revenue in 1H2022 and there was a slight fluctuation.
- The proportion of other business activities unexpectedly surged to 20% compared to 12% in 2021 due to the advancement in occupancy rate and office rental rates at Elcom buildings.

Figure 4: GPM increased sharply but net margin did not improve...


Source: ELC, Rong Viet Securities

Figure 5: ...because of the rapid surge in OPEX/Revenue and minority interests


Source: ELC, Rong Viet Securities

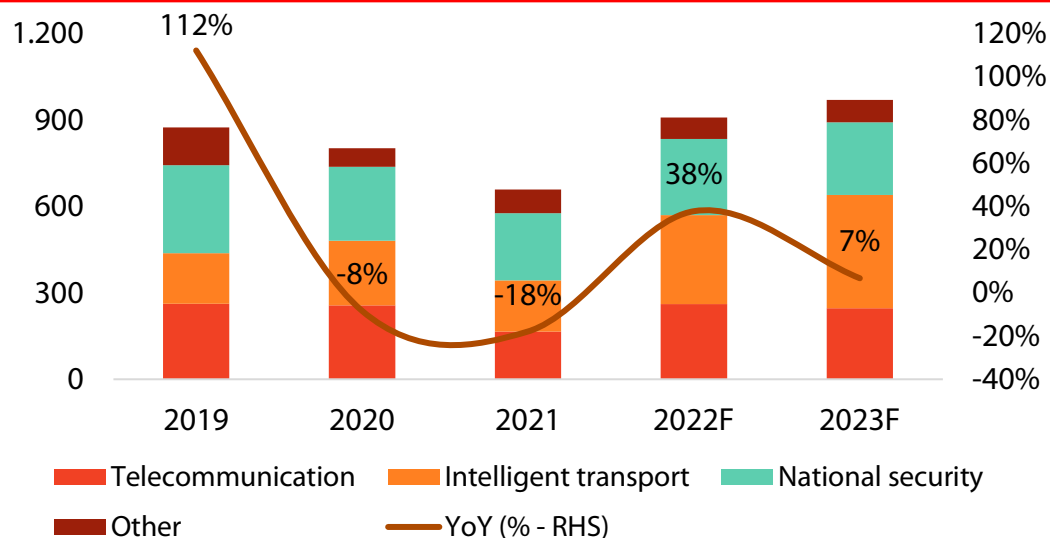
Gross profit margin improved thanks to changes in revenue breakdown

Commercial activities in National Security & Defense and Intelligent Transport Systems obtain a higher gross profit margin (about 20% - 25%) than in telecommunications (about 15%), thanks to the implementation of many projects. The project on highway traffic in 2Q2022 bolster GPM to 24% compared to 11% in 1Q2022.

Operating expenses and minority interests rose abnormally, reducing NPAT-MI

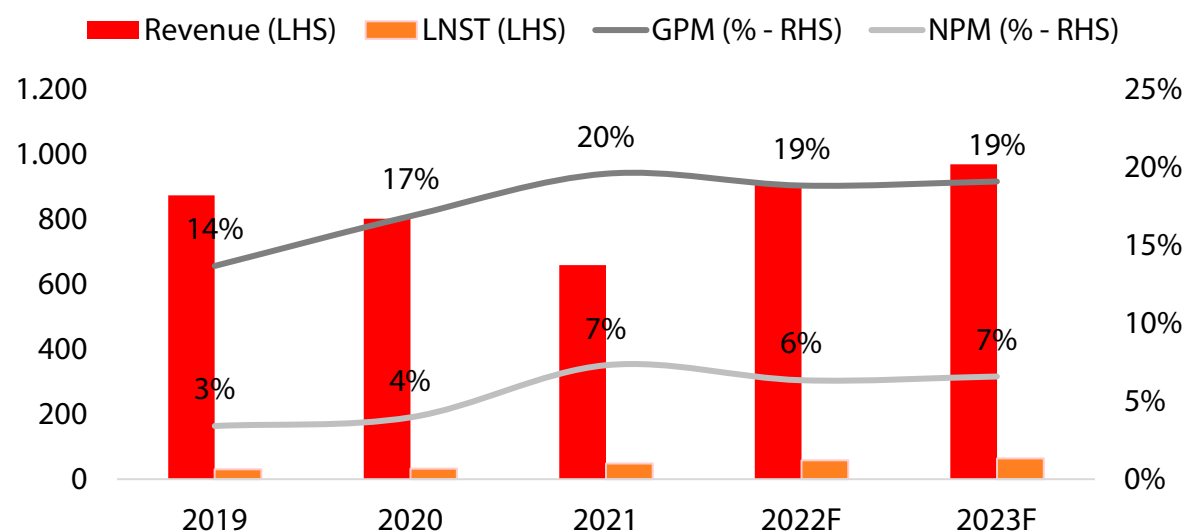
- In 2Q2022, the company made a provision of VND 6 bn due to the transfer of 15% shares in VFT associate company, because before that ELC recorded a profit difference between investment and book value in 4Q2021.
- Minority shareholder interest in 1H2022 recorded a value of VND 5 bn, accounting for 22% of consolidated NPAT. The main profit comes from Smartek Investment Joint Stock Company with ELC's interest rate of 74.29%.

Figure 5: Forecasted revenue breakdown in 2022 – 2023 (VND bn)



Source: Rong Viet Securities

Figure 6: Forecast of business results in 2022 – 2023 (VND bn)



Source: Rong Viet Securities

Intelligent Transportation Systems will be the main pillar of lifting the mid-term and long-term growth

- **The ITS segment** is the main driver of ELC growth in the medium and long term thanks to the Government's public investment policy. We estimate that sales from the IST segment will reach VND 308 bn (+73% YoY), VND 387 bn (27% YoY) in 2022F and 2023F, respectively.
- **The telecommunications segment** will record revenue from annual projects such as providing DWDM/Viba/Metro transmission equipment for Viettel and upgrading the SDC system for Mobifone. We believe that telecommunications revenue will remain at a stable level of about VND 200-300 bn/year.
- **National Security & Defense segment** has a special nature and high security. Based on historical data, we forecast this segment's revenue will remain stable in the range of VND 200-300 bn/year.

Revenue/NPAT in 2022F and 2023F is expected to reach VND908 bn (+32% YoY)/VND58 bn (+20% YoY) and VND970 bn (+6.8% YoY)/VND 64 bn (+10.8% YoY), respectively.

OBSERVES

<MP: 61.900>

<TP: N/A>

STOCK INFO

FINANCIALS

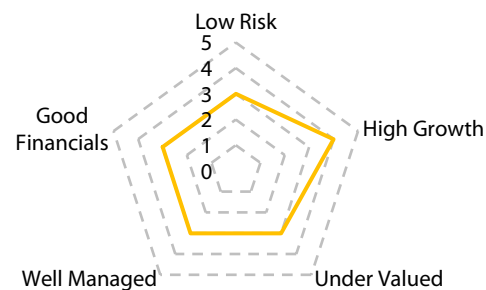
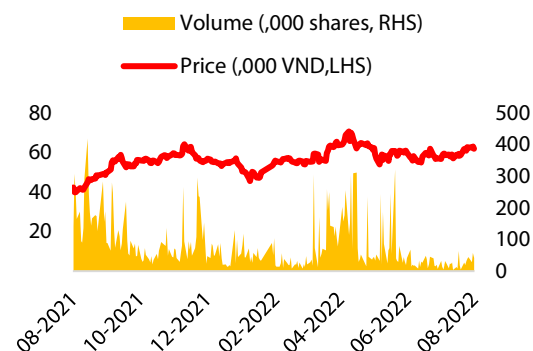
2019A

2020A

2021A

Sector	Technology
Market Cap (USD mn)	289
Current Shares O/S (mn shares)	109
3M Avg. Volume (K)	46
3M Avg. Trading Value (VND mn)	3
Remaining foreign room (%)	9.4
52-week range ('000 VND)	71 – 40.37

Revenue (VND bn)	4,856	5,181	6,290
NPATMI VND bn)	144	175	242
ROA (%)	5%	4%	6%
ROE (%)	6%	6%	9%
EPS (VND)	1,440	1,754	2,216
Book Value (VND)	22,412	23,989	24,678
Cash dividend (VND)	1,500	1,000	0
P/E (x)	26.4	23.6	24.8
P/B (x)	1.6	1.6	2.2



INVESTMENT RATIONALES

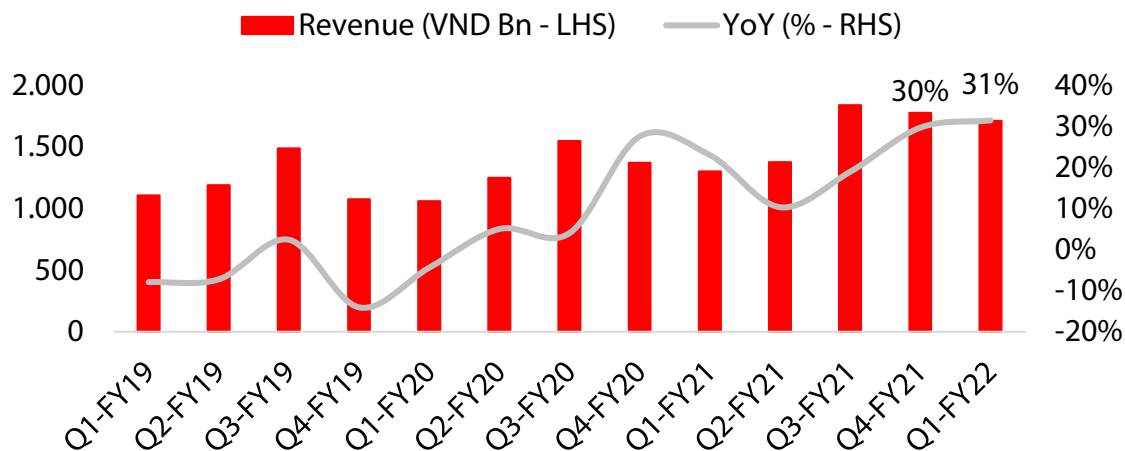
- **Data center (DC) Tan Thuan officially put into operation will bring long-term revenue.** In 2022, DC Tan Thuan with a scale of 1,200 racks has officially come into operation, a modern data center with Tier-3 standards will meet the needs of many large customers in the Banking and Real Estate sectors,...
- **The potential for growth from the digital transformation trend is huge.** Thanks to low labor costs and the companionship of strategic partners Samsung SDS will help CMG confidently with its plan to go global. In 2022, it will expand to a new market in Singapore and open a second branch in Japan (Osaka), and also enter the US market when it is expected to open the first representative office in this potential market.
- **Officially entering the field of Education.** In February 2022, CMG carried out an M&A deal with Asia University (later renamed CMC University). CMC Uni has officially enrolled students in 2022.

RISKS TO OUR CALL

- Bad developments from the world economy may reduce spending on digital transformation activities.
- The decline in JPY/VND exchange rate may affect CMG's business results.

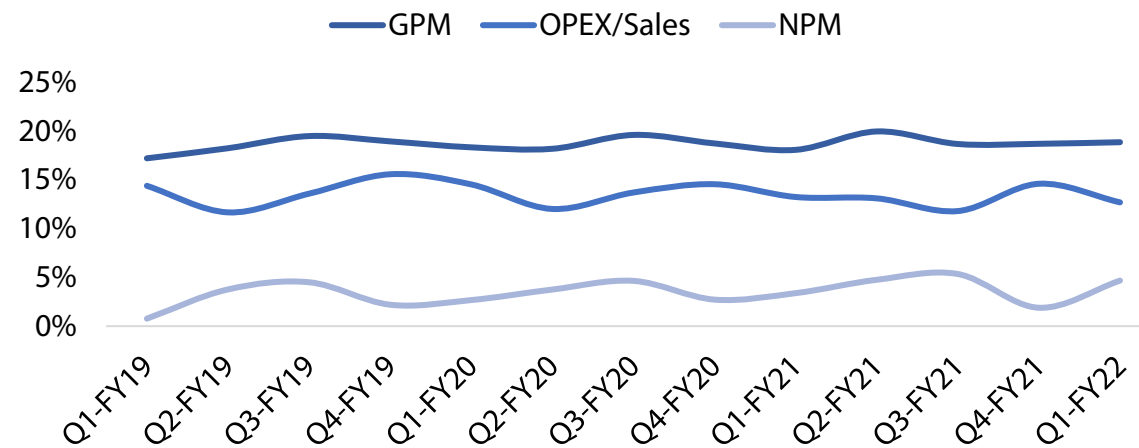
(*) Note: Financial reporting period from 01/04 – 31/03

Figure 1: Quarterly revenue and growth*



Source: CMG, Rong Viet Securities, *Financial reporting period from 01/04 – 31/03

Figure 2: Profit margin without multiple changes



Source: CMG, Rong Viet Securities

From the low base level of 2021, all business sectors achieved good growth

- At the end of Q1/2022 of fiscal year 2022 (April 1, 2022 – March 31, 2022), CMG recorded revenue and PBT of 1,710 billion dong (+31% YoY) and 106 billion dong (+45 billion dong) respectively (+45% YoY), respectively completed 20% and 25% of the plan. Impressive revenue growth in all three business segments: International Business, Telecommunications and Technology Solutions, respectively, increased by 90%, 23% and 29% over the same period.
- Q1/2022 NPAT recorded at VND80 billion (+82% YoY), mainly contributed by International Business and Technology solutions, growing by 97% and 67% YoY, respectively.

BANKING

**STABLE EARNINGS
PROSPECT AMID EXTERNAL
UNCERTAINTIES**



Thanh Nguyen – thanh.nn@vdsc.com.vn



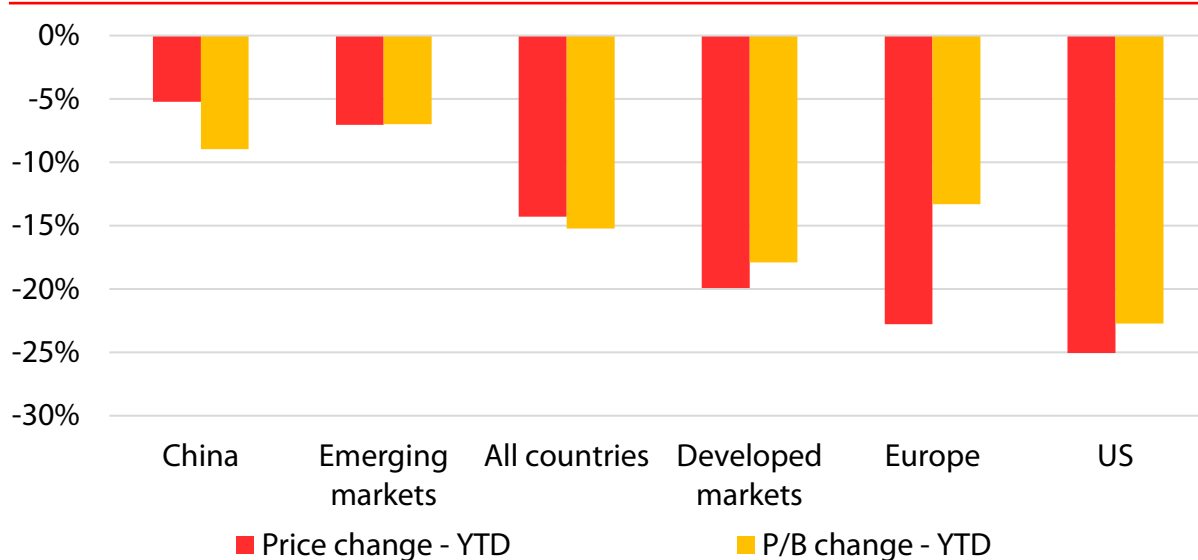
Banking stocks corrected globally in 1H2022, led by large-sized banks

- Global banks were not immune to the severe risk-off wave which might be attributed to the fear of inflation, rate hike, and recession. 92 major banks over 25 countries had their values fall by 17% in 6M22. The median price shortfall for the first and second quartiles ranked by total assets are -13% and -8% respectively in comparison to -6% of the whole portfolio. Given the aggressive policy normalization in developed economies, the banks in the US and Europe also fell steeper than that of peers or those in the emerging markets.

In Vietnam, multiple valuation de-rated broadly while earnings results were relatively positive

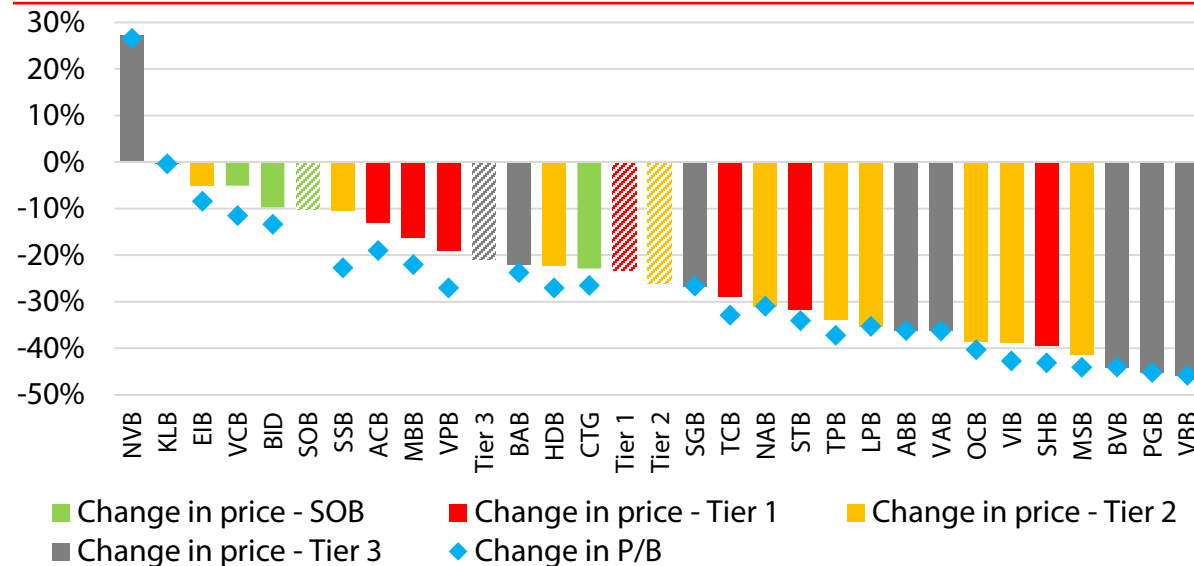
- In 1H22, most Vietnamese banks had negative price performance. On average, the medium-sized banks including Tier 1 and Tier 2 ones experienced the greatest shortfalls. State-owned banks were relatively resilient thanks to lower exposure to the real estate developers during the regulation tightening which is believed to be one of the risk-off triggers. In contrast, the median price shortfall implies its correlation with the bank scale. P/B multiple saw a median decline of -31% while that of global peers was down by -5%.

Figure 1: Global banking indices performance (YTD, %)



Source: Bloomberg, Rong Viet Securities. Indices by MSCI. Data as of June 30

Figure 2: Price and valuation multiple change (YTD, %)



Source: Bloomberg, Rong Viet Securities. Data as of June 30

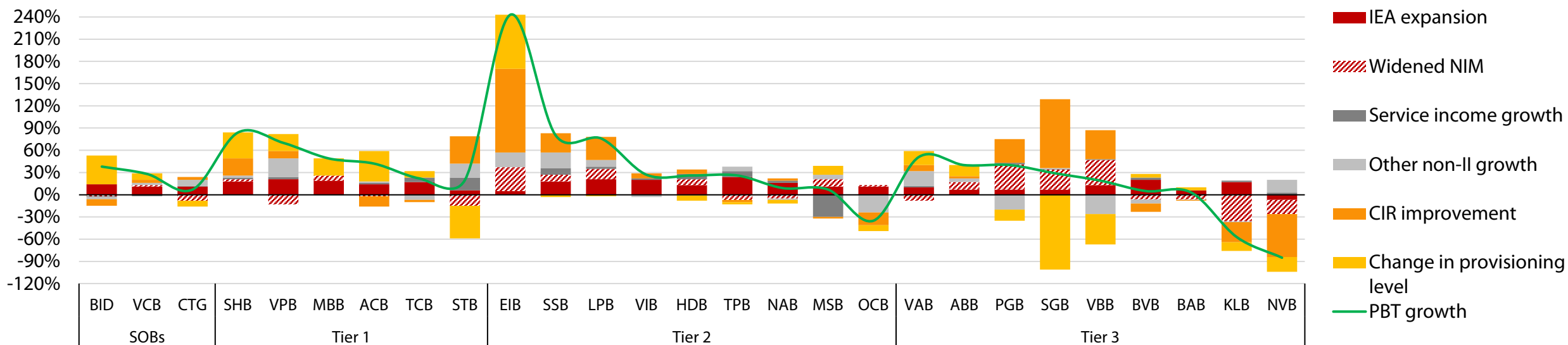
Dispersion in reported quarterly earnings growth of banks were anticipated with large banks having the edge

- Earnings growth of the sector reached 31% YoY in 1Q22, bouncing back from 7% in 4Q21 and 12% in 3Q21. The rising momentum was extended into 2Q22 with 36% YoY, bringing about a 33% growth for 1H22. However, we spot an increasing polarization in earnings growth among banks with the large ones tending to have better results. State-owned and Tier 1 banks had 23% and 46% average earnings growth, respectively, while those of Tier 2 and Tier 3 banks were 29% and 8%. This suits our prior expectations about the growth dispersion in the sector in the first half of 2022, mainly driven by the distinction in the customers' recovery pace, provisioning buffer and comparison base.

Credit growth remained as a leading growth engine while the curtailment of credit cost margin emerged as a new driver at some banks

- The leading growth factor differs among banks, but the year-on-year credit expansion remained as a pivotal driver with the highest average contribution to PBT growth (13% YoY) and the lowest deviation (7%). There was not a conspicuous trend for NIM due to the difference in interest rate base, funding needs in relative to credit growth quota, and the ability to seek non-deposit funds. Credit costs did have a positive impact on growth generally which meets our expectations. The modest improvement in CIR was also expected.

Figure 3: 1H22 PBT growth component (% YoY)



Source: Banks' FS, Rong Viet Securities

Figure 4: Quarterly PBT growth components of SOBs (% YoY)

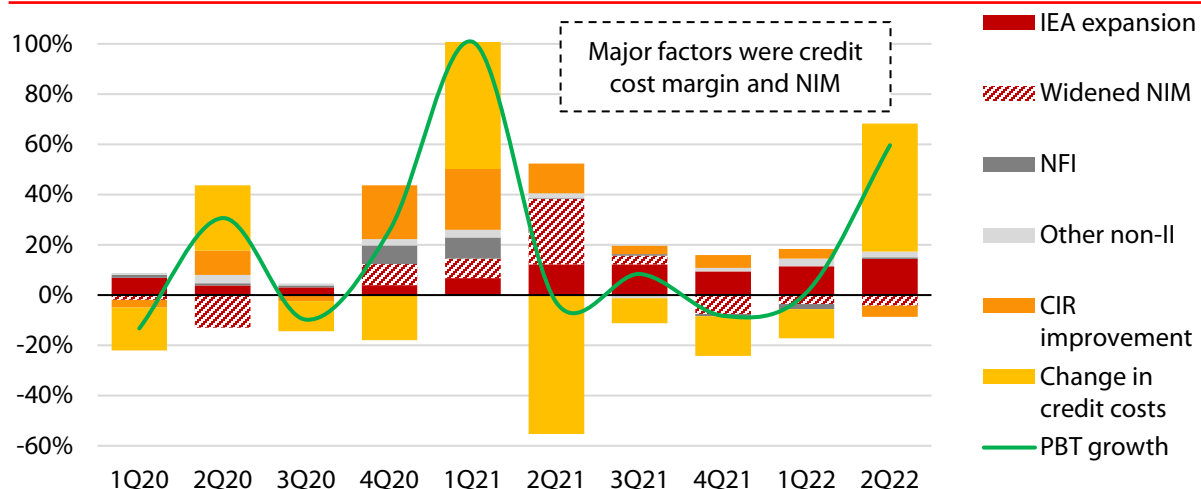


Figure 5: Quarterly PBT growth components of Tier 1 banks (% YoY)

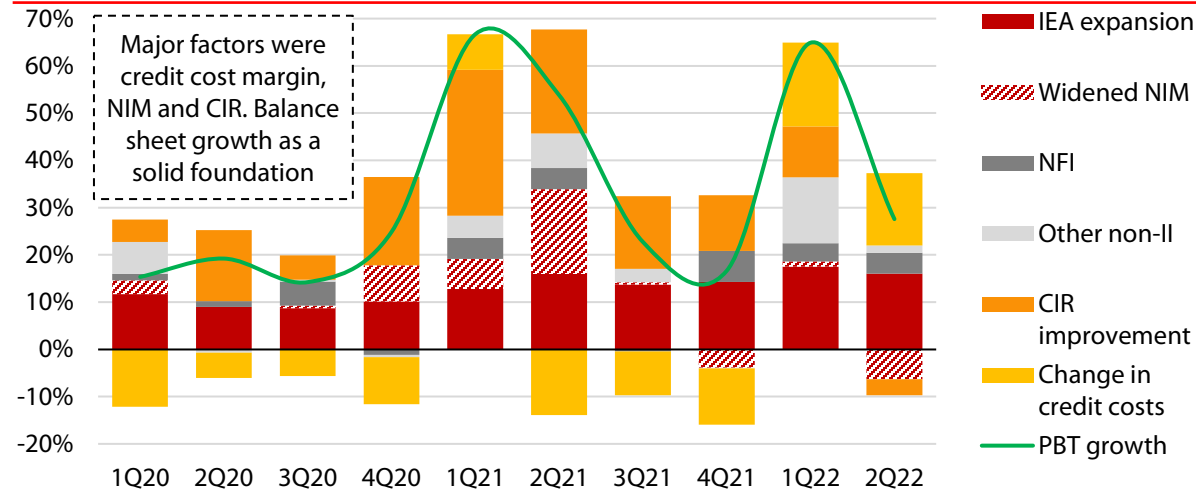


Figure 6: Quarterly PBT growth components of Tier 2 banks (% YoY)

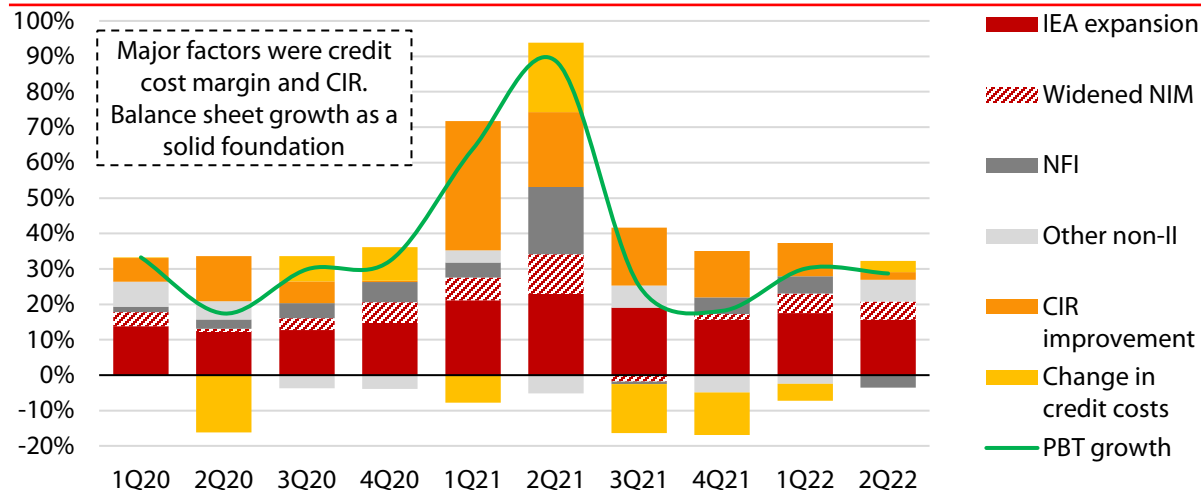
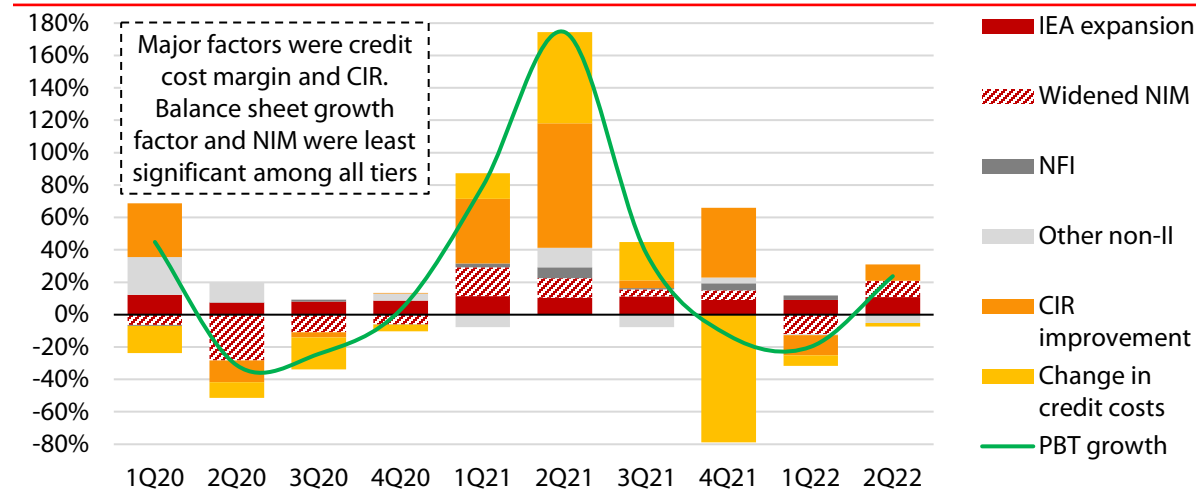


Figure 7: Quarterly PBT growth components of Tier 3 banks (% YoY)



Source: Banks' FS, Rong Viet Securities. 27 listed banks are categorized into tiers by credit base. Tier 1 includes VPB, TCB, MBB, ACB, STB, SHB. Tier 2 includes VIB, TPB, LPB, HDB, SSB, EIB, NAB, MSB, OCB.

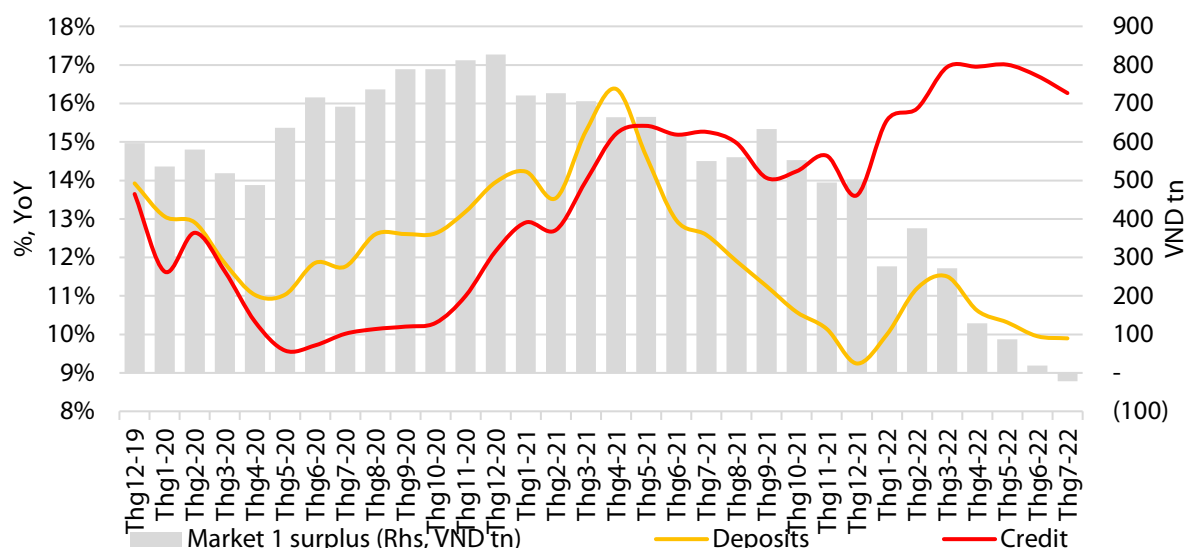
The credit – deposit growth gap was depressed partially due to the deposits in foreign currencies

- Deposits in foreign currencies (FX) has hindered the sector's deposit growth in 2021-2022. Until December 21, 2021, FX deposits fell -1.5% YTD while FX credits grew 17.4% YTD, implying robust demand and lower liquidity. As of March 23, 2022 – a month after the start of the Ukraine war and a week after the first Fed's rate hike, FX deposits rose by VND 41 tn to its peak of circa VND 957 tn (4.4% YTD, led the 2.4% YTD of total deposits). FX credits stayed resilient with a 5.9% growth compared to 4.1% of total credits. Since then, the FX credit–deposit growth gap widened as FX deposits fell by -9% (circa VND 90 tn) from the peak to reach -5.4% YTD growth on May 9 while FX credits growth was 7.4% YTD. As of mid-June, the gap narrowed due to the rebound in FX deposits (-2.3% YTD). From the peak, the contraction in FX deposits directly made total deposits down by -0.5% YTD.

The hikes in quoted deposit rates across the private banking sector could not prevent the market 1 surplus from reaching the historical low

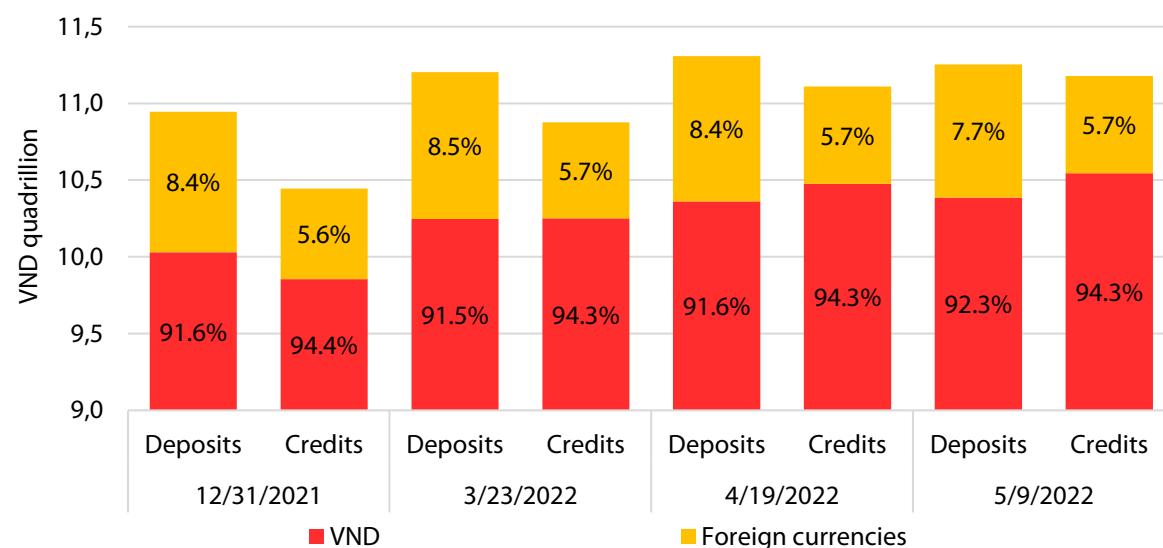
- VND deposits spearheaded total deposits in 1H22, supported by deposits rate hikes. Total deposits speeded up well from the 2021 pace, at 4.5% YTD. Credit growth approached the granted quota in June (9.4% YTD), implying constrained headroom and stagnant growth until further quota is announced. Market 1 surplus turned negative since July.

Figure 8: Credit – deposit growth and market 1 surplus (% YoY, VND)



Source: SBV, Rong Viet Securities

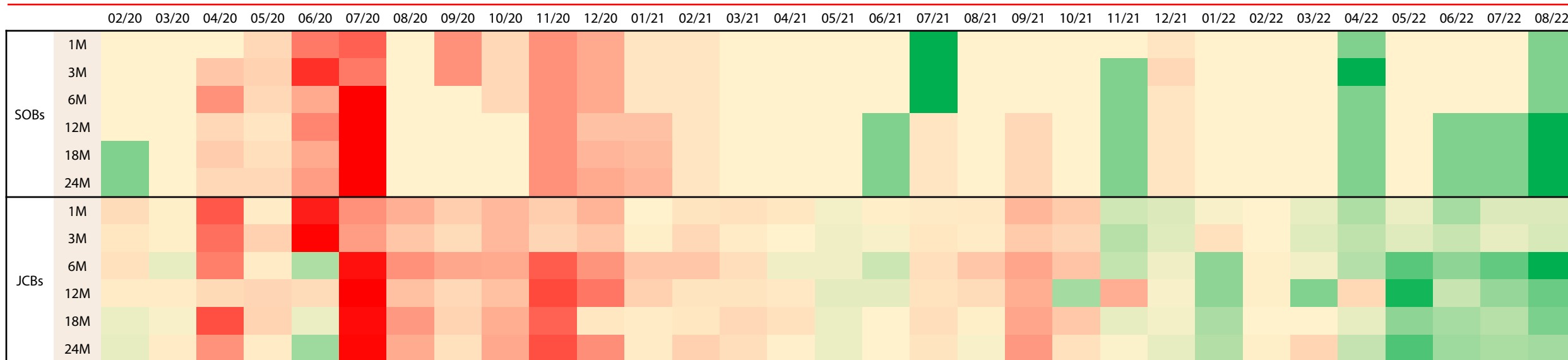
Figure 9: Credit - deposit structure of the banking system



Source: SBV, Rong Viet Securities

Stronger-than-expected quoted deposit rates hikes but undesirable funding raise

- We anticipated more rates hikes in the 2H22 than in the 1H. The higher initial credit growth quota in comparison to last year contributed to the funding demand spike, thereby, boosting the frequency of revising up quoted retail deposit rates. Private banks were more active in adjusting their quoted rates. In 8M2022, the state-owned banks increased their rates by 0.1-0.3%, mostly during the year-mid. The longer-term rates were revised up steeper than the short ones. Major private banks adjusted their quoted rates up by an average of 72 bps. The most significant change was 190 bps in 8M22. Average deposit costs were up by an average of 15 bps in 1H22 across all tiers. That of the SOBs was up by 10 bps while that of the Tier 1 banks was 22 bps higher than last year, indicating weak transmission for the large banks. The credit – deposit growth gap still widened in 1H22.
- We witnessed structural pressure on the small-sized banks regarding balance sheet growth ability and funding advantages as predicted in the 2022 Strategy Report. Despite less-than-average deposit rates hike, the state-owned banks had good deposit growth in 1H22 (3.5% YTD) thanks to the funding advantages from their customer base and pricing power. Tier 3 banks struggled to expand the deposit base, at 1.3% YTD. Tier 1 and 2 banks leading the deposit growth also had the largest average increase in deposit rates.

Table 1: Quoted deposit rate change month-on-month by bank tier (%)


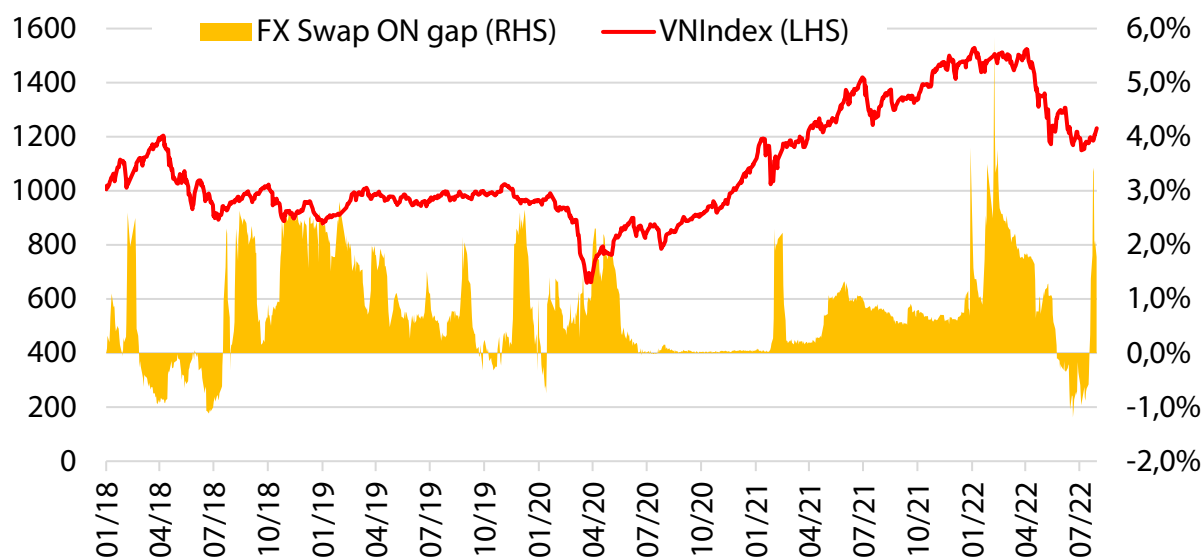
Source: Rong Viet Securities. Table 1: colored by the scale of rate change from the previous month. Rates are the highest possible retail deposit rates for each maturity.

USDVND interbank gap has been under constant pressure although the SBV intervened

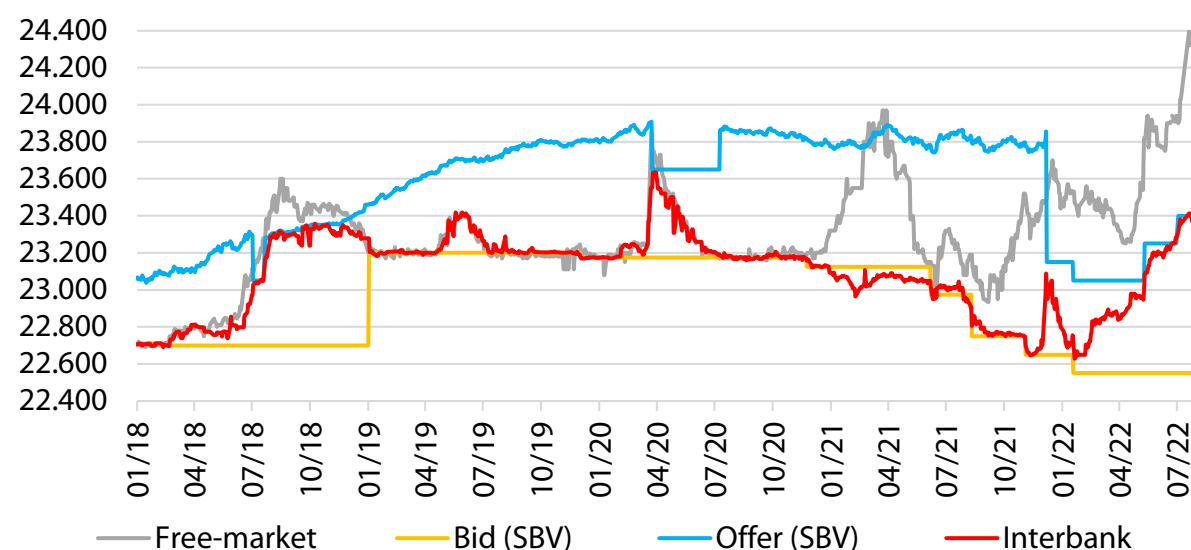
- In the last few years, there were only a few times that the USDVND interbank rate gap turned negative. Figure 11 shows a relative correlation between the differentials and the performance of the stock market when the swap rate gap enters the negative zone. A negative swap gap also intensifies the pressure on FX rates. The USDVND exchange rate has increased drastically since the beginning of the year mainly due to policy divergence and weakening USD inflows. Specifically, the risk of global recession and weak demand deteriorated the trade balance and FDI inflows. By also causing the surging demand for USD for speculative purposes as well as hedging, it made a feedback loop that constantly weigh on the exchange rate and the supportive monetary policy. The SBV has improvised well to balance the short- and long-term goals with ample resources. The VND depreciated.

Inflation – credit growth – interest rate – exchange rate: Respond flexibly to maintain the ultimate target

- FX reserves and forward contracts were used to balance the USD flow with spot demand and VND liquidity. The SBV conducted outright bill sales and rate-auctioned repurchase channel on OMO to timely withdraw/inject VND at desirable maturities and costs. The goal was to monitor VND liquidity, thereby, affecting the VND interbank rate and FX swap gap.

Figure 10: Overnight interbank swap rate gap and VNIndex


Source: VBMA, Bloomberg, Rong Viet Securities

Figure 11: Interbank and free-market USDVND exchange rates


Source: Bloomberg, Fiinpro, Rong Viet Securities

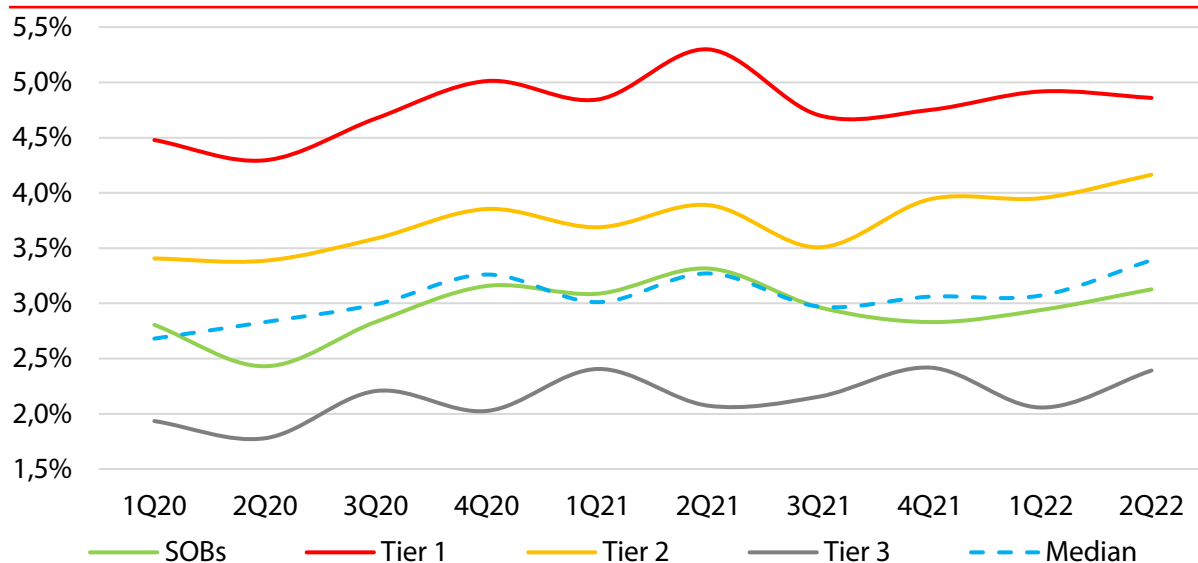
Strong balance sheet expansion backed by non-customer funding

- Total assets grew 8% YTD and 19% YoY in 1H22. Notably, state-owned banks were the leaders with a 12% YTD, equaled to the growth of the whole year 2021. In 2021, state-owned banks were the laggards while Tier 1 and 2 banks had the highest growths thanks to outstanding credit growth quota. The reversed situation in 1H22 was enabled by the shifting allocation of credit growth quota which was subjected to the real estate credit control. The strong balance sheet expansion of the banking sector was funded partly by customer deposits (5% YTD, 11% YoY), which was hampered by the low interest rate environment and slow disbursement of government funds. The remained resources mostly came from the interbank market when regulatory liquidity ratios were under constrained and public investment disbursement rate was not up to expectation.

Positive NIM change across the sector as a result of monitoring liquidity ratios, balancing market 1 rates and funding demand, and asset reallocation

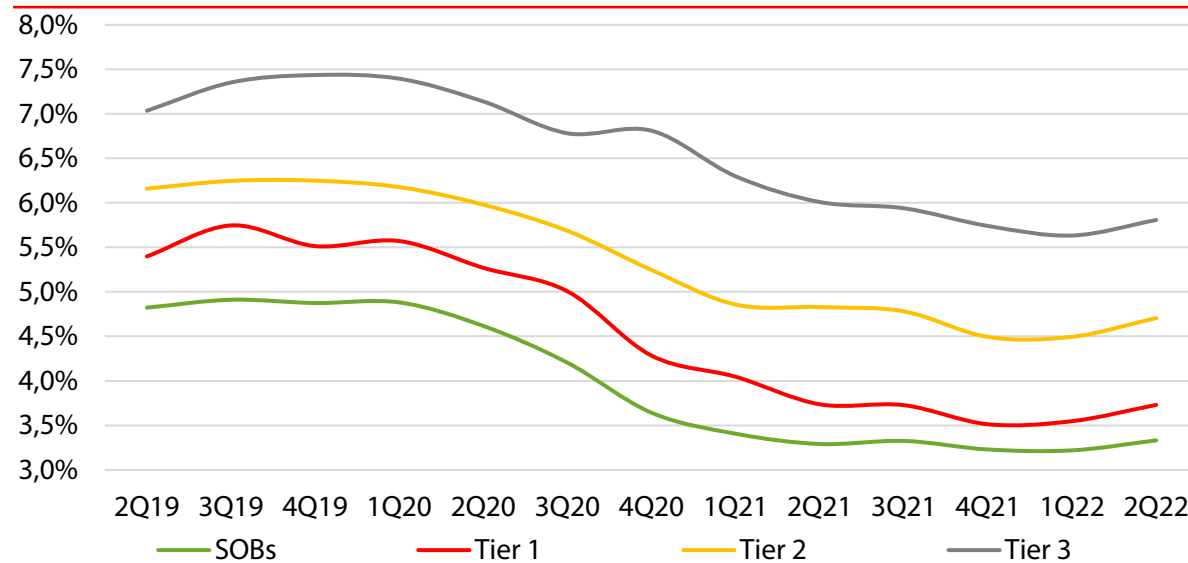
- Rates hikes pulled up the deposit rates in 1H22. However, the rate of change differs among banks. Those of the state-owned banks were stickier compared to those of other banks due to stronger pricing power and their role in setting up the benchmark. Median NIM rose steadily since the trough in 3Q21. Other NIM positive factors were higher market 1 LDR.

Figure 12: NIM (annualized)



Source: Banks' FS, Rong Viet Securities. 27 listed banks are categorized into tiers by credit base. Tier 1 includes VPB, TCB, MBB, ACB, STB, SHB. Tier 2 includes VIB, TPB, LPB, HDB, SSB, EIB, NAB, MSB, OCB.

Figure 13: Average deposit rate (% annualized)



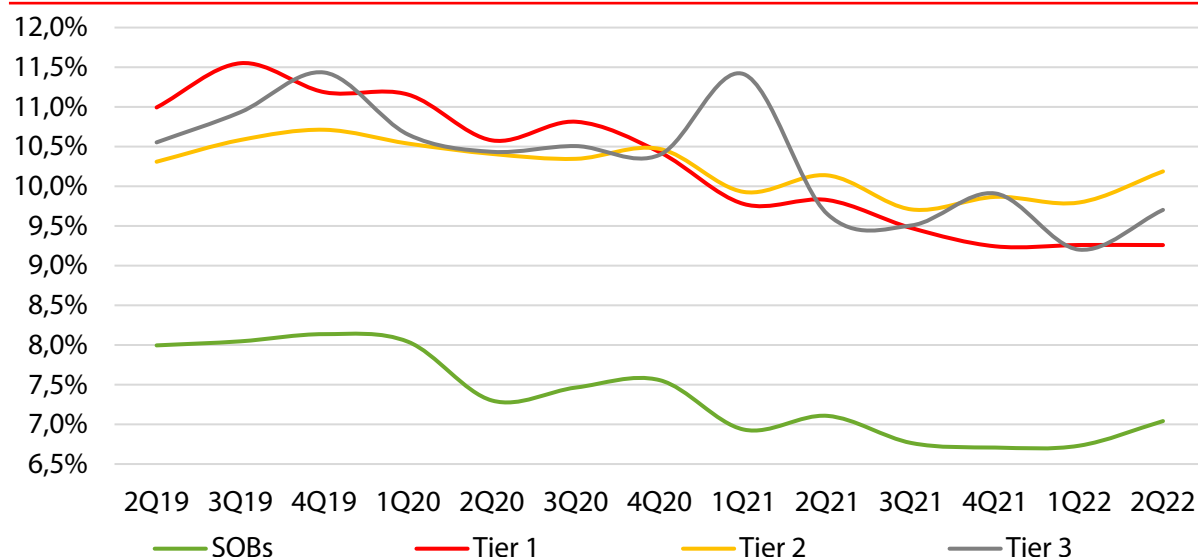
Headwinds on the growth capability and margin pressured net interest income momentum

- The 1Q and 2Q22 market 1 rate gaps widened from the second half of 2021 at state-owned and Tier 2 banks while the other tiers could not fully pass the incremental costs to the customers. Average lending yields of Tier 1 banks went flat since 4Q21 despite a 22 bps uptick in average deposit costs and extensive quoted rate hikes. Credit growth was resilient (10% YTD, 17% YoY) while deposit growth lagged, contributing to the strong TOI growth in 1H22. The banking sector reached over VND 272 tn in 1H22 revenue, equivalent to a 19% growth. This laid the foundation for the 33% earnings growth. Nevertheless, growth momentum has been stagnant since 3Q21 if excluding one-off items. Adjusted TOI growth was at 16-17% YoY in 1Q and 2Q22, up from the range of 12-16% in 2H21. The trajectory was significantly lower than the peak in 2Q21 (44% YoY), partly due to the high base effect.

Transitory volatility in non-interest income could not support TOI growth

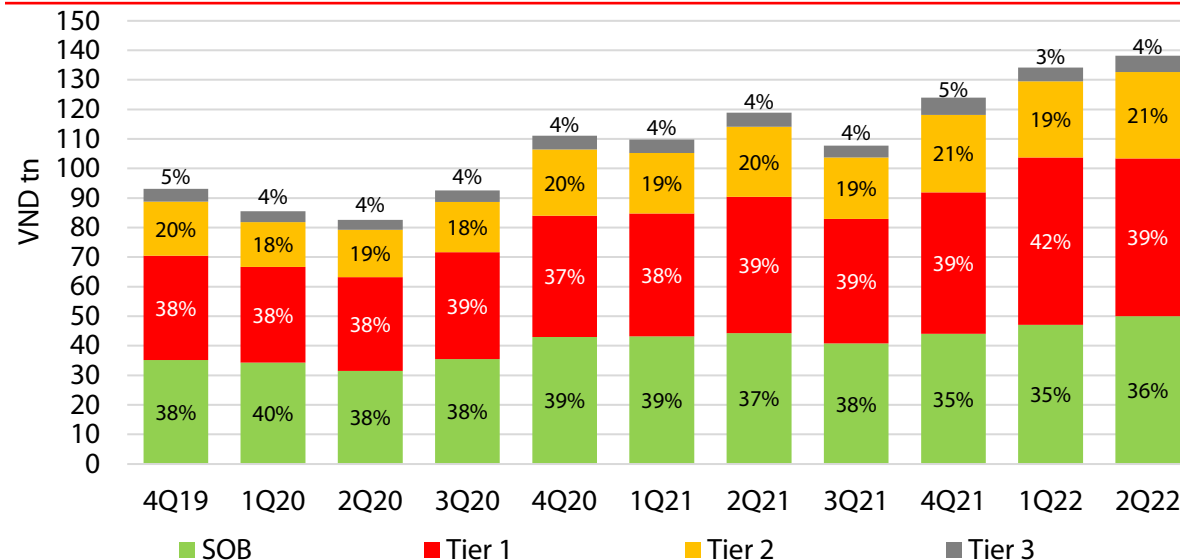
- NFI (12% YoY) saw headwinds from the comparison base, fee competition and corrections on the asset markets which lowered its momentum despite having supports from the recovery in cards, development in the bancassurance segment and trade finance. FX sales could not light up other non-II growth in 1H22.

Figure 14: Average lending yield (% , annualized)



Source: Banks' FS, Rong Viet Securities

Figure 15: Total operating income by bank tier (VND bn, %)



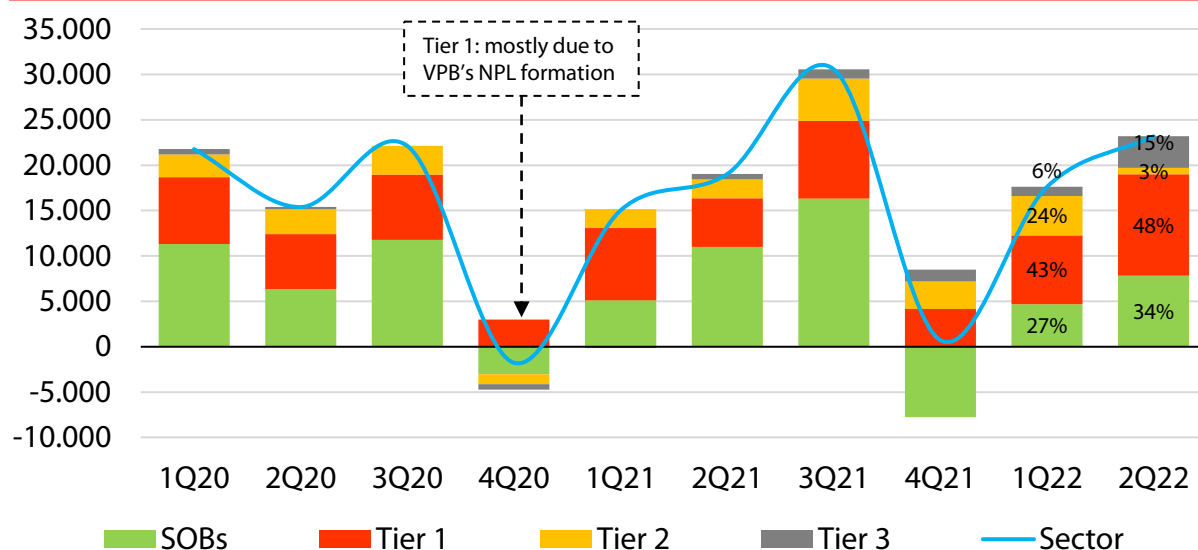
The balance sheet health remained intact at most banks during the first half despite regulatory pressures on the real estate and corporate bond markets

- Although the asset markets experienced strong volatility and the availability of funds was hindered for some sectors, the quality of loans remained healthy. Restructured loans fell steadily at major banks, followed by the decline in total loans of restructured customers and provision reversals. Restructuring demand also eased. There were mixed results in the movement of NPL ratio of bank groups. State-owned banks improved their balance sheet and NPL ratio robustly as well as building a thick provisioning buffer. The figures of large private banks was biased due to the slow recovery of consumer finance segment. Private banks exposed to high-profile customers still got resilient balance sheet through the shocks in real estate and corporate bond market. This suits our prior forecasts of a K-shape recovery and is backed by the obscure effect of fiscal policy.

The defaults on restructured loans stayed healthy at large banks as projected

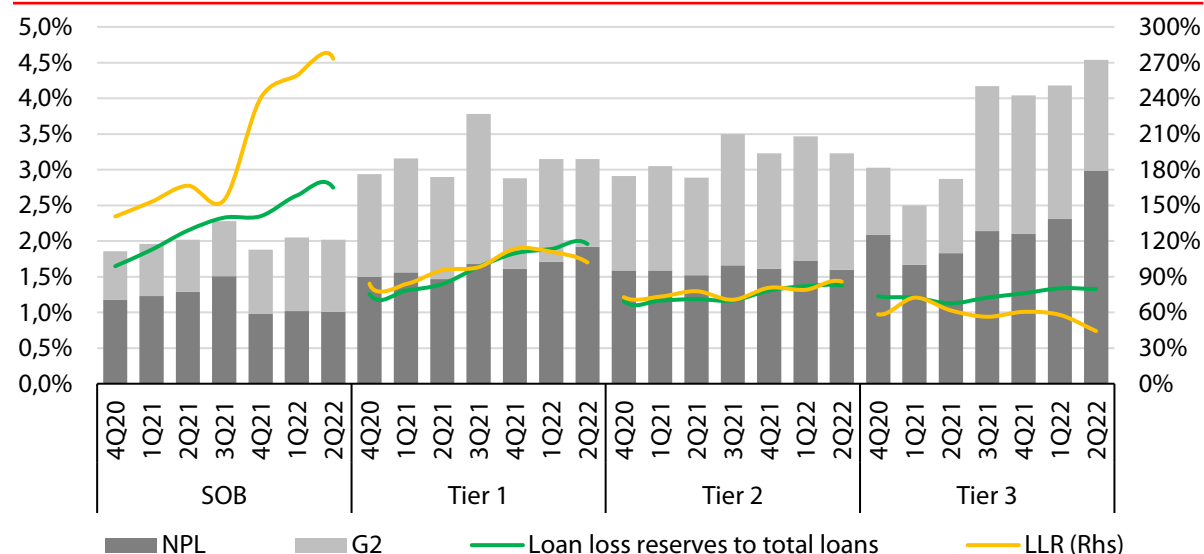
- Banks in our coverage had over VND 54 tn of restructured loans in 2Q22, down from VND 90 tn in 2021. Those are mostly reported to have normal repayment status as the economy recovered relatively well. Asset quality remained healthy. Combined with the buffer reinforced in 2021, loan loss coverage ratio stayed elevated and even rocketed higher at SOBs.

Figure 16: Net NPL formation (VND bn)



Source: Banks' FS, Rong Viet Securities. Adjusted for outliers and unannounced figures.

Figure 17: Quality and coverage ratio of the loan book (%)



Source: Batdongsan.com

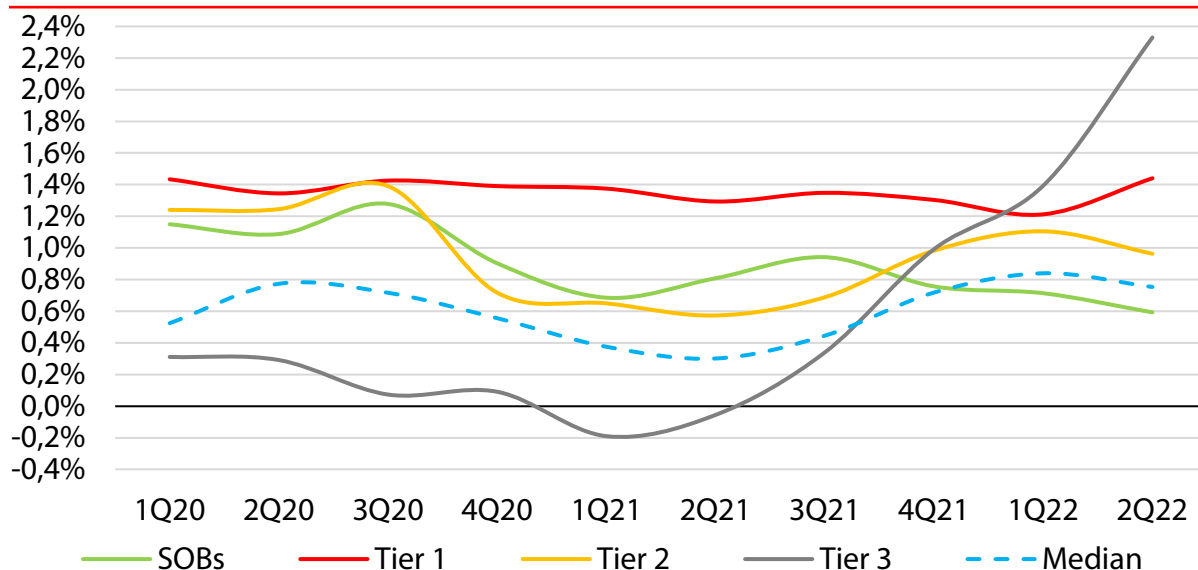
Credit cost margin seems to have peaked on a sector-wide basis in 1H2022 thanks to the strict provisions for total loans of restructured customers

- Net NPL formation bounced back at state-owned banks but stayed low at Tier 2 banks. The NPL formation rate curve showed signals of good customer recovery at large banks and middle-to-high-profile customers. The curve of Tier 1 and Tier 3 banks spotted an opposite trend in 1H22 due to impacts from the consumer finance segment and lower-profile customers' stagnant recovery. Most of the banks in our coverage have fully provisioned for restructured loans ahead of the deadline, relieving the pressure on credit cost margin.

Provisions showed signs of cooling down on many fronts but only at large banks

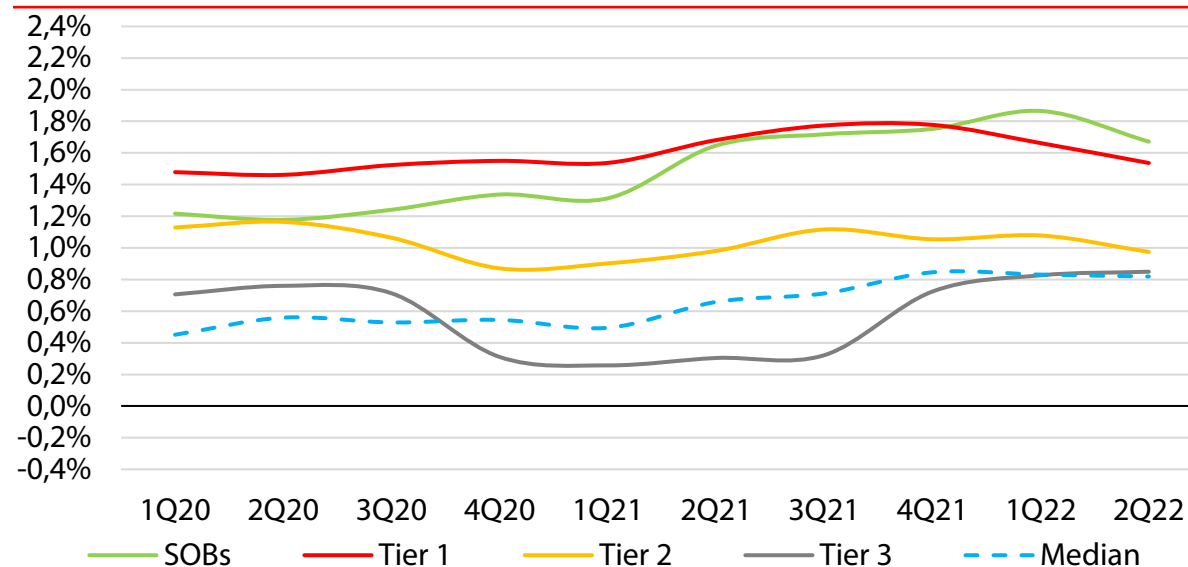
- Provisioning pressure gradually eased in 1H22 thanks to various catalysts. Nevertheless, the buffer and the soundness of provision polarized among bank tiers. Most major banks fully provisioned for restructured loans, which created a high comparison base for credit costs. Restructured customers with resilient financial health have been reported to have normal payment status, suggesting potential provision reversals. The in-line economic recovery will at least support banks exposed to customers with strong financial capability. As a result, state-owned and several Tier 1 banks are more likely to experience credit risk cost reduction in multiple scenarios while Tier 2 banks will be supported moderately.

Figure 18: Net NPL formation rate (TTM)



Source: Banks' FS, Rong Viet Securities. Adjusted for outliers and unannounced figures.

Figure 19: Credit cost margin (TTM)

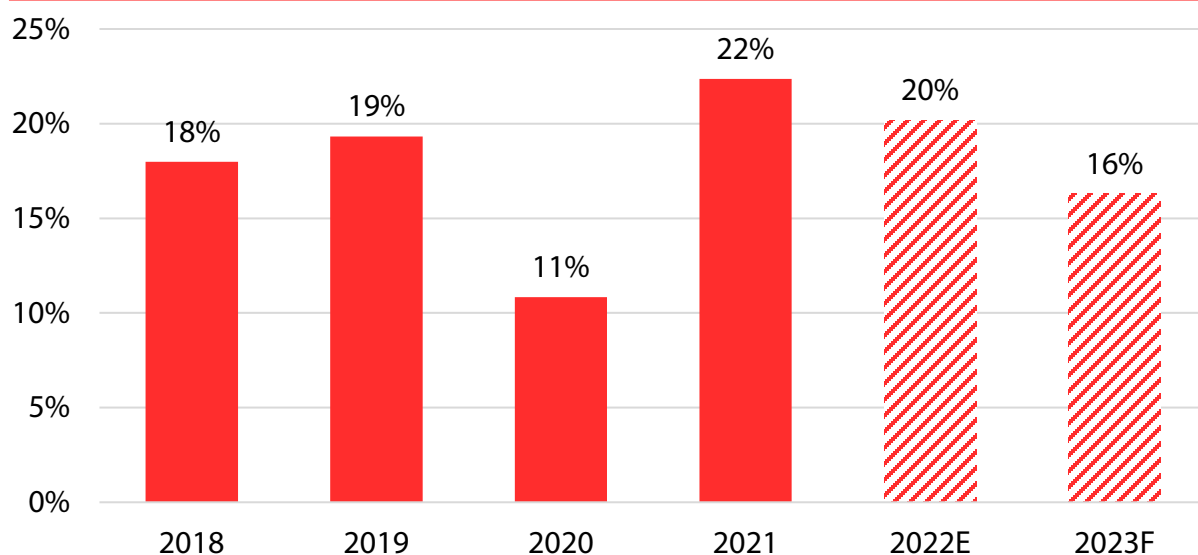


Source: Banks' FS, Rong Viet Securities. Adjusted for outliers and unannounced figures.

Rising volatility in the monetary policy direction imposes risk to our previous balance sheet growth theme

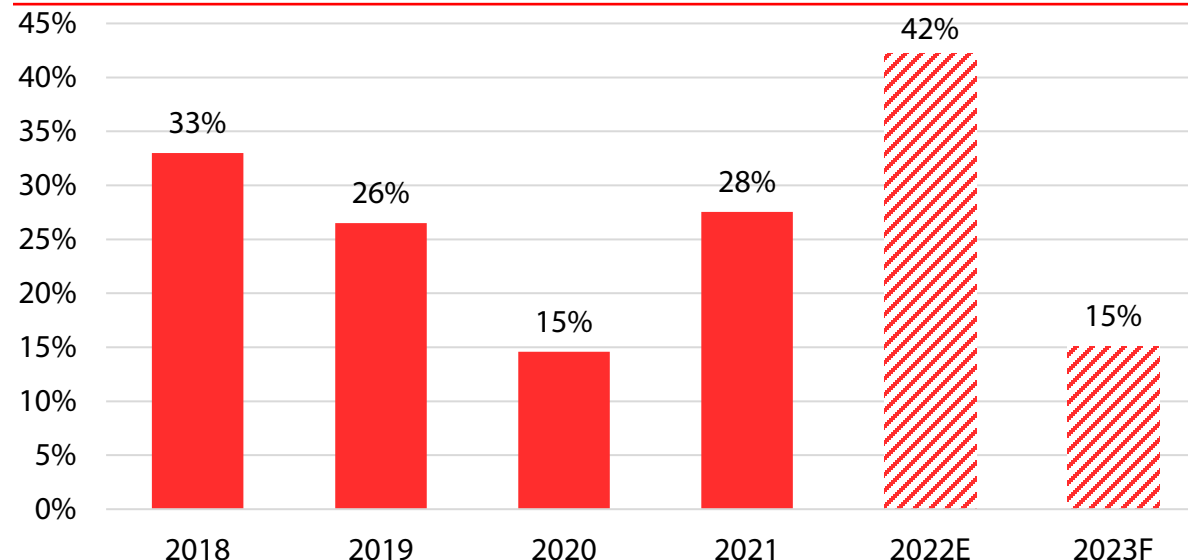
- Recalling our view in the 2022 Strategy Report: *"Opportunities will arise from the recovery theme mainly. We have high hopes for provision reversals and easing credit cost margin which should boost earnings growth tremendously, yet we also keep our feet on the ground by factoring in possible continuous disruptions and unsatisfied pace of recovery."* Coming to 2022, we expected an expansion monetary policy to facilitate growth at large private banks with robust capital and liquidity. However, the unexpected events leading to the hesitation in granting credit growth quota and the credit reallocation between banks endangered our forecasts on growth factor. **We consider the policy and regulation headwinds as transitory, thereby, maintaining our view on the growth potential of TCB, MBB and ACB.** Our top picks have plenty of room to maneuver and deliver expectedly high earnings growth as well as strong profitability and efficiency in a higher cost environment and amid uncertainties. We even revised upward some of the forecasts in 2Q22. Compared to the 2022 Strategy Report, the growth period is moved forward due to steeper decline in credit cost margin (-51 bps vs -25 bps previously). 2022 TOI growth is revised up from 17% to 20% while 2022 PBT growth forecast is adjusted from 27% to 42%. Accordingly, 2023 TOI and PBT growth forecasts are revised down by 8% and 3% respectively.

Figure 20: TOI growth of our coverage



Source: Batdongsan.com

Figure 21: PBT growth of our coverage



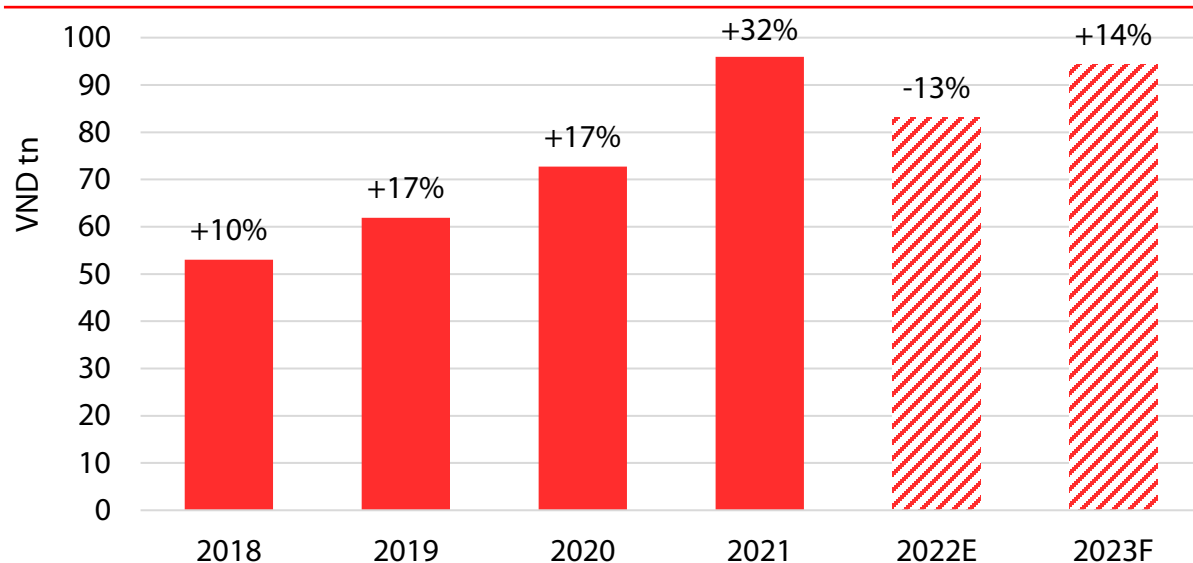
Source: Batdongsan.com

“... we forecast that several banks will experience provision reversals, ... VCB and ACB are projected to lead this trend given their outstanding provisioning buffers. CTG and BID will be riskier bets. TCB and MBB are expected to pose a lower-than-peers contribution from year-on-year credit cost margin reduction ...” – 2022 Strategy Report.

Risk cost sensitivity to earnings will be a pivotal driver amid growth scare concern

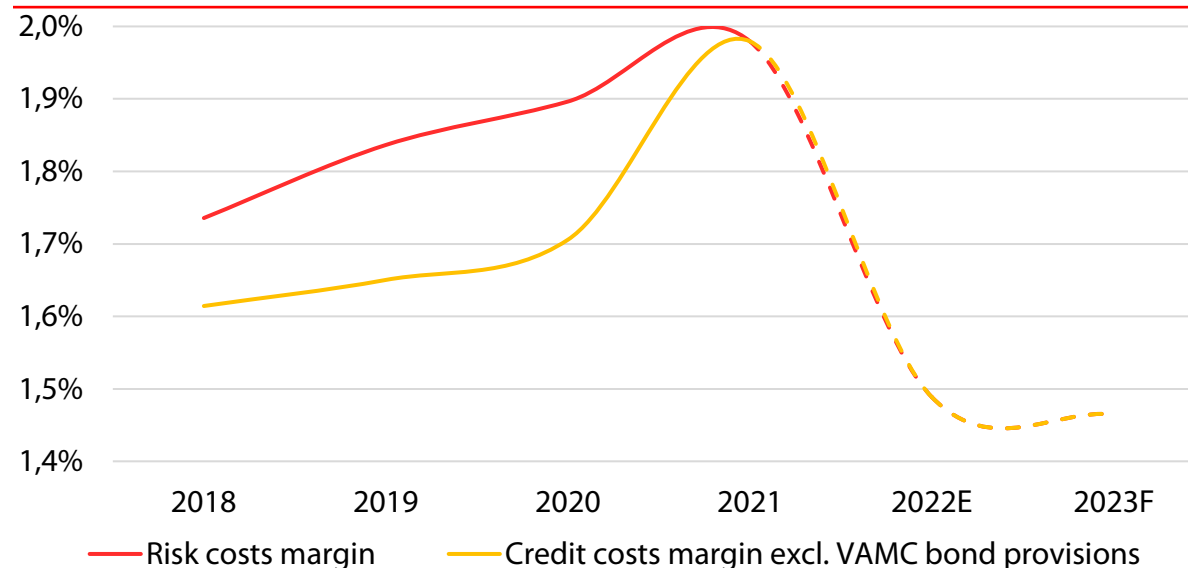
- Several prior growth engines turn uncertain due to the macro background but the themes remain intact. 1H22 results of our top picks were slightly better-than-expected. However, we see volatility in the short-term, thereby, adding some more investment scenarios. **As credit growth constraint weighs on large private banks, risk cost management brings greater certainty.** The economic recovery theme remains resilient in the short-term, suiting our anticipated K-shape recovery and potentially supported by the public investment in 2H22. Given these, VCB, CTG and BID are expected to have robust results. We prefer the first two banks as their valuation is more advantageous. **Growth seeking in a higher cost environment and with constraints may induce “flight to quality”. Banks will balance between growth and holistic banking profitability.** We expect TCB to maneuver through the headwinds with effective capital allocation while MBB will continue to benefit from the provisioning buffer. Risk cost reduction is the main investment thesis in 2H22.

Figure 22: Credit costs of our coverage



Source: Banks' FS, Rong Viet Securities

Figure 23: Credit cost margin of our coverage



Source: Batdongsan.com

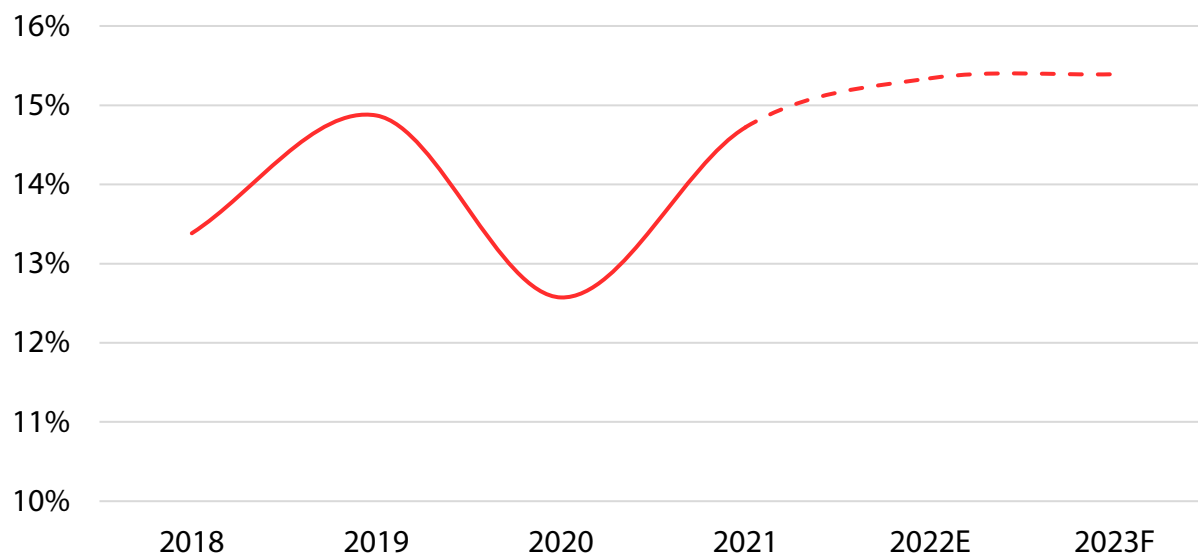
Unknown credit growth quota and its allocation among banks

- From a vital growth factor to private banks, credit growth quota now imposes downside risk and becomes the known unknown when the forward guidance is not straightforward. As the SBV committed to a 14% credit growth, we are still uncertain about the size, frequency and timing of the quota granting as well as its allocation among banks. Those strongly affect the capital and funding plan of the banks. The change in credit policy may lead to a flatter credit growth level between banks, taking away the growth advantage of some private ones. We did not change our 2022-2023 credit growth forecasts much, but we see measures the banks could take to flexibly counter the impact in case of negative surprises.

Widening NIM becomes a positive factor while Inconspicuous effect on deposits from the uncertain macro questions the convergence of credit – deposit growth gap

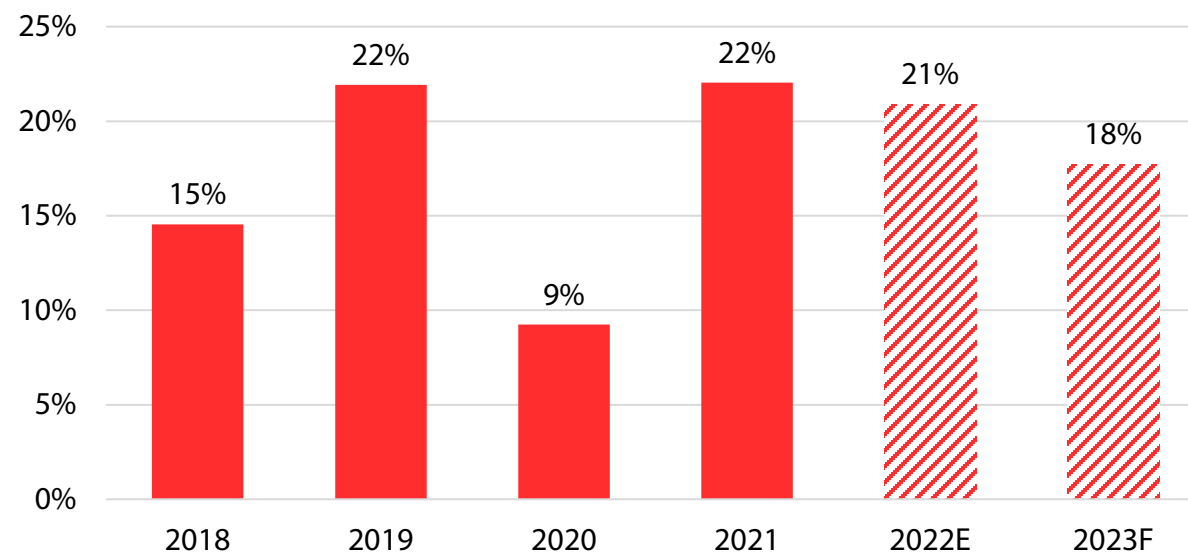
- Non-deposit funds will increase structurally thanks to offshore borrowing facilities. Regulatory liquidity ratios under constrained will also lead to stably high interbank funds. Beside higher quoted deposit rates, the pace of movement of public investment funds and its capital efficiency will determine the structure and growth ability of deposits, potentially closing the credit – deposit growth gap as credit growth quota is limited. NIM will see both headwinds and tailwinds, but the comparison base is definitely supportive.

Figure 24: Loan growth of our coverage



Source: Banks' FS, Rong Viet Securities

Figure 25: NII growth of our coverage

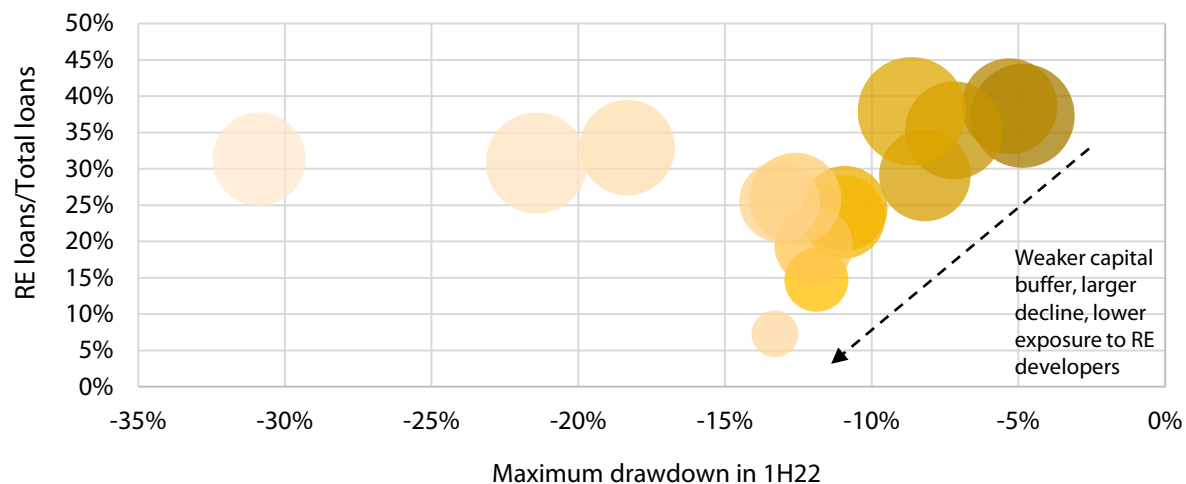


Source: Batdongsan.com

A tighter real estate market should be addressed as a systemic risk

- Given the deep integration of real estates in banking operation and its role in the economy, tight conditions in real estate market or struggling major developers would have a broad impact on banks and other components. Combined with the precedent case in China, we consider the real estate risk in Vietnam, including corporate bond issues, as systemic risk and accordingly treat it universally. Our approach to stock pick considering the concern: counting on the last line of defense. China banks with smaller capital buffer (bubble size) tend to decline more despite having lower loan exposure to property developers. Meanwhile, there was a weak correlation between the exposure, capital buffer and maximum drawdown in Vietnam in 1H22. Therefore, the price shortfall in 1H22 rather implied spill-over effect or resulted from other concerns or sentiment issue.

Figure 27: Max drawdown & RE exposure of large Chinese banks



Source: Banks' FS, Rong Viet Securities. Horizontal axis: maximum drawdown in 1H22. Vertical axis: Loans to real estate developers to total loans. Bubble size: Loans to real estate developers to total equity.

Figure 26: Bond maturity distribution of real estate developers

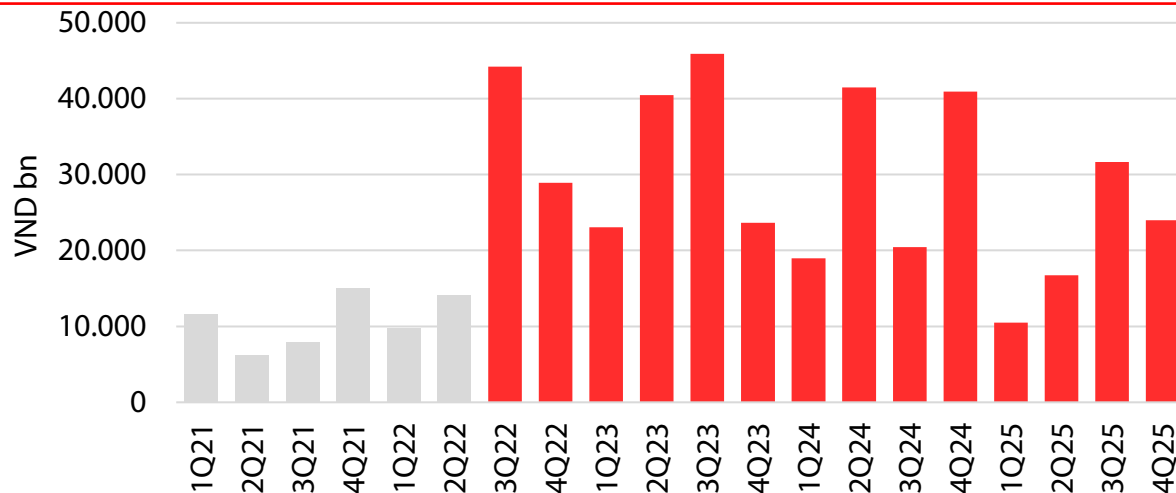
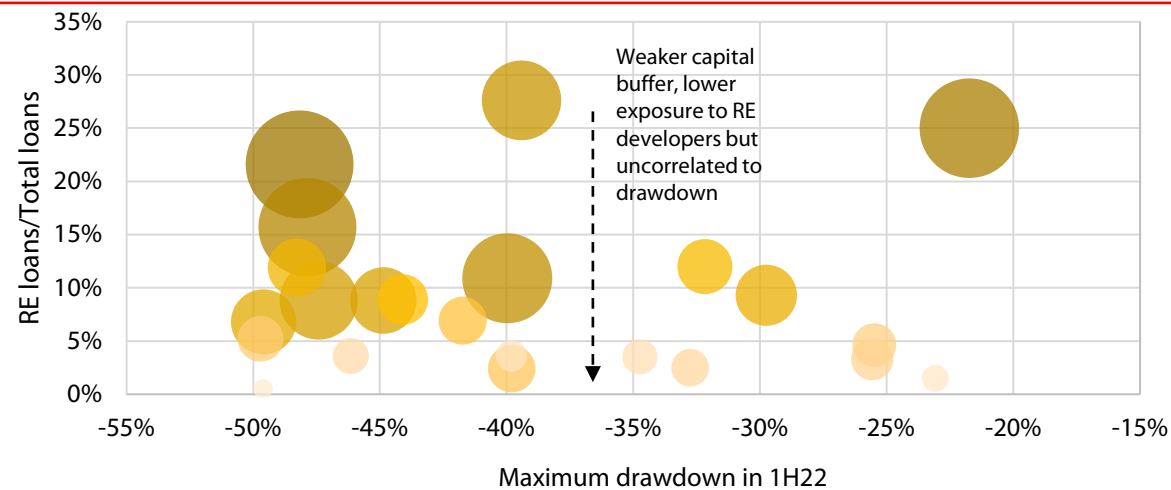


Figure 28: Max drawdown & real estate exposure of Vietnam banks



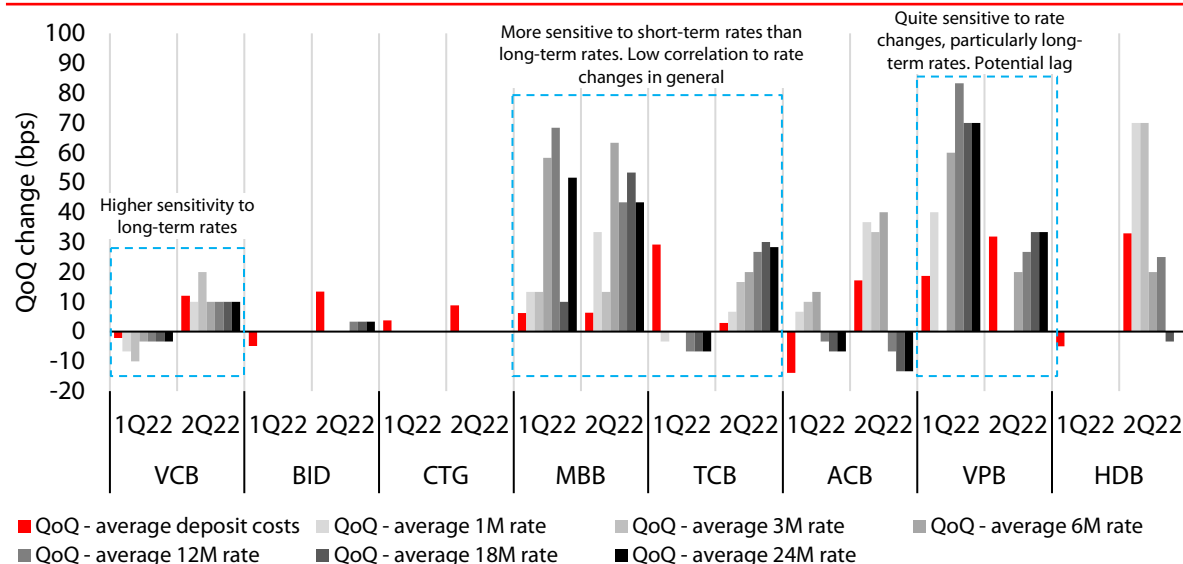
Competitive pricing should put tension on NIM and leave the small banks struggling

- Rate hike is inevitable. Vietnamese banks have significant level of maturity mismatch, which was also mentioned by the SBV Governor. We expect the rate hike wave to remain in the next few years, but the pace would be modest. Depositor behaviors changed at banks with digital transformation and well-connected ecosystem, resulting in low transmission from quoted rate hikes into average deposit costs. Rate competition is likely to occur at smaller banks, which should pressure NIM aggressively as the cost environment is changing. Combined with the maturity structure of banks, we think there will be beneficiaries when quoted deposit rates go higher, including TCB and MBB in our coverage. There will also be market 1 rate gap contraction at several banks undergoing rebalanced deposit duration. Overall, NIM outlook is polarized, but the comparison base will be supportive mostly.

Growth seeking in a higher cost environment weighs on capital charge and balance sheet management

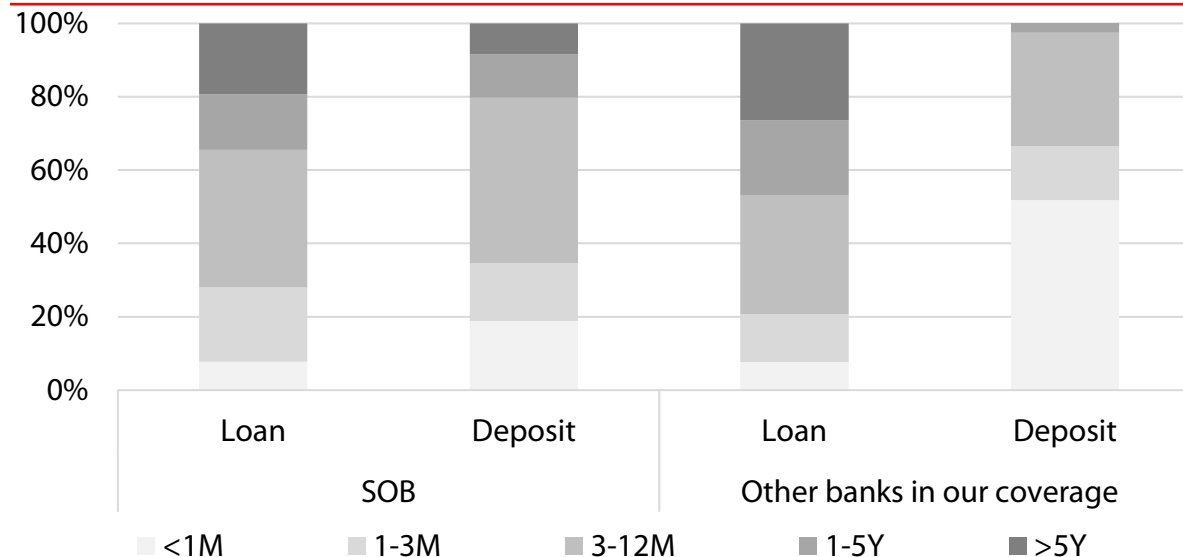
- When rates rise, capital become costlier. Marginal increase of funds at higher costs requires higher risk-adjusted return. Going into riskier segments may bring undesirable yield given rising costs of funds and costs of capital charged. Effective capital allocation and funding management will lead to tactical shift at some banks regarding their strategy.

Figure 29: Correlation between quoted rate and average deposit costs



Source: Banks' FS, Rong Viet Securities. * Average of quoted rate in the quarter. Rates are the highest possible retail deposit rates for each maturity.

Figure 30: Maturity structure of the banks in our coverage

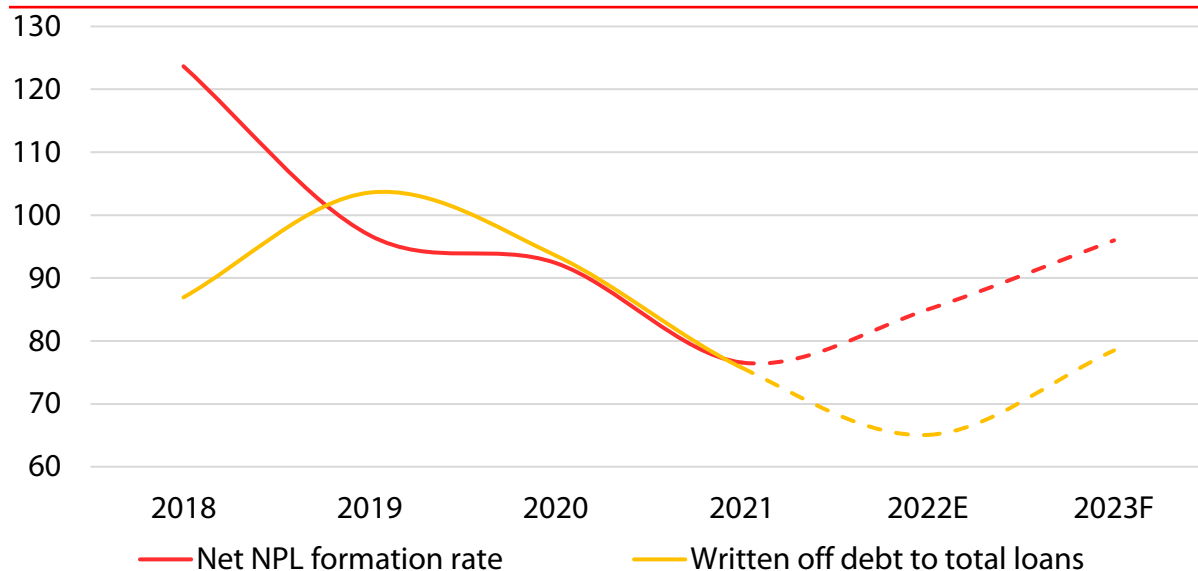


Anticipating volatility in total operating income growth momentum

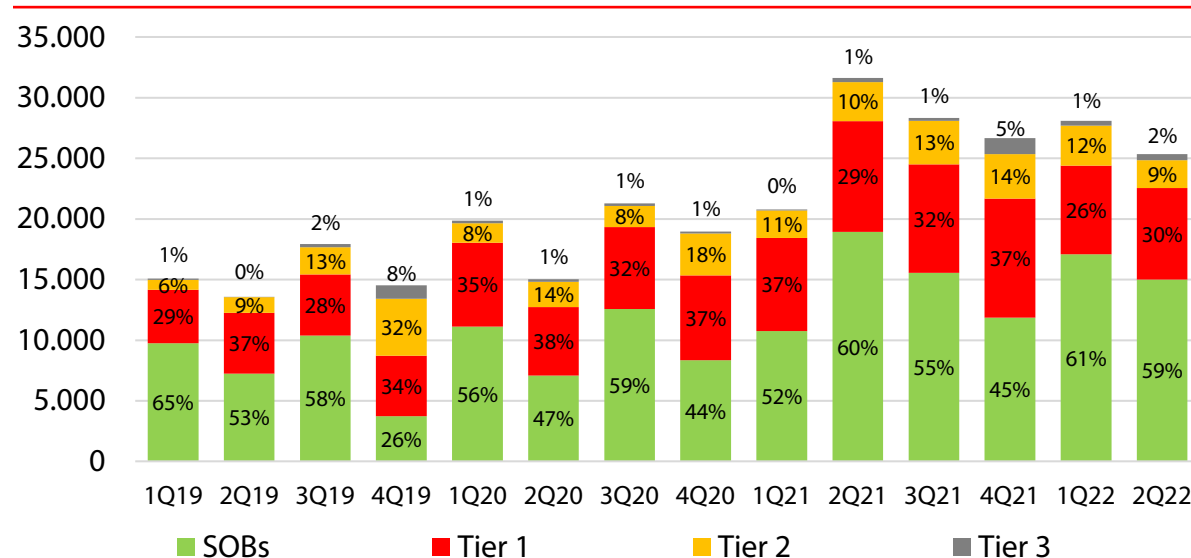
- Top-line growth at banks will have divergent tendencies coming from uncertainties and the banks' characteristics. While credit growth quota is expected to have mixed effects due to differed sensitivity, NIM will be supported by the comparison base, thereby boosting NII momentum. Non-interest income will witness strong recovery in contribution from subsidiaries as well as resilient growth of bancassurance and trade financing. Its trajectory will rebound from 1H22.

Tailwinds on the risk costs side to counter external uncertainties and encourage earnings growth

- Resilience of the balance sheet through the shocks will lead to improved credit costs at conservative banks. We expect moderate deterioration of restructured loans, pressuring NPL formation and write-off. Loan loss coverage might fall at state-owned banks due to the exposure to large corporates, but the balance sheet health will remain unimpaired.
- NPL formation rate is projected to pick up in 2H22 and 2023 but still flat from the pre-Covid level. Restructured loans and normalization of NPL movement are attributed to that. The capacity and ability to further reduce credit risk costs are polarized. State-owned banks and large private banks have the edge thanks to the provisioning buffer.

Figure 31: Credit cost margin of our coverage


Source: Banks' FS, Rong Viet Securities

Figure 32: Provisioning level (VND bn)


Source: Banks' FS, Rong Viet Securities. Adjusted for outliers and unannounced figures.

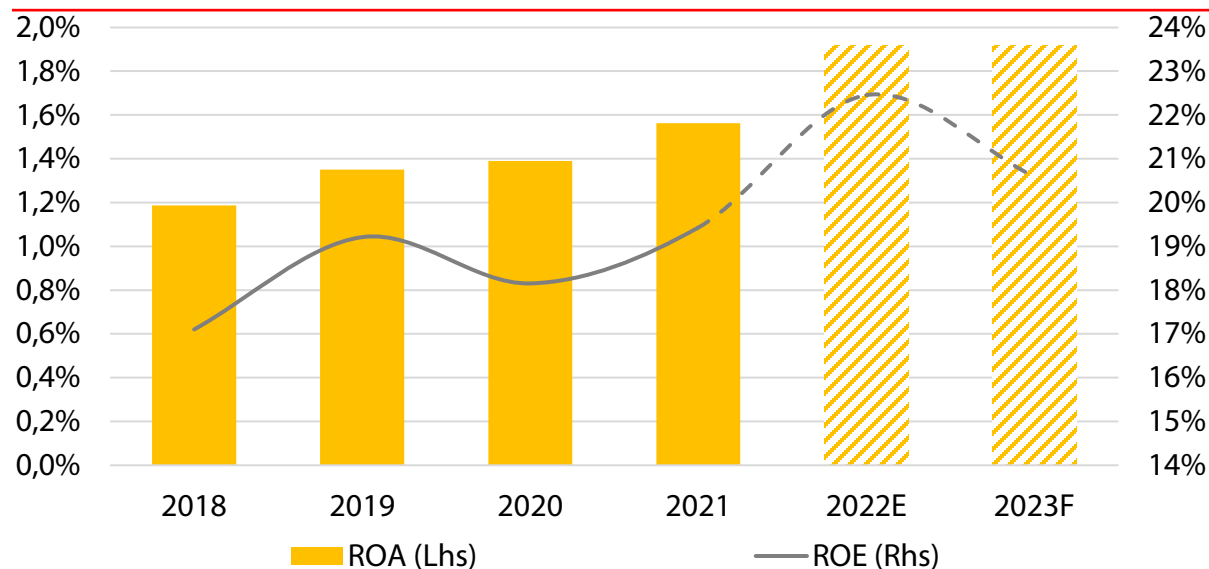
Balancing between banking profitability and efficiency and growth

- Efficiency will be prioritized to preserve the capital base. We expect ramped up ROA and ROE in 2022 due to risk cost enhancement. 2023 efficiency ratios will normalize from the high base of 2022 as there will be plenty of capital raised. Capital allocation effectiveness will be carefully considered in a costly environment and under balance sheet constraints. Those limits come from the availability of funds which depends on the credit growth quota and public investment. Besides, small banks would struggle to allocate resources efficiently to bring sufficient returns. We maintain our preference on larger-sized banks over smaller ones.

Valuation as a downside protection to the sector

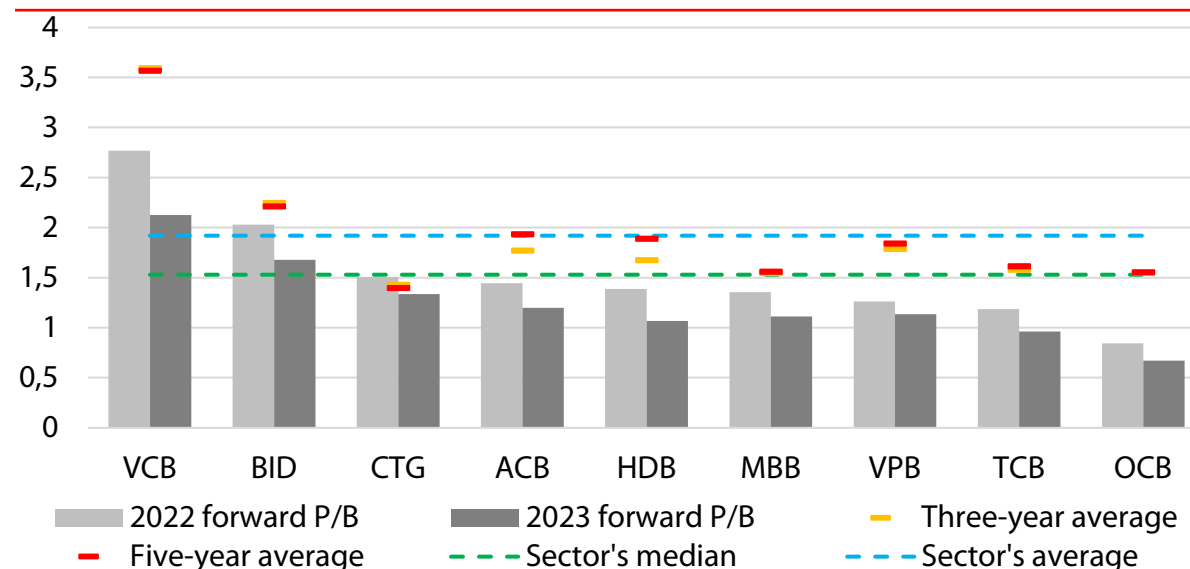
- Valuation has become attractive across the board when compared to the historical multiples. Even when benchmarking the historical P/B at higher cost environment, we also see manageable risk/return balance to our picks. The remaining factor is story, including benefits from the bank transfer program, private placement and dividends to some extents.

Figure 33: ROA and ROE of our coverage



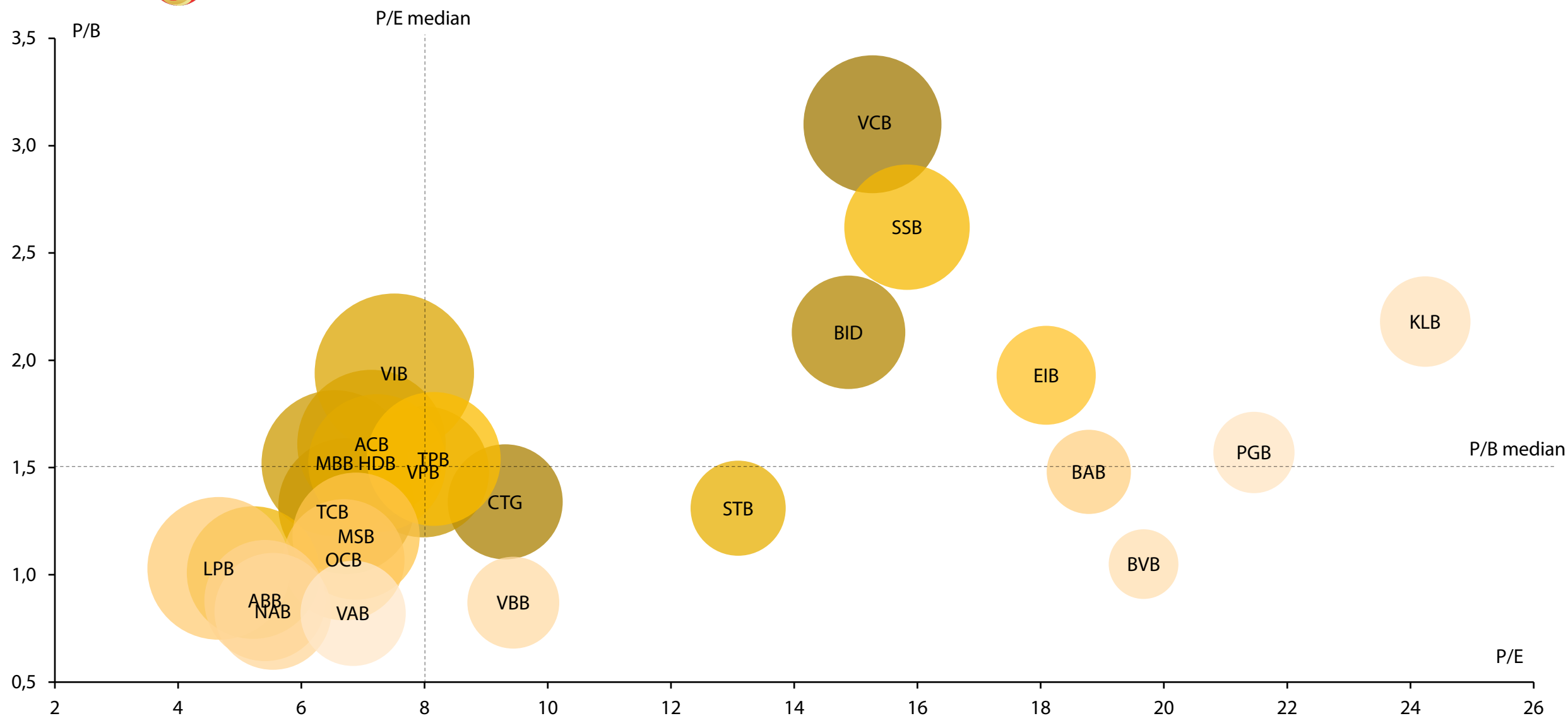
Source: Banks' FS, Rong Viet Securities

Figure 34: Historical P/B multiples and forecasts of our coverage



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	16,211	96,900	14.1%	-15.2%	11.5%	21.5%	3.2%	0.6%	1.7%	21.7%	15.3	3.1	0.0%
BID	8,266	37,400	16.2%	1.3%	8.5%	28.9%	2.8%	1.0%	0.7%	14.7%	14.9	2.1	0.0%
CTG	5,818	34,000	3.7%	6.9%	8.8%	-10.1%	2.8%	1.3%	0.9%	15.1%	9.3	1.3	0.0%
TCB	5,797	62,700	28.2%	49.5%	20.0%	25.1%	5.6%	0.6%	3.4%	21.1%	6.7	1.3	0.0%
VPB	5,694	46,200	3.9%	18.0%	21.9%	34.8%	7.2%	5.3%	3.1%	19.6%	8.0	1.5	0.0%
MBB	4,373	42,800	32.2%	10.5%	28.0%	50.9%	5.3%	1.2%	2.5%	24.2%	6.5	1.5	0.0%
ACB	3,571	33,600	15.2%	29.3%	17.8%	21.3%	4.1%	0.8%	2.3%	25.1%	7.1	1.6	0.0%
SSB	2,622	n/a	45.6%	113.5%	53.4%	73.7%	3.1%	1.6%	1.7%	17.9%	15.8	2.6	0.0%
VIB	2,332	n/a	26.2%	6.6%	19.1%	22.7%	4.3%	2.4%	2.3%	28.9%	7.5	1.9	0.0%
HDB	2,145	32,000	19.8%	66.8%	20.1%	29.3%	4.7%	1.3%	1.9%	21.6%	7.2	1.5	0.0%
STB	1,998	n/a	-8.7%	42.6%	7.2%	3.1%	2.3%	1.3%	0.7%	10.3%	13.1	1.3	0.0%
TPB	1,905	n/a	28.4%	23.9%	32.0%	27.2%	4.1%	0.9%	1.9%	20.4%	8.1	1.5	0.0%

Source: FiinGroup, Rong Viet Securities. Share price as of 10 Aug 2022.



Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 10 August 2022. Exclude SGB and NVB.

BUY: +62%

MP: 38,800

TP: 62,700

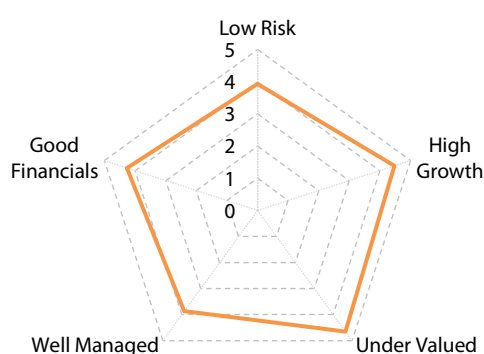
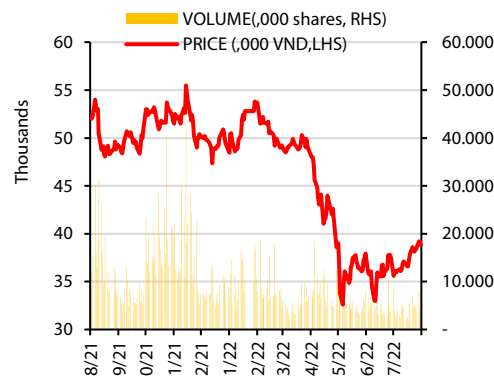
STOCK INFO

FINANCIALS

2021A

2022E

2023F



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

Banks	NII (VND bn)	26,699	32,300	38,522
5,826	TOI (VND bn)	37,076	44,700	52,991
3,511	NPAT (VND bn)	18,038	22,638	26,716
5,144	ROA (%)	3.6	3.6	3.6
188	ROE (%)	21.52	21.8	20.8
0.0	Asset growth (%)	29.4	18.8	19.8
56 – 32.55	Book Value (VND)	26,264	32,712	40,321
	P/E (x) (*)	9.8	6.1	5.1
	P/B (x) (*)	1.4	1.2	1.0

INVESTMENT RATIONALE

Transient slowdown but resilient long-term balance sheet growth thanks to sound competitive advantages

- Despite the potential of modest expansion in 2022 due to tight regulatory conditions, we maintain the long-term outlook for its balance sheet growth and ROE enhancement. The fundamentals were not impaired by short-term shocks: top-tier technology infrastructure, strong capital buffer to tackle stress scenarios including shocks in real estate, and a well-connected ecosystem. TCB manages to stabilize its banking profitability and efficiency in multiple environments due to the competitive funding costs and prices of credit facilities and good customers' financial profile. In 1H22, TCB balanced the NIM, risk costs and capital allocation holistically to adapt to the uncertain background including the undesirable credit growth quota.

A well-diversified and firmly established funding base backed by a high-profile retail deposit franchise and sizeable and long-term offshore funding facilities

- Thanks to the wide wealth ecosystem which retains money flow, TCB grew the deposit base with stable CASA while seeking offshore borrowings for the competitive longer-term funds.

Enabled by the in-line economic recovery in 2022, TCB has solid foundations to deliver extensive organic growth and continuous improvement in efficiency

- Thanks to the foreseeable reduction in provisions and extensive fee growth, TCB still delivered a strong balance sheet and stable earnings growth momentum in the first two quarters in 2022 despite rising NIM pressure. We expect TCB to maintain its momentum and efficiency in the 2H, driven by the continuous improvement in credit costs and customers' risk profile.

RISKS TO OUR CALL

- There are uncertainties in the medium-term economic recovery due to global macro, and in credit growth quota, real estate and corporate bond outlook due to the regulatory tightening.

Figure 1: NIM, risk-adjusted NIM and yields (annualized, %)

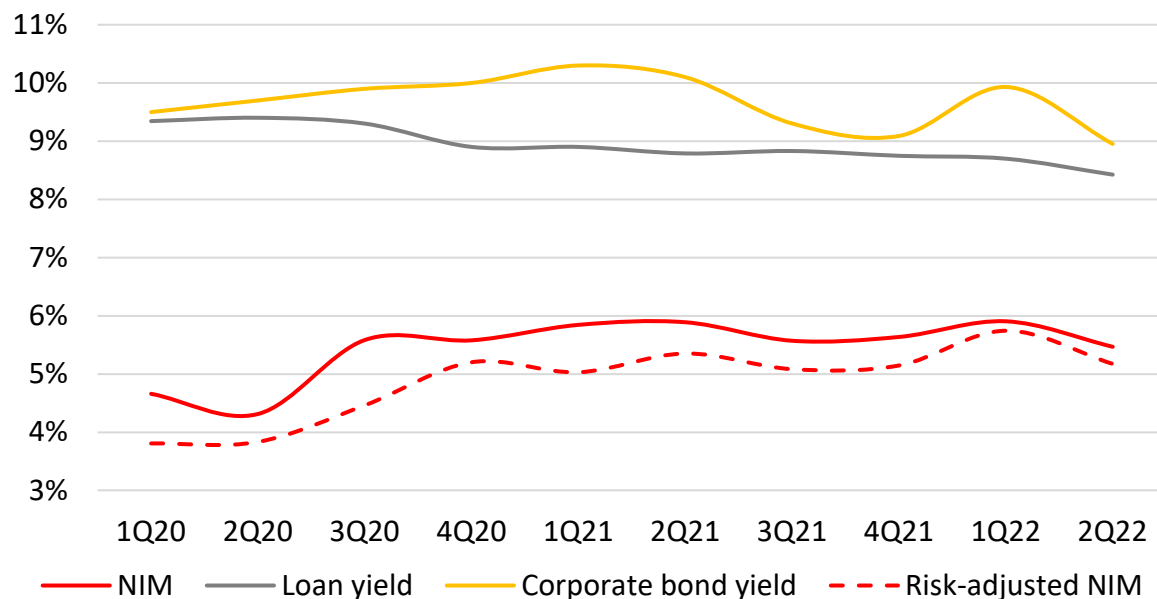
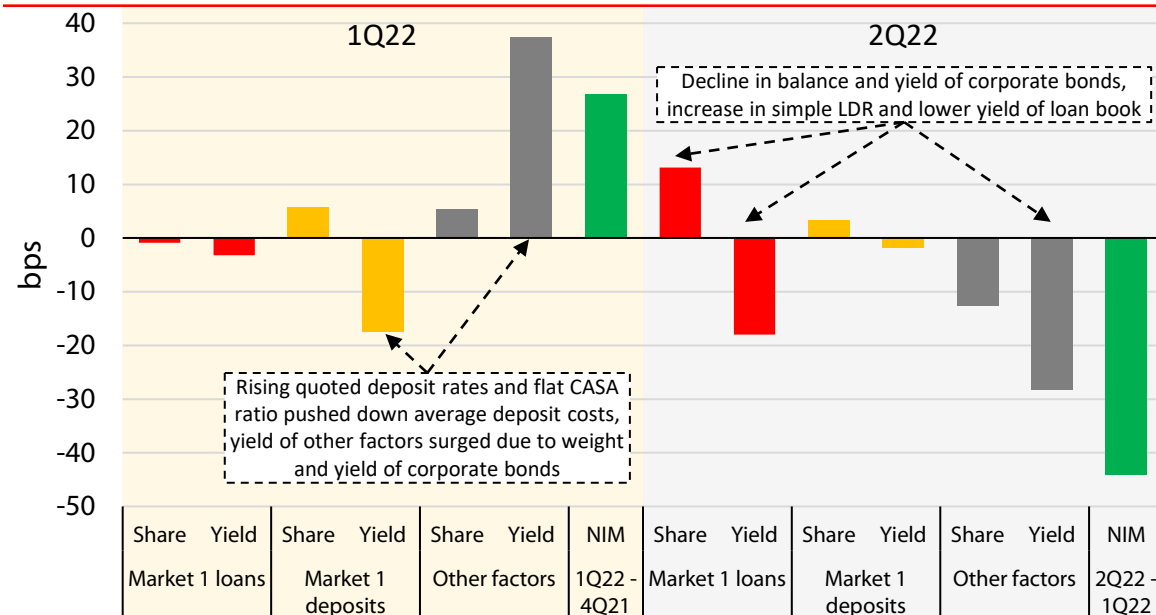


Figure 2: QoQ NIM change decompositions (annualized, %)



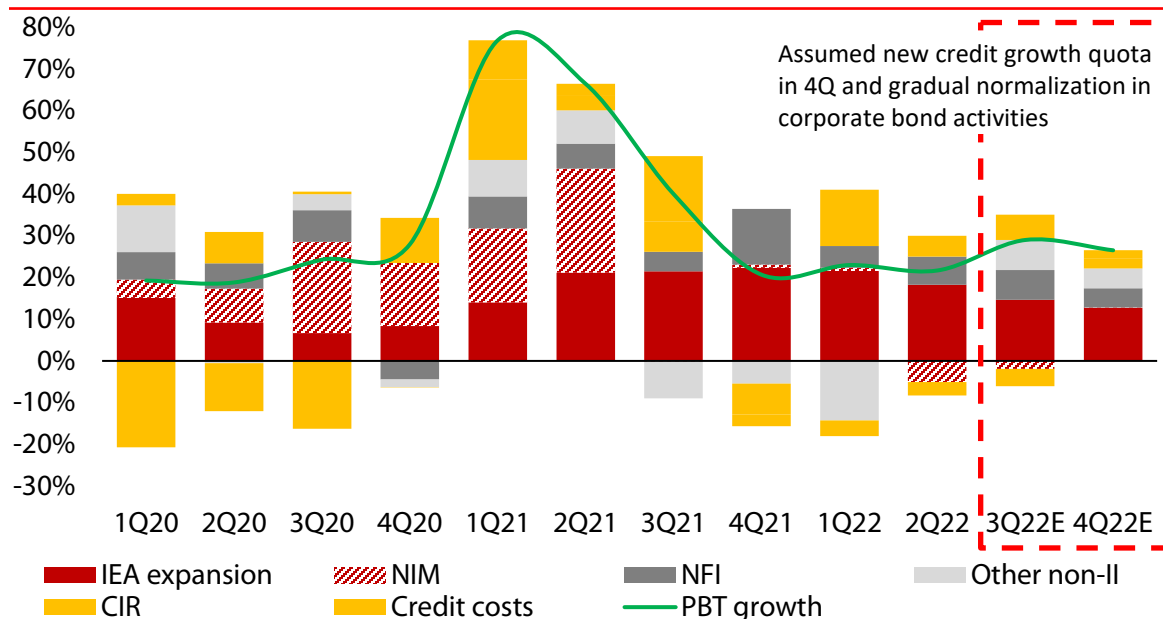
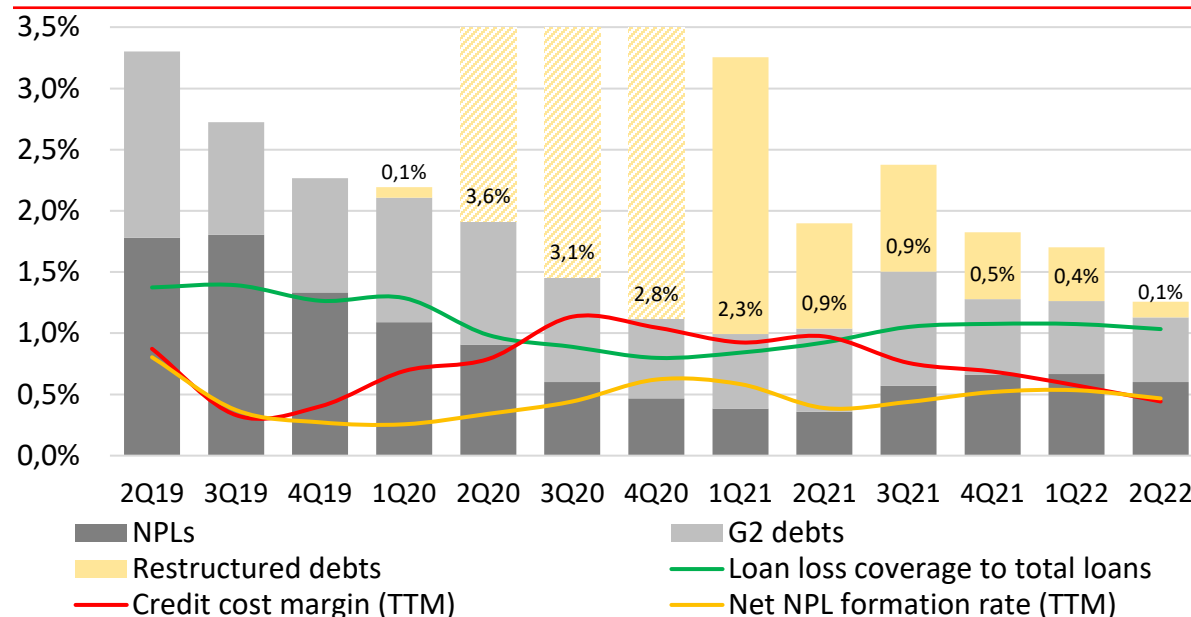
Despite the headwinds from credit growth and NIM, growth momentum persists thanks to well-diversified income sources and risk cost reduction

- Contrary to our prior expectation of a high quota in 2022, TCB was granted moderate initial credit growth limit, thereby, hindering its capacity to expand. The bank-only credit growth was 8.5% YTD in 1H22, up slightly from 7.9% in 1Q. NIM was flat in 1Q before dropping sharply in 2Q22. Its earnings growths in 1Q (23% YoY) and 2Q (22% YoY) were driven mostly by balance sheet growth (24% YoY in 1H), net fee income (39% YoY in 1H22) and credit cost. Its balance sheet remained robust with a stably low NPL ratio (0.6%).

Holistic banking profitability was focused to strengthen capital allocation efficiency and bank risk profile

- As the balance sheet capacity is constrained on both the credit allocation and the funding costs front, tactical rotation to ensure profitability and efficiency is adopted. NFI growth led TOI despite the 2Q fall in corporate bond segment. Growth seeking at a higher cost encouraged flight-to-quality, effective capital allocation and to boost non-funded income streams. The bank risk profile was improved broadly with the recovery of customers' financials. The risk weight density fell to 108% and Basel II CAR increased.

Source: TCB, Rong Viet Securities

Figure 3: Forecasts of PBT growth components (% YoY)

Figure 4: Asset quality and provisioning buffer indicators (%)

Focusing on risk-adjusted NIM and non-funded income to deliver stable growth

- We revise our forecasts to adapt to the headwinds on the balance sheet growth. TCB is forecasted to pivot on the economic recovery and digitalization to reduce credit risk costs and cross-sell non-interest products such as cards, FX, payments. The bank's bancassurance segment saw severe competition but still grew 33% on APE in 1H22. TCB will have reversals from bond provisions in 2H22 which is estimated to be over VND 500 bn. The bank expects a strong recovery in corporate bond market activities to support NFI and offset the decline in bad debt recollection. We project NFI to grow 45% YoY in 2H22 and 23% in 2023, contributing to a 24% and 19% increase in TOI respectively.
- We revise down the 2022 credit growth and NIM. TCB will maintain stable earnings growth momentum in 3Q and 4Q22 with higher contribution from non-interest income and lower asset growth. NIM will fluctuate at 5.4-5.6% in 2022 and 2023. CASA ratio will rebound, mainly backed by the availability of credit. Credit costs will stay below 0.5% thanks to its healthy book. We maintain the 2022 PBT at VND 29.0 tn (USD 1.2 bn, 25% YoY) but decrease the 2023 PBT by 5% (18% YoY) to reflect a slower asset growth.

Source: TCB, Rong Viet Securities

<BUY: 57%>

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<TP: 42,800>

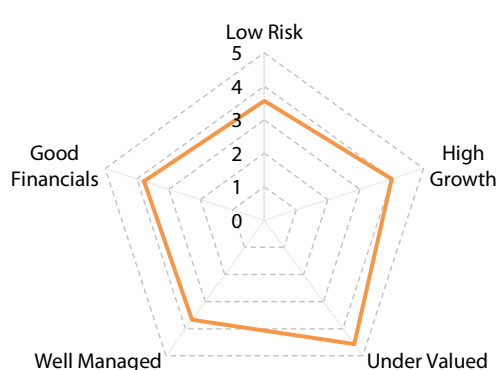
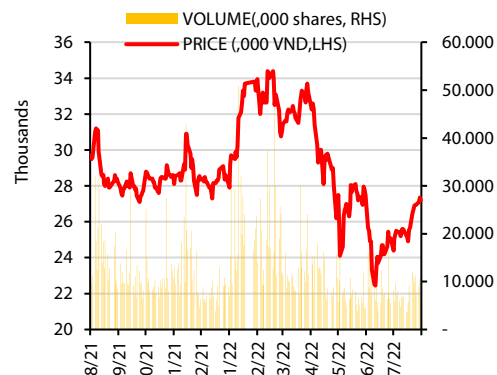
STOCK INFO

FINANCIALS

2021A

2022E

2023F



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

Banks	NII (VND bn)	26,200	36,015	43,007
4,395	TOI (VND bn)	36,934	46,714	54,687
3,778	NPAT (VND bn)	12,697	18,024	21,162
8,139	ROA (%)	2.3	2.7	2.5
209	ROE (%)	22.6	25.7	24.5
0.0	Asset growth (%)	22.7	23.9	22.1
34.9 – 21.85	Book Value (VND)	16,538	20,101	24,489
	P/E (x) (*)	8.0	5.5	4.6
	P/B (x) (*)	1.7	1.4	1.1

INVESTMENT RATIONALES

The prompt digitalization leverages the long-standing and structural advantages to transform and reinforce the ecosystem for sustainable and effective expansion

- Aggressive customer experience enhancement creates robust momentum for CASA expansion. That with long-standing relationships with large military enterprises helps MBB maintain a low funding cost. This gives the bank the capacity to maneuver credits to desirable segments to match the group's target in various economic phases. The diversification into non-funded segments ensures effective capital allocation. The expanding retail customer base also facilitates non-interest income from cross-selling products including insurance and credit cards.

The outstandingly diversified network, extensively robust profitability and efficiency and strong capital position initiate the ambition to become a financial conglomerate

- 2022-2026 strategy targets to transform the bank into a tech-enabled financial conglomerate with a full-scale digitalization. Self-built core technologies with in-house personnel allow for in-time update and maintenance and cost efficiency, ensuring its competitiveness. Combined with the customer base advantage, MBB has the ability to deliver robust profitability via NIM and credit loss improvement. Its well-rounded ecosystem will contribute to the path to extensively transform to a financial group.

Volatile 1H22 bottom-line growth sets expectation for 2H22 trajectory as the provisioning buffer will pay off

- Its 49% earnings growth in 1H22 was driven by high credit quota and cost excellence. The solid provisioning buffer and stable NIM will contribute primarily to the 35% growth in 2H22.

RISKS TO OUR CALL

- Downside risks include the stability of funds and the slower-than-expected recovery of strategic segments. The uncertainty from the bank transfer program poses risk on both sides.

Figure 1: Quarterly PBT growth components (% YoY)

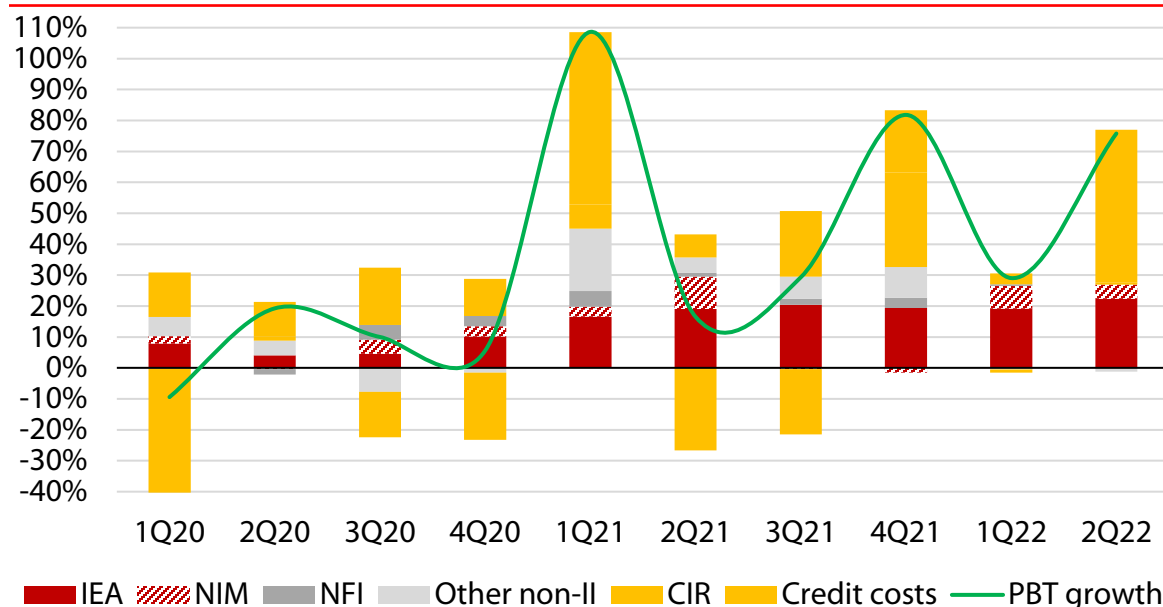
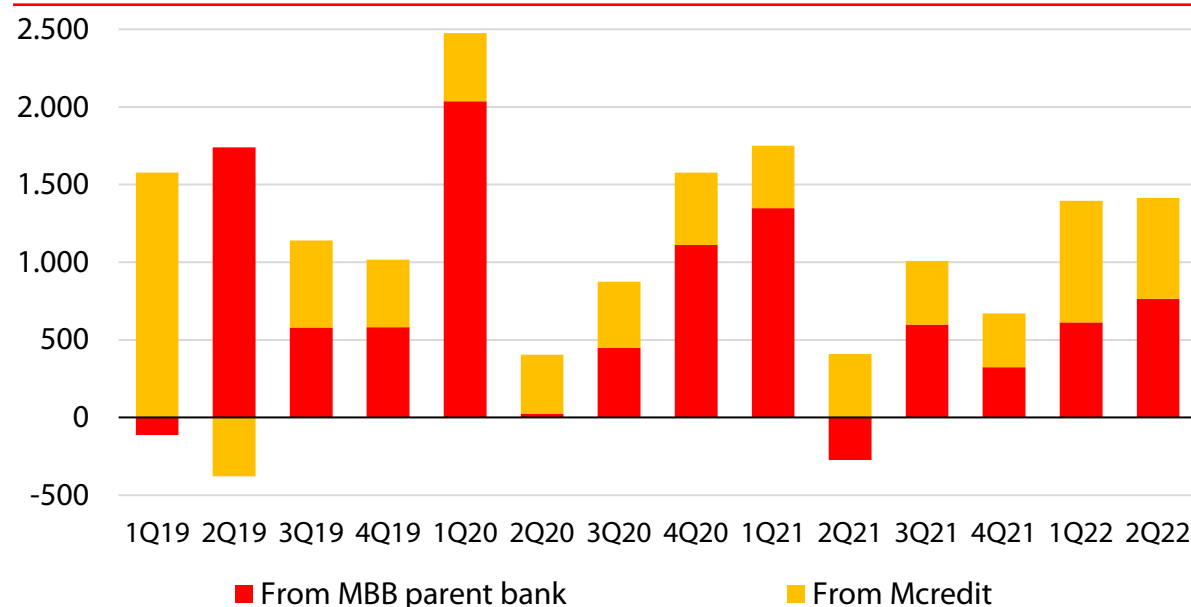


Figure 2: Quarterly net NPL formation (VND bn)



Despite a weaker-than-expected NFI, MBB had stably high TOI growth momentum thanks to a top-tier quota and the recovery of NIM and credit costs

- NFI was almost flat on a year-over-year basis in 1H22 (2% YoY) due to the contraction in the insurance income margin. The bad debt collection income also fell sharply, contributing to the -4% growth of other non-IL. 26% YoY growth in TOI was mainly driven by NII (39% YoY). In which, top-notch initial credit growth quota (15% for the parent bank) and the quick recovery in NIM (circa 0.6% from both 2H21 and 1H21) were the drivers. The market 1 rate gap extended well as lending yield bounced back from the low base in 2H21 while deposit rates were stagnant. Credit costs declined 17% YoY in 1H22, supported by the provision reversals of restructured loans due to good repayment.

The solid provisioning buffer helped MBB stay resilient even when balance sheet health moderately deteriorated

- NPL formation remained elevated in 1H22 due to the unparallel recovery pace across the segments and potentially the aftermath effect in the consumer finance arm. The NPL formation rate picked up quickly and started to converge to the credit cost margin. Restructured loan balance fluctuated in 1H22, landing at 0.8% of the loan book.

Source: MBB, Rong Viet Securities

Figure 3: Net NPL formation rate and credit cost margin (% , TTM)

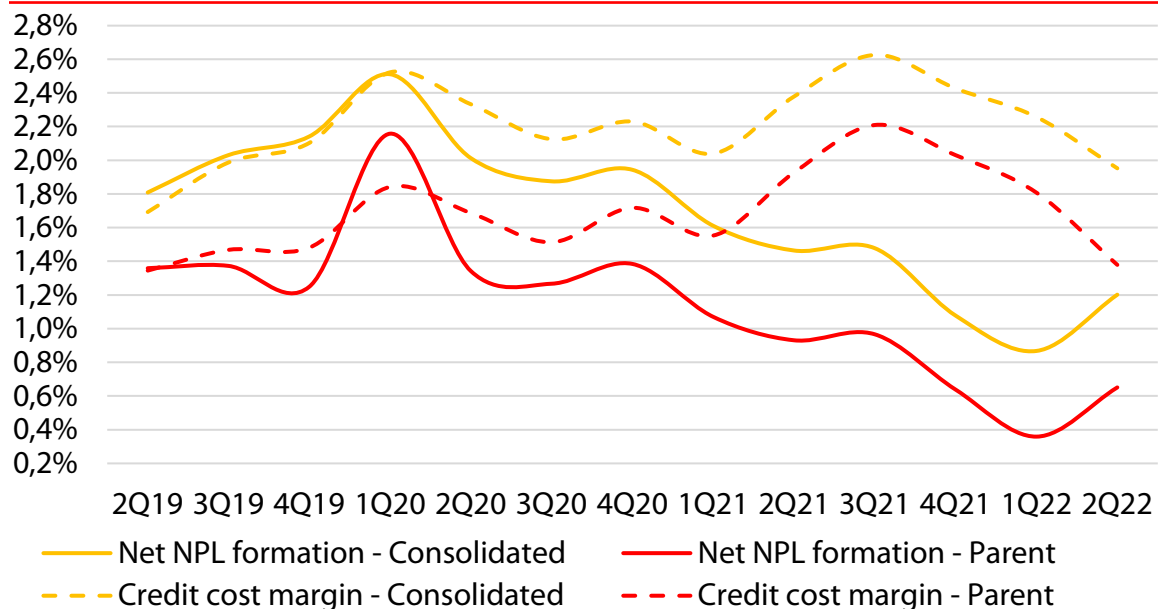
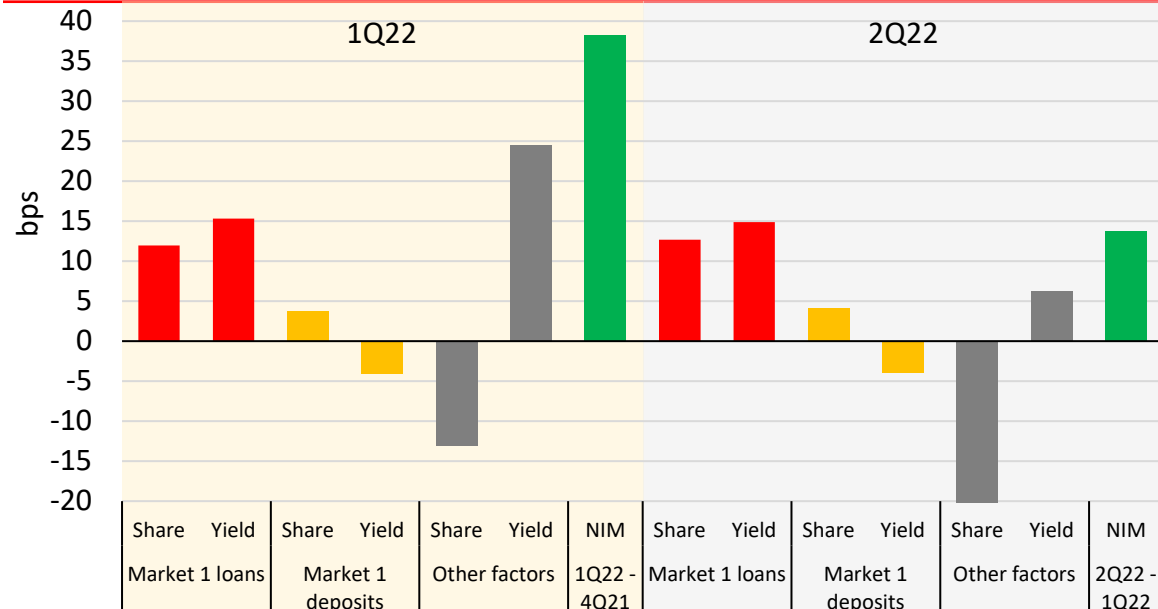


Figure 4: QoQ NIM change decomposition (annualized, %)



We expect normalized earnings growth momentum but there are plenty of potential surprises

- The recovery of NIM was enabled by better loan yield and credit allocation. We expect the 2H22 NIM to be slightly down from 1H (-21 bps) because of ramped up deposit rates (up by 32 bps). The high credit growth quota as a benefit from the mandatory bank transfer program will put pressure on the funding demand. However, the low comparison base of NIM will back the high growth momentum of NII. NII is projected to grow by 36% YoY in 2H22 before normalize to 19% YoY in 2023 due to headwinds on the NIM front. NFI is expected to recover in 2H22 (28% YoY) broadly across the segments. Bad debt collection will be flat. 2H22 PBT is projected to be down slightly from 1H22 (-3%). 2H22 earnings growth rate will stay high (35% YoY), resulting in the 42% earnings growth of 2022. 2023 PBT is forecasted at VND 27.4 tn (USD 1.2 bn, 17% YoY). MBB expects to have low restructured loans delinquency rate (below 10%), thereby, relieving the tension on provisions. Its good buffer paid off in 1H22 and we expect the same in 2H. MBB might record provision reversals for restructured loans fully in 2022. This helps MBB to stay resilient with robust improvement in credit costs. The mandatory bank transfer program opens up potential surprises going forward. It might support the bank stock price in an uncertain macro and policy environment.

Source: MBB, Rong Viet Securities

<BUY: +53%>

<MP: 30,100>

<TP: 46,200>

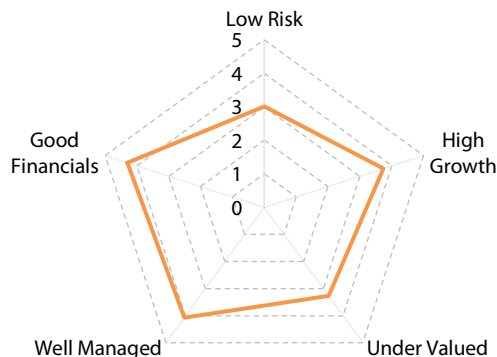
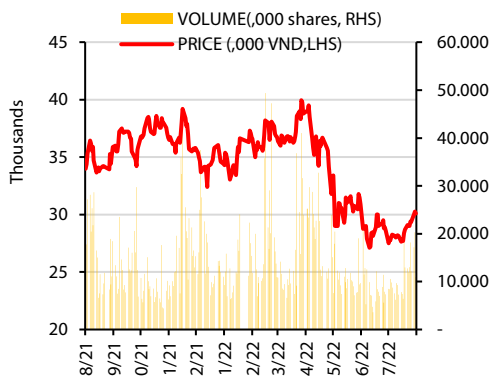
STOCK INFO

FINANCIALS

2021A

2022E

2023F



Sector
Market Cap (\$ mn)
Current Shares O/S (mn shares)
3M Avg. Volume (K)
3M Avg. Trading Value (VND Bn)
Remaining foreign room (%)
52-week range (VND)

Banks	NII (VND bn)	34,349	41,575	52,730
5,722	TOI (VND bn)	44,301	58,288	71,270
4,445	NPAT (VND bn)	11,808	19,912	23,560
10,479	ROA (%)	2.4	3.2	3.2
309	ROE (%)	17.0	20.3	19.2
-0.2	Asset growth (%)	30.7	25.4	15.0
41.05 – 26.5	Book Value (VND)	19,447	23,872	26,545
	P/E (x) (*)	9.0	7.0	6.5
	P/B (x) (*)	1.8	1.3	1.1

INVESTMENT RATIONALE

A well-rounded and digitalized ecosystem serving the largest customer pool lays the foundations for outstanding growth potential and cyclically high profitability

- Given strong capital injections from extension fee, divestment and private placement, VPB strongly expands its ecosystem beside enhancing liquidity and capital buffer. Its ecosystem is among the most well-rounded one though not yet well-connected. We expect the costs of funds to gradually improved thanks to competitive offshore funds and ecosystem integration which should help retain money flow. Growth potential comes from the consumer finance market and mass segment, boosting growth momentum and profitability in expansion cycles.

Robust position in profitable businesses thanks to proven and pioneering model and risk excellence

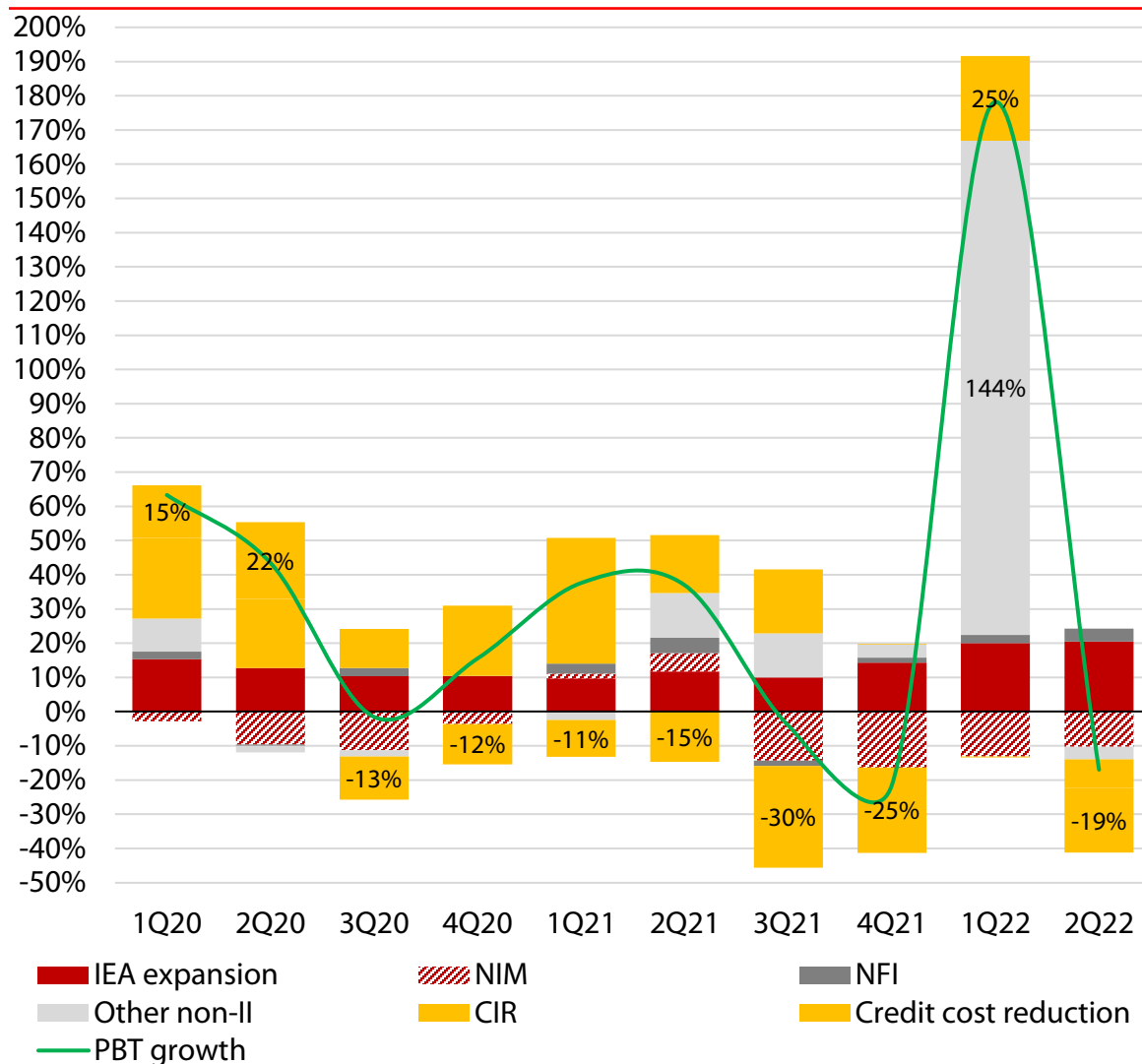
- VPB has secured its primacy in populated classes before moving up the income ladder. Its risk management model, including bad debt recollection, helped deliver scalability and competitive risk–return balance and make up its strong competitive advantages. Selectively diversifying the customer pool leads to resilience in profitability and reinforce the capital buffer.

Moderate top-line growth in 1H22 and uncertain balance sheet growth capacity make the annual business plan skeptical, but the catalyst remains

- 1H22 results showed volatile earnings growth while normalized top-line growth was moderate. Credit cost and upfront fee were pivotal drivers. We expect 2H22 growth to be robust, backed by larger contribution from subsidiaries and risk cost management. However, the ability to complete the ambitious annual plan is doubtful when the macro background is uncertain.

RISKS TO OUR CALL

- Upside risks: a stronger-than-expected contribution by subsidiaries. Downside risks: a weak recovery of low-class customers and unknown level of NPL reclassification of restructured loans.

Figure 1: PBT growth components (% YoY)


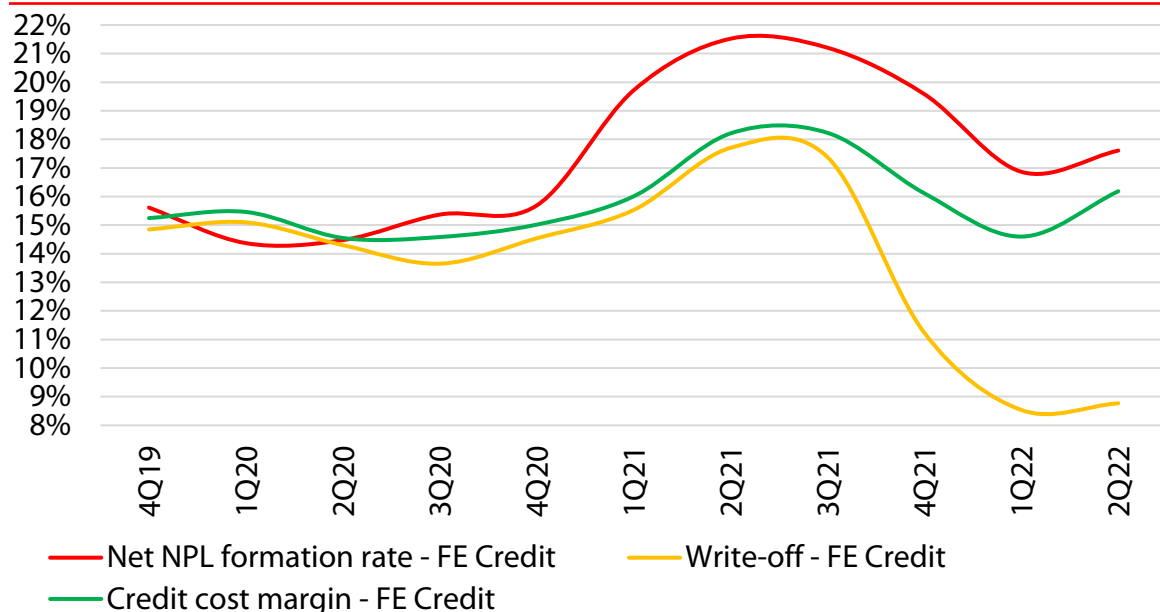
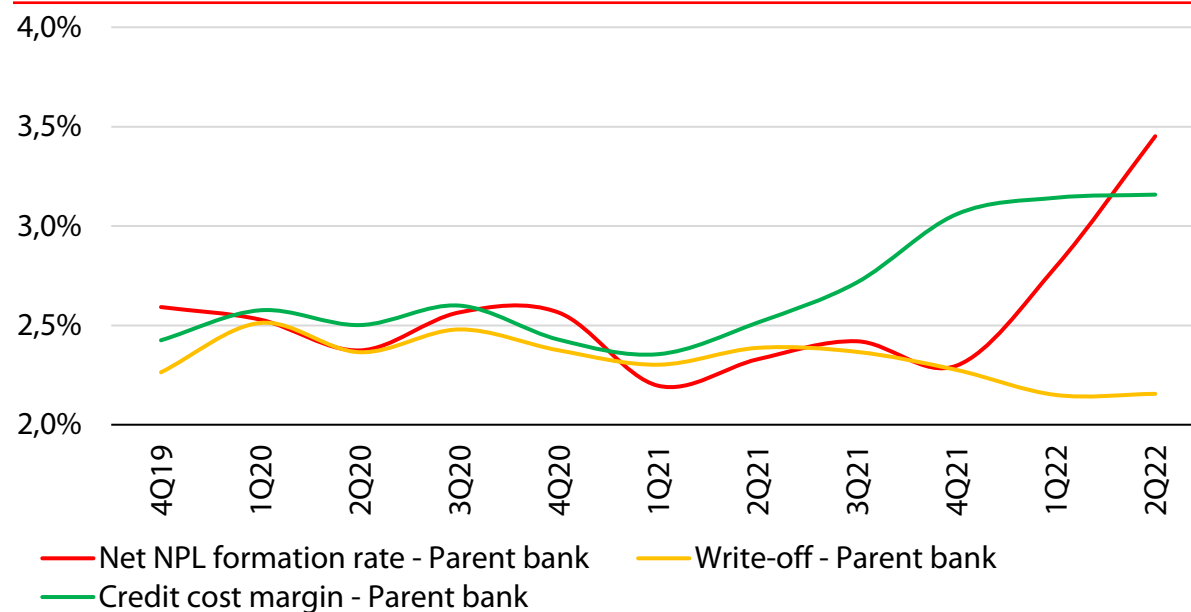
Source: VPB, Rong Viet Securities

Moderate core growth remained due to pressure on the NIM front, missing contribution from newly invested subsidiaries and headwinds from the consumer finance company

- PBT growth rocketed to 178% YoY in 1Q22 before falling sharply in 2Q22 (-17% YoY). Excluding the bancassurance extension fee, earnings growth showed good recovery in 1Q (39% YoY) from the low base in the end of 2021.
- Credit growth was robust as the parent bank used up the initial quota of roughly 15%. Consolidated NIM in 1Q and 2Q22 was down to 6.8-6.9% from the end of 2021 due to the headwinds from the consumer finance market. 1H22 net interest income was up 11% YoY, impacted by the performance of FE Credit and contributing modestly to earnings growth (70% YoY). Parent bank's net interest income growth speeded up in 1H22, at 28% YoY.
- On the non-interest income side, net fee income was resilient broadly while other non-II was strongly supported by the extension fee. Bond trading income was weak given the high comparison base, rising bond yield and low contribution from the securities company.

Bancassurance upfront fee clouded the pressure on the balance sheet health

- NPL ratios continued to move up to 4.0% (consolidated) and 2.0 (bank-only). Net NPL formation showed constant pressure from the slow recovery of the customers, both at the parent bank and FE Credit. Restructured loans declined well to 2.5% of the loan book, mostly at the parent bank. FE Credit witnessed an increase in restructured loan balance in 2Q22. Credit cost margin was put under tension also, leading to the negative contribution in 2Q22 which made PBT down by 19% directly.

Figure 2: NPL formation, write-off and provisions of FE Credit (TTM)

Figure 3: Bank-only NPL formation, write-off and provisions (TTM)

The gloomy macro situation questions the completion of the ambitious annual plan, but high growth is still expected, and the capital plan will be a strong catalyst

- Given the targeted 2022 PBT, VPB might struggle to fulfill the plan in the case of continuously undesirable recovery. We expect a 90% earnings growth in 2H22, equaled to 87% of the target, and 20% growth in 2023. Those are driven by 26% YoY and 22% YoY growth in total operating income, respectively. Newly invested subsidiaries are expected to contribute more from 2H22. The earnings forecasts also imply peaking growth momentum in 2022. However, the bank will be supported by capital catalysts, including the potential bank transfer program and the pending private placement. The timing of those is uncertain as well as the credit growth quota which the bank had high expectation. We conservatively factor in a 22% credit growth for the parent bank. NIM is expected to bounce back strongly to 8.0% in 2H22, driven by the recovery of the customers and thereby, better loan yield. Funding costs will be driven up by higher deposit rates, but the capital position will support. Net NPL formation rate and credit cost margin are projected to peak in 2H22. Those are not expected to normalize quickly despite the forecasts of major contribution towards earnings growth in 2H22 and 2023.

Source: VPB, Rong Viet Securities

<BUY: +35%>

<MP: 24,850>

<TP: 33,600>

STOCK INFO

FINANCIALS

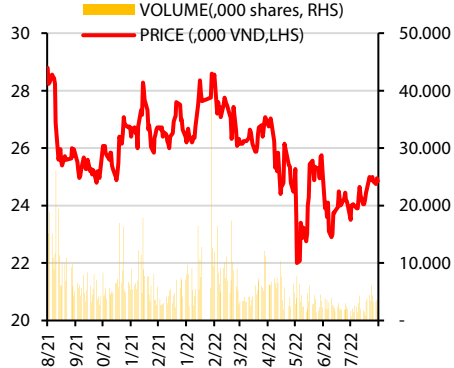
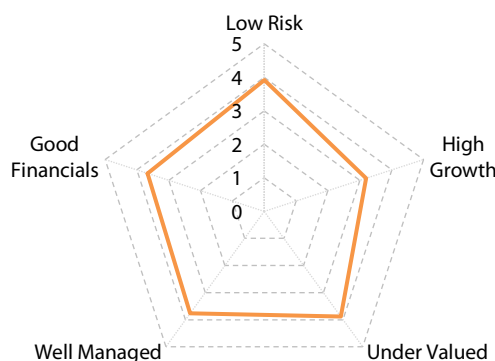
2021A

2022E

2023F

Banks	NII (VND bn)	18,945	22,447	26,089
	TOI (VND bn)	23,564	27,874	33,165
	NPAT (VND bn)	9,603	13,224	15,291
	ROA (%)	2.0	2.4	2.4
	ROE (%)	23.9	25.7	23.9
	Asset growth (%)	18.7	13.2	14.2
	Book Value (VND)	13,294	17,210	20,737
	P/E (x) (*)	12.3	6.4	5.5
	P/B (x) (*)	2.6	1.4	1.2

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



INVESTMENT RATIONALE

Stable funding base backed by a leading retail deposit franchise will secure balance sheet growth and cross-selling ability

- ACB has a strong consumer banking platform, including retail and SME. The steadily growing customer base focusing on middle-and-high profile segments secures a robust funding structure and the ability to sustain desirable NIM. This grants ACB the capability to monitor balance sheet growth to suit the risk appetite and enhances cross-selling ability.

Prudent lending approach and gradual digitalization are the fundamentals for sustainable efficiency

- Under a proper growth strategy, ACB manages to underwrite loans conservatively to maintain a healthy balance sheet and efficient capital allocation. It leads to well-controlled risk costs and profitability, and helps the bank stay resilient in various scenarios. Its sufficient capital and liquidity position will ensure growth capacity and capability during uncertain times.

Despite keeping out of the market turbulence, banking profitability and efficiency continue to take priority over-growth

- Growth momentum started to speed up in 2022, landing at 33% YoY and 51% YoY in 1Q and 2Q22 respectively. Credit cost reduction was a major driver, particularly the provision reversals for restructured loans. We expect ACB to continue benefiting from the reversals despite partial NPL reclassification of restructured loans. 2H22 PBT is projected to grow 33% YoY.

RISKS TO OUR CALL

- Due to its sensitivity to provisions, the uncertainty in customer recovery and restructured debt reclassification imposes downside risk. The credit growth quota poses risks though limited.

Figure 1: Quarterly PBT growth components (% YoY)

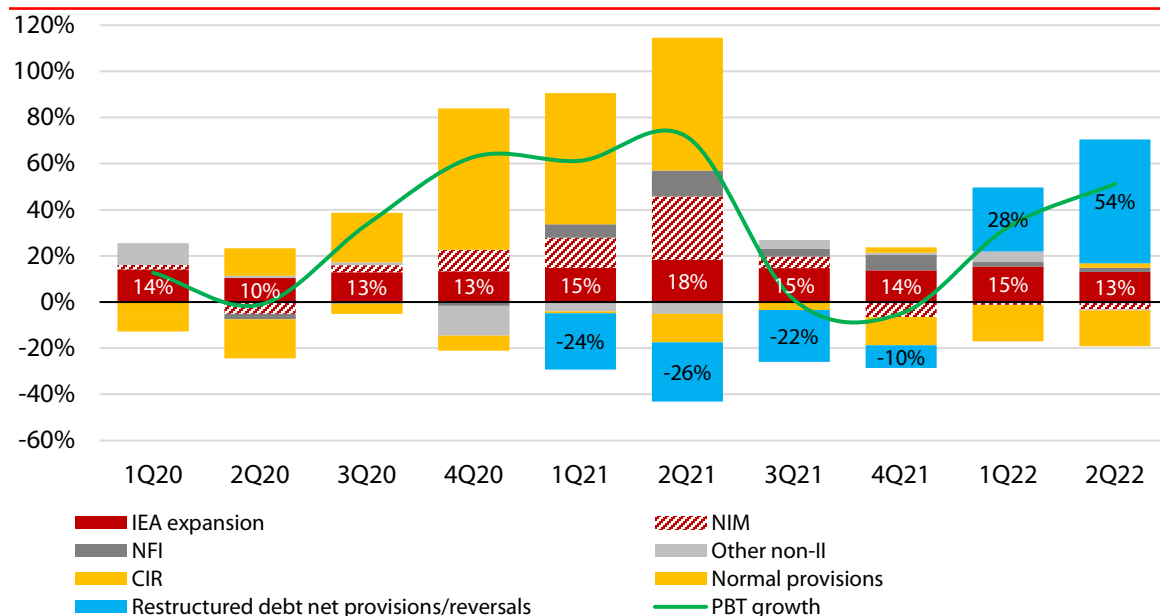
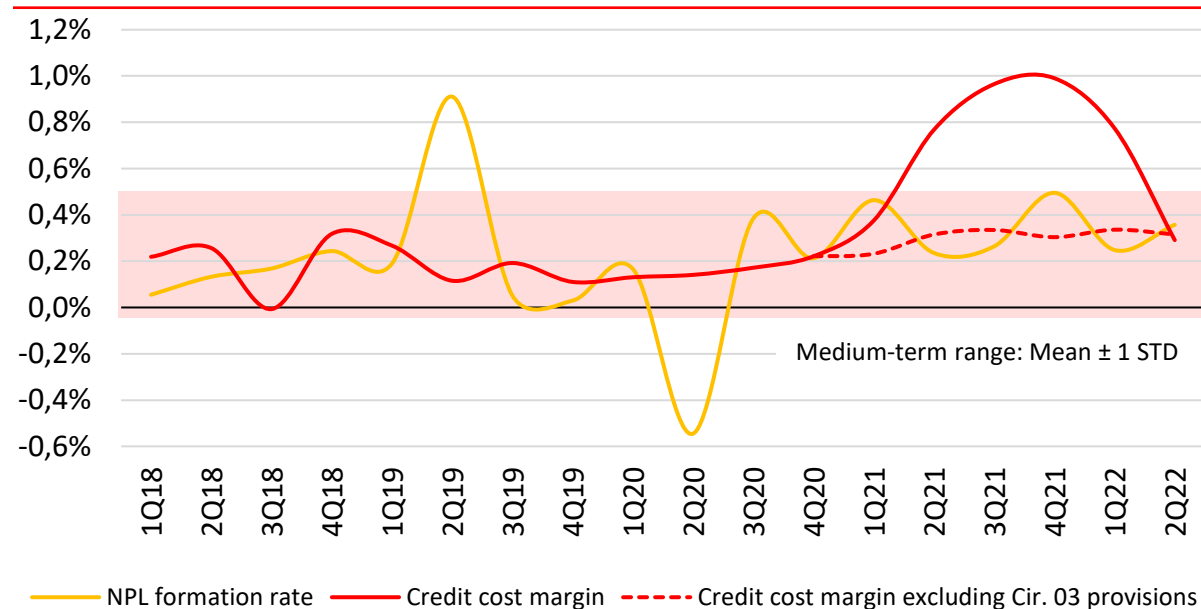


Figure 2: Net NPL formation rate and credit cost margin (TTM)



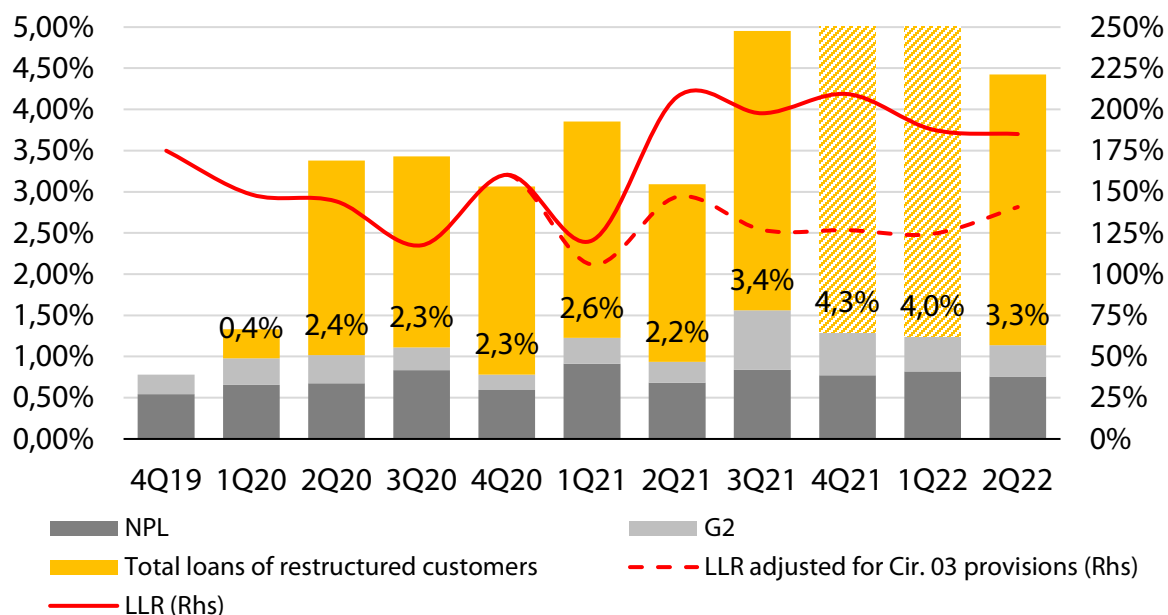
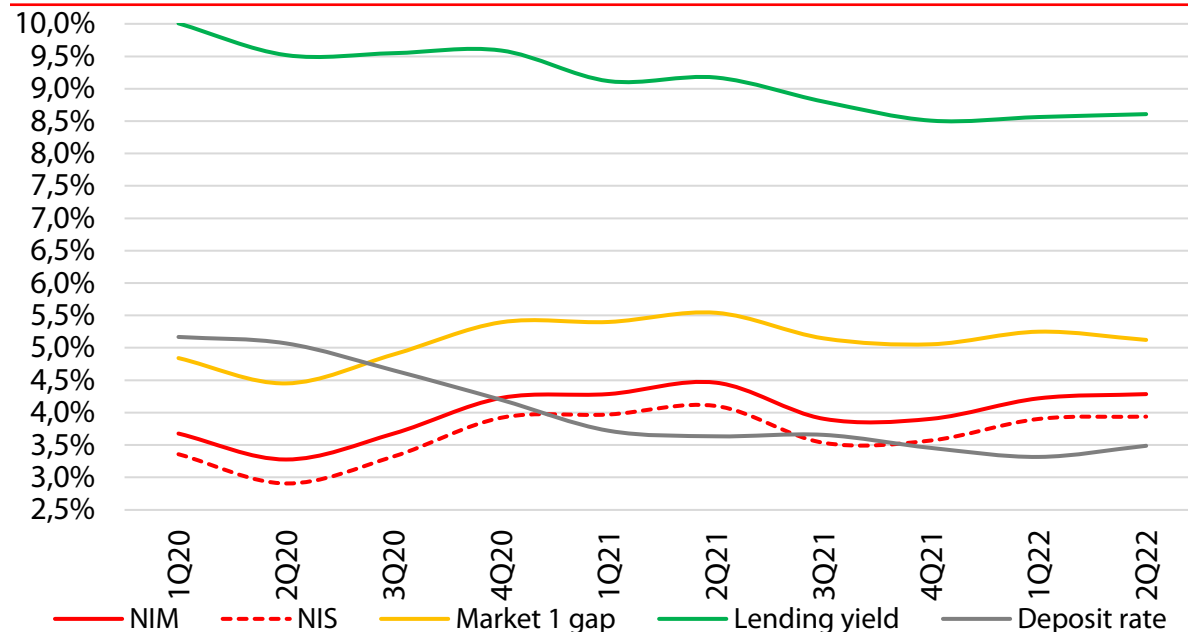
Well-managed NIM despite rising quoted deposit rates and high base effect helped mitigate the pressure on total operating income

- Similar to other banks where NIM recovered from the end of 2021, ACB maintained its NIM in the range of 4.2–4.3% in the first two quarters. However, the high comparison base prevented it from contributing positively to earnings growth. Balance sheet growth also slowed down due to moderate credit growth quota. NFI growth momentum was stable while bad debt recollection became a major driver. Equity investment was hit moderately. Total operating income growth was 21% in 1Q and 11% in 2Q22.

Net provision reversals boosted growth momentum and clouded a modest pre-provision growth

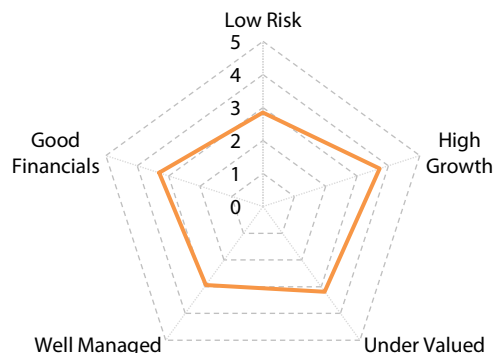
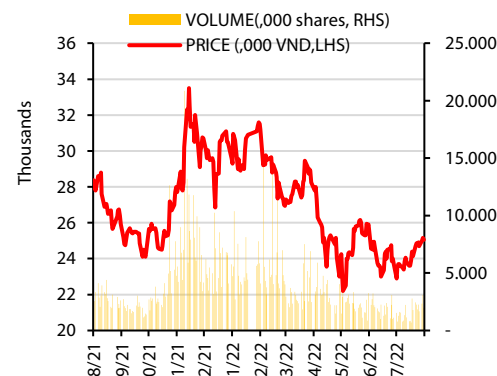
- Normalized earnings growth would have been 5% and -2% YoY in 1Q and 2Q22 when excluding the provision reversals from restructured debt. The pre-provision growth was 5% YoY in 1H22 due to the pickup in CIR. Normalized credit cost margin showed stable provisioning level, while restructured debt provisions were being reversed partially.

Source: ACB, Rong Viet Securities

Figure 3: Debt groups, LLR and adjusted LLR (%)

Figure 4: NIM, yields and costs (annualized, %)

Earnings growth is expected to normalize while profitability and efficiency will be prioritized

- We revised our forecasts to price in the major reversals in 1H22 as well as the potential of partial deterioration of restructured loans. NIM is expected to fall modestly from 1H due to higher funding costs but will stay well above the 4% level. Total operating income forecasts are revised up by 1% for the 2022-2023 period due to bad debt recollection. CIR remains stagnant. 2022 credit cost margin is adjusted steeply to circa 0.1%. This implies a 44% YoY decline in provisions, leading the 33% YoY growth of 2H22 PBT. PBT forecasts are revised up by 7% to VND 16.5 tn (USD 0.7 bn, 38% YoY) in 2022 and by 2% to VND 19.1 tn (USD 0.8 bn, 16% YoY) in 2023. Growth momentum will ease gradually.
- The NPL reclassification at the end of the restructuring period and further credit growth quota are the known unknowns. We expect the bank to ramp up its provisioning level modestly in 2H22. Despite being fully provisioned under Circular 03, we expect the loan book quality to deteriorate moderately. Average deposit rate is projected to pick up by 42 bps in 2H22, in which 19 bps will be passed through to credit customers. Banking profitability will be maintained in a higher cost environment. ROE will stay elevated.

Source: ACB, Rong Viet Securities

<BUY: +28%>
<MP: 25,050>
<TP: 32,000>
STOCK INFO
FINANCIALS
2021A
2022E
2023F


Sector
Market Cap (\$ mn)
Current Shares O/S (mn shares)
3M Avg. Volume (K)
3M Avg. Trading Value (VND Bn)
Remaining foreign room (%)
52-week range (VND)

Banks
2,156
2,012
2,013
49
0.6
33.95 – 21.5

NII (VND bn)
TOI (VND bn)
NPAT (VND bn)
ROA (%)
ROE (%)
Asset growth (%)
Book Value (VND)
P/E (x) (*)
P/B (x) (*)

13,891
16,758
6,054
1.8
2.0
2.3
21.8
24.6
26.9
17.4
18.4
19.2
14,573
18,073
23,482
10.4
6.2
4.5
1.7
1.4
1.1

INVESTMENT RATIONALE
Good profitability and resilient growth with middle market orientation backed by a leading consumer finance company

- HDB has the capability to sustain its efficiency ratios due to robust risk-adjusted NIM as a result of risk management, appropriate lending yield and high balance sheet growth. We expect the bank to further enhance ROA as technology applications help improve productivity, thereby, driving CIR lower and boosting the net profit margin. HDSaison, one of the leaders in consumer lending, plays a vital part in the wide ecosystem with value chain lending approach in middle segments and enables HDB to approach early-staged customers who will later be served by the parent bank. We expect a 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.

Stable growth momentum in 1H to persist in 2H backed by the development on the bancassurance front and cost management

- Despite several uncertainties in the first half of the year, HDB recorded impressive results supported by both net interest income (26% YoY) and net fee income (68% YoY), leading to earnings growth of 26% YoY. We project that the bank will continue to maintain its growth momentum, landing at 43% YoY for PBT in 2H22 driven by higher-than-average granted credit growth quota, recovering NIM and further contribution from the bancassurance segment. NII and NFI will increase by circa 31% and 60% YoY, respectively.

RISKS TO OUR CALL

- Downside risks include the consumer finance segment's exposure to the uncertain economic recovery, threatening unanticipated NPL formation. Upside risks include the potential expansion through M&A or private placement and the potential bancassurance exclusive deal, combined with its participation in the SBV's restructuring program.

Figure 1: Quarterly PBT growth components (% YoY)

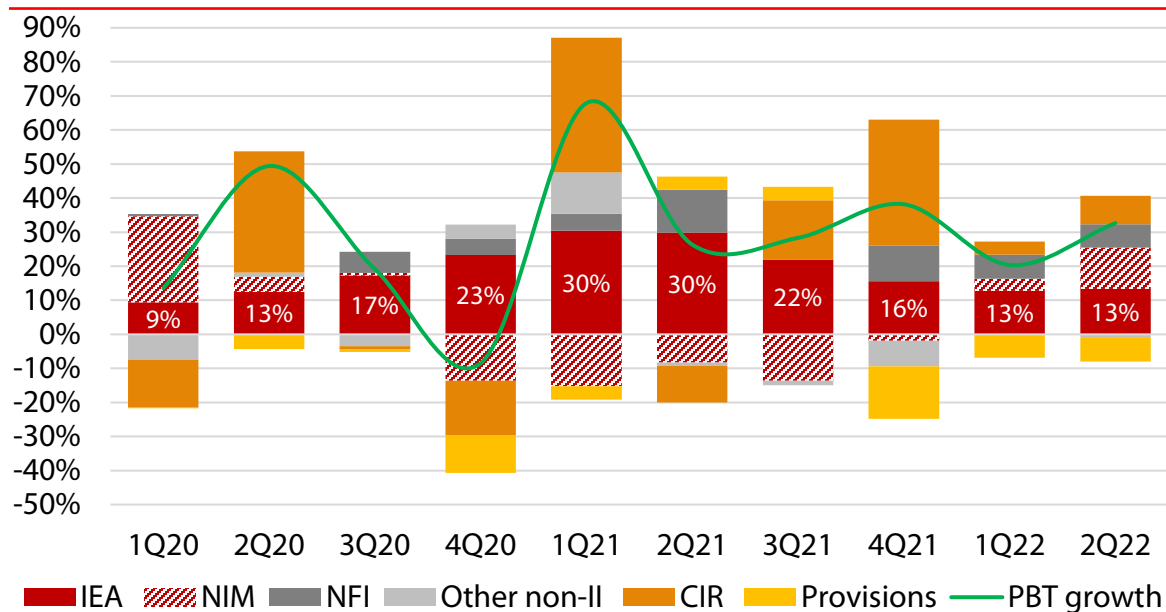
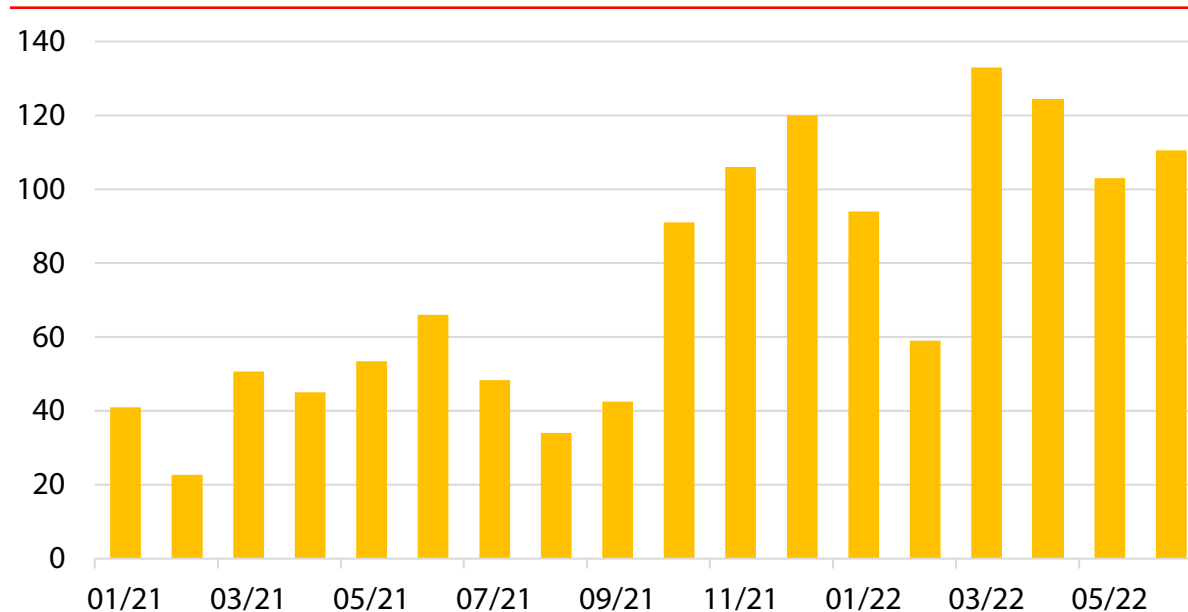


Figure 2: Bancassurance APE sales (VND bn)



The broad recovery in interest-earning income source was supported by the bancassurance segment

- 2Q22 results were in line with our projections as HDB maintained momentum in both NII and NFI. In 1H22, NII was up 26% YoY thanks to widened NIM (up 0.6% from 2H21) and boosted credit growth (23% YoY). Credit growth of the parent bank was 15% YTD, equal to that of the whole year 2021. Robust growth of bancassurance backed by the broad physical network and high penetration in rural areas propelled NFI (68% YoY). 1H22 TOI and PBT reached VND 10.7 tn (27% YoY) and VND 5.3 tn (26% YoY) respectively.

The resilience of HDSaison helped lighten the impact from the consumer finance segment

- Although net NPL formation rate and credit cost margin of HDSaison have maintained a steady upward momentum in recent quarters, performance was better-than-average compared to industry peers given the slower-than-expected recovery and prolonged aftermath effect. The consumer finance arm managed to increase disbursement effectively and maintain a good profitability to contribute to consolidated results.

Source: HDB, Rong Viet Securities

Figure 3: NPL formation & credit cost margin of parent bank (TTM)

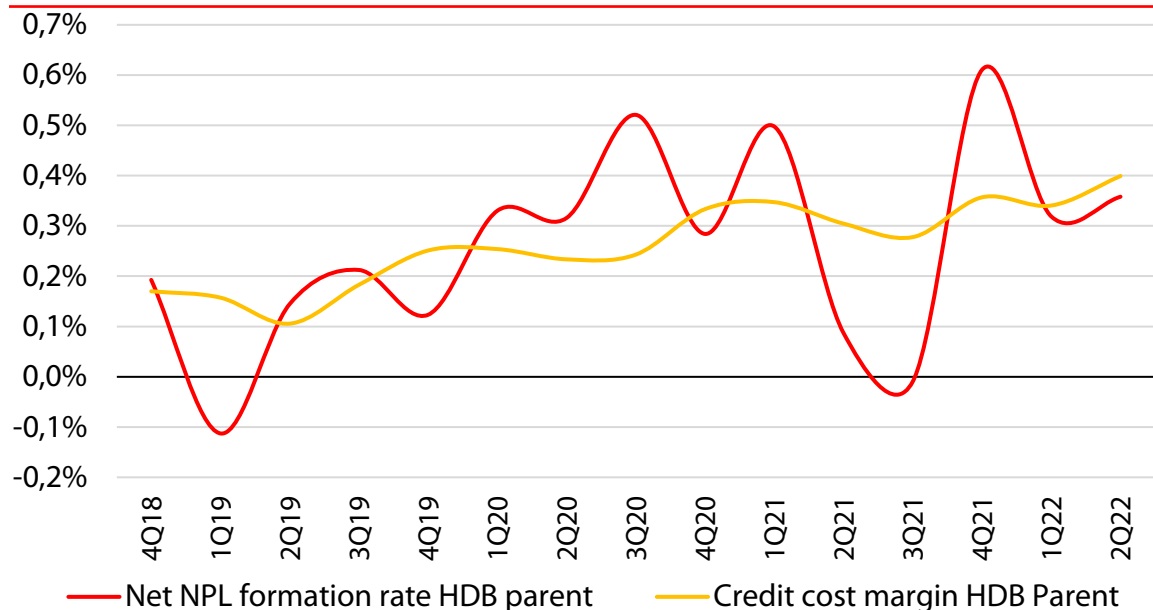
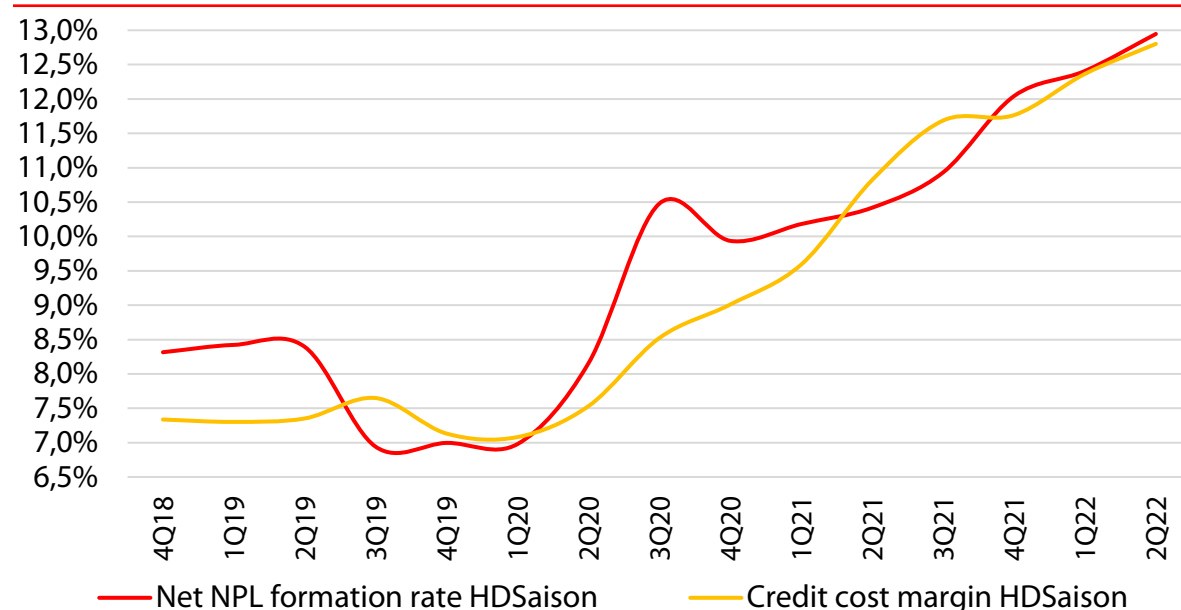


Figure 4: NPL formation & credit cost margin of HDSaison (TTM)



Stably high momentum backed by various factors to counter uncertainties

- Credit growth and NIM are projected to remain favorable growth factors to NII towards the year-end but will slow down in 2023 due to deposit rates hike. Bancassurance will continue to be the main driver of NFI. It is expected to account for circa half of the NFI and lead to the catalyst of a high-value exclusive deal. NFI growth is forecasted at 63% for 2022 and 87% YoY for 2023. TOI will expand steadily in the 2022-2023 period at circa 30% each year. The stronger-than-average expansion of the customer deposit base in 1H22 sets an advantage to the liquidity position and funding costs in 2H22. Bad debt formation is expected to decline in 2H, thereby, mitigating its pressure on credit costs. It will lead to a flat credit cost margin at 1.1% for the next two years. The bank may have provision reversals for the restructured customers though insignificant. We project 2022 PBT to reach VND 10.8 tn (USD 460 mn, 34% YoY), implying a 43% YoY earnings growth for the second half. The 2023 PBT forecast is at VND 14.6 tn (USD 621 mn, 35% YoY). Despite the macro headwinds, HDB will be supported by potential catalysts including capital and scale enhancement through M&A or private placement.

Source: HDB, Rong Viet Securities

<BUY: +20%>

<MP: 80,500>

<TP: 96,900>

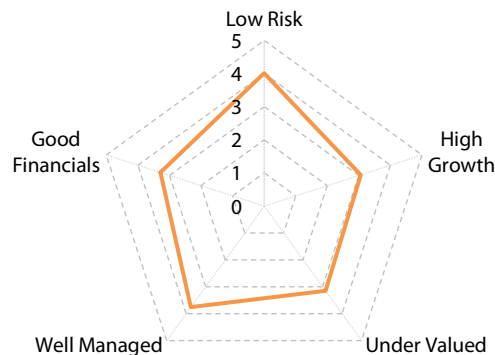
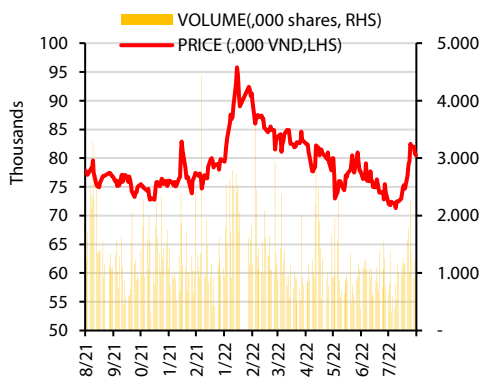
STOCK INFO

FINANCIALS

2021A

2022E

2023F



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

Banks	NII (VND bn)	42,379	51,011	59,273
16,293	TOI (VND bn)	56,703	65,933	75,055
4,733	NPAT (VND bn)	21,903	29,528	33,143
1,015	ROA (%)	1.6	2.0	1.9
77	ROE (%)	20.9	23.7	20.2
6.4	Asset growth (%)	6.6	11.9	15.7
96 – 68.9	Book Value (VND)	23,491	29,088	37,870
	P/E (x) (*)	21.9	13.0	12.3
	P/B (x) (*)	3.3	2.8	2.1

INVESTMENT RATIONALE

The bank's broad network and high-quality customers reinforce the advantage of the funding base and promote non-interest income

- VCB generates one of the lowest costs of funds due to its most competitive pricing leading to a low term deposit rate, and good CASA ratio. Its deposit growth is relatively stable regardless of the lagging pace in quoted rate hike compared to private banks. This indicates good stability of funds, robust pricing power and a quality customer base. Backed by its relationships with major domestic exporters and importers and the broad corresponding network, VCB has sustainable advantages in non-interest segments such as payment, trade financing and FX.

Excellent management, good capital base and strong banking profitability lay the foundations for sustainable growth capacity and scaling ability

- VCB has great ratios of retail loan and deposit beside the largest retail CASA market share. It maintains a conservative approach in loan appraising and provisioning, resulting in a steadily low NPL formation, strong balance sheet and firm provisioning buffer. These factors assure the sustainability of holistic profitability and efficiency which enable high balance sheet growth.

Quarterly earnings growth will speed up from 1H22 thanks to credit growth and risk management

- Earnings results have ramped up since 2Q22 due to strong credit growth with a top-tier quota, lower credit costs and one-off bonus. Growth momentum is forecasted to be maintained in the coming quarters based on major provision reversals. Credit growth will be uncertain growth components in 2H22 and 2023 while NIM and credit cost are more reliable factors.

RISKS TO OUR CALL

- Downside risks include uncertain macro scenario and potential of further supportive package. Upside risks include the timing of the private placement and benefits of the transfer program.

Figure 1: NIM, average loan yield and deposit rate (annualized, %)

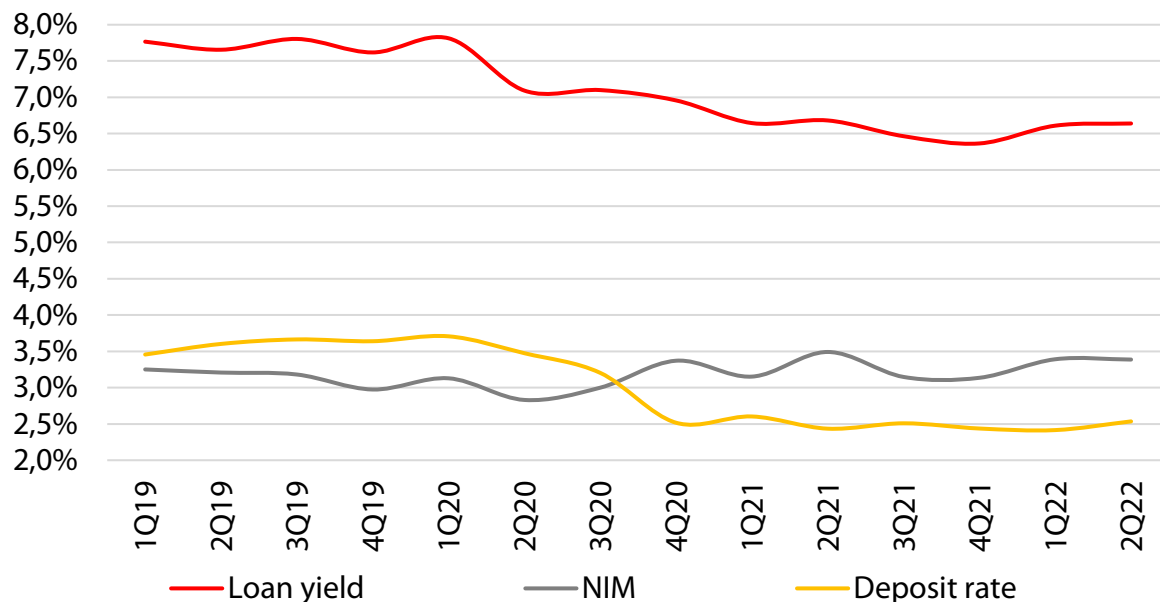
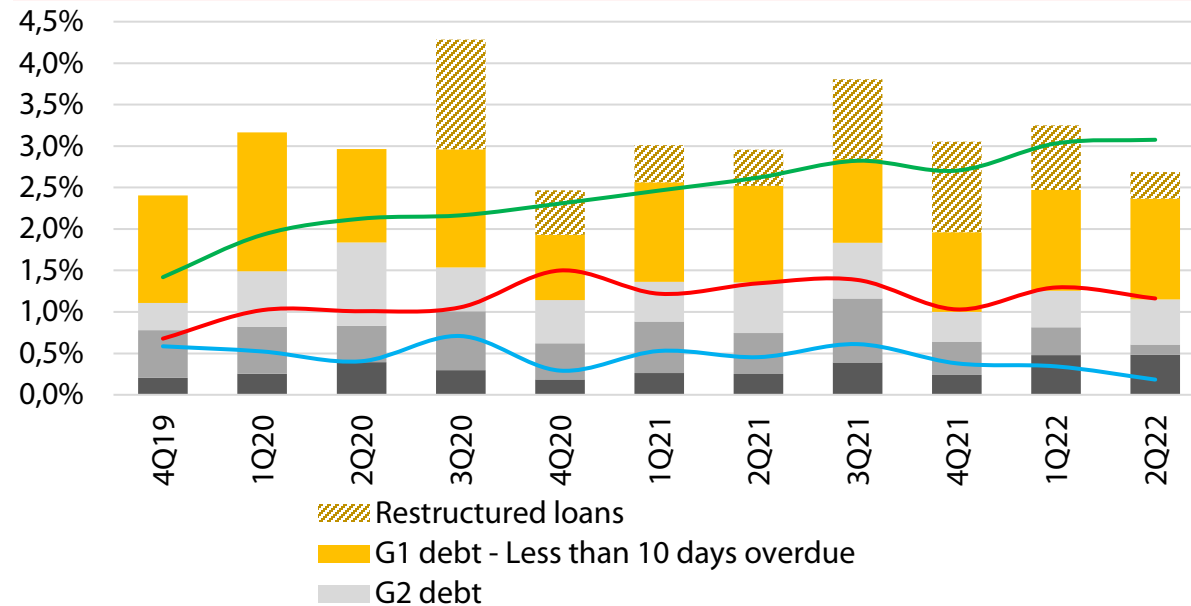


Figure 2: Asset quality indicators (TTM, %)



Robust NIM amid rising deposit rate wave and high initial credit growth quota lay the foundations for growth momentum

- NIM recovered well from the end of 2021, averaging 3.4% in 1H22. Its quoted deposit rate was not adjusted in 1H22 despite the peer pressure. The high base effect prevented it from contributing strongly to earnings growth. VCB was granted a top-tier credit growth quota which the bank has used up in 1H. Its 20% year-over-year credit expansion made up most of the contribution of operating income to PBT growth. The other major growth factor is credit cost. Its dramatic fall in 2Q directly made PBT grew by 26% YoY.

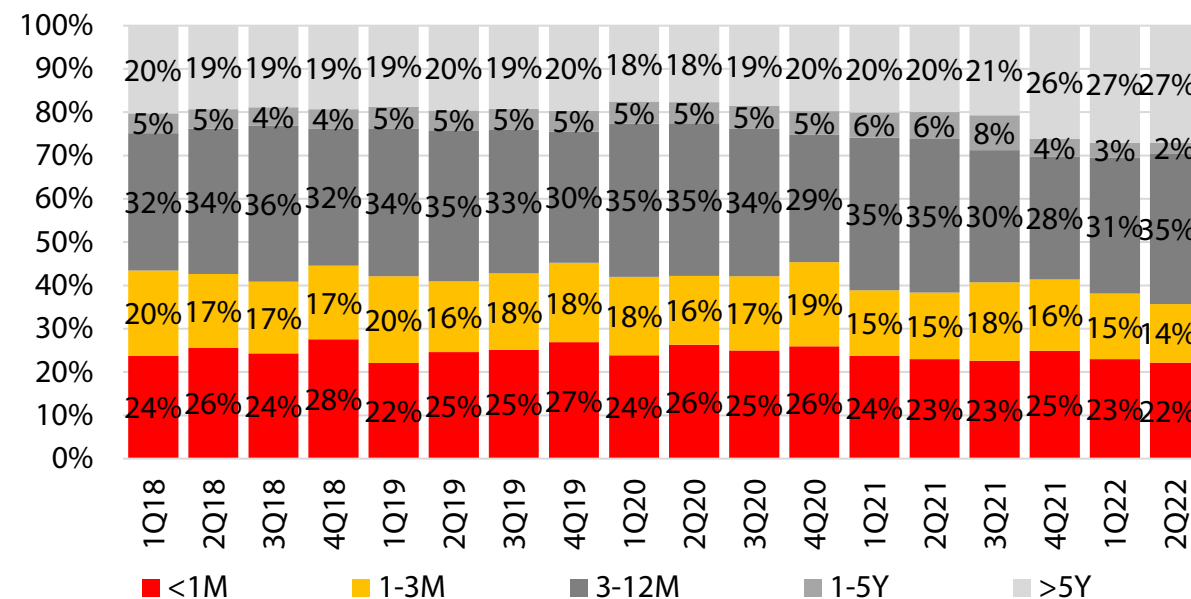
Riding the economic recovery wave to ramp up earnings growth and maintain a healthy balance sheet

- Net NPL formation rate declined steadily to an insignificant level (0.2%) in 1H22, relieving the pressure on provisioning and creating headroom for reversals at the year end. Its restructured loan balance was reduced from VND 10.5 tn in 2021 to VND 8 tn in 1Q22, then circa VND 6.5 tn in April, VND 5 tn in May before landing at VND 4 tn in 2Q22. The NPL ratio fell to 0.6%, in which 0.1% was early reclassified. The recovery of customer's financials enhanced the book quality and was attributed to the -9% decline in credit cost.

Source: VCB, Rong Viet Securities

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

VND bn, %	2H21	1H22	2H22	%HoH	%YoY
Net interest income	21,209	24,773	26,238	6%	24%
Total operating income	28,122	32,706	33,228	2%	18%
Risk costs	-6,261	-5,007	-3,493	-30%	-44%
PBT	13,802	17,373	19,515	12%	41%

Figure 3: Customer deposit by maturity bucket (%)

Various potential growth factors to bring up top-tier earnings growth amid uncertainties

- We revised our forecasts to factor in the potential of a delayed private placement and the resilience in NIM. Given the prudent provisioning level in 1H, we expect VCB to smoothly absorb the shock from reclassification of restructured debt in 2H22. Balance sheet growth will still be supportive even when further credit growth quota is uncertain. NIM is forecasted to be flat from 1H22, at 3.3%, despite deposit rates hikes. 2022-2023 PBT is not affected much by the revision, remaining at VND 36.9 tn (USD 1.6 bn, 35% YoY) and VND 41.4 tn (USD 1.8 bn, 12% YoY), implying a 41% earnings growth in 2H22. Credit cost will be the pivotal growth component while NIM will contribute positively.

Lower-than-average headline risk exposure but uncertain capital catalysts

- The completion of capital raising in 2022 is uncertain, while the bank transfer program is also unpredictable regarding benefits and timing. VCB was relatively resilient to the headwinds on the corporate bond and real estate market thanks to feasible exposure. VCB does not allocate much credit to property developers and corporate bond book.

Source: VCB, Rong Viet Securities

<BUY: +20%>

<MP: 28,450>

<TP: 34,000>

STOCK INFO

FINANCIALS

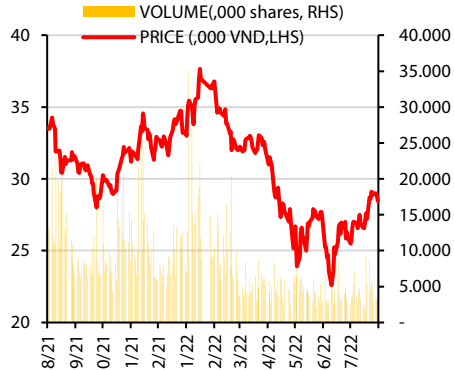
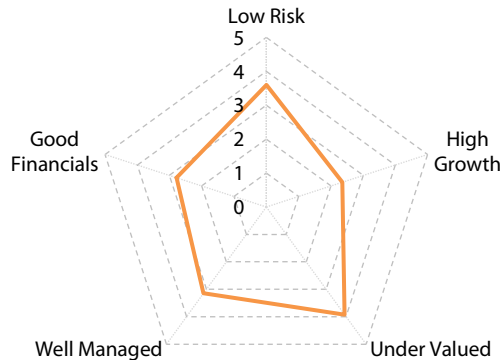
2021A

2022E

2023F

Banks	NII (VND bn)	41,788	46,520	53,022
	TOI (VND bn)	53,157	61,233	68,779
	NPAT (VND bn)	14,089	21,488	29,742
	ROA (%)	1.0	1.3	1.3
	ROE (%)	15.8	21.0	19.9
	Asset growth (%)	14.2	10.8	11.1
	Book Value (VND)	15,905	18,915	21,576
	P/E (x) (*)	16.2	9.1	8.2
	P/B (x) (*)	1.8	1.5	1.3

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



INVESTMENT RATIONALE

Improving asset quality, solid funding base, widened risk-adjusted NIM and ramping up non-interest income will boost efficiency ratios to new sustainable levels

- Following the improvement of asset quality, the pressure on risk costs is relieved, thereby, boosting earnings and profitability ratios to higher levels. Non-interest services and CASA ratio will be further promoted with the support of a wide customer base and strong enterprise partnerships which help diversify income and bring stable and competitive funding costs.
- 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 affordable growth strategy with sustained profitability and feasible capital plan will help reinforce the foundations

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

Expected volatility in 1H22 earnings will gradually ease in 2H22 as growth will be boosted from the low base

- CTG recorded extreme fluctuation in quarterly earnings growth in 1H22 as expected due to its sensitivity to credit costs while revenue momentum was stable. NIM has headroom to improve in 2H22, becoming the potential catalyst. However, we still count on the normalization in credit cost margin to be the pivotal factor leading to the 54% earnings growth in 2H22.

RISKS TO OUR CALL

- Downside risks include the uncertainty of the economic recovery and further preferential loan packages. Upside risk includes the higher-than-expected credit growth quota.

Figure 1: Quarterly PBT growth components (% YoY)

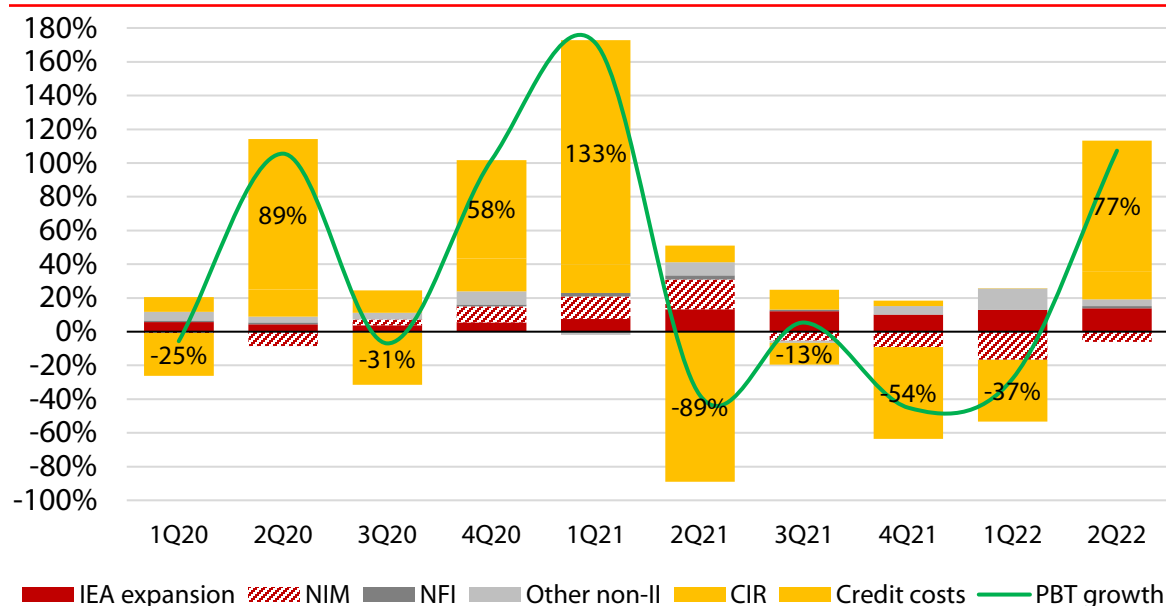
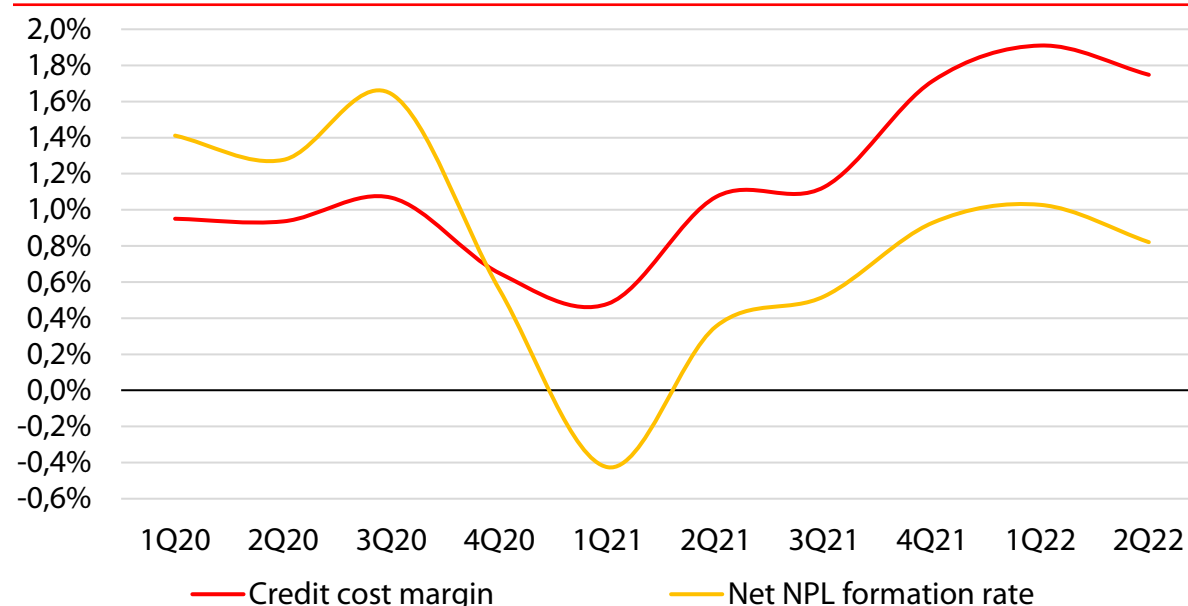


Figure 2: Credit cost margin and NPL formation rate (% TTM)



Stable total operating income growth despite weak NIM recovery

- NIM was sticky at the low level in 1Q22 due to the maintained supportive packages. The early utilization of granted credit growth quota allowed CTG to allocate resources to segments offering better yield, thereby, expanding NIM in 2Q22. Balance sheet expansion in 1H22 was ramped up slightly thanks to good deposit growth (16% YoY) although 2Q22 witnessed struggles in the funding base. As a result, NII growth suffered from the high comparison base, reaching 3% YoY in 1H22. TOI was supported by other non-II including recoveries and FX, posting an 11% YoY growth with a stable quarterly momentum. Contribution of TOI in PBT growth was moderate. 1H22 PBT growth was 7% YoY.

The expectedly high sensitivity to credit cost pays off

- Excluding the risk cost impact, the pre-provision growth would have been 9% and 30% YoY for 1Q and 2Q22 respectively. The strong fluctuation in quarterly earnings growth is within our expectation. The change in balance sheet health was supportive as NPL ratio and bad debt formation was controlled well. Restructured loans also declined.

Source: CTG, Rong Viet Securities

Figure 3: Debt groups and loan loss coverage, excluding VAMC (%)

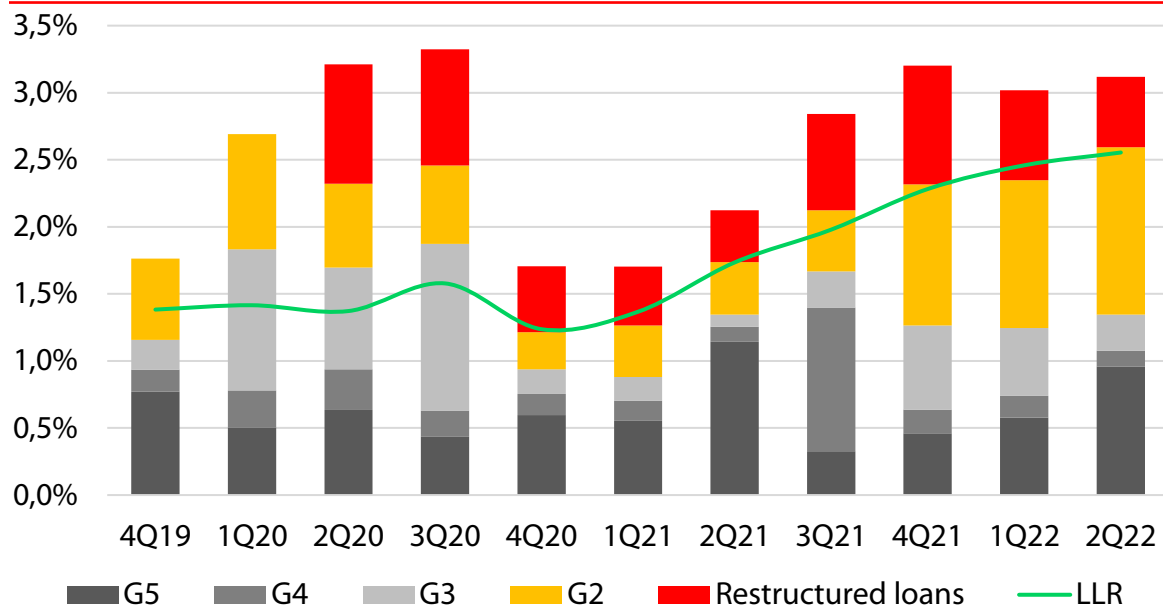
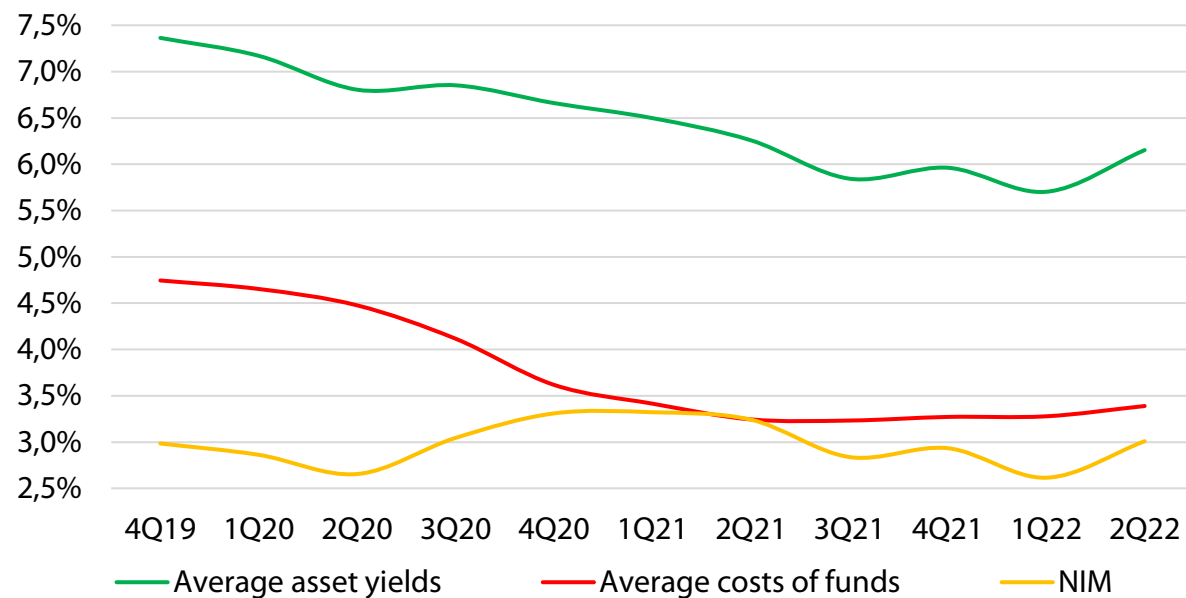


Figure 4: NIM, yields and costs (annualized)



Credit growth quota issue does not pose threat to CTG's earnings growth

- As the major growth factor for CTG is credit cost enhancement, the bank is less impacted by the uncertainties in credit growth quota granting. The government investment disbursement would be a supportive factor to the customers' recovery. Therefore, we consider the high earnings growth of CTG in 2H22 is relatively reliable. We expect a 54% earnings growth in 2H22, driven by a moderate pre-provision growth of 20%. NIM expansion will turn to be a constructive element, while NFI growth will continue to improve thanks to the bancassurance sales. We conservatively factor in a 12% credit growth. There might be surprises as the bank is seeking a 14-15% growth.

The pace and level of credit cost margin normalization will determine the high-growth period

- We expect CTG to control its credit cost margin efficiently at 1.2-1.3% in the next few years, backed by the restructured loan provision reversals. Given its sensitivity to credit costs, CTG has strong tailwinds to counter the uncertain global macro and policy scenario. 2023 PBT growth is expected to normalize to 12% YoY (VND 29.7 tn, USD 1.3 bn).

Source: CTG, Rong Viet Securities

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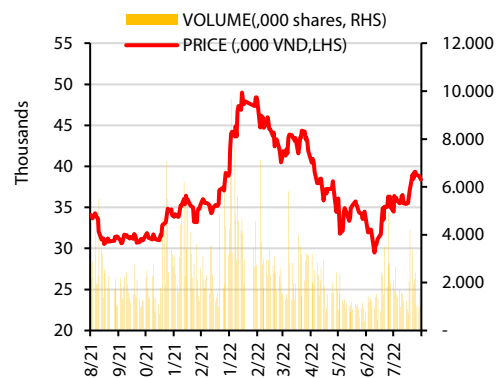
STOCK INFO

FINANCIALS

2021A

2022E

2023F



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

Banks
8,307
5,059
1,547
55
13.1
49.95 – 28.95

NII (VND bn)
TOI (VND bn)
NPAT (VND bn)
ROA (%)
ROE (%)
Asset growth (%)
Book Value (VND)
P/E (x) (*)
P/B (x) (*)

46,818
62,395
10,573
0.7
12.8
16.2
17,073
27.9
2.4
55,382
70,220
16,294
0.9
18.0
12.8
18,921
14.9
2.0
62,112
76,857
18,584
0.9
17.0
12.6
22,892
13.9
1.7

INVESTMENT RATIONALES

Improvement in asset quality and capital base will gradually enhance holistic banking profitability and efficiency

- Asset quality has gradually improved following the VAMC bond clearance. NPL formation rate decreased from a high base to a more efficient level, which should promote risk-adjusted NIM. Holistic profitability and efficiency will be enhanced as well as the balance sheet resilience thanks to the potential capital raising, thereby bringing viable expansion.

Sustainable and affordable growth pace funded by funding advantages

- BID is the one of the largest banks regarding total assets, credit book and deposit base. This implies a massive network and strong deposit franchise, of which the bank can leverage to offer services at scale and grow its funding base with competitive pricing power. This funding advantages lay the foundations for growth in higher cost cycles.

Ramping up growth level and momentum solely backed by dramatic risk cost reduction

- In 1H22, BID achieved 36% YoY earnings growth and better-than-average price performance. These are attributed to the limited exposure to headline risks including real estate loans and corporate bonds and accelerated fall in credit cost margin from a high base. We expect BID to boost earnings growth to 79% YoY in 2H22 before quickly normalizing to 14% YoY in 2023.

RISKS TO OUR CALL

- Downside risk includes the timing of the private placement. The economic recovery and status should have a material impact on credit loss as BID has a large market share of customers.

Figure 1: Quarterly PBT growth components (% YoY)

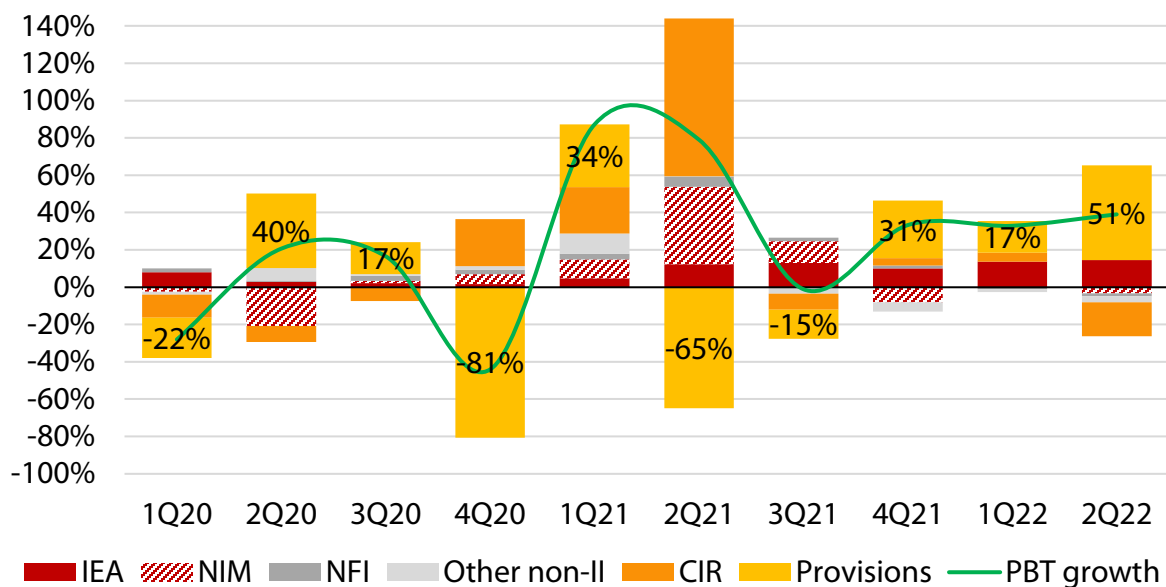
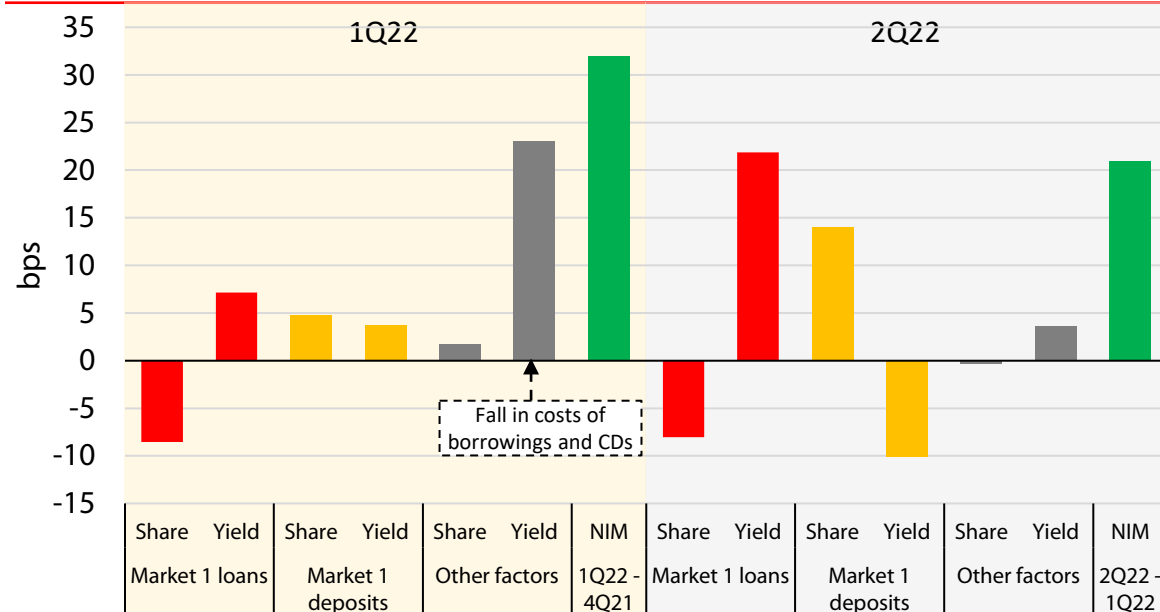


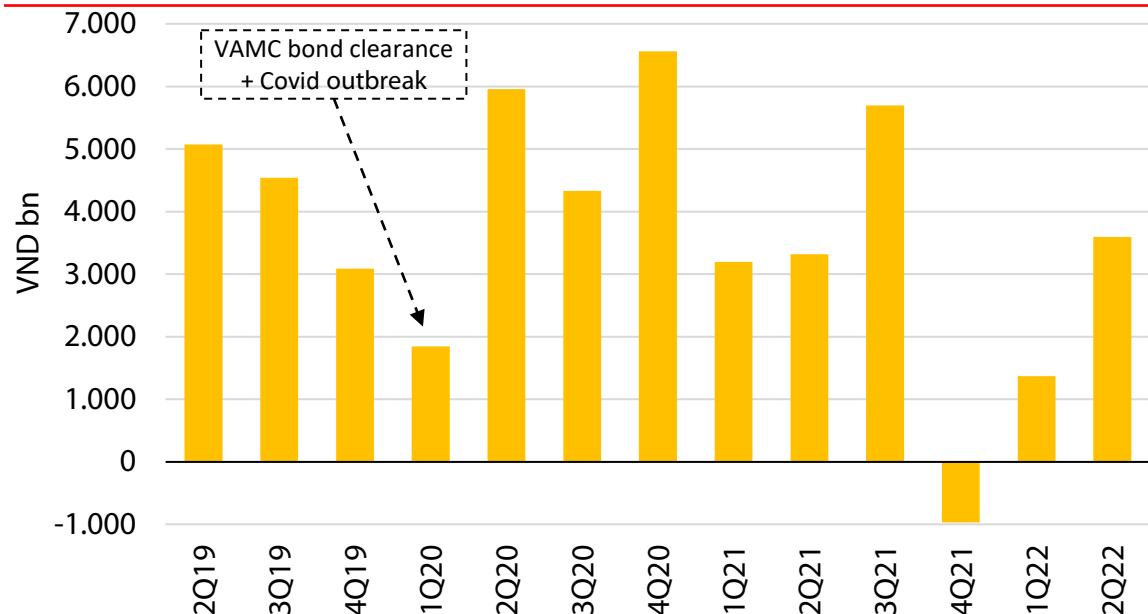
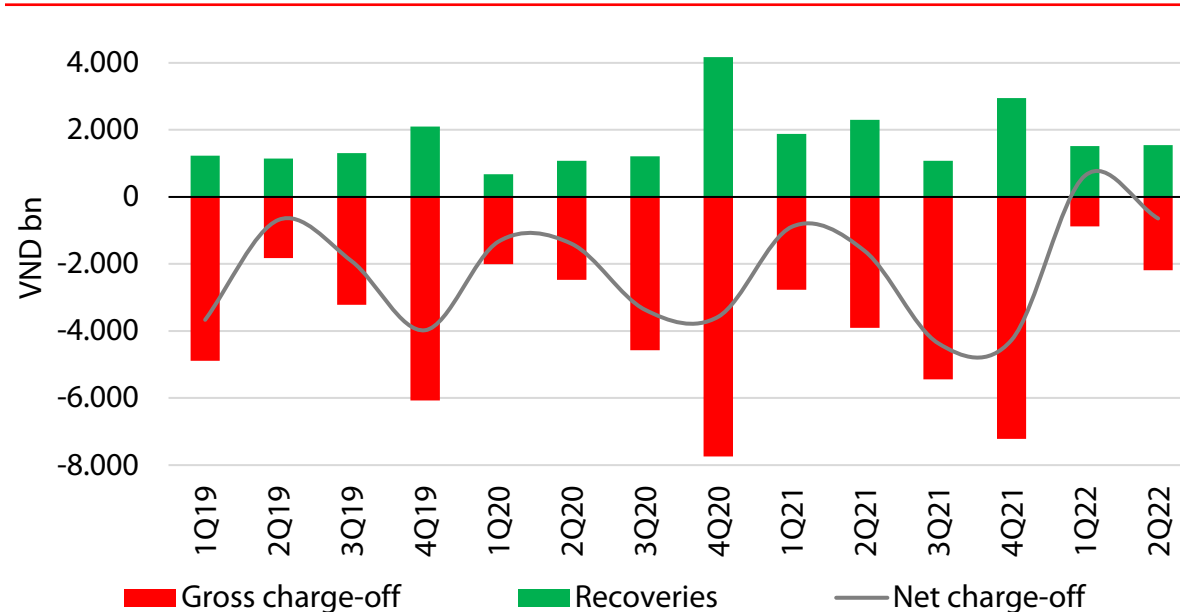
Figure 2: QoQ NIM change decomposition (annualized, %)



Credit cost enhancement steadily supported earnings growth momentum while NIM recovered but slightly slower-than-expected

- BID was granted a 10% credit growth quota in 1H22, resulting in a moderate contribution from balance sheet expansion. NIM and credit costs have been major PBT factors. Loan yield recovered slower than expected but did affect positively and made NIM expanded by 7 bps QoQ in 1Q22 and 22 bps QoQ in 2Q22. Given the significant exposure to valuable papers, the decline in the average yield of those due to repricing and newly issued bonds accounted for a major part of NIM change in 1Q22. The market 1 rate gap improved in 1H22. However, the high comparison base of NIM led to the negative contribution of NIM to PBT growth. NII grew 17% YoY in 1H while TOI expanded 9% YoY. NFI dropped sharply in 1H due to the zero-transaction-fee program. If the transaction fee was added back, NFI growth would have been 14% YoY in 1H per our estimations.
- Balance sheet health was well-enhanced. NPL ratio stayed flat at 1.0%. Restructured loans declined to VND 15 tn while total loans of restructured customers fell to circa VND 50 tn. BID has made full provisions for restructured loans, estimated at VND 21.8 tn. This implies an adjusted loan loss coverage of 119% instead of the headline LLR of 263%.

Source: BID, Rong Viet Securities

Figure 3: Net NPL formation (VND bn)

Figure 4: Charge-off and recoveries (VND bn)

The expected contribution from declining credit cost margin

- BID has maintained its growth momentum from 4Q21. Credit costs were the main driver, particularly in 2Q22. We expect BID to boost earnings growth to 79% YoY in 2H22 before quickly normalizing to 14% YoY in 2023. The pivot point will still be credit costs. We expect credit cost margin to fall to a sustainable level in 2023 (1.6-1.7%). However, given the large unreversed provisions for restructured loans, we expect the bank to have a solid growth buffer that could surprise our forecasts in the case of strong customer recovery (especially large corporates), insignificant deterioration in the restructured loan book and soft landing of the global economy. In the short-term, the bank does not have the intention to realize provision reversals yet. TOI growth is projected to be 18% in 2H22 and 9% in 2023 mostly due to stable credit growth and flat NIM while NFI still records negative results in 2H22 (-18% YoY).

When growth normalizes, capital buffer enhancement will be the catalyst

- Capital raising plan experienced headwinds from the stock market correction and regulations. Despite its uncertainty, the capital contribution will help BID to boost the top-line growth via expansion ability and have more sustainable balance sheet growth. It will act as a strong catalyst supporting the stock price when growth normalizes in 2023.

Source: BID, Rong Viet Securities

PHARMACEUTICAL INDUSTRY

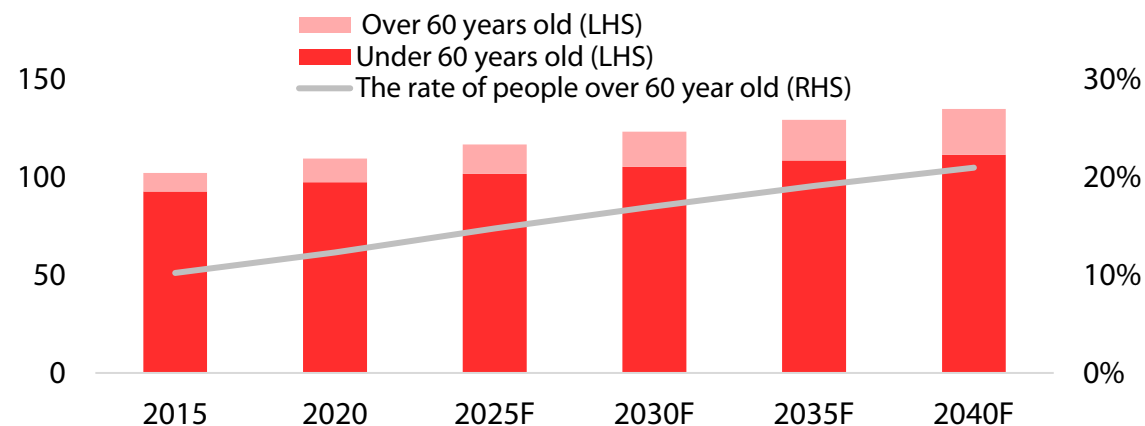
**REBOUND FROM THE LOW
BASE**



Quan Cao – quan.cn@vdsc.com.vn

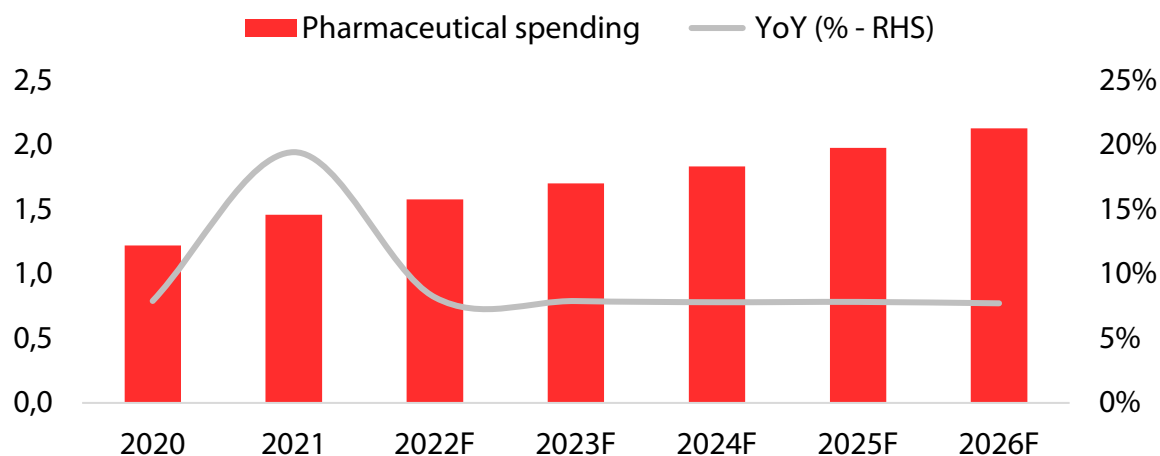


Figure 1: Vietnam population has witnessed ageing issues (mn ppl)



Source: GSO, Rong Viet Securities

Figure 2: Pharmaceutical spending per capita/year (VND mn)



Source: BMI, Rong Viet Securities

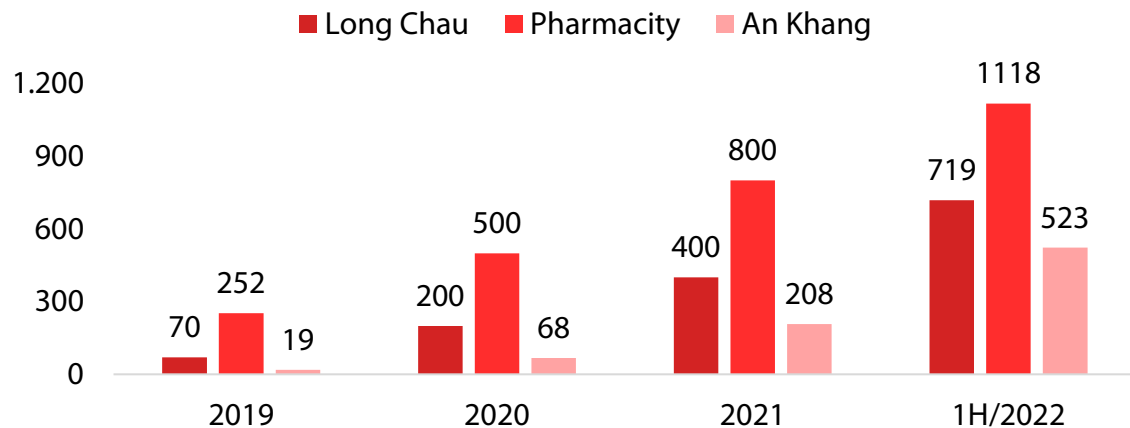
Demographic trends favor the pharmaceutical industry in the long term

- For the elderly, health problems will appear more, leading to higher demand for medical products than for the working-age people.
- According to GSO, the number of people over 60 years old is around 13.86 mn ppl, equivalent to 13% of the total population of Vietnam. This number is forecasted to increase to 23.34 mn ppl, accounting for 21% of Vietnam's total population by 2040.

Higher income results in increasing pharmaceutical expenditure

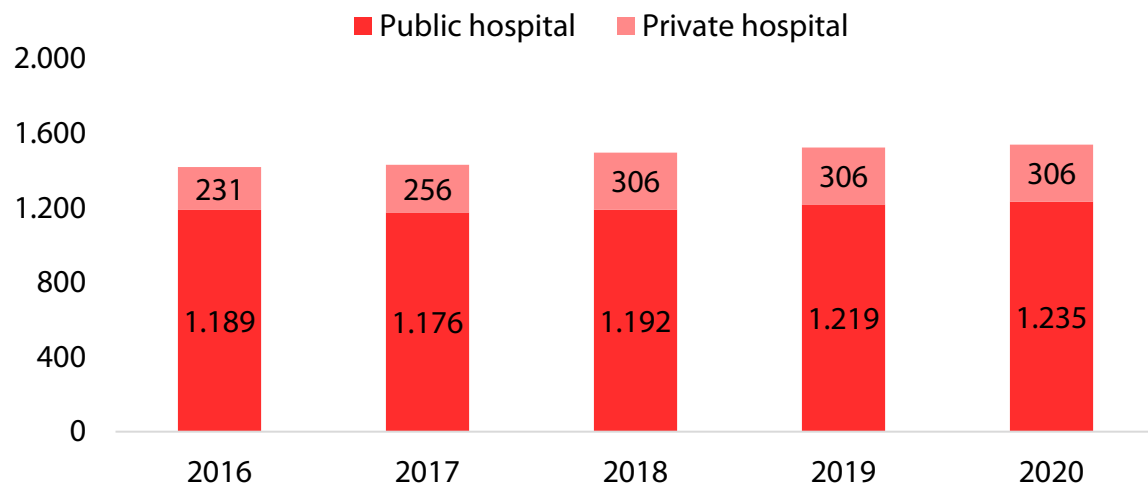
- The Vietnamese government expected a GDP growth of +6.5% in 2022. We think this is an utterly feasible target and is projected to exceed the plan, reaching +7.3%. Thereby, per capita income will be enhanced with a 5-year CAGR of 6% from 2022 to 2026.
- As Fitch Solutions mentioned, per capita pharmaceuticals spending in 2021 was forecasted to reach VND 1.5 mn and rise to VND 2.1 mn in 2026F, with the CAGR of +7.7% over the next 5 years.

Figure 3: Number of branded pharmacies



Source: Rong Viet Securities

Figure 4: Number of hospitals



Source: Ministry of Health, Rong Viet Securities

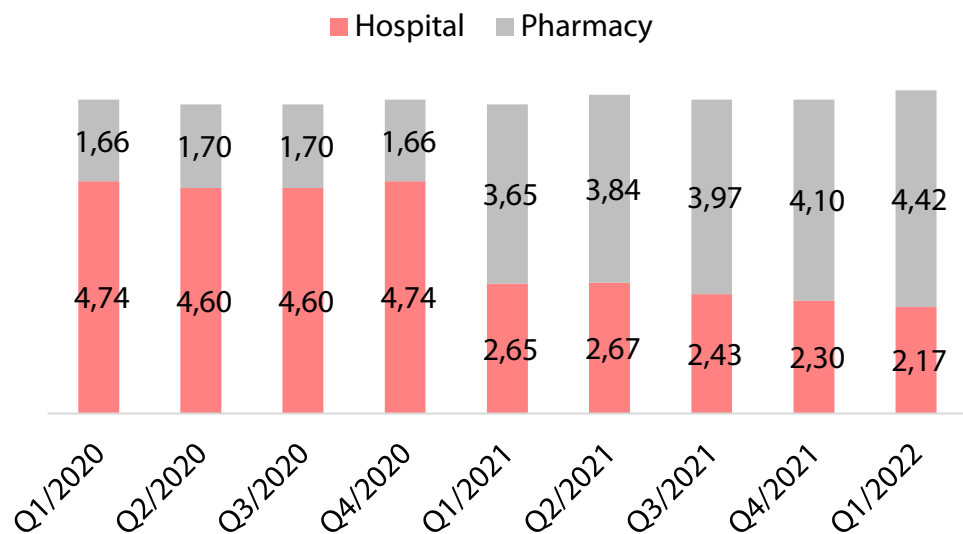
Expanding distribution channels through pharmacies aims to advance the market position of retailers

- In 1H2022, branded drugstore chains in Vietnam such as Pharmacy, Long Chau, and An Khang opened nearly 1,000 new drug stores in total.
- The buying behaviours at traditional drug stores will favour this channel as an ideal outlet for pharmaceutical manufacturers when there are about 56,000 stores in Vietnam.

The number of hospitals is gradually improving year by year

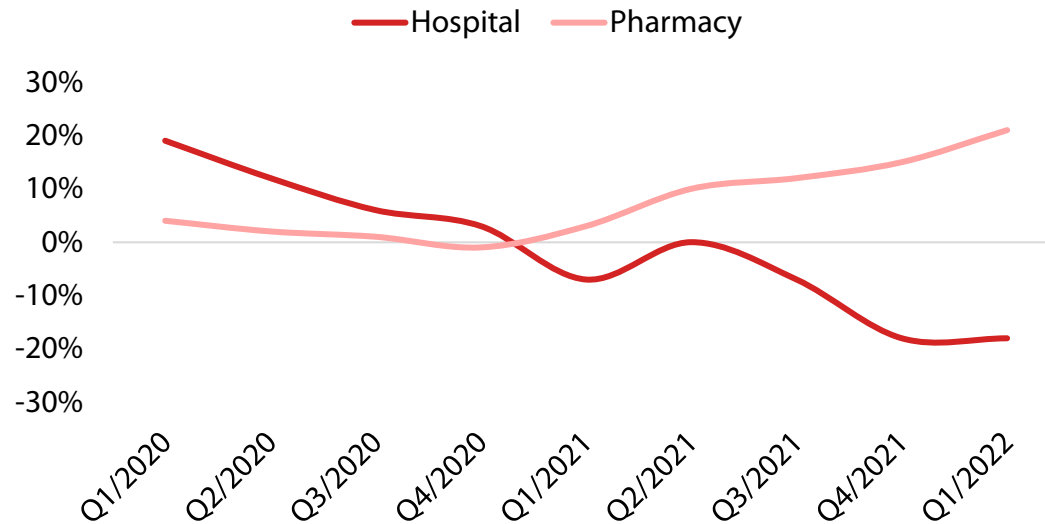
- In the 2016-2020 period, a total of 121 new hospitals were built, of which 46 public hospitals and 75 private hospitals.
- Fitch Solutions projects ETC/OTC drug sales in 2022 and 2026 to gain VND 118 tn/VND 36.7 tn and VND 166 tn/VND 50 tn, respectively, at a 4-year CAGR of 9%/7%.

Figure 5: Pharmaceutical retail sales by channel (USD bn)



Source: IQVIA, Rong Viet Securities

Figure 6: YoY revenue growth by channel (%)

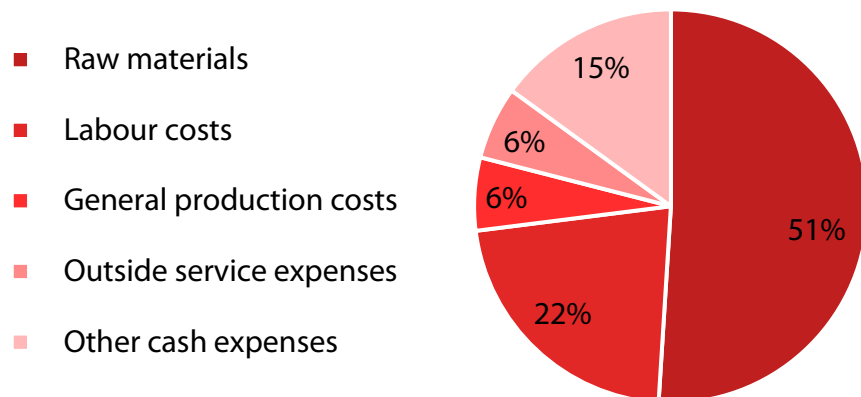


Source: IQVIA, Rong Viet Securities

The pharmaceutical industry's revenue is expected to propel in the short term

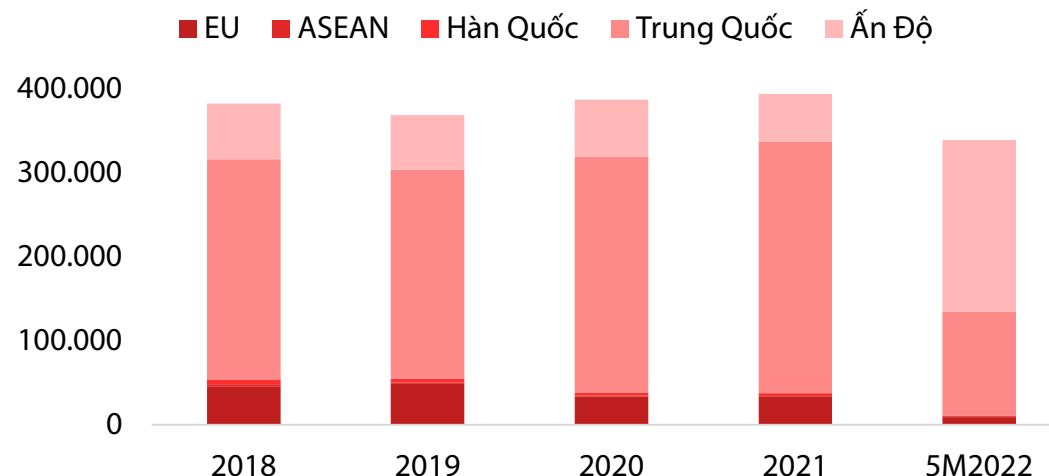
- The fourth outbreak of COVID-19 hit all corners in Vietnam, restricting patients from going to hospitals for medical examination and treatment. Simultaneously, they prefer buying drugs to treat symptoms of the Omicron variant at the pharmacy channel, leading to a shift in the revenue structure of the pharmaceutical industry.
- The TTM revenue of the ETC and OTC channels in 1Q2022 reached USD 3.9 bn (-1% YoY) and USD 2.7 bn (+14% YoY), respectively. The OTC's revenue growth rate is at 10% in 2021 and could be improved by the end of 1Q2022. Regarding the ETC channel, the revenue TTM plunged in 2H2021 and signaled to advance in 1Q2022.
- We expect that the 2H2022 results of pharmaceuticals will be brighter, with positive growth from the 2H2021's low base.

Figure 7: Cost structure of pharmaceutical production



Source: Listed companies, Rong Viet Securities

Figure 8: Imported pharmaceutical materials (Unit: USD '000)

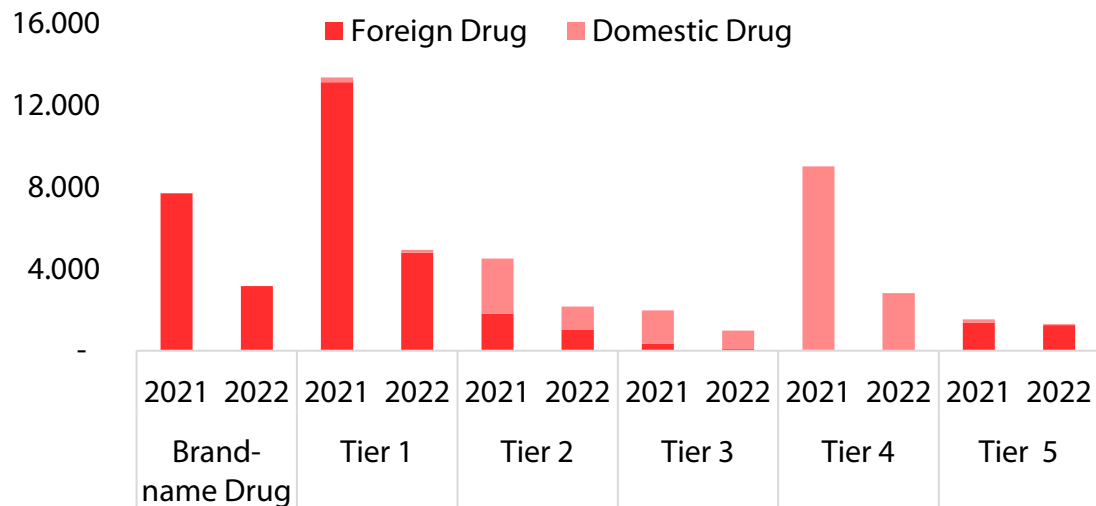


Source: GSO, Rong Viet Securities

Active pharmaceutical ingredients (APIs) account for about 51% of the cost structure of pharmaceutical companies. Vietnam's pharmaceutical industry has insufficient capabilities to produce these materials. Hence, these are mainly imported from China and India. We are concerned that the GPM of pharmaceutical companies will be hit in the short-term due to two factors:

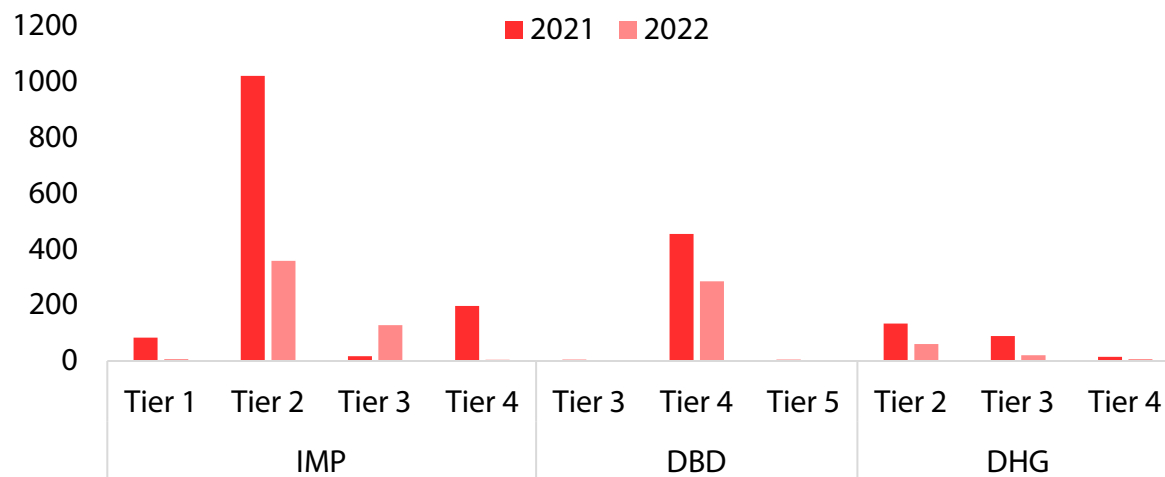
- In 1H2022, the recent China Covid-19 lockdown caused exacerbation of the disruptions of the global supply chain, many Vietnamese pharmaceutical enterprises have shifted to more imports from India. We are concerned that the prolonged pandemic's complicated developments in China could put higher imported cost pressure on pharmaceuticals while selling prices were under the Government's control.
- FED has actions of an interest rate hike in 2022 that aims inflation control to cause fluctuations in the VND/USD exchange rate.

Figure 9: The cumulative bid-winning value of 7M2022 drugs dropped sharply (VND bn)



Source: DAV, Rong Viet Securities

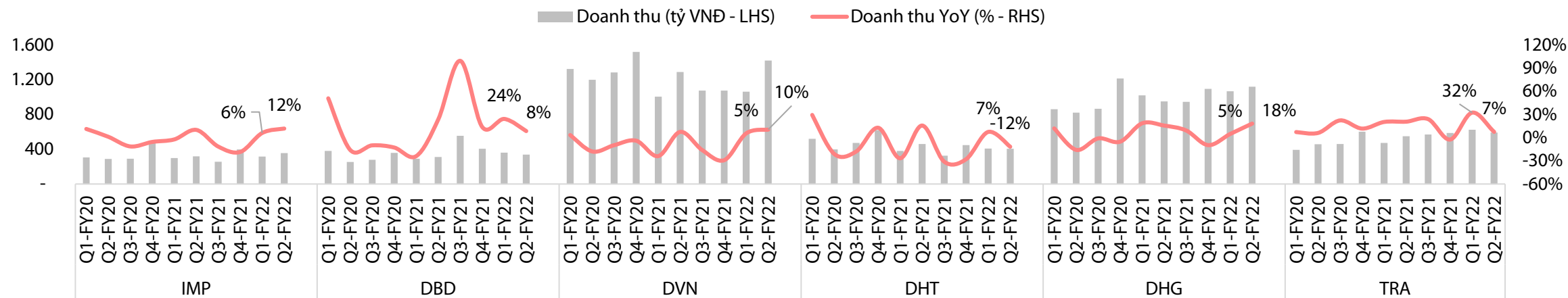
Figure 10: Winning results of some domestic pharmaceutical companies (VND bn)



Source: DAV, Rong Viet Securities

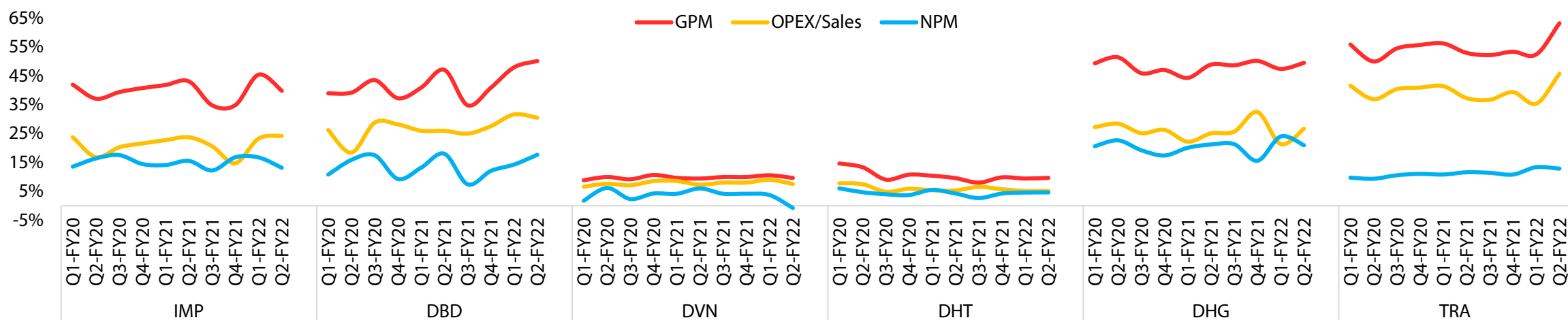
- The total cumulative bid-winning value of 7M2022 drugs reached VND 18,727 bn (-46% YoY), of which domestic and foreign drugs dropped sharply by 58% YoY and 63% YoY, respectively. Foreign drugs still make up a high proportion of up to 67%, the remaining 33% of domestic drugs.
- We believe that the pandemic is the main reason for the significant decrease in the drug bidding value in 7M2022 with the following impacts (1) difficulty of mobility to the hospital for medical examination and treatment, leading to drug demand ETC channel has not fully recovered; (2) the checking of usage needs and planning of bidding was extended.

Figure 11: Shift in revenue structure between sales channels still ensures revenue gradually recovers and grows slightly



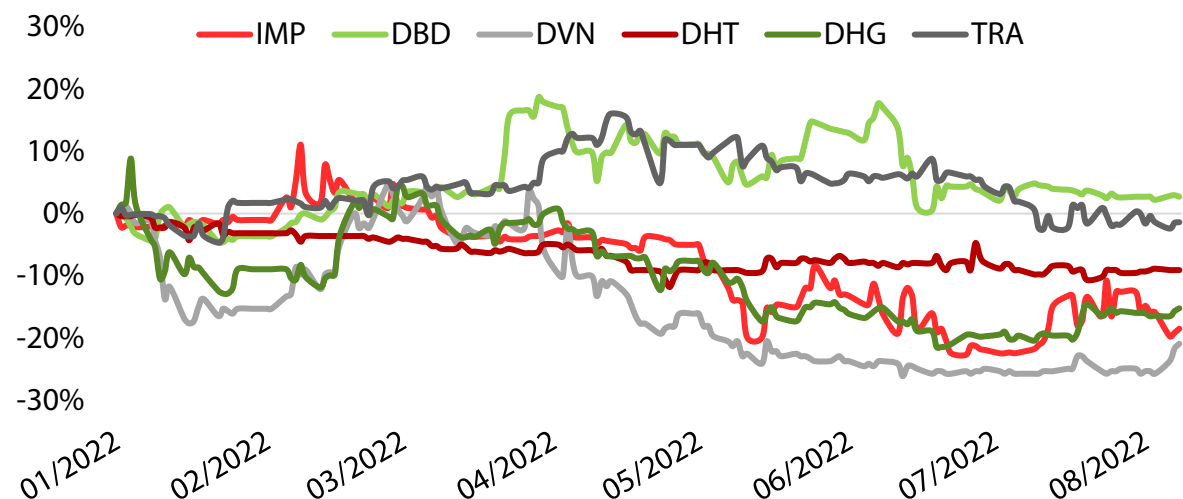
Source: IMP, DBD, DVN, DHT, DHG, TRA, Rong Viet Securities

Figure 12: The increase in OPEX/Sales through the OTC channel of significant companies (IMP, DHG, TRA) led to a narrow NPAT margin and remained stable in the rest



Source: IMP, DBD, DVN, DHT, DHG, TRA, Rong Viet Securities

Figure13: Pharmaceutical stocks price performance



Source: Bloomberg, Rong Viet Securities

Figure 14: IMP P/E

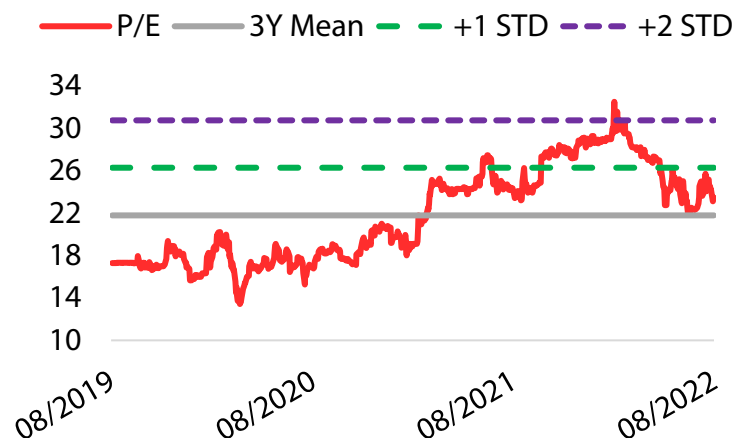


Figure 15: DBD P/E

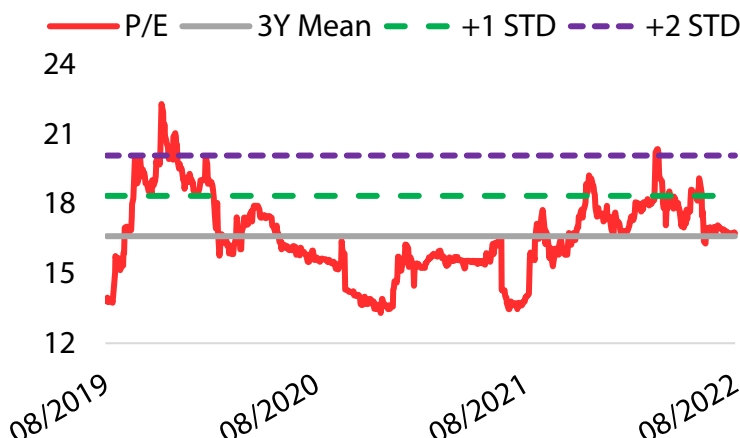
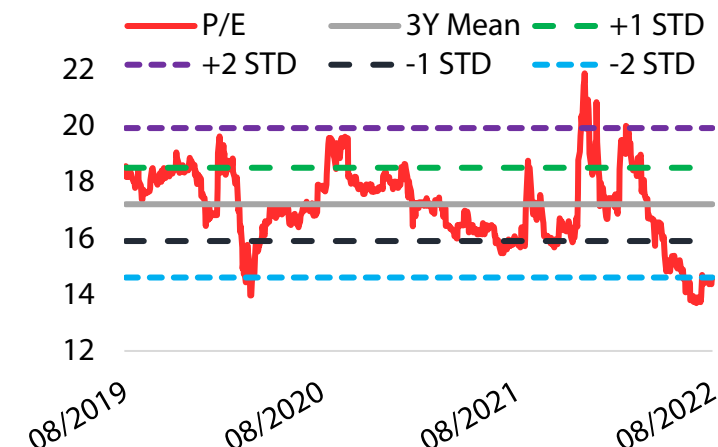


Figure 16: DHG P/E

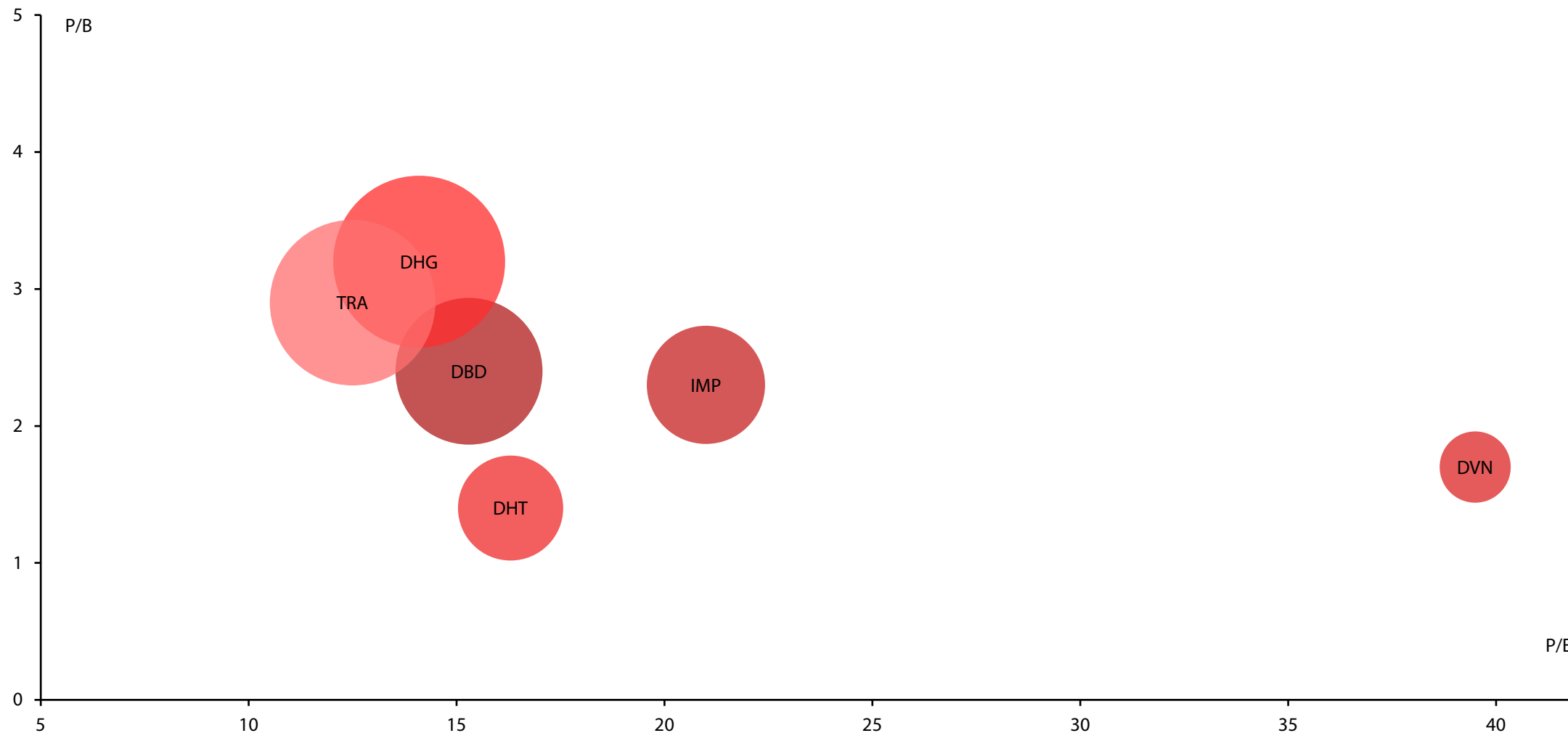


Source: Bloomberg, Rong Viet Securities

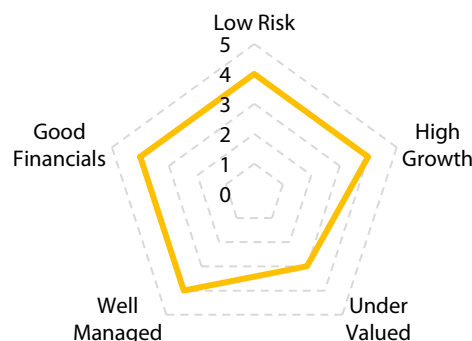
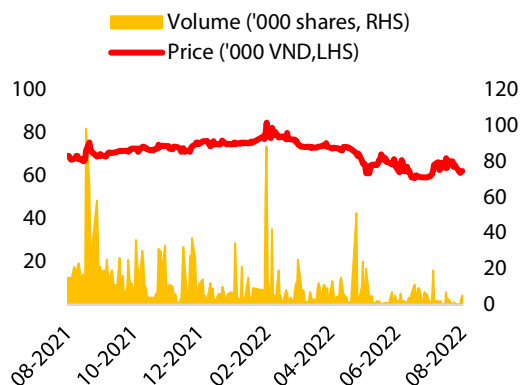
- TRA, DHT and DBD have a low correlation with VNINDEX, in general, price movements are sideways in a downtrend and there is no strong fluctuation in 1H2022.
- DVN, DHG and IMP fluctuated similarly to VNINDEX during the down period of the general market.
- P/E of IMP, DBD has slipped to the three-year average, and DHG has plunged below 2x standard deviations. However, we think the current valuation is relatively ideal for long-term investment.

Ticker	Market cap (VND bn)	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)
DBD	3,068.6	N/A	8.40	282.54	15.16	15.13	6.32	12.13	12.36	17.01	0.00	15.29	2.44
IMP	4,133.6	N/A	11.66	294.21	22.84	18.66	-5.50	14.92	9.05	11.04	2.42	20.97	2.34
DVN	4,639.3	N/A	10.26	381.46	2.88	3.34	-114.18	3.02	1.99	4.01	2.89	39.45	1.71
DHG	12,133.2	N/A	18.09	315.67	24.27	22.98	16.66	20.41	18.11	23.33	3.77	14.08	3.20
DHT	1,056.3	N/A	-11.85	266.00	4.53	4.93	-3.77	4.35	5.23	8.66	2.51	16.25	1.42
TRA	3,606.2	N/A	7.36	334.94	19.62	16.51	19.03	13.28	16.40	21.61	2.30	12.54	2.85

Source: Fiinpro, Rong Viet Securities. Share price as of August 10th, 2022.



Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of August 10th, 2022.

FOLLOW
<MP: 62.000>
<TP: N/A>
STOCK INFO
FINANCIALS
2019A 2020A 2021A


Sector	Pharmaceutical
Market Cap (USD mn)	177
Current Shares O/S (mn shares)	67
3M Avg. Volume (K)	3
3M Avg. Trading Value (VND mn)	196
Remaining foreign room (%)	26,1
52-week range ('000 VND)	86,4 - 57

Revenue (VND bn)	1,402	1,369	1,267
NPATMI VND bn)	162	210	189
ROA (%)	8.8%	10%	8.2%
ROE (%)	10.4%	12.1%	10.5%
EPS (VND)	2,891	2,873	2,500
Book Value (VND)	31,543	26,939	27,935
Cash dividend (VND)	2,000	1,500	2,000
P/E (x)	16.6	16.7	18.5
P/B (x)	1.5	1.8	1.7

INVESTMENT RATIONALES
The company has strong growth potential as factories are still operating at low capacity

- The IMP2 and IMP3 plants are operating with low capacity, while the IMP4 plant has been approved for EU-GMP and is awaiting announcement by the Ministry of Health in 2022. Therefore, IMP has plenty of room to grow and seize opportunities from demand recovery in the next few years
- ETC channel can recover from Q3/2022 and new factory put into operation can help IMP's sales grow significantly from 2023.

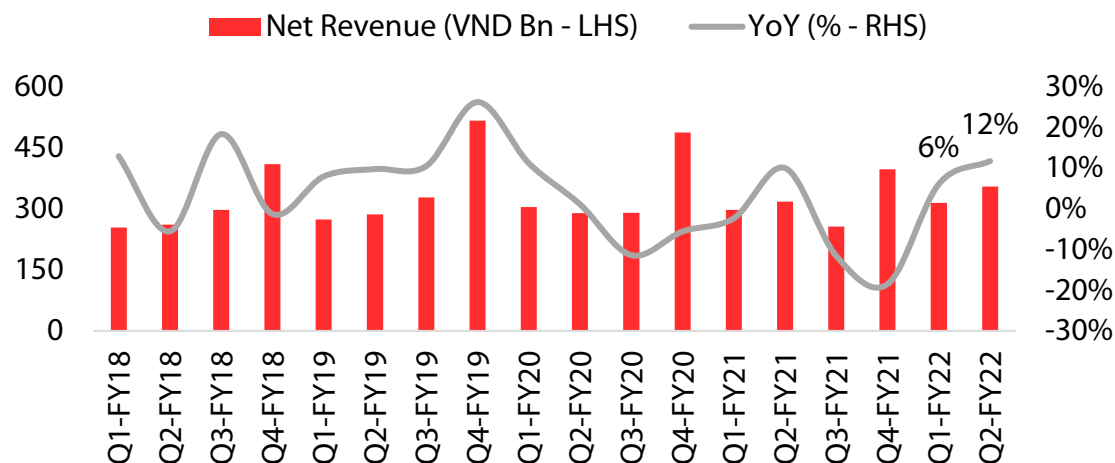
The number of newly opened pharmacies can help IMP expand OTC channels

- OTC channel revenue with impressive growth of +39% YoY in the first half of the year is the mainstay of IMP's growth.
- Retail companies in the race for market share with a very fast rate of opening new pharmacies can help IMP expand distribution channels.

RISKS TO OUR CALL

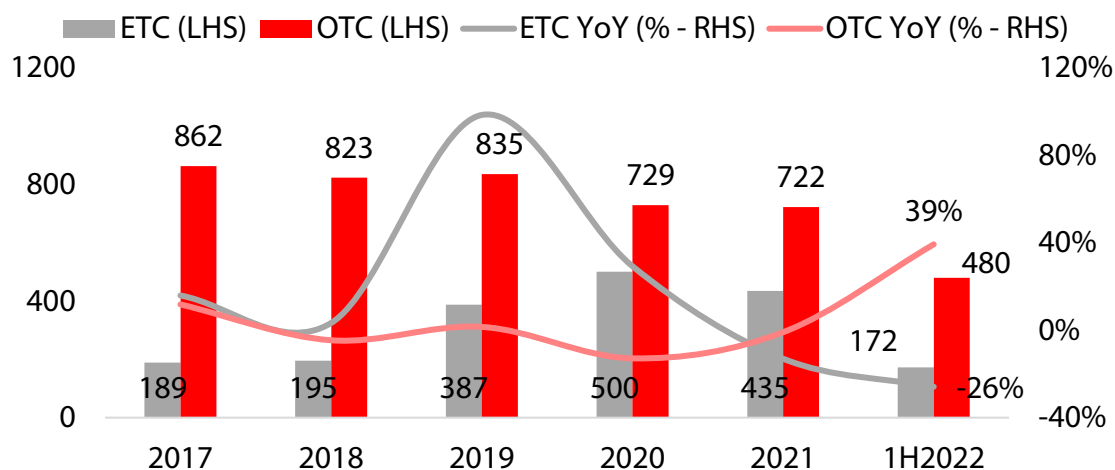
- The complicated evolution of the pandemic may lead to a disruption of the pharmaceutical supply chain.

Figure 1: Quarterly revenue



Source: IMP, Rong Viet Securities

Figure 2: Revenue by channels (VND Bn)

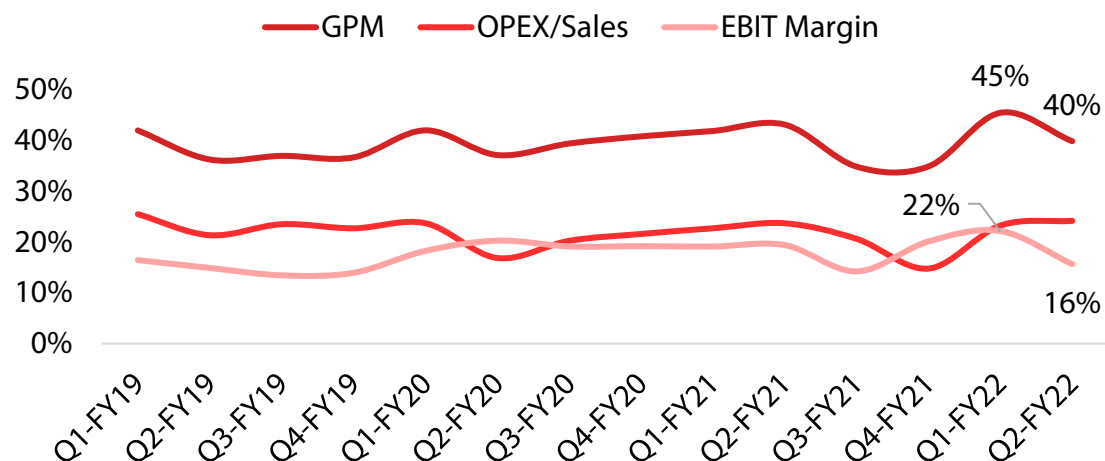


Source: IMP, Rong Viet Securities

IMP revenue grew in line with the recovery of the pharmaceutical market

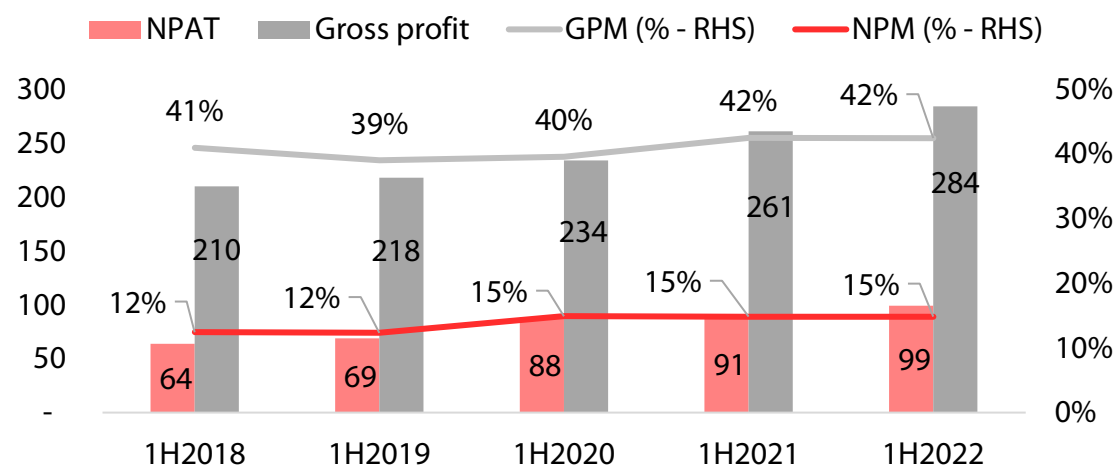
- At the end of 1H2022, IMP recorded revenue and EBT of VND 683 billion (+9.5% YoY) and VND 125 billion (+7.1% YoY), respectively, completing 47.1% and 45.5 % of plan for 2022.
- ETC sales continued to grow at a negative 26% YoY, reaching only VND 172 billion, accounting for 26% of total revenue from domestic drugs because demand has not fully recovered.
- In the first half of 2022, the strong increase in demand for drugs to treat COVID-19 symptoms and health rehabilitation supplements helped the OTC channel grow impressively, with revenue recorded at VND 480 billion (+39% YoY). , accounting for the remaining 74%.

Figure 3: Gross profit margin and Net profit margin



Source: IMP, Rong Viet Securities

Figure 4: Gross profit and NPAT in 1H2022 (VND Bn)



Source: IMP, Rong Viet Securities

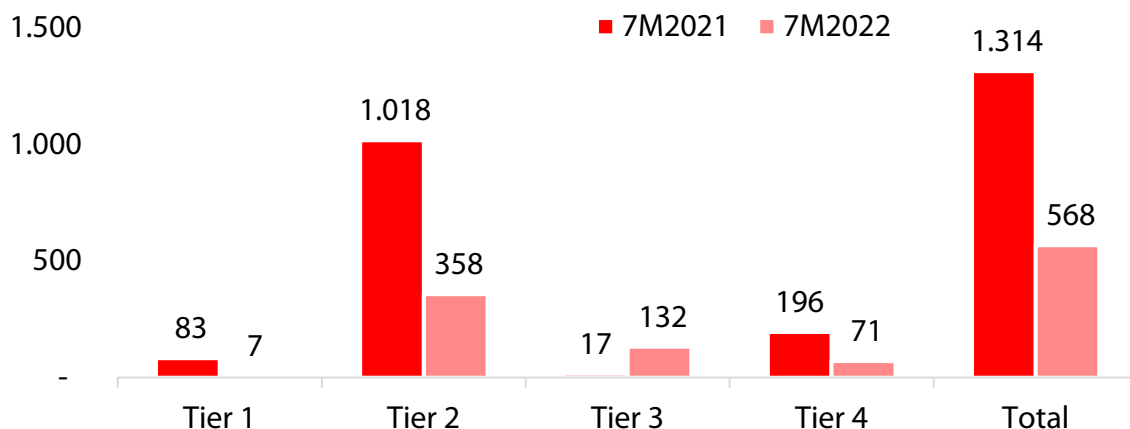
Gross profit margin in Q2/2022 dropped sharply QoQ, causing EBIT margin to narrow...

- With the sharp increase in raw material costs in Q2/2022, IMP's production costs increased by 24% QoQ, causing gross profit margin to decrease by 500 bps.
- IMP's EBIT margin narrowed to 16%, down 600 bps QoQ.

... But in general, profit margin remains stable in 1H2022

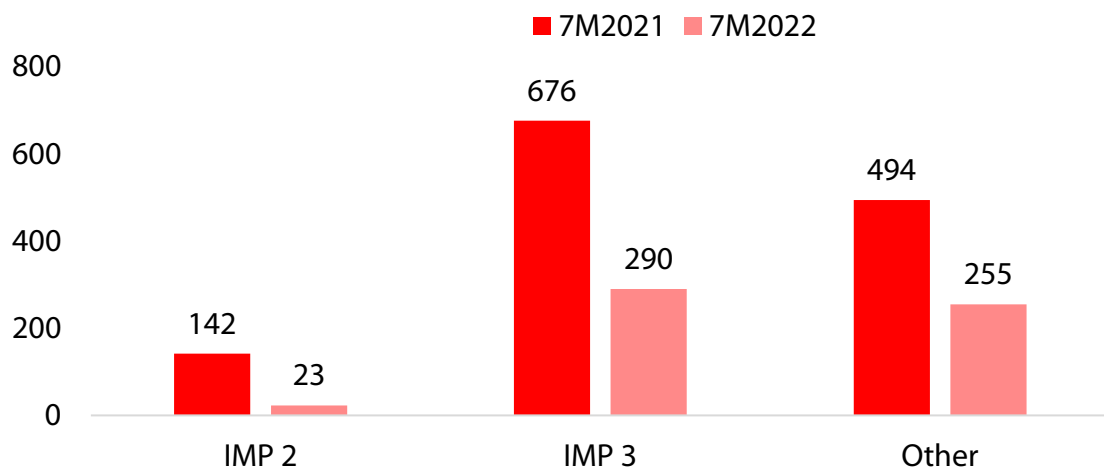
- In the first half of 2022, gross profit and NPAT reached VND 284 billion and VND 99 billion, respectively, growing by 9%, an increase similar to the revenue growth rate.
- Gross profit margin and net profit margin remained stable at 42% and 15% respectively.

Figure 5: Bid-winning value of IMP by tier (VND Bn)



Source: IMP, Rong Viet Securities

Figure 6: Bid-winning value of IMP by factories (VND Bn)



Source: IMP, Rong Viet Securities

The winning value of IMP's ETC channel decreased significantly over the same period

- In 7M2022, IMP won the bid with a value of VND 568 billion, decreased 57% YoY. In which, IMP3 accounts for about 51% of the winning value of IMP.
- IMP oriented to focus on high tier products (tier 1, 2) with four factories meeting EU-GMP standards, the winning value of these two groups accounted for 64%. Drugs in these tiers have high value but will have to face stiff competition with foreign drugs.

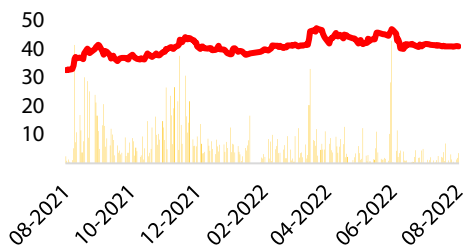
Delayed for 2 years due to the COVID-19 epidemic, the IMP factory has been approved for EU-GMP standards

- IMP4 with a total investment of 470 billion VND meeting EU-GMP standards will help expand the bidding value in tier 1 drug, in which domestic manufacturers only account for 2% of the share.
- We think it will take a long time to produce and participate in bidding, so IMP's business results will really improve from 2023.

FOLLOW

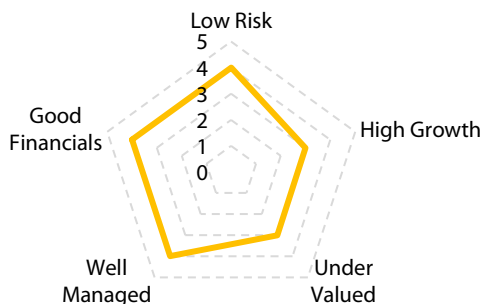
Volume ('000 shares, RHS)

Price ('000 VND, LHS)



<MP: 41.000>

<MP: NR>



STOCK INFO

Sector	Pharmaceutical
Market Cap (USD mn)	131
Current Shares O/S (mn shares)	75
3M Avg. Volume (K)	71
3M Avg. Trading Value (VND mn)	3
Remaining foreign room (%)	93,5
52-week range ('000 VND)	48,8 – 32,46

FINANCIALS

	2019A	2020A	2021A
Revenue (VND bn)	1,262	1,257	1,559
NPATMI VND bn)	142	158	184
ROA (%)	8.8%	11.0%	11.8%
ROE (%)	15.5%	16.2%	16.3%
EPS (VND)	2,444	2,712	2,807
Book Value (VND)	17,443	18,563	19,563
Cash dividend (VND)	1,500	1,500	0
P/E (x)	22.4	18	18.5
P/B (x)	3.1	2.6	2.6

INVESTMENT RATIONALES

Nhon Hoi cancer drug factory with the expectation of achieving EU-GMP standards in Q3/2022 will boost business growth in the medium and long term.

- DBD expects to achieve EU-GMP for injection and tablet production lines in 3Q2022 and 2023 respectively.
- Huge revenue potential, up to 1,500 billion VND. GPM of cancer drug products is relatively high, so NPAT can grow strongly from 2023.

Gross profit margin in 1H2022 improved compared to the same period, expected to remain high in 2H2022

- In the first half of 2022, the ETC channel recovered to grow 13% YoY, key products such as cancer drugs, kidney solutions, and injectable antibiotics all grew at 36% YoY and 34% YoY, respectively. , 17% YoY helping gross margin increase to 49% (+500 bps).

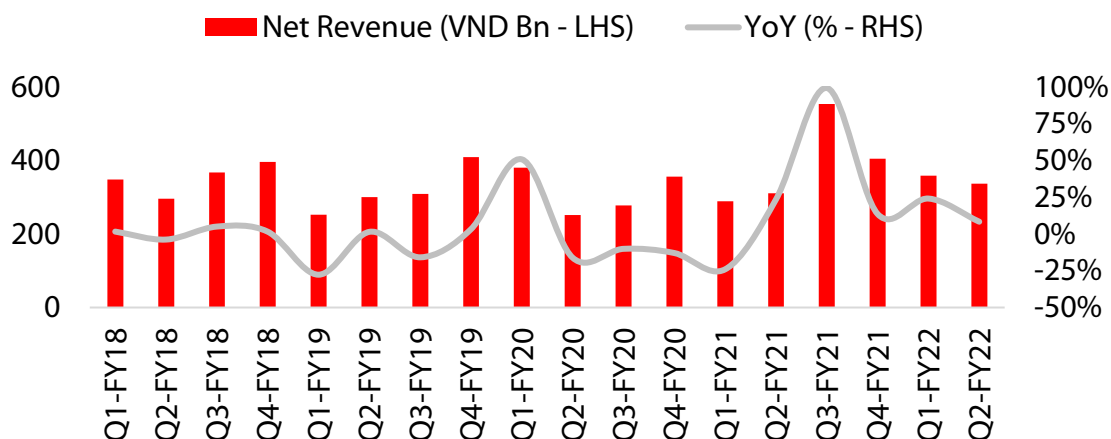
OTC channel can boost growth in the short term.

- By increasing its presence in many retail pharmacies, rather than focusing on the largest pharmacies, DBD is improving its bargaining power with customers, helping to reduce discount rates, thereby increasing spending on drugstores. product marketing and promotion. Strongly increasing the number of retailers from about 8,000 in 2020 to 17,500 by the end of 7M2022, DBD has plenty of room to increase sales per store in the coming years.
- The benefits from the expansion of the number of retailers may continue to be reflected in 2022, with OTC channel revenue growth estimated at 16% YoY.

RISKS TO OUR CALL

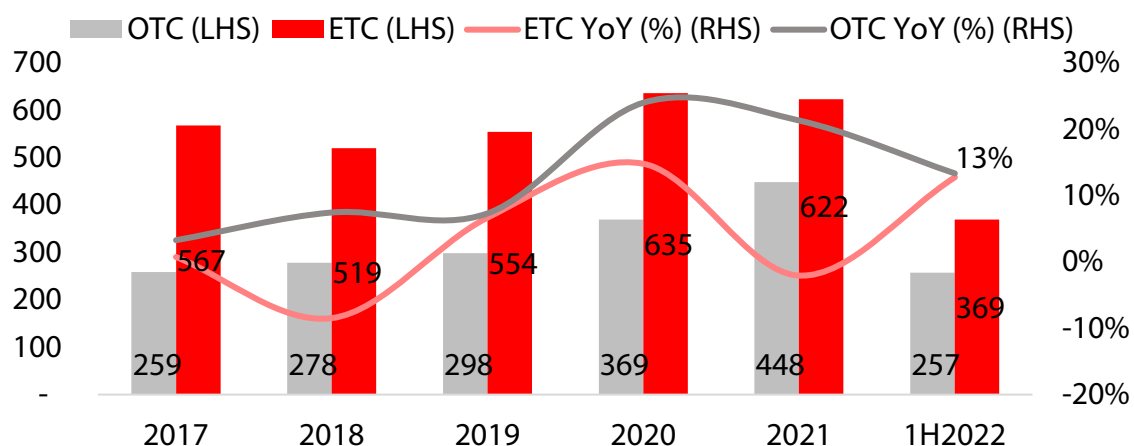
- Anti-cancer plant EU-GMP approval process may take longer than expected.

Figure 1: Quarterly Revenue



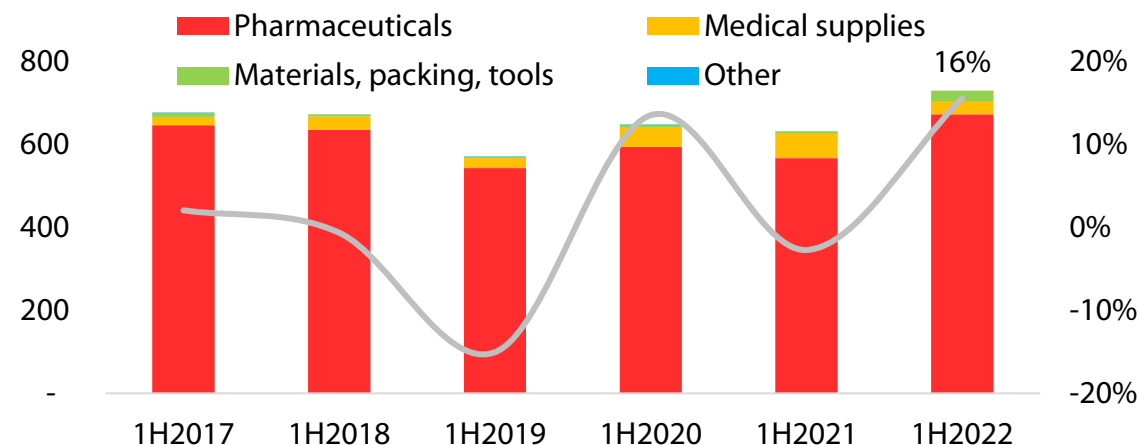
Source: DBD, Rong Viet Securities

Figure 3: Pharmaceutical revenue by channels (VND Bn)



Source: DBD, Rong Viet Securities

Figure 2: Revenue by product 1H2022 (VND Bn)

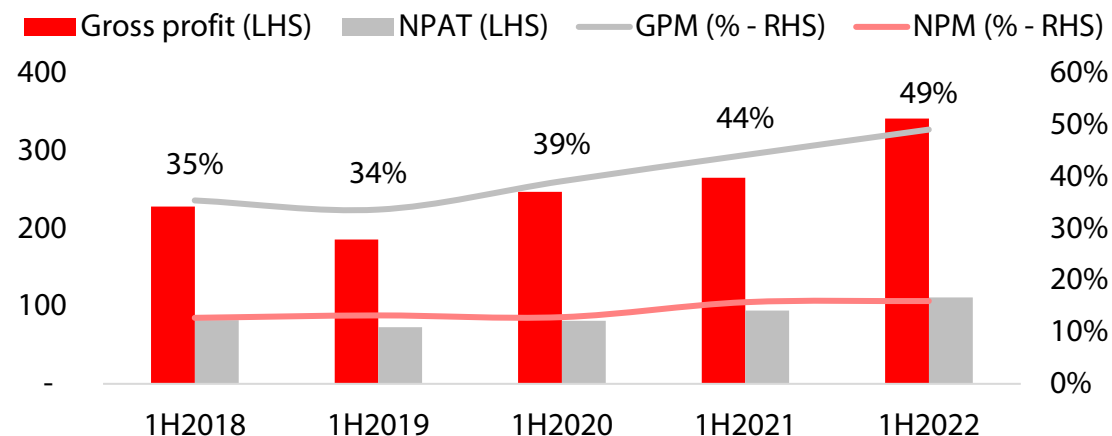


Source: DBD, Rong Viet Securities

1H2022 revenue is positive, both ETC and OTC channels continue to grow.

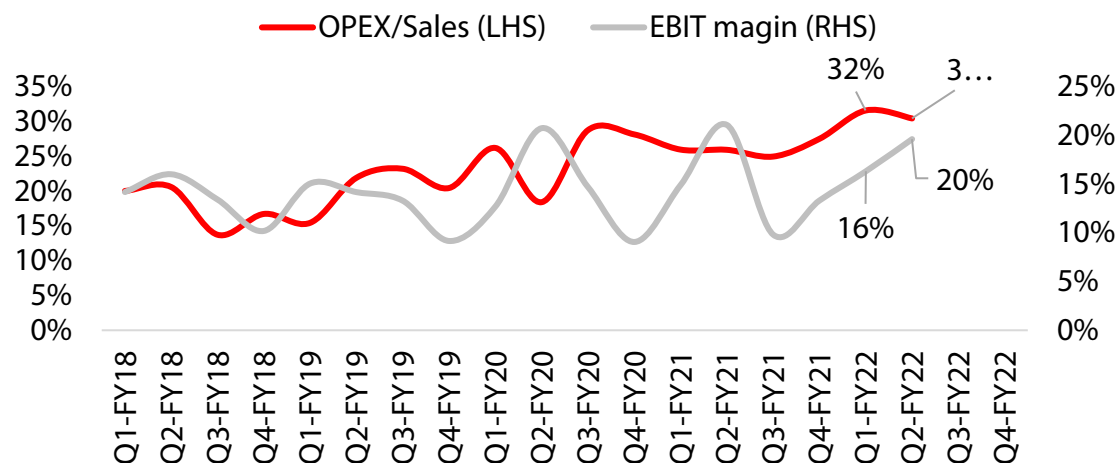
- Net revenue and EBT reached VND 695 billion (+16% YoY) and VND 215 billion (+17% YoY), respectively, completing 43% and 63% of the year target, respectively.
- ETC revenue recovered again, recording VND369 billion (+12.7% YoY) and accounted for about 55% of DBD's manufactured pharmaceutical sales.
- OTC revenue slowed down to VND 257 billion (+13.3% YoY), accounting for the remaining 45%.

Figure 4: Business results (VND Bn)



Source: DBD, Rong Viet Securities

Figure 5: OPEX/Sales is decreased to help expanding EBIT margin



Source: DBD, Rong Viet Securities

Gross profit margin increased slightly thanks to key products

- Revenue in 1H2022 of products with large gross margin on ETC channel such as cancer drugs, kidney solutions and injectable antibiotics grew by 36% YoY, 34% YoY, 17% YoY respectively, helping to improve gross profit margin. up 49% (+500 bps).
- We forecast GPM will improve in Q3/2022 sply, staying around 50%.

The strategy of "selling points" to "selling covering" in the period of 2021 – 2025

- Instead of focusing on the ETC channel and the biggest pharmacies as before, DBD focuses more on product brands, increasing its presence at retail points. DBD recorded 1H2022 selling expenses increased by 45 billion dong (+37% YoY). In which, expenses for sales staff and advertising expenses accounted for 58% and 36% respectively.
- The company has driven the number of retailers to increase from about 8,000 in 2020 to 14,800 in 2021. Accumulated 7M2022, DBD has developed 17,500 customers, of which the rate of returning customers in 2021 is up to 85%. DBD expects to maintain the current market expansion rate, possibly reaching 19,000 customers by 2022. The long-term goal is to reach 30,000 customers by 2025.

AUTOMOTIVE & SPARE PARTS

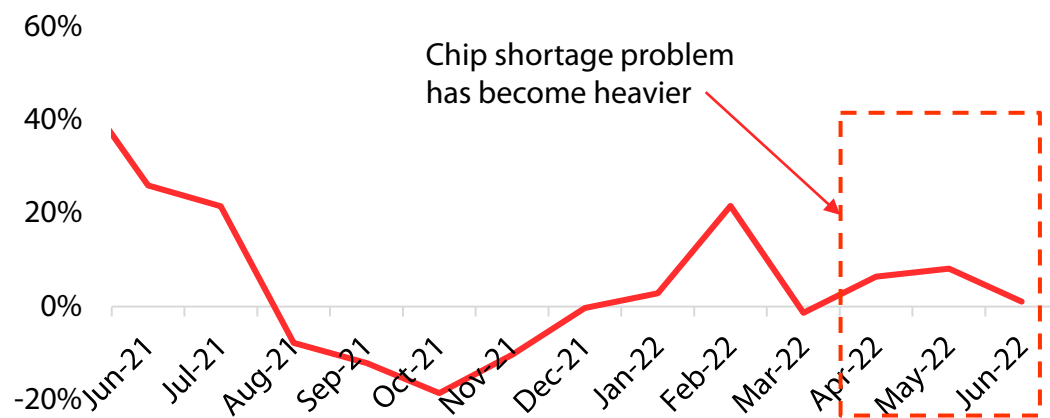
**HIGHER PROFIT MARGIN IN
2H2022**



An Nguyen – an.ntn@vdsc.com.vn

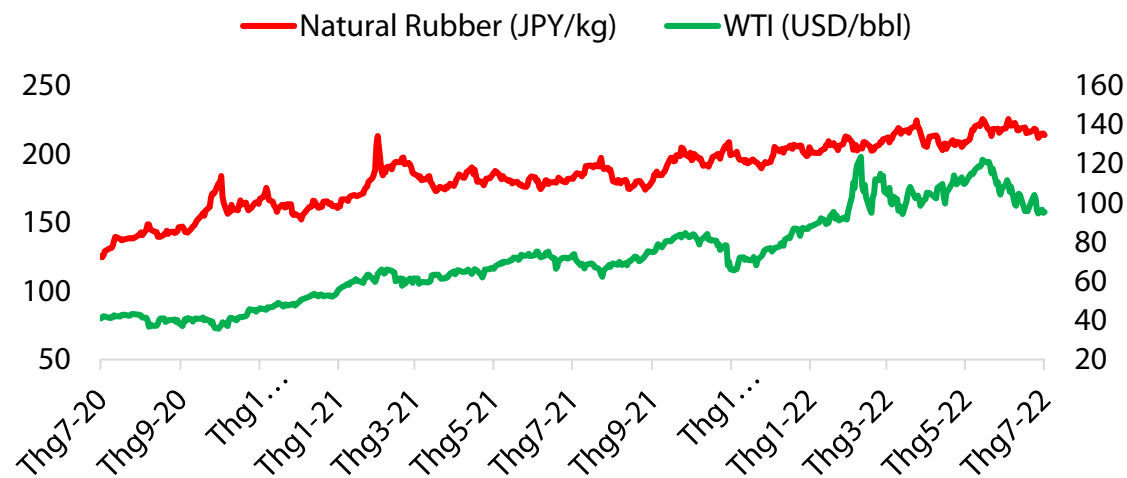


Figure 1: Vietnam's IIP of vehicles



Source: GSO, Rong Viet Securities

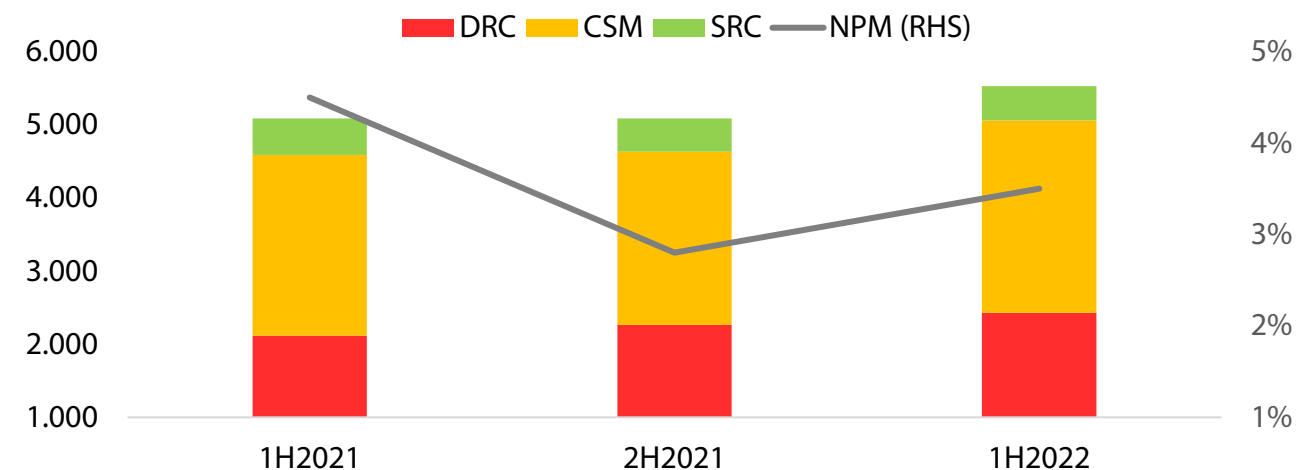
Figure 2: Prices of crude oil (USD/Bbl, RHS) and natural rubber (JPY/Kg, LHS)



Source: Bloomberg, Rong Viet Securities

- 1H2022 total net sales of Vietnam rubber-tyre manufacturers saw positive growth, supported by strong growth Q1 2022 while Q2 'sales were slower due to weak domestic demand. 1H2022 total net sales of Vietnam listed rubber-tyre producers (DRC, CSM, SRC) reached VND5,530 bn (+8.7% YoY, or USD 240 mn). We believe that Q2 2022 lower demand is due to slow vehicle production activities which were hit by 1) global chip shortage problem; and 2) the delay of the North-South expressway project phase 1. In Jun-2022, Vietnam's index of industrial production (IIP) of vehicles only rose by +1% YoY.
- Meanwhile, 1H2022 net profit saw negative growth due to rising costs, included input and logistic costs. Input costs were boosted by the strong increase of rubber prices, dragging down gross margin. Logistic costs put pressure on selling expenses. 1H2022 total net profit of Vietnam listed rubber-tyre producers was VND192 bn (-16.8% YoY, or USD 8 mn).

Figure 3: Sales (VND bn) and NPM (%) of DRC, CSM, SRC



Source: DRC, CSM, SRC, Rong Viet Securities

Table 1: The countries being taxed by Brazil's anti-dumping duties

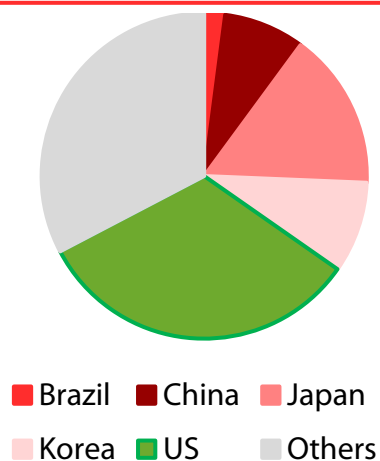
Affected countries (Mar-2021)	Affected tyre types	Anti-dumping duties rate
China	Truck and buses tyres	1,05 USD/kg – 2,59 USD/kg
Japan		0,32 USD/kg – 1,59 USD/kg
South Korea		
Russia		
Thailand		

Source: UN Comtrade, GECEX, Rong Viet Securities

Table 2: Tariffs on radial tires imported from Vietnam by the U.S.

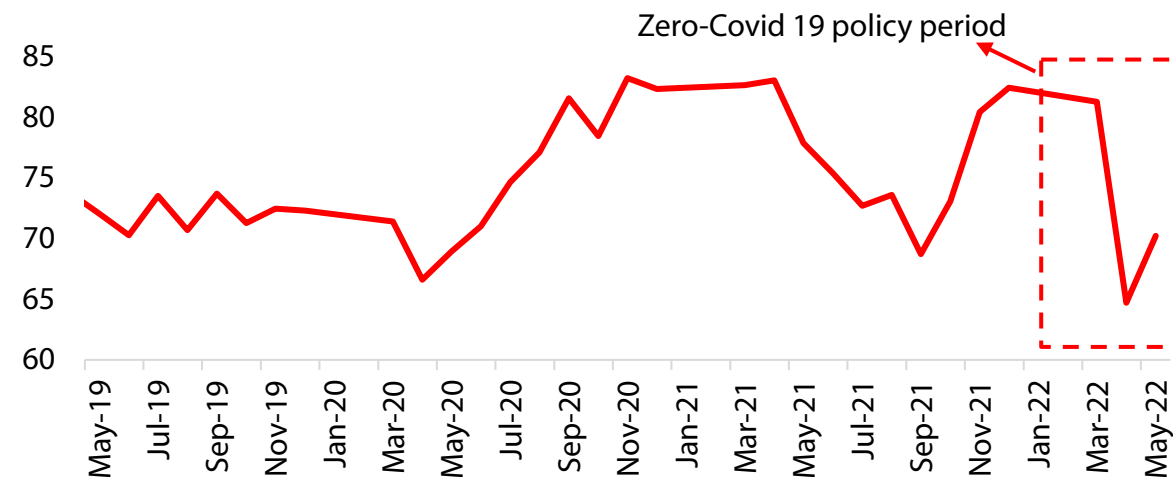
Affected tyre types	Anti-dumping tax rate	Anti-subsidies tax rate
Cars (PCR) and light trucks (LTR)	0%	6,23% - 7,89%

Source: D.O.C, Rong Viet Securities

Figure 4: Vietnam rubber products (included rubber tyre) export breakdown (1H2022)


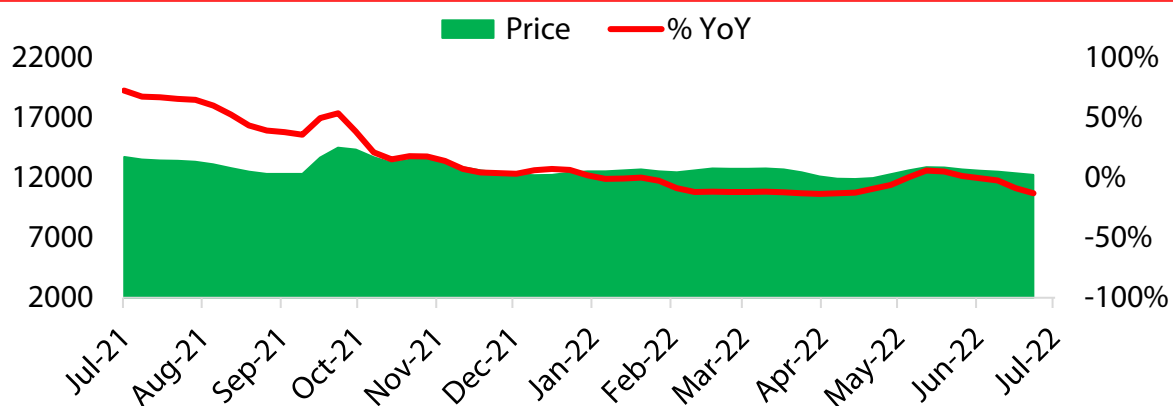
Source: General Department of Customs, Rong Viet Securities

- Vietnam tyre producers are expected to gain more overseas customers in 2H2022 thanks to 1) lower tyre production from China - the largest exporter of rubber tyres in the world - due to Zero-Covid policy (5M2022 production declined by 11.2% YoY); 2) price competitive advantage from anti-dumping duties on imports of tyres from China in Brazil market in the period of Mar 2021 – 2026; and 3) removal of anti-dumping tax on Vietnam tyre exports to the U.S. since May-2021.
- Currently, the U.S. is imposing three tariffs on tires imported from China, including 10% import tax (for Vietnamese tires is only 4%), anti-subsidies and anti-dumping duties. Although there is a risk that the U.S. will reduce tax on Chinese tires, we believe that it can only reduce the import tax, while the rest two taxes will be remained until 2024 according to the WTO regulations. Therefore, the U.S. market still have opportunity growth for Vietnam tyre producers in the next two years.

Figure 5: China tyre production (mn unit)


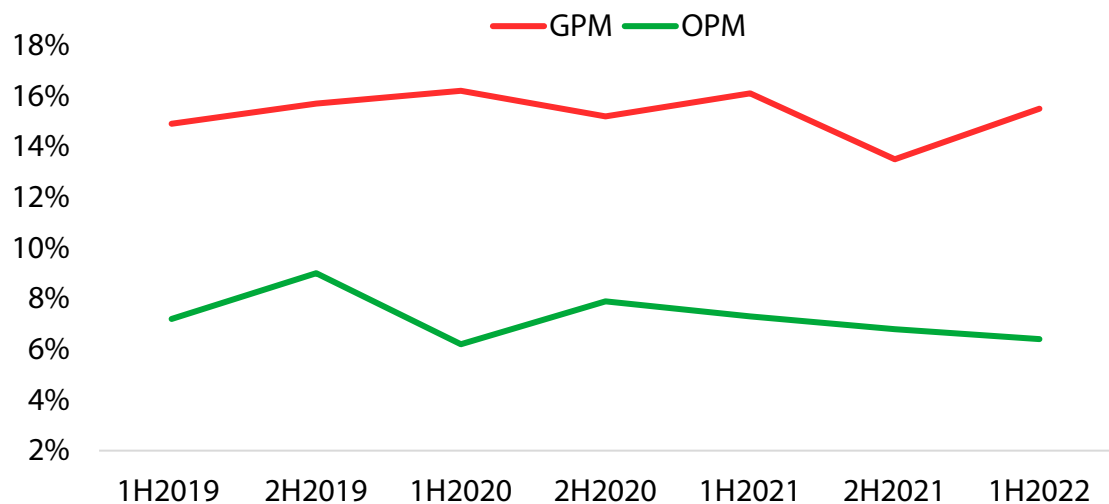
Source: Bloomberg, Rong Viet Securities

Figure 6: Prices of synthetic rubber (RMB/ton) and growth (%YoY, RHS)



Source: Bloomberg, Rong Viet Securities

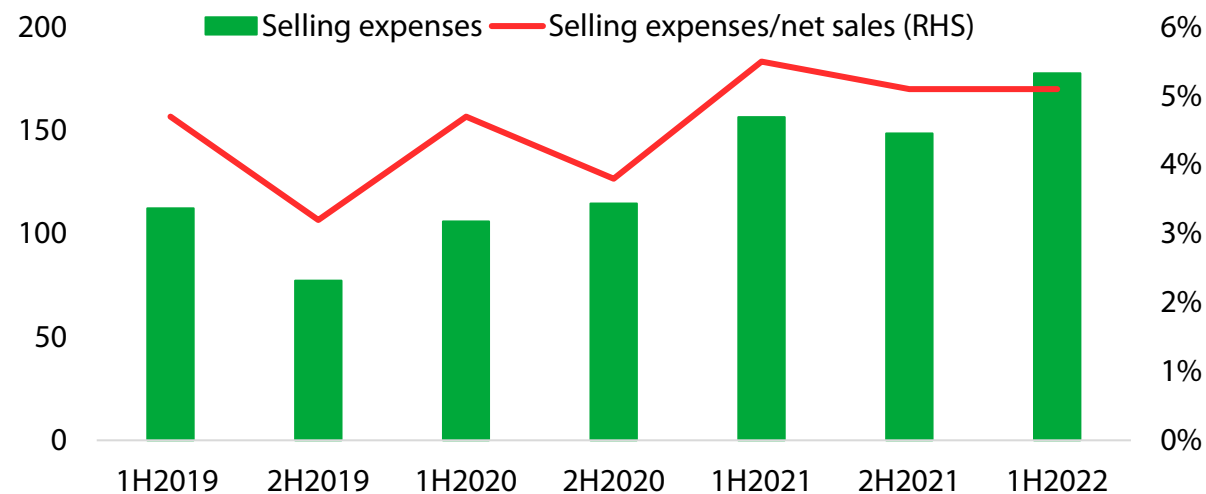
Figure 7: Gross margin and Operating margin of DRC, CSM, SRC (%)



Source: DRC, CSM, SRC, Rong Viet Securities

- We expect that prices of natural and synthetic rubbers – main input cost of tyre producers – to show a downward trend since 2H2022, driven by 1) expected downward adjustment of crude oil prices in the context of the U.S. announced that it will sell additional million barrels of oil from strategic reserves amid efforts to tame high energy prices; 2) lower rubber demand from China amid persistent coronavirus outbreaks; and 3) recovering rubber supply from major producing countries like Thailand and Vietnam since 2H2022. Because Vietnam rubber tyre producers usually purchase rubbers in 2H2022, 2H2022 gross margin will improve compared to 1H2022.
- Besides input prices, the crude oil also affect selling expenses via logistic costs. Therefore, the expected downtrend of crude oil prices will help to lower rising pressure on selling expenses, resulting in an improvement in operating margin and net profit margin as well.

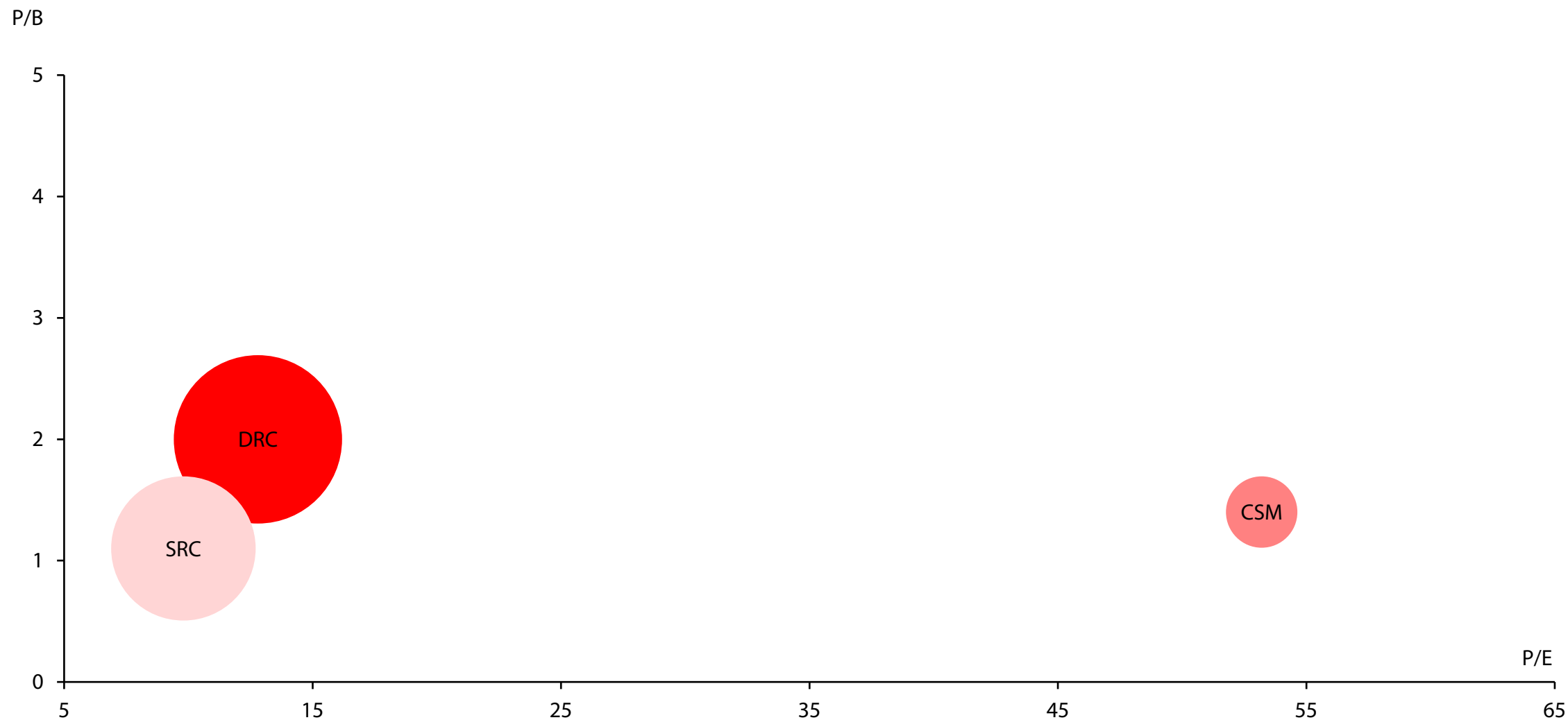
Figure 8: Selling expenses (VND bn) and expenses/net sales ratio (%) of DRC, CSM, SRC



Source: DRC, CSM, SRC, Rong Viet Securities

Ticker	Market cap (VND bn)	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	3,457	34,700	-4.7%	-24.8%	9.4%	5.8%	-20.6%	5.8%	8.9%	15.6%	5.6%	12.3	1.9
CSM	1,772	N/A	0.6%	-13.8%	7.8%	-26.3%	-33.7%	0.7%	0.8%	2.6%	0%	55.9	14.9
SRC	473	N/A	-7.4%	-22.8%	9.3%	-24.8%	-65.0%	5.2%	3.7%	11.2%	5.8%	9.6	1.1

Source: Fiinpro, Rong Viet Securities. Share price as of 10 August 2022.

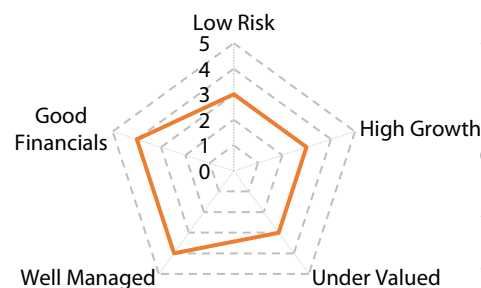
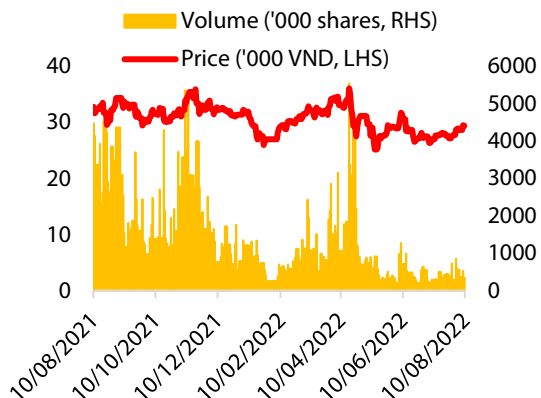


Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 10 August 2022.

<BUY: +23%>

<MP: 29,100>

<TP: 34,700>



STOCK INFO

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

FINANCIALS

		2021A	2022F	2023F
Automotive & Spare parts	Revenue (VND bn)	4,380	5,147	5,966
	NPAT-MI (VND bn)	291	306	360
148	ROA (%)	9.2	9.3	9.3
119	ROE (%)	16.4	16.1	17.3
423	EPS (VND)	2,205	2,317	2,729
	Book Value (VND)	14,934	16,021	17,478
0.6	Cash dividend (VND)	1,500	1,200	1,200
39.9	P/E (x)	13.0	12.4	10.5
25.0 – 38.9	P/B (x)	1.9	1.8	1.6

INVESTMENT RATIONALE

Sales value is expected to show double-digit growth in the next three years, by +17.5% YoY to VND5,147 bn (or USD 220 mn) in 2022.

- Tire exports to foreign markets will grow strongly due to the recovery in demand after Covid-19 pandemic, led by Brazil and the U.S. market (accounting for more than 60% of DRC's annual revenue). DRC is one of the companies that is exempt from anti-dumping duties in both Brazil and the U.S. markets from 2021 to 2026 for Brazil and 2024 for the U.S., so we expect DRC's tire consumption in these two markets to increase sharply since 2022.
- Domestic sales are expected to recover since 2023. The main reason is that North-South Expressway project is expected to be completed in Q3 2022 instead of 2021. We believe that this project will encourage logistic activities across Vietnam, thereby boosting the demand for rubber tires, especially radial tires, from Q4 2022 and onwards because radial tires is the best suited for expressway use.

Net profit margin is expected to bottom-out since Q3 2022, together higher contribution from domestic market, 2023 net profit is expected to approximately back to the peak in 2016.

- Rubber prices are expected to remain stable in 2H2022 after strong increase in 1H2022. Along with higher average selling price, we expect gross margin will bottom-out since Q3 2022. Moreover, we expect that the proportion of domestic market in total revenue will gradually increase since 2023. Because domestic market has higher profit margin than export market, we believe that net profit will approximately back to the peak of 2016 in 2023, then exceeding in 2024.

RISKS TO OUR CALL

Unexpected strong increase in crude oil prices which will lead to the rise of input costs and logistic costs also.

Rising production costs and logistic costs destroyed strong sales growth.

- In 1H2022, DRC 's net sales was VND2,432 bn (+14.9% YoY, or USD 220 mn), mainly driven by export sales (Table 1). In the advantage of exemption from anti-dumping duties in Brazil and the U.S. markets, strong tire demand after Covid-19 pandemic pushed total sales of DRC up. The sales of Brazil and the U.S market took 53% and 13% of 1H2022 export sales of DRC, respectively.
- However, 1H2022 production costs surged at a higher pace than revenue, resulting in a modest growth by +3.2% YoY to VND405 bn (or USD 18 mn) in gross profit. The surging crude oil prices led to the increase in the production costs, including rubbers which occupying by ~60% of total production cost. Although DRC raised its average selling price by +7% YTD in Apr-2022, it only help to improve 1H2022 gross margin higher than 2H2021, but still lower than the same period last year. 1H2022 gross margin was 16.7% (-180 bps YoY).
- Besides, rising crude oil prices also warm-up global logistic costs, thus giving higher pressure on DRC 's selling expenses in 1H2022, then dragging down "selling expenses/sales" ratio. As a result, DRC 's net profit post a growth of -11.9% YoY to VND150 bn, equivalent to net profit margin of 6.2% (-180 bps YoY).

Table 2: DRC 's periods of increase in average selling price

	Mar-2021	Jul-2021	Q4-2021	Apr-2022	Aug-2022
The rising rate of ASP compared to the latest increase (%)	3	3	5	7	3

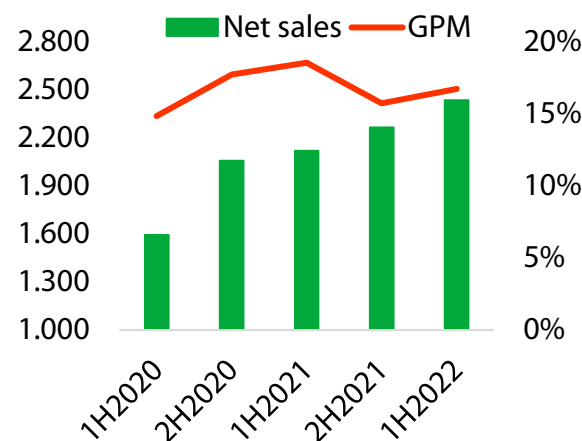
Source: DRC, Rong Viet Securities

Table 1: DRC 's revenue by market (VND bn)

VND bn	2019	2020	2021	1H2021	1H2022
Export	1,732	1,746	2,458	1,047	1,357
% Growth YoY	29.6	0.8	40.8	56.7	29.6
Domestic	2,305	2,073	2,178	1,228	1,176
% Growth YoY	-4.5	-10.1	5.1	28.9	-4.2
Total sales	4,037	3,819	4,636	2,276	2,551
% Growth YoY	7.7	-5.4	21.4	34.7	12.1
Sales deduction	-179	-172	-256	-159	-120
% Growth YoY	-9.6	-3.9	48.8	143.9	-24.5
Net sales	3,858	3,647	4,380	2,117	2,432
% Growth YoY	8.7	-5.5	20.1	33.0	14.9

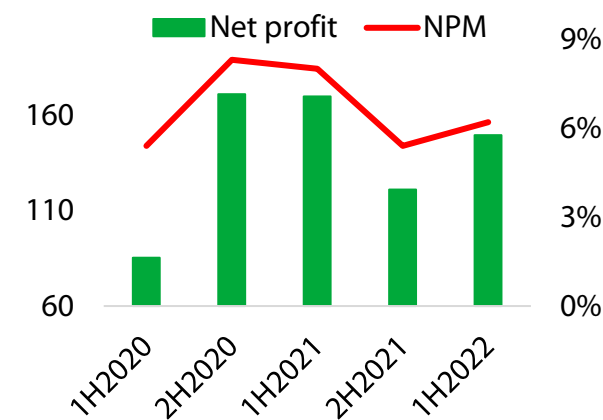
Source: DRC, Rong Viet Securities

Figure 1 : DRC 's net sales (VND bn, LHS) and GPM (% , RHS)



Source: DRC, Rong Viet Securities

Figure 2 : DRC 's net profit (VND bn, LHS) and NPM (% , RHS)



Source: DRC, Rong Viet Securities

DRC 's export channel is expected to show double-digit growth in 2022, driven by Brazil and the U.S. markets.

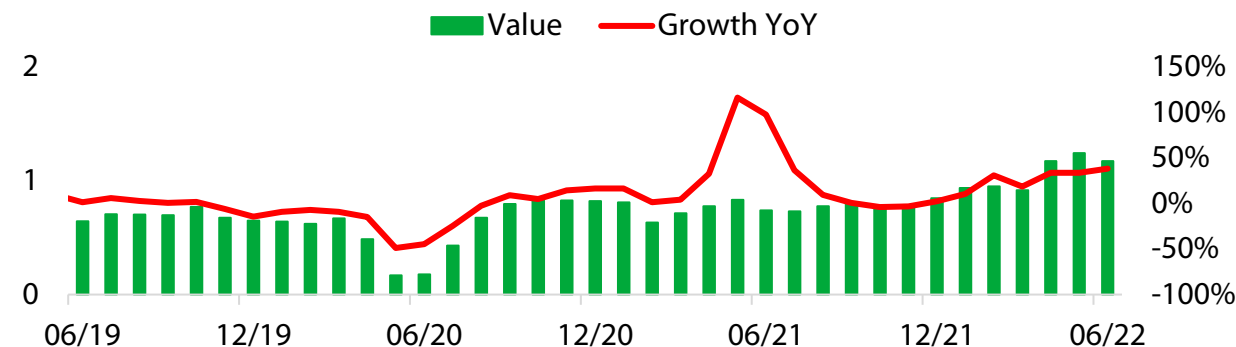
- Brazil – we expect this earning source to keep growing in 2H2022 and onwards due to two reasons, including 1) increasing demand of tire replacement, especially radial tire, as Brazilians is opting for personal mode of transportation for commuting after Covid-19 pandemic; and 2) re-operation of vehicle production activities in 2H2022 after chip shortage problem eases. According to Globalfleet, 2022 vehicle production of Brazil is expected to rise by +9.4% YoY in 2022. Currently, DRC is the top five tyre exporters to Brazil.
- The U.S. - we expect that tire demand in this market will increase strongly in 2H2022 thanks to 1) vehicle production rebounds from the pandemic; and 2) lower tire production from China due to Zero-Covid policy. Notably, passenger and medium truck/bus tyre – DRC 's unique products – is expected to lead the trend, mentioned by the US Tyre Manufacturers Association. 6M2022 total imported value of tire in the U.S. reached USD8.9 bn (+27.4% YoY).

DRC 's domestic channel is expected to be flat in 2022.

- Upcoming phase two of North-South expressway in Q4/2022. We suppose that the phase one will be completed within Q3 2022, enlarging the length of the expressway, then encouraging demand of radial tire since Q4 2022. After that, the phase two will be implemented, continuing to boost the demand for tires in the upcoming years.
- Pent-up demand due to Covid-19 pandemic, included OEM and replacement. The recovery of economic activities after social disruption will boost 2022 tyre demand.
- Increasing average selling price (ASP) by +3% in Aug-2022.

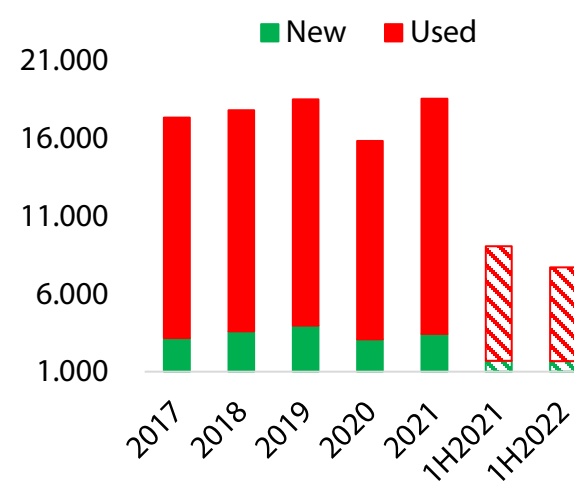
According to DRC, its radial tire plant is expected to reach ~125% production capacity, equivalent to 750,000 units, in 2022 due to strong demand.

Figure 3: United States imports of automotive tyres & tubes (USD bn, LHS) and growth (% YoY, RHS)



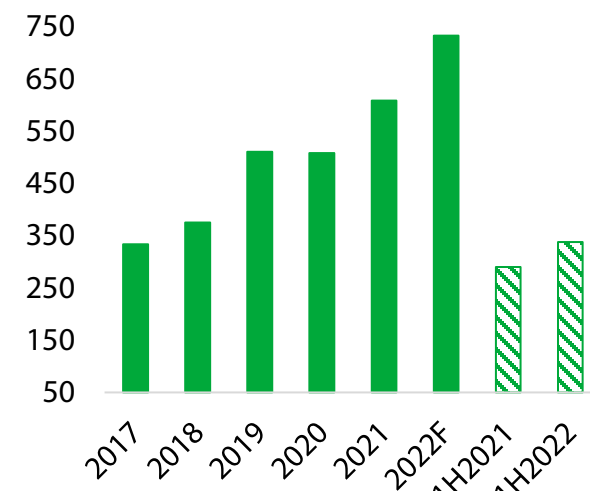
Source: U.S. Bureau of Economic Analysis (bea), Rong Viet Securities

Figure 4 : Brazil total vehicle sales ('000 unit)



Source: Fenabrave, Rong Viet Securities

Figure 5 : DRC 's radial tire production (VND '000 unit)



Source: DRC, Rong Viet Securities

Strong sale growth and easing crude oil prices supports positive growth in 2H2022 net profit

- We expect that crude oil prices will ease in 2H2022, together with higher ASP since Aug 2022, 2H2022 gross margin (GPM) will continue to improve. Moreover, 2H2022 “selling expenses/net sales” ratio is expected to be slightly lower than 1H2022 ‘s result thanks to lower pressure of rising logistic costs also. Consequently, operating profit margin and net profit margin will be higher.
- In the background of double-digit growth in top-line and the low base of Q3 2021 due to Covid-19 pandemic, we expect that DRC ‘s net profit will strongly recover since Q3 2022, then encouraging the strong growth of bottom line in 2H2022. As a result, 1H2022 negative profit growth will be totally compensated by 2H2022 double-digit net profit growth, leading to a positive growth in 2022 net profit. 2H2022 net profit is forecast to be VND159 bn (+31.4% YoY, or USD 7 mn).

Rising contribution from domestic market to total revenue since 2023 drives net profit to hike new peak since the last 10 years in 2024

- We expect that domestic sales will start to recover from 2023, following the completion of North-South expressway project and increasing logistic activities after Covid-19 pandemic. Because DRC will complete the phase 3 of radial plant in Aug-2023, we believe that domestic sales growth will become stronger in 2024, resulting in a higher proportion in total revenue. Because domestic market has higher profit margin than export market, we believe that net profit will approximately back to the peak of 2016 in 2023, then hiking new 10-years peak in 2024.

Figure 6: DRC ‘s “outside service expenses (included logistic cost)/sales” ratio (%)

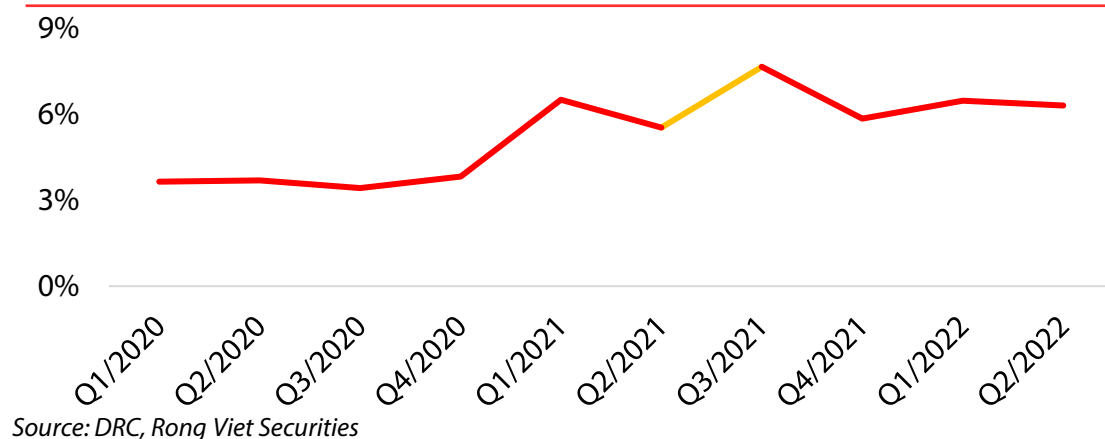
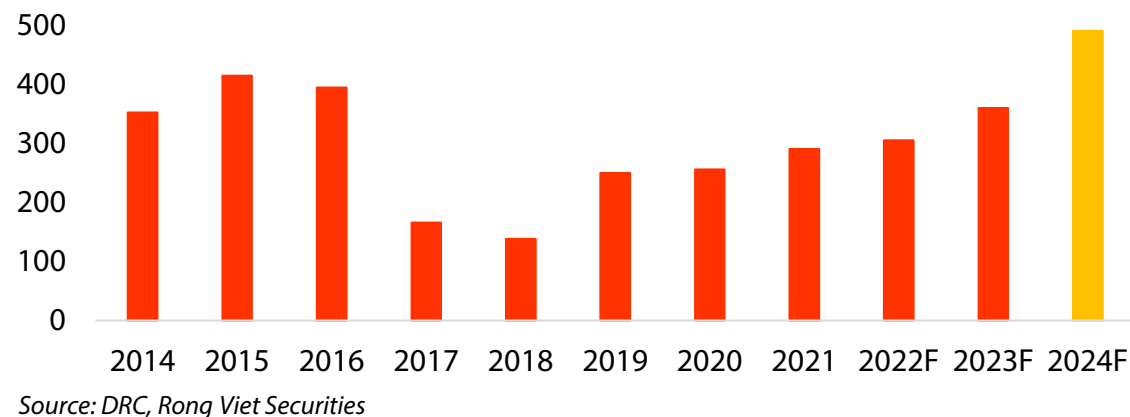


Figure 7: DRC ‘s net profit (VND bn)



<ACCUMULATED: +19%>

<MP: 22,700>

<TP: 26,500>

STOCK INFO

Sector

Market Cap (\$ mn)

Current Shares O/S (mn shares)

3M Avg. Volume (K)

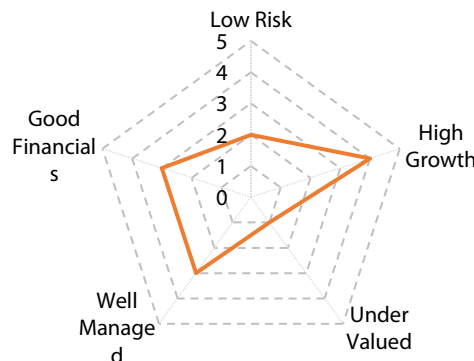
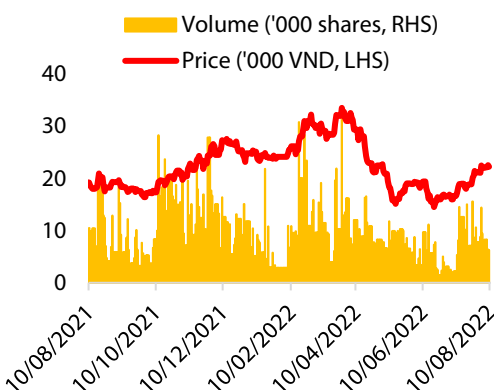
3M Avg. Trading Value (\$ mn)

Remaining foreign room (%)

52-week range ('000 VND)

FINANCIALS

		2021A	2022F	2023F
Automobile & Spare parts	Revenue (VND bn)	5,551	6,043	6,665
	NPAT-MI (VND bn)	160	280	306
	ROA (%)	12.5	17.7	15.9
	ROE (%)	22.6	29.4	25.1
	EPS (VND)	3,164	4,807	4,574
	Book Value (VND)	14,279	16,727	18,620
	Cash dividend (VND)	0	500	500
	P/E (x)	7.2	4.7	4.9
	P/B (x)	1.5	1.3	1.2



INVESTMENT RATIONALE

Both sales volume and prices increases in the period of 2022-2023.

- 2022 is a year of massive rollout of new Mercedes-Benz models with more than 30 new models are scheduled to arrive. Notably, in the launch schedule, expensive car lines (e.g., Maybach or G63) will be increasingly launched since Jul-2022, together with strong sales growth in 1H2022, the demand on Mercedes cars of mid and high-income people for the whole-year is expected to show an upward trend.
- Besides, the launching of "Can Tho" showroom helps to strengthen market share of HAX in the long-term since it is the first and only authorized dealer of Mercedes-Benz in Mekong Delta region.
- Mercedes car 's average selling price (ASP) is expected to jump thanks to 1) limited supply due to global chip shortage problem; 2) high demand; and 3) more luxury models. In 1H2022, Mercedes-Benz hiked cars ' prices by 8% YoY on average.

Double-digit growth in 2022 bottom line backed by higher profit margins and higher commission from Mercedes-Benz.

- Profit margins will be higher thanks to 1) higher ASP; and 2) absent of abnormal expenses related to Covid-19 pandemic.
- HAX is expected to receive higher commission from Mercedes-Benz in 2022 thanks to theirs strong sales in the period of 2021-2022. The company has not booked this earnings in 1H2022 yet. As a result, we believe that HAX will show a high double-digit growth in net profit in 2022.

RISKS TO OUR CALL

- Chip shortage problem would become serious, causing the supply of Mercedes cars to decrease, leading to the risk of not having goods for sale.

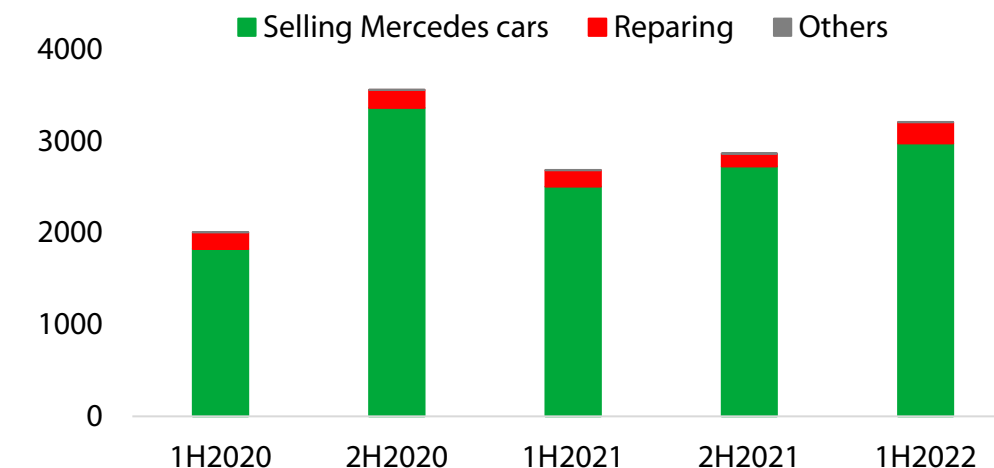
Increasing selling volume due to advantage of lower registration fees and rising private car demand after Covid-19 pandemic.

- In the advantage of 50% reduction in registration fees for domestically produced cars policy which expired in 1H2022, HAX presented +19.4% YoY in 1H2022 sales growth to VND3,207 bn (or USD 139 mn). The growth drivers are increasing in both selling volume and prices. The higher sales volume backed by the lower registration fees and rising private car demand after Covid-19 pandemic. In fact, 6M2022 total automobile sales of Vietnam Automobile Manufacturers' Association (VAMA) was 201,840 units (+34.4% YoY). Meanwhile, the higher average selling prices comes from limited supply due to global chip shortage problem.
- Mentioned by Mercedes-Benz Corp., they raised ASP by three times in 1H2022, +2% in Jan-2022; +3% in May-2022 and +3% in Jun-2022 from the nearest price. Consequently, the selling prices of HAX increases also.

1H2022 profit margin close the last five year high.

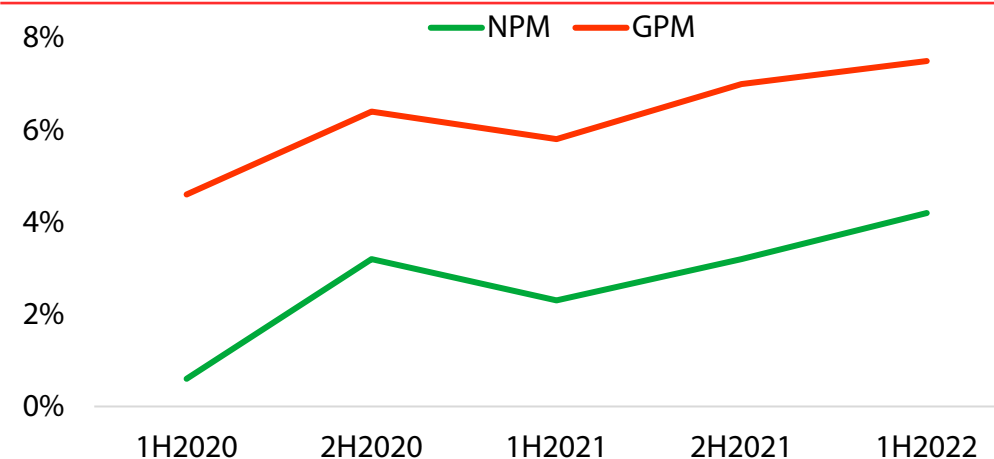
- 1H2022 gross profit reached VND240 bn (+54.6% YoY, USD509 mn), equivalent to gross margin (GPM) of 7.5% (+170 bps YoY) – near the highest since the last five years. The higher average selling price and lower promotion fees on selling prices are the primary factors. Notably, Q2 2022 gross margin was 8.6%, +220 bps higher than Q1 2022.
- 1H2022 NPAT was VND135 bn (+120% YoY, USD6 mn), equivalent to net profit margin (NPM) of 4.2% (+190 bps YoY). The higher financial profit from bank deposit 's interest (VND12.3 bn, or USD0.5 mn) enhanced net profit margin. In 1H2022, HAX has a short-term bank deposit of VND623 bn, partly financed by the convertible bond issuance (VND180 bn) and free cash from strong sales. The company does not have this account in the last ten years.

Figure 1: HAX's revenue breakdown (VND bn)



Source: HAX, Rong Viet Securities

Figure 2: HAX's Gross margin and net profit margin (%)



Source: HAX, Rong Viet Securities

Sales volume will strongly increase during the 2022-2023 period.

- According to Mercedes-Benz Corp., 2022 is the year marking the start of their new generation car with more luxury and a greater number of high-tech features. In the launch schedule in Vietnam, expensive car lines (e.g., Maybach or G63) will be increasingly launched since Jul-2022. In the background of supported lower registration fees; and increasing private car demand after Covid-19 pandemic, we believe that Mercedes cars' demand will show an upward trend in the period of 2022-23. Currently, there are only three Vietnam authorized Mercedes-Benz retailers, including Hang Xanh Motors Jsc (HSX: HAX), Andu and Vietnam Star, of which, HAX is the largest distributor with market share of ~38-40%. As a result, we believe that HAX will capture the increasing demand and prices of Mercedes-Benz cars. In fact, 7M2022 total quantity imported of Mercedes-Benz cars is 762 units (+67.5 %YoY).
- The opening of "Mercedes-Benz Haxaco Cần Thơ" showroom - the only authorized dealer of Mercedes-Benz in the Mekong Delta region - in Jul-2022 is expected to help HAX expand customer database, then strengthening market share. Can Tho city be one of the top 8 highest GDP per capita city in Vietnam in 2021. As a result, we believe that this is a new earnings source of HAX, encourage sales growth since 2H2022 and onwards.

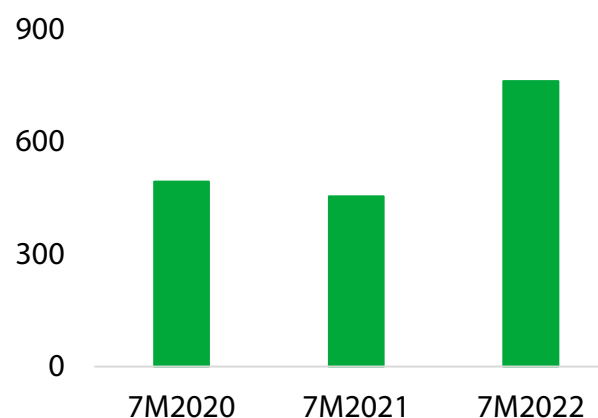
Average selling price (ASP) to jump due to low supply and more luxury models.

- 2H2022 ASP of Mercedes cars in Vietnam will be higher than 1H2022 thanks to the contribution of high-priced products. Although there is a risk that 2H2022 sales volume will be lower than that of 1H2022 because the policy of lower registration fees expired, we expect that higher ASP will totally compensate expected lower sale volume.

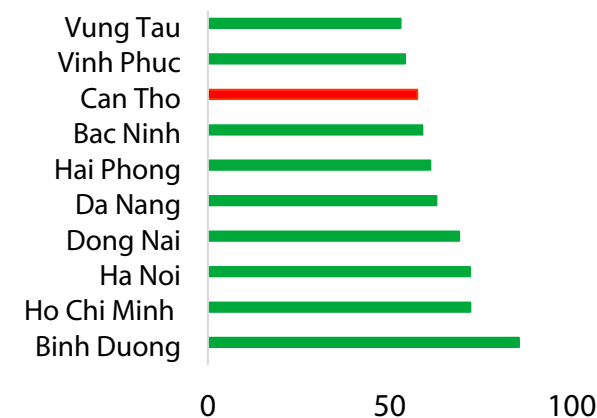
Table 1: Mercedes-Benz Vietnam launch schedule (2022)

	Apr	May	Jul	Aug	Oct	Nov	Dec
Compact Car	All new C-Class						
Contemporary Luxury				Maybach S689 4Matic	Maybach S450 4Matic		
SUV			Maybach GLS 480 4Matic	GLE 450 Coupe			
EQ					All New EQS Class		
Mercedes AMG		GT 55 4Matic	GLA 45S 4Matic			G63	The All-New S-Class

Source: Mercedes-Benz Vietnam, Rong Viet Securities

Figure 3: Total quantity imported of Mercedes-Benz cars (units)


Source: General Department of Customs, Rong Viet Securities

Figure 4: Top 10 Vietnam highest GDP per capita/year city in 2021 (VND mn)


Source: GSO, Rong Viet Securities

2022 profit margins will be higher than 2021 numbers thanks to higher average selling prices and higher commission from Mercedes-Benz

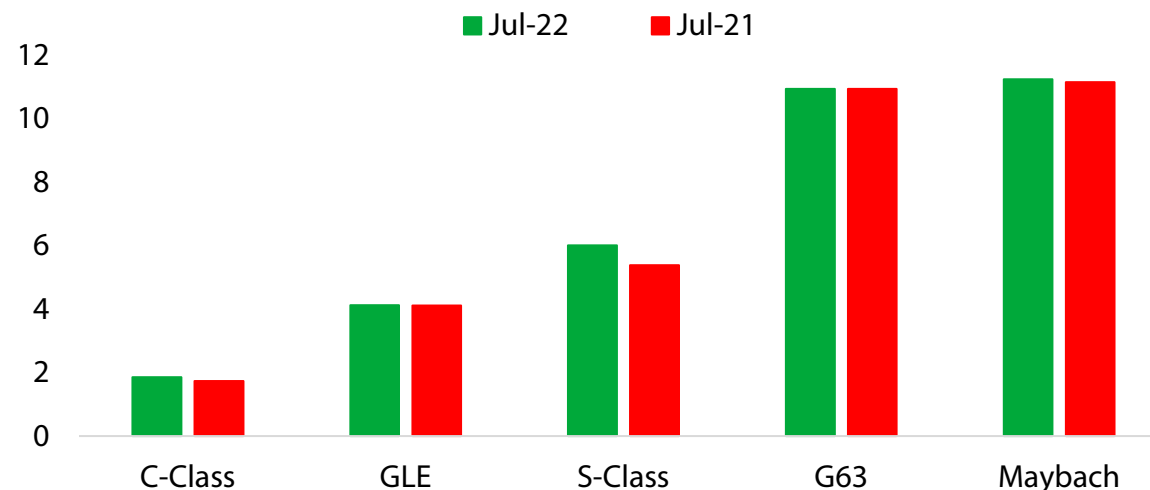
- In 2022, HAX's production costs is expected to increase at a slower pace than revenue owing to 1) higher average selling prices; 2) lower promotion fees on selling prices; and 3) the absence of expenses related to Covid-19 pandemic (e.g., depreciation cost or some fix costs explained by HAX). In Q3 2021, HAX 's performance was destroyed due to the lockdown policy amid Covid-19 pandemic with net profit of VND -33 bn. Therefore, we believe that Q3 2022 net profit of HAX will show a strong growth since they do not bear these expenses as previous, then supporting whole year's bottom line.
- In addition, HAX is expected to receive higher commission from Mercedes-Benz in 2022 thanks to theirs strong sales in the period of 2021-2022. Because the company has not recorded this earnings in 1H2022 financial statement yet, we expect that they will book within 2H2022. As a result, we believe that HAX will show a high double-digit growth in 2022 net profit.

Table 2: Mercedes-Benz's periods of increase in global ASP (%)

%	2021	Jan-2022	May-2022	Jun-2022
The rising rate of ASP compared to the latest increase	5%	2%	3%	3%

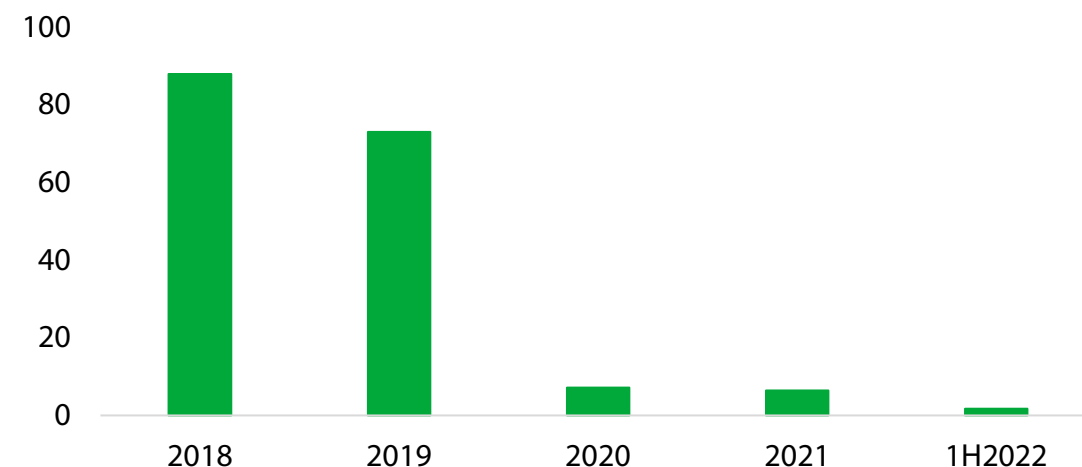
Source: Rong Viet Securities

Figure 5: ASP of Vietnam Mercedes car lines in Jul-2022 (VND bn)



Source: Rong Viet Securities

Figure 6: HAX's commission from Mercedes-Benz (VND bn)



Source: HAX, Rong Viet Securities

SEAFOOD

FACING UNCERTAINTY FROM THE DEMAND SIDE

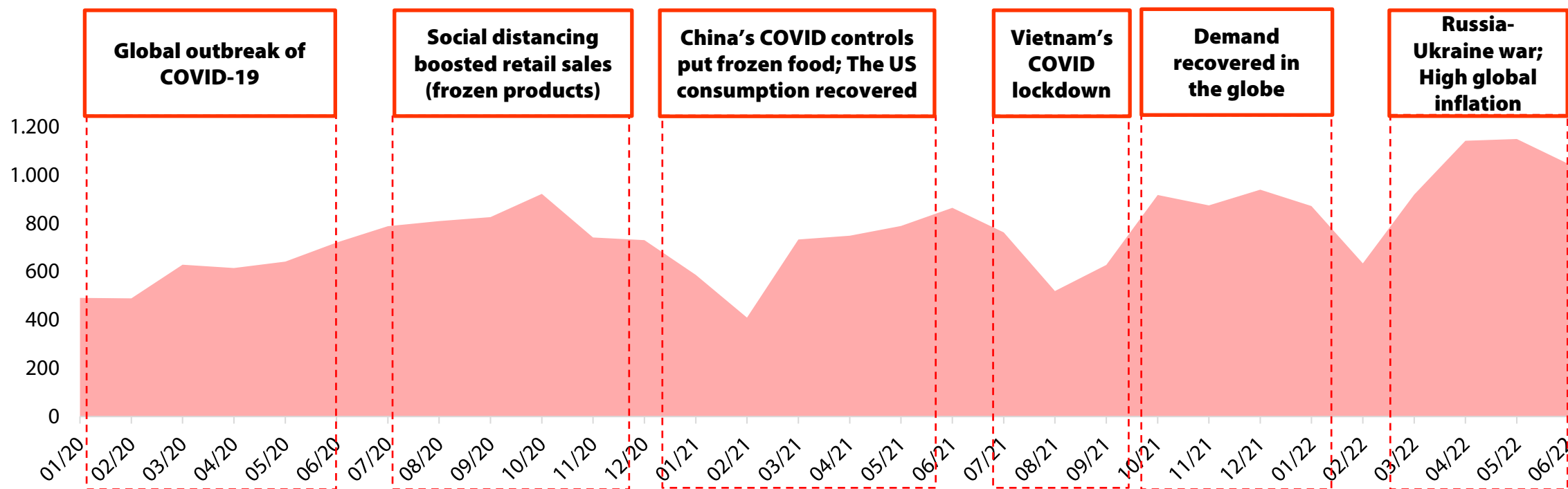


Loan Nguyen – loan.nh@vdsc.com.vn



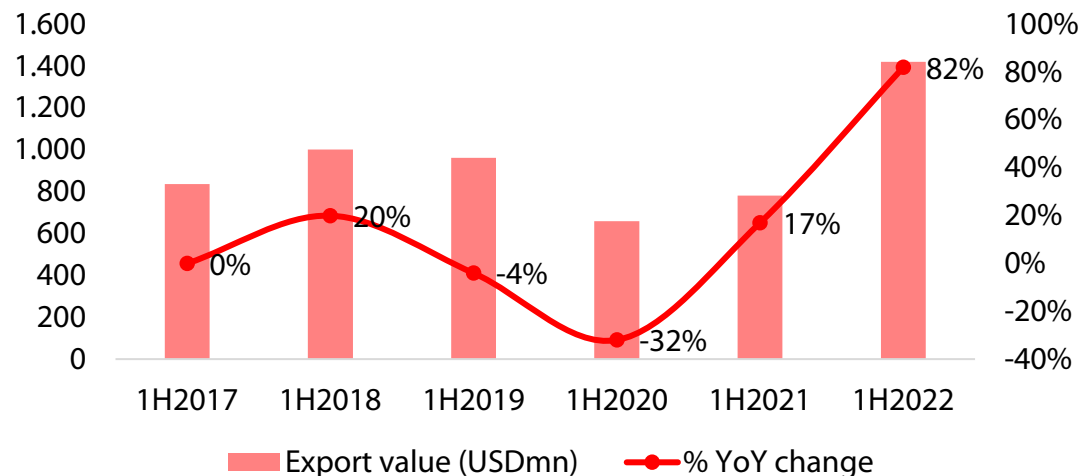
- In 1H2022, Vietnam's seafood exports were more than USD 5.7 billion, skyrocketing 40% compared to 1H2021, driven by: (1) High demand after many importing countries reopened their economies; (2) Global shortage of seafood, especially whitefish due to sanctions against Russia in the EU and US; (3) High inflation in major countries boosted consumption towards essential goods, especially cheap-priced products.
- Pangasius export value soared 82% YoY, stronger than an increase of 31% YoY of shrimp export value as demand for pangasius increased strongly after two-year of slowing down, especially in the context of global whitefish shortage, whereas shrimp export value has been stable over the past five years. Moreover, the shortage of domestic raw pangasius materials also pushed selling prices up significantly in 1H2022.

Figure 1: Vietnam's seafood export value and respective key events in 2020 – 2022 (USD Mn)



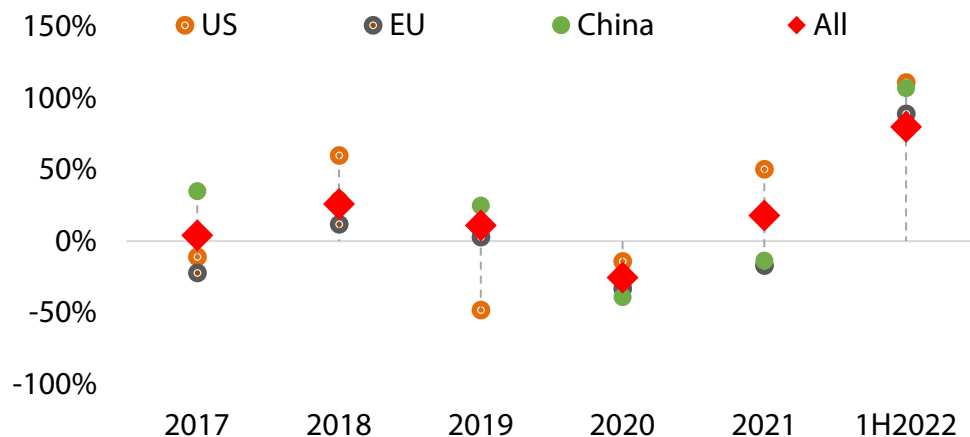
Source: VASEP, Rong Viet Securities

Figure 2: Pangasius export value grew 82% YoY in 1H 2022 (USDMn)



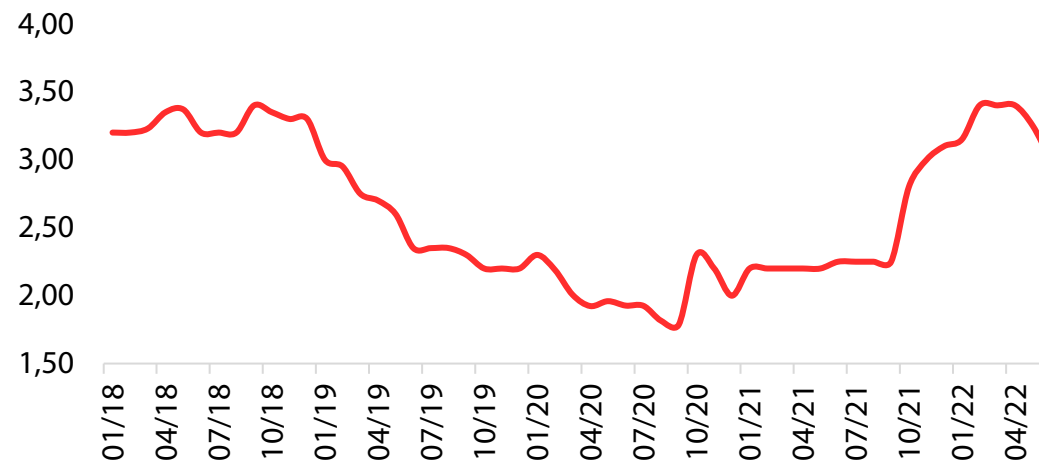
Source: VASEP, Rong Viet Securities

Figure 3: All markets recorded at least double-digit growth in export value



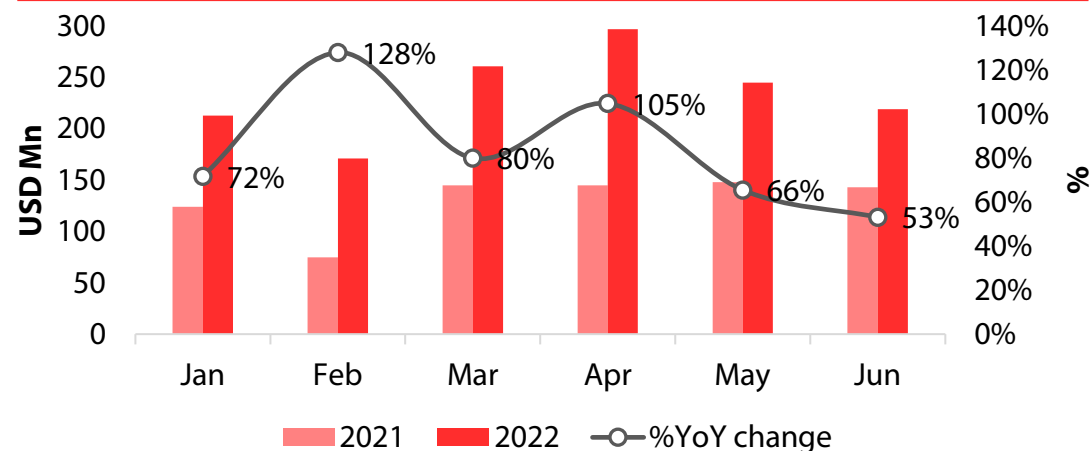
Source: VASEP, Rong Viet Securities

Figure 4: Selling prices surpass the 2018 peak, but started to decrease in May 2022 (USD/kg)



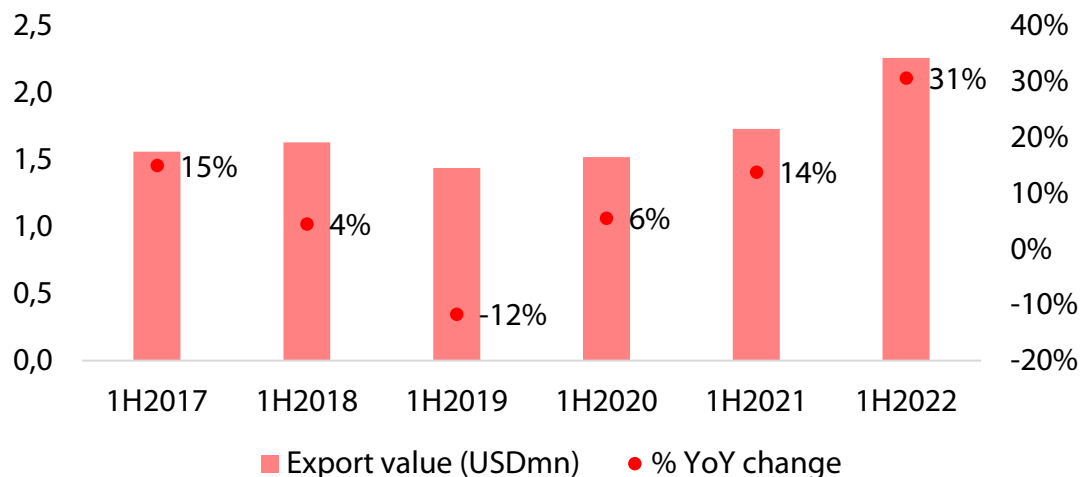
Source: AgroMonitor, Rong Viet Securities

Figure 5: Export value peaked in April 2022 (USD Mn)



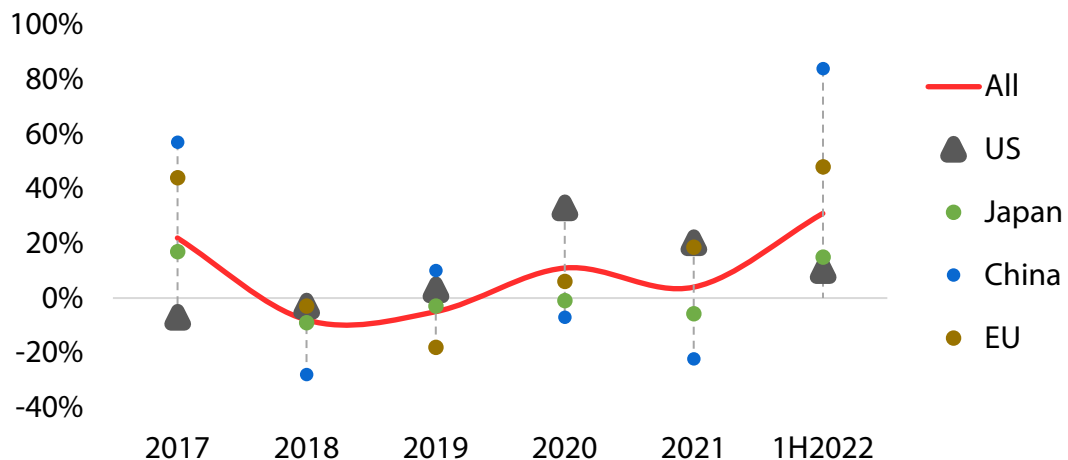
Source: VASEP, Rong Viet Securities

Figure 6: Shrimp export value grew 31% YoY (USD Mn)



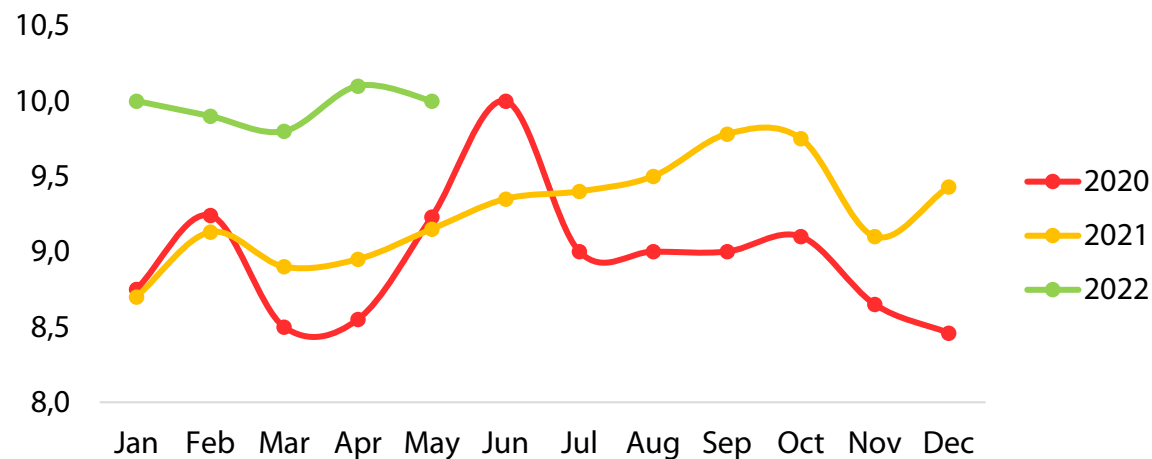
Source: VASEP, Rong Viet Securities

Figure 7: US slowed down while China and EU grew strongly



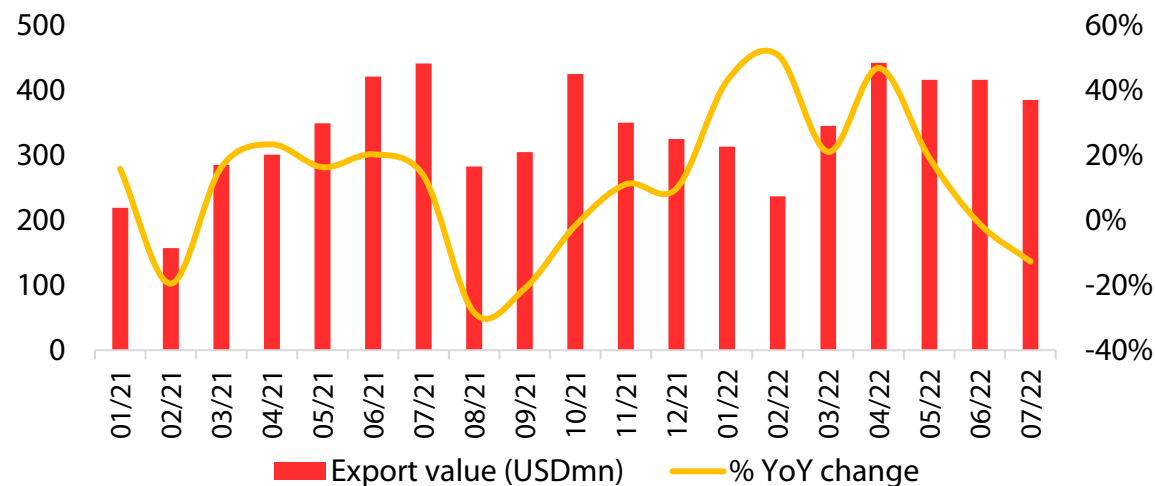
Source: VASEP, Rong Viet Securities

Figure 8: Selling prices continue to rise (USD/kg)



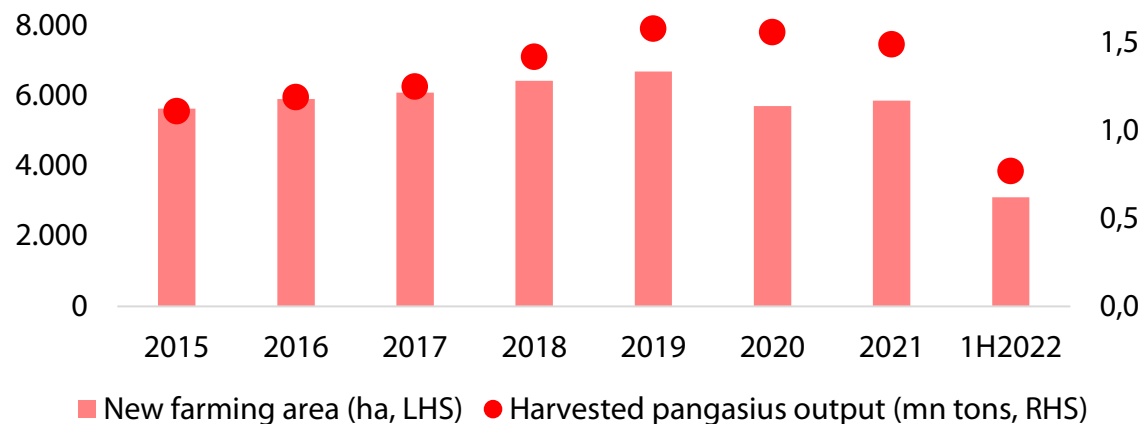
Source: MoIT, Rong Viet Securities

Figure 9: Export value cooled down from May 2022 (USD Mn)



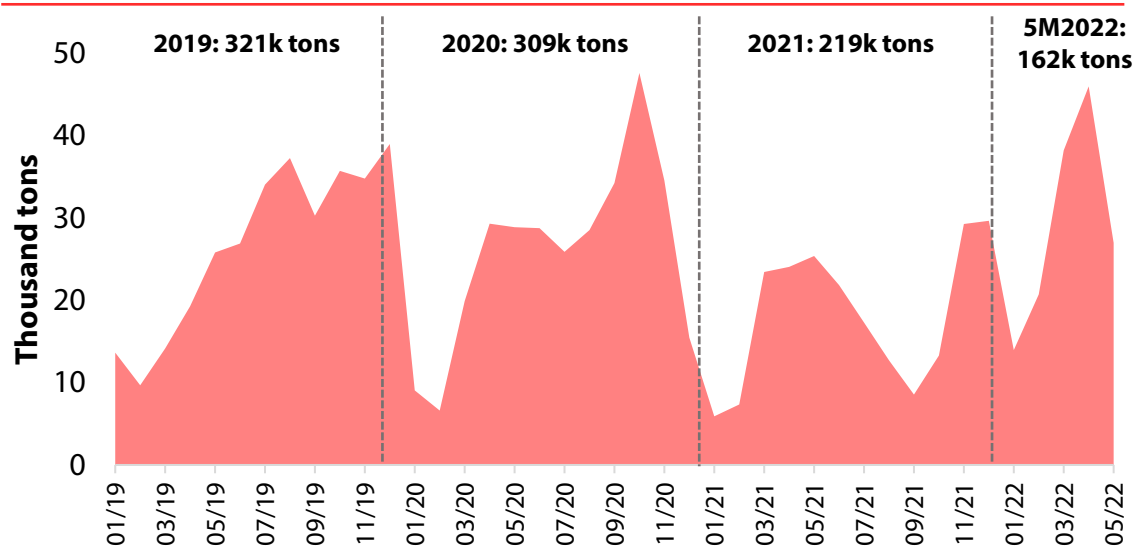
Source: VASEP, Rong Viet Securities

Figure 10: New farming area and pangasius output in Vietnam



Source: MoIT, Rong Viet Securities

Figure 11: Vietnam's pangasius export volume to China



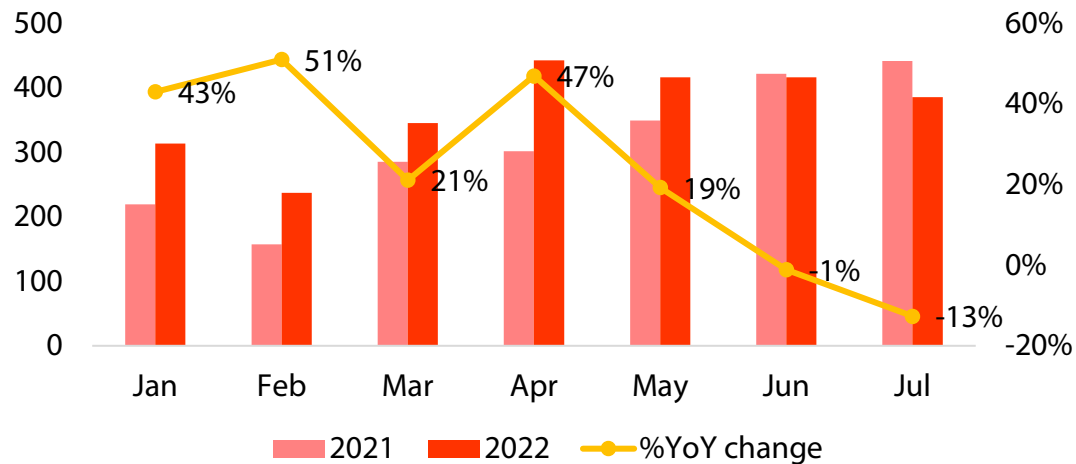
Source: AgroMonitor, Undercurrent News, Rong Viet Securities

Recalling that in 2H2021, the US market led Vietnam's pangasius exports while the Chinese market fell deeply, this situation will reverse in 2H2022. In general, we think that exports in 2H2022 will grow strongly YoY, but can face challenges from the demand side to grow HoH. However, China's reopening could be a potential catalyst.

- Setback in the US market: The outbreak of Russia's invasion of Ukraine triggered the US wholesalers to import seafood products massively while the on-going inflation has tightened customer spending, resulting in oversupply in 3Q2022.
- China could be a bright spot in 2H2022 since the reopening of the economy. Pent-up demand after two years of decreasing will be the engine for Vietnam's pangasius exports in 2H 2022.
- Demand from other markets could be stable in the context of high inflation and the need to boost spending on cheap-priced food products.

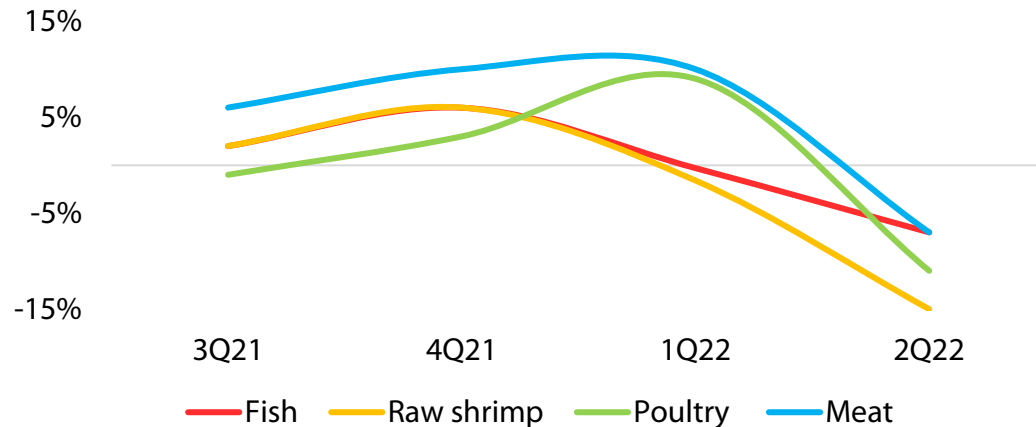
We expect the supply of raw materials to have less of a spike than in the 2018-2019 as high feed costs and the risk of falling demand have limited new stocking activities. Therefore, we think this will also anchor selling prices at a high level. 4Q2022 exports may increase again when importers solve inventory problems and increase stock for the holiday season in Q4.

Figure 12: Vietnam's monthly shrimp export value (USD Mn)



Source: VASEP, Rong Viet Securities

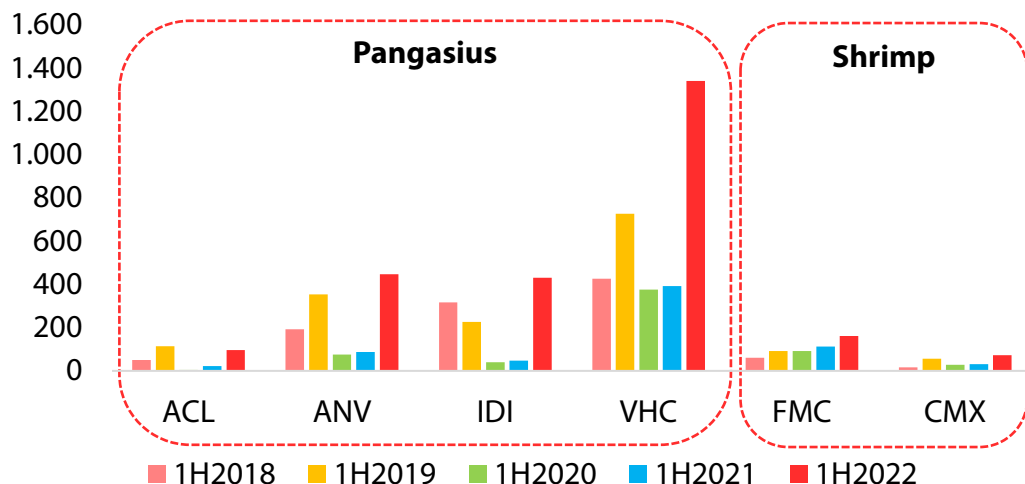
Figure 13: Change in frozen food sales by products in the US (%)



Source: IRI, Rong Viet Securities

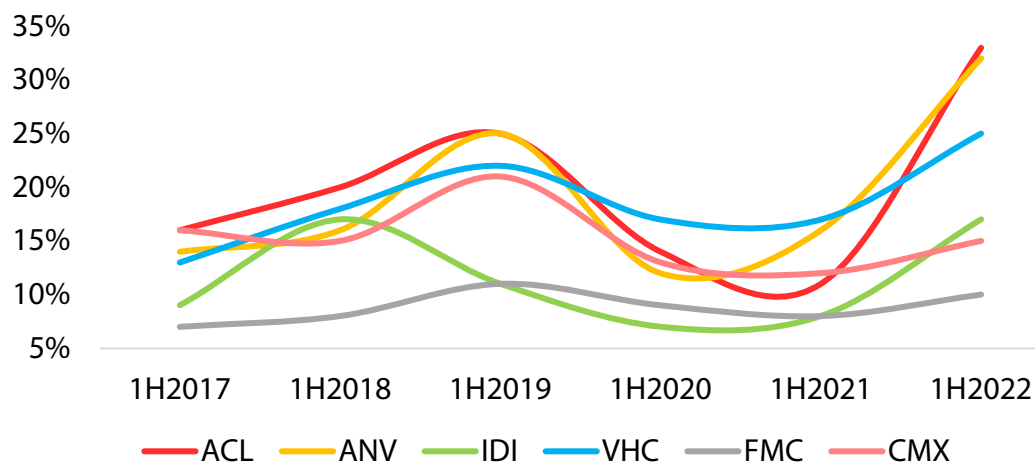
- The shrimp industry facing many obstacles in the second half of 2022: (1) high raw material prices due to shrimp diseases causing a decrease in supply, (2) fierce competition with Indian, Indonesian and Ecuadorian shrimps, (3) high global inflation causing tight spending with premium products such as shrimp, (4) increase in imports in the first half of 2022 has resulted in high shrimp inventories in the US and EU.
- Shrimp export value in July dropped 13% YoY, showing a clear sign of cooling-down demand.
- We expect that shrimp industry players will face a double impact from both supply and demand reduction in the second half of 2022, in contrast to the first half of 2022. The opening of the Chinese market is a positive factor, but most of the large listed shrimp companies (such as Minh Phu, Sao Ta) do not export to this market, instead to markets such as the US, EU, and Japan. This will make the business results of these shrimp companies likely to be negatively affected by the reduced demand from these markets.

Figure 14: 1H2022 NPAT of seafood companies (VND Bn)



Source: FiinPro, Rong Viet Securities

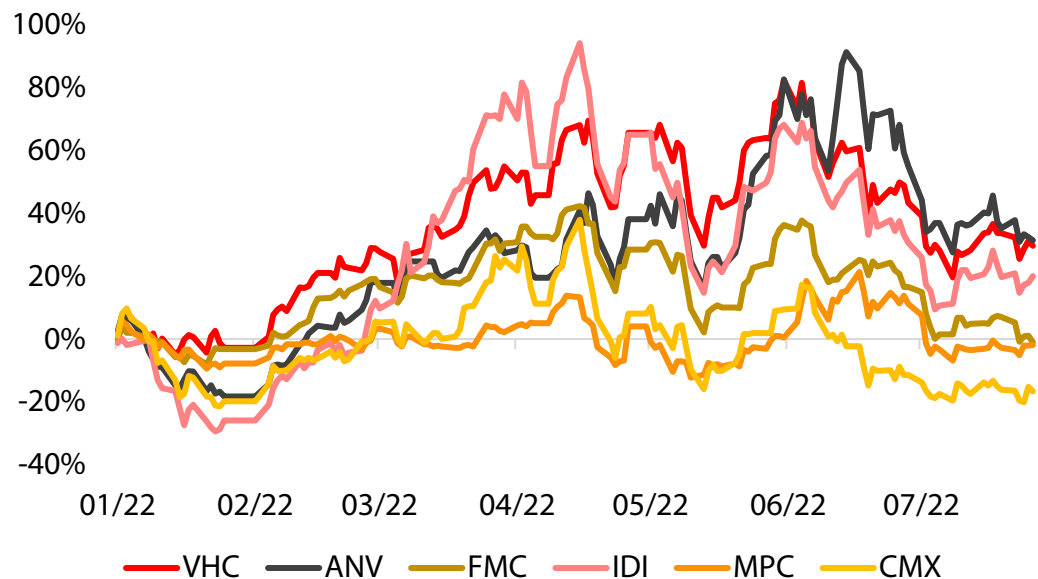
Figure 15: 1H2022 GPM of seafood companies (%)



Source: FiinPro, Rong Viet Securities

- In 1H2022, NPAT of all seafood companies recorded a stellar growth, exceeding the level of 2018-2019 period. GPM of pangasius companies expanded significantly from a low base while shrimp companies' GPM seemed more stable due to inherently stable price gap.
- Most seafood companies, except for VHC, witnessed a continuous rise of logistics costs. However, we expect these costs to decrease gradually in 2H2022 onwards along with the decline of global freight costs.
- The slowdown of seafood demand and the gross margin contraction due to declining selling prices are the headwinds that companies could face in 2H2022.
- We expect earnings in 2H2022 to be slower than the previous quarters, but still maintain double-digit growth YoY.
- Companies which are less dependent on the US market could still maintain the growth momentum in 2H2022.
- Logistic costs of many companies could start to slow down in 2H2022.

Figure 16: YTD stock price performance (%)



- Seafood companies witnessed an outstanding stock price performance in 1H2022, in line with strong business results, even amid the stock market correction.
- Stock prices of seafood companies started going down from June 2022 when exports showed signs of slowdown MoM, despite still growing YoY.
- Many stocks (VHC, ANV) saw P/E ratio dropped to five-year average. The downtrend in the industry may put pressure on stock prices in the short term, but a deeper decline in stock prices could be an opportunity for the long-term.

Figure 17: ANV's five-year PER

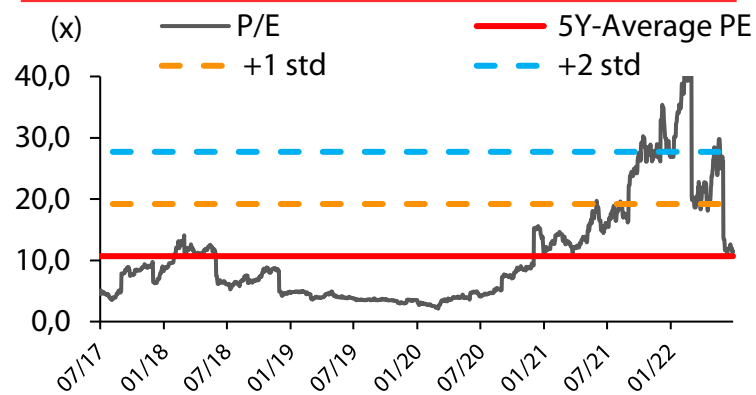


Figure 18: VHC's five-year PER

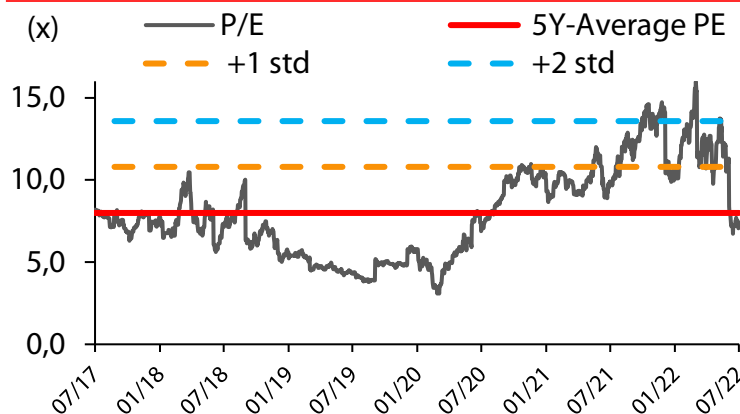
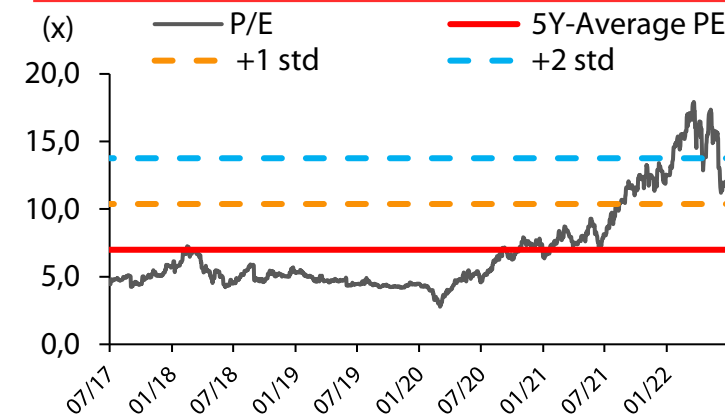


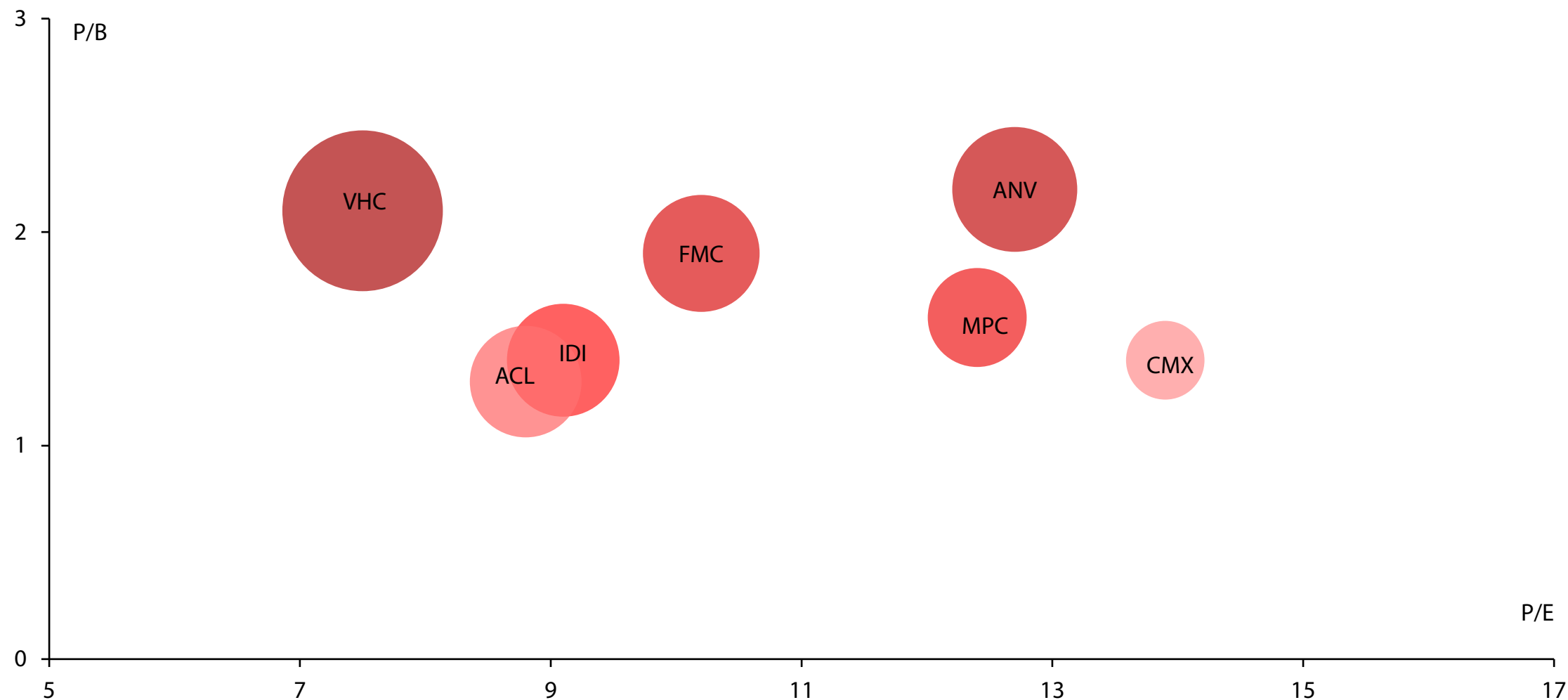
Figure 19: FMC's five-year PER



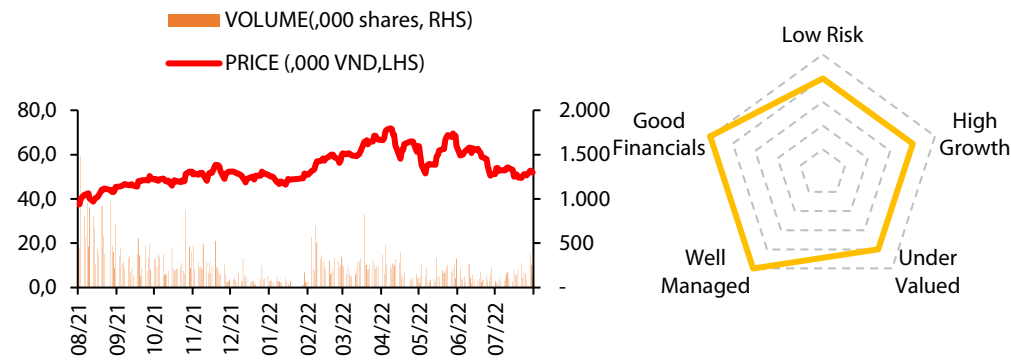
Source: Bloomberg, Rong Viet Securities

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)
VHC	658.7	91,000	80.4	174.8	21.0	19.2	201.5	16.7	21.1	32.1	2.4	7.5	2.1
ANV	265.2	52,500	20.5	100.3	17.2	13.1	913.7	11.5	9.6	19.4	2.0	12.6	2.2
FMC	145.9	60,500	21.6	22.0	6.8	5.7	50.4	5.7	11.2	17.0	3.8	10.2	1.9
IDI	201.8	N/A	30.4	82.2	11.7	8.3	843.7	7.8	6.7	15.6	7.2	9.1	1.4
MPC	377.9	N/A	36.4	-1.9	5.5	4.2	-20.8	4.0	6.5	12.2	4.7	12.4	1.6
CMX	67.3	N/A	29.8	35.2	8.0	5.4	111.6	4.6	3.8	7.7	0.0	13.9	1.4
ACL	44.1	N/A	-27.7	56.1	18.3	12.3	214.1	10.9	7.9	15.5	4.9	8.8	1.3

Source: Fiinpro, Rong Viet Securities. Share price as of 10 August 2022.



Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 10 August 2022.

BUY: +20%
<MP: 52,500>
<TP: 60,500>
STOCK INFO
FINANCIALS
2021A
2022F
2023F


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

Food & Beverage
Revenue (VND bn)
NPATMI VND bn)
ROA (%)
ROE (%)
EPS (VND)
Book Value (VND)
Cash dividend (VND)
P/E (x)
P/B (x)

5,199	6,105	6,873
267	340	395
9.9	13.2	14.5
15.0	18.8	20.9
5,025	5,222	6,069
27,413	27,951	28,851
2,000	2,000	2,000
9.6	9.6	8.2
1.6	2.2	2.1

INVESTMENT RATIONALES

Increasing shrimp volume driven by new factories

- We favor FMC's ability to flexibly switch customers among markets, helping its revenue to grow steadily over the past five years despite industry fluctuations. In 2H2022, we expect the slowdown of the US market will be offset by the increase of Japan market. We forecast 2H2022 revenue to reach VND3,361 bn (USD146 mn, +10% YoY) and NPAT to be VND185 bn (USD 8 mn, +15% YoY).
- Tam An factory which started operating in 1Q2022 is the main driver of 1H2022 revenue growth of 29% YoY. Sao Ta factory will come into operation in Sep 2022, adding 50% to total capacity. We expect the latter factory will boost FY2022-2025 shrimp volume by 13% per annum. Therefore, revenue is expected to reach a CAGR of 15% in FY2021-2025.

Improving gross margin due to cutting input costs and shifting product mix to value-added shrimp products

- We expect gross margin to improve from 10.2% in FY2021 to 11.7% in FY2025, driven by: (1) increasing its farming area from 270 ha in FY2021 to 322 ha/422 ha/525 ha in FY2022/2023/2025, respectively, raising the material self-supplied ratio to 30-40% compared to the current 20-25%; (2) shifting its product mix to value-added shrimp products with higher gross margin than frozen shrimp.
- NPAT is expected to grow at a CAGR of 22% in FY2021-20225.

Sound balance sheet and stable cash dividend provide attractive investment opportunity for long-term horizon

- Solid financial health with no long-term debt and expected average D/A ratio of 18% in FY2022-2026.
- Historical cash dividend per charter capital ranged 15-35% in FY2015-2021 (excluding FY2020 of 10% due to COVID-19). FY2022 cash dividend is expected to be at least 20% (~ 4% cash dividend yield).

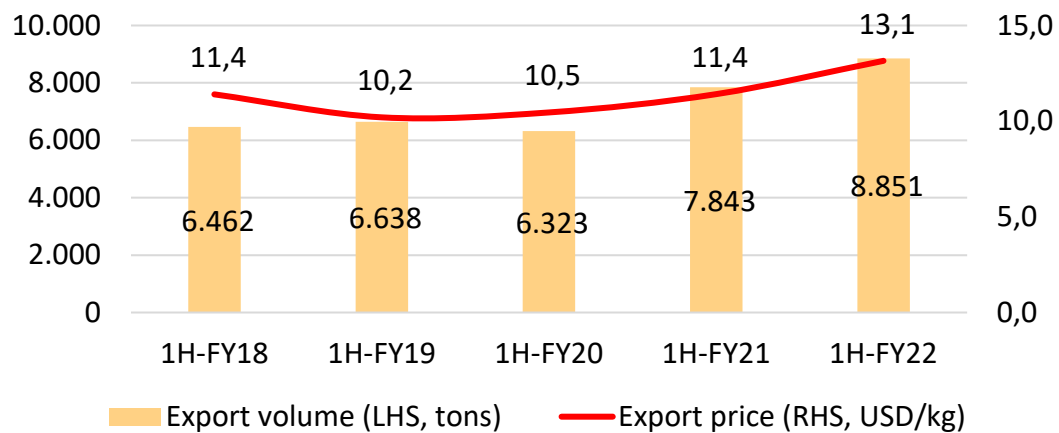
RISKS TO OUR CALL

- (1) Completion progress of new factory; (2) Fluctuations in export prices and raw shrimp prices; (3) Changes in shrimp demand.

NPAT grew 47% YoY in 1H2022 driven by increasing shrimp consumption volume and gross margin improvement.

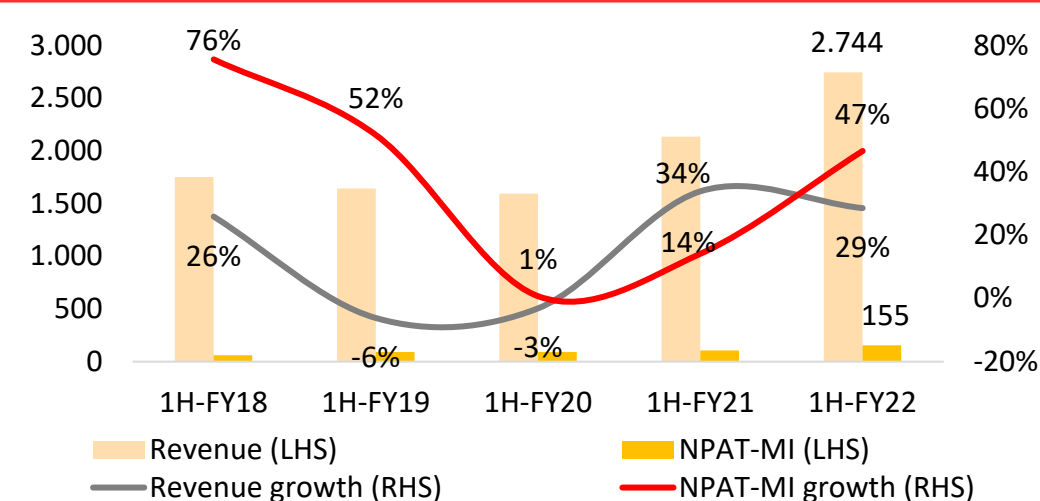
- 1H2022 revenue posted VND 2,744 bn (+29% YoY, USD 119 mn) and NPAT-MI VND 155 bn (+47% YoY, USD 6.7 mn). Revenue growth came from increasing both shrimp export volume and export prices, by 13% YoY and 15% YoY, respectively.
- Due to high selling prices and stable input materials, gross margin improved strongly 200 bps to 10.3% in 1H2022. Net margin only improved 70 bps due to high logistics costs, hence, 1H2022 NPAT recorded a 47% YoY increase.

Figure 2: FMC's export volume and average export prices



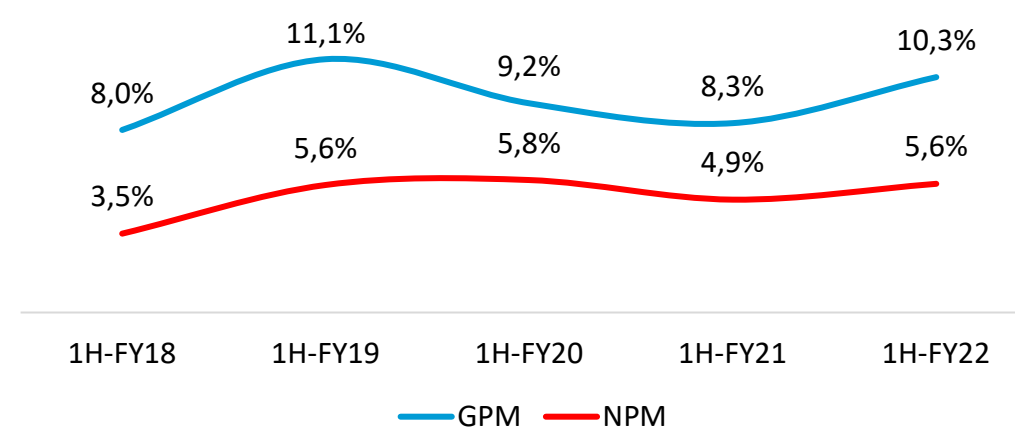
Source: FMC, Rong Viet Securities

Figure 1: FMC's business results in 1H2022 (VND Bn)



Source: FMC, Rong Viet Securities

Figure 3: FMC's gross margin and net margin



Source: FMC, Rong Viet Securities

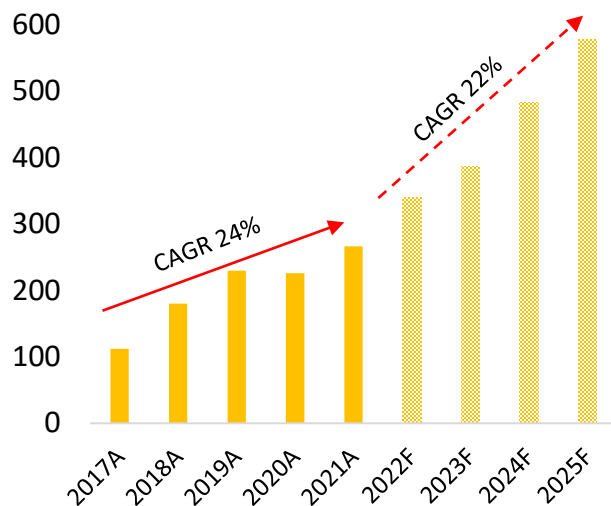
FY2022 forecasts: In 2H2022, export revenue to the US market could slow down due to oversupply. However, we expect Japan market may offset as FMC can flexibly switch shrimp orders among its key markets and the consumption of Japan market remains high, especially value-added shrimp products. Therefore, we forecast FMC's revenue and NPAT-MI to reach VND 6,105 Bn (or USD 265 Mn, +17% YoY) and VND 340 Bn (or USD 15 Mn, +27% YoY).

Factory expansion: Sao Ta factory with a capacity of 15,000 tons/year is expected to come into operation in Sep 2022, increasing FMC's total processing capacity by more than 50%. We expect this factory to be the main growth driver for the company in the 2022 – 2025 period.

Farming area expansion: After expanding 52 hectares of farming areas of Khang An subsidiary, FMC currently has a total of 322 hectares of farming area. FMC has just acquired a farming area of 203 hectares in Soc Trang province, then put 100 hectares into operation by the end of 2023. This new farming area will help the company raise the material self-supplied ratio to 30-40% compared to the current 20-25%, ensuring input materials for the new factory.

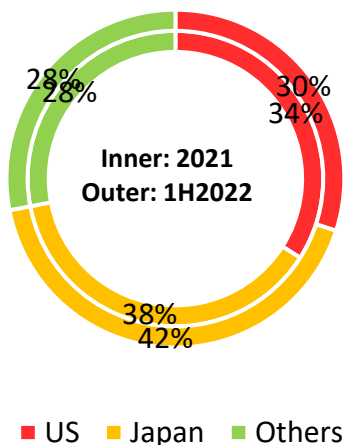
We expect that revenue and NPAT-MI to grow at a CAGR of 15% and 22% in the FY2021-2025 period, respectively.

Figure 4: NPAT forecast (VND Bn)



Source: Rong Viet Securities

Figure 5: Revenue breakdown by market



Source: FMC, Rong Viet Securities

Table 1: FMC's investment projects

Project	Capacity	Impact on business results (*)
Tam An factory	5.000 tons per annum of processed shrimp (adding 23% into capacity). Operating in 1H2022.	Shrimp export volume to grow 13% per annum in FY21-25. Revenue to reach a CAGR of 13% in FY21-25.
Sao Ta factory	15.000 tons per annum of processed shrimp (adding 68% into capacity). Operating in 2H2022.	
New farming area	Purchase 200 ha farming area (increasing by 70% total area).	Gross margin to improve from 10.2% in FY21 to 11.7% in FY25. NPAT CAGR of 22% in FY21-25.

Source: FMC, Rong Viet Securities. (*) Rong Viet's estimate

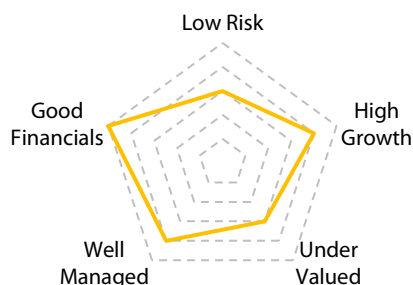
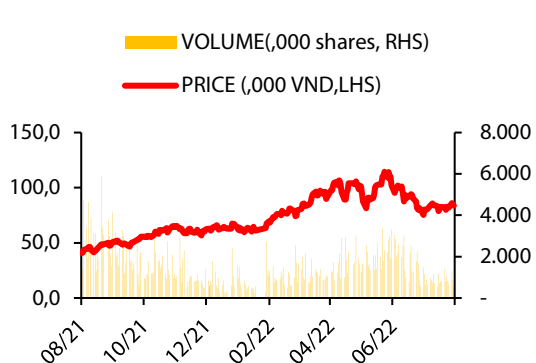
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STOCK INFO

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

FINANCIALS

Food & Beverage
Revenue (VND bn)
NPATMI VND bn)
ROA (%)
ROE (%)
EPS (VND)
Book Value (VND)
Cash dividend (VND)
P/E (x)
P/B (x)

	2021A	2022F	2023F
Revenue (VND bn)	9,054	13,521	12,118
NPATMI VND bn)	1,103	2,185	1,730
ROA (%)	12.6	19.4	14.1
ROE (%)	18.7	28.7	19.4
EPS (VND)	6,040	11,676	9,245
Book Value (VND)	32,076	41,418	40,792
Cash dividend (VND)	2,000	2,000	3,000
P/E (x)	10.4	7.2	9.1
P/B (x)	2.0	2.6	2.0


INVESTMENT RATIONALES
Fillet exports are likely to peak in 2Q 2022 under slowing US consumption pressure

- In 1H2022, net revenue and NPAT soared 81% YoY and 240% YoY, respectively. High fillet exports have been buoyed by high demand for low-priced seafood products amid high inflation, the sanctions on Russian seafood to drive higher demand in the US market and a low domestic supply.
- However, we see exports to the US market which accounts for 50% of VHC's revenue is decelerating under inflationary pressure and abundant fillet inventories from importers after massive imports. Moreover, the on-going decline in fillet selling prices and the recovery of raw material supply could contract VHC's 2H2022 gross margin. Therefore, we forecast VHC's 2H2022 revenue and NPAT-MI could increase by 22% YoY and 20% YoY, but down 20% HoH and 36% HoH, respectively.

VHC's business model is gradually less volatile because of new business segments and full valued chain

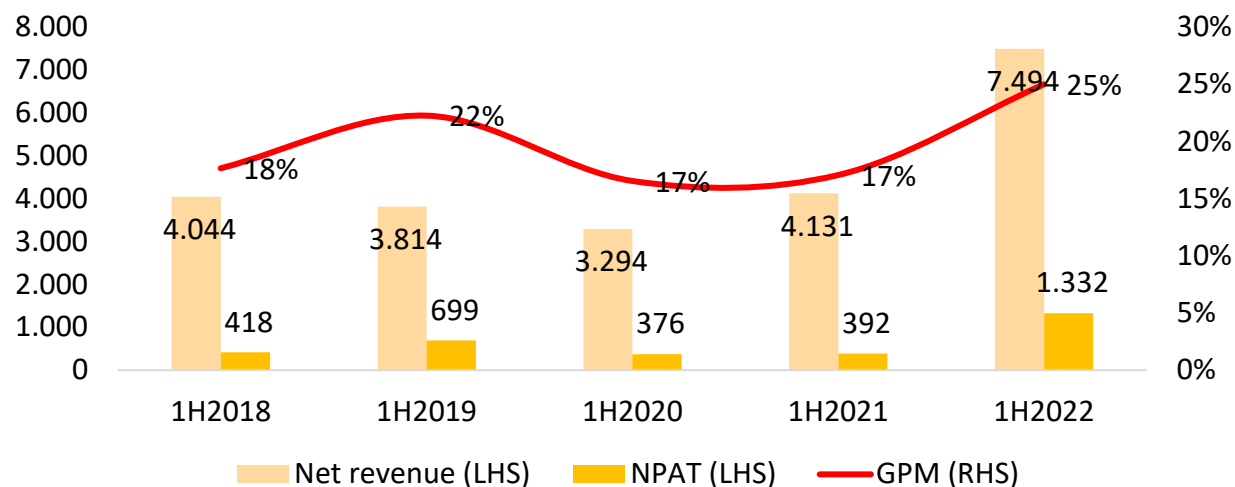
- VHC is aiming to become a F&B company focusing on healthcare agricultural products. Collagen & gelatin and Sa Giang could compensate for the decline of the pangasius segment so that profits will be less sharply reduced in the down cycle of the pangasius industry like the period of 2018-2019.
- Building a feed factory and expanding the breeding area which will put into operation in FY2022 will help VHC's input costs and profit margin be less volatile in the future.
- Falling market price makes VHC's trailing P/E down to the five-year average P/E.

RISKS TO OUR CALL

- The likelihood of global recession to restrain new fillet orders.
- Prolonged lockdown from China to decelerate the recovery of pangasius exports to this country.

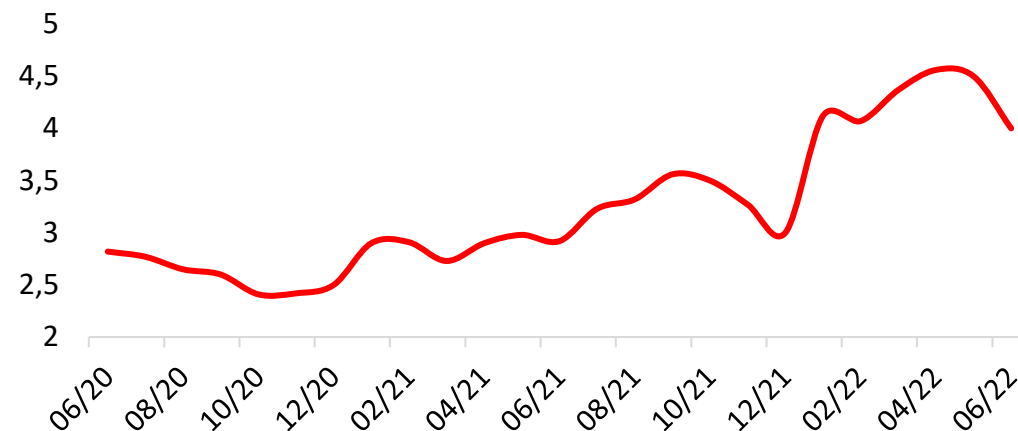
- 1H2022 net revenue reached VND 7,494 Bn (or USD 325 Mn, +81% YoY). 1H2022 fillet selling prices soared 48% YoY and export volume grew 30% YoY, respectively. High fillet exports have been buoyed by high demand for low-priced seafood products amid high inflation, the sanctions on Russian seafood to drive higher demand in the US market and a low domestic supply.
- 1H2022 NPAT-MI soared 240% YoY to reach VND 1,332 Bn (or USD 58 Mn). Gross margin expanded 794 bps YoY to reach 25% due to high selling prices. Selling cost/revenue was down from 4.6% in 1H2021 to only 2.9% in 1H2022 because of switching from orders under CIF terms to FOB terms, supporting a net margin expansion of 829 bps YoY in 1H2022.

Figure 1: 1H2022 net revenue, NPAT (VND Bn) and gross margin (%)



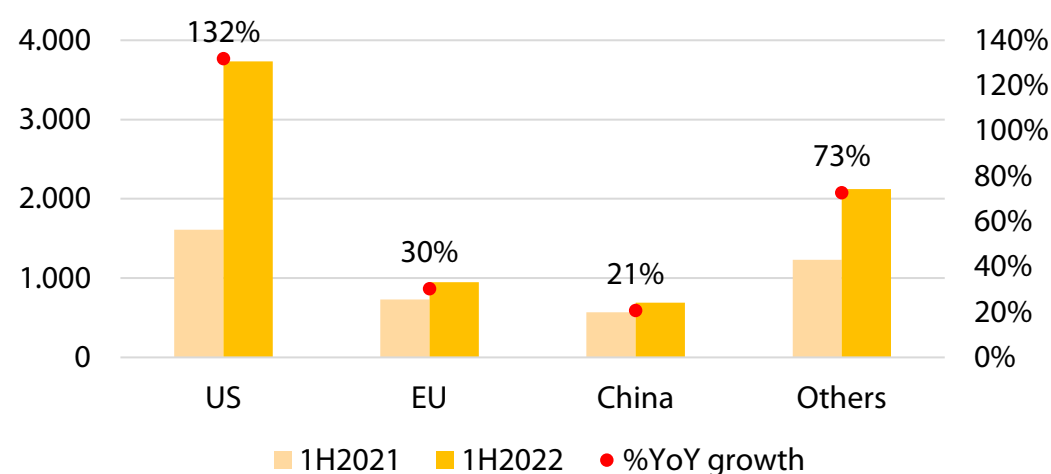
Source: VHC, Rong Viet Securities

Figure 2: VHC's monthly selling prices (USD/kg)



Source: ArgoMonitor, Rong Viet Securities

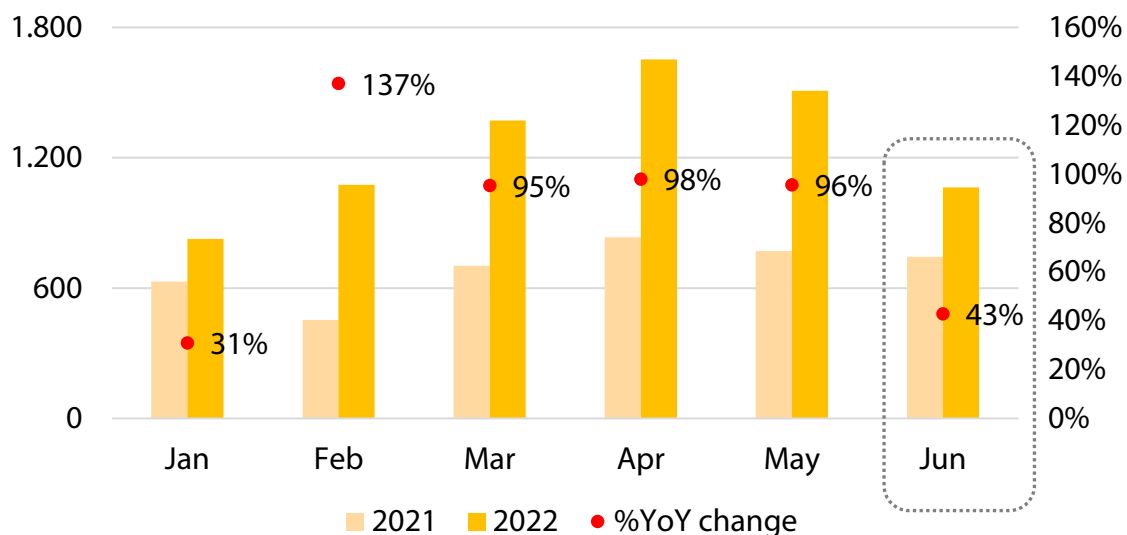
Figure 3: Revenue breakdown by markets in 1H2022 (VND Bn)



Source: VHC, Rong Viet Securities

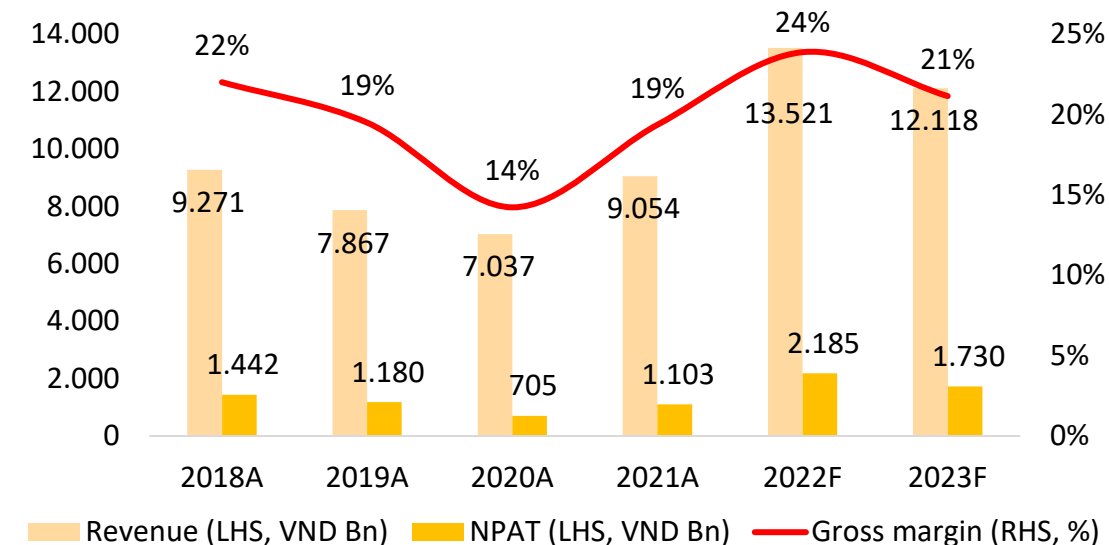
- June 2022 revenue started to show a negative growth of 30% MoM, mainly driven by a dramatic decline of US export revenue of 59% YoY under inflationary pressure and abundant pangasius inventories after massive imports. We expect exports to the US market will gradually recover in the coming months as high inventories are gradually consumed and orders will increase again to prepare for the year-end festival. However, we also concern that VHC's exports to the US market are unlikely to return to the peak in 2Q 2022.
- Therefore, we forecast VHC's 2H2022 revenue and NPAT-MI could increase by 22% YoY and 20% YoY, but down 20% HoH and 36% HoH, respectively. For FY2022/2023, we forecast revenue will reach VND 13,521/12,118 Bn (+49%/-10% YoY) and NPAT-MI will be VND 2,185/1,730 Bn (+98%/-21% YoY), respectively.

Figure 4: VHC's monthly revenue (VND Bn)



Source: VHC, Rong Viet Securities

Figure 5: Business forecast for FY2022 & 2023 (VND Bn)

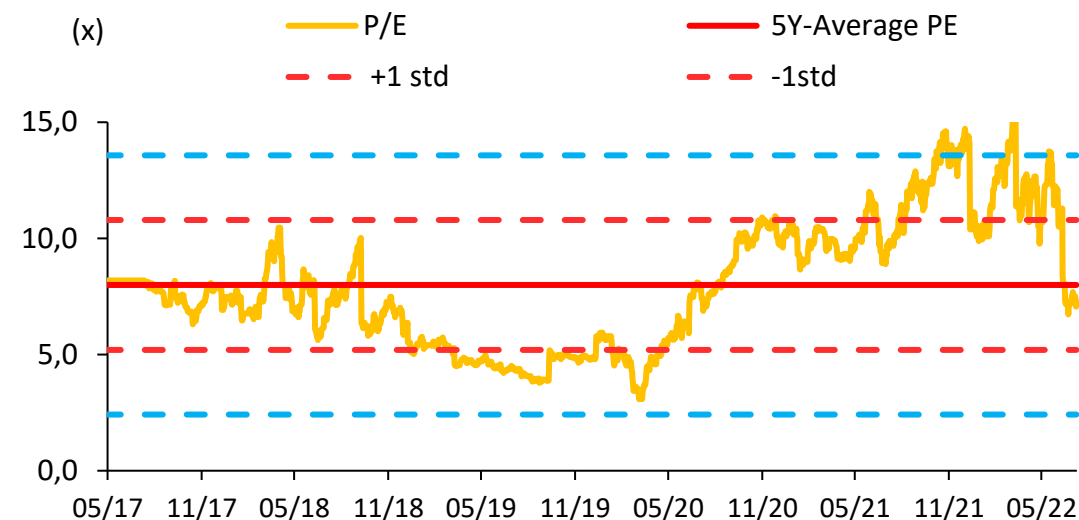


Source: Rong Viet Securities

Table 1: Valuation summary

FCFF		SoTP		
		Segment	Method	Valuation
Risk-free rate	3.0%			
Expected market return	12.0%	Collagen and gelatin	P/E 13x	21,465
Beta	1.1	Pangasius	P/E 7x	67,875
WACC	11.9%	Sa Giang (SGC)	P/E 12x	3,937
Target price @ g=3% (VND)	88,620	Valuation (VND)		93,278
Target price, VND (50% FCFF, 50% SoTP)				91,000

- Falling market price makes VHC's trailing P/E return to a more attractive level. However, based on the decelerating Q3/2022 outlook of the pangasius industry, we revise down the 2022 target P/E of the pangasius segment from 10.0x to 7.0x.
- We use a combination of DCF (50%) and SoTP (50%) to derive a one-year TP of VND 91,000/share for VHC. At the target price, VHC is trading at a one-year forward P/E of 7.8x, equivalent to the five-year average P/E ratio.

Figure 6: VHC's historical TTM P/E


Source: Bloomberg, Rong Viet Securities

<ACCUMULATE: +10%>

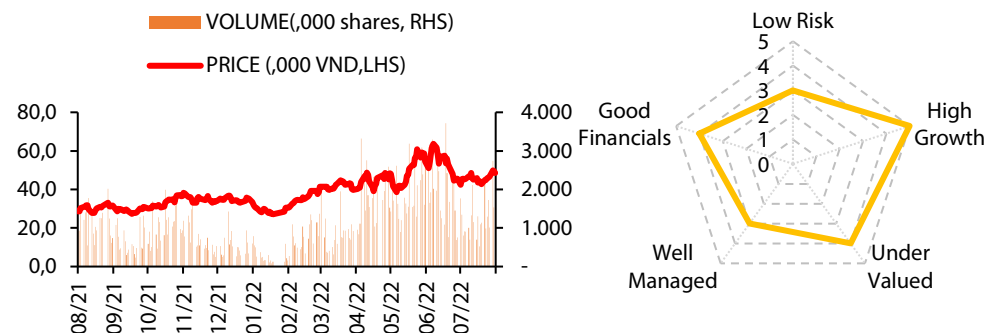
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STOCK INFO

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

FINANCIALS		2021A	2022F	2023F
Food & Beverage	Revenue (VND bn)	3,494	5,282	5,129
	NPATMI VND bn)	128	864	725
	ROA (%)	2.6	13.8	11.3
	ROE (%)	5.5	29.4	21.3
	EPS (VND)	1,006	6,796	5,700
	Book Value (VND)	32,076	41,418	40,792
	Cash dividend (VND)	1,000	2,000	2,000
	P/E (x)	29.8	7.0	8.4
	P/B (x)	1.6	2.1	1.8



INVESTMENT RATIONALES

FY2022 NPAT is expected to increase 6.75 times YoY because of both revenue growth and gross margin expansion

- In 2022, we expect net revenue and NPAT to reach VND 5,282 Bn (or USD 229 Mn, +51% YoY) and VND 864 Bn (or USD 37 Mn, +6.75 times YoY), respectively, driven by: (1) Strong recovery in demand and shortage of raw material supply supported both export prices and export volume to increase; (2) Fully integrated value chain with the ability to self-supply input materials resulted in a doubled YoY increase in gross margin to 30% in FY2022.
- By virtue of the advantage of market diversification, its self-supplied input materials and no export to the US market which is suffering the consumption demand, we expect that business growth in 2H2022 will be much higher than peers and possibly to grow compared to 1H2022 if gross margin stays the same or only slightly declines.

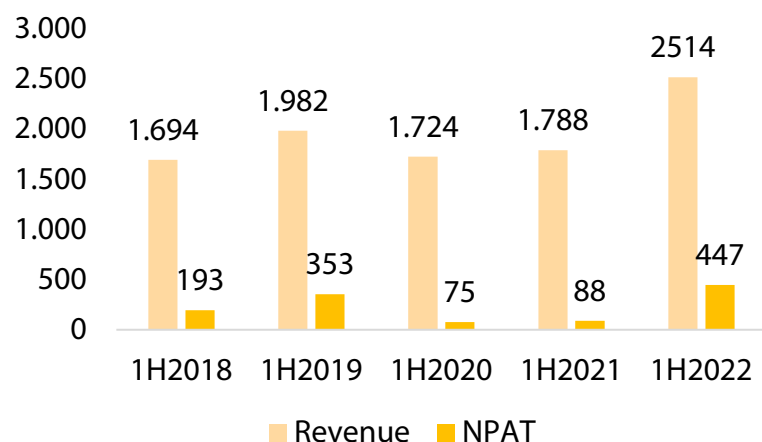
FY2023 business growth will depend on many uncertain factors

- We glimpse some key elements influencing ANV's 2023 results: (1) global pangasius supply-demand dynamics and pangasius price movements, (2) the opening of the Chinese market, (3) the efficiency of new business segment (collagen & gelatin). We conservatively forecast 2023 revenue and NPAT decline of 3% and 16% YoY, respectively, corresponding to a neutral view on export growth to the Chinese market and a gross margin contraction due to the selling price to cool down after material supply recovery.
- In general, we see ANV as a short-term investment opportunity for 2H2022 instead of 2023 due to unforeseen risks of 2023 business results.

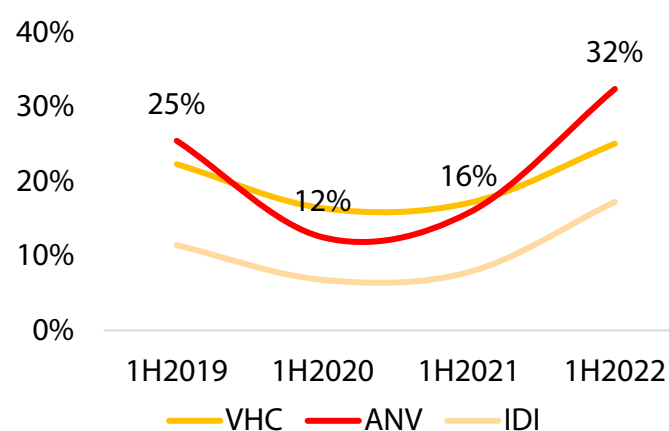
RISKS TO OUR CALL

- The likelihood of global recession to restrain new fillet orders.
- Prolonged lockdown from China to decelerate the recovery of pangasius exports to this country.

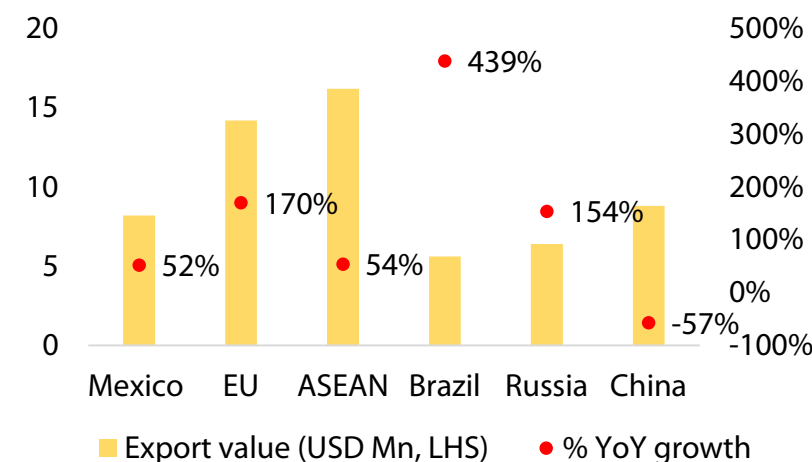
- 1H2022 net revenue reached VND 2,514 Bn (or USD 109 Mn, +40% YoY). NPAT quadrupled YoY to reach VND 447 Bn (or USD 19 Mn, + 4 times YoY). This stellar growth is driven by: (1) The strong recovery in demand and the shortage of raw material supported both export prices and export volume to increase; (2) Fully integrated value chain with the ability to self-supply input materials resulted in a doubled YoY increase in gross margin to 32% in 1H2022.
- In terms of the export market, revenue increased significantly owing mostly to the strong growth of most key markets: Mexico, EU, ASEAN, Brazil and Russia with a growth rate of 50% or more. On the other hand, the Chinese market plummeted 57% YoY due to the "Zero Covid" policy causing difficulties for exports.
- Selling expenses increased sharply by 63% YoY to be VND 210 Bn (~ USD 9 Mn), mainly due to the significant rise in freight costs in the context of the increasingly complicated conflict between Russia and Ukraine, and fuel cost pressure. General and admin expenses also soared 205% YoY to be VND 55 Bn (~ USD 2 Mn) due to provision for bad debts of Chinese customers.

Figure 1: 1H2022 net revenue, NPAT (VND Bn)


Source: ANV, Rong Viet Securities

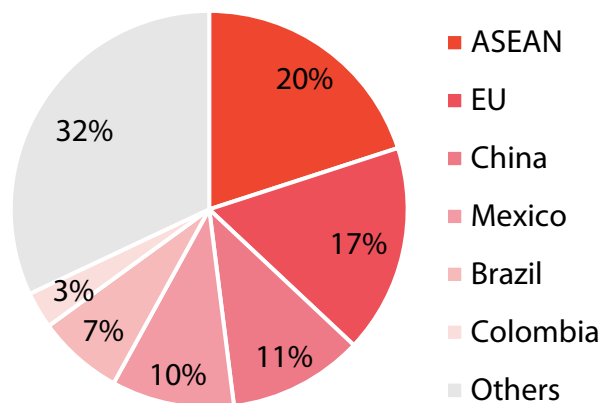
Figure 2: Gross margin


Source: FiinPro, Rong Viet Securities

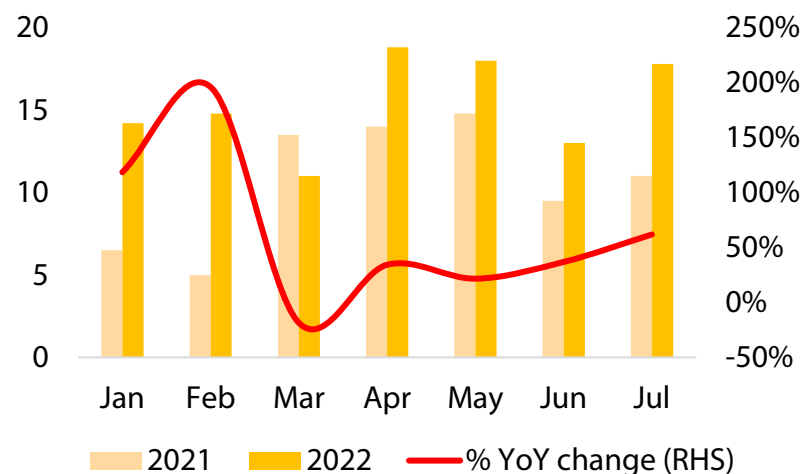
Figure 3: Revenue breakdown by market


Source: ANV, Rong Viet Securities

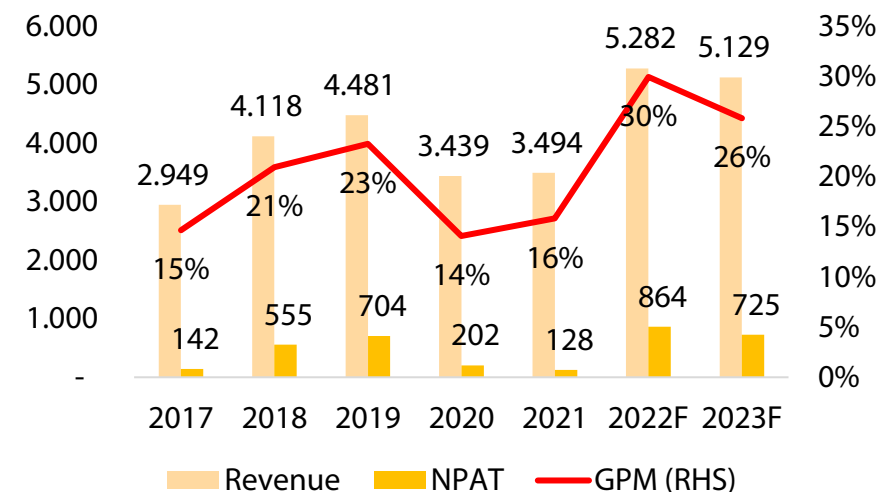
- July revenue are rebounding after a temporary decline in June 2022. The diversification of export markets, to the US and non-US, will help pangasius export revenue remain high in 2H2022 even if the industry shows signs of deceleration compared to 1H2022. We see that 2H2022 earnings growth will depend heavily on gross margin fluctuation. We assume ANV's 2H2022 input costs to remain the 1H2022 level, while selling price to decrease moderately due to material supply recovery, leading to 2H2022 GPM of 28%, lowering than the 32% GPM of 1H2022. Overall, we forecast ANV's 2H2022 revenue and NPAT to be VND 2,768 Bn (or USD 120 Mn, +10% HoH and +62% YoY) and VND 417 Bn (or USD 18 Mn, -7% HoH and + 9 times YoY).
- However, we see many uncertainties on the YoY growth of FY2023 business results due to the dependence on precarious factors such as global pangasius supply and demand, pangasius price movements, the opening of the Chinese market, the efficiency of new business segment (collagen & gelatin). Therefore, we conservatively forecast 2023 revenue and NPAT decline of 3% and 16% YoY, respectively, corresponding to a neutral view on export growth to the Chinese market. In general, we see ANV as a short-term investment opportunity for 2H2022 instead of 2023 due to unforeseen risks of 2023 business results.

Figure 4: Revenue breakdown by markets in 1H2022


Source: ANV, Rong Viet Securities

Figure 5: Monthly pangasius revenue (USDmn)


Source: ANV, Rong Viet Securities

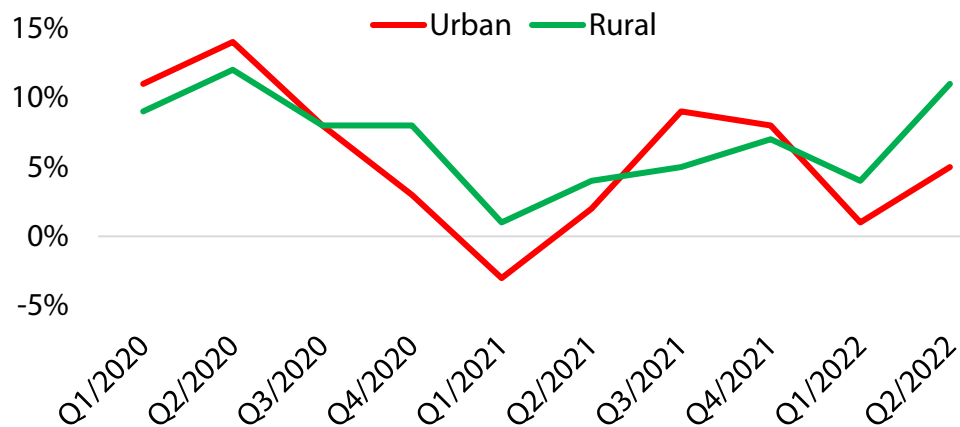
Figure 6: Business forecasts in FY2022-23 (VND Bn)


Source: Rong Viet Securities

ADAPT TO INFLATION

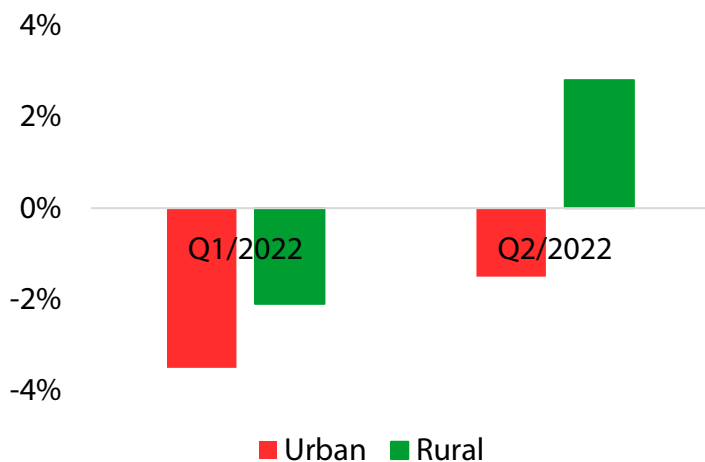


Figure 1: Growth of FMCG consumption value (%YoY)



Source: KantarWorld panel, Rong Viet Securities

Figure 2: Growth of FMCG consumption volume (%YoY)



Source: KantarWorld panel, Rong Viet Securities

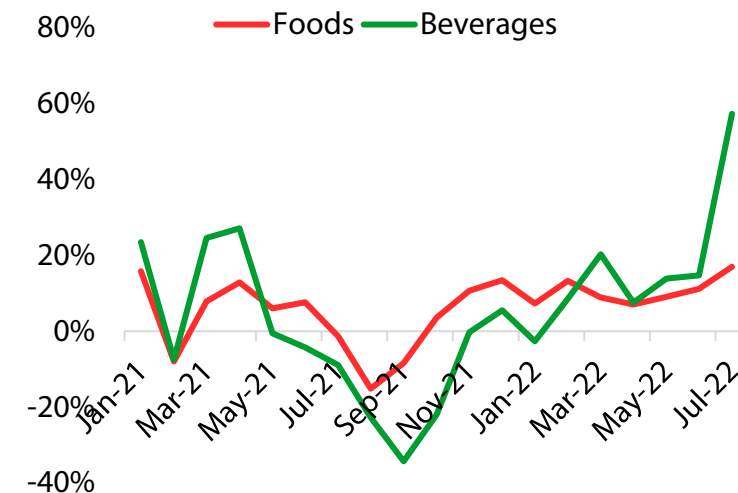
- In the worry of high inflation and stockpiling inventory of 2H2021, FMCG consumption value show a modest growth in Q1 2022, driven by higher selling prices. However, the growth of FMCG consumption volume has recovered since Q2 2022. In detail, Q2 2022 growth of FMCG consumption volume in urban and rural are -1.5% YoY (Q1 2022: -3.5% YoY) and 2.8% YoY (Q1 2022: -2.1% YoY), respectively.
- We suppose that higher selling price harmed spending needs of consumers in the beginning of the price increase period. However, consumers started getting used to the rising price in Q2 2022, together with lower stockpiling inventory, thus increasingly spending on FMCG goods which are products daily consumed. In fact, growth of retail sales of goods in Q2 2022 is higher than Q1 2022.
- On the other hands, in Q1 2022, FMCG producers are also conservative about future consumption trend amid high inflation and global supply chain disruption, evidenced by the modest index of industrial production (IIP) in Q1 2022. However, the index has recovered since Q2 2022.

Figure 3: Retail sales of goods (VND bn, LHS) and growth (%YoY)



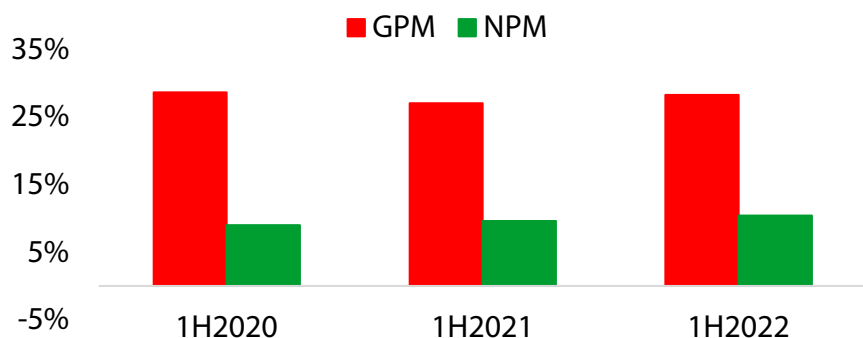
Source: GSO, Rong Viet Securities

Figure 4: Index of Industrial Production (IIP) of food and beverage segments (%YoY)



Source: GSO, Rong Viet Securities

Figure 5: Gross margin (GPM) and net margin (NPM) of FMCG industry (%)



Source: Fiinpro, Rong Viet Securities

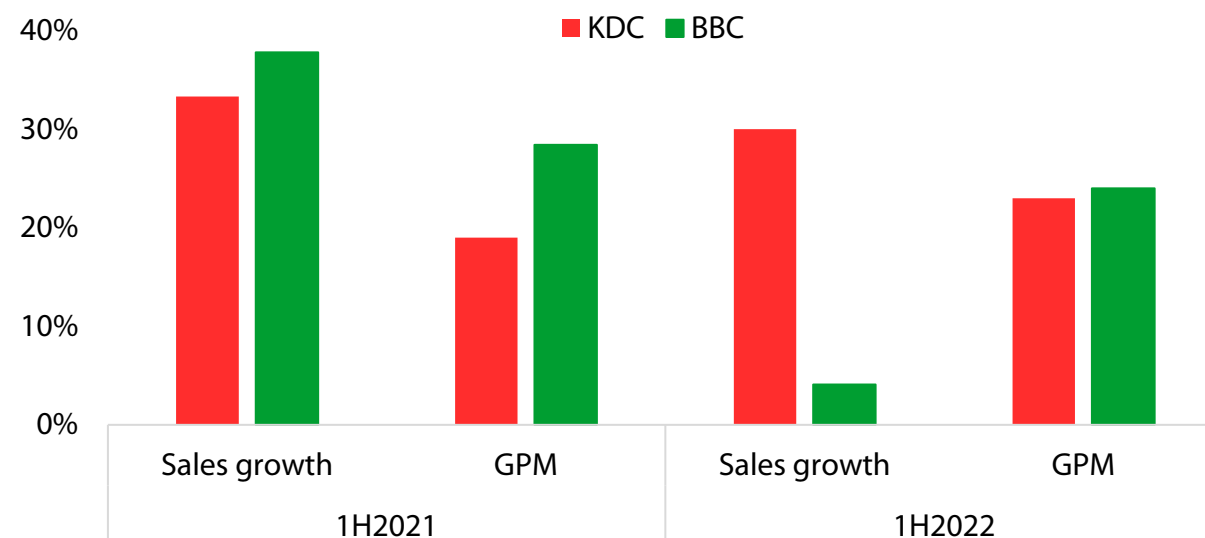
Figure 6: Agriculture and Livestock commodity price index (USD)



Source: Bloomberg, Rong Viet Securities

- In the same challenge of cost-push inflation in 1H2022, business performance of FMCG producers present a division. In detail, the company who was destroyed during Covid-19 pandemic or actively hedged the risk of rising commodity prices, such as Masan Consumer Holding (Upcom: MCH), Sabeco (HSX: SAB) or KIDO Group (HSX: KDC) show positive business growth. In contrast, the company who strongly depend on the fluctuation of commodity prices, likes Cholimex (Upcom: CLX) or Bibica (HSX: BBC), illustrate weak business performance in 1H2022.
- In general, according to Fiinpro, 1H2022 total sales of FMCG producers are nearly flat compared to the same period last year. Meanwhile, 1H2022 profit margins improved from 1H2021 numbers. We believe that FMCG giants have their loyalty customers, together with higher ASP, resulting in a stable growth in sales value. Besides, these giants also effectively optimize its cost structure thanks to the advantage of economies of scales, resulting in a slight improvement in profit margins, compensating for the weak performance of smaller FMCG producers. Consequently, profit margins of FMCG industry improves.

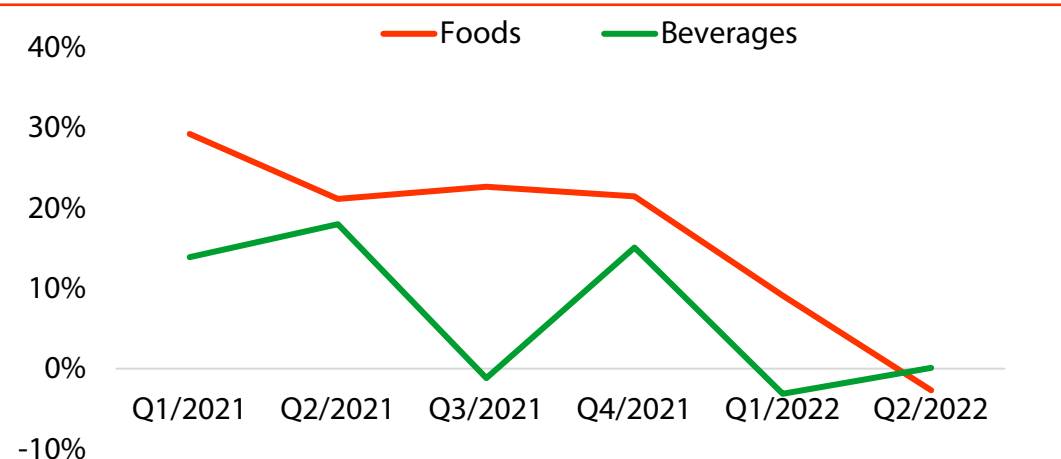
Figure 7: Sales growth (% YoY) and GPM (%) of KDC and BBC



Source: KDC, BBC, Rong Viet Securities

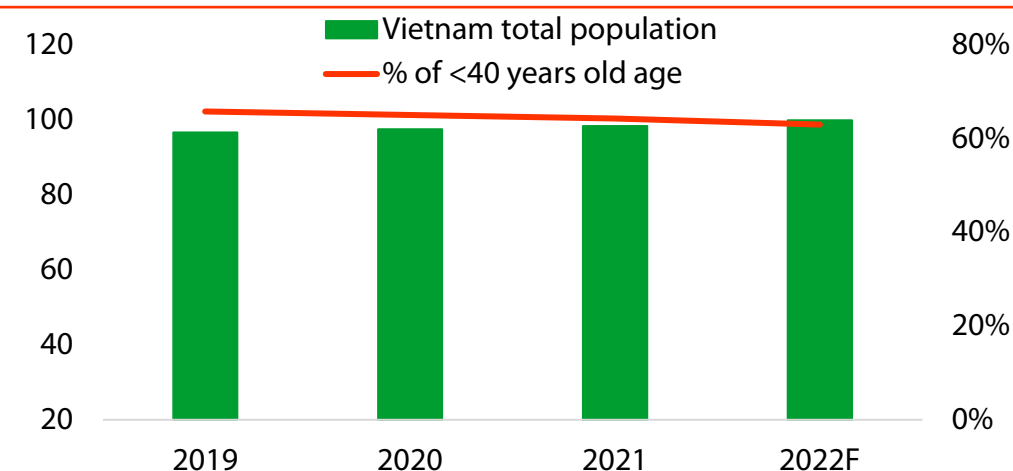
- After being attacked by Covid-19 pandemic, global supply chain disruption, and high inflation, it takes time for Vietnam FMCG market to rebound. Based on the growing signals in Q2 2022 (e.g., increasing retail sales of goods or recovery of IIP), we believe that consumers will increasingly spending in 2H2022 when inflationary pressures mitigated and whole economy reopened. For instance, students backed to schools or foreign experts return to Vietnam to work. Additionally, the index of industrial inventory (IIP) of foods and beverages show downward trend in 1H2022 while the IIP has recovered since Q2 2022. This is a positive signal for the rebound of consumption. Equipped by higher average selling prices, sales growth of FMCG producers is expected to be inspired in 2H2022 and onwards.
- As regards FMCG producers, they are making changes in their strategy with the purpose of adapt to inflation. In detail, some giants likes Masan Group (HSX: MSN) or Sabeco (HSX: SAB) restructure their distribution networks, product portfolio structure, or relocate resources, to tap into new behavior of consumers. For example, Masan developed a new affordable price brand (namely Beng's) for customers whose income is hit by high inflation.
- In the long-term, we believe that Vietnam FMCG industry will deliver a sustainable growth, backed by 1) increasing Vietnam population though at a modest rate (by about 1% each year by World Bank); 2) people aged under 40 years old, who interested in FMCG products more than the others, taking over 60% of total Vietnam population. Given the nature of essential consumer goods, we believe that there is still large growth room for FMCG manufacturers to exploit. On the other hands, the increasing FMCG consumption in rural area also a lighting star. We believe that the company whose distribution network covering both rural and urban areas will have better performance than the peers.

Figure 8: Index of industrial inventory of foods and beverages (% YoY)



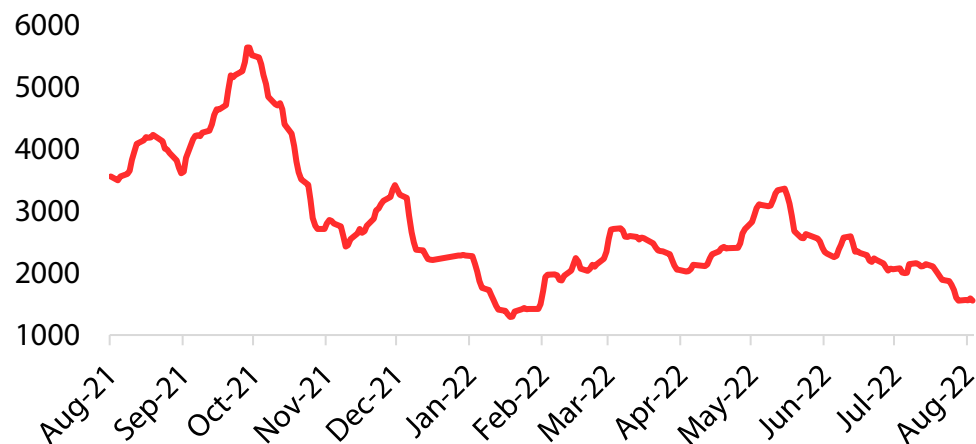
Source: GSO, Rong Viet Securities

Figure 9: Vietnam population (mn people, LHS) and contribution of <40 years old age group (%)



Source: World Bank, Bloomberg, Rong Viet Securities

Figure 10: Baltic dry index (points)



Source: Bloomberg, Rong Viet Securities

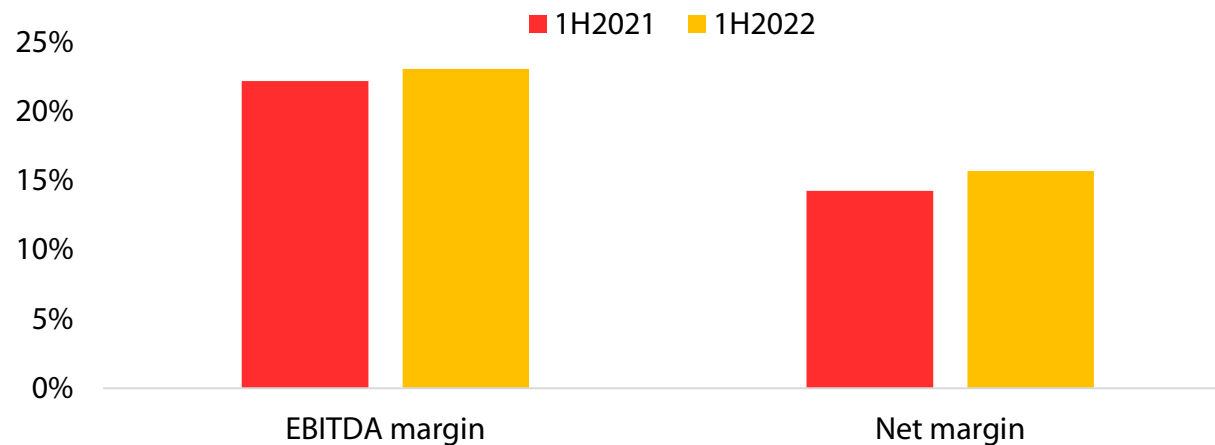
Figure 11: Sabeco upgrades production process to save energy costs (% YoY, 1H2022)



Source: SAB, Rong Viet Securities

- The rise in the cost of goods is inevitable amid cost-push inflation and chaotic global supply chain. However, we expect this negative effect reflected in 1H2022 business results. Although the prices of commodity is trading at a high level compared to the same period last year, it shows a downtrend from the peak of Mar-2022 (Figure 6). Furthermore, the downtrend of Baltic Dry Index (BDI) also help to lessen the rising pressure on imported raw material such as barley or grains. Therefore, we expect that the burden of rising cost is going to ease since 2H2022 and onwards. In 11st Aug 2022, global agriculture and livestock commodity prices index was 102.6 USD (+2.2% MoM; +15.1% YoY). In the same period, BDI index was 1,556 points (+2.2% MoM; -56.4% YoY).
- Besides, we suppose that FMCG manufacturers will improve operating efficiencies to mitigate inflationary pressures by cost savings (e.g., SG&A expenses), and optimizing price & promotions, thus enhancing profitability.

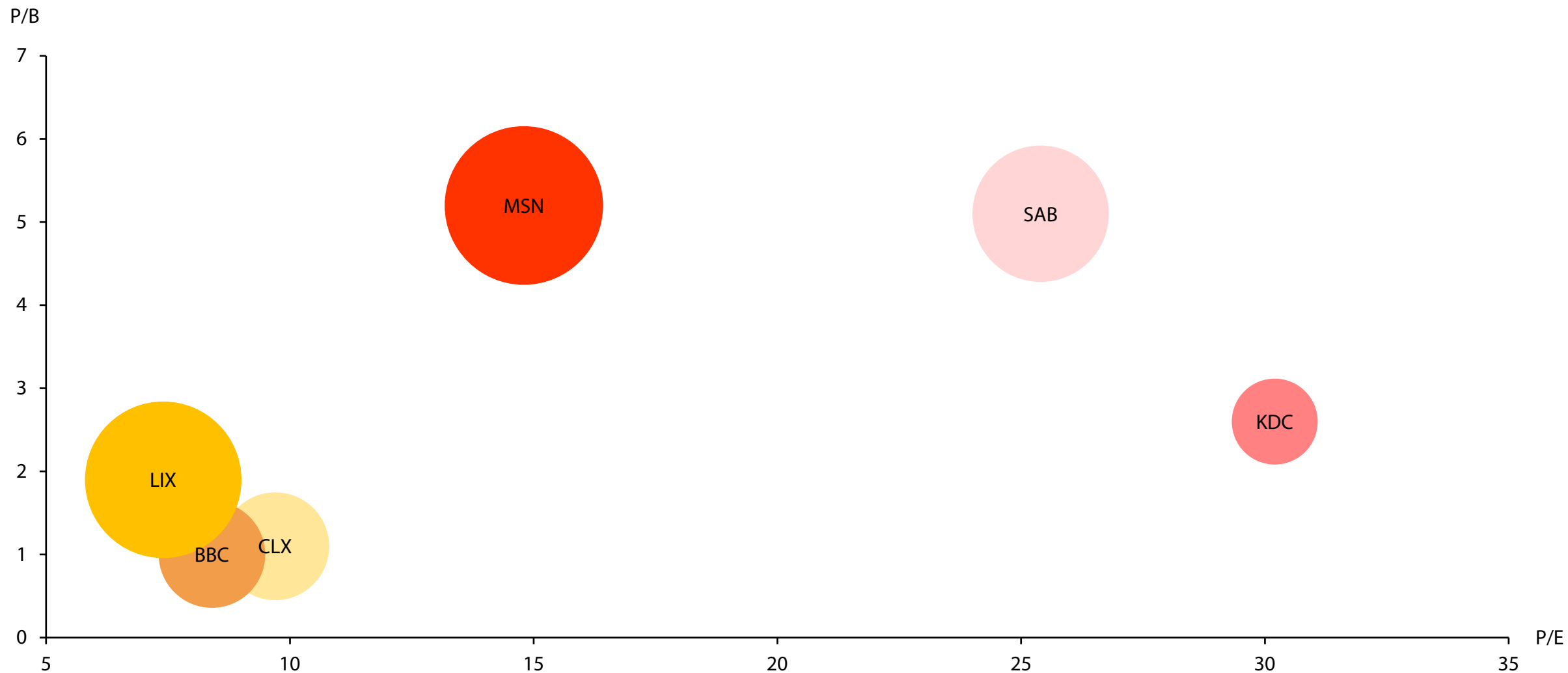
Figure 12: Masan Consumer Holding optimizes price & promotions to enhance margins (%)



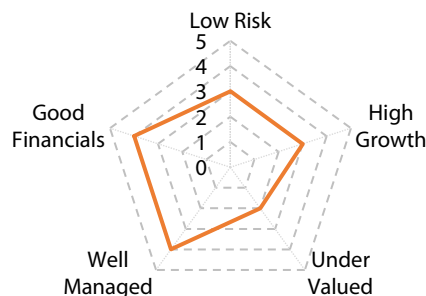
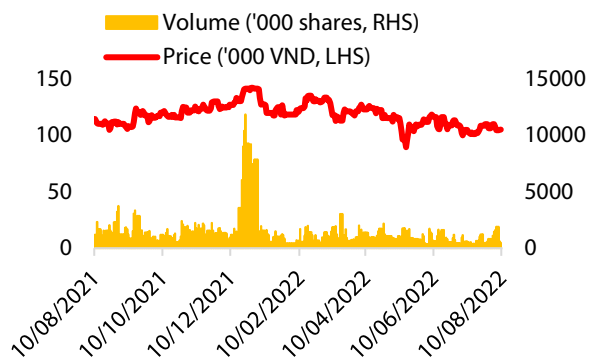
Source: MSN, Rong Viet Securities

Ticker	Market cap (VND bn)	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	154,474	112,800	0.5	50.7	13.1	7.7	384.9	12.2	8.3	40.2	0.8	15.1	5.2
SAB	119,278	N/A	2.1	0.7	18.5	16.6	-3.8	15.5	15.3	21.0	1.3	26.5	5.1
KDC	17,110	N/A	25.3	23.0	8.1	5.8	10.9	4.6	4.1	8.8	1.7	30.4	2.5
CLX	1,732	N/A	-9.5	-32.3	27.0	17.1	11.3	36.5	7.8	12.1	0	10.7	1.2
BBC	1,260	N/A	-18.3	35.6	13.0	0.3	170.9	13.0	9.2	12.0	1.5	8.8	0.9
LIX	1,442	N/A	-2.6	-12.7	10.2	8.2	-2.6	7.5	17.0	27.8	6.8	7.6	1.9

Source: Fiinpro, Rong Viet Securities. Share price as of 10 August 2022.



Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 10 August 2022.

<ACCUMULATE: +7%>
<MP: 105,800>
<TP: 112,800>
STOCK INFO


Sector

Market Cap (\$ mn)

Current Shares O/S (mn shares)

3M Avg. Volume (K)

3M Avg. Trading Value (\$ mn)

Remaining foreign room (%)

52-week range ('000 VND)

FINANCIALS

		2021A	2022F	2023F
Food & Beverage	Revenue (VND bn)	88,629	85,535	95,701
	NPAT-MI (VND bn)	8,563	4,661	5,284
	ROA (%)	3.0	4.9	5.2
	ROE (%)	15.6	17.5	16.4
	EPS (VND)	7,269	5,277	8,840
	Book Value (VND)	27,796	26,713	31,074
	Cash dividend (VND)	1,000	0	0
	P/E (x)	14.5	20.0	11.9
	P/B (x)	3.8	3.9	3.4

INVESTMENT RATIONALE
2022 outlook: A complicated performance due to deconsolidation of the feed segment (MNS Feed).

- 2022 consolidated revenue and NPAT-MI of MSN is expected to be VND85.5 tn (or USD3,719 mn, -3.5% YoY) and VND4.7 tn (USD203 mn, -27.7% YoY) respectively, driven by the deconsolidation of feed segment. Excluded MNS Feed, the growth of sales and NPAT-MI is forecast to be +15.3% YoY and +63% YoY, respectively. The main supporters are strong growth of MSR; and improvement in EBITDA margin of WCM. We believe that 2021-2022 period is transition state of MSN, after that, the company will upgrade their business model to a new level – Consumer tech company.

A multi-industry business model which fuels earnings growth across various economic cycles.

- MSN owns a multi-industry business model, from FMCG (MCH, VCF and NET), animal protein producers (MML), modern retailer (WCM), to mining manufacturers (MHT - also known as MSR). Besides, MSN also run a technological subsidiary (Onemount) and owns 19.9% of Techcombank (TCB)'s total charter capital. Backed by this, MSN's earning sources not only supports to each others but also reduces downside risk of earnings over various economic cycle in the long-term. On the other hands, TCB is another weapon supporting MSN to raise external capital.

M&A strategy to boost revenue and earnings growth.

- MSN is on the way to fulfill their ecosystem via M&A strategy, evidenced by perfect performance via historical M&A deals. MSN's performance is expected to be a mix of their organic growth (via the growth of current potential businesses likes MCH, MML or WCM) and M&A deals, which will boost revenue and earnings growth higher.

RISKS TO OUR CALL

- The expansion of the Winmart chain may cause WCM to incur higher selling costs. In case WCM cannot manage costs effectively, a loss will be recorded.
- MSR is earning less money on significant invested capital. 2021-2022 growth of MSR is boost by increasing Vonfram prices and lower production from China. In case of China remove the lockdown, Vonfram prices will decrease. Besides, MSR has invested on Nyobolt Ltd., thus raising further CAPEX burden. Therefore, MSN bears systematic risk of inefficient investment on MSR.

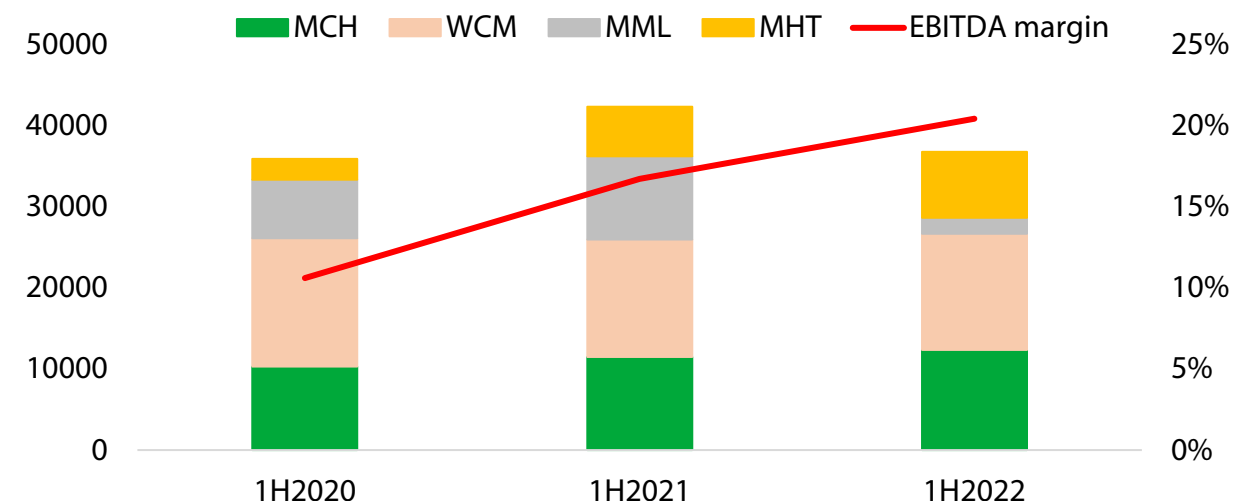
1H2022 Net Revenue: MSN's consolidated net revenue reached VND36,023 bn (or USD1,566 mn, -12.6% YoY), mainly due to deconsolidation of the feed segment. Excluding 2021 feed revenue for a like-for-like comparison, net revenue grew by +9.1%YoY in 1H2022, driven by double-digit growth at Masan High-Tech Materials (MHT or MSR).

1H2022 Net Profit: MSN's NPAT-MI grew by +163% YoY in 1H2022 to VND2,577 bn (or USD112 mn). The main pillar is the improving margins of all business segments, except Masan MEATLife (MML). Notably, gross margin of Wincomerce (WCM) strongly improves to 22.6% in 1H2022 from 18.4% in 1H2021. According to MSN, they incorporate technical to operate Winmart chain which help to reduce WCM's break-even point. Besides, the higher proportion of products of both fresh foods (~27%, +10 bps YoY) and MCH in the stores also strengthen gross margin.

Of which:

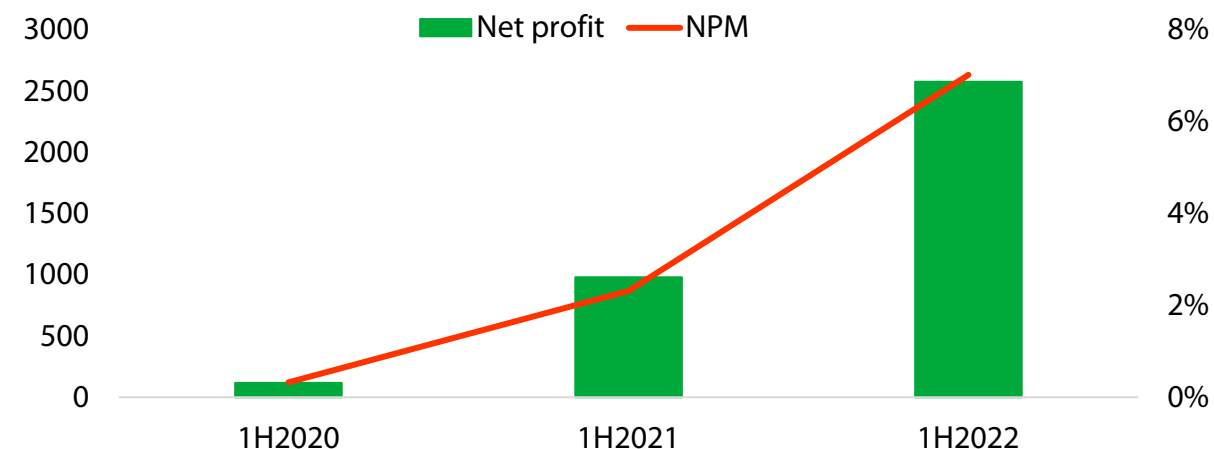
- **MCH:** Modest sales growth due to 1) the high base performance of stockpiling effect in Q2 2021; and 2) lower consumer purchasing power as high inflation. However, profit margins still improves since MCH optimized SG&A costs.
- **WCM:** Significantly expanded store count year-to-date ("YTD"), opening 306 new locations in 1H2022.
- **MML:** Lower pig prices offset by higher sales volume. Lower profit margins due to deconsolidation of the feed segment.
- **MSR:** Driven by rising commodity prices and strong demand in the advantage of lockdown policy of China due to Covid-19 pandemic.

Figure 1: 1H2022 sales (VND bn, LHS) and EBITDA margin (% , RHS)



Source: MSN, Rong Viet Securities

Figure 2: 1H2022 net profit (VND bn, LHS) and net margin (% , RHS)

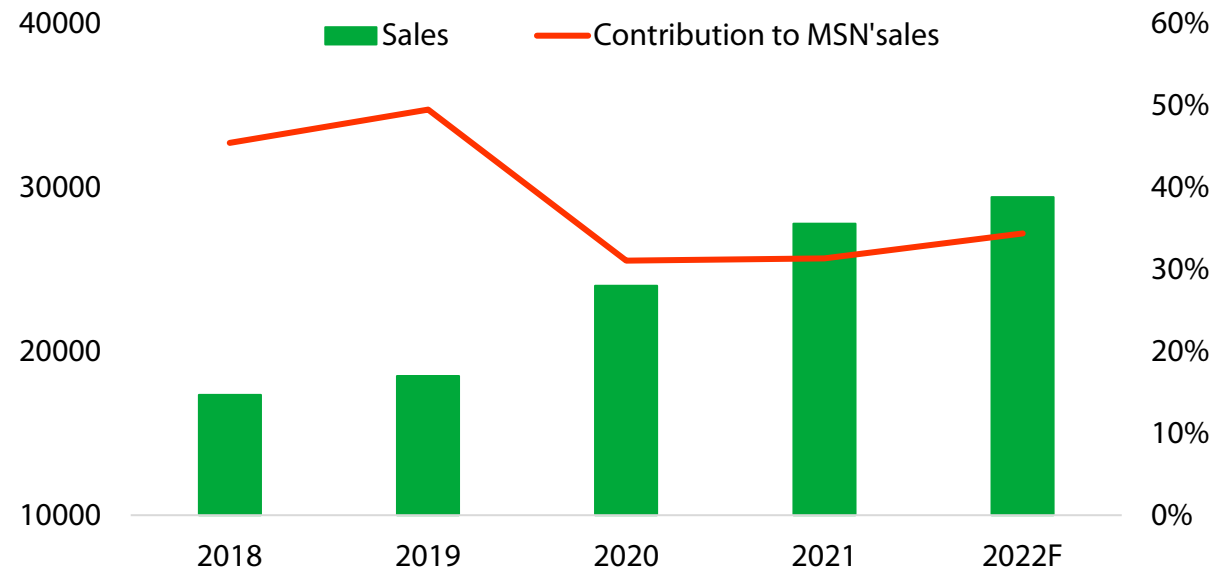


Source: MSN, Rong Viet Securities

Optimizing SG&A costs to compensate for the slowdown of sales growth

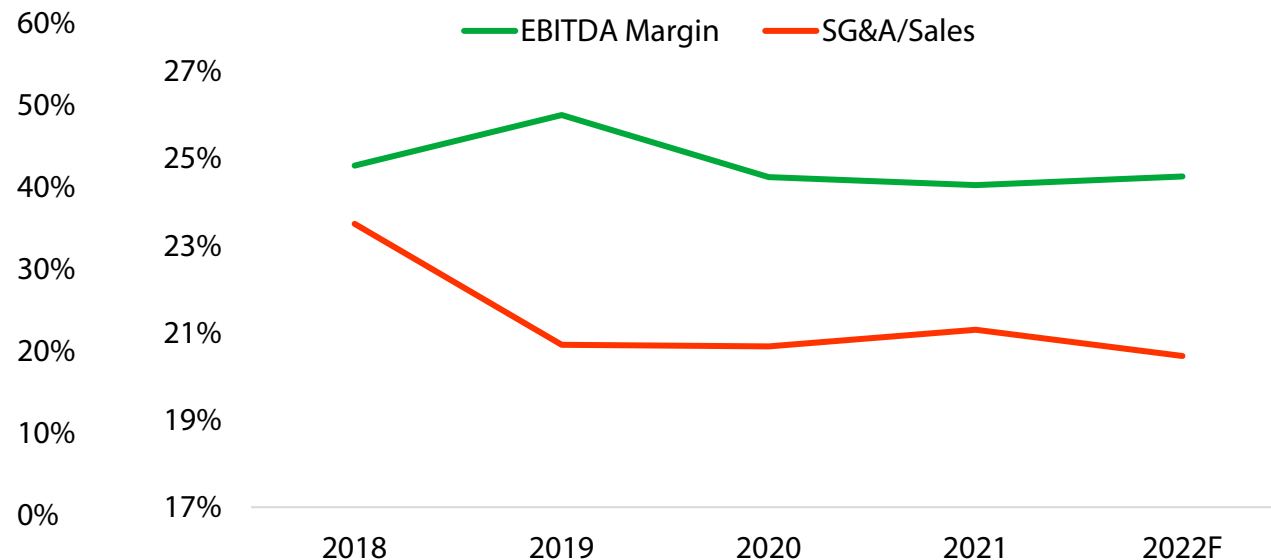
- MCH' sales expected to be VND29.4 tn (or USD1,279 mn, +5.9% YoY) as consumer spending sentiment weakened amid high inflation. In the challenges of 2022, the positive sales growth is protected since MCH is the Vietnam FMCG leader with the largest number of SKUs. Backed by this, integrated with Winmart retail chain, MCH is able to capture all food & beverage demand of consumers.
- Profit margins of MCH is expected to improve, explained by 1) higher selling prices; 2) diversified product portfolio (from affordable to premium) which compensate the rising input cost; and 3) optimizing SG&A expenses. In fact, 1H2022 gross margin and EBITDA margin of MCH are 40.2% (+60 bps YoY) and 23.1% (+80 bps YoY), respectively.
- MCH is expected to continue to be the largest contributor of MSN performance, accounting for 34% of total net revenue and 53% of total gross profit.

Figure 3: MCH's Sales (VND bn, LHS) and Contribution to total sales (% , RHS)



Source: MCH, MSN, Rong Viet Securities

Figure 4: MCH's SG&A/net sales ratio and EBITDA margin (%)

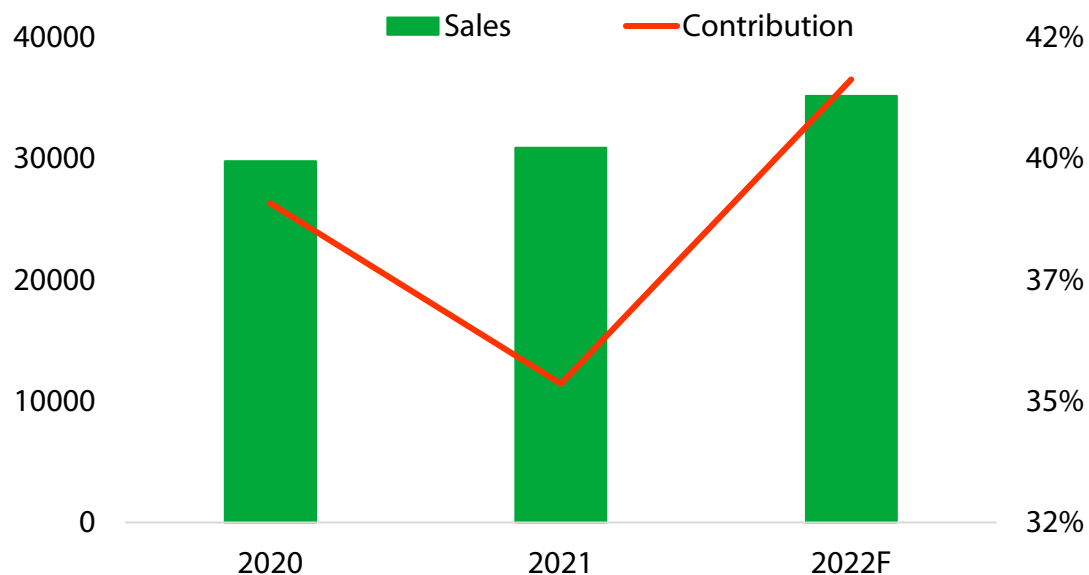


Source: MCH, Rong Viet Securities

Profit margin improves as incorporating technical to operate Winmart chain

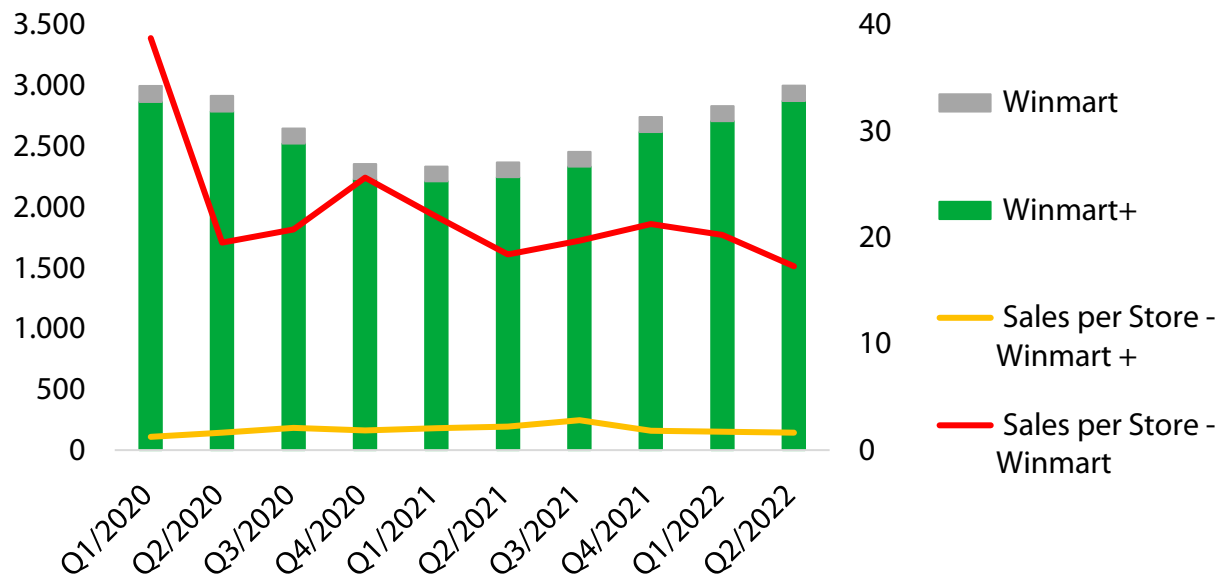
- 2022 revenue to grow by +13.9% YoY, backed by the aggressive expansion of Winmart chain. After focusing on cost restructuring to find the more efficient retail format (e.g., sharing renting fees), together with incorporating technical to operate Winmart chain, WCM is able to sharply scale up the retail chain while maintaining a healthy profit margin since 2022. Although 1H2022 WCM 'sales shows a modest negative growth due to lower traffic amid high inflation, we expect that 2H2022 accelerating store expansion will offset this decline. In detail, the company is going to open 800 new stores in 2H2022, expanding the total number of stores to ~3,800 in 2022, equivalent to store count increase of 39% YoY.
- According to MSN, the new stores is able to reach EBITDA break-even point after 6 month-1 year of operations. As a result, we believe that 2H2022 profit margins of WCM will continue improving, leading to a higher profit margins for the whole year compared to 2021 performance. In fact, 1H2022 gross margin and EBITDA margin of WCM enhance to 22.6% (+420 bps YoY) and 2.2% (+10 bps YoY) respectively.

Figure 5: WCM's Sales (VND bn, LHS) and Contribution to total sales (%)



Source: MSN, WCM, Rong Viet Securities

Figure 6: WCM's store count (units, LHS) and sales per store (VND bn, RHS)

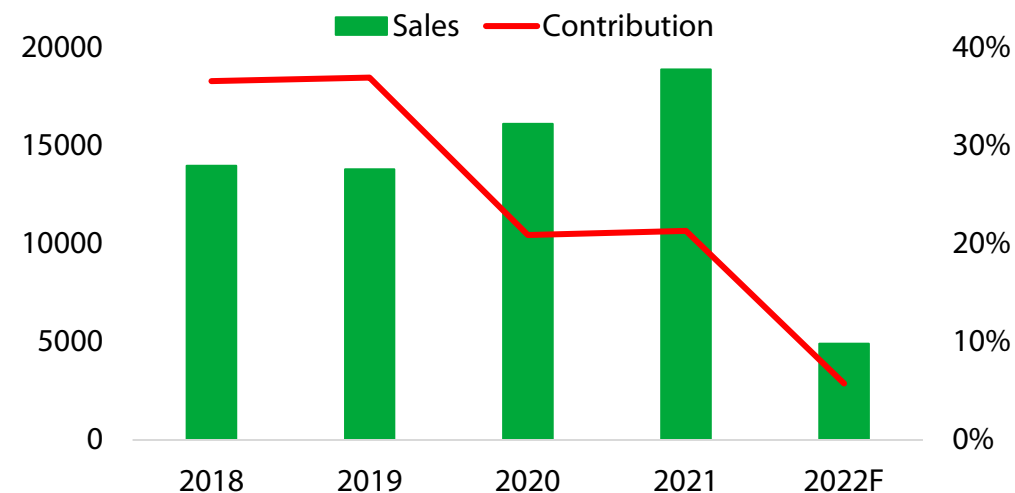


Source: MSN, WCM, Rong Viet Securities

2022 organic sales is expected to show single-digit rate due to lower pork prices

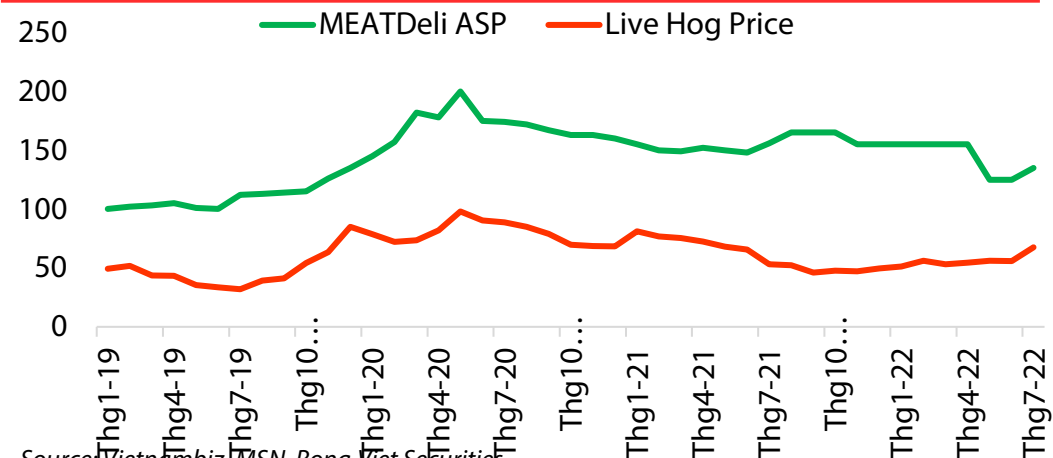
- MML revenue is expected to reach VND 4,902 Bn (or USD213 mn, -74.1% YoY). The negative growth is explained by deconsolidation of the feed segment (MNS Feed). Excluded MNS Feed, the organic growth is forecast to be +9.3% YoY. Although 1H2022 revenue of MML decreased by -6.1% YoY as lower pork prices, higher sales volume is a positive signal amid inflationary pressure hitting consumer's wallets. After selling MNS Feed and successfully printed the MEATDeli pork brand into consumer's mind, together with the larger coverage of modern trade channel (main distribution channel of MML), MEATDeli pork has their loyalty customers. Since pork prices has recovered in Jul-2022, we expect that the negative effect of decreasing pork prices will be narrowed in 2H2022.
- Additionally, in 2H2022, MML is going to launch a new pork brand whose selling price is lower than MEATDeli pork, closing the price gap with wet market, thus aiming to expand customer data base. By doing this, 2H2022 sales volume of MML is expect to continue increasing.
- However, 2022 profit margins is forecast to be weak due to 1) lower pork prices; 2) new non-premium pork brand will slightly grab profit margin in short-term though enhance sales; and 3) increasing feed prices. Although profit margins of chicken segment is expected to improve thanks to higher chicken prices and sales volume, it only accounts for ~30% of total sales.

Figure 7: MML's Sales (VND bn, LHS) and Contribution to total sales (% , RHS)



Source: MSN, Rong Viet Securities

Figure 8: MEATDeli pork ASP and live hog price ('000 VND/kg)

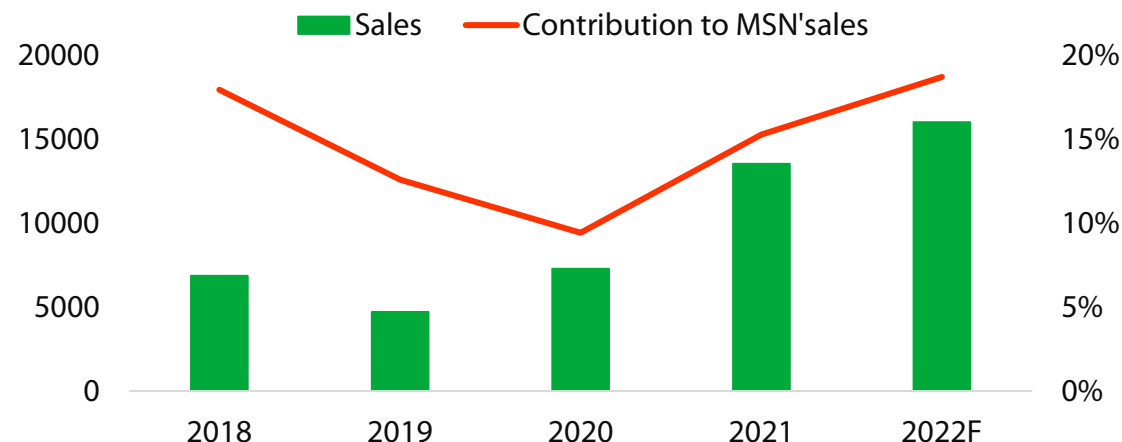


Source: Vietnambiz, MSN, Rong Viet Securities

Increasing Vonfram prices boost strong growth in both top-and-bottom lines.

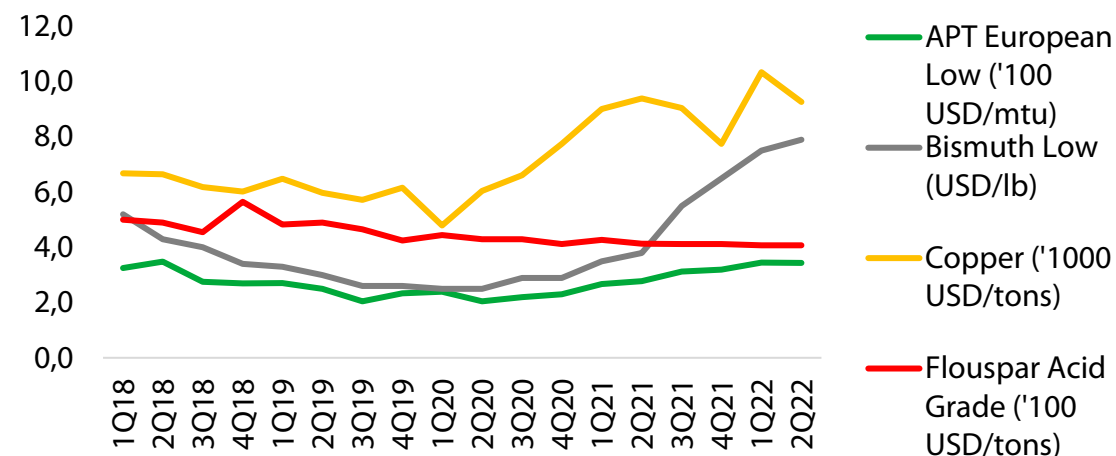
- MSR 's revenue growth will be +18.2% YoY to VND16 tn (or USD697 mn) in 2022. The Vonfram demand is expected to remain an upward trend thanks to the need to convert automotive technology from gasoline to electric. In addition, lower production from China due to Zero Covid-19 policy supports increasing Vonfram prices.
- MSR has invested on Nyobolt Ltd., - a fast-charging, high power, low degradation battery solutions company that leverages MHT's advanced tungsten materials. Although this investment will raise CAPEX burden in the next few years, it contains long-term potential growth when Nyobolt 's products would be accepted by the market.
- MSR 's 2022 profit margins is expected to continue improving on the back of increasing Vonfram prices. In fact, 1H2022 gross margin and EBITDA margin of MSR are 17.7% (+550 bps YoY) and 22.4% (+280 bps YoY), respectively. However, we expect that MSR only enjoy this advantage within 2021-2022 period. When the chaotic of Covid-19 pandemic eases and China lifts lockdown policy, Vonfram prices will decrease.
- For the long-term view, MSR is the weakness of Masan. Although MSR occupies by the second smallest proportion in total revenue (2021: 18.3%) of MSN, it contributes the biggest proportion in total asset (2021: 33.3%) and total liabilities (2021: 29.9%) of the group. In case of decreasing Vonfram prices, MSN bears a systematic risk of inefficient investment.

Figure 9: MSR's Sales (VND bn, LHS) and Contribution to total sales (% , RHS)



Source: MSR, Rong Viet Securities

Figure 10: Quarterly metal prices



Source: Industrial Minerals, MSN, Rong Viet Securities

Sum Of The Parts (SoTP)	FY2022F	Comments
1) Masan Consumer (MCH)		DCF method
Equity value	99,095	
Masan's ownership	70.0	
Equity value attributed to Masan Group (A)	69,367	16x justify PE multiple
2) Masan MEATLife (MML)		EV/EBITDA method
Equity value	8,827	
Masan's ownership	87.8	
Equity value attributed to Masan Group (B)	7,750	EV/EBITDA multiple of peer group = 12.5
3) Masan High-tech Materials (MSR)		EV/EBITDA method
Equity value	61,334	
Masan's ownership	99.9	
Equity value attributed to Masan Group (C)	61,272	EV/EBITDA multiple of peer group = 7.4
4) WinCommerce (WCM)		P/S method
Equity value	42,075	
Masan's ownership	68.6	
Equity value attributed to Masan Group (D)	28,863	P/S multiple = 1.2
5) Phuc Long Heritage		
Equity value	8,201	
Masan's ownership	51.0	P/E multiple = 15
Equity value attributed to Masan Group (E)	4,182	
6) Long-term investment value		
Techcombank (TCB)	7,812	
Other long-term investment	945	DCF + P/B method
Equity value attributed to Masan Group (F)	8,757	
7) Other net assets (F)	(19,541)	
Equity Value (A) + (B) + (C) + (D) + (E) + (F) + (G)	160,651	
Common outstanding shares (mn shares)	1,424	
Target Price	112,800	FY2022
Annualized price return (%)	7	
Expected dividend yield	-	
Total expected return (%)	7	FY2022

Source: Rong Viet Securities; VND Bn

In 2022, we expect

- MCH will maintain low two-digit growth in bottom lines despite topline 's modest growth as the company optimizes SG&A cost amid high inflation.
- WCM will present double-digit sales growth thanks to expansion store chain strategy, though still record a loss in net profit during initial stage.
- MML will show a weak performance due to the deconsolidation of MNS Feed, and lower pork prices.
- MSR will lead consolidated growth.
- Based on SoTP valuation, we evaluate MSN at VND 112,800 per share. We recommend to **ACCUMULATE** on MSN shares with the total expected return of +7%.

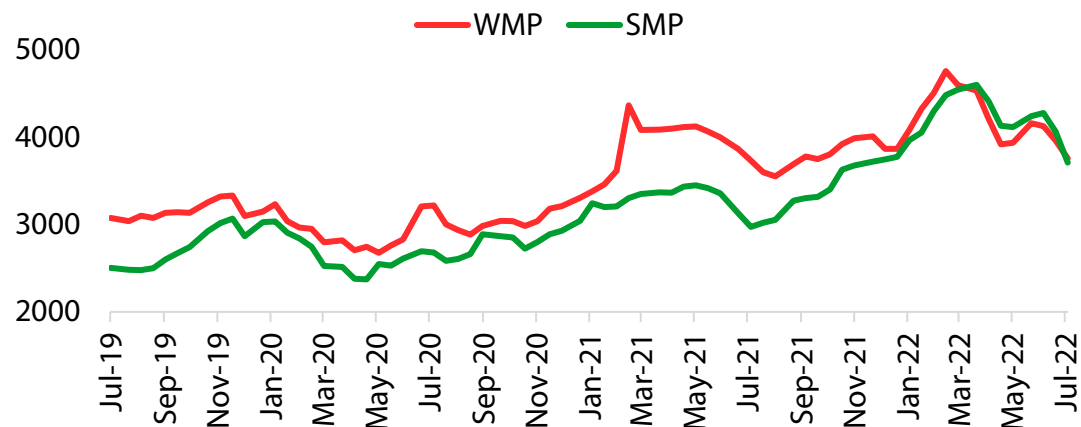
MILK

**DEMAND WILL BACK TO
NORMAL LEVELS IN 2H2022**

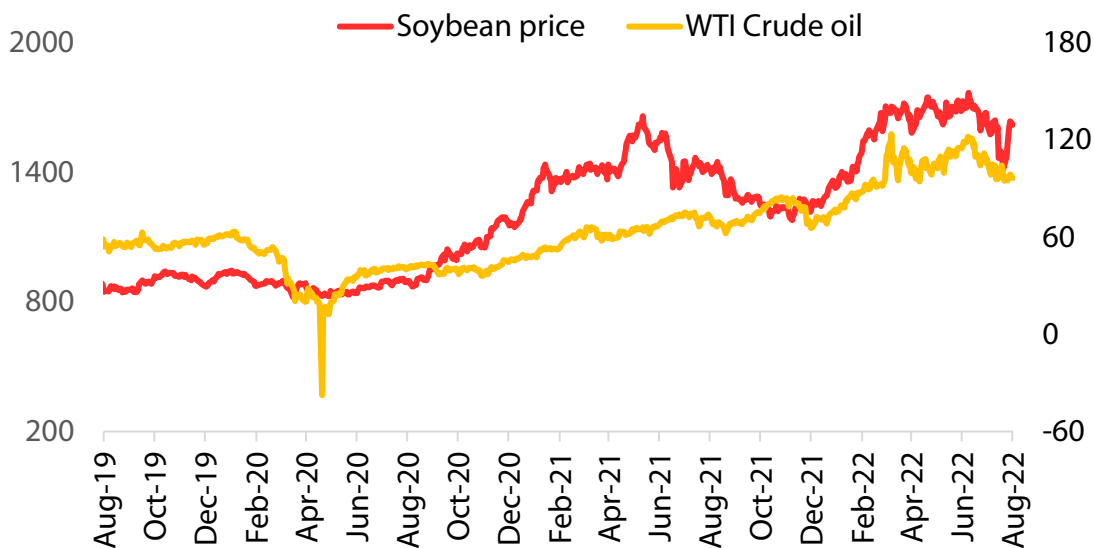


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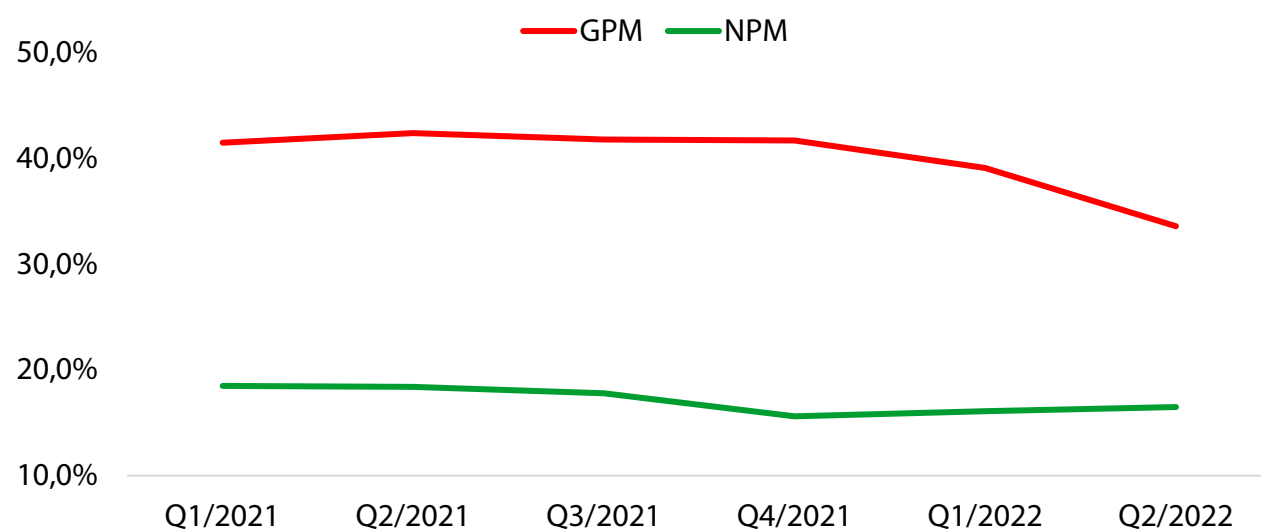
Figure 1: Prices of whole and skimmed milk powder (USD/MT)


Source: Bloomberg, Rong Viet Securities

Figure 2: Prices of crude oil (USD/Bbl, RHS) and soybean (USD/Bu)


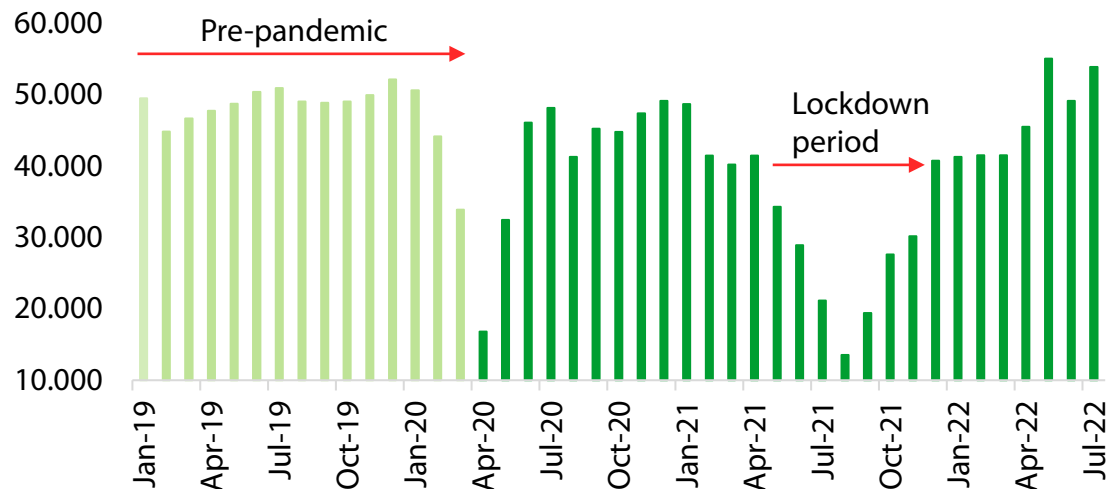
Source: Bloomberg, Rong Viet Securities

- Raw milk price inflation started since mid-2020 until Mar-2022 is the result of increased feed prices, a decrease in the number of dairy cows as well as higher milk demand from China. In Mar-2022, prices of whole milk powder peaked at USD/MT 4,757 (+9.0% YoY). Meanwhile, 1Q 2022 average selling price of dairy products only increased by +4% YoY, mentioned by Kantar Worldpanel. Production costs increased at a higher pace than selling prices in 1H2022 owing to high-priced inventory generates lower profit margin of Vietnam dairy producers.
- Similarly, non-dairy producers' performance are hit by strong rising commodity prices such as soybean or sugar. Russia – Ukraine tension not only limited supply of grain products but also pushes crude oil prices up, leading to global commodity price inflation in 1H2022. Therefore, profit margins of Vietnam non-dairy producers like Quang Ngai Sugar Jsc. (Upcom: QNS) was dragged down.

Figure 3: GPM (%) and NPM (%) of listed dairy and non-dairy producers


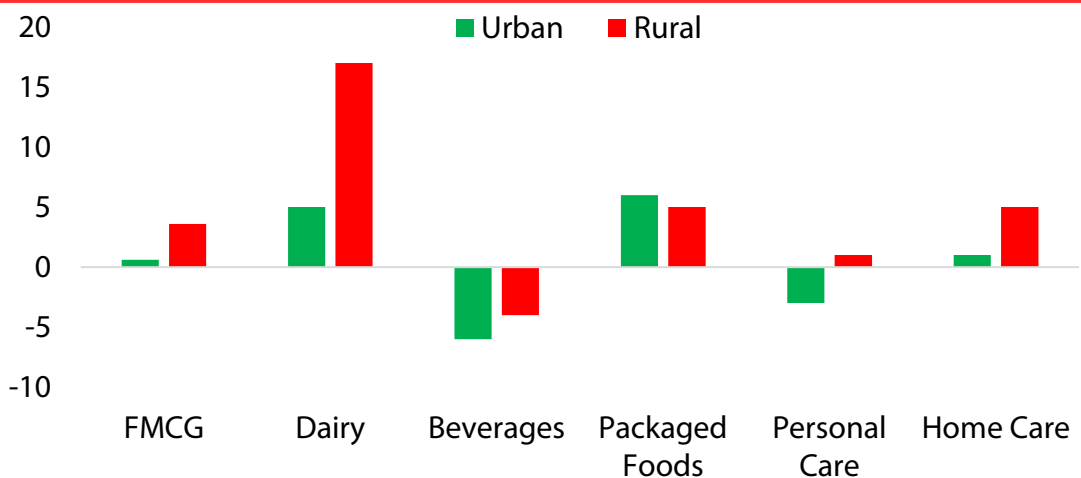
Source: VNM, MCM, IDP, QNS, Rong Viet Securities

Figure 4: Retail sales of accomodation and catering (VND bn)



Source: Fiinpro, Rong Viet Securities

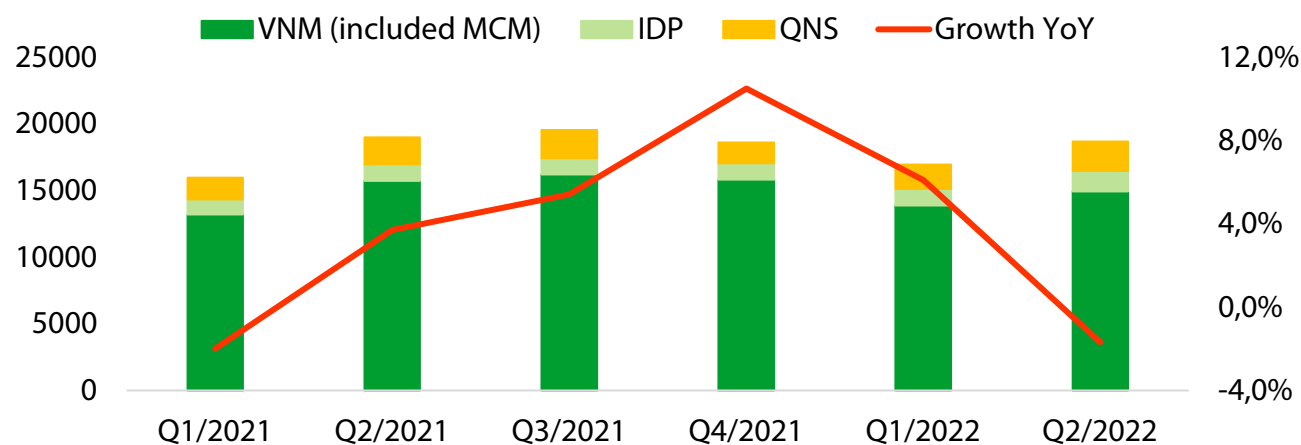
Figure 5: Change in dairy consumption value in 1Q 2022 (% YoY)



Source: Kantar Worldpanel, Rong Viet Securities

- Milk consumption is expected to back to normal level in 2H2022 after slightly recovered in 1H2022. The main supporters are 1) increasing outdoor activities, especially summer vacation; 2) back to school season (since Sept); and 3) consumers gets used to the new price level.
- According to GSO, Vietnam retail sales of accommodation and catering was below the pre-pandemic level during the first five months of 2022 and starts strongly rising since Jul-2022 (Figure 4). In addition, mentioned by Kantar Worldpanel, dairy consumption is one of the segment showed positive growth in Q1 2022. We believe that consumers are increasingly spending on milk products which boost immune system.
- However, due to the pressure from high inflation and higher selling price, 1H2022 purchasing power has not strongly recovered yet. As a result, we believe that consumers will get used to with the new price level in 2H2022, together with the growing dairy demand from schools, industrial parks and outdoor activities, the consumption will increase in 2H2022.

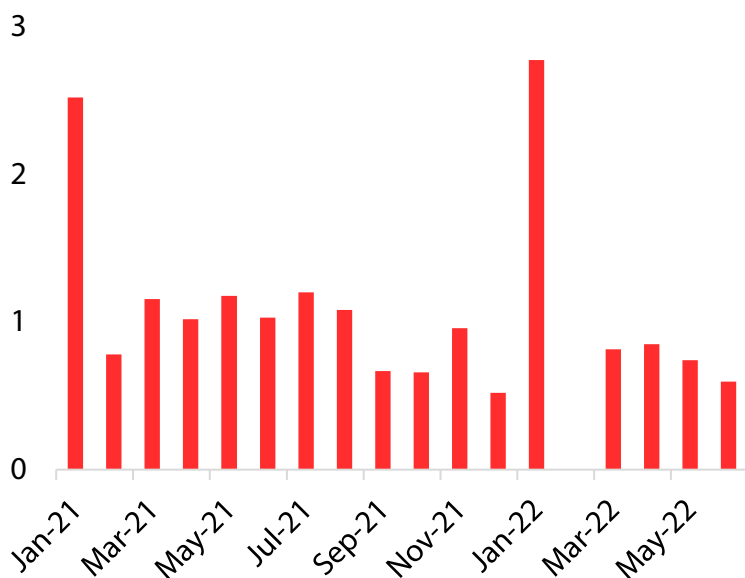
Figure 6: Sales of listed milk producers (VND bn) and growth (% YoY, RHS)



Source: VNM, IDP, QNS, Rong Viet Securities

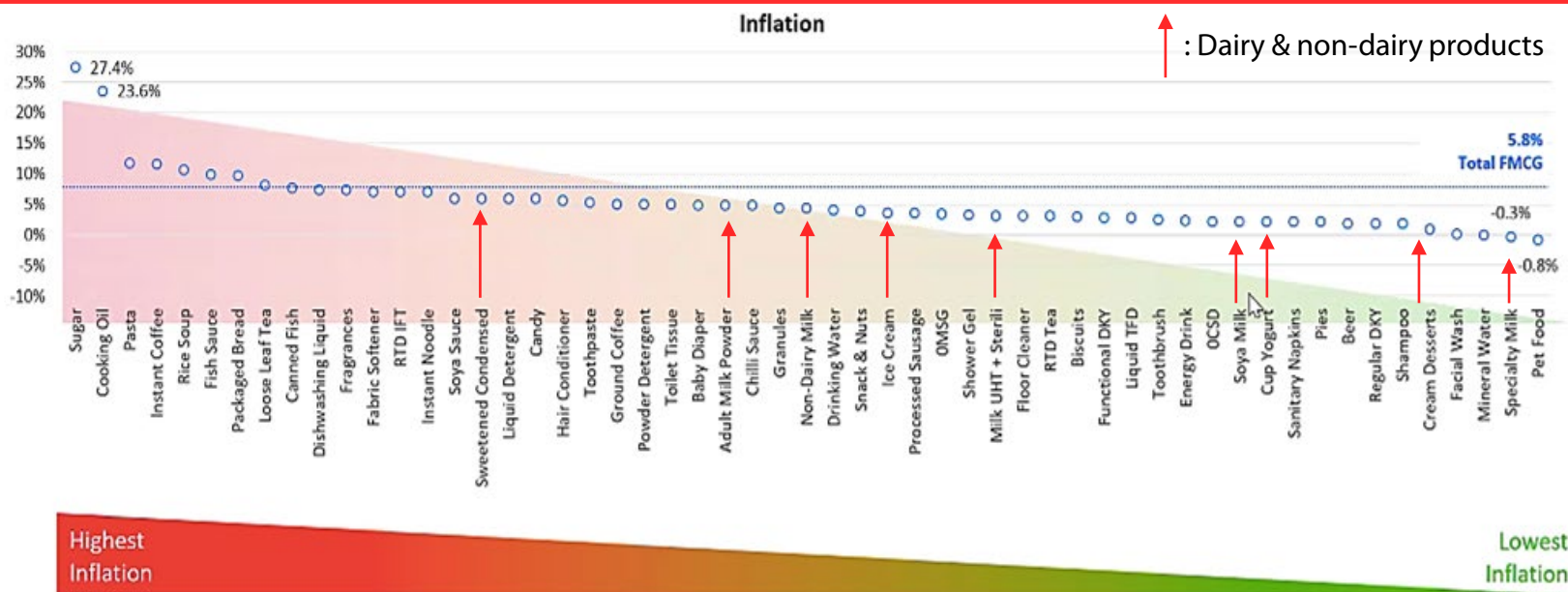
- According to Rabobank report, global milk powder prices peaked in 1H2022, then gradually decreasing. The main reason is a reduction in dairy commodities import from China, driven by high carry-over stocks and weaker demand related to Covid-19 lockdown. In Jul-2022, prices of whole milk powder was USD/MT 3,757 (+0.7% YoY; -8.9% MoM). We expect that prices of raw milk will move down to the lower-level-than-last-year by the end of 2022, thus, improving 2H2022 margins.
- In contrast, prices of other commodities such as soybean or raw sugar is expected to remain at high level. The primary explanation is that bad weather conditions in 2H2022 will harm global supply. As a result, profit margins of non-dairy producers will not improve much as dairy companies.
- Generally, both dairy and non-dairy companies fixed the prices of commodity contracts in Q1 2022 until Q3 2022. Additionally, despite high inflation, prices of these products increased at a modest rate and after the rising production costs due to the nature of consumer staple products. Consequently, we expect that their profit margins will start to recover since Q3 2022, then becoming stronger in Q4 2022 and onwards.

Figure 7: China's import of dairy commodities (Bn ton)



Source: Bloomberg, Rong Viet Securities

Figure 8: Inflation across Vietnam take home grocery categories in 1Q2022 (% YoY)

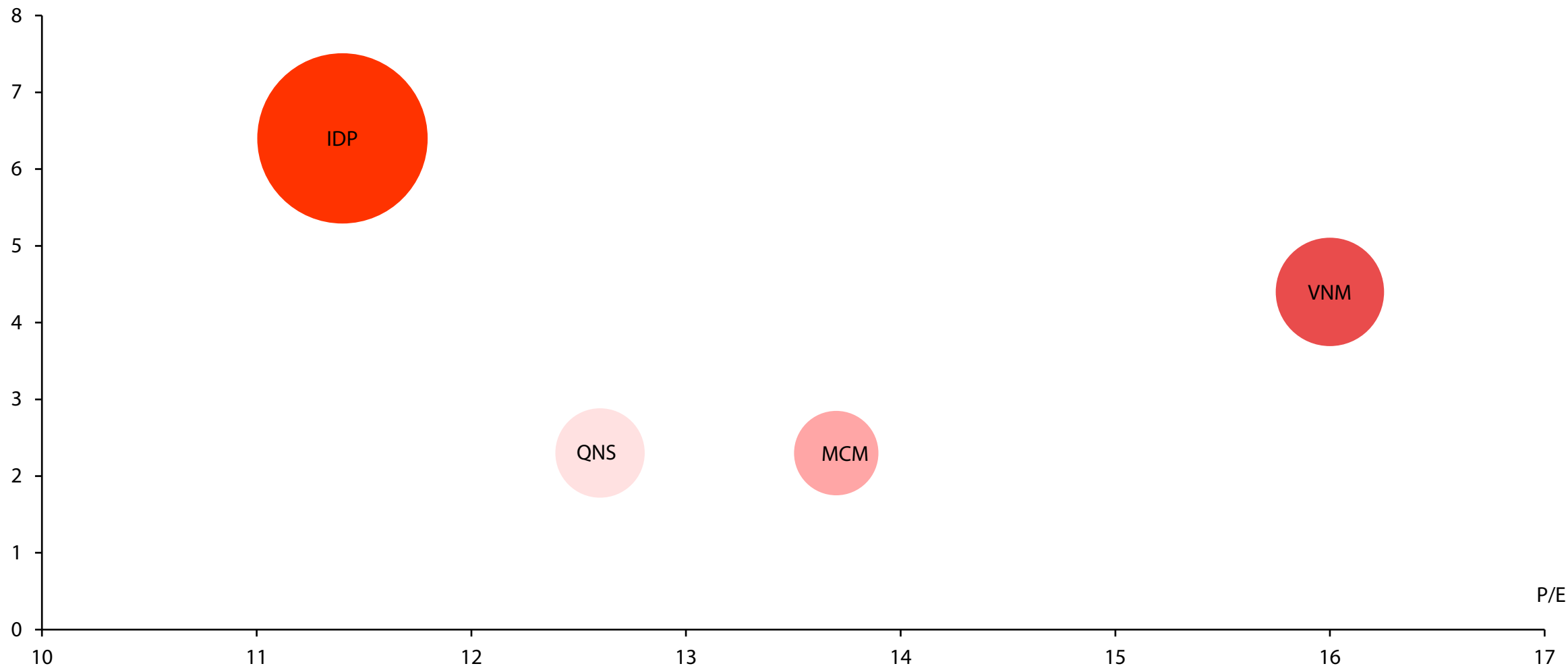


Source: Kantar Worldpanel, Rong Viet Securities

Ticker	Market cap (VND bn)	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)
VNM	150,895	85,100	3.3%	-6.3%	21.5%	17.6%	-11.3%	15.6%	17.7%	25.8%	5.3%	17.8	4.4
MCM	4,862	N/A	3.6%	1.2%	10.9%	9.1%	13.7%	10.9%	17.2%	18.6%	3.3%	15.3	2.2
IDP	9,903	N/A	25.8%	84.5%	23.1%	-4.8%	64.0%	17.0%	32.1%	77.9%	2.6%	12.0	7.5
QNS	15,777	N/A	13.0%	9.5%	24.4%	45.3%	19.0%	17.1%	13.2%	18.1%	7.0%	10.7	1.9

Source: Fiinpro, Rong Viet Securities. Share price as of 10 August 2022.

P/B



Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 10 August 2022.

BUY: +23%

<MP: 72,500>

<TP: 85,100>

STOCK INFO

Sector

Market Cap (\$ mn)

Current Shares O/S (mn shares)

3M Avg. Volume (K)

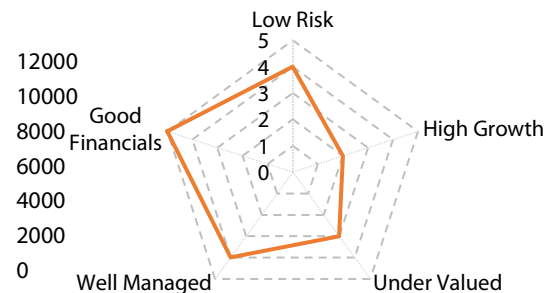
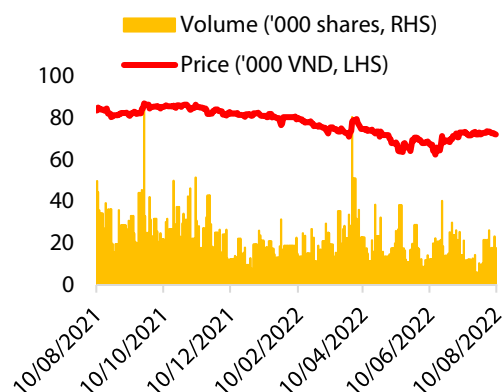
3M Avg. Trading Value (\$ USD)

Remaining foreign room (%)

52-week range ('000 VND)

FINANCIALS

		2021A	2022F	2023F
Consumer	Revenue (VND bn)	60,919	65,136	69,669
Staple	NPATMI VND bn)	10,532	10,301	11,415
6,480	ROA (%)	19.9	18.9	20.1
2,090	ROE (%)	31.8	30.2	31.4
2,274	EPS (VND)	4,517	4,436	4,916
6.2	Book Value (VND)	15,830	16,319	17,384
45.4	Cash dividend (VND)	3,850	3,850	3,850
64.5- 92.4	P/E (x)	16.1	16.3	14.7
	P/B (x)	4.5	4.4	4.1



INVESTMENT RATIONALES

Sales growth is expected to bottom-out since 2022 thanks to the distribution network restructuring strategy and strong growth of subsidiaries

- 2022 sales value is forecast to be VND65,136 bn (or USD 2,832 Mn, +6.0% YoY), mainly driven by high double-digit growth of subsidiaries (Driftwood, Angkormilk and Mocchau Milk). In the period of 2019-2021, VNM present a diminishing sales growth from 7% to 2%, thus we expect that their sales growth to bottom-out since 2022.
- Sales growth of 2022-2026 is expected to gradually increase. In 1H2022, VNM has implemented distribution network restructuring strategy to improve their market share, of which, increasingly taking care general trade (GT) distributors. Backed by this, we believe that VNM's market share will be strengthen since 2023 when the restructuring strategy take fully effect, resulting in positive growth of parents' sales. In addition, we believe that the potential growth of VNM's subsidiaries will continue to have room in the next 3 years as they will launch more SKUs and expand their customer data base.

Net profit margin is expected to recover since 2H2022 and onwards thanks to higher average selling price and decreasing raw milk prices

- 2022 NPAT-MI is expected to decrease by -2.4% YoY to VND10.3 Tn (or USD 435 mn) because of 1H2022 weak performance. However, VNM 's gross profit margin has slightly recovered since Q2 2022 thanks to higher average selling price and fixed production cost. In the background of decreasing prices of raw milk powder and new raw milk powdered contracts will be closed within Q4-2022, we believe that profit margins of VNM will continue to improve in 2H2022 and onwards. As a result, Q2 2022 is expected to be bottom of VNM 's profit margin.

Strong cash flow and healthy capital structure create a favorable condition for future business expansion and stable cash dividend policy

- VNM has a strong cash flow and healthy capital structure which help the company to be able to expand their business (e.g., by M&A or investing on non-dairy business) in the future, resulting in an increasing ROE in the next five years. Besides, this advantage also supports VNM to keep a stable cash dividend policy (~40% on par value annually), creating stable profit for long-term investors.

RISKS TO OUR CALL

- China would back to import huge amounts of raw milk, leading raw milk powder to strongly increase.

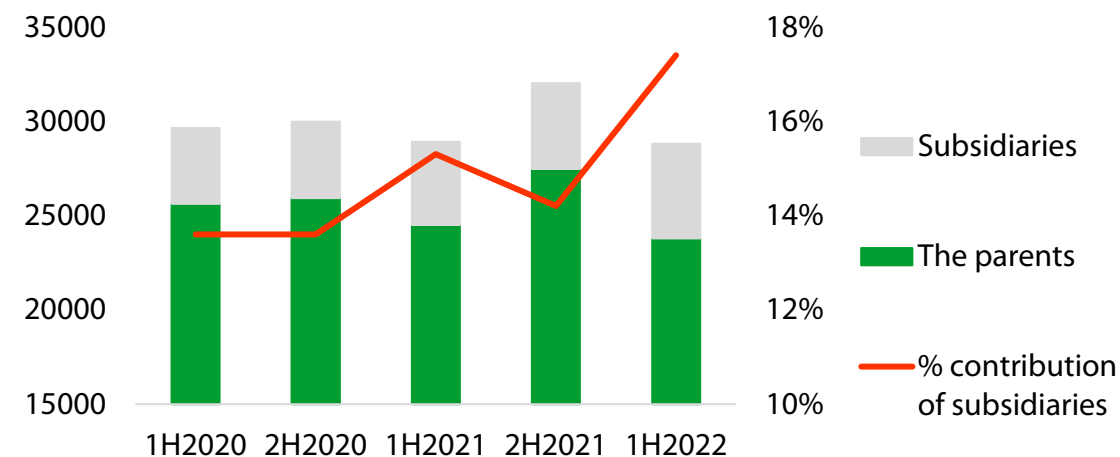
Vinamilk restructured its distribution system in 1H2022, leading to weak performance of the parents' sales

- 1H2022 revenue posted VND28,808 bn (-0.3% YoY, USD1,253 mn), dragged down by the weak performance of the parents' sales with VND23,781 bn (-2.9% YoY, USD1,034 mn). Explained by VNM, it restructured distribution network in 1H2022 to boost further market share in General Trade (GT) channel, leading to fluctuations in revenue. In detail, the company reduces discounts for some supermarkets while focusing on pushing sales of GT distributors, especially in rural areas. Although VNM's market share slightly down in 1H2022, we expect it will regain the market share thanks to this strategy in 2H2022.
- Subsidiaries: the positive signal of 1H2022 performance of VNM is that all of its subsidiaries records positive sales growth. Notably, the two oversea subsidiaries, including Driftwood (the U.S.) and Angkormilk (Cambodia), presented high double-digit sales growth, at +40% YoY and +14% YoY, respectively.

Production costs surged, led by strong increasing global raw milk powder prices, resulting in a negative growth in 1H2022 net profit.

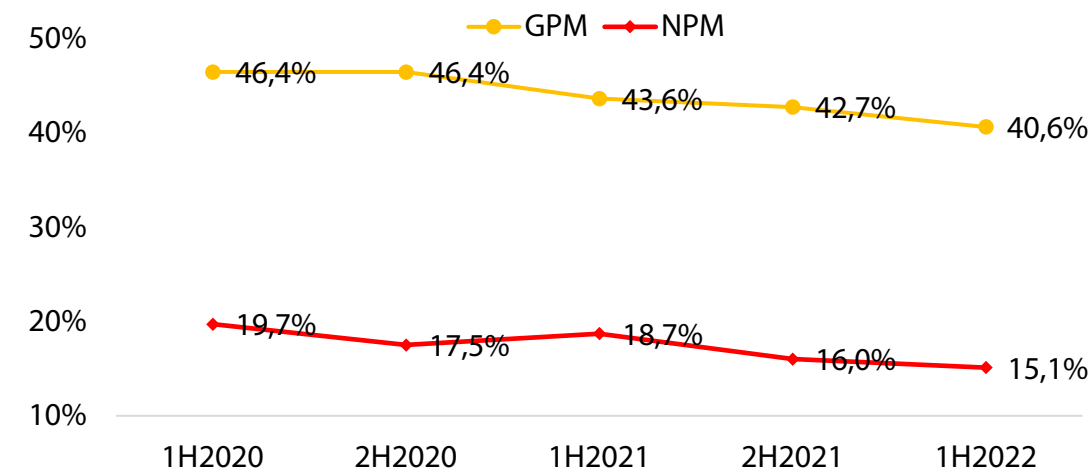
- 1H2022 gross profit reached VND11,701 bn (-7.2% YoY, USD509 mn), equivalent to gross margin of 40.6% (-300 bps YoY). The strong rising of raw milk powder prices since mid-2020 until Mar-2022 is the primary factor. However, Q2 2022 gross margin was 40.7%, +17 bps higher than Q1 2022 thanks to higher ASP.
- 1H2022 NPAT-MI was VND4,384 bn (-19.6% YoY, USD191 mn). The increase in both expenses related to the restructuring strategy and logistic costs led net profit declined at a higher pace than revenue.

Figure 1: Revenue by segment (VND bn)



Source: VNM, Rong Viet Securities

Figure 2: Gross profit margin and net profit margin

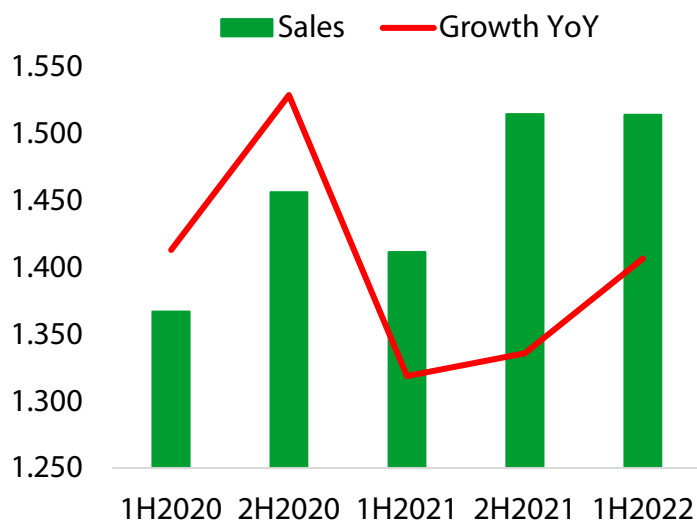


Source: VNM, Rong Viet Securities

2H2022 sales is forecast to strongly recover, backed by double-digit growth of subsidiaries.

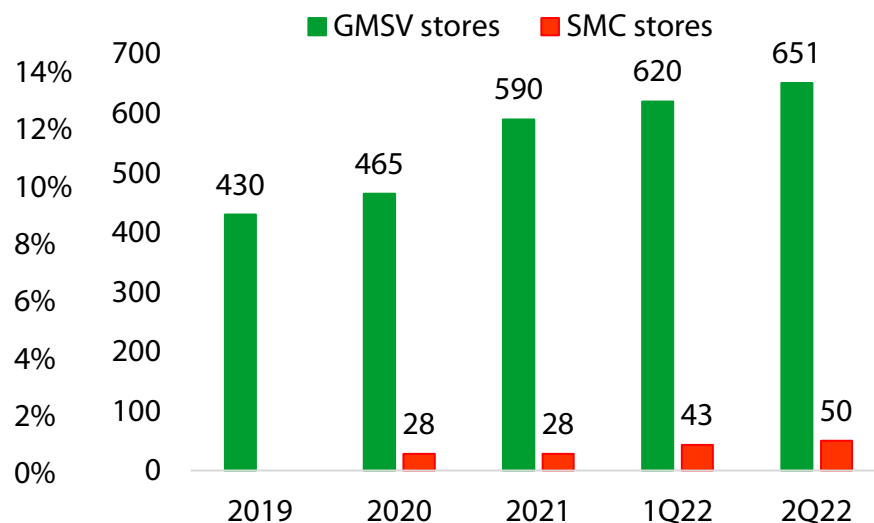
- 2022 revenue is expected to reach VND 65.1 Tn (+6.0% YoY, USD2,760 Mn) driven by double-digit sales growth of subsidiaries. In detail, we believe that Mocchau Milk (Upcom: MCM) will continue to grow higher in 2H2022 after illustrating 1H2022 sales growth of +7.3% YoY, encouraging by higher production capacity since Jul-2022, wider distribution network, and larger SKUs. Mocchau Milk 's BOD aims to open 70 "Sua Moc Chau" stores in 2022. As regards overseas subsidiaries, we believe that 1H2022 strong growth momentum to continue in 2H2022, resulting double-digit sales growth for whole year. The main reason is the recovery of dairy consumption after Covid-19 pandemic in the U.S. and Cambodia markets.
- As regards the parents, we expect that its domestic sales will turn to positive growth in 2H2022, in the pillars of 1) the distribution system restructuring strategy will generate positive result since 2H2022; 2) the reopening of outdoor activities, schools, and industrial park which stimulate dairy consumption; and 3) higher ASP. According to the company, the ASP has been raised in Feb and May-2022 with an increase of +5% and +5.5% YoY, respectively. Furthermore, VNM's domestic revenue in Jul-2022 also recorded a strong growth of 10% YoY on a high base of Jul-2021. As a result, whole year sales growth of the parents will be flat compared to the same period last year.

Figure 3: Mocchau Milk' sales (VND bn) and growth YoY (% , RHS)



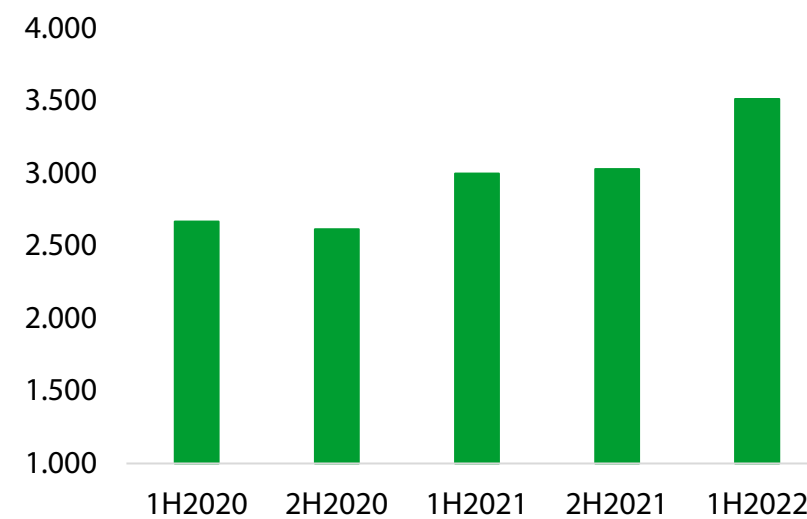
Source: MCM, Rong Viet Securities

Figure 4: "Giac Mo Sua Viet (GMSV)" and "Sua Moc Chau (SMC)" store counts (unit)



Source: VNM, MCM, Rong Viet Securities

Figure 5: Sales of overseas subsidiaries (VND bn)

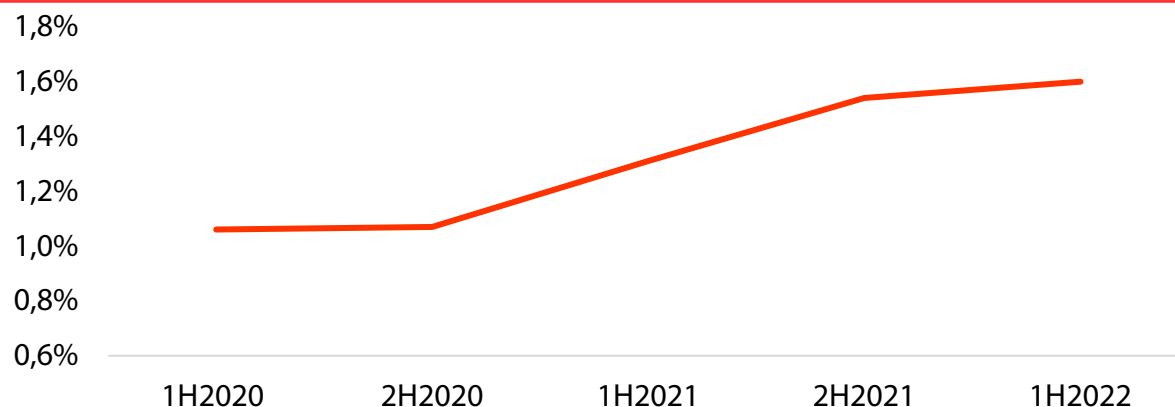


Source: VNM, Rong Viet Securities

2H2022 net profit margin is going to recover thanks to decreasing raw milk powder prices.

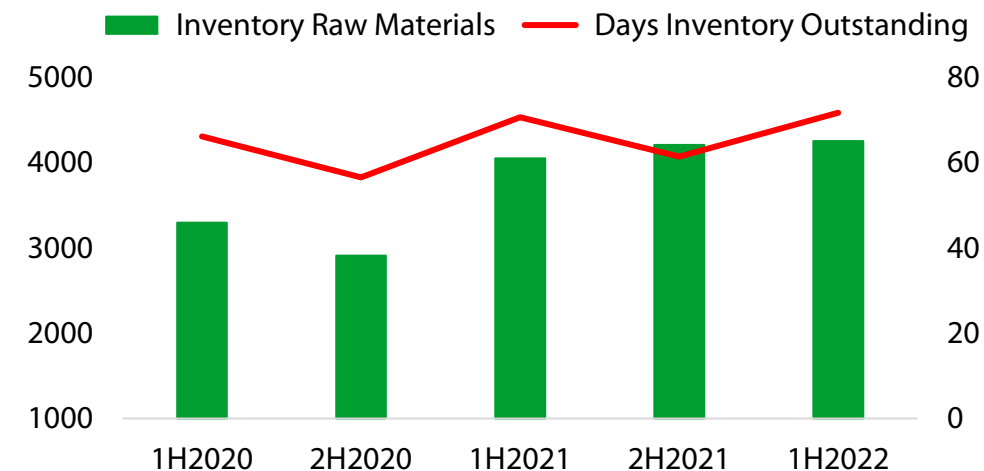
- 2022 NPAT-MI is expected to decrease by -2.4% YoY to VND10.3 Tn (or USD 435 Mn), of which, 2H2022 strong growth will compensate for the two-digit negative growth of 1H2022. In Mar-2022, VNM has locked raw milk powdered contracts until Aug-2022 at the high price (Figure 6), thus we expect that the company will make new contracts within Q4-2022, taking advantage of decreasing raw milk powder prices. In the background of higher ASP, we expect that VNM 's gross margin will continue to gradually recover since Q3 2022, then improving in Q4 2022 after bottom-out in Q2 2022. Equipped by recent downward trend of global crude oil prices, 2H2022 logistic costs is expected to ease, thus supporting operating margin. Consequently, net profit margin is going to improve.
- 2H2022 GPM and NPM are forecast to be 40.9% (-183 bps YoY) and 15.6% (-42 bps YoY), but higher than 1H2022 results by +25 bps and +48 bps, respectively.

Figure 7: VNM 's logistic expenses/sales



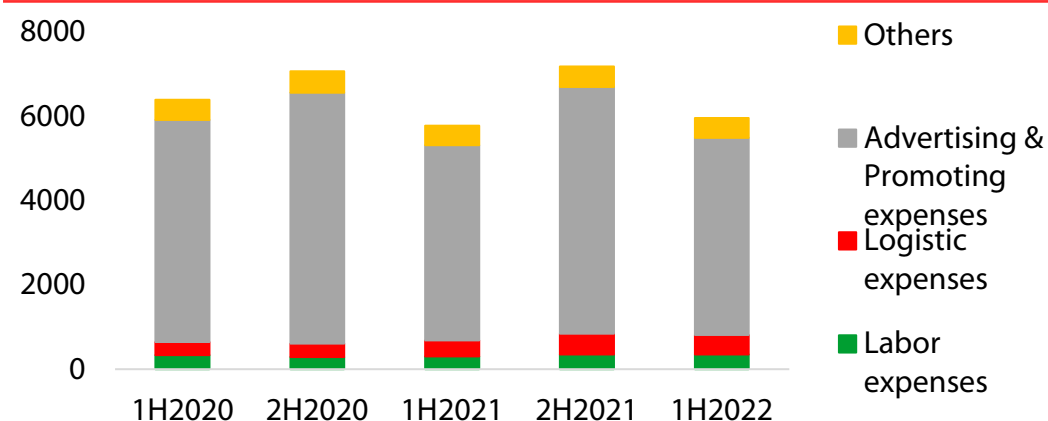
Source: VNM, Rong Viet Securities

Figure 6: VNM 's raw material inventory (VND bn, LHS) and days of total inventory outstanding (days, RHS)



Source: VNM, Rong Viet Securities

Figure 8: VNM 's selling expenses breakdown (VND bn)



Source: VNM, Rong Viet Securities

<ACCUMULATE: +19%>

<TP: 44,500>

<MP: 50,300>

STOCK INFO

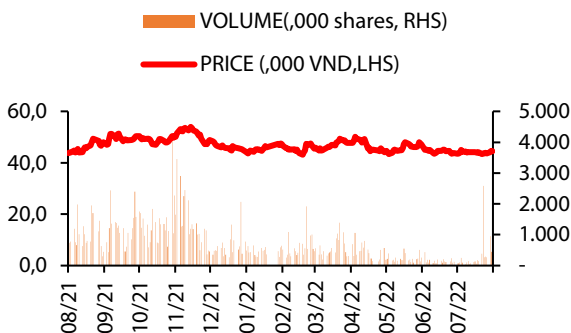
Sector
Market Cap (\$ mn)
Current Shares O/S (mn shares)
3M Avg. Volume (K)
3M Avg. Trading Value (\$ mn)
Remaining foreign room (%)
52-week range ('000 VND)

Food & Beverage
679
357
265
9
30.6
58 – 41.2

FINANCIALS

Revenue (VND bn)
NPATMI VND bn)
ROA (%)
ROE (%)
EPS (VND)
Book Value (VND)
Cash dividend (VND)
P/E (x)
P/B (x)

	2021A	2022F	2023F
Revenue (VND bn)	7,335	8,314	9,317
NPATMI VND bn)	1,254	1,279	1,470
ROA (%)	12.7%	12.3%	13.2%
ROE (%)	17.7%	17.2%	18.8%
EPS (VND)	4,117	4,160	4,778
Book Value (VND)	23,539	24,699	25,977
Cash dividend (VND)	3,000	3,000	3,000
P/E (x)	11.7	10.5	9.1
P/B (x)	2.0	1.8	1.7



INVESTMENT RATIONALES

Soymilk consumption recovery meanwhile rising costs weigh on short term profit margin

- The soymilk revenue rose by 12% YoY in 1H2022. However, profit growth has been hindered by the rising costs including imported soybean, sugar, etc. The margin pressure is expected to remain until 1H2023.
- FY2022, soymilk sales is projected to rise by 11% YoY driven by a 6% growth in sales volume. Gross profit will pose a modest growth, 8% YoY due to margin pressure on rising inputs cost.

The imposition of anti-dumping tax on imported sugar from 5 ASEAN countries will improve the sugar segment in 2H 2022

- The 1H2022 sugar revenue witnesses a decline due to sales volume dropped significantly given rising competition from the circumvented-tax barrier as well as smuggled sugar. We expected action on circumventing anti-dumping measures will support the domestic sugar price. Therefore, the segment in FY22 is forecasted to increase by 25% YoY in sales supported by expected strong volume growth in 2H22. However, we expect gross margin of this segment to contract 450 bps YoY on the high base of 2021, flattening sugar gross profit YoY.
- In FY2022, QNS's business growth is expected at 13% YoY and 2% YoY in revenue and NPATMI, respectively.

Healthy cashflow enables an attractive dividend policy

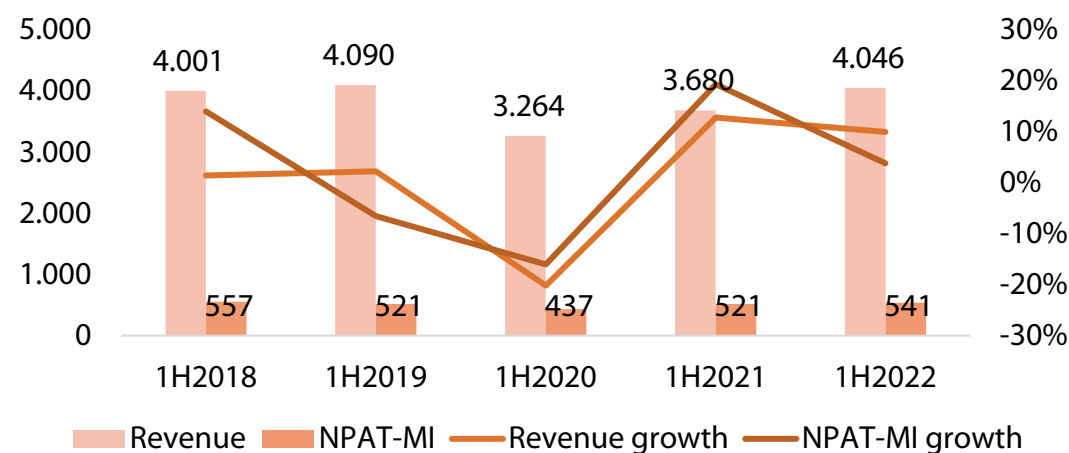
- Decent financial structure with average D/E ca. 29% and no expected long-term debts during 2022-2025.
- Attractive cash dividend yield, 7% for FY2022.

RISKS TO OUR CALL

- Continuously rising inputs cost including import soybean and sugar.
- Failure in controlling cross-border smuggling.

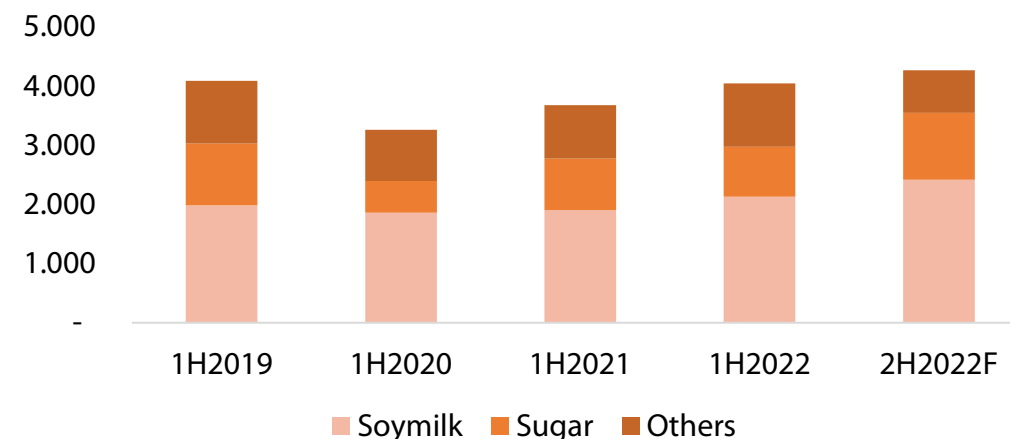
- In 1H2022, QNS recorded revenue and NPAT-MI to be VND 4,046 Bn (or USD 176 Mn) and VND 541 Bn (or USD 23 Mn), increasing by 9% YoY and 4% YoY, respectively. This growth mainly comes from the soymilk segment to offset the slight decrease of the sugar segment competed with smuggled sugar.
- Both soymilk GPM and sugar GPM declined in 1H2022, by 190 bps YoY and 370 bps YoY, respectively, due to high materials costs (soybeans, sugar materials). However, GPM improvement of other segments helped 1H2022 GPM remain unchanged of 28.2% YoY.
- Selling costs went up 21% YoY in 1H2022 due to the promotion for new products, leading to NPAT to grow at a lower rate than revenue.

Figure 1: 1H2022 results (VND Bn)



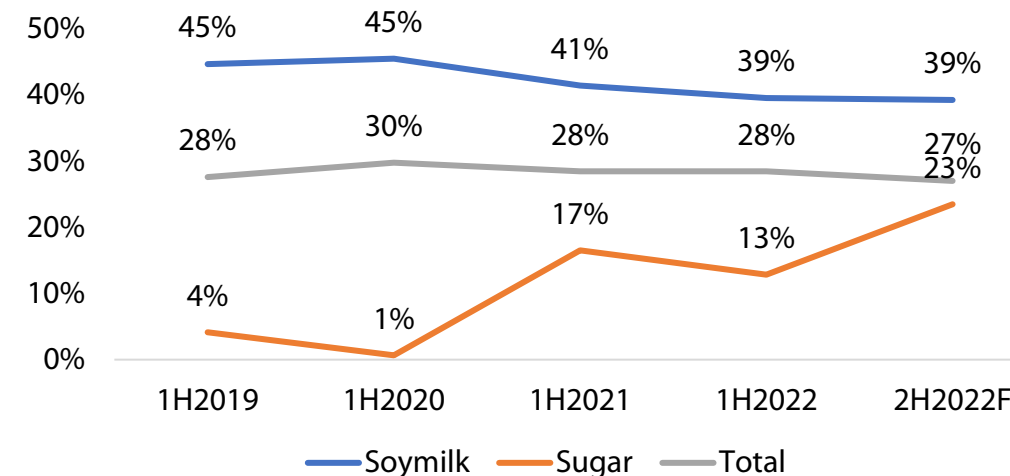
Source: QNS, Rong Viet Securities

Figure 2: Revenue breakdown by products (VND Bn)



Source: QNS, Rong Viet Securities

Figure 3: Gross margin by products (%)



Source: QNS, Rong Viet Securities

Slow recovery due to high soybeans prices

- In 1H2022, revenue from soy milk increased by 12% YoY with sales volume growth of 7% and selling price increased by 5%. These positive results underscore the resilience of demand for soy milk.
- However, gross margin is affected due to high input material costs, undermining the profit growth. In the second half of 2022, gross margin is continuously under pressure given inputs cost expected to remain at a high base while selling price hike is limited to support demand recovery.
- In FY2022, we expect soymilk's revenue to reach VND 4,554 Bn, up 11% YoY in 2022 thanks to 6% YoY increase in volume and 5% YoY increase in selling price, while gross profit of this segment only increased by 8% YoY.
- We view that soymilk's GPM would remain at a low level in FY2023 as the company fixed a part of soybeans prices for 1H2023 while there is no sign that soybean prices will cool down in 2023.

Figure 4: Soymilk revenue and gross profit (bnVND)

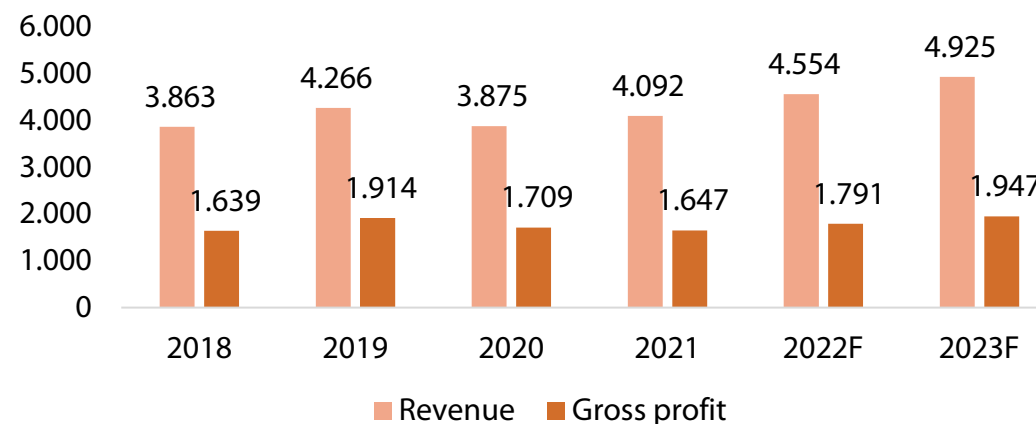
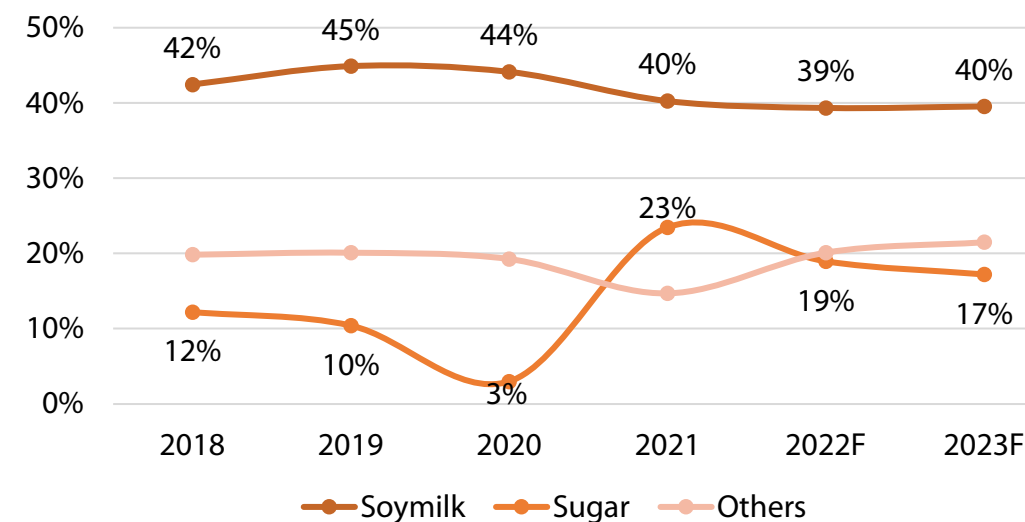


Figure 5: GPM by products

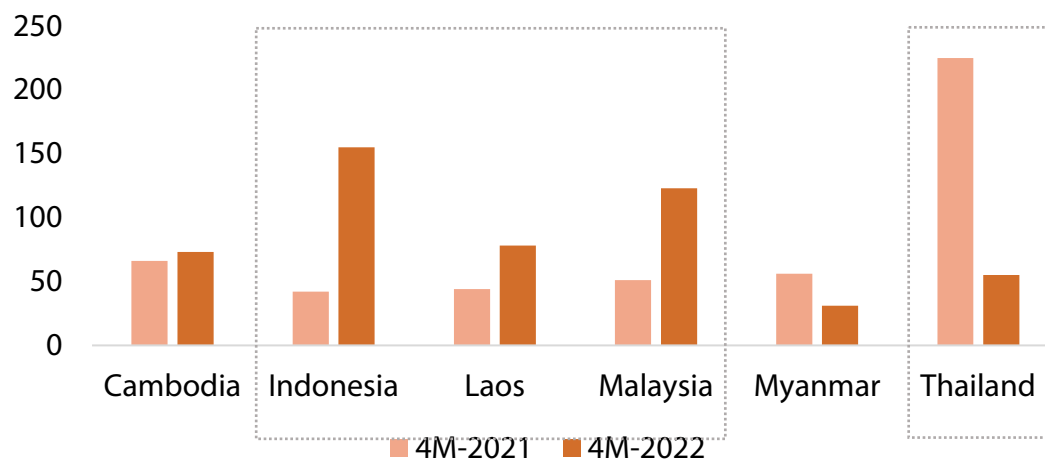


Source: QNS, Rong Viet Securities

Domestic sugar prices have cooled down since the beginning of 2022 after a sharp increase in the second half of 2021 due to the recovery of sugar production in Thailand and an increase in sugar smuggling into Vietnam. For QNS, in 1H2022, gross margin of sugar segment decreased by 370 bps YoY to 13% due to rising sugarcane cost while sugar price declined.

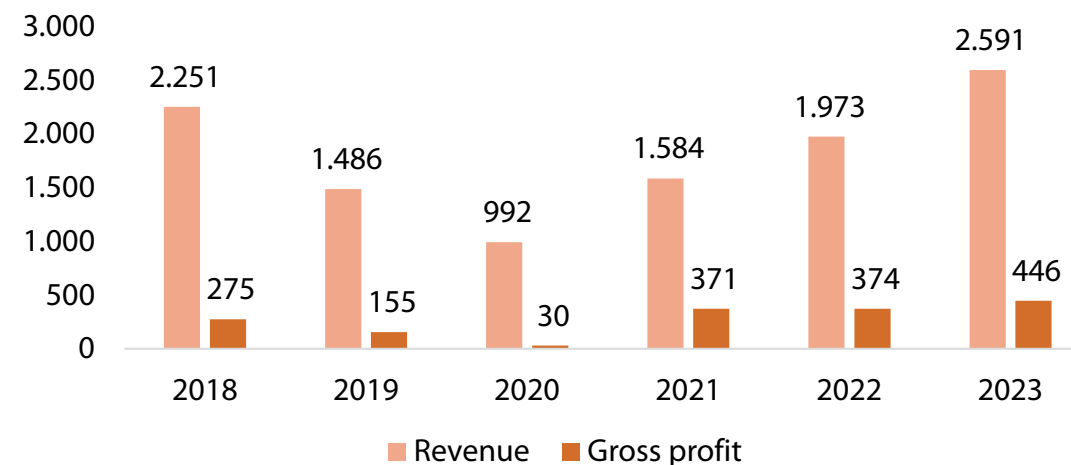
A lessen competition expected from the implementing of anti-dumping tax on sugar from 5 ASEAN countries would support the domestic sugar price. FY22, the revenue is expected to reach VND 1,973 bn in 2022, up 25% YoY thanks to increased sales volume in the 2H2022 while PBT 2022 will reach VND 320 bn, flat versus the high base in 2021, contributing 24% and 21% to the company's total revenue and PBT, respectively.

Figure 7: Vietnam sugar import from ASEAN change during 21-22



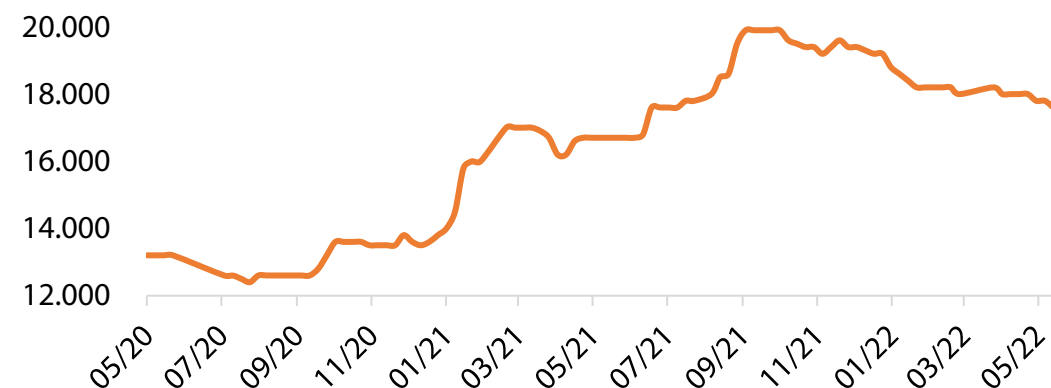
Source: VSSA, Rong Viet Securities

Figure 6: Sugar revenue and gross profit (VND bn)



Source: QNS, Rong Viet Securities

Figure 8: Local RS sugar price (VND/kg)



Source: VSSA, Rong Viet Securities

Table: Valuation summary

FCFE		Sum of the parts (SOTP)		
		Segment	Method	Valuation
Risk-free rate	3.0%			
Expected market return	13.0%	Soymilk	P/E 14x	27,185
Beta	0.75	Sugar	P/E 10x	9,012
Risk premium	3.0%	Biomass	FCFE	3,541
Cost of Equity	13.6%	Others (Beers, Confectionary, Minerals)	P/E 8x	5,484
Target price (VND)	55,391	Target price (VND)		45,223
Target price, VND (50% FCFE, 50% SoTP)				50,307

Source: Rong Viet Securities

- For FY22, we forecast QNS's profit to grow only single digit due to rising inputs cost, weighing on profitability of FMCG manufacturers such as QNS as well as the sugar industry after high base of 2021. However, in the long term, QNS is a favorable stock driven by its dominant position in the branded soymilk market, which poses spacious market room in Vietnam, sound financial as well as attractive cash dividend.
- Based on a combined valuation of DCF and SoTP, we value QNS stock at VND 50,300. We recommend to ACCUMULATE this stock with a total expected return of 19%, including a cash dividend of 7%.

LOGISTIC

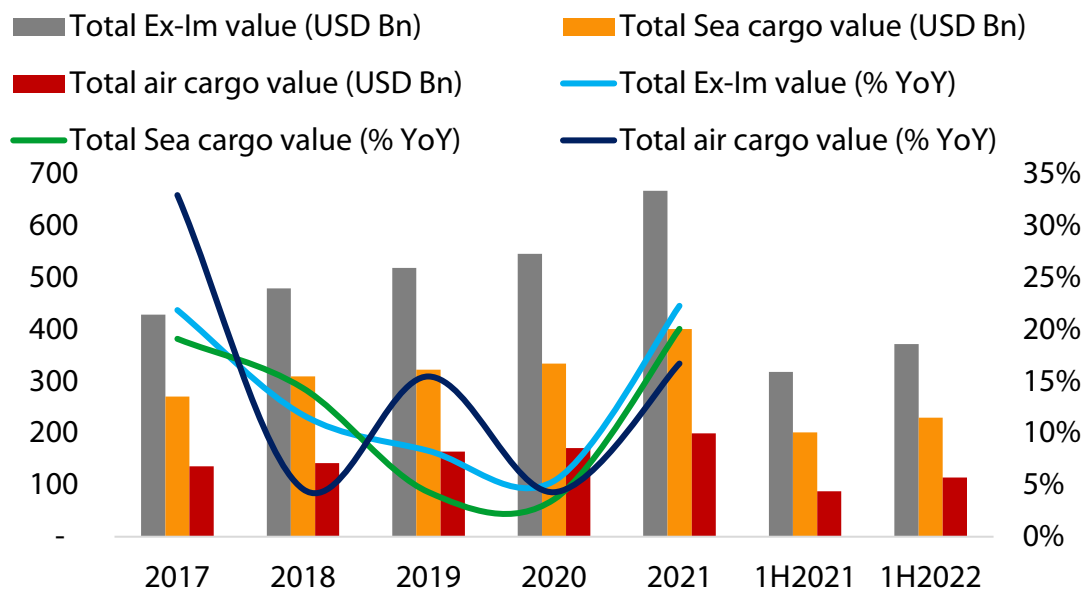
**HEADWIND IN THE SHORT-TERM
TAILWIND IN THE LONG RUN**



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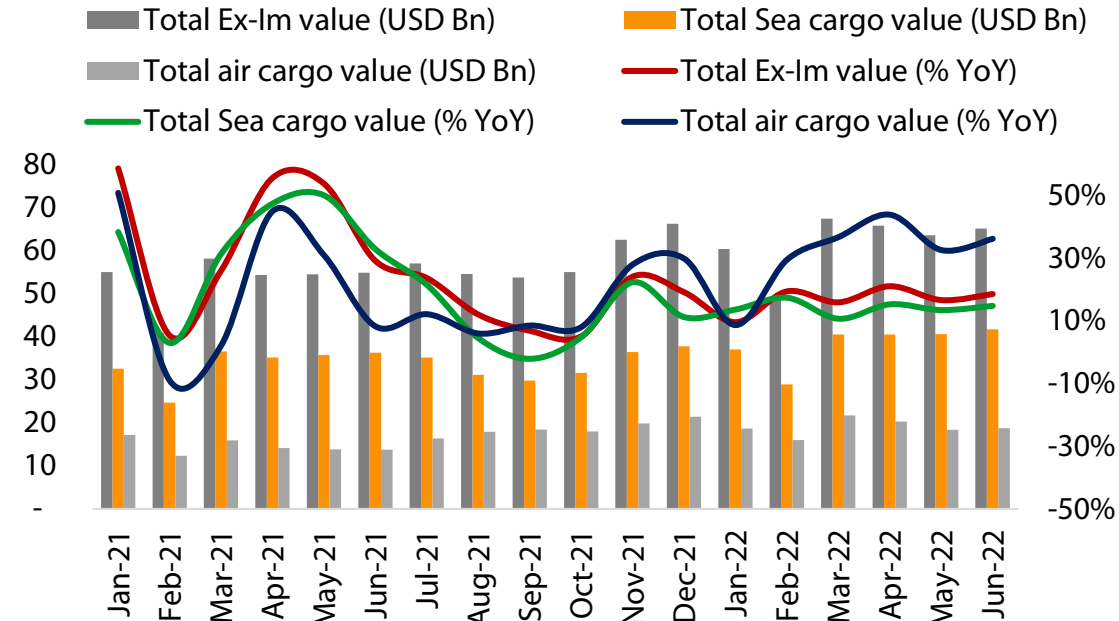


Figure 1: Ex-Im Value in terms of transport



Source: Vietnam Customs, Rong Viet Securities

Figure 2: Monthly Ex-Im value (USD Bn)

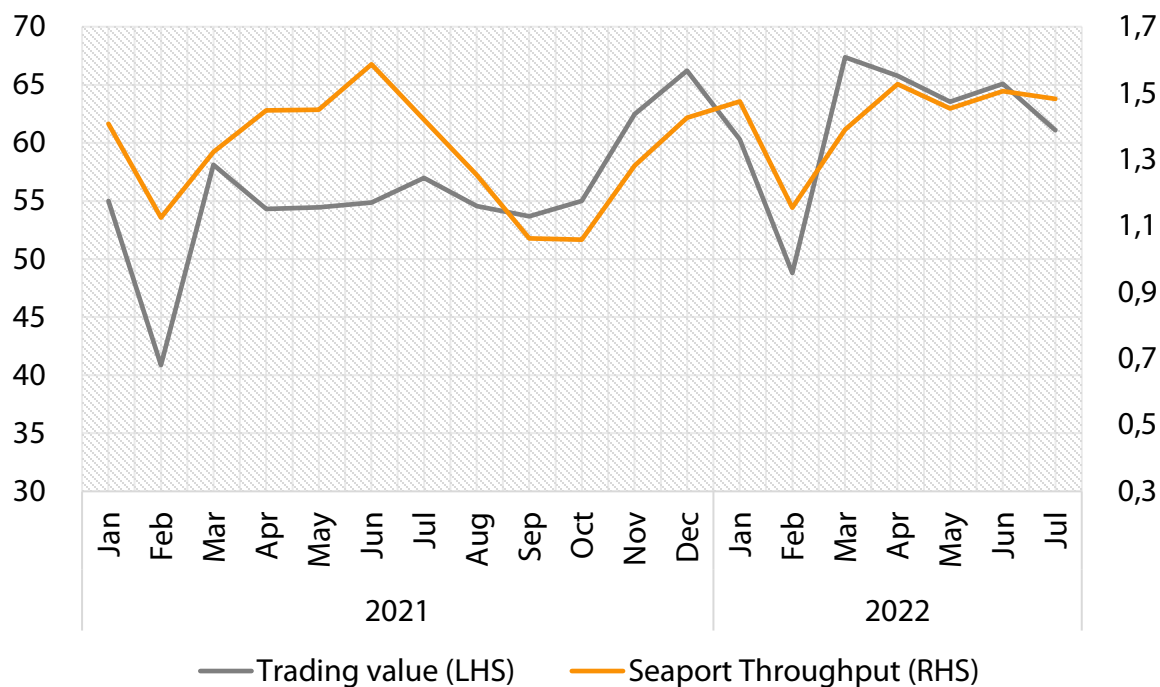


Source: Vietnam Customs, Rong Viet Securities

An enhancement of 17% in total import – export value in 1H2022 and the airborne trading outweighed that of seaborne

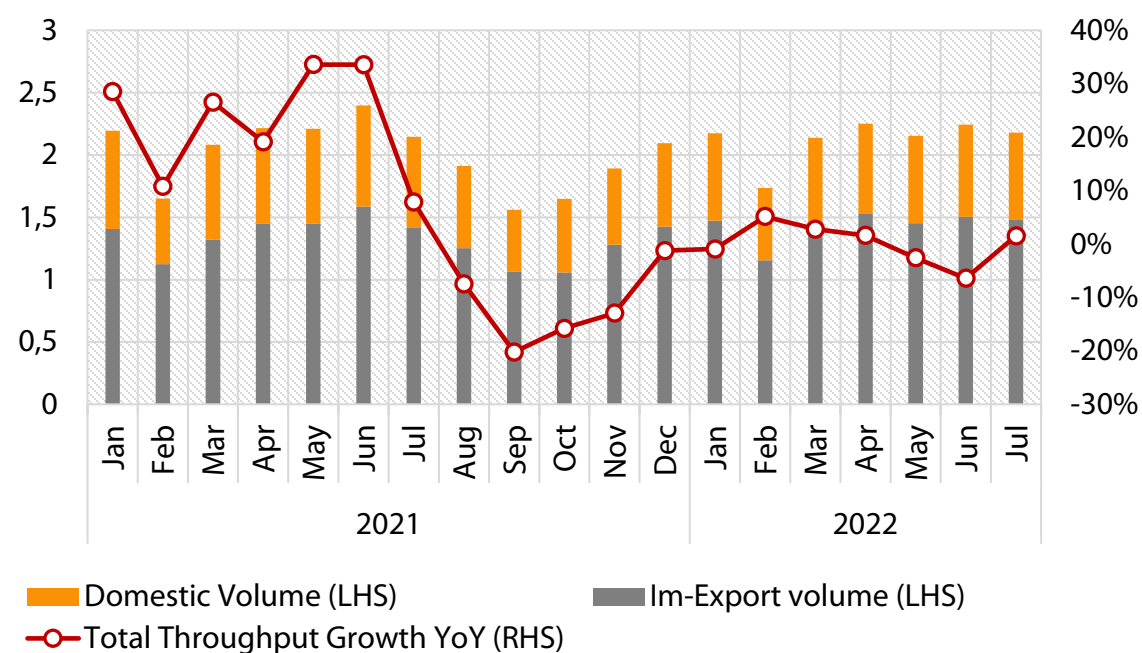
- In 2021, total trading witnessed a strong rebound of 22% regardless of the production stagnation amid the 4th covid wave in 3Q2021. Total export-import has gradually recovered MoM with a low growth rate since Nov 2021 upon economies reopening.
- **Air cargo trading value growth has surpassed that of sea freight in 1H2022.** Total trading value in 1H2022 reached \$ 371 bn, +17% YoY, in which sea freight value accounts for 62% of the total (\$ 229 bn, +14% YoY) and the remaining belongs to air freight (\$114 bn, +31% YoY).
- Monthly total trading value has performed well with growth rates ranging from 10% to 20% in the first fourth months. Since the very first signal of global inflation in May 2022, total trading value somewhat declined by 3% MoM, mainly attributed by a plunge of 10% from air-borne value.

Figure 3: Cargo trading value (\$ bn) and throughput (mn TEUs)



Source: Vinamarines, GSO, Rong Viet Securities

Figure 4: Monthly seaports throughput (mn TEUs)



Source: Vinamarines, GSO, Rong Viet Securities

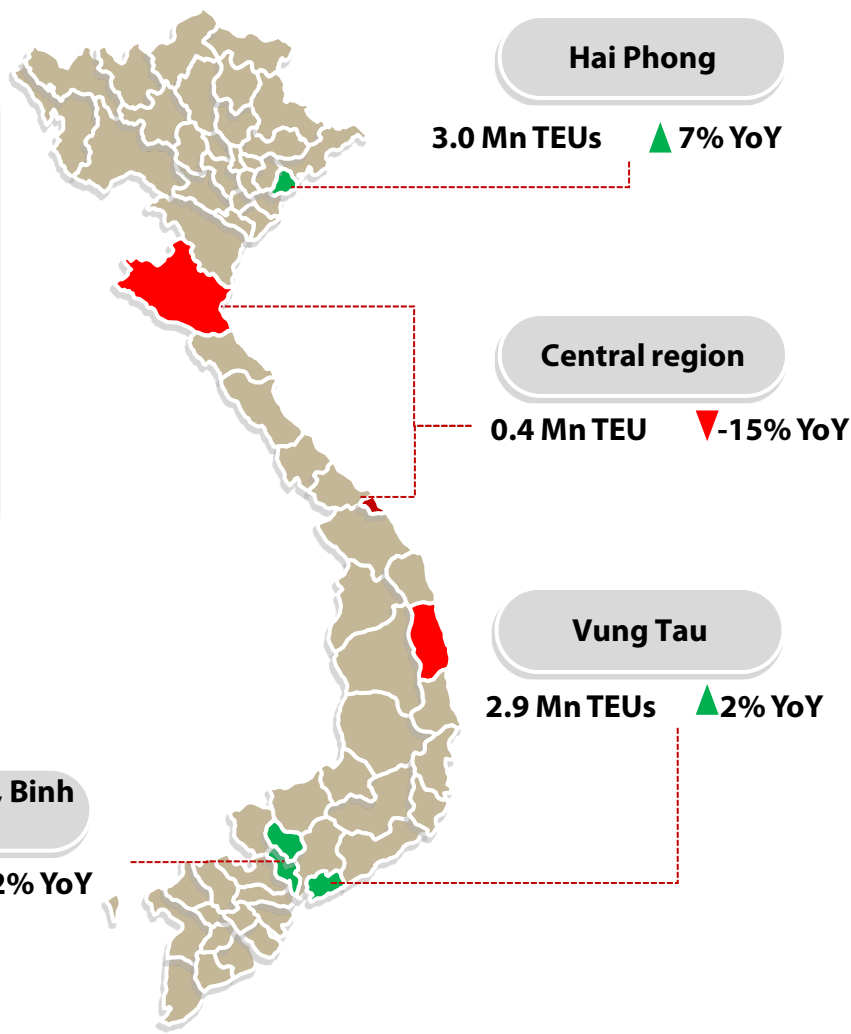
Despite of a rise of 17%YoY in trading value, national sea cargo throughput was flat in 1H2022, implying an accelerate in price

Specifically, Hai Phong and Vung Tau port cluster posted single-digit growths, 7% YoY and 2% YoY, respectively. On the other hand, the Central and HCMC regions declined by -15% and -2% YoY, respectively.

Figure 5: Throughput in key port clusters in 1H2022

- In 1H2022, the Hai Phong landscape ranked first in Vietnam (7%) in terms of growth rates. Next was the Vung Tau area (2%).
- Historically, Vung Tau areas always owned the highest growth rates. In 1Q2022, sea cargo throughput rose by 11% YoY while it declined by 5% in 2Q2022.
- Vung Tau is the main port on long-haul transpacific routes from East to West. Hence, a soar of inflation in US and EU, resulting in a tail of throughput in such areas since May, -2% and -12% MoM in May and June.

Terminal	Volume ('000 TEU)	YoY %	M/S
Cat Lai	2,824	-2%	65%
ITC – Phu Huu	284	-15%	7%
VICT	264	-5%	6%
Dong Nai	261	6%	6%
Binh Duong	226	16%	5%

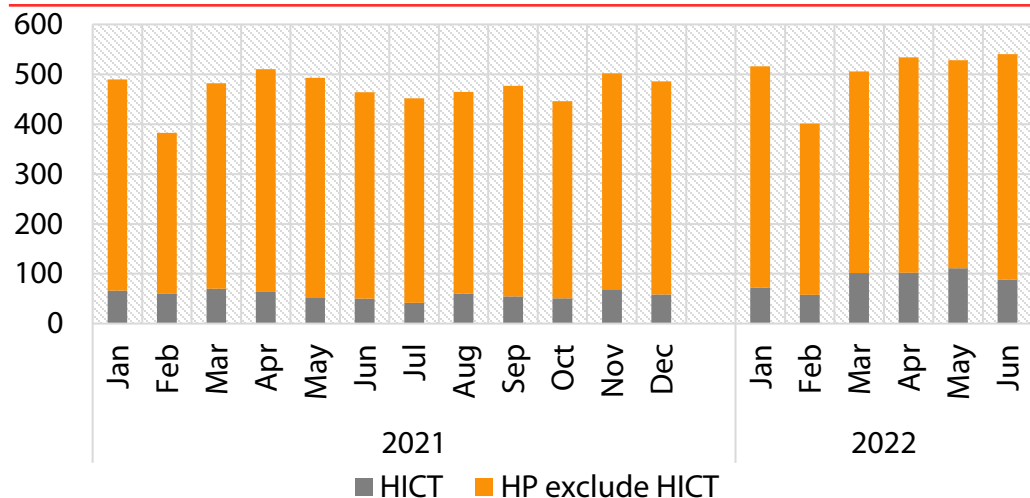
HCM, Dong Nai, Binh Duong
4.3 Mn TEU ▼ -2% YoY


Terminal	Volume ('000 TEU)	YoY %	M/S
HICT	533	47%	18%
Tan Vu	532	-1%	18%
Vip green	333	12%	11%
Dinh Vu	306	1%	10%
NHDV	268	-1%	9%

Terminal	Volume ('000 TEU)	YoY %	M/S
TCIT	1,086	1%	37%
Gemalink	650	151%	25%
CMIT	470	-3%	16%
SSIT	382	-17%	13%
TCTT	255	-25%	9%

Source: VPA , Vinamarine, Rong Viet Securities

Figure 6: Volume in Hai Phong landscape ('000 TEUs)



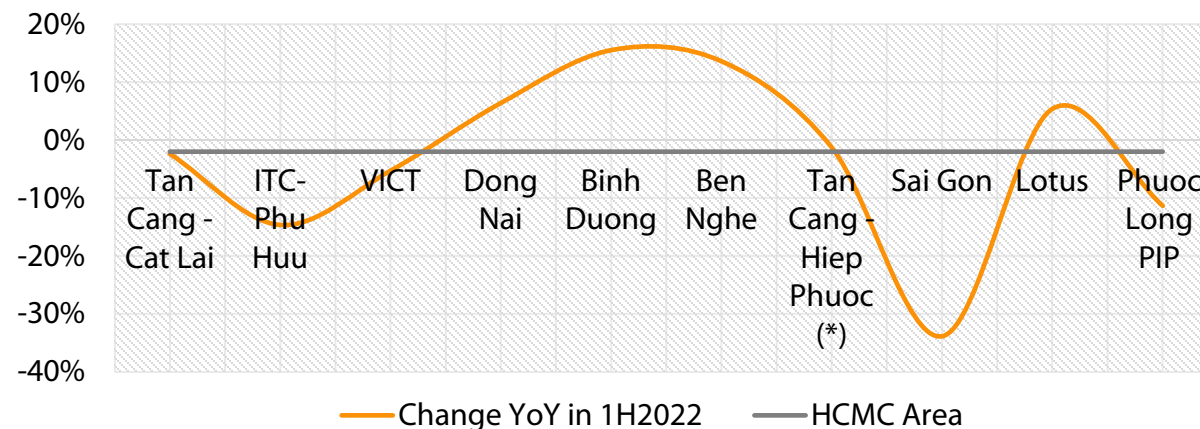
Source: Vinamarines, Rong Viet Securities

In terms of Hai Phong landscape, HICT strongly recovered thanks to (1) Finish dredging and (2) The new service routes launching. In 1H2022, HICT surged by 47% YoY, that took market shares from Tan Vu, Dinh Vu, NHDV, and NDV port.

Regarding Vung Tau area, Gemalink was outstanding amongst others. To exclude barge volume, throughput accelerated by 150% YoY while others witnessed a declining trend.

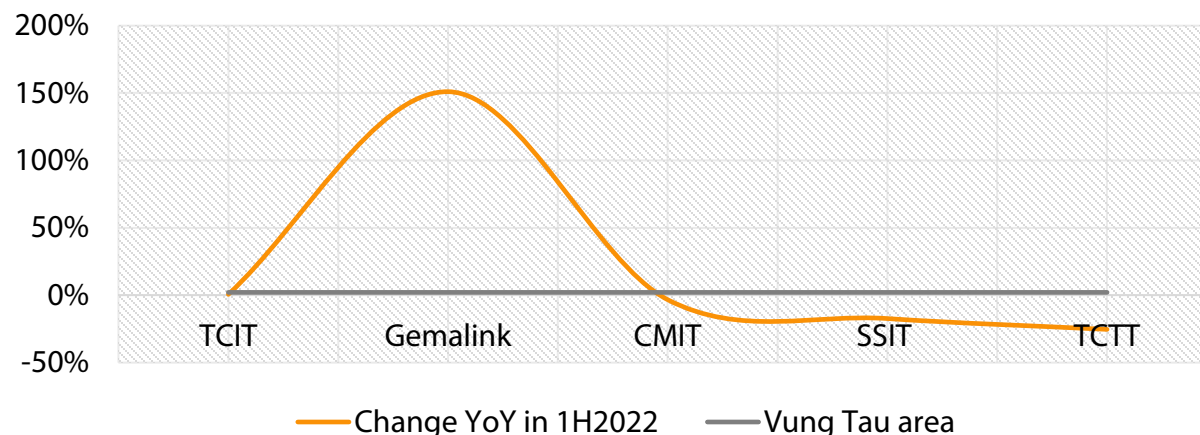
Throughput of Binh Duong and Dong Nai has enjoyed favorable growth thanks to CaiMep-ThiVai synergies while others in HCMC decreased.

Figure 7: Change in 1H2022 volume in HCMC area



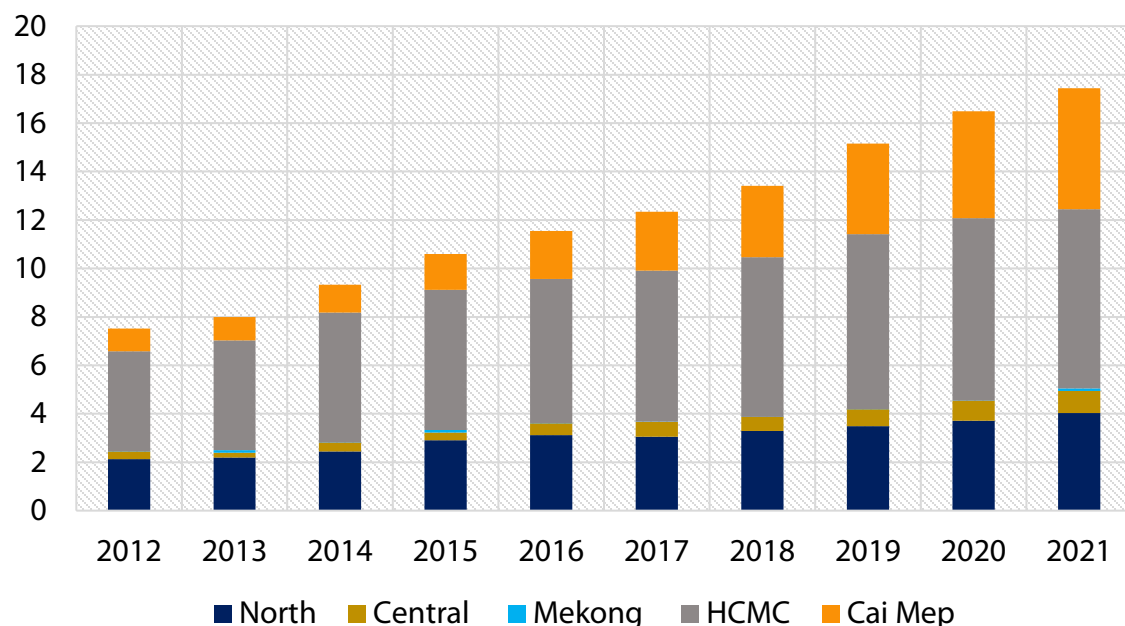
Source: Vinamarines, Rong Viet Securities

Figure 8: Change in 1H2022 volume in Vung Tau area



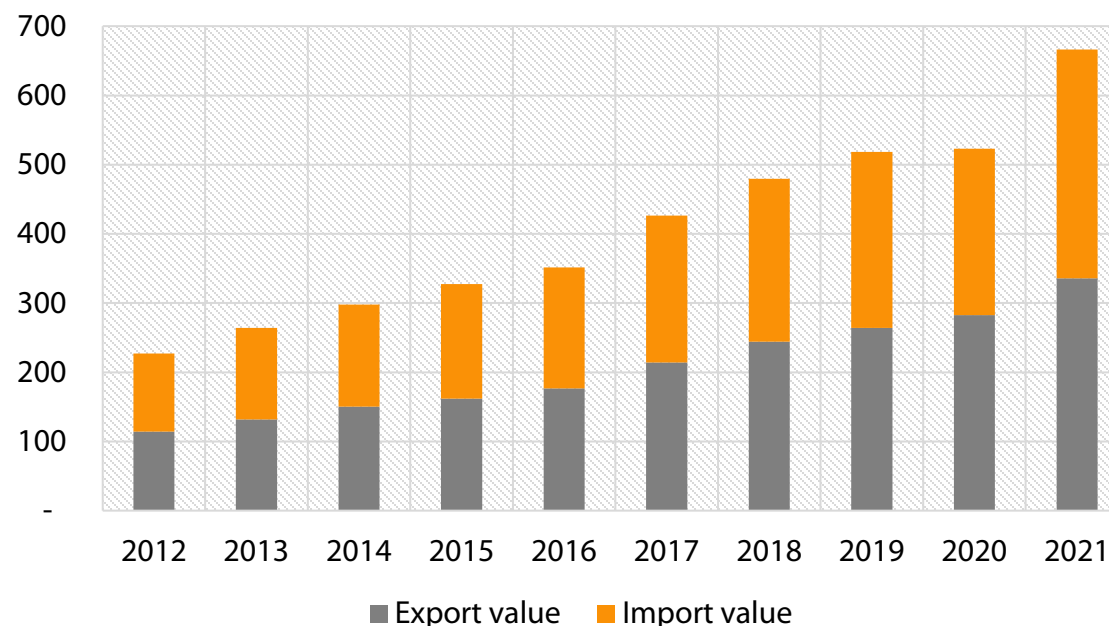
Source: Vinamarines, Rong Viet Securities

Figure 9: Throughput by landscape (mn TEUs)



Source: VPA, Rong Viet Securities, please note that this figure only represent for those belong to VPA

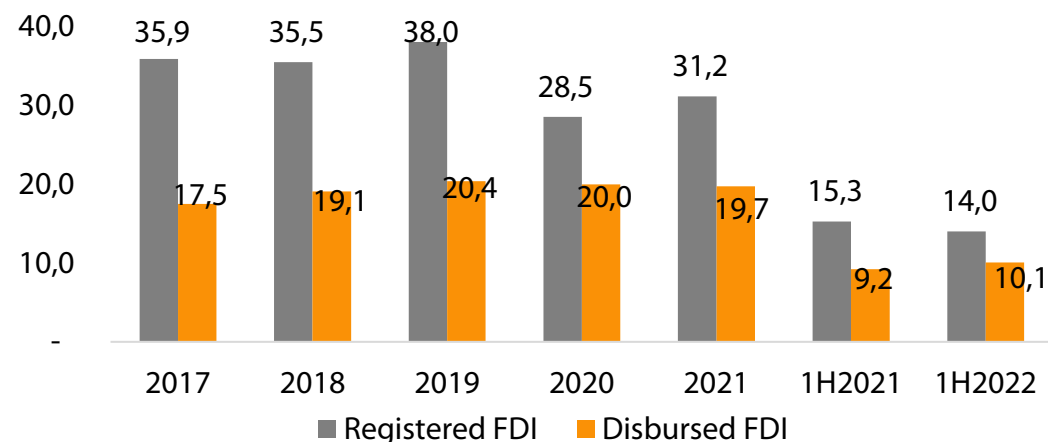
Figure 10: Sea cargo trading value (USD bn)



Source: GSO, Rong Viet Securities

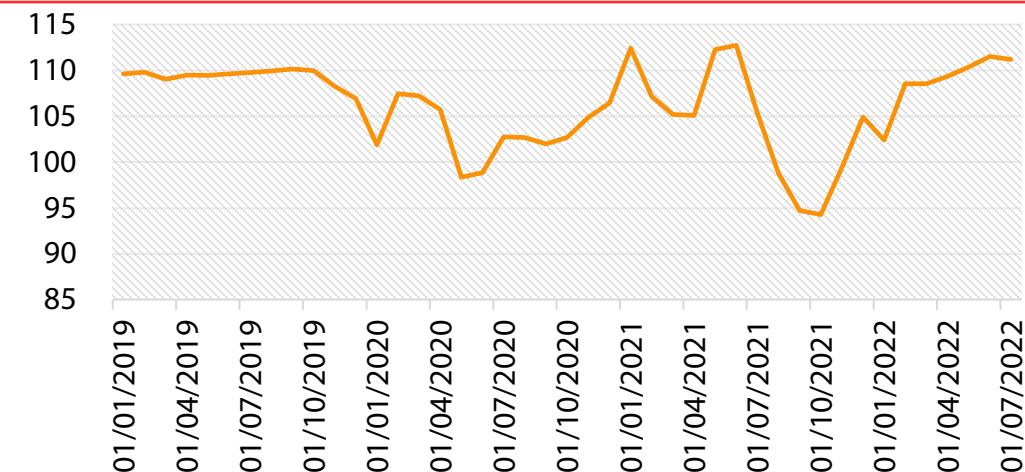
- Despite strict lockdown in 2021, sea cargo trading value and container throughput experienced an upwards growth trend of roughly 27% and 5% YoY, respectively.
- As Vietnam is an open economy, that might be temporarily impacted by the high inflation in US and EU (Vietnam's major commercial partners). However, we foresee this event as a short-term risk unless the recession prolongs for more than a year.
- In the long run, the seaport industry still holds a bright outlook which is backed by (1) Strong FDI inflows; (2) Vietnam's economic reopening; (3) Production shift from China to Vietnam trend.

Figure 11: FDI registered and disbursement in Vietnam (\$ bn)



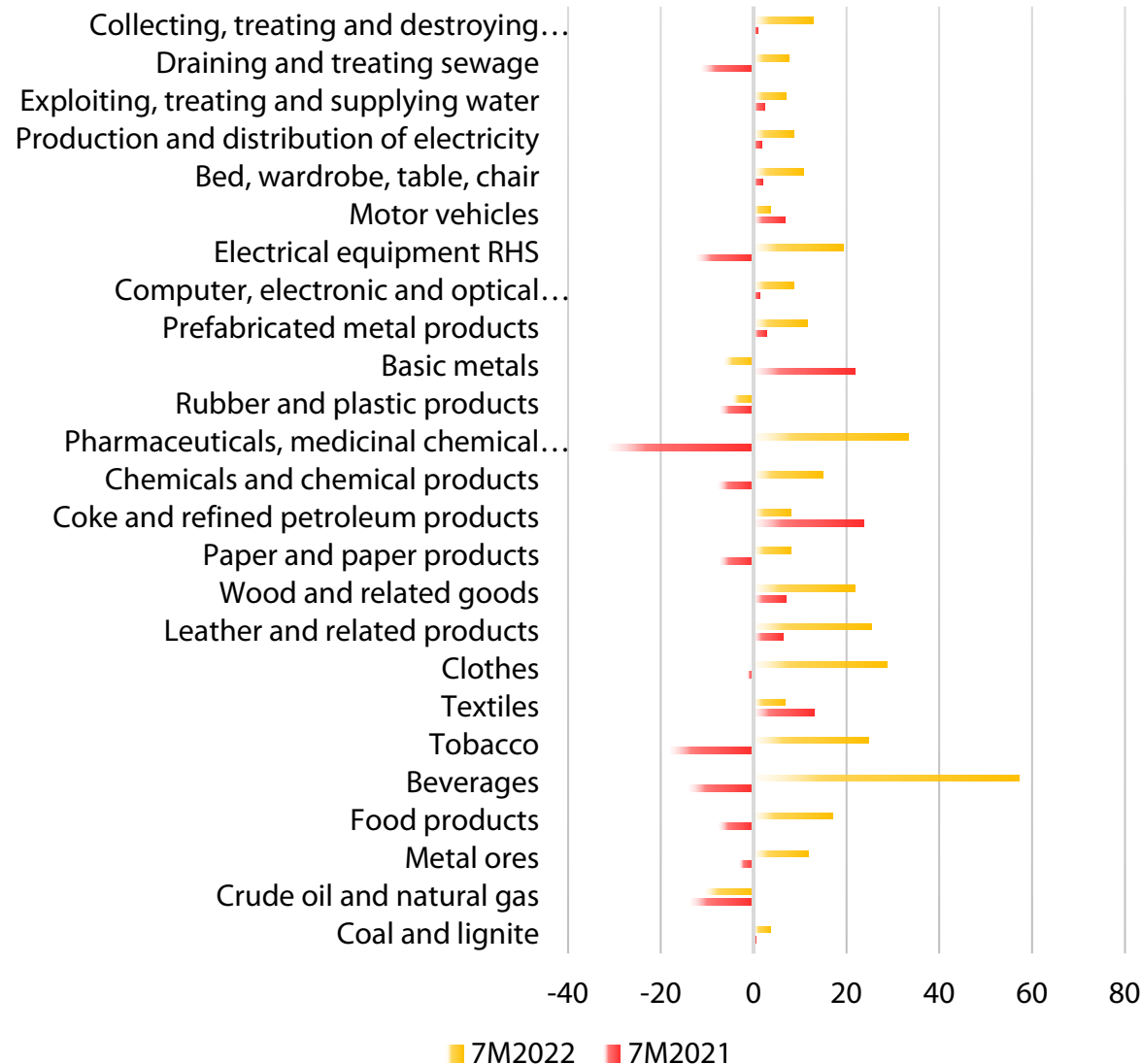
Source: Finn Pro, Rong Viet Securities

Figure 12: Vietnam's index of industrial production YoY



Source: GSO, Rong Viet Securities

Figure 13: IIP growth breakdown for manufacturing segment (% YoY)



Source: GSO, Rong Viet Securities

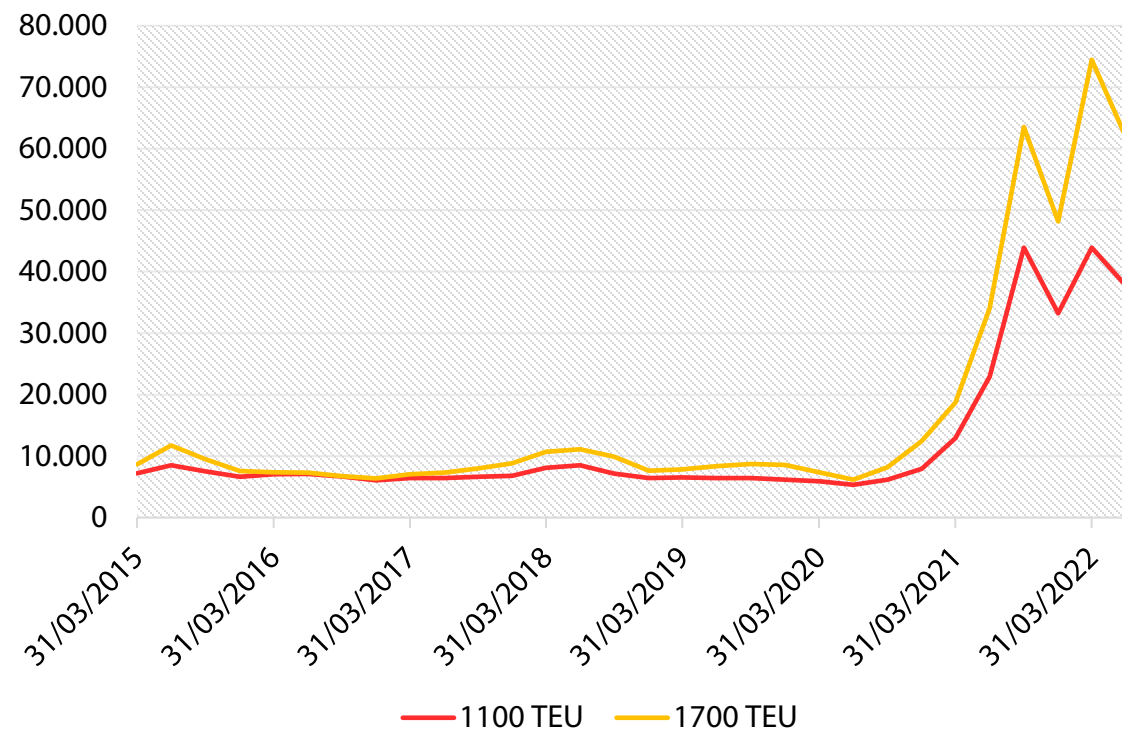
- The global shipping rates started to recover in the early months of 2022 which is backed by the tremendous growth in global trade. However, in the long run, these marine rates will likely adjust to reasonable rates thanks to (1) The global port congestion has eased, (2) Global trading has cooled down and (3) Increasing vessels supply side will lessen demand pressure.
- In light of the freight rates decline trend, charter rates are forecasted to decline in the long-term after a recovery in early months in 2022.

Figure 14: WCI Composite Container Freight (40 Foot)



Source: Bloomberg, RongViet securities

Figure 15: Charter rate index (USD)

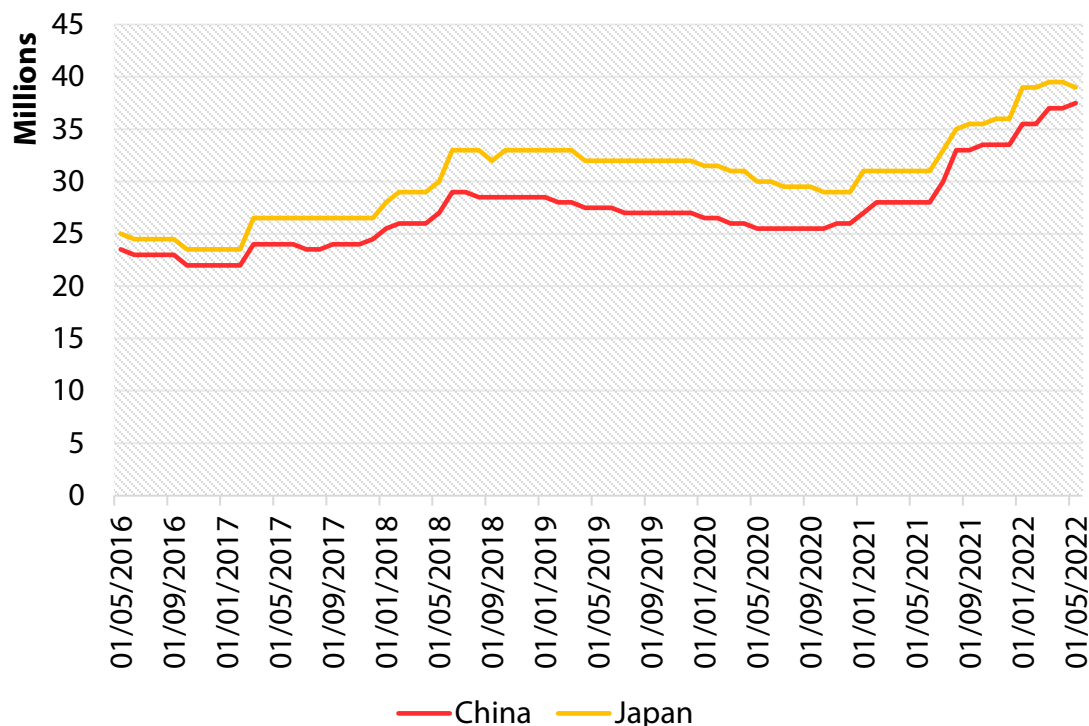


Source: Bloomberg, RongViet securities

Global freight rates have come off their peak and will likely adjust downward in the long run. However, it will stand at a high level compared to that in history as

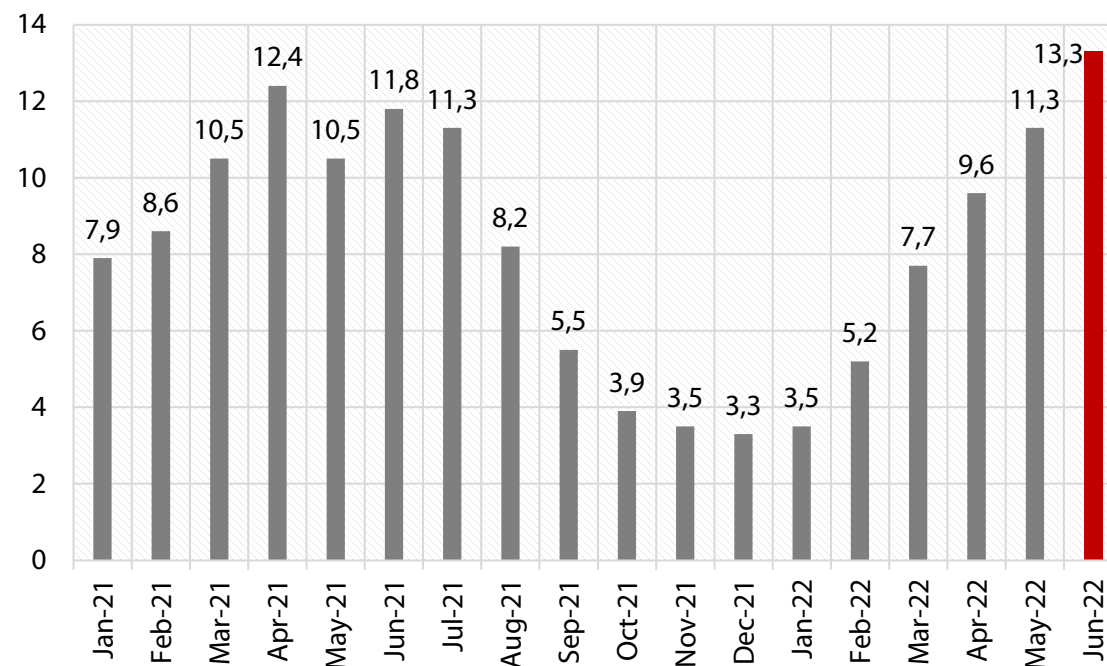
- (1) Shanghai gradually returns to normalcy; factory output will be increasing and so does container volume.
- (2) Congestion in USWC continues setting a high record.
- (3) Vessel investment has gradually climbed year to date implying a high level of freight rates.

Figure 16: Vessel capex (USD)



Source: Bloomberg, RongViet securities

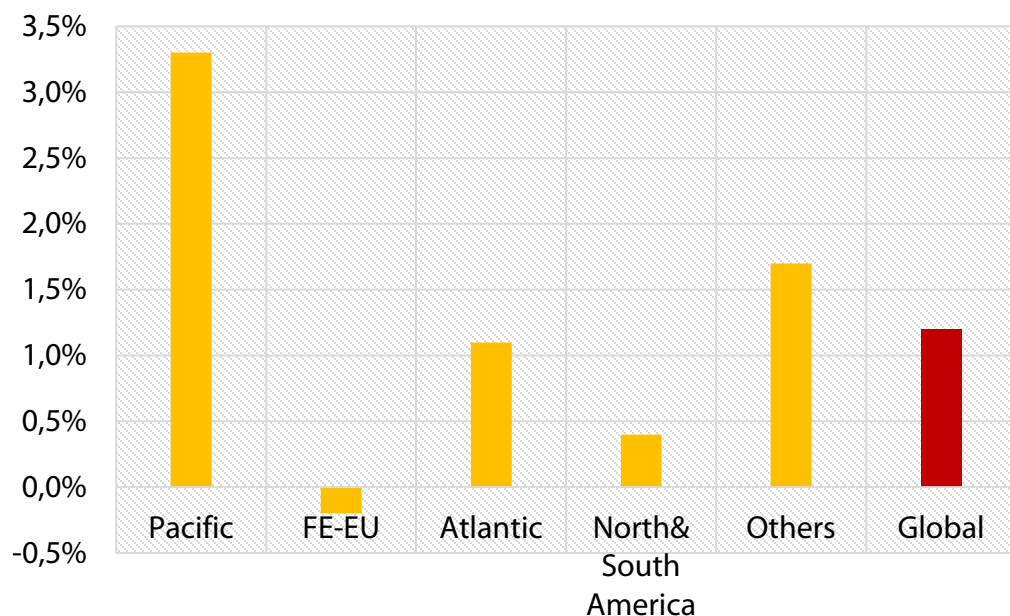
Figure 17: Dwell times in USWC ports at all-time highs (days)



Source: PMSA, RongViet securities

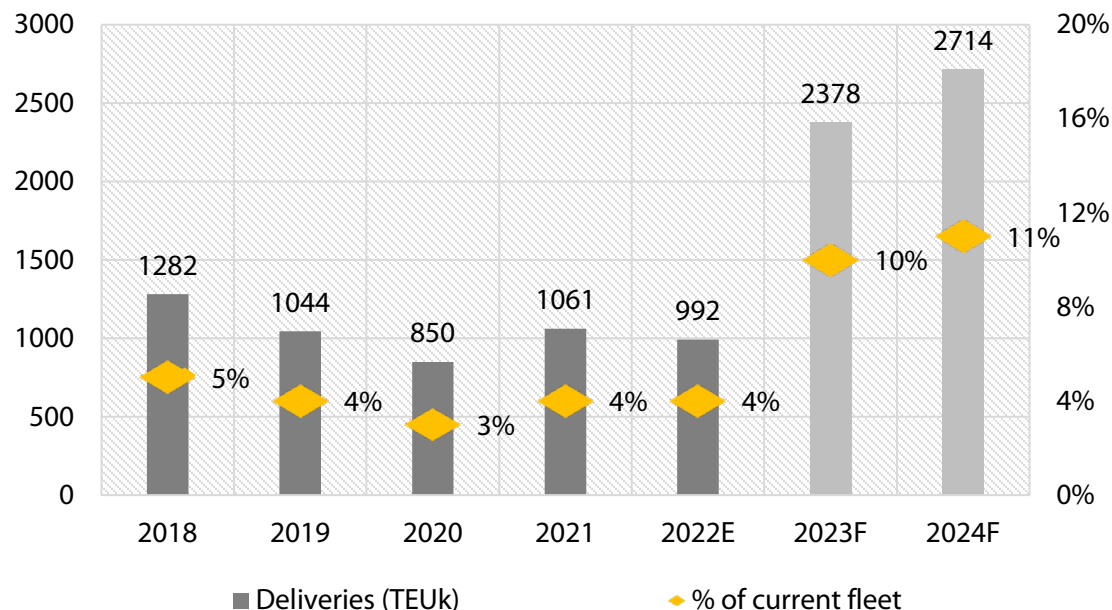
- Currently, vessel congestion in major ports and energy shortages in China/Europe are supporting the high level of shipping freight rates.
- But a rapid increase in deliveries of containerships in the 2023-2024 period will ease the ship's availability problem and lower freight rates. The supply-demand balance is hoped to be restored in the coming years.

Figure 18: YTD containership growth volume vs 2018 (CAGR)



Source: CTS, DNB Markets, RongViet securities

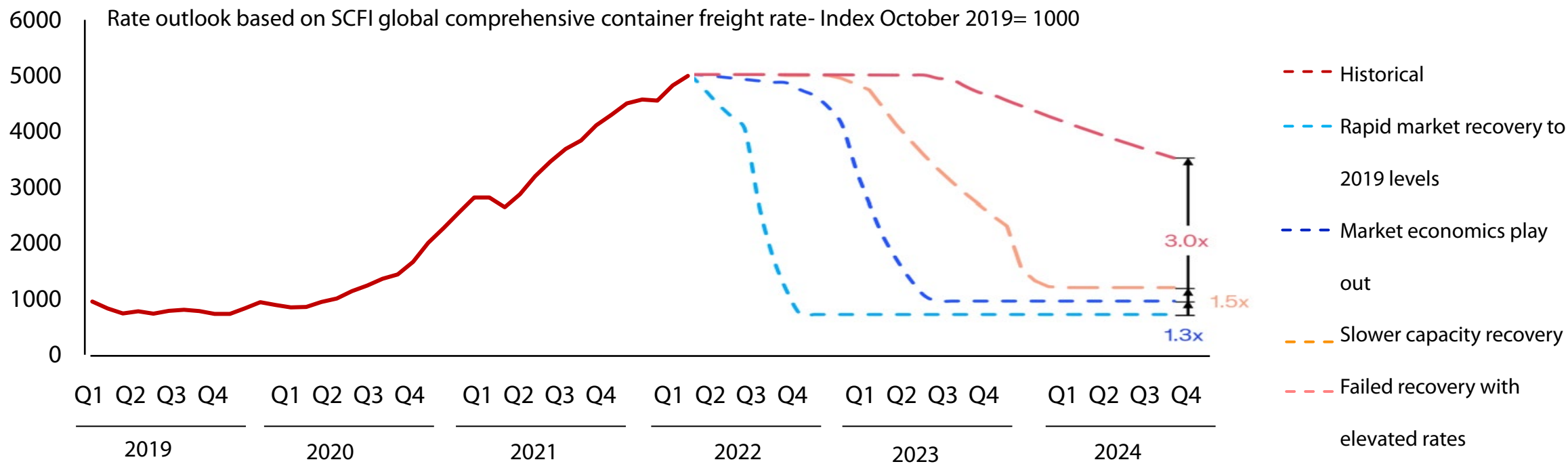
Figure 19: Global containership new order delivery ('000 TEUs)



Source: Clarksons, DNB markets, RongViet securities

- According to Clarkson and Mc Kinsey forecasts, container shipping rates will continue to be at record highs compared to historical ones throughout most of 2022.
- In a rapid market recovery scenario, where logistics capacity recovers quickly, shipping rates will plunge to 2019 level as soon as Q3 2022.
- A worst-case scenario, high freight rates will continue until 3Q2023.

Figure 20: Four possible scenarios for containerized logistics recovery



Source: SIN Clarksons, Mc Kinsey, RongViet securities

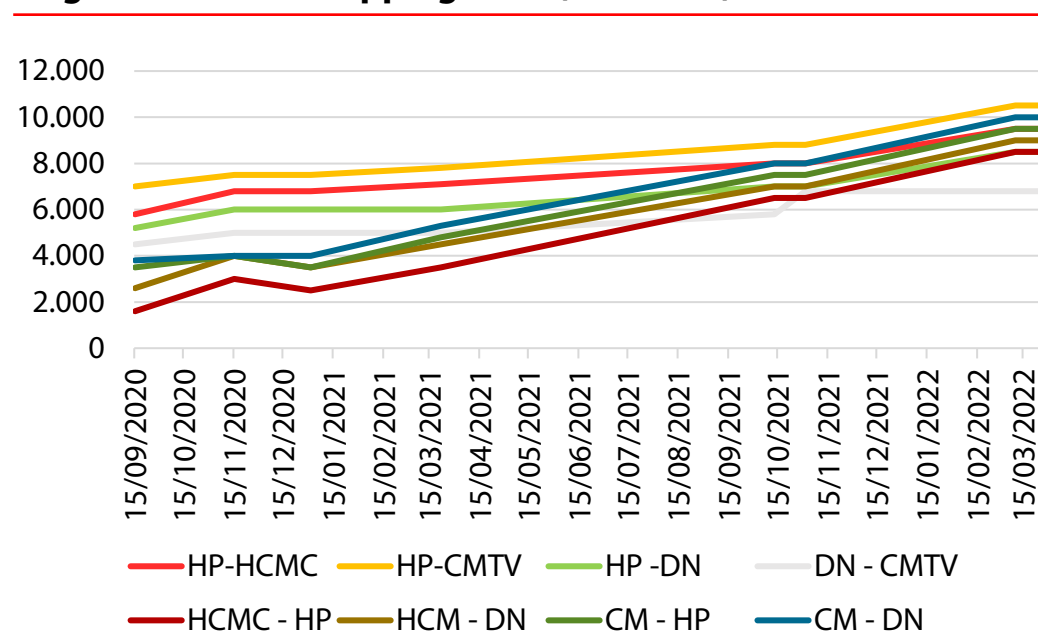
- In order to ride on the charter rate skyrocket in 2021, most of the forwarders have poured their vessels for rent, resulting in a demand–supply imbalance and domestic freight rates have sustainably climbed year to date.
- Nevertheless, we foresee that there will be fewer global charter contracts signed as substantial risk exposure in the upcoming unstable context of the freight rate downtrend.
- We see that there will be plenty of vessels that will finish their contracts and back to domestic routes at the end of 3Q2022. Hence, the market's supply of ships will be less stressful as a number of Vietnamese ships leased in foreign markets arrive in 2022, resulting in a downtrend of domestic routes.

Figure 21: Vietnam container vessels's schedule of finish its charter time

	Ja	Fe	M	Ap	M	Ju	Ju	Au	Se	Oc	No	De
GMD							1/4 *	1/4				
VOSCO				1/2								
GLS									1/6	1/6		
VIMC					1/8							
VISCO				1/5								
NEW PORT								1/4				
HAIAN		1/10	1/10									

Source: HAH, RongViet securities, Note: 1/4 * means 1 container vessel out of 4 vessels will arrive in Vietnam

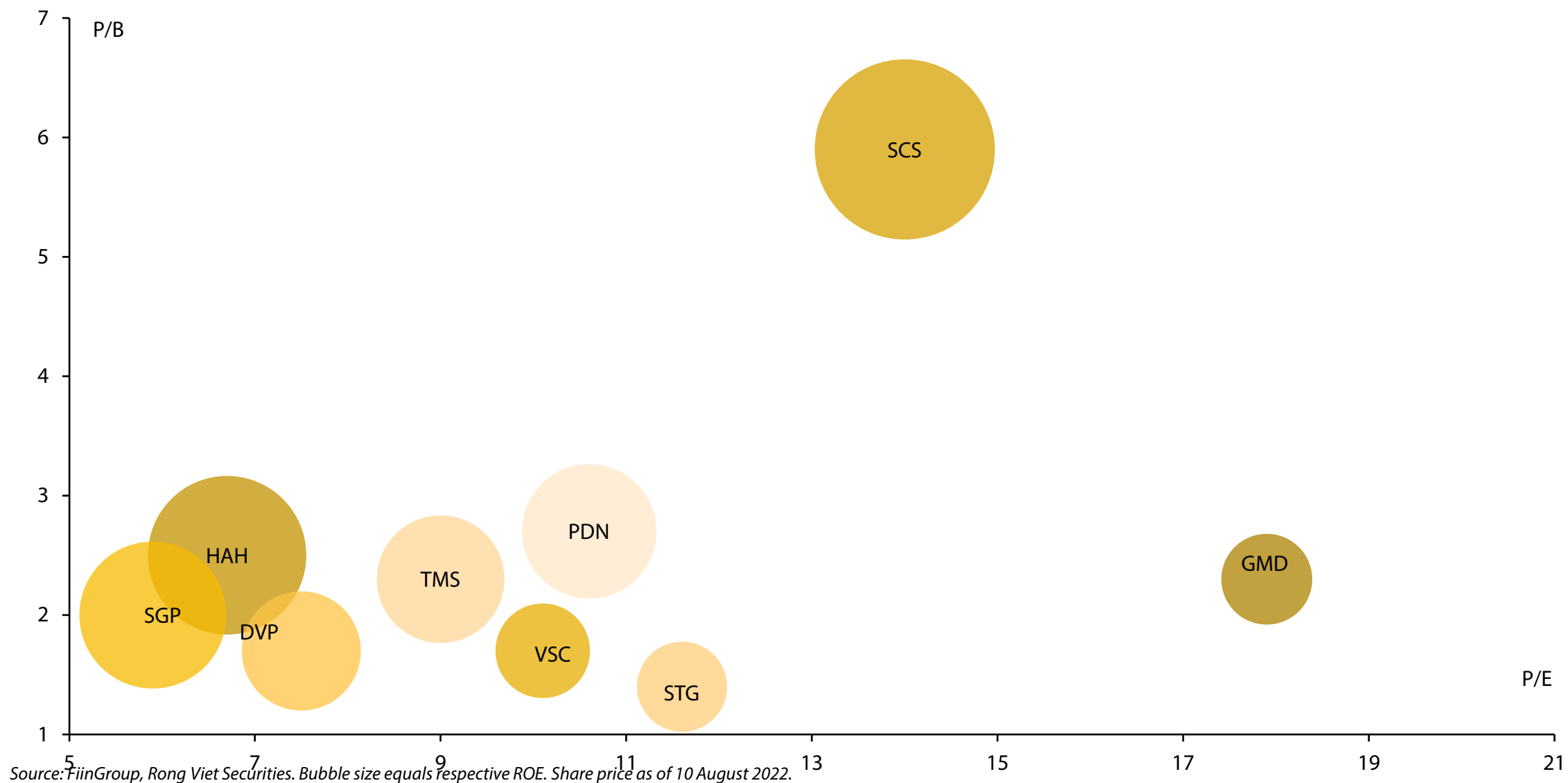
Figure 22: HAH's shipping rates ('000 VND)



Source: HAH, RongViet securities

Ticker	Market cap (VND bn)	Target price (VND)	Sales Growth (% YoY)	EBITDA Growth (% YoY)	EBITDA Margin (%)	Operating Income Margin (%)	Net Income Growth (% YoY)	Net Profit Margin (%)	ROA (%)	ROE (%)	DY (%)	Current P/E (x)	Current P/B (x)
GMD	15,671.7	61,100	27.8%	31.6%	34.8%	24.4%	100.1%	24.4%	8.2%	12.5%	2.3%	19.2	2.3
SCS	8,092.4	91,100	15.5%	13.8%	0.0%	0.0%	17.4%	69.7%	42.6%	55.7%	1.9%	13.1	6.2
TMS	7,939.5	-	35.2%	-	7.2%	5.5%	97.8%	12.4%	15.2%	26.4%	0.6%	9.9	2.2
SGP	4,823.4	-	47.3%	29.6%	13.0%	8.2%	8.4%	1.9%	1.1%	5.2%	2.7%	5.5	2.0
HAH	4,712.4	59,300	87.1%	218.2%	50.3%	42.3%	231.8%	27.0%	21.7%	45.3%	1.0%	7.5	2.5
VSC	4,626.4	36,000	9.0%	26.5%	37.7%	27.2%	39.3%	19.6%	12.7%	16.4%	1.4%	11.6	1.7
STG	2,687.2	-	16.4%	1.4%	12.2%	8.4%	-4.9%	7.9%	8.6%	13.0%	0.0%	11.5	1.4
DVP	2,100.0	-	5.1%	7.5%	51.2%	42.7%	21.2%	46.0%	19.8%	22.4%	9.5%	7.5	1.6
PDN	2,054.1	-	3.4%	9.1%	31.5%	25.5%	6.3%	20.4%	16.4%	25.4%	4.5%	11.7	2.7

Source: Fiinpro, Rong Viet Securities. Share price as of 10 August 2022.



BUY: +22%

MP: 51,500

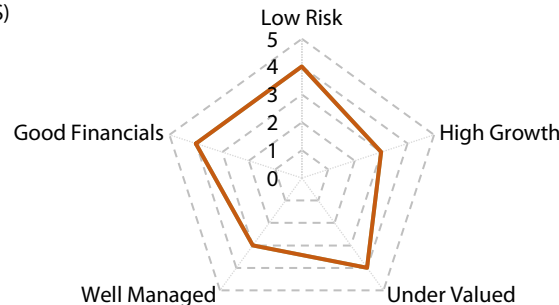
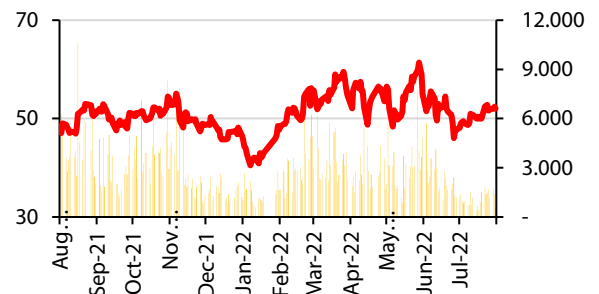
TP: 61,100

STOCK INFO

FINANCIALS

2021A 2022F 2023F

VOLUME(,000 shares, RHS) PRICE (,000 VND,LHS)



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

Industrial Goods
& Services
Revenue (VND bn)
NPATMI VND bn)
ROA (%)
ROE (%)
EPS (VND)
Book Value (VND)
Cash dividend (VND)
P/E (x)
P/B (x)

3,206
605
5.6%
9.6%
2,007
20,942
1,200
24.7
2.1
3,843
1,082
10.2%
15.5%
3,589
23,423
1,200
14.3
2.2
4,097
1,162
10.0%
15.1%
3,856
25,875
1,500
13.4
2.0

INVESTMENT RATIONALE

Capacity fulfillment from Nam Dinh Vu and Gemalink port will boost the company's profit in 2022. Nam Dinh Vu and Gemalink are going to reach 85% and 91% in utilization rates in 2022 that will bolster the company's earnings. Revenue/PBT are forecasted to be VND 3,843 Bn (or USD 167, +20% YoY) / VND 1,408 Bn (or USD 61 mn, +75% YoY) in 2022. EPS will come at VND 3,589.

Build foundation for the period from 2023 to 2025 with the 2nd phase of Nam Dinh Vu and Gemalink projects

- Riding on this potential growth rate in Cai Mep- Thi Vai area, GMD aims to double its capacity to 3 mn TEUs and puts it into operation from 2024. With great potential in such areas and strongly support from CGM-CMA and its alliance, Gemalink has been and will be the cash cow for the company in the coming years.
- In terms of Hai Phong landscape, GMD plans to bring phase 2A and 2B into operation from 2023 and 2025, respectively, +125% compared to current capacity in such area. Despite of the less competitive edge amid fierce market there, we believe that GMD is able to earn profits thanks to the organic growth in the North area.

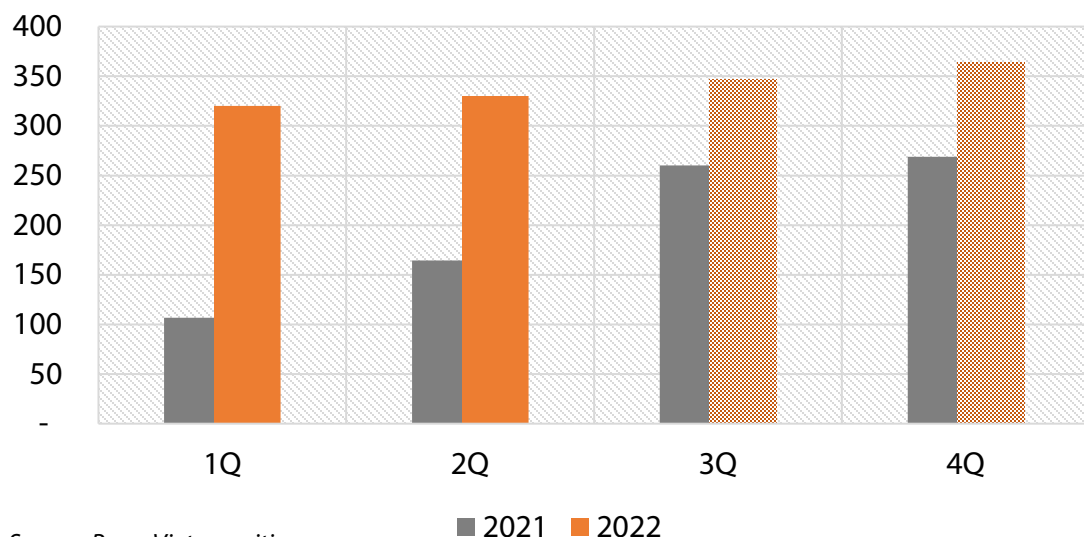
Successful divestment of non-core businesses (rubber farming and real estate) will be a potential catalyst in the short and long term. Aside from core earnings, an abnormal return may come from the rubber and real estate segments.

RISKS TO OUR CALL

- Upside risk: Better cost management to expand profit margin, resulting in a higher-than-expected NPATMI.
- Downside risks: Worse-than-expected trade activity that impact throughput and profit.

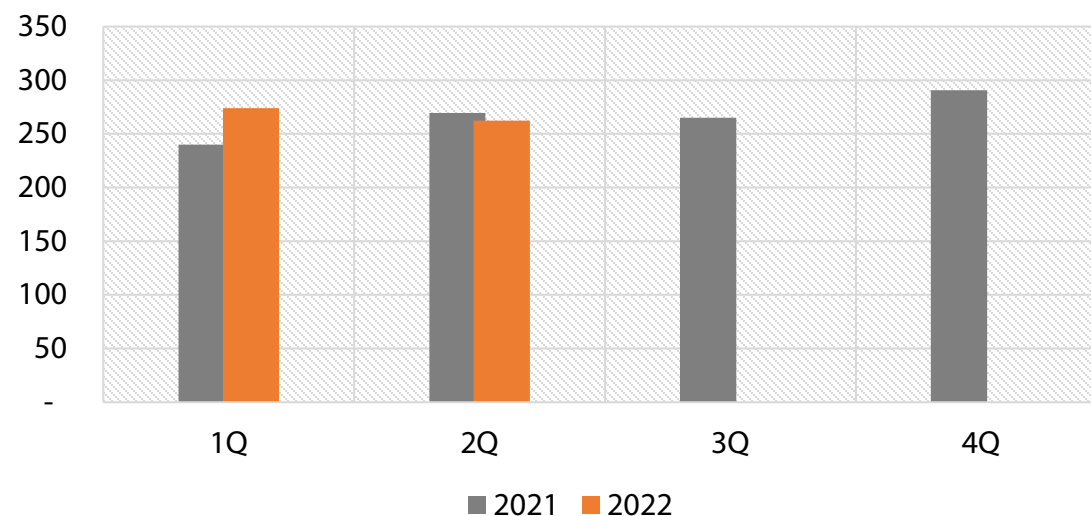
(*) Upside include VND 1200 of cash dividends in the next 12 months

Figure 1: Throughput of Gemalink port (TEUs)



Source: Rong Viet securities

Figure 2: Throughput in Hai Phong (TEUs)



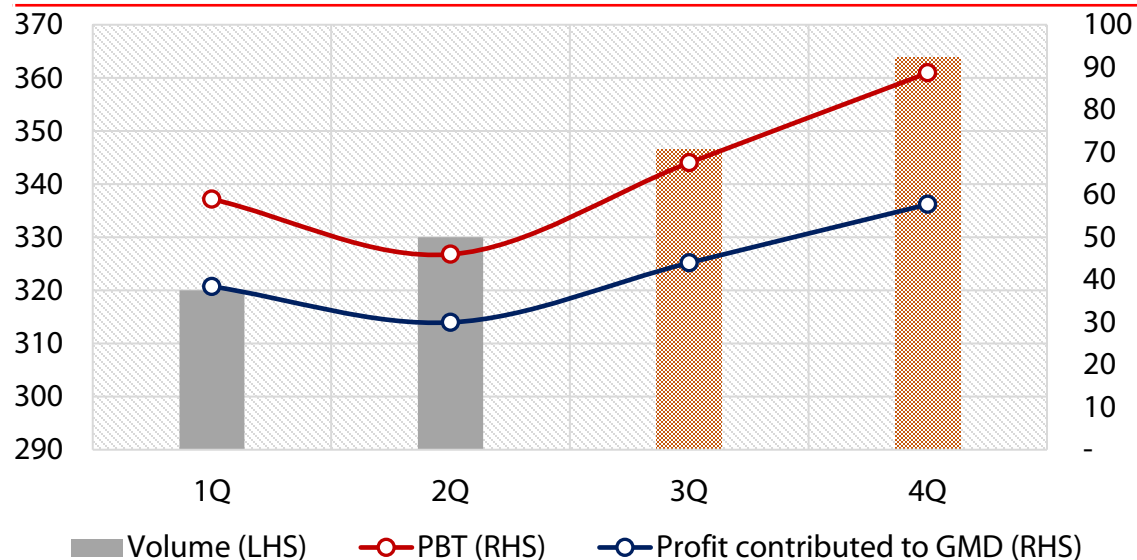
Source: Rong Viet securities

Gemalink terminal has outperformed others in Cai Mep-Thi Vai areas. The Gemalink's throughput doubled in 1H2022 to reach 650,000 TEUs while throughput in Cai Mep -Thi Vai area slightly increased by 2% YoY given (1) Its favorable geographical location and (2) support from strategic investor named CGM-CMA. The volume gradually grow QoQ while net profit margin in 2Q2022 shrank compared to that in 1Q2022 due to financial expenses (VND depreciation and an increase of interest rates).

Throughput in the Hai Phong landscape grew slightly amid the competitive market. Seaports in Hai Phong areas lose their competitive edge since HITC finished its dredging. Throughput in such areas rose by 14% YoY in 1Q2022 while declined by 3% YoY in 2Q2022, resulting in a somewhat climb of 5% YoY in 1H2022.

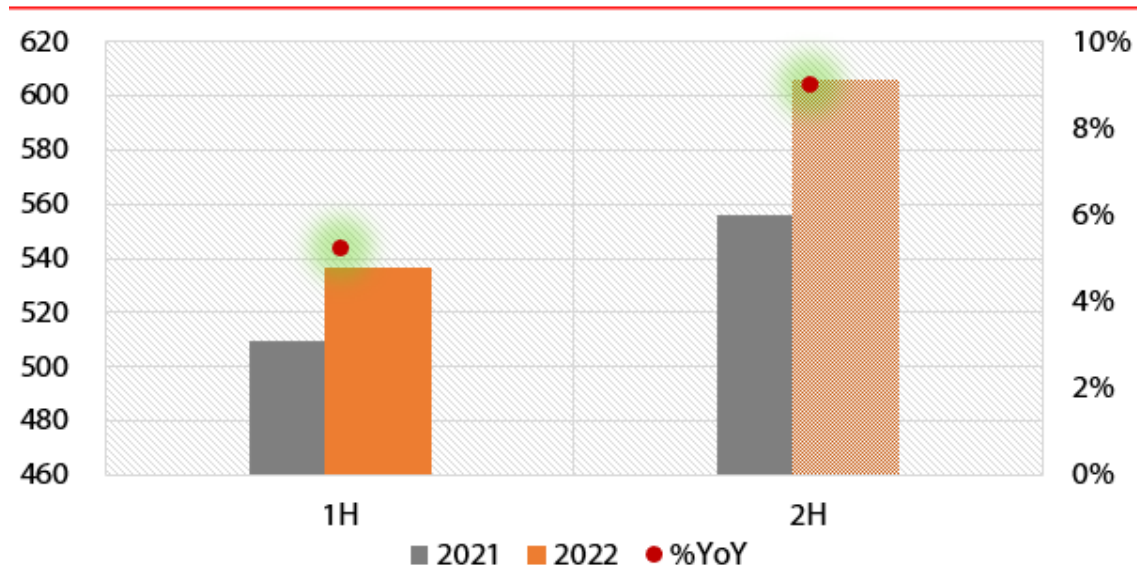
Despite a decline of 2% QoQ/-20% YoY in volume in 2Q2022 (exl. Gemalink), the company's gross profit margin to broaden by 456 bps QoQ /211 bps YoY to 45% thanks to better cost management. Hence, the gross profit margin expanded by 200 bps in 1H2022. Comprising a 2.5 times gain from subsidiaries to VND 226 (or USD 9.8 mn) in 1H2022, NPATMI nearly doubled to VND 562 bn (or USD 24.4 mn) in 1H2022.

Figure 3: Est. Gemalink's volume ('000 TEUs) and results (VND bn)



Source: Rong Viet securities

Figure 4: Est. Volume (LHS, '000 TEUs) and growth (RHS) in HP



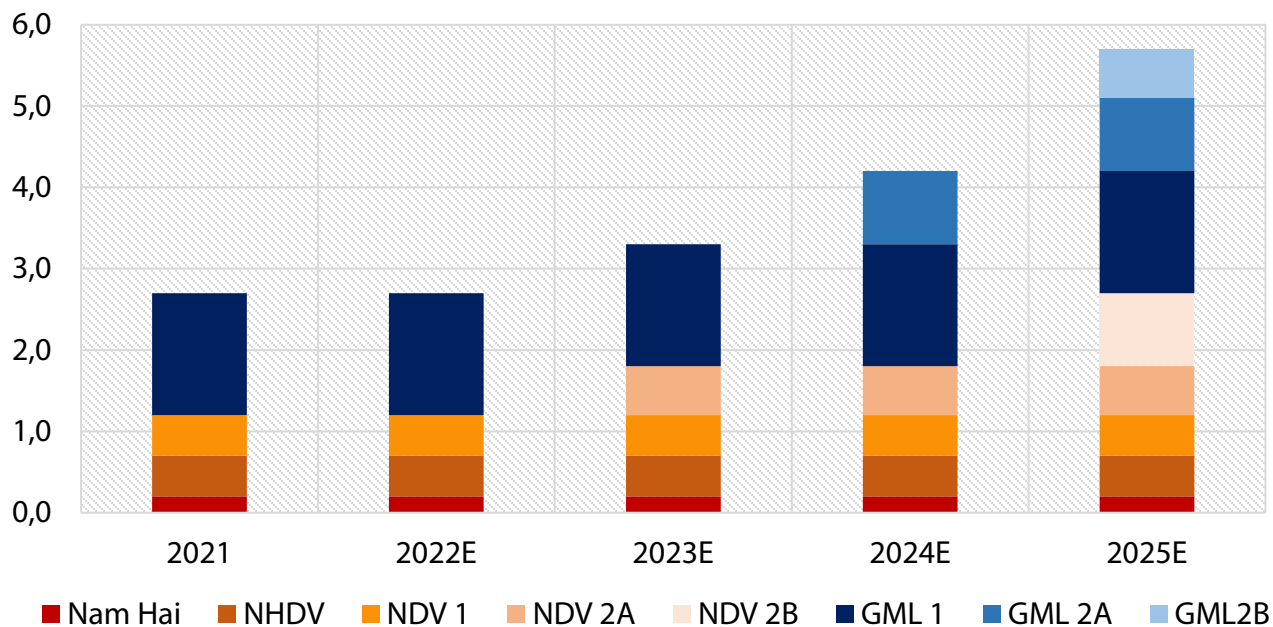
Source: Rong Viet securities

Port cluster in Hai Phong areas continues to grow in 2H2022 thanks to the peak season. In 2021, Nam Dinh Vu port utilized 77% of its capacity. The company plans to fully utilize this port's capacity in 2022, however, we foresee this target as relatively challenging. Per our estimation, Nam Dinh Vu port will reach 85% utilization in 2022, equivalent to a rise of 9% YoY in volume terms. Generally, we forecast throughput in the Hai Phong landscape to climb 9% YoY to 606k TEUs in 2H2022.

Gemalink's throughput are forecasted to sustainably rise in 2H2022 on the back of contribution from strategic partner (CGM-CMA and its alliance). A surge of 70% YoY in volume will turn a minimal profit in 2021 to VND 272 bn in PBT (or USD 11.8 mn), contributing roughly VND 177 bn (or USD 7.7 mn) to GMD in 2022.

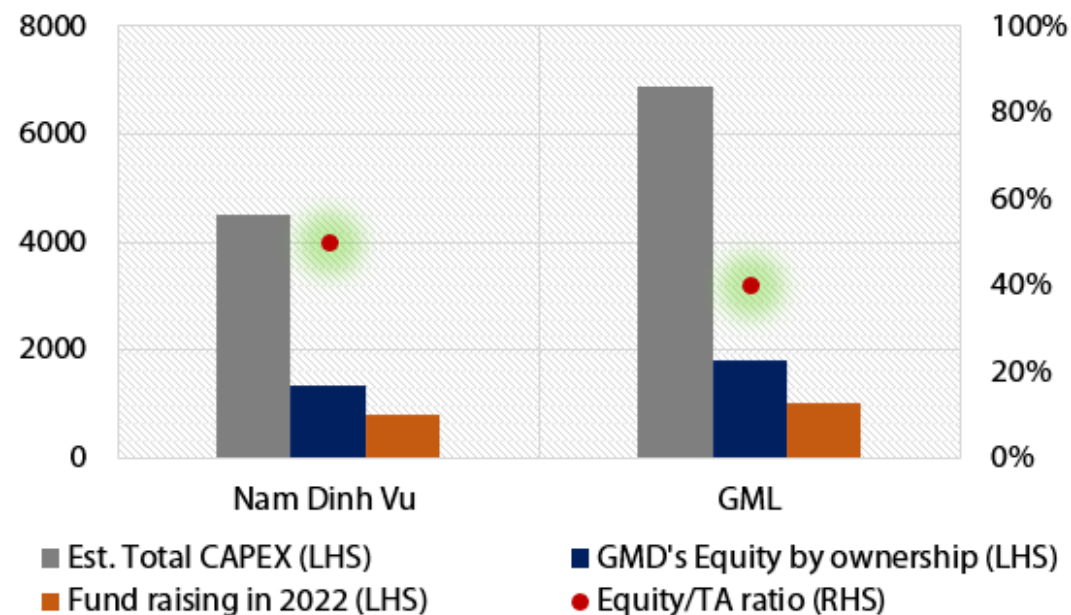
Altogether, revenue are forecasted to reach VND 3,843 bn (or USD 167 mn), +20% YoY while PBT is going to bounce by 75% YoY to VND 1,408 bn (or USD 61 bn) in 2022.

Figure 5: Capacity in coming years (mn TEUs)



Source: Rong Viet securities

Figure 6: Estimated funding (VND bn)

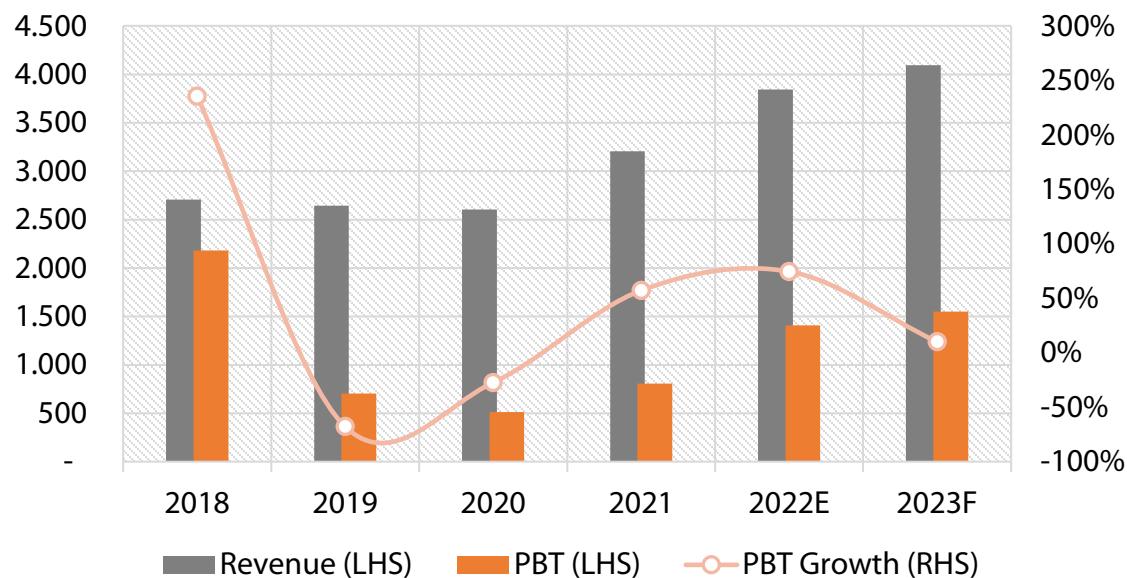


Source: Rong Viet securities

Located in the CM-TV area with great potential for development into the main international trade gateway, GML has plenty of growth potential.

Riding on these potential growth rates, GMD aims to double its capacity to 3 mn TEUs and put it into operation from 2024. Comprising of strategic partner, we believe that the Gemalink cluster port is going to become a cash cow for GMD in the coming years.

In terms of Hai Phong cluster port, Nam Dinh Vu port has less competitive edges amid fierce market in such area. However, in order to enjoy organic growth in the Hai Phong landscape, GMD plans to bring phase 2A and 2B into operation from 2023 and 2025, respectively, +125% compared to current capacity.

Figure 7: Forecasts (VND Bn)


Source: Rong Viet Securities

In 2022F/23F, we expect revenue to reach VND 3,843 Bn (or USD 167, +20% YoY)/ VND 4,097 Bn (or USD 178, +7% YoY). Accordingly, PBT for 2022/23F is expected to reach VND 1,408 Bn (or USD 61 mn, +75% YoY)/ VND 1,550 Bn (or USD 67mn, +10% YoY), strongly supported by gains from GML.

Table 1: SoTP valuation summary

Component	Methodology	Equity Value	GMD's ownership rate	Discount	Fair Equity Value attributable to GMD
Port and logistics	FCFF (WACC: 11.4, g: 2,1)	8,029		0	11,236
Logistics & Shipping JVs	P/E, FCFE	16,909			5,961
SCSC	P/E & FCFE	7,719	34.5	0.0	3,329
CJ GMD Logistics	P/E (@10x 2021F EPS)	1,117	49.1	0.0	765
CJ GMD Shipping	BV	173	51.0	0.0	154
Gemalink	FCFF (WACC: 9.5, g: 1)	7,901	65.1	0.0	1,713
Non-operating assets	BV	1,976			1,222
Shares in other firms	BV	438		0	453
Rubber subsidiaries	BV	1,537	100	50	769
Total (VND Bn)					18,419
Number of Shares (Mn shares)					301.4
Implied TP					61,100

ACCUMULATE: 12%

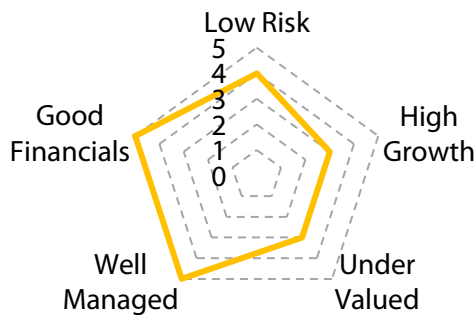
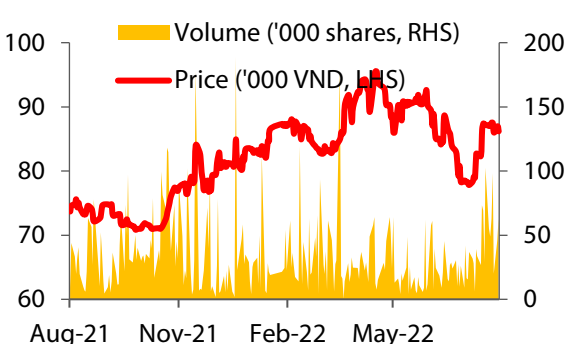
MP: 85,000

TP: 91,900

STOCK INFO

FINANCIALS

2021A 2022F 2023F



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

Air Freight Terminal
Revenue (VND bn)
NPATMI VND bn)
ROA (%)
ROE (%)
EPS (VND)
Book Value (VND)
Cash dividend (VND)
P/E (x)
P/B (x)

839
926
1,035
564
634
720
39.8%
29.6%
29.3%
45.1%
30.4%
30.0%
11,106
6,023
6,914
24,619
22,235
25,571
3,000
3,600
3,600
13.5
14.1
12.3
6.1
3.8
3.3

INVESTMENT RATIONALES

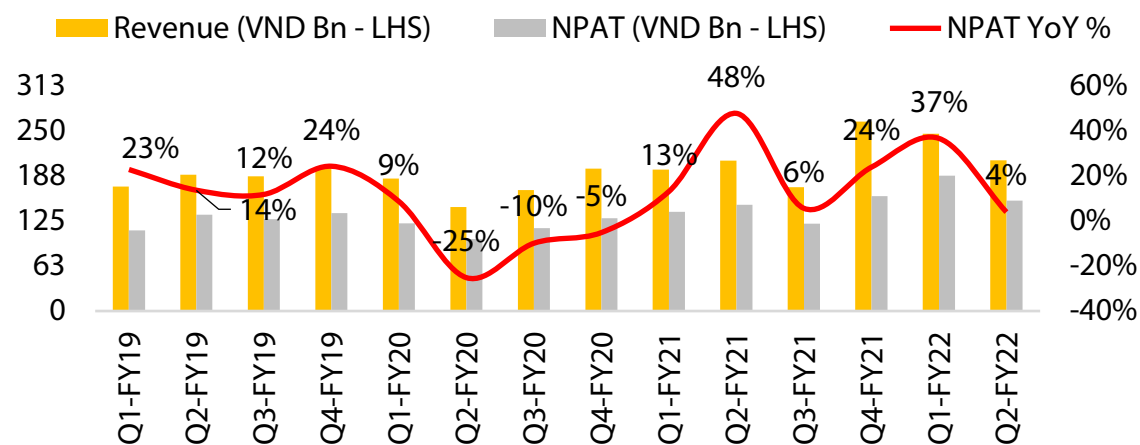
We expect the global air cargo volume to face headwinds in 2H-2022 due to the impact of high inflation in key trading partners' economies. International cargo volume normalized in Q2-2022 due to (1) disruption in global supply chain caused by China "zero covid" policy and (2) high inflation in the US and EU impacted consumption demand and trade activities. While China has gradually eased its restrictions, we concern that the high inflation will remain in the coming quarters, and impact the Vietnam trade outlook. Besides, the sea freight shipping rates has reduced by nearly one third YoY by August 2022, which should be a downside to air cargo demand.

However, we believe the long-term outlook remain intact as we expect the inflation to be under control in 2023. We expect the 3Y CAGR of international cargo volume to stay at 10% over 2022F-25F, driving NPAT's 3Y CAGR to 11% over the same period. However, 2022F P/E of 14.1x implies that SCS is rather fairly valued.

RISKS TO OUR CALL

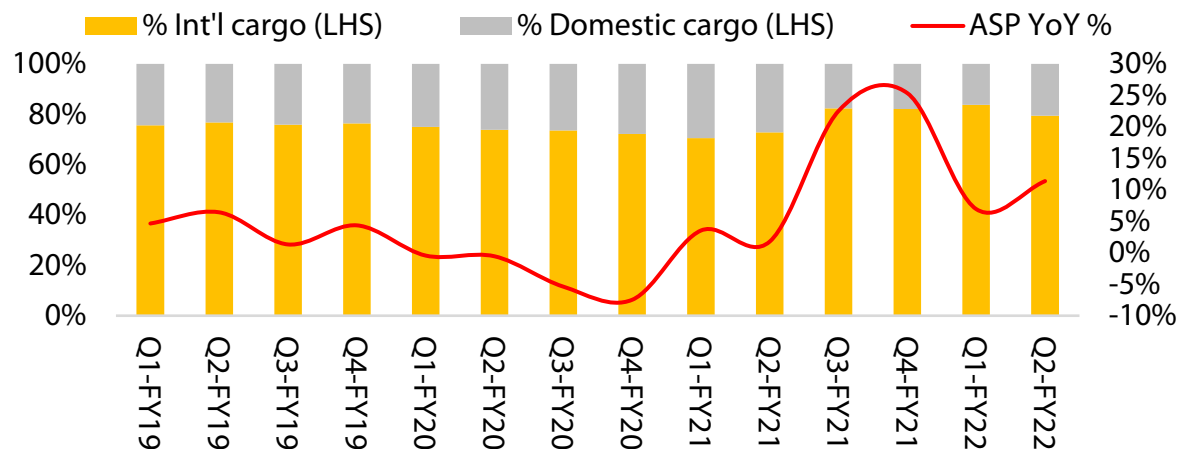
- High inflation to discourage global consumption demand, weakening Vietnam trading activities.
- Potential upside from the Long Thanh International Airport's cargo terminal project.

Figure 1: Sales and profit flattened in Q2-2022



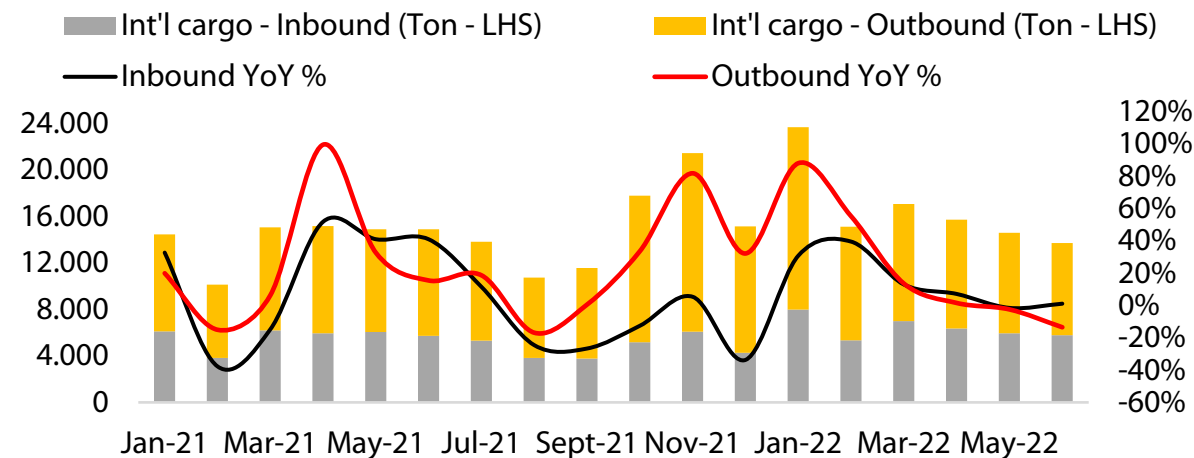
Source: SCS, Rong Viet Securities

Figure 3: ASP continued to improve in Q2-2022



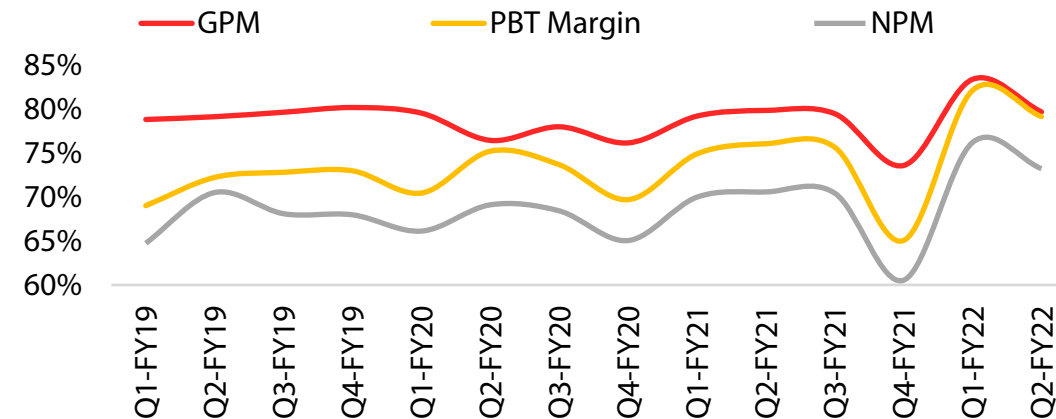
Source: SCS, Rong Viet Securities

Figure 2: International cargo volume normalized



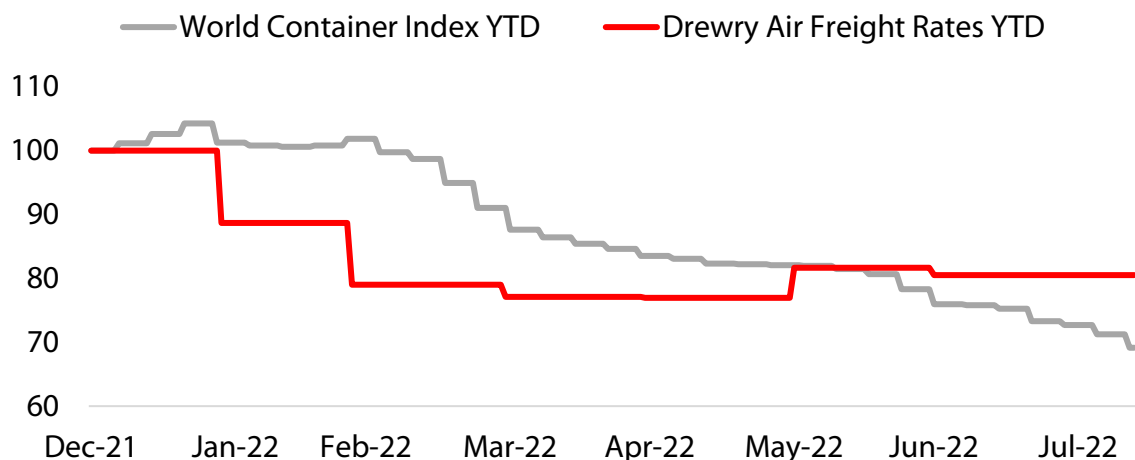
Source: SCS, Rong Viet Securities

Figure 4: Profit margins



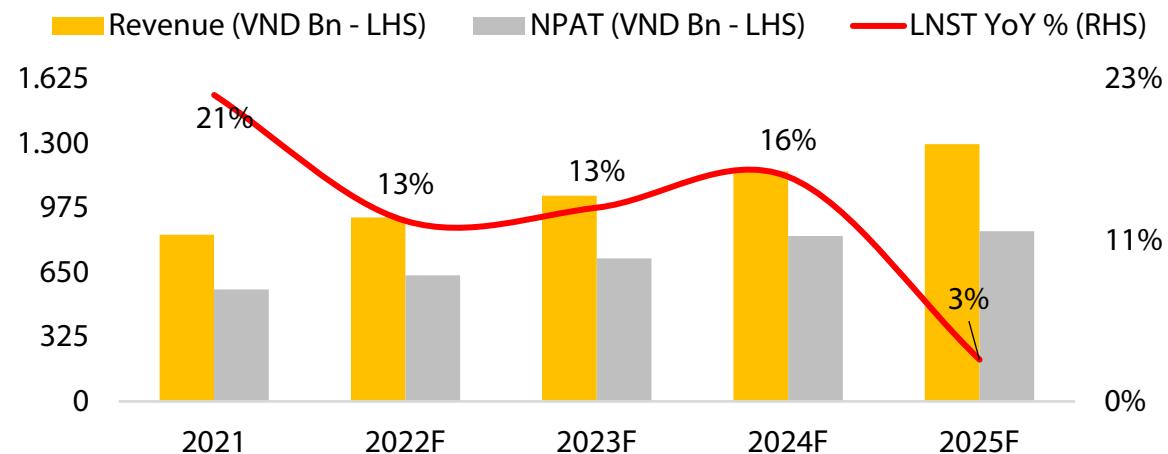
Source: SCS, Rong Viet Securities

Figure 5: Sea shipping rates vs air freight rates



Source: Bloomberg, Rong Viet Securities

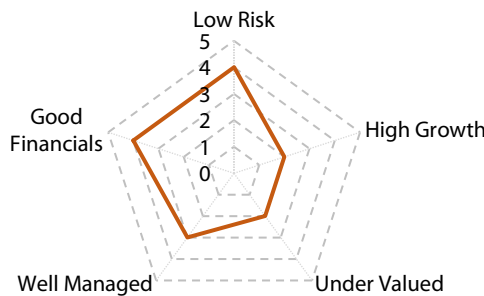
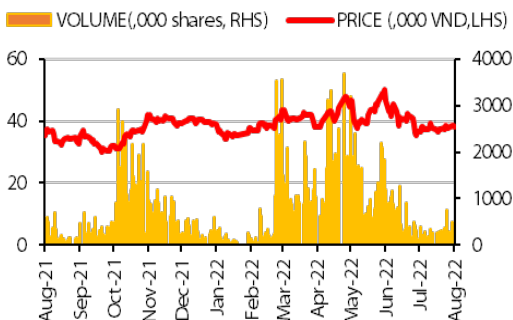
Figure 6: 2022F-25F forecasts



Source: SCS, Rong Viet Securities

We expect international cargo volume, SCS's main source of profit, to grow at a CAGR of 10% during 2022F-25F thanks to resilient trade flows supported by Vietnam's increasing integration in the global supply chain, despite a temporary headwind from high inflation.

As a result, we project that NPAT will have a resilient CAGR of 11% over the period 2022F-25F. We note that by 2025 SCS will subject to a regulatory CIT rate of 20% from current rate of 10%, which will reduce NPAT growth rate in 2025F.

NEUTRAL: -4%
MP: 37,850
TP: 36,000
STOCK INFO


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

FINANCIALS		2021A	2022F	2023F
Industrial Goods	Revenue (VND bn)	1,892	1,968	2,053
& Services	NPATMI VND bn)	350	404	432
198	ROA (%)	10.7	11.2	11.1
121	ROE (%)	13.3	13.6	13.6
647	EPS (VND)	1,374	2,971	3,177
27	Book Value (VND)	23,835	24,548	26,299
43.6	Cash dividend (VND)	500	500	500
50 - 30.16	P/E (x)	27.5	12.7	11.9
	P/B (x)	1.6	1.5	1.4

INVESTMENT RATIONALE
Gross profit margin has expanded quarter over quarter thanks to management restructuring since 2Q2021

- The company operated more efficiently after it restructured since 2Q2021, resulting in better results. By scaling down outsourcing container handling via associate port namely PTSC Dinh Vu, outsourcing volume reduced while direct container throughput at VIP Green and Green Port experienced a reverse trend. Gross profit margin has expanded gradually since 2Q2021. In 1H2022, gross profit margin widen 488 bps to 35% while that in 1H2021 was 30%.
- The capacity fulfillment of VIP Green port will play as the main driver to boost the company's earnings in coming years. Besides, the organic growth in Hai Phong landscape is going to drive VIP Green port's throughput. In 2022, revenue/NPATMI are forecasted to be VND 1,968/ 404 bn (or USD 86/ 16 mn), +4%/+15% YoY thanks to (1) The efficient restructuring management since 2021 and (2) Throughput growth of VIP Green and Green port.

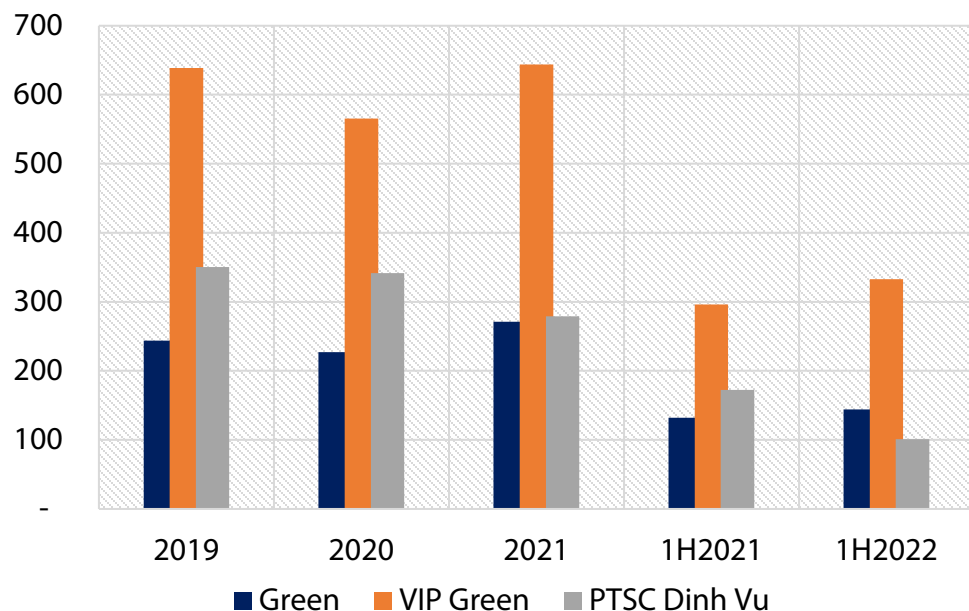
The new BoD is aggressive to merge associates in the logistic industry to facilitate its operations. Due to being long-term debt free, VSC produces solid cash flow year over year from its core operations, hovering around VND 500 bn (or USD 21.7 mn) per annum. Capitalizing on this, VSC attempts to acquire more subsidiaries in the logistic industry and expects this to bear fruit soon while currently, these investments are incurring loss through VIMC Dinh Vu port and ICD Quang Binh.

Ambiguous outlook despite of the ambitious expansion plan with new deep-water ports. We believe that VSC will take time to develop the deep-water seaports in Da Nang and Hai Phong. Hence, the long-term outlook is ambiguous and is more on betting on the new management team's ability.

RISKS TO OUR CALL

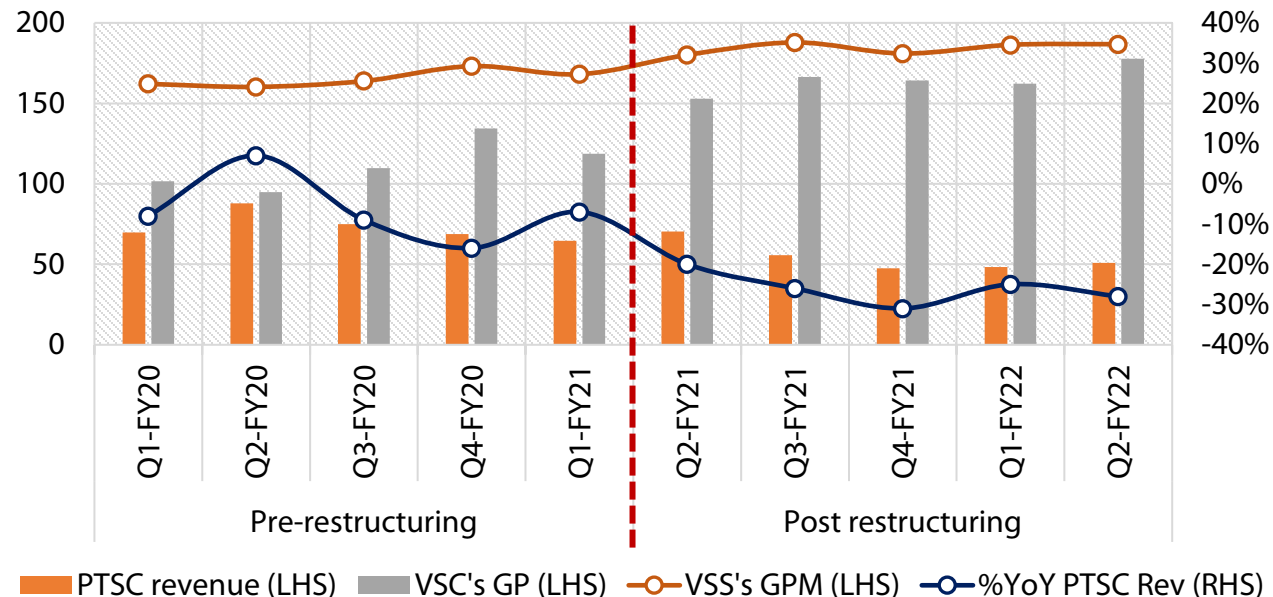
- Upside risk: Those investments might be profitable sooner than expected.
- Downside risks: Worse-than-expected throughput in Hai Phong areas that affects growth.

Figure 1: Volume by port ('000 TEUs)



Source: VSC, Rong Viet Securities

Figure 2: VSC and PTSC port correlation (VND bn)

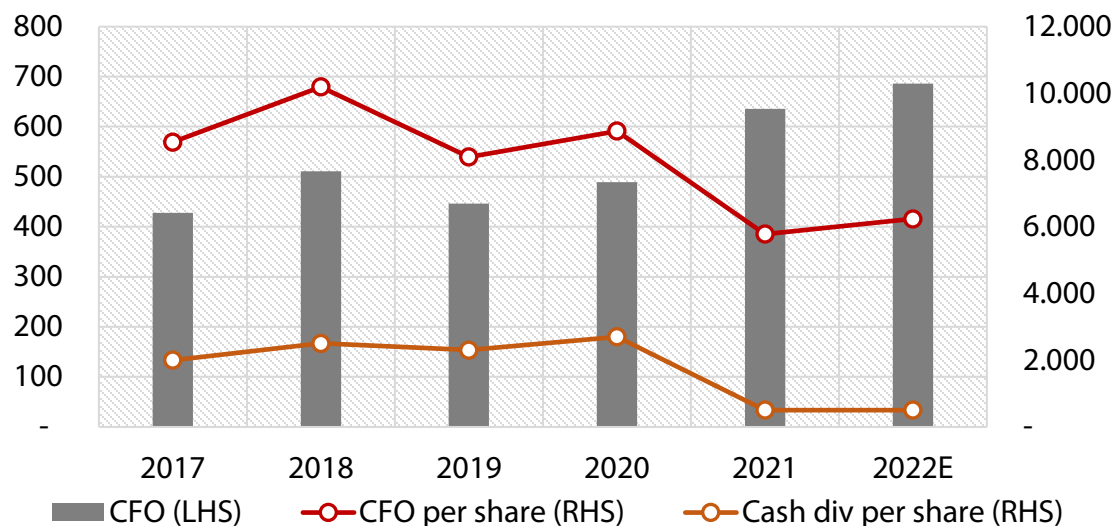


Source: VSC, Rong Viet Securities

Gross profit margin has expanded quarter over quarter thanks to restructuring since 2Q2021

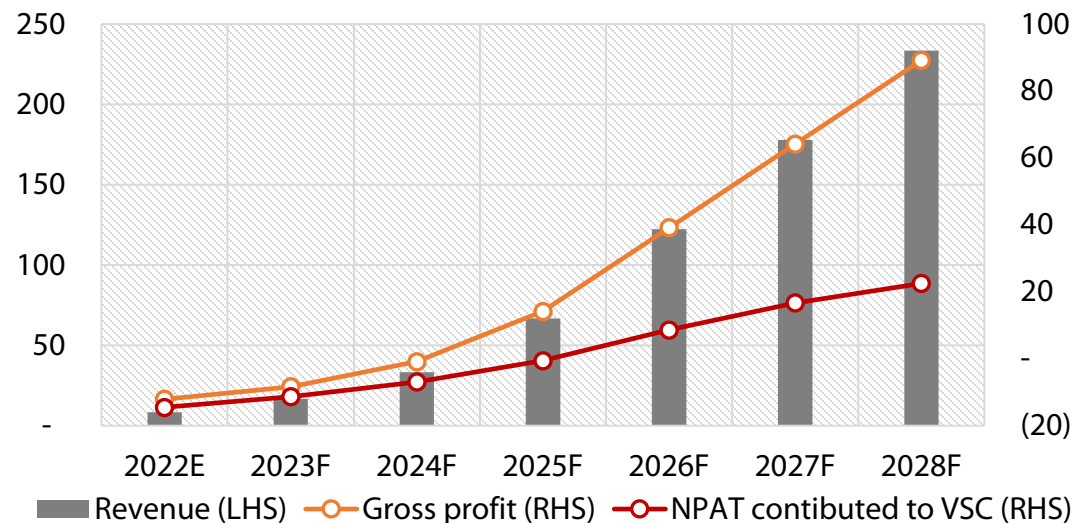
- By scaling down outsourcing container handling via associate port namely PTSC Dinh Vu, outsourcing volume reduced while direct container throughput at VIP Green and Green Port experienced a reverse trend. Specifically, the throughput of VIP Green/ Green port rose 12%/9% YoY to roughly 333/ 144 ('000 TEU) while that of PTSC Dinh Vu slumped by 41% YoY in 1H2022.
- A loss of VND 9 bn (or USD 0.39 mn) from associate in 2Q2022 was the result of VIMC Dinh Vu port. Being at early phase of the project, the company will take time to gain profit from this investment.
- In 1H2022, revenue rose by 8%YoY to VND 981 bn (or USD 42.6 mn) yet NPATMI edged by 23% YoY to VND 184 bn (or USD 8 mn). Net profit margin bolstered by 240 bps on the back of (1) Lower the company's outsourcing expenses and (2) Higher direct container volume.

Figure 3: CFO (VND bn) and cash dividend per share (VND)



Source: VSC, Rong Viet Securities

Figure 4: Estimated VIMC results (VND bn)



Source: VSC, Rong Viet Securities

The new BoD is aggressive to merge associates in the logistic industry to facilitate its operations

(1) VSC bought a 36% stake in VIMC Dinh Vu - a 240m-one-berth terminal, in 3Q2021, and put it into operation from 2Q2022. Due to a small-sized berth, VIMC is unattractive to international vessels but domestic cargoes in the early phase, in our view. Hence, revenue is unlikely to cover high-interest expenses and depreciation, resulting in a loss in 2Q2022.

(2) VSC also accumulated ICD Quang Binh in 2Q2022. However, we need to see how VSC transforms an accumulated loss company in coming years.

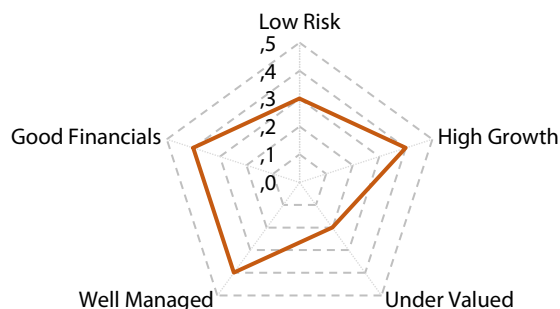
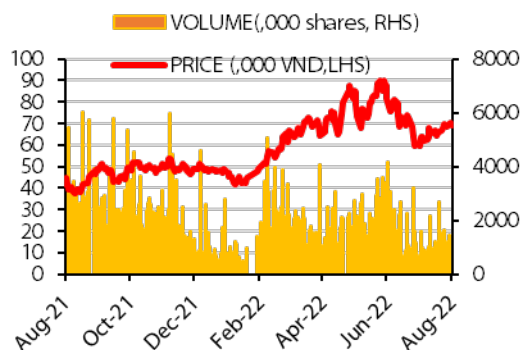
In 2022, revenue/NPATMI are forecasted to be VND 1,968/ 404 bn (or USD 86/ 16 mn), +4%/+15% YoY thanks to (1) The efficient restructuring management since 2021 and (2) Throughput growth of VIP Green and Green port.

Ambiguous outlook despite of the ambitious expansion plan thru deep-water ports. The company is enthusiastic to invest in deep-water seaport in Da Nang and Hai Phong – a “hot cake” that all investors are eager to achieve. Hence, we need to wait to see if the company is able to benefit from this investment. Year to date, those projects are pending investment approval.

REDUCE: -12%

MP: 67,500>

TP: 59,300>



STOCK INFO

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

Industrial Goods & Services	FINANCIALS	2021A	2022 F	2023 F
	Revenue (VND bn)	1,955	2,562	2,428
202	NPATMI VND bn)	446	862	719
68	ROA (%)	16.7%	24.1%	16.9%
1704	ROE (%)	34.0%	45.7%	28.3%
127	EPS (VND)	9,133	11,735	9,786
27.2	Book Value (VND)	31,809	32,461	41,973
92.9 - 36.93	Cash dividend (VND)	1,000	1,000	1,000
	P/E (x)	7.4	5.8	6.9
	P/B (x)	1.7	2.1	1.6

INVESTMENT RATIONALE

Earnings from the charter segment are set to double in 2022F. HAH is a beneficiary in the context of global freight rates skyrocketing in 2021. The company gained several high charter rate contracts from mid-3Q2021, which secures the company's profit up to 2023 in this segment. We forecast revenue from the charter rate segment more to double in 2022 to roughly VND 600 bn (or USD 26 mn).

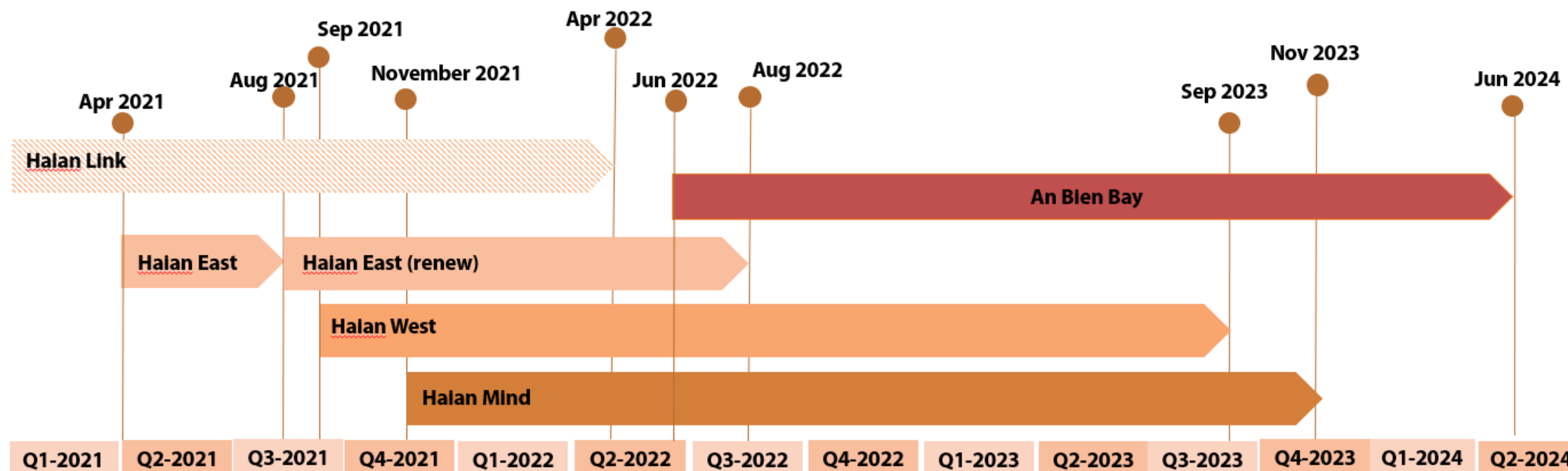
Benefit from domestic transportation market in both volume and shipping rates. Yet the company will likely lose these favorable conditions at the end of 2022. Due to the fact that local shipping companies poured their vessels for rent, domestic routes' demand has surpassed supply. Hence, transportation-domestic volume and freight rate have surged. HAH still enjoyed those favorable conditions in 1H2022 and will start to gradually lose that at the end of this year in line with the cooldown of global ocean rates.

The company will continue to add more vessels to its portfolio from 2023 to 2025. HAH plans to acquire four vessels in the coming years in order to (1) Developing Intra – Asia routes thru cooperation with ZIM; (2) Add more domestic routes to favor shipping demand growth in coming years.

RISKS TO OUR CALL

- Upside risks: Vessels supply shortage that may raise charter rates to new-highs, resulting in higher charter rates that boost the company's profit.
- Downside risks: Worse-than-expected domestic freight and charter rates at the end of this year, resulting in a shrinking of profit margin and a sharp fall in NPAT.

Figure 1: Charter timeline



Source: HAH, Rong Viet Securities

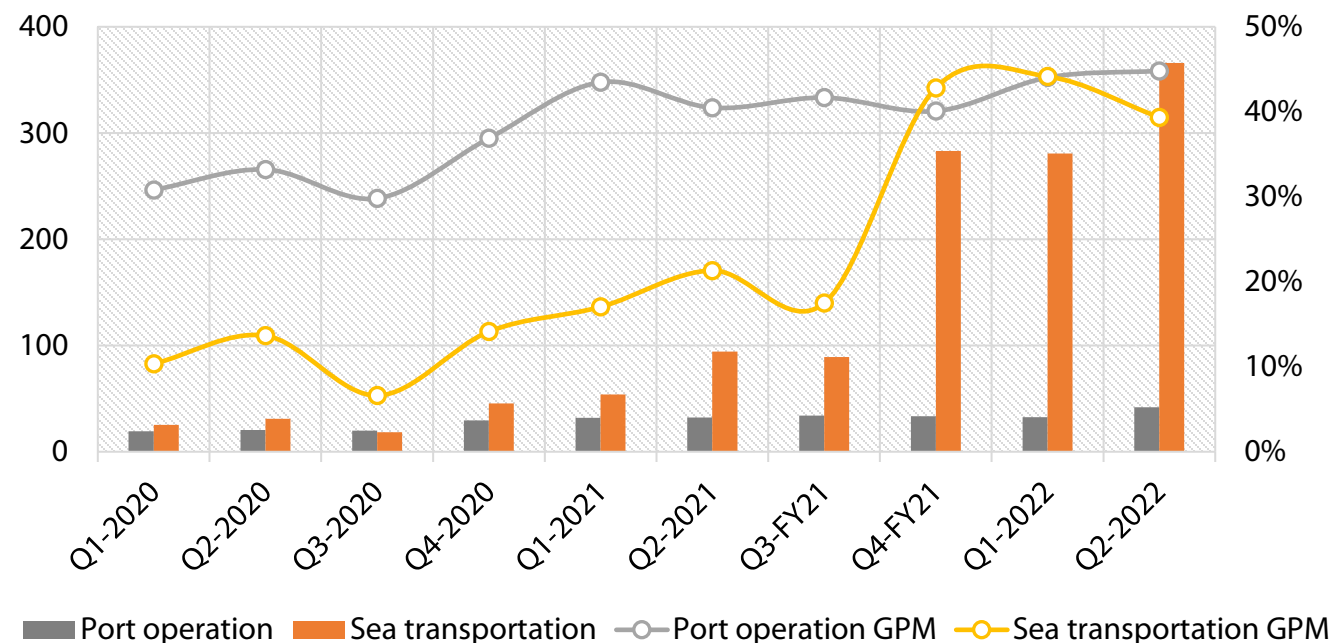
Fixed charter rates contracts secured high level of earnings in 1H2022

- In order to ride on the worldwide freight rates surge, HAH quickly bought two vessels in Apr 2021 and started to gain charter contracts in mid-3Q2021. As the contract term extends for one or two years, the company is going to achieve a high level of charter rate in 2022 and 1H2023 regardless of the global-ocean-rates downtrend.
- Currently, three of four vessels are for rent with level of roughly USD 31,000/day while ANBIEN Bay achieves higher level of USD 40,000/day (HAH owned 24%) from Jun 2022.

Figure 2: Vessel list

Name	Capacity (TEU)	Status
HAIAN PARK	787	Operation
HAIAN TIME	1032	Operation
HAIAN LINK	1060	Operation
HAIAN BELL	1200	Operation
HAIAN VIEW	1577	Operation
HAIAN CITY	1577	Operation
HAIAN EAST	1702	Time Charter
ANBIEN Bay	1708	Time Charter
HAIAN WEST	1740	Time Charter
HAIAN MIND	1794	Time Charter

Source: HAH, Rong Viet Securities

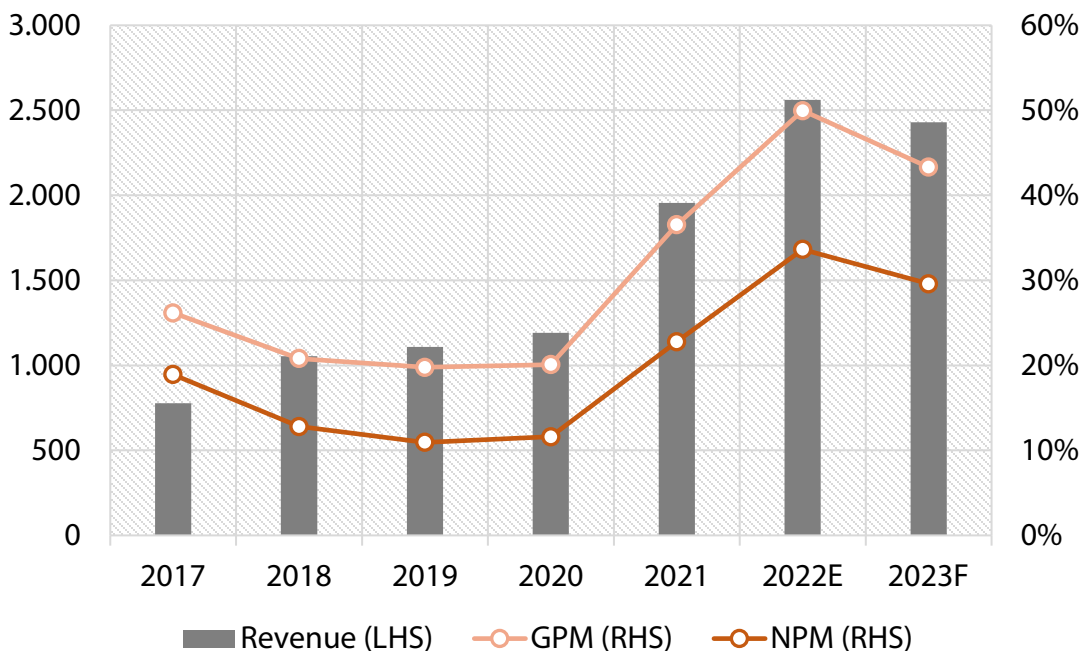
Figure 3: Gross profit breakdown (VND bn) and GPM


Source: HAH, Rong Viet Securities

Domestic transportation segment has enjoyed high load factors and shipping rates

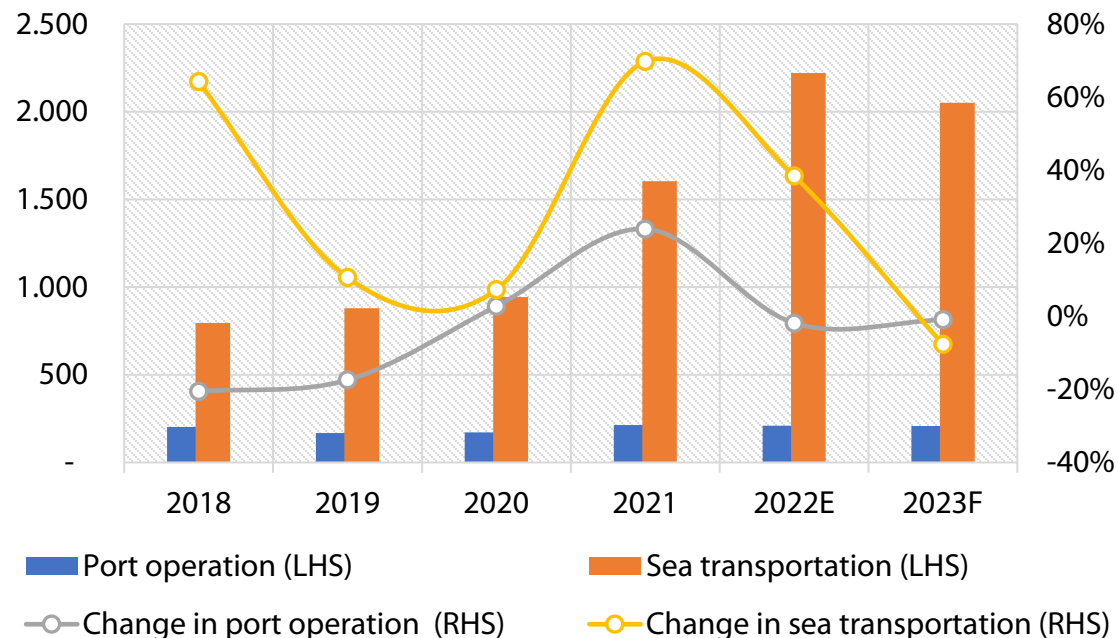
- As the industry's domestic shipping capacity has been lower than that in previous months, not only domestic shipping rates remained high but also fulfillment rates.
- Altogether, HAH's GPM of sea transportation segment has expanded by 1948 bps to 49% in 1H2022 while that in history was 17% on a 5-year average basis.
- Revenue and NPATMI in 1H2022 were VND 1,582 bn and VND 440 bn, (or USD68 mn and USD19 mn), +96% and 195% YoY, respectively. Such high earnings should be maintained in 3Q2022, yet we expect earnings to slow down in 4Q2022 as the domestic shipping capacity increases.

Figure 4: Estimated results (VND bn)



Source: HAH, Rong Viet Securities

Figure 5: Revenue breakdown (VND bn) and % YoY



Source: HAH, Rong Viet Securities

HAH has enjoyed a superior gross profit margin thanks to external-favorable factors. Maintaining such high a profit margin is challenging

- NPATMI in 2H2022 is forecasted to be lower than that in 1H2022 given by (1) Difficulty to maintain charter contracts at such a current high level; (2) Domestic freight rates encounter the probable correction due to more vessels supply and the cooldown of shipping demand in 2H2022. Hence, we forecast revenue/ NPATMI to be VND 2,562/ 862 bn (or USD 111/ 37 mn), +31% YoY/ +93% YoY.
- The world container rates started to correct from their peak. These rates will probably correct yet stay at the higher level compared to the historical ones. Hence, we forecast NPATMI in 2023F to decrease by 17%YoY to VND 719 bn (USD 31 mn).

RETAIL

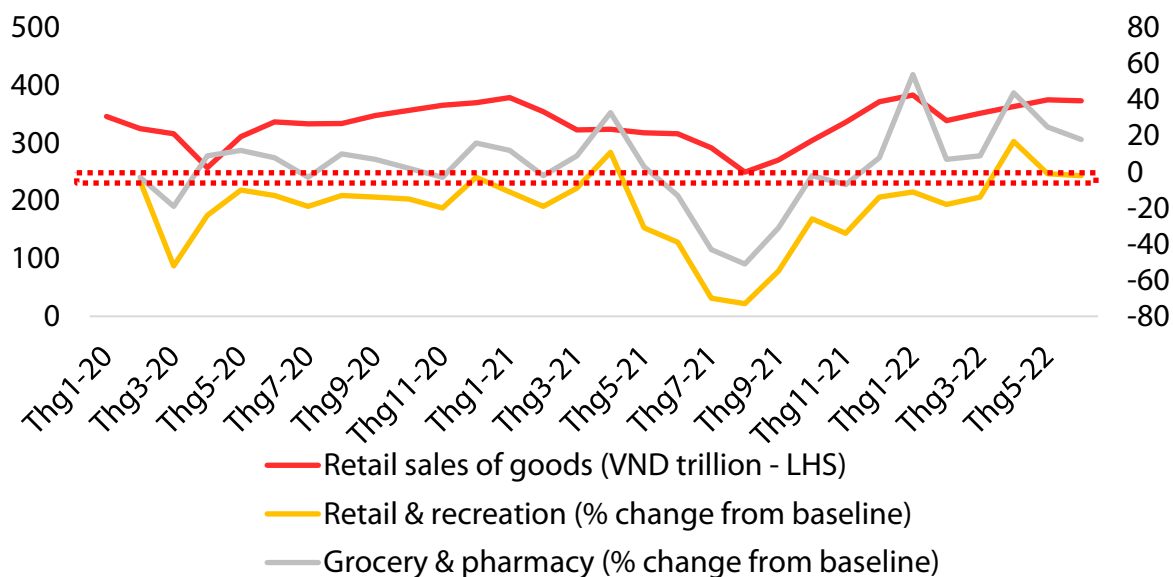
**OPPORTUNITIES LIE IN NEW
FRAGMENTED MARKETS**



Tung Do – tung.dt@vdsc.com.vn

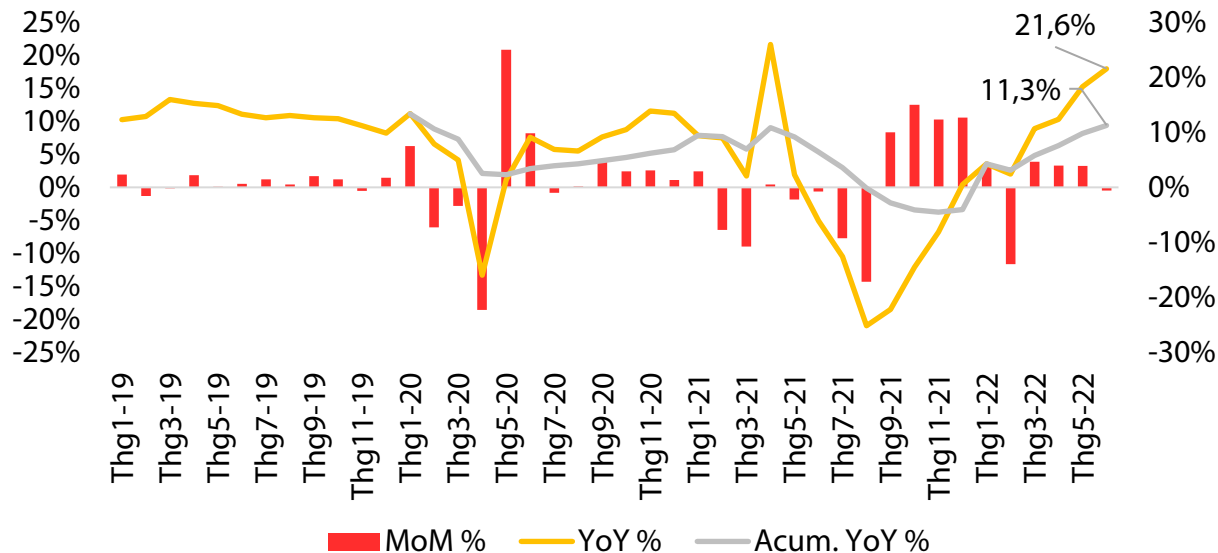


Figure 1: Mobility trends have fully recovered



Source: GSO, Google Mobility report, Rong Viet Securities

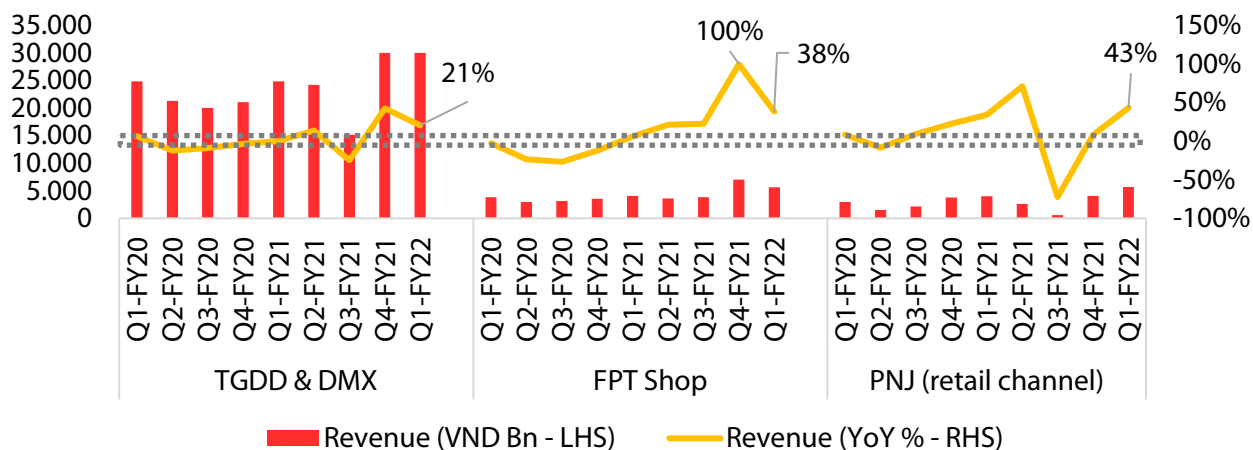
Figure 2: Growth of retail sales of goods



Source: GSO, Rong Viet Securities

- Visits to grocery markets and drugstores have recovered well above pre-covid level since Dec 2021 while visits to retail and recreation places, though were weighed on by the last wave of Covid in early 2022, hovered around pre-Covid level.
- These positive mobility trends, along with resilient demand and low base in 2021, have largely fueled the growth of retail sales of goods in recent months.
- However, MoM growth of retail sales of goods started to flat in June.

Figure 3: ICT retailers saw revenue peaked in Q4-2021 while jewelry retailer PNJ continued to see improvement in Q1-2022



Source: Companies filings, Rong Viet Securities

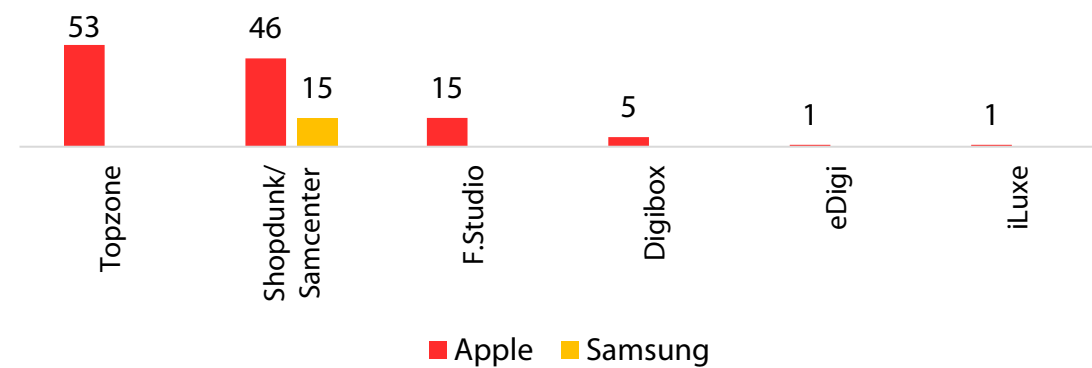
- ICT retailers like TGDD and FPT Shop saw strong SSSG in early months of 2022. Q1-2022 SSSG of TGDD&DMX and FPT Shop are 9% and ~20% (est.).
- Main ICT categories like laptops, tablets, mobile phones (Apple iPhones) saw double-digit growth in Q1-2022 but started to cool down in Q2-2022, as evidenced by distributors' sales.
- PNJ posted robust growth in retail sales in 5M-2022, mostly driven by high SSSG given low net openings YTD.

Figure 4: Different store network expansion strategy

TGDD & DMX	FPT Shop	PNJ
 50 by June (+40 YTD)	 ~730 by June (+12% YTD)	 13 net openings
 Supermini	 Laptop center	 +2 Standalone
906 by May (+13% YTD)	~150 by June (~x2 YTD)	26 Shop-in-Shop

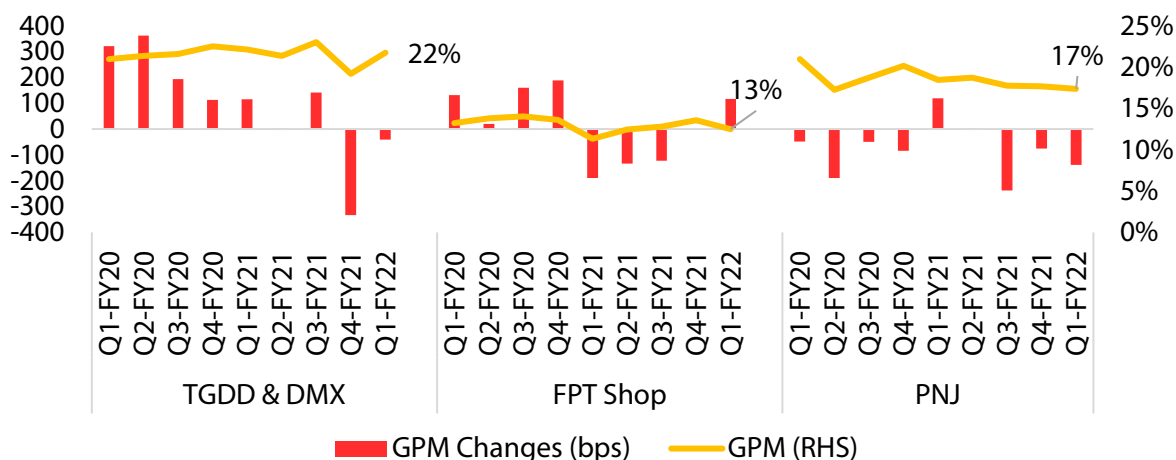
Source: Companies filings, Rong Viet Securities

Figure: Leading players are aggressive in brand store opening



Source: Rong Viet Securities

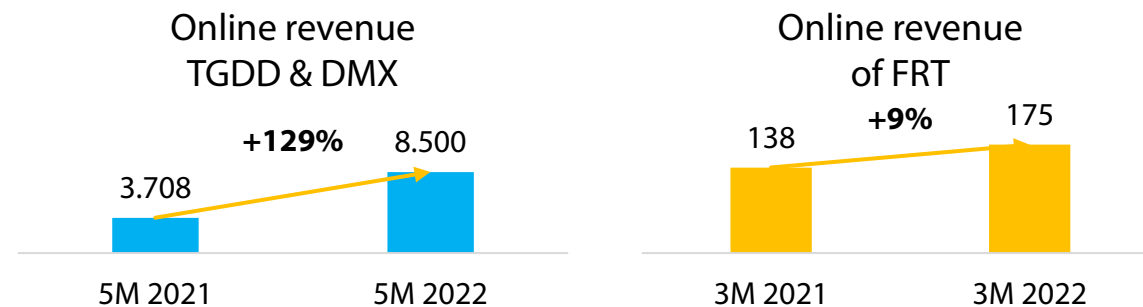
Figure 5: Listed consumer durables retailers' GPM



Source: Companies filings, Rong Viet Securities

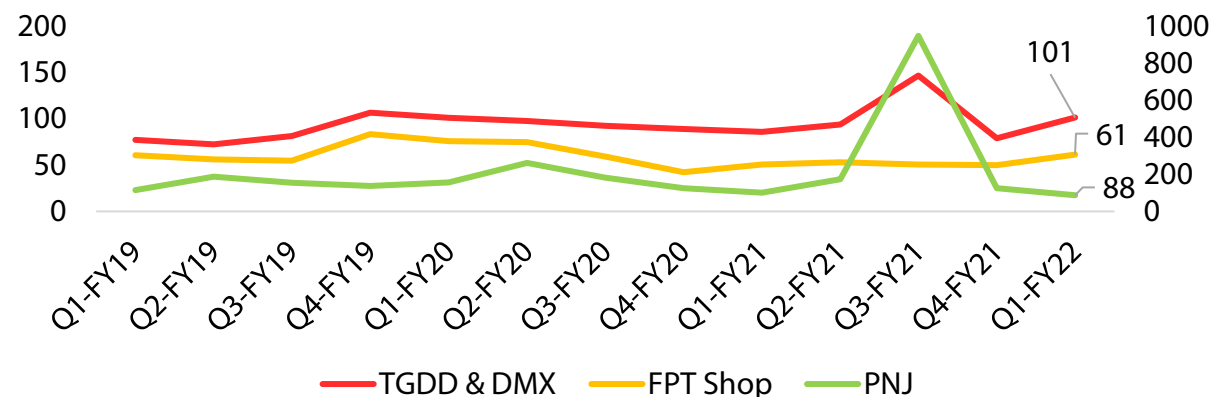
- GPMs changes were largely driven by product mix:
 - MWG's plan to boost online sales and larger contribution from Apple products caused a slight decline in GPM;
 - FRT's robust sales of laptop in Q1-2022 helped improve GPM but still hovering around historical average.
 - PNJ saw GPM contracting in recent quarters mostly due to high gold bar contribution.
- Given strong sales, DOH of most retailers stay at reasonable level in Q1-2022 but the increasing of food and fuel prices may take a toll on non-discretionary spending in 2H-2022, which could be a pressure on profit margins.

Figure 6: MWG ramps up online channel with different price policies



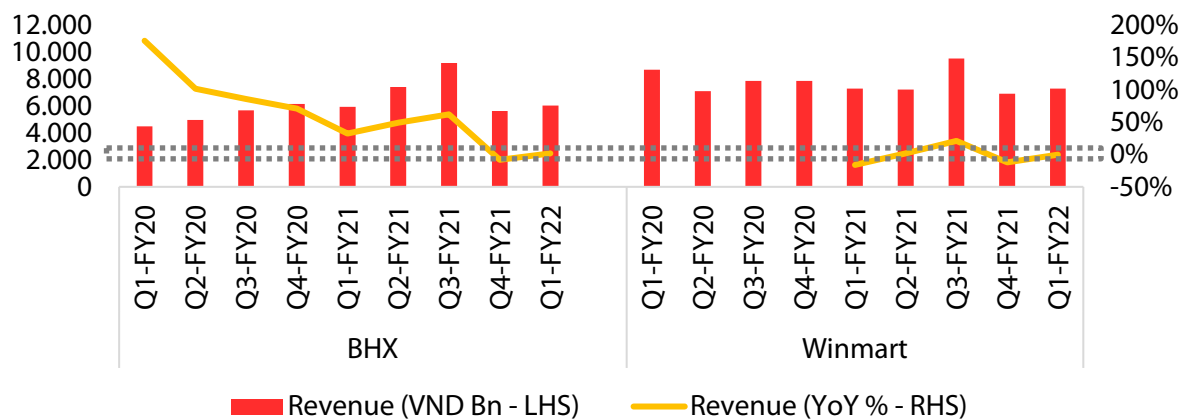
Source: Companies filings, Rong Viet Securities

Figure 7: DOH of most retailers stay at reasonable level in Q1-2022



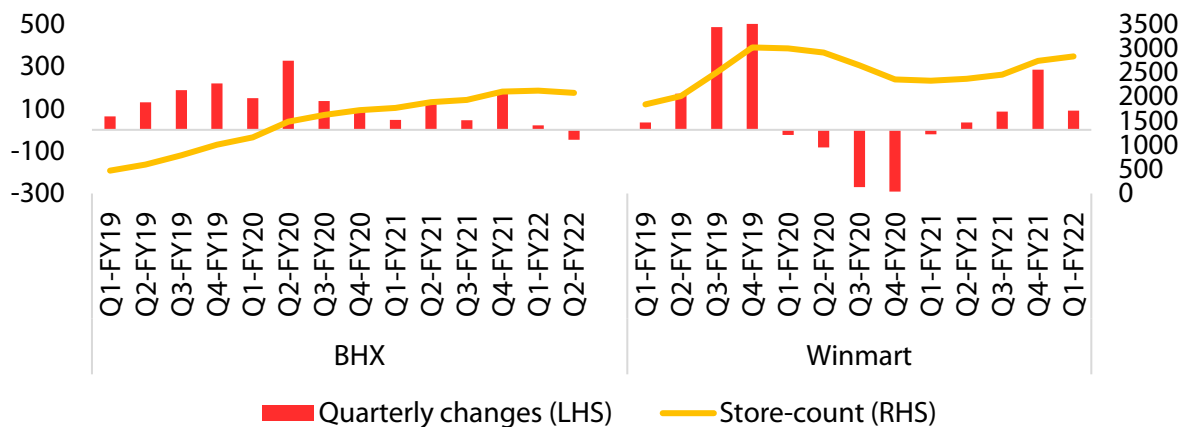
Source: Companies filings, Rong Viet Securities

Figure 8: Revenue growth decelerated as wet markets reopened



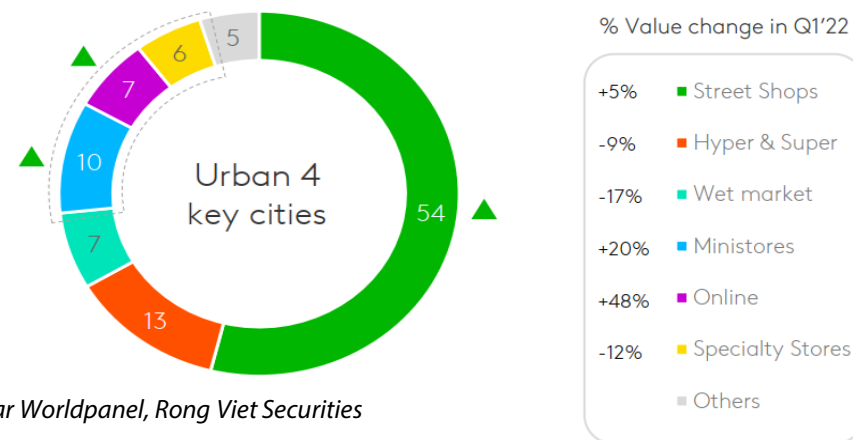
Source: Companies filings, Rong Viet Securities

Figure 10: Leading grocers' store-count plateaued



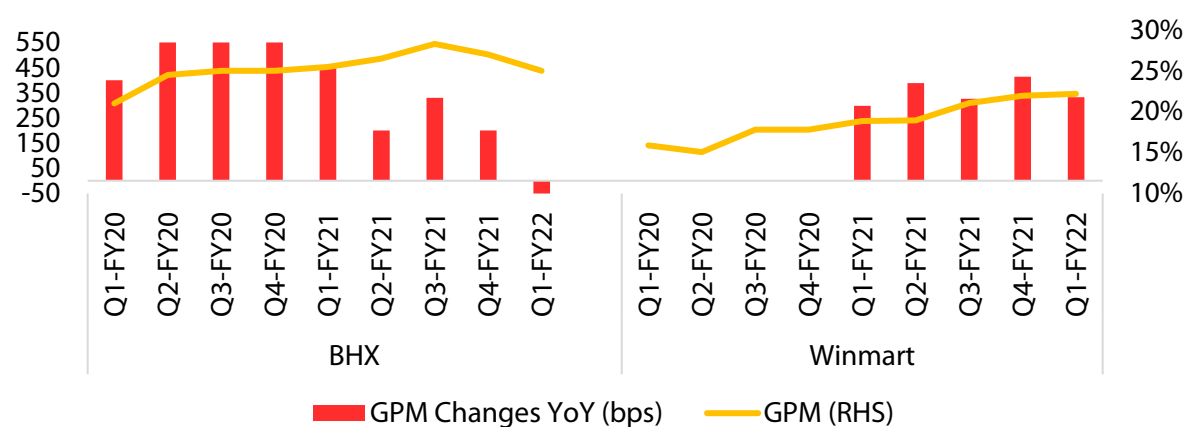
Source: Companies filings, Rong Viet Securities

Figure 9: 10% of FMCG spending in four major cities are from ministores



Source: Kantar Worldpanel, Rong Viet Securities

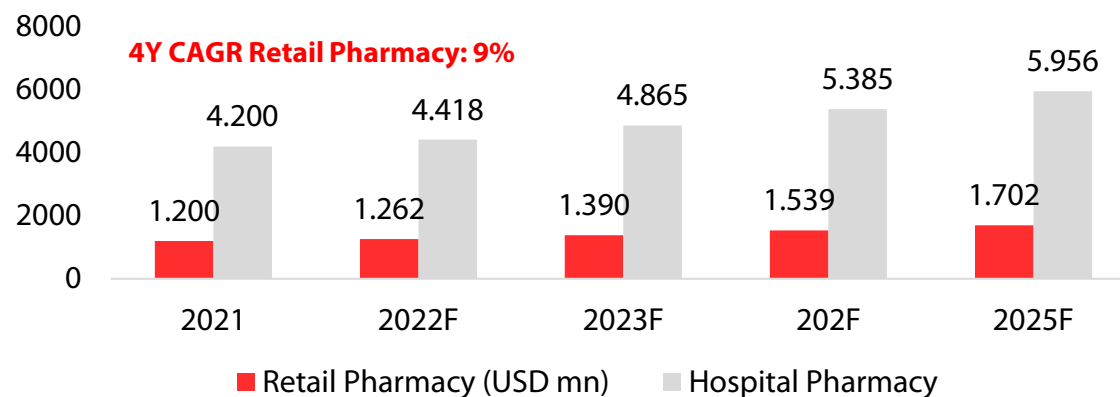
Figure 11: Divergent GPM trend



Source: Companies filings, Rong Viet Securities

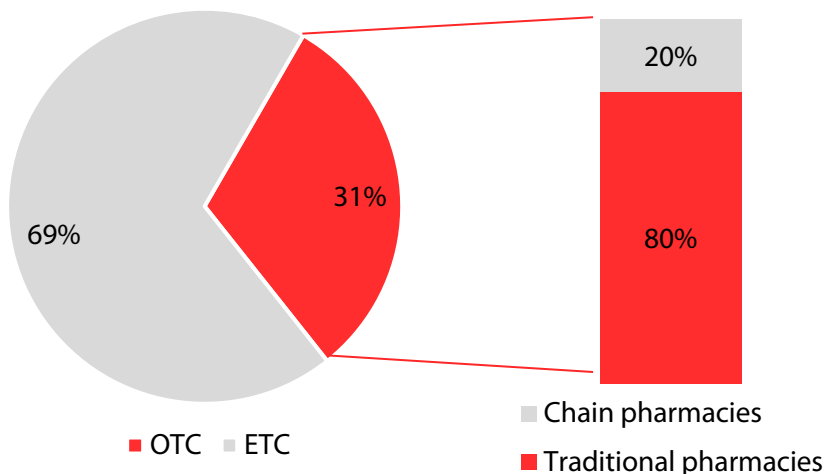
- **The market is highly fragmented:** Mom & pop drugstores still dominate the market with 95% of the stores (~ 50 thousand) and 80% of the OTC revenue.
- **Pharmacists can influence patients' purchase,** which provides a huge opportunity for chain pharmacies to control a favorable product mix.
- **Chain pharmacies are in an expanding race after new funding:** Pharmacy nearly doubled capital to USD 40 mn in Jan 2022. MWG topped up USD 22 mn more to raise An Khang capital to USD 35mn in Apr 2022. Long Chau's capital stays only at USD 11mn, with the last raising round dated back to Jul 2021.

Figure 12: Retail pharmacy market is currently USD 1.2 bn



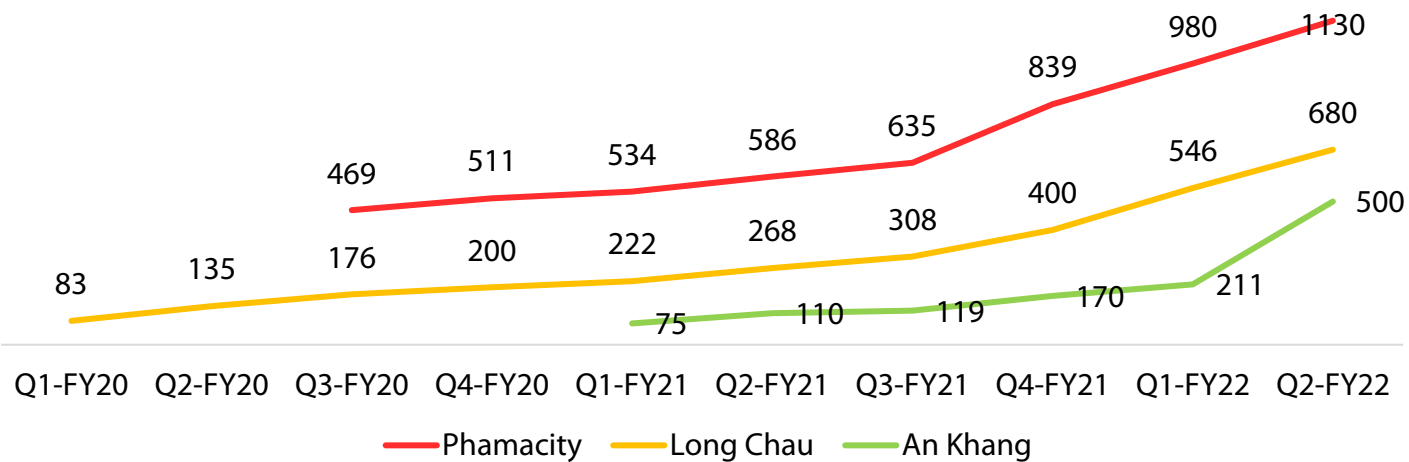
Source: IQVIA

Figure 13: Traditional pharmacies dominate the market



Source: Pharmacy

Figure 14: Chain pharmacies are growing fast with support from fresh funding



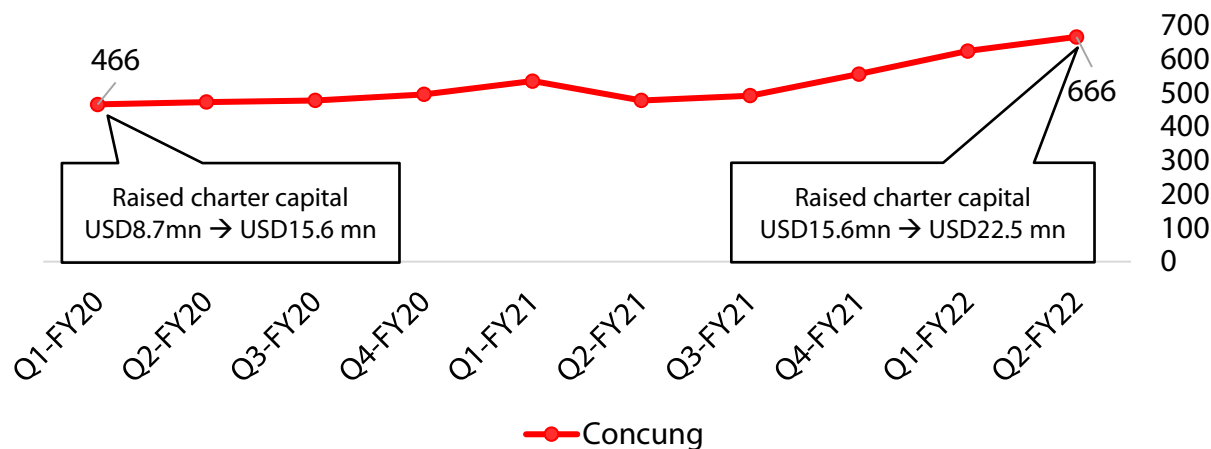
Source: Pharmacy.vn, Companies filings Rong Viet Securities

- Mom and baby product market size is enormous, estimated at USD 7 Bn, due to a large population of target customers.
- Around 1.6 million newborns per annum plus 7.9 mn babies and toddlers within the ages of 0-4 years old. Annual newborns could deliver at least 15% growth p.a for the market.
- Consumer shopping habits have been shifting from traditional models like markets and supermarkets to store chains specializing in mother and baby products.

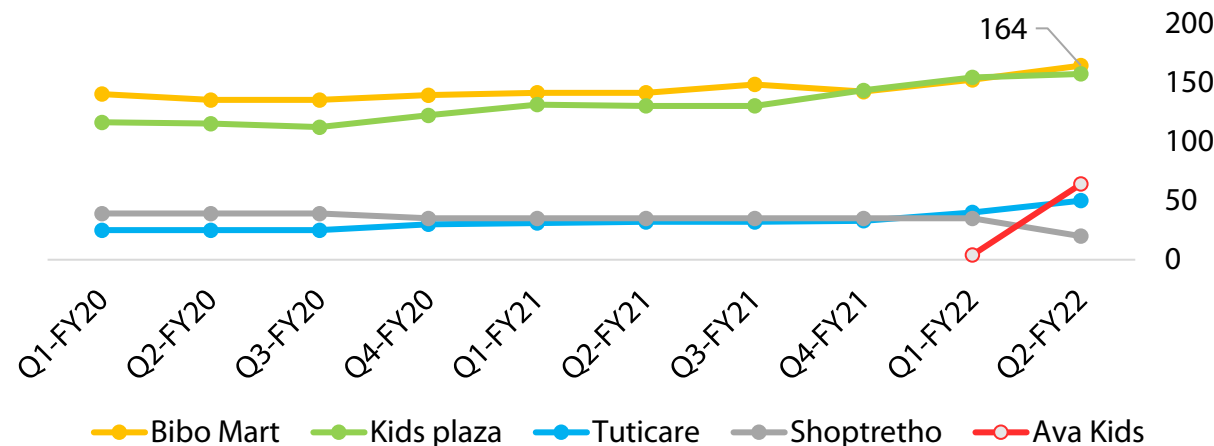
Table 1: Mom&Baby chain comparison

Chain	Curr. Charter capital (VND bn)	Curr. Store-count	Monthly website traffic	Category rank of website
Concung	VND 518 bn	655	519k	15
Bibo Mart	VND 106 bn	164	290k	34
Shoptretho	VND 62 bn	20	81k	6
Kids Plaza	VND 25 bn	156	734k	14
TutiCare	VND 9.5bn	50	74k	110
AvaKids	n.a	67	378k	n.a

Source: MPI, Rong Viet Securities

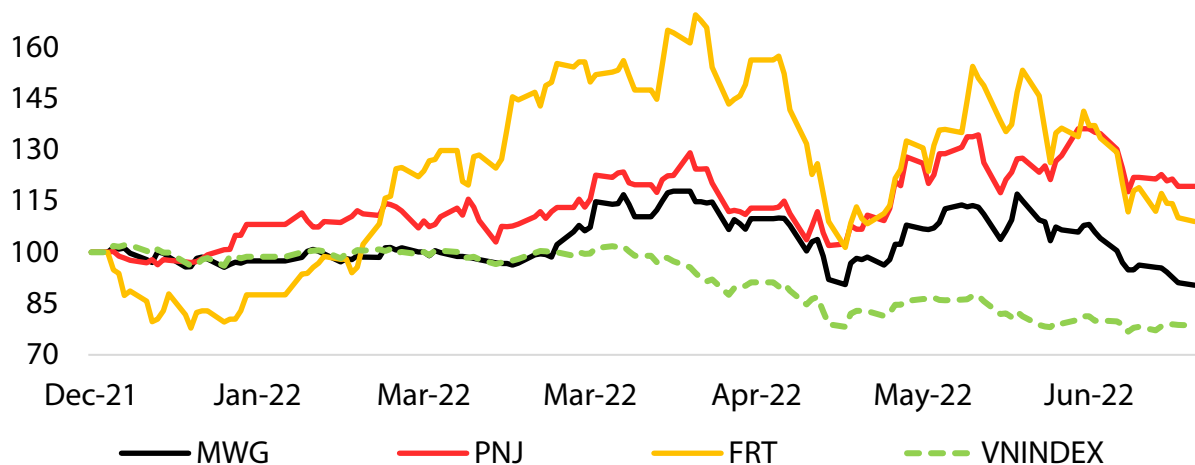
Figure 15: Concung is creating a large gap with other retailers in terms of store-count


Source: MPI, Concung.com



Source: Companies' websites, Rong Viet Securities

Figure 16: Retailers' stock prices performance



- PNJ: Strong earnings growth in 5M 2022 of 47% YoY (retail sales remained high even in off-peak months of Apr and May) and fund inflow of ETF VN Diamond underpinned share price's YTD outperformance.
- FRT: Share price soared in Q1-2022 on the back of strong profit result, which was bolstered by robust demand for laptop and positive PBT from Long Chau Pharmacy, but then corrected due to concern over decelerated growth in upcoming quarters.
- MWG: We attribute the underperformance vs other two retailers to weak results of BHX.

Figure 17: MWG P/E

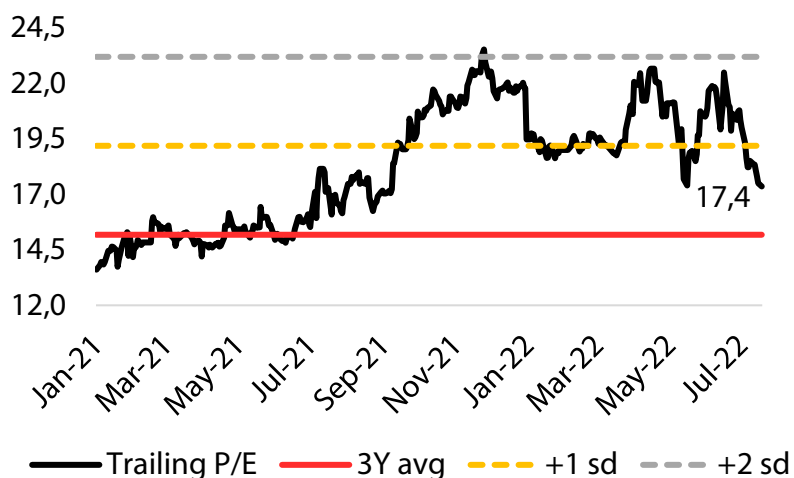


Figure 18: PNJ P/E

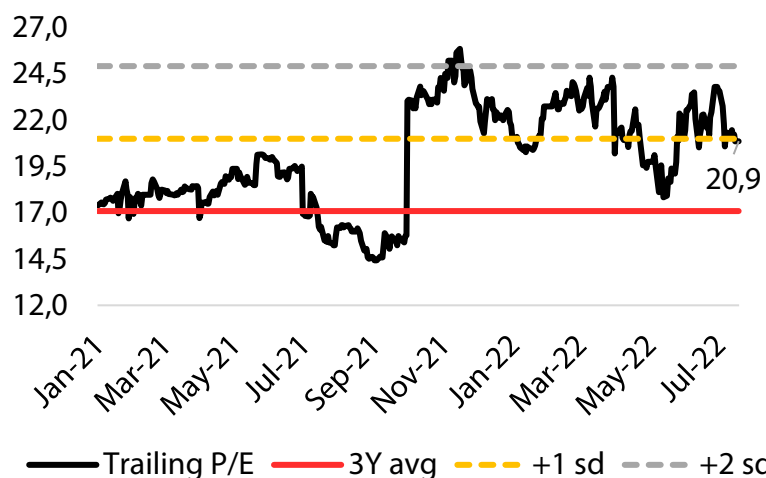
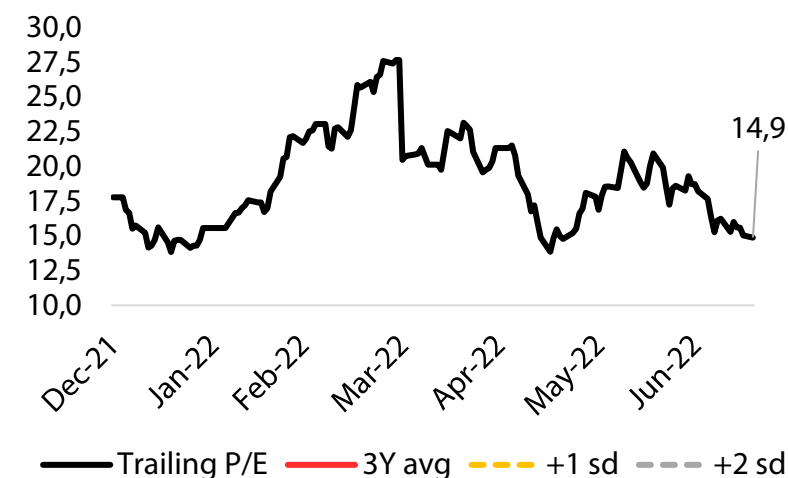


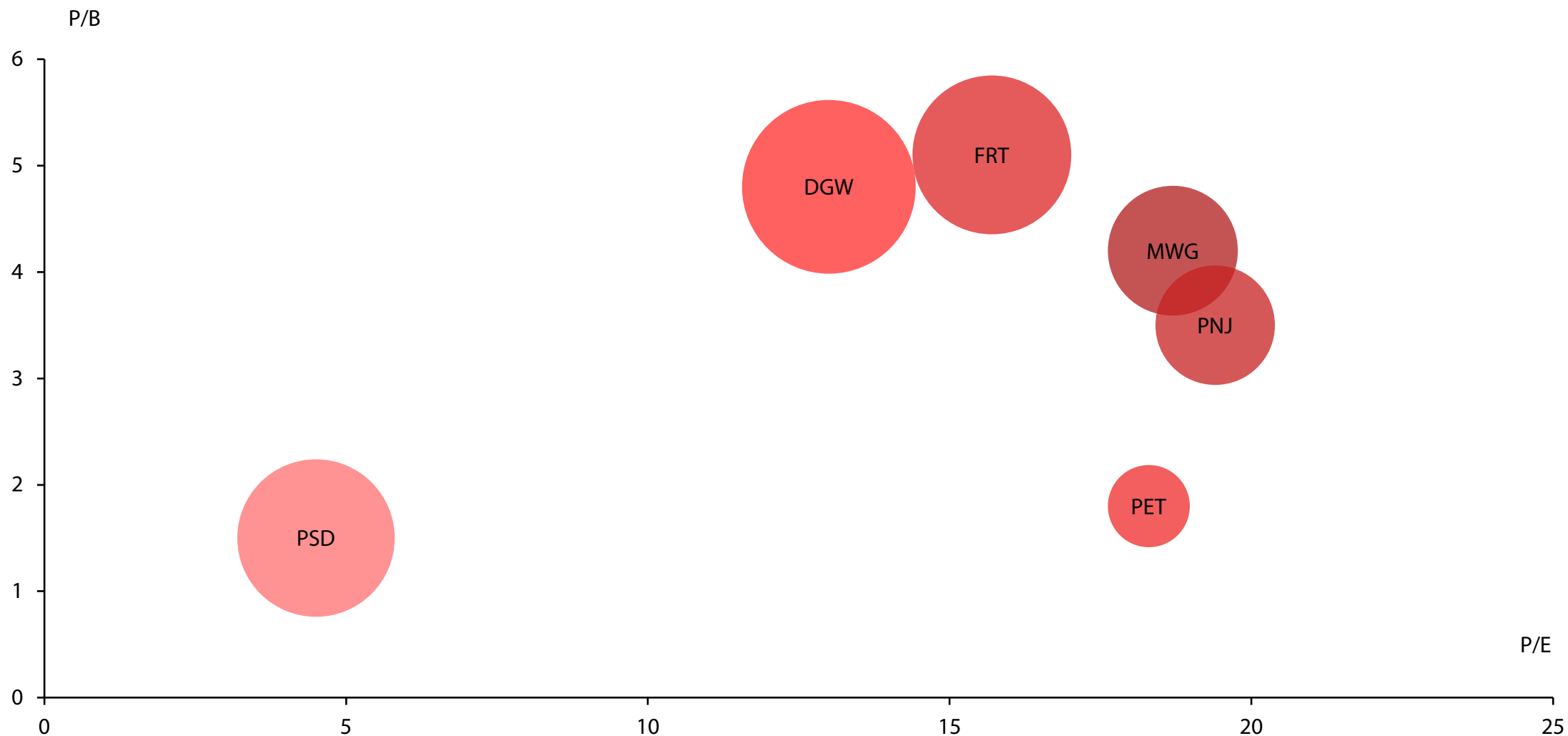
Figure 19: FRT P/E



Source: Bloomberg, Rong Viet Securities

Ticker	Market cap (VND bn)	Target price (VND)	Sales Growth (% YoY)	EBITDA Growth (% YoY)	EBITDA Margin (%)	Operating Income Margin (%)	Net Income Growth (% YoY)	Net Profit Margin (%)	ROA (%)	ROE (%)	DY (%)	Current P/E (x)	Current P/B (x)
MWG	93,092	83,200	13.76	20.63	7.50	4.81	10.78	3.75	8.70	24.22	0.79	18.93	4.16
PNJ	28,236	143,900	22.04	4.50	7.60	7.30	1.26	5.29	13.69	19.89	1.03	21.95	3.45
FRT	9,312	96,900	67.61	1150.94	0.00	0.00	792.45	2.16	6.70	38.21	0.42	15.68	5.08
PET	3,346	N/A	16.34	74.23	3.02	2.91	34.15	1.36	3.51	14.40	0.00	13.17	1.83
DGW	10,241	N/A	40.02	98.98	3.56	3.53	96.24	3.30	16.29	43.99	0.88	13.95	4.77
PSD	724	N/A	4.83	108.27	2.51	2.48	110.44	1.80	7.27	35.61	6.36	4.53	1.45

Source: Fiinpro, Rong Viet Securities. Share price as of August 10th, 2022.



Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 10 August 2022.

<BUY: +31%>

<MP: 63,600>

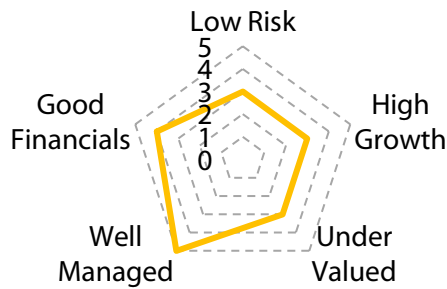
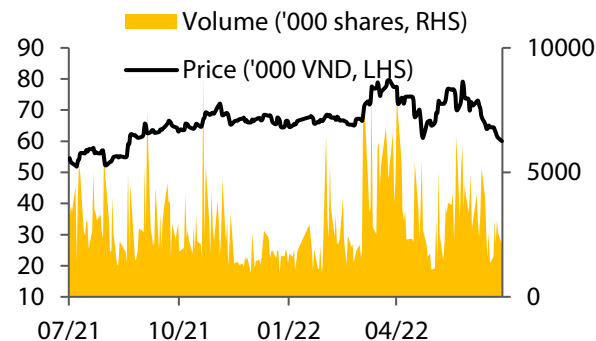
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STOCK INFO

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

FINANCIALS

		2021A	2022F	2023F
Retail	Revenue (VND bn)	122,958	137,462	169,939
	NPATMI VND bn)	4,899	6,120	9,407
	ROA (%)	7.8%	8.7%	12.3%
	ROE (%)	24.1%	19.3%	24.1%
	EPS (VND)	6,870	4,171	6,317
	Book Value (VND)	28,562	21,642	26,262
	Cash dividend (VND)	1,500	1,500	1,500
	P/E (x)	11.5	14.7	9.7
	P/B (x)	2.8	2.8	2.3



INVESTMENT RATIONALES

We expect Bach Hoa Xanh to deliver some improvements in terms of sales and profitability post-restructuring phase. The chain is strategically restructuring its business model: lowering SKUs per store, simplifying store format and renovate layouts. Also, stores that don't meet certain sales and profitability levels will be closed. These changes have prompted more than 300 stores closures in June and July. We think that closing phase will extend for another one-two months and expect to see clearer results of the restructuring process in late of Q3, followed by some improvements in profitability in Q4.

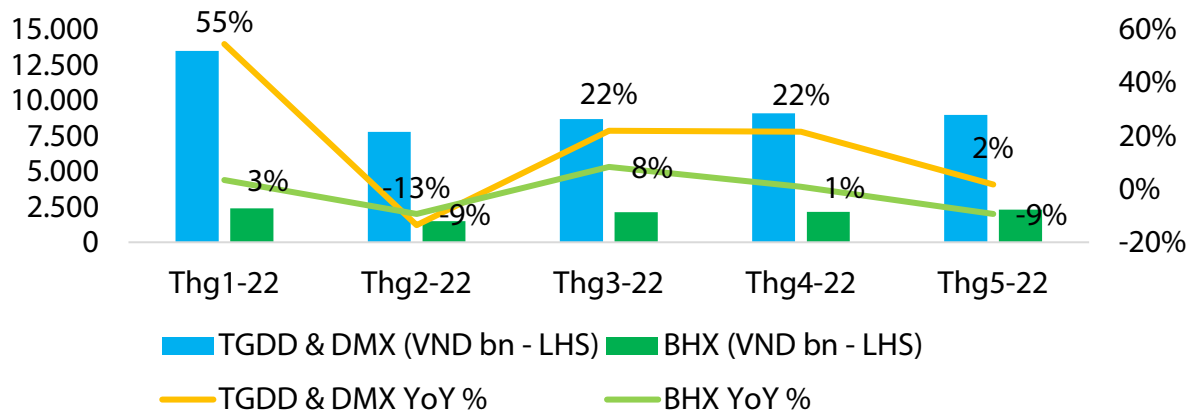
The continued ramp up DMS and Topzone stores will bolster TGDD & DMX earnings growth. We project that 2022F/23F NPAT of TGDD & DMX will grow at 31% YoY / 23% YoY.

New chains (An Khang and AVA Kids) seem largely potential but will need some time for meaningful contribution.

RISKS TO OUR CALL

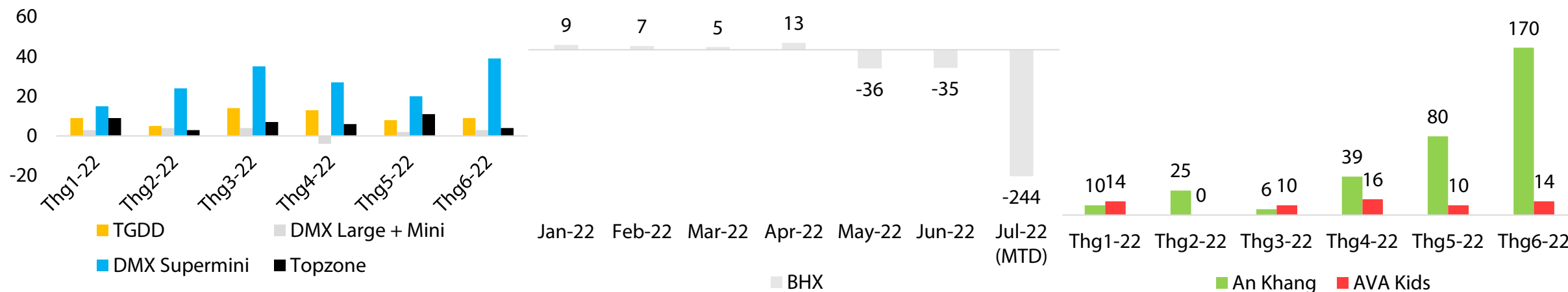
- Softer demand for discretionary items to decelerate growth of TGDD and DMX chains which are key profit contributors.
- Sales per BHX store to recover better-than-expected.
- The private placement of BHX (est. timeline: Q4-2022 to Q1-2023) could imply higher-than-expected valuation for BHX, leading to an upward rerating of MWG.

Figure 1: ICT revenue slightly softened in May



Source: MWG, Rong Viet Securities

Figure 2: Proactive in expanding footprint in potential markets



Source: Company's websites, Rong Viet Securities

TGDD & DMX

- New openings of Topzone and DMX Supermini (DMS) and Q1-2022 SSSG of 8%, bolstered by smart phones and laptops, are growth drivers for sales.
- Sales in May should see some cool down due to normalized demand for ICT products.

BHX

- Still struggle in improving monthly sales per store, which hovers around VND 1 bn in three months after Tet.

BUY: 24%

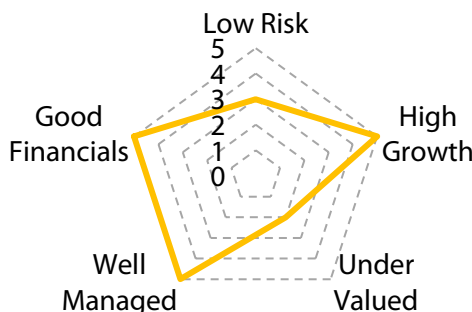
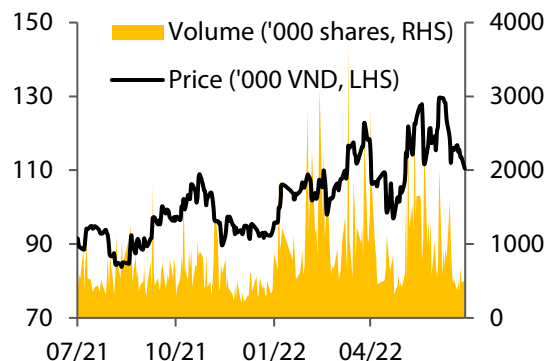
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STOCK INFO

FINANCIALS

2021A 2022F 2023F



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

Retail
1,179.6
27,484.4
975
11.4
0.0
83.9-129.5

Revenue (VND bn)
NPATMI VND bn)
ROA (%)
ROE (%)
EPS (VND)
Book Value (VND)
Cash dividend (VND)
P/E (x)
P/B (x)

19,547
1,029
9.7%
20.5%
4,521
22,061
2,000
21.1
3.6

28,869
1,749
13.1%
19.6%
7,208
36,746
2,000
15.6
3.1

32,141
1,919
13.5%
19.0%
7,303
38,396
2,000
15.4
2.9

INVESTMENT RATIONALES

Resilient demand for fashion jewelry bodes well for strong net profit growth in 2022F. The surprise result of retail channel, with an estimated **YTD SSSG** ranging 35%-40%, indicates that PNJ has successfully leverage its leading position in terms of store network amid resilient demand for fashion jewelry post-covid. Moreover, we believe that PNJ is making good use of new capital from recent private placement to carry out effective marketing campaigns and promotional activities.

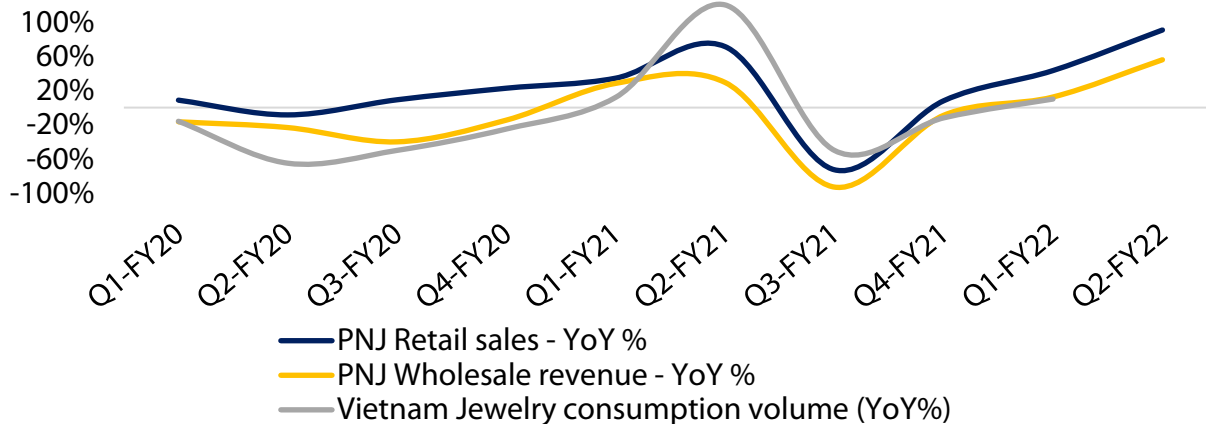
Recent results are showing a positive signal for 2H 2022 earnings outlook. 2022F retail sales are projected at VND17,326 billion (+53% YoY) and we expect to see a surge of 70% YoY in net profit in 2022F.

We expect the increased pace of opening to bolster net profit growth going forward, making current valuation (2022F P/E of 15.6x) investable. We incorporate annual new opening assumption of 35-40 store per annum in the next three years, and expect SSSG to maintain at 10% in the same period. Projected 3Y CAGR of NPAT over 2022F-2025F period stay at 18.1%.

RISKS TO OUR CALL

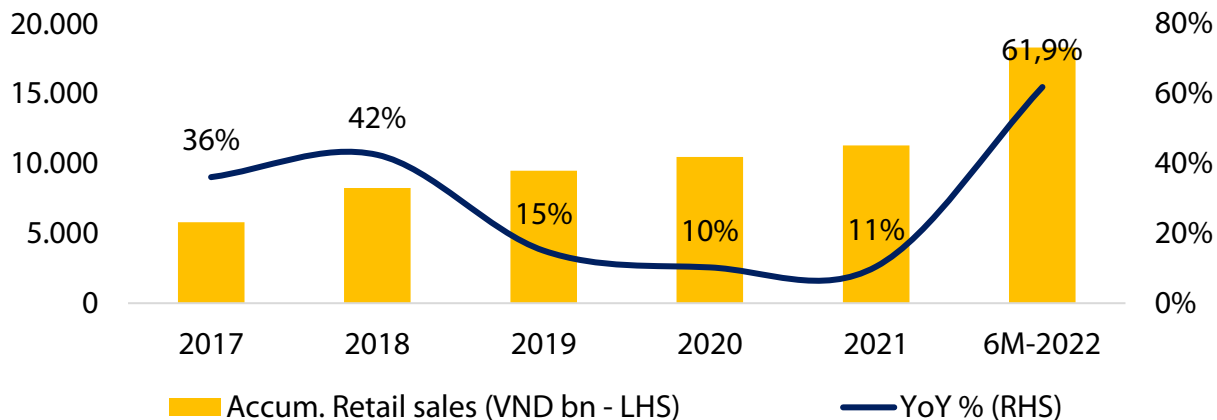
- Higher-than-expected inflation to erode fashion jewelry spending.

Figure 1: Retail channel continued to outperform vs industry



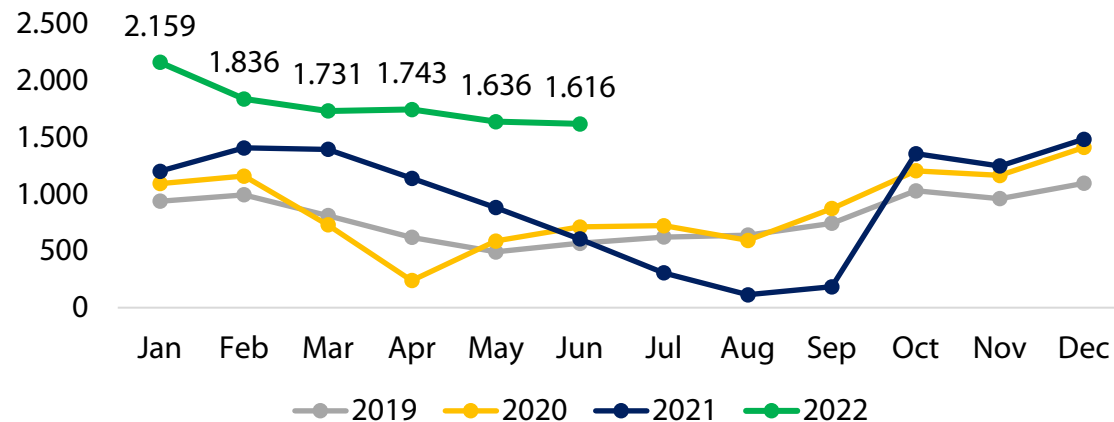
Source: PNJ, Rong Viet Securities

Figure 3: Accumulated retail sales showed strong growth



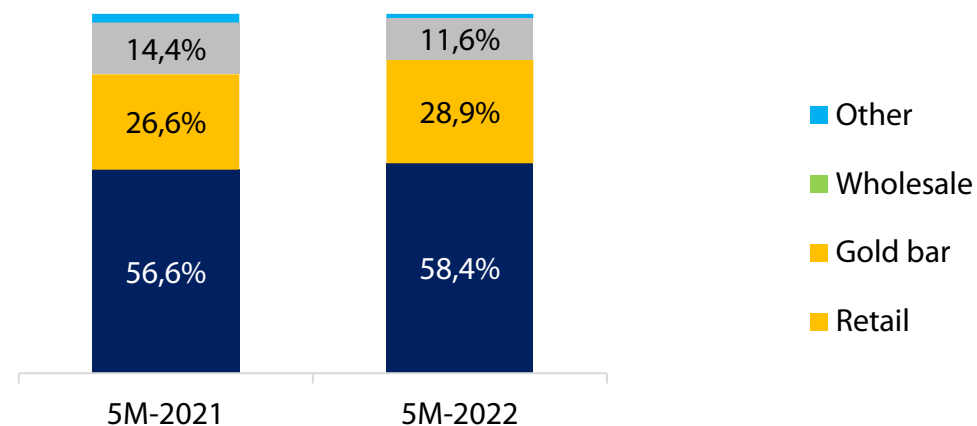
Source: PNJ, Rong Viet Securities

Figure 2: Monthly retail sales maintained at all-time high level



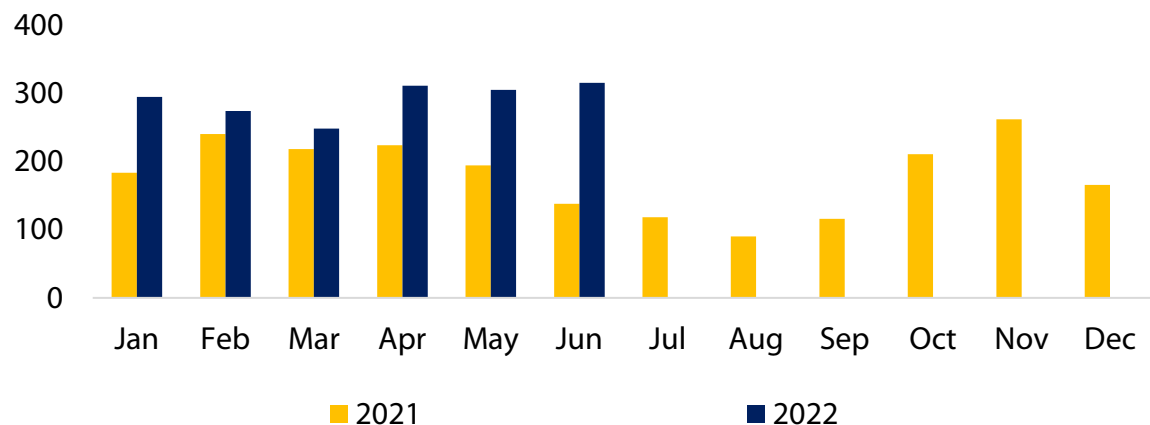
Source: PNJ, Rong Viet Securities

Figure 4: Revenue structure by product in 5M 2022



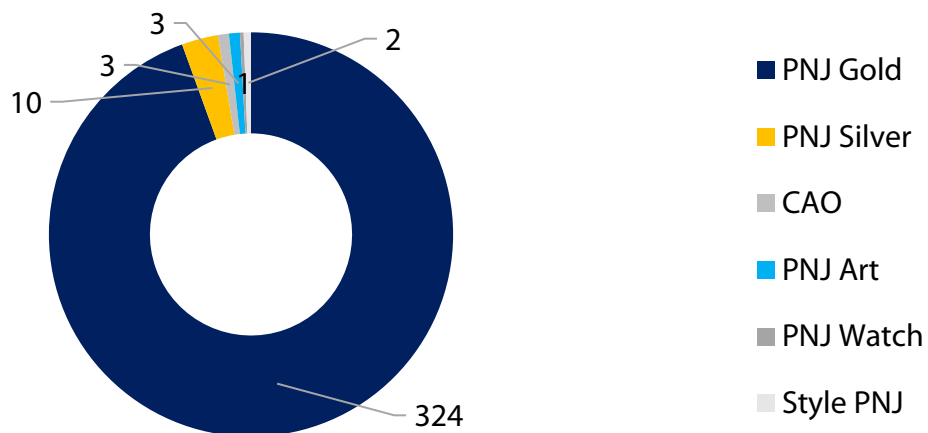
Source: PNJ, Rong Viet Securities

Figure: 6M-2022 OPEX is increasing fast at 35% YoY ...



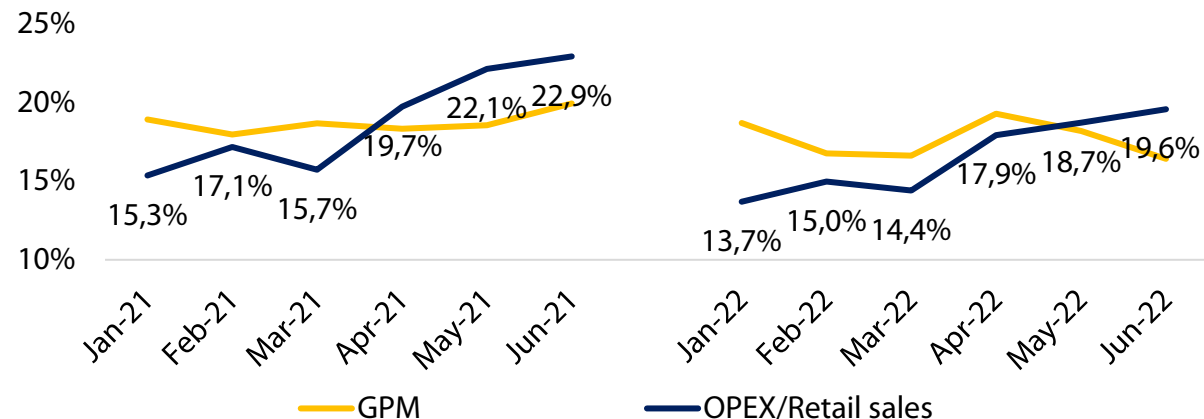
Source: PNJ, Rong Viet Securities

Figure: Store count by format



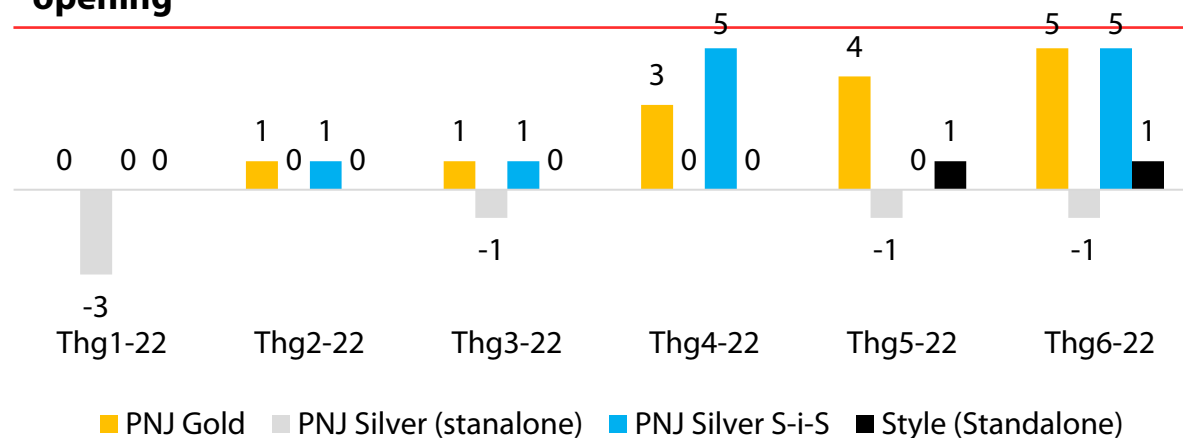
Source: PNJ, Rong Viet Securities

Figure: ...but OPEX/retail sales lowered, expanding EBIT margin



Source: PNJ, Rong Viet Securities

Figure: Restructuring PNJ Silver and speeding up gold stores opening



Source: PNJ, Rong Viet Securities

<BUY: +23%>

<MP: 78,600>

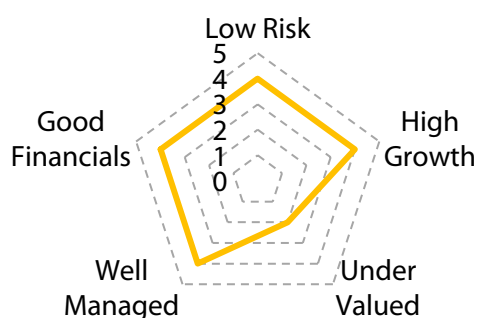
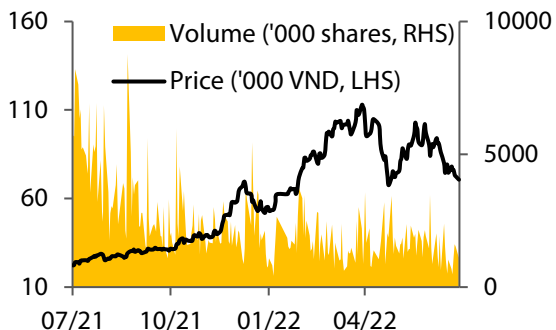
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STOCK INFO

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

FINANCIALS

		2021A	2022F	2023F
Retail	Revenue (VND bn)	22,495	29,368	34,990
	NPATMI VND bn)	444	649	795
	ROA (%)	4.1%	6.2%	7.1%
	ROE (%)	26.7%	24.3%	23.4%
	EPS (VND)	5,618	5,478	6,709
	Book Value (VND)	21,045	22,508	28,717
	Cash dividend (VND)	500	500	1,000
	P/E (x)	17.8	13.8	11.3
	P/B (x)	4.7	3.4	2.6



INVESTMENT RATIONALES

Though smartphones and laptop sales should cool down in 2H 2022, low base in 2021 still bolster strong profit growth in 2H 2022.

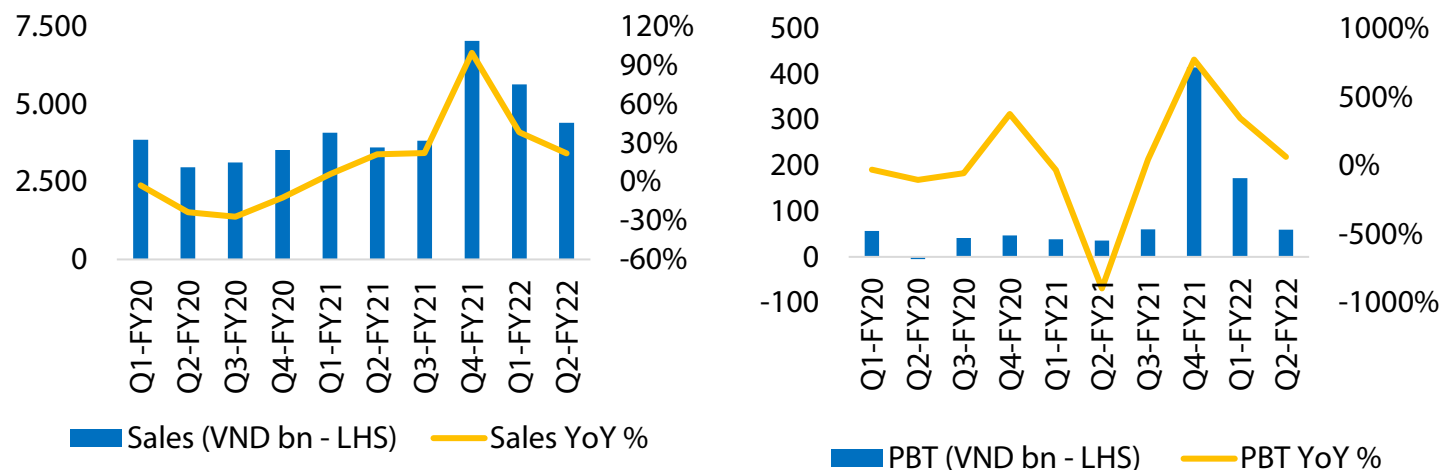
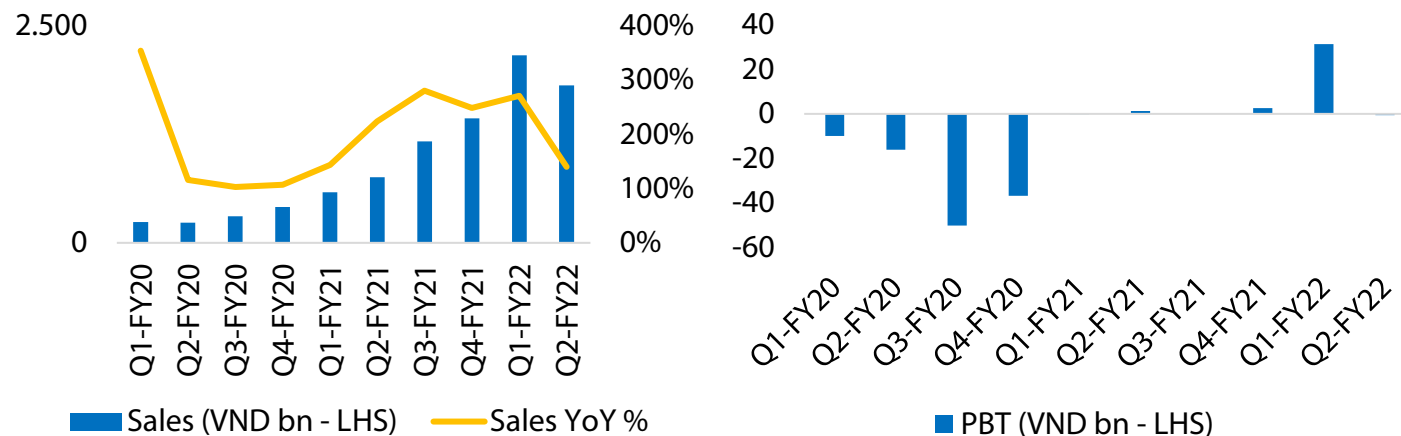
- Though demand for key product categories namely laptops and smartphones is likely to reduce compared to the peak in Q1-2022, we expect new iPhone 14 with new design and demand for laptops in Back-to-school to be supportive for the 2H-2022.
- We expect PBT growth of FPT Shop to be 25% / 19% for 2022F/23F.

Contribution from Long Chau Pharmacy is increasingly meaningful for long-term earnings outlook.

- The headroom for consolidation is significant given extremely fragmented nature of retail market for medicines and supplements imply.
- The increased competition from other emerging chain pharmacies could be challenging, but we don't expect this to largely impact Long Chau earnings growth.
- Projected PBT of Long Chau Pharmacy for 2022F/23F stays VND 113 bn (+2932 % YoY) / VND 159 bn (+67% YoY). Projected 2023F PBT of Long Chau accounts for nearly 20% of consolidated PBT.

RISKS TO OUR CALL

- Softer demand for discretionary items to decelerate growth of FPT Shop.

Figure 1: FPT Shop quarterly results

Figure 2: Long Chau quarterly results


Source: FRT, Rong Viet Securities, Q2-2022 results are estimated

FPT shop

- Around 80 new FPT Shops and 80 laptop centers were opened in 6M.
- Ramping up laptop centers strongly boosted revenue growth in Q1-2022. Laptop sales reached VND 1.4 trillion (+74% YoY), accounting for 25% total FPT shop sales, but decreasing by 40% from the peak level in Q4-2021.
- We expect laptop smartphones sales to continue cool down in Q2-2022 due to low season and normalized demand for laptop. Q2-2022 sales/PBT are estimated at VND 4.6 trillion (+29% YoY)/VND 140 bn (+286% YoY), resulting in 6M-2022 PBT growth of 317% YoY.

Long Chau

- We believe that Long Chau sales will improve in Q2-2022 given around 140 stores were opened in the period. Sales per store and GPM should normalize after the last outbreak in Q1-2022.
- Since a large bonus was recorded in Q1-2022, we expect PBT to further improve in 2H 2022.

TEXTILE & GARMENT

CHALLENGES PILING UP

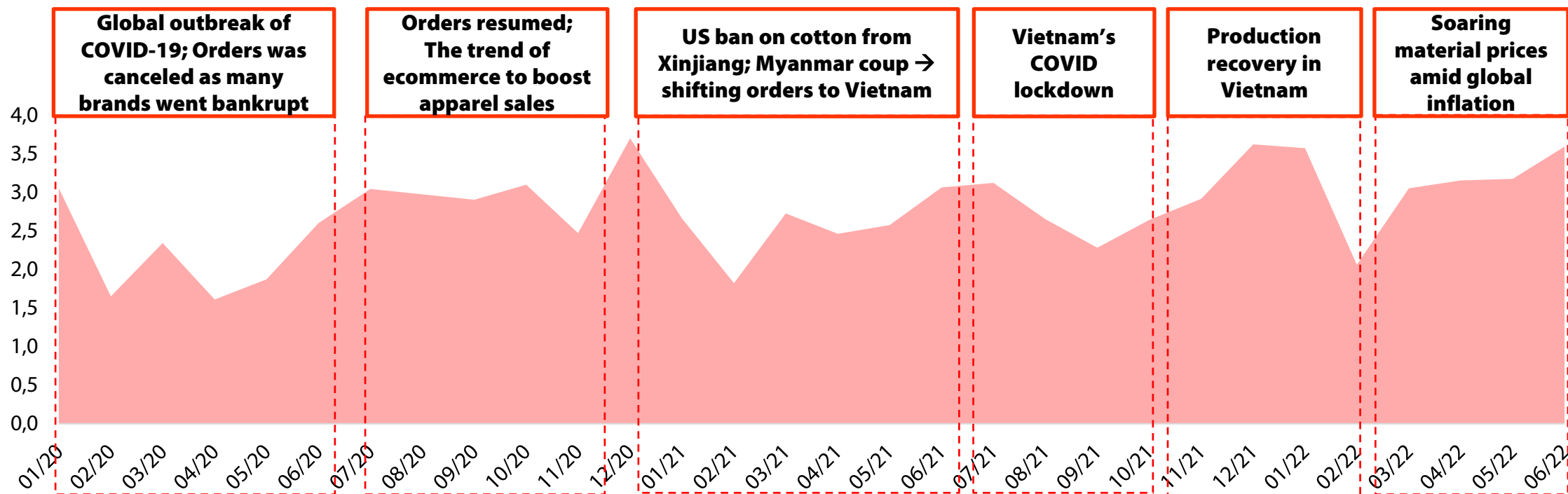


Loan Nguyen – loan.nh@vdsc.com.vn



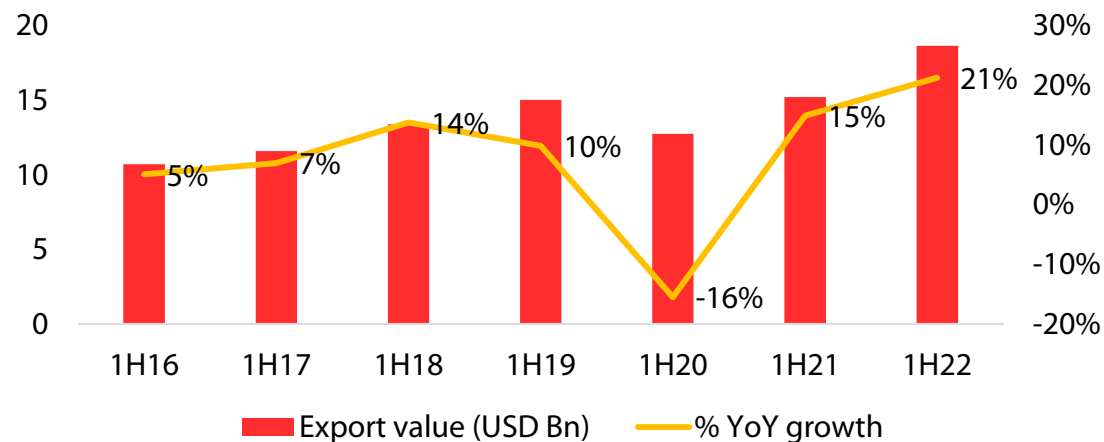
In 1H2022, Vietnam's textile and garment exports were USD 18.53 Bn, up 20.8% YoY, driven by the strong pent-up demand after lockdowns ended in many developed countries and the recovery of domestic production activities. Per McKinsey, global fashion sales are on track to pick up in 2022, as increasingly hopeful consumers unleash pent-up buying power, refreshing their wardrobes as social life begins to resume. Many fashion brands (Nike, Adidas, Columbia, H&M) set 2022 revenue growth plan in the range of 10-20% YoY, showing that increased consumer demand facilitates to accelerate orders for textile and garment companies.

Figure 1: Vietnam's textile and garment export value and key events in 2020 – 2022 (USD Bn)



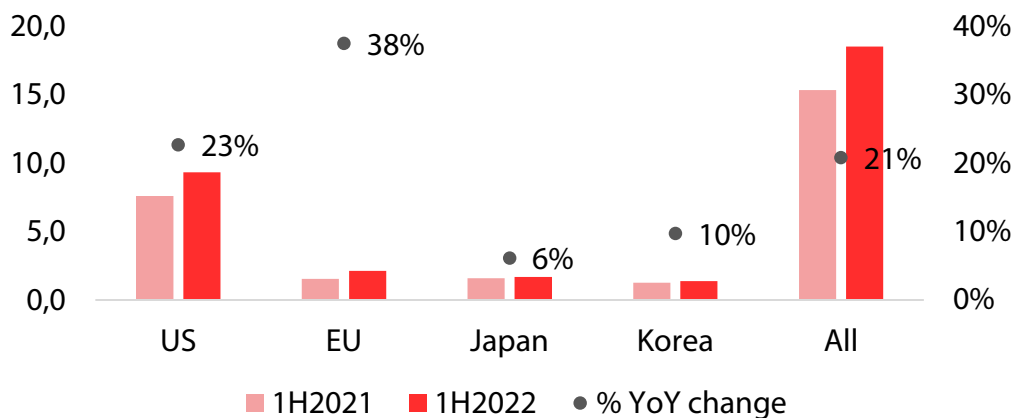
Source: Vietnam Customs, Rong Viet Securities

Figure 2: T&G export value (USD Bn) and YoY growth (%)



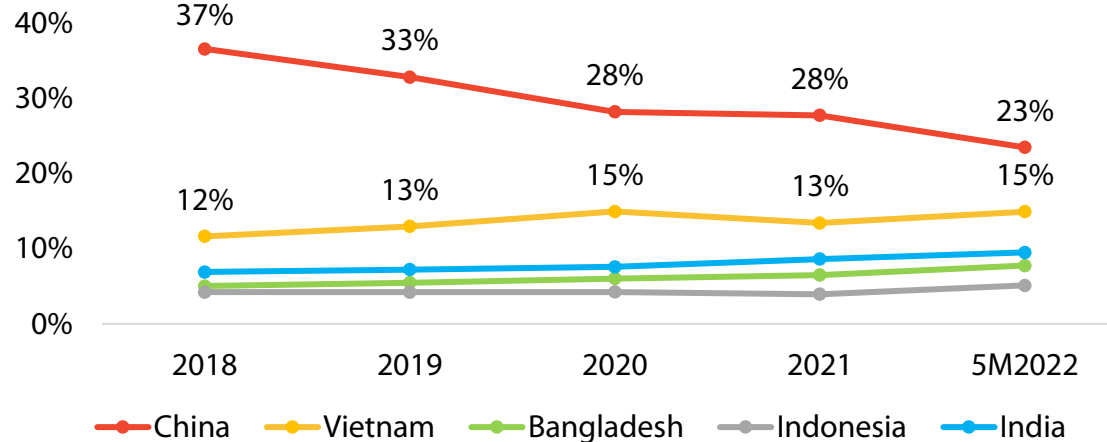
Source: Vietnam Customs, Rong Viet Securities

Figure 3: T&G export value by market (USD Bn)



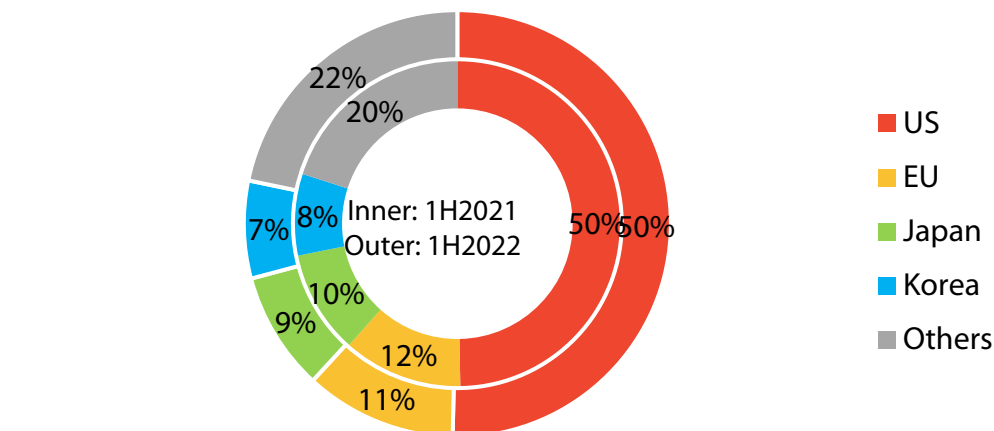
Source: Vietnam Customs, Rong Viet Securities

Figure 4: Market share of T&G export to the US



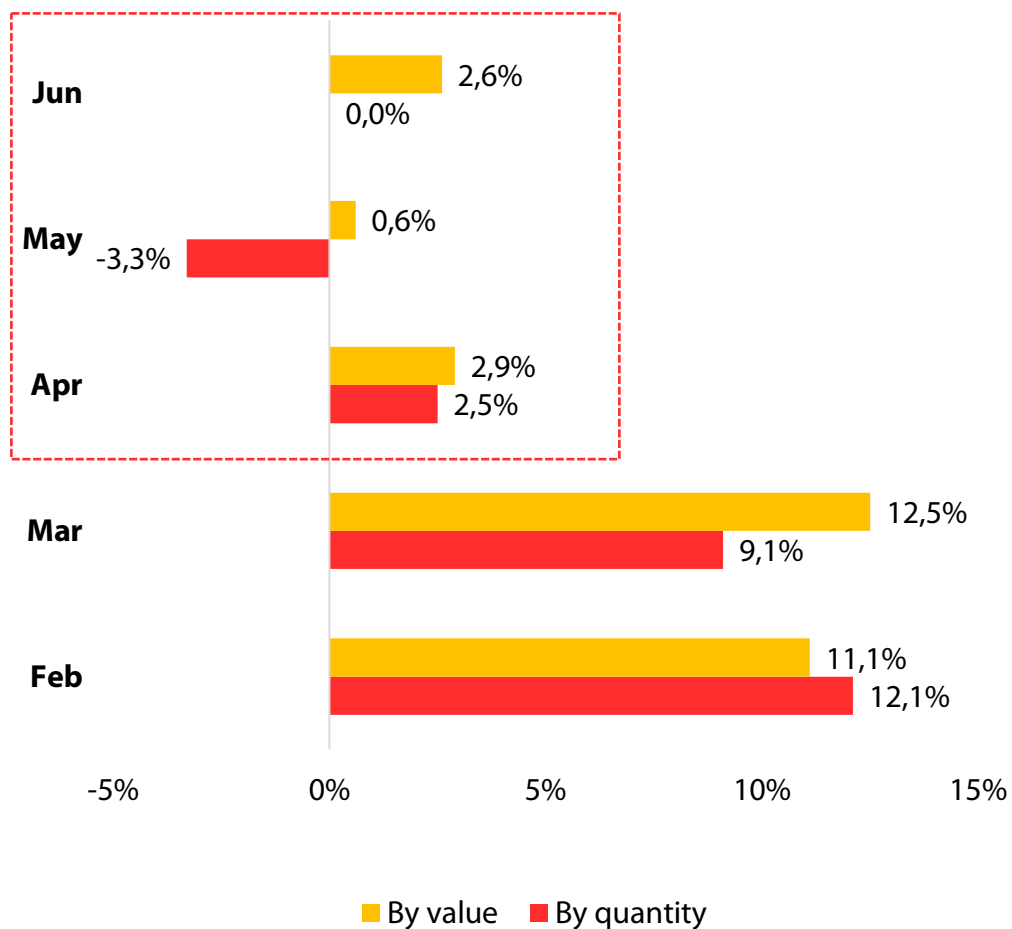
Source: Vietnam Customs, Rong Viet Securities

Figure 5: Breakdown of T&G export value by market (%)



Source: Vietnam Customs, Rong Viet Securities

Figure 6: MoM growth of US apparel imports in 2022



Source: OTEXA, Rong Viet Securities

Apparel demand starts to face softening demand, especially in the US

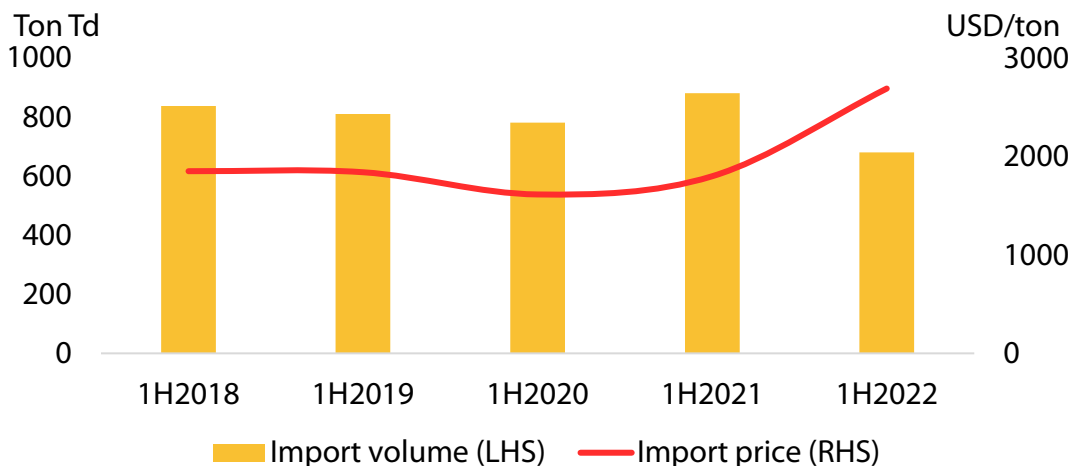
Driven by consumers' spending, in 1H2022, US apparel imports went up 40% in value and 24% in quantity YoY. However, due to weakening demand amid the economic downturn, the speed of import expansion is slowing down. Consumers in the US are becoming more concerned about the future of their household's finances and could limit their discretionary clothes buying. From almost 10% at the start of the year, the monthly rise of US apparel imports decreased to only 2.6% in value and almost zero in quantity in June 2022. (see **Figure 6**)

Figure 6)

We could anticipate that many US fashion companies will become more cautious about putting new sourcing orders in the second half of 2022 in order to control inventories and prevent overstock, as the medium-term future of the US economy remains incredibly unpredictable. According to Vinatex, the US market's textile and garment import demand is likely to decrease by 7-10% in 2H 2022 compared to 1H 2022.

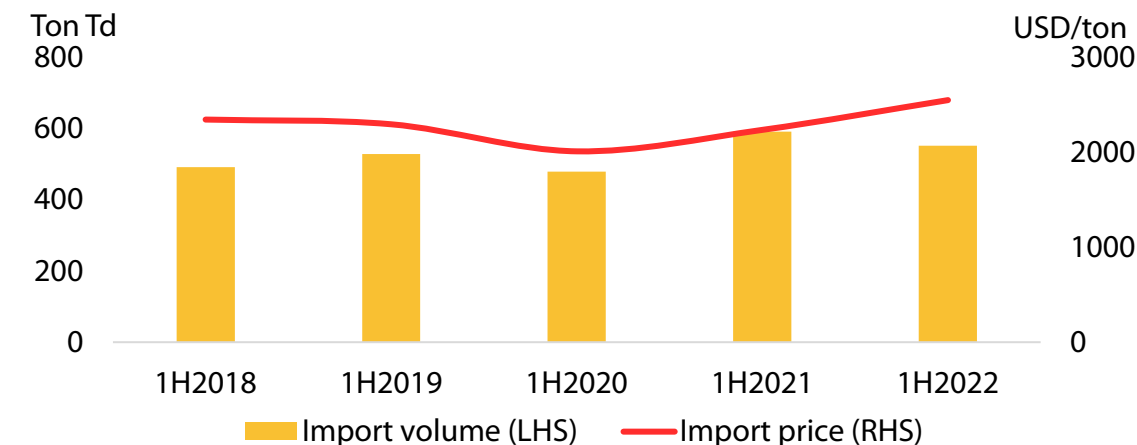
We expect that the decline in orders will gradually become apparent in 2023, putting pressure on the order growth of Vietnamese enterprises.

Figure 7: Vietnam's cotton import volume (thousand tons) and price (USD/ton)



Source: VCOSA, Rong Viet Securities

Figure 8: Vietnam's fiber and yarn import volumes (thousand tons) and prices (USD/ton)



Source: VCOSA, Rong Viet Securities

Due to the double impact of post-COVID supply chain disruptions and the Russia-Ukraine war, the price of imported yarn and cotton into Vietnam increased by an average of 10% year-on-year in 1H 2022, following the world's upward trend in commodity prices. This put pressure on the profit margin of companies in the industry as most recorded a decrease in their gross margin in 1H 2022.

We think that this problem will only be solved when China gradually opens its economy because most of the raw materials of Vietnam's textile and garment industry are imported from this country. China is also showing some positive signs in border easing in the second half of this year. This will help gradually reduce input costs for companies and help profit margins improve in 2H 2022. However, we expect that the profit margin of enterprises still cannot recover to normal level in 2023 due to the delay in the recovery of raw material supply.

Figure 9: Quarterly GPM of garment companies (%)

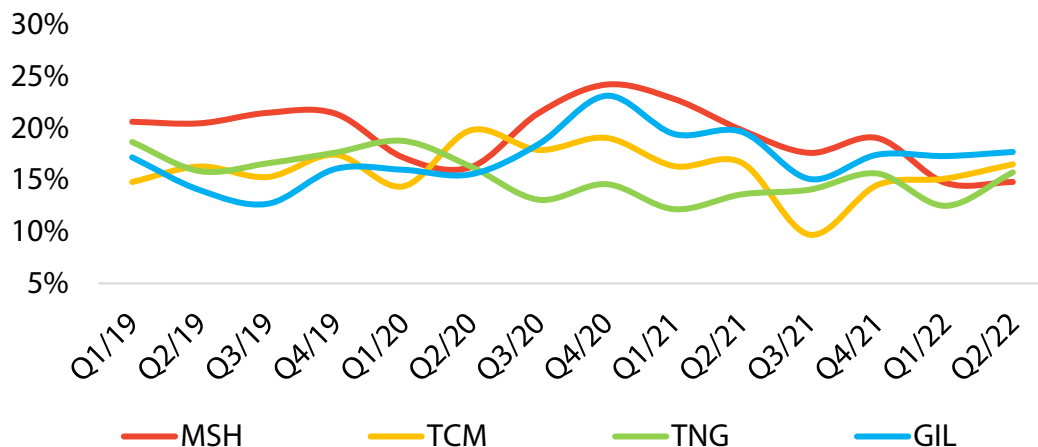
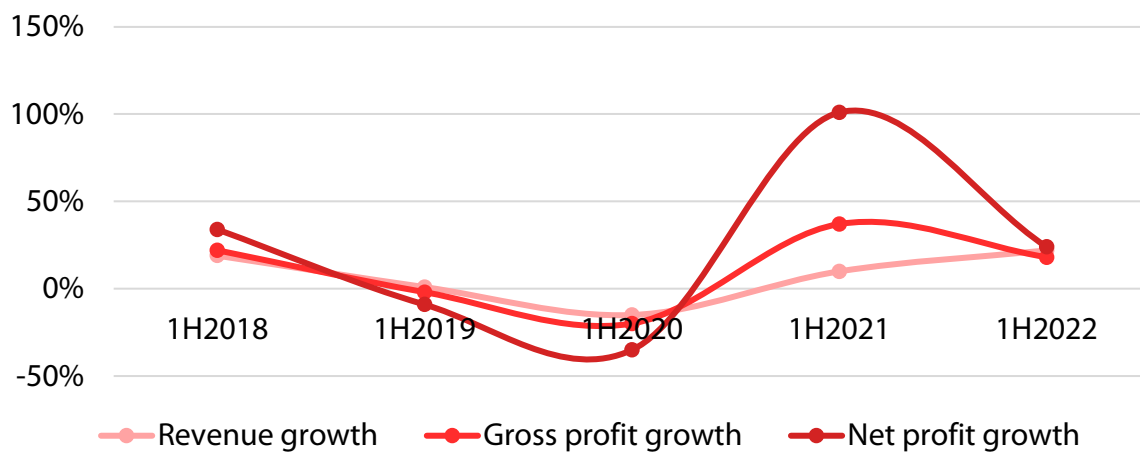


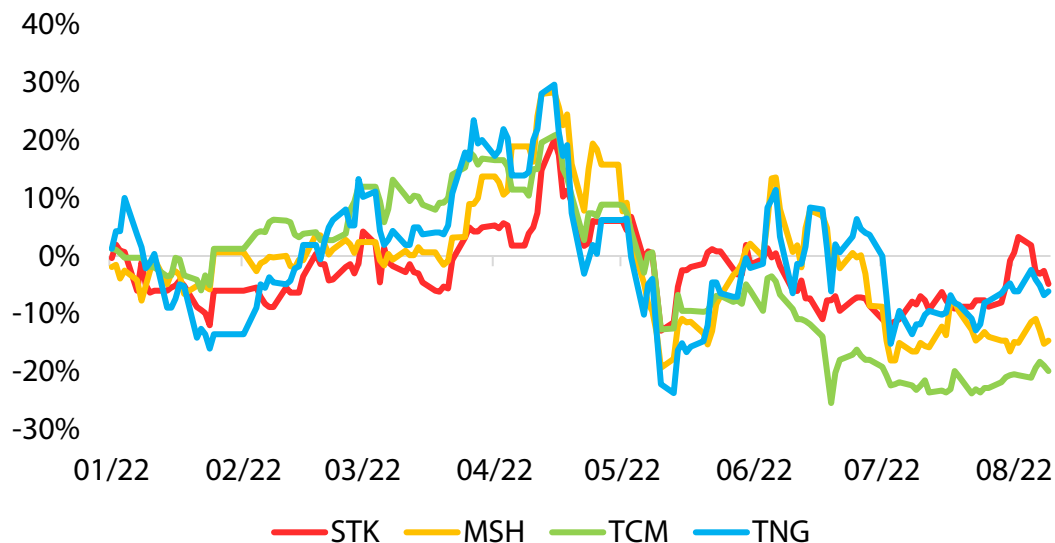
Figure 10: Business growth of textile and garment companies (%)



Source: FiinPro, Rong Viet Securities

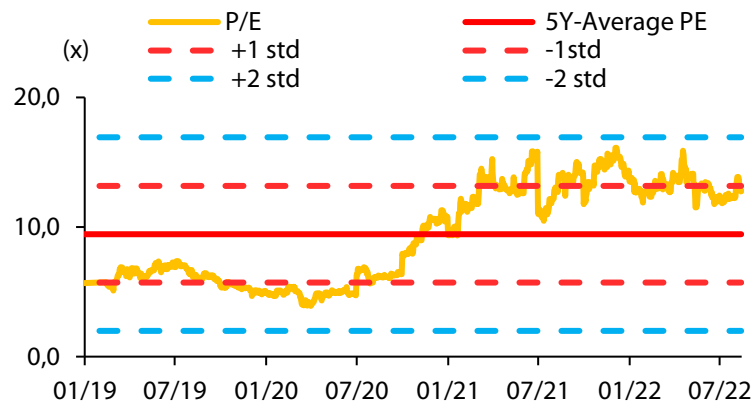
- In 1H2022, abundant orders have had a positive impact on the results of textile companies. However, under the pressure of high raw material prices, the gross profit growth of companies could not keep up with the revenue growth due to the decrease in gross margin.
- 1H2022 revenue growth of all listed textile and garment companies recorded a 22% YoY growth while gross profit growth of 18% YoY. However, profit margin dropped sharply in some garment companies producing products under FOB level 2, such as MSH.
- We expect that profit margin of most companies will not return to normal levels in 1H2023. The speed of profit margin recovery will depend on the economic opening from China and the situation of apparel demand worldwide.

Figure 11: YTD stock price performance (%)



Source: Bloomberg, Rong Viet Securities

Figure 12: STK's five-year PER



Source: Bloomberg, Rong Viet Securities

Figure 13: MSH's five-year PER

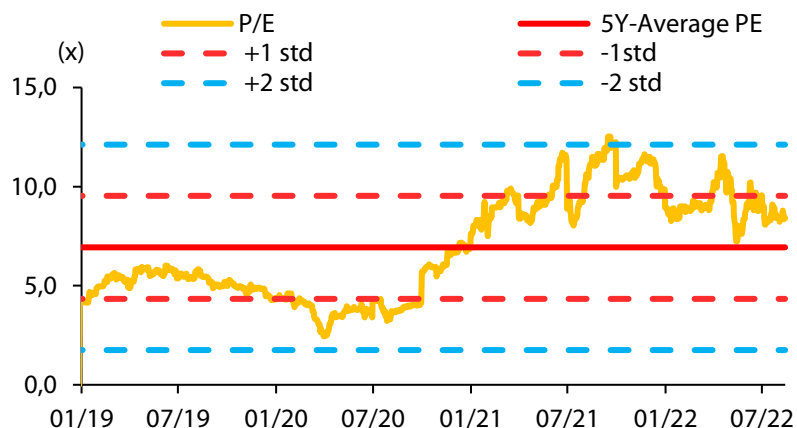
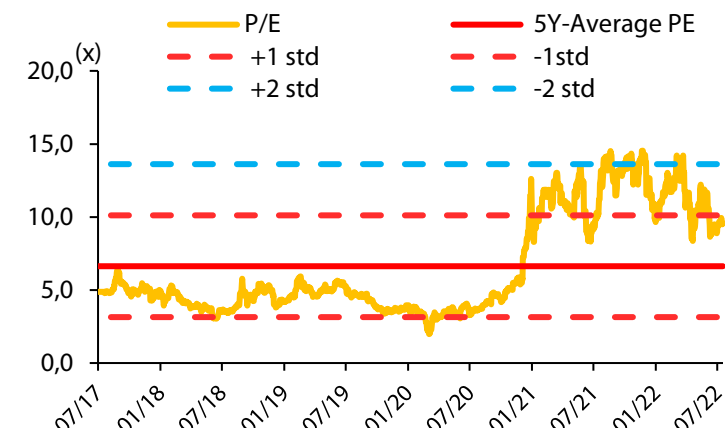


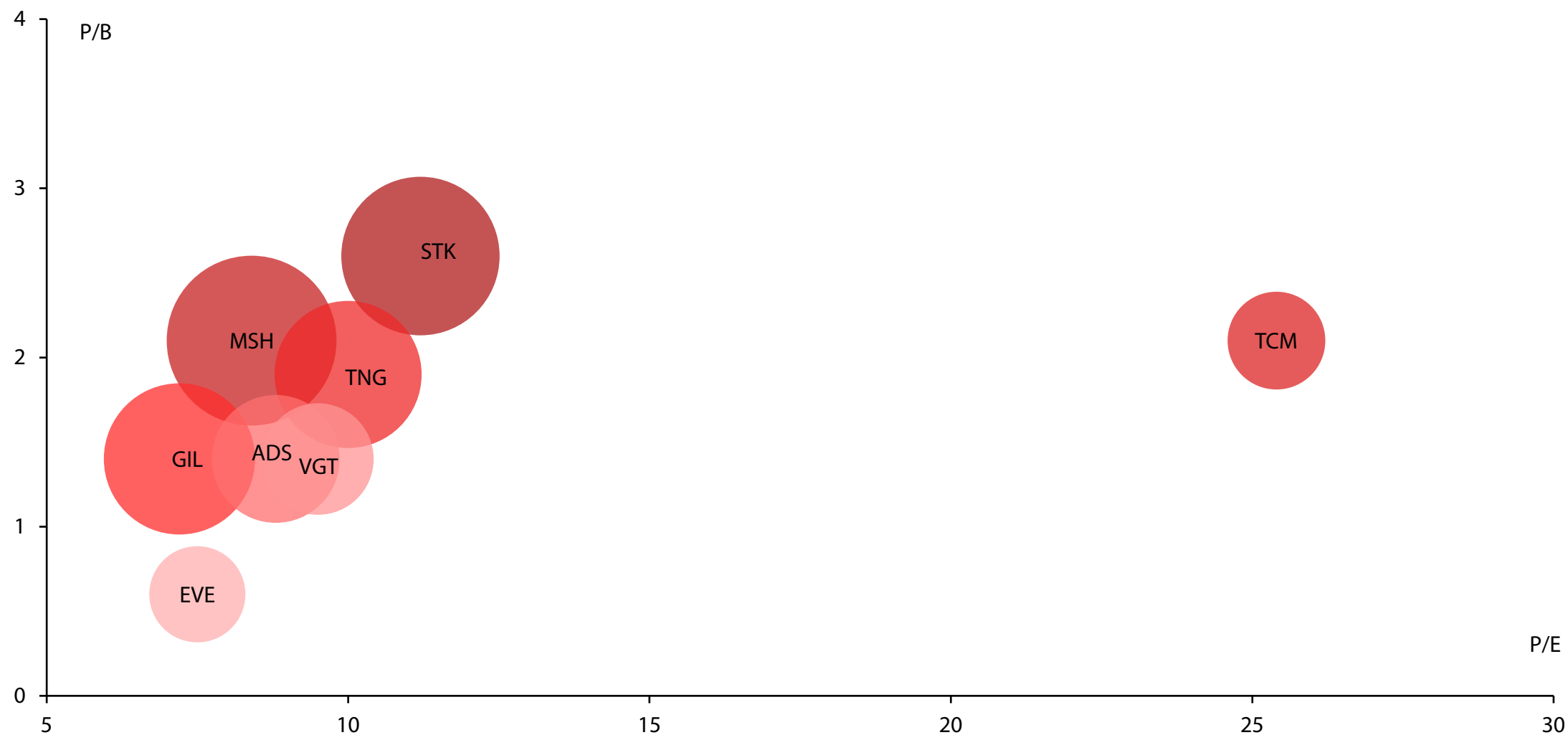
Figure 14: TNG's five-year PER



- The strong price increase from the end of 2020 to the end of 2021 is based on the strong profit recovery of businesses, pushing the P/E of the textile industry to a high level. We think the recovery catalyst is not convincing enough for the P/E to be re-rated at a higher valuation.
- However, the recent stock price drop has brought the industry's P/E back to near the 5-year average. We expect that the gloomy outlook of the industry in 2H2022 could cause stock prices to continue to drop further. Investors can choose stocks with a clear long-term growth story to invest for the long-term.

Ticker	Market cap (USD Mn)	Target price (VND)	Sales Growth (% YoY)	EBITDA Growth (% YoY)	EBITDA Margin (%)	Operating Income Margin (%)	Net Income Growth (% YoY)	Net Profit Margin (%)	ROA (%)	ROE (%)	DY (%)	Current P/E (x)	Current P/B (x)
STK	162.4	52,700	8.17	4.36	18.74	13.58	22.94	13.27	13.80	23.37	2.80	13.00	2.80
MSH	147.9	48,200	31.22	17.11	10.49	8.02	22.49	7.52	12.08	26.46	6.53	8.59	2.14
TCM	162.8	42,200	3.46	-31.70	8.82	5.68	-46.89	3.95	4.06	7.26	0.00	29.89	2.09
TNG	120.7	34,000	25.99	51.34	7.78	7.79	58.34	4.34	5.60	20.31	1.32	9.67	1.94
GIL	146.0	N/A	19.77	-10.15	10.25	9.68	-6.44	7.78	8.81	19.46	1.76	6.74	1.40
ADS	34.1	N/A	23.22	32.54	11.02	7.52	8.79	5.00	4.29	16.55	0.00	9.31	1.37

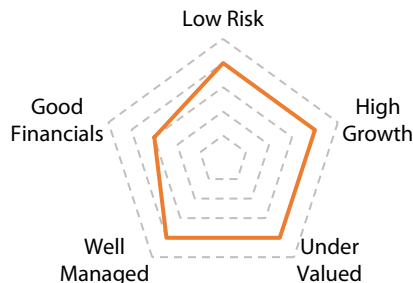
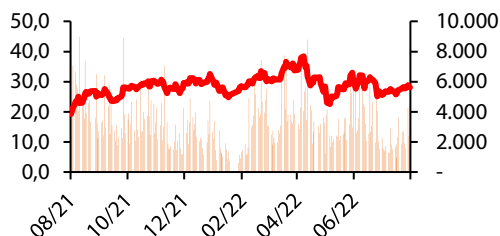
Source: Fiinpro, Rong Viet Securities. Share price as of 10 August 2022.



Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 10 August 2022.

<BUY: +23%>
<MP: 28,100>
<TP: 34,000>
STOCK INFO
FINANCIALS
2021A 2022F 2023F

VOLUME(,000 shares, RHS)
 PRICE (,000 VND,LHS)



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

Personal & Revenue (VND bn)
 Household Goods NPATMI VND bn)
 120 ROA (%)
 100 ROE (%)
 2,938 EPS (VND)
 84 Book Value (VND)
 44.2 Cash dividend (VND)
 39.44 – 21.02 P/E (x)
 P/B (x)

	2021A	2022F	2023F
Revenue (VND bn)	5,444	6,456	6,820
NPATMI VND bn)	233	303	374
ROA (%)	5.3%	6.1%	6.7%
ROE (%)	15.9%	17.9%	19.2%
EPS (VND)	2,384	2,728	3,199
Book Value (VND)	15,514	15,780	16,952
Cash dividend (VND)	500	500	500
P/E (x)	13.6	10.1	8.6
P/B (x)	2.1	1.7	1.6

INVESTMENT RATIONALES
One of few garment companies could see double-digit profit growth in FY2022

- For FY2022, we expect revenue will reach VND 6,456 Bn (or USD 280 Mn), growing by 19% YoY and NPAT will increase by 30% YoY to reach VND 303 Bn (or USD 13 Mn), respectively. Revenue growth came from increasing order value due to the recovery of global apparel demand and increasing its operation capacity. Gross margin, which has bottomed out in 2021, should be able to recover slightly 150 bps YoY in 2022 to reach 14.8%, per our estimate. As TNG's orders are mainly in the form of FOB level 1 (customers specify the source of raw materials), the impact of raw material costs is lower than that of orders under FOB level 2.

Declining input costs to help gross margin gradually recover

- For FY2023, we forecast revenue and NPAT to grow by 6% YoY and 23% YoY at VND 6,820 Bn (or USD 296 Mn) and VND 374 Bn (or USD 16 Mn), respectively. We conservatively forecast a single digit revenue growth in FY2023 due to the risk of global apparel demand cooling off amid global severe inflation. However, gross margin improvement in line with decreasing input costs will help FY2023 profits to grow stronger than the revenue growth.
- The exclusive cooperation with Decathlon in Vietnam also helps TNG's orders to be more stable even in the context of economic difficulties in developed countries.
- With regard to real estate segment, Son Cam Industrial Park could start booking in 2H2022 or FY2023, which would help profit to be higher than our forecast as we have not included this project into the estimation yet.

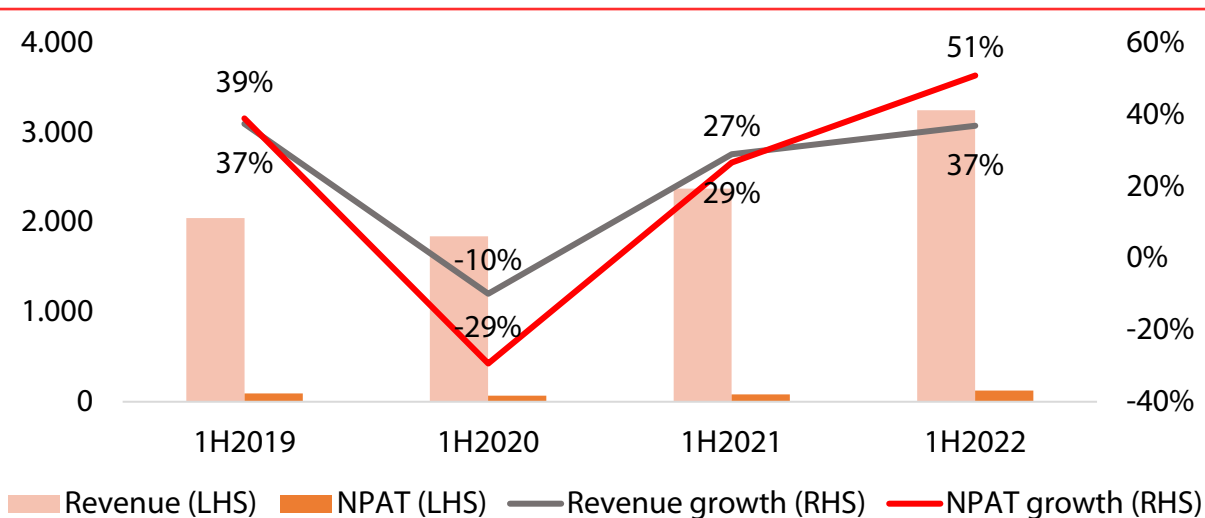
RISKS TO OUR CALL

- Volatile input prices could affect the company's gross margin.
- The global inflationary pressure to hurt demand for apparel products.
- Slower-than-expected real estate revenue recognition and delayed construction progress of coming projects; new real estate projects to increase debt, thereby surging financial expenses.

NPAT grew 51% YoY in 1H2022

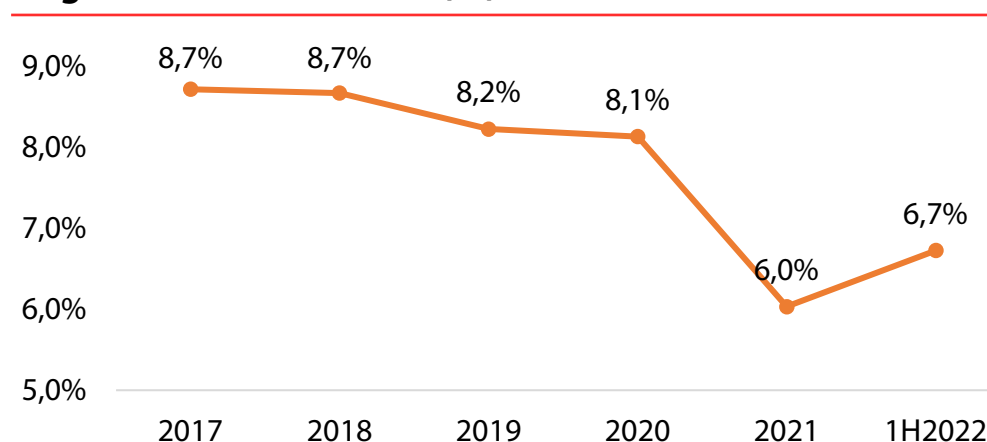
- 1H2022 revenue posted VND 3,242 bn (+37% YoY, USD 140 Mn) and NPAT VND 125 bn (+51% YoY, USD 5 Mn).
- Revenue growth came from increasing order value due to the recovery of global apparel demand and increasing its operation capacity.
- Under input cost pressure, 1H2022 gross margin, although improved 1.4 pp YoY, is much lower than the pre-pandemic level. SG&A/revenue grew slightly 30 bps YoY but much lower than before FY2021 due to new ERP system. Net margin improved 40 bps to 3.9% in 1H2022, leading to a strong increase in NPAT of 51% YoY.

Figure 1: Revenue and NPAT in 1H2022



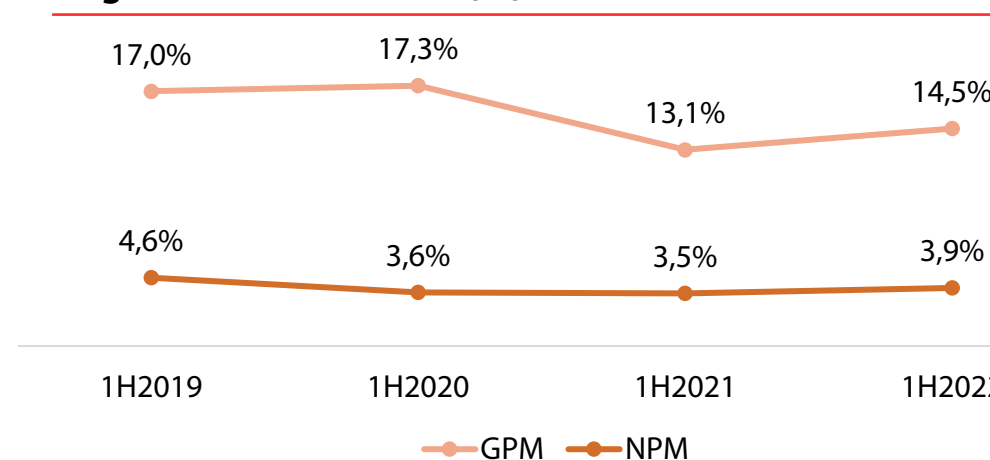
Source: TNG, Rong Viet Securities

Figure 2: SG&A/Revenue (%)



Source: TNG, Rong Viet Securities

Figure 3: GPM and NPM (%)



Source: TNG, Rong Viet Securities

Gross margin can improve in FY2022 on the low base regardless of high input costs

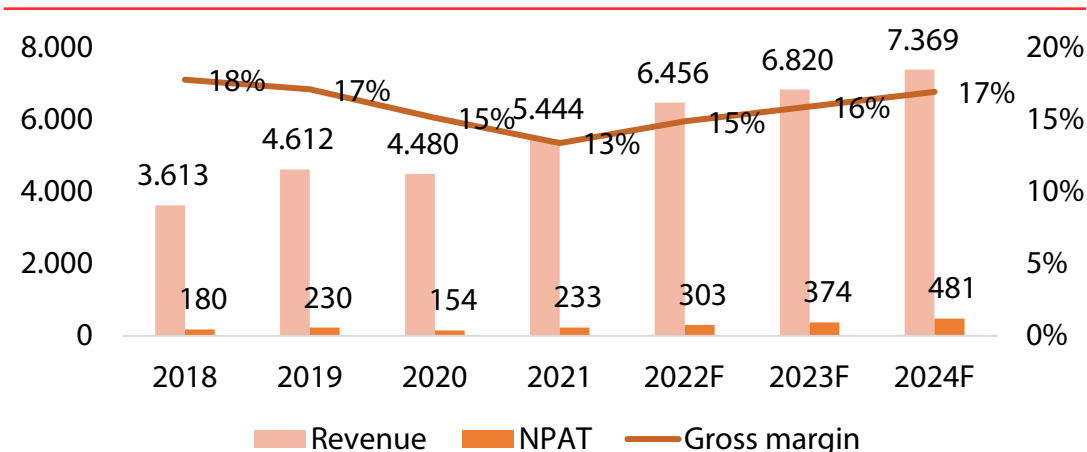
In 2H2022, we forecast revenue and NPAT to be VND 3,214 (or USD 139 Mn, +5% YoY) and VND 178 Bn (or USD 7.7 Mn, +20% YoY).

For FY2022/2023, we expect revenue will reach VND 6,456/6,820 Bn (or USD 280/296 Mn), growing by 19%/6% YoY and NPAT will increase by 30%/23% YoY to reach VND 303/374 Bn (or USD 13/16 Mn), respectively, driven by:

- **Capacity expansion and increasing revenue per garment line:** TNG will have 323 production lines in 2022, increasing by 39 lines compared to 2021. We expect that revenue per line will continue to expand from about VND 19 Bn/line in 2021 to VND 20 Bn/line in 2022 due to shifting orders to customers with better selling prices and profit margin and the new ERP technology system. However, we also acknowledge that there is a risk of global apparel demand cooling off amid a slowing world economy that is tightening people's spending on apparel products. Thus, we conservatively forecast a single digit revenue growth in FY2023.
- **Cooling-down materials costs to result in higher gross margin.** We expect 1H2022 GPM to reach 15.2%, up 70 bps compared to 1H2022 and 50 bps YoY.

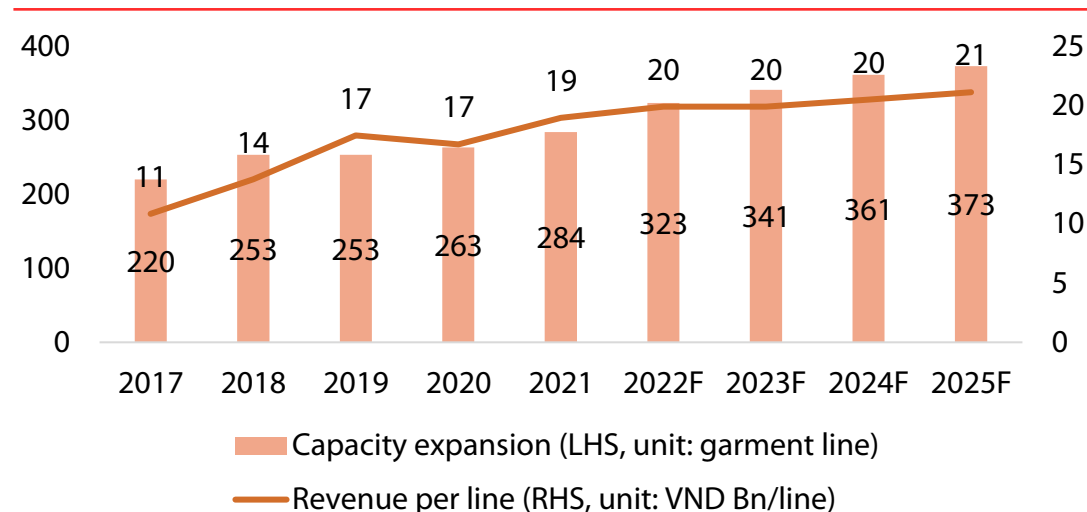
Moreover, with regard to real estate segment, Son Cam Industrial Park could start booking in 2H2022 or FY2023, which would help profit to be higher than our forecast as we have not included this project into the estimation yet.

Figure 4: Revenue and NPAT forecast (VND Bn)



Source: TNG, Rong Viet Securities

Figure 5: Capacity expansion



Source: TNG, Rong Viet Securities

<ACCUMULATE: +17%>

<MP: 46,250>

<TP: 52,700>

STOCK INFO

Sector

Market Cap (\$ mn)

Current Shares O/S (mn shares)

3M Avg. Volume (K)

3M Avg. Trading Value (\$ mn)

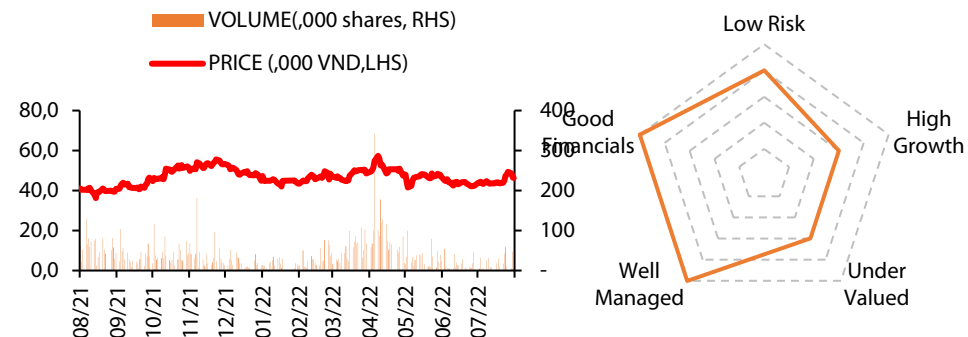
Remaining foreign room (%)

52-week range ('000 VND)

FINANCIALS

Personal & Household Goods	Revenue (VND bn)	2,042	2,342	2,714
	NPATMI VND bn)	278	296	318
162	ROA (%)	14.1	11.1	9.5
68	ROE (%)	22.1	20.5	19.3
21	EPS (VND)	3,937	4,192	4,491
1	Book Value (VND)	17,800	20,401	23,612
88,9	Cash dividend (VND)	1,500	1,500	1,500
60,9 - 36,3	P/E (x)	14.0	11.1	10.3
	P/B (x)	3.1	2.3	2.0

2021A 2022F 2023F



INVESTMENT RATIONALES

2022 NPAT could only have at a single digit growth under inflationary pressure to hinder new orders

- In 1H22, STK recorded net sales and net profit of VND 1,171 Bn (+9% YoY) and VND 146 bn (+3% YoY), having completed 45% and 48% of their targets for the year, respectively. Business results grew lower than expected due to the slowdown of demand amid the global turbulence to restrain the consumption of apparel products, thereby indirectly the demand for yarn.
- In FY2022, we forecast revenue and NPAT to be VND 2,342 Bn (or USD 101 Mn, +15% YoY) and VND 296 Bn (or USD 13 Mn, +6% YoY), completing 90% and 99% the full-year guidance, respectively. We lower our previous revenue and NPAT forecasts by 12% and 18%, based on the recent slowdown in orders for the sector.
- One positive point of STK is its ability to maintain price gap regardless of high materials costs. We expect gross margin to remain at the 1H2022 level of 18.6% in 2H2022.

STK is not an attractive investment opportunity for 2H2022, but can eye for the long-term holding when stock price goes down

- We consider the weak demand situation as a temporary deceleration under inflationary pressure to tighten consumer spending. However, STK's core growth drivers will continue after short-term disruptions disappear. Specifically, the trend of shifting to recycled yarn will offer STK a potential to increase the proportion of recycled yarn products, and thereby also improving the company's profit margin. The Unitex factory is on track to start operation in early Q4/2023, driving the company's long-term growth.
- FY2023 outlook will depend on the inflation situation, before witnessing a new growth phase regarding to the operation of the new factory in FY2024. Thus, stock price decline associated with the slowdown will be an opportunity for long-term investment.

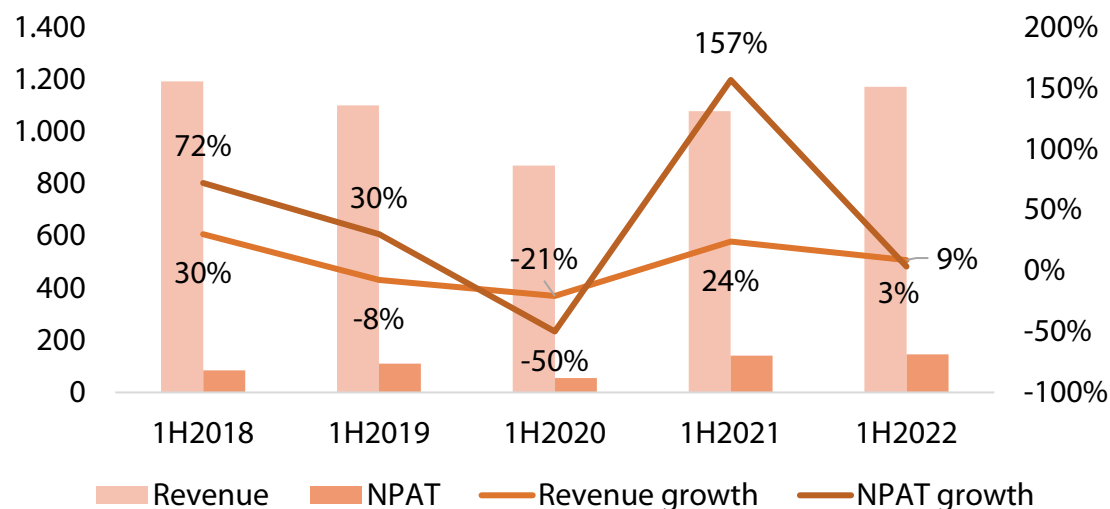
RISKS TO OUR CALL

- Slow apparel demand recovery will hurt demand for yarn.
- Construction progress of the new factory.

NPAT grew at a slower-than-expected pace in 1H2022 due to weak demand

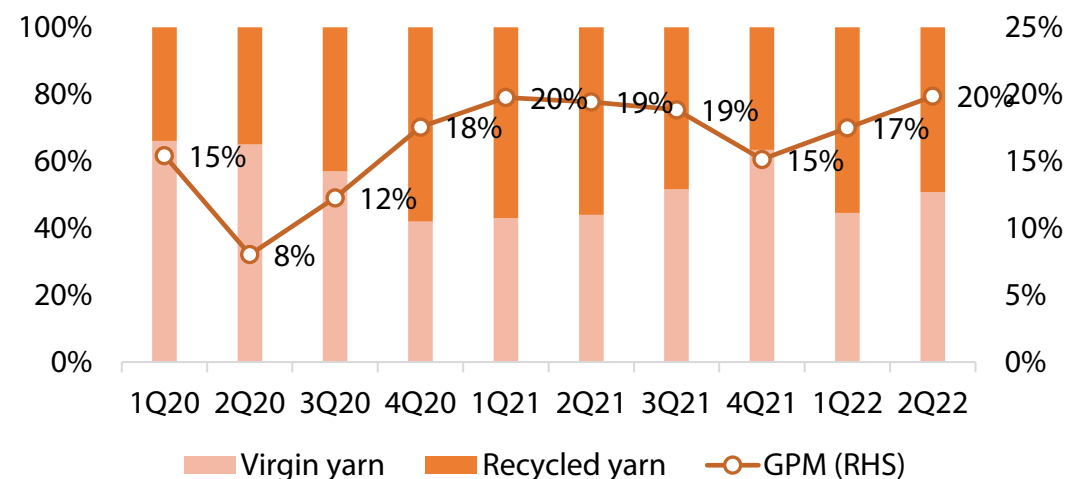
- In 1H22, STK recorded net sales and net profit of VND 1,171 Bn (+9% YoY) and VND 146 bn (+3% YoY), having completed 45% and 48% of their targets for the year, respectively. Business results grew lower than expected due to the slowdown of demand amid the global turbulence to restrain the consumption of apparel products, thereby indirectly the demand for yarn.
- In 1H22, recycled yarn and virgin yarn was VND 581 Bn and VND 587 Bn, down 4% YoY and up 25% YoY, respectively. Recycled/virgin sales mix reached 50%/50% compared to the plan of 54%/46%. However, gross profit margin declined from 19.6% in 1H21 to 18.6% in 1H22 mainly due to the lower contribution of recycled revenue (50% in 1H22 vs. 56% in 1H21).
- We also note that financial expenses soared 6 times YoY in 1H22 due to realized and unrealized FX losses were significant (VND 17 bn) due to the reduction in USD/VND exchange rate.

Figure 1: Revenue and NPAT in 1H2022 (VND Bn)



Source: STK, Rong Viet Securities

Figure 2: Revenue breakdown by products and GPM (%)



Source: STK, Rong Viet Securities

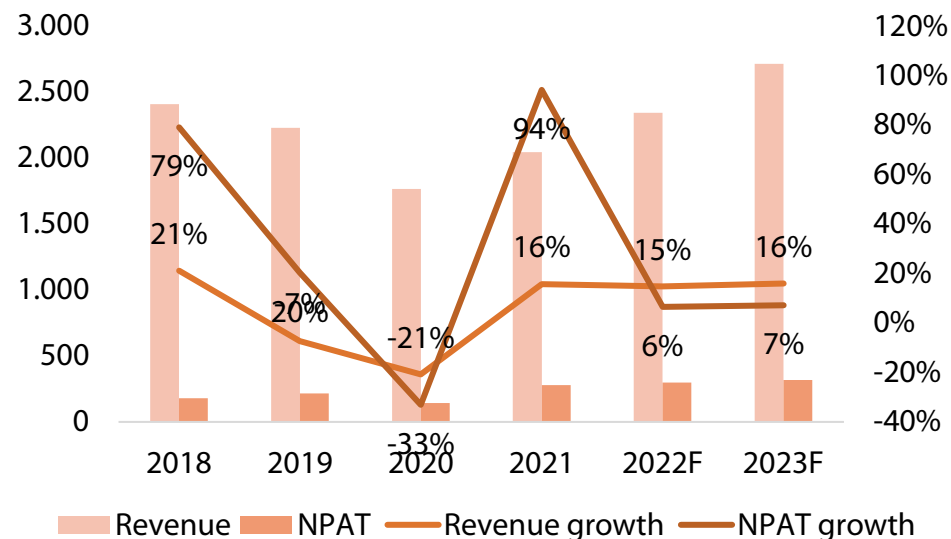
We expect to see a single-digit NPAT growth in FY2022

- In FY2022, we forecast revenue and NPAT to be VND 2,342 Bn (or USD 101 Mn, +15% YoY) and VND 296 Bn (or USD 13 Mn, +6% YoY), completing 90% and 99% the full-year guidance, respectively. We lower our previous revenue and NPAT forecasts by 12% and 18%, based on the recent slowdown in orders for the sector.
- In term of revenue breakdown, we expect recycled yarn will be reach VND 1,154 Bn (or USD 50 Mn, +13% YoY), occupying 49% total revenue in FY2022. Virgin yarn is estimated to be VND 1,188 Bn (or USD 51 Mn, +16% YoY).
- We expect gross margin to remain at the 1H2022 level of 18.6% in 2H2022 due to the ability of maintaining price gap regardless of high materials costs.

Long-term outlook is still bright

- We consider the weak demand situation as a temporary deceleration under inflationary pressure to tighten consumer spending. However, STK's core growth drivers will continue after short-term disruptions disappear. Specifically, the trend of shifting to recycled yarn will offer STK a potential to increase the proportion of recycled yarn products, and thereby also improving the company's profit margin. The Unitex factory is on track to start operation in early Q4/2023, driving the company's long-term growth.
- Our new one-year target price for STK is VND52,700/share, 20% lower than the valuation on Jan 2022, mainly as we revise FY2022 EPS down and reduce our 2022 target P/E from 14x to 11x to reflect the challenges in 2H 2022.
- We think STK is not a good investment opportunities in 2H 2022 given the difficulties. FY2023 outlook will depend on the inflation situation, before witnessing a new growth phase regarding to the operation of the new factory in FY2024. Thus, stock price decline associated with the slowdown will be an opportunity for long-term investment.

Figure 3: Revenue and NPAT forecast (VND Bn)



Source: STK, Rong Viet Securities

Figure 4: Valuation summary

Method	Weight	Valuation
FCFF	50%	59,400
P/E 11x	50%	46,100
Total	100%	52,700

Source: Rong Viet Securities

<ACCUMULATE: +9%>

<MP:45,950>

<TP: 48,200>

STOCK INFO

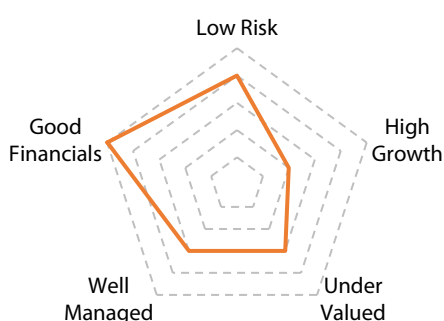
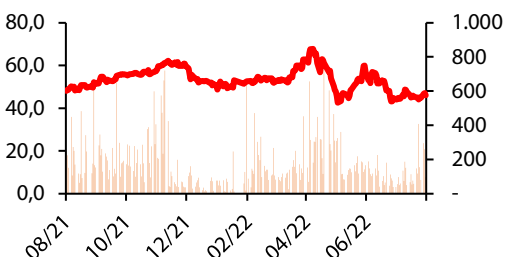
Sector
Market Cap (\$ mn)
Current Shares O/S (mn shares)
3M Avg. Volume (K)
3M Avg. Trading Value (\$ mn)
Remaining foreign room (%)
52-week range ('000 VND)

FINANCIALS

Personal & Household Goods
Revenue (VND bn)
NPATMI VND bn)
ROA (%)
ROE (%)
EPS (VND)
Book Value (VND)
Cash dividend (VND)
P/E (x)
P/B (x)

	2021A	2022F	2023F
Revenue (VND bn)	4,748	5,741	5,975
NPATMI VND bn)	442	365	442
ROA (%)	13.8%	9.4%	10.5%
ROE (%)	31.1%	19.5%	20.5%
EPS (VND)	8,846	4,713	5,707
Book Value (VND)	28,432	25,003	28,710
Cash dividend (VND)	4,500	2,000	2,000
P/E (x)	8.9	9.5	7.9
P/B (x)	2.6	1.8	1.6

VOLUME(,000 shares, RHS)
PRICE (,000 VND,LHS)



INVESTMENT RATIONALES

Revenue and profit growth are in opposite directions due to a sharp drop in gross margin

- In 1H22, MSH delivered net sales and net profit of VND 2,778 Bn (or USD 120 Mn, +29% YoY) and VND 186 Bn (or USD 8 Mn, -14% YoY), respectively. Under input cost pressure, gross margin shrank by 640 bps YoY to 14.7% in 1H2022. Driven by the operation of the new factory, revenue grew strongly in 1H2022, but revenue growth can only partially offset the decline in gross margin, leading to a negative growth in 1H2022.
- Looking ahead to 2H2022, we expect gross margin could gradually improve but still be a low level. In FY2022, we expect revenue and NPAT-MI to be VND 5,741 Bn (or USD 249 Mn, +21% YoY) and VND 365 Bn (or USD 16 Mn, -17% YoY).

In FY2023, profit margin expansion drives net earnings growth

- We forecast FY2023 revenue only grow 4% YoY under inflationary pressure to tighten spending on apparel, leading to cutting orders.
- Gross margin is expected to recover gradually from 2H2022 onwards, but FY2023 profit could only be on par with 2019.

Solid financials outperform peers, stable cash dividend

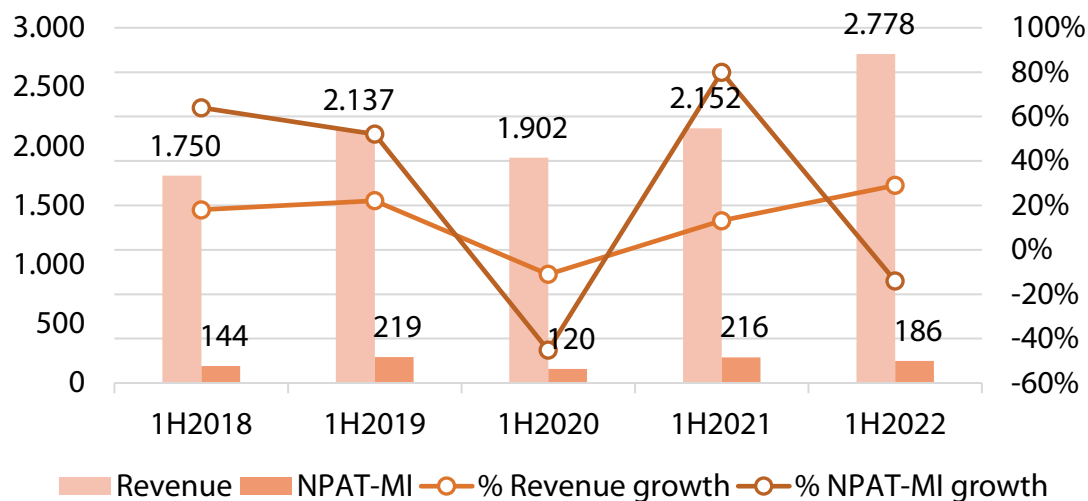
- Despite the company's abundant cash flow, the short-term difficulties make the market price, even though discounted, still not attractive in a one-year horizon.
- MSH maintains a high and stable cash dividend with an average cash dividend yield of 5-6%.
- We have a neutral view on MSH in the short term and may consider for long-term investment when profit margin shows signs of recovery as our expectation.

RISKS TO OUR CALL

- Demand for orders are prone to the inflationary pressure.
- Soaring input material costs will cause lower-than-expected profits.

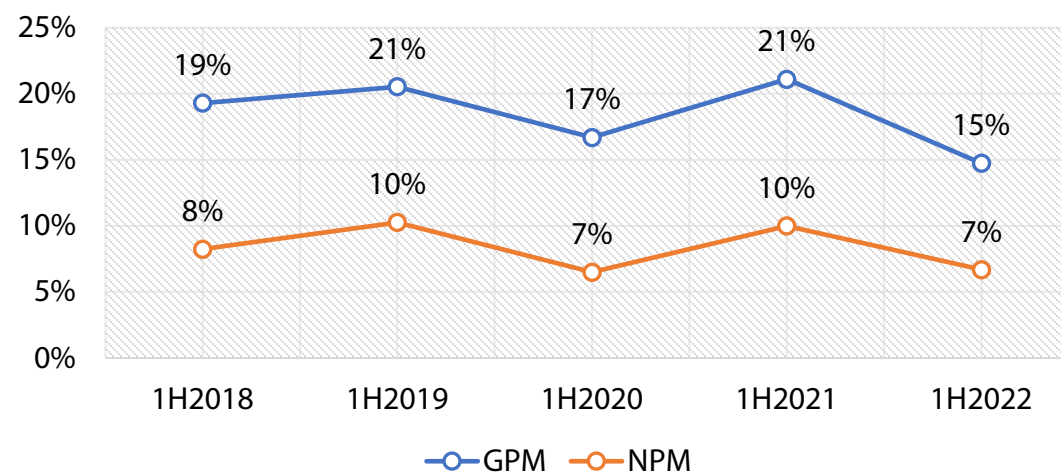
- In 1H22, MSH delivered net sales and net profit of VND 2,778 Bn (or USD 120 Mn, +29% YoY) and VND 186 Bn (or USD 8 Mn, -14% YoY), respectively. The contrast in growth of these two figures comes from gross margin contraction. In 1H2022, under input cost pressure, gross margin shrank by 640 bps YoY to 14.7%, much more affected than peers because MSH produces FOB level 2 mainly (self-sourcing of materials) so it was hit more strongly than other manufacturers in the context of lack of raw materials.
- Cotton prices are under pressure from the armed conflict between Russia and Ukraine. Yarn prices also increased very high due to scarce oil supply and high oil prices. Besides, port congestion and cargo stagnation due to the "Zero Covid" policy in China also increase the cost of raw materials and transportation costs imported from China.
- Moreover, the increase in new factory capacity, although helping to increase orders and revenue, also exacerbated the decrease in gross margin due to inefficiencies in the early stage of operation.

Figure 1: Revenue and NPAT in 1H2022 (VND Bn)



Source: MSH, Rong Viet Securities

Figure 2: GPM & NPM (%)



Source: MSH, Rong Viet Securities

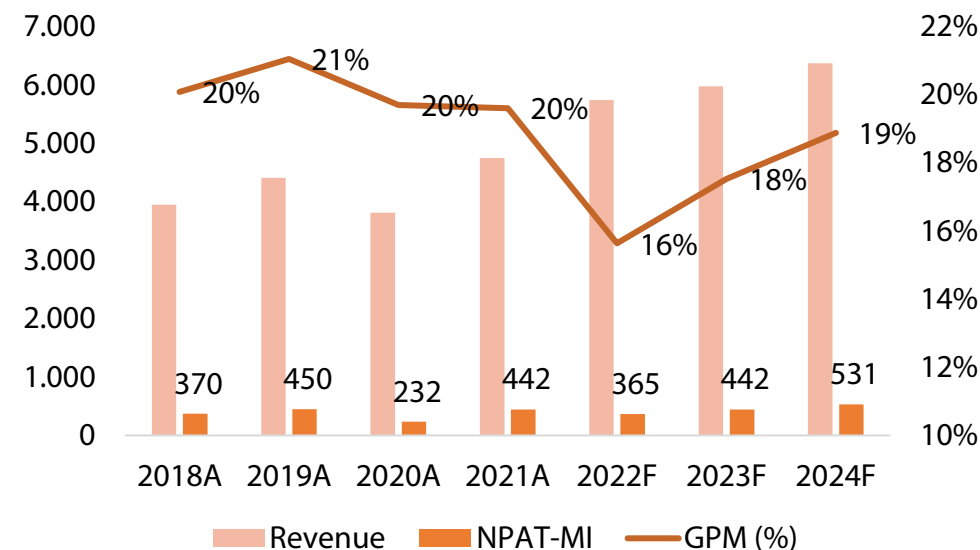
Negative earnings growth is expected to see in FY2022

- In FY2022, we expect revenue and NPAT-MI to be VND 5,741 Bn (or USD 249 Mn, +21% YoY) and VND 365 Bn (or USD 16 Mn, -17% YoY).
- Materials costs tend to decrease, in line with the decline of oil price and the gradual recovery of materials supply. Therefore, we expect gross margin could improve in 2H2022, despite much lower than 2021 level, leading to FY2022 gross margin of 15.6% (-400 bps YoY). However, it is difficult to see profit growth in 2022 as revenue growth can only partially offset the decline in gross margin.

In FY2023, gross margin will improve but the ability to increase orders will be uncertain if inflation persists

- We see that orders could not be abundant in 2023. After countries opened their economies, the demand for textiles and garments increased rapidly, causing countries to increase imports, leading to abundant orders for Vietnam until mid-2022. However, escalating inflation has caused consumers to begin to reduce spending on non-essential products such as apparel, causing high inventories of apparel in other countries.
- There are two main factors that could lead to a fall in raw material prices in 2023: China opening up its economy and falling crude oil prices. This will help the profit margin can be better next year. We forecast FY2023 gross margin to be 17.5%.
- We have a neutral view on MSH in short term and may consider for long-term investment when there are signs of profit margin recovery. Despite the company's abundant cash flow, the short-term difficulties make the market price, even though discounted, still not attractive. Therefore, we downgrade our target P/E for 2022 from 10x to 8x to reflect this negative short-term outlook.

Figure 3: Revenue and NPAT forecast (VND Bn)



Source: MSH, Rong Viet Securities

Figure 4: Valuation summary

Method	Weight	Valuation
FCFF	50%	58,756
P/E 8x	50%	37,700
Total	100%	48,200

Source: Rong Viet Securities

<NEUTRAL: -8%>

<MP:46,300>

<TP: 42,200>

STOCK INFO

Sector

Market Cap (\$ mn)

Current Shares O/S (mn shares)

3M Avg. Volume (K)

3M Avg. Trading Value (\$ mn)

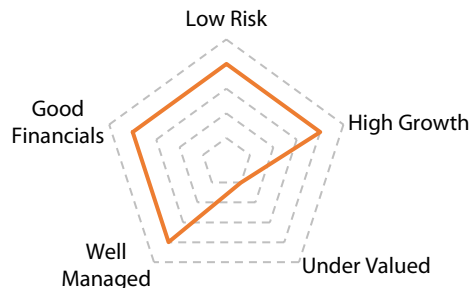
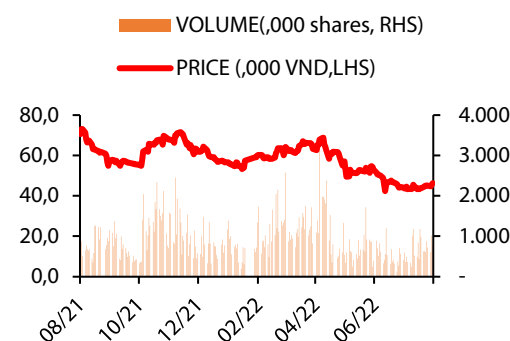
Remaining foreign room (%)

52-week range ('000 VND)

FINANCIALS

Personal & Revenue (VND bn)	3,535	4,197	4,448
Household Goods NPATMI VND bn)	143	266	329
162 ROA (%)	9.3%	7.0%	8.1%
82 ROE (%)	16.9%	14.0%	15.6%
632 EPS (VND)	3,775	2,916	3,608
30 Book Value (VND)	26,402	23,942	23,179
2,7 Cash dividend (VND)	500	500	500
P/E (x)	30.3	15.6	12.6
P/B (x)	2.2	1.9	2.0

2021A 2022F 2023F



INVESTMENT RATIONALES

2022 profit to recover from the low base

- In 2H2022, we forecast revenue and NPAT to be VND 2,026 Bn (or USD 88 Mn, +26% YoY) and VND 138 Bn (or USD 6 Mn, +6.3 times YoY), respectively.
- For FY2022, revenue and NPAT is expected to be VND 4,197 Bn (or USD 182 Mn, +19% YoY) and VND 266 Bn (or USD 11 Mn, +86% YoY), respectively. Gross margin is expected to improve 150 bps YoY in FY2022, but much lower than before FY2021 amid the situation of high material prices.

Vinh Long 2 factory to drive earnings growth in FY2022-23

- The factory to put into operation in 2H 2022, helping TCM to raise garment capacity by 30% to increase FOB orders. However, due to the slowdown of apparel demand amid global inflation, we expect this factory will operate at a 50% utilization rate in FY22 and reach 70% in FY23, compared to the company's 2023 full capacity plan.
- FY2023 revenue and NPAT are projected to be VND 4,448 Bn (or USD 193 Mn, +6% YoY) and VND 329 Bn (or USD 14 Mn, +24% YoY).

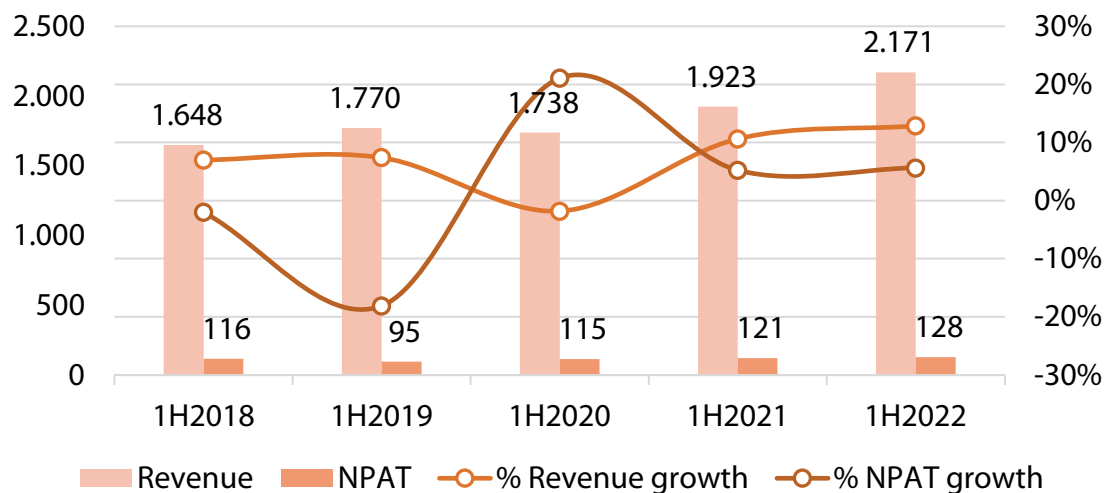
The stock price is more reasonable, but still not attractive enough to buy

- Due to the low background effect of Q3/2021, strong earnings growth in Q3/2022 could be a short-term catalyst for stock prices. However, we think a deeper discount to bring the market price below the intrinsic value would be reasonable for a long-term investment.
- At the current price, TCM is trading at P/E TTM of 29.3x and FY22 forward P/E of 15.6x, much higher than its average P/E forward of 9.0x in 2017 - current.
- Continuous stock dividend each year diluted EPS is also a factor to consider.

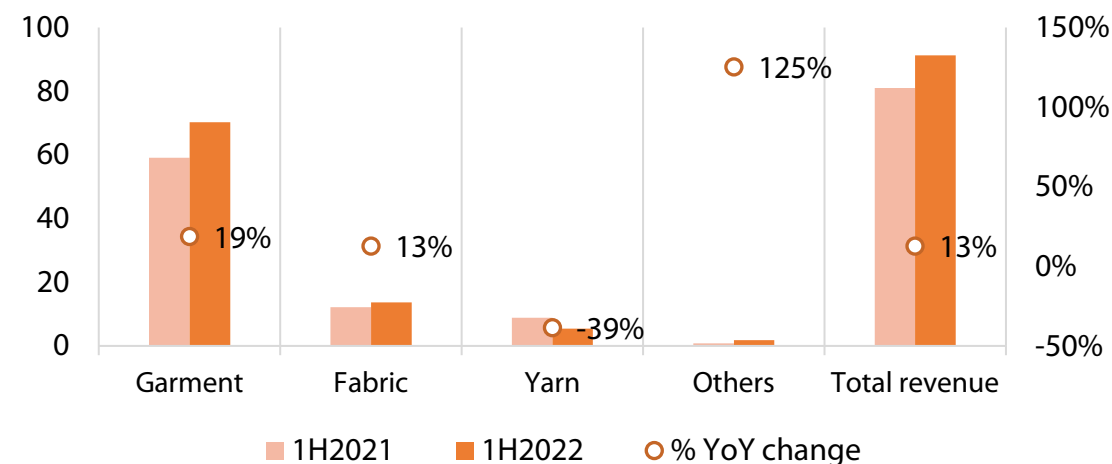
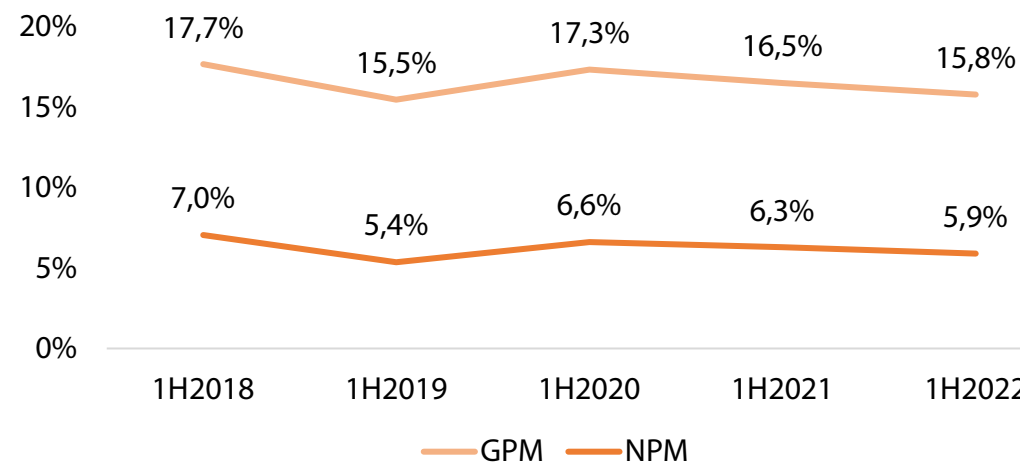
RISKS TO OUR CALL

- Global inflation to worsen apparel demand.
- Soaring input material costs will cause lower-than-expected profits.

- In 1H22, TCM delivered revenue and NPAT of VND 2,171 Bn (or USD 94 Mn, +13% YoY) and VND 128 Bn (or USD 5.5 Mn, +6% YoY), completing 52% and 50% the full-year guidance, respectively.
- In line with the sharp increase of materials costs, GPM declined 70 bps to 15.8% in 1H22.
- 1H22 NPAT growth was mainly contributed by 1Q22 NPAT growth of +18% YoY while 2Q22 NPAT saw a negative growth.
- In 1H22, TCM recorded a FX loss of VND 37 Bn, resulting in a 128% YoY growth of financial expenses. Hence, net margin contracted 70 bps to 5.3% in 1H22.

Figure 1: Revenue and NPAT in 1H2022 (VND Bn)


Source: TCM, Rong Viet Securities

Figure 2: Revenue breakdown by products (USD Mn)

Figure 3: GPM and NPM (%)


Source: TCM, Rong Viet Securities

2H2022 profit to rise strongly on the low base

- In 2H2022, we forecast revenue and NPAT to be VND 2,026 Bn (or USD 88 Mn, +26% YoY) and VND 138 Bn (or USD 6 Mn, +6.3 times YoY), respectively. Recalling that TCM's profit was hit hard in 3Q2021 due to the severe lockdown in Vietnam.
- In FY2022, we forecast revenue and NPAT to be VND 4,197 Bn (or USD 182 Mn, +19% YoY) and VND 266 Bn (or USD 11 Mn, +86% YoY), respectively.
- Gross margin is expected to improve 150 bps YoY in FY2022, but much lower than before FY2021 amid the situation of high material prices.

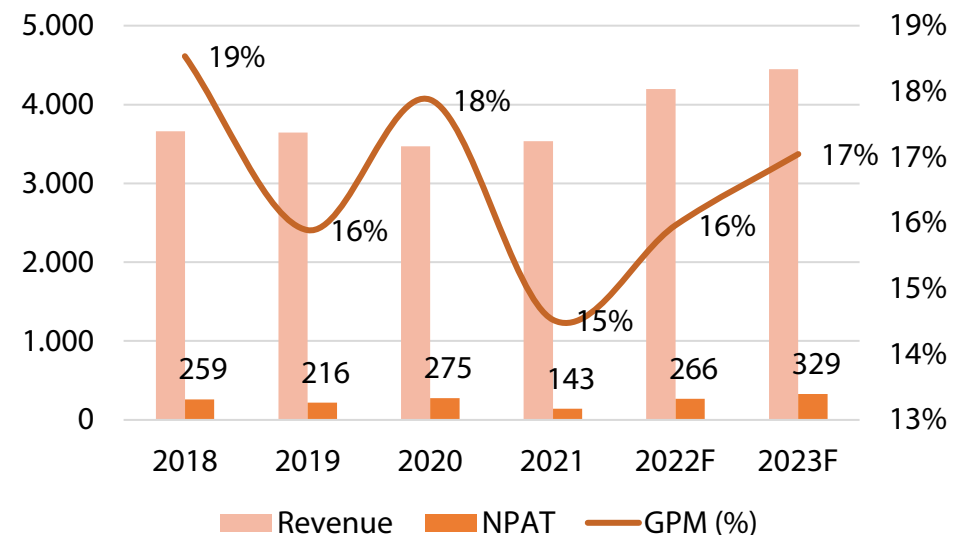
Vinh Long 2 factory to start contributing from 2H2022

- The factory to put into operation in 2H 2022, helping TCM to raise garment capacity by 30% to increase FOB orders. However, due to the slowdown of apparel demand amid global inflation, we expect this factory will operate at a 50% utilization rate in FY22 and reach 70% in FY23, compared to the company's 2023 full capacity plan.
- FY2023 revenue and NPAT are projected to be VND 4,448 Bn (or USD 193 Mn, +6% YoY) and VND 329 Bn (or USD 14 Mn, +24% YoY). FY2023 gross margin to improve 100 bps at 17% due to cooling-down material costs.

The stock price is more reasonable, but still not attractive enough to buy

- The steep drop in stock prices has made valuations more reasonable. Due to the low background effect of Q3/2021, strong earnings growth in Q3/2022 could be a short-term catalyst for stock prices. But we think that for long-term investment, the current market price is still not attractive enough.
- At the current price, TCM is trading at P/E TTM of 29.3x and FY22 forward P/E of 15.6x, much higher than its average P/E forward of 9.0x in 2017 - current.
- Continuous stock dividend each year has diluted EPS.

Figure 3: Revenue and NPAT forecast (VND Bn)



Source: TCM, Rong Viet Securities

Figure 4: Valuation summary

Method	Weight	Valuation
FCFF	50%	49,400
P/E 12x	50%	35,000
Total	100%	42,200

Source: Rong Viet Securities

POWER INDUSTRY

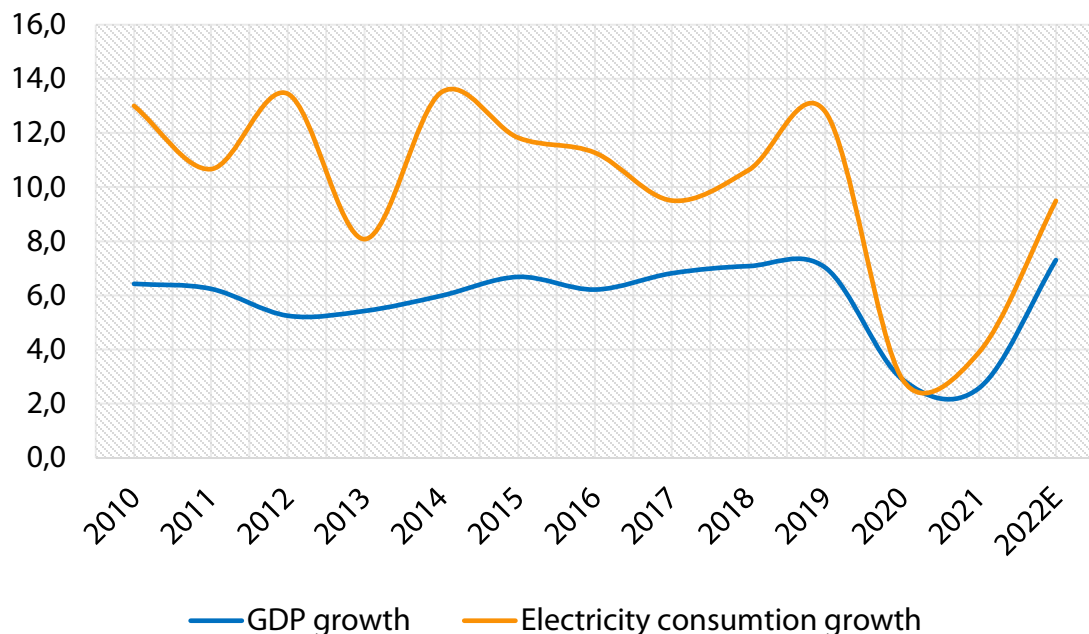
AWAITING THE NEXT SCHEME



Thao Nguyen – thao.nn@vdsc.com.vn

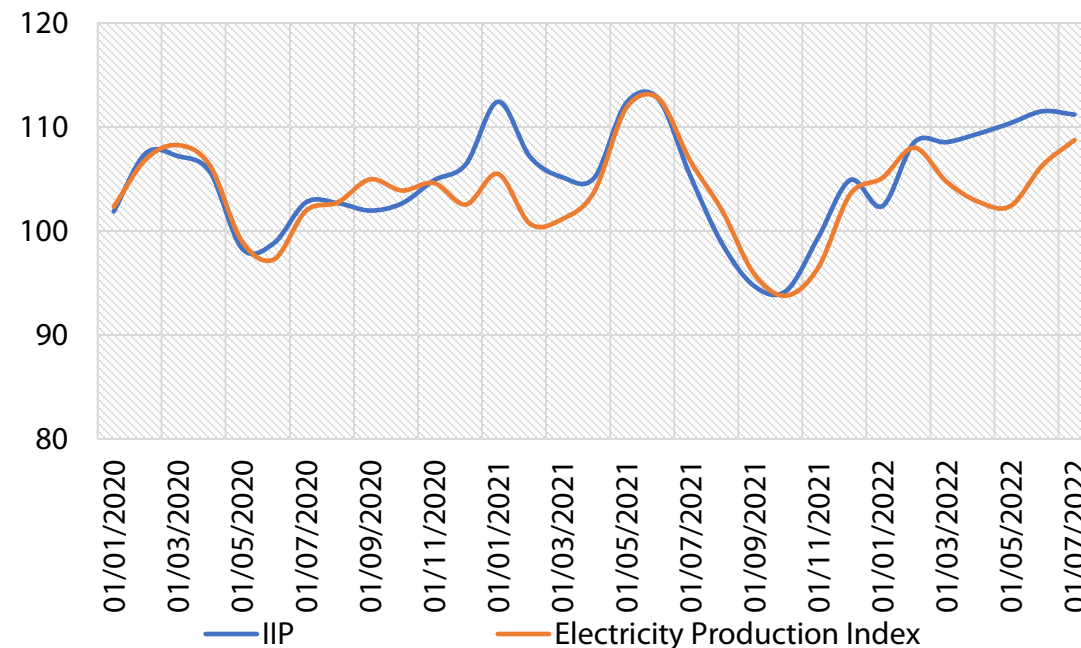


Figure 1: GDP growth and electricity consumption (%)



Source: EVN, Rong Viet Securities

Figure 2: Industrial production (IIP), electricity production indices

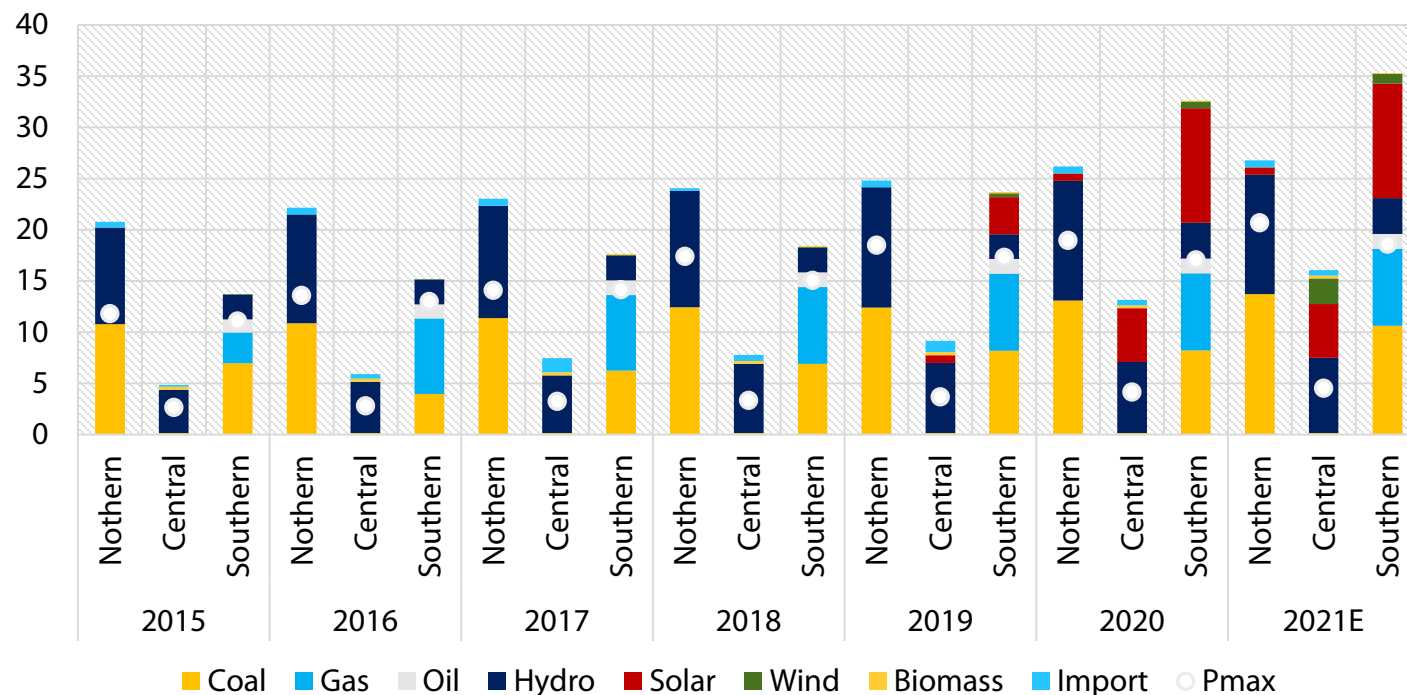


Source: GSO, Rong Viet Securities

Electricity consumption recovery as a key driver for electricity plants in 2022

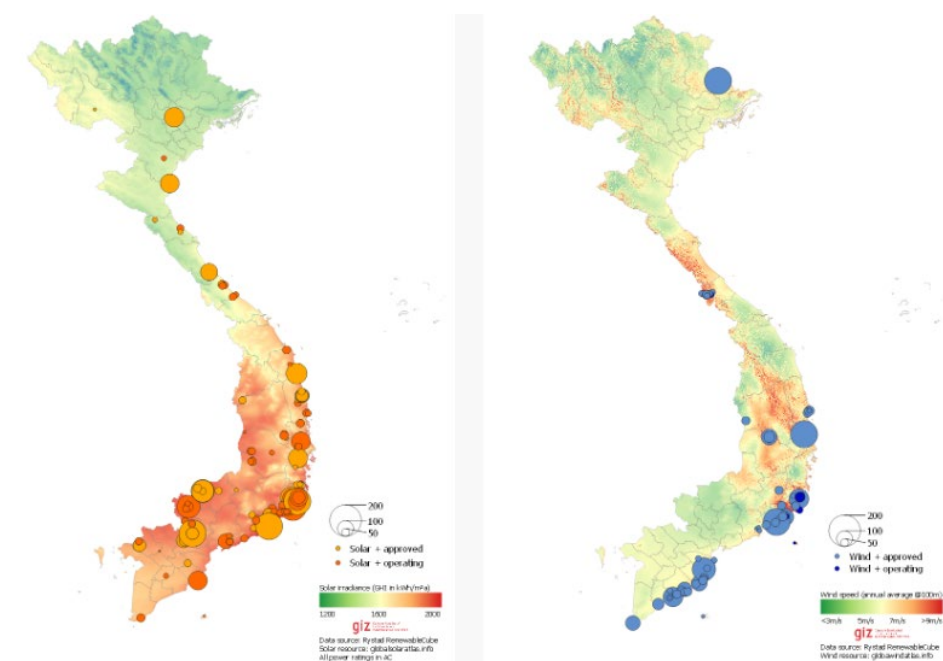
- According to MoIT, capacity expansion did not meet demand growth. Currently, the reserve capacity in the North is relatively lower than in previous years while demand is gradually growing. Adversely, there is a strong interest from renewable energy farms looking forward to serve the South as demand recovers in 2022. That will ease curtailment risk for green farms and help thermal plants in the South.
- For the first six months of 2022, power consumption rose by 4% YoY as the minimal recovery in the early months and consumption structure has changed. We foresee consumption growth to be higher in 2H2022 due to the low base in 2021.

Figure 3: Capacity and Pmax (GW)



Source: EVN, Rong Viet Securities

Figure 4: Capacity and Pmax (GW)

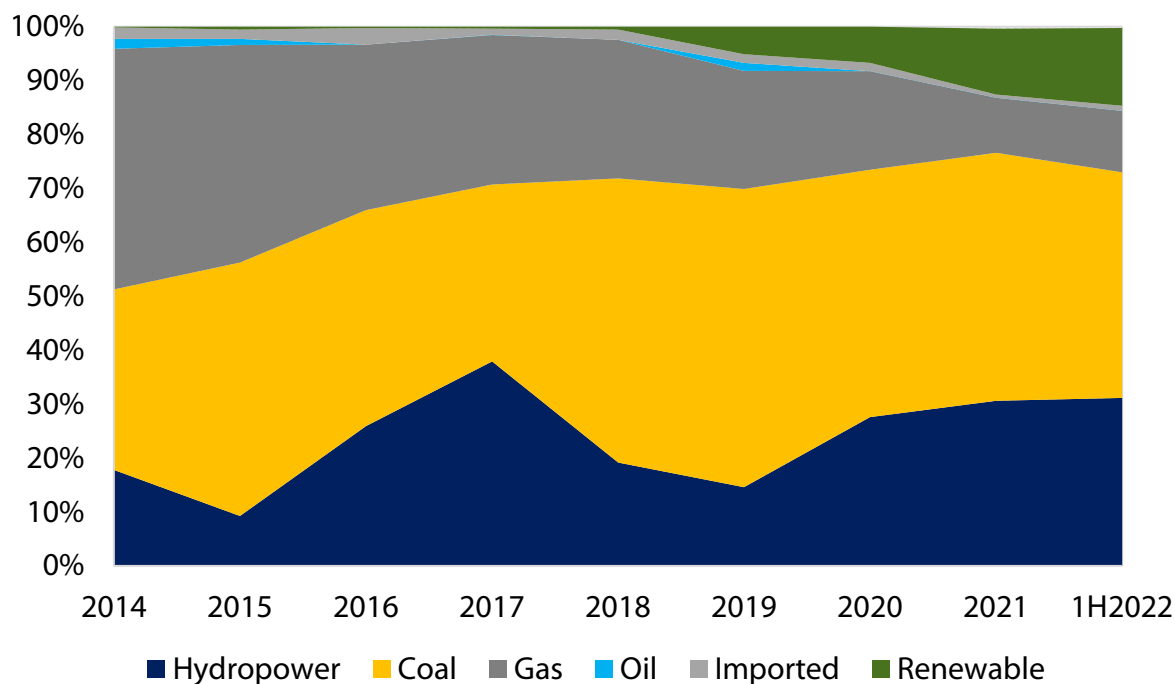


Source: MoIT, Rong Viet Securities; Solar (orange) and wind (blue) power plants in VN

Renewable energy mostly installed in the Central and South while the North was attributed by conventional sources

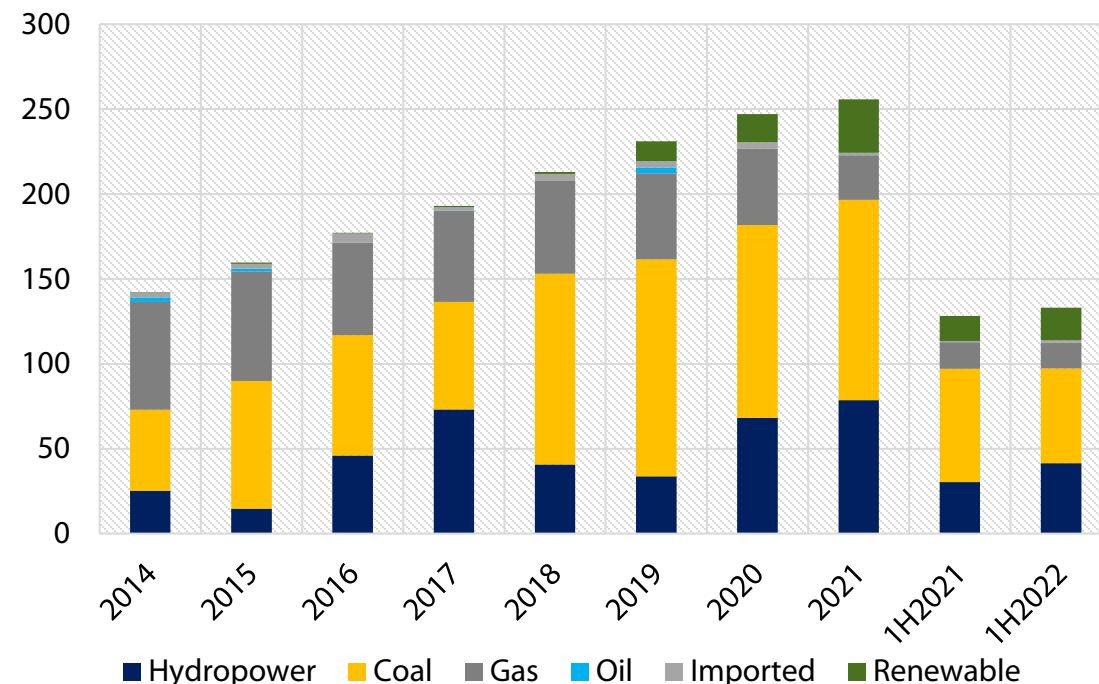
- Renewable energy has boomed since 2019 thru solar power, 14% and 26% YoY growth at the end of 2019 and 2020, respectively. During 2021, wind power plants contributed roughly 3299 MW while conventional sources contributed more than 3,000 MW to the national electricity system, +9% YoY. Renewable energy plants were mostly concentrated in the Central and the Southern of the country while on the Northern side, coal thermal plants and hydropower plants are the major suppliers.
- The limited supply in the North might bear a risk of electricity shortage in the next El Nino phase. We estimate that only 2400 MW/ 840 MW of thermal and hydropower plants to be installed in the period of 2022-2024 in the North while demand rises roughly 10%.

Figure 5: National electricity structure (%)



Source: Rong Viet securities

Figure 6: Electricity volume by group (bn kWh)

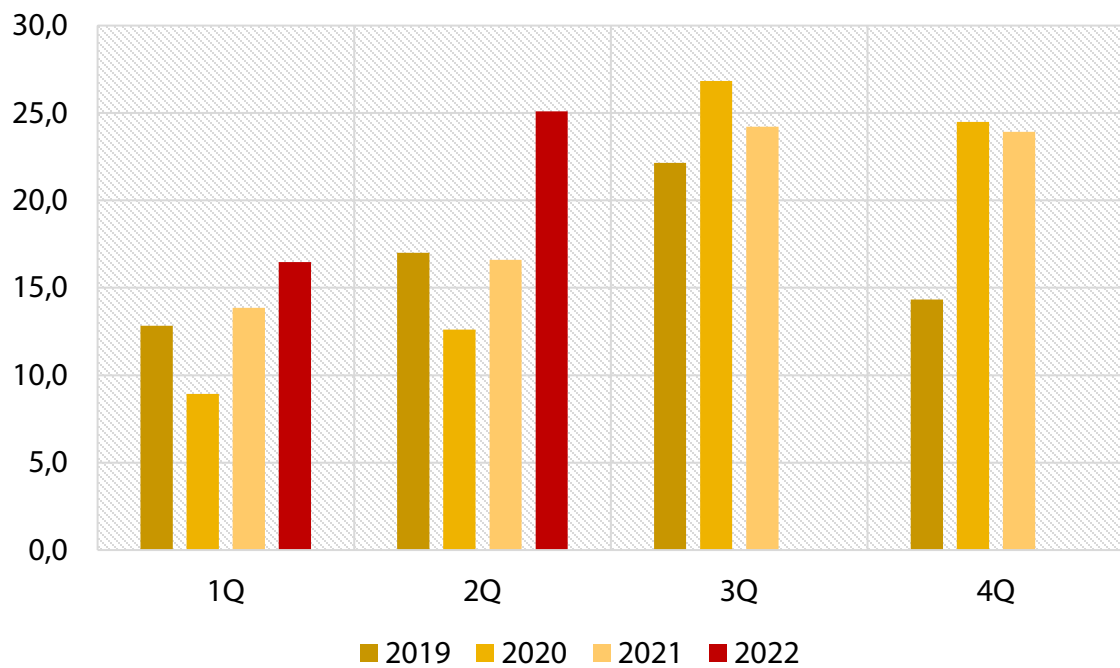


Source: Rong Viet securities

Renewable entered the national power system. Solar and wind power massively entered the national power system since 2019 and have gradually expanded their share. However, this group accounts for a small portion of the national power system.

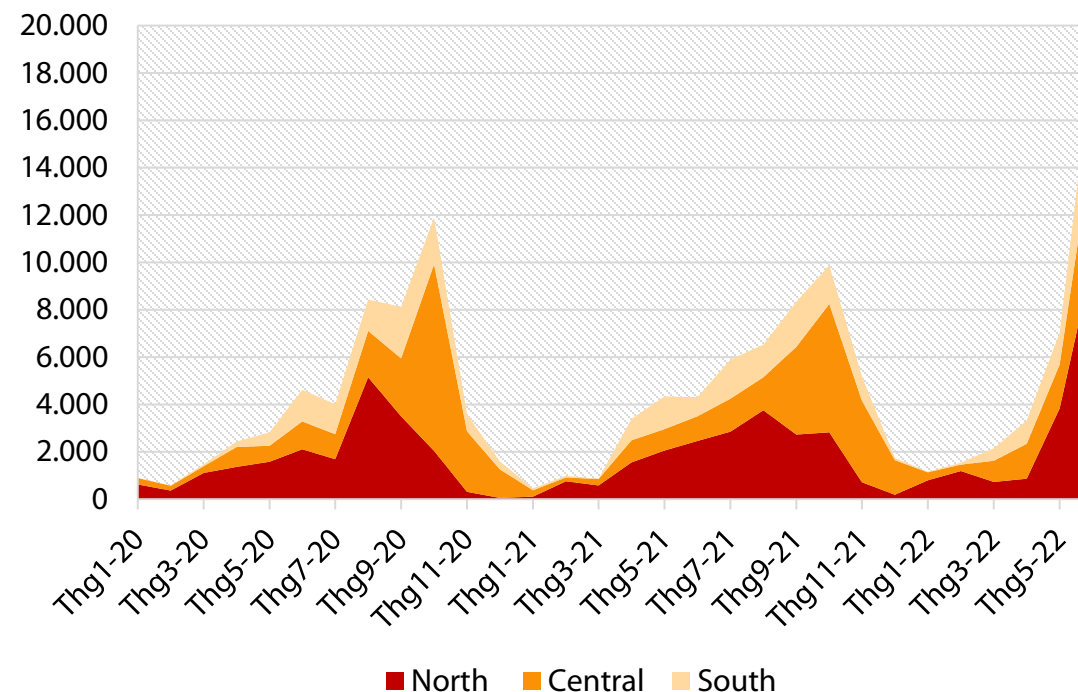
Coal, thermal and hydropower plants still are the main contributor to the national power system and directly compete with each other as represented by Figure 5. In 2021 and 2022, hydropower power has performed well during the La Nina phase. Thermal plants are forecast to have a higher utilization rate in the next El Nino phase.

Figure 7: Hydropower volume by quarter (bn kWh)



Source: Rong Viet securities

Figure 8: Rainfall (mm)

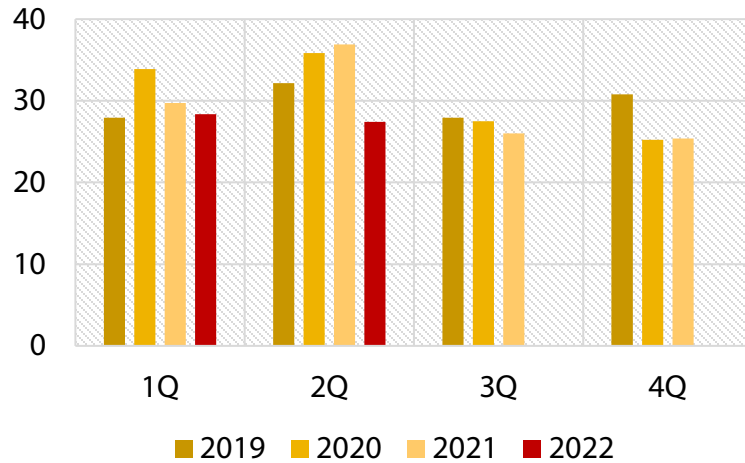


Source: Rong Viet securities, we choose several stations to sum rainfall

Rainy season has come sooner-than-expected

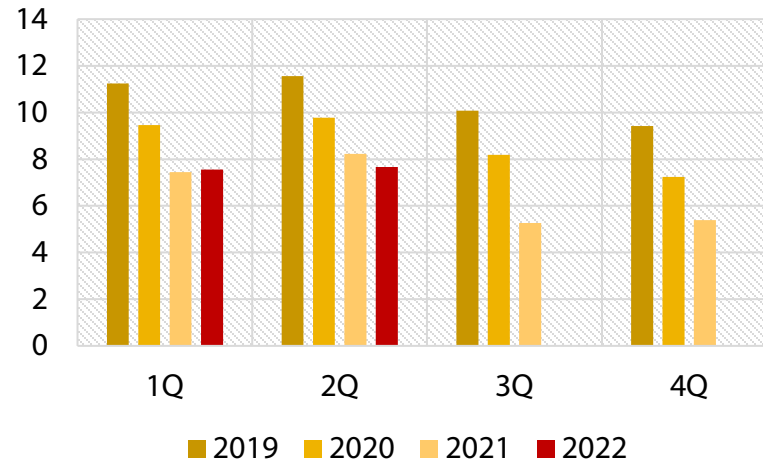
- Rainfall reached a significantly high in 2Q2022 bringing plenty of water to hydropower plants. As a result, the hydropower group outperformed during 1H2022. Volume jumped by 19% YoY and 51% YoY in 1Q and 2Q to 16.5 and 25.1 bn kWh.
- According to NOAA, La Nina continues to prevail during 2H2022, hence we foresee that hydropower plants will continue to do well up to the end of this year. In terms of results, small-scale hydropower plants are forecast to grow in 2H2022 while the large ones will accumulate substantial water to produce in 1H2023.

Figure 9: Coal-burning power volume (bn kWh)



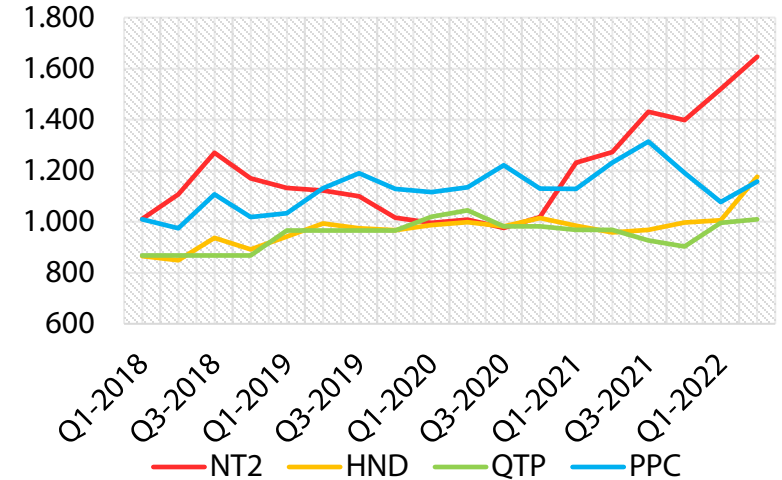
Source: Rong Viet securities

Figure 10: Gas-turbine power volume (bn kWh)



Source: Rong Viet securities

Figure 11: Material price per kWh (VND)

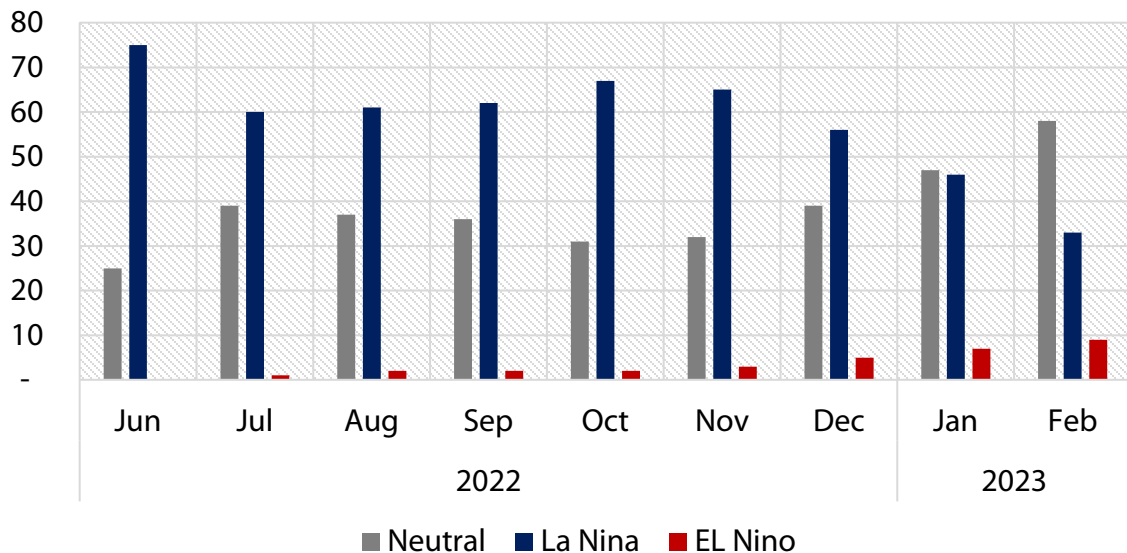


Source: Rong Viet securities

The coal group has been mobilized while gas lost its competitive edge in CGM due to a price surge

- As represented by Figure 9 and 10, volume in the thermal sector from 2019 – the last peak El Nino phase to 2022, coal thermal plants has been mobilized at around 118 bn kWh per annum (Figure 9). Meanwhile, the gas thermal group not only lost its portion in the national power system (Figure 5) but also in absolute number (Figure 10). Gas-fired volume declined by 18%/24% YoY in 2020/2021 due to the gas price surge.
- However, the input price for the coal thermal group started to rise since May 2022 followed by coal imports, resulting in a surge in the material price of HND, PPC and QTP (Figure 11). As a result, material gap between those groups has shrunk and that will likely ease pressure for the gas-fired group.

Figure 12: Hydrology forecast (%)

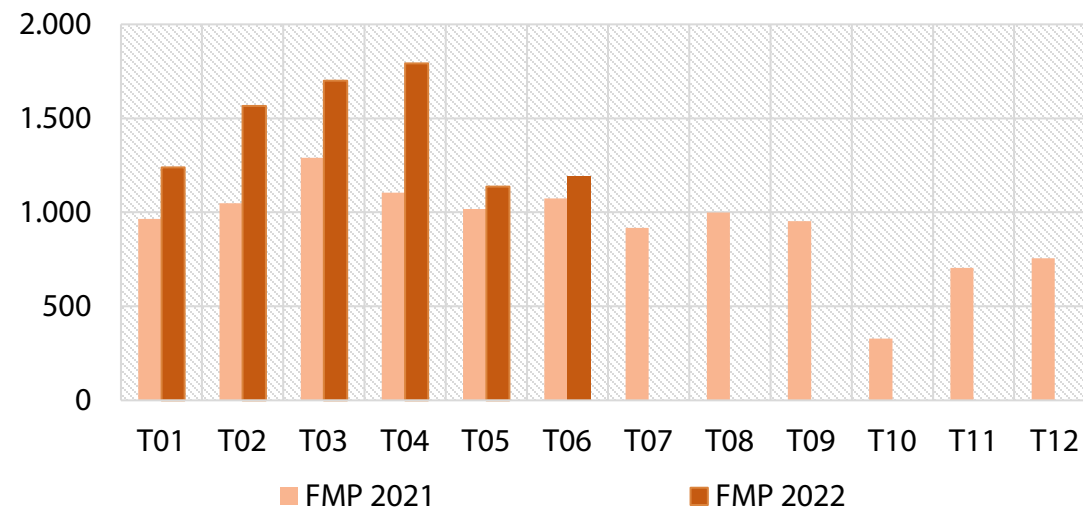


Source: NOAA, Rong Viet Securities

Price in competitive market stands at a high level even higher than that in the last draught-year levels (2019)

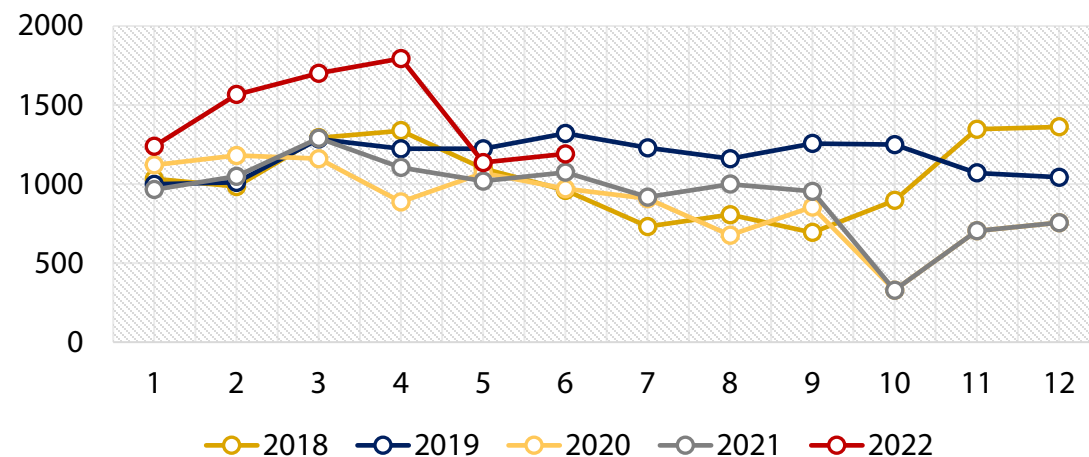
- In the short run, the selling price in CGM might stand at a high level due to the input price surge. We foresee that in the next El Nino phase, in case coal and gas do not cool down, CGM price might come to a new high.

Figure 13: Full market price (FMP) in 2021 and 2022 (VND)



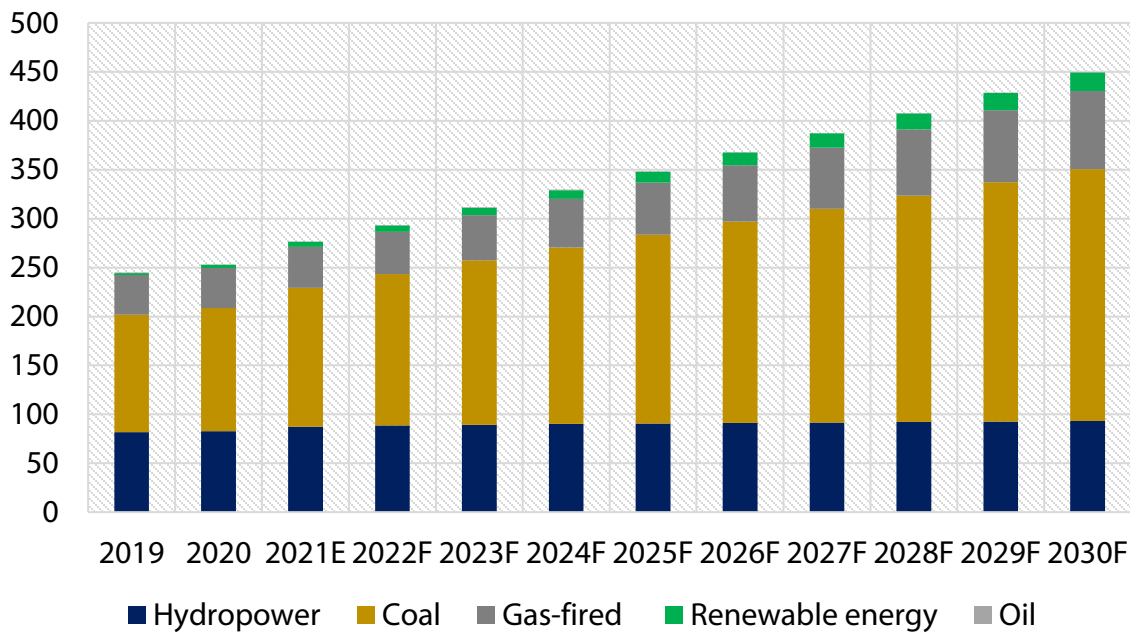
Source: EVN, Rong Viet Securities

Figure 14: Full market price (VND)



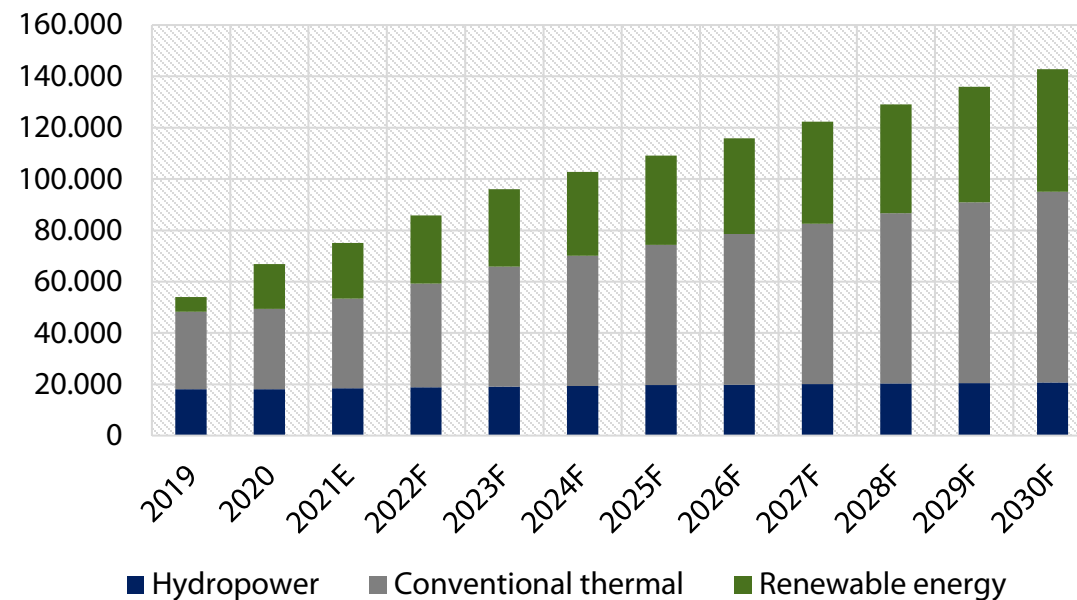
Source: EVN, Rong Viet Securities

Figure 15: Target volume by group (TWh)



Source: EVN, BMI, Rong Viet Securities

Figure 16: Target capacity by group under draft PDP VIII (MW)

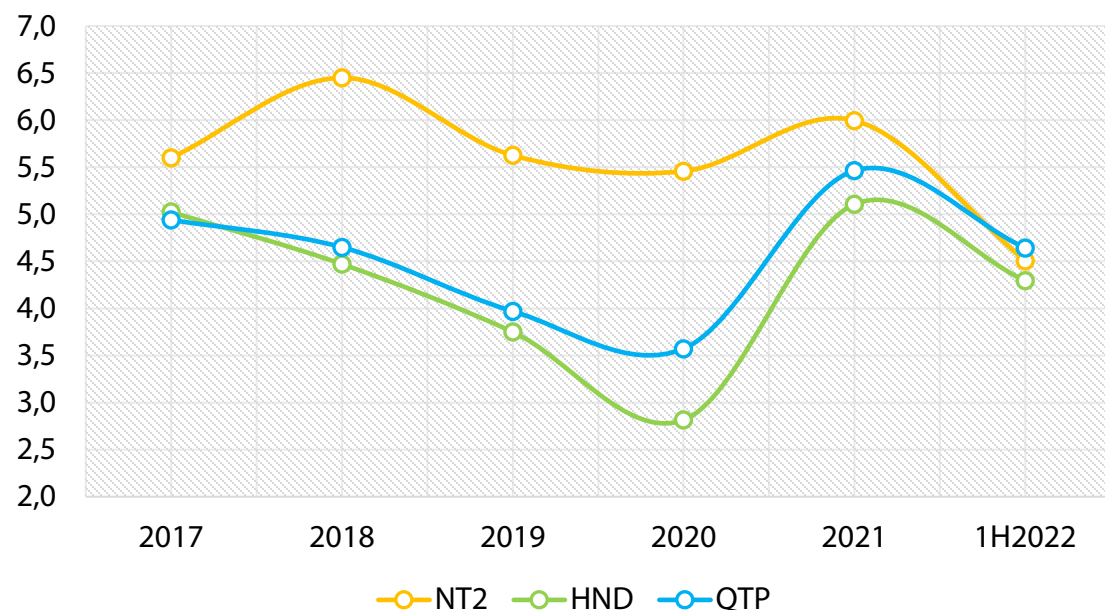


Source: EVN, BMI, Rong Viet Securities

Green and LNG power to have a substantial growth in the long run

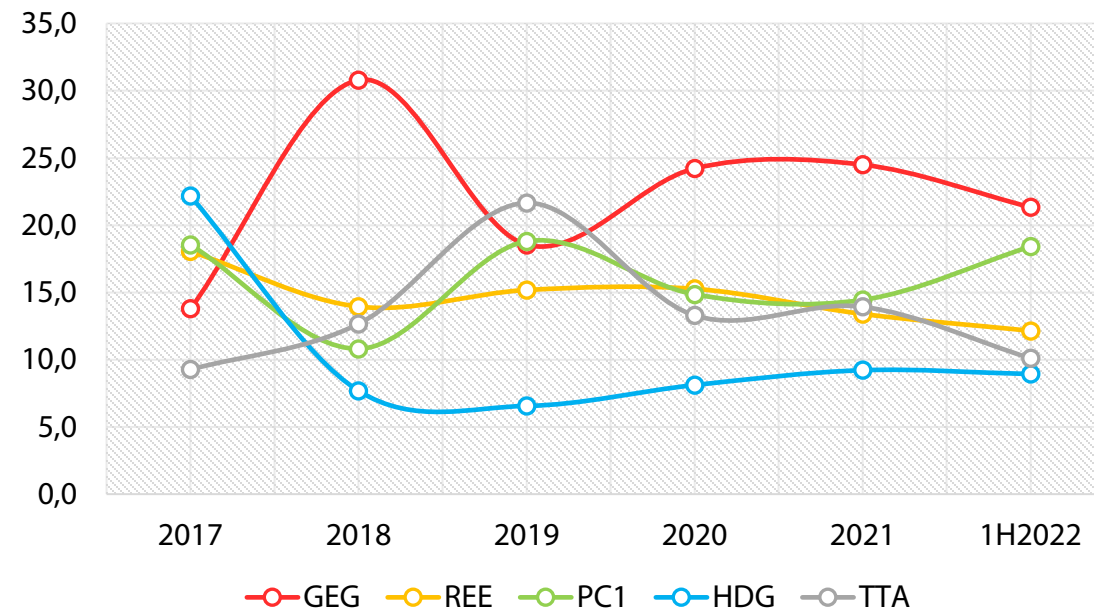
- In the longer term, the government will pave the way to exploit the potential for wind power, especially offshore wind power farms. Companies that have strong cash flow, land bank or projects in their pipelines will likely be able to add more projects and trigger higher earnings including REE, GEG, PC1.
- Furthermore, LNG also is another government's orientation in the long run. Companies that are developing LNG projects, will also be attractive, including POW.

Figure 9: EV/EBITDA defensive group



Source: Finn, Rong Viet Securities

Figure 10: PE ratios of growth group

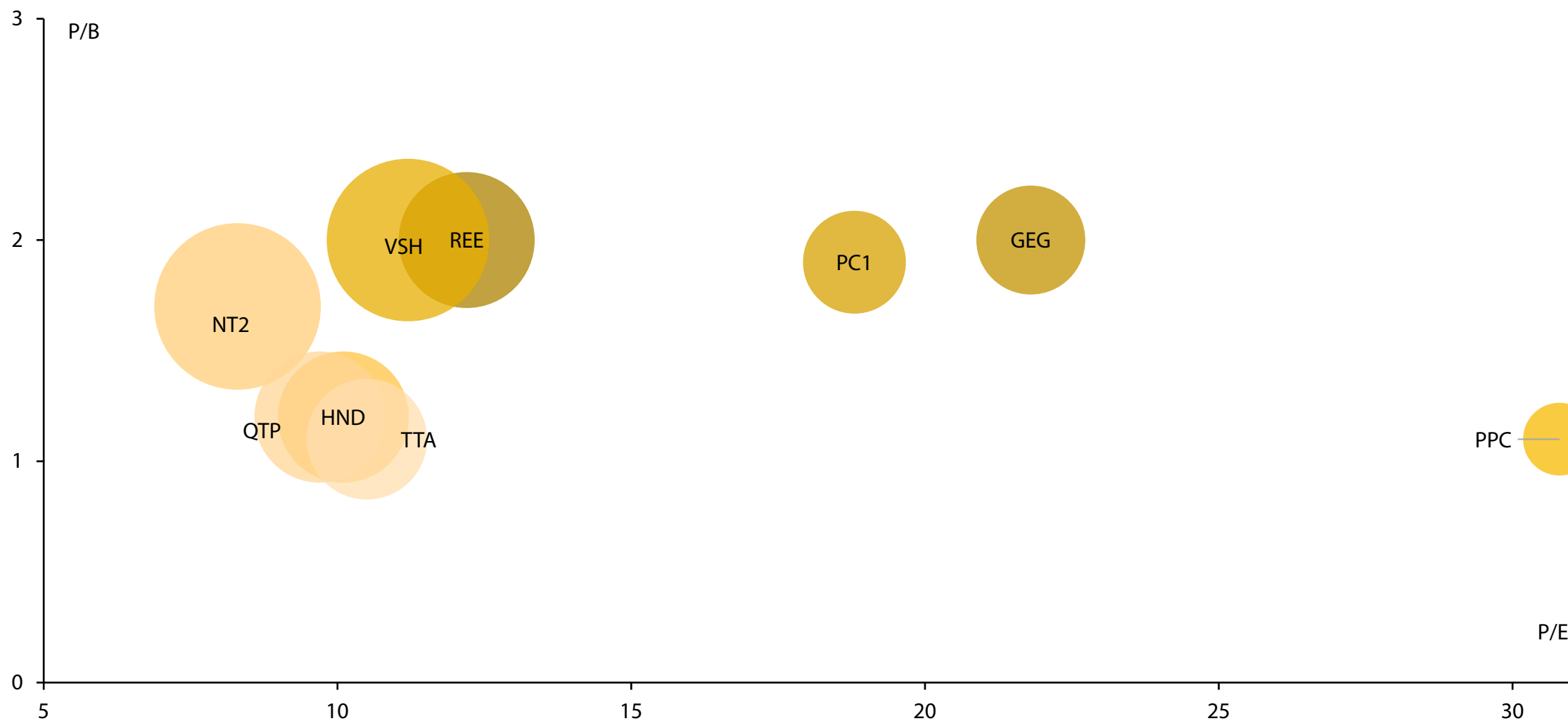


Source: Finn, Rong Viet Securities

- **Defensive group:** EV/EBITDA of defensive group (most earnings are paid to shareholders) have come to reasonable valuations. Investors can accumulate those stock to receive dividends and waits to an El Nino phase. HND and QTP are companies that will enjoy high mobilization in the North while NT2 is forecasted to pay substantial cash dividends.
- **Growth group:** Most growth stocks in the power segment will use earnings to invest and expand capacity in the coming years. We foresee that GEG, REE, PC1 are beneficiaries in the medium term.

Ticker	Market cap (VND bn)	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)
REE	28,645	90,700	18%	88%	55%	39%	30%	33%	7%	18%	1%	12.2	2.0
PC1	9,124	43,800	-4%	62%	20%	14%	-31%	6%	3%	11%	0%	18.7	1.9
VSH	9,036	-	155%	171%	81%	56%	90%	34%	8%	20%	0%	11.1	2.0
HND	8,150	23,000	13%	-28%	0%	0%	-3%	0%	0%	0%	5%	17.9	1.3
NT2	7,658	29,200	32%	42%	22%	13%	173%	12%	12%	21%	11%	8.5	1.7
QTP	7,380	-	1%	1%	9%	0%	4%	-13%	-6%	N/A	5%	12.8	1.2
GEG	7,179	24,700	21%	38%	77%	46%	25%	18%	3%	9%	2%	22.9	2.0
PPC	5,659	22,500	-31%	N/A	-1%	-3%	-88%	3%	2%	2%	3%	50.2	1.1
TTA	1,968	-	15%	15%	85%	57%	16%	25%	4%	9%	0%	15.6	1.1

Source: Fiinpro, Rong Viet Securities. Share price as of 10 August 2022.



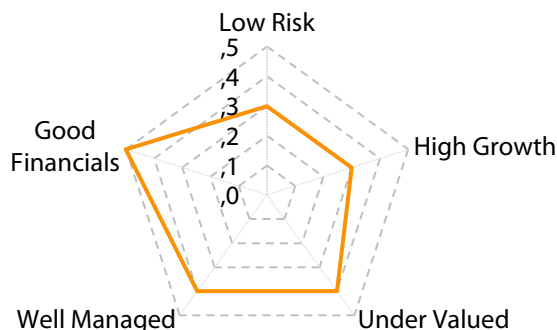
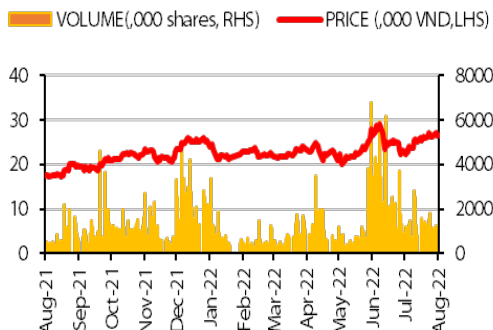
Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 10 August 2022.

ACCUMULATE: +18%
MP: 26,000
TP: 29,200
STOCK INFO

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

FINANCIALS

		2021A	2022F	2023F
Utilities	Revenue (VND bn)	6,150	7,941	8,939
	NPATMI VND bn)	534	827	923
	327	8.1	12.2	12.5
	288	12.6	17.9	18.2
	1797	1,778	2,800	3,125
	46	14,706	16,007	17,632
	34.4	2,000	1,500	1,500
	29.6 - 18.8	13.5	9.3	8.3
		1.8	1.6	1.5


INVESTMENT RATIONALE

Eyes on potential cash dividends. Prosperous cash flow post debt payment obligation, the company will capitalize on those cash flow to pay cash dividends to shareholders. We forecast FCFE to be higher than its EPS, and EPS to hover around VND 3,000.

Core earnings will grow regardless of La Nina owing to several favorable conditions in 2022

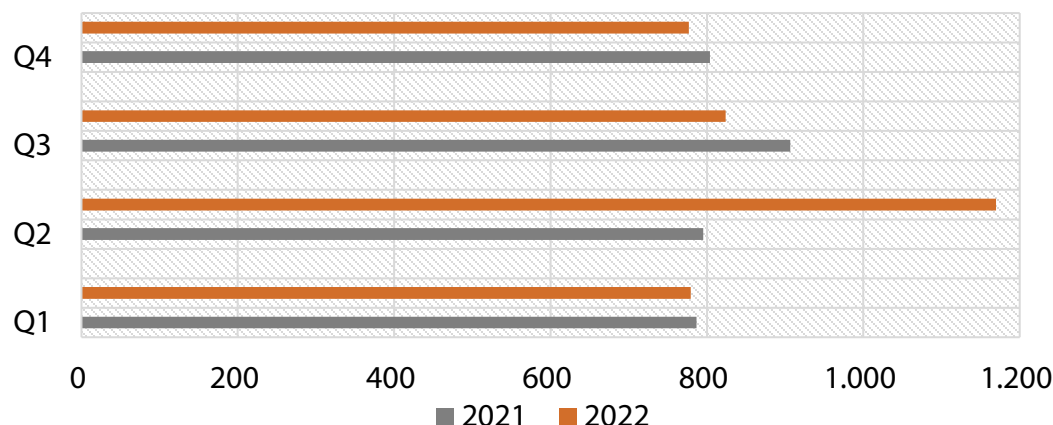
- The company resumed its operation from the trough in 2021. NT2 hit the all-time low level of profit in 2021 as the company confronted with many obstacles from inside out. A growth of 8% in contracted volume that will widen the company's profit margin from 2022 and onwards. In line with the growth trend in electricity demand, NT2 is expected to have a higher utilization rate in coming years.
- Furthermore, input price of coal thermal plants start to rise significantly from 2Q2022 that ease pressure for gas thermal plants to compete in competitive generated market.

FX revert revenue is going to cushion the business results in 2022F-23F. NT2 is subject to a potential financial revenue from FX reversal of roughly VND 400 bn (or USD 17.4 mn), which is a FX compensation for the period of 2016 to 2020 based on Circular 56. We expect that the company will record half of it this year and the remaining in 2023.

RISKS TO OUR CALL

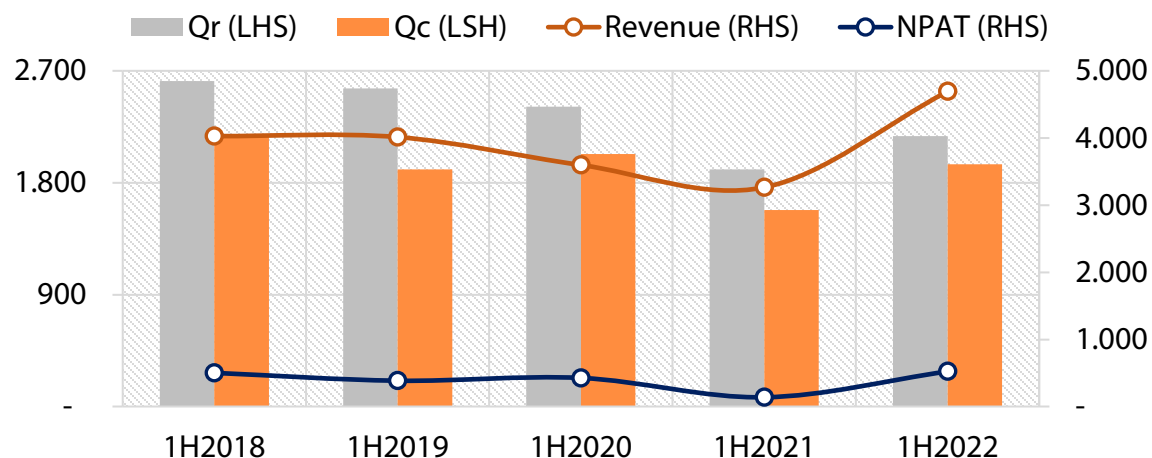
- Downside risk: Gas price may increase to new highs that may hinder the company from earning profit in CGM.
- Upside risk: Significant high in contracted volume or selling price in CGM in coming years that will bolster the company's profit.

Figure 1: Contracted volume by quarter (mn kWh)



Source: NT2, Rong Viet Securities

Figure 2: Volume (mn kWh) and results (VND bn)



Source: NT2, Rong Viet Securities

Volume to recover from the low base in 2021

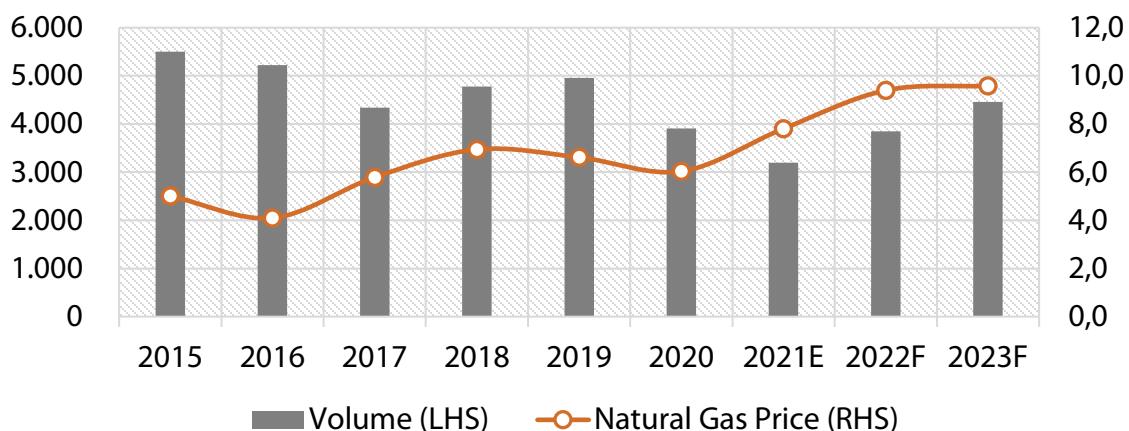
- Contracted/provided volume rose by 23%/14% in 1H2022 that reinforced the company's profit.
- Notably, contracted volume in 2Q2022 was significantly high compared to others, 1,170 mn kWh, equal to the level of that in 2019 – the extremely dry weather year.

New high level of selling price in CGM boosted profits

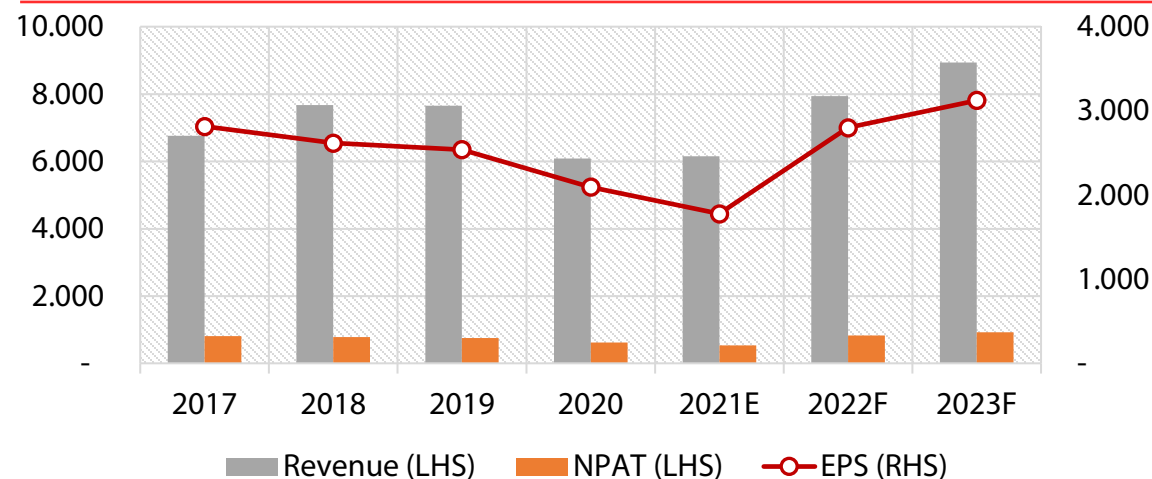
- FMP – Full market price in CGM tremendously surge in the very first months in 2022 due to dry weather and peak in April due to coal shortage that trigger a surge in selling price.
- Capitalize on high selling price in CGM in the first 4 months to gain profit, NT2 provided 307 mn kWh in this market with the estimated Pm at roughly VND 1,800.

Core earnings have grown regardless of La Nina due to several favorable conditions during 1H2022

- Hence, NT2 has widen its gross profit margin by 600 bps in 1H2022 and gain VND 525 bn (or USD 22.8 mn) in NPAT, +276% YoY.

Figure 3: Volume (mn kWh) and input price(USD/mmBTU)


Source: NT2, Rong Viet Securities

Figure 4: Business results (VND bn)


Source: NT2, Rong Viet Securities

Core earnings in 2H2022 may slow down versus 1H.

- Contracted volume in 2H2022 is lower than that in 1H2022 /2H2021 by 18%/6% due to a short-term maintenance which may take a couple of days and seasonal factor. Besides, it is hard for NT2 to earn profit during rainy season in large part of 2H. Hence, core earnings in 2H are going to be low.

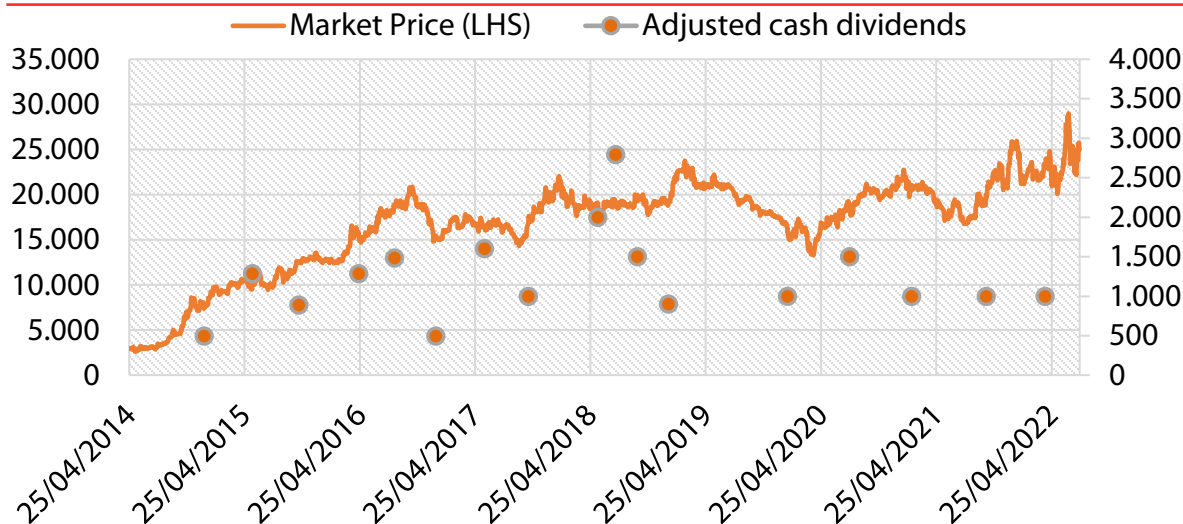
Yet the FX revert revenue is expected to be a record in 2H .

- NT2 is subject to a potential financial revenue from FX reversal of roughly VND 400 bn (or USD 17.4 mn. We expect that the company will record half of it in 2H2022.

Earnings are going to recover from 2022 and high utilization rate onwards.

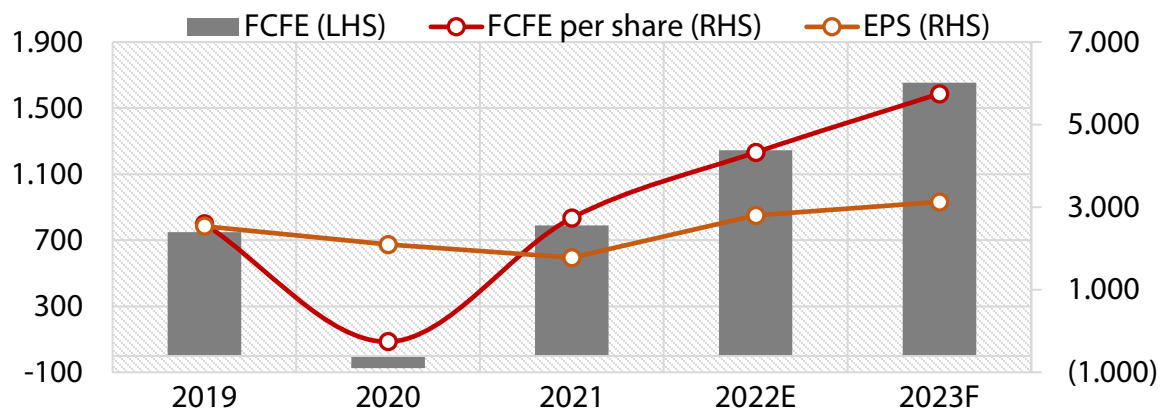
- Altogether, the company's earnings are set to surge in 2022 on the back of substantial core earnings in 1H and one-off profit in 2H. Revenue/ NPAT are conservatively forecasted to be VND7,941/ 827 bn (or USD 345/ 36 mn), +29% YoY/+55% YoY.
- In 2023, we expect NT2 to have higher contracted volume and continue to achieve high level of selling price in CGM and the remaining of FX revert. As a result, NPAT/EPS are forecasted to slightly increase by 12% YoY to VND 923 bn/VND 3,125.

Figure 5: Cash dividends per share and market price (VND)



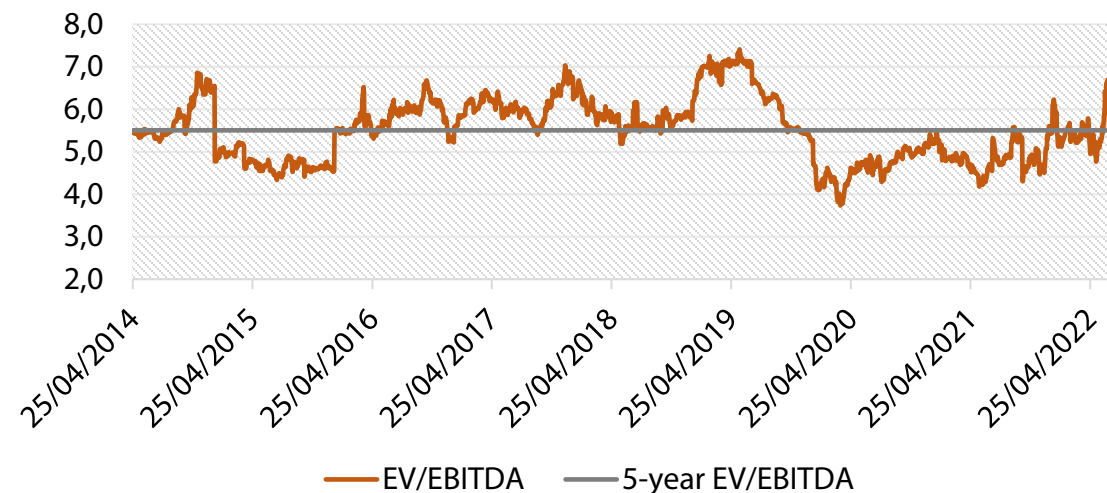
Source: NT2, Rong Viet Securities

Figure 7: Estimated FCFE (VND bn) and EPS (VND)



Source: NT2, Rong Viet Securities

Figure 6: EV/EBITDA



Eyes on potential cash dividend

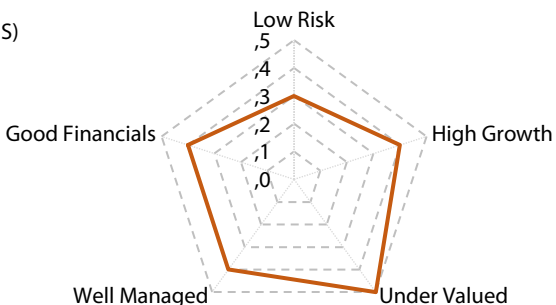
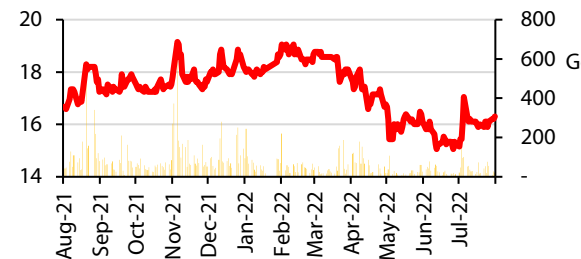
- NT2 has embarked on the mature phase after the company finished its debt payment obligation in Jun 2021. From then, the company will utilize its cash flows to pay dividends to shareholders.
- Furthermore, NT2 is one the cash-cow companies amongst numerous subsidiaries of POW. Hence, POW will have more engine to cash in from its subsidiaries for its investment activities while NT2 has no significant investment in the coming years.

BUY: +44% (*)

MP: 16,200

TP: 23,000

VOLUME(,000 shares, RHS) PRICE (,000 VND,LHS)



STOCK INFO

Sector
Market Cap (\$ bn)
Current Shares O/S (mn shares)
3M Avg. Volume (K)
3M Avg. Trading Value (\$ bn)
Remaining foreign room (%)
52-week range ('000 VND)

FINANCIALS

		2021A	2022F	2023F
Utilities	Revenue (VND bn)	9,027	10,946	11,532
	NPATMI VND bn)	455	806	1,025
349	ROA (%)	4.5	9.6	12.8
500	ROE (%)	6.2	13.3	15.3
32	EPS (VND)	911	1,521	1,934
1	Book Value (VND)	12,452	11,634	12,878
	Cash dividend (VND)	2,175	800	1,000
49.0	P/E (x)	17.6	10.5	8.3
20.6 - 15	P/B (x)	1.9	2.0	1.8

INVESTMENT RATIONALES

Earnings are going to lift from the low base in 2021 given by higher contracted volume and the decline of depreciation expenses. Visible and sanguine growth since FY22 and onwards

- A growth of 16% in contracted volume compared to last year that will ensure the company's profit even hydrological condition does not seem to support thermal plants during this year.
- Furthermore, HND decided to reschedule its depreciation timeline since 2Q2022 resulted in the decrease of VND 350 bn (or USD 15 mn) in annual expenses. Hence, we forecast NPAT to jump by 77% to VND 806 bn (or USD 35 mn) in 2022. Year to date, the company has fulfilled 67% of our forecasted FY2022 NPAT.

Stable mobilization due to its position competitive edge.

- Located in Hai Phong, one of the Northern key economic zones that helps HND to have sustainable volume in coming years. Notably, electricity supply side in the North is relatively limited in the next two years, while demand continues to grow. Therefore, thermal plants in such landscape are forecasted to be mobilized intensively in next El Nino period.

Attractive dividends yield, particularly from the debt-free phase. We expect HND to pay the majority of its earnings as cash dividends after finishing its debt obligation in FY2024. Forecasted dividend yield is expected to be 5% - 10% in FY22- 25 period, equivalent to VND 1,000 – VND 1,700 per share.

RISKS TO OUR CALL

- VND depreciation may bear a risk in terms of FX loss, we need to follow the USD exchange rate movement to anticipate these losses.
- Due to government-mandated environmental improvement projects, the company's cash flow may be impacted.

(*) Upside include cash dividends in the next 12 months

Turning loss into profit in 1Q2022 owing to the dry season

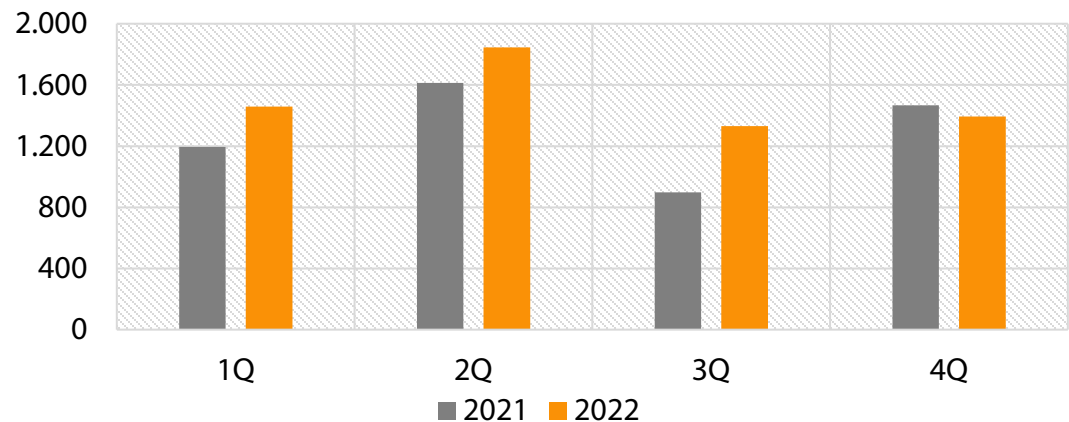
- HND enjoyed favorable conditions to perform well during 1Q including (1) Higher provided/contracted volume by 19%YoY/22% YoY and (2) Selling price in CGM rose by 36% YoY on an average basis.

NPAT surged in 1H2022 despite difficulties in 2Q2022

- The rainy season came sooner than expected that made HND hard to compete in CGM. However, the company has extended its depreciation life since 2Q2022, resulting in a decrease of VND 150 bn (or USD 6.5 mn) in depreciation expenses in 2Q2022 and, hence, boosting NPAT.

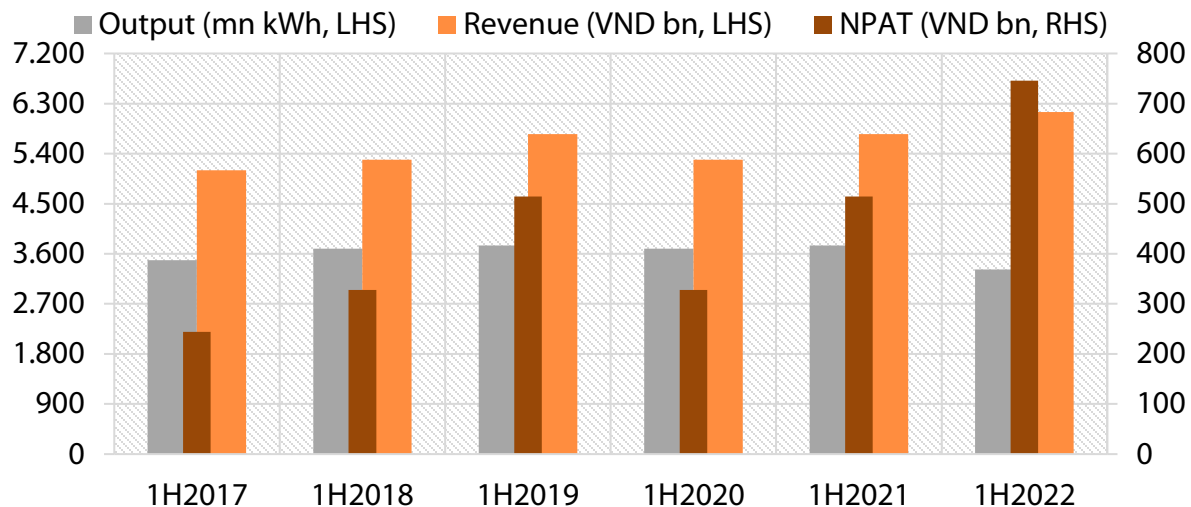
Overall, HND's 1H 2022 revenue and NPAT reached VND5,203 bn (or USD226 mn, +13% YoY) and VND538 bn respectively (+203% YoY), completing 48% and 67% of our full year FY 22 forecast.

Figure 1: Contracted volume by quarter (mn kWh)



Source: HND, Rong Viet Securities

Figure 2: HND's 1H business results snapshot



Source: HND, Rong Viet Securities

Figure 3: Contracted and provided volume (mn kWh)

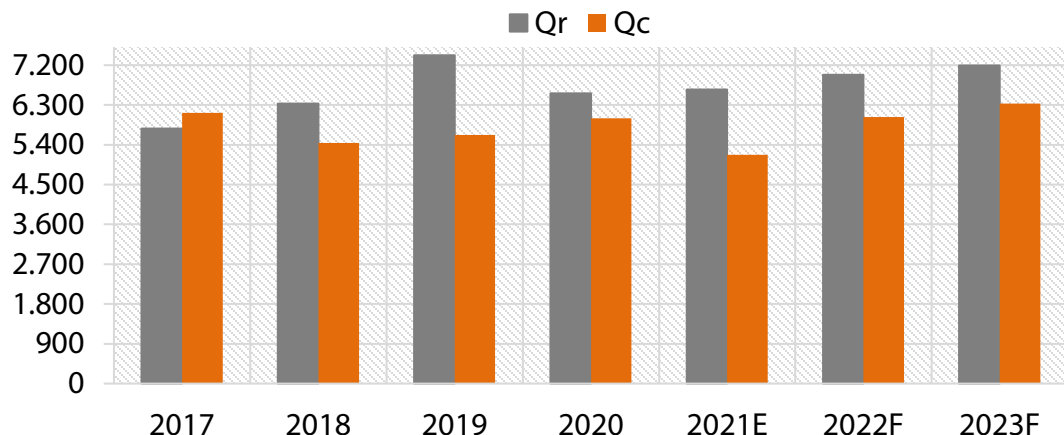
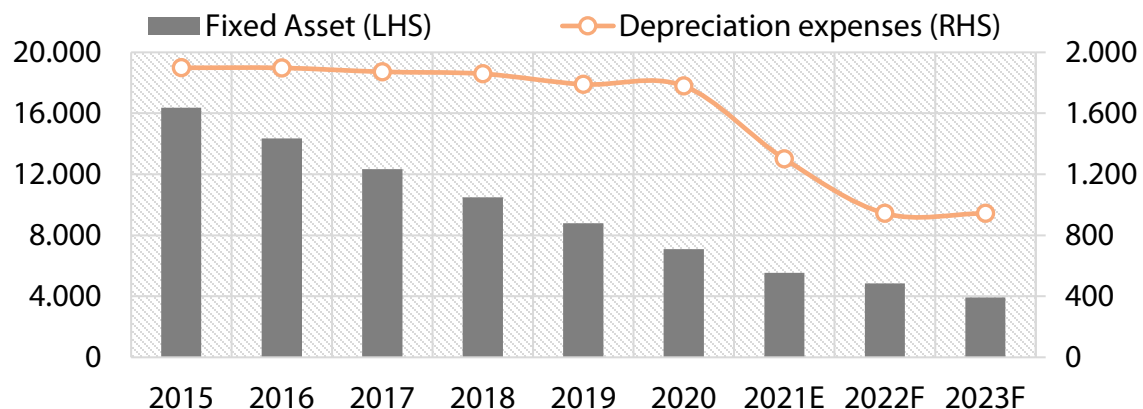


Figure 4: Fixed Asset and depreciation expenses (VN bn)

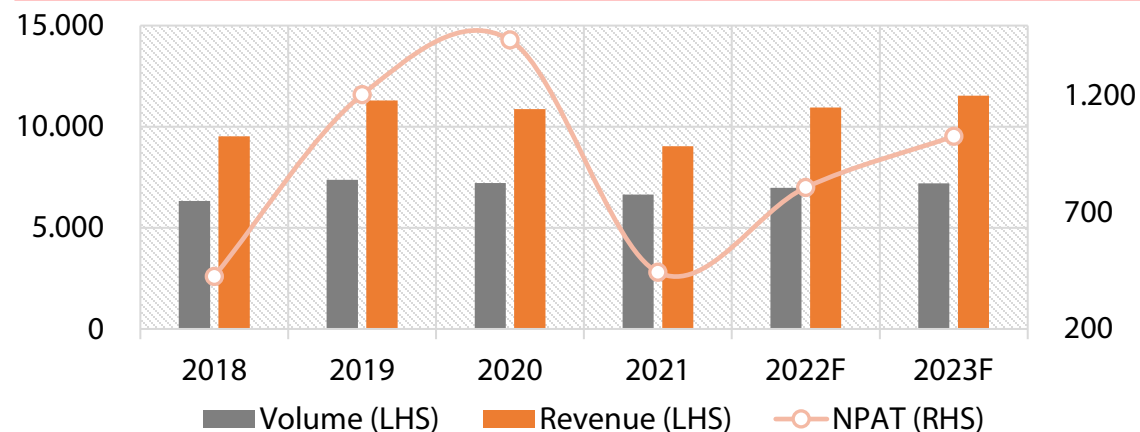


Source: HND, Rong Viet Securities

Story of growth returns after a low base in 2021

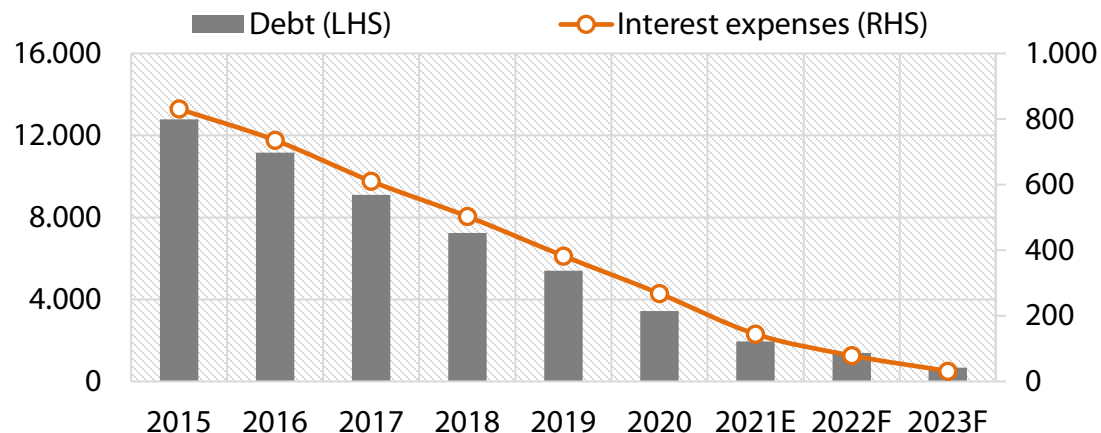
- We foresee that HND passed tough time in 2021 when the company encountered numerous difficulties, and HND is going to gradually recover in 2022 to peak in the next El Nino phase.
- In our 2022 strategy report, we expected HND to recover in FY22 given the electricity consumption recovery and higher Qc compared to last year.
- We forecast that HND will provide around 6.9 bn kWh, resulting revenue and NPAT of VND 10,945 bn (or USD 476 mn, +21% YoY) and VND 806 bn (or USD35 mn, +64 % YoY) , respectively.

Figure 5: Volume (mn kWh) and forecasted results (VND bn)



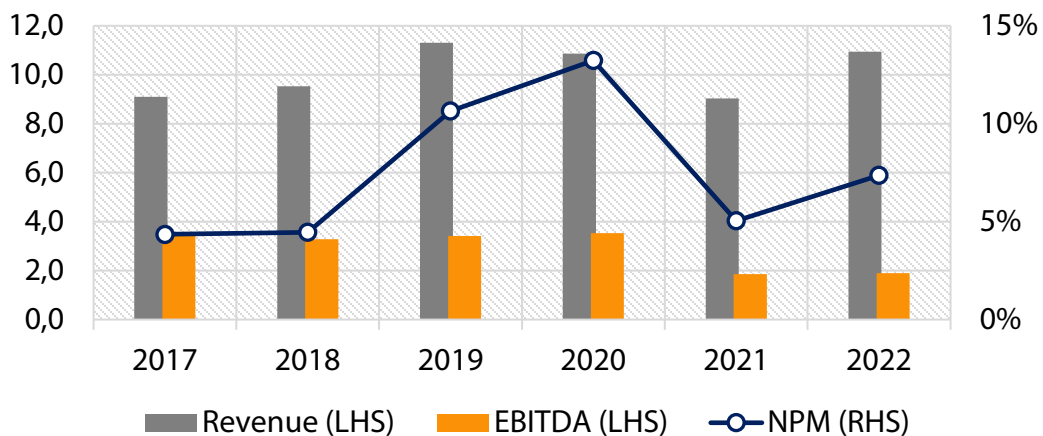
Source: HND, Rong Viet Securities

Figure 6: Outstanding debt at year end (VND bn)



Source: HND, Rong Viet Securities

Figure 7: Business results (VND bn)

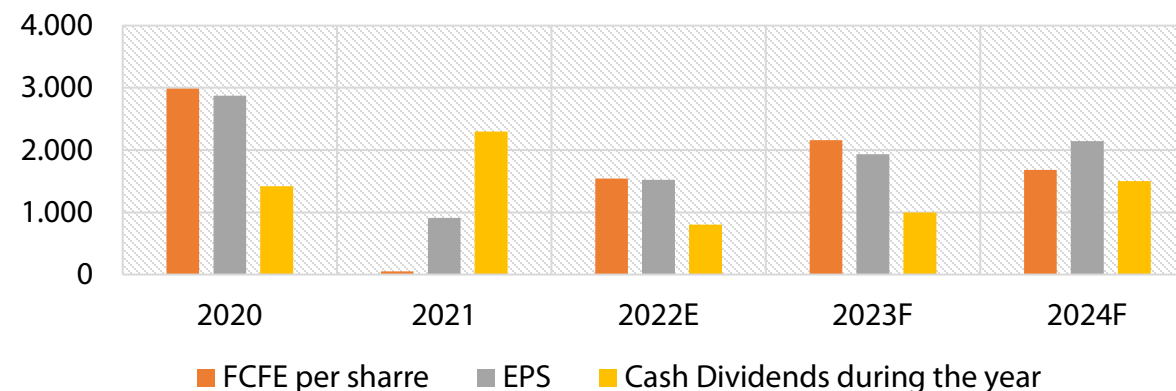


Source: HND, Rong Viet Securities

Attractive dividend yields from FY23 onwards

- With projected strong cash flow after repaying all of its debts by FY2024, we expect that HND will begin to pay the majority of its earnings via cash dividends. We forecast that FCFE per share in coming years is over VND 1,500.
- Respective 2022F and 2023F EV/EBITDA stay at 4.8x and 3.8x, rather attractive given attractive dividend yield and the high likelihood of outperformance in the next El Nino phase.

Figure 8: Strong FCFs underpin valuation and cash dividend payout

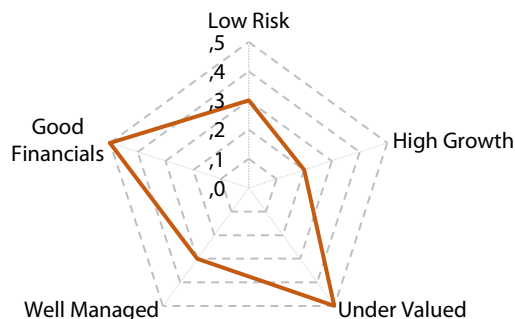
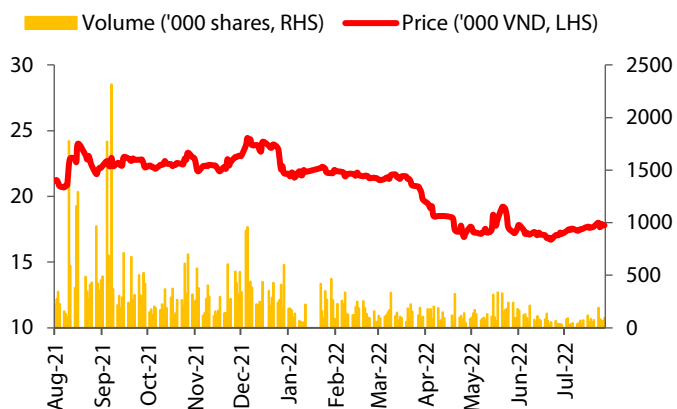


Source: HND, Rong Viet Securities

MUA: +30%

MP: 17,900

TP: 22,500



STOCK INFO

Sector	Utilities
Market Cap (\$ mn)	242
Current Shares O/S (mn shares)	321
3M Avg. Volume (K)	104
3M Avg. Trading Value (\$ bn)	2
Remaining foreign room (%)	35.4
52-week range ('000 VND)	26 - 17

FINANCIALS

		2021A	2022F	2023F
Revenue		3,868	5,640	6,982
NPATMI		216	407	884
ROA (%)		4.0	6.8	13.9
ROE (%)		1.8	3.2	6.3
EPS (VND)		513	965	2,097
Book Value (VND)		14,912	15,443	16,012
Cash dividend (VND)		5,665	450	800
P/E		36.4	18.7	8.6
P/B		1.2	1.2	1.1

INVESTMENT RATIONALE

Financial income to boost earnings from 2H2022

- Dividends income from associate companies HND and QTP are going to save PPC's bottom line. We estimate that two associate companies will be able to contribute an amount of VND163 bn and VND215 bn for PPC in 2H2022 and 2023, respectively.
- Buoyant results of HND and QTP are going to shore up PPC's sustainable yield in coming years. We expect both to have a bright outlook with strong results in FY23, in line with the thermal plant recovery. PPC's dividend income from these associate companies is projected to bring sustainable growth in the medium term.

Core earnings are expected to recover from 2023. PPC is set to recover from 2023 on the back of (1) SS6 generator (300MW) at Pha Lai 2 Power Plant resume and (2) Drought period is expected to come back in the near future. EPS in 2022 and 2023 are forecasted to rise by 59% YoY and 157% YoY, respectively, to VND 965 and VND 2,097. The P/E in FY22/ FY23 is at 18.7x/8.6x .

Consistency in cash dividend payments. PPC has a consistent track record of paying cash dividends. We believe that the prospect of earnings recovery next year, coupled with a solid dividend income from associate companies will support PPC's attractive dividend yields of 8% for FY23F.

RISKS TO OUR CALL

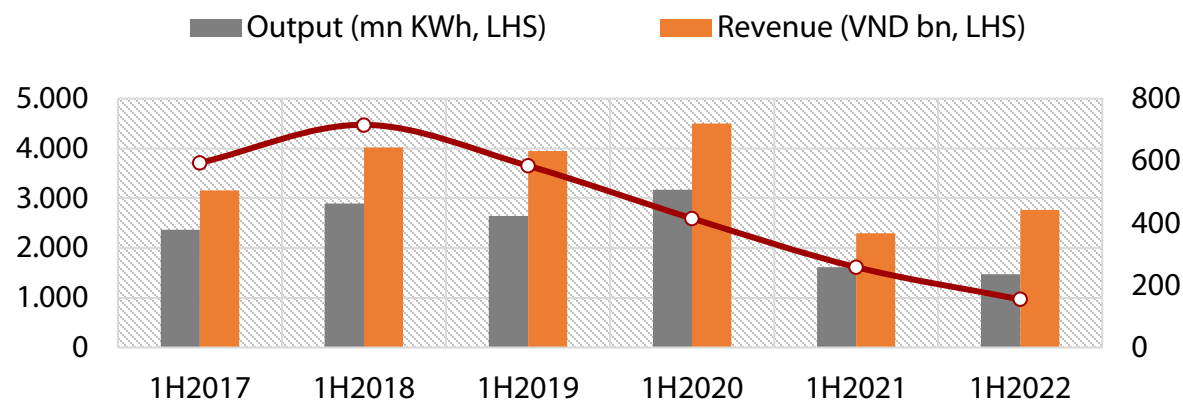
- Pha Lai 2's S6 generator restarts faster/slower than expected.

Low electricity sale volume but shored up by associates' dividends and high CGM price

- PPC's contracted volume (Qc) in Q1 2022 was 603 mn kWh (10% less than the contracted volume granted by EV). However, strong CGM prices outweighed an 8% YoY decrease in electricity sales volume. Q1 2022 also reported a drop in earnings, to VND80 bn (-42% YoY), as (1) Lower dividend income and (2) No more reversal provision for financial investments in QTP and EVN Finance JSC.
- Q2 2022 is well aligned with our expectations emphasizing the company's predictability of weak results. Electricity sales volume declined 11% YoY, to 827 mn kWh. NPAT slumped 38% YoY, to VND75bn, mainly due to a lack of dividend income from PPC's associates including QTP and HND.

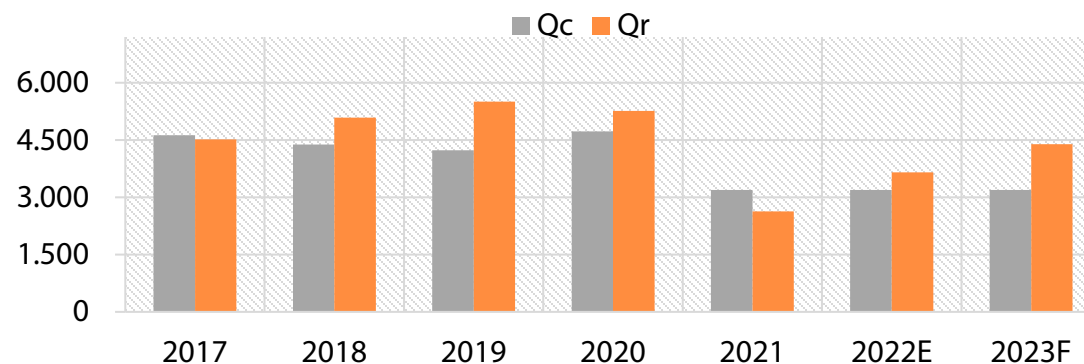
Overall, PPC 1H 2022 revenue and NPAT reached VND2367 bn (+3% YoY) and VND155 bn, respectively (-40 % YoY), completing 42% and 45% of our full-year FY 22 forecast.

Figure 1: PPC's 1H results snapshot



Source: PPC, Rong Viet Securities

Figure 2: Contracted and provided volume (mn kWh)



Source: PPC, Rong Viet Securities

Figure 3: PPC's EBT structure (VND bn)

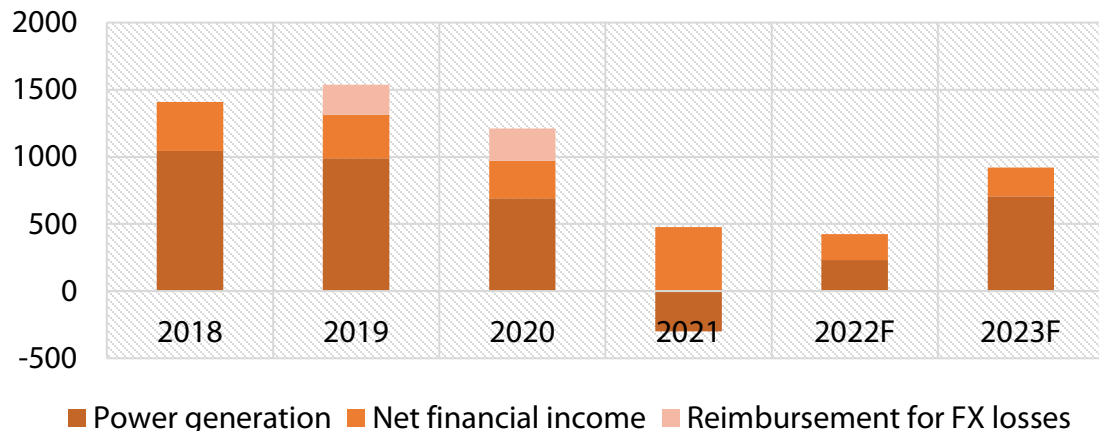
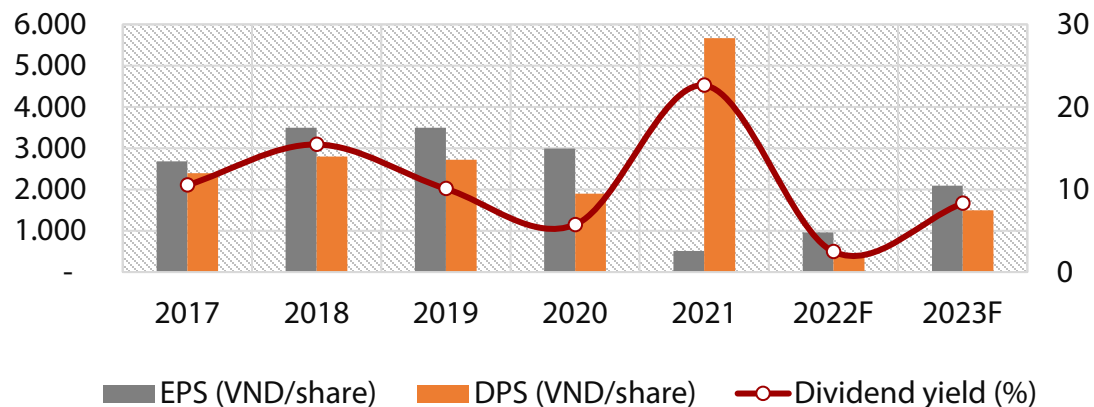


Figure 4: PPC's proven dividend track record and 2023F



Source: PPC, Rong Viet Securities

Buoyant results of HND and QTP shore up PPC's sustainable yield

- Dividend income from associate companies HND and QTP paid in Q3 2022 will save the bottom line (~VND 163 bn).
- We expect HND and QTP to recover in FY22, in line with the thermal plant recovery. PPC's dividend income from 2 associates HND and QTP is forecasted to be VND 215 bn (or USD 9.34 mn) in 2023.

Earnings to rebound from 2023F

- Pha Lai 2's SS6 generator is expected to resume normal operation in 3Q 2023, allowing PPC to gradually recover in the next El Nino phase.
- We forecast that PPC will provide around 4.4 bn kWh, +20% YoY with revenue and NPAT of VND 6,982 bn (or USD 304 mn +24% YoY) and VND 884 bn (or USD 38.4 mn, +117 % YoY) in F23, respectively.

Consistency in dividends; yield about 8%

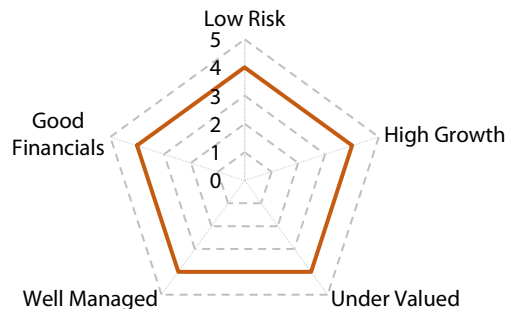
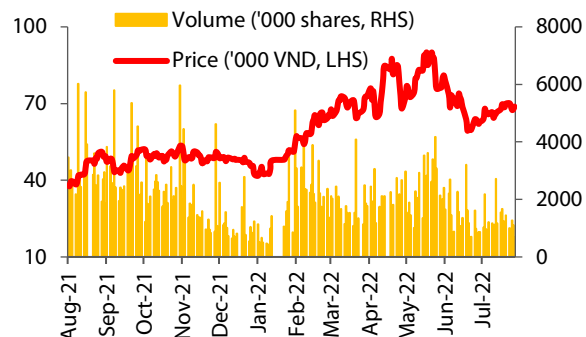
- PPC's attractive prospective dividend yield of 8.3% for FY23F offers good share price support.

Source: HND, Rong Viet Securities

<ACCUMULATE: +14%(<*)>

<MP: 80,200>

<TP: 90,400>



STOCK INFO

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

FINANCIALS		2021A	2022F	2023F
Utilities	Revenue (VND bn)	5,810	7,975	9,056
	NPATMI VND bn)	1,855	2,325	2,446
	1225 ROA (%)	9.0%	7.3%	7.9%
	355 ROE (%)	15.2%	14.2%	12.8%
	1285 EPS (VND)	6,003	6,537	6,877
	108 Book Value (VND)	52,759	53,840	60,716
	-0.1 Cash dividend (VND)	1,000	1,000	1,000
	100 - 48.61 P/E (x)	13.4	12.3	11.7
		1.0	1.5	1.3
	P/B (x)			

INVESTMENT RATIONALE

Large hydropower plants which capitalize on both high ASP and volume are set to outperform until 1H2023

- Hydropower plants continue enjoying favorable conditions to reserve more water to produce electricity until 1H2023 as La Nina is forecasted to prevail in 2022 according to NOAA. Holding roughly of 500 MW hydropower, accounting for 51% of total its capacity, this segment will boost the company's earnings up to mid-2023.
- The selling price in CGM has set a new level high compared to the historical one due to the material price surge and we see the global power crunch will take time to cool down. Furthermore, Thuong Kon Tum plant potentially raise its PPA in the near term. Hence, hydropower plants are set to perform well at least to mid-2023.

Riding on the green trend in Vietnam with more renewable energy projects. An ambitious expansion plan including hydropower and wind power plants that will raise its capacity and NPAT in coming years. In 2022, REE plans to add more than 100 MW of wind power and solar power, and small hydropower plants.

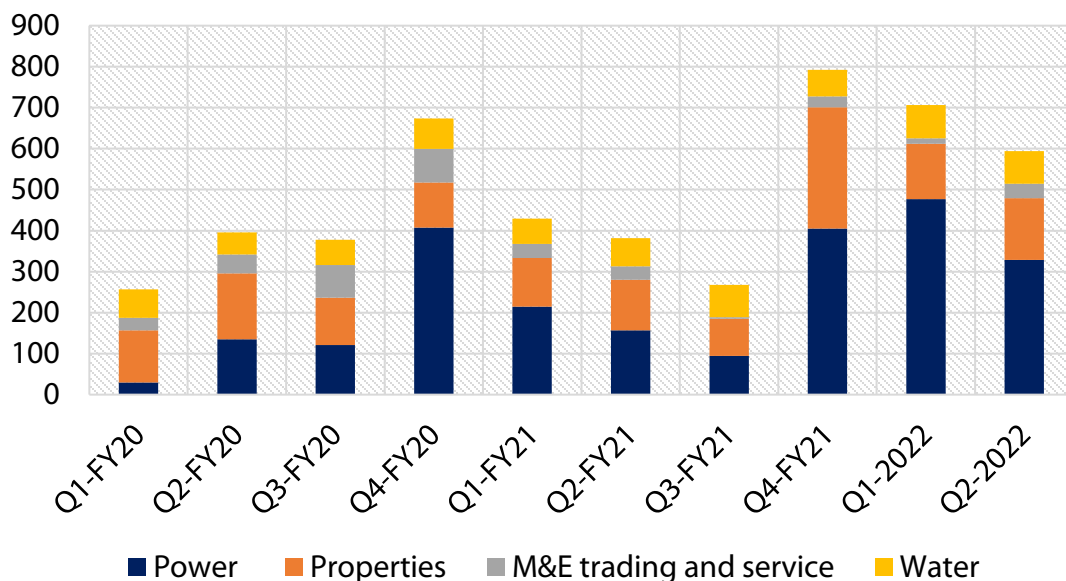
Etown6 will fuel medium-term growth. Solid and stable earnings from this segment will contribute stable cash flow to the company. Furthermore, Etown6 will be the company's growth momentum from 2023, raising its leasable areas by 27% to roughly 200,000 sqm.

RISKS TO OUR CALL

- The expansion plan in power segment may prolong longer than expected due to industry regulation, a shortage of earnings from those brand-new projects might impact growth speed.
- The lower-than-expected ASP if (1) CGM price goes down significantly and (2) Thuong Kon Tum plant's PPA cannot be revised up.

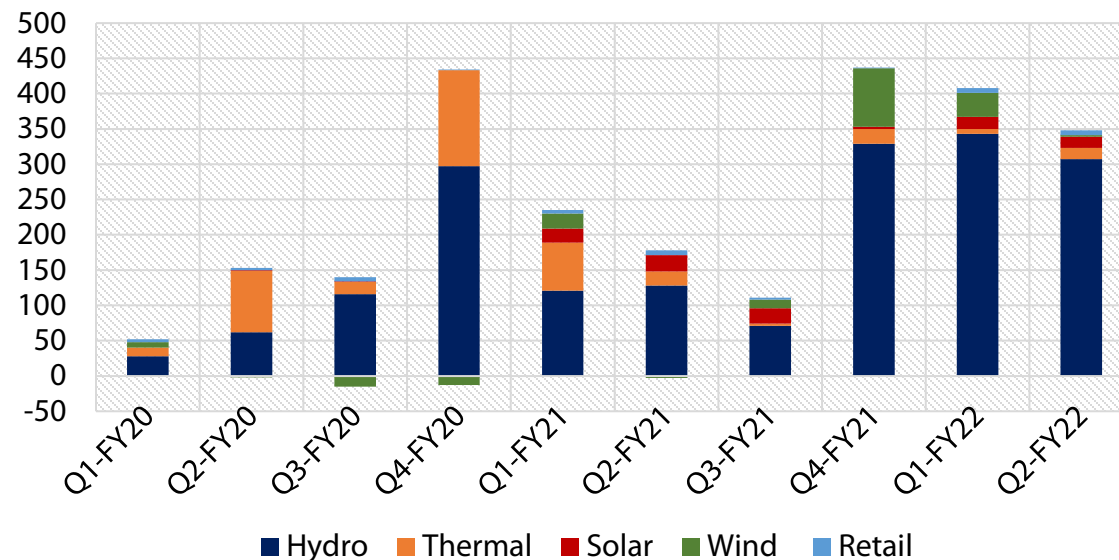
(*) Upside include cash dividends in the next 12 months

Figure 1: NPAT by segment (VND bn)



Source: REE, Rong Viet Securities

Figure 2: NPAT in power segment (VND bn)



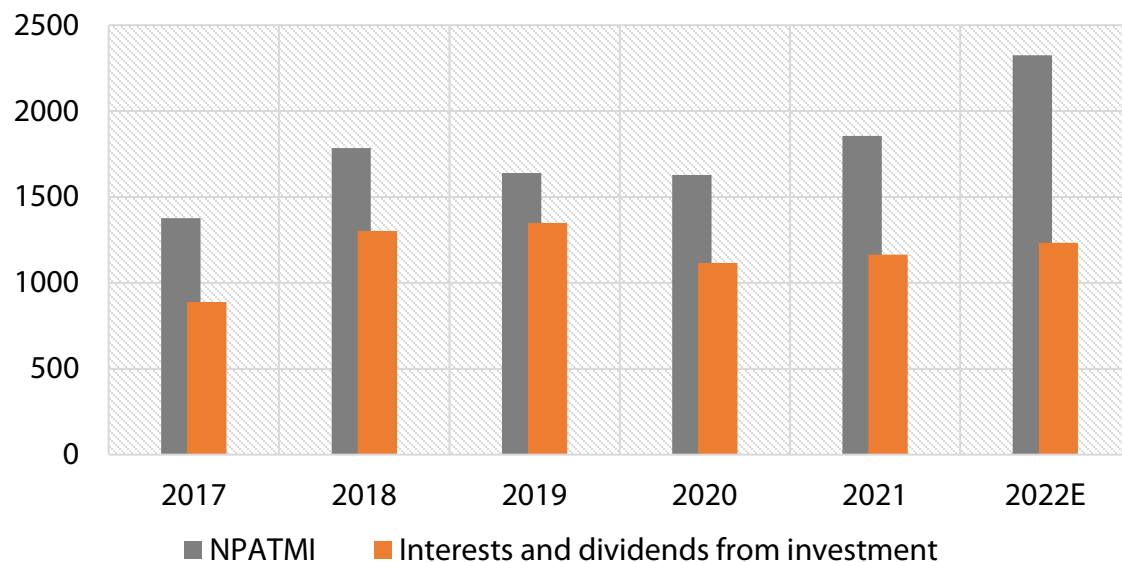
Source: REE, Rong Viet Securities

New contribution from wind power bolstered the company profit. The three-wind power plants came online in Oct 2021 will be fully utilized and boost earnings in 2022. Wind power projects gained VND 34/ VND 2 bn in 1Q/ 2Q2022, contributing roughly 8% and 1% to power segment NPAT.

Core earnings surged by 61% YoY thanks to the power segment enhancement. The power/properties segment contributed the majority of the total company's earnings, respective of 62%/ 25% of total the company NPAT in 1H2022. The power segment doubled its earnings to VND 806 bn (or USD 35 mn) in 1H2022, properties and water segment sustainably rose by 18% and 23%. Meanwhile, M&E service and trading experienced a diverse trend, -28% YoY.

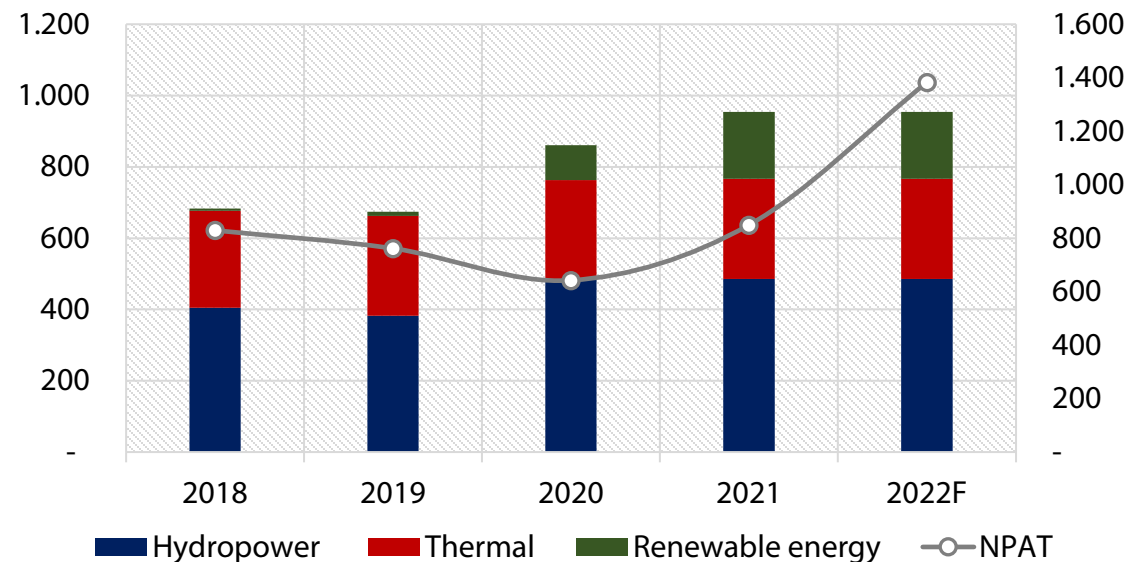
Large hydropower plants were the main pillar in the power segment that benefited from a bounce in volume and the extremely high selling price in CGM. 40% of the power segment's earnings stem from VSH, which just commercial operated the Thuong Kon Tum plant in Apr 2021.

Figure 3: Profit and cash dividends from its investments (VND bn)



Source: REE, Rong Viet Securities

Figure 4: Capacity (LHS, MW), NPAT (RHS, VND bn)



Source: REE, Rong Viet Securities

Risk of FX loss due to the fluctuation of the exchange rates in the short-term. As REE has both USD and EUR financial exposure, those exchange rates movement might generate loss/gain in the current unpredictable context.

Maintain core earnings growth in 2H2022. We forecast revenue/ NPATMI to be VND 7,974/ 2,325 bn (or USD 347/ 101 mn, +37%/ 25% YoY). NPATMI rose more slowly than revenue as (1) a slump of 63% in financial income compared to 2021. The company gain substantial earnings in 2021 thanks to divestment from VIID, QTP and the VND appreciation during 2021; (2) An edge of 28% YoY in financial expenses consisting of interest expenses and FX loss.

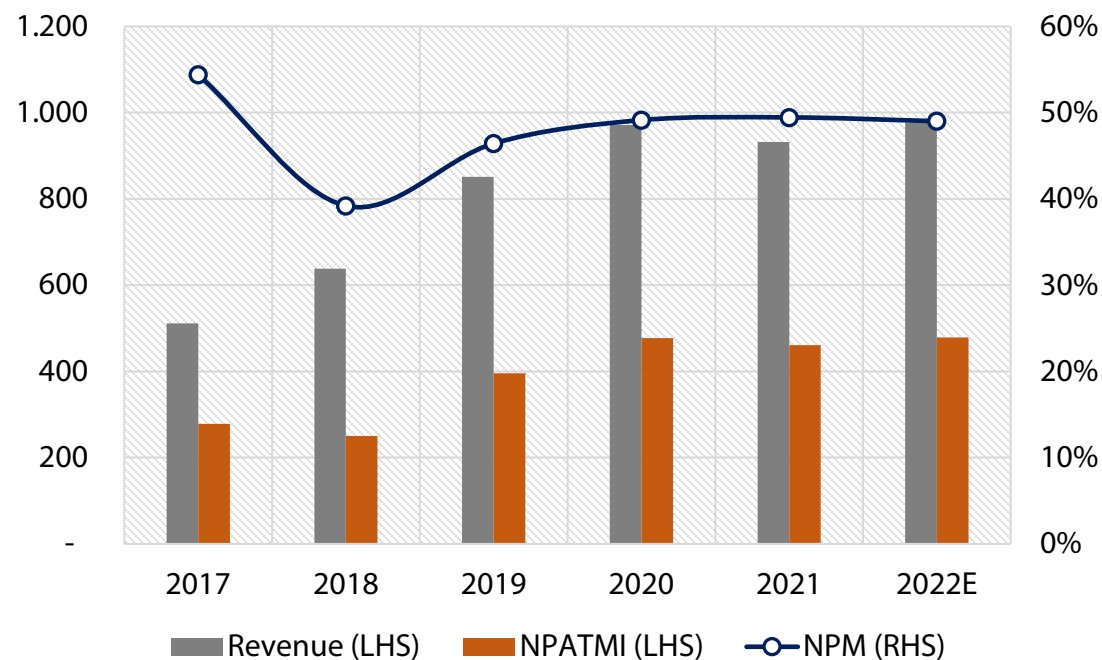
Riding on the green trend in Vietnam to pursue more renewable energy projects. Capitalizing on the company's solid cash flows, REE will expand its capacity in the power segment consisting of wind power, rooftop solar and small hydropower plants.

Figure 5: Etown 6



Source: REE, Rong Viet Securities

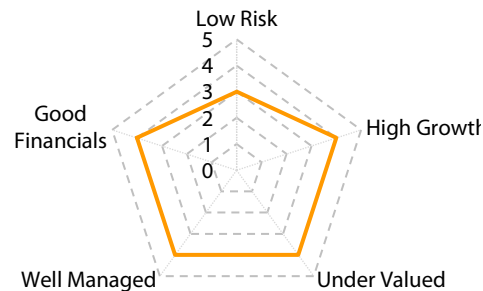
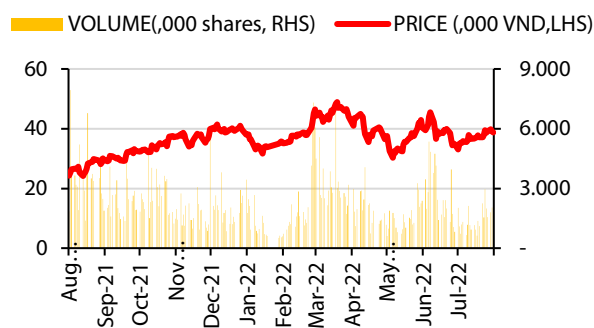
Figure 6: Estimated office leasing segment results (VND bn)



Source: REE, Rong Viet Securities

Etown 6 will fuel medium-term growth and boost solid cash flow in the leasing segment from 2023

- Earnings from office leasing will gradually grow due to its stable nature. Per our estimation, the company will gain more than VND 100 bn (or USD 4.4 mn) when it fully occupied in PBT term, accounting for roughly 20% of current earnings from this segment.
- High net profit margin and cash flows from this segment will be the resource that the company will utilize to expand its holding business.

ACCUMULATE: 15%
MP: 38,000
TP: 43,800
STOCK INFO
FINANCIALS
2021A 2022F 2023F


Sector	Utilities
Market Cap (\$ mn)	390
Current Shares O/S (mn shares)	235
3M Avg. Volume (K)	1894
3M Avg. Trading Value (VND Bn)	73
Remaining foreign room (%)	45.4
52-week range ('000 VND)	49.9 - 24.04

Revenue (VND bn)	9,828	7,342	9,612
NPATMI VND bn)	695	477	730
ROA (%)	2.6	3.9	3.9
ROE (%)	9.2	12.4	12.4
EPS (VND)	2,860	1,826	2,795
Book Value (VND)	19,992	21,966	24,988
Cash dividend (VND)	0	0	0
P/E (x)	13.6	21.2	13.9
P/B (x)	1.9	1.8	1.55

INVESTMENT RATIONALE

The power sector is the main pillar in 2022. PC1 commercial operated three wind power plants in Oct 2021 that will boost the power segment's profitability in 2022. Furthermore, hydrological conditions have supported hydropower plants to accelerate in 2022. We forecast the power segment's revenue and GP to be VND1,720 and VND925 bn, +86% YoY and 80% YoY, respectively in 2022. PC1 plans to continue expanding capacity in the power segment, specifically the Bao Lac A hydroelectric plant (30 MW) in 2023 and wind power projects from 2024.

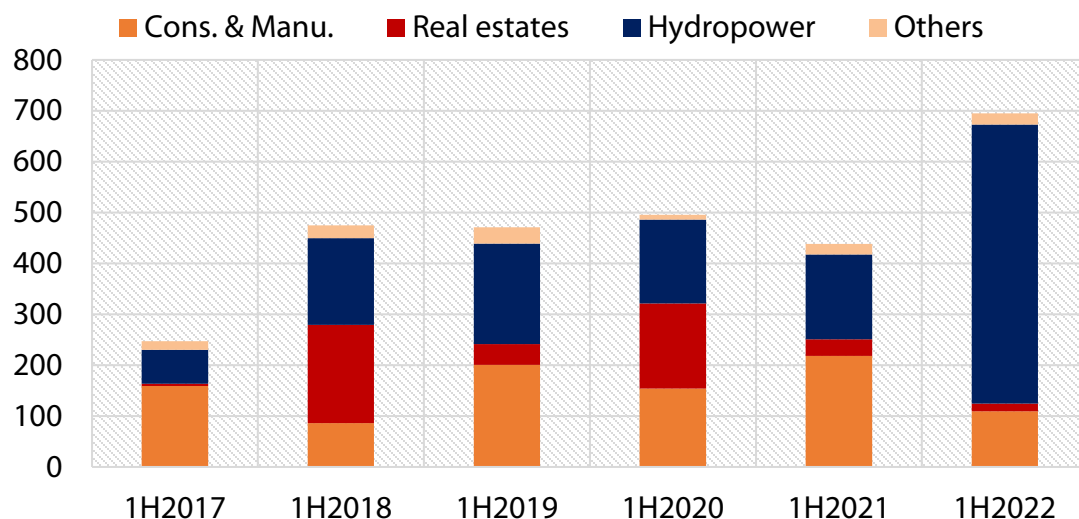
The power construction segment will likely benefit from the upcoming wind power market. This segment recorded low results in 1H2022 due to the lack of revenue from renewable energy projects. We foresee that PC1 will achieve higher results in the upcoming wind power market. Revenue/ gross profit in 2022 are forecasted to be VND3,624/ VND290 bn (or USD158 / 12.6 mn) in 2022.

Nickel mine will be the growth engine in the medium term. PC1's Nickel mine is sulfide ore, expected to be exploited within 10 years with reserves of about 14.3 million tons of raw minerals, refining Nickel and copper with an estimated rate of 0.7% and 0.2% respectively. We estimate that the Nickel mine will contribute an additional VND1400 bn to the company's revenue in phase 1 and around VND3500 bn upon completion of the 2nd phase.

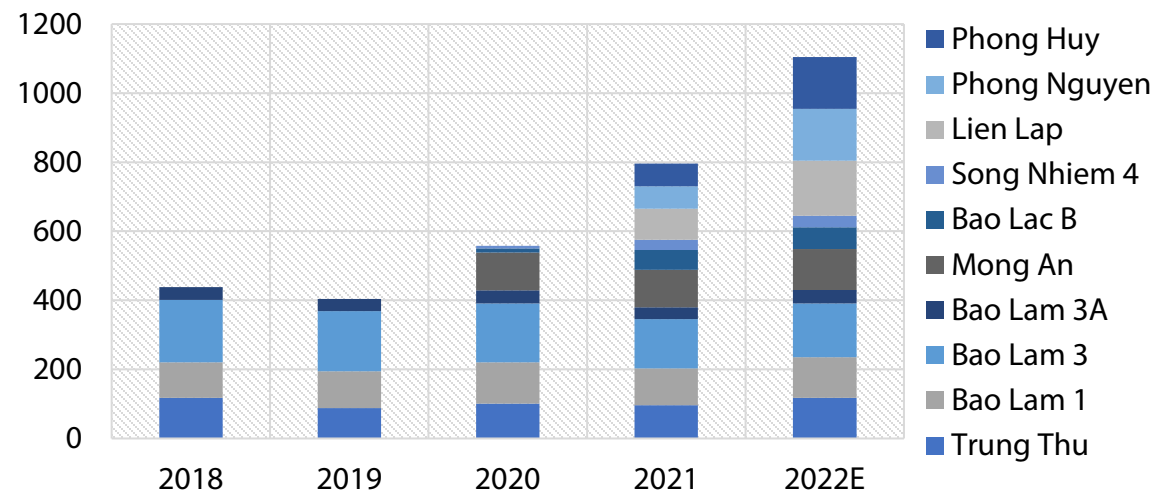
Numerous real estate projects to contribute to profits. PC1 owns four real estate projects and several subsidiaries in industrial parks. However, year to date there is no construction permit for those projects. We have not factored in residual projects in our valuation.

RISKS TO OUR CALL

- Downside risk: (1) Nickel ore exploitation might be delayed longer-than-expected. (2) Heavy exposure to USD currency (roughly 51% of total long-term debt).
- Upside risk: Power construction and real estate segments' earnings could be recorded sooner and higher than our forecast.

Figure 1: Gross profit by sector (VND bn)


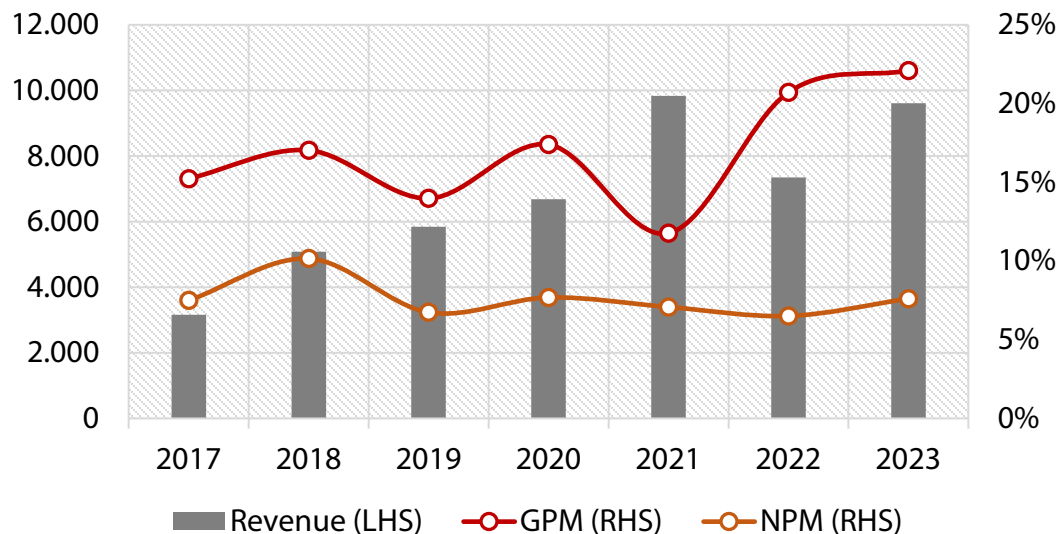
Source: PC1, Rong Viet Securities

Figure 2: Volume by power plants (mn kWh)


Source: PC1, Rong Viet Securities

Earnings growth boosted by new wind power projects

- Revenue and NPATMI in 1H2022 were VND 2,996 bn (or USD 130 mn, -34% YoY) and VND 196 bn (or USD 8.5 mn, -52% YoY), respectively. Core earnings still grew by 34% YoY while 2Q2021 recorded a non-cash profit – revaluation.
- Gross profit from this segment has tripled in 1H2022 and accounted for 79% of total gross profit given by (1) The new attribution of the three wind power plants came into operation in October 2021; (2) Dramatic rainfall in 2Q2022 that accelerated hydroelectric power plants performance. The power segment revenue /GP is forecasted to be VND1,720/ VND925 bn, +86% YoY and 80% YoY, respectively in 2022.
- Expand capacity in the power segment by hydropower and wind power from 2023 to 2025. Specifically, PC1 plans to build the Bao Lac A hydroelectric plant (30 MW) in 2023 and the remaining 51 MW of hydropower by 2025. Besides, wind power projects are going to add to the power portfolio from 2024.

Figure 3: Business results (VND bn) and margin (%)


Source: PC1, Rong Viet Securities

Table 1: Residential real estate projects (VND bn)

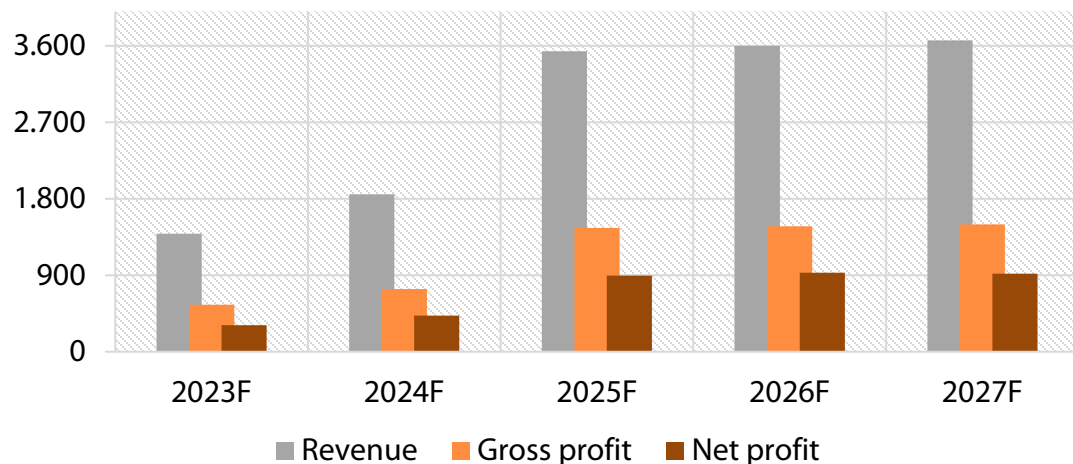
Projects	Area (m2)	Description
Gia Lam	7000	54 low-rise apartments
Dinh Cong	15,000	83 low-rise apartments
Vinh Hung	5,160	- Mixed-use high-rise buildings: 27 floors, 3 basements - Mixed-use high-rise buildings: 5 floors, 1 basements
Thang Long	20,000	- Mixed-use high-rise buildings: 27 floors, 3 basements - Low-rise commercial buildings: 4 commercial floors, 1 basement

Source: PC1, Rong Viet Securities

Core earnings are forecasted to climb. We forecast core earnings in 2022 to grow by 10% YoY (excluding financial income from revaluation in 2021). There will be a surge of 50% YoY in financial expenses including (1) financial interest from wind power and (2) FX loss.

Numerous residual real estate projects but need to wait for construction permit. Currently, PC1 has four projects in its pipeline (Table 1) that the company expects to record from 2023 and 2025. However, there has been no construction permit, so we have not reflected those projects in our valuation. Aside from residential real estate, PC1 also spent VND1,100 bn for a 30% stake in Western Pacific, which owns a network of industrial parks and ports. PC1 expects a one-off revenue for Yen Phong II industrial park in 2023, with a total area of 158 hectares and leasing prices ranging from \$120 to \$150.

Figure 4: Nickel mine revenue and profit projections (VND bn)

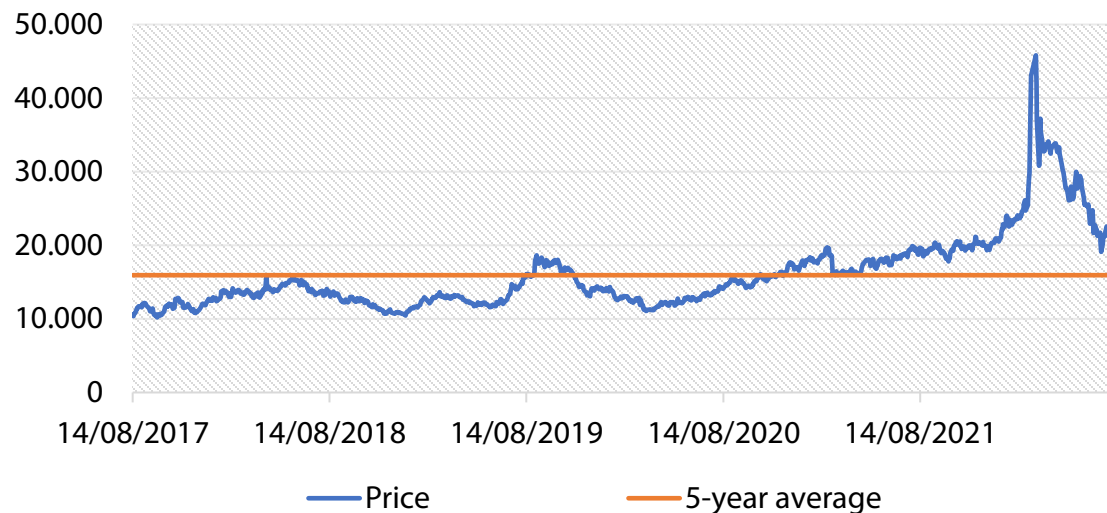


Source: PC1, Rong Viet Securities

Expect to exploit from FY23

- The nickel-copper sulfide ore of PC1's mine, which contains reserves of roughly 14.3 million tonnes, is expected to be exploited within the next ten years. It has an estimated rate of roughly 0.7% for refined nickel and 0.2% for refined copper.
- We estimate that in 2023 and 2024, the nickel-copper mine operated by PC1's subsidiary- Tan Phat Mineral JSC, in which PC1 holds a 58% stake, will contribute roughly VND179 bn & VND244 bn (or USD 7.8 & 10.6 bn) to PC1's PBT.

Figure 5: London Nickel price (USD/ton)



Source: Bloomberg, Rong Viet Securities

Figure 6: Tan Phat's nickel-copper mining project

Metal type	Mine's total output (tonnes)	Estimated crude reserves (tonnes)	Estimated nickel refining capacity (tonnes)
Nickel	14,300,000	10,150,000	50,750-81,200
Copper			20,300-30,450

Source: PC1, Rong Viet Securities

ACCUMULATE: 15%

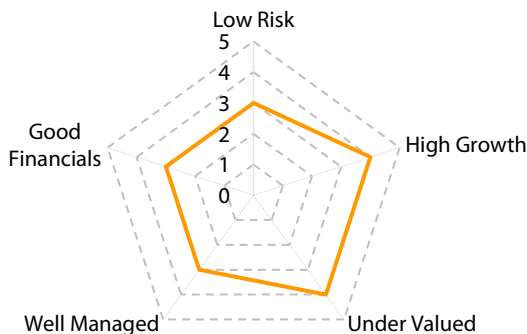
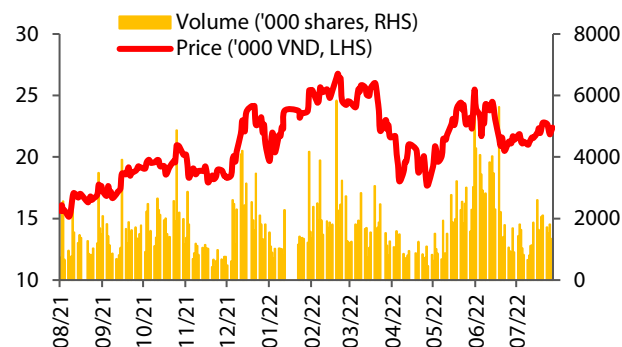
MP: 19,550

TP: 24,700

STOCK INFO

FINANCIALS

2021A 2022F 2023F



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

Utilities
307
322
1950
44
14.8
27.36 - 14.62

Revenue	1,381	2,116	2,170
NPATMI	277	311	378
ROA (%)	2.06	3.1	4.0
ROE (%)	8.4	9.4	11.4
EPS (VND)	834	979	1,190
Book Value (VND)	10,066	10,110	10,221
Cash dividend (VND)	400	400	400
P/E	26.2	22.3	18.4
P/B	2.4	2.4	2.4

INVESTMENT RATIONALE

Strong growth engine from wind power

- GEG is the top player in the renewable energy market. It will capture the wind power trend in Vietnam to add more projects to its green portfolio. The company has two potential wind power projects in its pipeline with 130 MW consisting of Tan Phu Dong 1 and V.P.L 2. Notably, TPD1 (100 MW) is the project that might enjoy preferential condition compared to future plants in Vietnam as it has been signed with EVN.
- Currently GEG owns three-wind power plants. This will drive earnings in 2022. Despite having a high gross profit margin, financial expenses will eat most profits and result in a net profit margin of roughly 10%. Such margin is expected to increase in coming years thanks to a gradual decline in financial expenses. In 2022, we forecast that the wind power segment is going to contribute roughly VND 822 bn (or USD 36 mn), equivalent to 39% of total revenue.

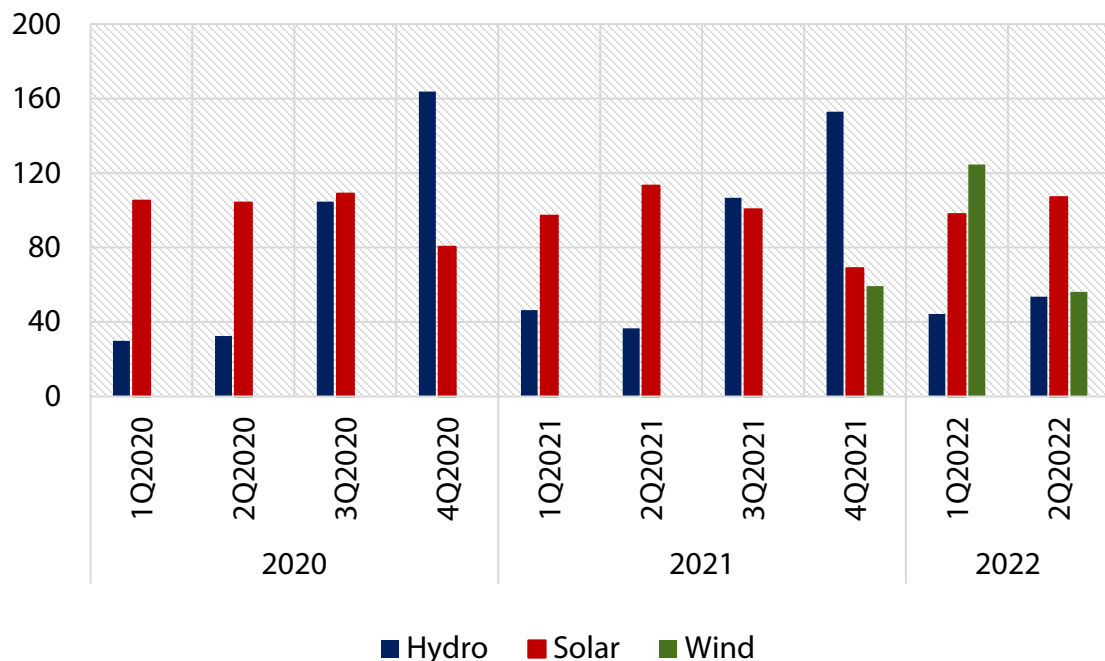
Solar power segment is the stable contributor to earnings. Five solar power projects (259 MWp) with extremely high selling prices (FiT1) and 34 MWp rooftop solar. Revenue from this segment hovers around VND 850 bn (or USD 37 mn), contributing 40% of total revenue in 2022. Earnings and cash flows from this segment will rise thanks to constant debt repayment year over year.

Sustainable cash flow from hydropower plants. In 2022, the company will enjoy La Nina to bolster earnings and cash flow from hydropower. Those will contribute to company's finances to build more renewable energy projects.

RISKS TO OUR CALL

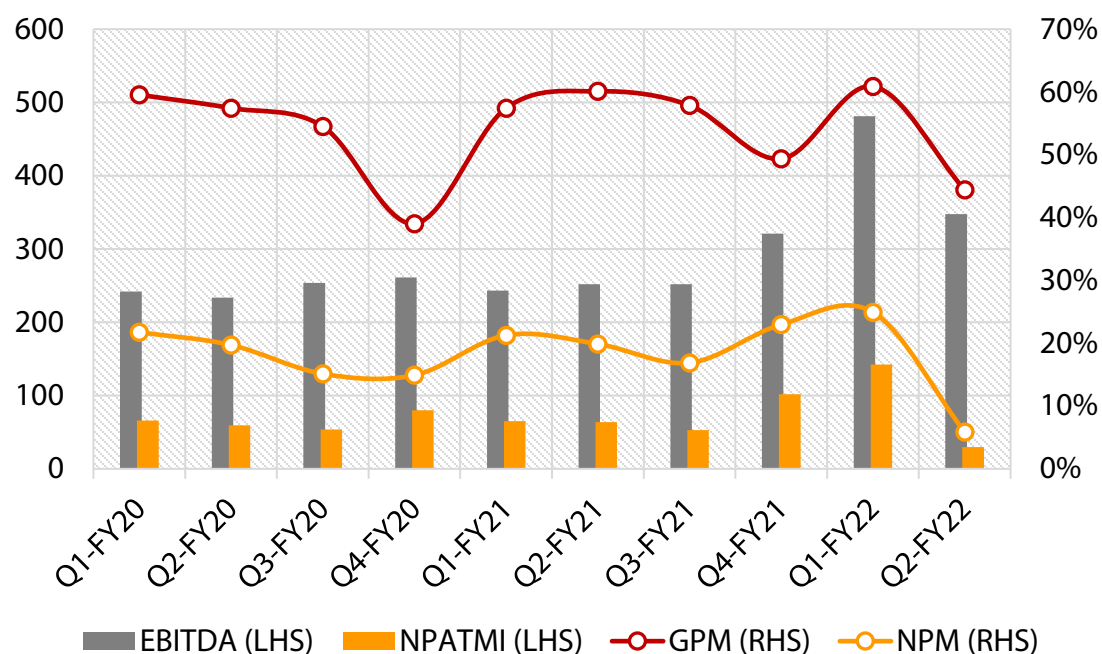
- The wind power market might be take-off later than expected, resulting in an unattractive growth in near future.

Figure 1: Volume by group (mn kWh)



Source: GEG, RongViet Securities

Figure 2: Results (VND bn)

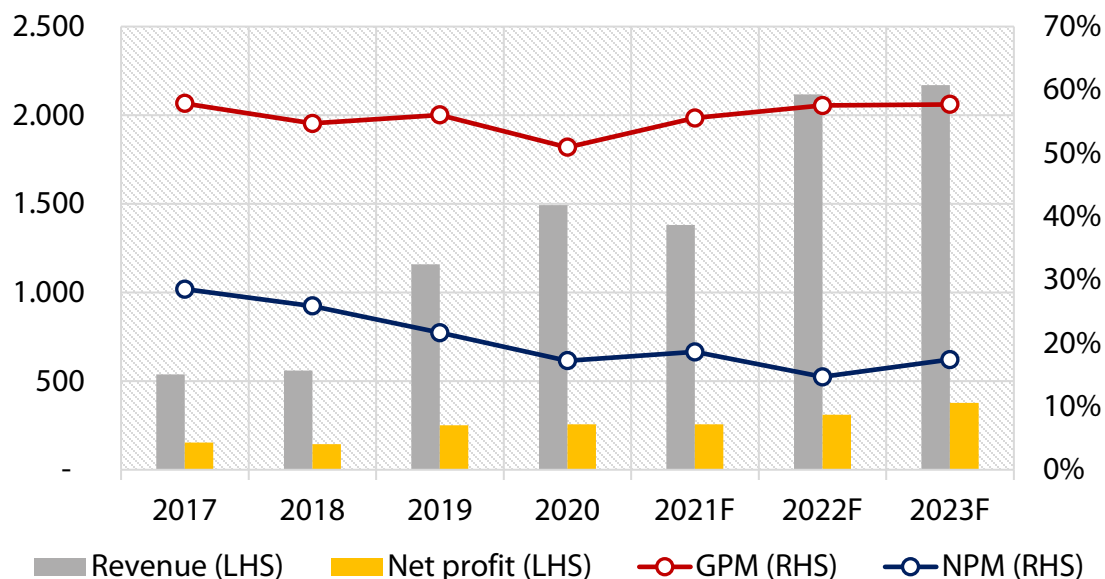


Source: GEG, RongViet Securities

EBITDA jumped by 67% YoY in 1H2022 on the back of the three wind power farms addition. Revenue/ NPATMI grew by 72% /34% YoY in 1H2022. However, GPM shrank by 564 bps to 53% in 1H2022 due to the lower margin of wind power projects compared to those of hydro and solar power.

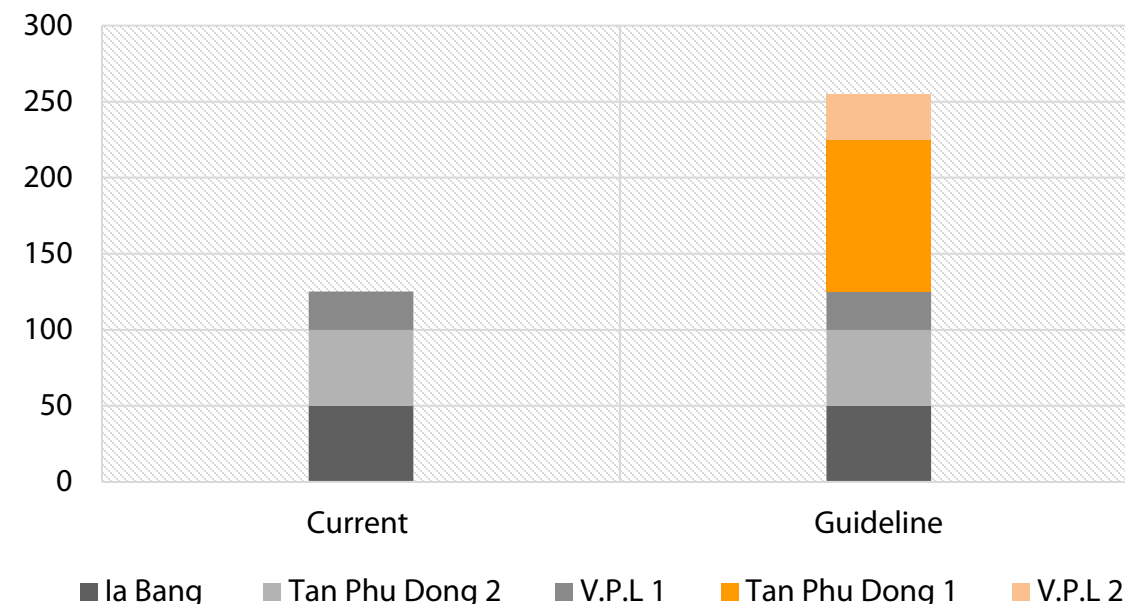
In terms of wind power farms operation, those projects perform well in 1Q and 4Q due to seasonal factors, resulting in high volume and revenue. As a capital-intensive business, depreciation and financial expenses are fixed and account for most of its revenue. Therefore, net earnings from wind power projects are relatively unstable by quarter. Specifically, NPATMI in 1Q doubled compared to that in 2021 while that in 2Q plunged by 54% YoY.

Figure 3: Results (mn kWh)



Source: GEG, RongViet Securities

Figure 4: Wind power projects in GEG's pipeline (MW)



Source: GEG, RongViet Securities

The full- year utilization of wind power farms will boost the company's earnings in 2022. Despite the fluctuation of earnings from wind power by quarter, those projects are going to bolster the company NPATMI by more than 20% YoY in 2022. Revenue and NPATMI are forecasted to be VND 2,116 bn and VND 311 bn (or USD 92 mn and USD 13.5 mn), +46% YoY and +21% YoY, respectively.

Capture wind power opportunities to add more projects to its green portfolio. GEG currently has two potential projects in its pipeline, with total capacity of 130 MW consisting of Tan Phu Dong 1 and V.P.L 2. Notably, Tan Phu Dong 1 project was signed with EVN. This project will be the very first beneficiary if EVN has referential scheme for those that miss the deadline as of Oct 2021. Being an experienced player in the renewable energy market, we foresee that GEG will be able to develop those two projects in the near future, doubling its current capacity in this segment.

OIL & GAS

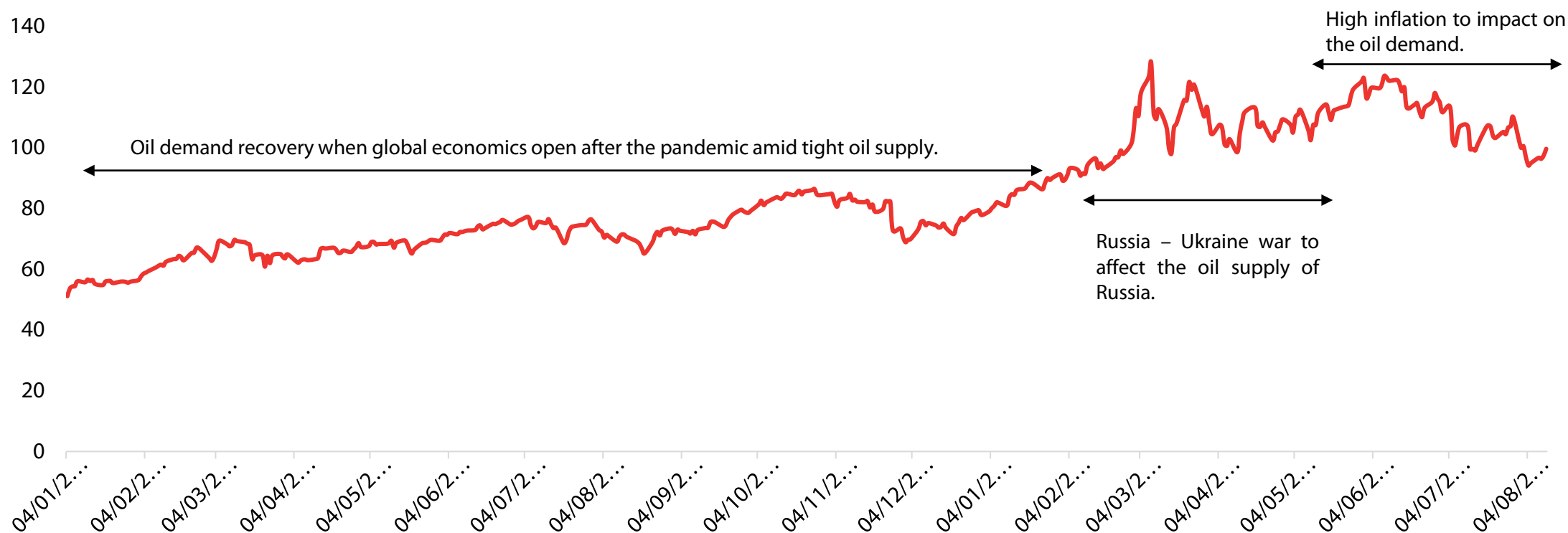
OIL PRICES AMIDST THE STORM OF INFLATION



Vu Tran – vu.thx@vdsc.com.vn



Figure 1: Oil price movement and events

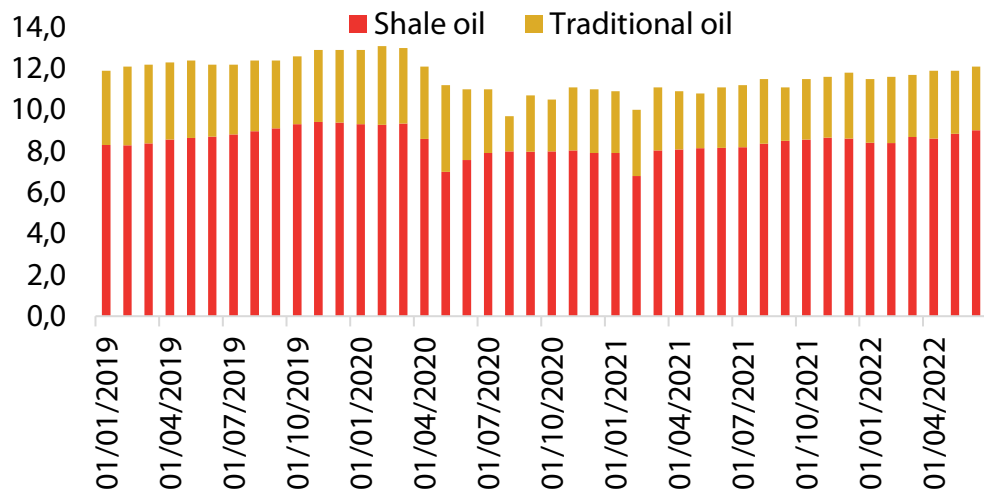


Source: Bloomberg

Oil price has been fluctuating when the Russia-Ukraine war has happened and tend to decrease when inflation is climbing.

- After the pandemic, the demand for crude oil has grown strongly in the context of tight supply, boosting the oil price from the end of 2021. Besides, the sanctions on Russia - one of the three major crude oil producers in the world, has pushed crude oil prices up sharply due to concerns about supply disruption. In May, Brent crude oil reached peak at more than 120 USD/barrel.
- However, high inflation and tight global monetary policy have affected crude oil demand. From June, oil prices tends to correct.

Figure 2: US oil production (mbpd)



Source: Bloomberg, Rong Viet Securities

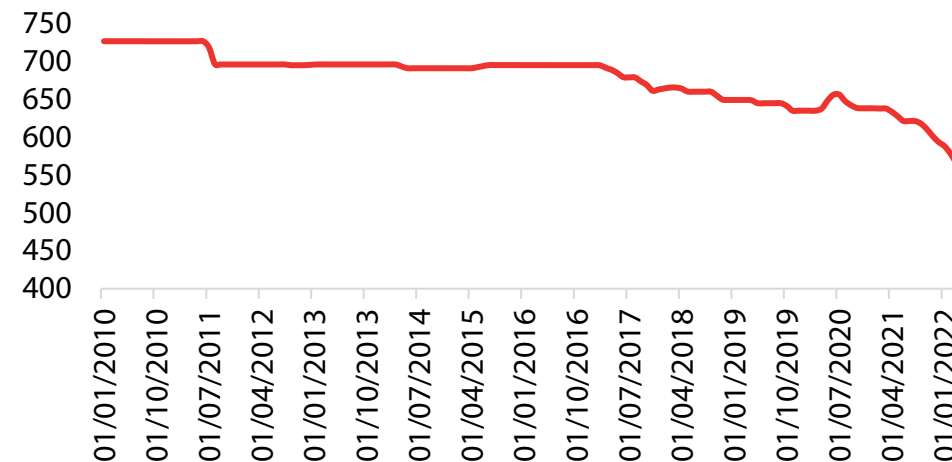
The U.S has put pressure on oil prices to control the inflation.

- In terms of supply, US shale oil production hiked along with the depletion in strategic petroleum reserve. The US government aims to reduce oil prices to curb the domestic inflation. In addition, OPEC is also in the process of boosting production despite a weak motivation from this group.

High inflation and China zero-Covid policy hit the oil demand.

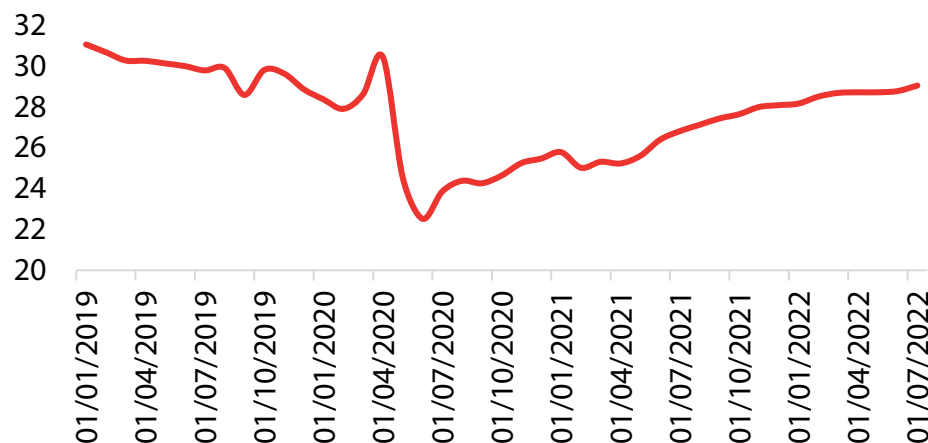
- World oil demand is being hit since China (the biggest oil consumers) maintains the zero-Covid policy and the world's economy is under inflation pressure.

Figure 3: US strategic oil reserves (mbpd)



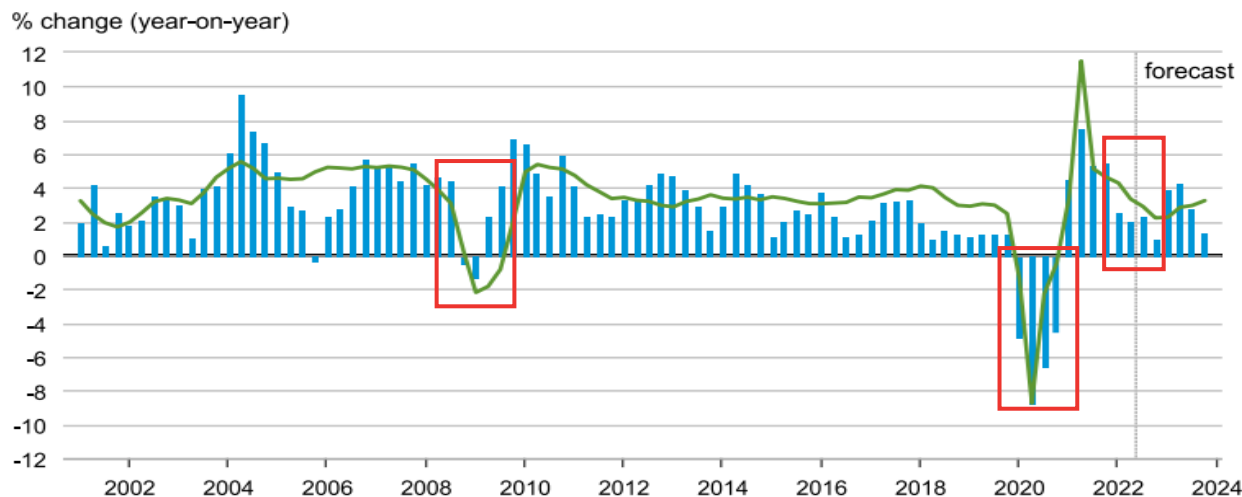
Source: Bloomberg

Figure 4: OPEC oil production (mbpd)



Source: Bloomberg

Figure 2: % change in world GDP and non-OECD oil product demand



Source: EIA, world GDP (green line), non-OECD group demand (blue column)

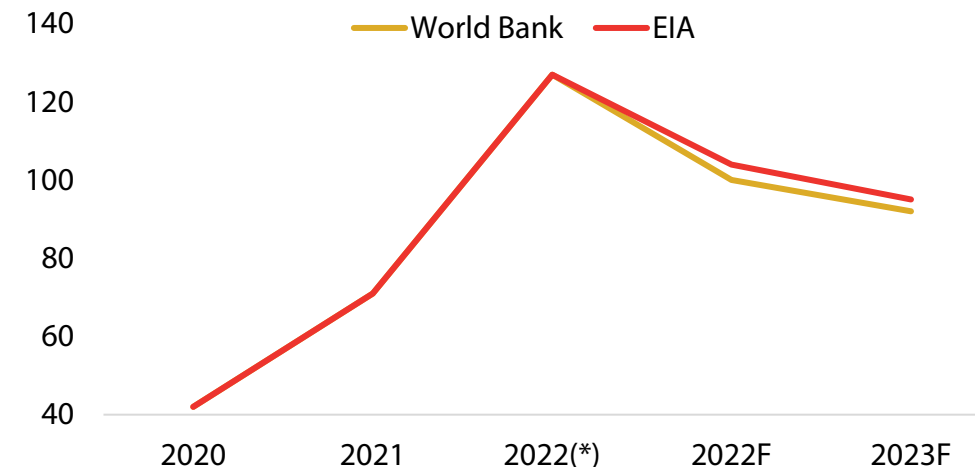
Gloomy economic outlook affects oil demand

- IMF and World Bank have all lowered their world GDP growth forecasts in their recent reports in response to global inflation. Specifically, world GDP growth is only at 2.9% - 3.2% compared to previous forecasts - 3.6% and 4.1%.
- With a shadow economic outlook, the world oil demand is forecasted to rise below the overall production level, leading to an oversupply.

A drop in oil price during 2H2022

- After many optimistic forecast in 1H2022, most organizations have revised down their oil price forecasts for 2H2022.

Figure 3: Brent oil price forecast (USD/barrel)



Source: Rong Viet Securities, 2022 (*) is the peak of Brent oil price as of August 2022

Table 1: Crude oil supply and demand forecast 2022

Unit: mbpd	IEA	EIA	OPEC
Demand	99.2	99.4	100.0
Produce	101.3	100.1	100.3*
Supply - Demand	2.1	0.7	0.3

Source: Rong Viet Securities, * based on OPEC production in July

Table 2: 1H2022 business update

	Ticker	Revenue			NPATMI			Comment
		1H2021	1H2022	+/- YoY	1H2021	1H2022	+/- YoY	
Upstream	PVS	5,670	7,580	34%	296	228	-23%	Higher revenue but lower gross margin. Besides, G&A expense increased in 2Q2022.
	PVD	1,654	2,659	61%	-97	-116	N/A	Drilling segment's revenue increased thanks to PVD V and hired rig. But gross profit of this segment still posted loss due to accrued expense and PVD V.
Midstream	PVT	3,610	4,287	18%	377	365	-3%	Revenue of transportation segment kept increasing in 1H2022 thanks to new vessels.
	GAS	40,272	54,342	35%	4,291	8,515	98%	Selling price of dry gas to follow the higher oil price in 1H2022.
Downstream	BSR	48,908	87,174	78%	3,544	12,250	245%	Cracking spread to skyrocket in 2Q2022.
	OIL	25,188	53,655	113%	361	633	75%	Both sales volume and ASP increased in 1H2022. ASP got benefit from the rising petroleum price.
	PLX	85,115	151,387	78%	2,159	206	-90%	Aggressively booking inventories provision.

Source: Rong Viet Securities

Despite the high oil price, not all businesses enjoyed advantages

- In terms of upstream (PVS, PVD), lack of new projects affected on the 1H2022 business results.
- In terms of midstream (PVT, GAS), rising selling price of gas output supported the earnings of GAS while PVT has improved the day rate for its fleets since 2Q2022.
- In terms of downstream (BSR, OIL, PXL), favorable petroleum price and high cracking spread pushed up downstream profit. Except for PLX, booking inventories provision aggressively has affected the 1H2022 bottom line.

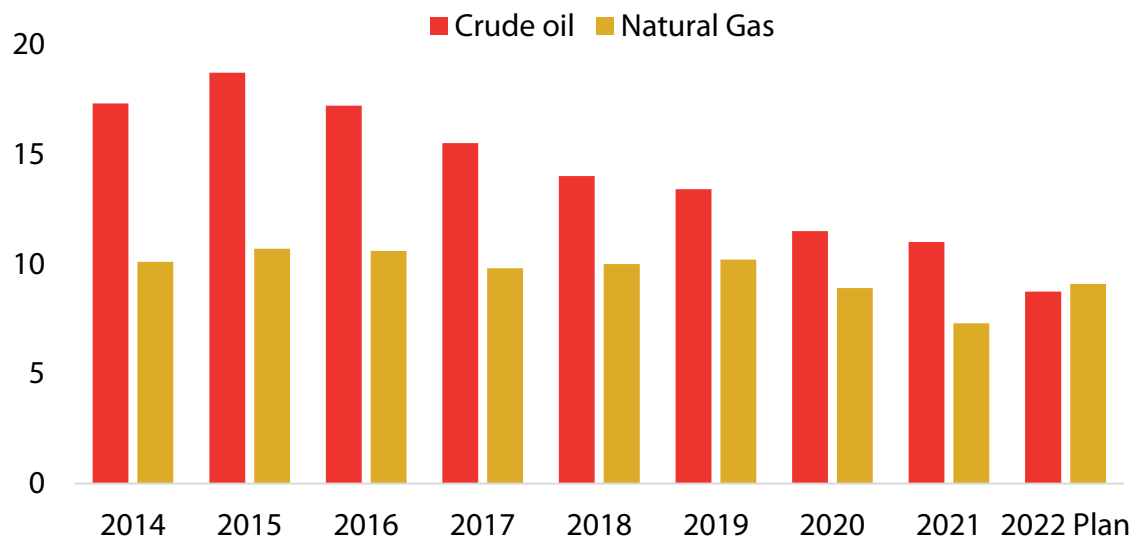
Crude oil production witnessed a deep dive

- Currently, Vietnam's large oil and gas fields are reducing their natural output by 5-8%/year because most of the fields have been exploited for long time while the plan to increase oil and gas reserves is low. From 2015 onwards, crude oil production decreased sharply while gas output also tended to plummet. From 2020 till now, the Sao Vang - Dai Nguyet project has come to operation.

There is a pressure to accelerate the potential project's progress

- With pressure to increase oil and gas production output, we believe that PVN will try to push key projects into operation soon. In addition, the draft Oil and Gas Law is another motivation to bolster PVN and ease some burdens in investment, thereby ramping up the project implementation. Besides, this draft is expected to attract more foreign investment to develop potential projects.
- Block B is a promising project to be implemented soon. However, there are still issues to be solved related to capital funding, input gas price policy and electricity selling price for EVN. Before that, the market expected the project to be able to make a final investment decision in July 2022.

Figure 4: Crude oil (mn tons) and gas (bn m3) production in Vietnam



Source: PVN

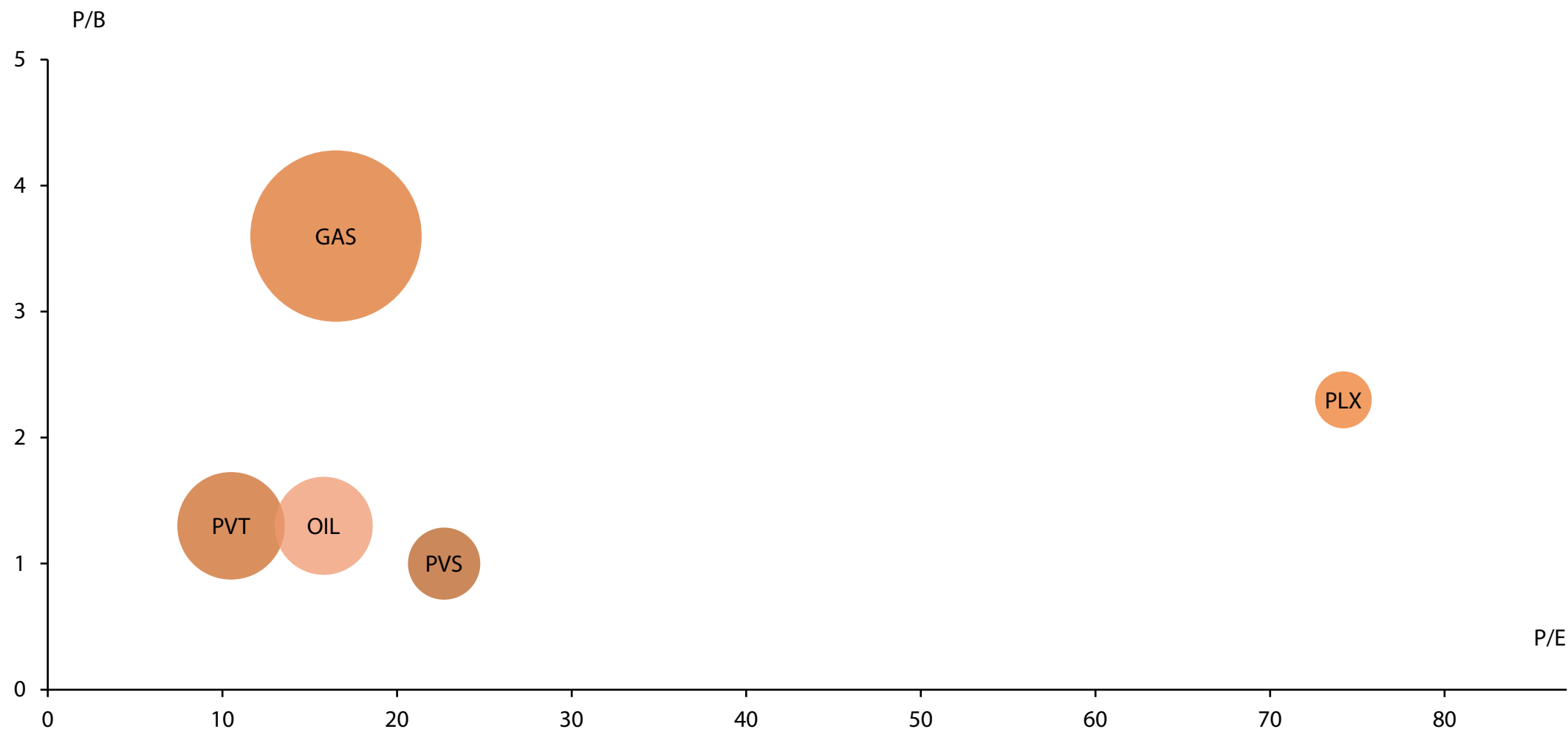
Table 3: Update of major oil and gas projects

	Updates	CAPEX
Block B	+ Waiting for Final Investment Decision.	USD 8 bn
Blue Whale	+ Exxon Mobil to finish the Final Development Plan.	USD 10 bn*
White Lion Phase 2	+ Phase 2A is operating. Phase 2B is on process.	USD 2 bn
Ken Bau	+ Keep drilling for exploration.	USD 5 bn*
Lac Da Vang	+ Update the Final Development Plan.	USD 0.7 bn
LNG Thi Vai Phase 2	+ Waiting for Phase 1 to be done in 2022.	USD 0.2 bn

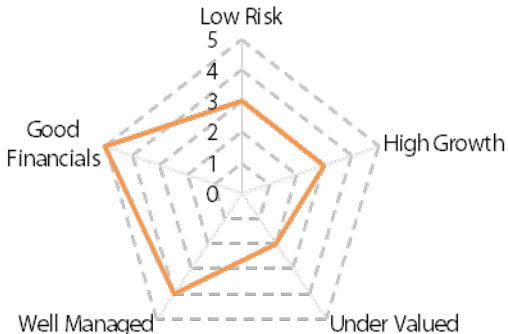
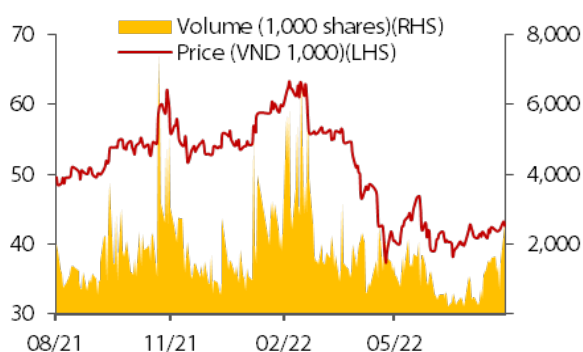
Source: Rong Viet Securities, including CAPEX for power plants

Ticker	Market cap (VND bn)	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	10,451	16,000	35.1	109.4	14.0	0.9	16.2	0.0	0.0	0.0	0.0	n/a	0.8
PVS	12,093	21,500	-5.8	89.4	2.0	-1.0	-1.8	3.3	2.1	4.4	4.0	22.7	1.0
PVT	6,861	23,800	7.1	16.9	26.3	12.7	-20.3	8.0	5.0	12.5	4.7	10.6	1.2
GAS	212,257	n/a	29.8	50.6	19.9	16.7	60.4	13.9	15.5	24.3	2.7	16.5	3.6
PLX	53,301	50,600	63.6	-61.0	1.1	0.1	-81.7	0.3	1.0	3.1	0.0	81.6	2.3
OIL	13,859	n/a	80.1	n/a	n/a	-102.4	95.4	-89.5	-1.9	-3.2	2.6	26.4	1.4

Source: Fiinpro, Rong Viet Securities. Share price as of August 10 2022.



Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 10 August 2022.

BUY: +23%
<MP 42,000>
<TP: 50,600>

STOCK INFO

Sector
Market Cap (VND Bn)
Current Shares O/S (mn Shares)
3M Avg.Volume (K)
3M Avg.Trading Value (VND Bn)
Remaining foreign room (%)
52-Week range ('000 VND)

FINANCIALS

Oil & Gas
Revenue (VND Bn)
NPATMI (VND Bn)
ROA (%)
ROE (%)
EPS (VND)
Book Value (VND)
Cash Dividend (VND)
P/E (x)
P/B (x)

	2021A	2022F	2023F
Revenue (VND Bn)	169,009	229,297	223,863
NPATMI (VND Bn)	2,839	2,789	4,372
ROA (%)	4.5	4.1	6.2
ROE (%)	9.7	5.2	7.3
EPS (VND)	1,788	2,144	3,361
Book Value (VND)	19,417	19,679	21,158
Cash Dividend (VND)	1,200	1,200	1,200
P/E (x)	30.1	22.9	14.6
P/B (x)	2.7	2.5	2.3

INVESTMENT RATIONALES

Profits growth was hit in the 1H2022 by the supply disruption at Nghi Son Refinery (NSR), but it's expected to recover from 2H2022

- The incident from Nghi Son Refinery forced PLX to import petroleum products with higher price to compensate for the domestic shortage in 1H2022. However, the global petroleum prices fluctuated, resulting in an aggressive inventory provision. As a result, PLX's net profit fell sharply 90.4% YoY in 1H2022. According to PLX, the domestic petroleum supply will return to a stable level as before with the proportion of 70% in the second half, which will support PLX's earnings boom in the last 2 quarters of this year.
- In addition, the reopening of the international tourism market from March 15, 2022, will push up air traffic demand. Thereby, profit of jet fuel segment is forecasted to grow strongly in 2H2022.

Potential to record significant profits from the divestment of PG Bank

- PLX has planned to a divest 40.57% stake in PG Bank via a public auction in 4Q2022. Currently, we assume that divestment price will be around VND20,000/share (P/B of 1.37x) ~ average 1-month market price. Then PLX is able to record one-off profit of VND720 bn (USD30.9mn) from the PGB's divestment.

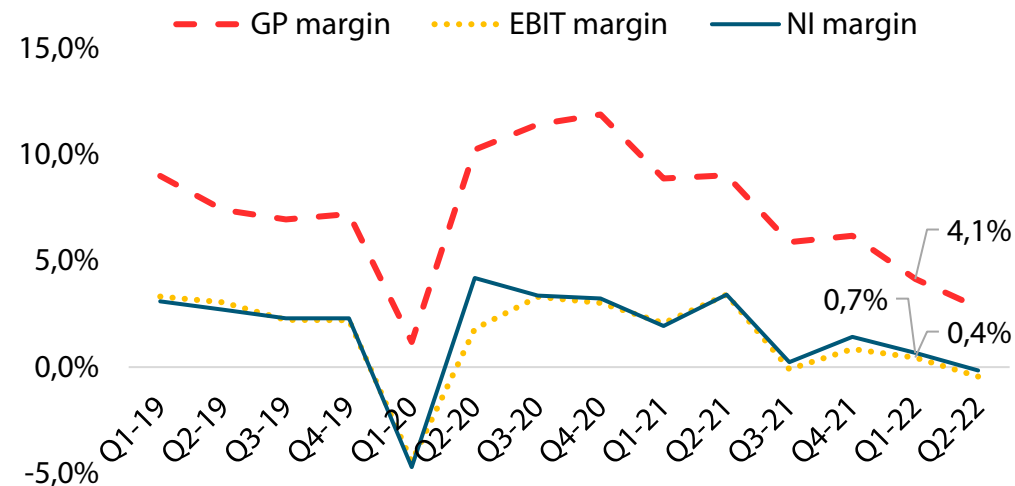
RISKS TO OUR CALL

- Oil prices fell sharply, causing PLX to book inventory provision. The unexpected shortage of supply from Nghi Son refinery will likely directly affect PLX's profit.
- The PGB's divestment is not successful.

Table 1: 1H2022 result of PLX (VND bn)

	1H2022	1H2021	%YoY
PBT	292.6	2,840.5	-90%
Petroleum	-594.8	1,772.1	n/a
Jet fuel	90.9	86	6%
Petrochemical	369.4	378.3	-2%
Gas	79.4	112.1	-29%
Transportation	43.4	73.3	-41%
Others	304.2	418.7	-27%
NPAT	206.4	2,158.9	-90%

Source: PLX, Rong Viet securities

Figure 1: Profit margin of PLX (%)


Source: PLX, Rong Viet securities

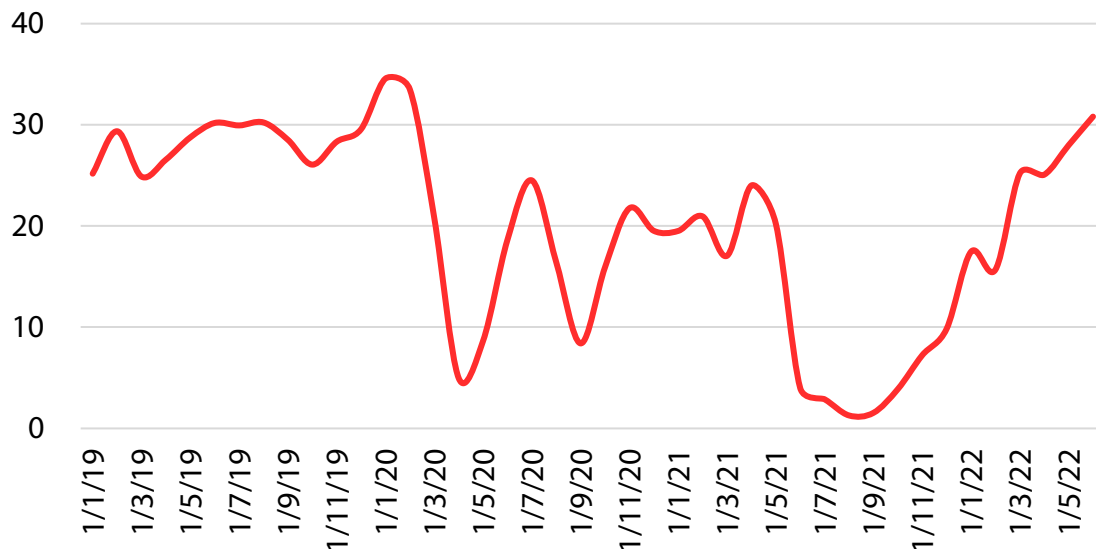
1H2022 profits was hit due to temporary domestic product shortages and aggressive inventory provision booking

- The supply disruption from Nghi Son Refinery (NSR) caused PLX to import petroleum products with higher price along with a large inventory provision at the end of 2Q2022 ~ VND1,330bn (USD57.1mn). As a result, the gross margin in 1H2022 was only 3.4% compared to 8.9% in the same period last year and NPAT posted VND206bn (USD8.8mn), down 90.4% YoY.
- As our observations, the world petroleum price had no unusual changes in 2Q2022. While PLX increased provision for its petroleum inventory from VND523bn (USD23.4mn) in 1Q2022 to VND1,330bn (USD57.1mn) in 2Q2022. And the main reason was from the drop in the domestic petroleum retail price in July 2022. Without the inventory provision, PLX's gross profit margin is equivalent to 1Q2022. We think that PLX has been so conservative in this case.

The supply disruption in petroleum supply is likely to be over along with the recovery and strong growth in demand, helping PLX's earnings boom in 2H2022

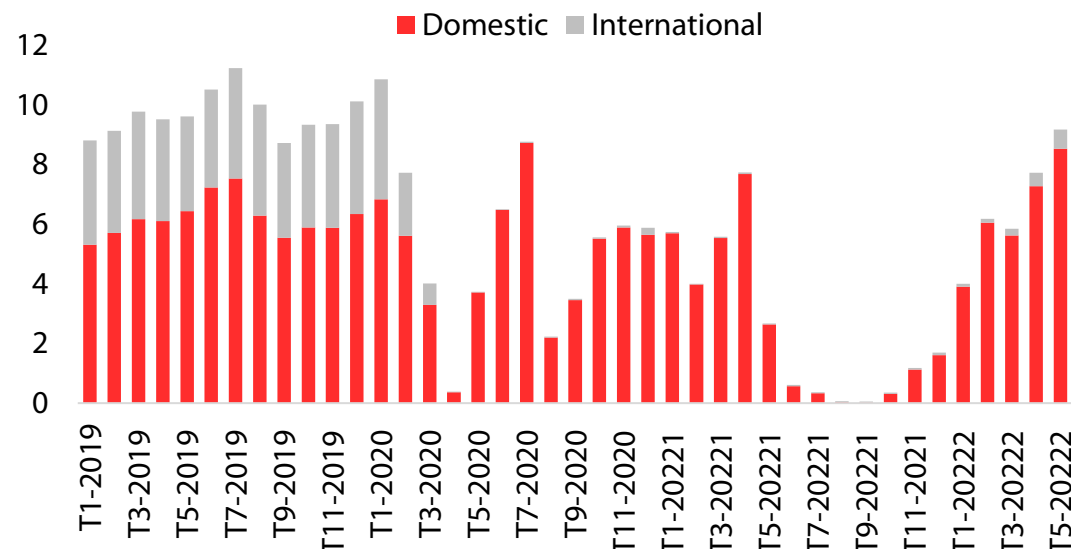
- According to PLX, petroleum supply will return to normal with imported share of 30% in 2H2022, compared to 50% in 1Q2022 and 39% in 2Q2022. Besides, petroleum consumption is forecasted to grow strongly. In 1H2022, PLX's domestic petroleum consumption volume grew 9% YoY to 5.09 mn m3. As a low base due to Covid in 2H2021, we expect PLX's consumption volume to increase strongly in 2H2022. In addition, given that the company has been cautious when booking inventory provision aggressively in 1H2022, PLX's second-half profit is expected to improve significantly unless petroleum prices fluctuates in the rest of 2022.

Figure 2: Number of flights in Vietnam ('000)



Source: ACV

Figure 3: Number of passengers (mn)



Source: ACV

Potential to record huge profits from divestment of PG Bank

- PLX owns lot of subsidiaries, and associates/affiliates with potential for future divestment including bank (PGB), insurance (PGI), Gas distribution business (PGC) and petrochemicals (PLC). The most prominent in the group of enterprises mentioned above is PGB with an ownership of 40.57%. Currently, the SBV has approved for PLX to sell all shares via a public auction in 4Q2022. With an estimated divestment price of about VND20,000/share (P/B of 1.37x) ~ average 1-month market price. Then PLX is able to record one-off profit of VND720 bn (USD30.9mn) from the PGB's divestment.

The jet fuel segment to improve

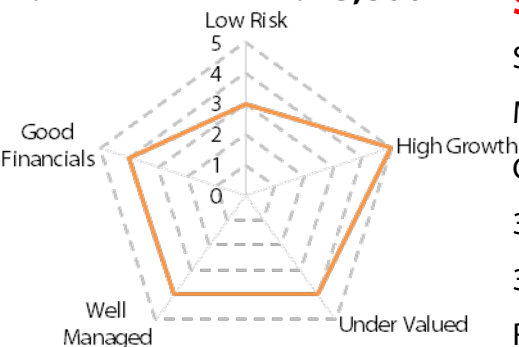
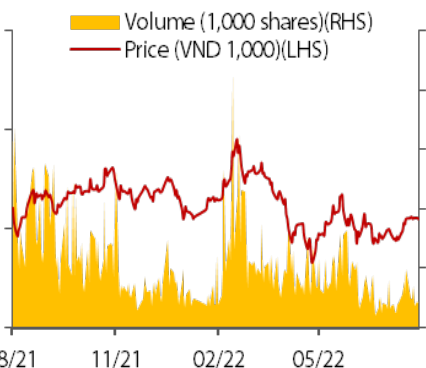
- We expect a strong recovery in air traffic passenger volume at both domestic and international markets, which will help PLX's jet fuel segment go back to the pre-pandemic level. In 2019, the jet fuel segment contributed VND 846bn (USD36.3mn) in PBT. In 2022, PLX has set a cautious plan for the jet fuel segment with VND150bn (USD6.4mn) in PBT, up 1.35% YoY. Thanks to the return in international passengers and the 2022 summer vacation, we expect this segment to see a strong growth in 2H2022.

ACCUMULATE: +12%
<MP: xxx>
<TP: 23,800>
STOCK INFO

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

FINANCIALS

		2021A	2022F	2023F
Transportation	Revenue (VND bn)	7,460	8,577	8,066
293	NPATMI (VND bn)	660	880	747
	ROA (%)	5.3	6.2	4.8
324	ROE (%)	12.7	14.6	11.4
2,872	EPS (VND)	1,933	2,322	1,972
59	Book Value (VND)	16,051	16,914	18,386
	Cash dividend (VND)	1,000	0	500
35.0	P/E (x)	12.5	8.7	10.3
16.4 - 29.5	P/B (x)	1.5	1.2	1.1


INVESTMENT RATIONALES
Keep expanding fleets in 2H2022.

- PVT targets to buy 23 vessels in 2022 which is mostly from 2020-2021 plan. Currently, PVT and its subsidiaries are targeting 2-3 Medium Range oil product vessels (40,000 - 50,000 tons), LPG coaster and some chemical tankers. We think that PVT can only handle 6-8 vessels this year. Till now, the company has bought 3 ships, mainly in the chemical segment. In the first 6M2022, transportation's revenue increased by 27%.

We expect a strong earnings growth in 2H2022.

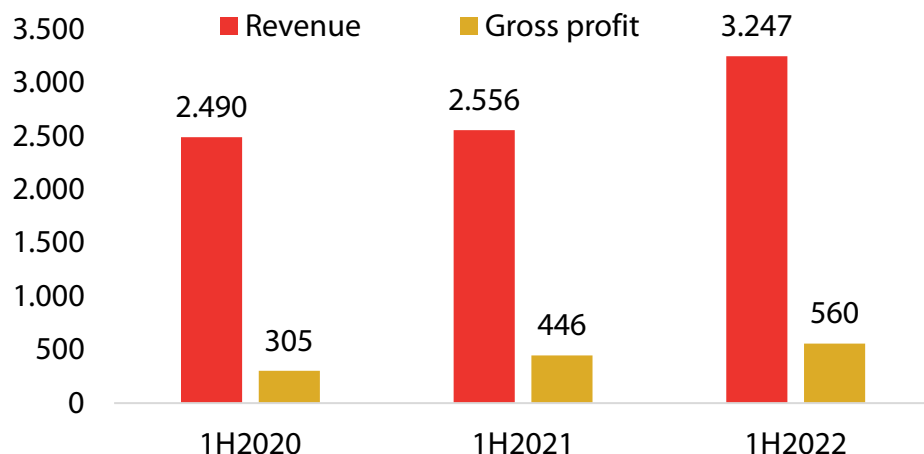
- With impact of FX loss and increasing VLSFO price, the bottom line of PVT saw a decline in 2Q2022 although the first line still grew. As the VLFSO price has been cooling down recently and PVT will add new fleets in 2H, we believe that the earnings will grow strongly. Besides, liquidating Athena vessel will contribute significantly to the bottom line in 2H2022.

PVT share looks attractive with low P/E forward.

- For 2022, revenue and NPATMI are forecasted to post VND8,577bn (USD 368.1 mn) (+15.0% YoY) and VND880bn (USD 37.7 mn) (+33.3% YoY) respectively. On the back of our forecast, the P/E forward of PVD is 8.7x, quite attractive with the strong earnings growth.

RISKS TO OUR CALL

- PVT will book one-off profit in 2023.
- Fleets expansion is under our expectation.

Figure 1: Transportation performance (VND bn)


Source: PVT, Rong Viet Securities

Transportation segment kept doing well in 1H2022

- In 1H2022, PVT recorded sales of VND3,247bn (USD139.3mn) in transportation segment, up 27% YoY while gross profit increased by 25.3% to VND560bn (USD24.1mn). We believe that LPG tankers and chemical tankers were the main contributors as PVT has added a VLGC and 5 chemical tankers to its fleets since 3Q2021.

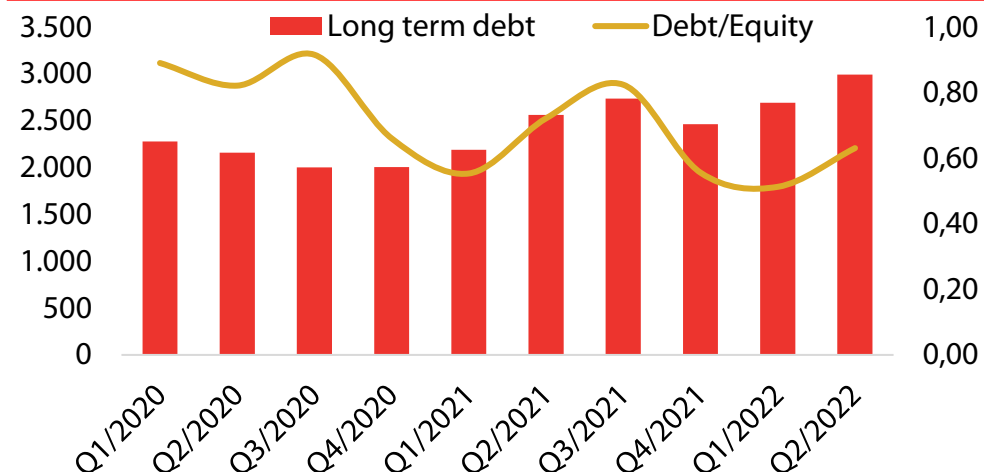
But high financial expense and low other income hit the profit

- As the fleets have been expanding, the long-term debt has also become bigger, leading to a higher interest expense, compared to the same period last year. Besides, the other profits, mainly from the vessel liquidation activities, was lower.
- 1H2022 earnings posted VND365bn (USD15.6mn), down 3.2%.

Table 1: Profit before tax breakdown

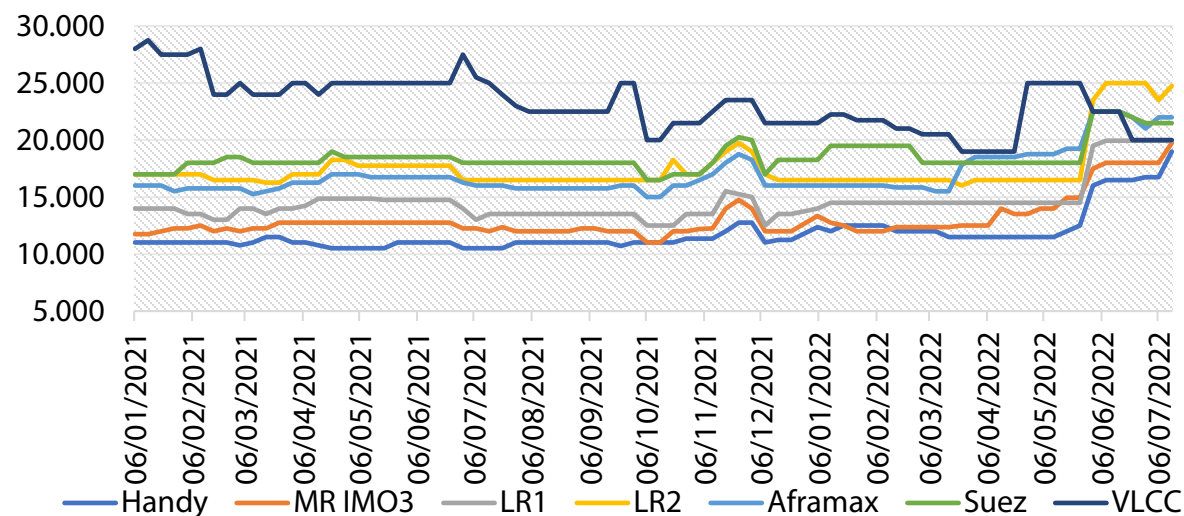
Unit: VND bn	1H2020	1H2021	1H2022
Operating profit	369	493	575
Financial profit	8	19	-44
JV profit	14	12	13
Others profit	2	43	19
Total	393	568	563

Source: PVT, Rong Viet Securities

Figure 2: Long term debt (LHS) and debt/equity (RHS)


Source: PVT, Rong Viet Securities

Figure 3: 1 year T/C rate (USD/pdpr)



Source: Rong Viet Securities

Figure 4: VLSFO price (USD/ton)

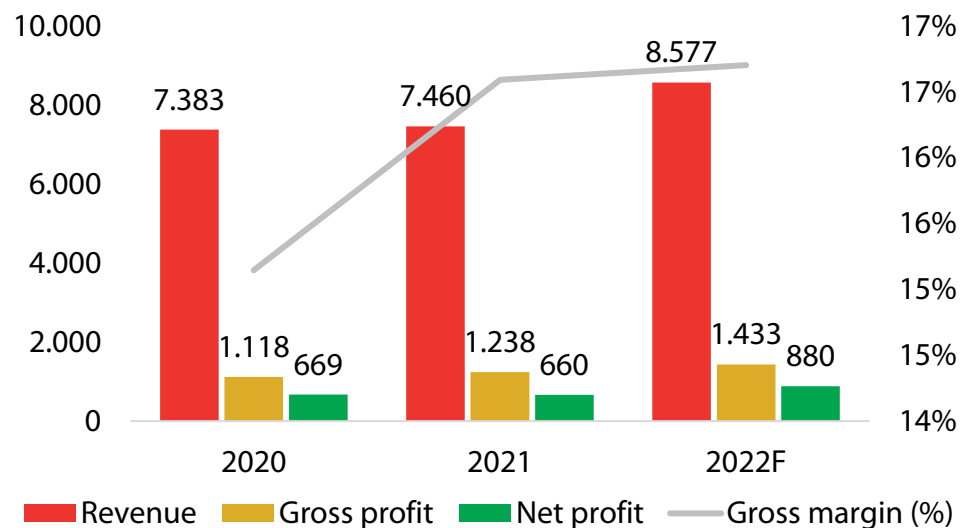


Source: Ship and bunker

Day rate has picked up while fuel price tends to decrease

- We see that the T/C rates for crude oil tanker as well as oil product tanker have increased since Russia – Ukraine war. If the rate can maintain at this level till the end of this year, we believe that PVT can be offered a better rate for some vessels, when they need to renew their contracts.
- The bunker price has been cooling down after reaching to the peak in late June. We expect the vessels running spot contract will improve the efficiency in 3Q2022 onwards.

Figure 5: 2022 forecast



Source: Rong Viet Securities

Table 2: Over 20-year-old vessels

	Type of vessel	Weight (DWT)	Estimated value (VND bn)
PVT Athena	Crude oil	105,177	100
PVT Dragon	Oil product	8,700	5
PVT Dolphin	Oil product	45,888	28
PVT Eagle	Oil product	33,425	21
Total			160

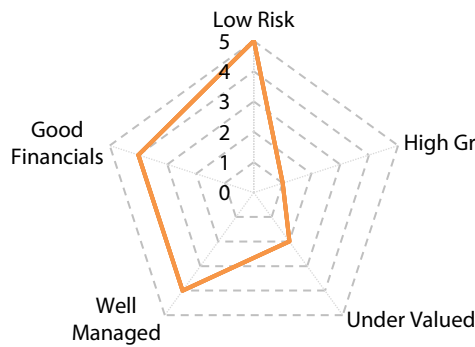
Source: PVT, Rong Viet Securities

Liquidating Athena Vessel contributes significantly to 2H2022 bottom line

- PVT will sell 4 vessels, which are over 20 years old, including PVT Athena, PVT Eagle, PVT Dragon and PVT Dolphin in the coming times. In which, PVT Athena can add over VND100bn (USD4.3mn) to the bottom line of the company. We hope that PVT can book this one-off profit in 2H2022, when Athena ends its bareboat contract.
- Thanks to the abnormal items from liquidating vessel, 2022 profit of PVT is expected to increase by 33% to VND880bn (USD37.7mn) or 2H2022 profit will be VND515 bn (USD22.1mn) compared to VND365 bn (USD15.6mn) in 1H2022.
- With EPS of VND2,322 P/E forward for PVT share is 8,7x at the current market price, quite attractive.

REDUCE: -12%
<MP: 25.300>
<TP: 21,500>
STOCK INFO

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


FINANCIALS

		2020A	2021A	2022F
Oil & Gas	Revenue (VND bn)	20,180	14,198	16,584
	NPATMI VND bn	624	601	663
517	ROA (%)	2.4	2.4	2.4
	ROE (%)	5.1	5.1	5.5
478	EPS (VND)	1,046	911	1,249
9,957	Book Value (VND)	25,411	24,701	25,244
269	Cash dividend (VND)	1,000	1,000	700
39.7	P/E (x)	17.0	28.5	20.8
19.4 - 41.2	P/B (x)	0.7	1.1	1.0

INVESTMENT RATIONALES
High G&A expense hurt profit in 1H but not happen in 2H

- Due to the strong increase of G&A expense in 2Q2022, the net profit experienced a fall in 2Q2022 as well as 1H2022, compared to the same period last year. However, we believe that PVS will not book such that huge amount in 2H2022, which will lift the bottom line up in the last six months.

JVs profit and reverting the warranty of construction work will be the main contribution for the bottom line

- As FPSO Lam Son has been rewarded a new contract till June 2023, JVs profit in 2022 is anticipated as good as in 2021. While PVS will keep reverting the warranty of construction work from previous M&C projects. Totally, these two items will account for 67% total PBT in 2022.

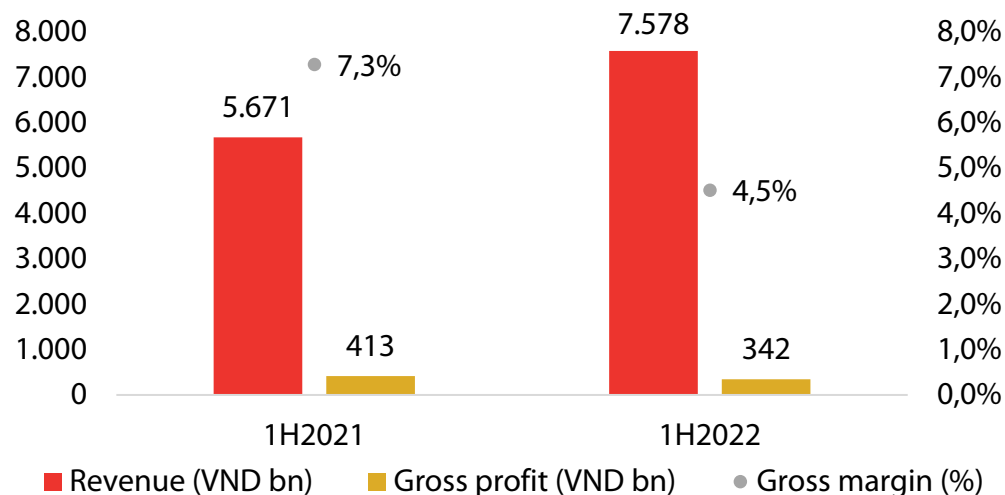
Potential oil & gas projects and offshore wind power projects contribution despite the lack of new contracts from the M&C segment in 2022

- At the moment, PVS has been adding 3 projects with a total value of USD610mn which will be recorded during 2022-2024 with a minor gross margin. However, there will be major oil gas projects such as Block B, Ca Voi Xanh, Su Tu Trang or Bau Ken and PVS can gain huge backlog thanks to its leading position in M&C segment.
- PVS is preparing to jump in the offshore wind power to enjoy the transition to green energy. PVS will be the investor as well as the contractor. Thanks to offshore wind power projects, PVS can get a stable cash flow.

RISKS TO OUR CALL

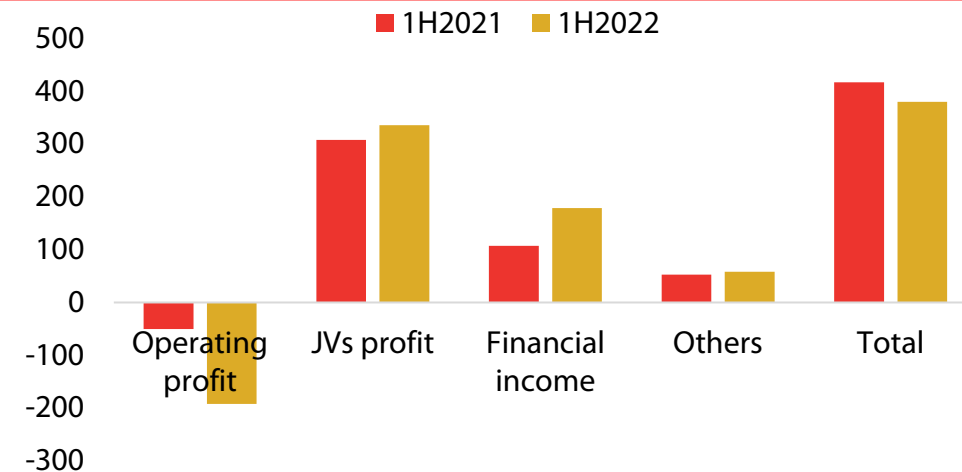
- Major oil gas project are delayed longer than expectation.

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



Source: PVS, Rong Viet Securities

Figure 2: Profit before tax breakdown in 1H2022 (VND bn)



Source: PVS, Rong Viet Securities, operating profit = gross profit – SG&A expense

Operating profit to book loss due to high G&A expense

- In 1H2022, PVS announced VND7,578bn (USD323.9mn) in net revenue, up 32.5% but the gross profit dropped 17.7% to VND342bn (USD14.6mn). Besides, the company posted VND502bn (USD21.4mn) in G&A expense, up 19.8% YoY. Then the operating profit booked loss of VND192bn (USD8.2mn) in 1H2022, compared to loss of VND50bn (USD2.1mn) in the same period last year.

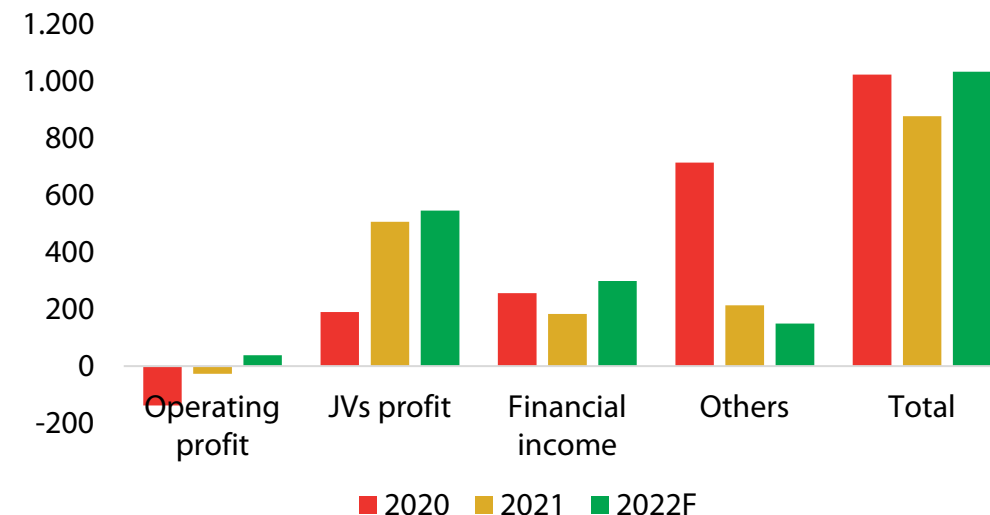
JVs profit and financial income to compensate the high expense

- JVs profit recorded VND335 bn (USD14.3mn) in 1H2022, compared to VND308bn (USD13.2mn) in the same period last year. Recently, FPSO Lam Son has been rewarded a new contract till June 2023. Besides, financial income also increased by 65% owing to the FX gain. As a results, the NPATMI posted VND228bn (USD9.7mn), down 22.9%.

Table 1: Potential Oil Gas project

	Update
Block B	+ Waiting for Final Investment Development
Ca Voi Xanh	+ Exxon Mobil to finalize the Final Development Plan
Su Tu Trang Phase 2	+ FEED done.
Ken Bau	+ Keep drilling for exploration.
LNG Thi Vai Phase 2	+ Waiting for Phase 1 to be done in 2022.

Source: Rong Viet Securities

Figure 3: Profit before tax breakdown in 2022 (VND bn)


Source: Rong Viet Securities

JVs profit and reverting the warranty of construction work will be the main contribution for the bottom line

- As FPSO Lam Son has been rewarded a new contract till June 2023, JVs profit in 2022 is anticipated as good as in 2021. Besides, PVS is likely to revert the warranty of construction work from previous M&C projects in 2H2022. As our estimation, these two items will account for 67% total PBT in 2022.
- For 2022, we forecast that revenue and NPATMI will reach VND 16,584 bn (USD711.7mn) (+16.8% YoY) and VND 663 bn (USD28.4mn) (+10.3% YoY) respectively.

PVS will enjoy the huge backlog for M&C segment if major oil gas projects are kicked off

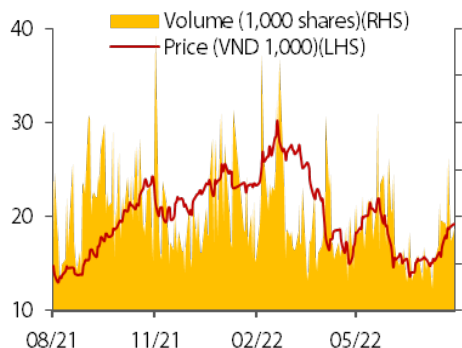
- Thanks to its leading position in M&C segment, PVS can be awarded huge backlog if these projects such as Block B, Ca Voi Xanh, Su Tu Trang or Bau Ken are kicked off. Though the progress of these projects are slow, we see some positive movements, which can solve the bottleneck.
- In the long run, PVS can enjoy the transition to green energy when becoming a contractor as well as investor of offshore wind power projects.

REDUCE: -14%
<MP: 18,800>
<TP: 16,000>
STOCK INFO

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

FINANCIALS

		2020A	2021A	2022F
Oil & Gas	Revenue (VND bn)	5,229	3,995	5,241
	NPATMI VND bn	186	20	-90
447	ROA (%)	0.9	0.1	-0.4
	ROE (%)	1.4	0.1	-0.7
556	EPS (VND)	282	-36	-214
	Book Value (VND)	32,723	32,243	32,029
8,103	Cash dividend (VND)	0	0	0
	P/E (x)	57.4	n/a	n/a
146	P/B (x)	0.5	0.5	0.5
43.8				
13.0 - 30.5				


INVESTMENT RATIONALES

Despite loss in gross profit in 1H2022, drilling services is projected to post positive one in the rest of this year.

- In 1H2022, revenue from the drilling segment increased by 157.9% to VND1,736 bn (USD74.5mn). The growth mainly came from the PVD V when the rig started the campaign for Shell Brunei from the end of January this year. But the gross profit posted loss of VND 52 bn (USD2.2mn). However, we expect that gross profit will turn to positive in 2H2022.

We expect positive earnings in 2H2022.

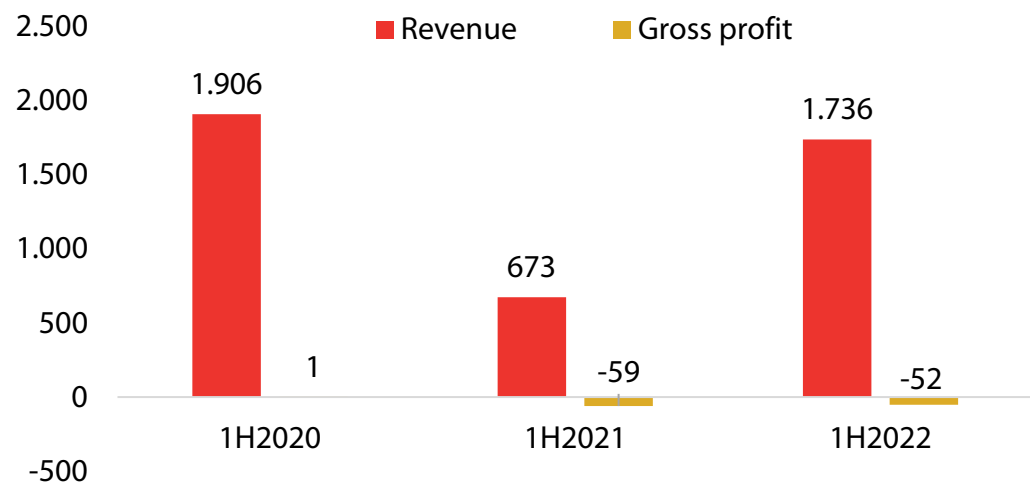
- We expect PVD's business to improve in the remainder of this year thanks to higher utilization rates and there is no longer unusual expenses as in 1H2022. For 2022, we forecast that revenue and NPATMI will reach VND 5,214 bn (USD223.7mn) (31.2% YoY) and loss VND 90 bn (loss USD3.8mn) respectively. Or NPATMI will post profit of VND 26 bn (USD1.1mn) in 2H2022.

2023-day rate can be better thanks to rising day rate in the region.

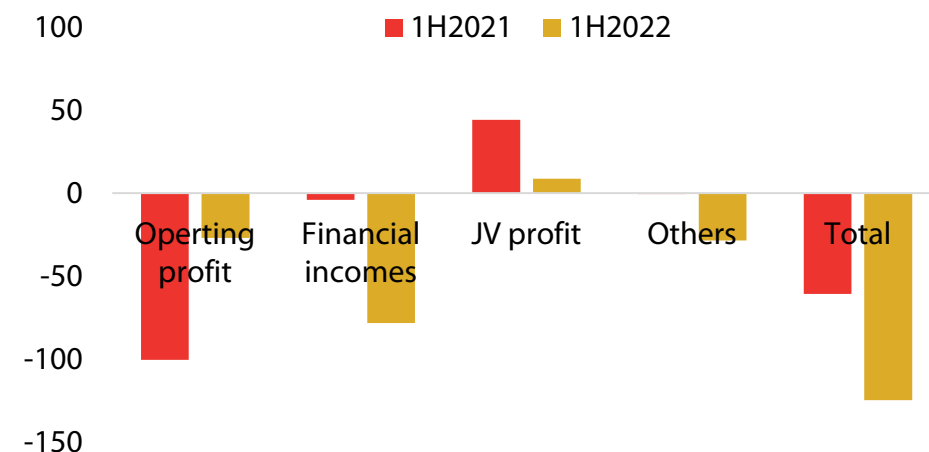
- Looking at 2023, we see that the regional rig day rate is staying at high level compared to PVD's average 2022 day rate (approximately USD60,000/day). Therefore, PVD can be expected to win new contracts at better prices than the current ones in 2023.

RISKS TO OUR CALL

- The oil price fall, leading to a drop-in day rate in 2023.

Figure 1: Drilling segment performance (VND bn)


Source: PVD, Rong Viet Securities

Figure 2: Profit before tax breakdown


Source: PVD, Rong Viet Securities

Drilling services revenue to hike thanks to PVD V but still post loss

- In 1H2022, revenue from the drilling segment increased by 157.9% to VND1,736 bn (USD74.5mn). The growth mainly came from the PVD V when the rig started the campaign for Shell Brunei from the end of January this year. However, the drilling segment still recorded a loss of VND 52 bn (USD2.2mn) in gross profit compared to loss of VND 59 bn (USD2.5mn) in the same period last year.

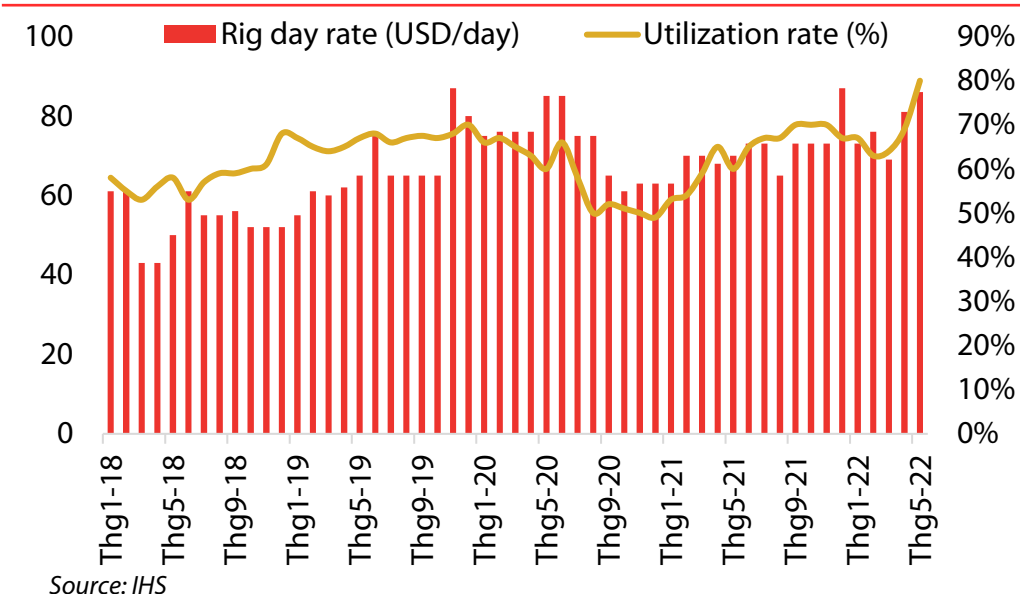
And high financial expense as well as low JV profit hit bottom line

- Despite the strong increase in revenue, we also see higher expenses from G&A and financial activity in 6M2022. In details, PVD booked an additional provision for receivables of Kris Energy and other customers with a total value of VND31 bn (USD1.3mn). Besides, the company also recorded a FX loss of nearly VND67 bn (USD2.8mn).
- JVs profit only post VND9bn (USD0.4mn) compared to VND44bn (USD1.9mn).

Table 1: Drilling schedule in 2022

	Contract
PVD I	+ Vietsovpetro: 1/1/2022 to 4/7/2022. + Vietsovpetro: 20/7/2022 till the end of 2022.
PVD II	+ Vietsovpetro: 19/3/2022 till 30/6/2022. + Premier Oil (Indonesia): 10/7/2022 to 14/10/2022. + Hoang Long Hoang Vu: 22/10/2022 till the end of 2022.
PVD III	+ Repsol Malaysia: full 2022.
PVD VI	+ ENI: 1/4/2022 to 2/7/2022. + POVO: 16/07/2022 to 15/10/2022 (option to extend 1 month). + Cửu Long JOC: 26/11/2022 till the end of 2022.
PVD V (TAD)	+ BSP: 28/1/2022 till the end of 2022.
PVD 11	+ GBRs: 1/1/2022 to 5/10/2022.
Hakuryu 11 (hired rig)	+ Idenmitsu: 1/1/2022 to 25/7/2022

Source: PVD

Figure 3: Rig day rate and Utilization rate in Southeast Asia


2H profit is projected to be positive

- We expect PVD's business to improve in the remainder of this year thanks to higher utilization rates and there is no longer unusual expenses as in 1H2022.
- With drilling activities, revenue is guaranteed by the full drilling schedules. In addition, PVD is likely not to record additional expenses which help the drilling segment's gross profit margin improve. With financial expenses, the exchange rate is likely to soften compared to the strong increase in 2Q2022 which will lower financial expenses in the second half of the year compared to the first half. For G&A expenses, we expect that PVD will not book any additional provisions.
- For 2022, we forecast that revenue and NPATMI will reach VND 5,214 bn (USD223.7mn) (31.2% YoY) and loss VND 90 bn (loss USD3.8mn) respectively. Or NPATMI will post profit of VND 26 bn (USD1.1mn) in 2H2022.

Day rate can be better in 2023

- Looking at 2023, we see that the regional rig day rate is staying at high level compared to PVD's average 2022 day rate (approximately USD60,000/day). Therefore, PVD can be expected to win new contracts at better prices than the current ones in 2023.

REAL ESTATE

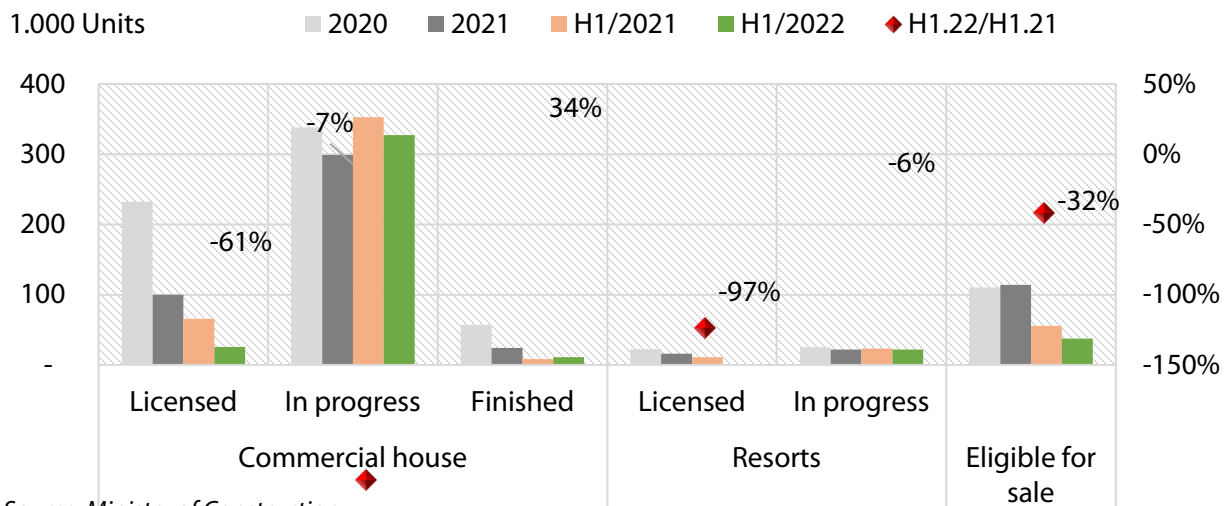
SHORT-TERM DIFFICULTIES



Ky Anh Tran – anh.tk@vdsc.com.vn

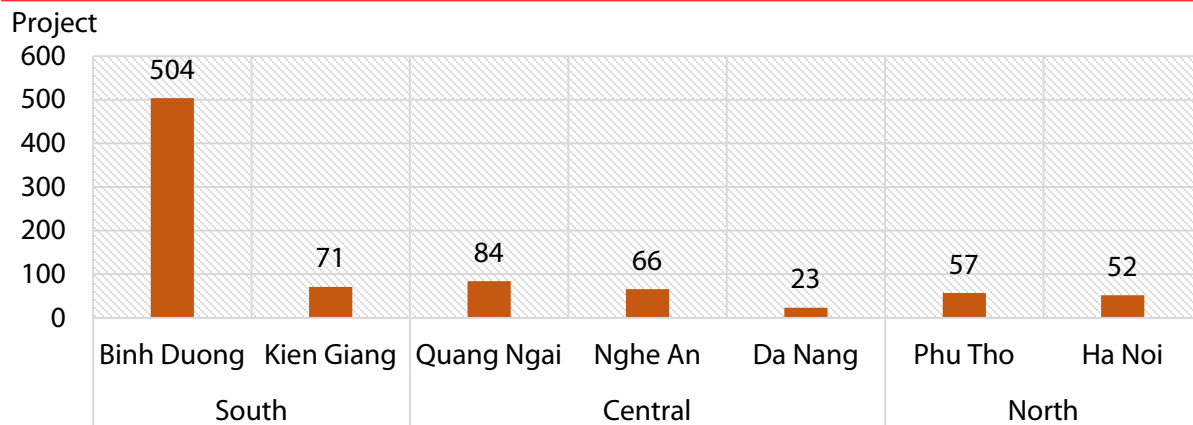


Figure 1: Statistics of real estate projects nationwide 1H2022



Source: Ministry of Construction

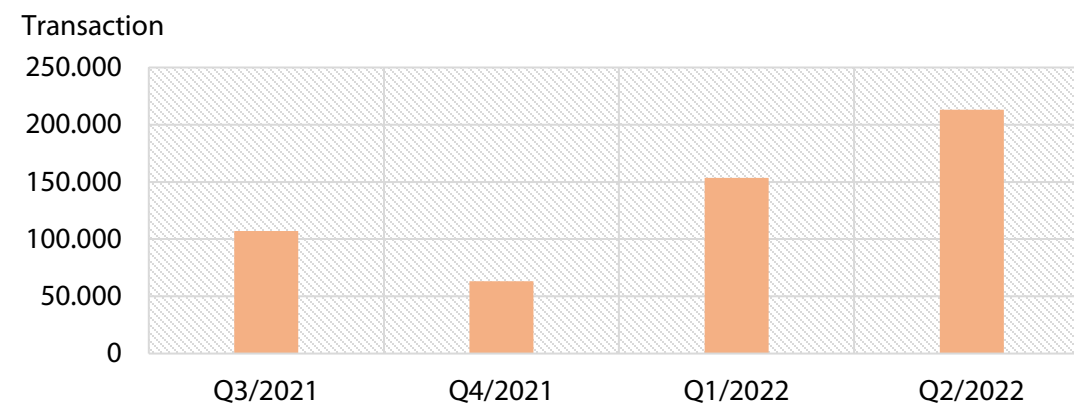
Figure 2: Number of commercial housing projects under development at the end of Q2/2022



Source: Ministry of Construction

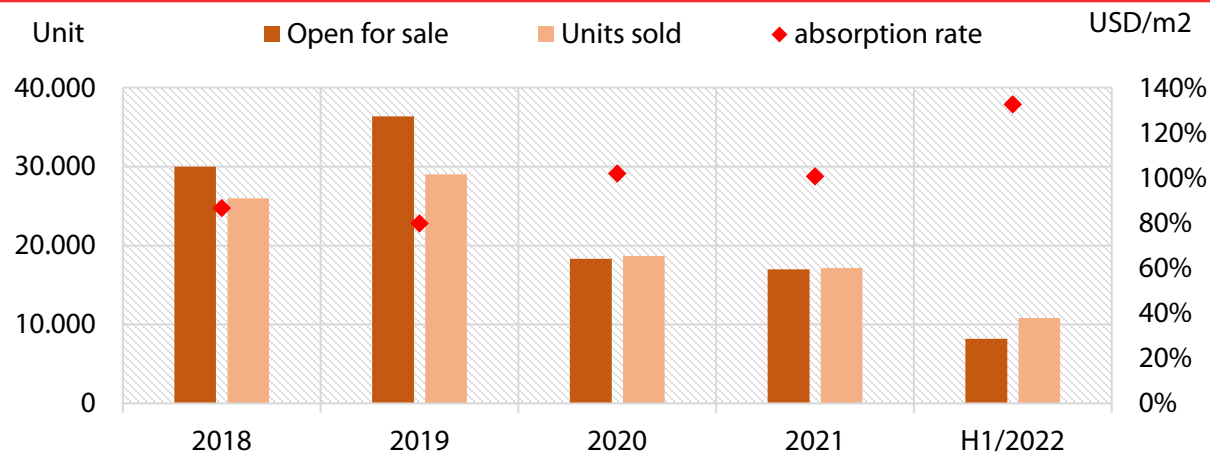
- In H1/2022, the development of residential and commercial real estate projects nationwide recorded slower movements than in 2021 (License - 61% YoY, in progress -7% YoY, qualified to open for sale -32% YoY). In addition, Binh Duong, Kien Giang, Quang Ngai, Nghe An, Da Nang, Phu Tho, Hanoi are leading provinces in commercial housing development activities.
- Resort projects are also showing a slowdown trend when there are only 6 newly licensed projects in H1/2022, besides the number of ongoing projects also recorded a decrease of 6% over the same period.
- Meanwhile, land transactions across the country were still quite active with 366,555 transactions, accounting for more than 80% of housing-related products.

Figure 3: Number of land transactions nationwide



Source: Ministry of Construction

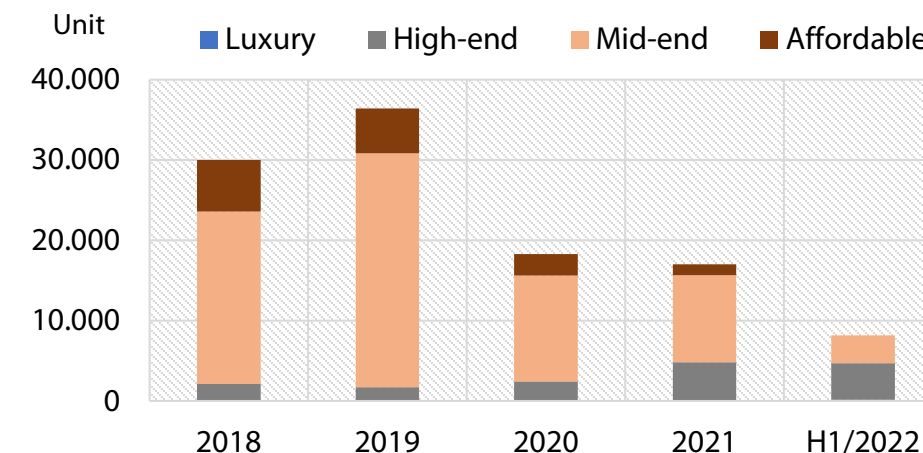
Figure 4: Condominium supply and demand in Ha Noi



Source: CBRE

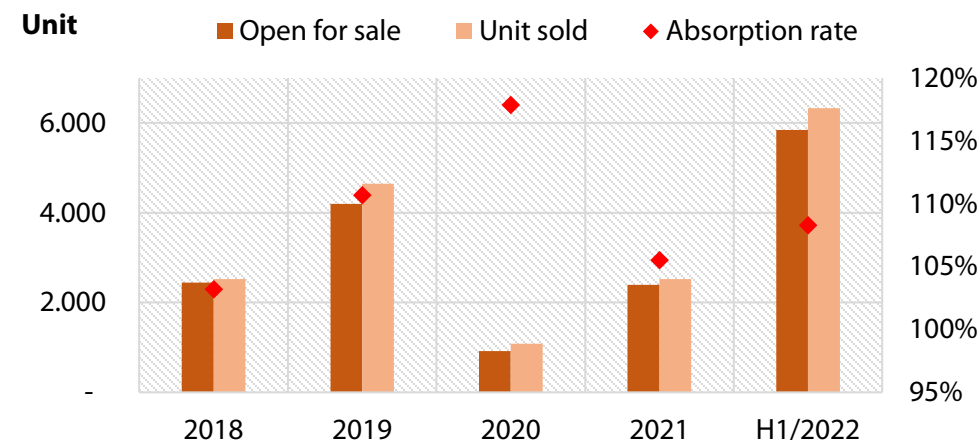
- In 2021, the supply and purchasing power of condominium real estate in Hanoi will remain stable compared to 2020.
- Through H1/2022, demand recorded a positive growth (+34% YoY), while the new supply increased only slightly over the same period (+3% YoY) boosted the selling price of apartment products and a benefit of +27% YoY.
- Unlike Ho Chi Minh, in Hanoi, the mid-end segment still accounts for a large proportion of the annual supply structure. However, the affordable segment has narrowed significantly.
- The townhouses & villas projects are performing quite positively in both supply (+330% YoY) and absorption rate (~97%).

Figure 5: Components of supply



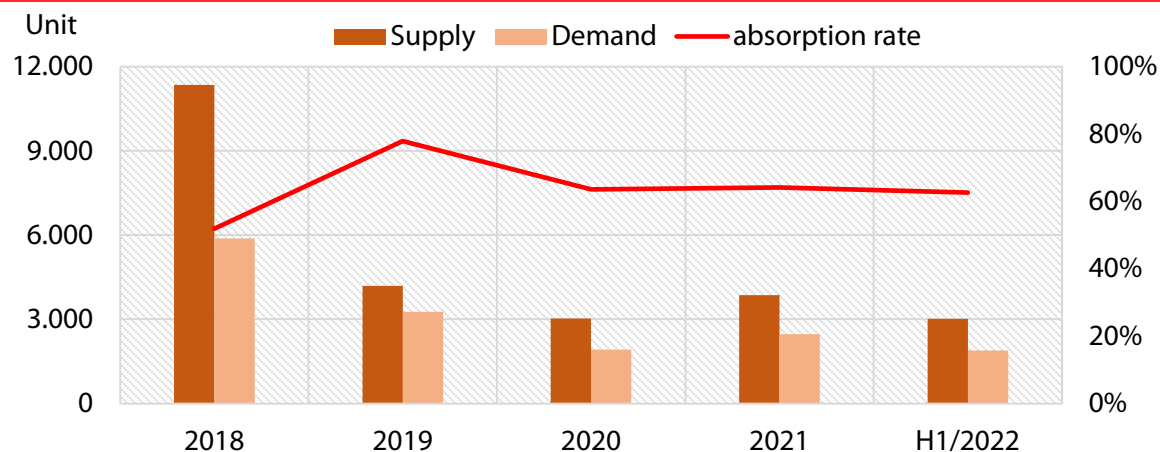
Source: CBRE

Figure 6: Supply of townhouse & villa



Source: CBRE

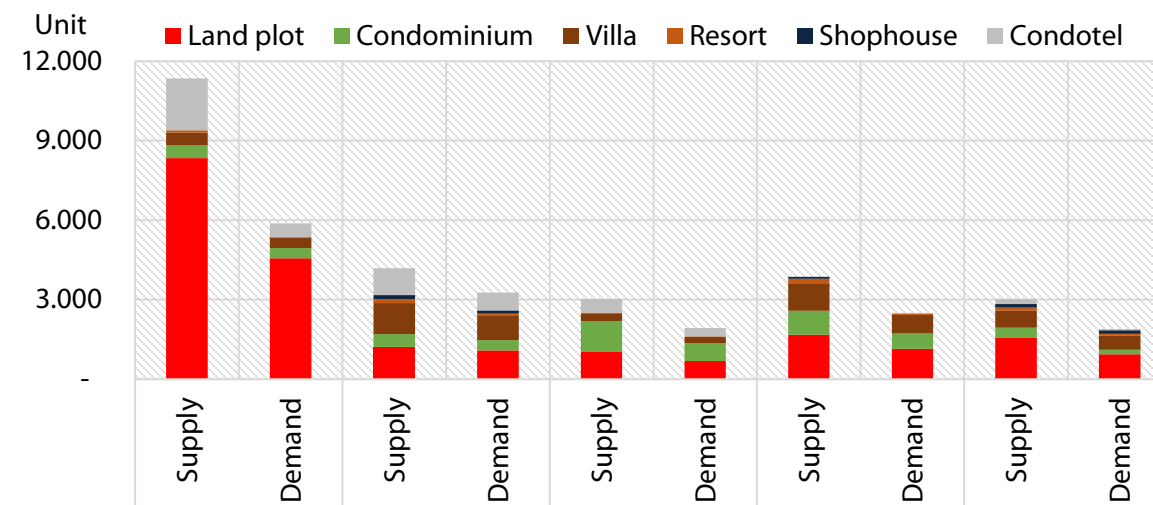
Figure 7: Supply – demand – absorption rate of the whole market



Source: DRKA

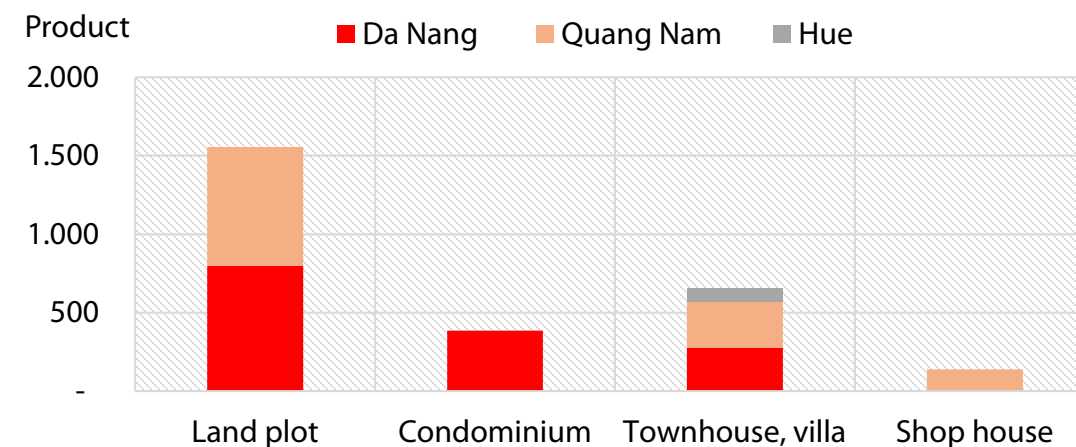
- In the period of 2019-2021, the supply of real estate in all segments in Quang Nam - Da Nang - Hue has rapidly cooled down after the hot growth in 2017-2018.
- In H1/2022, the supply of all kinds of projects recorded a rapid increase, approximately 78% of the figure for the whole year of 2021. However, the overall absorption rate of the whole market is still quite low, at only 63%.
- Land plot is currently the most searched segment in the area, accounting for 40-50% in the period 2021-2022. In H1/2022, the absorption rate of the land plot segment will reach 60%.
- In the year H1/2022, Da Nang is the province with the most exciting activities in the apartment and land plot segment. While Quang Nam continues to lead in the resort project development.

Figure 8: Supply – demand by product



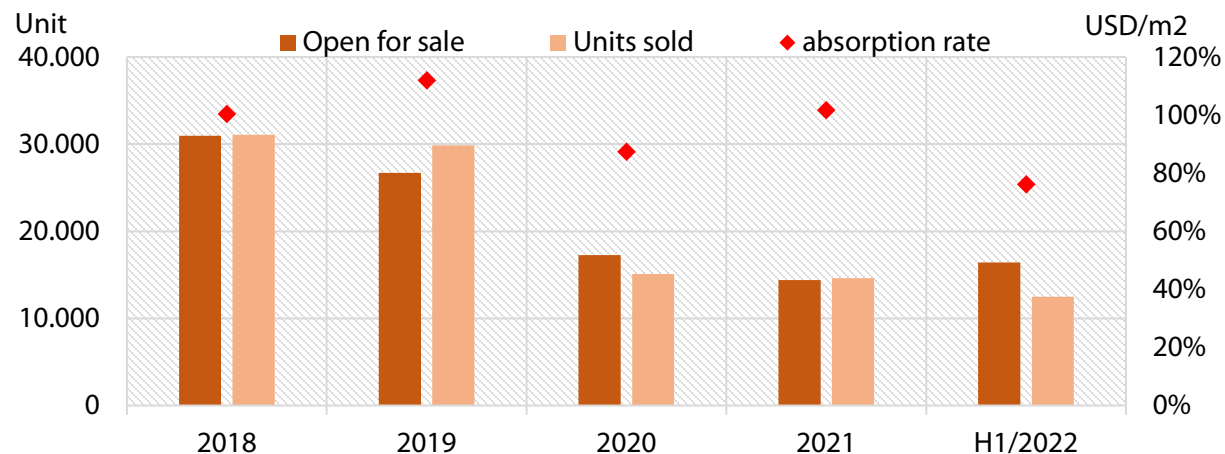
Source: DRKA

Figure 9: Supply by region



Source: DRKA

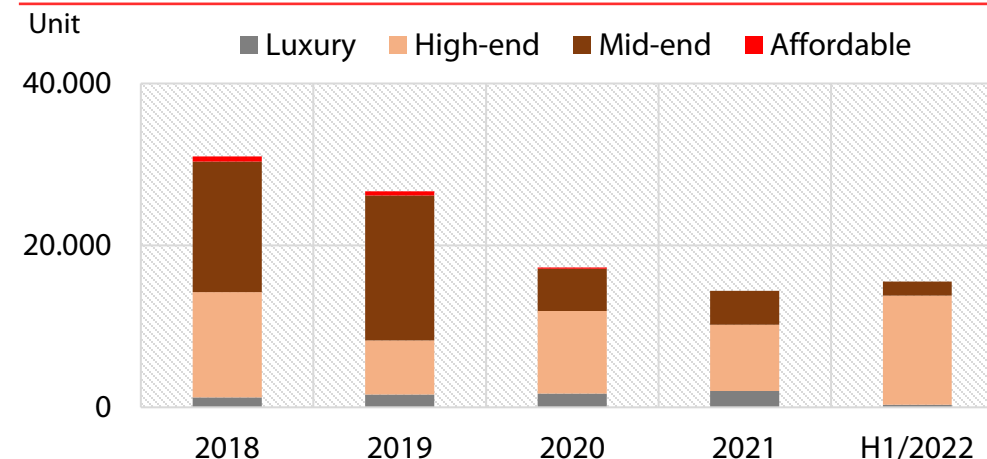
Figure 10: Condominium supply and demand in Ho Chi Minh



Source: CBRE

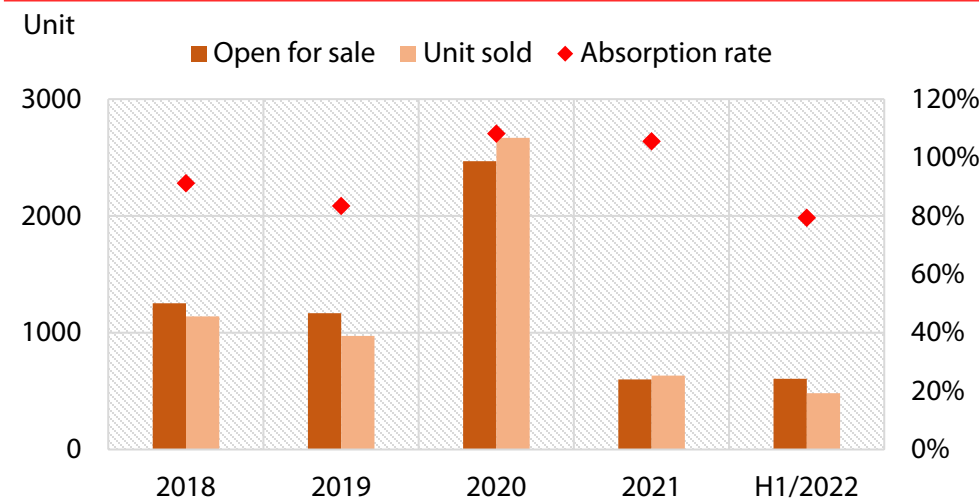
- In 2021, the supply of new apartments in Ho Chi Minh City in 2021 continued to decrease and hit the bottom since 2015 with 14,339 units from 19 projects, down 22% compared to the same period last year due to the impact of the Covid epidemic and other problems. legal issues in the region.
- In the first 6 months of 2022, the supply of new apartment real estate tends to improve significantly. However, the absorption rate was only 76%, the lowest figure in the past 5 years.
- New supply tends to shift to high-end and luxury segments when land bank is increasingly scarce. Notably, the affordable segment has not had any projects for sale since Q1/2019.
- Newly opened projects are mainly concentrated in the East of Ho Chi Minh City (2021: 52%, first 6 months of 2022: 83%) due to having a land fund for development and benefiting from infrastructure.
- In H1/2022, the townhouse and villa segment recorded a positive recovery. New sales in H1/2022 reached 606 units, exceeding the total 600 units in 2021. However, the absorption rate is still lower than the whole year of 2021

Figure 11: Supply by segment



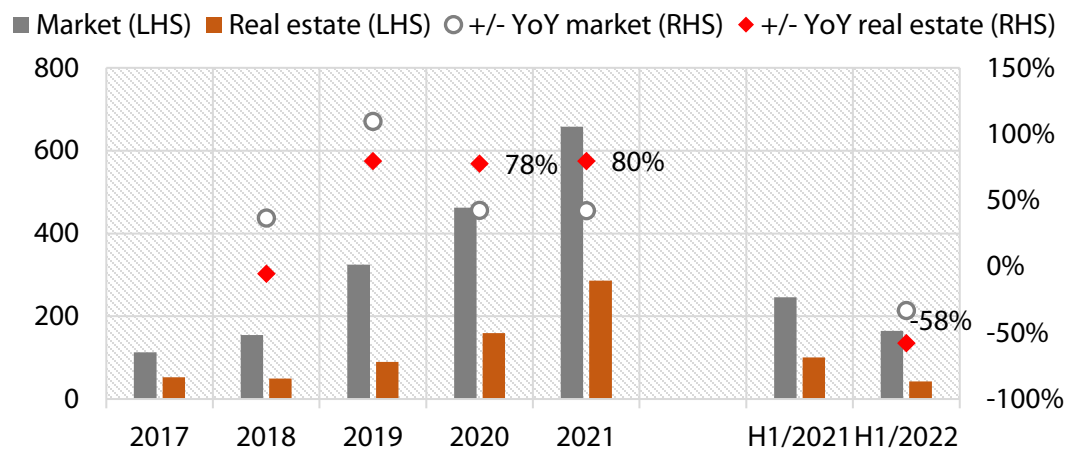
Source: CBRE

Figure 12: Supply of townhouse & villa



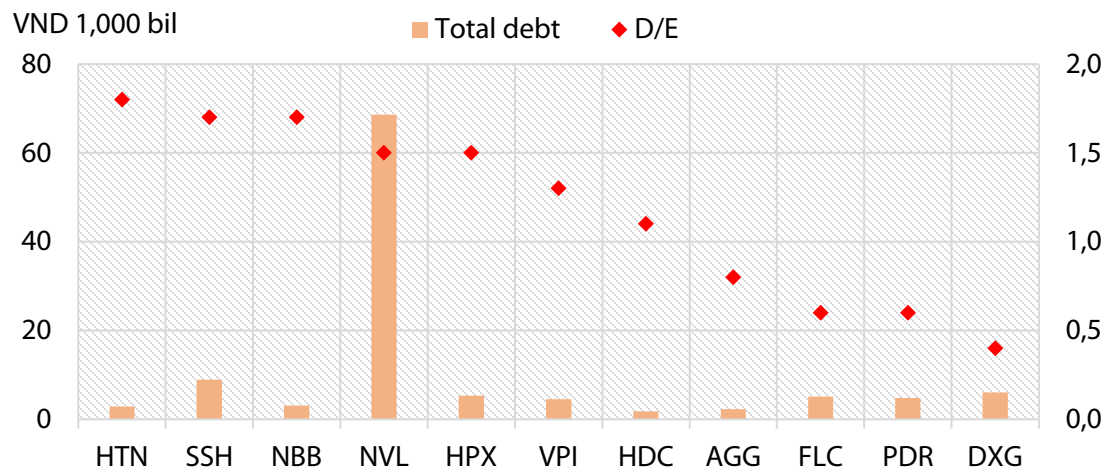
Source: CBRE

Figure 13: Corporate bond issuance value (VND trillion)



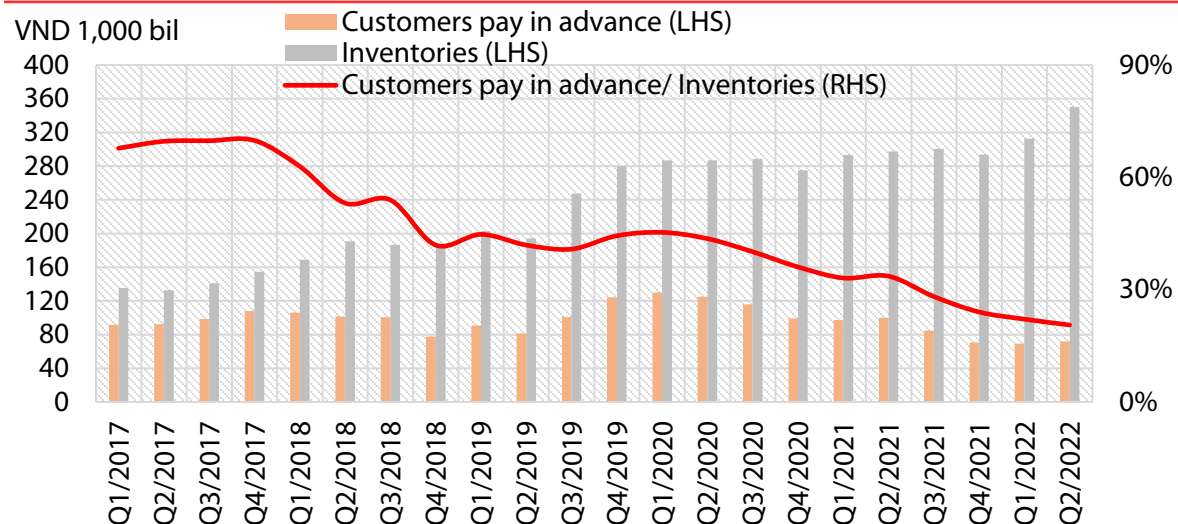
Source: VBMA

Figure 14: Total debt of some listed companies



Source: Fiinpro

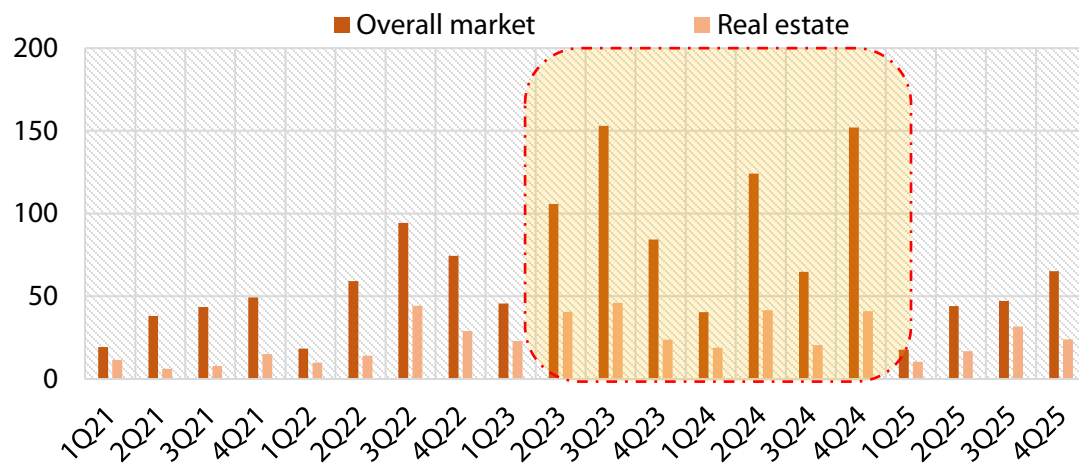
Figure 15: Inventories and customers pay in advance



Source: Fiinpro

- In the period of 2019-2021, real estate businesses tend to increase their debt, especially through the issuance of corporate bonds.
- Summary of financial statements of listed companies shows that customer pay in advances tend to decrease from Q1/2020. However, the inventory value did not change significantly. This shows that the liquidity of real estate inventory tends to slow down.
- In early 2022, the State Bank of Vietnam had instructions on stricter control the issuance of corporate bonds, as well as credit line to the real estate sector. In H1/2022, the issuance value of real estate corporate bonds decreased by 58% over the same period.
- The tighten of lending activities (through bank lending or bond issuance) will raise capital cost of RE developers. Therefore, we expect those with high leverage will face more difficult in the coming period.

Figure 16: Corporate bond maturity value (VND trillion)



Source: VBMA

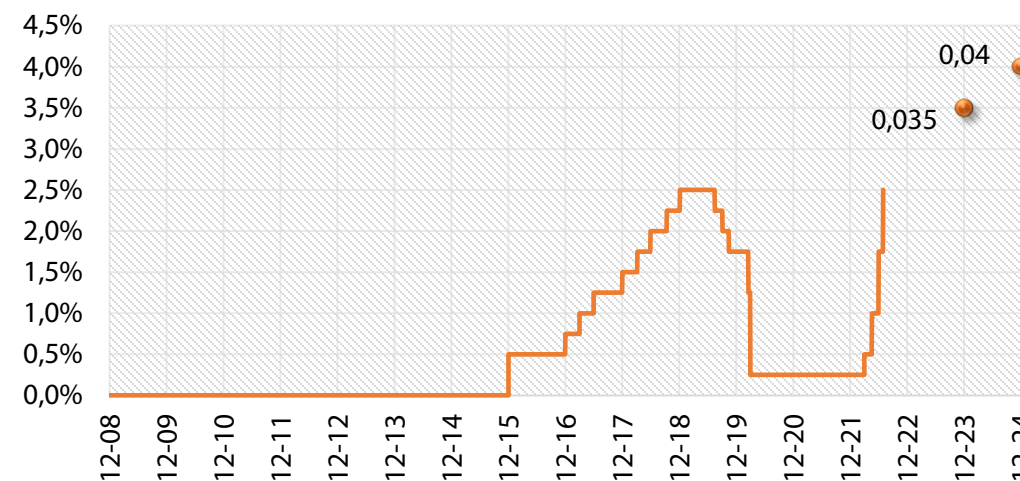
- Home loan interest rates have tended to increase in 1H2022 and cut incentives-support in the first year. In addition to restricting loans for land and second home products, banks cut their incentive-support credit budget to home-buyer.
- Interest rates on project finance loans are under the pressure of increasing in 2023.
- Corporate bonds in general, and real estate bonds in particular, will mature at high value from Q3 2022 to 2023. Given the credit tightening environment, large amount of corporate mature will negatively impact on developer's liquidity, as such push their borrowing cost.
- Risks from macro variables: Fed, ECB increase interest rates as schedule, inflation and domestic exchange rate are also putting pressure on borrowing rates of businesses.
- **The possibility of rising interest rates and strictly control on lending to real estate segment at the present will greatly affect the liquidity of projects, cash flow and profits in 2022-2023.**

Table 1: Home loan interest rates at banks in the first year

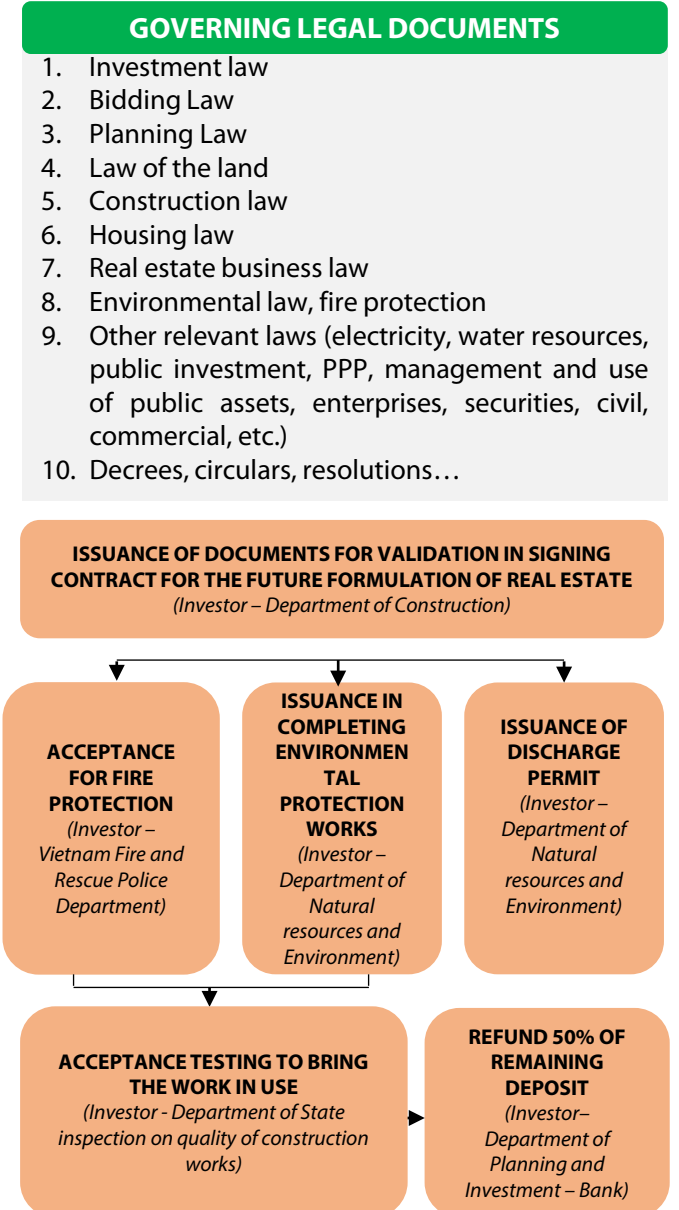
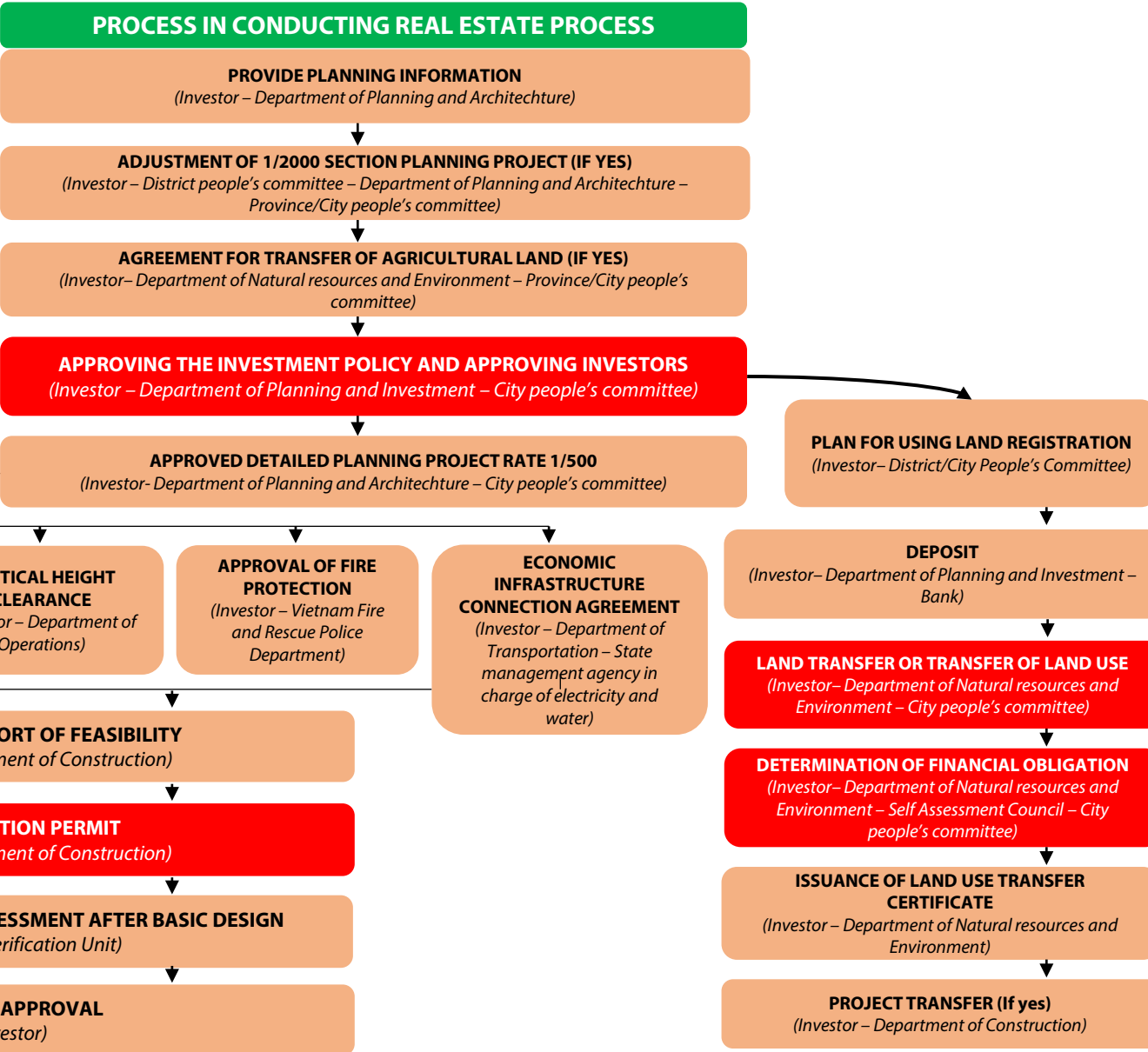
Bank	07/2022	12/2021	+/- %
VCB	9.0%	7.5%	+1.5%
BIDV	8.8%	7.2%	+1.6%
Vietinbank	10.0%	7.5%	+2.5%
Shinhan bank	8.2%	5.5%	+2.7%
VIB	7.9%	6.2%	+1.7%
Tpbank	10.1%	9.5%	+0.6%

Source: Rong Viet Securities

Figure 17: Fed rate



Source: Bloomberg



PROCESS

ADJUSTMENT OF 1/2000 SECTION PLANNING PROJECT (IF YES)

(Investor – District people's committee – Department of Planning and Architecture – Province/City people's committee)

APPROVING THE INVESTMENT POLICY AND APPROVING INVESTORS

(Investor – Department of Planning and Investment – City people's committee)

DETERMINATION OF FINANCIAL OBLIGATION

(Investor – Department of Natural resources and Environment – Self Assessment Council – City people's committee)

CONSTRUCTION PERMIT

(Investor – Department of Construction)

ISSUES

1/2000 local planning

- The general planning of the locality is usually adjusted every 7-10 years, which is slow compared to the speed of urbanization.

Residential land and other types of land

- Criteria for "meeting conditions for permitting change of land use purpose" has not been clarified.
- Other types of land, without part of the area being residential land, are **NOT** allowed to develop commercial housing projects.

Projects related to public land and public property

Method of calculating land price to determine financial obligations related to land

Construction planning

- Ensuring green buildings, fire protection

Social housing

- Decree 49/2021/ND-CP stipulates: for commercial housing projects with a scale of 2 hectares or more in special grade 1 urban centers, 5 hectares or more in grade 2 and 3 urban centers, 20% of the land fund must be allocated for social housing

EFFECTS

- Affects the time - investment capital for project development of enterprises

- Scarcity of supply in the market
- Enterprises increase investment costs

- Passive in estimating total investment & assessing project feasibility

- Reducing the coefficient of land use and the benefits of enterprises

CURRENT STATUS

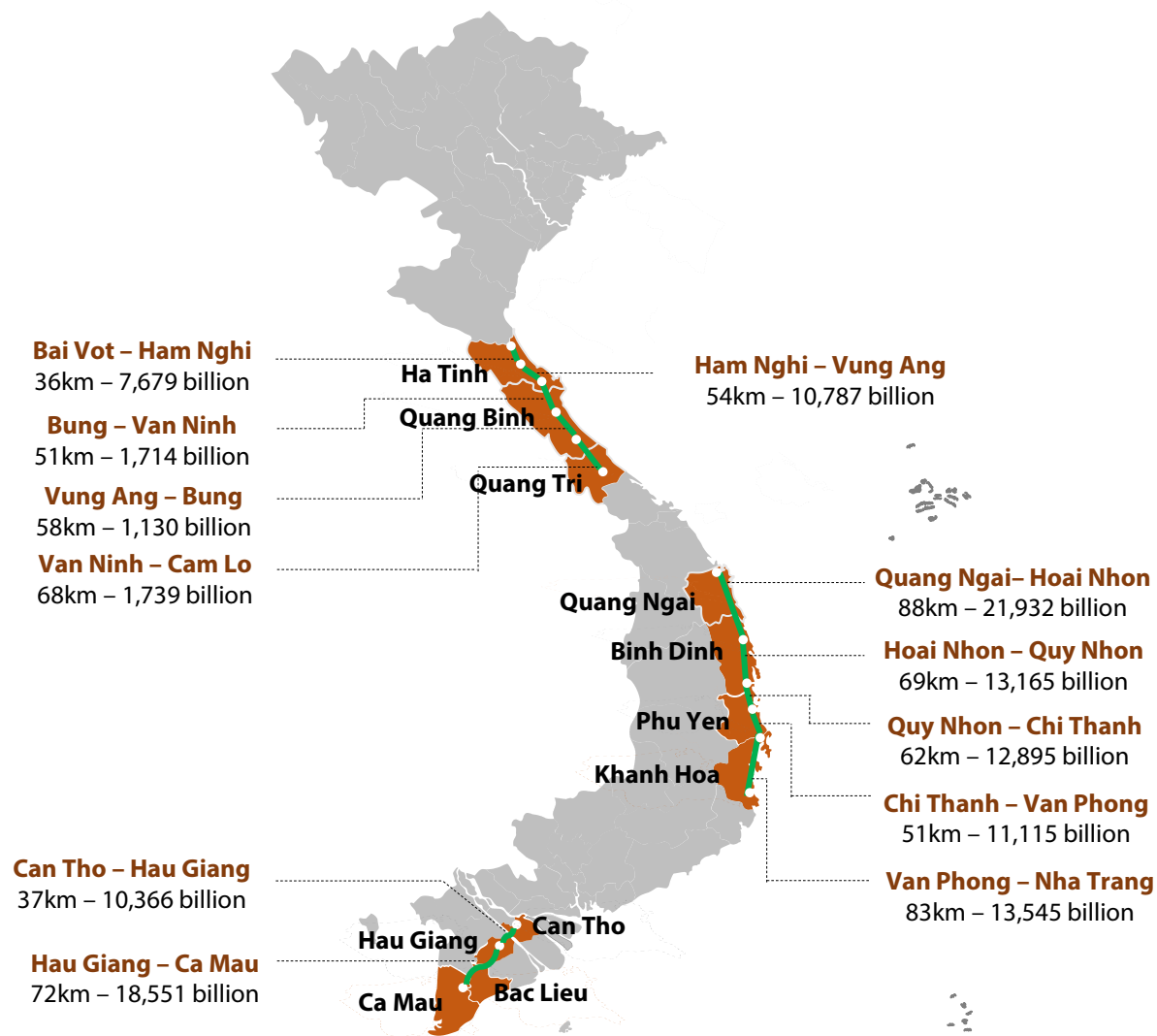
- There is no specific treatment in the draft of land law amendment.

- The Law No. 03/2022 dated January 3, 2022 has not been passed due to conflicting opinions of delegates
- There is no specific treatment in the draft of land law amendment.

- The draft law is soliciting opinions on: Abolish the land price bracket. Localities have autonomy and decentralization in selling land at market-appropriate prices.

- Just implemented, there will be no changes for the next few years.

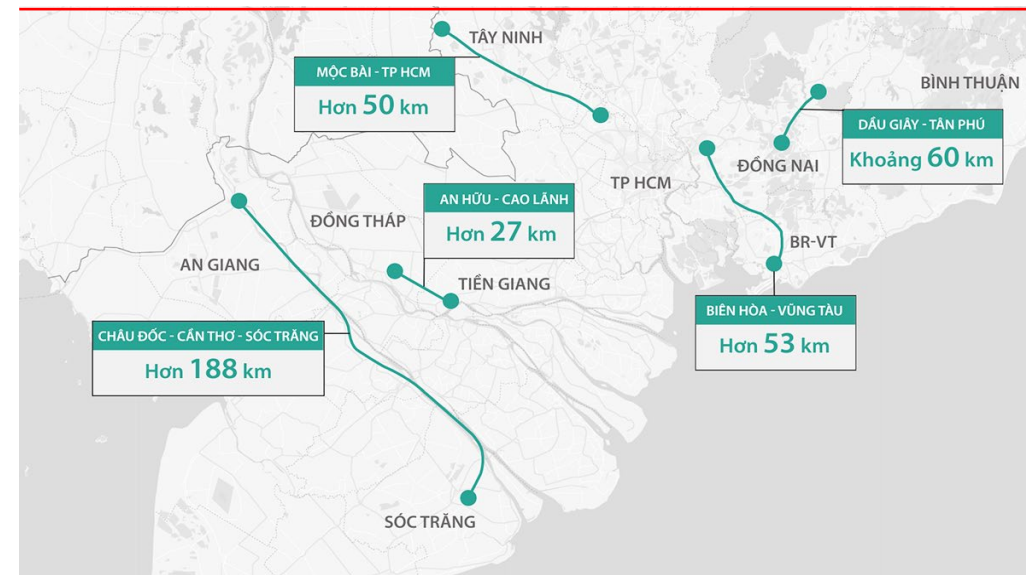
Figure 18: North-South Highway project in the East, period 2021 - 2025



Source: CBRE

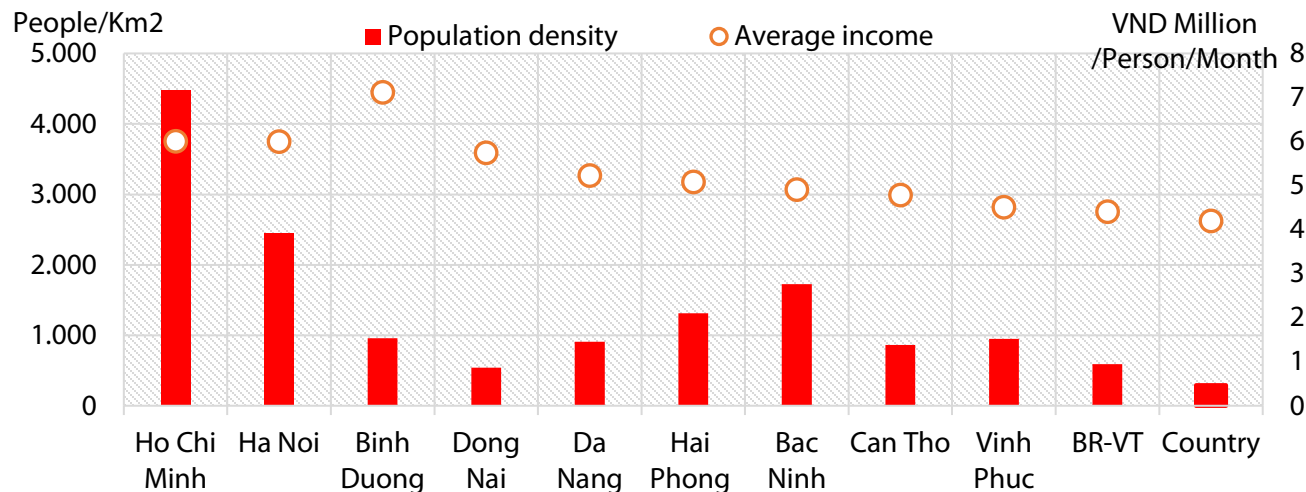
- In July 2022, the Ministry of Transport approved the investment project of 12 components of the East North-South Expressway in the 2021-2025 period. Total investment is 147 thousand billion VND for 724 km.
- In the South, key projects with great significance for infrastructure and economic connectivity have also been approved, including: Bien Hoa - Vung Tau, Moc Bai - HCM, An Huu - Cao Lanh, Chau Doc - Can Tho - Soc Trang, Dau Giay - Tan Phu.
- However, in 2022-H1/2023, most of the works are in the site clearance phase, preparing for construction. **Therefore, the forecast of real estate project development activities in these areas has not been promoted yet.**

Figure 19: Other Highway projects in the South



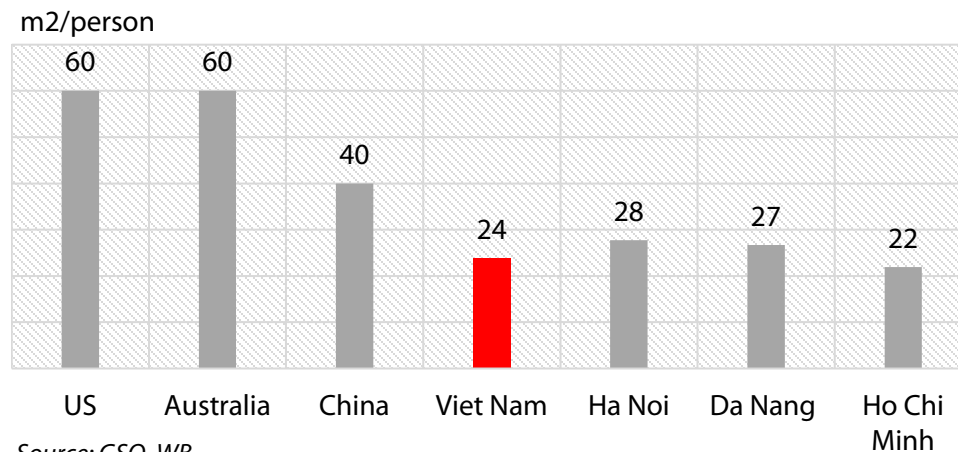
- In the long-term, the prospects of Vietnam's real estate industry are positive from: area per capita, urbanization rate is at a low level, while the outlook for average income is forecasted to improve significantly in the coming years.
- In the short and medium term, it is forecasted that provinces and cities that are leading in terms of population density and income compared to the national average include: Binh Duong, Dong Nai, BR-VT, Can Tho, Da Nang, Bac Ninh, Hai Phong, Vinh Phuc will be the areas with fast-growing real estate development compared to the overall growth of the industry. Besides, the real estate market in areas where infrastructure investment by the Government is also forecast to develop more excitingly in the medium term.

Figure 22: TOP 10 provinces with the highest average income and population density in the country



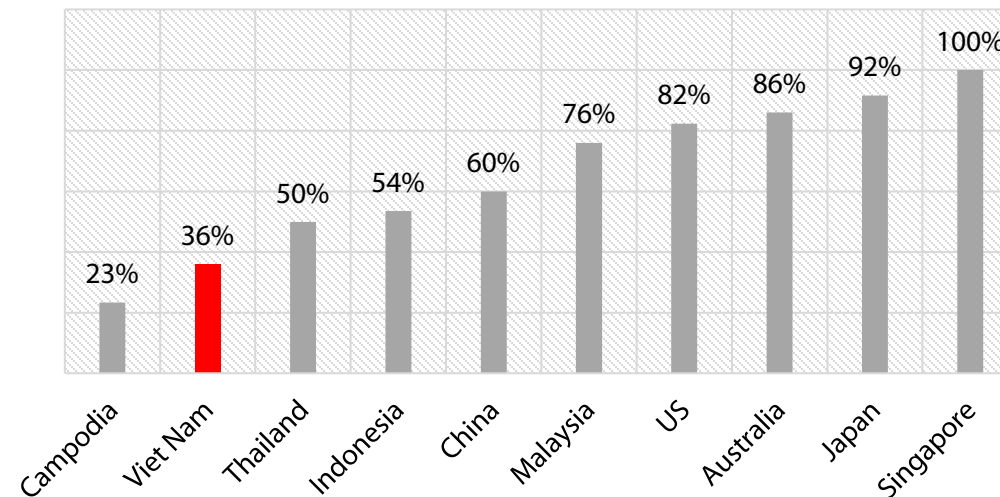
Source: GSO

Figure 20: Average housing area of some countries



Source: GSO, WB

Figure 21: Urbanization rate of some countries

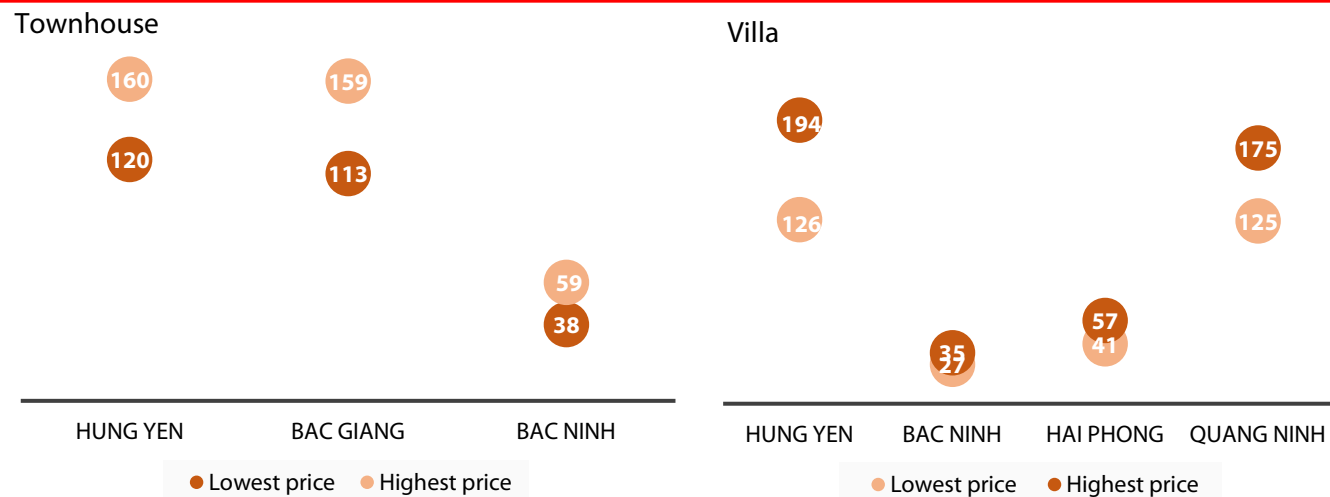


Source: WB

Trends in the short - medium - long term:

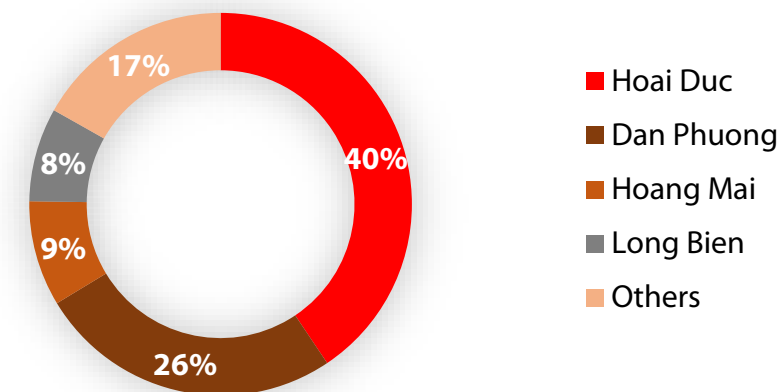
- The supply of land fund in the inner city is increasingly scarce, and trend projects will **increasingly expand to suburban districts** (Hoai Duc, Dan Phuong, Hoang Mai, Long Bien) **as well as to expand to neighbor provinces** (Hung Yen, Bac Ninh, Bac Giang).
- This expanding trend is expected to continue to boost the price of common premises in suburban areas and neighboring provinces to increase rapidly in the coming time.
- Some outstanding infrastructure works in the coming period: planning for urban zoning of Red River.

Figure 24: Selling price of townhouses and villas in neighboring provinces of Hanoi



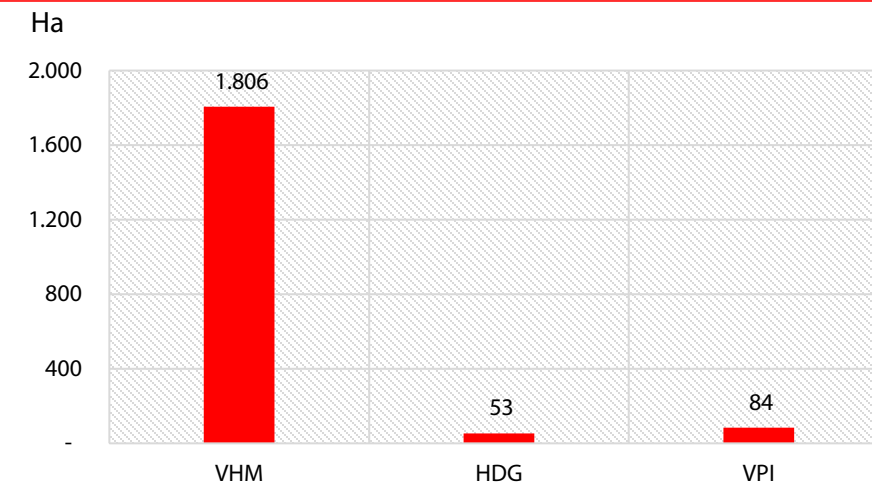
Source: DXS

Figure 23: Proportion of new supply by region in 2022



Source: DXS

Figure 25: Land fund of some listed companies in Hanoi (ha)



Source: Annual reports of enterprises

From 2022 - 2023

- It is expected that positive signs of tourism recovery in H1/2022 will stimulate the return of the real estate market in Da Nang.

In medium-long term:

- Orientation to develop tourism, logistics & high-tech industries according to the city planning from 2021 - 2030
- Besides developing large projects such as Lien Chieu port, metro project connecting central districts, electric train project connecting Hoi An, opening Co Co river...

➔ **This creates advantages for resort products, high-rise apartments and increases the value of all types of real estate in general.**

Figure 26: Tourism recovery

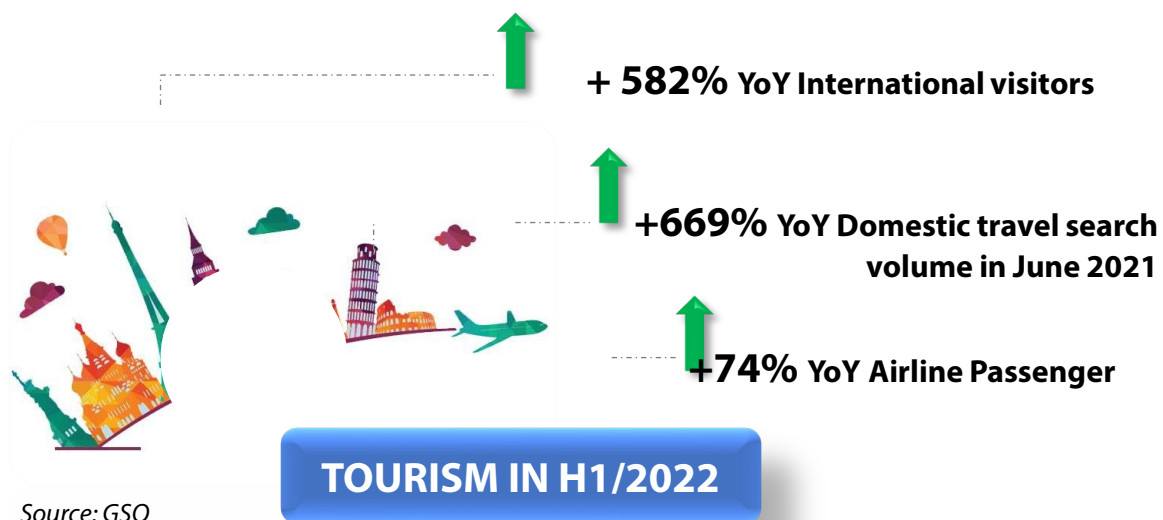


Figure 27: Da Nang City Planning from 2021-2030, vision 2050

Da Nang City Planning from 2021-2030, vision 2050

First pillar

Tourism and services associated with tourism are associated with tourism spearheads and high-quality resort services.

Second pillar

The center of transshipment and export of goods in the central key economic region focusing on two key areas of seaports and airports, associated with logistics and export processing services, and enhancing the added value of high technology agricultural products and fisheries.

Third pillar

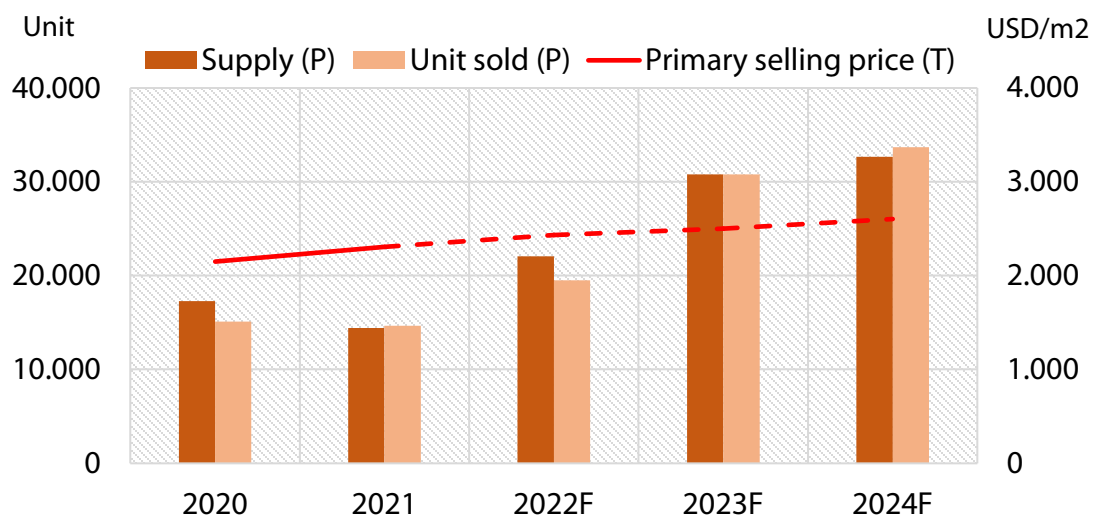
Knowledge economy - the foundation for the development of two spearhead fields of high-tech industry associated with creative urban construction, start-ups and information technology, electronics and telecommunications industries associated with the digital economy, keep up with and take advantage of the opportunities of the Industrial Revolution 4.0.

Source: Danang.gov.vn

Trends in the short - medium - long term::

- Land fund tends to be increasingly scarce, new development projects will mostly still be located in the East area of District 9, Thu Duc.
- At the same time, the scarcity of land fund will cause new projects to focus mainly in the high-end segment.
- CBRE forecasts that the selling price of apartments in the primary market may increase at a CAGR of 4%/year
- Some notable infrastructure projects: Ring Road 3, Thu Thiem Bridge 2, Metro Line 1.

Figure 28: Land fund of listed companies in HCM (ha)



Source: CBRE

NOTABLE INFRASTRUCTURE

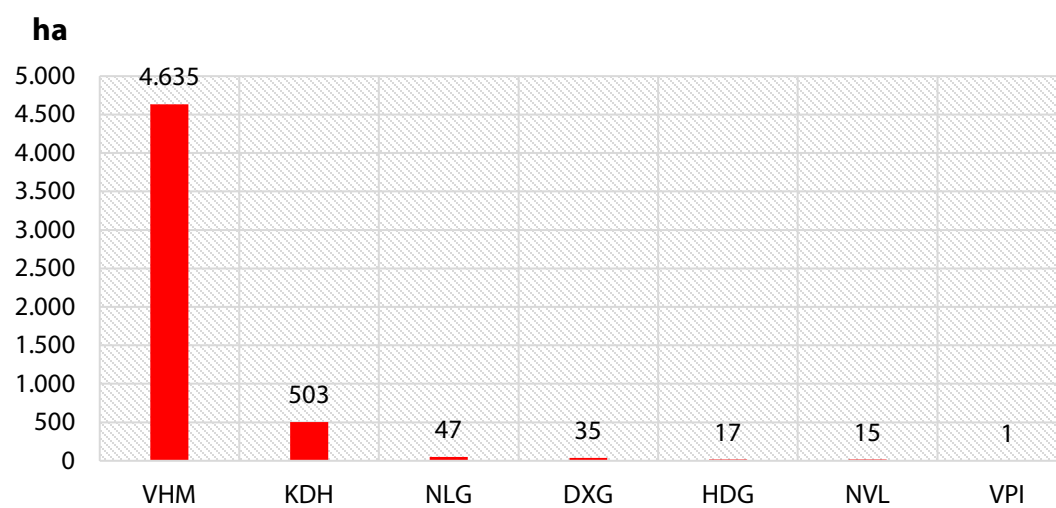


Ring Road 3

Thu Thiem Bridge 2

Metro 1

Figure 29: Land fund of listed companies in HCM (ha)

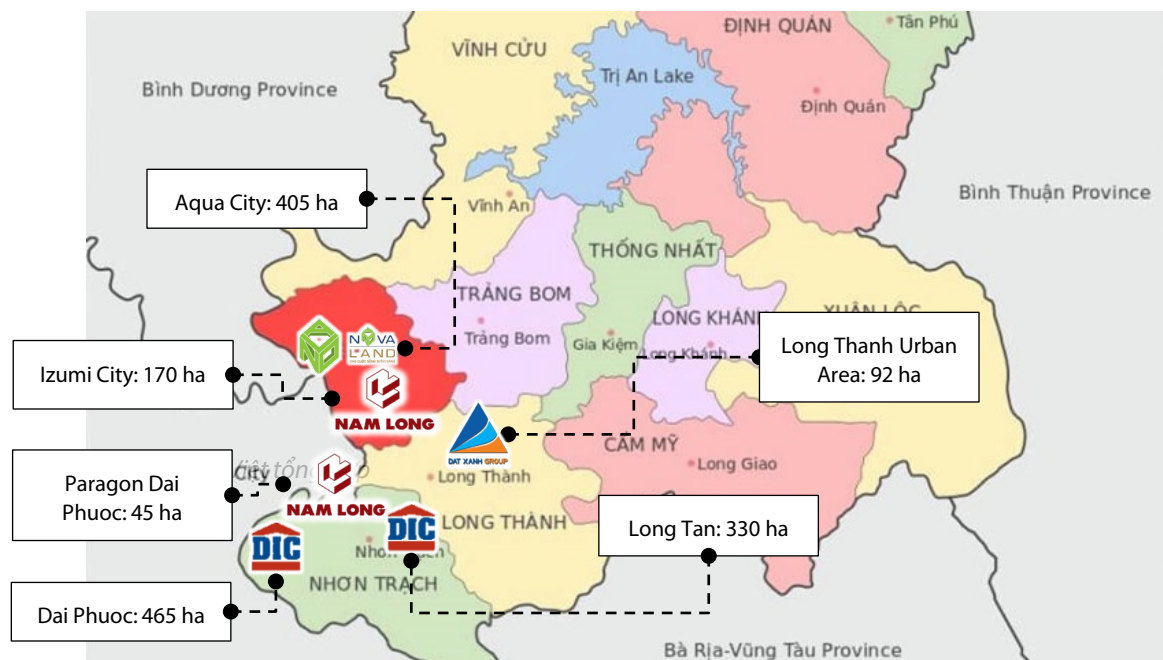


Source: Rong Viet Securities

➔ **Potential growth in short – medium – long term**

- Benefiting from extended to the East of Ho Chi Minh City
- Benefit from the Government's policy of developing key infrastructure projects with regional influence: Long Thanh Airport, Bien Hoa - Vung Tau Expressway, Dau Giay - Tan Phu Expressway, Phuoc An Bridge.

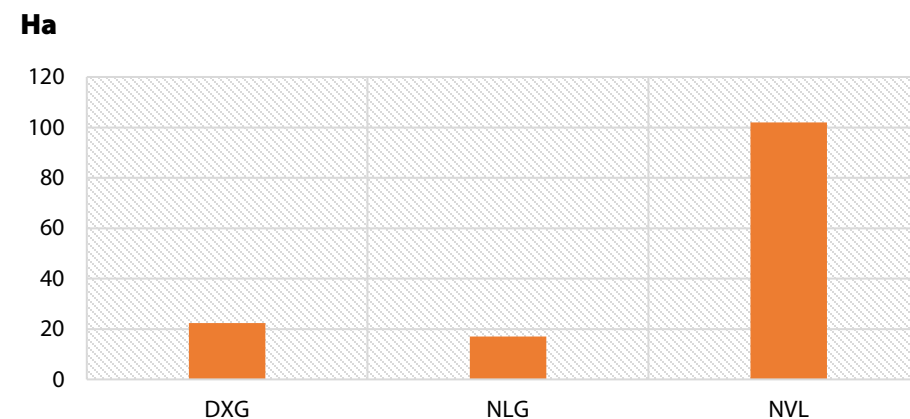
Figure 30: Projects in Dong Nai of some listed companies



NOTABLE INFRASTRUCTURE



Figure 31: Land fund of some listed companies in Dong Nai

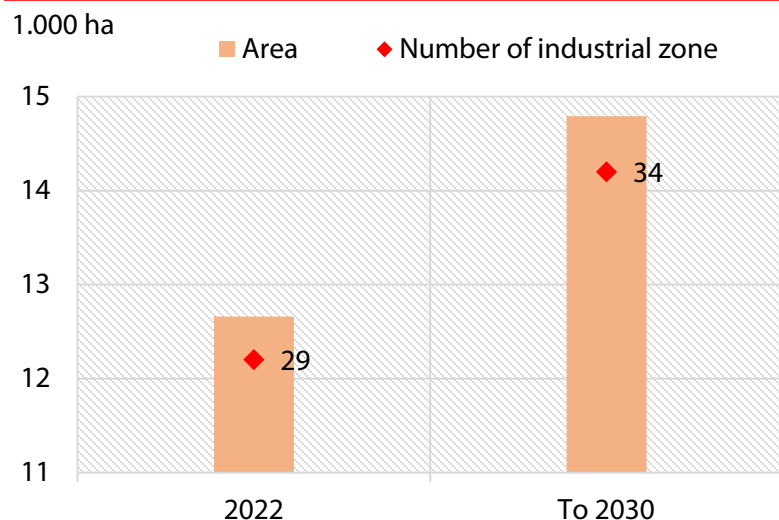


Source: Annual reports of enterprises

➔ **Potential growth in short – medium – long term**

- The prospect of real estate development in Binh Duong province in the past was driven by industrial development and infrastructure promotion.
- In the coming years, it is forecasted that the province's real estate development potential is still very large on the basis of the potential for industrial park development. In addition to completing a number of key infrastructure projects in the 2022-2030 period: Ring Road 4, Ho Chi Minh City - Chon Thanh Expressway, it is expected to increase the value of these projects..

Figure 32: Industrial park land fund in Binh Duong



Source: MOC

NOTABLE INFRASTRUCTURE

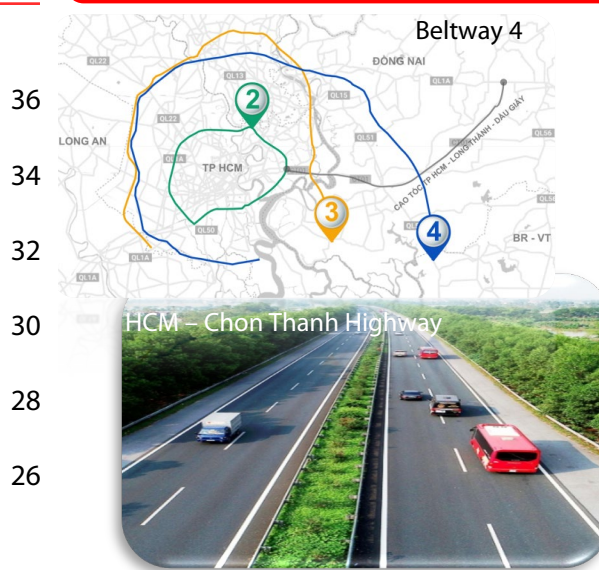
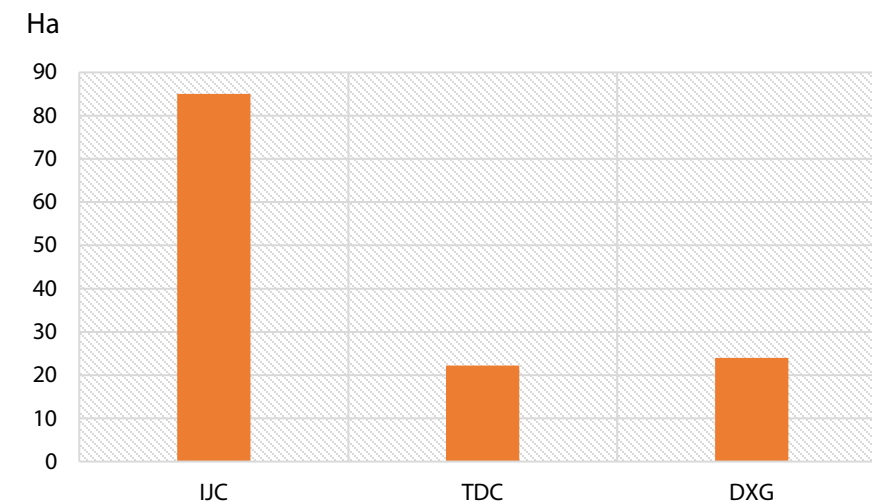


Figure 33: Land fund of some listed companies in Binh Duong



Source: Annual reports of enterprises



Potential growth in short – medium – long term

- Benefit from the government's infrastructure development policy: Can Tho - Hau Giang - Ca Mau Expressway, Cao Lanh - Phu Huu Expressway, Chau Doc - Can Tho - Soc Trang Expressway, Dinh An Port, Cho Gao canal expansion
- The trend of industrial park development is gradually shifting to the Mekong Delta region thanks to the advantage of connecting waterways and roads to Ho Chi Minh, land clearance activities are cheaper and more convenient than Binh Phuoc, Dong Nai, and BR - VT.

NOTABLE INFRASTRUCTURE

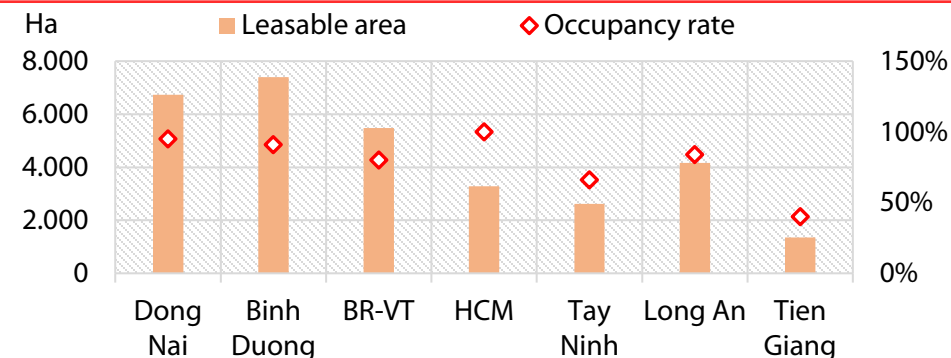
Chau Doc – Can Tho – Soc Trang Highway



Can Tho – Hau Giang – Ca Mau Highway

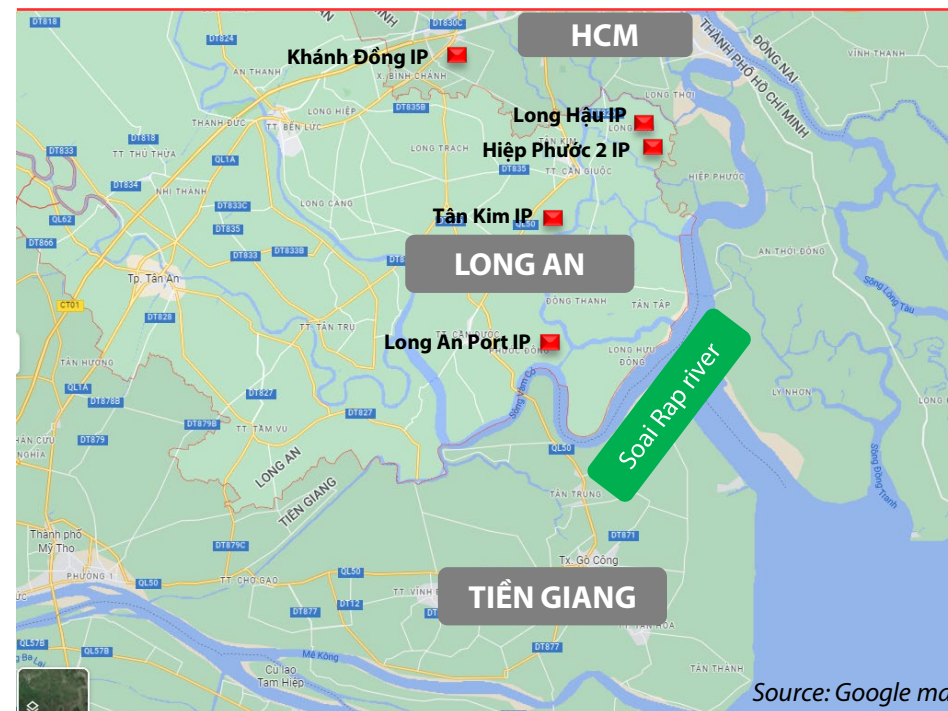


Figure 34: Industrial zone land fund in some southern provinces



Source: Savills

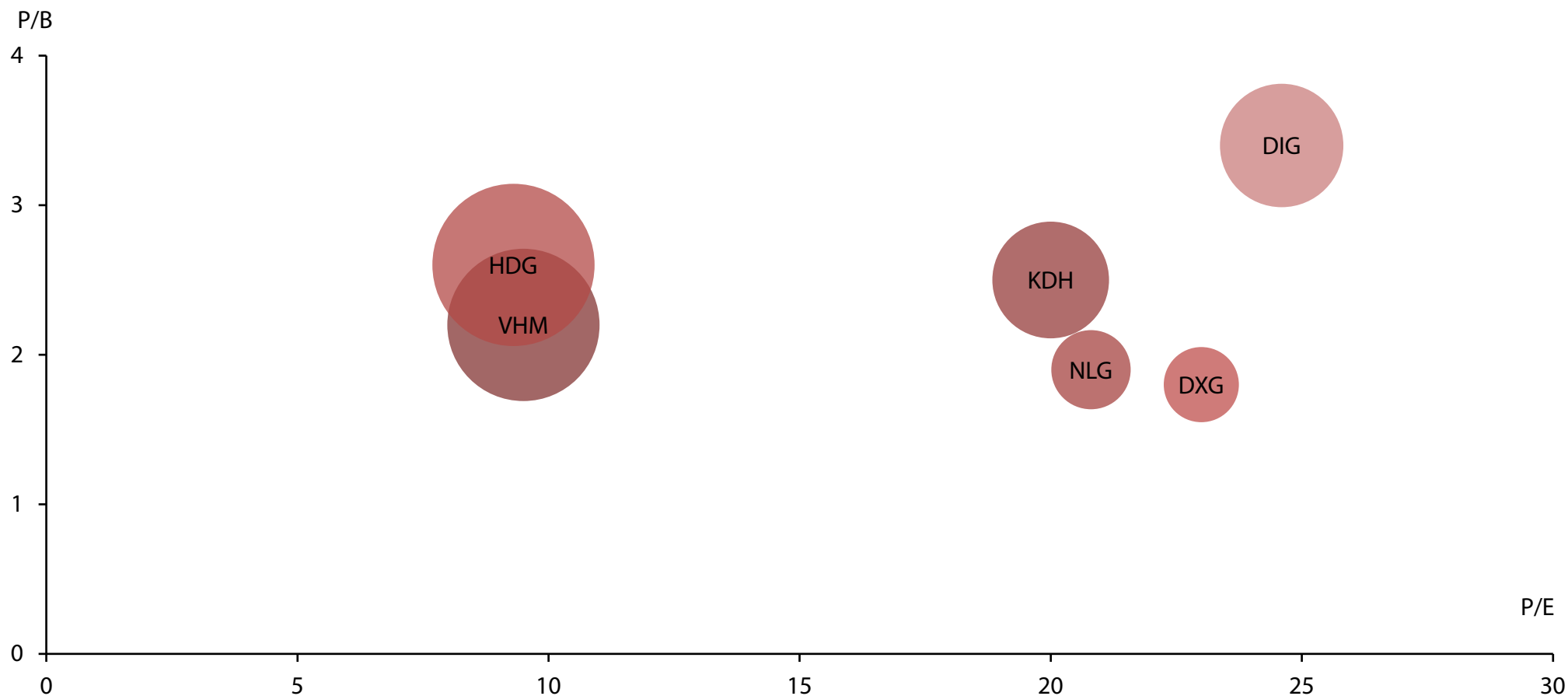
Figure 35: Potential for development of IP in Tien Giang



Source: Google map

Ticker	Market cap (VND bn)	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	11,456	-	-84	104	49	60	-95	50	11.4	21.8	0.0	9.5	2.2
KDH	1,192	43.660	-34	230	46	44	25	51	8.3	12.8	0.0	20.0	2.5
NLG	707	50.500	210	24,419	19	24	135	20	3.2	5.9	0.0	20.8	1.9
HDG	549	47.800	116	1,081	73	51	1,816	42	8.6	24.7	0.0	9.3	2.6
DXG	730	-	-57	44	23	22	-55	16	2.5	5.3	0.0	23.0	1.8
DIG	1,102	-	-7	457	27	19	57	39	6.4	14.3	0.0	24.6	3.4

Source: Fiin Group, Rong Viet Securities. Share price as of August 10, 2022



Source: FiinGroup, Rong Viet Securities. The bubble size is equal to the corresponding ROE. Share price as of 10/8/2022

<ACCUMULATE: +19%>

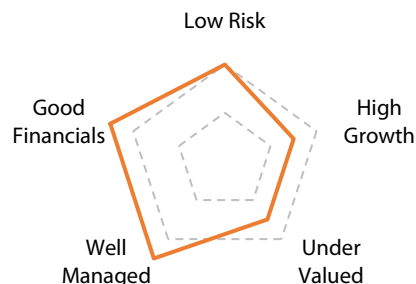
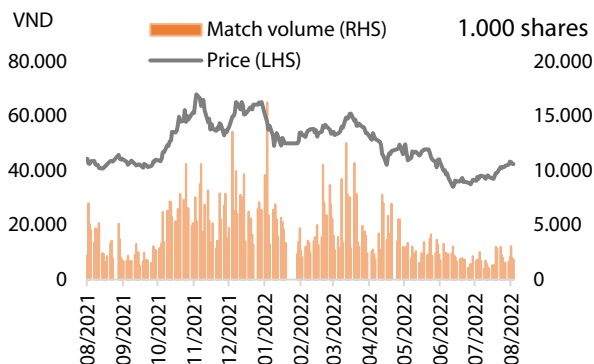
<TP: 50,500>

<MP: 43,000>

STOCK INFO

FINANCIALS

2021A 2022F 2023F



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

Real estate
Revenue (VND bn)
NPATMI VND bn)
ROA (%)
ROE (%)
EPS (VND)
Book Value (VND)
Cash dividend (VND)
P/E (x)
P/B (x)

5,206	4,909	11,295
1,478	774	2,015
7.9%	3.1%	6.6%
14.6%	5.7%	13.8%
2,658	1,661	3,362
35,326	36,143	40,355
1,000		
16.2	25.9	12.8
1.22	1.19	1.07

INVESTMENT RATIONALE

- **Sales are expected to reach a record** of more than 17 trillion in 2022, nearly 3 times higher than in 2021, mainly from projects: Southgate Phase 1, Akari Phase 2, Mizuki Phase 3 and Can Tho land plot.
- **Profit is expected to be recorded in H2/2022 & lasts until 2023:** from (1) the successful transfer of Paragon Dai Phuoc project, (2) the opening and sale of land plots in Can Tho, which is attracting great attention, and (3)) mansions/villas in Aquaria 2, Rivena 2 and The Aqua 1 subdivisions are expected to be handed over in Q4/2022.

RISKS TO OUR CALL

- **The legal completion of Can Tho and Paragon Dai Phuoc projects** greatly affects revenue, profit & sales results in 2022.
- **Rising interest rates affect the liquidity of projects**

Table 1: H1/2022 business results (VND Bn)

(VND Bn)	H1/2022	+/- YoY
Revenue	1,828	187%
Gross profit	811	419%
Operating profit	310	
NPAT-MI	111	-73%

Source: NLG, Rong Viet Securities

Table 2: Sales activities in 6M 2022 (VND Bn)

Project	H1/2022		H1/2021		H1/2020	
	Quant	Value	Quant	Value	Quant	Value
Southgate	245	1,553	334	2,021	186	631
- Valora	245	1,553	334	2,021	186	631
- Ehome						
Akari	605	1,999	90	467	134	340
Mizuki	390	2,813	646	2,003		
Can Tho	27	116				
Izumi	270	1,929				
Dai Phuoc						
Others					26	48
Total	1,537	8,410	1,070	4,491	346	1,019

Source: NLG, Rong Viet Securities

H1 2022, revenue recorded growth thanks to improved project handover activities, however, the parent company's NPAT decreased over the same period due to no longer abnormal profits.

- In H1 2022, NLG recorded revenue of VND 1,828 billion (+187% YoY). In which, project handover activity recorded VND 1,689 billion, a sharp increase over the same period from the handover of Southgate valora products (203 units, VND 1,025 billion), Akari project apartment products phase1 (block 6, 189 apartments, 568 billion VND) and some other project products (95 billion VND).
- Parent company's NPAT recorded at VND111 billion, recording +135% YoY growth, but slightly lower than revenue growth. The main reason during the period was no other income generation, compared to H1/2021 NLG recorded VND429 billion from the re-evaluation of the Izumi project after NLG increased its ownership from 30% to 65.1%.

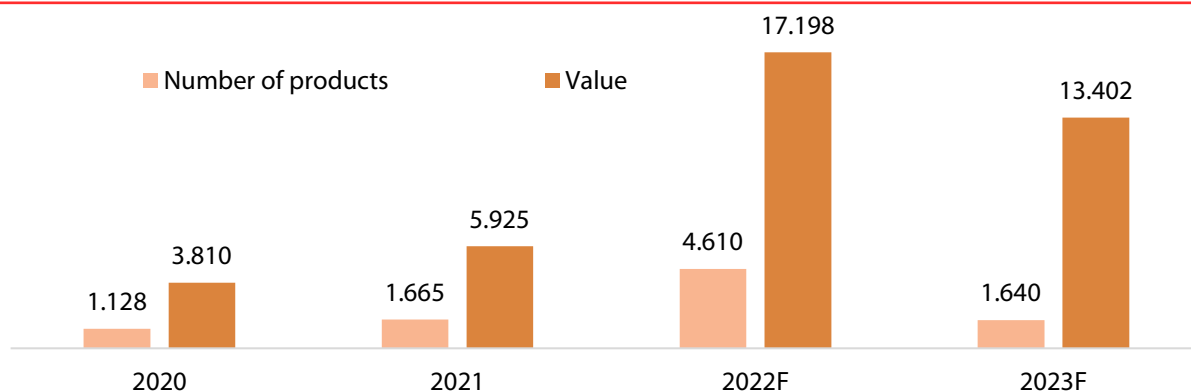
Active sales with many new subdivisions opened for sale in the first six months of 2022

- In the first 6 months of the year, NLG's sales activities were quite positive, with four new subdivisions being sold to the market: The Aqua 1, Akari City - Phase2 (AK7 and AK8 buildings), Mizuki park – Phase 3 and Izumi - Phase 1A. The value in H1/2022 was VND 8,410 billion (+87% YoY) (Tables 5, 6).

Table 3: NLG sales plan in H2/2022

Projects	07/2022	08/2022	09/2022	10/2022	11/2022	12/2022
Akari						
	Block AK9-10: 806 units – 2,500 bn					
Mizuki						
	186 units - 863 bn					
Southgate						
	61 units - 845 bn		Ehome: 383 units - 400 bn		The Aqua 2: 101 units – 1,399 bn	
Izumi						
	GD 1B: 517 units – 3,514 bn					
Paragon Dai Phuoc						
	GD1: 210 units – 4,326 bn					
Can Tho						
	1.076 units – 2,009 bn					

Source: NLG

Figure 1: Number of products and sales revenue (VND bn) 2019 – 2023F


Source: NLG, Rong Viet Securities

Sales activity is expected to still achieve positive growth in H2/2022

- In Ho Chi Minh City, the Akari-phase 2 high-rise apartment project will open for sale blocks AK9 and AK10 in July-August 2022. At the same time, this is also the only remaining fully legal project of NLG in Ho Chi Minh market from here to 2024, after completing the sale of The Mizuki - Phase 3. In Long An, the Southgate - Phase 2 social housing project is expected to be opened for sale in Q4/2022. These two projects focus on the affordable segment, customers have real needs and are currently in short supply in the area. Therefore, we expect these two projects to have great demand from the market like in the previous sales. Besides, the land plot products of Nam Long-Can Tho project (Phase 2), which are popular with investors, also plan to be distributed from the beginning of Q3/2022.
- About the Izumi - Phase 1B and Paragon Dai Phuoc projects, belonging to the second home segment with high value, are expected to be opened for sale in the last two months of the year. So, we claim that only a small part of supply will be absorbed in 2022.

In 2023, the expected pre-sale value is expected to slightly decrease compared to 2022

- We expect NLG's pre-sales value to be at VND 11,295 billion in 2023
- In which, sales activities are expected to focus on four projects (1) Izumi - Phase 2&3, (2) Paragon Dai Phuoc Phase 1&2, (3) Ehome SouthGate – Phase 3 of social housing project and (4) Can Tho land plot - Phase 2.
- Two projects Akari - Phase 3 and SouthGate - Phase 2 are expected to be open for sale in 2024. While Hai Phong (Thuy Nguyen) will be open for sale after completing the project development legislation.

Figure 2: Revenue forecast for 2021-2023F (VND bn)

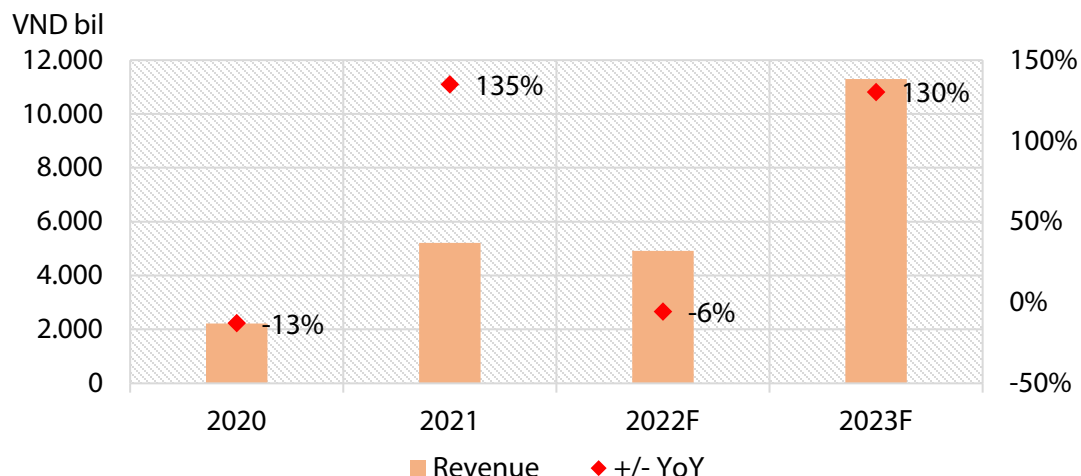
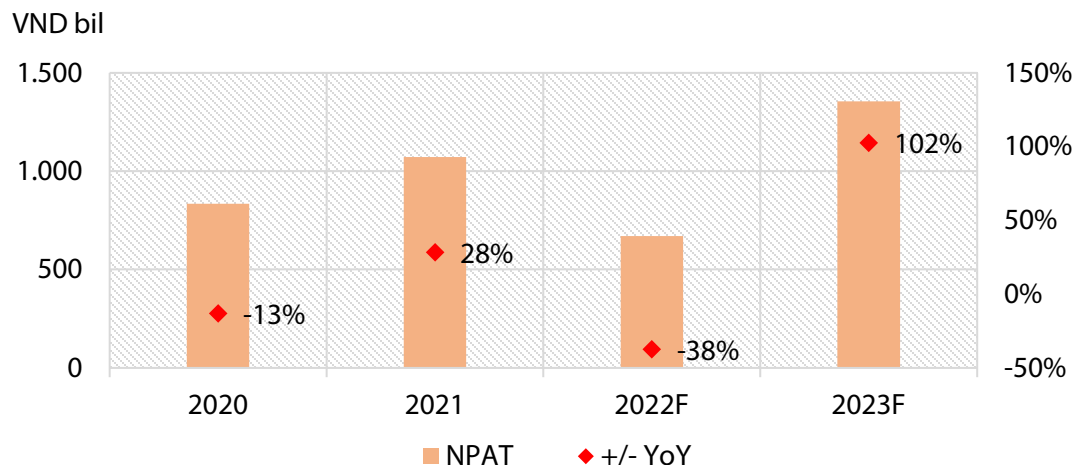


Figure 3: NPAT-MI forecast in 2021-2023F (VND bn)



Source: NLG, Rong Viet Securities

Business results forecast for 2022

Revenue reached 4909 billion VND (-6%)

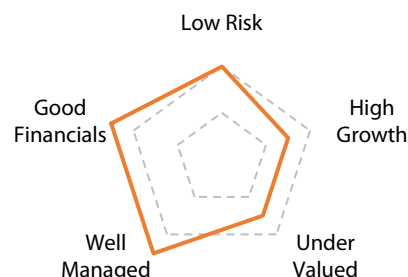
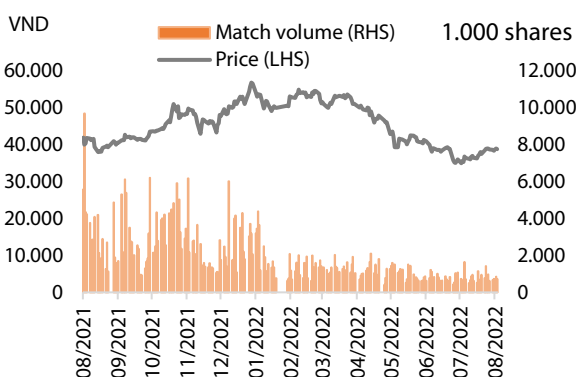
- According to the progress of the projects, it is likely that NLG will hand over 1,065 products of the Southgate project - Phase 1 in H2/2022, Akari - Phase 1 and the open sale of land plots in Can Tho is estimated to record about VND 2,494 billion in revenue in only H2/2022.
- Southgate - Phase 1, about 292 valora products in Rivana 2, Aquaria 2 and The Aqua 1 subdivisions and 366 Ehome products with an estimated revenue of VND 1,839 billion.
- Akari - Phase 1, block 6 has 89 remaining products that are likely to record revenue in Q3/2022.
- The land plot product of Can Tho project is planned to be opened for sale from September 2022 after some subdivisions complete the adjustment of construction plans, expected to be able to distribute 271 products in phase 1.

Moreover, we estimate NPAT after parent company shareholders at VND 655 billion (-39% YoY). In which, profit is mainly contributed from (1) 350 billion VND from divestment of Paragon Dai Phuoc project 350 billion VND and (2) project handover.

<ACCUMULATE: +13%>

<TP: 43,660>

<MP: 38,750>



STOCK INFO

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

FINANCIALS

Real estate
Revenue (VND bn)
NPAT VND bn)
ROA (%)
ROE (%)
EPS (VND)
Book Value (VND)
Cash dividend (VND)
P/E (x)
P/B (x)

	2021A	2022F	2023F
Revenue (VND bn)	3,738	3,367	3,376
NPAT VND bn)	1,205	1,487	1,412
ROA (%)	8.5%	8.7%	6.2%
ROE (%)	13.1%	13.9%	12.1%
EPS (VND)	1,788	2,006	1,905
Book Value (VND)	15,898	15,760	17,233
Cash dividend (VND)			
P/E (x)	21.7	19.3	20.3
P/B (x)	2.4	2.5	2.2

INVESTMENT RATIONALE

- **In Q3/2022, sales activity is forecasted to be dynamic** from the launch of Classia (August 2022), Privia (Q4/2022) and Clarita (H2/2022) projects that will drive revenue and profit growth in the period from 2023 - 2025.
- **Large land bank in Ho Chi Minh City is the main force for medium and long-term growth**
In Ho Chi Minh City, KDH's land bank is about 610 ha (second player after Vinhomes). Given that the real estate market in Ho Chi Minh City is facing a shortage of project supply as well as shortage of new land banks, developer with large land bank like KDH is an advantage. We expect land bank in Tan Tao (330 ha) and Phong Phu 2 (132 ha) will be the main highlight to help KDH maintain growth rate in the next 5 to 10 years.
- **Attractive valuation is the potential to improve profitability in the period of 2021 - 2023.**

RISKS TO OUR CALL

- **The slower - than - expected legal completion of projects and the implementation of site clearance** for large projects such as Tan Tao, Phong Phu 2 and the expansion Le Minh Xuan Industrial Park may affect KDH's future cash flow.

Table 1: Business results H1/2022 (VND bn)

(VND Bn)	6T 2022	+/- YoY
Revenue	875	-55%
Gross profit	575	-31%
Operating profit	446	-32%
Parent company's NPAT	631	+34%

Source: KDH, Rong Viet Securities

Table 2: Pipeline of KDH projects 2021-2025

Projects	Location	Owner	Square (ha)	2021	2022	2023	2024	2025	after 2025
The Classia	Q9, HCM	100%	4,3						
The Privia	Binh Tan, HCM	100%	1,8						
Clarita	Thu Duc, HCM	100%	5,7						
The Solina	Binh Chanh, HCM	100%	16,4						
KCN Lê Minh Xuân MR	Binh Chanh, HCM	100%	109,9						
Bình Trưng	Thu Duc, HCM	100%	11,0						
Phong Phú 2	Binh Chanh, HCM	100%	132,9						
KDC Tân Tạo	Binh Tan, HCM	100%	330,0						

Source: KDH, Rong Viet Securities

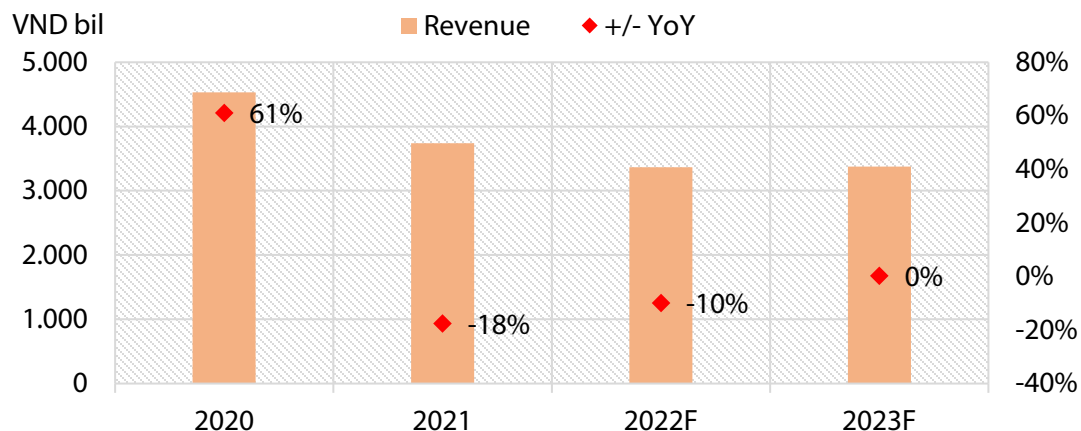
In H1 2022, handover and sale activities recorded a slowdown. However, parent company's NPAT increased over the same period thanks to extraordinary profits.

- KDH recorded a revenue of VND 875 billion (-55% YoY) which mainly due to a decrease in the number of handover products compared to the same period last year. Particularly, the company hand-overed 40 apartments in Clarita project, which mostly occur in Q2 2022.
- Parent company 's NPAT recorded a growth of 34% YoY to VND 631 billion, of which 50% is contributed from non-recurring income. Particularly, the company booked VND 308 billion income from re-evaluating the consolidation of Phuoc Nguyen Investment Real Estate JSC arising in Q1 2022. In addition, the profit margin in H1/2022 is generally improved from the Classia Villa project which has a better profit margin than the high-rise projects handed over in 2021 (Safira, Lovera Vista)

Sales activity slowed down in the first six months of 2022

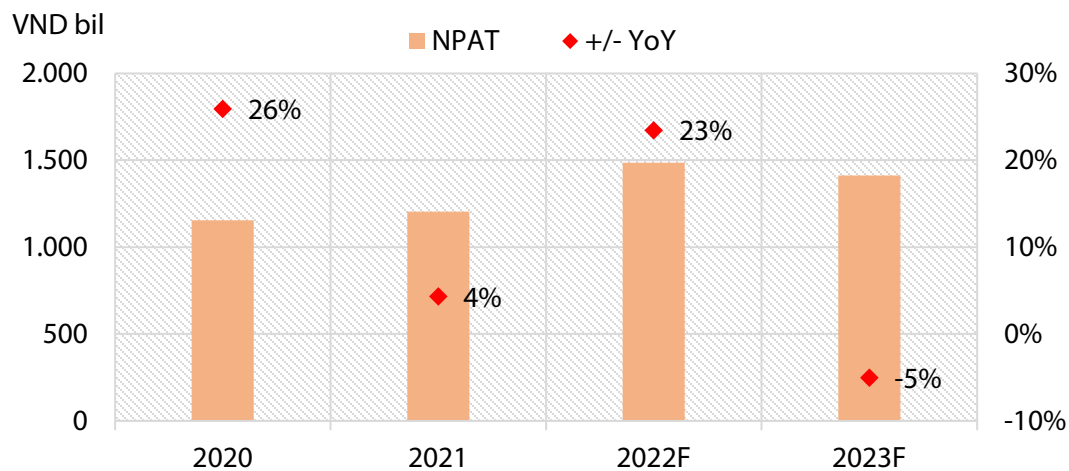
- By the end of Q2 2022, two completed projects, Verosa villas have sold out 100% of the projects and the Lovera Vista high-rise project has sold up to 88%.
- However, in the first 6 months of the year, KDH has not yet offered new projects to the market.

Figure 1: Revenue forecast for 2021-2023F (VND bn)



Source: KDH, Rong Viet Securities

Figure 2: NPAT-MI forecast in 2021-2023F (VND bn)



Source: KDH, Rong Viet Securities

Sales activity is expected to be dynamic from Q3 2022

- In the early days of August 2022, KDH signed a distribution agent for Classia project with Smart Landand and expects most of the projects to be recognized as revenue within the year.
- In addition, the Privia project, which started in Q2 2021, is expected to be eligible for sale in Q4 2022.
- The Clarita villa project can also be opened for sale in H2 2023, according to the company's plan.

Business results 2022-2023 do not have many strong growth drivers compared to 2021

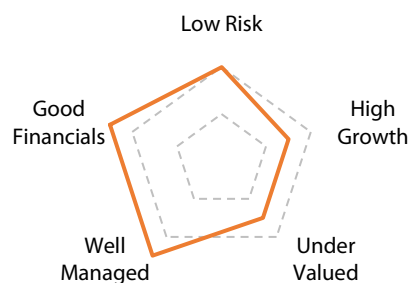
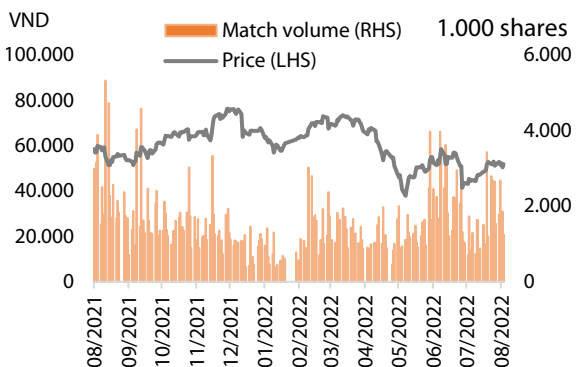
- In 2022, we estimate the parent company's revenue and NPAT at VND 3,367 billion and VND 1,487 billion, respectively, equivalent to growth of 5% yoy and 15% yoy respectively.
- In 2023, Clarita is expected to be the main source of revenue from the partial handover of the project by the end of Q4/2023.
- Meanwhile, the high-rise projects Privia is estimated to start falling in 2024.

<NEUTRAL : -8%>

<TP: 47,800>

<MP: 52,300>

STOCK INFO



Sector

Market Cap (\$ mn)

Current Shares O/S (mn shares)

3M Avg. Volume (K)

3M Avg. Trading Value (\$ mn)

Remaining foreign room (%)

52-week range ('000 VND)

Real estate & energy

560

244,61

1.761

3.90

13,4%

31.60 – 61.20

FINANCIALS

Revenue (VND bn)

NPAT VND bn)

ROA (%)

ROE (%)

EPS (VND)

Book Value (VND)

Cash dividend (VND)

P/E (x)

P/B (x)

	2021A	2022F	2023F
Revenue (VND bn)	3,777	3,815	3,388
NPAT VND bn)	1,344	1,622	1,394
ROA (%)	9.0%	9.9%	8.0%
ROE (%)	28.7%	26.7%	19.0%
EPS (VND)	5,455	5,286	4,544
Book Value (VND)	22,070	22,003	25,832
Cash dividend (VND)	1,000		
P/E (x)	9.6	9.9	10.5
P/B (x)	2.4	2.2	2.0

INVESTMENT RATIONALE

- **2022 - the point of recovery is mainly coming from revenue and profit** from the handover of Charm Villas project from Q2/2022 and the energy segment still maintains a positive growth momentum from a low base.
- **Real estate land fund still has room for medium-term development.** Currently, HDG's land bank is over 50 hectares, which is mainly concentrated in the big cities of Hanoi, Ho Chi Minh, and Nha Trang, which are currently of high value and the land supply is gradually scarce.
- **The energy segment brings stable annual cash flow for the business.**

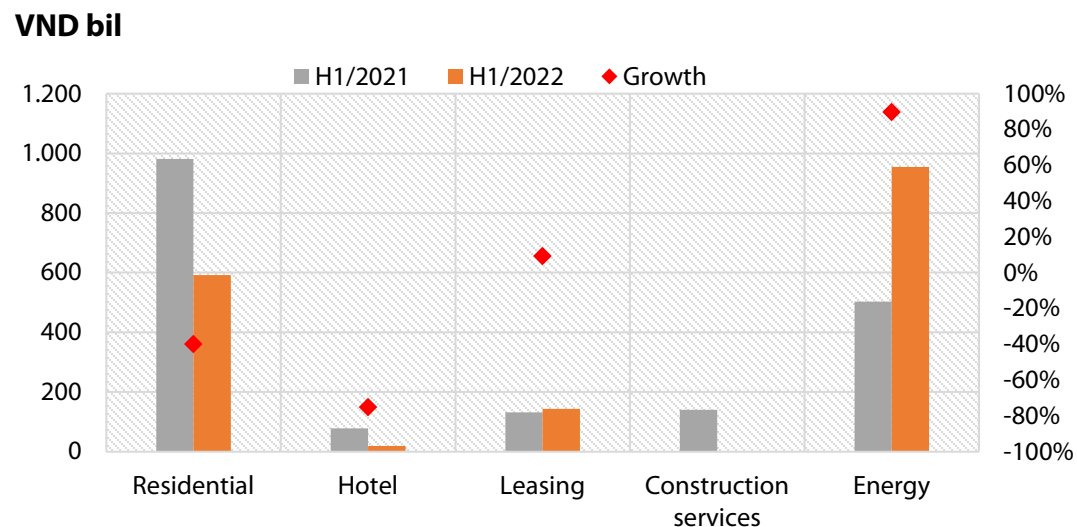
RISKS TO OUR CALL

- **Slow implementation of real estate projects** will significantly affect revenue and profit in the following years.

Table 1: Business results H1/2022 (VND bn)

(VND Bn)	6T 2022	+/- YoY
Revenue	1,692	-7%
Gross profit	1,129	+23%
Operating profit	1,044	+41%
NPAT-MI	606	+78%

Source: HDG, Rong Viet Securities

Table 2: Sales activities in 6M 2022 (VND Bn)


Source: HDG, Rong Viet Securities

In H1/2022, HDG's NPAT-MI recorded a positive growth, with VND 606 bn (+78% YoY). Meanwhile, revenue was slightly reduced due to a decrease in the number of real estate handovers.

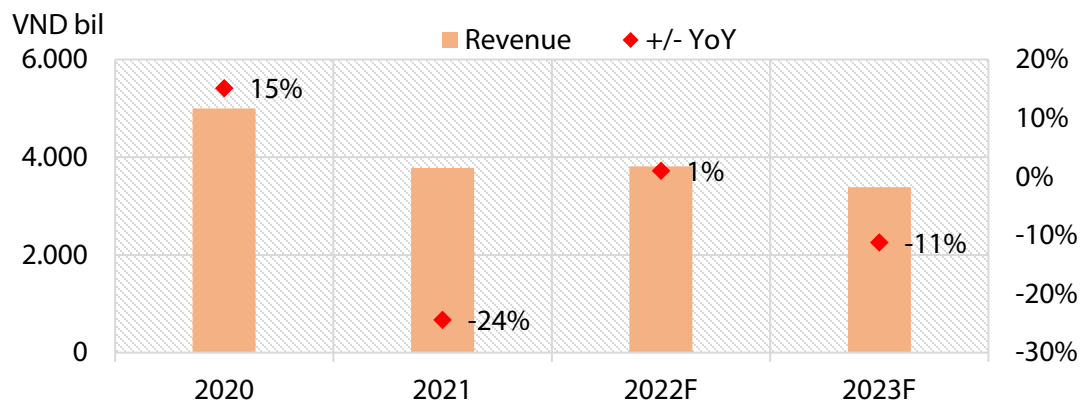
The real estate segment recorded a sharp revenue increase from Q2/2022 by the handover of the Charm villas project

- In Q2/2022, HDG marked the return of the real estate segment, with revenue recorded at VND 465 billion, an increase of nearly 10 times over the same period, from the handover of 45 Charm villas project. According to the schedule from here to the first half of 2023, HDG will hand over the remaining 127 units, estimated revenue of 1,311 billion VND.
- In addition, HDG is expected to open sale phase 3, 136 Charm villas in Q3/2022. However, according to our survey, the project has not yet had a specific sale opening date.

Energy segment maintains positive growth momentum

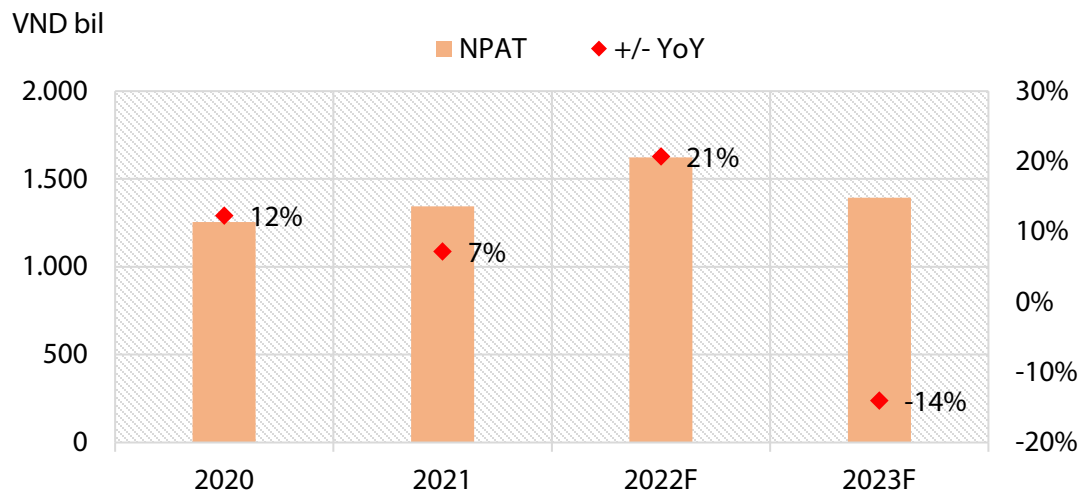
- In Q2/2022, the energy segment recorded a revenue of VND 476 billion, up 82% yoy on a low basis, after the two Dakmi 2 projects (operated from September 2021) and 7A (operated from August 2021 for unit 1-2 and unit 3 operating from February 2022) will come into stable operation in 2022. Besides, the favorable hydrological situation also actively supports hydropower activities in the first half of the year.

Figure 1: Revenue forecast for 2021-2023F (VND bn)



Source: HDG, Rong Viet Securities

Figure 2: NPAT-MI forecast in 2021-2023F (VND bn)



Source: HDG, Rong Viet Securities

In 2022, we forecast revenue and NPAT to be VND 3,815 billion (+1%) and VND 1,622 billion (+21% yoy) respectively.

- In the second half of 2022, according to the schedule, we expect HDG to hand over about 100/127 Charm villas project, with a recorded value of about VND 1,032 billion, the remaining products are expected to be handed over within the year.
- While in the energy segment, it is expected that revenue and profit will be at the same level as in the first half of 2022 when the plants have come into operation stably.
- The remaining business segments of investment real estate and hotels, which account for a small proportion of the revenue - profit structure, are forecasted to continue to improve in the next two quarters thanks to the control of the Covid-19 epidemic and the recovery of tourism.

In 2023, revenue and profit forecast may decrease slightly

- Energy segment: HDG's power plants have been in stable operation since Q1/2022. Therefore, in 2023, output is forecasted to grow only at 10%, no longer maintaining a high growth rate compared to low base in the years 2020-2021.
- Meanwhile, the real estate segment is expected to record a decrease in revenue in 2023 since Charm Villas - Phase 3 has not been opened for sale until now. Meanwhile the majority of Charm villas - Phase 2 products will be handed over in 2022 (~145 units), and only a part of the project will be handed over in 2023 (~27 units).

STEEL INDUSTRY

INTO THE TROUGH



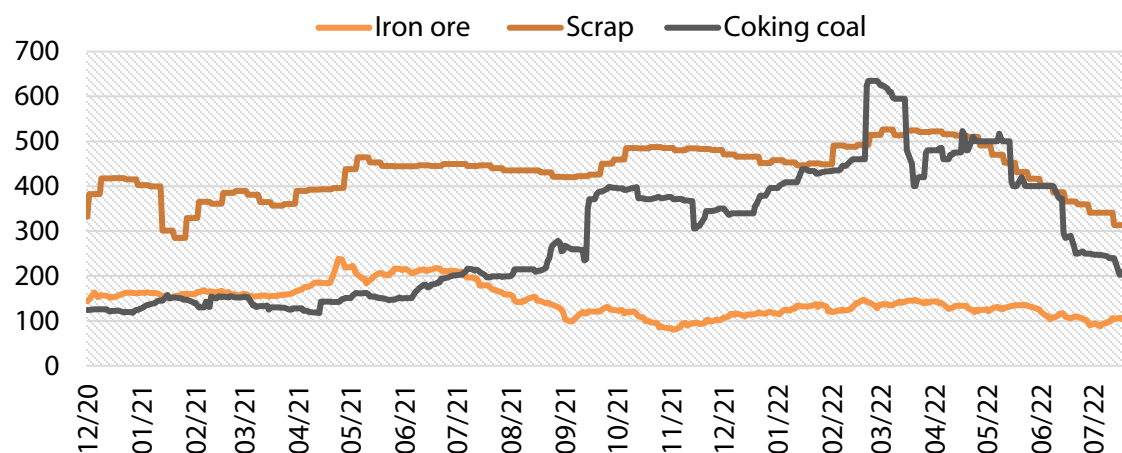
Tam Pham – tam.ptt@vdsc.com.vn



The price of steel and raw materials increased sharply in the wake of the war and then quickly cooled down

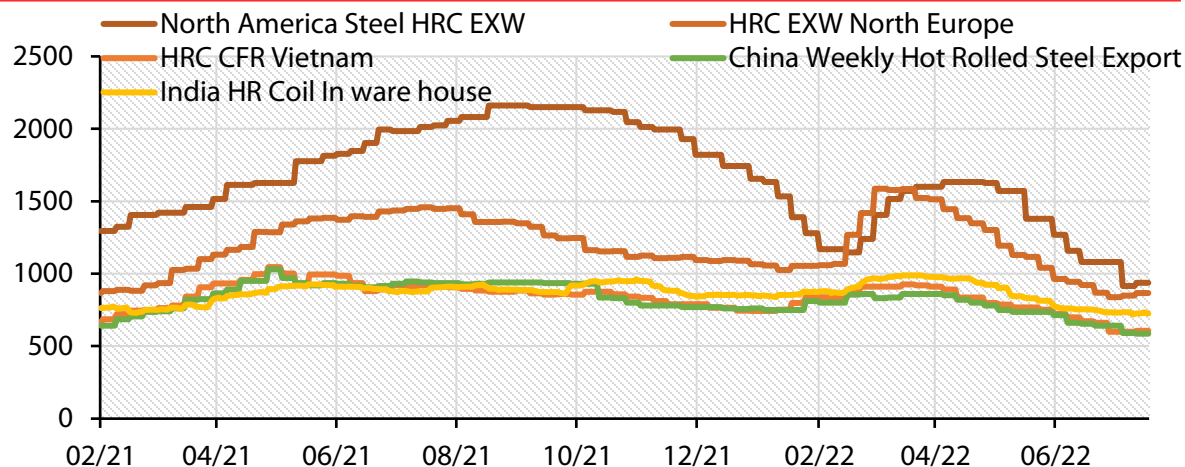
- Panic sentiment over the lack of steel supply pushed steel and raw material prices up in the early stage of the war.
- The fear of economic recession gradually prevailed, causing demand for steel and steelmaking materials to decline and the price reversed rapidly.
- The decline in steel prices is weakening and showing signs of reversing upward thanks to positive news about China's real estate market stimulus measures. However, we believe that the upside momentum in the second half of the year is not much due to high global inflation.

Figure 1: Material prices (USD/ton)



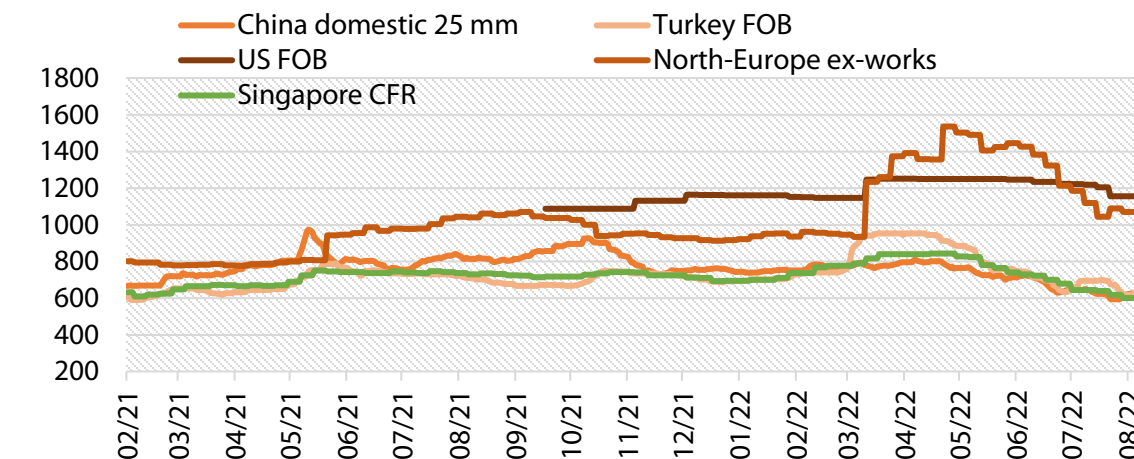
Source: Bloomberg, Rong Viet Securities

Figure 2: HRC price (USD/ton)



Source: Bloomberg, Rong Viet Securities

Figure 3: Rebar price (USD/ton)



Source: Bloomberg, Rong Viet Securities

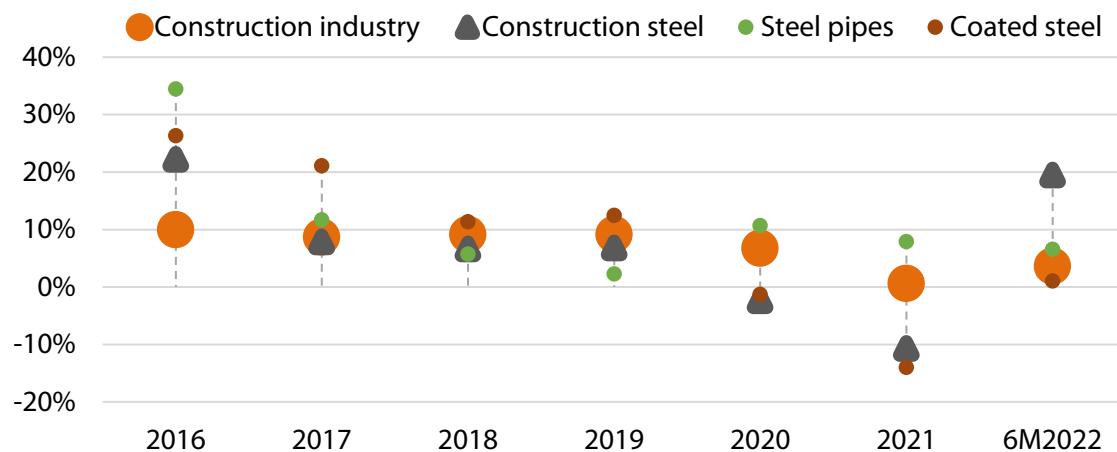
Domestic demand for steel is low due to low cash flows into the real estate market and slow disbursement of public investment.

Steel prices have fallen continuously since the end of April, prompting domestic distributors to find ways to reduce inventories, only buying from manufacturers when they have orders from customers.

The slowing demand from other markets combined with export competition with many countries, including China's low-priced steel, made the export volume of finished steel in 6M2022 only increase slightly by 3.1% to 3.64 million tons.

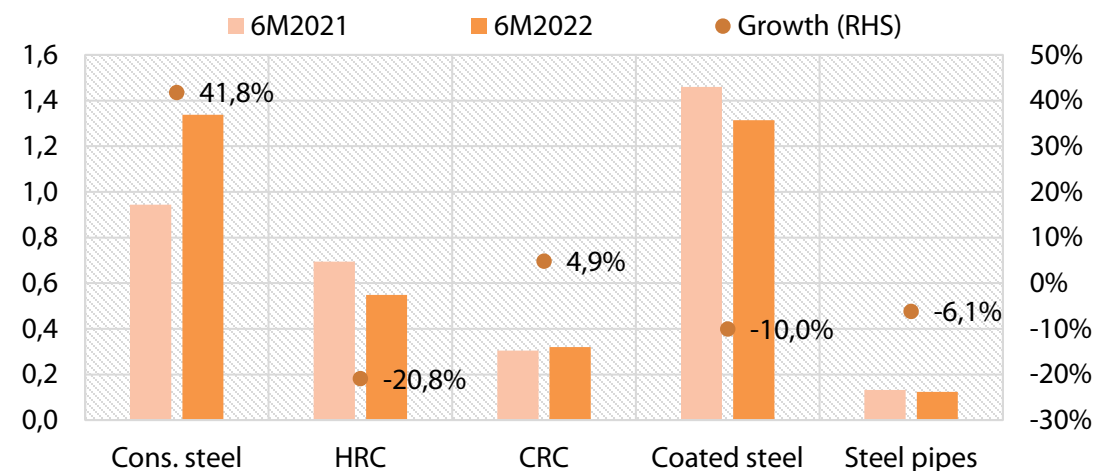
High inventory pressure forced factories to both cut capacity and compete fiercely on selling prices, pulling the price level down continuously.

Figure 4: Growth of steel consumption and construction sector



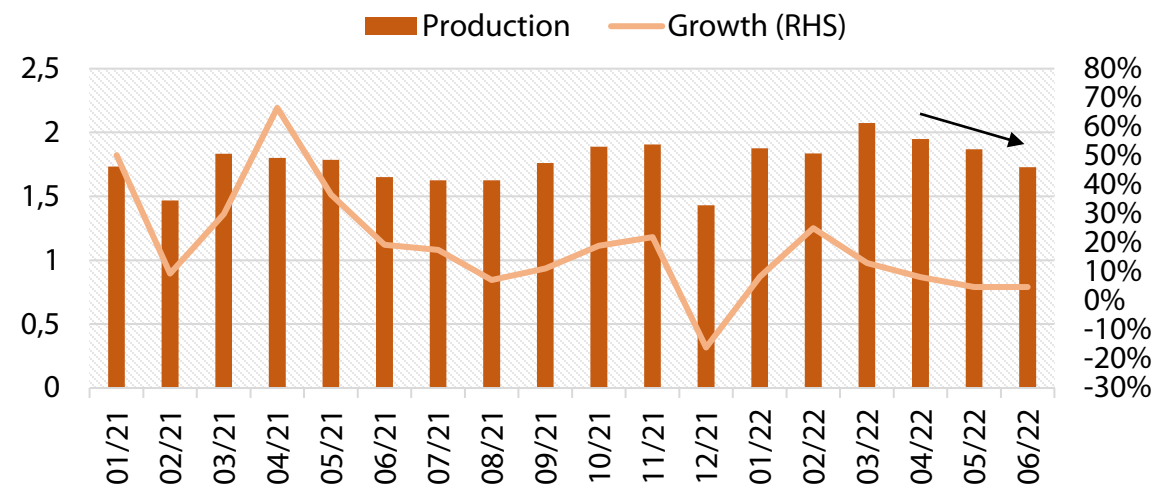
Source: GSO, VSA, Rong Viet Securities

Figure 5: 6M2022 exports by product (million tons)



Source: VSA, Rong Viet Securities

Figure 6: Crude steel output (million tons)



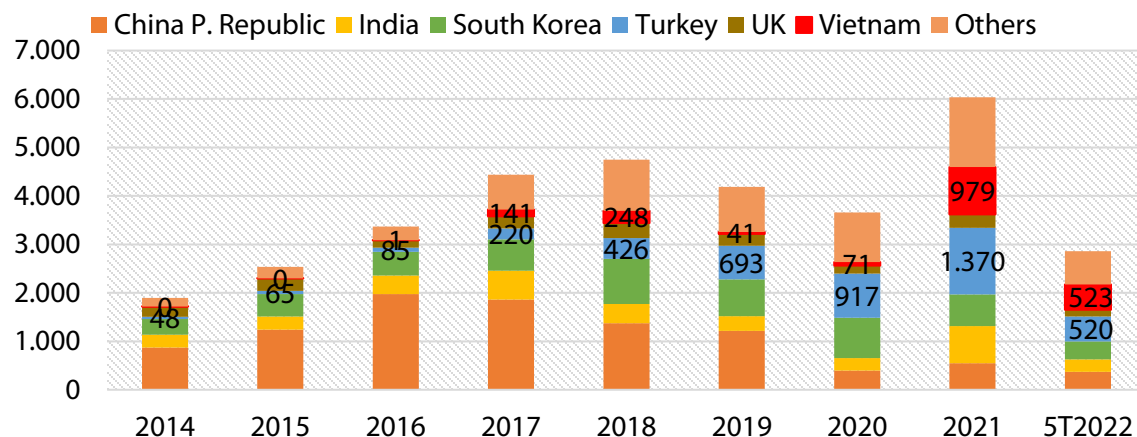
Source: VSA, Rong Viet Securities

Changes in trade policies of major markets such as the US and EU to be more challenged to Vietnam.

1. The US in late 2021 and early 2022 has relaxed tariff quotas on Japanese, EU and UK steel.
2. The EU recently increased protection measures on Vietnamese coated steel. From July 1, 2022 to June 30, 2024, Vietnam's metal coated steel sheet (group 4A) is managed under to quotas. The tariff-free quota of the group of "Other countries", including Vietnam, is 1.8 million tons for the period July 1, 2022 to June 30, 2023 and increases by 4% in the following year. If the quota is exceeded, the import tax to be paid for the excess is 25%.
 - In 2021, Vietnam sold 979 thousand tons of coated steel to the EU, a sharp increase compared to previous years in terms of supply shortage in the EU combined with quota exemption incentives for Vietnam from July 1, 2020. This was the reason why the EU has increased barriers to Vietnam's coated steel.
 - Apart from India, Korea and the United Kingdom who are subjected to separate quotas, Turkey is Vietnam's biggest rival. Turkey has the advantage of transport distance to the EU and steel supply and demand in the EU will be stable in the coming years, it would be difficult for Vietnam to maintain high exports to the EU.

Vietnamese manufacturers will have to increase their exports to ASEAN, to offset the decline in Europe-North America demand, but profit margins will be lower.

Figure 7: EU's imports of steel from third parties ('000 tons)



Source: EUROFER, Rong Viet Securities

Table 1: Newest tariff-free import quotas of EU for galvanized steel (group 4A, thousand tons)

Country	From 7/1/2022 to 6/30/2023	From 7/1/2023 to 6/30/2024
South Korea	143.3	149.0
India	204.8	213.0
UK	135.0	140.4
Other countries	1,802.5	1,874.6

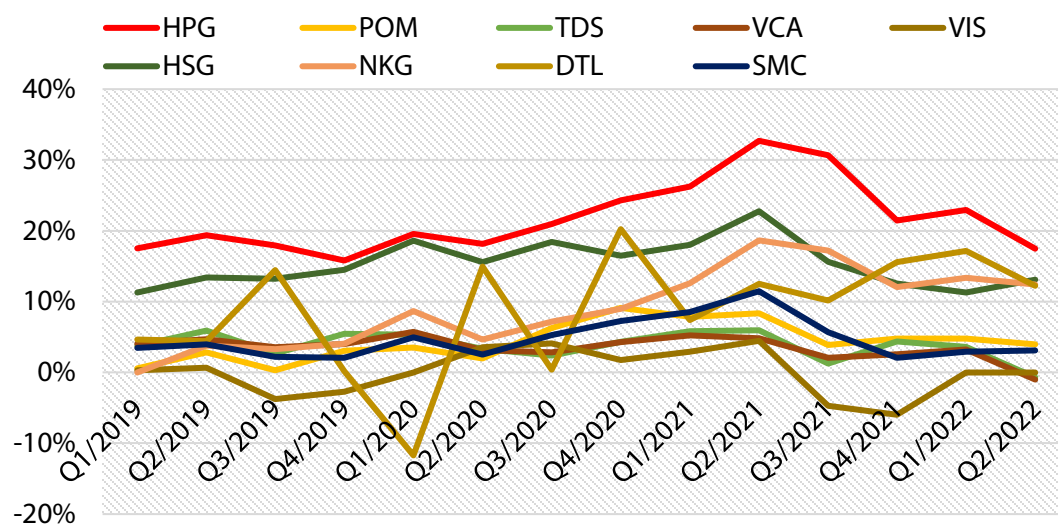
Source: EC, Rong Viet Securities

In the first half of the year, the price of raw materials for steel production fluctuated greatly, bringing difficulties to business of steel companies. Profit margins of steel companies weakened due to lower selling prices, higher provision for inventory devaluation and increased transportation costs, mainly in Q2.

Construction steel demand will soon recover. Vietnam's public investment disbursement will accelerate from the end of 2022 after the public investment plan 2021-2025 completes the approval process. Worldsteel forecasts that the infrastructure investment incentives of the ASEAN 5 countries will underpin the recovery of the region's construction steel demand, with an increase of 4.8% in 2022 and 6.1% in 2023, higher than the corresponding increases in world steel demand of 0.4% in 2022 and 2.2% in 2023.

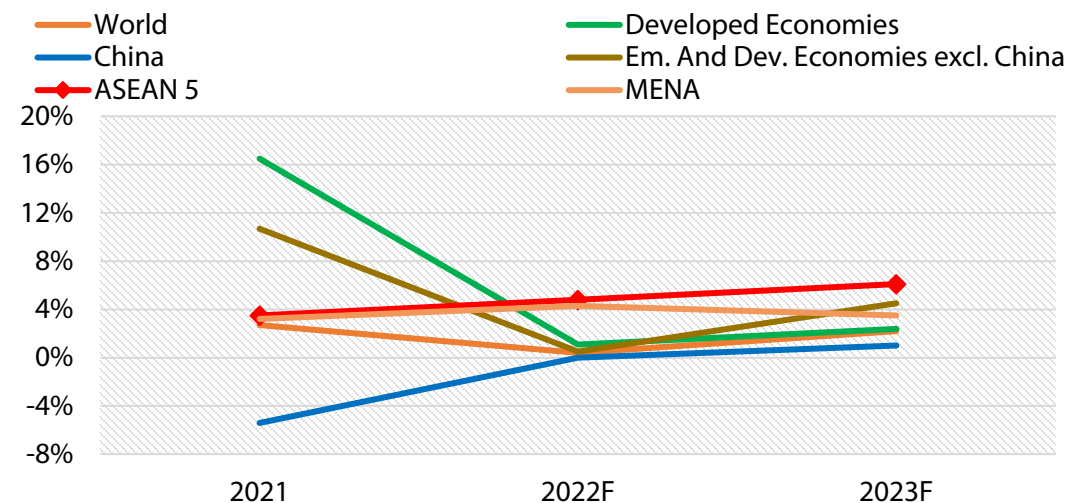
Flat steel demand is expected to remain weak for the next few quarters. Recently, HRC price has continuously decreased, but the domestic price of coated steel has not adjusted significantly thanks to the support from exports. In the coming time, when exports become low, domestic coated steel prices will be under greater pressures due to the loss of support from exports.

Figure 8: Gross profit margin of steel companies



Source: Companies's financial reports, Rong Viet Securities

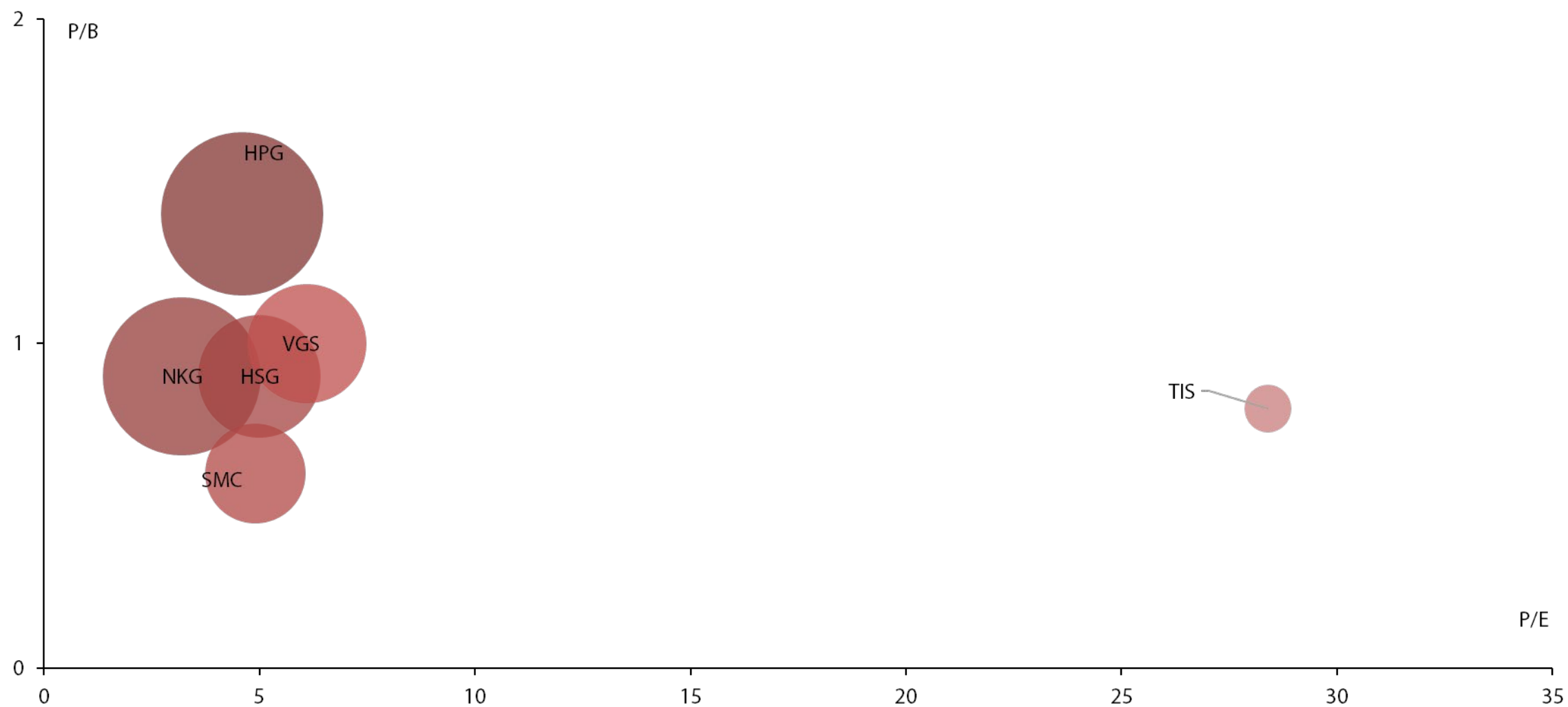
Figure 9: Forecast of steel demand growth



Source: Worldsteel, Rong Viet Securities. ASEAN 5: Indonesia, Malaysia, Philippines, Thailand, Vietnam. MENA: Middle East and North Africa

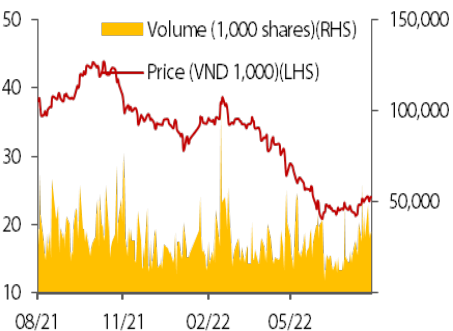
Ticker	Market cap (VND bn)	Target price (VND)	Sales Growth (% YoY)	EBITDA Growth (% YoY)	EBITDA Margin (%)	Operating Income Margin (%)	Net Income Growth (% YoY)	Net Profit Margin (%)	ROA (%)	ROE (%)	DY (%)	Current P/E (x)	Current P/B (x)
HPG	5,940	33,000	41.2	19.2	24.8	20.8	19.5	18.2	16.4	31.8	1.6	5.0	1.4
NKG	243	25,100	64.3	21.7	8.6	7.3	26.0	5.8	11.7	33.0	3.9	3.0	0.9
HSG	447	N/A	39.5	-35.2	0.0	0.0	-45.6	3.6	8.6	19.3	0.0	5.0	0.9
SMC	63	N/A	19.9	-53.7	2.5	2.1	-68.6	1.3	2.9	13.0	4.2	4.7	0.5
VGS	38	N/A	4.0	-2.3	2.6	2.4	2.3	2.0	6.0	17.3	0.0	6.1	1.0
TVN	265	N/A	-13.4	-46.0	10.1	5.7	-64.6	4.5	6.2	9.0	0.0	8.7	0.6

Source: Fiinpro, Rong Viet Securities. Share price as of August 10, 2022.



Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 10 August 2022.

<BUY: 39%>

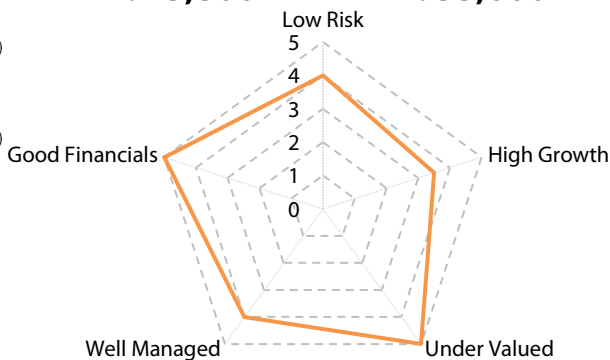


<MP: 23,800>

<TP: 33,000>

STOCK INFO

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



FINANCIALS

		2021A	2022F	2023F
Basic Materials	Revenue (VND bn)	149,680	139,687	166,275
	NPATMI VND bn)	34,478	24,323	32,858
	ROA (%)	19.5	12.5	14.9
	ROE (%)	38.0	23.3	30.3
	EPS (VND)	7,246	4,494	6,071
	Book Value (VND)	20,261	20,545	21,341
	Cash dividend (VND)	500	0	0
	P/E (x)	6.0	5.5	4.0
	P/B (x)	2.3	1.0	1.0

INVESTMENT RATIONALES

Short-term weak sales mainly in flat steel segment, before recovering from 2024

- Slow disbursement of public investment, tightening management of the residential real estate market and a decline in global demand for durable goods, making total steel consumption to decrease slightly by 6% compared to 2021, per our expectation. Construction steel will recover sooner than flat steel when public investment disbursement is accelerated from the beginning of 2023. In the next 12 months, flat steel consumption may remain quiet due to high inflation globally.
- Dung Quat 2's first blast furnace will be completed by the end of 2023, rising crude steel capacity by 33% to 11.3 million tons/year.

Profit margin stays at low level in Q3 and improves from Q4/2022

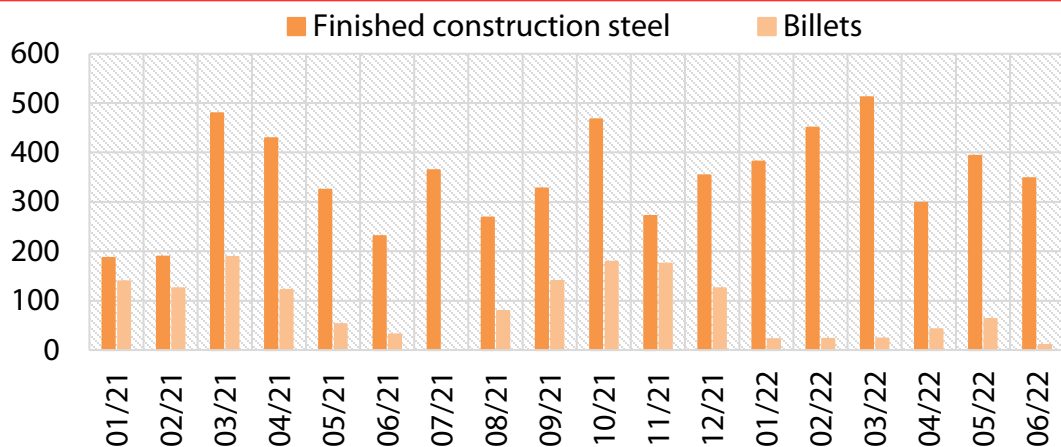
- Material prices have cooled down rapidly from May until now. Due to the time lag of 2–3-month material stocking before production, gross margin will improve from Q4.
- Weak demand in many parts of the world alongside sluggish domestic consumption from March caused construction steel prices and HRC prices to drop sharply. However, the amplitude of recent declines in selling prices has narrowed.
- Gross profit margin in 2022 is estimated at 23.6%, compared to 27.5% in 2021, due to higher input prices and falling selling prices in Q2 and Q3.

Many large investment plans increase capacity and business efficiency in the long term. In addition to the project of making containers in November 2022, HPG also plans to invest in Dung Quat 3 focusing on HRC and section steel, buying more iron ore mines in Australia and bauxite ore mines in the Central Highlands.

RISKS TO OUR CALL

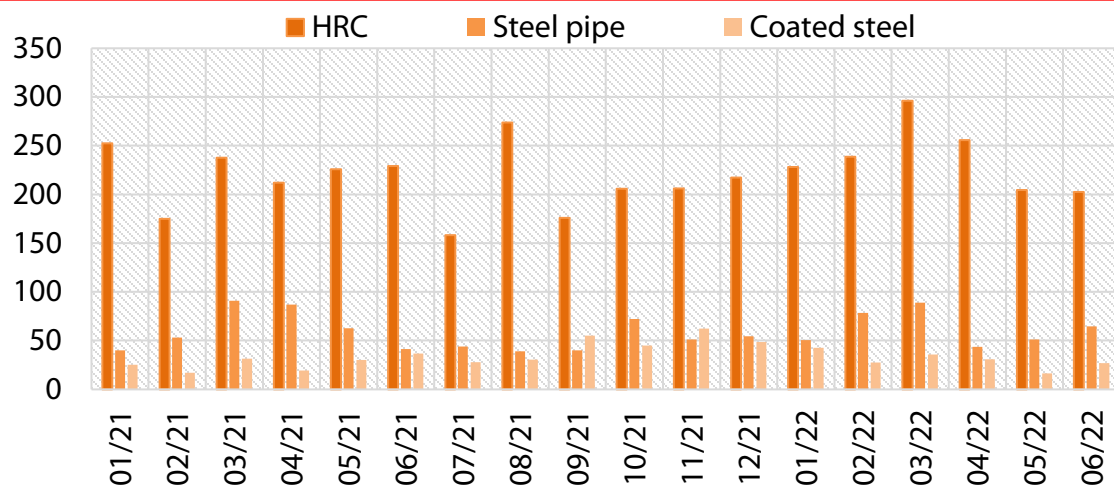
- Changes in China's pandemic control policy and real estate market made steel consumption and selling price higher than expected.

Figure 1: Construction steel consumption (thousand tons)



Source: VSA, Rong Viet Securities

Figure 2: Consumption of flat steel (thousand tons)



Source: VSA, Rong Viet Securities

Total consumption increased by 4% YoY to 3.98 million tons thanks to domestic and global demand recovering from the pandemic and the panic of steel and materials stockpiling in the wake of the Russian-Ukrainian war.

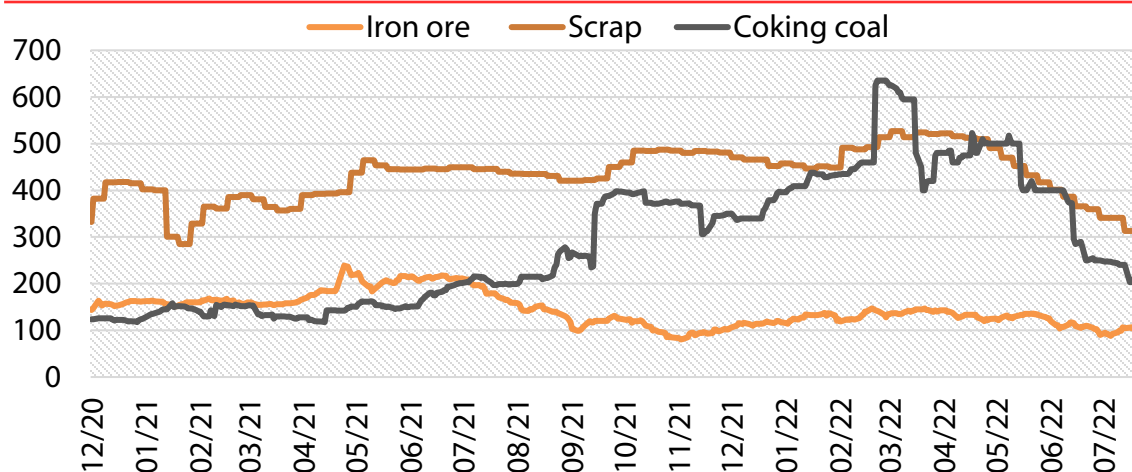
- Finished construction steel output reached 2.38 million tons, up 30%.
- HRC output increased 7% to 1.43 million tons.

Export of coated steel reaches a high level

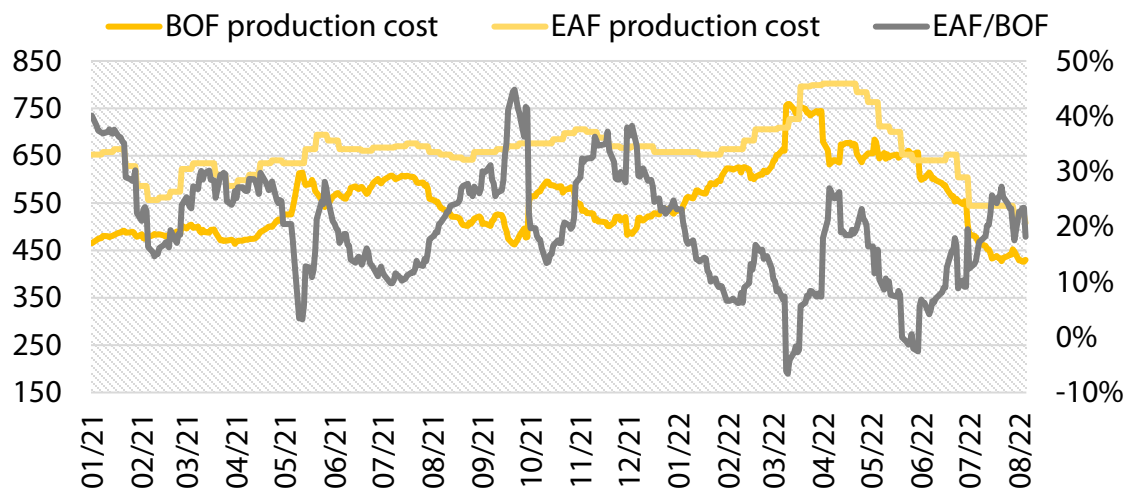
- High demand from Europe and North America. Consumption volume reached 98 thousand tons, up 16.5% YoY. However, consumption weakened significantly in May and June when the Russia-Ukraine war caused anxiety about inflation and economic recession.

Consumption of billet is weak due to almost no export

- Billet sales decreased by 72% YoY to 184,000 tons, 84% was domestic consumption, while 1H21 exports accounted for about 90%. Export of billet decreased to focus on producing commercial steel products.

Figure 3: Material price (USD/ton)


Source: Bloomberg, Rong Viet Securities

Figure 4: Steel production cost (USD/ton)


Source: Bloomberg, Rong Viet Securities

Material prices increased sharply at the beginning of Q2 (coking coal saw the strongest surge) and decreased rapidly from May until now

- Coking coal prices peaked at USD 625/ton in mid-March, fluctuated strongly at high levels due to panic sentiment when the war broke out. Prices have dropped rapidly from the end of May until now to USD 240/ton, equivalent to the price as end-September 2021, when steel demand was quiet in China.
- Iron ore prices fell more sharply than scrap steel prices. The trend is likely to maintain in the near future.
- The cost difference between blast furnace and electric furnace is estimated to be high, about 20%.

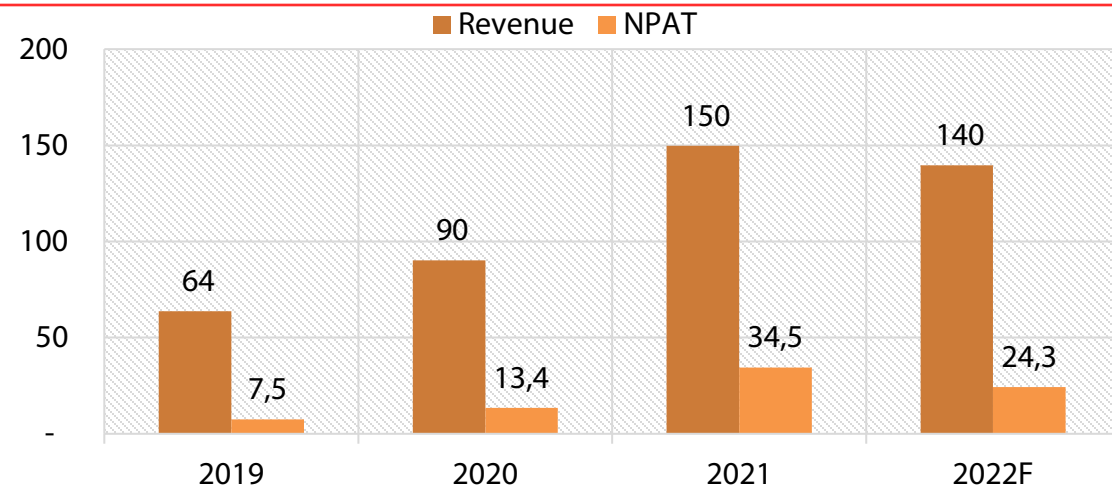
Steel production costs are expected to drop significantly from Q4

- Billet production cost is estimated to increase from around USD 570/ton in Q1 to USD 626/ton in Q2 (+10.3% QoQ) before falling to USD 565/ton in Q3 and USD 495/ton in Q4.

Gross margin of construction steel segment declined less than HRC's

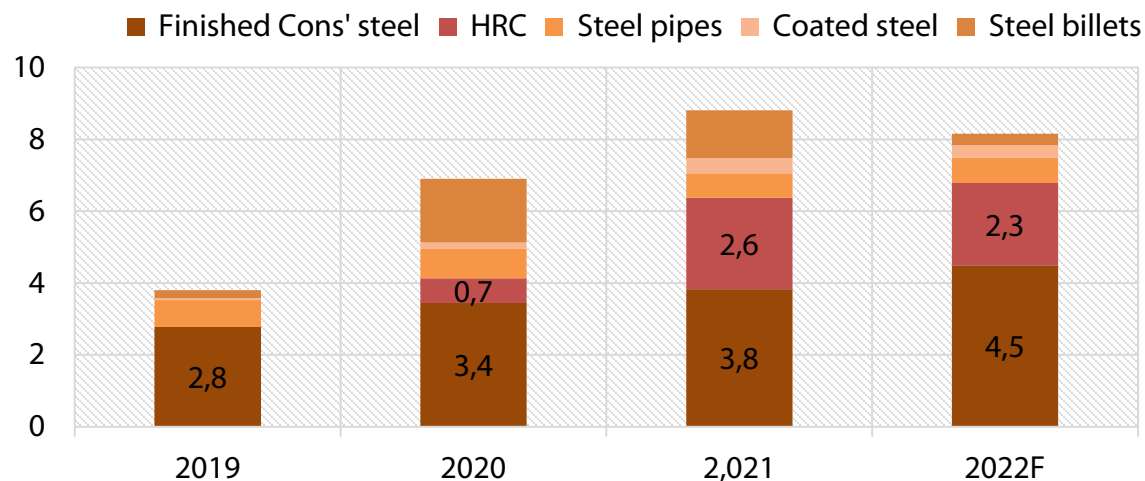
- In Q2, the selling prices of construction steel and HRC was estimated to increase by 3% QoQ and 16% QoQ. Since the beginning of May, steel prices have continued to decline with construction steel prices down 15% and HRC prices down 35% due to slow downstream consumption and a sharp drop in offer prices of imported HRC.

Figure 5: Forecast of revenue and profit after tax (trillion)



Source: HPG, Rong Viet Securities

Figure 6: Steel production forecast (million tons)



Source: HPG, Rong Viet Securities

Flat steel output fell more sharply than that of construction steel

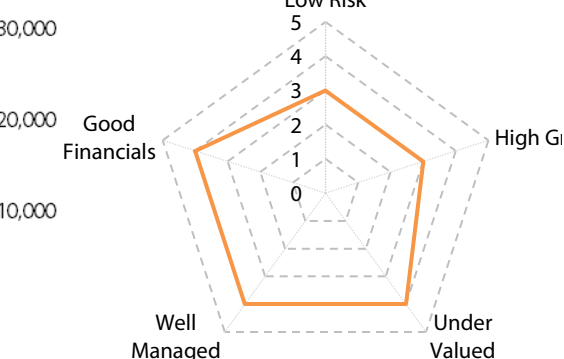
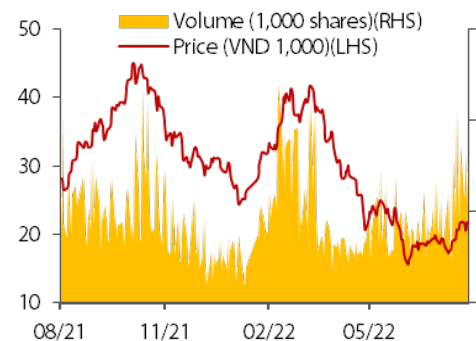
- Slow disbursement of public investment, real estate market is quiet waiting for a new legal framework. The output of finished construction steel in 2H22 can be 12% lower compared to 1H, reaching 2.1 million tons.
- HRC volume may decrease by 38% versus 1H to 880 thousand tons due to high global inflation.

Gross profit margin of HRC and coated steel may decrease due to weak prices

- Weak flat steel demand keeps flat steel prices low (HRC and coated steel) in the next few quarters.
- Export competition increase as the US has loosened protection measures on steel from Vietnamese competitors and the EU has changed to manage Vietnam coated steel under quotas from July 1, 2022.

Update on Dung Quat 2 steel factory

- Construction started in May 2022.
- Dự kiến hoàn thành cuối năm 2024.
- It's expected to be completed by the end of 2024.
- The two blast furnaces have a total capacity of 5.6 million tons. The first is expected to come into operation by the end of 2023 and the second by the end of 2024.

<ACCUMULATE: 11%>
<MP: 21,500>
<TP: 25,100>
STOCK INFO
FINANCIALS
2021A
2022F
2023F


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

Basic Materials	Revenue (VND bn)	28,173	20,060	19,002
	NPATMI VND bn)	2,225	874	1,204
242	ROA (%)	14.5	7.4	9.7
263	ROE (%)	38.9	14.8	17.5
9,085	EPS (VND)	7,278	3,235	4,455
	Book Value (VND)	23,467	22,573	26,195
189	Cash dividend (VND)	0	0	1,000
43.4	P/E (x)	2.3	5.4	4.2
47.08 - 15.6	P/B (x)	0.9	0.8	0.7

INVESTMENT RATIONALES

Weak consumption and falling prices in the second half in both the domestic and export markets.

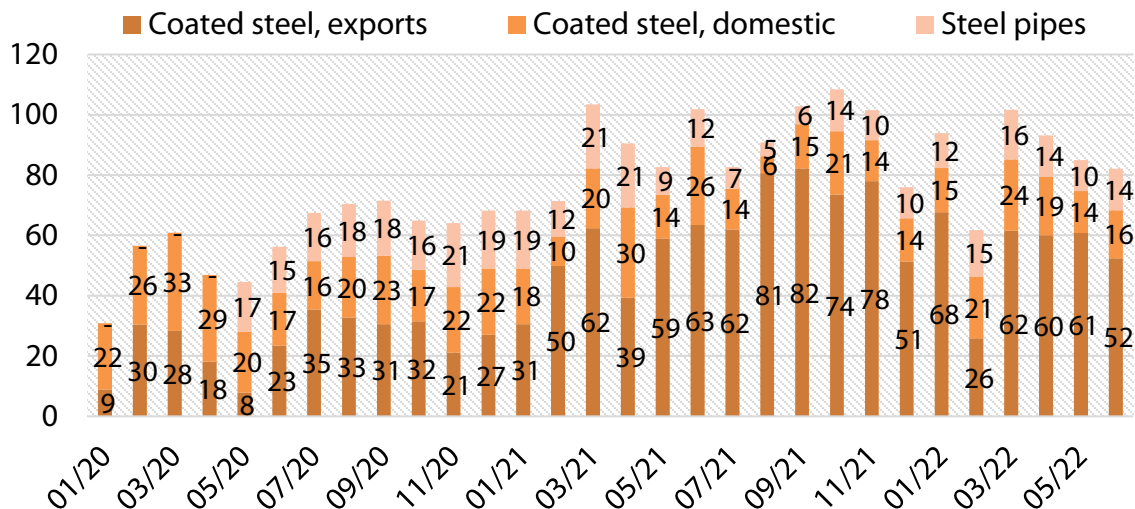
- HRC price has continuously decreased since April-end while the price of coated steel has not decreased at the same pace, causing domestic buyers to reduce transactions to wait for coated steel prices to go down further. Selling prices, therefore, are under further downward pressure but domestic consumption will only rise back from September as July-August is the rainy season. Domestic consumption of coated steel in 2H2022 can reach 94 thousand tons (+14% YoY) thanks to the low base in Q3/2021, equaling to an increase of 1% for the whole year to 202 thousand tons.
- Prolonged high global inflation and rising competition in major markets could slow Vietnam export value until mid-2023. The US has eased protection measures on Japanese, EU and UK steel from the end of 2021/early 2022. EU has re-imposed tariff quotas on Vietnam's coated steel from July 2022 to mid-2024. Exports of coated steel in 2H2022 is projected to reach 50 thousand tons (-88% YoY), equaling to a drop of 48% for the whole year to 378 thousand tons.
- The price gaps with other markets narrowed to decrease export gross margin to 12.9% (FY20-21: 18.4%). Domestic selling prices lose support due to weak exports. Domestic gross margin drop to 5.9% (2021: 12.4%).

Doubling capacity by 2027 will drive growth in the medium term. The project is invested in 3 phases from Q4 2022 to 2026-end, financed mostly by equity. Revenue and NPAT in the period 2022-2027 are estimated to grow at compound rates of 6.1%/year and 18.8%/year.

RISKS TO OUR CALL

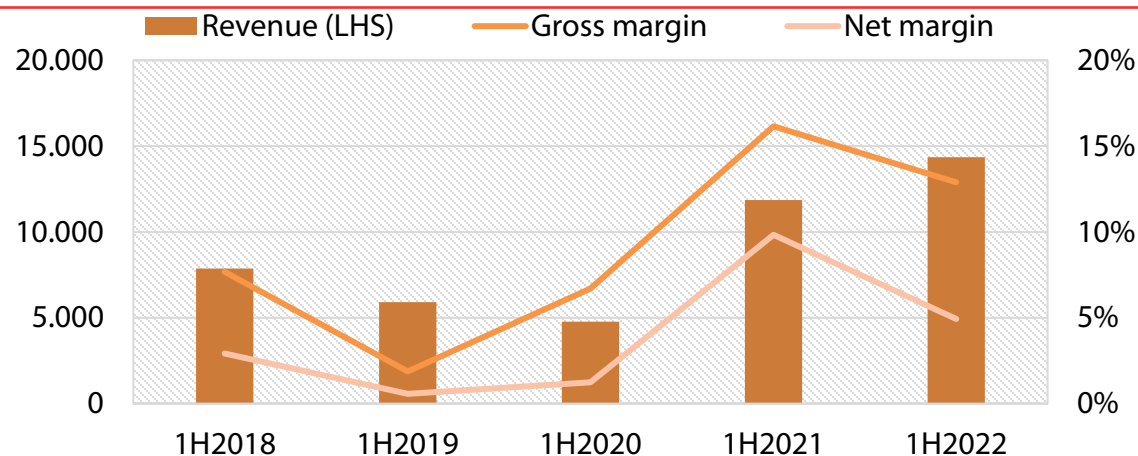
- Changes in China's pandemic control and real estate market policies makes steel consumption and selling prices higher than expected.

Figure 1: Consumption volume by market ('000 tons)



Source: VSA, Rong Viet Securities

Figure 2: Revenue (VND bn) and profit margin

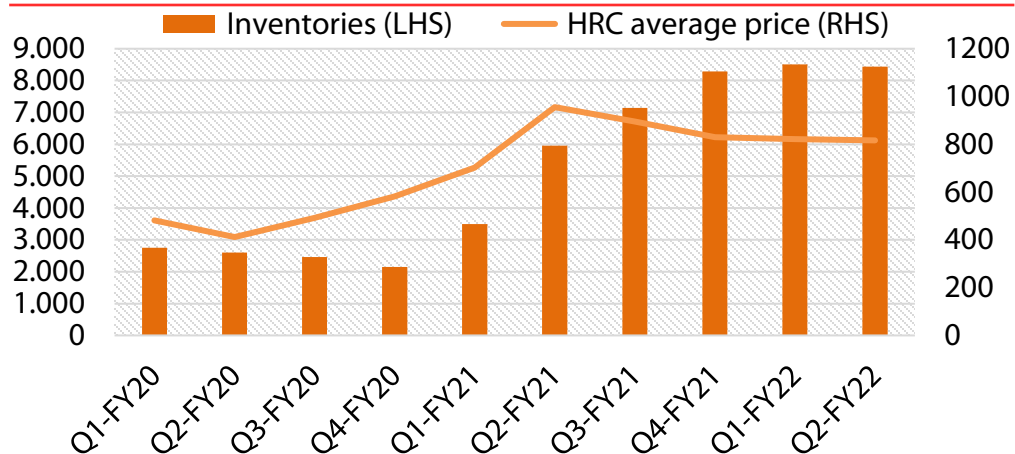


Source: NKG, Rong Viet Securities

After 1H2022, NKG's revenue posted VND 14,347 billion (+21% YoY), whereas PAT plummeted sharply by 39% YoY to VND 708 billion amidst pressure in the domestic market and rising input prices.

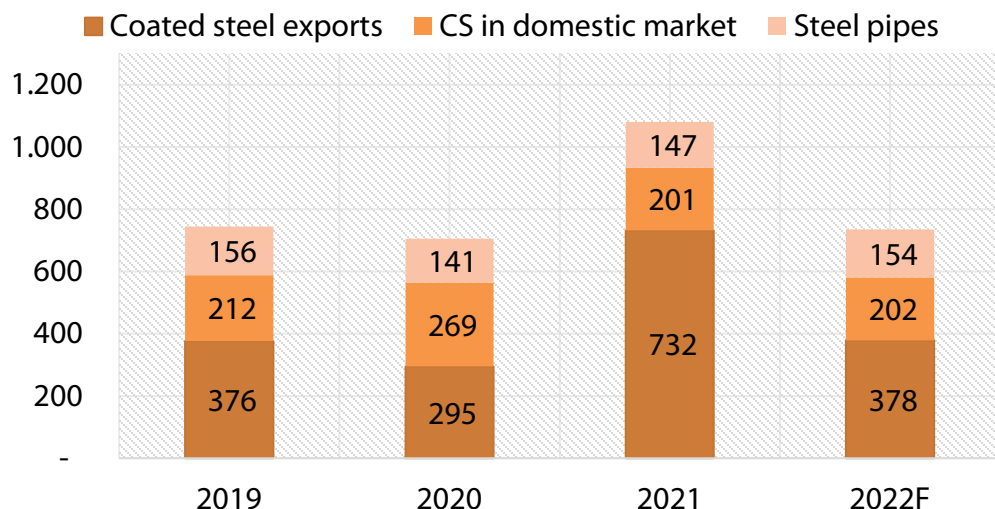
- Coated steel export volume increased by 8% YoY to 328 thousand tons, accounting for 63% of total sales volume. Europe and North America weighed on 65-70%.
- Conversely, domestic consumption has weakened since April as market waited for selling prices to decrease following HRC prices. Domestic output of coated steel in 1H decreased by 9% YoY to 108 thousand tons and of steel pipe fell by 15% YoY to 81 thousand tons.
- NKG could maintain stable domestic selling price in Q2 compared to Q1 thanks to good exports.
- HRC Vietnam CFR price increased from USD 743/ton at the end of Jan 2022 to USD 910/ton in Mar before decreasing from April 2022 to USD 698/ton at the end of June 2022. The surge in HRC prices in Europe and North America followed by a rapid decline in early Q2 did not pause the downward trend of Q2 gross margin.
- Gross margin decreased from 16.2% in 1H2021 to 12.9% in 1H2022.

Figure 3: Inventory (VND bn) and HRC price (USD/ton)



Source: NKG, Bloomberg, Rong Viet Securities

Figure 4: Forecast consumption ('000 tons)



Source: NKG, Rong Viet Securities

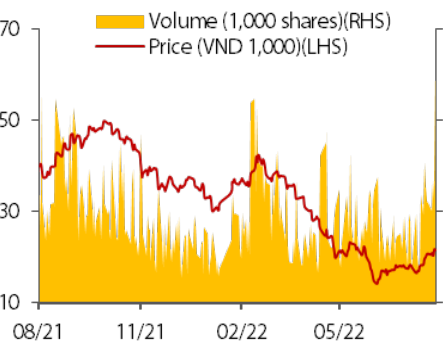
Weak consumption and prices in downtrend

- Coated steel exports may reach 50 thousand tons (-88% YoY) due to the decline in global demand. Domestic consumption of coated steel and steel pipes posted 94 thousand tons (+14% YoY) and 73 thousand tons (+41% YoY) on the low base of Southern lockdown in Q3/2021.
- The price gap between Vietnam and other markets decreased, causing the gross margin to decline. Coated steel's gross margin may reach 5.1%, of which export GPM will reach 4.6% and domestic GPM 5.3%, significantly lower than the respective levels of 17.5%, 18.6% and 11.5% in the same period last year.
- The 2H's revenue is projected at VND 5,536 billion (-58% YoY) and a loss of VND 50 billion.

2023 – Consumption is difficult to recover strongly

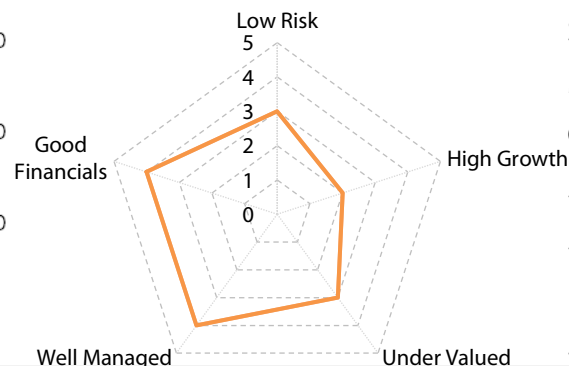
- Inflation cooling down from 2023 will encourage the demand for coated steel. The difference in HRC price between Vietnam and the EU and the US markets will not be high since there is no production disruption in these regions. Export competition with many other countries will rise.
- Steel output may increase by 10.5%, selling price will decrease following HRC prices. Gross profit margin will reach 10.1%, roughly the same as 9.8% in 2021.

<MONITOR>



<MP: 20,900>

<TP: N/A>



STOCK INFO

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

Basic Materials

FINANCIALS

Basic Materials	Revenue (VND bn)	48,727	48,439	41,136
	NPATMI VND bn)	4,249	921	1,292
	445 ROA (%)	16.0	3.7	5.9
	498 ROE (%)	39.4	7.9	10.3
	8,669 EPS (VND)	8,611	1,735	2,435
	167 Book Value (VND)	21,855	23,591	25,526
	Cash dividend (VND)	0	0	500
	42.3 P/E (x)	5.4	9.8	7.0
	51.3 - 13.8 P/B (x)	2.1	0.7	0.7

INVESTMENT RATIONALES

Weak consumption and falling prices over the next few quarters.

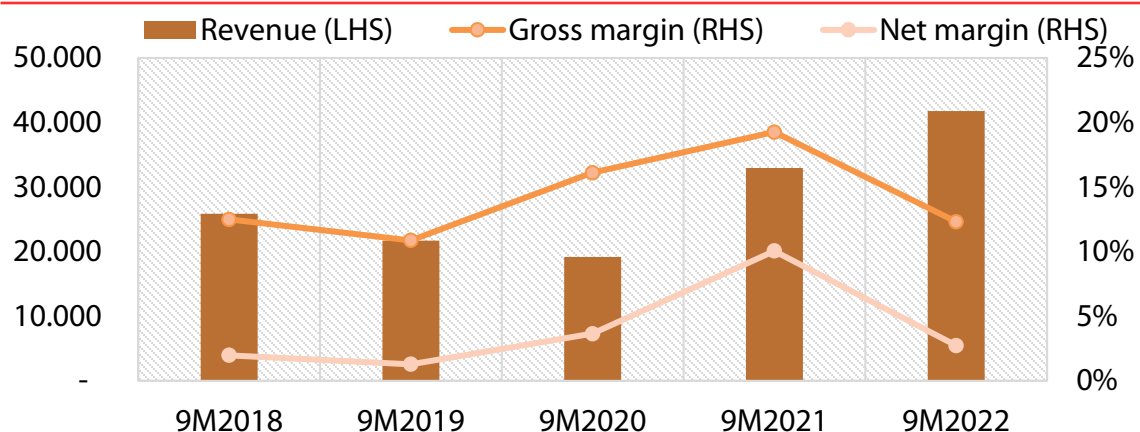
- HRC price has continuously decreased since April-end while the prices of coated steel has not decreased at the same pace, causing domestic buyers to reduce transactions to wait for prices to fall further. Selling prices, therefore, are under further downward pressure but domestic consumption will only grow significantly from September as July-August is the rainy season. Domestic consumption of coated steel for this year may increase by 8% to 577 thousand tons.
- Prolonged high global inflation and rising competition in major markets could slow exports until mid-2023. The US has eased protection measures on Japanese, EU and UK steel from the end of 2021/early 2022. The EU has re-imposed tariff quotas on Vietnam's coated steel from July 2022 to mid-2024. Exports of coated steel for the whole year are projected to reach 821 thousand tons, down 34%.
- The price gap with other markets narrowed, causing the export gross margin to decrease to 12.5% (FY20-21: 16.9%). Weak exports together with lower HRC prices will push more pressures on domestic selling prices. Domestic gross margin will fall to 11.9% (FY20-21: 22.4%).

Financial health is continuously improving. At the end of Q3/FY21-22, the debt/equity ratio dropped to 94% compared to 150% of Q3/FY20-21. A safer capital structure will help HSG reduce interest expenses during the current difficult business period. The company aims to be debt-free by FY23-24.

RISKS TO OUR CALL

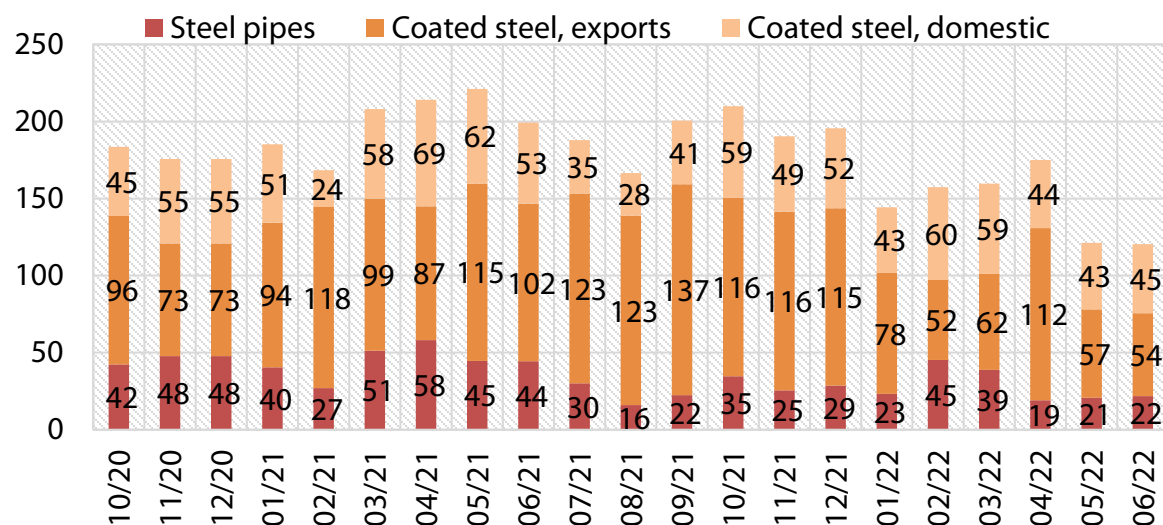
- Changes in China's pandemic control and real estate market policies makes steel consumption and selling prices higher than expected.

Figure 1: Revenue (VND bn) and profit margin



Source: HSG, Rong Viet Securities

Figure 2: Consumption volume by market ('000 tons)



Source: VSA, Rong Viet Securities

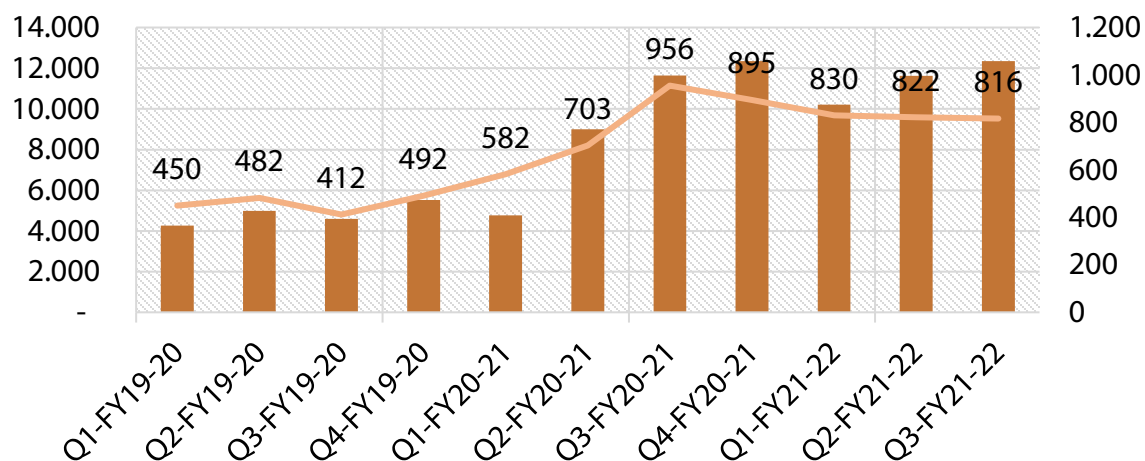
Revenue posted 41,772 billion (+27% YoY) and PAT came at 1,137 billion (-66% YoY). Steel consumption volume reached 1.47 million tons, a decrease of 15% YoY. Consumption gradually dropped due to the sentiment of buyers waiting for prices to fall and observing the movements of market demand.

- Coated steel production reached 1.22 million tons, down 8.4% YoY, of which export value was 763 thousand tons, down 11% YoY and domestic volume was 454 thousand tons, down 3.6% YoY.
- Steel price gap between Vietnam and Europe and North America narrowed rapidly after the panic hike when the Russian-Ukrainian war broke out. Domestic market slowed down and waited for price adjustments of coated steel following HRC prices.

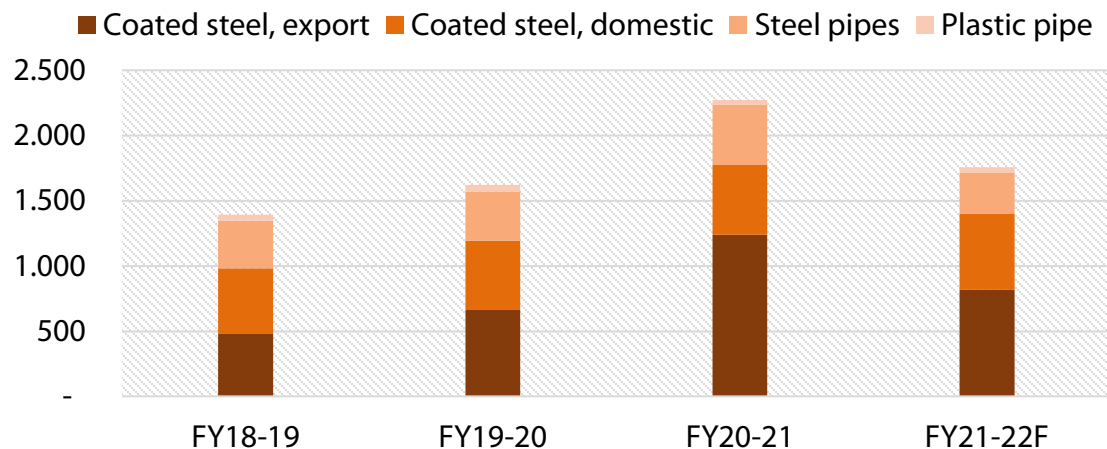
Profit margin plummeted due to pressures from high material costs.

- HRC Vietnam CFR price increased from USD 743/ton at the end of Jan 2022 to 910 USD/ton in March before declining from April to USD 698/ton at June-end. The high price of HRC in Europe and North America at the beginning of Q3 did not pause the shrink of Q3 GPM.
- Gross margin decreased from 19.3% in 9M/FY20-21 to 12.3% in 9M/FY21-22.

Interest expense dropped sharply by 25% YoY thanks to the reduction in debt. The debt/equity ratio at the end of Q3 was 94%, stayed unchanged from the beginning of 2022 but better than the level 140 % of Q3/FY20-21.

Figure 3: Inventory (VND bn) HRC price (USD/ton)


Source: HSG, Rong Viet Securities

Figure 4: Consumption volume project ('000 tons)


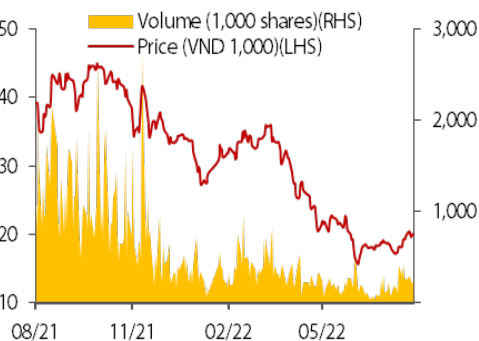
Source: HSG, Rong Viet Securities

Q4/FY21-22: Weak sales, falling selling prices and high material prices to eat up profits

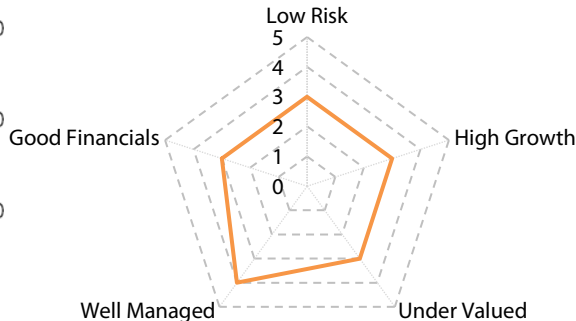
- Coated steel exports may reach 58 thousand tons (-74% QoQ and -85% YoY) due to the decline in global demand. Domestic consumption of coated steel hit 123 thousand tons (-7% QoQ and +19% YoY) on the low base of lockdown in the South in Q4/FY20-21. Steel pipe consumption posted 59 thousand tons (-4% QoQ, -14% YoY).
- The price gap between Vietnam and other markets decreased, causing the gross margin to drop. Coated steel gross profit margin may reach 9.6%, of which export GPM will reach 9.7% and domestic GPM 9.5%, significantly decreasing compared to 17%, 16.5% and 19% respectively of the same period, according to our estimates.
- Q4 revenue and NPAT are project at VND 6,693 billion (-58% YoY) and VND -183 billion.

FY22-23: Consumption is difficult to recover strongly

- Coated steel exports are forecast to rebound from Q3/FY22-23 onwards, owing to cool-down inflation. HRC gap price between Vietnam and European and American markets will not be high since there is no production disruption in these regions. Export competition increased with many other countries.
- Steel output may increase by 8%, selling price will decrease following HRC price. Gross profit margin is approximately 11.6% of FY21-22.

<MONITOR>

<MP: 20,000>
<TP: N/A>
STOCK INFO

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


FINANCIALS

		2021A	2022F	2023F
Basic Materials	Revenue (VND bn)	21,312	24,164	25,479
	NPATMI VND bn)	875	106	411
	63 ROA (%)	9.7	1.2	4.4
	73 ROE (%)	45.0	5.7	19.6
	184 EPS (VND)	14,369	1,439	5,552
	4 Book Value (VND)	31,875	25,501	28,554
	0.0 Cash dividend (VND)	1,000	1,000	1,000
	P/E (x)	1.4	13.9	3.6
	P/B (x)	0.5	0.8	0.7
	47.08 - 15.58			

INVESTMENT RATIONALES
Adverse conditions affect steel consumption and prices in the second half of the year.

- High inflation, gloomy real estate market and slow disbursement of public investment reduced the demand for construction steel and flat steel. High inflation is likely to persist for the next few quarters while public investment disbursement will gradually increase in 2023.
- Steel prices have continued to decline sharply since April. Vietnam HRC prices CFR fell from USD 925/ton in early April to USD 600/ton at the end of July and remained around USD 605/ton so far.
- SMC's steel sales volume is expected to decrease by 1% in 2022, after a decrease of about 5% YoY in 2021. Of which, output in 1H increased by 8.4% YoY and in 2H is forecast to decrease by 10.3% YoY.

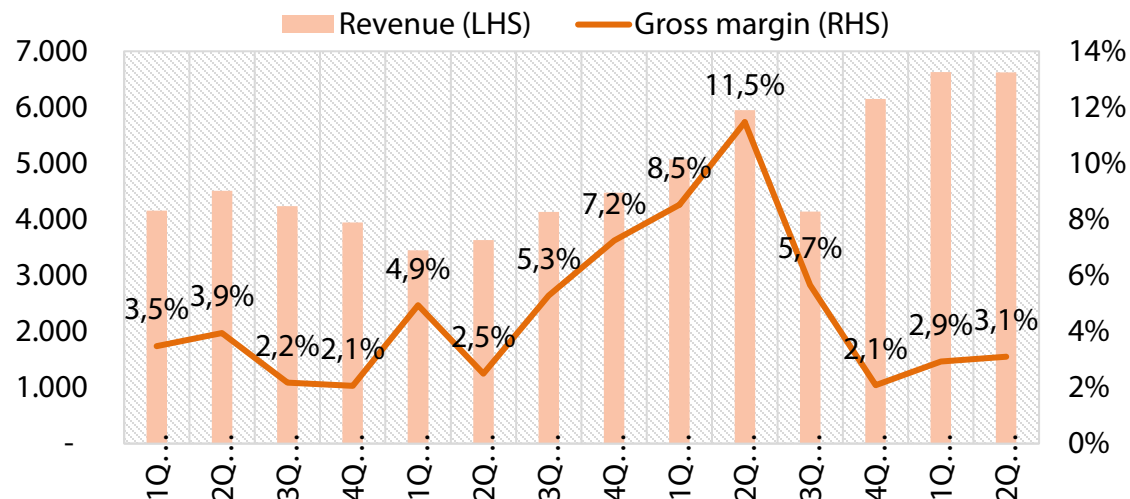
Outsourcing orders are weak and plans to invest in new factories are being delayed.

- Samsung factories in Vietnam are cutting output due to the lack of semiconductor chips and transportation difficulties, affecting SMC's outsourcing orders.
- Phu My Steel Processing factory and Phu My Precision factory, operating from the beginning of 2022, currently have low-capacity mobilization, only about 15-20% of design capacity. SMC will delay the completion time of 2022 investments from end-2022 to mid-2023 or later, depending on the recovery of demand.

RISKS TO OUR CALL

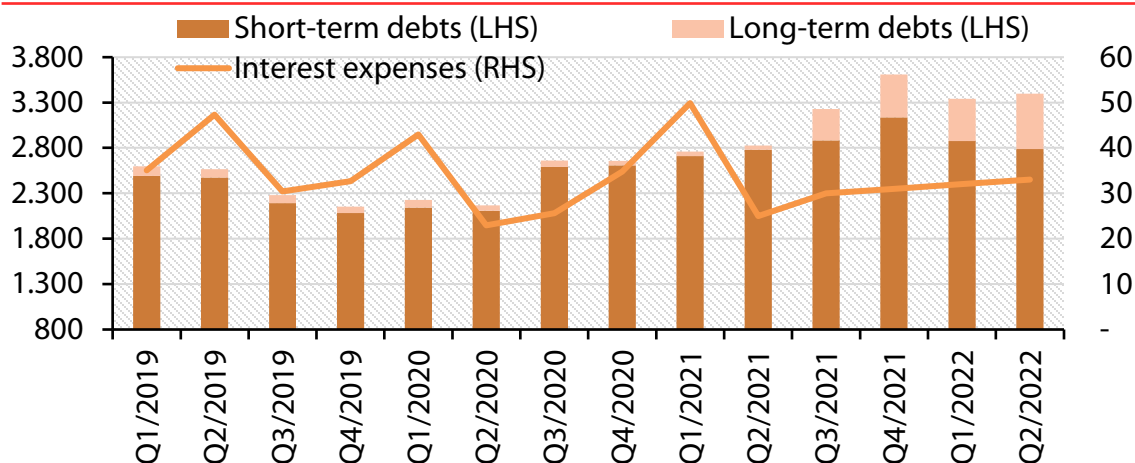
- Changes in China's pandemic control and real estate market policies makes steel consumption and selling prices higher than expected.

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



Source: SMC, Rong Viet Securities

Figure 2: Debt and interest expense (VND bn)



Source: SMC, Rong Viet Securities

Sales volume increased by 8.4% YoY combined with 11% higher steel prices made revenue grew sharply by 20% YoY, reaching VND 13,250 billion.

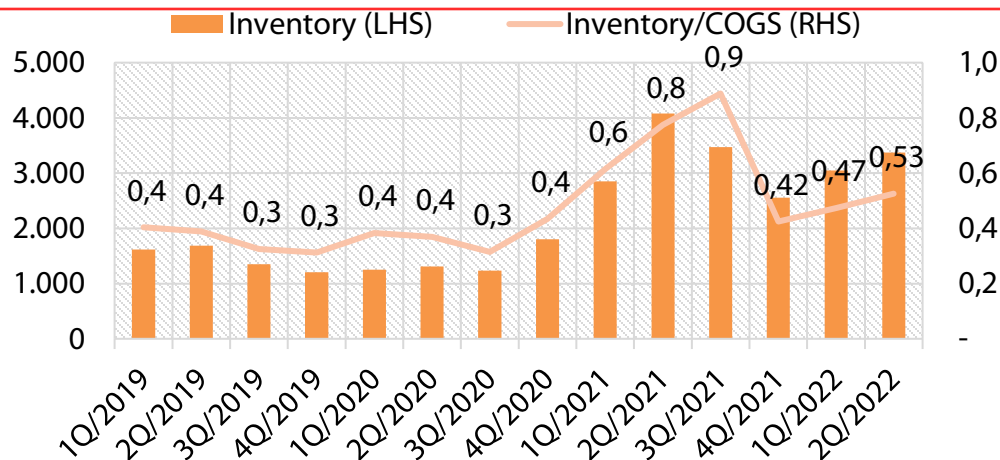
NPAT decreased by 82% to VND 127 billion due to a decrease in gross profit margin to 3% from 10.1% in 1H2021 along with a sharp increase in exchange rate loss and interest expense in Q2.

Adverse effects from geopolitical fluctuations and tightening of global monetary policy

Steel selling price continuously decreased in Q2 while inventories were stored at high prices, causing gross profit margin to decline. This is in contrast to 1H2021, where gross profit margin improved strongly, reaching 10.1% compared to 3-5% YoY, thanks to the continuous increase in steel price combined with low cost of inventory.

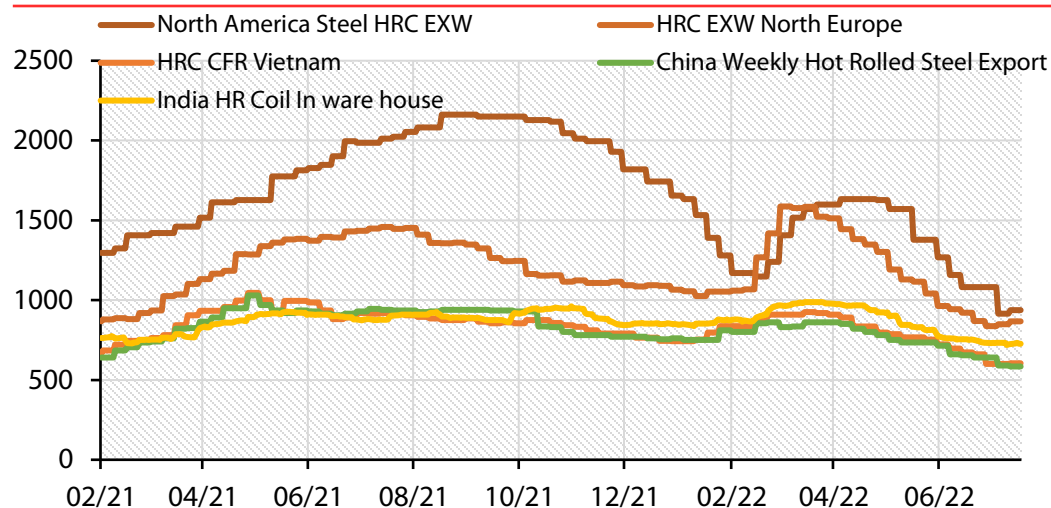
Financial expenses increased by nearly 7 times compared to Q2/2021, mainly due to (1) increase in realized exchange rate loss, affected by strong exchange rate, and (2) increase in interest expense due to increase in borrowing, long-term and finance lease from Q3/2021.

Figure 3: Inventories (VND billion)



Source: SMC, Rong Viet Securities

Figure 4: HRC price (USD/ton)



Source: Bloomberg, Rong Viet Securities

Inventories increased by 19% and 11% respectively in the last two quarters to VND 3,542 billion. Steel prices continued to fall causing the company to make provision for depreciation of inventories of VND 170 billion at the end of Q2.

Gross profit margin has little chance to improve in the second half of the year as steel prices have not recovered significantly.

HRC Vietnam CFR price has decreased from USD 925/ton in April to USD 600/ton at the end of July and is maintaining around USD 605/ton. Prices are likely to recover slowly, given the uncertainty surrounding the pandemic, geopolitics and high inflation.

Pressure on the margin of the processing segment is high with the raw material inventory period of this segment being higher than that of the commercial segment. We estimate the outsourcing segment may have a gross loss in Q3 and recover gradually from Q4.

Sales volume may recover slowly in the second half of the year due to lack of supporting factors

Consumption volume is forecasted to decrease by 19.3% compared to 1H22 and 10.3% compared to 2H21, to 565 thousand tons.

In the second half of the year, we estimate H1 revenue to grow 6% YoY to VND 10,914 billion. The loss of VND 62 billion in Q3 makes the loss in 2H2022 come at VND 21 billion.

FERTILIZER

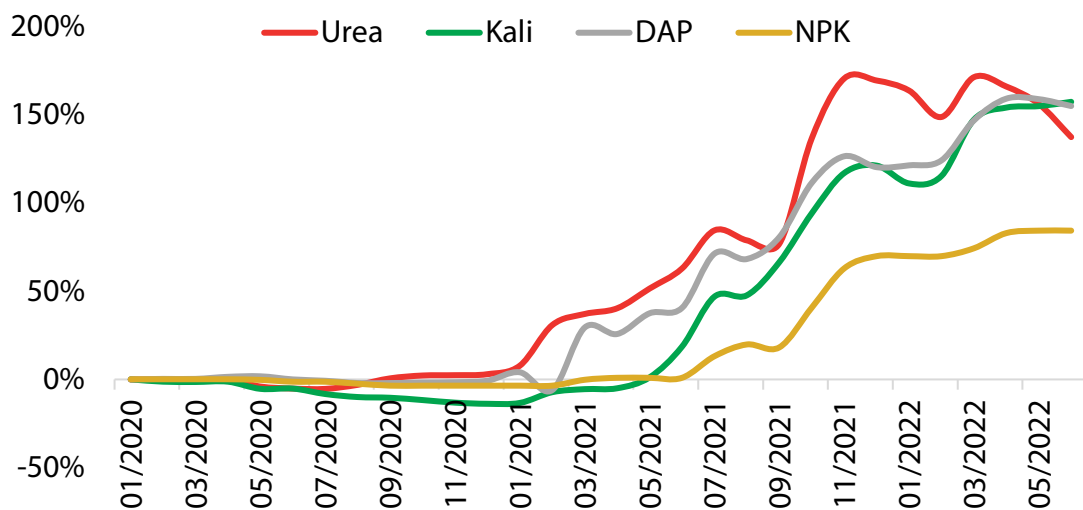
**LOW DEMAND AMID HIGH
PRICE**



Vu Tran– vu.thx@vdsc.com.vn



Figure 1: % change in fertilizer prices compared to 2020

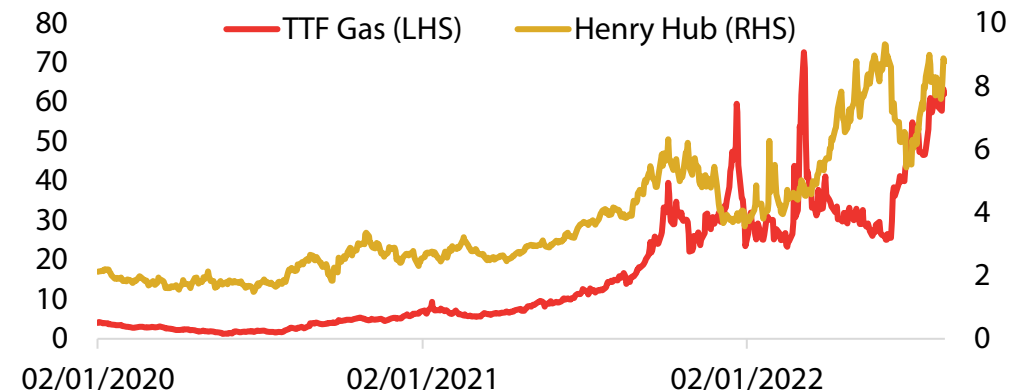


Source: Rong Viet Securities

The export restriction in fertilizer of Russia and China drives up the prices amid the concerns of supply disruption due to the Russia – Ukraine war.

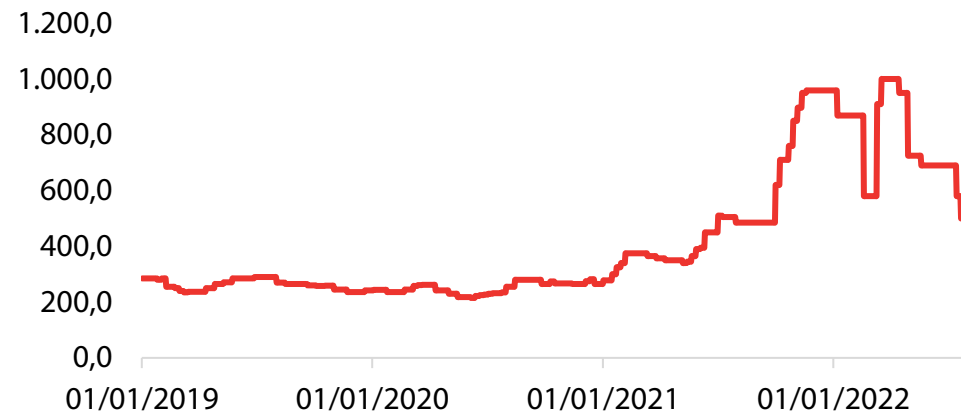
- As the top fertilizer producer, the sanctions on Russia pushed fertilizer prices to increase sharply in 1Q2022 before cooling down in 2Q2022. The price surge mainly came from Urea, DAP, and Potassium products. Previously, Russia restricted fertilizer exports until June 2022.
- China maintained a fertilizer export restriction policy to ensure domestic demand.
- The sharp increase in gas prices in Europe also pushed up the cost of fertilizer production in the region, resulting in some plant closures and supply shortages.

Figure 2: Gas prices in the US and Europe (USD/MMBTU)



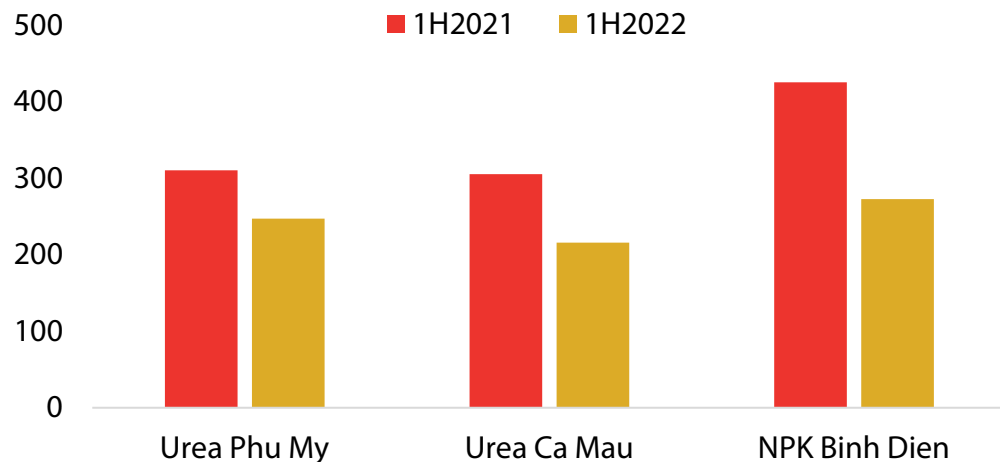
Source: Bloomberg

Figure 3: Urea FOB Middle East price (USD/ton)



Source: Bloomberg

Figure 4: Domestic sales volume ('000 tons)



Source: Rong Viet Securities collected and estimated

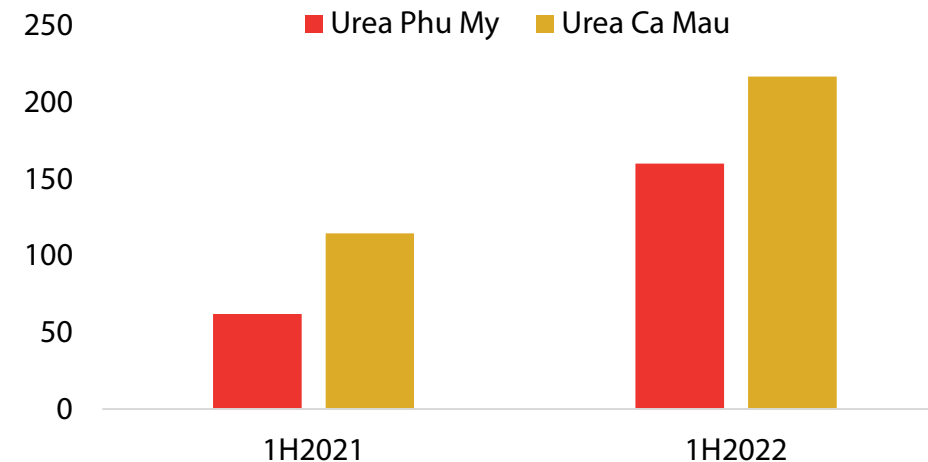
Weak fertilizer demand in 1H2022

- With a surge in fertilizer prices, the world's and Vietnam's demand plunged. Domestic enterprises enjoyed favorable export markets due to the decline in supply from top fertilizer producers.
- It is estimated that domestic fertilizer demand has decreased by 20%-40%, by the region.

Exporting skyrocketed compensating for the domestic demand

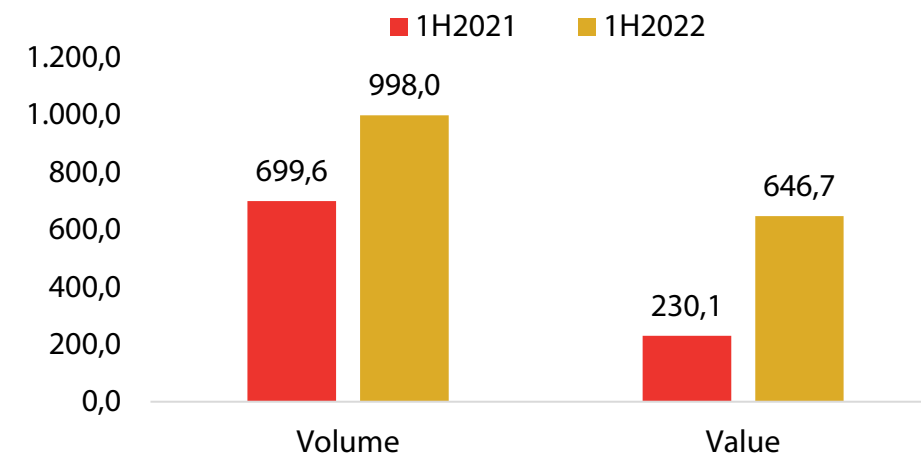
- Domestic manufacturers boosted exports market to offset low domestic demand. Urea producers were the most beneficial in exporting due to tight export policies and geopolitical tensions.
- Fertilizer exports rose 42% in volume and 181% in value.

Figure 5: Export volume ('000 tons)



Source: Rong Viet Securities collected and estimated

Figure 6: Export volume ('000 tons) and value (mn USD)



Source: GSO

Figure 1: Urea price forecast (USD/ton)

	Jun-2022	Jul-2022	Aug-2022	3Q2022	4Q2022
Urea Baltic Sea	400-500	380-450	380-450	380-450	430-480
Urea Middle East	520-600	470-550	470-530	460-550	500-600

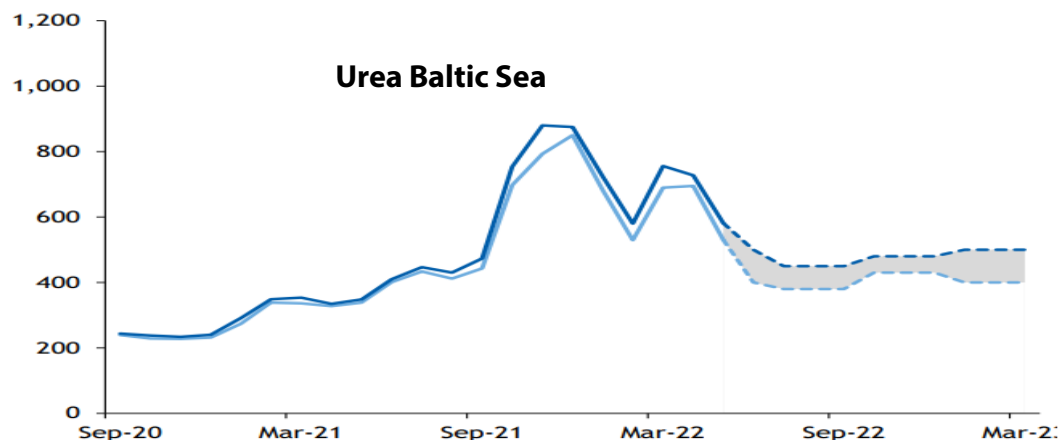
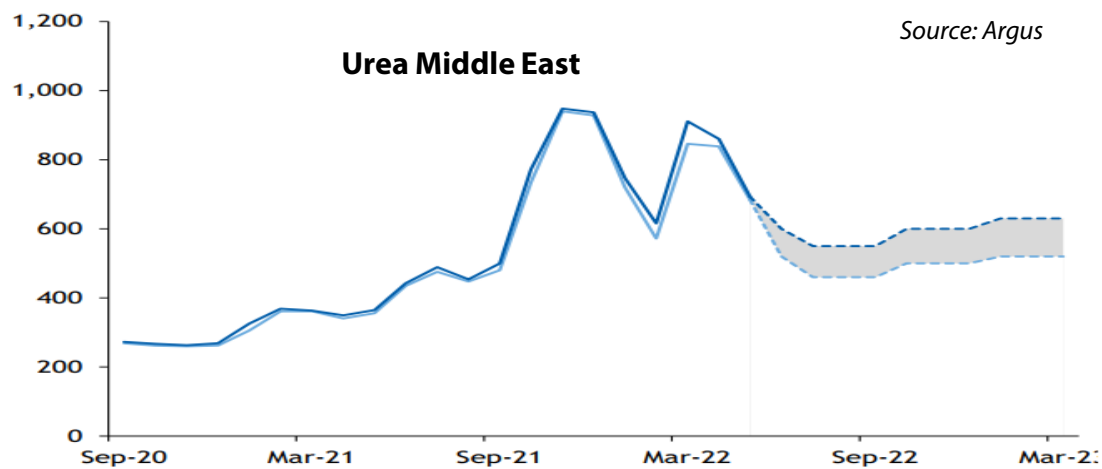
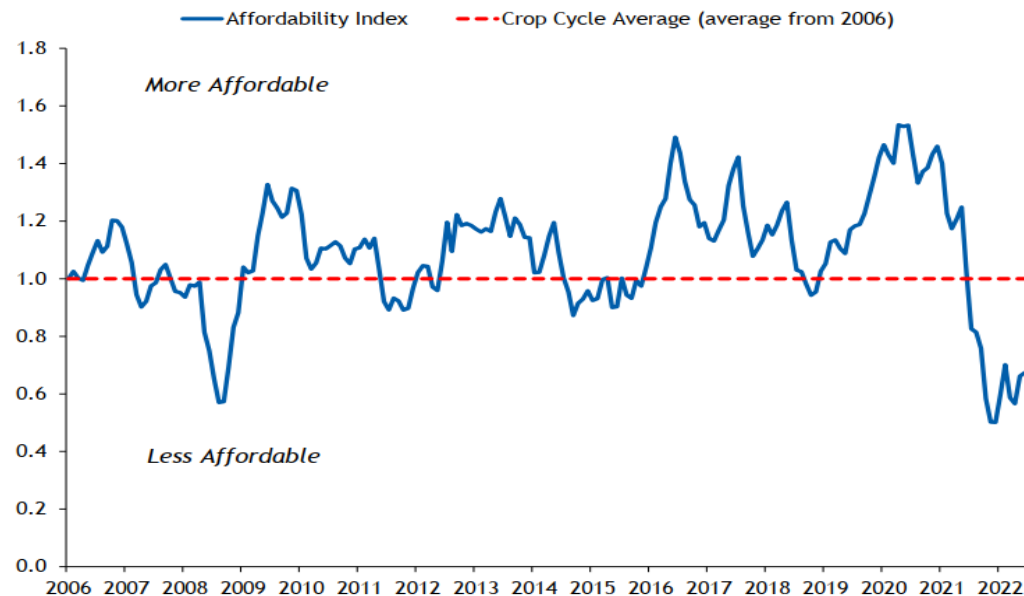


Figure 7: Fertilizer affordable index



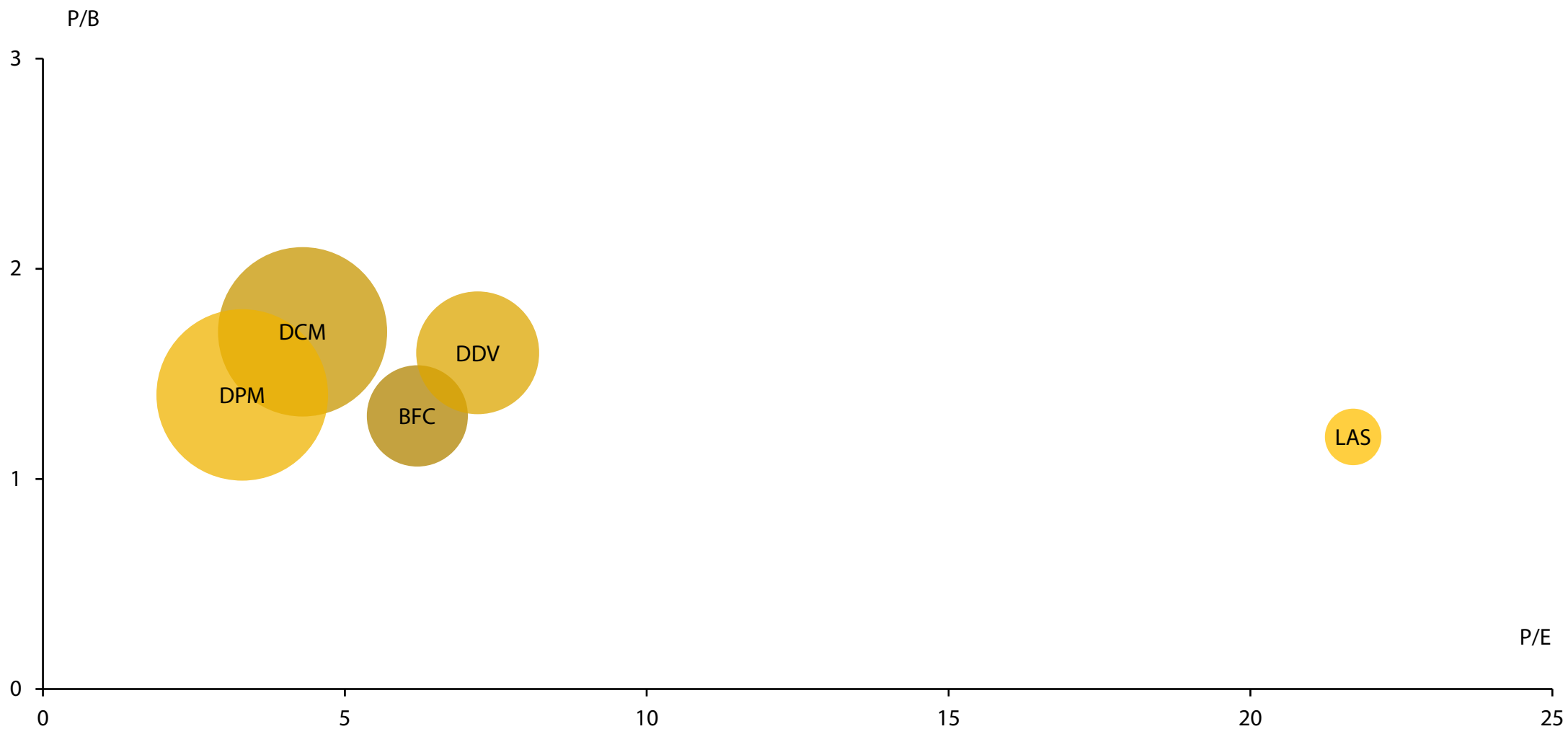
Source: Agrus

Fertilizer prices were supported by political factors and export restriction policies despite weak demand

- Currently, Russia and China have restricted fertilizer export policy until the end of 2022. Additionally, Europe limits using gas due to low supply from Russia, causing a disruption in fertilizer production in this region, leading to a global supply shortage. However, we expected that the fertilizer prices would unlikely surge amidst global weak demand.
- Most prophecies suggest that fertilizer prices – especially urea, will be sideways and gradually decrease through 2023.

Ticker	Market cap (VND bn)	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)
BFC	1,406	25,800	15.9	25.5	7.2	6.0	22.4	2.8	6.1	20.2	8.1	6.9	1.3
DPM	18,588	40,700	108.1	396.0	38.2	35.0	568.3	30.4	37.3	50.2	10.5	3.7	1.5
DCM	17,126	N/A	61.9	163.3	39.1	29.0	421.4	28.4	33.7	44.7	5.6	4.6	1.7
DDV	2,835	N/A	52.6	49.2	11.6	6.3	571.3	6.6	11.3	14.1	0.0	14.8	1.9
LAS	1,557	N/A	10.7	-23.7	4.7	2.9	-22.3	2.4	3.5	5.5	4.3	21.6	1.2

Source: Fiiipro, Rong Viet Securities. Share price as of 10 August 2022.



Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 10 August 2022.

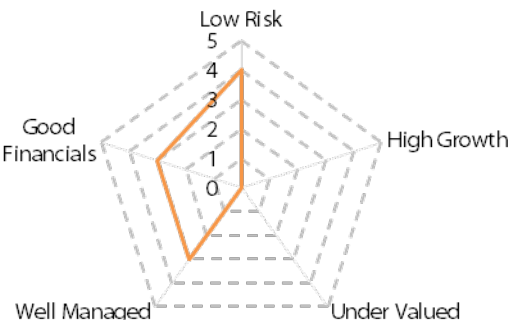
ACCUMULATE: 13%

<MP: 24,600>

<TP: 25,800>

STOCK INFO

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



FINANCIALS

		2021A	2022F	2023F
Chemicals	Revenue (VND bn)	7,708	8,786	7,960
	NPATMI VND bn)	220	216	179
60	ROA (%)	5.7	5.7	5.3
57	ROE (%)	20.2	18.5	14.7
418	EPS (VND)	3,536	3,404	2,811
11	Book Value (VND)	19,049	20,453	21,264
	Cash dividend (VND)	1,500	2,000	2,000
45.3	P/E (x)	9.7	7.1	8.6
20.5 - 48.6	P/B (x)	1.4	1.2	1.1

INVESTMENT RATIONALES

BFC can experience a low sales volume in 2022. Total sales volume experienced a drop 35.9% to 272 thousand tons in 6M2022. We think that the high fertilizer price has resulted in a weak demand although there has been a shift from other fertilizers to NPK product since late 2021. Besides, another reason may come from the fierce competition. We forecast that the company can sell 600 thousand tons in 2022, down 17.6%.

The margin is expected to be stable in 2022 as selling price keeps flat and raw material is cooling down. Urea – one of the input for NPK production is anticipated to drop in 2H2022 after reaching peak in March 2022. So, the fall in Urea price and stable selling prices can keep the gross margin of BFC as high as in 2021. We expect that the gross margin will stay at 11.6% in 2022, compared to the gross margin of 11.7% in 2021.

2022 profit is still good but 2023 may not as the input fluctuation. Revenue and NPATMI are forecasted to post VND8,786bn (USD 377.1 mn) (+14.0% YoY) and VND216bn (USD9.3mn) (-1.8% YoY) respectively in 2022. However, 2023 earnings is hard to maintain if the input price tends to decrease. In that case, BFC will lower its ASP and the huge inventory will make pressure on the gross margin.

RISKS TO OUR CALL

- The hike in fertilizer price may hurt the gross margin and impact the total sales volume in 2H2022.

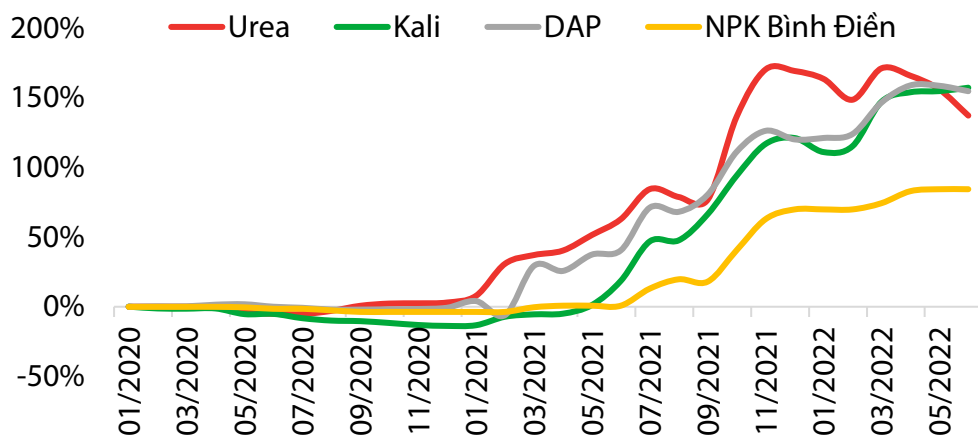
Low sales volume in 1H2022 and gross margin maintained high

- 1H2022 sales volume fell 35.9% to 272 thousand tons. We believe that the fierce competition and high fertilizer price are the main reasons although there has been a shift from other products to NPK.
- BFC has actively hoarded a lot of raw materials since the end of 2021 for production. We see that Urea price – one of the input raw materials is falling and the selling price is flat. So, the gross margin in 1H2022 posted 11.7%, compared to 11.8% in the same period last year.

We see a rising working capital in 2Q2022 then also a greater short-term debt

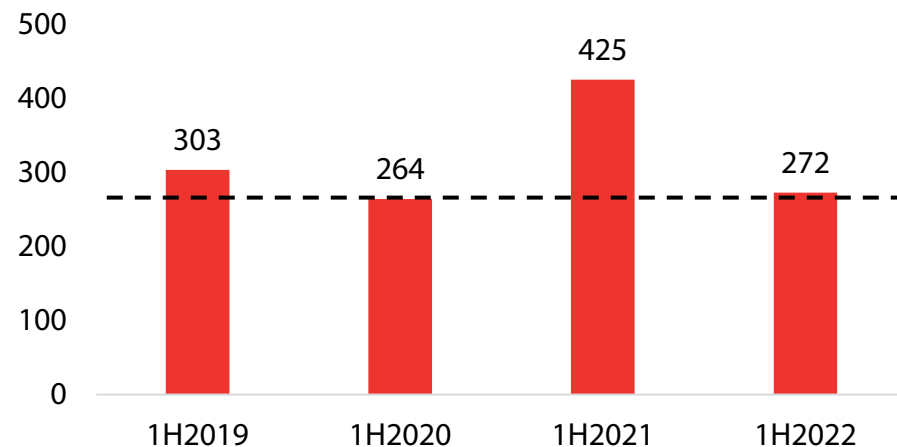
- As BFC has been accumulating a lot of raw materials and applying an “easy” policy to boost sales, the working capital has been rising significantly. As a result, the short-term debt also reached VND2,131bn at the end of 2Q2022 - the highest level in several years.

Figure 2: % change of material price compared to 1Q2020



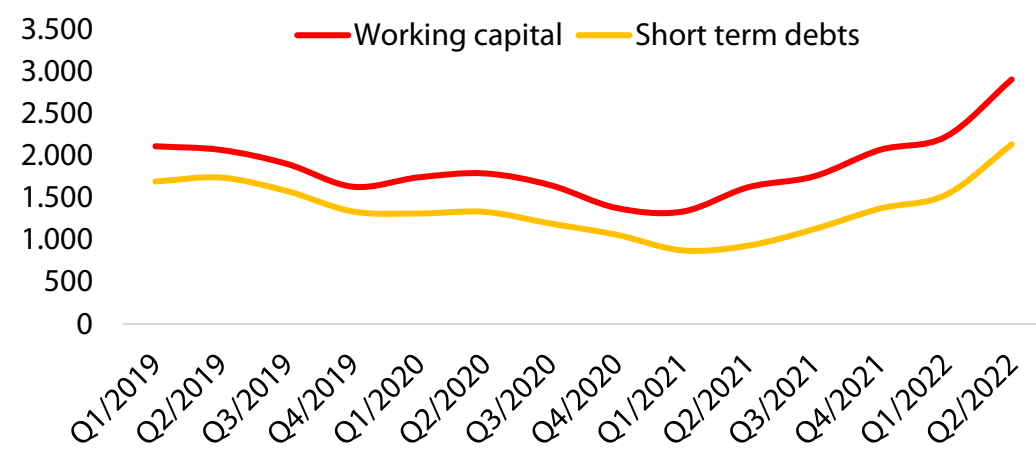
Source: Rong Viet Securities

Figure 1: Sales volume of NPK (thousand tons)



Source: BFC, Rong Viet Securities

Figure 3: Working capital and short-term debts (VND bn)



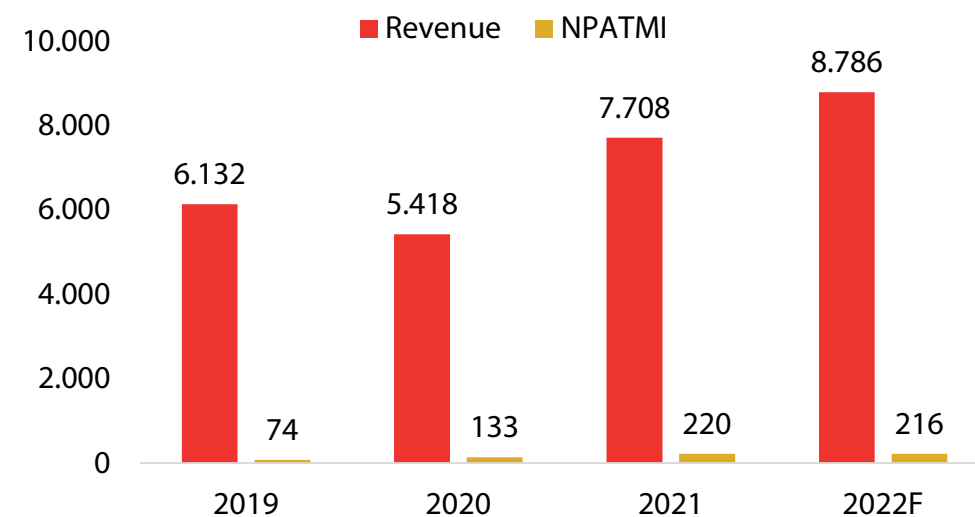
Source: BFC, Rong Viet Securities

Table 2: Urea price forecast (USD/ton)

	June	July	August	3Q22	4Q22
Urea Baltic Sea	400-500	380-450	380-450	380-450	430-480
Urea Middle East	520-600	470-550	470-530	460-550	500-600

Source: Argus

Figure 4: Revenue and NPATMI forecast (VND bn)



Source: Rong Viet Securities

2022 is likely to be good thanks to the fall in raw materials and stable ASP

- According to Argus, Urea selling price will stay around 400 USD/ton – 600 USD/ton in 2H2022, which is lower than 1H2022. However, DAP is experience a rising trend due to the phosphate export quotas from China. In case of keeping the ASP stable, BFC can maintain the gross margin as it was in 2021. Currently, we expect that BFC can post a gross margin of 11.6% in 2022.
- In term of sales volume, BFC can experience a significant drop in 2022 due to the weak domestic demand. We think that the 2022 total sales volume can be 600 thousand tons, down 17.6%. For 2022, revenue and NPATMI are forecasted to post VND8,786bn (USD 377.1 mn) (+14.0% YoY) and VND216bn (USD9.3mn) (-1.8% YoY) respectively

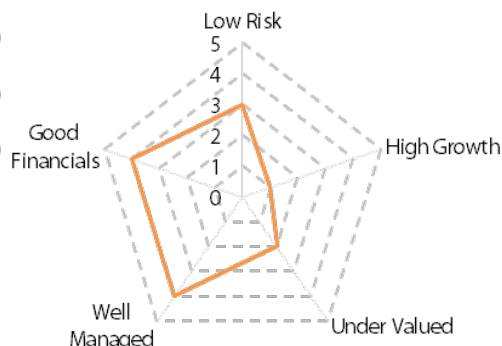
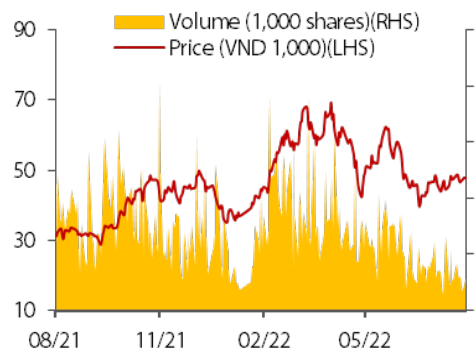
2023 profit may face the headwinds if the inputs fluctuate

- If the raw material prices tend to decrease, the company has to lower the ASP. With the huge inventories, the gross margin of BFC will get pressure in 2023, which may impact the net profit.

NEUTRAL: -4%

<MP: 47,500>

<TP: 40,700>



STOCK INFO

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

FINANCIALS

		2021A	2022F	2023F
Chemicals	Revenue (VND bn)	12,786	17,004	13,298
795	NPATMI (VND bn)	3,117	4,633	2,590
	ROA (%)	22.4	30.4	18.6
391	ROE (%)	29.6	35.2	19.4
3,908	EPS (VND)	7,749	11,787	6,590
212	Book Value (VND)	26,866	33,626	34,184
	Cash dividend (VND)	1,400	5,000	6,000
33.2	P/E (x)	6.3	4.2	7.6
77 - 31.5	P/B (x)	1.8	1.5	1.5

INVESTMENT RATIONALES

Earnings 2022 to rise but mainly in 1H2022. We expect a 48.6% earnings growth in 2022 with the main assumptions (1) Urea Sales Volume of 801 thousand tons (2) Urea gross margin of 49%. However, the 2H2022 earnings is forecasted to decelerate as the Urea selling price is likely to cool down after reaching peak in March 2022. Overall, we expect that 2022 revenue and net profit can post VND17,004 bn (USD729.7mn) (+33.0%) and VND4,633bn (USD198.8mn) (+48.6%), respectively.

The bottom line is projected to drop in 2023. For 2023, we believe that the Urea selling price will get lower as the global demand is likely to be hit by the high inflation and the production cost will ease. So, the business result of DPM tends to decrease in 2023 when the gross margin can not maintain at the high level. We think that the net profit of DPM can be VND2,590 bn (USD 111.1 mn) in 2023, down 44.1%.

The huge cash dividend is a plus. Despite the deceleration in net profit from 2H2022, DPM is able to pay high cash dividend based on the company's positive profit in the last two years. The 2022 Annual General Meeting of Shareholders approved a cash dividend of VND 5,000 VND/share/year for 2021 and 2022. After that, we believe that DPM can maintain the cash dividend of VND3,000.

RISKS TO OUR CALL

- Due to the political geographic, the Urea selling price reaches higher than our expectation.
- DPM can not pay cash dividend as high as our expectation from 2023 onwards.

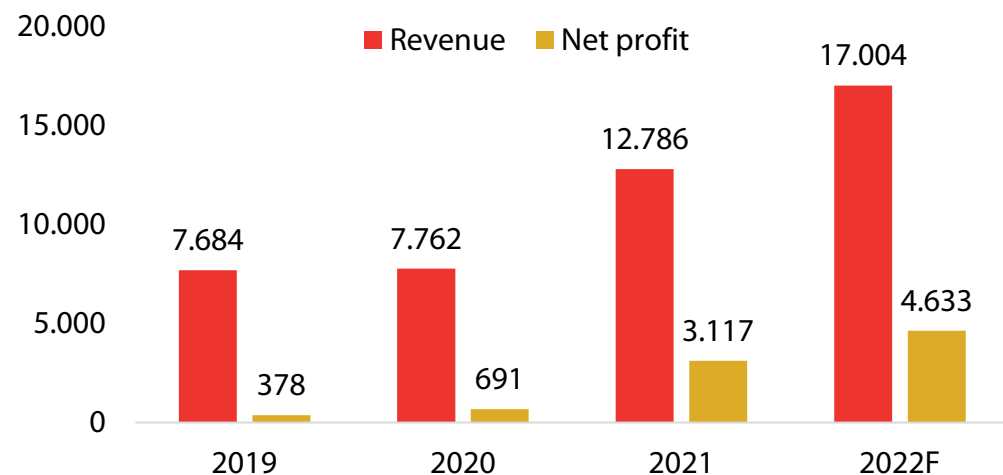
Urea sales volume was supported by export in 1H2022

- 1H2022 Urea sales volume increased by 9.3% to 406 thousand tons, supported by the export activity. In details, DPM exported 160 thousand tons, 2.5x higher than the same period last year. On the contrary, the domestic consumption experienced a 20% drop.

Profit will decelerate from 2H2022

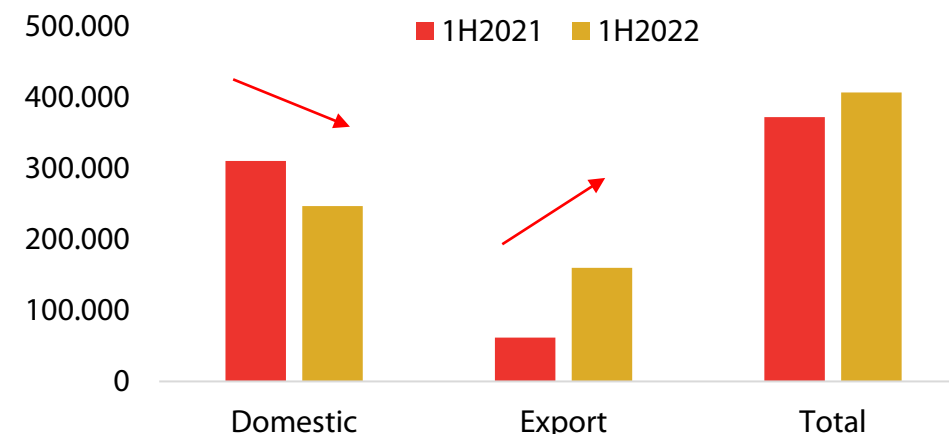
- DPM reported a good result in 1H2022 with net profit of VND 3,393 bn (USD 145 mn), up 3.9x YoY, thanks to a high Urea price. However, the Urea price has been decreasing after reaching peak in March 2022.
- We believe that the 2H2022 profit will decelerate because (1) domestic demand seems to be weak (2) Urea price is forecasted to ease. We forecast that DPM can post the net profit of VND 1,240 bn (USD 53 mn) in 2H2022 compared to VND 3,393 bn (USD 145 mn) in 1H2022.
- 2022 revenue, profit are projected at VND17,004 bn (USD729.7mn) (+33.0%) and VND4,633bn (USD198.8mn) (+48.6%), respectively.

Figure 3: 2022 forecast (VND bn)



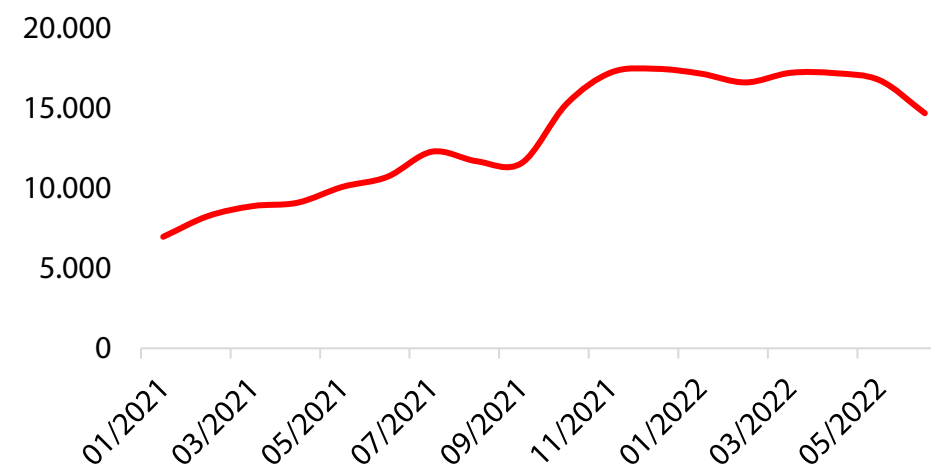
Source: Rong Viet Securities

Figure 1: Urea sale volume by market (tons)



Source: DPM, Rong Viet Securities

Figure 2: Urea' selling price of DPM (VND/kg)



Source: Rong Viet Securities

Table 1: Cash dividend policy

	2022	2023*	From 2023*
Cash dividend per share (VND)	5,000	3,000	2,000-3,000

Source: Rong Viet Securities estimate (*), DPM, 2022 cash dividend will be paid in 2023 and so on

Table 2: Urea price forecast

	June	July	August	3Q22	4Q22
Urea Baltic Sea	400-500	380-450	380-450	380-450	430-480
Urea Middle East	520-600	470-550	470-530	460-550	500-600

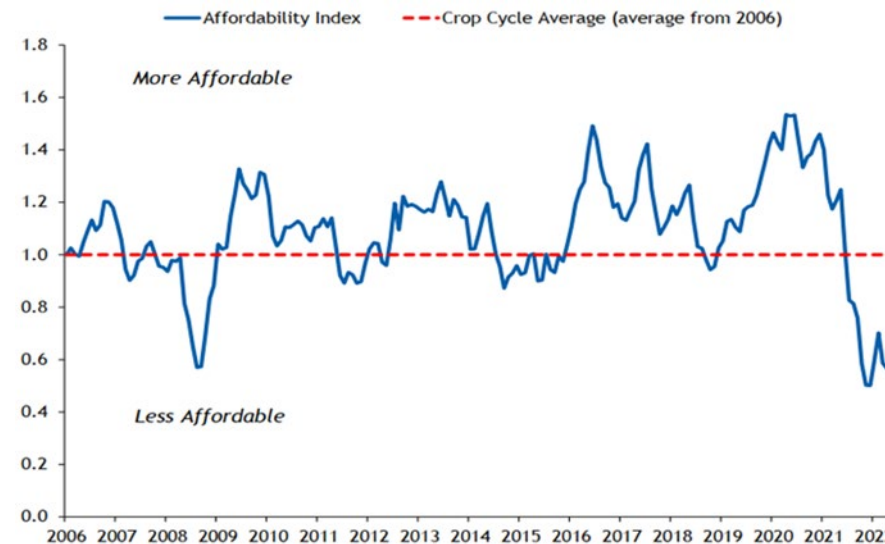
Source: Argus

Net profit to fall in 2023 on the back of low selling price

- According to Argus, Urea selling price will stay around 400 USD/ton – 600 USD/ton in 2H2022, which is lower than 1H2022. And the Fertilizer Affordability index remains “less affordable”, meaning that the fertilizer price is higher than the overall purchasing ability. Then the demand is likely to be weak. We believe that the Urea price will get lower in the future.
- For 2023, we forecast the profit to drop 44.1% to VND2,590 bn (USD 111.1 mn) with the assumption (1) Urea selling price of VND10,260/kg (2) Urea gross margin of 39%.

But high cash dividend is an attractive point

- Although profits will tend to decrease in the coming time, the attractive point of DPM lies in its ability to pay high dividends based on the company's positive profit in the last two years. The 2022 Annual General Meeting of Shareholders approved a cash dividend of VND 5,000 VND/share/year for 2021 and 2022 (the company has paid in advance VND 5,000/share for 2021). From 2023, DPM can maintain the cash dividend of VND3,000 despite the lower profit compared to 2022.
- Totally, the cash dividend in the next two years may be up to VND8,000 per share, equivalent to a 2-year dividend yield of 17% at this current market price.

Figure 4: Fertilizer affordable index


Source: Argus

OTHER STOCK

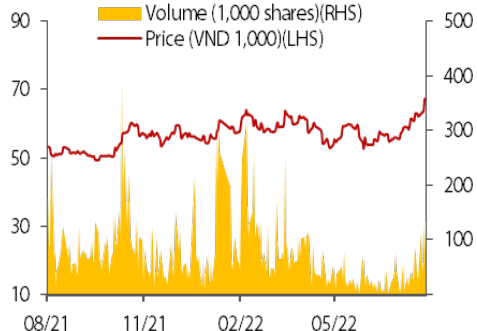
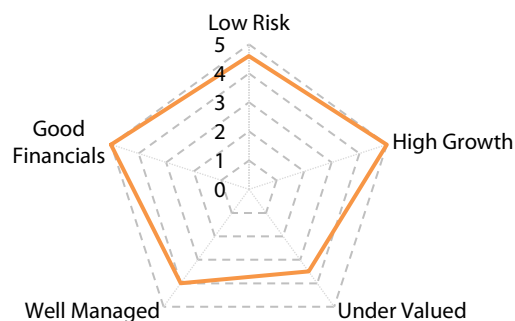


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STOCK INFO

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

FINANCIALS

		2021A	2022F	2023F
Plastic	Revenue (VND bn)	4,553	5,305	5,879
	NPATMI VND bn)	214	461	557
222	ROA (%)	7.5	15.5	17.8
82	ROE (%)	9.3	18.6	21.6
33	EPS (VND)	2,618	5,129	6,187
	Book Value (VND)	28,016	30,345	31,533
2	Cash dividend (VND)	2,600	4,300	5,000
14.6	P/E (x)	22.9	11.5	9.5
67.5 - 49.2	P/B (x)	2.1	1.9	1.9


INVESTMENT RATIONALES
Not much motivation for strong recovery

- The output in 1H reached 49,000 tons, 12% lower on the yearly basis, due to quiet construction activities and slow disbursement of public investment. Consumption in 2H is forecasted to be stable without signals of large public investment disbursement and the construction market are waiting for an amended legal framework on corporate bond issuance and management.
- We expect 2022 sales volume to reach 100,800 tons, up 9% YoY. Of which, Q3 output may re-bounce by 130-140% YoY from the low base of the large-scale quarantine in the South in Q3 2021.

Gross profit margin may improve due to a sharp drop in PVC resin prices from mid-June and a higher average selling price than that in 2021

- The price of PVC resin has decreased from a peak of USD 2,000/ton (October 2021) to around USD 960-970/ton currently, dropping sharply from mid-June 2022.
- Selling price in 2H is forecasted to be down following material prices but at a lower rate owing to stable consumption. 2H gross profit margin can maintain around 23.5%-24.5%, equivalent to full-year gross profit margin of 23.4%, compared to 15.3% in 2021. Volume growth combined with higher gross margin makes 2022 PAT rise by 115% YoY to VND 461 billion.

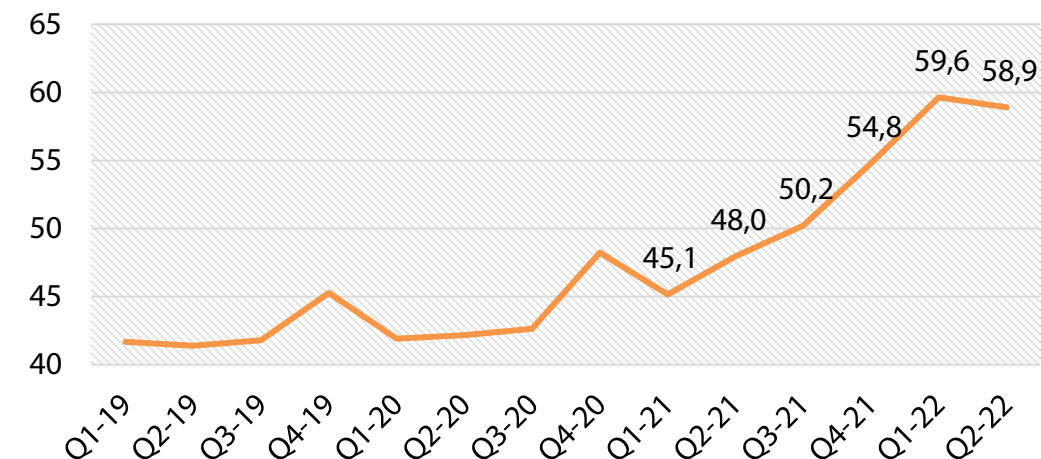
RISKS TO OUR CALL

- Raw material prices may increase stronger than expected, affecting BMP's gross profit margin.

Profit increased strongly thanks to the expansion of gross profit margin, offsetting the decrease in volume

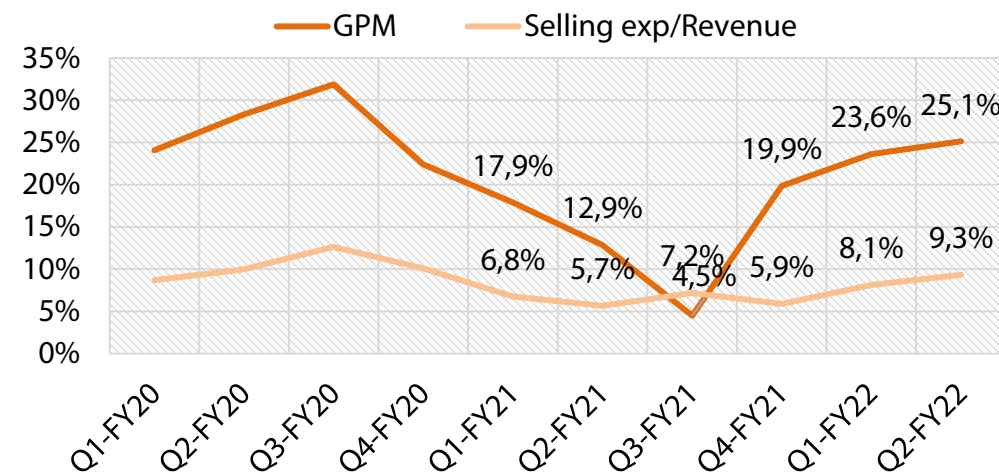
- Revenue and PAT in 1H2022 recorded VND 2,905 billion and VND 273 billion, respectively, up 11% YoY and 117% YoY.
- Consumption reached 49 thousand tons, down 12% YoY, due to quiet construction activities and slow disbursement of public investment.
- The average selling price was VND 58.5 million/ton, up 25% YoY. Selling prices in Q2 maintain close to that of Q1.
- PVC resin price has dropped from a peak of USD 2,000/ton in October 2021 to about USD 1,200/ton in mid-June 2022. As a result, the average production cost only increased slightly by 13% YoY to VND 44.8 million/ton.
- Gross profit margin in 1H2022 expanded to 24.4% from 15.1% in 1H2021.
- However, the company has increased incentives for the distribution system in Q2 when consumption was slow, and competition showed signs of increasing. Selling expense/Sales ratio rose from 5.7% in Q2/2021 to 9.3% in Q2/2022.

Figure 1: Selling price (VND bn/ton)



Source: BMP, Rong Viet Securities

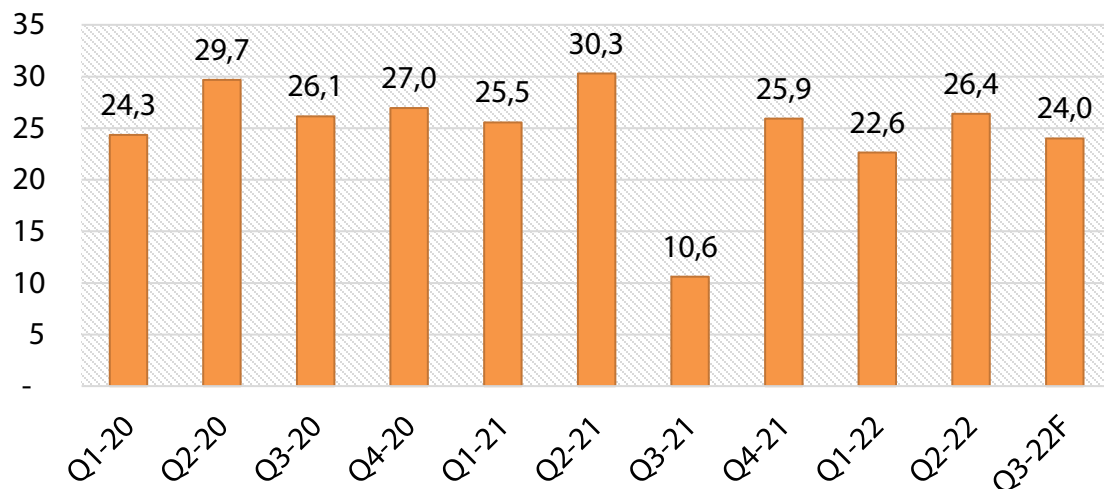
Figure 2: Gross margin and Selling expense/Revenue



Source: BMP, Rong Viet Securities

Figure 3: PVC resin price (USD/ton)


Source: Bloomberg, Rong Viet Securities

Figure 4: Selling volume forecast (thousand tons)


Source: BMP, Rong Viet Securities

More downward pressures on selling prices but gross profit margin could be stable

- Consumption in 2H2022 is likely to be stable as in 1H2022 as there are not many signals on large public investments and construction market is still quiet waiting for a new legal framework on issuance and management of corporate bonds.
- Whole-year consumption could increase 9% to 100,800 tons or 51,700 tons in 2H. Of which, Q3 output may rebound sharply by 130-140% YoY due to weak sales in Q3/2021 when many southern provinces are locked down for Covid control.
- PVC resin prices have declined rapidly since mid-June due to weak demand of China, which helped reduce production costs in at least Q3.
- Selling prices will be adjusted down following the price movement of raw materials and to maintain competitiveness. The average selling price for the whole year is expected to be VND 52.6 million VND/ton, 10% lower than 1H2022 but 7% higher than 2021.
- 2H2022 gross profit margin can maintain around 23.5% -24.5%, or 23.4% for 2022, compared to 15.3% in 2021. 2022 revenue and PAT could reach VND 5,305 billion (+16.5%) and VND 461 billion (+115%).

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