

Vietnam Strategy

Envisaging a new high



NAVIGATING VIETNAM

Analyst(s)

Khanh Hien TRAN

T (84) 90 364 3900

E hien.trankhanh@vndirect.com.vn

and **VNDIRECT RESEARCH TEAM**

TABLE OF CONTENTS

2020 MACRO RECAP: Solid steps towards a “new normal”	5
2020 MARKET RECAP: “How the steel was tempered”	10
2021 GLOBAL MACRO OUTLOOK	18
2021 VIETNAM MACRO OUTLOOK	20
2021 MARKET OUTLOOK: Ready to take off	28
KEY INVESTMENT THEMES FOR 2021F	33
Sector Outlook.....	39
CONSTRUCTION MATERIALS: Positive outlook.....	40
RESIDENTIAL PROPERTY: Stay tuned for re-ratings in 2021F	52
BANKING: Against all odds	60
INDUSTRIAL PROPERTY: Long-term outlook remains intact.....	74
LOGISTICS: Riding the recovery in global trade	81
AVIATION: Flying through turbulence	89
RETAIL: Stay tuned for a bounce back in 2021	97
AUTO & PARTS: Radial tyres riding on domestic car sales	106
TEXTILE & GARMENT: Eyeing a rebound in 2021	109
OIL & GAS: Gas industry development comes into focus.....	113
POWER: Go green, go clean	119
Company Briefs	125

Vietnam Strategy

Envisaging a new high

- Notwithstanding the pandemic, Vietnam’s investment prospects are bright with strong economic growth and advancements in global integration.
- We expect the VN-index to reach 1,180 pts in 2021; based on 15.9x FY21F P/E and 23% yoy aggregate earnings growth.
- Our top stock picks are VHM, MWG, HPG, VPB, TCB, SCS, ACV and FPT.

Moving into 2021 with confidence

The successful containment of the Covid-19 outbreak has helped Vietnam dodge an economic recession with a positive GDP growth in 2020. We expect the economy to grow 7.1% yoy in 2021F, underpinned by 8.8% yoy expansion in manufacturing and 7.1% yoy growth in services. We expect exports to accelerate 12% yoy in FY21F, driven by the meaningful recovery of global demand post vaccine discovery. The Vietnam dong is likely to strengthen, facilitated by a trade surplus and strong FX reserves. We see no upward pressure on inflation amid the oil price hike as foodstuff prices are cooling down.

Earnings growth on the mend

As Covid-19 has cast a shadow on all aspects of the economy, aggregate earnings of VN-index dipped 9.5% yoy in 9M20. However, 3Q20 aggregate earnings edged down 5.9%, much better than the sharp declines seen in 6M20. With macro momentum rebounding and 3Q20 earnings performing a V-shaped recovery, we estimate listed corporate earnings across the VN-Index will grow 23% yoy in FY21F.

We identify four investment themes beyond the pandemic

First, growing domestic consumption, alongside a consumer confidence bounce-back, will propel the retail and food & beverages sectors to recover faster than others. Second, robust state investment expansion, mainly in infrastructure, could buoy construction materials and aviation infra developers. Third, the country’s manufacturing sector is a broad play given the gradual recovery of global demand, led by a rebound in China’s economy. Last, benign interest rates will bode well for banks and residential property developers.

The time to act is now

We expect the VN-index to reach 1,180 pts in 2021; based on 15.9x FY21F P/E and 23% yoy aggregate earnings growth. Our top stock picks are VHM, MWG, HPG, VPB, TCB, SCS, ACV and FPT. Downside risks to the market include the uncertainty of the Covid-19 outbreak and slower-than-expected recovery of listed companies’ FY21F earnings. Market catalysts include sooner-than-expected mass availability of Covid-19 vaccines and earlier-than-expected MSCI EM upgrade of Vietnam.

Analyst(s)



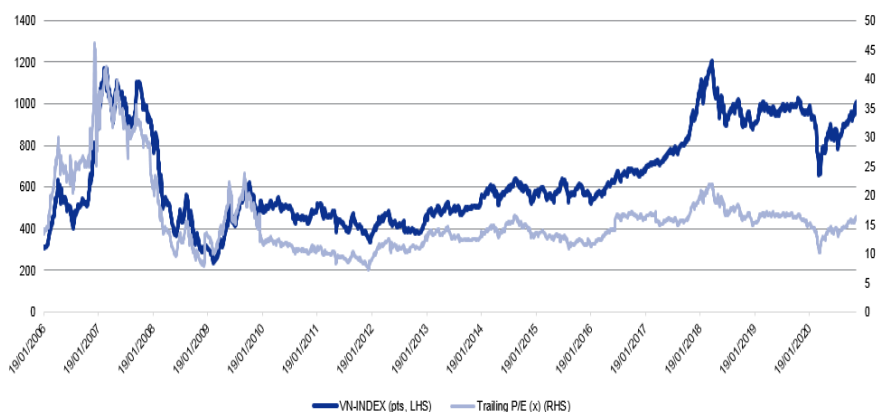
Khanh Hien TRAN

T (84) 90 364 3900

E hien.trankhanh@vndirect.com.vn

and VNDIRECT RESEARCH TEAM

Figure 1: VN-Index and trailing P/E (19 Jan 2006-30 Nov 2020)



SOURCES: VNDIRECT RESEARCH

WHAT TO EXPECT IN 2021

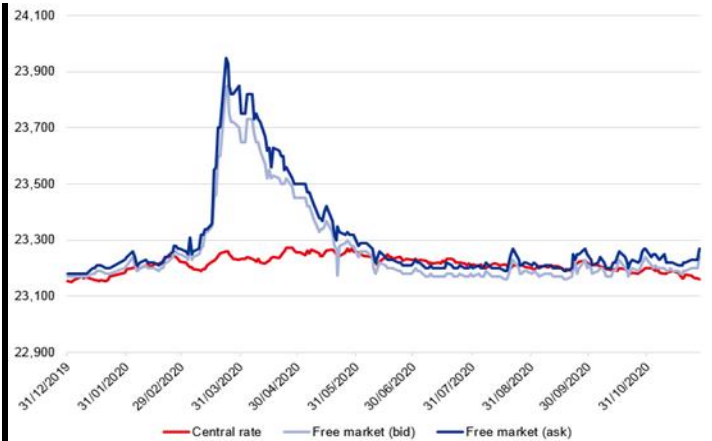
Moving into 2021 with confidence >

We project Vietnam's GDP to rise by 7.1% yoy in 2021F, with resilient growth in all sectors. Its macroeconomic outlook should continue to be strengthened with current account surplus, higher trade surplus, as well as foreign reserves and lower-pressure inflation, in our view; these buffers could help Vietnam cope with external risks and provide strong support for stable exchange rate management.

Indicator	Unit	2019	2020E	2021F
Real GDP growth	% yoy	7.0	2.8	7.1
Export growth	% yoy	8.4	5.0	12.0
Import growth	% yoy	6.9	1.7	11.0
CPI (period average)	% yoy	2.8	3.2	2.9
Credit growth	% yoy	13.7	9.0	13.0
M2 growth	% yoy	14.8	12.0	14.0
Refinancing rate	%	6.0	4.0	4.0
Exchange rate (USD/VND)	% yoy	1.4	0-1.0	+/-0.5
Fiscal balance	% of GDP	-2.5	-5.0	-4.0
Public debt	% of GDP	55.0	56.8	58.6

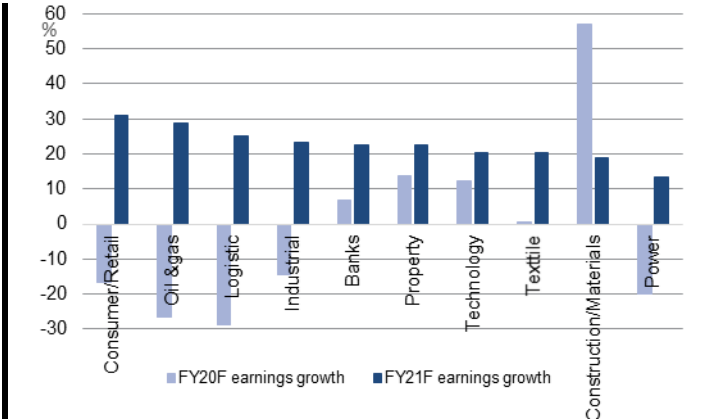
The VND/US\$ exchange rate (YTD) >

We expect the US\$ to remain weak in 2021F as the Fed could maintain a loose monetary policy to support growth. In addition, the Chinese yuan's (Rmb) surge in recent months could reduce the trade deficit of Vietnam against China. As per 30 Nov data, the Rmb has appreciated 5.4% YTD vs. US\$. As we see more upside risk for the VND, we expect the VND to move within a razor range of +/-0.5% vs. US\$ next year.



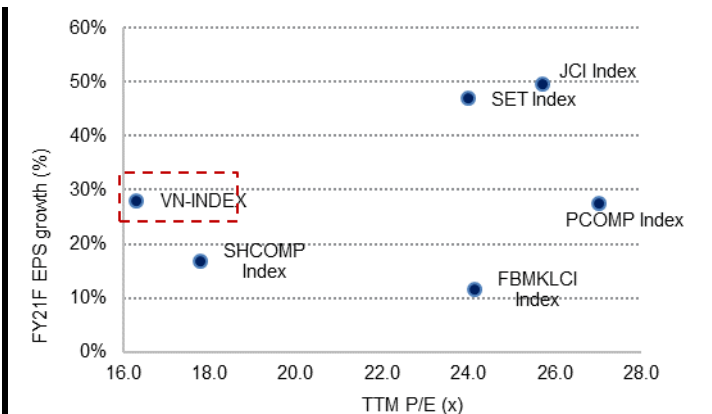
Earnings growth on the mend >

We estimate that FY21F corporate earnings across the VN-Index will grow by about 23% yoy, lower than our earnings growth forecast of 36% yoy for companies under our coverage. For stocks not under our coverage, we use the Bloomberg consensus earnings forecasts.



Vietnam's stock market looks attractive vs. neighbours in terms of trailing P/E >

As at 30 Nov 2020, according to Bloomberg data, the VN-Index was trading at 16.3x trailing 12-month P/E (TTM P/E), which is higher than the P/E of 15.0x at the beginning of 2020. The current TTM P/E is slightly higher than the historical 5-year average P/E of 15.9x. Compared to regional peers, Vietnam's TTM P/E looks cheaper than neighbouring markets; however, Vietnam is still a frontier market while most of the regional markets are emerging markets.



2020 MACRO RECAP: Solid steps towards a “new normal”

Vietnam’s economy is on track for recovery ➤

Vietnam’s economy seems to have dodged an economic recession caused by the Covid-19 pandemic, with GDP growth increasing by 2.1% yoy in 9M20. This result is quite impressive as Vietnam is the only Southeast Asian economy to record positive growth in 9M20. Exports and public investments were the two main growth drivers. Specifically, exports experienced impressive growth of 5.3% in 11M20, despite the tightening of global trade, while disbursed public investments jumped 34% yoy to VND407tr in 11M20, way above the 7% rise in 11M19. Vietnam has succeeded in maintaining macroeconomic stability in the midst of world turmoil. Price pressures were well controlled despite rising food prices; 11M20 average consumer price index stayed at 3.5%, which is still lower than the government’s target of 4.0%. Its exchange rate remained stable, backed by strong higher trade surplus and foreign reserves.

Figure 2: Vietnam’s quarterly GDP growth (breakdown by sector)

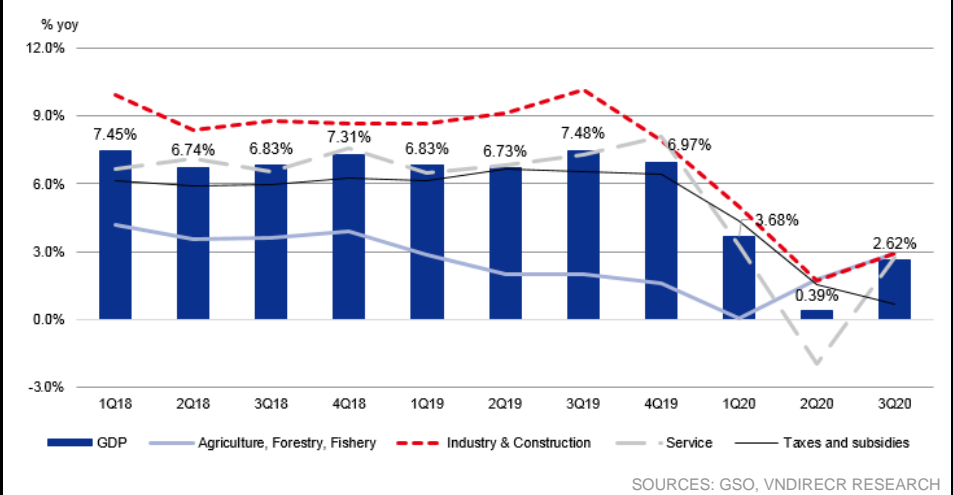


Figure 3: Manufacturing sectors showed sign of recovery

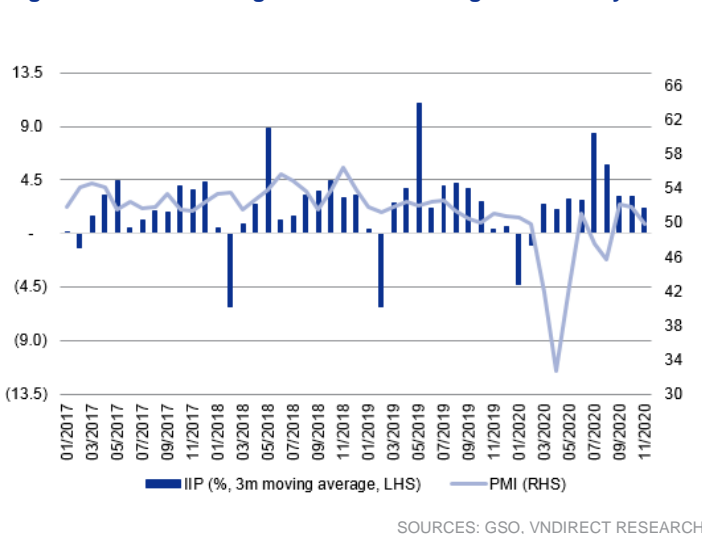
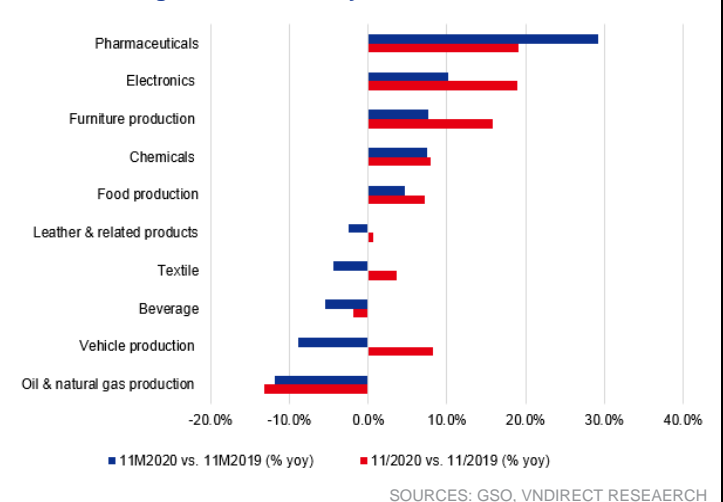


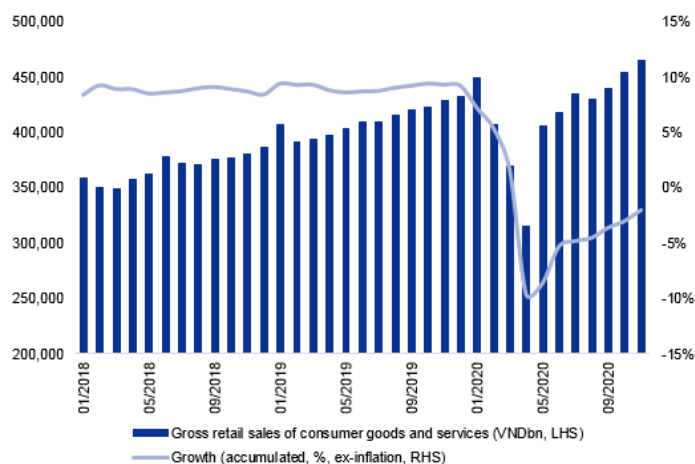
Figure 4: Pharmaceutical and electronics manufacturing led the manufacturing sector’s recovery



Vietnam has emerged as a role model of Covid-19 pandemic management, which could lay the foundation for a strong and stable economic recovery. We expect Vietnam’s economy to grow by 2.8% yoy in 2020F, an encouraging figure in the

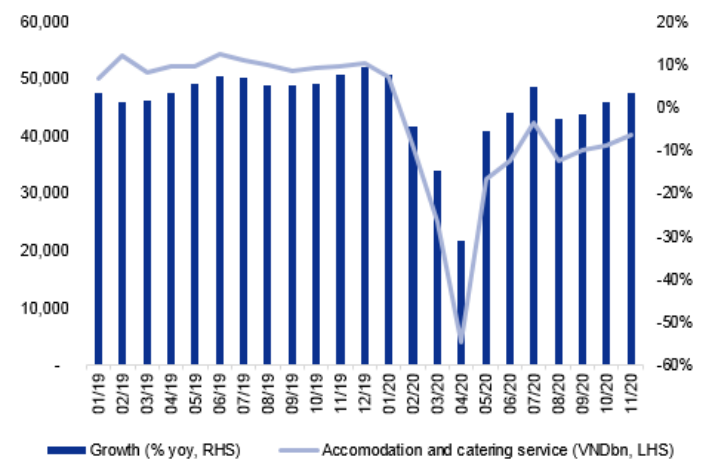
midst of a global recession. Of the three main pillars of the economy, we project the agriculture, forestry and fishery sector to grow 2.4% in 2020F (improving from the 2% rate seen in 2019), successfully overcoming the difficulties caused by the African Swine Fever (ASF) and the Covid-19 pandemic to quicken growth each quarter. The remaining pillars are expected to surpass the difficulties caused by the pandemic to maintain positive growth; i.e. the industry and construction sector is projected to increase by 3.4% yoy in 2020F (vs. +8.9% in 2019), and the service sector is forecasted to rise by 2.5% yoy in 2020F (vs. +7.3% in 2019).

Figure 5: Service sector showed signs of recovery after the second wave of Covid-19 was contained



SOURCES: GSO, VNDIRECT RESEARCH

Figure 6: Accommodation and catering service has struggled to recover as tourism is still affected by the Covid-19 pandemic

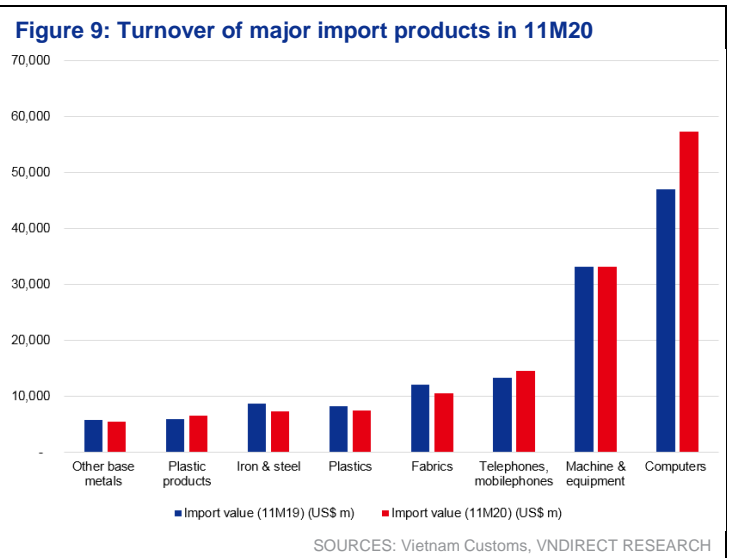
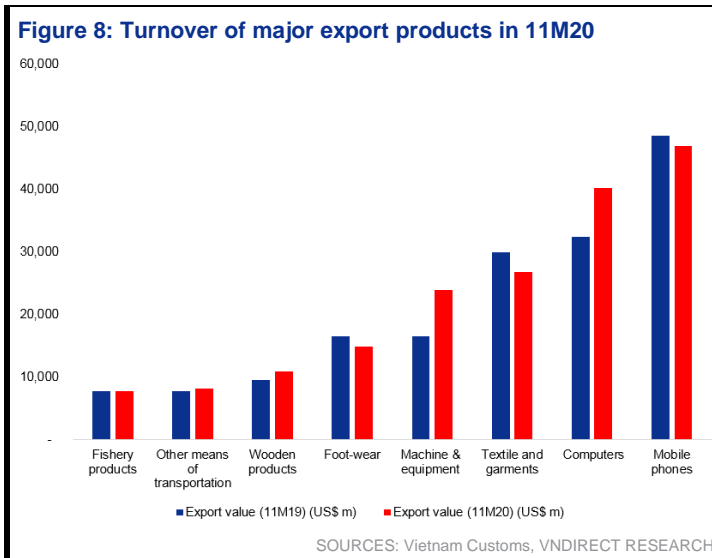
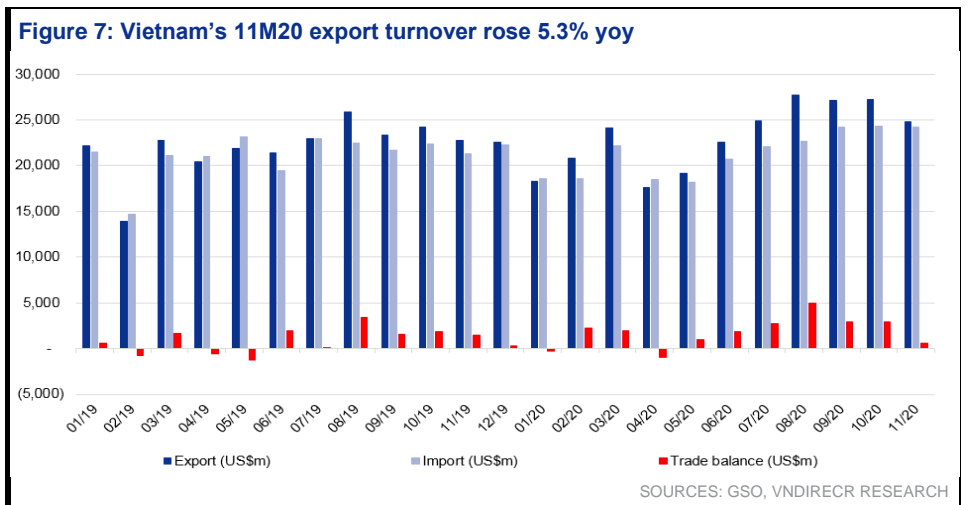


SOURCES: GSO, VNDIRECT RESEARCH

Exports took the spotlight in 2020 ➤

Thanks to the efficiency of its Covid-19 containment, Vietnam has kept its manufacturing activities running uninterrupted and won more external orders. According to the General Statistics Office of Vietnam (GSO), in 11M20, Vietnam exported US\$254.6bn worth of goods, recording a 5.3% yoy growth despite the tightening of global trade due to the Covid-19 pandemic. Regarding export products, the items that recorded the highest export growth in 11M20 include toys and sports requisites (+52.4%), non-wooden furniture (+50.2% yoy), machine and equipment (+44.5% yoy), gemstones (+30.2%), paper and related products (+25.7%), computers (+24.3% yoy), steel (+22.2% yoy), insulated wires and cables (+20.2% yoy), and wood and wooden products (+14.1% yoy).

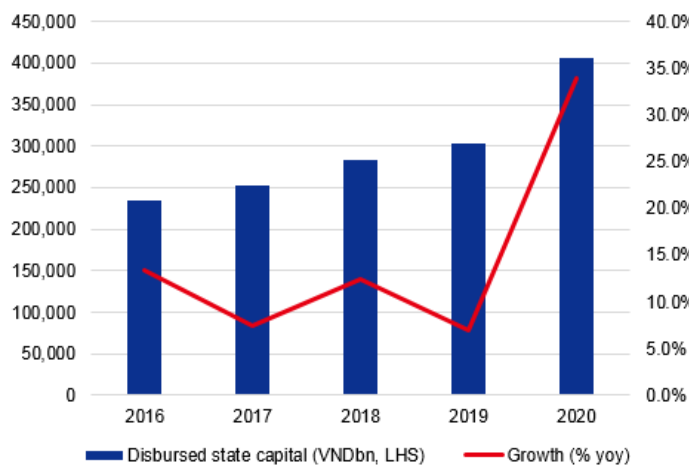
As for imports, Vietnam's import spending inched up only 0.3% to US\$234.5bn, due to the weakening of domestic demand amid higher unemployment rates and lower workers' income caused by the Covid-19 pandemic. As a result, the 11M20 trade surplus widened to US\$20.1bn, from US\$10.8bn in the same period last year. The widening trade surplus is the key supporting factor for the stabilisation of Vietnam's exchange rate in 11M20.



An impressive year of public investments ➤

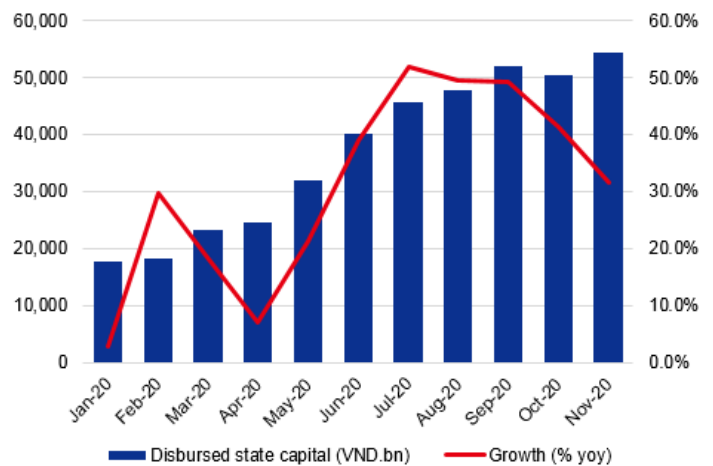
In a bid to reverse the downtrend in GDP growth, the government has made aggressive steps to boost public investment. On 6 Apr, it issued a decree guiding the implementation of the amended Law on Public Investment, providing regulations on capital management, settlements and specific direction for individuals and organisations to prevent delays in public investment disbursements. The government also allowed the transfer of public investment from projects with slow disbursements to projects where the disbursement pace is quicker. On 30 Sep, the Ministry of Transport began construction of three sub-projects under the North-South Expressway project, including Mai Son-National Highway 45, Vinh Hao-Phan Thiet and Phan Thiet-Dau Giay expressways. These sub-projects, with investments totalling VND54,000bn (or 45% of the total investment value of the North-South Expressway), have been approved by the National Assembly for their financing format to switch to public investment from public-private partnership (PPP). Thanks to these effective measures, disbursed investments under the state budget (public investment) in 11M20 jumped 34% yoy to VND406.8tr, way above the 7% rate in 11M19, completing 79.3% of the government's full-year target. We expect public investment to sustain its high growth rate in 4Q20F, with the full-year disbursed investment under the state budget to complete 92-95% of the government's full-year revised target.

Figure 10: Disbursed public investment surged 34% yoy in 11M20



SOURCES: GSO, VNDIRECT RESEARCH

Figure 11: Monthly disbursed public investment

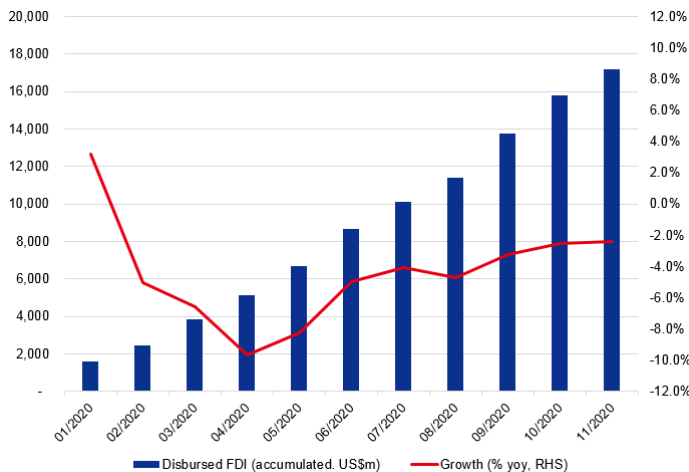


SOURCES: VNDIRECT RESEARCH, GSO

FDI disbursement declined as Covid-19 emerged ➤

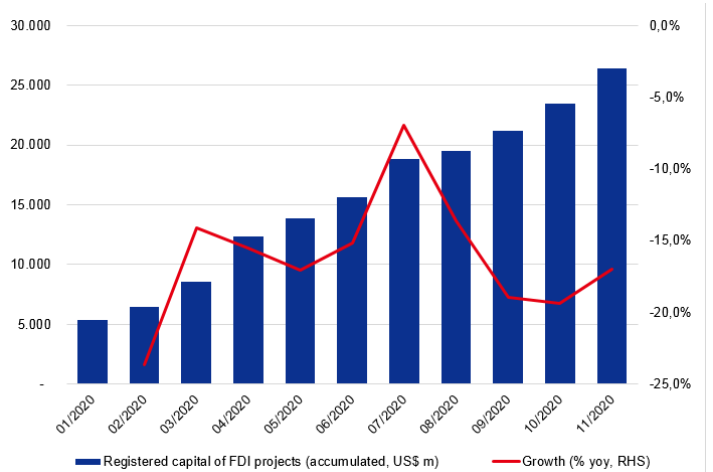
The Covid-19 pandemic and the global economy downturn has caused a slowdown of foreign direct investments (FDI) into Vietnam in 11M20. According to the GSO, in 11M20, the disbursed capital of FDI projects dropped 2.4% yoy to US\$17.2bn, the registered capital of FDI projects dropped 16.9% yoy to US\$26.4bn. We expect the FDI sector's investments to stay low in the next couple of months as foreign investors postpone their plans due to concerns over global economic prospects as the Covid-19 outbreak continues to affect many countries.

Figure 12: The disbursed capital of FDI projects in 11M20



SOURCES: VNDIRECT RESEARCH, GSO

Figure 13: The registered capital of FDI projects in 11M20



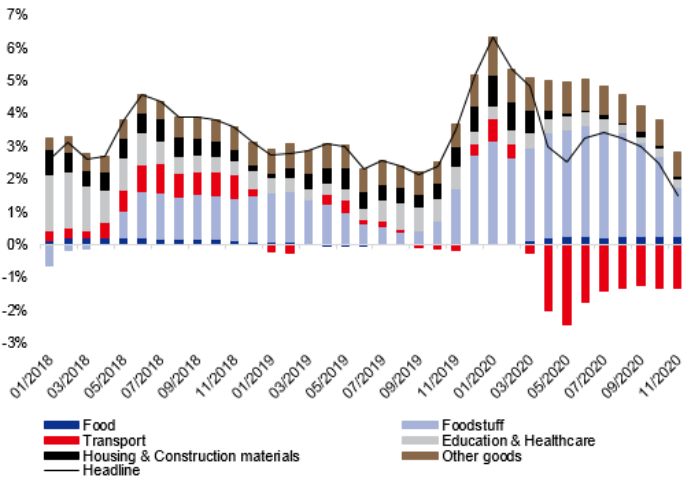
SOURCES: VNDIRECT RESEARCH, GSO

Macroeconomic stability has been solidified ➤

Inflation is well controlled under the government's target of 4%, despite higher pork prices due to the culling to control ASF. Specifically, we expect food inflation to average at 10.0% yoy in 2020F, which is about 2.5 times higher than the rate seen in 2019, as average pork prices in 2020F is estimated at VND81,000/kg (+64% yoy). However, headline inflation is estimated at an average of 3.2% in 2020F, below the government's target of 4.0%. The exchange rate remains stable with the Vietnam central bank-set exchange rate for the VND/US\$ at VND23,133/US\$ on 30 Nov, sliding 0.2% YTD. The stable exchange rate is backed by higher trade surplus and foreign reserves. According to State Bank of Vietnam (SBV), the country's foreign reserves rose to US\$92bn in late-Aug, from

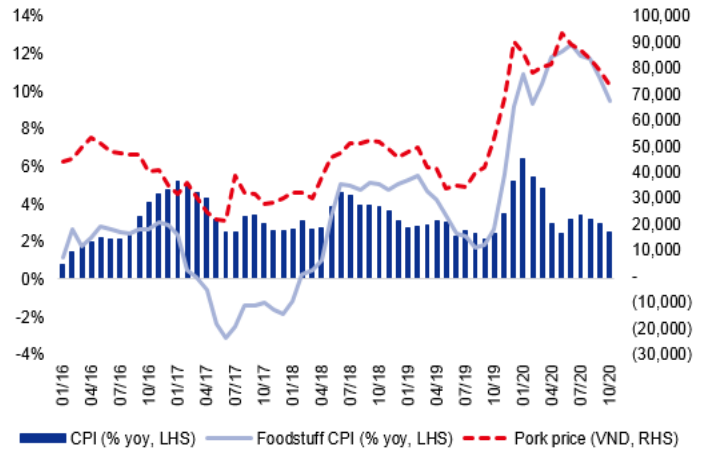
around US\$80bn at end-FY19, and are expected to reach US\$100bn by end-FY20.

Figure 14: Inflationary pressure eased further in Nov (% yoy change)



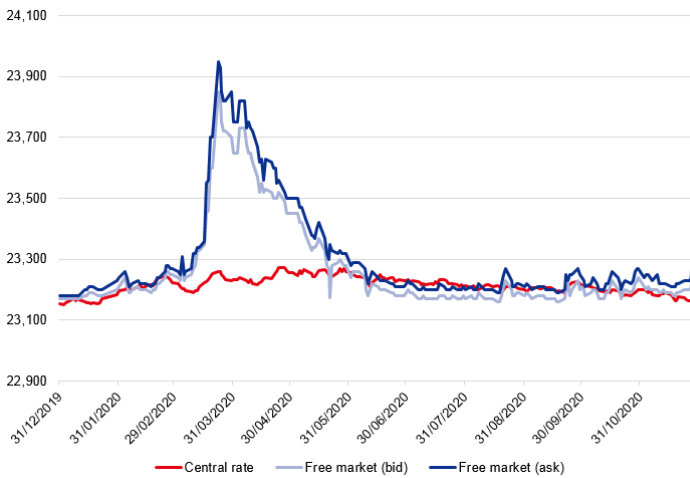
SOURCES: GSO, VNDIRECT RESEARCH

Figure 15: Foodstuff inflation eased further as pork prices softened



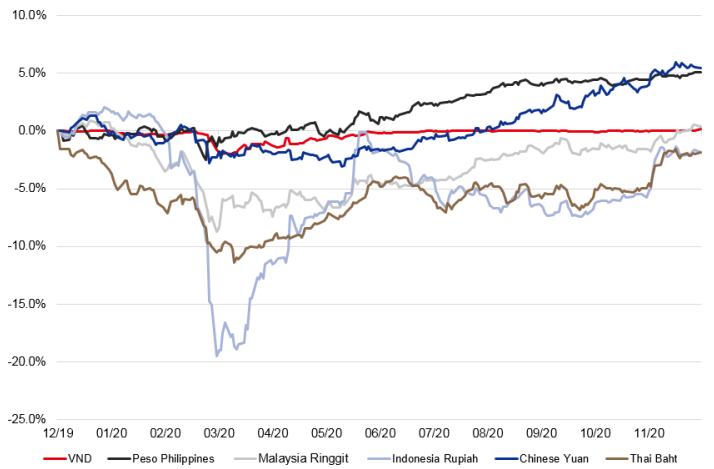
SOURCES: GSO, VNDIRECT RESEARCH

Figure 16: The VND/US\$ exchange rate (YTD)



SOURCES: GSO, VNDIRECT RESEARCH

Figure 17: The Rmb rose 5.4%, while the VND inched up 0.2%, vs. the US\$ in 11M20

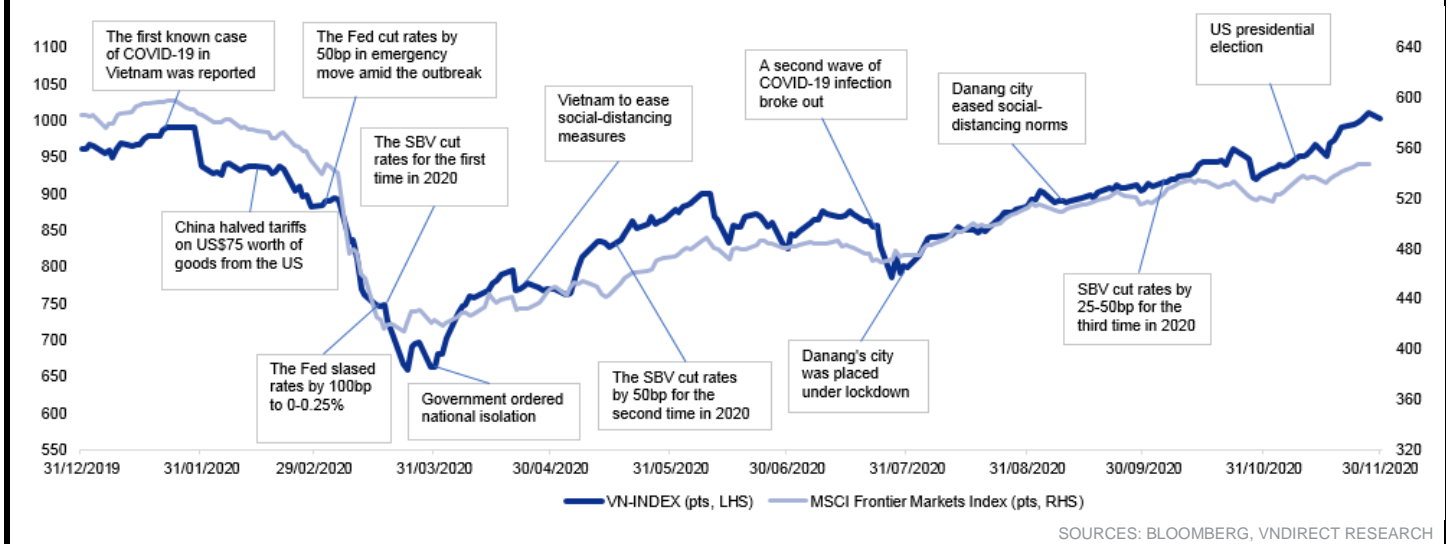


SOURCES: GSO, VNDIRECT RESEARCH

2020 MARKET RECAP: “How the steel was tempered”

VN-Index to increase 4.4% as at 30 Nov 2020 ➔

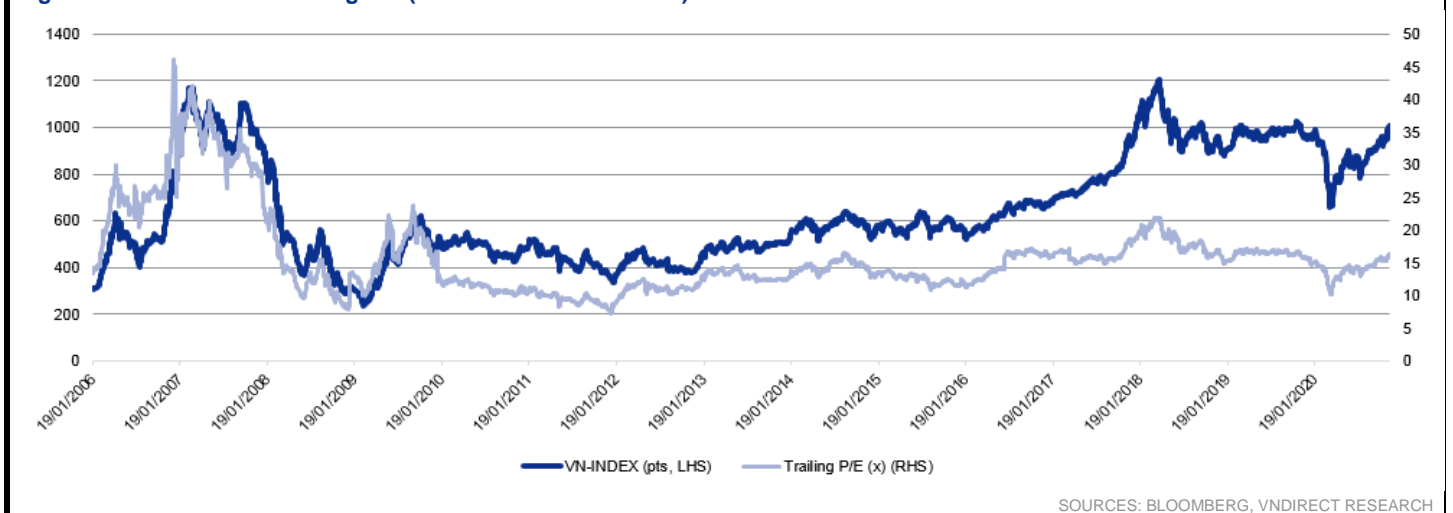
Figure 18: VN-Index recorded positive performance in 11M20 (data as at 30 Nov 2020)



Vietnam stock market started FY2020 strongly, with the VN-Index rising 4.4% in the first three weeks of the year. Unfortunately, a Covid-19 outbreak cast a shadow over Vietnam's stock market for the next two months. The VN-index fell to its lowest level of the year, at 659.2 pts, on 24 Mar 2020, equivalent to a decline of 33.5% from its peak on 22 Jan, 2020.

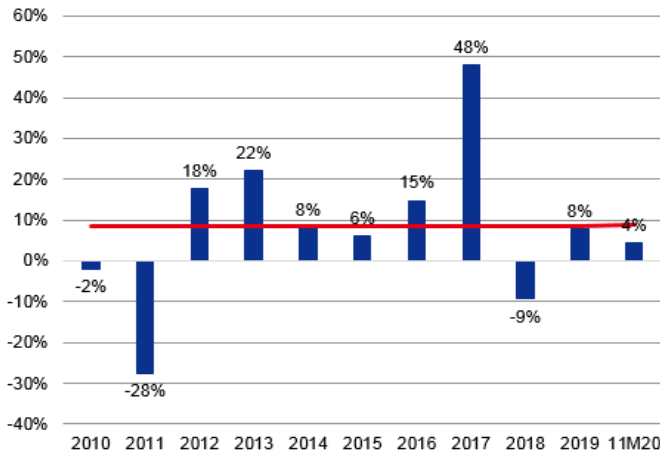
However, thanks to Vietnam's success in containing the Covid-19 outbreak locally, the Vietnam stock market gradually regained confidence. Since 25 Mar 2020, the Vietnam stock market began an impressive journey of recovery, with the VN-Index regaining all of its previous lost points and climbing to 1,003 pts on 30 Nov 2020, equivalent to a surge of 52.2% since its trough on 24 Mar, an increase of 4.4% in 11M20. In our view, the strong recovery in Vietnam stock market can be explained by: 1) following the outstanding rebound of the global stock market, 2) the easing of financial conditions and lower interest rates, thus triggering massive domestic capital inflow into the Vietnam stock market, and 3) the successful containment of the Covid-19 pandemic locally, which allowed Vietnam's economy to grow positively. At the same time, the HNX-Index surged 44.1% in 11M20 and the Upcom-Index gained 18.3% in 11M20.

Figure 19: VN-Index and trailing P/E (19 Jan 2006-30 Nov 2020)



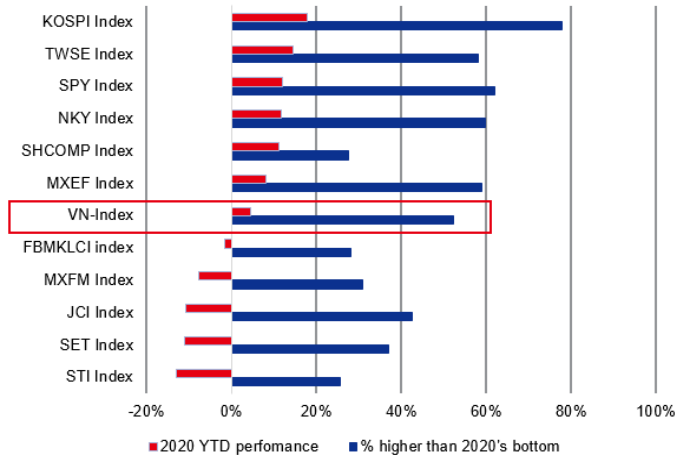
Overall, in 11M20, Vietnam's stock market outperformed its regional peers in South East Asia and the MSCI benchmark-MSCI Frontier Markets Index.

Figure 20: VN-Index's growth stood below its average annual pace over 2010-2019 amid the Covid-19 pandemic (data as at 30 Nov 2020)



SOURCES: BLOOMBERG, VNDIRECT RESEARCH

Figure 21: Vietnam's stock market outperformed regional peers and the MSCI Frontier Markets Index (data as at 30 Nov 2020)



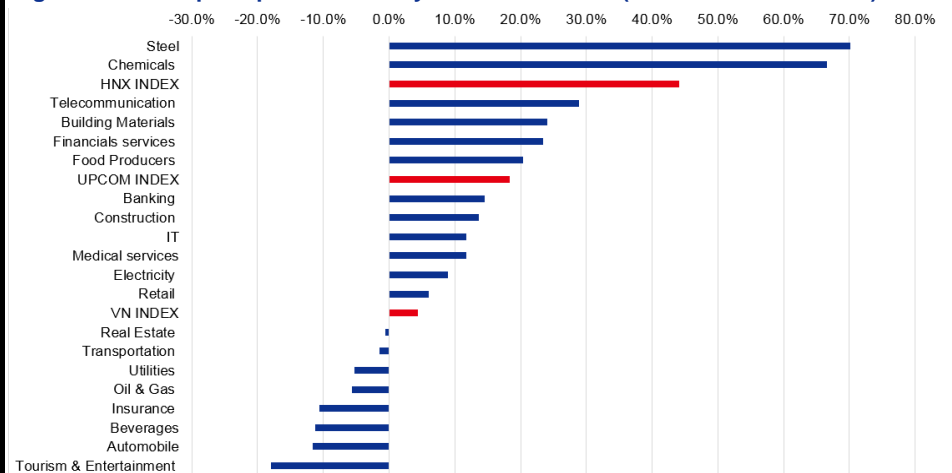
SOURCES: BLOOMBERG, VNDIRECT RESEARCH

Top movers and losers

Steel was the top performer in 11M20, largely driven by the 84.7% surge in Hoa Phat Group's (HPG) share price. Likewise, the chemical's sector strong performance was mainly attributable to the impressive 74.2% increase in Vietnam Rubber Group's (GVR) share price in 11M20. Other major outperforming sectors included financial services, food producers, banking and electricity.

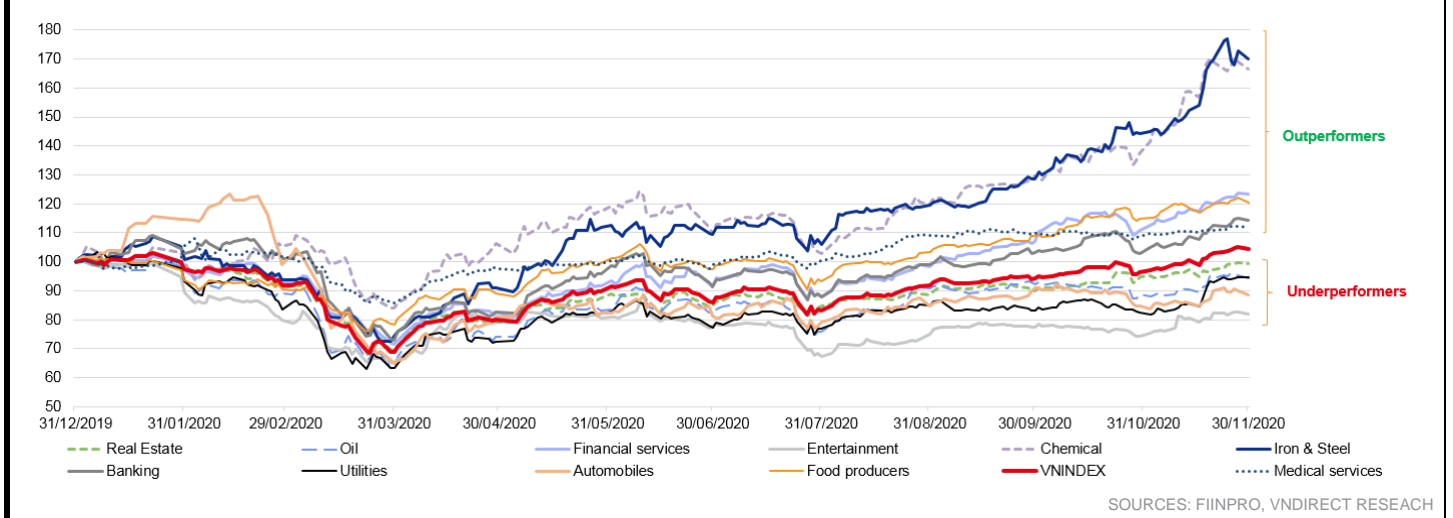
On the negative side, tourism & entertainment was the worst-performing sector due to the sluggish share price performance of Vietjet Aviation (VJC) and Vietnam Airlines (HVN), followed by beverages, insurance, automobile, oil & gas, and transportation. These sectors' business results were hit hard by the Covid-19 pandemic.

Figure 22: Share price performance by sectors in 11M20 (data as at 30 Nov 2020)



SOURCES: FIINPRO, VNDIRECT RESEARCH

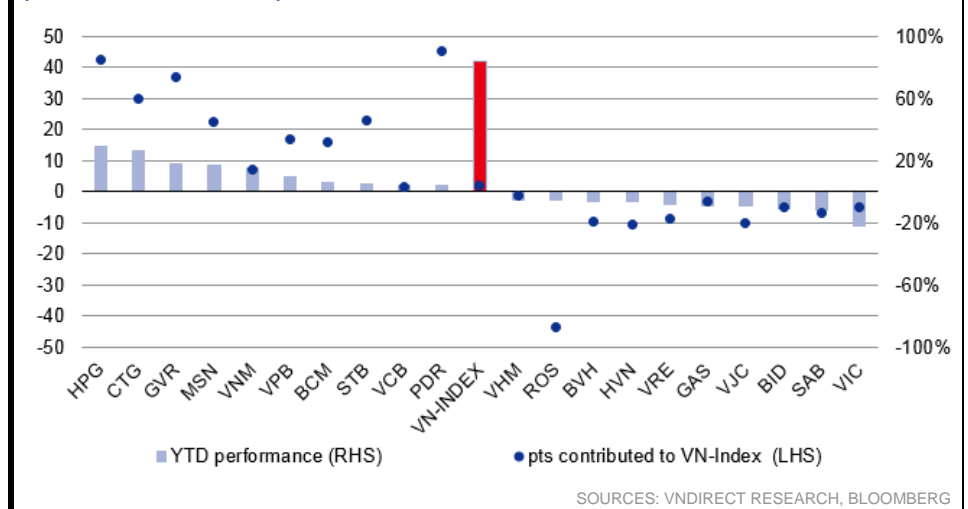
Figure 23: Daily performance of key sectors in 11M20 (data as at 30 Nov 2020)



HPG was the largest contributor to VN-Index's gain in 11M20, with its 84.7% share price surge alone accounting for a 14.7 pts (35%) of the index's total gain, Other VN-Index top contributors included CTG, GVR, MSN, VNM and VPB.

On the contrary, VIC was the largest laggard of the VN-Index in 11M20, with its share price sliding 9.7%, wiping 11.1 pts off the index. Other VN-Index top losers included SAB, BID, GAS, VJC and VRE.

Figure 24: VN-Index top movers and laggards – HPG was the major pillar in 11M20 (data as at 30 Nov, 2020)

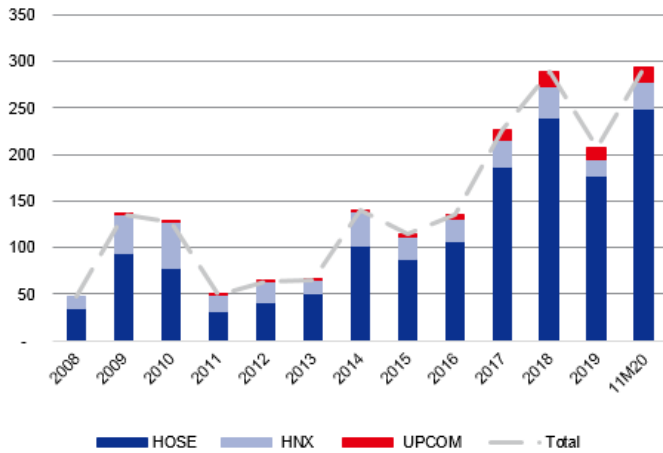


Increasing liquidity since Apr 2020 on the “retail investors’ rally”

The sharp increase in liquidity is the highlight of Vietnam's stock market in 11M20. Average daily trading value (ADTV) in 11M20 surged 42% yoy to VND6,811bn as domestic cashflow into the stock market accelerated. According to data from the Vietnam Securities Depository (VSD), domestic retail investors opened 288,372 new securities accounts in 10M20 (+54% yoy). The inpouring cashflow of domestic retail investors into the Vietnam stock market was due to the following reasons:

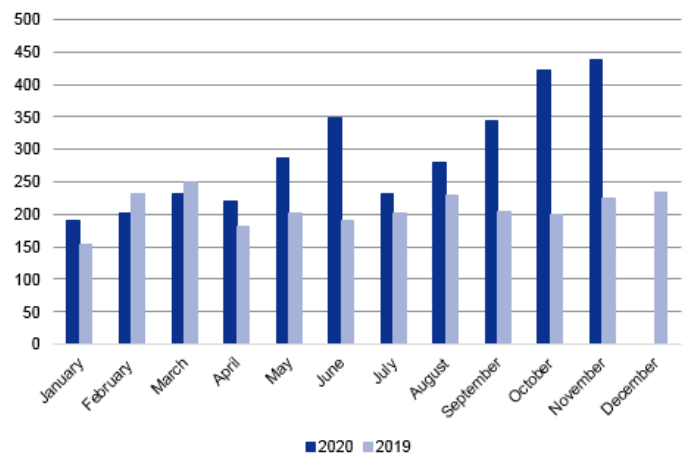
- The easing of financial conditions and the lower interest rate environment (savings deposit rate had declined by 100-200bps in 11M20).
- Other investment channels, such as real estate and forex, faced difficulties amid the Covid-19 outbreak.
- Securities had strong investment advantages over real estate thanks to its convenience of online trading, low initial investment capital and high liquidity.

Figure 25: Liquidity surged 42% yoy in 11M20 (US\$m)
(data as at 30 Nov 2020)



SOURCES: VNDIRECT RESEARCH

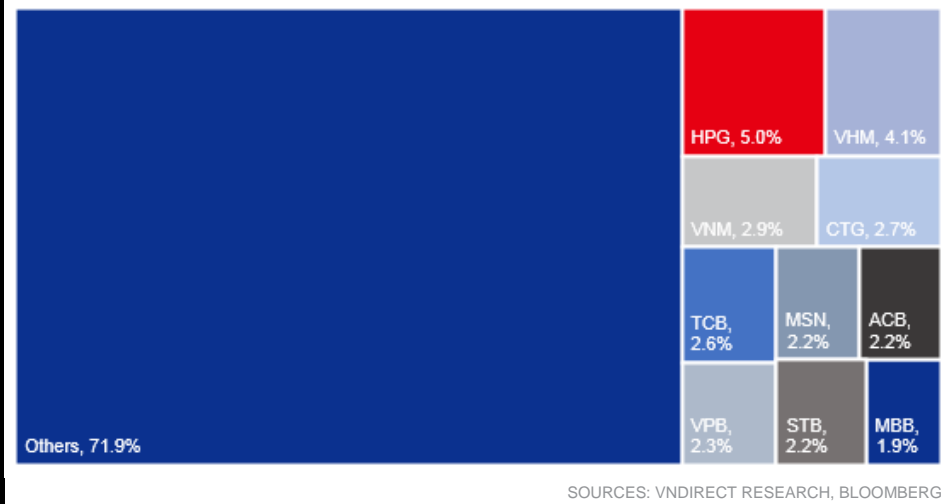
Figure 26: Market liquidity increased sharply amid loosening financial condition and lower interest rate environment (US\$m)
(data as at 30 Nov 2020)



SOURCES: VNDIRECT RESEARCH

The top 10 liquid stocks in 11M20 were all blue chips, with HPG as the most liquid stock, accounting for 5% of market's total liquidity, followed by VHM and VNM. Among the top 10 most liquid stocks, there were five banking stocks, including CTG, TCB, ACB, STB and MBB, together attributing nearly 14% to the market's total liquidity.

Figure 27: Share of total liquidity (data as at 30 Nov 2020)



SOURCES: VNDIRECT RESEARCH, BLOOMBERG

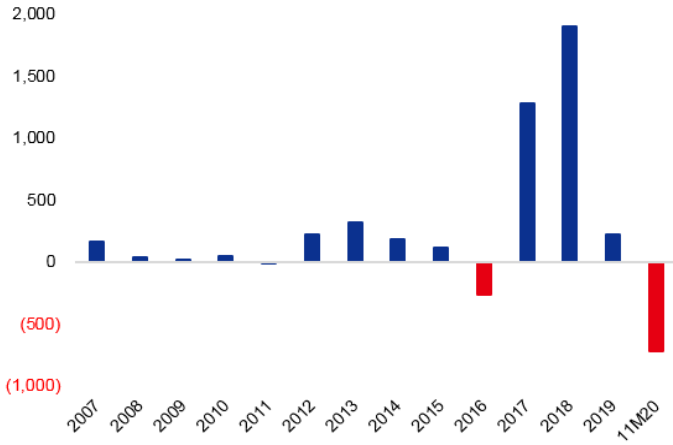
Foreign investors net sold equities in 11M20

Foreign investor net sold about US\$720m worth of stock in 11M20. Foreign investors' net selling on the Vietnamese stock market was triggered by the net withdrawal of foreign cashflow from emerging and frontier stock markets. As the Covid-19 pandemic spread globally, international investor preferred low-risk assets such as government bonds and stocks in developed market (Japan, the US, the EU), while riskier assets in frontier and emerging market were less favoured.

VHM was the top net-buying stock by foreigners in 11M20. VHM recorded US\$773m in foreign net buying value as a group of institutional investors led by Kohlberg Kravis Roberts (KKR US, Not rate) spent about US\$670m to buy 210m VHM shares. Foreigners also net bought other large caps, including PLX, MWG, MCH and FPT, and several mid-caps, such as PGD, PHR, KDC, DGW and VTP.

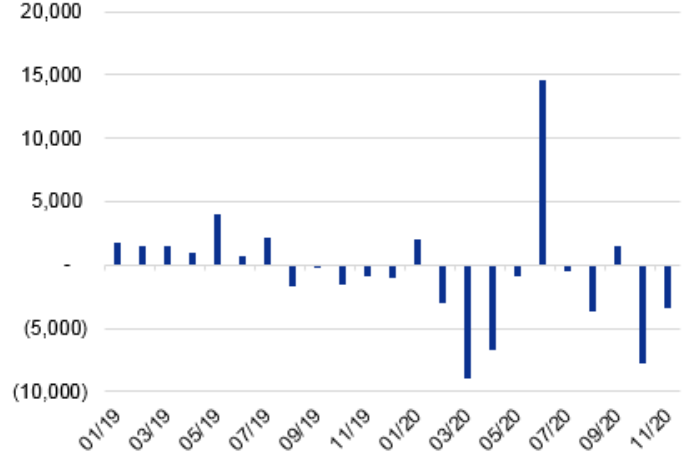
Meanwhile, foreign investors net sold notable stocks such as VIC, HPG, VRE, SHB and VJC.

Figure 28: Foreigners net sold US\$720m in 11M20 (US\$m) (data as at 30 Nov 2020)



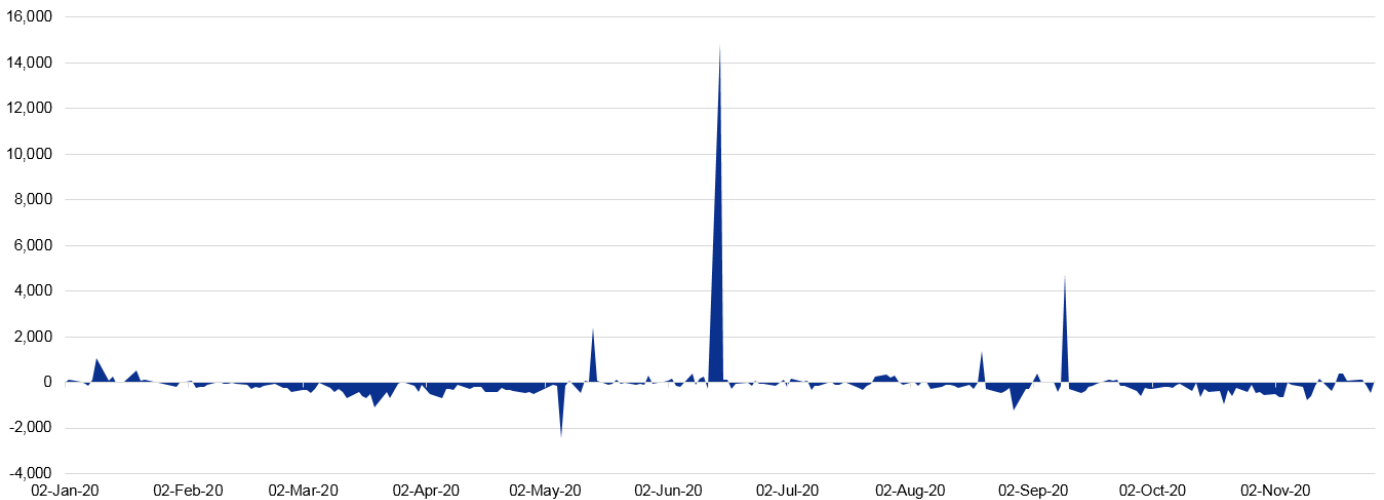
SOURCES: VNDIRECT RESEARCH

Figure 29: Foreigners net sold Vietnam's stock market amid the Covid-19 pandemic (data as at 30 Nov 2020) (US\$m)



SOURCES: VNDIRECT RESEARCH

Figure 30: Daily net buy/sell on HOSE in 11M20 (US\$m) (data as at 30 Nov 2020)



SOURCES: VNDIRECT RESEARCH

Figure 31: Top foreign investors' net buys (US\$m) (data as at 30 Nov 2020)

Ticker	Net bought	Buy value	Sell value
VHM	773	1,334	561
PLX	64	119	55
PGD	44	44	0
MWG	25	65	40
PHR	19	34	15
KDC	17	28	10
DGW	7	20	12
VTP	5	39	34
MCH	4	9	4
FPT	3	127	124

SOURCES: VNDIRECT RESEARCH

Figure 32: Top foreign investors' net sell (US\$m) (data as at 30 Nov 2020)

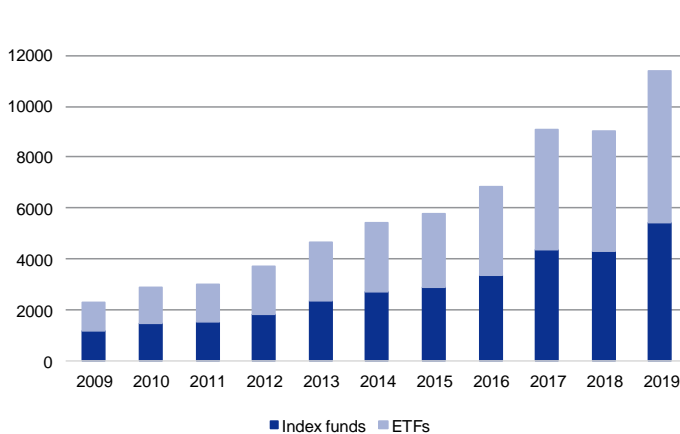
Ticker	Net buy	Value buy	Value sell
MSN	-194	222	416
HPG	-162	414	576
VIC	-126	371	497
HDB	-78	79	157
VNM	-54	887	941
CII	-51	8	59
BID	-48	39	88
POW	-46	58	104
VRE	-46	274	320
SHB	-42	8	50

SOURCES: VNDIRECT RESEARCH

Rising tide of ETFs ➤

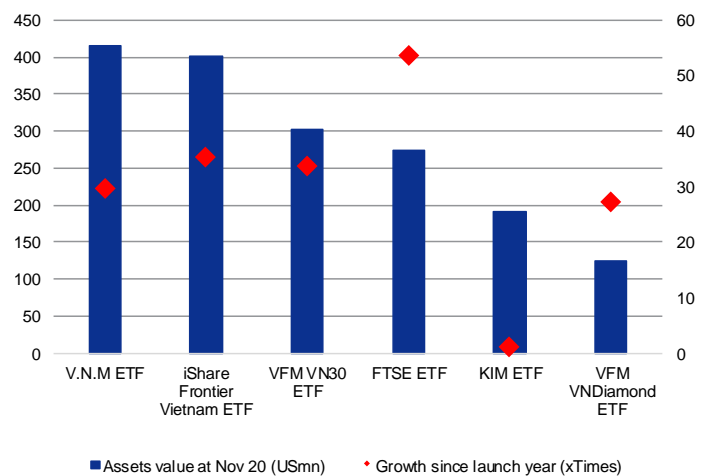
The size of total global assets under management for ETFs has increased sharply in 2009-2019 with an increase of nearly 400% to US\$11.4tr at the end of Nov 19, according to Morningstar data and the Investment Company Institute. Given ETFs are often promoted as cheaper and better alternative to mutual funds amid market volatility, for low-cost diversification, trading and arbitrage options, the trend of investing in ETFs remains strong across the global financial markets.

Figure 33: Total global assets under management (US\$bn) of ETFs and Index funds from 2009 - 2019



SOURCES: Morningstar data, Investment Company Institute, Strategic Insight Simfund, FT

Figure 34: Top-6 ETFs in Vietnam by asset value



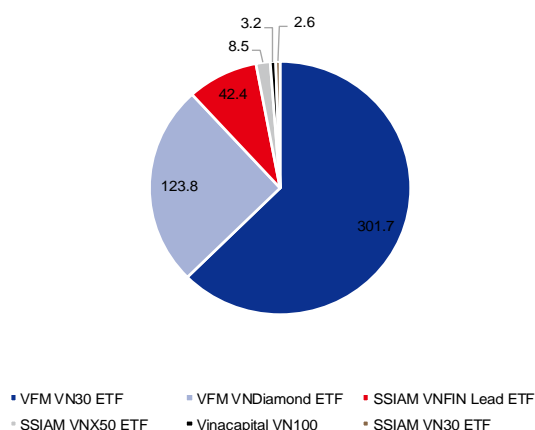
SOURCES: VND RESEARCH, ETF reports

ETFs in Vietnam, including foreign ETFs, which operate outside of Vietnam, and domestic ETFs have increased significantly over the past 10 years.

FTSE Vietnam ETF and VNM ETF were the first two foreign ETFs to invest in the Vietnamese market, established in 2008 and 2009 with initial asset values of US\$5.1m and US\$14m, respectively; their current asset values stand at US\$273m and US\$418m as at Nov 20, respectively.

The first domestic ETF in Vietnam was established in 2014, when VFMVN30 was established with an asset value of US\$9m, which increased 32 times to US\$301m from 2014 to Nov 20. Until Nov 20, the number of domestic ETFs in Vietnam had increased to seven, for which the total asset value reached US\$480m.

Figure 35: Asset value of domestic ETFs in Vietnam market (US\$m)



Data as at Nov 2020 SOURCES: VND RESEARCH, ETF REPORTS

Figure 36: List of ETFs in Vietnam market

Index	ETF	Type of ETF	Launch year	Assets value at launch day (USmn)	Assets value at Nov 20 (USmn)	Growth since launch year (xTimes)
Vaneck VN	V.N.M ETF	Foreign	2009	14.0	416.0	29.7
MSCI Frontier	iShare Frontier Vietnam	Foreign	2012	11.4	401.0	35.3
VN30	VFM VN30 ETF	Domestic	2014	9.0	301.7	33.6
FTSE VN	FTSE ETF	Foreign	2008	5.1	273.0	53.5
VN30	KIM ETF	Foreign	2016	163.0	190.0	1.2
VNDiamond	VFM VNDiamond	Domestic	2020	4.5	123.8	27.3
VNFIN Lead	SSIAM VNFIN Lead	Domestic	2020	9.4	42.4	4.5
MSCI VN	Premia MSCI Vietnam	Foreign	2019	21.0	23.2	1.1
VNX50	SSIAM VNX50 ETF	Domestic	2017	3.6	8.5	2.4
VN100	Vinacapital VN100	Domestic	2020	2.5	3.2	1.3
VN30	SSIAM VN30 ETF	Domestic	2020	2.4	2.6	1.1
VN30	Mirae Asset VN30	Domestic	2020	na	na	na
VN30	KIM ETF Leverage	Foreign	2020	na	na	na

SOURCES: VND RESEARCH, ETF reports

In 2020, five new domestic ETFs were launched in Vietnam, accounting for 70% of the total number of domestic ETFs in Vietnam. New ETFs are not only based on market capitalisation indexes (such as VN30 or VN100), but also on custom indexes, arising from the investment needs of investment funds, including VNDiamond, VNFinlead and VNFinselect, with specific screening criteria.

The most typical among the new ETFs is the VNDiamond ETF, which consists of some notable Vietnamese stocks that have no foreign ownership room left. It provides a new way for foreigners to invest in Vietnamese stocks that have run out of foreign ownership room. Although launched in May 20 with an asset value of only US\$4.5m, the asset value of VNDiamond ETF has grown 26 times to US\$124m, and it is now the second largest domestic ETF in the Vietnam market, after the VFMVN30 ETF.

Going forward, thanks to the attractiveness of the Vietnamese market as well as the proliferation of long-term asset management services, we believe capital will continue to flow into the Vietnamese market through ETF investments and expand Vietnam's ETF market further.

Figure 37: VNDIRECT coverage: 11M20 recommendation performance

Ticker	Current price (VND)	Target price (VND)	Initial recommendation	Year-to-date price performance
PC1	25,700	17,200	ADD	46.9%
LPB	12,450	13,100	HOLD	61.7%
NLG	28,800	39,600	ADD	4.7%
ACV	72,300	88,200	ADD	-3.6%
DPM	17,150	17,100	HOLD	32.4%
QNS	35,500	44,300	ADD	31.5%
LTG	24,300	27,300	ADD	15.7%
VCB	93,000	89,200	HOLD	3.1%
MBB	20,350	22,900	ADD	-2.2%
VPB	26,800	25,000	HOLD	34.0%
TCM	35,500	26,400	HOLD	84.9%
HPG	35,500	40,500	ADD	51.1%
PVT	12,550	14,400	ADD	-25.3%
STK	20,600	22,400	ADD	17.4%
PNJ	77,900	78,800	ADD	-9.4%
KDH	26,750	29,100	ADD	-0.6%
ACB	27,200	28,200	ADD	19.3%
GAS	83,500	70,000	HOLD	-10.9%
PVS	14,700	15,900	ADD	-16.0%
PVD	12,950	11,700	HOLD	-14.0%
MSH	38,850	51,600	ADD	-12.3%
MWG	116,000	151,200	ADD	1.8%
POW	10,100	12,200	ADD	-11.8%
TCB	24,100	29,300	ADD	2.3%
PPC	23,900	27,400	ADD	-11.2%
VIB	27,600	35,000	ADD	59.5%
KBC	15,850	15,700	HOLD	2.6%
VNM	108,200	119,000	HOLD	-7.1%
VHM	82,600	104,300	ADD	-2.6%
VJC	117,500	117,800	HOLD	-19.6%
VHC	44,200	51,800	ADD	11.5%
VRE	28,200	38,000	ADD	-17.1%
GMD	27,800	25,400	HOLD	19.3%
DBC	42,400	52,300	HOLD	74.5%
FPT	55,400	67,800	ADD	-5.0%
MML *	48,000	73,700	ADD	-27.3%
CRE *	32,550	22,000	ADD	31.3%
NT2 *	22,800	30,100	ADD	5.3%
VTP	109,900	130,700	ADD	-5.3%
SCS *	125,500	144,500	ADD	4.6%
HDG *	29,350	29,600	ADD	-2.2%
VNDIRECT Coverage's 11M20 performance				10.1%
Annualized return of VNDIRECT coverage				13.5%
VN-Index's 11M20 performance				4.4%

*: stock initiated in 2020

Data as at 30 Nov 2020

SOURCES: VNDIRECT RESEARCH

2021 GLOBAL MACRO OUTLOOK

A partial recovery is likely to take place ►

Although uncertainty remains high, most leading research institutions believe that a partial recovery of the global economy is likely to take place in 2021F. Following the easing of strict social-distancing measures and the reopening of businesses, a recovery of the global economy has taken root in 3Q20 and is expected to strengthen gradually over 2021F, with the availability of vaccines. According to the International Monetary Fund (IMF), the world economy is expected to grow by 5.2% yoy in 2021F. China is the main pillar of the world economic recovery, with IMF forecasting an 8.2% yoy growth in 2021F, while the US economy could grow by 3.1% yoy in 2021F. For Europe, the economy could recover 5.2% yoy in 2021F, from a very low level in 2020F (-8.2% yoy).

Figure 38: Real GDP growth (percentage change from the previous year) (2019E-2021F)

Countries	World bank			IMF			ADB		
	2019E	2020F	2021F	2019E	2020F	2021F	2019E	2020F	2021F
World	2.4	-5.2	4.2	2.8	-4.4	5.2			
Advanced economies	1.6	-7.0	3.9	1.7	-5.8	3.9	1.7	-6.2	4.4
US	2.3	-6.1	4.0	2.2	-4.3	3.1	2.3	-5.3	4.0
EU	1.2	-9.1	4.5	1.3	-8.3	5.2	1.2	-8.0	6.0
Japan	0.7	-6.1	2.5	0.7	-5.3	2.3	0.7	-5.4	2.0
Emerging market and developing economies	3.5	-2.5	4.6	3.7	-3.3	6.0			
China	6.1	1.0	6.9	6.1	1.9	8.2	6.1	1.8	7.7
India	4.2	-3.2	3.1	4.2	-10.3	8.8	4.2	-9.0	8.0
Indonesia	5.0	0.0	4.8	5.0	-1.5	6.1	5.0	-1.0	5.3
Thailand	2.4	-5.0	4.1	2.4	-7.1	4.0	2.4	-8.0	4.5
Philippines	6.0	-1.9	6.2	6.0	-8.3	7.4	6.0	-7.3	6.5
Vietnam	7.0	2.8	6.8	7.0	1.6	6.7	7.0	1.8	6.3

SOURCES: VNDIRECT RESEARCH, GSO, SBV, MOF

Global fiscal policies to remain loose ►

Policymakers across the globe have responded quickly and massively to avert a deeper recession and help build the basis for a stronger recovery in the future. According to IMF, the overall size of fiscal action was unprecedented, at US\$11.7 trillion globally (data as of 11 Sep 2020), which accounted for nearly 12% of global GDP. The fiscal action focused on limiting the negative impacts of the Covid-19 pandemic on people's living standards, employment and economic activities. Half of the fiscal actions were aimed at supporting the liquidity of households and firms by providing loans and guarantees, as well as pumping capital into the economy through the public sector. The other half of the fiscal actions consisted of additional spending and foregone revenue, including temporary tax cuts. Although the increase in public spending will weigh on the fiscal burden, we believe that the fiscal stimulus policies would continue globally, at least in 2021, to support the world economy to overcome the great recession caused by the Covid-19 pandemic. According to the IMF, global government deficits are expected to rise by 9% of GDP in 2020 and global public debt is projected to approach 100% of GDP, a record high. IMF expects the global debt ratio to stabilise in 2021F, on average.

To combine with fiscal policy, central banks around the world have also deployed monetary easing policies to support growth. The central banks have announced policy rate cuts to lower lending rates in the market and deployed extensive quantitative easing packages (QEs) to support market liquidity as well as to

Economist(s)

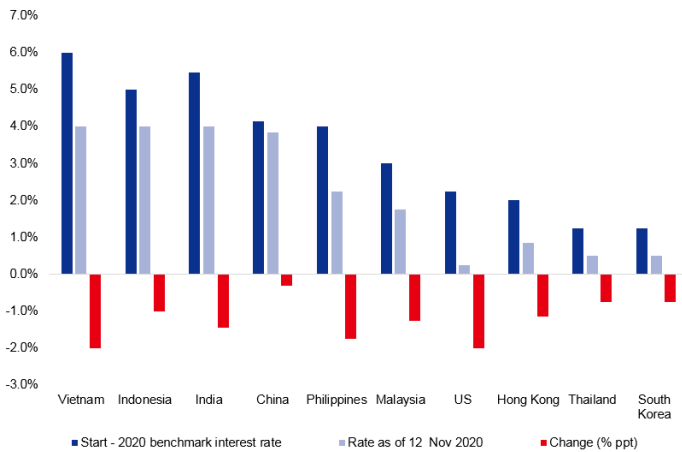
Hinh DINH

T (84) 38 527 4887

E hinh.dinh@vndirect.com.vn

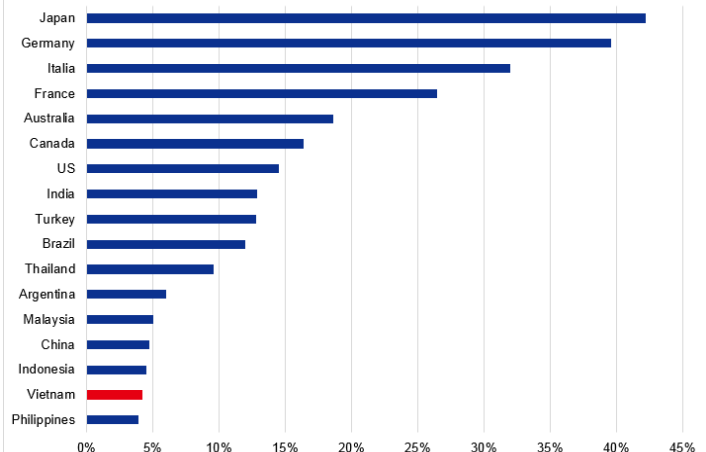
stabilise the financial markets. Lower interest rate and a more open financial environment have made it easier for governments to mobilise capital to offset budget deficits in the 2020-2021 period. To be specific, the Federal Reserve (Fed) has lowered the target range for its federal funds rate to 0.0-0.25% and signalled it would hold them there through at least 2023 to support the economy.

Figure 39: Interest rate cuts across Asia-Pacific



SOURCES: VNDIRECT RESEARCH, CBrates

Figure 40: Value of fiscal stimulus measures as a share of GDP

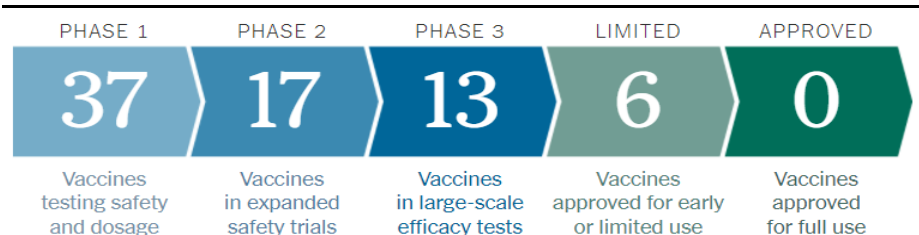


SOURCES: IMF, VNDIRECT RESEARCH

Vaccine discovery could pave the way for recovery

Based on recent news flow, the race to develop vaccines for the coronavirus is bearing fruit. Pfizer and BioNTech SE announced on 9 Nov that their mRNA vaccine against SARS-CoV-2 had an efficacy rate of above 90%, which increased to 95% in its final analysis report on 18 Nov. Pfizer was the first vaccine developer in the Covid-19 vaccine race to release results of its vaccine effectiveness. Following this, Moderna and Gamaleya Research Institute announced their vaccine results, with efficacy rates of 92% and 94.5%, respectively. Based on current projections of Pfizer and Moderna, they expect to produce up to 70m vaccine doses globally in 2020F and up to 2.3bn doses by the end of 2021F. Meanwhile, in Russia, Gamaleya expects to produce 500m doses of its Sputnik V vaccine in FY21F. Given that two doses are needed per person, up to 1.4bn people could be protected from Covid-19 by the vaccines of Pfizer, Moderna and Gamaleya by the end of 2021F. We believe there will be more vaccines proving effective soon, as there are currently 13 vaccines in the final stages of testing. As the world population is currently at 7.8bn people, there would not be enough vaccines to protect the entire world population by end-2021. However, we still believe that vaccination will be an important factor in opening up opportunities to revive the global economy in 2021F. With the wide availability of vaccines, we believe that the world economy will adapt to the new normal and the reopening of major economies would be accelerated, while the recovery in international commercial flights would promote trade and investment between countries.

Figure 41: Covid-19 vaccine human testing process



SOURCES: VNDIRECT RESEARCH, WHO

2021 VIETNAM MACRO OUTLOOK

Moving into 2021 with confidence ►

We project Vietnam's GDP to rise by 7.1% yoy in 2021F, with resilient growth in all sectors. Its macroeconomic outlook should continue to be strengthened with current account surplus, higher trade surplus, as well as foreign reserves and lower-pressure inflation, in our view; these buffers could help Vietnam cope with external risks and provide strong support for stable exchange rate management.

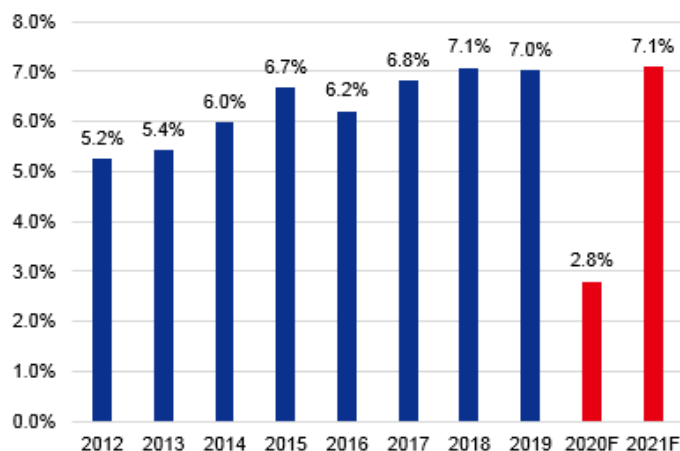
Figure 42: Key macro forecasts in 2021F

Indicator	Unit	2017	2018	2019	2020E	2021F
Real GDP growth	% yoy	6.8	7.1	7.0	2.8	7.1
Agriculture, forestry, aquaculture	% yoy	2.9	3.7	2.0	2.4	3.1
Industry & construction	% yoy	8.0	8.5	8.9	3.4	8.8
Services	% yoy	7.4	7.0	7.3	2.5	7.1
Export growth	% yoy	21.8	13.3	8.4	5.0	12.0
Import growth	% yoy	21.4	11.8	6.9	1.7	11.0
CPI (period average)	% yoy	3.5	3.5	2.8	3.2	2.9
Credit growth	% yoy	18.3	13.9	13.7	9.0	13.0
M2 growth	% yoy	15.0	12.4	14.8	12.0	14.0
Refinancing rate	%	6.25	6.25	6.0	4.0	4.0
Exchange rate (USD/VND)	% yoy	1.2	1.8	1.4	0-1.0	+/-0.5
Fiscal balance	% of GDP	-2.7	-2.8	-2.5	-5.0	-4.0
Public debt	% of GDP	61.4	58.3	55.0	56.8	58.6

SOURCES: VNDIRECT RESEARCH, GSO, SBV, MOF

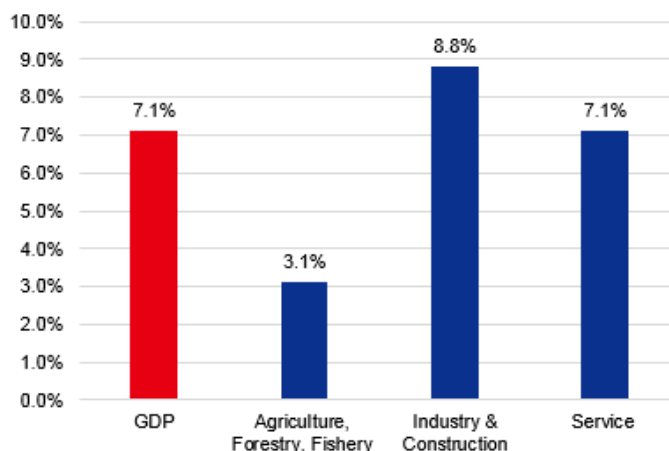
We expect the global economy, as well as Vietnam's, to recover strongly in 2021F after the pandemic is contained with the wide availability of vaccines. Currently, many vaccines are being developed and are expected to be commercially produced from the beginning of 2021F. We expect that the vaccines will help countries successfully contain the pandemic, thus creating favourable conditions for a recovery in the global economy from next year. The reopening of major economies, such as the US, the EU as a whole, and Japan, would increase demand for Vietnam's export products. Furthermore, the resumption of international commercial flights would support the recovery of the tourism industry in 2021F, one of two main drivers for the rebound of Vietnam's services sector, along with the recovery of domestic demand. Moreover, we expect the government to maintain loose monetary and fiscal policies for the whole of 2021F to support economic growth amid low inflationary pressures. We also expect a large increase in total country investment capital in 2021F as the government continues to accelerate the disbursements of public investment. The investment capital of the non-state sector, as well as the FDI sector, could also recover strongly, thanks to a more favourable business environment after the pandemic. As a result, we forecast Vietnam's GDP to expand by 7.1% yoy in 2021F, of which the agriculture, forestry and fishery sector should grow by 3.1% yoy, the industry and construction sector by 8.8%, and the services sector by 7.1% yoy.

Figure 43: Annual GDP growth in 2012-21F period



SOURCES: GSO, VNDIRECT RESEARCH

Figure 44: Our annual GDP growth forecast by sector for 2021F



SOURCES: VNDIRECT RESEARCH

We expect the industry and construction sector to grow 8.8% yoy in 2021F >

We are confident in the sustainable growth outlook of the industry and construction sector and forecast this sector to expand 8.8% yoy in 2021F, based on the following supporting factors:

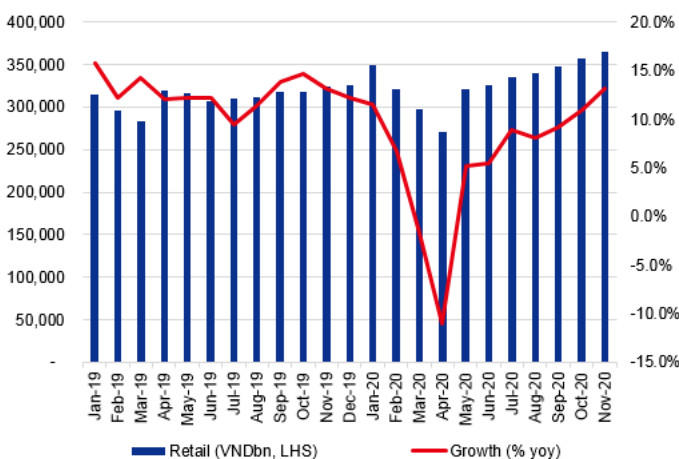
- The reopening of major economies, such as the US, the EU as a whole, and Japan, could boost demand for Vietnam’s export products, especially manufacturing products such as computers, mobile phones, machine and equipment.
- The US-China trade war triggered a shift in production activities from China to other markets, and the Covid-19 outbreak had escalated the trend. More and more governments and multinational companies have realised the danger of supply chain disruptions when the world’s economy depends too much on one major market. As China gradually loses power in the global supply chain, Vietnam has emerged as an ideal destination for manufacturing relocation, thanks to its geographical advantage of being close to the supply chain in southern China. Moreover, Vietnam has demonstrated to the world its extraordinary ability in containing the Covid-19 outbreak locally while keeping its manufacturing activities running and economic growth momentum intact. Several multinational enterprises have since announced plans to expand their manufacturing activities and investments in Vietnam, including Google (GOOGL US, Not Rated), Microsoft (MSFT US, Not Rated), HP (HPQ US, Not Rated) and Dell (DELL US, Not Rated). Specifically, Microsoft aims to launch its latest Surface models in Vietnam, while HP and Dell plan to move up to 30% of their notebook production to Southeast Asian countries, with Vietnam being on top of the list. The shift of large multinational enterprises to Vietnam will also motivate their suppliers (vendors) to build factories in Vietnam, thereby perfecting the value chain in Vietnam and consolidating the growth momentum of the manufacturing sector.
- We expect the construction sub-sector to expand at a higher growth rate in 2021F as the government maintains its high disbursement of public investments to support the economy amid the ongoing Covid-19 pandemic, and private companies are expected to become more involved in major infrastructure construction projects such as the eastern section of the North-South expressway and the Long Thanh International Airport (Phase 1).

We expect the services sector to bounce back by 7.1% yoy in 2021F >

According to Nielsen, Vietnam was the second most optimistic country globally (after India), with a consumer confidence index of 117 pts in 2Q20 – despite being down 9 pts from the previous quarter. Vietnam is among 12 of 68 markets in the survey that reported confidence levels above 100 pts, the threshold above which is considered positive, while below it indicates negative. Meanwhile, the Conference Board’s global consumer confidence index dropped to 92 pts in 2Q20 from 106 pts in 1Q20, the largest quarterly decline since the index began in 1Q05. This 14-pt decline was also double the largest drop in the index during the global financial crisis in FY08-09, per Nielsen’s report. In this report, Vietnam is also placed at the top globally in terms of savings intentions, followed by Hong Kong and Singapore. We believe that a combination of relatively high consumer confidence and high savings rate of residents provide the fundamentals for a strong recovery in domestic demand and social investments in Vietnam. We have seen a strong recovery of retail sales in 3Q20 after the second outbreak of Covid-19 was contained in Vietnam. According to the GSO, gross retail sales of consumer goods and services rose 4.5% yoy in 3Q20, proving the resilience of Vietnam’s consumer demand amid the pandemic.

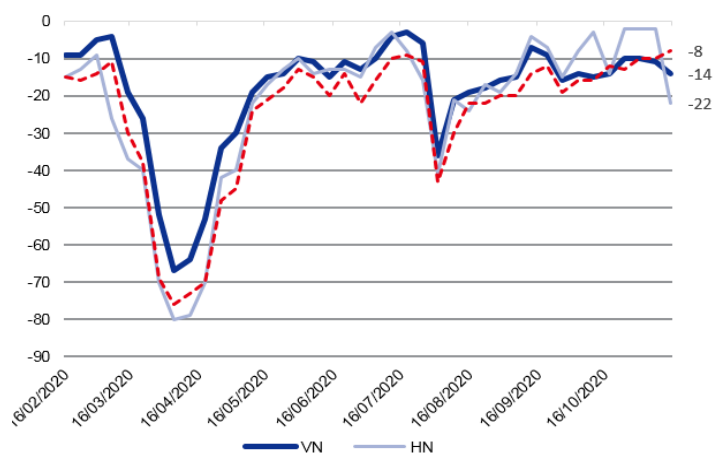
We forecast the services sector to expand 7.1% yoy in 2021F, mostly driven by the revival of consumption. To be specific, we expect consumption to recover to pre-pandemic levels, with gross retail sales of consumer goods and services expected to increase 8.5-9% yoy in 2021F, supported by key factors: 1) real income growth in 2021 thanks to sustained nominal GDP growth and low inflation pressure, 2) a recovery in tourism after international flights can be licensed for commercial purposes from 2Q21F, leading to a strong recovery of travelling, accommodation and catering services, 3) the rising affluence and tech-savviness of the younger population, and 4) rising urbanisation, which should continue to boost consumption demand in large urban centres.

Figure 45: Monthly retail sales value surpassed the pre-pandemic levels



SOURCES: GSO, VNDIRECT RESEARCH

Figure 46: Vietnam’s retail and recreation mobility (% yoy change)



SOURCES: GOOGLE, VNDIRECT RESEARCH

Exports keep accelerating on global recovery >

The economic recession and social disruptions caused by the Covid-19 pandemic have resulted in a substantial reduction in global trade. According to the latest quarterly report of United Nations Conference on Trade and Development (UNCTAD), the global trade continued to decline about 4.5% yoy in 3Q20, lower than the 19.2% yoy decline seen in 2Q20. The global trade is expected to decline by 7-9% yoy in the entire FY2020F, based on the latest projection of UNCTAD. Surprisingly, Vietnam emerged as one of the very few countries that maintained

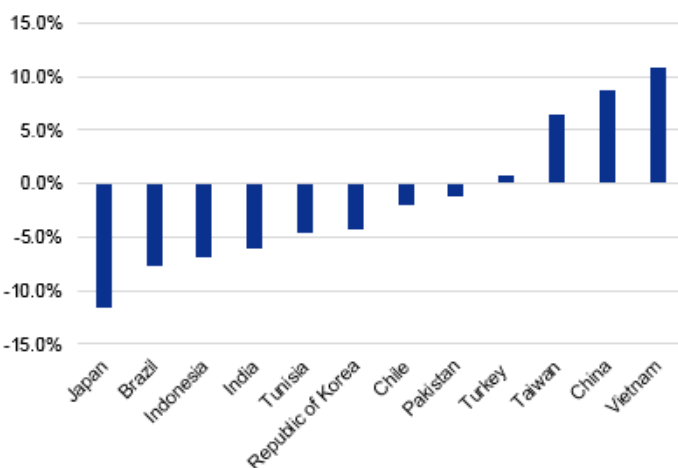
positive export growth in 3Q20 (+10.9% yoy), higher than China (+8.8% yoy), Taiwan (+6.4% yoy) and Turkey (+0.7% yoy). The impressive recovery of Vietnam's exports was mainly contributed by the increase in imports by the US and the Chinese markets, the two largest export markets of Vietnam (accounted for 43.7% of Vietnam's total export value in 10M20). To be specific, Vietnam's exports to the US jumped by 24% yoy, while its export value to the Chinese market rose 15% yoy in 10M20. For the entire FY2020F, we forecast Vietnam's export to inch up by 5% to reach US\$277.5bn.

We are optimistic about Vietnam's export prospects in 2021F, thanks to the following reasons:

- Global trade is expected to recover slightly in 2021F. Based on World Trade Organization (WTO) forecasts, trade volume growth should rebound to 7.2% in 2021F but remain well below the pre-crisis trend. Vietnam is one of the countries with the highest economic openness in the world in terms of trade (total export-import turnover accounts for 197% of GDP in 2019) and should benefit from the recovery of global trade in 2021F, in our view.
- China's economy, the second largest market for Vietnam's exports, is projected by the IMF to grow by 8.2% yoy in 2021F, mostly driven by the expansion of public investment and the strong recovery of consumer demand. Along with the economy's recovery, the demand for imported products by China should increase at higher growth rate in 2021F. Based on its geographical location near China, Vietnam could capture the opportunity to spur exports to China in 2021F, especially for agriculture, seafood, steel and electronic products.
- Vietnam's exports to the US have increased sharply by 24% in 10M20 due to the acceleration of the trade war between the US and China, as well as the need to diversify supply chains due to the Covid-19 pandemic. As we expect the trade war to continue in 2021F, even if the US has a new president, we believe that Vietnam's exports would continue to benefit from the trade war and could gain more market share in the US market.
- The EU-Vietnam Free Trade Agreement (EVFTA) officially took effect from 1 Aug 2020. Since the agreement took effect, Vietnam's exports to the EU have shown positive signs of recovery. With Vietnam's export tax reduced in 2021 according to the agreement's roadmap, we expect Vietnam's exports to the EU to increase positively in 2021F.

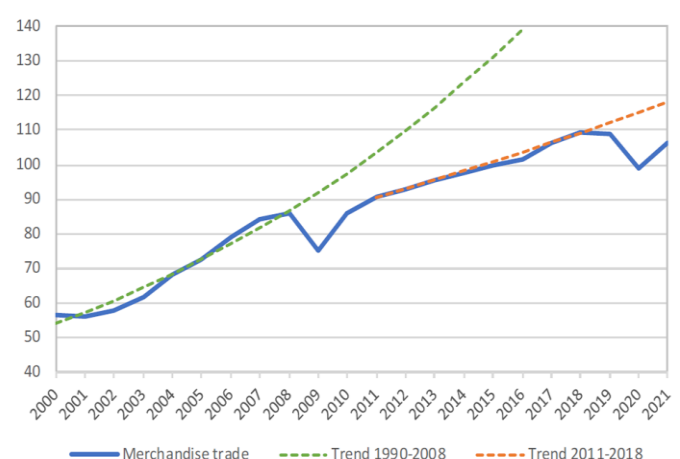
In conclusion, we expect Vietnam's exports to enjoy a higher growth rate of 12% yoy in 2021F (vs. our forecast of 5.0% yoy for 2020F). Exports will continue to be a key growth driver for Vietnam's economy in 2021F.

Figure 47: Export growth in Q3 2020, relative to Q3 2019 (%)



SOURCES: VNDIRECT RESEARCH, VIETNAM CUSTOMS

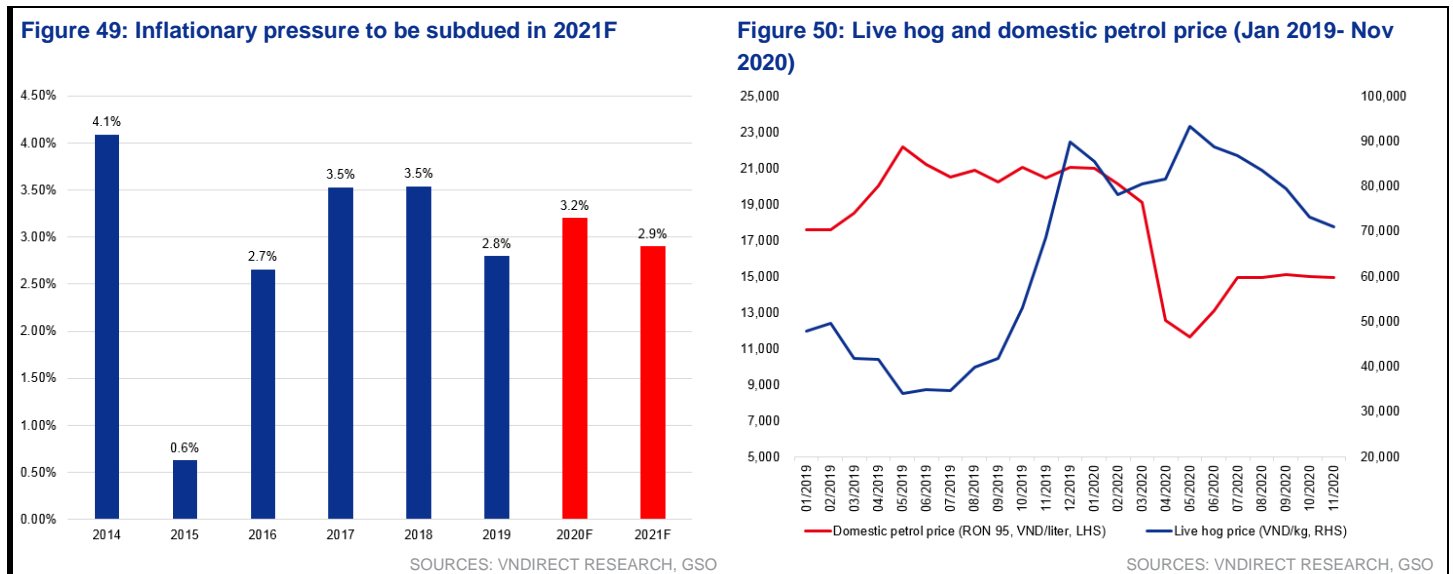
Figure 48: World merchandise trade volume (2000-2021F)



SOURCES: World Trade Organization

Inflationary pressures could be subdued in 2021F >

We expect inflationary pressure to ease in 2021F as live pork prices would further decline as the domestic pig herd size recovers to pre-ASF levels from 3Q20 and the ASF-vaccine is expected to be commercially produced and marketed from 3Q21F. The decline of live pork prices could help reduce the food and foodstuff consumer price index (noting that pork accounts for 11.6% of the food and foodstuff CPI calculation basket and 4.2% of headline CPI calculation basket). We expect the live pork price to decline 19.8% yoy to average at VND65,000/kg. On the upside risks, we project Brent crude oil price to average at US\$50/barrel in 2021F (+14.2% yoy), as the recovery of the global economy, as well as the resumption of international commercial flights, could lift demand for crude oil. Furthermore, we expect the government to raise retail electricity price by 5-8% in the first half of 2021F. However, we believe these upside risks could be mostly offset by the expected decline of food and foodstuff CPI. Therefore, we forecast 2021F average headline CPI to increase 2.9% yoy (vs. our forecast of a 2020F average CPI of 3.2% yoy and the government's full-year target for a 2021F average CPI of below 4.0% yoy).

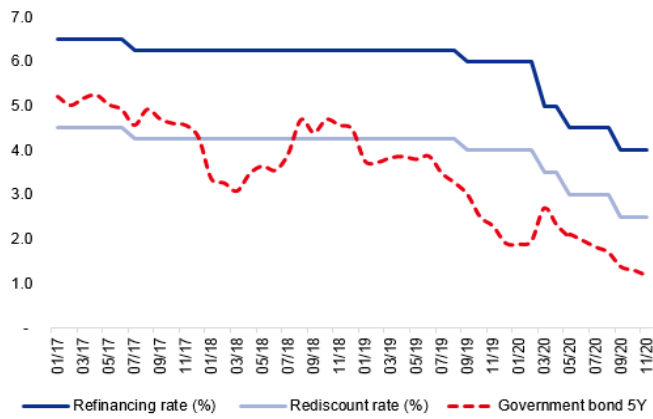


SBV would continue to ease monetary policy to support growth in 2021 >

On 1 Oct, in a bid to support economic growth, the SBV cut key policy rates by 0.25-0.5% pts, making this its third rate cut since the beginning of this year. To be more specific, the rediscount rate was lowered to 2.5% p.a. from 3.0% previously, and the refinancing rate was cut to 4% p.a. from 4.5% previously. Following SBV's rate cut, we expect both deposit and lending rates offered by commercial banks to decline 0.25-0.5% pts in 4Q20F, of which short-term deposit rates could see a greater decline compared to long-term rates.

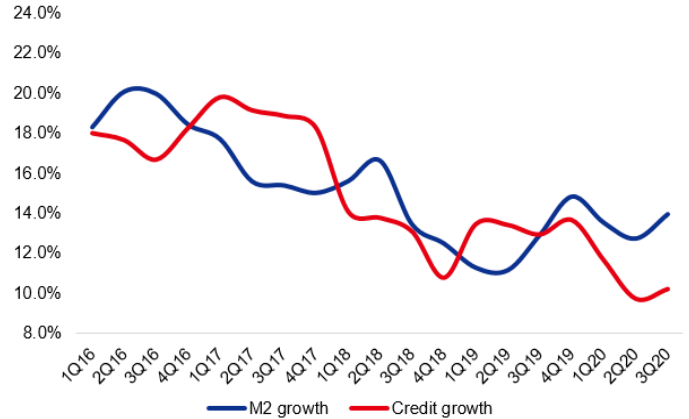
We saw a slight improvement in credit demand in 3Q20, with credit growing 6.1% yoy on 30 Sep (accelerating from the 3.65% yoy rise seen in 30 Jun). We expect credit demand to maintain its recovery momentum in 4Q20F and forecast credit to increase about 9% yoy in FY20F.

Figure 51: SBV has cut key policy rates three times this year



SOURCES: VNDIRECT RESEARCH, BLOOMBERG, SBV

Figure 52: Money supply and credit growth (% , 2016-2020)



SOURCES: VNDIRECT RESEARCH, SBV

Given the benign inflationary pressure, we expect the SBV to maintain its accommodative monetary policy into 2021F. Although we do not expect the central bank to cut its key policy rates further, we also think it would not lift them either in 2021F, in a bid to continue supporting the economy by maintaining a loose monetary policy. Nevertheless, we expect the SBV to channel its money market activities via the open market, such as buying foreign exchange, raising the credit growth ceilings or extending the deadline for applications of higher financial safety standards at commercial banks. We forecast credit growth to increase by 13% yoy in 2021F. We expect deposit and lending rates to decrease by 20-50% pts in 2021F amid easing monetary policy and lower inflation pressure.

VND strength could be a double-edged sword ➤

We expect the US\$ to remain weak in 2021F as the Fed could maintain a loose monetary policy to support growth. In addition, the Chinese yuan's (Rmb) surge in recent months could reduce the trade deficit of Vietnam against China. As per 30 Nov data, the Rmb has appreciated 5.4% YTD vs. US\$. As we see more upside risk for the VND, we expect the VND to move within a razor range of +/-0.5% vs. US\$ next year.

Figure 53: The US's indicators to put a country on the list to monitor and evaluate currency manipulation

Indicators	Benchmark	Vietnam data as of 2019
Trade balance vs. the US	>US\$20bn	US\$47bn
Account balance (% GDP)	>2%	5.0%
Net foreign currency purchases (% GDP)	>2% GDP	7.6%

SOURCES: VNDIRECT RESEARCH

Figure 54: Factors that could impact the VND in 2021F

Factors	Our rationale	Potential impact	Degree of impact
Domestic fundamentals	- We expect a strong recovery of Vietnam's economy in 2021F, driven by a rebound in manufacturing activities and an increase in external and domestic demand. We forecast the economy to expand 7.1% yoy in 2021F, while inflation pressure is expected to decline. These factors could support the VND, in our view. - We expect a current account surplus to be maintained in 2021F amid a better global trade outlook.	Upside risk	High
Global easing of monetary conditions	During the Federal Open Market Commission (FOMC) policy-setting meeting held in Sep 2020, the Fed planned to keep interest rates close to zero until at least 2023 and would tolerate a period of higher inflation in an effort to revive the economy and labour market. Therefore, we expect the US\$ to remain weak in 2021F.	Upside risk	High
The appreciation of Chinese yuan	We expect the Rmb to remain strong in 2021F due to the following reasons: 1) the Chinese economy should keep outperforming the advanced economies in 2021F, amid the ongoing Covid-19 pandemic, and 2) the its trade surplus should widen. According to the IMF, China's economy is projected to increase by 8.2% yoy in 2021.	Upside risk	High
The US put Vietnam on the list of countries that need to monitor and evaluate currency manipulation	Currently, Vietnam has met all three criteria that the US has put in place to put a country on the list to monitor and evaluate the currency manipulation, including (1) the criterion that a trade surplus with the US exceeds 20 billion USD, (2) the current account surplus exceeds 2% of GDP and (3) net foreign currency purchases exceed 2% of GDP. This will limit the possibility that the State Bank of Vietnam will devalue the VND in the near future	Upside risk	Medium/Low
SBV's policy	Given the benign inflationary pressure, we expect the SBV to maintain its accommodative monetary policy into 2021F. Although we do not expect the central bank to cut its key policy rates further, we also think it would not lift them either in 2021F, in a bid to continue supporting the economy by maintaining a loose monetary policy. Nevertheless, we expect the SBV to channel its money market activities via the open market, such as buying foreign exchange, raising the credit growth ceilings or extending the deadline for applications of higher financial safety standards at commercial banks.	Downside risk	Medium

SOURCES: VNDIRECT RESEARCH

We see several positive impacts of the stronger outlook of the VND in 2021F, including: 1) more consistent capital flows into Vietnam, 2) easing of its US\$-denominated debt payment burden, and 3) tempering of arguments over trade imbalance and currency manipulation with the US.

We expect the global business environment to change positively in 2021F when Covid-19 is better contained thanks to the availability of vaccines, and we believe that Vietnam could attract more capital inflows, thanks to: 1) its positive growth prospects (we forecast Vietnam's GDP growth to increase by 7.1% in 2021F), 2) its globally-recognised success in containing the Covid-19 outbreak locally, and 3) the accelerated relocation of manufacturing facilities from China to Vietnam due to the trade war between the US and China, as well as the need to diversify supply chains following the Covid-19 pandemic. The expected strengthening of the VND as we discussed above could support and strengthen capital inflows into Vietnam. We expect the disbursed capital of FDI projects to increase by 7% yoy in 2021F. In addition, foreign investors should return as net buyers on Vietnam's stock market in 2021F.

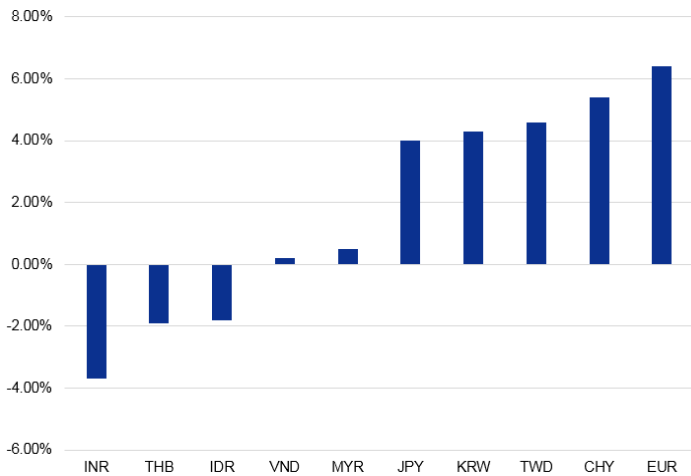
The exchange rate adjustment has a direct impact on public debt as well as public debt management, in particular the foreign debt repayment obligation. The expecting appreciation of the VND could cause a reduction in US\$-denominated debt payments and reduce Vietnam's external debt-GDP ratio. Notably, the external debt-to-GDP ratio of Vietnam is expected to stay at 47.9% until end-FY20F. According to the annual state budget plan for 2020, Vietnam is expected to spend US\$5bn for debt and ODA repayments (~2% of nominal GDP in 2019).

The expected appreciation of the VND can reduce Vietnam's trade imbalance with the US, thereby reducing the pressure of US allegations of VND currency manipulation. In 11M20, the trade surplus between Vietnam and the US reached US\$57bn, exceeding its trade surplus of US\$47bn in the entire FY19.

On the negative side, the strengthening of the VND will slightly soften the competitiveness of Vietnamese exports, especially agriculture products, raw materials and unprocessed goods. However, this could be offset by the

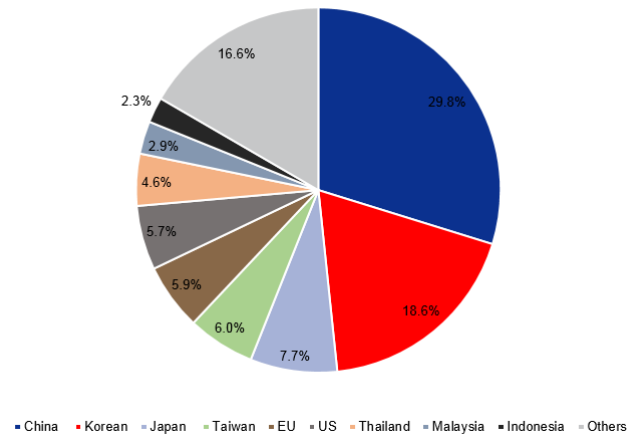
appreciation of the Rmb. In addition, the strengthening of the VND could make imported goods cheaper, thereby stimulating local consumer demand for imported goods and causing the trade surplus to shrink. However, we believe that the impact of the stronger VND on imports will be limited, especially given the strong appreciation of the local currencies of Vietnam’s major trade partners, including RMB, EUR, KWD, TWD and JPY. Therefore, only imported goods from countries with strong devalued currencies, such as India, Thailand, Indonesia and Malaysia, can benefit from the strengthening of the VND (Figure 55).

Figure 55: YTD change vs. the U.S dollar of some currencies in 11M20



SOURCES: VNDIRECT RESEARCH, VIETNAM CUSTOMS

Figure 56: Proportion of import turnover by market in 2019



SOURCES: VIETNAM CUSTOMS

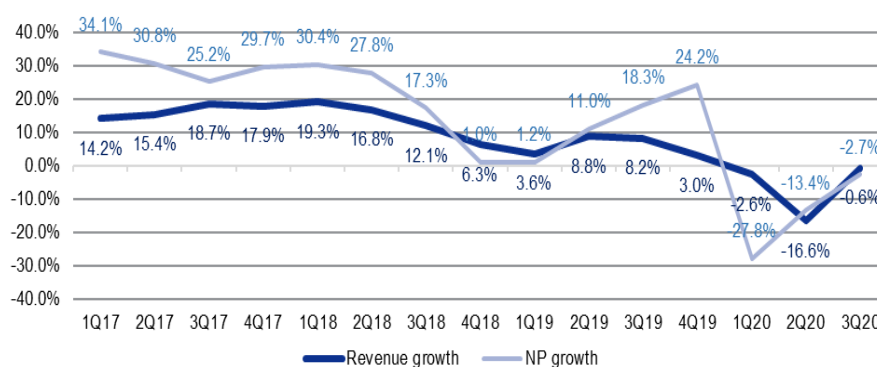
2021 MARKET OUTLOOK: Ready to take off

Is the V-shaped recovery firmed? ➤

Based on our estimates, aggregate earnings of listed companies on three bourses (HOSE, HNX, UPCOM) dipped 2.7% yoy in 3Q20. This reaffirms our expectations for a V-shaped recovery despite a second wave of the Covid-19 outbreak in July. 9M20 aggregate earnings fell 6.2% yoy while revenue declined 12.1% yoy. Out of the 43 companies under our coverage that have reported their 3Q20 results, 54% companies were in line with our expectations while 23% beat forecasts and 23% missed our estimates.

3Q20 earnings of companies listed on the Ho Chi Minh Stock Exchange (HOSE) decreased at a higher rate of 5.9% yoy while that of VN30 grew 1.6% yoy. 3Q20 earnings of small-cap stocks surged 28.6% yoy, driven by construction & building material companies and small hydropower plants.

Figure 57: Quarterly revenue and net profit growth on yoy basis (1Q17-3Q20)



SOURCES: VNDIRECT RESEARCH

We expect VN-Index to reach 1,180 pts within 2021F ➤

As at 30 Nov 2020, according to Bloomberg data, VN-Index was trading at 16.3x trailing 12-month P/E (TTM P/E), which is higher than the P/E of 15.0x at the beginning of 2020. The current TTM P/E is slightly higher than the historical 5-year average P/E of 15.9x. Compared to regional peers, Vietnam's TTM P/E looks cheaper than neighbouring markets; however, Vietnam is still a frontier market while most of the regional markets are emerging markets. We estimate that FY21F corporate earnings across the VN-Index will grow by about 23% yoy, lower than our earnings growth forecast of 36% yoy for companies under our coverage. For stocks not under our coverage, we use the Bloomberg consensus earnings forecasts. Overall, we expect the VN-Index to reach 1,180 pts within 2021F, as: (1) we expect VN-Index's TTM P/E to remain stable at the historical 5-year average P/E level of 15.9x; (2) we forecast corporate earnings across the VN-Index to rise 23% yoy with 2021F VN-Index dividend yield at 1.8%.

Potential re-rating catalysts include: (1) the addition of Vietnam's stock market into MSCI Watchlist for reclassification from Frontier Market status to Emerging Market status at its annual review in June 2021; (2) the inclusion of Vietnam's stock market into the FTSE Secondary Emerging Market in annual country-reclassification in Sep 2021; and (3) sooner-than-expected mass availability of Covid-19 vaccines. Downside risks include: (1) slower-than-expected global economic recovery; and (2) slower-than-expected recovery in the earnings of listed companies.

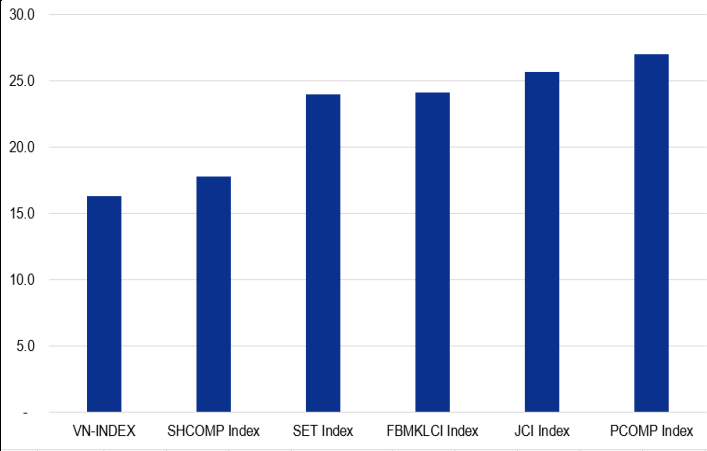
Economist(s)

Hinh DINH

T (84) 38 527 4887

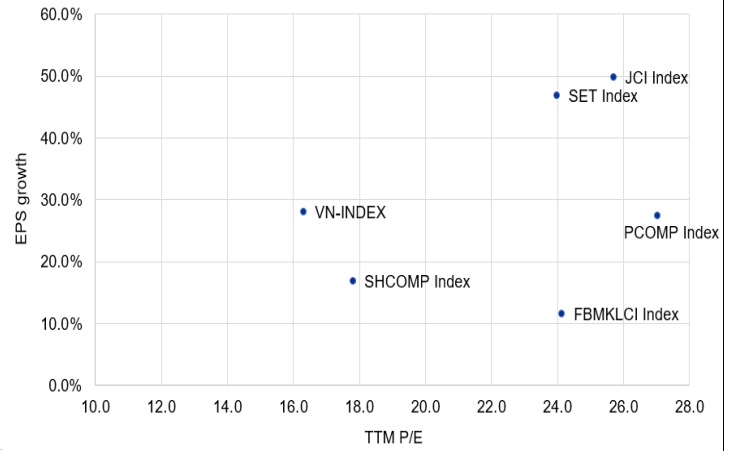
E hinh.dinh@vndirect.com.vn

Figure 58: TTM P/E (x) of VN-Index, with those of its regional peers (data as at 30 Nov 2020)



SOURCES: VNDIRECT RESEARCH, BLOOMBERG

Figure 59: TTM P/E (x) and FY2021F EPS growth forecast of VN-Index, with those of its regional peers (data as at 30 Nov 2020)



SOURCES: VNDIRECT RESEARCH, BLOOMBERG

Figure 60: Breakdown of market earnings growth on yoy basis, represented by VNDIRECT's coverage

STT	Company	Sectors	FY20F net profit growth	FY21F net profit growth	Breakdown of market earnings growth, represented by VNDIRECT's coverage	
					2020	2021
1	VHM	Property	14.4%	23.0%	1.8%	3.7%
2	VCB	Bank	1.1%	31.0%	0.1%	3.8%
3	HPG	Construction/Material	63.5%	20.4%	2.7%	1.6%
4	VNM	Consumer/Retail	10.6%	8.9%	0.6%	0.7%
5	TCB	Bank	7.4%	17.1%	0.4%	1.2%
6	VPB	Bank	18.0%	15.4%	0.9%	1.0%
7	GAS	Oil & gas	-32.3%	35.0%	-2.2%	1.8%
8	BID	Bank	-1.8%	29.7%	-0.1%	1.6%
9	MBB	Bank	10.5%	14.7%	0.5%	0.8%
10	ACB	Bank	7.4%	33.2%	0.3%	1.4%
11	MWG	Consumer/Retail	0.9%	37.3%	0.0%	0.9%
12	ACV	Aviation	-73.1%	133.9%	-3.4%	1.9%
13	NVL	Property	14.9%	29.1%	0.3%	0.8%
14	HDB	Bank	9.8%	17.7%	0.2%	0.5%
15	VIB	Bank	21.9%	14.1%	0.4%	0.4%
16	FPT	Technology	12.1%	20.3%	0.2%	0.5%
17	TPB	Bank	4.6%	11.3%	0.1%	0.2%
18	VRE	Consumer/Retail	-15.7%	47.0%	-0.3%	0.7%
19	VJC	Aviation	-97.5%	3201.0%	-2.1%	2.0%
20	MSN	Consumer/Retail	-83.4%	215.0%	-2.7%	1.3%
21	POW	Power	-23.5%	15.6%	-0.3%	0.2%
22	LPB	Bank	7.6%	20.2%	0.1%	0.2%
23	DXG	Property	10.7%	24.3%	0.1%	0.2%
24	VHC	Agriculture/Commodities	-28.6%	59.7%	-0.2%	0.3%
25	PNJ	Consumer/Retail	-18.1%	28.6%	-0.1%	0.2%
26	KDH	Property	29.3%	1.0%	0.2%	0.0%
27	NLG	Property	-8.4%	28.1%	0.0%	0.2%
28	HDG	Property	3.9%	-7.2%	0.0%	0.0%
29	PVS	Oil & gas	-14.5%	21.9%	-0.1%	0.1%
30	PPC	Power	-35.8%	9.1%	-0.3%	0.0%
31	KBC	Logistics/Industrial property	-33.0%	35.2%	-0.2%	0.1%
32	NT2	Power	-17.5%	21.9%	-0.1%	0.1%
33	DBC	Agriculture/Commodities	199.0%	-21.1%	0.3%	-0.1%
34	DPM	Oil & gas	103.3%	-12.1%	0.2%	-0.1%
35	CTD	Construction/Material	-11.5%	-8.7%	0.0%	0.0%
36	MML	Consumer/Retail	115.7%	127.0%	0.1%	0.2%
37	PC1	Power	53.9%	1.1%	0.1%	0.0%
38	MSH	Textile	4.0%	18.4%	0.0%	0.1%
39	SCS	Aviation	-5.8%	15.9%	0.0%	0.0%
40	VTP	Industrial	19.5%	20.5%	0.0%	0.1%
41	PVT	Oil & gas	-25.6%	2.3%	-0.1%	0.0%
42	CRE	Property	2.3%	27.9%	0.0%	0.1%
43	GMD	Logistics/Industrial property	-20.9%	10.3%	-0.1%	0.0%
44	DRC	Industrial	-10.4%	49.8%	0.0%	0.1%
45	TCM	Textile	37.5%	5.1%	0.0%	0.0%
46	AAA	Industrial	-44.4%	5.3%	-0.1%	0.0%
47	C4G	Property	76.3%	42.7%	0.0%	0.0%
48	STK	Textile	-43.9%	65.8%	-0.1%	0.1%
49	PVD	Oil & gas	-11.1%	21.6%	0.0%	0.0%
50	PLC	Oil & gas	13.8%	19.4%	0.0%	0.0%
51	HVN	Aviation	-711.0%	N/A	-9.6%	6.7%
	Total		-12.3%	35.8%	-12.3%	35.8%

SOURCES: VNDIRECT RESEARCH

Figure 61: Breakdown of sector earnings growth on yoy basis, represented by VNDIRECT's coverage

Sector	2020 growth	2021 growth	Breakdown of sector earnings growth, represented by VNDIRECT's coverage	
			2020	2021
Bank	6.9%	22.5%	2.8%	11.1%
Aviation	-177.8%	N/A	-15.1%	10.7%
Property	13.8%	22.4%	2.3%	4.9%
Consumer/Retail	-16.6%	30.8%	-2.3%	4.0%
Oil & gas	-26.5%	28.6%	-2.1%	1.9%
Construction/Material	57.0%	18.9%	2.7%	1.6%
Technology	12.1%	20.3%	0.2%	0.5%
Power	-20.0%	13.2%	-0.6%	0.3%
Agriculture/Commodities	18.2%	17.7%	0.2%	0.2%
Logistics/Industrial property	-28.6%	25.2%	-0.2%	0.2%
Industrial	-14.3%	23.4%	-0.1%	0.1%
Textile	0.6%	20.3%	0.0%	0.1%
Total	-12.3%	35.8%	-12.3%	35.8%

SOURCES: VNDIRECT RESEARCH

We expect market liquidity to increase further in 2021F ➤

We believe ADTV could increase by 12-14% yoy in 2021F, spurred by the following catalysts: (1) SBV would continue to ease monetary policy to support growth in 2021; (2) amendments to the Law on Securities, which will officially take effect on 1 Jan 2021, could improve investor sentiment, and (3) new foreign inflows as Vietnam's weight in the MSCI Frontier Market Index will be larger.

A few steps moving close to Emerging Markets upgrade ➤

Vietnam is making efforts to remove the Foreign Ownership Limit (FOL) bottleneck

The new Securities Law, amendments to the Law on Enterprises and the Law on Investment have been approved by Vietnam's National Assembly and they will be effective on 1 Jan 2021. We expect that changes brought by these laws will contribute to removing the (FOL) bottleneck. The current law sets the FOL of public companies involved in non-conditional business lines at 49%, but the limit can be expanded to 100% with shareholders' vote and authorised permits. However, so far only 39 listed companies have their FOL officially relaxed due to the relatively complicated procedures to obtain the easing. The new law addresses this bottleneck by automatically imposing a 100% FOL in public companies, unless the international treaties to which Vietnam is a member of or specialised laws have lower specific provisions. Note that some conditional business lines still have a stricter limit, e.g. banking has 30% FOL.

Under the new Law of Enterprise, the definition of securities includes depository receipt (DR) and the provisions on non-voting depository receipt (NVDR) have been specified. This is good news for businesses with FOL because they operate in conditional business lines. Accordingly, foreign investors will receive unlimited ownership of NVDR in those businesses. The changes should attract more foreign capital into Vietnam's stock market.

Besides, the launch of several ETFs in Vietnam in 1H20, especially the VFMVN DIAMOND ETF, which consists of some notable Vietnamese stocks that have no foreign ownership room left, could provide new way for foreigners to invest in Vietnamese stocks which have run out of foreign ownership room, and attract more foreign indirect capital flow into the country's stock market.

Vietnam also tries to remove bottlenecks from Clearing and Settlement

Vietnam is cooperating with South Korean partners to upgrade the securities trading system, which is expected to be completed in 2021. Vietnam also plans to

establish the central counterparty clearing house (CCP) (under Vietnam's Stock Exchange), which is expected to solve pre-funding issues that both FTSE and MSCI have considered a bottleneck in upgrading Vietnam's stock market to Emerging Markets status. The new trading system also helps Vietnam conduct daily trading and sell pending stocks, which could further boost foreign inflows.

Regarding FTSE, Vietnam's stock market inclusion in FTSE Secondary Emerging Market Index could be announced in Sep 2021

In our best case scenario, we expect that the announcement of the inclusion would come in the Sep 2021 annual country-reclassification

We expect Vietnam's stock market to be officially upgraded to MSCI Emerging Market (EM) Index in May 2023

In our best case scenario, if the new trading system could be launched in 1H21F, we expect that Vietnam's stock market could be added to the Watchlist for reclassification from Frontier Market status to Emerging Market status at MSCI's Annual Market Classification Review in May 2021. Then, the inclusion of Vietnam in the MSCI Emerging Markets Index in the May 2022 annual review could be announced for official implementation in Jun 2023.

Equitisation and divestment of state-owned enterprises (SOEs) could speed up after 13th National Party Congress ►

SOEs' equitisation and divestment have cooled down since 2019 when the government tightened regulations on the evaluation of state-owned property assets. There were only three SOEs equitised in 2019, and another seven in 2020, far behind the initial target of 91 planned by the government.

For 2021F, we expect the equitisation of SOEs to see some positive changes, especially after the 13th National Congress of the Communist Party of Vietnam. We expect the issues related to land pricing to be resolved and the SOEs' equitisation process be accelerated.

Figure 62: List of some SOEs which must be equitised in 2020, according to the Decision No. 26/2019/QĐ-TTg, though none of them completed equitisation in 2020F

No	Name	State ownership after equitisation and divestment
1	Vietnam Bank for Agriculture and Rural Development (AGRIBANK)	65%
2	Vietnam National Coal and Mineral Industries Holding Corporation Limited - parent company (TKV)	65%
3	Vietnam Northern Food Corporation (Vinafood 1)	65%
4	Vietnam Mobile Telecom Services One Member Limited Liability Company (MOBIFONE)	>50% and <65%
5	Vietnam Posts and Telecommunications Group – parent company (VNPT)	>50% and <65%
6	VietNam National Coffee Corporation (VINACAFE)	>50% and <65%
7	Vietnam National Chemical Group – parent company (VINACHEM)	>50% and <65%
8	Vietnam National Cement Corporation (VICEM)	>50% and <65%
9	Vietnam Paper Corporation (Vinapaco)	<=50%
10	Housing and Urban Development Corporation (HUD)	<=50%

SOURCES: Decision No. 26/2019/QĐ/TTg

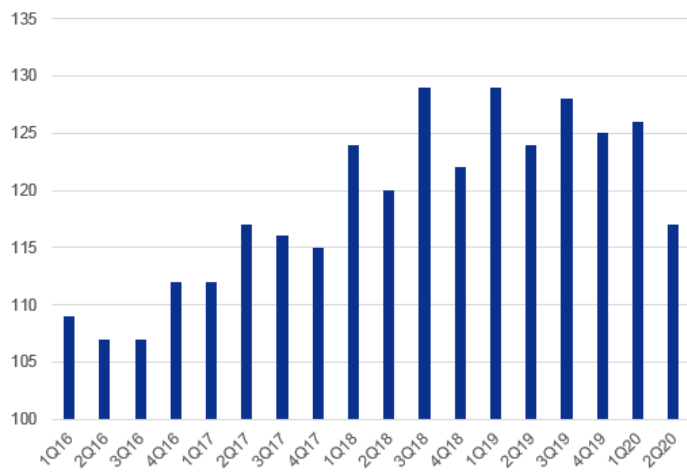
KEY INVESTMENT THEMES FOR 2021F

Theme #1: Brighter Vietnam economic outlook thanks to higher external demand and robust domestic consumptions ➤

Consumption is a key fulcrum of Vietnam's economic recovery

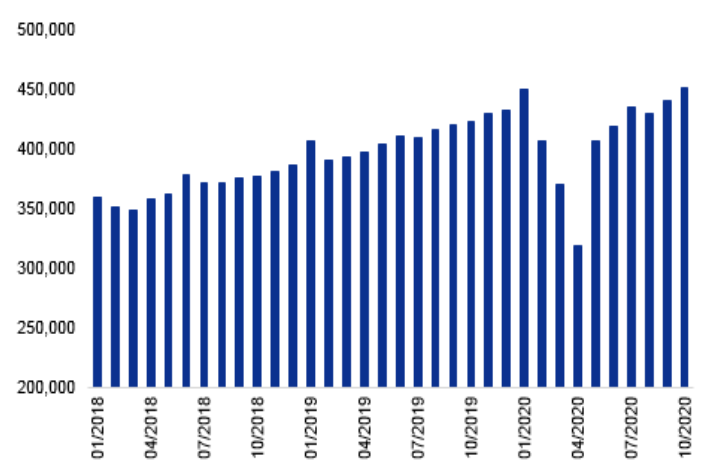
The service sector contributes the largest share to Vietnam's GDP, accounting for 41.6% of nominal GDP in 2019. Unfortunately, the service sector was hit hard by the outbreak of Covid-19 pandemic and we expect the service sector to grow only by 2.5% yoy in 2020F from 7.3% rate seen in 2019. However, we believe that the service sector could bounce back and enjoy a higher growth rate in 2021F, mostly driven by the recovery of consumption. Specifically, we expect consumption to recover to pre-pandemic levels with gross retail sales of consumer goods and services expected to increase 8.5-9% yoy in 2021F thanks to strong catalysts, including (1) real income growth in 2021 thanks to sustained nominal GDP growth and low inflation pressure, (2) high consumer confidence can accelerate consumer spending recovery as the economy recovers, (3) a revival of tourism after international flights can be licensed for commercial purposes from 2Q21F, leading to a strong rebound of travelling, accommodation and catering service, (4) the rising affluence and tech-savviness of the younger population and (5) rising urbanisation which should continue to boost consumption demand in large urban centres. As a result, we forecast the service sector to expand 7.1% yoy in 2021F. Regarding to sub-sector, we think the retailers will be the main beneficiaries from the recovery of consumption.

Figure 63: Vietnam's consumer confidence index remains positive despite the COVID-19 pandemic



SOURCES: VNDIRECT RESEARCH, Nielsen

Figure 64: Retail sales and consumer service revenue continued to recover in Oct 2020 (VNDbn)



SOURCES: VNDIRECT RESEARCH, GSO

The rebound of global economy in 2021F, led by China, would lift the demand for Vietnam's export products

We expect Vietnam's exports to have brighter outlook in 2021 thanks to a more favourable external environment. According to IMF, the global economy is forecast to bounce back 5.2% yoy in 2021F. China's economy, the second largest market of Vietnam's export, are projected to grow by 8.2% yoy in 2021F, mostly driven by the expansion of public investment and the strong recovery of consumer demand. Along with the economy's recovery, the demand for imported products from China would increase at higher growth rate in 2021F. In addition, the movement of the Rmb has a large effect on Vietnam's exports and imports. We expect the Rmb to appreciate further by 2.0-3.0% vs. the US\$ in 2021F, while the VND should appreciate at a slower pace. Hence, we believe that Vietnam's exports will maintain competitive against Chinese goods in 2021F. Based on

geographical location located near China, Vietnam could capture the opportunity to spur exports to China in 2021F, especially for agriculture, seafood, steel and electronic products.

Figure 65: The impact of Rmb and VND appreciation on each of Vietnam's key export items

Products	Export value (9M20) (US\$ mil)	% total 9M20 export (YTD)	Main export markets	Main rivals	Potential impact	Degree of impact
Telephones, mobile phones and parts thereof	36,788	18.2%	EU, China, US, Korea	China, Taiwan	Positive	Medium
Computers, electricals products, spare-parts and components thereof	32,197	15.9%	China, US, EU	China, Thailand, Malaysia	Neutral	
Textile and garments	22,163	10.9%	US, EU, Japan Korea	China, Bangladesh, Cambodia	Positive	Low
Machine, equipment, tools and instruments	18,191	9.0%	US, China, EU, Japan, Korea	China	Positive	High
Foot-wear	12,130	6.0%	US, EU	China, Indonesia	Positive	Low
Wood and wooden products	8,490	4.2%	US, Japan, Korea	China, Malaysia, Indonesia	Neutral	
Other means of transportation, parts and accessories thereof	6,379	3.1%	Japan, US, EU	China, Thailand, Malaysia	Neutral	
Fishery products	6,035	3.0%	US, Japan, China, EU	China, India, Indonesia	Neutral	
Iron and steel	3,654	1.8%	China, EU	EU, Taiwan, Korea	Positive	High
Plastic products	2,598	1.3%	Japan, US	China, EU	Positive	Medium
Fruits and vegetables	2,491	1.2%	China	Thailand, Indonesia, Malaysia	Negative	Medium
Rice	2,448	1.2%	Philippines, Malaysia	Thailand, India, Cambodia	Negative	Medium

SOURCES: VNDIRECT RESEARCH

Figure 66: World economy growth (World, US, EU, and China)

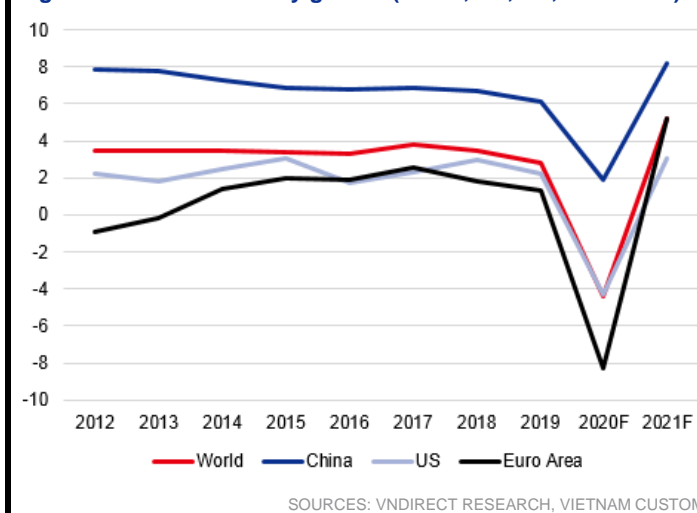
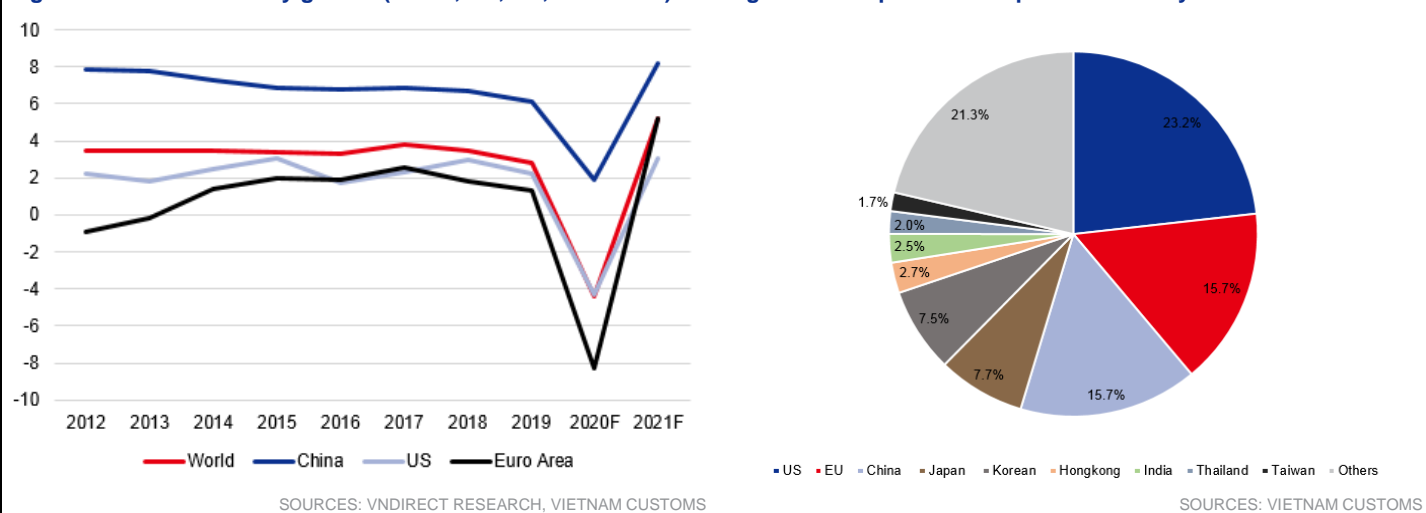


Figure 67: Proportion of export turnover by market in 2019



We prefer retail, food and beverage (F&B), steel and fishery sectors

We are optimistic about the prospects for steel and seafood exports in 2021F, mainly driven by the growing demand of the Chinese market thanks to better economic growth. We also prefer retail and F&B sectors which are main beneficiaries of the positive consumption outlook. We expect Vietnam's F&B sector to maintain resilient growth in 2021F thanks to higher people's income and rising urbanisation. We also believe in better growth outlook of retailers in 2021F thanks to strong recovery of domestic demand, young population era and a consumer's lifestyle change in favour of modern retail over traditional. Our top picks under this theme is **MWG, VRE** and **VHC**.

Theme #2: We expect infrastructure development to be the key driver supporting economic recovery in 2021▶

Infrastructure development to drive economic recovery

Prior to the National Assembly, Minister of Planning and Investment Nguyen Chi Dung stated that the estimated public investment budget for the 2021-2025 would be VND2,750tr (+37.5% vs. the previous period). The central budget capital sources would be VND1,380tr, while the allocated capital to the localities would be VND1,370tr. The general contingency rate is 10%.

Although the detailed investment plan for each year has not been released, we believe that the public investment disbursement would continue to increase in 2021 in order to support the economic recovery amid the ongoing COVID-19 pandemic. Most of the public investment projects are infrastructure construction investments, with project durations of 2-4 years. Six of the 11 sub-projects in the eastern section of the North-South Expressway that were implemented between 4Q19-4Q20 will be built in 2021F and are expected to be completed in the 2022-23F period. Moreover, the Law on Public Investment has gone into effect since 01/01/2020 and a decree on guiding the implementation of the amended Law on Public Investment was issued on 6 Apr, 2020. These legal documents provide a strong legal backbone for any future public investment package. Although we believe that public investment disbursement in 2021 is unlikely to sustain the sudden growth rate as in 2020, we expect the disbursement of public investment to maintain a positive growth rate of about 8-10% yoy in 2021F.

We believe that the state-owned enterprises (SOEs) (not using state budget capital) and private companies will become more involved in infrastructure construction projects in 2021. The government has assigned an SOE, Airports Corporation of Vietnam (ACV, HOLD), to invest in a series of new infrastructure projects in the aviation sector, including the Long Thanh International Airport Phase 1 with a total estimated investment of up to VND109,112bn, the Terminal 3 of Tan Son Nhat International Airport with a total capex of VND10,990bn and expanding terminals for Danang International Airport (VND420bn). Furthermore, the five remaining sub-projects in the eastern section of the North-South Expressway with a total estimated investment of VND50,157bn, which are planned to use PPP (Public-Private Partnership) financing format, are expected to be implemented in 2021. The implementation of major infrastructure projects in the 2021-2025 period will contribute to the improvement of Vietnam' infrastructure system as well as support economic growth in 2021.

Figure 68: Pipeline of mega projects in 2020-26F

Project	Total investment (VND.bn)	Starting time	Completion
Metro 1 (Ben Thanh - Suoi Tien)	43,757	2012	quý 4/2021
Metro 2 (Ben Thanh - Tham Luong)	47,800	2021	2026
HCM - Thu Dau Mot - Chon Thanh Highway	24,150		2021-25
HCM - Moc Bai Highway	10,668	2021	2026
Parallel Road for 50 Route	3,816		2021-25
Belt Road 2	6,500		2021-25
Belt Road 3	19,871		2022-25
Soai Rap Dredging Project (Phase 3)	8,977		2021-25
The water environment improvement Project (Phase 2)	11,282	2015	2021
Long Thanh International Airport	109,112	2021	2025
11 sub-projects of the eastern section of the North-South expressway	118,716	2019	2021-2025

SOURCES: VNDIRECT RESEARCH, MINISTRY OF TRANSPORT

Figure 69: Eleven sub-projects in the eastern section of the North-South expressway and My Thuan–Can Tho expressway

Expressway	Total investment (VNDbn)	Length of the route (km)	Starting time	Financing format
Cao Bo - Mai Son	1,612	15	4Q19	Public investment
Cam Lo - La Son	7,900	98	1Q20	Public investment
My Thuan Bridge 2	5,125	7	1Q20	Public investment
Mai Son – National Highway 45	14,703	63	3Q20	Public investment
Vinh Hao - Phan Thiet	19,648	101	3Q20	Public investment
Phan Thiet - Dau Giay	19,571	99	3Q20	Public investment
Dien Chau - Bai Vot	13,596	50	2021-2025	PPP
Nha Trang - Cam Lam	5,131	49	2021-2025	PPP
Cam Lam - Vinh Hao	15,013	78	2021-2025	PPP
National Highway 45 – Nghi Son	7,769	43	2021-2025	PPP
Nghi Son - Dien Chau	8,648	50	2021-2025	PPP
Total	118,716	653		
My Thuan - Can Tho	4,758	23	3Q20	Public investment

SOURCES: VNDIRECT RESEARCH, MINISTRY OF TRANSPORT

We prefer materials and aviation developer companies

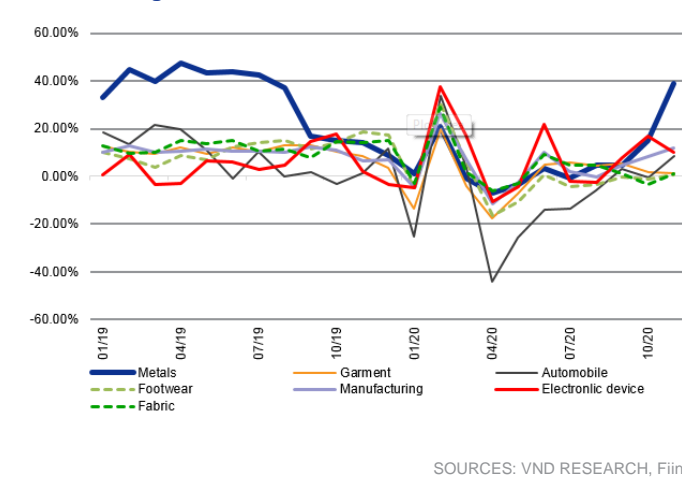
The materials sector would be the main beneficiary of the acceleration of infrastructure development. In materials sector, we appreciate the prospects of steel, construction stone and asphalt companies in 2021. In addition, we are optimistic about the prospect of aviation developers as upcoming investment projects in the aviation industry will create fast and sustainable growth momentum for aviation developers in the near future. Our top picks under this theme is **ACV**, **SCS** and **PLC**.

Theme #3: Manufacturing expansion to fuel economic recovery

Leading the economy’s recovery

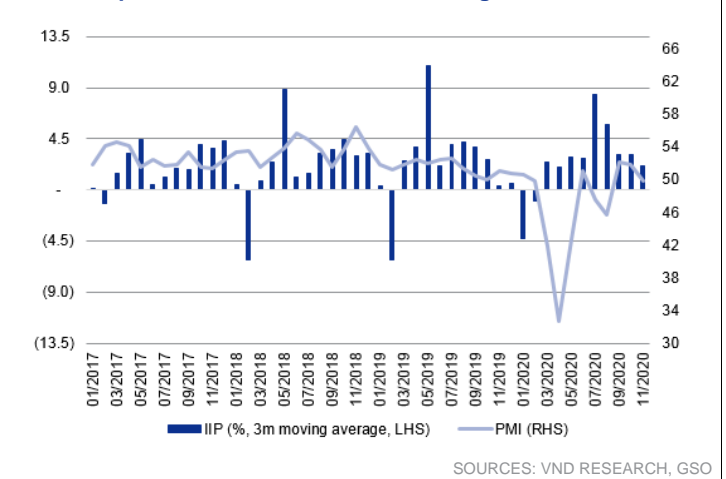
The manufacturing sector showed a significant recovery in most of its sub-segments in 3Q20 due to the Covid-19 epidemic being under control and the government promoting policies to boost the economy. The automobile sub-segment in particular recovered from the bottom and grew positively in Sep 20 (+3.8% yoy) thanks to a 50% reduction in registration tax from the government.

Figure 70: Monthly Index of Industrial Production (IIP) of major manufacturing industries



SOURCES: VND RESEARCH, Fiiipro

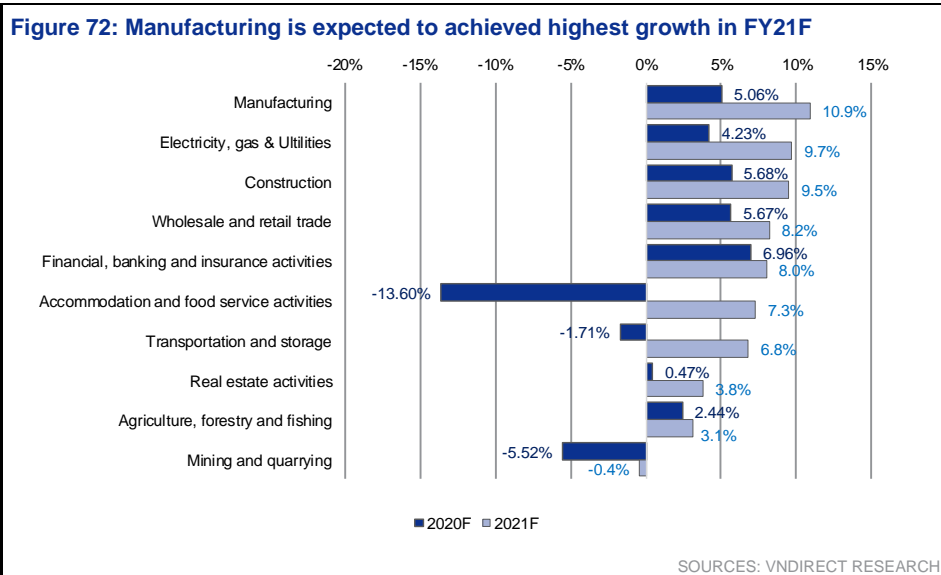
Figure 71: Quarterly Inventory Index, Consumer index and Industrial production index of Manufacturing sector



SOURCES: VND RESEARCH, GSO

We expect the manufacturing sector to grow 10.9% yoy in 2021, as the key driver of GDP growth. The reopening of major economies, such as the US, the EU as a whole and Japan, could boost demand for Vietnam’s export products, especially

key manufacturing products included computers, mobile phones, machine and equipment, textiles and garment. In addition, we expect better domestic consumption to fuel of the key manufacturing industries, namely automobiles and plastic.



Dawn of domestic manufacturing giants

We observed that while major of local manufacturers had to struggle with the weakening demand as a result of Covid-19 outbreak, some big players took this opportunity to grab market share or expand capacity.

Vingroup (VIC VN, Not rated) has achieved a leading position in mobile and automobile market with Vsmart and Vinfast brand. As end-Sep, Vsmart has climbed Top 3 biggest mobile producers in term of sales volume with total 1.3m mobile sold in 9M20 (equivalent to 16.4% country 's mobile market by end-3Q20). Meanwhile, Vinfast sold 18,500 cars and 37,300 e-motorcycles in 9M20, claimed No.1 best-selling car in A-segment and E-segment, per VIC's announcements.

Hoa Phat Group (HPG VN, ADD, TP: VND40,700)'s Dung Quat Steel Complex surprise the markets with outstanding performance after 1 years in operation. The phase 1 of the projects run at 98% utilisation in 10M20, contributing in 25% growth of HPG's steel sale volume in the same period. For 2021F, we expect the manufacturers to keep the positive momentum, with 1) Vinfast's ambition to export cars and electric cars as well as release more new models, 2) Vsmart's OEM contracts with US. customer and 3) HPG's completion of DQSC phase 2.

We like companies that are reaping the fruits of expansion projects

Covid-19 caused difficulties for many sectors, but it also created opportunities for companies that were prepared to take off. We like companies that are completing a new investment cycle and have achieved positive results from the expansion. Our top picks under this theme are **HPG**, **STK** and **DRC**.

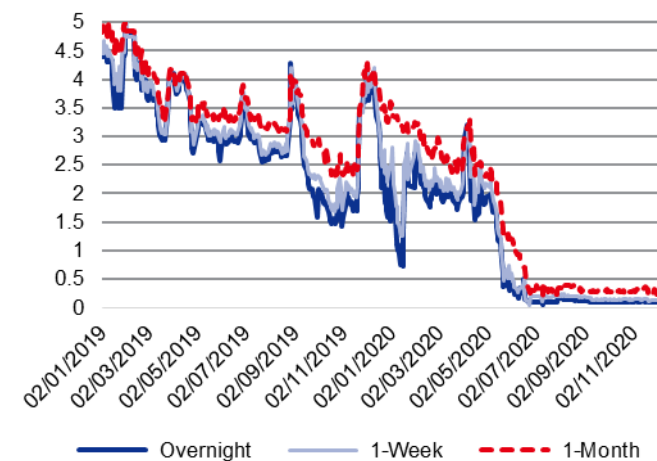
Theme #4: Interest rates anchored to the lows ➤

We note that interest rates across tenors started declining in Nov 19 as a result of the central bank's policy rates cuts during 4Q19-2020. Although we do not expect the central bank to cut its key policy rates further, we also think it would not lift them either in 2021F, in a bid to continue supporting the economy by maintaining a loose monetary policy.

Interbank rates have been falling over the last 6 months due to ample liquidity and policy rate cuts. Overnight and 1-week interbank rates sank deeply to 0.1% and

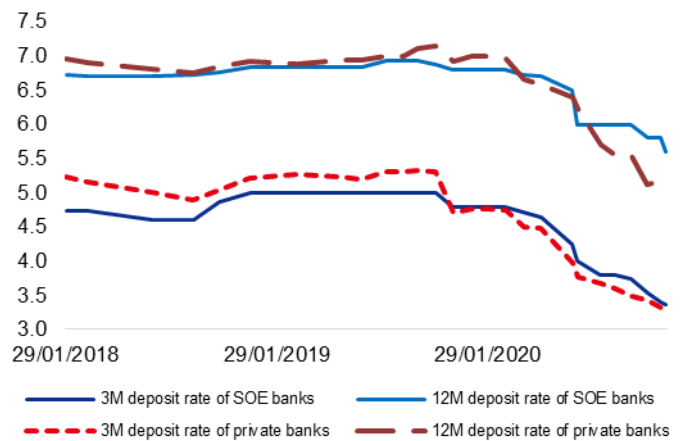
0.14% as at 4 Dec, against the levels of 1.5% and 2.4%, respectively seen at end-2019. Meanwhile, by end-Nov 2020, 3-month term and 12-month term deposit interest rates at state-owned commercial banks dropped 123bp and 133bp, respectively, versus levels seen at the beginning of this year. The declines of deposit rates were even steeper at private commercial banks. At as end-Nov, 3-month term and 12-month term deposit interest rates at private commercial banks dropped 145bp and 165bp versus levels seen at the beginning of this year, to 3.3% and 5.2% respectively.

Figure 73: Interbank interest rates cross tenors to drop significantly to historical lows (Unit:%)



SOURCES: VNDIRECT RESEARCH, BLOOMBERG

Figure 74: Deposit rates of commercial banks subdued since the beginning of 2020 (Unit: %)



SOURCES: VNDIRECT RESEARCH, BLOOMBERG

Although no policy rates cuts are expected in 2021, we believe the reduction in both interbank and deposit rates over the last 6 months clearly translate to a downward trend in bank lending to corporates.

In our view, the benign interest rate environment will bode well for banks, especially for consumer finance, as well as property developers and securities brokerages in 2020F. For the banking sector, low interest rates will propel lending activities to grow faster. We expect industry credit growth to bounce back to 13-14% in FY21, higher than the 9-10% level seen in FY20. For residential property, although the sector was challenged by new supply shortage in 2020 due to the slow regulatory approval process, we believe the soft lending rates could speed up the decision-making of home buyers. We estimate that home loans were about 9.5-10%, the lowest rate in the past decade. For securities brokerages, the market has experienced an influx of investors to search for higher yield via bonds and equity in 2020. With interest rates anchored to the lows, we believe this trend would persist in 2021. Our top picks under this theme are **VPB, TCB** and **VHM**.

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Sector Outlook

Analyst(s)

Trung TRAN

T (84) 97 665 3885

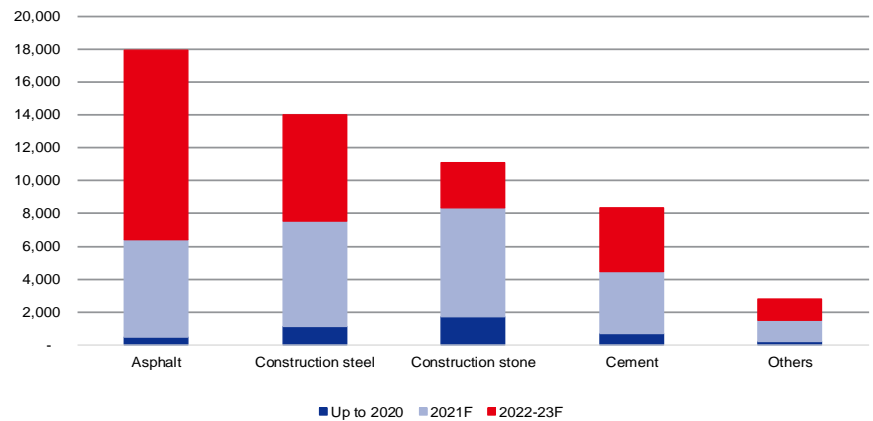
E trung.tranba@vndirect.com.vn

CONSTRUCTION MATERIALS: Positive outlook

Awaiting infrastructure investment acceleration in 2021 ▶

We believe construction materials is a key beneficiary of infra development growth acceleration from 2021 onwards. Among the list of infra mega projects in the pipeline (see Figure 68 of 2021 Investment themes), the North-South expressway project has taken the spotlight. Based on our estimates, 40% of state budget for My Thuan – Can Tho expressway and 11 sub-projects of North-South expressway will be disbursed in 2021 and 60% of construction expenses (c.VND23.7tr) will be allocated to materials. In 2021F, we expect the North-South express project will need VND5.9tr worth of asphalt, VND6.4tr of construction steel and VND3.8tr of cement. In order to complete of these projects in 2023F, the material costs for asphalt, construction steel and cement were estimated about VND20.8tr, VND14.8tr and VND8.9tr, respectively.

Figure 75: Estimated costs for construction materials for 11 sub-projects of North-South Expressway and My Thuan-Can Tho expressway (VNDbn)



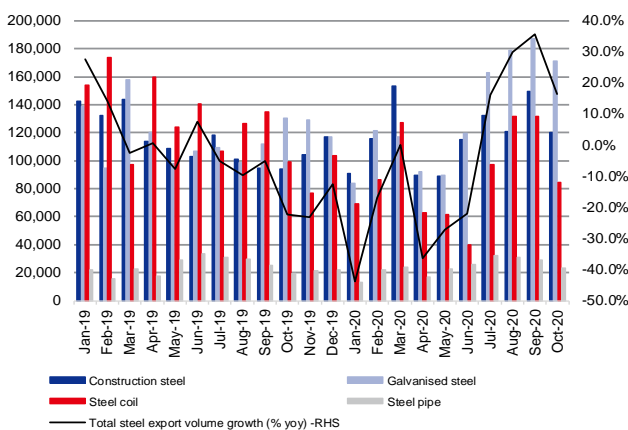
SOURCES: VNDIRECT RESEARCH ESTIMATES

We estimate the cost structure of Vietnam’s infrastructure projects, based on 1) the calculation methodology for the construction cost specified in Circular No. 09/2019/TT-BXD (26 Dec 2019) of the Ministry of Construction; and 2) the cost structure of Vietnam’s expressway projects implemented in 2015-18.

Growing materials exports will be another tailwind ▶

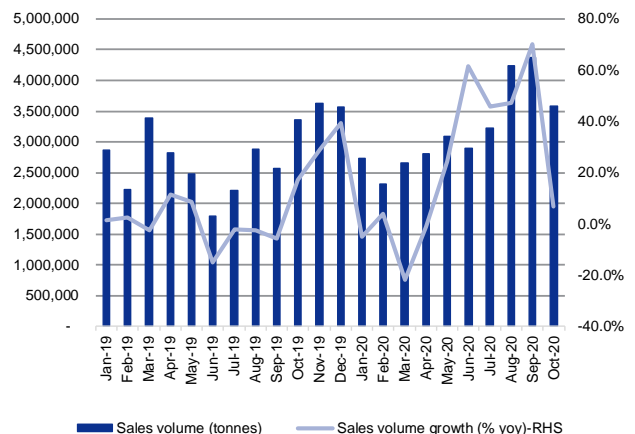
Steel and cement exports experienced strong growth in 9M20

Figure 76: Steel export volume increased sharply by 27.3% yoy in 3Q20 (tonnes)



SOURCES: VNDIRECT RESEARCH, VIETNAM STEEL ASSOCIATION (VSA)

Figure 77: Cement export volume increased sharply by 54.4% yoy in 3Q20



SOURCES: VNDIRECT RESEARCH, GENERAL DEPARTMENT OF VN CUSTOMS

Vietnam could benefit from China's upcoming robust infrastructure investment expansion

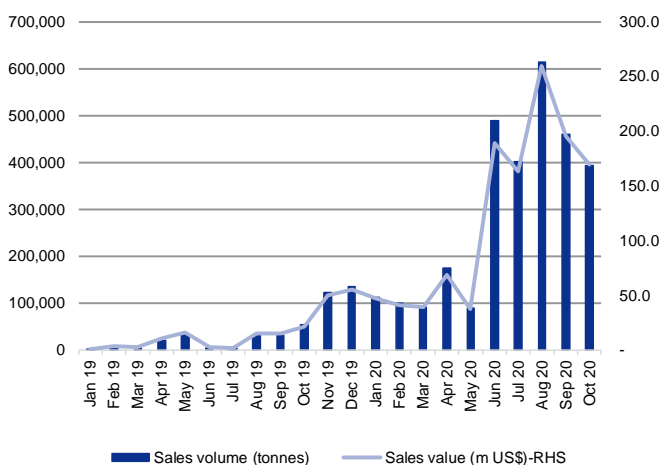
We expect a significant increase in steel demand from the infrastructure sector in China, as China has been approving and accelerating construction of infrastructure projects since 2Q20. We expect this trend to continue at least until the end of 1H21F, boosting the demand for steel and cement imports into China.

According to S&P Global Platts, China approved 14 airport projects with a total investment of Rmb105.7bn (US\$15.3bn) in Jan-Jul 2020, i.e. 13% higher than the value of total approvals in FY19. In addition, 22 railway and urban rail transport projects were approved in 7M20, with 16 more expected to be approved soon. The combined length of these projects is 5,801 km, almost the same as the total length approved in 2019. S&P Global Platts expects work on most of these projects to start in 2H20. We estimate that steel consumption from these newly-approved projects and from the construction of major rail and airport projects approved in 2016-19 to rise 24% yoy to about 23m tonnes in FY20F, and continue increasing by another 20% yoy to 28m tonnes in FY21F.

Consequently, Vietnam's iron and steel exports to China have started to increase sharply since Jun 2020. According to the preliminary statistics from the General Department of Vietnam Customs, China surpassed ASEAN to become Vietnam's largest steel and steel importer, at 2.93m tonnes (+1,414% yoy) in 10M20. This is equivalent to 36.7% of Vietnam's total iron and steel exports.

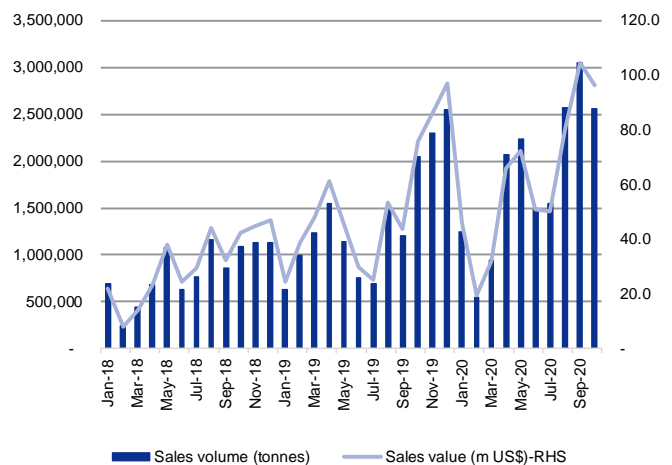
Similarly, the strong demand for construction materials in China since 2Q20 has also helped the export sales volumes of cement and clinker, which increased by 112.5% yoy in 3Q20 and by 69.1% yoy in 2Q20 (vs. a decline of 4.5% yoy in 1Q20). Vietnam's cement industry is increasingly dependent on the Chinese market, especially with other major cement exporting countries (Philippines and Bangladesh) imposing safeguard tax measures on Vietnamese cement.

Figure 78: Vietnam's total exports of iron and steel to China



SOURCES: VNDIRECT RESEARCH, GENERAL DEPARTMENT OF VN CUSTOMS

Figure 79: Vietnam's total exports of cement and clinker to China



SOURCES: VNDIRECT RESEARCH, GENERAL DEPARTMENT OF VN CUSTOMS

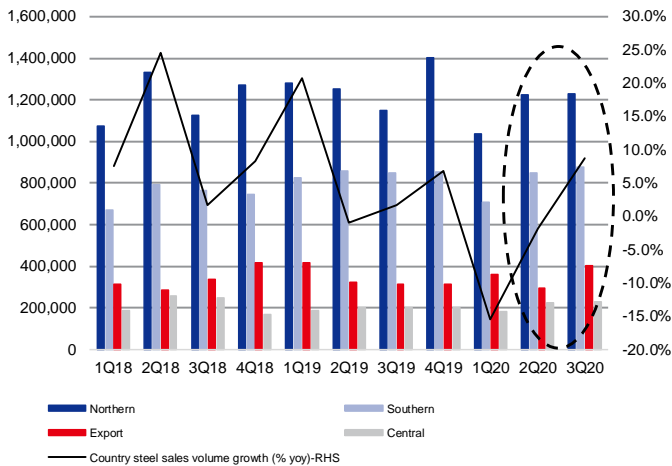
Construction steel: expect sales to grow 10-12% in FY21F ▶ More clear signs of recovery since 3Q20

The Covid-19 pandemic dampened steel demand in 1H20. Vietnam's construction steel sales volumes fell 15.4% yoy to 2.3m tonnes in 1Q20 and dipped 1.8% yoy to 2.6m tonnes in 2Q20. However, construction steel sales volume rose 8.8% yoy to 2.7m tonnes in 3Q20. We believe the improvement in construction steel sales

volumes could be attributed to state investment disbursement since Jul 2020, which focuses on infrastructure development.

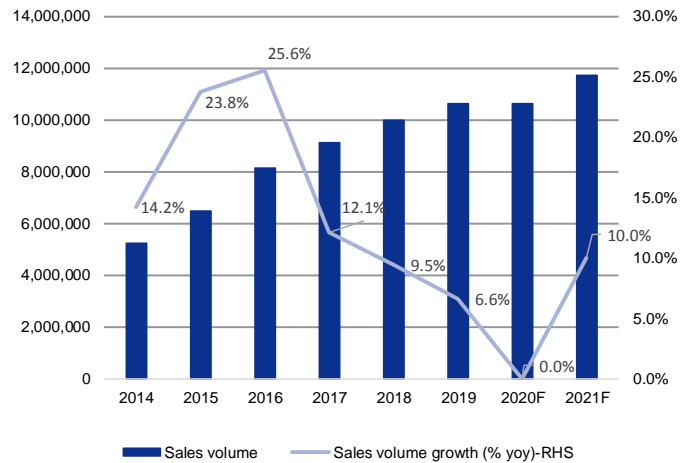
Billet export volume also climbed in 9M20 on the back of strong public investment in China. According to VSA data, billet exports of the two largest steel makers in Vietnam - HPG and Formosa Ha Tinh (FHS) – to the world’s largest steel market reached more than 2m tonnes in 9M20.

Figure 80: Construction steel sales volume showed clear signs of recovery in 3Q20 (tonnes)



SOURCES: VNDIRECT RESEARCH, VSA

Figure 81: Construction steel sales volume growth should recover in 2021F (tonnes)



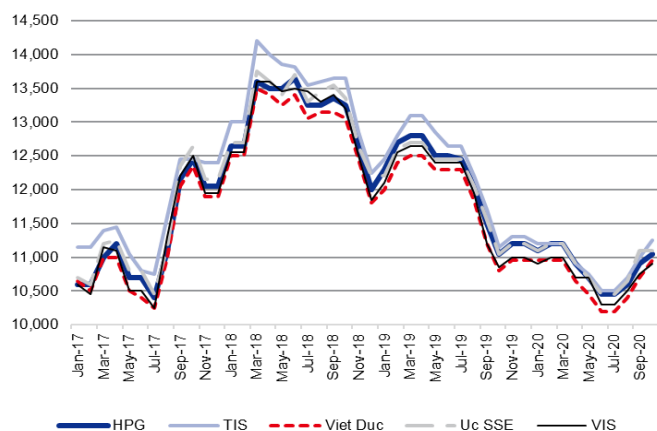
SOURCES: VNDIRECT RESEARCH, VSA

We expect sales volume of construction steel to grow 10-12% in 2021F (FY12-2019 CAGR of 14.9%), on the back of: (1) acceleration of infrastructure development in FY21F, thanks to state investment expansion; and (2) our view that the residential property market will heat up in FY21F due to subdued interest rates and higher new supply.

Gross profit margin has been improving thanks to subdued fuel prices

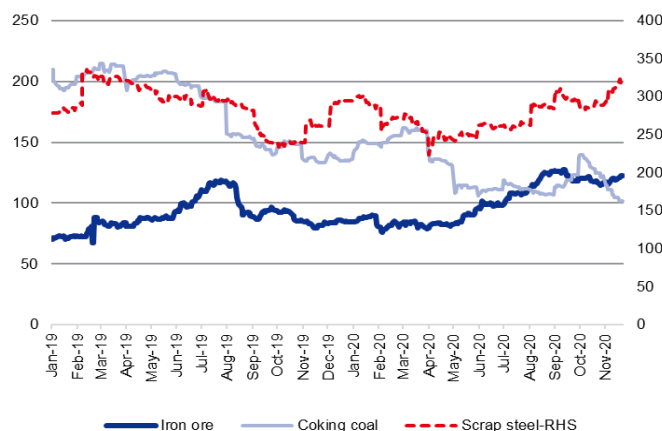
The average selling price (ASP) of construction steel fell industrywide due to weak domestic steel demand in 1H20. Domestic construction steel ASP slid to VND10.9m/tonne (-12.2% yoy) in 9M20 compared to VND12.4m/tonne in 9M19 and VND12.0m/tonne in 2019. However, gross profit margin (GPM) of this sub-industry still increased by 2.5 pts yoy in 9M20 as 1) coking coal price fell to a 4-year low of US\$129/tonne (-31.9% yoy) in 9M20 (coking coal usually accounts for 25-35% of construction steel production costs for Basic Oxygen Furnace (BOF) technology companies – HPG and TIS), and 2) steel scrap price declined 8.7% yoy to US\$270.6/tonne (steel scrap usually accounts for 50-60% of construction steel production costs for Electric Arc Furnace (EAF) technology companies – TVN, POM and VIS).

Figure 82: Construction steel ASP of Vietnamese companies ('000 VND)



SOURCES: VNDIRECT RESEARCH, VSA

Figure 83: Benchmark iron ore price, coking coal price and scrap steel price (US\$/tonne)



SOURCES: VNDIRECT RESEARCH, BLOOMBERG

Construction steel ASP started to recover in Aug 2020, and we expect ASP to reach VND11.2m/tonne (-6.9% yoy) in 2020F, before increasing to VND11.3m/tonne (+1% yoy) in 2021F.

On input material prices in 2021F, we estimate that the average iron ore price should fall to around US\$85/tonne (-10.5% yoy). On the other hand, we expect average annual price of coking coal and scrap steel to increase to US\$135/tonne (+12.5% yoy) and US\$280/tonne (+3.0% yoy) in 2021F. As a result, we expect GPM of construction steel companies could increase by 1%-1.5% pts in 2021F.

Figure 84: 9M20 results of select listed Vietnamese construction steel companies

Company	Revenue			Net profit			Gross profit margin		
	9M19	9M20	% yoy	9M19	9M20	% yoy	9M19	9M20	Chg yoy
	VNDbn	VNDbn	%	VNDbn	VNDbn	%	%	%	pts
HPG	45,683	64,341	40.8%	5,591	8,801	57.4%	18.3%	19.6%	1.4% pts
TVN	17,983	22,826	26.9%	391	229	-41.4%	4.5%	5.3%	0.8% pts
POM	9,150	7,275	-20.5%	(251)	(135)	na	1.2%	3.8%	2.6% pts
VIS	7,652	7,009	-8.4%	40	14	-65.0%	-0.4%	1.1%	1.5% pts
TIS	3,448	2,810	-18.5%	(141)	10	na	11.6%	11.7%	0.1% pts
Total	83,916	104,261	24.2%	5,630	8,919	58.4%	11.5%	13.9%	2.5% pts

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

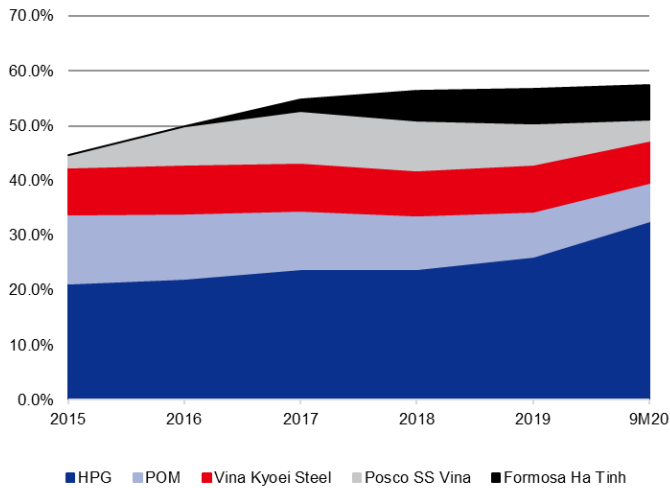
Leading steel companies could grab more market share in 2021F

Although Covid-19 had cast a shadow over the country's steel industry, steel producers with strong pricing power, healthy financial capability and large economies of scale seized this opportunity to grab market share.

We observed that HPG (Add, TP: VND40,500), the largest local steel maker in 2020, increased its market share in construction steel from 26.2% at end-FY19 to 32.6% at end-Sep 20. Its 9M20 construction steel sales volume rose 26.4% yoy to 2.5m tonnes. Meanwhile, construction steel sales in Vietnam fell 3.1% yoy to 7.6m tonnes.

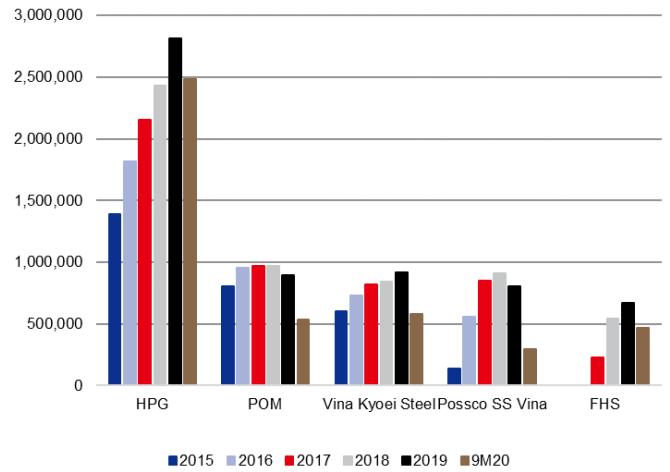
We believe HPG is leveraged to Vietnam's structural growth over the long run. The company's leading position with its established scale, expertise and proven operational efficiency – along with the ramp-up of the production capacity and product portfolio at Dung Quat Steel Integrated Complex (DQSC) – would allow it to capture future domestic construction growth, in our view. We estimate that HPG's market share for construction steel will increase to 35% by FY21F from 32% in FY20F.

Figure 85: Vietnam construction steel - market share of major producers



SOURCES: VNDIRECT RESEARCH, VSA

Figure 86: Construction steel sales volume of select listed Vietnamese companies (tonnes)



SOURCES: VNDIRECT RESEARCH, VSA

HPG is our top pick

We believe that construction steel companies' earnings will show strong growth in 2021-22F on the back of: (1) acceleration of infrastructure development in FY21F, thanks to state investment expansion; and (2) our view that the residential property market will heat up in FY21F due to subdued interest rates and higher new supply. Thus, HPG remains our top pick in the construction steel sub-industry thanks to the company's established scale and proven cost efficiency. In 2021F, we expect HPG's construction steel market share to continue to increase to 35%, from 32% in FY20F and 26.2% in FY19; HRC products from DQSC phase 2 (total capacity of 3m tonnes and commercial operations for the whole project likely to start in early-2021) have strong sales prospects as Vietnam's demand for HRC is about 12m tonnes in FY20F, with 60% currently being imported, based on our estimates. Meanwhile, HPG now trades at 10.9x/7.9x FY20/21F P/E vs. regional peers' 9.4x FY21F median P/E. However, we believe HPG could re-rate thanks to its robust earnings outlook and superior profitability vs. regional peers.

Galvanised steel: expect sales to grow 7-10% in 2021F >

HRC price hike to be offset by increasing average selling prices

HRC usually accounts for 80-55% of galvanised steel production costs. The rebound in HRC prices of ~25% from a four-year low in May, led to a 25-30% qoq increase in galvanised ASP that raised galvanised steel companies' GPM to 15.6% in 3Q20. This was similar to the surge in HRC prices at late-4Q19 which raised their GPM to 15.1% in 1Q20 vs. 12.8% in 2Q20. The galvanised steel companies are usually able to pass 70%-80% of the increase in input costs on to buyers.

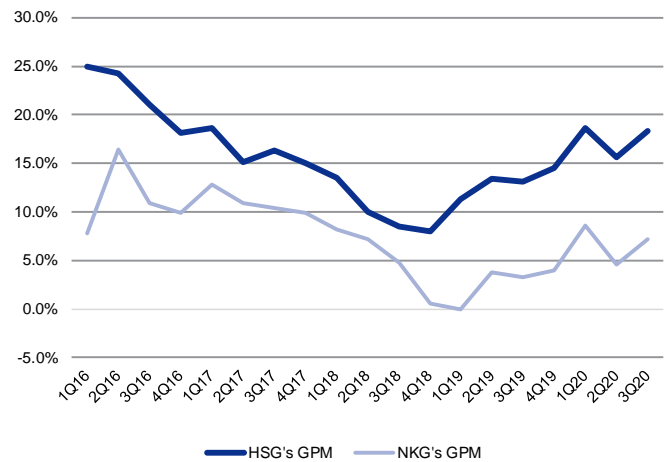
In addition, reducing inventory, improving working capital, and deleveraging efforts have helped galvanised steel companies save a large amount of interest expenses. Thereby, galvanised steel companies' net profit increased by 218.1% yoy to VND1,110bn in 9M20.

Figure 87: China domestic HRC price (US\$/tonne)



SOURCES: VNDIRECT RESEARCH, BLOOMBERG

Figure 88: Quarterly GPM summary of HSG and NKG



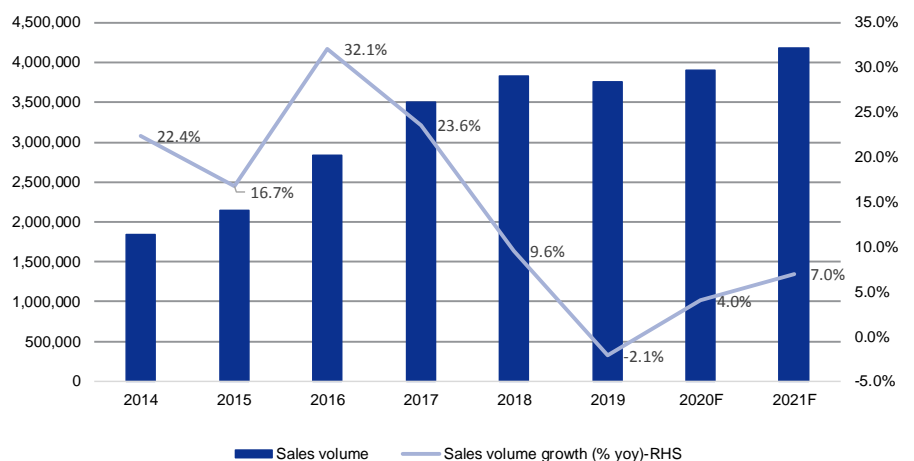
SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Galvanised steel sales likely to grow 7-10% in 2021F

We expect galvanised steel sales volume to grow 7-10% yoy in 2021F thanks to 1) a wave of FDI enterprises moving production to Vietnam, helping to maintain the high demand for factory construction; and 2) higher export volumes of galvanised steel due to a recovery in world demand.

However, we believe the two largest galvanised steel companies – HSG (Not rated) and NKG (Not rated) – will see GPM headwinds in 2021F due to 1) oversupply from the entry of new players which will lead to price competition, and 2) the decrease in HRC benchmark prices.

Figure 89: Forecast for galvanised steel sales volume (tonnes)



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

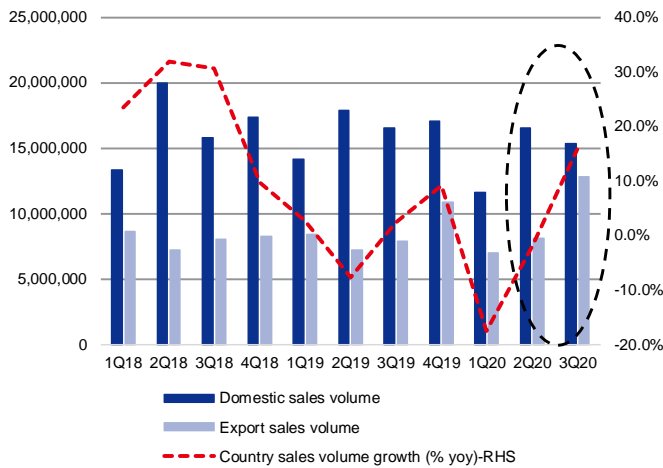
Cement: Oversupply will linger ➤

Cement & clinker sales volume gradually improved in 3Q20

According to the Vietnam National Cement Association (VNCA), the total domestic cement sales volume of VNCA's members declined by 5% yoy in 9M20 due to Covid-19 which hurt domestic construction activities. This was not helped by the capacity expansion in Vietnam's cement industry in recent years. Besides, total volume of Vietnamese clinker and cement exports fell 4% yoy in 1H20 before rising by 10% yoy in 3Q20. The three largest cement companies in Vietnam

reported a revenue decline of 4.9% yoy to VND11,193bn and GPM contraction of by 0.4% pt. due to increased competition.

Figure 90: Cement & clinker sales volume (tonnes) showed clear signs of recovery in 3Q20



SOURCES: VNDIRECT RESEARCH, VNCA

Figure 91: 9M20 business results of select listed Vietnamese cement companies

Company	Revenue			Net profit			Gross profit margin		
	9M19 VNDbn	9M20 VNDbn	% yoy %	9M19 VNDbn	9M20 VNDbn	% yoy %	9M19 %	9M20 %	Chg yoy pts
HT1	6,554	5,751	-12.3%	530	461	-13.0%	17.1%	18.2%	1.1% pts
BCC	2,834	3,187	12.5%	101	86	-14.9%	14.6%	12.4%	-2.2% pts
BTS	2,379	2,255	-5.2%	45	47	4.4%	13.1%	11.9%	-1.3% pts
Total	11,767	11,193	-4.9%	676	594	-12.1%	15.7%	15.3%	-0.4% pts

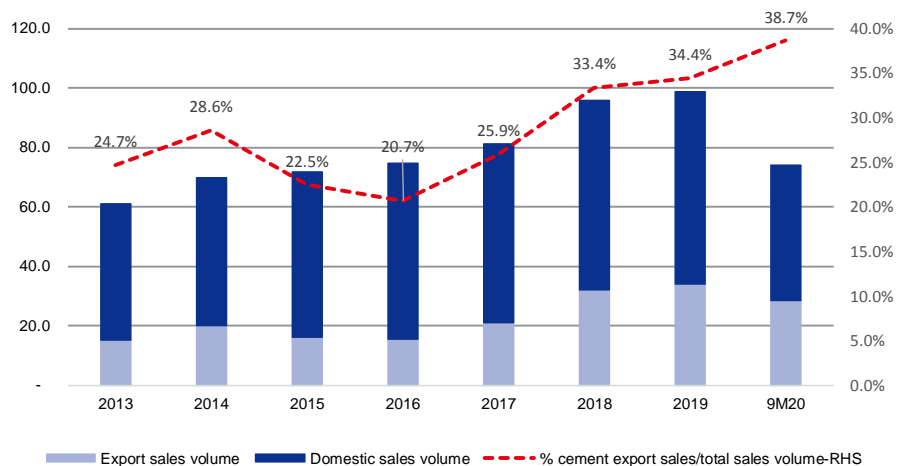
SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Vietnam's cement industry is increasingly dependent on export markets

Prior to 2009, Vietnam experienced a cement shortage that was caused by a small amount of capacity being built along with rising demand during an upsurge in the real estate market. However, the massive capacity expansion in the next decade, along with a downturn in the domestic real estate sector from 2010-2013 led to cement oversupply in the country. As a result, domestic cement producers started to export surplus cement, making Vietnam the world's largest cement exporter in 2018, according to VNCA data. Cement exports account for an increasingly large proportion of the total industry sales volume, reaching 38.7% in 9M20, up from 20.7% in 2013.

As the supply–demand equilibrium of the cement industry is only achieved through robust exports, the sales and profitability of Vietnam's cement producers are highly susceptible to the industry's ability to promote and maintain healthy cement export sales.

Figure 92: Vietnam's cement industry is increasingly dependent on export markets (tonne)



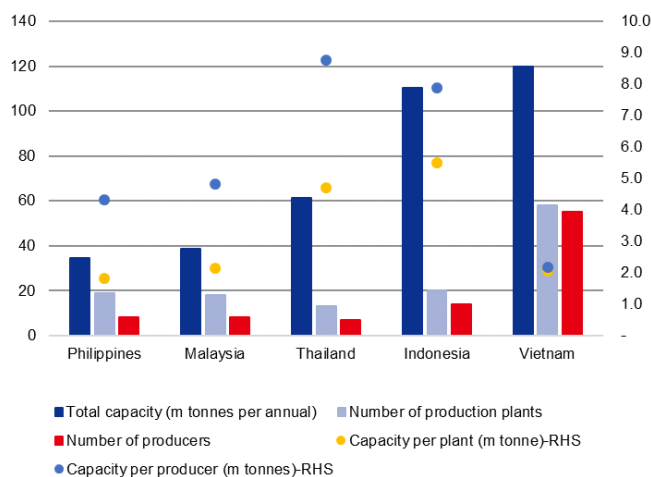
SOURCES: VNDIRECT RESEARCH, VNCA

Industry restructuring to continue

While Vietnam is the world's fifth largest cement producer and Southeast Asia's largest cement producer in terms of production capacity (about 120m tonnes/year), the production capacity per Vietnam's cement factory is less than half compared with factories in Thailand and Indonesia, at 2.1m tonnes p.a. per factory. Beside, Vietnam's average capacity per producer is 2.2m tonnes p.a. – the lowest in the region, according to VNCA data. According to the VNCA, nearly 70% of cement production lines in Vietnam have a capacity of 1m tonnes/year, accounting for about 20% of the industry's output. The minimum scale for a cement plant to achieve economies of scale is 2m tonnes/year and a cement producer must have a capacity of 5m-10m tonnes/year to ensure long-term efficiency through cost savings, according to our estimates. The lack of economies of scale and persistent oversupply are the key reasons that curb the profitability of individual producers, in our view.

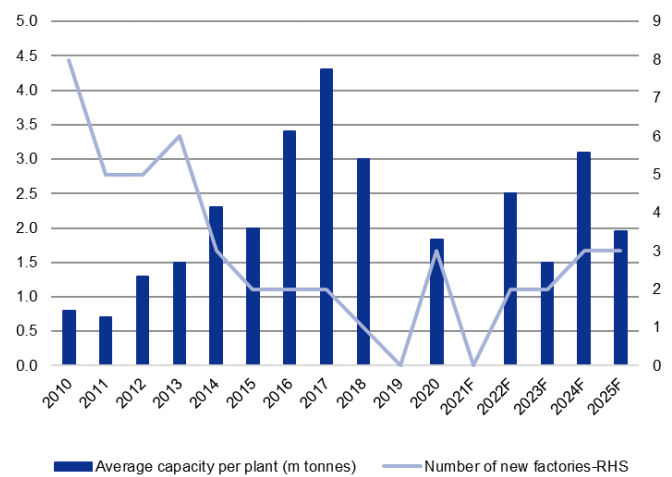
Recognising this problem, the Vietnamese Government recently actively improved investment conditions in the cement industry, only licensing large projects (over 2m tonnes/year), to help the market reduce fragmentation.

Figure 93: Capacity concentration of cement industry in select Southeast Asia countries



SOURCES: VNDIRECT RESEARCH, VNCA

Figure 94: Vietnam to limit new cement factories as the scale of projects increase



SOURCES: VNDIRECT RESEARCH, VNCA

We are not optimistic on cement due to oversupply

We expect 3-5% growth in cement sales volume in 2021F due to an acceleration in public investment on infrastructure projects in Vietnam and China. However, we believe earnings growth of cement companies will be subdued in 2021F as oversupply and dependence on export markets increase, especially as new capacities come online.

Construction stone: Bolstered by the construction of Long Thanh International airport

Long Thanh international airport (LTIA) is expected to start construction in Dec 2020

LTIA was approved in Jun 2015 by the National Assembly. LTIA is located in Dong Nai province, 40km from Ho Chi Minh City (HCMC). LTIA is a mega project consisting of three phases costing a combined c.US\$15bn. Upon completion of all three phases, LTIA will have a total capacity of 100m pax throughput and 5m tonnes of cargo per annum. Phase 1 can serve 25m pax throughput and 1.2m tonnes cargo per annum, and requires a capex of US\$4.6bn. The main investor

of this project, Airports Corporation Of Vietnam (ACV VN, Add, TP: VND88,200), expects construction of Phase 1 to start in Dec 20 and be completed in FY25F.

Figure 95: Approved total investment cost breakdown for LTA sub-projects (VND bn)

Items	First sub-project	Second sub-project	Third sub-project	Fourth sub-project	Total
Compensation, settlement support			1,604		1,604
Construction costs	176	1,240	52,498	2,358	56,272
Machinery costs	32	1,160	19,454	2,236	22,883
Project management fees	4	53	646	96	800
Construction advisory fees	31	181	4,038	289	4,540
Provision costs	45	493	14,188	920	15,646
Interest expense		259	5,931	432	6,622
Other costs	4	49	659	32	744
Total	293	3,435	99,019	6,364	109,112

SOURCES: VNDIRECT RESEARCH, DECISION NO.1777/QĐ-TTĐ

We believe that the demand for construction stone in Southeast Vietnam will explode in 2021F when LTIA begins construction of its first stages.

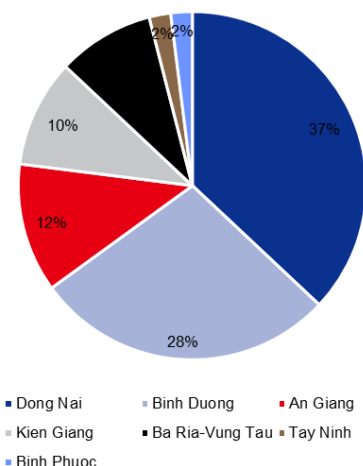
Stone demand in Mekong Delta region (MKDR) likely to grow due to infrastructure development projects in the pipeline in 2021-25F

According to the Ministry of Transport (MoT), MKDR accounts for 13% of Vietnam's area but only has 43km of expressway (HCMC - Trung Luong section), equivalent to 3.7% of the national expressway length (expected to reach 1,163km by end-2020). High investment costs are the main reason for the underdevelopment of transport infrastructure in the MKDR, significantly inhibiting the development of the country's largest agricultural granary.

Recently, the MoT submitted applications for 7 expressways, with a total length of 548km for 5 expressway projects (the lengths of two of the seven projects have not yet been announced) and total investment of VND65tr in the MKDR. The ministry also pledged to complete 300km of expressway in the region by 2025F.

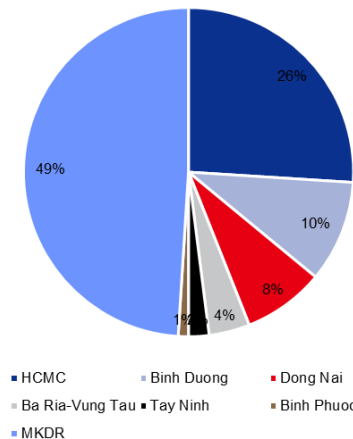
We believe the commencement of these projects will bring huge demand for construction stone in this delta region in 2021-25F. However, nearly 50% of the construction stone demand in the MKDR was met by Dong Nai and Binh Duong provinces in 2019, due to negligible stone reserves in the delta region. Therefore, companies located in the Southeast will benefit from these projects, in our view.

Figure 96: Structure of construction stone quarrying output in the Southern region



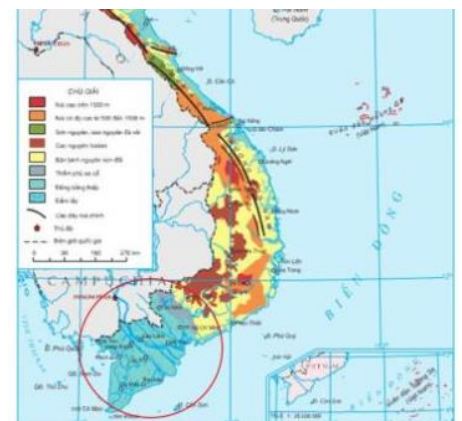
SOURCES: VNDIRECT RESEARCH, PROVINCIAL CONSTRUCTION DEPARTMENTS

Figure 97: Structure of construction stone consumption in the Southern region



SOURCES: VNDIRECT RESEARCH, PROVINCIAL CONSTRUCTION DEPARTMENTS

Figure 98: Negligible construction stone reserves in the Mekong Delta region



SOURCES: VNDIRECT RESEARCH, DEPARTMENT OF SURVEYING & MAPPING

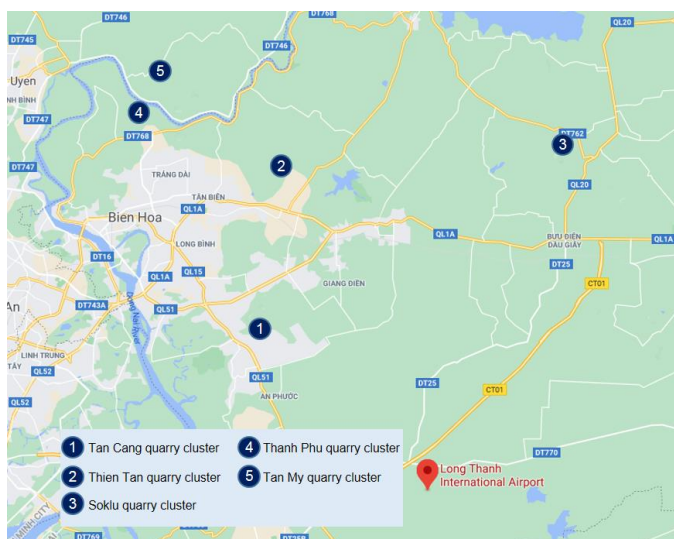
Companies that own quarries in the South will be the biggest beneficiaries

Due to the industry characteristics, transportation costs often account for a large proportion of construction stone costs. Depending on the distance and type of transportation, the price of stone delivered to a work site may be double the gate price at the mine.

We believe that the quarries of companies located near expressway projects will be prioritised for the supply given the advantages and product quality of these large companies.

The large infrastructure projects in South (including My Thuan-Can Tho, Phan Thiet-Dau Giay and LTIA) will need 30m-32m m³ of construction stone in 2020-25F, equivalent to 150-160% of the licensed mining capacity of listed companies, according to our estimates.

Figure 99: Locations of construction stone quarries and LTIA



SOURCES: VNDIRECT RESEARCH, MAPS.GOOGLE.COM

Figure 100: Quarries of listed construction stone companies

Company	Quarry	District	Province	Licensed mining capacity (m ³ /year)	Exploitation period
KSB	Tan Dong Hiep (*)	Di An	Binh Duong	2,341,858	Dec-19
	Tan My	Bac Tan Uyen	Binh Duong	1,500,000	Aug-29
	Phuoc Vinh	Phu Giao	Binh Duong	1,200,000	Jan-23
	Thien Tan 7	Vinh Cuu	Dong Nai	280,000	Jan-35
	Go Truong	Tinh Gia	Thanh Hoa	180,000	Jan-45
C32	Bai Giang	Nghi Loc	Nghe An	150,000	Aug-43
	Tan Dong Hiep (*)	Di An	Binh Duong	762,738	Dec-19
DHA	Tan My (**)	Bac Tan Uyen	Binh Duong	1,000,000	Dec-25
	Thach Phu 2	Vinh Cuu	Dong Nai	818,000	Sep-26
	Tan Cang 3	Bien Hoa	Dong Nai	490,000	Mar-37
NNC	Nui Gio	Hon Quan	Binh Phuoc	300,000	Aug-38
	Nui Nho (*)	Di An	Binh Duong	2,000,000	Dec-19
VLB	Mui Tau	Tan Lap	Binh Phuoc	1,000,000	Jan-42
	Thach Phu 1	Vinh Cuu	Dong Nai	1,800,000	Feb-23
	Thien Tan 2	Vinh Cuu	Dong Nai	1,800,000	N/A
	Soklu 2	Thong Nhat	Dong Nai	400,000	N/A
DND	Tan Cang 1	Bien Hoa	Dong Nai	1,500,000	N/A
	Tan Cang 5	Bien Hoa	Dong Nai	1,000,000	Jan-23
	Thien Tan	Vinh Cuu	Dong Nai	354,000	Jan-26
CTI	Tan Cang 8	Bien Hoa	Dong Nai	1,000,000	Dec-35

(*) Clusters have expired, but can still be exploited in the reconstituted period for 1-2 years

(**) Tan My mine is owned by Mien Dong (HOSE: MDG) – C32’s associated company

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

We prefer KSB (Not rated) and DHA (Not rated) as they own many quarries in convenient locations, with large mining capacity and long mining time horizon

We believe listed stone companies that own quarries of high quality at favourable locations will supply stone to LTIA, especially the Tan Cang and Thien Tan quarry cluster (owned by KSB, DHA, VLB and DND). We believe this mega project will drive the earnings of construction stone companies in 2021-22F.

Asphalt: Set for upward trajectory from 2021F ➔

The winner will take it all

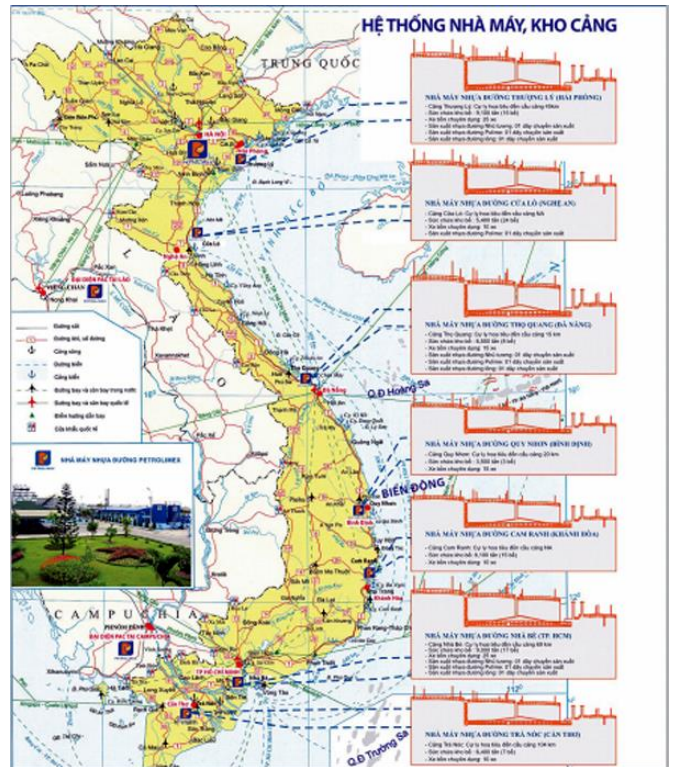
Over the last 10 years, Vietnam’s asphalt market has witnessed the exit of large international players such as Chevron, Shell and Puma. Currently, there are only a few players left, including ADCo (a subsidiary of TIPCO - Colas Group), and other local firms such as Petrolimex Petrochemical Corporation (PLC), ICT and Transmeco. PLC (Add, TP: VND30,900) dominates the asphalt industry with a market share of 30%, thanks to 1) strategic warehouse locations and 2) capacity to produce 4 types of asphalt, even for difficult projects such as airports and highways (mostly uses polymer asphalt).

Figure 101: Key asphalt manufactures in Vietnam

Company	Capacity (tonnes)	Number of factory	Market share in 2019	Asphalt products offered			
				60/70	MC	Emulsions	Polymer
PLC	400,000	7	30%	x	x	x	x
ADCo	150,000	4	22%	x		x	x
ICT	120,000	3	15-20%	x		x	x
Transmeco	~ 100,000	2	N/A	x	x	x	x

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 102: PLC's system of seven asphalt factories and warehouses located in strategic locations across the country



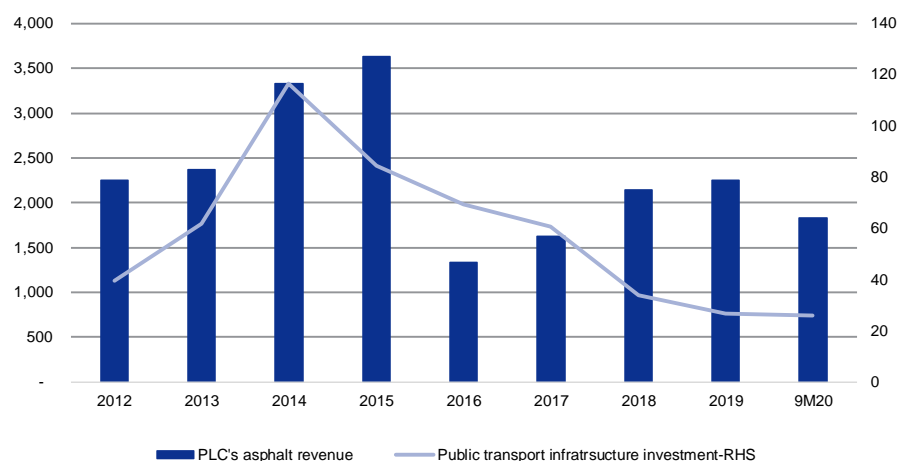
SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Riding on state investment expansion

Due to the lack of statistics on Vietnam's asphalt industry, we compare industry sales volume growth based on PLC, which maintained about 30% of domestic asphalt market share in FY15-19, according to PLC.

PLC's asphalt revenue jumped during FY2014-15, when the disbursement of public transportation investment rose strongly. Low infrastructure spending in FY16-19 was attributed to a strained government budget and cooling private investment in BOT projects, resulting in a ~50% decline in PLC's asphalt revenues vs. FY2014-15.

Figure 103: PLC's asphalt revenue vs. public transport infrastructure investment



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS, VN MINISTRY OF TRANSPORT

We prefer PLC thanks to its dominant market position

As asphalt paving usually takes place in the later stages of road-building projects, we expect asphalt companies to benefit more in FY21-22F. We believe PLC is well positioned to win contracts thanks to 1) its strong warehouse network and its market-leading capacity, and 2) PLC's long-standing relationships with SOEs and a good track record in contract execution.

Figure 104: Peer comparison

Company	Ticker	Recom.	Price	TP Mkt cap		P/E (x)		3-year EPS			P/BV (x)		EV/EBITDA (x)		ROE (%)	
				LC\$	LC\$	US\$ m	CY20F	CY21F	CAGR (%)	CY20F	CY21F	CY20F	CY21F	CY20F	CY21F	
Construction steel																
Hoa Phat Group JSC	HPG VN	Add	37,600	47,300	5,386	12.7	9.9	4.5	2.3	1.8	8.8	6.8	21.9	21.5		
Vietnam Steel Corp	TVN VN	na	7,400	na	217	na	na	-20.9	na	na	na	na	na	na		
Pomina Steel Corp	POM VN	na	11,800	na	142	na	na	na	na	na	na	na	na	na		
Thai Nguyen Iron and Steel JSC	TIS VN	na	9,700	na	77	na	na	na	na	na	na	na	na	na		
Vietnam - Italy Steel JSC	VIS VN	na	17,900	na	57	na	na	na	na	na	na	na	na	na		
<i>Average</i>					1,176	12.7	9.9	(8.2)	2.3	1.8	8.8	6.8	21.9	21.5		
<i>Median</i>					142	12.7	9.9	(8.2)	2.3	1.8	8.8	6.8	21.9	21.5		
Galvanised steel																
Hoa Sen Group	HSG VN	na	19,900	18,650	382	8.2	6.9	92.3	1.2	1.0	5.3	4.9	15.4	15.5		
Nam Kim Steel JSC	NKG VN	na	13,700	10,000	102	15.7	10.7	-37.7	na	na	6.6	6.5	5.9	7.3		
<i>Average</i>					242	12.0	8.8	27.3	1.2	na	6.0	5.7	10.7	11.4		
<i>Median</i>					242	12.0	8.8	27.3	1.2	na	6.0	5.7	10.7	11.4		
Regional listed steel producers																
Nanjing Iron & Steel Co-A	600282 CH	na	3.3	3.9	3,099	8.3	7.6	322.5	1	0.9	5.6	5.2	12.1	11.9		
Xinxing Ductile Iron Pipes-A	000778 CH	na	3.7	na	2,269	8.9	8.3	68.9	0.7	0.6	6.1	5.7	7.6	7.6		
SGIS Songshan Co Ltd-A	000717 CH	na	4.7	5.1	1,745	6.6	6.2	804.2	1.2	1	4.5	4.1	18.1	16.4		
Sansteel Minguang Co Ltd -A	002110 CH	na	7.0	8.0	2,638	6.8	6.2	78.9	0.8	0.8	5.3	5	12.2	12.3		
Liuzhou Iron & Steel Co-A	601003 CH	na	5.2	5.5	2,025	7.4	7.1	327.1	1.1	1	8.5	8	13.8	13.3		
Angang Steel Co Ltd-A	000898 CH	na	3.2	3.5	4,491	16.9	12.3	87.1	0.6	0.5	6.3	5.6	3.3	4.1		
Xinyu Iron & Steel Co Ltd-A	600782 CH	na	4.7	4.8	2,310	5.9	5.7	179.9	0.6	0.5	7	6.4	10.2	9.3		
Hyundai Steel	004020 KS	na	40,600	35,079	4,974	na	23.9	-48.7	0.3	0.3	9.4	7.6	-0.9	1.3		
JFE Holidng Inc	5411 JP	na	1,071	1,168	6,297	na	11.7	na	0.4	0.4	16.7	8.2	-5.6	3		
Tata Steel	TATA IN	Add	610	590	9,489	31.7	9.8	50	1	0.9	8.3	6.4	3.1	9.1		
Jindal Steel & Power Ltd	JSP IN	Add	259	288	3,589	12.4	11.9	58.5	0.8	0.8	5	5.1	6.6	6.4		
NMDC	NMDC IN	Add	108	114	4,477	8.4	8.2	14.4	1.1	1	6	5.7	13.5	13		
<i>Average</i>					3,950	11.3	9.9	176.6	0.8	0.7	7.4	6.1	7.8	9.0		
<i>Median</i>					3,344	8.4	8.3	78.9	0.8	0.8	6.2	5.7	8.9	9.2		
Cement																
Ha Tien 1 Cement JSC	HT1 VN	na	16,500	17,067	272	10.3	9.5	3.7	1.1	1.1	4.8	4.7	11.8	12.8		
Bim Son Cement JSC	BCC VN	na	7600	na	40	na	na	911.8	na	na	na	na	na	na		
But Son Cement JSC	BTS VN	na	4500	na	24	na	na	204.1	na	na	na	na	na	na		
<i>Average</i>					112	10.3	9.5	373.2	1.1	1.1	4.8	4.7	11.8	12.8		
<i>Median</i>					40	10.3	9.5	204.1	1.1	1.1	4.8	4.7	11.8	12.8		
Construction stone																
Binh Duong Minerals & Cons JSC	KSB VN	na	27,800	na	77	na	na	16.5	na	na	na	na	na	na		
Nui Nho Stone JSC	NNC VN	na	36,550	na	35	na	na	-11.8	na	na	na	na	na	na		
Hoa An JSC	DHA VN	na	44,000	na	28	na	na	29.9	na	na	na	na	na	na		
<i>Average</i>					46.6667	na	na	11.5	na	na	na	na	na	na		
<i>Median</i>					35	na	na	16.5	na	na	na	na	na	na		
Asphalt																
Petrolimex Petrochemical JSC	PLC VN	na	26,200	30,900	92	15.3	9.5	-18.6	2	1.7	13.8	9.9	12.6	19.4		

SOURCES: VNDIRECT RESEARCH, BLOOMBERG, DATA AS OF 11 DEC 2020

RESIDENTIAL PROPERTY: Stay tuned for re-ratings in 2021F

We expect a firm recovery trajectory from 2021F onwards ►

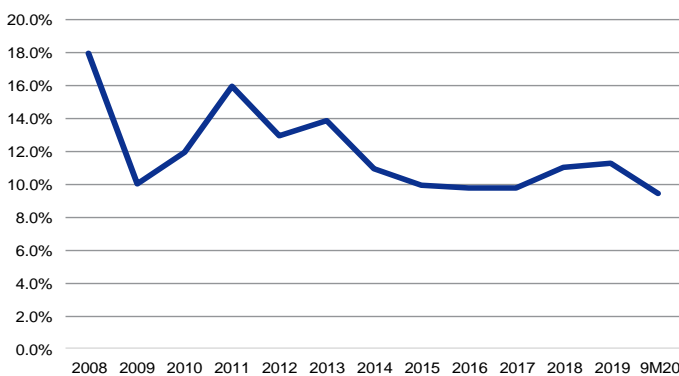
A board-based recovery of macro fundamentals will propel property market in 2021F

We expect a strong recovery in Vietnam's economy in 2021F, driven by a rebound in manufacturing activities and an increase in external and domestic demand. We forecast the economy to expand 7.1% yoy in 2021F, while inflation pressure is expected to decline. Given its positive growth prospects along with its globally-recognised success in containing the Covid-19 outbreak locally, we believe that Vietnam could attract more capital inflows and expect the disbursed capital of FDI projects to increase by 7% yoy in 2021F. The accelerated relocation of manufacturing facilities from China to Vietnam due to the trade war between the US and China, as well as the need to diversify supply chains following the Covid-19 pandemic could support and strengthen capital inflows into Vietnam as well, especially in industrial zone properties.

In a bid to speed up the recovery in GDP growth, the government has been stepping up public investments, especially in infrastructure development having a direct impact on the property market and becoming its key growth engine going forward. According to GSO, disbursed public investments jumped 34% yoy to VND407tr in 11M20, way above the 7% rise in 11M19. We expect public investment to accelerate in 2021F, as six of the 11 sub-projects in the eastern section of the North-South Expressway that were implemented between 4Q19-4Q20 will be built in 2021F and are expected to be completed in the 2022-23F period.

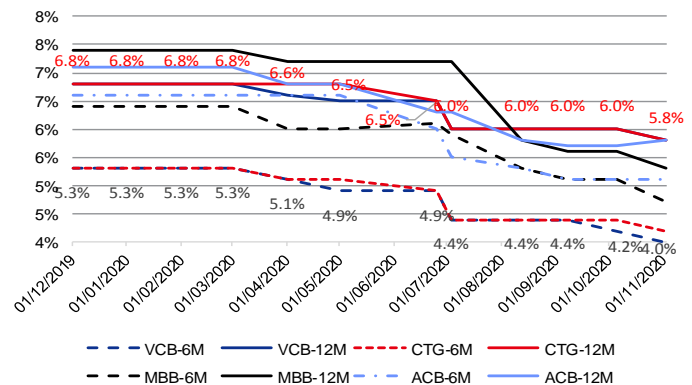
We believe the average adjustable mortgage rate will remain low in 2021F

Figure 105: Average mortgage rate has been declining in 9M20 following subdued deposit rates cross commercial banks



SOURCES: VNDIRECT RESEARCH, DOMESTIC BANKS

Figure 106: Banks' 6M/over-6M deposit rates have decreased 100-210bp since Mar 2020



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Since the Covid-19 outbreak in Jan 2020, the State Bank of Vietnam (SBV) has cut the key policy rates three times (in Mar, May and Oct 2020), in an effort to save the economy from the fallout of the pandemic; this reduced the pressure on banks for provision expense, and on customers for interest expense. As a result, banks offered stimulus packages, such as waiving/exempting interest rates and lowering lending rates to reverse the low capital demand from local homebuyers due to the Covid-19 pandemic and limited housing supply. As at Nov 20, the average adjustable mortgage rate from local banks has dropped 1.8% pts to 9.5%, a 10-year low.

Given the benign inflationary pressure, we expect the SBV to maintain its accommodative monetary policy into 2021F. Although we do not expect the central bank to cut its key policy rates further, we also think it would not lift them either in 2021F, in a bid to continue supporting the economy by maintaining a

Analyst(s)

Tu NGUYEN

T (84) 33 355 7019

E tu.nguyencam2@vndirect.com.vn

Toan CHU

T (84) 94 519 9218

E toan.chuduc@vndirect.com.vn

loose monetary policy. Following that reason, we believe mortgage rates will still be maintained at a low rate in 2021F to stimulate property demand.

We expect a surge in new supply as the regulatory bottleneck is gradually loosened

We expect the amendment of Construction Law 2020 and new Investment Law 2020 coming into effect from 1 Jan 2021 would tackle the bottlenecks in the approval of residential projects and shorten the time in granting construction permits from 2021. Given the reinstatement of the delayed projects from 2020 due to Covid-19 in FY21F, we project the new condo supply in HCMC in 2021F to record a 10-15% yoy increase to 17,000 units, in our view. We also expect the amendment of the Land Law 2020, to be approved in 2021 and taking affect from 1 Jan 2022, to result in a recovery in new condo supply to 2017-18 levels in the coming years.

Some of the noticeable launched projects in HCMC are: i) Saigon Sport City (over 4,300 units) in District 2; ii) Vinhomes Grand Park (over 45,000 units) in District 9, with the first phase of 10,000 condo units launched in 3Q19 and the subsequent phase of 3,502 units launched in 3Q20; iii) Empire City (c.1,500 units left) in District 2; iv) Grand Manhattan (967 units) in District 1; v) Spirit of Saigon (214 units). Most of the projects to be launched in 2021F had received approval from the Construction Department in 2020 but were delayed to 2021F.

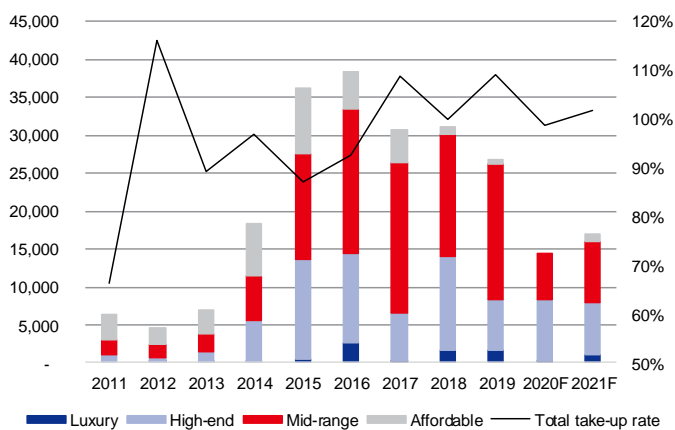
We expect to see new pricing levels in the luxury segment set by the Spirit of Saigon project with a price, based on industry estimates, of US\$20,000-25,000 psm, and the Empire City project with a price, based on industry estimates, of US\$12,000-14,000 psm, driven by their sought-after locations.

Figure 107: Projects which could be launched in 2021F. We expect the East of HCMC to continue to be the market hotspot in 2021F

Project	Developer	Total units at Oct 20 (units)	Remaining units at Oct 20 (units)	District	Rumor Price (US\$ psm)
Vinhomes Grand Park	Vinhomes	45,000	28,000	9	2,000 - 2,300
Spirit of Saigon	Saigon Glory	214	214	1	20,000 - 25,000
Empire City	Keppel Land	2,500	1,500	2	12,000 - 14,000 (* for MU1 only)
Saigon Sport City	Keppel Land	4,300	4,300	2	3,700 - 4,500
Grand Manhattan	Novaland	967	967	1	6,500 - 8,000

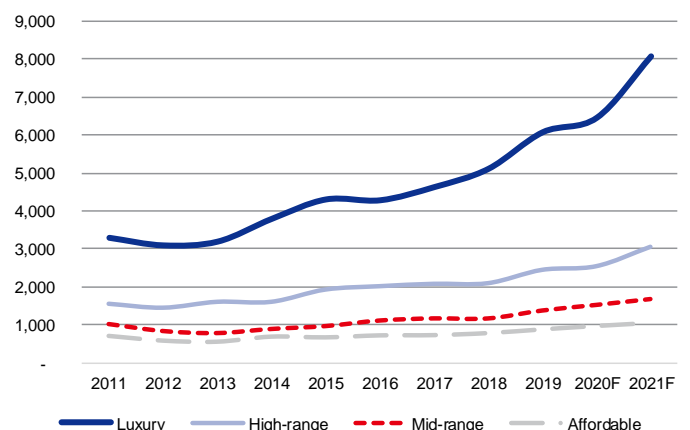
SOURCES: VNDIRECT RESEARCH, CBRE

Figure 108: HCMC's condominium (units): a pickup in new supply at last thanks to loosening regulatory bottleneck



SOURCES: VNDIRECT RESEARCH, CBRE

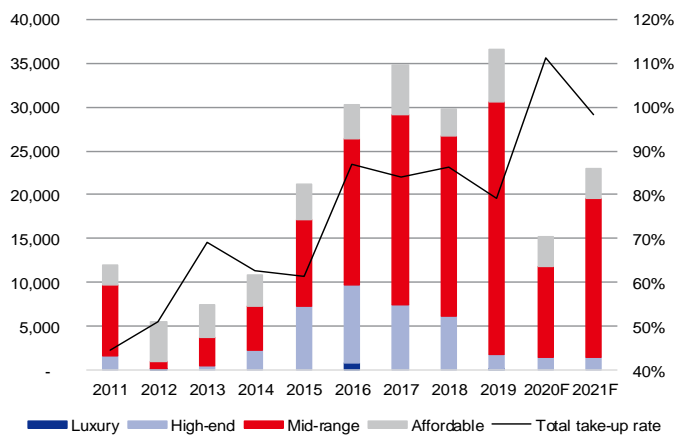
Figure 109: HCMC's condo prices (US\$/sq m) – While the luxury and high-end segments will see prices peak during the year, prices of other segments should be stable in 2021F



SOURCES: VNDIRECT RESEARCH, CBRE

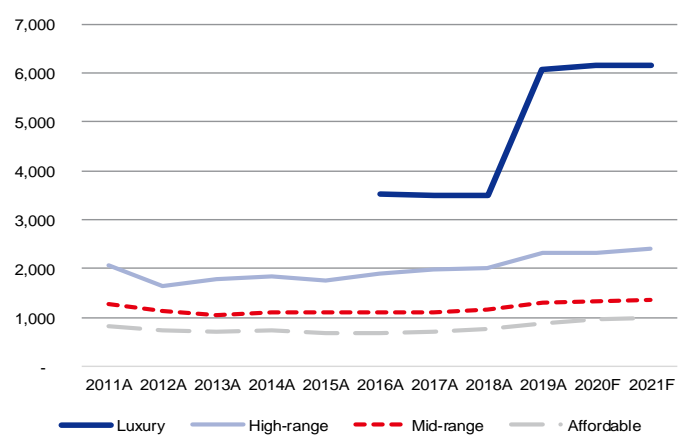
Unlike HCMC, the Hanoi condo market has been dominated mostly by local, Hanoi-based developers and developed in mid-range segment. Given its more competitive market, we believe any significant changes in the average primary price would not happen in FY21F; we project a stable increase of 3-4% yoy prices. We expect to see a 50-60% increase in new condo supply in 2021F to 23,000 units, dominated mostly by units in the west and the east of Hanoi, driven by the stable new supply from Vinhomes' massive projects (Vinhomes Smart City, Vinhomes Ocean Park), followed by Sunshine Empire (c.2,200 units), Gamuda City (c.2,000 units), The Matrix One (c.1,500 units) and Lancaster Luminaire (c.126 units).

Figure 110: Hanoi's condominium - we expect a surge in FY21F new supply, driven by a stable contribution in Vinhomes' massive projects



SOURCES: VNDIRECT RESEARCH, CBRE

Figure 111: Hanoi's condo prices (US\$/sq m) – we project a stable increase of 3-4% yoy prices, given its more competition in mid-end segment



SOURCES: VNDIRECT RESEARCH, CBRE

Uptrend in prices likely to continue in 2021F ➔

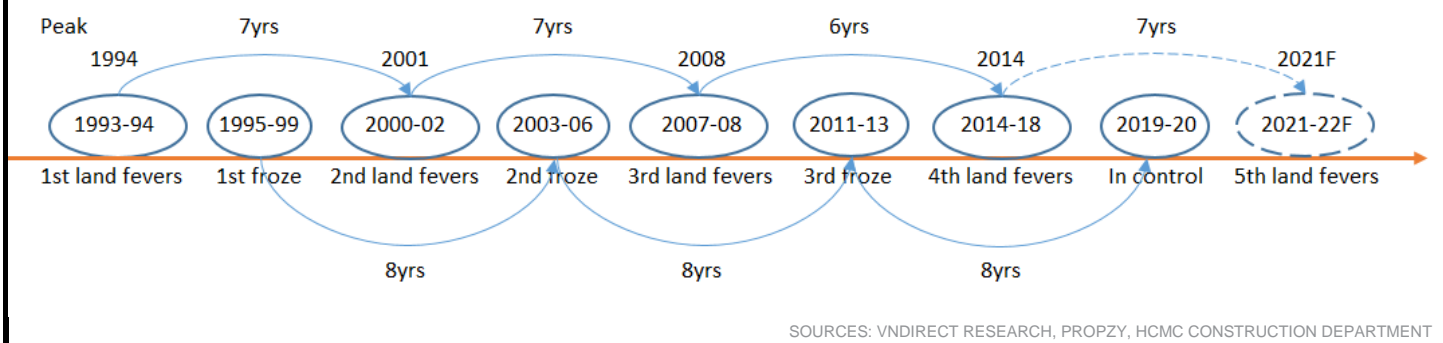
We project an uptrend in housing prices in 2021F thanks to the increase in demand, driven by 1) the acceleration in infrastructure development having a direct impact on the property market; and 2) house purchasing decisions underpinned by declining mortgage interest rates. In addition, based on our observations, Vietnam's property market follows a 7-year cycle, and we see the FY21F property market entering an upcycle amid 1) positive legal developments with the amendment to the Construction Law 2020 and new Investment Law 2020 entering into effect from 1 Jan 2021; and 2) an expectation of FY21F GDP growing by 7.1%.

Figure 112: Upcycles are generally supported by a rapidly-growing economy, along with many policies directly impacting land and housing development

Year	Driven by
1994	- Land Law 1993, marking the first time property ownership to be considered as an investment
2001	- U.S.-Vietnam Bilateral Trade Agreement (BTA) - Vietnam joining World Trade Organization (WTO)
2008	- Achieving a GDP of 8.2%. - Revised Land Law 2013
2014	- Low mortgage rate, loosening credit
2021F	- The amendment of Construction Law 2020 and new Investment Law 2020 - The expectation of FY21F GDP growing 7.1% - The acceleration in infrastructure development - Unprecedented affordable interest rates

SOURCES: VNDIRECT RESEARCH, PROPZY

Figure 113: Real estate cycles from 1994-2020



We see no signs of a property bubble in the near term

Market shrinkage, along with a sharp increase in housing prices, has led to concerns of a property bubble, similar to the one in 2009-10 that froze the property market until 2013. However, the problems of 2019-20 are different from those in 2009-10. At decade ago, products were abundant but there were not many buyers, which led to high inventory levels worth VND200tr, along with housing prices being much higher than their real values and a large number of “ghost” projects, leading to a market collapse. In the current period, the problem is one of a supply shortage rather than oversupply; meanwhile demand is still high and there is ample cash flow headed for the real estate market.

We see three trends shaping the 2021 property market >

Landed property market in HCMC’s/Hanoi’s neighbouring provinces likely to continue doing well in 2021F

We believe the trends of “migration” to neighbouring provinces of HCMC and Hanoi will continue to be ones to watch out for in 2021F, driven by the cheaper units in those areas, similar to prices in CBD four to five years ago, and promising an attractive potential return for investors as the developers had acquired land there at costs that were lower than those in CBD. In addition, positive signs of public investment activities in 2020, especially in infrastructure development, are likely to stimulate demand as well. In 2020, the government proposed a VND2,750tr public investment budget for 2021-25, a 37.5% increase vs. 2016-20, approved expansion of HCMC-Long Thanh expressway, and started Dau Giay-Phan Thiet expressway in Sep 20.

In HCMC, the expansion of expressway to the west and coastal areas in the south with imminent infrastructure projects such as Ben Luc – Long Thanh, Dau Giay – Phan Thiet lifted land prices by 50-100% within a year in some areas, namely Ba Ria-Vung Tau, Long An, Phan Thiet, Binh Thuan and Dong Nai. We expect the developers that own massive landbank in those areas to enjoy the benefits of rising land prices. Some projects are likely to be launched in 2021F: i) Gem Sky World in Dong Nai (c.4,000 units); ii) NovaWorld Phan Thiet; iii) Aqua City and Waterfront in Dong Nai; and iv) Southgate phase 2 in Long An.

Figure 114: Landed property in Phan Thiet, Dong Nai, etc. should benefit from the expansion of expressways to the west and coastal areas in south Vietnam

Under construction/planning expressways	Completed expressways	International airports	Major sea ports/River ports
1. Ben Luc - Long Thanh	1. HCMC - Long Thanh - Dau Giay	1. Tan Son Nhat	1. Cat Lai Port
2. HCMC - Moc Bai	2. HCMC - Trung Luong	2. Long Thanh (Future)	2. Hiep Phuoc Port Complex
3. Bien Hoa - Vung Tau			3. Long An International Port
4. Trung Luong - My Thuan			4. Cai Mep Port Complex
5. Dau Giay - Phan Thiet			
6. Vinh Hao - Phan Thiet			
7. Ring Road no.3 of HCMC			

SOURCES: VNDIRECT RESEARCH, CBRE

Like in HCMC, mega projects in Hanoi's neighbouring provinces are expected to dominate the market as well. Hai Phong, Thai Nguyen, Hoa Lac, Quang Ninh are expected to see a demand boom thanks to the expansion of expressways to the border and coastal areas in the north, with under construction/planned expressways such as Van Don-Mong Cai, Ninh Binh-Hai Phong, Huu Nghi-Chi Lang.

Figure 115: Landed property in Hai Phong, Quang Ninh, etc. should benefit from the expansion of expressways to the border and coastal areas in north Vietnam

Under construction/planning expressways	Completed expressways	International airports	Major sea ports/River ports
1. Van Don – Mong Cai	1. Lang – Hoa Lac	1. Noi Bai	1. Hai Phong Port Complex
2. Ninh Binh – Hai Phong	2. Ha Noi – Lao Cai	2. Cat Bi	2. Quang Ninh Port
3. Huu Nghi – Chi Lang	3. Ha Noi – Ninh Binh	3. Van Don	
	4. Ha Noi – Thai Nguyen		
	5. Ha Noi – Hai Phong		
	6. Hai Phong – Ha Long		
	7. Ha Long – Van Don		

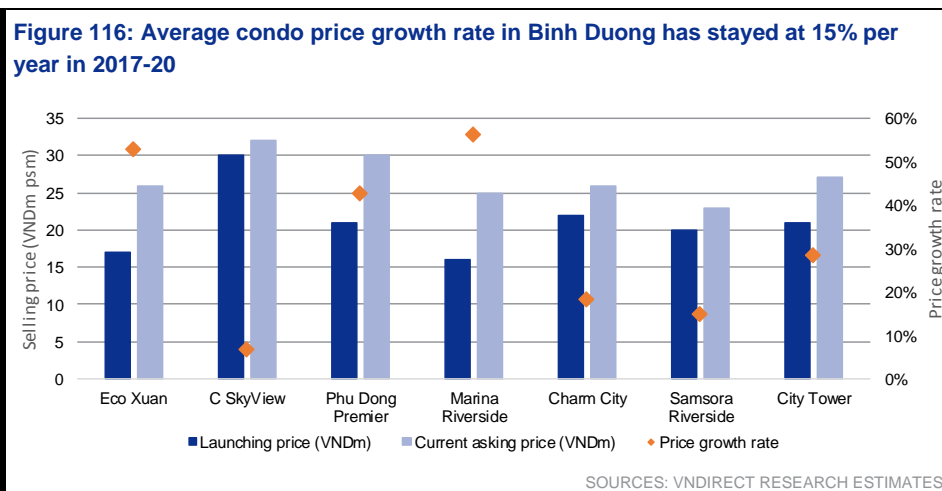
SOURCES: VNDIRECT RESEARCH, CBRE

Binh Duong is emerging as a hotspot

Emerging as an industrial hub in southern Vietnam with 28 industrial parks providing c.13,500ha such as VSIP, Becamex, Viet Huong IP, Nam Tan Uyen IP, etc. Binh Duong has emerged as a bright spot to attract FDI in the manufacturing relocation trend from China. Up to Sep 20, Binh Duong was ranked third in the country in FDI attraction (after HCMC and Hanoi) with 3,855 projects, luring a total registered capital of US\$34.9bn from 65 countries.

According to Binh Duong Construction Department, this province is likely to attract tens of thousands of experts, engineers, and workers, leading to a high demand for apartments, land lots, and townhouses from affordable to high-end products, given the expansion of 34 IPs in upcoming years.

It is not only top domestic developers, such as Vinhomes (VHM VN, Add, TP: VND104,300), Dat Xanh (DXG VN, Not Rated), and Phat Dat (PDR VN, Not Rated), that have invested in Binh Duong but foreign developers, such as Sembcorp Development (Unlisted) and Tokyu (Unlisted), as well. According to CBRE, in 9M20, new condo supply in Binh Duong reached 8,289 units from 8 projects, just 10% below that of HCMC. 9M20 take-up rate in Binh Duong was 96.6%, equivalent to that of HCMC, driven by high demand from experts, engineers and workers in this area. As of Oct 2020, condo prices have reached VND30m-40m psm, up considerably from only VND20m-25m in 2018.



According to Binh Duong Construction Department, 114 residential projects have been approved for the master zoning plan at 1:500 scale in 9M20, with some notable projects: Dai Phuc City (19.6ha), Suoi Giua project (30.6ha), Binh Quoi urban area project (34ha), Nam Tan Uyen residential area (70ha), providing 50,000-60,000 units in the upcoming years. We expect 20,000 new condo units to be launched in 4Q20-FY21F in Binh Duong from Astral City (c.5,000 units), Anderson Park (c.2,500 units), Opal Sky View (c.1,500 units), New Galaxy (c.2,000 units), The Emerald Golf View (c.1,100 units), and Opal Central Park (c.8,500 units).

Figure 117: Projects which could be launched in 4Q20-FY21F in Binh Duong

Project name	Launching year	No. of units	Rumour price (VNDm psm)
Opal Skyline	2021F	1,505	29.5
Astral City	4Q20F	5,200	38-40
Emerald Gold View	2021F	1,075	37-40
Anderson Park	4Q20F	2,477	35-41

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

M&As could add excitement to property market in 2021F

The slow regulatory approval process since mid-2018 and the impact of Covid-19 have resulted in many small developers facing financial problems. But this has created land hunting opportunities for real estate companies with the financial muscle. In addition, according to Colliers Vietnam, in 9M20, there were at least ten new foreign developers from Korea, Japan, China and Singapore seeking opportunities to enter the Vietnam market. This is a surprise, given that there are currently just c.12-15 foreign developers in Vietnam (in our observation). We believe the interest is due to Vietnam's globally-recognised success in containing the spread of Covid-19 locally.

M&As, especially transferring sub-projects in large-scale developments, provide the quickest solutions for foreign investors to enter the Vietnam market and local investors to expand their land fund. Some projects from scalable companies have been under negotiation and completed negotiation of key financial terms in 4Q20, in our observation. We expect those deals to be closed in 2021F on the back of improvements in the legal framework in the new Investment Law 2020 coming into effect from 1 Jan 2021.

An example of a recent prominent M&A deal, Novaland (NVL VN, Non-rated) closed a deal of a 286 ha project in Dong Nai, along with a number of other small deals in other localities, at a total value of nearly US\$1bn.

Figure 118: M&A deals which could be closed in 4Q20-FY21F

Project	Location	Land Area	Negotiation progress	Expected timeline	Transaction value
A	Eastern HCMC	>50ha	Completed negotiation of key financial terms	2021	N/A
B	Eastern HCMC	>50ha	Completed negotiation of key financial terms	2021	N/A
C	Dong Nai Province	>70ha	Completed negotiation of key financial terms	4Q20-2021	>VND2,000bn
D	Dong Nai Province	>45ha	Completed negotiation of key financial terms	4Q20-2021	>VND2,000bn
E	District 2	>60ha	Under negotiation	2021-22F	N/A
F	Dong Nai Province	>286ha	Completed negotiation of key financial terms	2021	c.US\$1bn
G	District 10	>8ha	Under negotiation	2021	N/A

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Stock picks: we prefer VHM and NLG ►

We like developers that meet the following key criteria:

- About to launch projects for which they already have construction licenses or land use right (LUR) certificates, or have a high likelihood of securing the license/certificate in 2021F;
- With material exposure to the mid-range and affordable condo segments as these segments are driven by real end-user demand; and
- Buffered by a healthy financial position (low leverage, strong liquidity) to counter the risk of tightening credit for the real estate market as discussed above.

Based on the above criteria, Nam Long (NLG VN, ADD, TP: VND34,800), Vinhomes (VHM VN, ADD, TP:104,300), are our top picks.

Figure 119: Performance forecast for 2020-22F, for property companies under our coverage

VNDbn	VHM			NLG			KDH			KBC		
	2020F	2021F	2022F	2020F	2021F	2022F	2020F	2021F	2022F	2020F	2021F	2022F
Unbook presales (VNDbn)	142,756	197,273	176,383	7,474	9,935	12,255	5,044	3,826	8,282	2,479	2,753	1,533
Revenue (VNDbn)	79,719	128,113	191,649	1,641	1,734	2,291	3,526	4,592	6,408	2,800	3,210	3,483
Revenue growth	54%	61%	50%	-36%	6%	32%	25%	30%	40%	-13%	15%	9%
Operating EBITDA (VNDbn)	27,035	47,774	76,079	283	359	571	1,561	1,583	3,457	1,194	1,535	1,566
Operating EBITDA growth	15%	77%	59%	-56%	27%	59%	27%	1%	118%	-25%	29%	2%
Net profit (VNDbn)	24,886	36,398	58,855	880	1,127	1,444	1,183	1,195	2,629	616	832	857
Net profit growth	17%	46%	62%	-8%	28%	28%	29%	1%	120%	-33%	35%	3%
Core EPS (VND)	7,430	10,867	17,571	3,240	3,979	5,096	2,055	2,062	4,535	1,310	1,771	1,825
Core EPS growth	17%	46%	62%	-13%	23%	28%	25%	0%	120%	-33%	35%	3%
Net Gearing	40%	28%	18%	-1%	3%	2%	-14%	-7%	-3%	-14%	0%	-3%
P/BV (x)	3.5	2.5	1.7	1.5	1.2	1.0	1.9	1.8	1.5	0.8	0.7	0.7
ROE	37%	37%	42%	16%	18%	20%	15%	14%	27%	6%	8%	8%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 120: Peer comparisons

Company Name	Ticker	Share price (local cur)	TP (local cur)	Upside	Recom.	Market Cap (US\$mn)	3-year Fwd EPS CAGR (%)	P/E (x)		P/B (x)		ROE (%)		Dividend yield (%)		Net D/E (%)
								2020F	2021F	2020F	2021F	2020F	2021F	2020F	2021F	
Local peer average							8.9	14.4	11.1	1.7	1.5	12.3	14.8	1.2	1.7	33.4
Local peer median							8.9	15.1	10.5	1.7	1.5	14.8	13.8	1.7	1.7	17.2
Regional peer average							(15.4)	28.8	13.2	1.0	0.9	8.8	10.4	3.5	3.8	55.0
Regional peer median							(9.2)	20.1	13.1	0.9	0.9	5.0	7.3	3.1	3.8	52.0
Vietnam																
Vinhomes	VHM VN	83,600	104,300	24.8%	ADD	11,889	33.6	11.3	7.7	3.5	2.5	36.5	37.4	1.2	1.2	39.6
Novaland	NVL VN	63,900	NR	N/A	NR	2,724	N/A	16.6	16.0	2.5	2.1	14.9	13.4	0.0	0.0	113.1
Khang Dien	KDH VN	28,000	29,100	3.9%	HOLD	676	9.0	13.6	13.6	1.9	1.8	14.7	13.7	1.8	1.8	-13.8
Dat Xanh	DXG VN	14,700	NR	N/A	NR	329	N/A	18.4	7.3	1.0	0.9	3.1	14.0	N/A	3.4	35.8
Nam Long	NLG VN	29,400	34,800	18.4%	ADD	350	8.7	9.1	7.4	1.5	1.2	16.3	18.1	1.7	1.7	-1.3
China & Hongkong																
China Vanke-A	000002 CH	N/A	31.0	N/A	HOLD	48,745	6.0	7.7	7.1	1.5	1.3	20.7	19.7	3.9	4.2	45.1
Sun Hung Kai	16 HK	102.5	134.0	30.8%	ADD	39,103	(13.4)	11.3	9.8	0.5	0.5	4.7	5.2	4.8	5.0	13.6
China Overseas Land	688 HK	23.9	26.0	8.6%	ADD	24,761	11.1	4.3	3.8	0.5	0.5	16.8	17.1	7.9	8.9	32.8
China Resources Land	1109 HK	31.9	43.1	35.1%	ADD	29,622	11.9	8.0	7.0	1.0	1.0	21.8	24.2	4.4	5.0	30.9
China Evergrande	3333 HK	15.9	20.1	26.8%	ADD	26,477	(17.0)	8.5	8.0	1.1	1.0	23.3	21.0	5.0	5.9	181.0
Country Garden	2007 HK	9.7	10.1	3.7%	HOLD	28,541	6.8	4.4	4.2	1.0	0.9	34.1	31.9	7.4	7.5	52.0
Indonesia																
Pakuwon Jati	PWON IJ	600	630.0	5.0%	ADD	1,857	(10.4)	22.2	14.3	1.8	1.6	10.0	14.5	-	0.5	2.7
Bumi Serpong Damai	BSDE IJ	1,320	1,400.0	6.1%	ADD	1,655	4.5	22.5	14.4	0.8	0.8	4.3	6.8	-	-	9.5
Ciputra Development	CTRA IJ	1,052	1,200.0	14.1%	ADD	1,221	(0.6)	22.4	14.9	1.1	1.0	5.0	7.3	0.9	-	27.8
Summarecon Agung	SMRA IJ	1,145	880.0	-23.1%	HOLD	822	0.6	167.4	25.4	1.5	1.4	3.7	9.1	-	0.0	77.3
Malaysia																
KLCCP Stapled	KLCCSS MK	7.6	7.7	0.7%	HOLD	3,342	(0.5)	20.7	19.1	1.1	1.1	6.0	6.8	5.8	6.4	9.6
SP Setia	SPSB MK	1.3	0.9	-30.2%	ADD	944	(18.4)	37.3	11.8	0.3	0.3	0.7	2.2	0.5	1.7	62.3
Sime Darby Property	SDPR MK	0.8	0.9	5.6%	ADD	1,080	(226.3)	23.8	13.6	0.4	0.4	2.5	4.3	1.3	2.2	25.7
Singapore																
CapitaLand	CAPL SP	3.3	3.4	2.3%	ADD	12,299	(17.0)	22.7	13.0	0.7	0.7	4.6	5.3	3.8	3.8	62.9
Keppel Corp	KEP SP	5.7	6.5	13.9%	ADD	7,102	(9.0)	NA	13.3	0.9	0.9	(2.2)	6.5	1.9	3.5	83.7
City Developments	CIT SP	9.4	10.1	7.3%	ADD	5,326	(10.0)	32.3	17.6	0.6	0.5	1.7	3.3	1.5	1.8	58.2
UOL Group	UOL SP	7.1	7.6	7.0%	ADD	4,754	(9.7)	63.8	21.9	0.6	0.6	2.8	2.9	2.3	2.3	29.5
Frasers Property	FPL SP	1.7	1.7	-0.4%	ADD	2,733	(22.2)	16.0	11.0	0.4	0.4	3.0	4.3	1.7	3.6	110.6
Ascott Residence	ART SP	1.3	1.0	-17.1%	ADD	2,438	(9.2)	83.9	30.3	0.8	0.8	1.0	2.7	2.6	3.8	54.6
Thailand																
Land And Houses	LH TB	8.8	9.9	12.6%	ADD	N/A	(9.6)	15.7	13.1	2.0	1.9	12.4	14.6	6.8	5.9	85.1
WHA Corporation	WHA TB	4.4	3.7	-14.3%	ADD	N/A	2.6	19.5	14.2	1.6	1.5	8.1	10.8	3.1	4.2	109.7
Pruksa Holding	PSH TB	14.6	11.8	-19.2%	HOLD	N/A	(18.2)	9.4	8.6	0.6	0.6	6.9	7.4	9.0	6.4	67.0
Supalai	SPALI TB	16.7	20.3	21.9%	ADD	N/A	(5.3)	9.2	7.8	1.0	0.9	11.2	12.4	5.7	5.5	32.7

Note: all prices are based on the closing prices on Dec 10 2020. All estimates for Non-rated (NR) stocks are based on Bloomberg consensus estimates.

SOURCES: VNDIRECT RESEARCH, BLOOMBERG, COMPANY REPORTS

BANKING: Against all odds

We expect industry credit to resurge to 13-14% in 2021F ►

System credit recorded its lowest growth rate in the past eight years.

As at end-3Q20, industry credit grew only 6.08% in 9M20, nearly doubling the 3.65% rate in 1H20, but far lower than the 9.4% rate seen in 9M19. While the Covid-19 pandemic had been responsible for the lower credit growth, the Vietnam government's proactivity in controlling the Covid-19 community transmission and in increasing fiscal deficit, together with the State Bank of Vietnam (SBV), to loosen monetary policy helped improve the system's credit growth. As a result, in 2020, industry credit rose 1.31% YTD at end-1Q20, further improved to 3.65% YTD at end-2Q20, before reaching 6.08% YTD at end-3Q20. As of 17 Nov 2020, industry credit had surged 7.26%, close to the SBV's 2020F system credit growth plan of 8-10%.

- The pandemic disrupted business operations, lowering credit demand. Due to the Covid-19 pandemic, many countries shut their borders, applied social distancing orders that affected business operations and people's incomes, which, in turn, lowered demand in consumption and tourism. 9M20 Vietnam's industry and services segments, which accounted for 30.1% and 38.4% GDP, respectively, showed the lowest growth in a decade of 2.69% yoy and 1.37% yoy. Therefore, at end-3Q20, total credit of the industry, trade, and services segments, which accounted for 79% of total system credit, rose by only 10.3% yoy (+6.2% in 9M20), compared with +14.9% yoy at end-3Q19 (+10.4% in 9M19).
- The government's effectiveness in curbing the Covid-19 community transmission and disbursing public investments, as well as the SBV's loosening monetary policy, have created credit demand and spurred credit growth.
 - 1) The Vietnam government's success in controlling the Covid-19 community transmission created an environment for businesses to return to manufacturing activities, while its efficiency in boosting public investment disbursements created jobs for both businesses and individuals. These policies indirectly enhanced credit demand.
 - 2) The SBV's Circular 01, which instructed banks to restructure loans with tenures of up to 12 months and to reduce/exempt interest payments for customers, helped reduce pressures on both banks' provision expense and customers' interest expense. Also, SBV's key rate cuts in Mar, May and Sep 2020 cushioned banks' funding costs, leading to lower lending interest rates, which encouraged business to take new credit for their continuing operations as the economy recovers.
 - 3) Besides, the ongoing low credit expansion of two state-owned commercial lenders, BIDV (Not rated, BID) and VietinBank (Not rated, CTG), which accounted for 24.2% of total system credit, was only 2.5% and 2.4% in 9M20, respectively (vs. 8.6% and 3.9% in 9M19). Other listed banks' credit growth was higher than system credit rise of 6.08% in 9M20.

Analyst(s)

Ngoc NGUYEN

T (84) 90 918 2135

E ngoc.nguyendang@vndirect.com.vn

Thanh NGUYEN

T (84) 91 514 3803

E thanh.nguyenphuong@vndirect.com.vn

Figure 121: We expect credit to grow 9% in 2020F, then resurge to 13-14% in 2021F

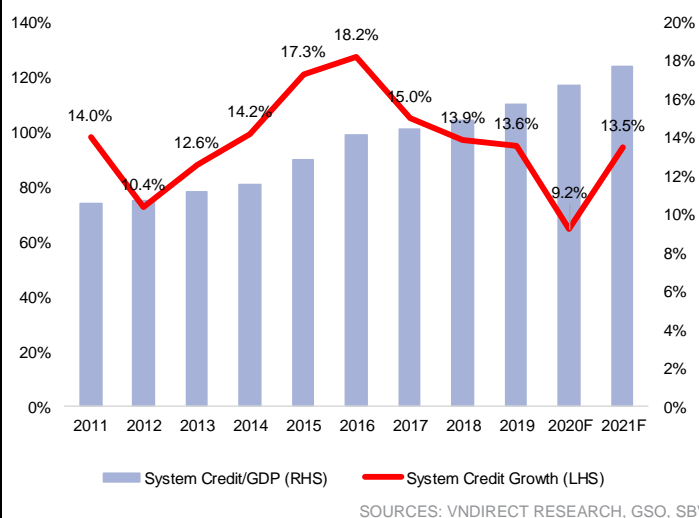
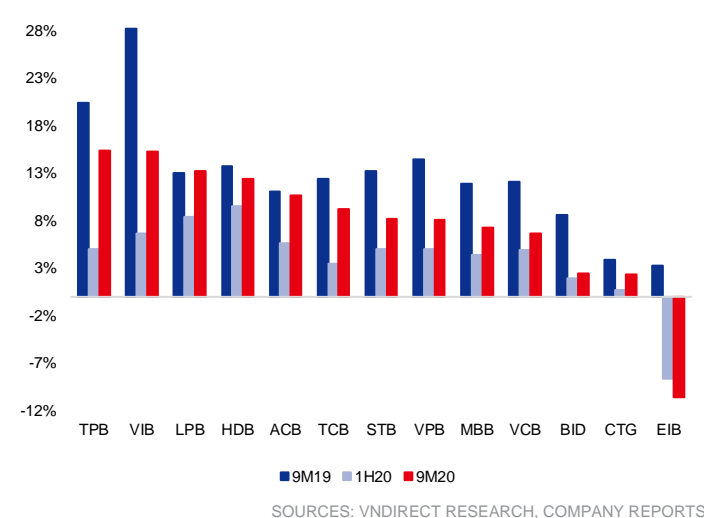


Figure 122: 9M20 loan growth across banks recorded solid improvement vs. 1H20



We maintain our credit growth forecast of 9% in 2020F, 13-14% in 2021F.

Thus far, Covid-19 vaccine developments have showed positive progress and results. Pfizer (the US), AstraZeneca (the UK), and Sputnik V (Russia) disclosed that their vaccines can prevent more than 90% of people from getting Covid-19, and these companies can supply hundreds of million doses by end-2020 to billions of doses next year, which would help control pandemic transmissions globally.

In our base case assumption, we expect the global economy to recover resiliently, which is aligned with the Vietnam economic recovery trend currently. As a result, trading and manufacturing activities, as well as services such as tourism, should be back on track, boosting credit demand in 4Q20F and 2021F. We believe that the credit growth of 9%/13-14% in 2020F/21F is likely. Given our expectation of 2020F/21F GDP growing 2.8%/7.1%, the credit-to-GDP ratio should rise to 117%/124% (from 110% in 2019). Lending activities should be spurred by the following factors:

- Strong recovery of Vietnam’s economy in 2021F, driven by a rebound in manufacturing and trading activities with the increase in external and domestic demand.
- Lower lending interest rate, due to the current accommodative monetary policy, boosting businesses to take new loans for their operations. On 30 Sep, the SBV cut its key rates again by 0.25%-0.5% pts, effective on 1 Oct, the third rates cut this year after the ones in Mar and May. The rediscount rate/refinancing rate was lowered to 2.5%/4% p.a. (from 3%/4.5% previously). We expect the SBV to maintain its current loose monetary policy in 2021F to enhance credit demand and lift the economy to recover under controllable inflation. Private capital with lower interest payment expense will be vital to help corporates manage their operating expense and resume their business activities. The SBV will continue to bolster credit growth in both Vietnam’s priority sectors and post-pandemic high-demand sectors, including agriculture, manufacturing, export and supporting industries.
- Headline inflation jumped to 3.85% yoy in 9M20, mainly due to a 70.55% pork price growth, which accounted for a 2.39% yoy CPI rise. With the successful containment of the African Swine Fever (ASF), pig herds have been restored to pre-ASF levels and pork prices lowered to VND75,000/kg in late-Sep 2020 (-22.2% from its peak in Apr-Aug). At a result, CPI fell to 3.71% yoy in 10M20, then to 3.51% in 11M20. We expect headline CPI to be at c.3% in 2021F, given the controllable pork prices, maintaining the country’s inflation under 4% for the fifth subsequent year (noting that pork accounts for 11.6% of the monthly

food and foodstuff CPI calculation basket and 4.2% in the monthly headline CPI calculation basket). This would help the SBV be more confident in maintaining its accommodative monetary policy in 2021F.

- Public investment is expected to continue its high disbursement rate in 2021F, creating jobs and supporting credit demand, given the goal of economic recovery and the pipeline of Vietnam’s mega infrastructures to be implemented in 2021-2025.

NIM expected to improve in 2021F from the compression trend in 2020F ➤

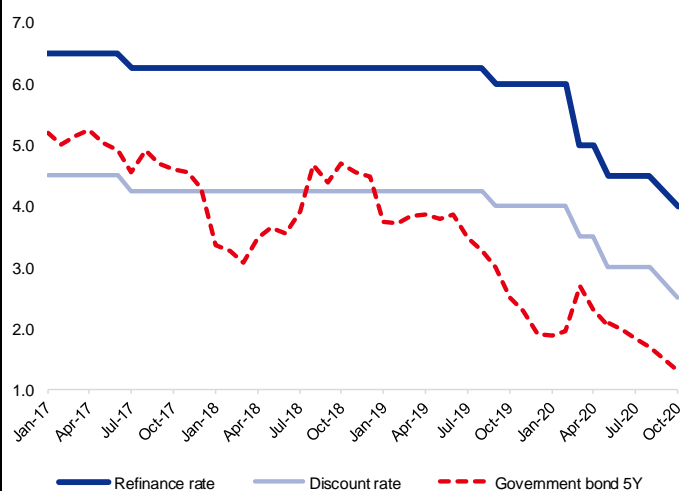
FY20F asset yield suppressed across sectors in 9M20

Banks continued to report contractions in asset yield due to the reduction/exemption of interest payments and lower lending interest rates, in support of Covid-19 impacted customers. The listed state-owned enterprise (SOE) banks recorded an average yield decline of 27bp in 9M20 (-34bp yoy), while the listed private banks posted an average yield decline of 20bp in 9M20 (-20bp yoy).

At the early stages of the Covid-19 pandemic, banks offered stimulus packages worth VND300tr on 9 Apr 2020, with lending rates cut by up to 2.5% pts, to pandemic-hit customers. As at 29 Jun 2020, 13% of the banking sector’s credit was new loans with lending rates cut by up to 0.5-2.5% pts. Due to the three key rate cuts in Mar, May and Sep 2020, we believe that fresh loans will carry similar lending rates to help boost credit growth. As at 9 Nov 2020, the sector’s restructured loans totaled VND341,855bn (3.9% of total system credit at end-3Q20), interest reduced/exempted loans were VND931,018bn (10.7% of system credit at end-3Q20), and new loans with lower lending interest rates were VND2,017,761 (23.2% of system credit at end-3Q20)

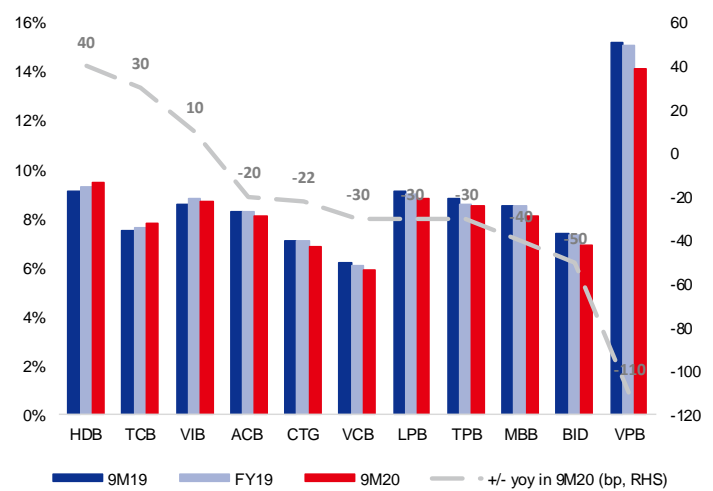
Therefore, the listed SOE banks’ average annualised asset yield dropped to 6.6% in 9M20 (from 6.8% in 2019), while the listed private banks’ average annualised asset yield fell to 9.2% in 9M20 (from 9.4% in 2019). Only asset yields of Techcombank (HOSE, Add, TP: VND29,300, TCB) and HDBank (HDB, Not rated) recorded a 20bp YTD improvement in 9M20.

Figure 123: The SBV cut its key rates at end-3Q20, the third time this year to support growth



SOURCES: VNDIRECT RESEARCH, SBV

Figure 124: HDB, TCB and VIB's asset yields improved in 9M20



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

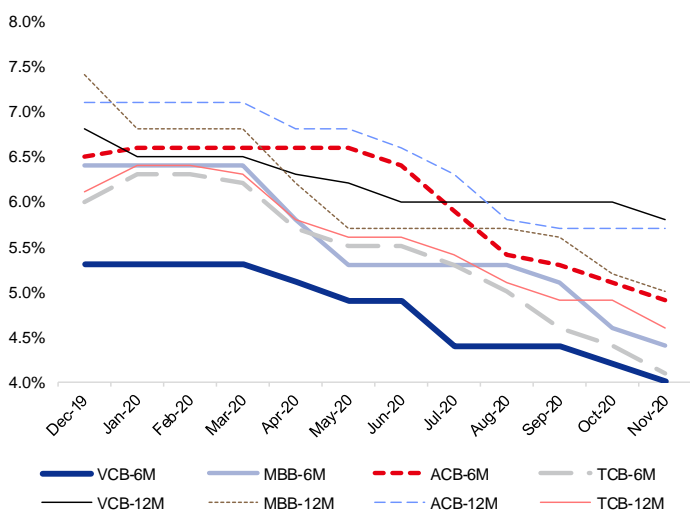
2020F funding cost contraction slightly offset asset yield compression

Average listed SOE banks’ cost of fund (COF) fell slightly by 5bp to 4.15% in 9M20 (-8bp yoy); while average listed private banks recorded a 21bp decrease in COF to 4.8% in 9M20 (-22bp yoy). The SBV’s loosening monetary policy helped save banks’ funding cost.

On 30 Sep 2020, the SBV cut its key rates by 0.25-0.5%, effective 1 Oct 2020. This is the third time this year that the central bank has lowered its key rates to support the economy. The refinancing rate/discount rate decreased to 4%/2.5% (from 6%/4%, before the first key rate cut in Mar 20). As a result, Nov 2020 banks' short-term deposit rates continued to drop 20-70bp since the third cut, or 70-210bp since Mar 2020.

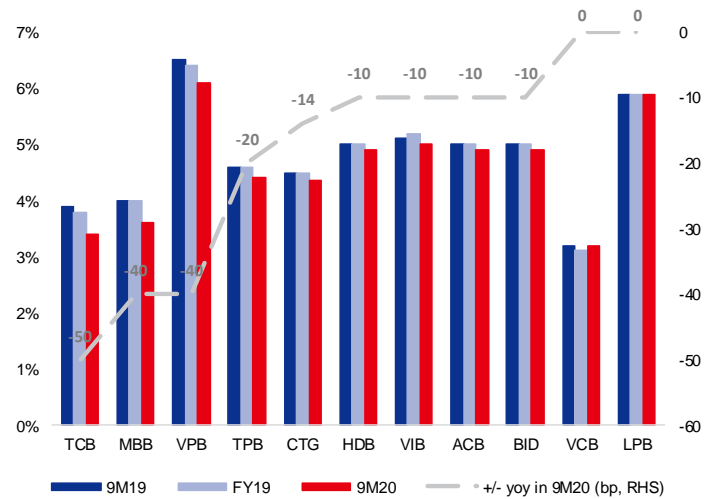
Additionally, SBV has relaxed the requirements of short-term funds used for medium/long-term loans. Circular No. 08/2020, dated 11 Aug 2020, imposed a maximum ratio of 40% until end-Sep 2021F, instead of 37% as previously scheduled in Circular No. 22/2019. This should help ease the pressure of some banks, which would have needed to increase their long-term funding to maintain adequate requirements.

Figure 125: Nov 20 banks' short-term deposit rates continued to drop 20-70bp since the third cut, or 70-210bp since Mar 20



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 126: SBV's key rates cuts helped lower banks' funding cost



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

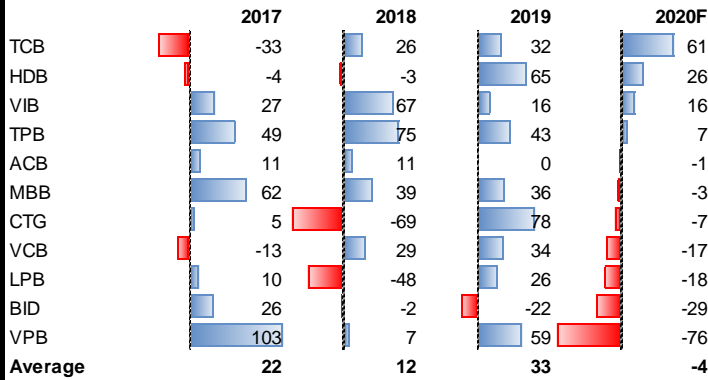
FY20F NIM contraction appears inevitable

A higher decrease in average asset yield vs. average COF led to average net interest margin (NIM) of listed SOE banks falling 15bp to 2.68% in 9M20 (-20bp yoy).

Average NIM of listed private banks recorded a 2bp increase to 4.77% in 9M20 (+4bp yoy), but the NIMs of each listed private bank varied between compression and expansion. We observed that banks, with the advantages of lower funding cost on high CASA ratio or room to penetrate into retail banking, continued to maintain or expand their NIMs in 9M20 — TCB +65bp, HDB +26bp, Vietnam International Bank (HOSE, Hold, TP: VND35,000, VIB) +19bp, Tien Phong Commercial JS Bank (TPB, Not rated) +8bp, and Asia Commercial JS Bank (HNX, Add, TP: VND32,400, ACB) +3bp.

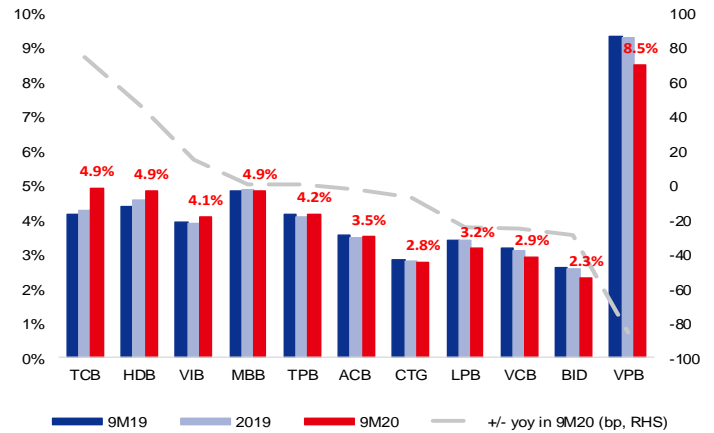
Although some listed private banks' NIMs performed positively in 9M20, we believe that banks' NIM compression in 2020F will be inevitable due to a greater adjustment to lending rates vs. deposit rates and the reduction/exemption of interest payments for pandemic-hit customers.

Figure 127: Banks' NIM suppression in 2020F



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 128: VPB's NIM was maintained at the highest level among peers despite the largest contraction in 9M20



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

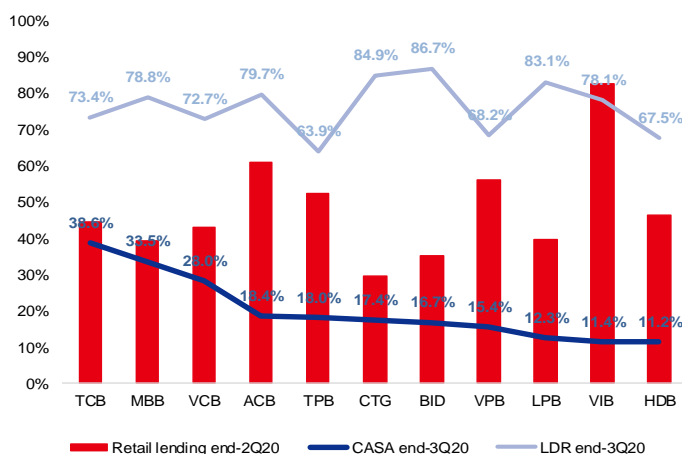
We forecast NIMs to rebound marginally in 2021F

On the deposit side: Due to the slow pace of economic growth and benign inflationary pressure, we expect the SBV to maintain its current accommodative monetary policy into 2021F. Hence, banks would continue to get support from lower funding cost.

On the lending side: the positive news of Covid-19 vaccines will spur global economic recovery, enhancing manufacturing and trading reoperations. In the meantime, Vietnam's economy, which has recovered resiliently in 3Q20, is expected to improve in 4Q20 and 2021F to serve domestic and export demand. Hence, banks should be able to recoup the interest income of their restructured loans and boost credit growth to improve interest income, supporting their NIM in 2021F, albeit in varying degrees. Banks with the following advantages have more opportunities to improve their NIM:

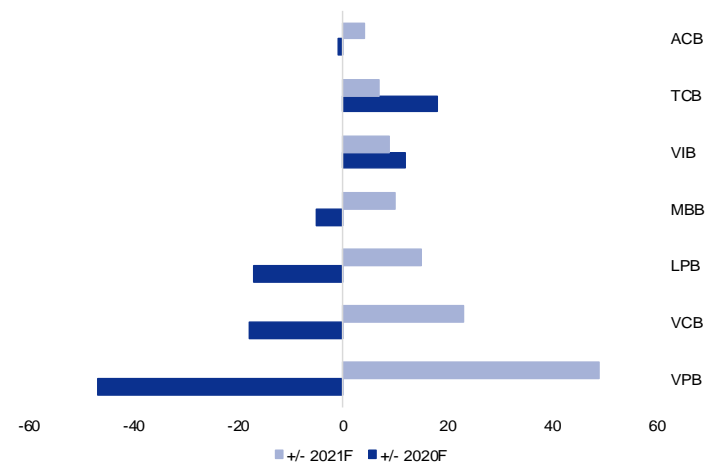
- High CASA ratio or lower loan-to-deposit ratio: can lead to lower funding costs, while facilitating lending rate reduction.
- Low penetration in retail banking: further penetration in the higher-yielding retail segment will help improve asset yield, partly offsetting the impact of the pandemic.
- Low risk appetite: slower rise in bad debt leads to less interest income reversal.

Figure 129: TCB, MBB, and VCB maintained high CASA ratio and low penetration in retail lending



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

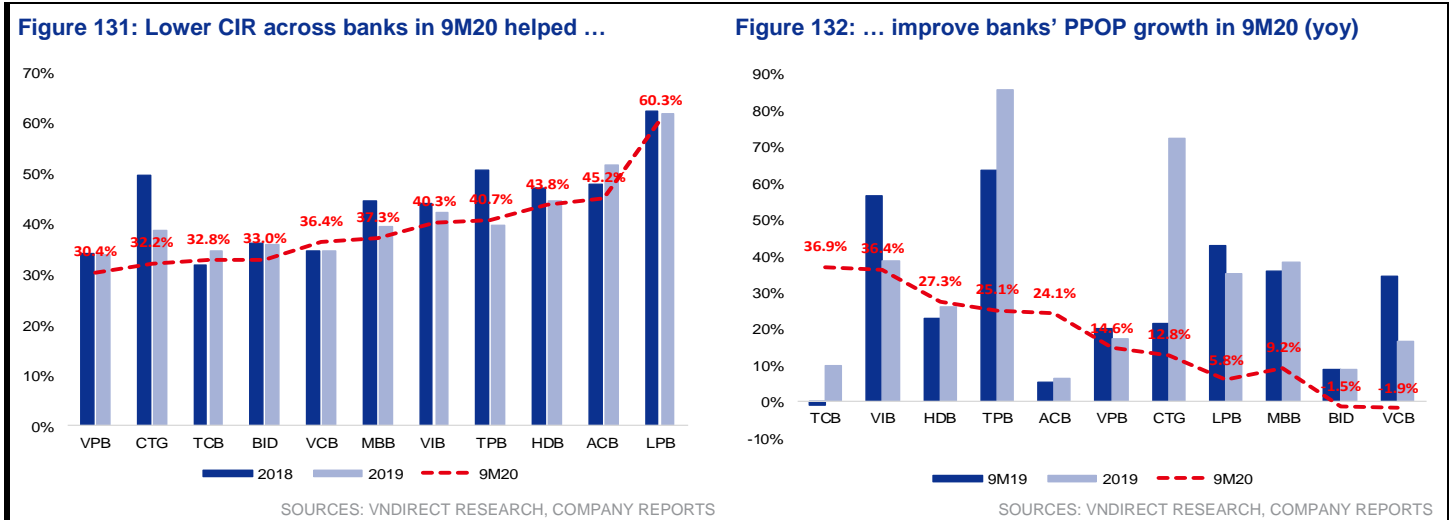
Figure 130: Banks under our coverage are expected to see NIMS resurge in 2021F (bp yoy)



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Cost income ratio improvement across banks in 9M20 ➤

Due to the Covid-19 impact, banks focused on controlling their operating expenses, which helped lower their cost income ratio (CIR) and improve their pre-provision profits (PPOP) growth in 9M20. We expect 2020-21F banks CIR to maintain at 9M20 level.

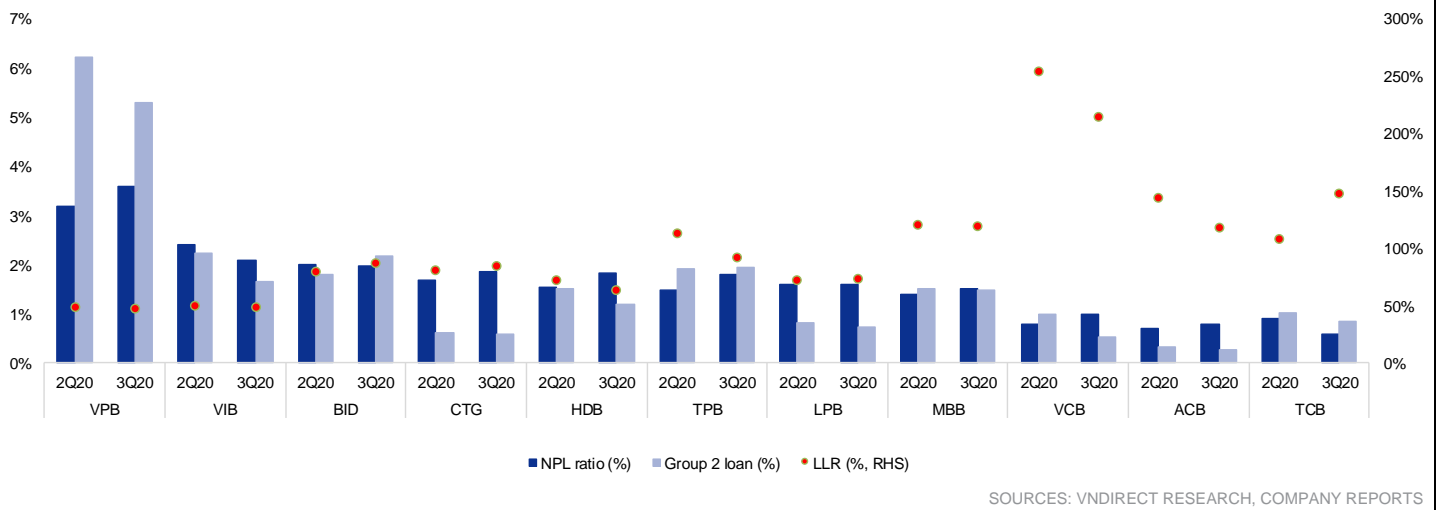


Bad debt still a concern at end-3Q20 ➤

Bad debt was still a burden for banks at end-3Q20. Based on our observation of 21 banks: their total loan book grew 10.7% yoy at end-3Q20 to VND5,641tr, accounting for 64.9% of system-wide credit; 9M20 provision expense increased 14.2% yoy, while pre-provision profit rose 13.1% yoy, leading the proportion of provision expense/pre-provision profit to 39.9% in 9M20 (from 39.5% in 9M19); however, their provision for losses on loans surged only 9.9% yoy in 9M20, while their NPL rose 13.2% yoy, leading their NPL ratio to rise to 1.85% at end-3Q20 (vs. 1.81% end-3Q19); loan loss reserve (LLR) reduced to 84.8% at end-3Q20 (vs. 87.3% at end-3Q19).

These banks' NPL ratio/LLR at end-3Q20 of 1.85%/84.8% was also higher/flat than the rate of 1.76%/84.5% at end-2Q20. While Vietcombank (HOSE, Hold, TP: VND97,700, VCB), ACB, and MBB maintained their low NPL ratio and high LLR at end-3Q20; TCB continued to record improvement in bad debt solving, resulting in an NPL ratio of 0.6% at end-3Q20, the lowest level among peers, and a LLR of 148% at end-3Q20, the second-highest among peers.

Figure 133: Bad debt still a burden at end-3Q20



Bad debt spike in the consumer finance segment seems unavoidable, as consumer finance companies provide unsecured loans and credit cards for the mass customer segment, which has low income and is most vulnerable to an economic downturn.

According to the General Statistics Office of Vietnam (GSO), the unemployment rate among Vietnamese of working age has been curbed at 2.5% in 3Q20 (from the decade-highest level of 2.7% in 2Q20), but is still rising 33bp yoy, which has suppressed people’s income. We observed that the pandemic led to a surge in bad debts at consumer finance companies. However, the rising bad debts from unsecured lending is not a sector-wide risk, in our view, as the penetration in this sector is still low (only four banks have consumer finance businesses and the total loan books of the three major players, which accounted for c.90% of the consumer lending market — including Vietnam Prosperity JSC Bank (VPB)’s FE Credit, HDB’s HD Saison, and MBB’s Mcredit — is VND90tr, just around 1% of total system-wide credit at end-3Q20. To deal with the uncertainty of the pandemic, VPB’s consumer finance affiliate FE Credit has narrowed its lending to new-to-bank customers and is focusing on lending to existing customers instead; meanwhile MBB’s MCredit has constrained lending to this segment to control risk, with its loan book falling 6.7% YTD in 9M20.

Figure 134: FE Credit, a major consumer finance player, curbed its loan growth in 9M20

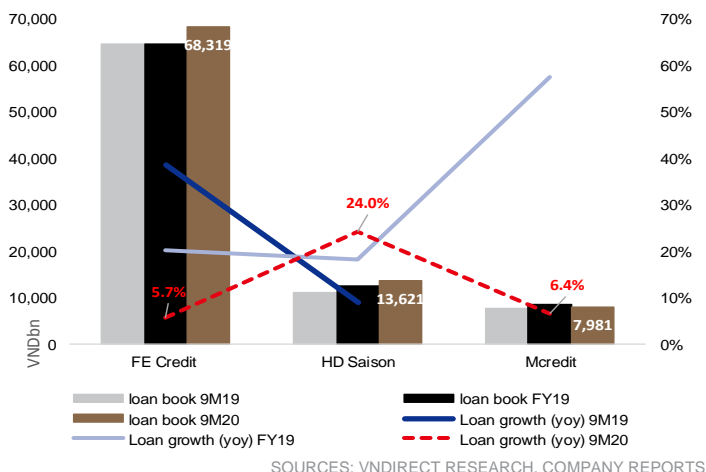


Figure 135: Bad debts increased across the major consumer finance companies at end-3Q20

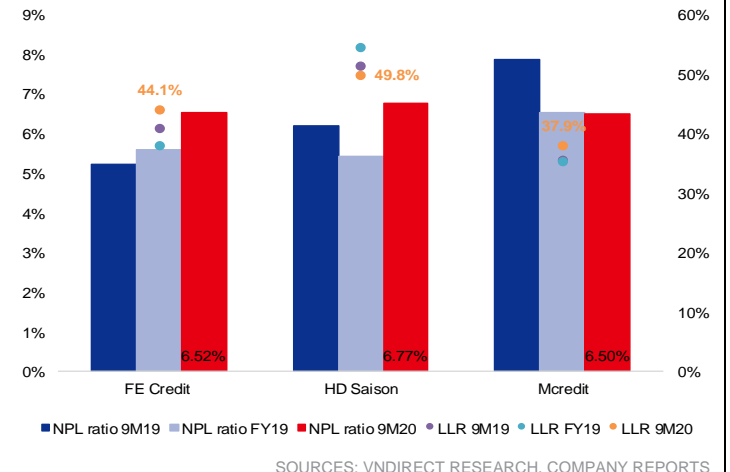
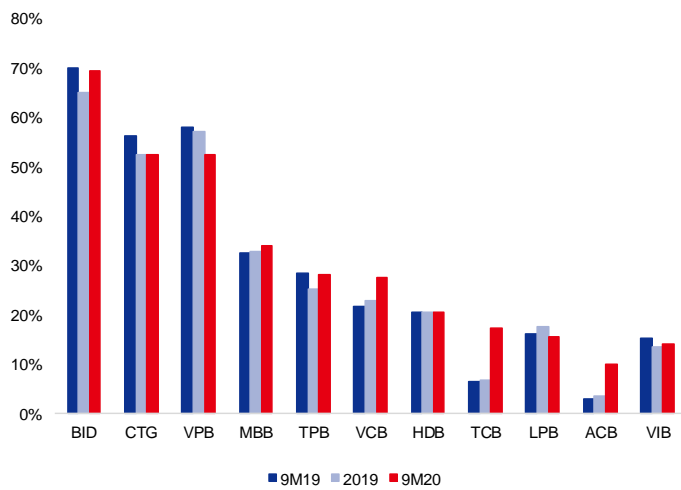
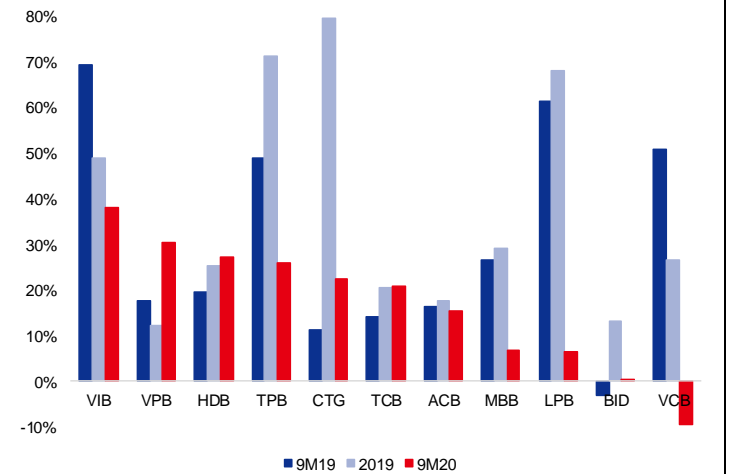


Figure 136: Provision expense/PPOP rising across banks in 9M20 ...



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 137: ... lowered banks' PBT growth in 9M20



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

We expect asset quality to resiliently improve in FY21-22F

When the pandemic is curbed and the economy recovers, credit growth should bounce back; NIMs can be improved by changing the loan and deposit mix, but the impact of bad debts can only be suppressed when banks are conservative in credit appraisal, loan classification and provisioning. The rate of bad debt formation depends on:

- The allocation of loans to corporate and retail segments: banks with large retail loan books, thanks to their more diversified customer base, face less asset risks than those with a high focus on corporate loans.
- Banks' risk appetite: banks with larger exposure to high-risk sectors, such as unsecured loans, would see a quick rise in bad debts.
- The degree of customer concentration: the dependence on large customers/groups of customers poses a high risk of credit loss.

Moreover, we expect that under the economic recovery, businesses would be able to resume operations and pay for their obligations, which both reduces banks' bad debt and controls bad debt from rising.

Banks under our coverage should see earnings resurge in 2021F ➤

9M20 performance of banks under our coverage

Figure 138: 9M20 results summary

	VCB	TCB	VPB	MBB	ACB	VIB	LPB
Net interest Income (VNDbn)	25,835	13,295	23,606	14,484	10,166	5,935	4,717
yoy %	-0.40%	31.57%	5.25%	10.47%	15.76%	30.84%	4.85%
Non-interest income (VNDbn)	8,771	5,986	4,720	5,164	2,800	1,911	483
yoy %	-3.9%	38.1%	20.9%	6.6%	11.8%	43.3%	99.0%
Total operating income (VNDbn)	34,606	19,281	28,326	19,648	12,966	7,846	5,200
yoy %	-1.31%	33.51%	7.56%	9.41%	14.87%	33.67%	9.67%
Operating expense (VNDbn)	(12,607)	(6,324)	(8,625)	(7,321)	(5,861)	(3,162)	(3,136)
yoy %	-0.21%	27.11%	-5.66%	9.84%	5.32%	29.81%	12.36%
Pre-Provision Profit	21,999	12,957	19,701	12,327	7,105	4,684	2,064
yoy %	-1.93%	36.88%	14.60%	9.16%	24.16%	36.40%	5.82%
Provision expense (VNDbn)	(6,033)	(2,245)	(10,303)	(4,193)	(694)	(660)	(322)
% Pre-provision profit	27.4%	17.3%	52.3%	34.0%	9.8%	14.1%	15.6%
Pretax profit (VNDbn)	15,966	10,712	9,398	8,134	6,411	4,024	1,742
yoy %	-9.36%	20.89%	30.54%	6.80%	15.29%	38.05%	6.43%
Net profit (VNDbn)	12,779	8,372	7,517	6,332	5,133	3,220	1,395
yoy %	-9.48%	18.82%	30.64%	6.37%	15.41%	38.07%	6.43%
9M20 net profit/our full year forecast	60.4%	78.1%	90.9%	73.3%	78.6%	91.3%	93.1%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 139: Banks' key ratios as of 9M20

	VCB	TCB	VPB	MBB	ACB	VIB	LPB
Loan growth							
yoy %	10.7%	15.6%	9.4%	11.8%	16.1%	20.9%	18.1%
in 9M20 (ytd %)	6.7%	9.2%	8.1%	7.3%	10.7%	15.3%	13.3%
Deposit growth							
yoy %	8.8%	15.5%	17.5%	5.9%	12.3%	21.4%	16.3%
in 9M20 (ytd %)	5.7%	9.2%	13.0%	-1.3%	8.6%	12.8%	13.0%
Net interest margin (NIM) (%)	2.93%	4.86%	8.51%	4.86%	3.53%	4.09%	3.18%
yoy change (pts)	-0.25%	0.67%	0.77%	0.01%	-0.02%	0.15%	-0.24%
in 9M20	-0.16%	0.53%	-0.25%	-0.03%	-0.01%	0.15%	-0.17%
Non-performing loan (NPL) ratio (%)	1.01%	0.60%	3.65%	1.50%	0.83%	2.14%	1.64%
yoy change (pts)	-0.07%	-1.20%	0.15%	-0.04%	0.17%	0.09%	0.16%
in 9M20	0.22%	-0.73%	0.23%	0.34%	0.29%	0.17%	0.20%
Loan-loss-reserves (LLR) ratio (%)	215.1%	148.0%	47.9%	118.9%	117.5%	48.3%	73.2%
yoy change (pts)	29.9%	70.9%	-1.7%	16.1%	-41.5%	-1.7%	-7.4%
in 9M20	35.7%	53.2%	1.5%	8.4%	-57.5%	-2.4%	-11.5%
Annualised credit cost	1.06%	1.29%	5.13%	2.15%	0.33%	0.63%	0.29%
yoy change (pts)	0.10%	0.84%	-0.46%	0.00%	0.24%	0.00%	-0.04%
in 9M20	0.07%	0.82%	-0.58%	0.05%	0.22%	0.07%	-0.05%
Cost-to-Income ratio (CIR) (%)	36.4%	32.8%	30.4%	37.3%	45.2%	40.3%	60.3%
yoy change (pts)	0.4%	-1.6%	-4.3%	0.1%	-4.1%	-1.2%	1.5%
in 9M20	1.8%	-1.9%	-3.5%	-2.2%	-6.4%	-1.9%	-1.6%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

We expect banks under our coverage, which are among the top banks in terms of size, network, asset quality and market share in Vietnam, to see their earnings growth bounce back from 2021F onwards. The recovery should be driven by a rebound in credit growth, NIM, and fee and service income growth. However, the rate of recovery will vary among banks due to differences in business strategy, loan portfolio, customer base and risk appetite.

Figure 140: Banks' recovery rate in 2021-22F

Banks	Recovery Rate	Features
VPB	Quickest recovery	<ul style="list-style-type: none"> - After the pandemic ends, VPB will resume its consumer finance business, recovering credit growth and NIM expansion. - Strong fee income growth on commission fee. - CIR improvement on high level of digitalisation. - However, the burden of higher NPL will hamper earning growth.
MBB	Quickest recovery	<ul style="list-style-type: none"> - NIM expansion on continued expansion into retail lending and unsecured lending. - Strong growth in fee income on bancassurance, card products and digital banking. - Large corporate customer base, relating to Viettel group, lifts MBB's credit, and maintain low funding cost. - High provisioning buffer curbs NPL.
TCB	Quickest recovery	<ul style="list-style-type: none"> - NIM improvement driven by low funding cost on high CASA. - High demand on housing sector boost TCB's credit growth, especially on primary mortgage finance. - Strong growth in fee income on card products, and advisory fee.
ACB	Quick recovery	<ul style="list-style-type: none"> - The official exclusive bancassurance deal with Sun Life Vietnam promises an upfront fee of US\$370m and the new income stream from insurance commission accelerate income. - Good asset quality, high provisioning buffer, and a lower risk profile (diversified, low exposure to high risk sectors). - CASA improved on expanding customer base.
VIB	Quick recovery	<ul style="list-style-type: none"> - Largest exposure proportion to individual lending and further raising individual market shares penetration. The bank's two main products, mortgage and auto loan, have competitive lending interest rate and loan term. - Advanced technology and largest market share in car loans. VIB's car lending can benefit from decreasing car prices and a 50% reduction in registration fee in 2020F. Additionally, the deduction of 6.8-7.4% p.a Import tariff for imported European cars in 2020-22F due to EU-Vietnam Free Trade Agreement (EVFTA) lowers European car prices, compelling competitors to lower their prices, benefitting VIB's auto loan activity. - Solid growth in net fee income driven by payment service and commission fee on credit card issuance and bancassurance activities. - NPL ratio has improved to 2.1% at end-3Q20 from 2.4% at end-2Q20.
VCB	Quick recovery	<ul style="list-style-type: none"> - NIM improvement on further penetration in retail lending. - One-off income from exclusive bancassurance deal and new income stream from insurance commission. - Large corporate customer base helps credit rebound quicker. - Conservative strategy helps contain new bad debt better.
LPB	Moderate recovery	<ul style="list-style-type: none"> - Assets yield improvement but low CASA ratio dampen NIM expansion - Strong growth in net income fee thanks to insurance sales. - NPLs on the rise due to restructuring towards retail lending but still under 2%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 141: FY20-22F performance forecast of banks under our coverage

	VCB			MBB			VPB			TCB			ACB			VIB			LPB		
Profit & Loss Statement (yoy %)	2020F	2021F	2022F	2020F	2021F	2022F	2020F	2021F	2022F	2020F	2021F	2022F	2020F	2021F	2022F	2020F	2021F	2022F	2020F	2021F	2022F
Net interest income	4.9%	19.5%	17.6%	11.8%	14.8%	17.4%	7.7%	21.4%	21.9%	20.1%	14.7%	13.6%	14.7%	14.8%	15.7%	29.0%	24.3%	26.0%	8.1%	18.5%	19.4%
Non-interest income	15.6%	54.6%	35.7%	24.6%	21.3%	17.8%	12.3%	28.3%	12.9%	19.5%	20.1%	13.0%	-12.6%	96.2%	-1.0%	16.7%	21.5%	19.5%	58.2%	-3.6%	18.8%
Operating income	7.5%	28.7%	23.3%	15.2%	16.7%	17.5%	8.4%	22.5%	20.4%	19.9%	16.4%	13.4%	7.9%	31.1%	10.7%	26.0%	23.7%	24.6%	11.5%	16.4%	19.4%
Operation expense	11.9%	28.7%	23.3%	19.8%	16.7%	17.5%	-1.0%	26.5%	24.2%	20.9%	16.4%	10.2%	1.4%	31.1%	9.5%	27.1%	23.7%	24.6%	9.8%	16.4%	17.4%
Pre-provision profit (PPOP)	5.2%	28.7%	23.3%	12.3%	16.7%	17.5%	13.3%	20.7%	18.6%	19.4%	16.4%	15.2%	14.8%	31.1%	11.7%	25.3%	23.7%	24.6%	14.4%	16.4%	22.4%
Provision expenses (% PPOP)	18.7%	22.2%	34.5%	33.6%	34.7%	34.4%	52.4%	56.3%	57.9%	16.6%	16.2%	15.0%	9.8%	8.4%	7.8%	15.8%	22.3%	27.9%	22.5%	19.9%	16.5%
Pre-tax profit	1.2%	31.0%	19.7%	11.0%	14.7%	18.0%	25.5%	10.8%	14.3%	6.6%	17.1%	16.7%	7.4%	33.2%	12.5%	21.9%	14.1%	15.6%	7.6%	20.2%	27.6%
Net profit	1.1%	31.0%	19.7%	10.5%	14.7%	18.0%	25.5%	10.8%	14.3%	7.4%	17.1%	16.7%	7.4%	33.2%	12.5%	21.9%	14.1%	15.6%	7.6%	20.2%	27.6%
Key Financial Ratios																					
Loan growth	9.0%	14.0%	15.0%	13.0%	14.0%	14.0%	10.2%	17.9%	16.4%	12.2%	14.9%	14.8%	14.0%	14.5%	15.0%	20.0%	24.0%	22.0%	17.0%	15.0%	15.0%
Deposit growth	10.0%	12.0%	13.0%	11.0%	13.0%	13.5%	16.0%	10.5%	13.7%	11.0%	14.0%	15.0%	13.0%	14.5%	15.0%	14.5%	25.0%	22.0%	13.0%	15.0%	16.0%
Non-performing loan (NPL) ratio	0.76%	1.02%	1.15%	1.39%	1.82%	1.93%	3.40%	3.15%	2.63%	0.75%	0.65%	0.64%	0.74%	0.83%	0.75%	2.26%	2.27%	2.09%	1.69%	1.80%	1.81%
Loan-loss-reserves (LLR)	216.6%	173.4%	169.7%	89.0%	72.3%	74.6%	42.0%	42.3%	60.4%	139.5%	156.4%	156.7%	131.4%	117.1%	128.0%	48.2%	50.3%	66.3%	76.4%	77.9%	79.0%
Credit Cost	1.05%	1.15%	1.35%	2.1%	2.2%	2.3%	5.27%	5.98%	6.23%	1.12%	1.11%	1.03%	0.30%	0.30%	0.27%	0.66%	0.94%	1.19%	0.42%	0.37%	0.33%
Loan-to-deposit ratio (LDR)	71.5%	73.2%	74.9%	73.3%	74.6%	75.6%	78.9%	80.3%	81.3%	76.6%	78.1%	79.1%	78.2%	79.2%	80.0%	78.9%	79.2%	79.2%	81.9%	82.7%	82.8%
Cost-to-income ratio (CIR)	36.0%	36.0%	36.0%	41.0%	41.0%	41.0%	31.0%	32.0%	33.0%	35.0%	35.0%	34.0%	48.5%	48.5%	48.0%	42.5%	42.5%	42.5%	61.0%	61.0%	60.0%
Capital adequacy ratio (CAR)	9.23%	9.96%	10.58%	11.0%	11.1%	11.3%	11.6%	12.2%	12.5%	15.2%	15.5%	15.8%	12.0%	12.7%	12.8%	10.0%	10.3%	10.1%	8.2%	8.1%	8.1%
ROA	1.2%	1.4%	1.5%	1.9%	1.9%	2.0%	2.6%	2.5%	2.5%	2.7%	2.8%	2.8%	1.6%	1.8%	1.8%	2.0%	1.9%	1.8%	0.8%	0.9%	1.0%
ROE	17.4%	18.9%	18.6%	18.8%	17.7%	17.8%	21.9%	19.7%	18.6%	16.0%	16.0%	15.9%	20.5%	22.0%	20.3%	26.3%	23.7%	22.1%	12.8%	13.4%	14.9%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

We upgrade sector to Overweight from Neutral ➤

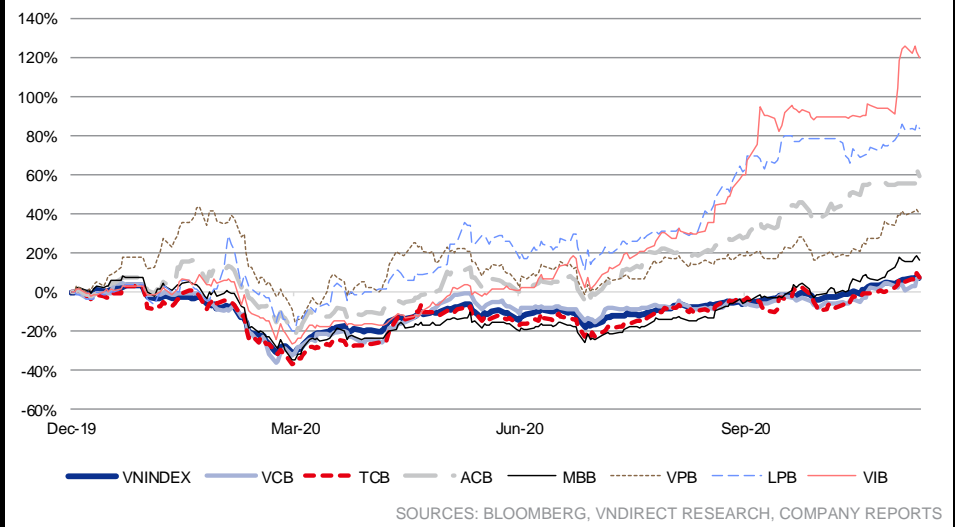
The promising results of the Covid-19 vaccine development raises hopes of curbing the pandemic, resulting in increasing business reoperation and decreasing unemployment rates, which, in turn, increases consumption demand. Vietnam's economic recovery, as seen since 3Q20, will resonate and benefit from the global recovery trend.

The banking system is the main channel through which the Vietnam government uses to finance economic growth. We expect the government to maintain its high rate of public investment disbursement and the SBV to accommodate its monetary policy to boost economic recovery and credit growth in 2021F. As a result, banks will be the first beneficiaries of the recovery trend. We forecast banks' profit to jump in 2021F on the back of NIM improvement and higher credit growth.

We observe that the performance of VNINDEX and banks under our coverage have just returned to their end-FY19 levels, except for VIB, LPB, and ACB, which have officially moved or are waiting to move to the main bourse, increasing investors' attraction to their shares.

Therefore, we upgrade the banking sector to Overweight, as we anticipate the performance of the banking sector and banks under our coverage to surge in 2021F, driven by the sector's higher net profit growth. Also, the migrations to the Ho Chi Minh Stock Exchange (HOSE) of VIB, which reported the highest net profit growth among listed banks during 2016-19 and 9M20, and ACB, a major player in retail lending that just signed an exclusive bancassurance agreement with Sun Life Vietnam, at the beginning of 2021F should attract more investors.

Figure 142: Performance of VNINDEX and banks under our coverage have returned to their end-FY19 levels



Stock picks: VPB, MBB, and TCB ➤

We upgrade the banking sector to Overweight from Neutral in 2021F, based on higher earnings growth expectation. We reiterate Hold on VCB, the largest bank by assets under our coverage, as we believe the bank’s potential growth has been priced in.

However, we believe each bank has its own unique combination of challenges and opportunities. We prefer banks with the following characteristics: 1) good exposure to and strong ability to capture the opportunities from retail lending and non-interest income activities; 2) well positioned to offset the challenges from rising funding costs; and 3) good asset quality to buffer against the risks of rising system-wide NPL ratios. Our top picks in the banking sector are: VPB, MBB, and TCB.

Risks to our call

A slow pace of economic recovery restrains banks’ credit growth and NIM resurgence, but increases bad debts.

Figure 143: Regional banking sector comparison

Banks	Bloomberg Code	Recommendation	Closing Price	Target Price	Market Cap	P/BV (x)		P/E (x)		3-yr Forward CAGR EPS	ROE (%)	
			(local curr.)	(local curr.)		(US\$m)	FY20F	FY21F	FY20F		FY21F	FY20F
Agricultural Bank of China	1288 HK	ADD	2.9	3.60	169,162	0.44	0.41	4.22	3.97	3.1%	10.9%	10.7%
Bank of China	3988 HK	ADD	2.7	3.60	133,028	0.37	0.34	3.85	3.63	2.1%	9.8%	9.7%
China Merchants Bank	3968 HK	ADD	48.0	63.20	168,004	1.55	1.38	10.68	9.11	12.8%	15.3%	16.1%
Bank of Communications	3328 HK	ADD	4.2	5.40	46,841	0.35	0.33	3.72	3.45	3.5%	9.7%	9.8%
China Banks average						0.70	0.60	5.60	5.00	5.4%	11.4%	11.6%
Bank Central Asia	BBCA IJ	ADD	32,450	38,300	56,701	4.72	4.14	34.09	27.01	10.0%	13.9%	16.3%
Bank Rakyat Indonesia	BBRI IJ	ADD	4,400	4,900	38,464	2.9	2.62	26.33	16.83	6.5%	10.5%	16.3%
Bank Mandiri	BMRI IJ	ADD	6,675	7,400	22,077	1.72	1.57	18.48	11.75	8.4%	8.9%	14.0%
Bank Negara Indonesia	BBNI IJ	ADD	6,650	7,600	8,789	1.24	1.12	39.94	10.42	3.9%	2.8%	11.3%
Indonesia Banks average						2.60	2.40	29.70	16.50	7.2%	9.0%	14.5%
Malayan Banking Bhd	MAY MK	HOLD	8.2	8.07	22,749	1.2	1.18	14.34	12.14	-0.8%	8.1%	9.8%
Public Bank Bhd	PBK MK	ADD	18.5	25.00	17,600	1.55	1.44	17.34	14.15	1.3%	9.2%	10.6%
Hong Leong Bank	HLBK MK	ADD	18.2	18.70	9,700	1.4	1.24	15.73	14.25	7.5%	9.3%	9.1%
BIMB Holdings	BIMB MK	REDUCE	3.9	3.38	1,726	1.1	1.03	11.24	10.67	-4.7%	10.1%	10.0%
Malaysia Banks average						1.30	1.20	14.70	12.80	0.8%	9.2%	9.9%
Kasikornbank	KBANK TB	ADD	123.0	122.00	9,695	0.71	0.68	12.53	11.85	-7.4%	7.4%	7.5%
Siam Commercial Bank	SCB TB	HOLD	90.5	89.00	10,223	0.75	0.73	11.47	13.44	-7.7%	8.2%	6.8%
Bangkok Bank	BBL TB	ADD	128.0	145.00	8,128	0.56	0.54	12.52	11.01	-8.5%	5.4%	6.2%
Kiatnakin Phatra Bank	KKP TB	HOLD	53.0	47.00	1,493	1.01	0.99	8.96	9.63	-1.6%	14.2%	12.6%
Thailand Banks average						0.80	0.70	11.40	11.50	-6.3%	8.8%	8.3%
Vietcombank	VCB VN	HOLD	97,200	97,700	15,585	3.73	3.07	19.15	14.61	16.6%	21.2%	23.1%
Techcombank	TCB VN	ADD	25,300	29,300	3,828	1.24	1.06	8.35	7.13	13.6%	16.1%	16.0%
Vietnam Prosperity JSB	VPB VN	ADD	28,000	35,000	2,951	1.33	1.1	7.12	6.17	17.8%	20.7%	19.5%
Military Commercial JSB	MBB VN	ADD	21,050	27,000	2,524	1.23	1.05	6.85	5.99	13.3%	20.0%	18.9%
Asia Commercial JS Bank	ACB VN	ADD	27,950	32,400	2,612	1.81	1.44	8.46	7.19	7.1%	20.8%	22.3%
Lien Viet Post Bank	LPB VN	HOLD	11,700	12,500	544	0.8	0.7	9.9	8.4	11.20%	11.10%	12.60%
Vietnam International Bank	VIB VN	HOLD	31,700	35,000	1,520	2.1	1.7	8.1	7.7	9.7%	26.3%	23.7%
Vietnam Banks average						1.7	1.4	9.7	8.2	12.8%	19.5%	19.4%
Vietnam Banks average - ex-VCB						1.4	1.2	8.1	7.1	12.1%	19.2%	18.8%
Regional Bank Average						1.4	1.3	14.2	10.8	4.0%	11.6%	12.7%

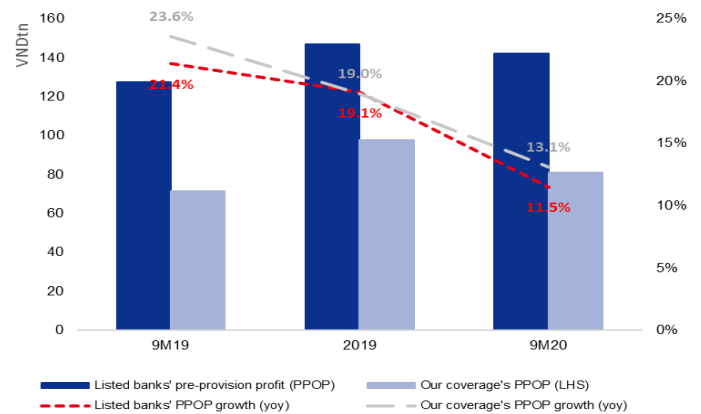
PRICE AS OF 10 DECEMBER 2020

SOURCES: BLOOMBERG, CGS-CIMB RESEARCH, VNDIRECT RESEARCH, COMPANY REPORTS

Key charts: Banks under our coverage continued to outperform the sector ➤

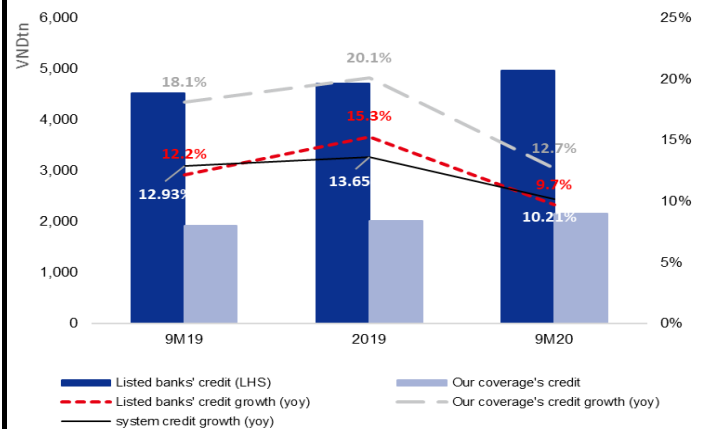
Banks under our coverage had higher PPOP rise than total listed banks' ... ➤

Vietnam banks recorded a lower growth in PPOP in 9M20, due to the pandemic. Banks under our coverage continued to beat the total listed banks in term of PPOP growth. While accounting for half of the total listed banks, our banks contributed to 57% of total listed banks' profit in 9M20 (from 56% in 9M19). As average net interest income (NII) contributed c.77%/78% to avg. total operating income of total listed banks/banks under our coverage, credit growth and NIM expansion would continue to have a strong impact on banks' profitability.



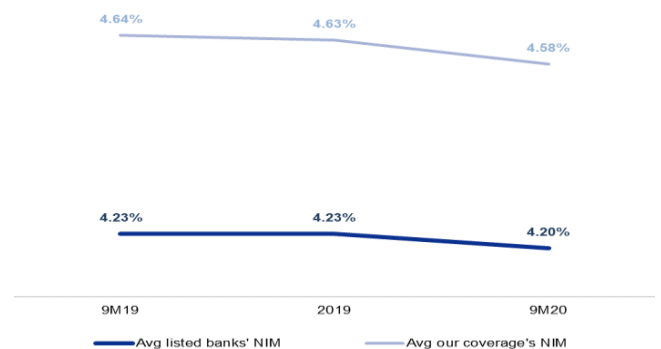
... thanks to higher credit growth and ... ➤

Credit growth of banks under our coverage in 9M20 was up 12.7% yoy, higher than the system credit growth of 10.2% yoy.



... higher average NIM ➤

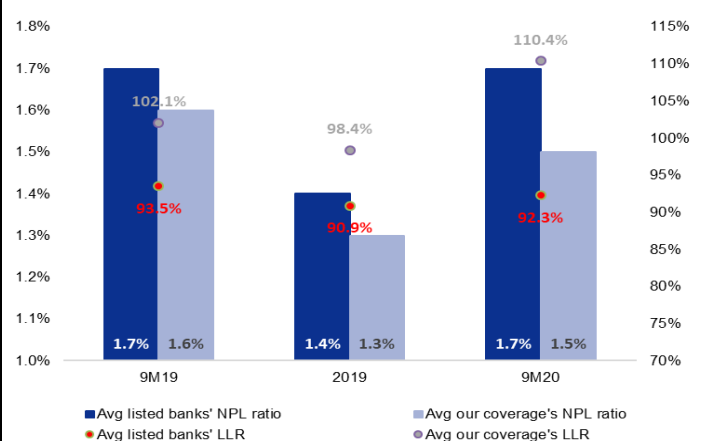
The average NIM of banks under our coverage was still higher than that of total listed peers in 9M20, but down 6bp yoy in 9M20 (double the decline of 3bp yoy of listed peers), as VPB's and VCB's NIM plummeted 85bp yoy and 25bp yoy, the highest and the third highest fall, respectively.



Banks' asset quality deteriorated at end-9M20 vs. end-2019, but better than end-9M19 ➤

Average NPL ratio of banks under our coverage improved to 1.5% (-10 bp yoy) at end-3Q20, lower than the 1.7% rate of total listed banks.

Meanwhile, the banks under our coverage also proactively provisioned and wrote off bad debt in 9M20. Average loan loss reserve (LLR) jumped to 110.4% at end-3Q20 (from 102.1% at end-3Q19 and 98.4% at end-2019).



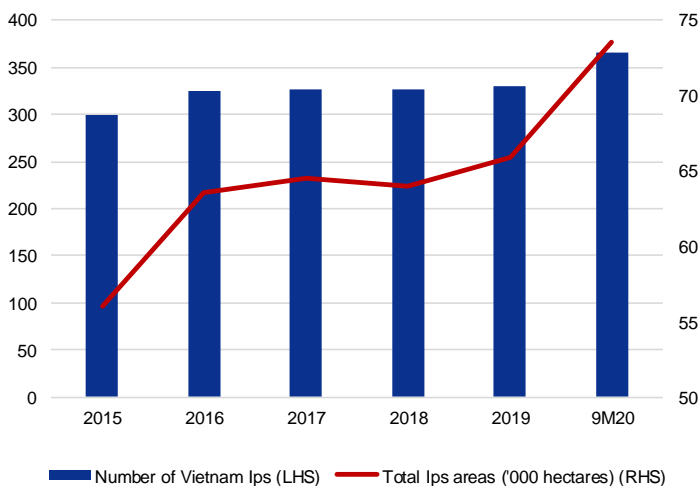
INDUSTRIAL PROPERTY: Long-term outlook remains intact

Increasing supply to fulfill the growing demand for industrial property for years ➤

Both large domestic and international developers plan to enter the industrial park market, reaffirming the potential of this market

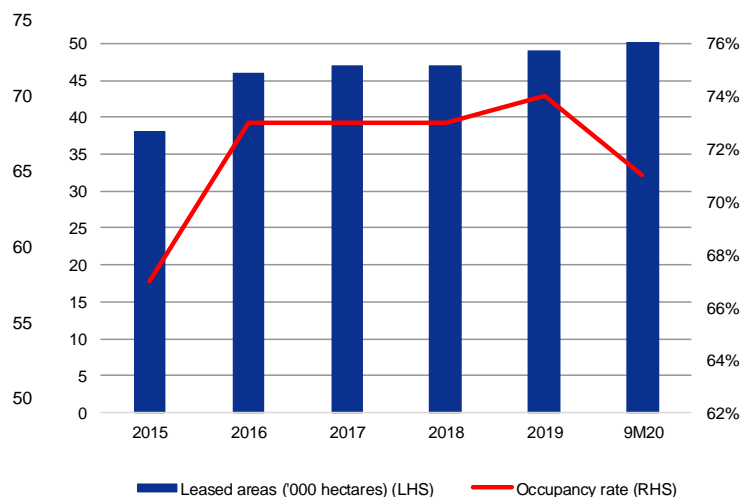
According to the Ministry of Planning and Investment (MPI), in 9M20, the total industrial area reached 73,500 hectares, an increase of 7,600 ha from end-19, the highest increase in land area since 2015. Out of a total of 366 industrial parks (IPs), 279 IPs are in operation, which is 21 IPs more vs. end-19. Large domestic and international developers announced plans to enter the industrial sector in 9M20, such as Vingroup (VIC VN, Non-rated) with two IPs in Hai Phong and Thailand's WHA Industrial Development Group (Unlisted), which is seeking approvals for two new projects with a land area of 1,339ha; it has already developed its first IP in Vietnam with a land area of 3,200ha in Nghe An province. We expect the industrial area to continue to increase in 2021F, driven by huge potential demand in the future.

Figure 144: Number of Vietnam IPs and total IPs areas from 2015- 9M20



SOURCES: VNDIRECT RESEARCH, SAVILLS

Figure 145: Leased area ('000 hectares) rose in 9M20, but at a slower rate due to Covid-19



SOURCES: VNDIRECT RESEARCH, SAVILLS

Figure 146: Industrial parks which could be launched in 2021F

No.	Industrial park	Location	Land area (ha)
1	Viet Phat	Long An	1,800
2	Phu My 3	Ba Ria-Vung Tau	999
3	Thuy Nguyen	Hai Phong	319
4	Nam Son Hap Linh	Bac Ninh	238
5	Nam Trang Cat	Hai Phong	200
6	Song Lo	Vinh Phuc	177

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Analyst(s)

Tu NGUYEN

T (84) 33 355 7019

E tu.nguyencam2@vndirect.com.vn

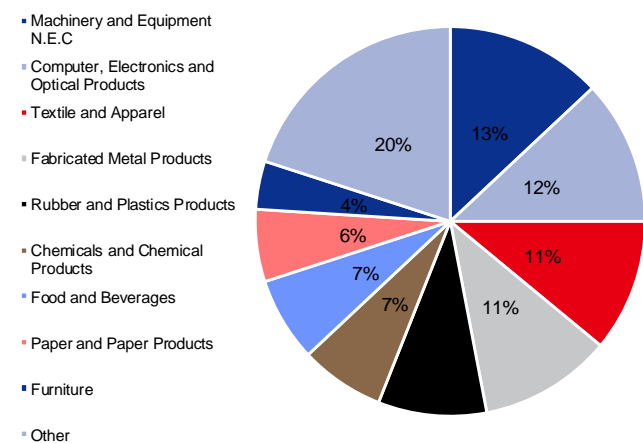
IPs go ecological and high-tech for sustainable industrialisation

Besides increasing land bank, Vietnam is also focusing on sustainable industrialisation. A surge in FDI projects from China and Hong Kong has raised the government's awareness for environmental protection and, since 2020, projects have to meet more rigorous regulations. The Politburo of Vietnam issued Resolution 50-NQ/TW in Aug 2019, which denies approval to the projects that use outdated technology causing environmental pollution.

In Nov 2020, the “Eco-industrial Park Intervention in Vietnam – perspective from the Global Eco-Industrial Parks Programme” project which was launched by the Ministry of Planning and Investment (MPI) and the United Nations Industrial Development Organisation (UNIDO), is expected to improve the environmental, economic and social performance in industrial parks. This programme would be implemented in five cities, namely Ha Noi, Hai Phong, Da Nang, Can Tho and Ho Chi Minh City (HCMC), and Dong Nai province with a budget of US\$1.82m.

On the other hand, instead of setting up a simple model, we observe there are several specialized industrial parks comprising heavy industry zone, supporting industry zone, port and logistics zone, administrative and service area (include residential, hotel, serviced apartment, hospital, school, etc.) towards one-top services from suppliers, logistic providers, distributors, etc. This model helps investors in these zones to reduce logistic costs, supply services and develop a social infrastructure system. We believe this model is likely to be successful as it would accommodate large-scale manufacturers along with supporting industries and could become a key trend in the coming years.

Figure 147: Key occupiers by sectors in Vietnam’s IPs - some key sectors are heavy polluters, such as textile, chemicals and plastics



SOURCES: VNDIRECT RESEARCH, JLL

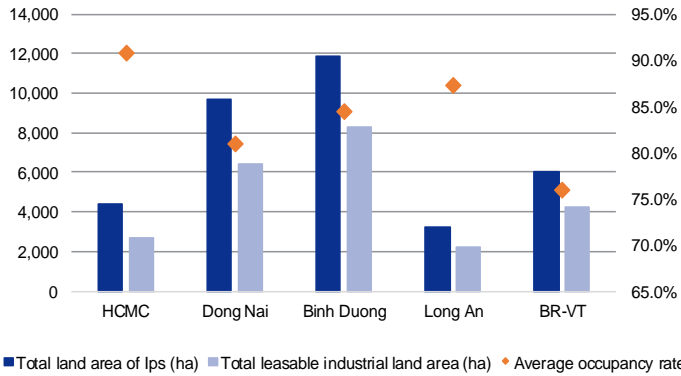
Figure 148: Most polluted manufacturing sectors in Vietnam - lower index means higher pollution

Rank	Industry sector (VSIC-4)	Air	Land	Water	Index
	Fertilizers and nitrogen compounds	11	3	4	6
	Footwear	7	4	11	7
	Basic iron and steel	11	4	13	9
	Basic chemicals (except fertilizers and nitrogen compounds)	16	7	9	11
	Processing and preserving of fish and fish products	10	7	17	11
	Plastics products	17	7	12	12
	Pulp, paper and paperboard	11	30	5	15
	Casting of non-ferrous metals	26	5	15	15
	Other chemical products	26	13	15	18
	Forging, pressing, stamping and roll-forming of metal; powder metallurgy	28	11	15	18

SOURCES: VNDIRECT RESEARCH, WORLDBANK

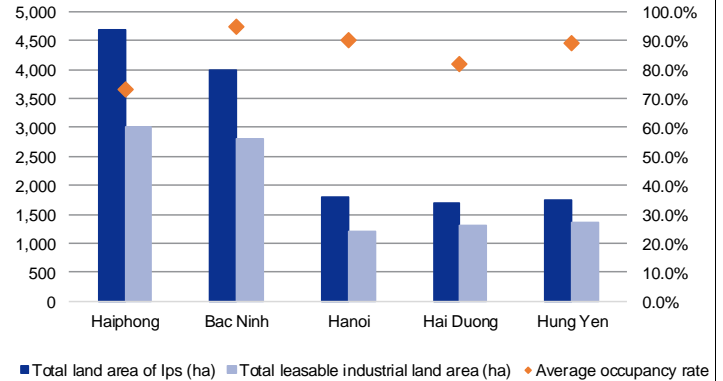
High-rise warehouses and factories due to limited industrial land in urban areas

Figure 149: Limited industrial land in urban areas in Southern Vietnam with average occupancy rate of c.90% in HCMC and Long An



SOURCES: VNDIRECT RESEARCH, CBRE

Figure 150: Limited industrial land in urban areas in Northern Vietnam with average occupancy rate of c.90% in Hai Duong and Bac Ninh



SOURCES: VNDIRECT RESEARCH, SAVILLIS

The high industrial land rent in urban areas creates a barrier for investors, especially for small-scale companies, to enter the market. In the context of limited industrial land and high rents, ready-built solutions, especially high-rise warehouses and factories are emerging as an alternative.

Figure 151: Outstanding potential of ready-built factory lease with flexible size, various location and one-top service

Long-term land lease	Ready-built factory lease
No land fund under 1ha	Flexible size (from a minimum of 500 sq m)
Majority is one-time payment	Flexible payment terms manageable cash flow
2-3 years from land lease to operate	<3 months from lease to operate
Complicated construction certificate	Peace of mind on construction certificate
Lengthy appraisal period with different licensing suppliers	Simplify licensing process
Infrastructure being self managed	Professional management

SOURCES: VNDIRECT RESEARCH, BW INDUSTRIAL DEVELOPMENT JSC

We believe ready-built factories and warehouses will boom in 2021-22F with both domestic and global developers looking to enter the market. Australian logistics real estate group - LOGOS has announced plans for the establishment of its first Vietnam venture for the development of modern, high-quality logistics facilities across the key markets of HCMC, Hanoi and Da Nang for US\$350m; Global Market Leader in logistics real estate - GLP is planning to cooperate with SEA Logistic Partners Vietnam/SLP Group to launch a US\$1.5bn joint venture in Vietnam. In addition, Mirae Asset Daewoo Co. and Naver Corporation of Korea have invested US\$37m in a warehouse at Logis Valley logistics centre in Bac Ninh.

Figure 152: A racing to set foot in ready-built factory and warehouse market in 9M20

Developer	Nationality	Total area (ha)	Sites Location
BW Industrial Development JSC	US/Vietnam	500	21 HCMC, Binh Duong, Dong Nai, Bac Ninh, Hai Duong, Hai Phong
KTG Industrial Development JSC	Vietnam	120	8 Dong Nai, Hanoi, Bac Ninh
Kizuna	Vietnam	24	4 Long An
Daiwahouse Vietnam Co., Ltd	Japan	24	3 Dong Nai
Gaw NP Industrial JSC	Hong Kong	13	1 Thai Nguyen
JSC	Vietnam	18	1 Dong Nai
Boustead Projects Land (Vietnam) Co., Ltd.	Singapore	19	1 Dong Nai
IP Vietnam	Vietnam	10	2 Dong Nai
GT-Industrial	Vietnam	7	1 Dong Nai
Mapletree	Singapore	75	1 Binh Duong
Logos Property	Australia	US\$350m platform	
GLP (SLP Logistics)	Hong Kong	US\$1.5bn fund	

SOURCES: VNDIRECT RESEARCH, SAVILLIS

Four factors could accelerate IP demand in 2021F ➤

Vietnam has emerged as a potential destination as many large multinational companies plan to diversify their operations out of China. This has been even more pronounced since the Covid-19 outbreak, which is acting as a catalyst to speed up the restructuring of global production. We believe that industrial real estate market in Vietnam will remain attractive in 2021F, driven by its globally-recognised success in containing the pandemic locally along with the following reasons:

Vietnam is still a hotspot with low operating costs and tax incentives

The US-China trade war has accelerated the trend of factory relocations from China in 2019, as evidenced by the sharp FDI increase from China and Hong Kong into Vietnam in 9M19. The “China plus one” strategy has resulted in an expansion in manufacturing operations from China to other neighbouring countries in a bid to diversify risks and enjoy lower wage costs, which in turn creates major opportunities for IP companies in ASEAN countries as they benefit from high FDI inflows over the next few years, in our view.

Compared to other neighbouring countries (the Philippines, Indonesia, Malaysia, Thailand and Myanmar), in terms of industrial attraction, Vietnam is still the hot destination for company migration due to its low operating costs. Although Vietnam’s industrial land price rose sharply in 2019-20, the country still offers an average price of US\$103.5/sq m/lease term, the second-lowest price in the region after Myanmar. In Vietnam, workers’ wages are only half that of those in Thailand and Malaysia. Only Indonesia has better electricity prices than Vietnam for business, while Vietnam is the cheapest in terms of industrial warehouse/factory costs vs. Malaysia and Indonesia.

Beside the low operating costs, Vietnam cut its Corporate Income Tax (CIT) to a 20% flat rate in 2016, from 22% previously, for all domestic and foreign companies to bolster its attractiveness as a manufacturing hub. Moreover, companies in industrial zones also enjoy many incentives, such as tax exemption/reduction and visa exemption. Common tax incentives for companies in IPs include tax exemption for two to four years, tax reduction for the next three to 15 years and import duty exemption.

Figure 153: Comparative matrix in operating cost and CIT

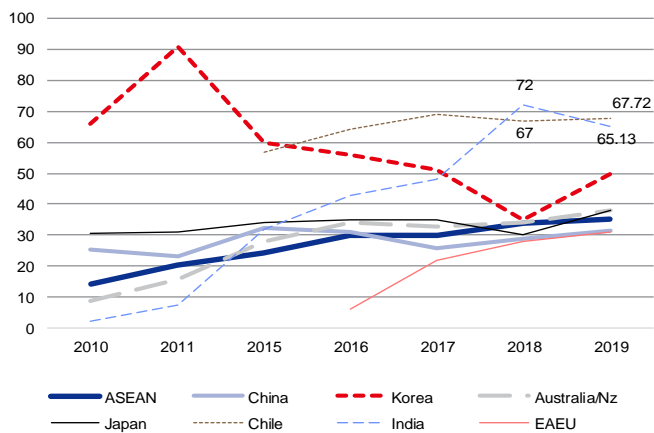
	Operating cost				CIT
	Land price average	Worker’s wage	Electricity price for business	Industrial warehouse/factory cost	
Philippines	121.5	220	0.11	na	30
Indonesia	238	296	0.07	504	25
Vietnam	103.5	227	0.08	352	20
Malaysia	224.5	413	0.1	533	24
Thailand	182.5	413	0.12	na	20
Myanmar	80	162	0.11	na	25

SOURCES: VNDIRECT RESEARCH, SAVILLS, JLL, MIFER MYANMAR

Free trade agreements (FTAs) attract more FDI flows to Vietnam

Vietnam is increasingly taking advantage of FTAs to boost its economy. According to the Ministry of Industry and Trade data, the export value subject to FTA tariff incentives in 2019 reached US\$47.55bn, or 37.2% of the total export value earned from the markets which signed FTAs with Vietnam, equivalent to an increase of 3% yoy. Chile’s market has the highest rate of incentive utilisation from Vietnam-Chile Free Trade Area (VCFTA), at 67.72%, followed by India and South Korea with 65.13% and 49.78%, respectively.

Figure 154: FTA utilisation rate (%)



SOURCES: VNDIRECT RESEARCH, MINISTRY OF INDUSTRY AND TRADE

Figure 155: Tax rate of goods in GSP and EVFTA (%)

HS	Goods	EU-VIE Imports (million EUR)	EVFTA tariffs	GSP (% 2016)
85	Electrical machinery and equipment	12,742.72	0	0.1
84	Machinery	3,995.15	0	0
64	Footwear	3,709.80	0	8.9
62	Apparel and clothing (not knitted or crocheted)	2,082.28	0	9.0
09	Coffee, tea, mate and spices	1,483.42	0	0.1
94	Furniture	1,023.89	0	0
61	Apparel and clothing (not knitted or crocheted)	916.75	0	9.4
42	Leather bags	770.14	0	1.5
08	Edible fruit and nuts	693.50	0	0.2
03	Fish	659.87	0	6.0
39	Plastic and articles thereof	545.37	0	1.6

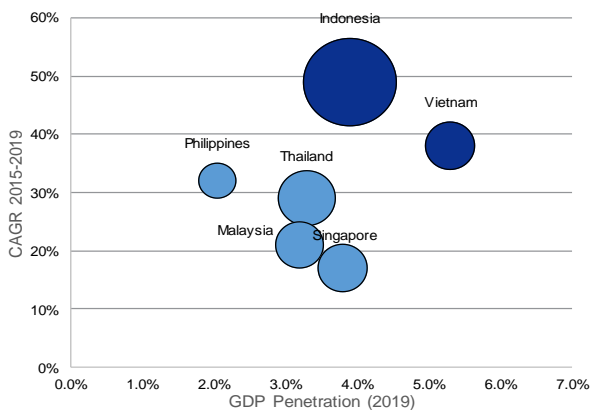
SOURCES: VNDIRECT RESEARCH, EUROSTAT, WTO

The export tax on goods from Vietnam to the EU will be eliminated after the EVFTA comes into effect, or after a short time (maximum of seven years). This is the highest level of commitment that Vietnam has achieved under the FTAs signed so far. Currently, just over 42% of Vietnam's exports to the EU enjoy the 0% tax rate under the Universal Preferential Tariff (GSP). The National Center for Socio-Economic Information and Forecast (NCIF) estimated EVFTA could help Vietnam's GDP increase by 4.3% by 2030. Vietnam's exports to the EU by 2030 are expected to jump 44.4%. The EVFTA will help motivate manufacturing investment companies to come to Vietnam, helping maintain strong FDI inflows into the Southeast Asian nation in the coming years, in our view.

Internet economy boom in Vietnam boosting the demand for IP land for warehouse services

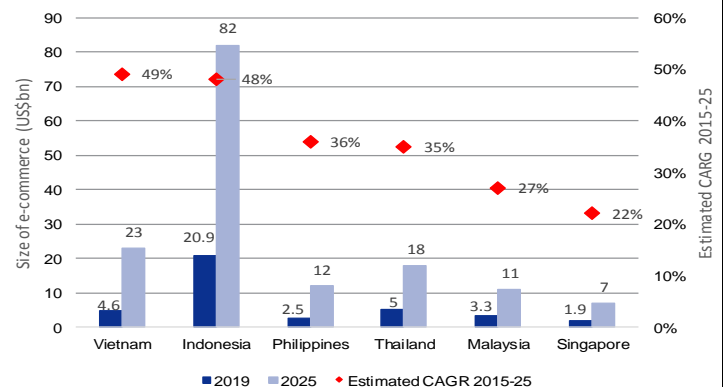
According to Google, Temasek and BAIN&COMPANY, Vietnam's Internet economy is booming, with revenues rising 38% p.a. on average since 2015 to US\$12bn in 2019, and accounted for over 5% of the country's GDP in 2019. According to WeAreSocial's statistical report, as at Jan 2020, Vietnam had more than 68m people using Internet services, equivalent to more than two third of the population and more than 146m mobile data network connections. The online channel becomes more and more important in the next stage of the retail economy. The above figures do not take into account the pandemic impact, which has accelerated the growth of e-commerce, as many consumers have been restricted from buying directly and had to switch to online shopping.

Figure 156: ASEAN's Internet economy in 2019



SOURCES: VNDIRECT RESEARCH, GOOGLE, TEMASEK, BAIN&COMPANY

Figure 157: Estimated e-Commerce size and growth in 2019-25F



SOURCES: VNDIRECT RESEARCH, GOOGLE, TEMASEK, BAIN&COMPANY

Strong production expansion of existing tenants

On top of the new investors seeking opportunities in Vietnam’s industrial property segment, the existing businesses are significantly expanding manufacturing capacity. In particular, LG Electronics announced to build a second R&D centre in Vietnam in 2Q20, Intel is eyeing investment expansion in Vietnam over the coming years, Mitsubishi Motors is seeking opportunities to build its second factory in Binh Dinh and Ford Vietnam has announced plans for a US\$82m expansion of Hai Duong Assembly facility, etc.

Figure 158: List of companies moving or planning a move from China to Vietnam in 4Q20 due to U.S.-China trade tension

Company name	Nationality	Status at 4Q20	Location	Sector
Hanwha	Korea	Moved	Ha Noi	Airplane parts
Yokowo	Japan	Moved	Ha Nam	Motor vehicle parts
Huafu	China	Moved	Long an	Textile
Goertek	China	Moved	Bac Ninh	Headphone and phone parts
TCL	China	Moved	Binh Duong	Electronics - TV
Foxconn	Taiwan	Moving	Bac Giang Quang Ninh	Electronics - TV
Lenovo	China	Considering	Bac Ninh	Electronics - Computer
Nintendo	Japan	Considering	N/A	Electronics - Gaming accessories
Sharp	Japan	Moving	Binh Duong	Electronics - Camera
Kyocera	Japan	Moving	Hai Phong	Electronics - Printer, photocopy
Asics	Japan	Considering	N/A	Shoes production

SOURCES: VNDIRECT RESEARCH, JLL

Figure 159: Japan is promoting packages to support industry businesses to rebuild supply chains in Southeast Asia after the impact of the COVID-19 pandemic

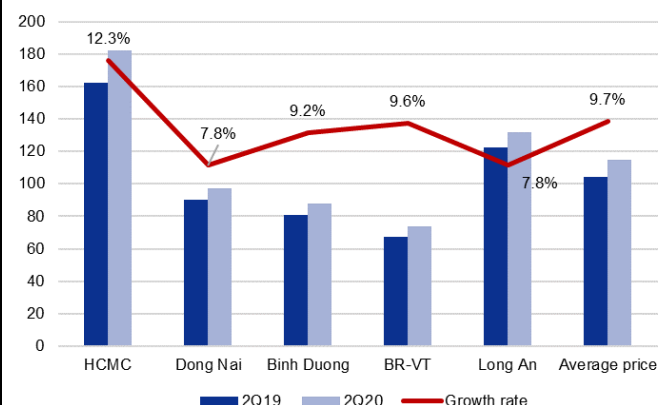
Name	Type	Sector
Inoue Iron Works	SME	Medicine
Able Yamauchi	SME	Medical clothing / gown
Showa global	SME	Medical gown / mask
Shinetsu chemistry	Large company	Rare earth magnets
Global technology	SME	Medical face shields
Hashimoto	SME	Non-woven mask, alcohol tissue paper, medical hair cap
Fujikin	SME	Semiconductor equipment
Plus	SME	Medical masks
Pronics	SME	Air conditioner
HOYA	Large company	Hard drive parts
Matsuoka	Large company	Infection control clothing
Meiko	Large company	Smart phone parts
Yokoo	Large company	Automotive Parts
Nikkiso	Large company	Dialysis blood vessels
Akiba casting	SME	Power module

SOURCES: VNDIRECT RESEARCH, JETRO

We expect leasing prices to continue to rise ➤

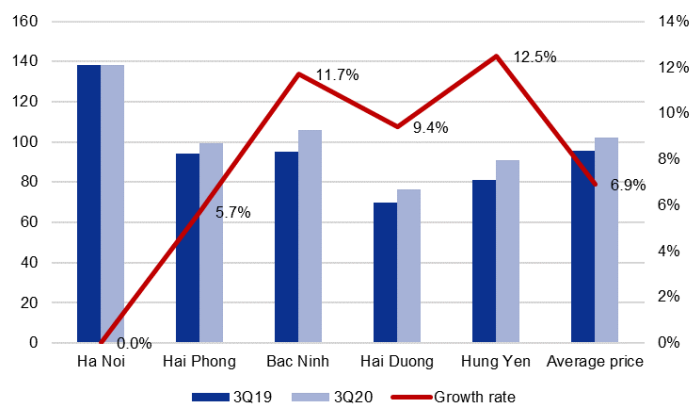
Despite two outbreaks of Covid-19 in Vietnam, land rental prices in two key industrial areas in 2020 remained strong, with an average increase of 9.7% yoy (end 2Q20) to US\$105/sq m/lease term in Southern provinces and 6.9% yoy (end 3Q20) to US\$96/sq m/lease term in Northern provinces. In the southern economic zone, the HCMC remains the most favoured industrial location, with its occupancy rate remaining high at 91% with the highest growth in leasing price of 12.3%. Meanwhile in the North, Hung Yen and Bac Ninh provinces recorded an impressive increase of 12.5% yoy and 11.7% yoy, respectively. Given its higher demand, we project leasing prices to continue to rise in 2021F, especially for IPs in urban areas given the shortage supply.

Figure 160: Southern IPs land price in 2Q19-2Q20 (US\$/sq m/lease term)



SOURCES: VNDIRECT RESEARCH, JLL

Figure 161: Northern IPs land price in 3Q19-3Q20 (US\$/sq m/lease term)



SOURCES: VNDIRECT RESEARCH, JLL

Stock pick: KBC (KBC VN, Hold, TP: VND15,700) >

We believe that most of the listed IP names are expensive. However, KBC is well positioned to capture the growing demand for industrial parks (IPs), triggered by a surge in FDI in Vietnam's Northern region because: 1) KBC has several tech giants in its tenant portfolio, with its Que Vo and Trang Due IPs as the local manufacturing hubs for Korean tech companies like Samsung Electronics Vietnam and LG Electronics, and 2) it has a total industrial land bank of 5,278ha (as of end-2019), which could sustain 10 to 20 years of development.

Figure 162: IPs peer comparison

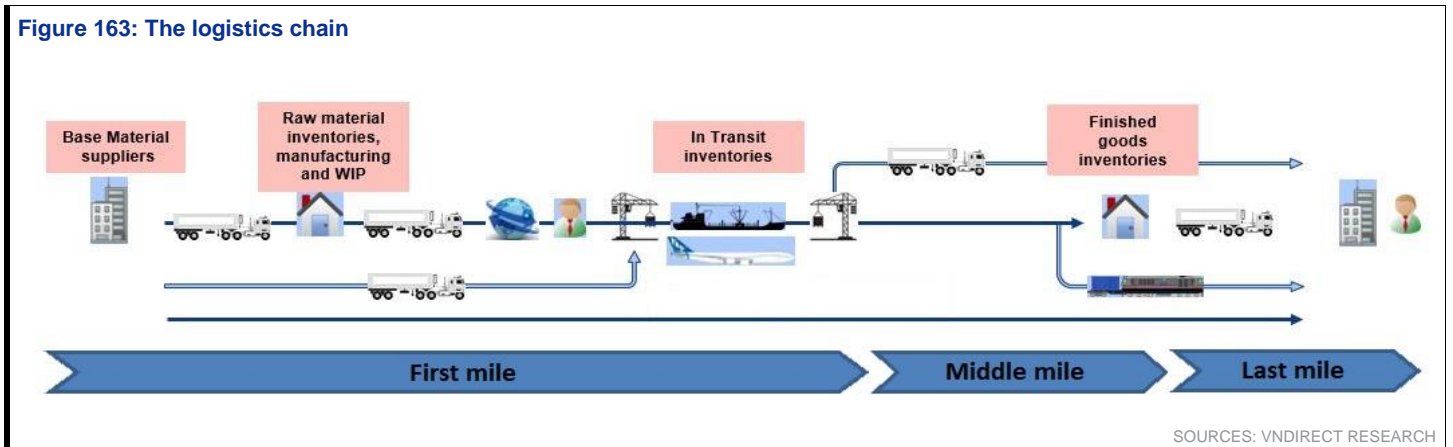
Company Name	Ticker	Price	TP	Recom.	Market Cap (US\$ m)	P/E	P/B	ROE (%)	Dividend yield (%)	Net gearing (%)
		(local curr)	(local curr)			TTM	Current	TTM	TTM	2019
Kinh Bac City Development Sh	KBC VN	15,750	15,700	Hold	320	17.9	0.8	4.4	8.4	12.2
Investment & Industrial Deve	BCM VN	40,900	NA	NR	1,830	NA	2.8	NA	2.9	87.6
Viglacera Corp Jsc	VGC VN	25,500	NA	NR	494	18.1	1.8	10.1	6.1	-9.0
Sonadezi Corp	SNZ VN	30,000	NA	NR	488	19.1	2.3	12.6	4.8	-7.4
Saigon Vrg Investment Corp	SIP VN	136,000	NA	NR	467	18.2	6.6	42.5	1.3	-235.9
Idico Corp Jsc	IDC VN	32,600	NA	NR	423	42.3	2.8	6.6	6.3	18.1
Vietnam Average						24.4	3.3	17.9	4.3	-29.3
Vietnam Median						18.6	2.8	11.3	4.8	-7.4
Wha Corp Pcl	WHA TB	3.1	3.82	Add	1,551	20.4	1.7	7.8	3.0	109.7
Amata Corp Public Co Ltd	AMATA TB	16.7	18.20	Add	639	18.8	1.2	6.8	3.5	65.7
Frasers Property Thailand Pc	FPT TB	13.2	NA	NR	1,018	9.6	0.8	9.4	4.0	139.3
Rojana Indus Park Pub Co Ltd	ROJNA TB	4.6	NA	NR	306	11.1	0.7	5.8	9.6	115.7
Thailand Average						15.0	1.1	7.4	5.0	107.6
Bumi Serpong Damai Pt	BSDE IJ	1,105	NA	NR	38,303	23.3	0.8	3.3	NA	9.5
Ciputra Development Tbk Pt	CTRA IJ	930	NA	NR	28,261	17.4	1.2	6.7	1.9	27.8
Lippo Karawaci Tbk Pt	LPKR IJ	234	NA	NR	27,163	NA	0.6	-9.3	NA	21.0
Indonesia Average						20.4	0.9	0.2	1.9	19.4
Uem Sunrise Bhd	UEMS MK	0.48	0.92	Add	13,833	48.1	0.3	-0.3	NA	30.4
Malaysia Average						48.1	0.3	-0.3	NA	30.4

All prices are based on the closing prices on 10 Dec 2020. All estimates for Non-rated (NR) stocks are based on Bloomberg consensus estimates.

SOURCES: VNDIRECT RESEARCH, BLOOMBERG

LOGISTICS: Riding the recovery in global trade

Figure 163: The logistics chain



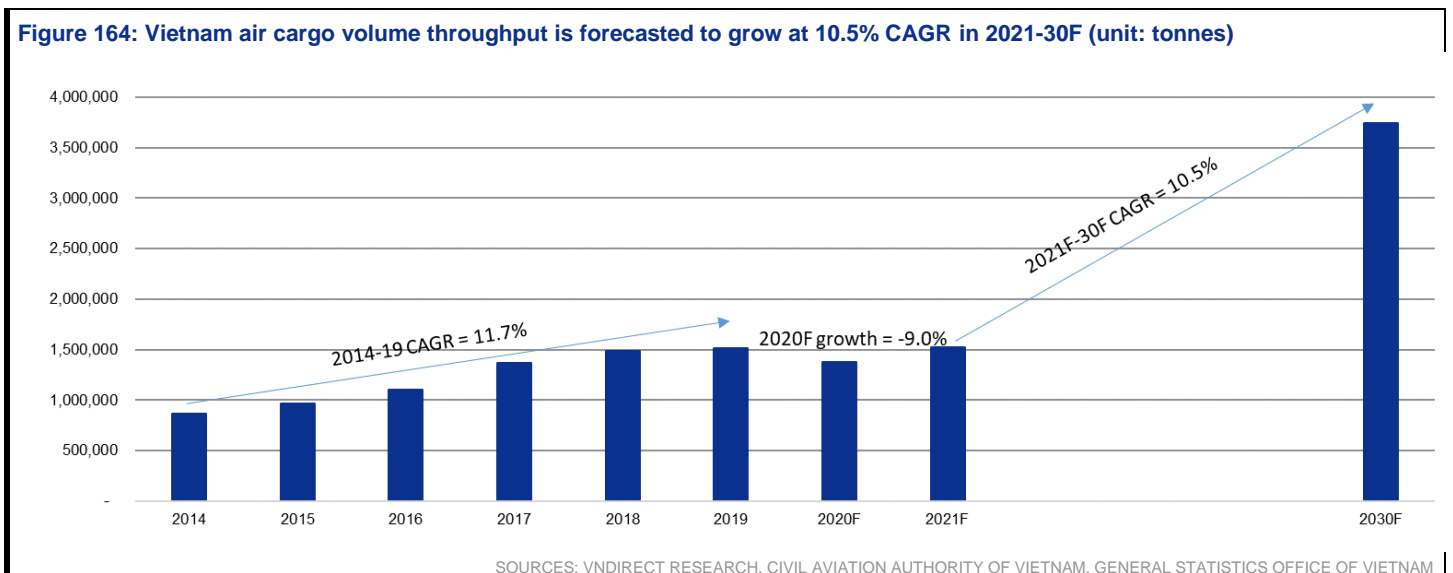
SOURCES: VNDIRECT RESEARCH

First-mile: Vietnam’s air cargo hubs to stay buoyant ▶

Air cargo volume to post double-digit growth over 2021-30F

Vietnam’s total air cargo volume throughput grew at an 11.7% CAGR in 2014-19 according to Vietnam General Statistics Office (GSO), driven by robust export-import activities, expanded flight routes, and infrastructure upgrades. The Covid-19 pandemic has severely affected global aviation, interrupting Vietnam’s air cargo growth momentum. The Civil Aviation Authority of Vietnam (CAAV) expects Vietnam’s air cargo volume to decrease by 9% yoy to 1.38m tonnes in 2020F. However, assuming a vaccine for Covid-19 is found, we expect the pandemic to be gradually controlled, leading to the recovery of Vietnam’s air cargo industry in 2021F. Based on the government’s master plan for air transportation development until 2030F, it expects Vietnam’s total air cargo volume throughput to increase by 10.5% p.a. over 2021-30F.

Figure 164: Vietnam air cargo volume throughput is forecasted to grow at 10.5% CAGR in 2021-30F (unit: tonnes)



SOURCES: VNDIRECT RESEARCH, CIVIL AVIATION AUTHORITY OF VIETNAM, GENERAL STATISTICS OFFICE OF VIETNAM

Analyst(s)

Dzung NGUYEN

T (84) 91 686 5190

E dung.nguyentien5@vndirect.com.vn

In our view, with the support of the import-export growth and the trend of electronics production shifting from China to Vietnam, the growth target projected by the government is achievable.

- Vietnam’s top exporting and importing commodities are electrical devices, which have a high value-to-weight ratio and require heightened security. Besides, increasing globalisation has subjected the electronics industry to time and cost pressures. Furthermore, product life cycles in the electronics sector

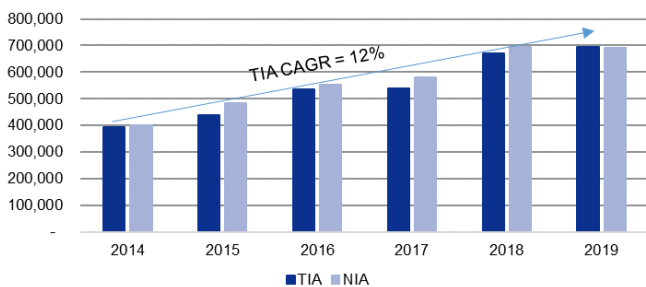
are getting shorter. Thus, these products are generally transported by air. For 2021-30F, we expect Vietnam’s export and import value growth to remain strong, driven by FDI enterprises, which will in turn raise the country’s air cargo volume.

- China has been a manufacturing hub for global hi-tech enterprises. However, due to the US-China trade war, many enterprises have chosen to move their factories from China to Vietnam to avoid any adverse impact and to take advantage of Vietnam’s low labour costs. In our view, Vietnam’s air cargo market will directly benefit from the air cargo demand of these hi-tech enterprises. Based on data from Vietnam’s industrial park zones, 70% of big companies moving or planning to move from China to Vietnam since the US-China trade war began in Jul 2018 are hi-tech companies. In addition, the EU-Vietnam Free Trade Agreement (in effect from 1 Aug 2020) and other free trade agreements (FTAs) Vietnam has signed – such as the Regional Comprehensive Economic Partnership (RCEP) between ASEAN countries and the six Asia Pacific countries, the FTA between ASEAN and Hong Kong, and the Vietnam-Israel FTA – will facilitate more cross-border trade with European countries and other major Asia Pacific economies such as Japan, South Korea, China, India, Australia and New Zealand. We expect the combined benefit from the FTAs and the relocation of supply chains from China to Vietnam to lead to strong growth in air cargo volume in the medium to long term, and boost Vietnam’s air cargo demand.

Tan Son Nhat International Airport to be the fastest-growing air cargo hub in 2021-30F

Vietnam has 10 international airports, of which Tan Son Nhat (TIA) and Noibai (NIA) are the largest international hubs, accounting for a combined 95% of total cargo volume throughput in 2019 due to the concentration of air freight demand in the northern and southern regions of Vietnam, and the dense frequencies of international routes connected to Hanoi and HCMC. In the coming years, we believe air cargo demand growth will remain strong in the northern and southern regions as they are the most burgeoning economic zones.

Figure 165: TIA delivered 12% 2014-19 CAGR in air cargo volume throughput and NIA posted 11.5% 2014-19 CAGR



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 166: TIA is being upgraded to alleviate traffic congestion and attract more clients in the southern region

	Cargo capacity (tonne)	2019 cargo volume (tonne)	2019 utilisation rate
Northern international airports			
Noi Bai International Airport	600,000	689,000	115%
Cat Bi International Airport	100,000	12,855	13%
Van Don International Airport	10,000	586	6%
Southern international airports			
Tan Son Nhat International Airport	550,000	694,851	126%
Can Tho International Airport	5,000	4,089	82%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

We believe TIA will likely be the fastest-growing airport in terms of air cargo based on the following reasons:

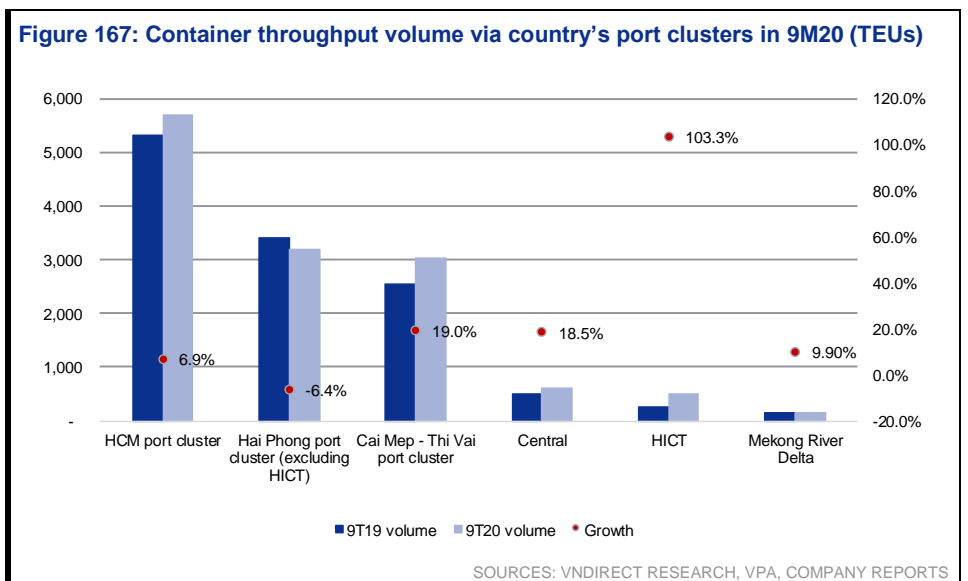
- TIA was the fastest-growing air cargo hub in Vietnam in 2014-19, with volume CAGR of 12%. This outpaced Vietnam’s total volume CAGR of 11.7% and NIA’s volume CAGR of 11.5% over the same period.
- In the south, beside TIA, there is only one other international airport, in Can Tho city. However, this airport has low air cargo capacity, thus limiting the likelihood of competition to TIA. As TIA’s new terminal project (T3) has been approved, we expect its traffic congestion to be alleviated and international flight frequencies to improve, thereby increasing TIA’s appeal as an air cargo hub.

- Meanwhile, in the north, apart from NIA, the market is also shared by Cat Bi International Airport and Van Don International Airport. Cat Bi airport has a cargo capacity of 100,000 tonnes p.a. but as at end-2019, only used 13% of that capacity. Van Don airport is upgrading its airport infrastructure, according to the Ministry of Transportation. We expect both airports to gain air cargo volume market share from NIA in the coming years. Moreover, NIA has been facing overloads, running at 116%/115% of its passenger/cargo capacity as at end-2019 while its expansion plan has not been approved due to problems with investment procedures.
- Overall, for 2021-30F, we expect NIA to have lower-than-industry air cargo volume growth rate of 9.9% p.a. due to the loss of air cargo volume market share to other airports, while TIA is likely to post the fastest-among-peers air cargo volume growth of 10.6% p.a., supported by the capacity expansion plan of the Terminal 3 project set to be completed in 2021F.
- According to the Ministry of Transportation, construction of Long Thanh International Airport (LIA) in Dong Nai province is likely to start in 2021F and finish in 2025F, creating potential risks for TIA's air cargo handling as the cargo volume might be shared. However, in our view, the risk is low because TIA is located only 8km away from HCMC's CBD. Thus, its cargo terminals have the time and distance advantages over LIA, specifically for products destined for the inner city. LIA is also located further away from the key industrial park zones in the south such as Binh Duong and Long An, which makes it hard for LIA to compete with TIA in air cargo transportation.

First-mile: Cai Mep-Thi Vai seaport cluster will take the spotlight ➤

Seaports still enjoyed solid growth in 2020 despite the pandemic

Notwithstanding the effects of the Covid-19 pandemic, Vietnam's seaports recorded 12% yoy growth in total container volume throughput in 9M20, according to Vietnam Seaport Association (VPA). However, the performance of the port clusters differ greatly.



Oversupply brings fierce competition in Hai Phong port cluster

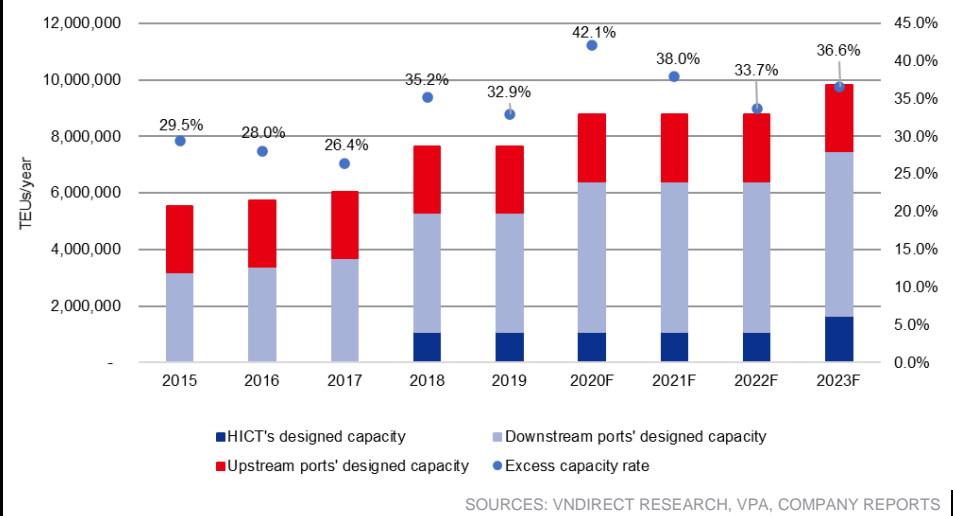
The Hai Phong port area, which mainly serves Intra-Asia shipment and transshipment to Europe, was mildly hit by the Covid-19 pandemic, resulting in a 1.0% yoy decrease in container volume throughput in 9M20. In addition, since 2018, Hai Phong International Container Terminal (HICT) has emerged as a busy deep sea port, thanks to its capacity to accommodate vessels with deadweight up

to DWT160,000 (vs. the maximum DWT48,000 of the other ports in the cluster), which led to a 6.4% yoy drop in the total container volume throughput of remaining ports in 9M20.

The oversupply situation at the Hai Phong port cluster hindered the topline growth of local seaport operators. The launch of Mipec port and Vinalines-Dinh Vu port in 2H20 increased the cluster's designed capacity by 14.6%. With the pandemic likely to trim the total container volume throughput at Hai Phong port cluster by 1% to 5.437m TEUs in 2020F, the cluster's excess capacity rate may jump to 42.1% in 2020F from 32.9% in 2019.

We estimate Hai Phong port cluster's container volume throughput to grow at 7% 2020-23F CAGR, while 1,100,000 TEU could be added to total capacity from Lach Huyen 3 and Nam Dinh Vu 2 in 2023F.

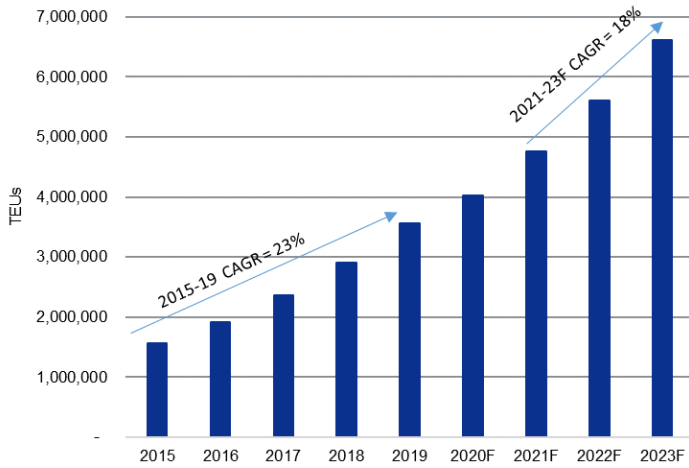
Figure 168: Oversupply in Hai Phong port cluster



Cai Mep-Thi Vai port cluster becomes a promising deep seaport to benefit from scheduled seaport services fee hike over 2021-23F

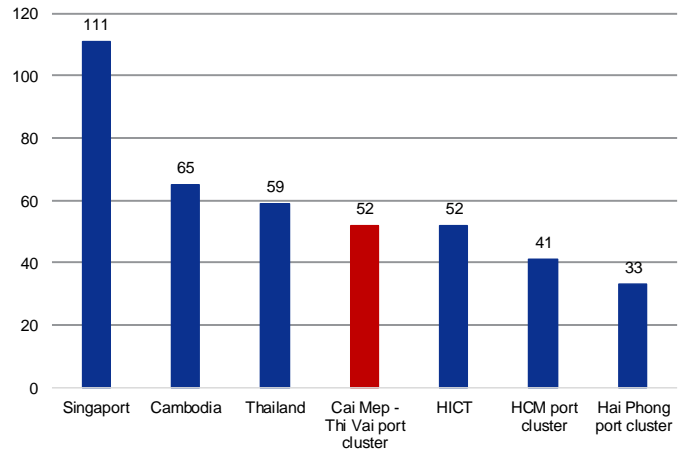
Located in the southern gateway of the country, Cai Mep-Thi Vai is the busiest port cluster of Vietnam. It has great advantages over other port clusters in terms of having advanced infrastructure with berth depth at 14 metres, which can accommodate large vessels with deadweight of up to DWT200,000. Poor connectivity to manufacturing and consumption sites was a major problem hindering the growth of Cai Mep–Thi Vai port cluster in the past, but this has been resolved by accelerating the construction of roads connecting the Cai Mep–Thi Vai port complex with Phuoc An bridge, Ben Luc–Long Thanh expressway, and Bien Hoa city. Container throughput volume increased at 23% CAGR over 2015-19 and 19% yoy in 9M20. The Cai Mep-Thi Vai port cluster is becoming a promising deep sea port area in Vietnam. We expect the cluster's container volume throughput to grow 19% in 2020F, and 18% in 2021-23F, on the back of 1) an additional 5m TEU of container volume throughput shifted to Cai Mep-Thi Vai from Ho Chi Minh port cluster to avoid Ho Chi Minh port from being overloaded until 2025F, according to VPA, and 2) attractive handling fees, which are among Asia's lowest in 2020.

Figure 169: We expect Cai Mep-Thi Vai port cluster to deliver 18% 2021-23F CAGR in container throughput volume



SOURCES: VNDIRECT RESEARCH, VPA, COMPANY REPORTS

Figure 170: Cai Mep–Thi Vai port cluster offers attractive price scheme vs. other regional seaports (US\$/TEU)



SOURCES: VNDIRECT RESEARCH, VPA, COMPANY REPORTS

Given the significant gaps in services fee with other countries in the region, the Ministry of Transport (MOT) has proposed increasing seaport services fee following a roadmap over the period of 2021 to 2023. MOT announced it would make efforts to complete the draft roadmap and submit it to the government for issuance before 1 Jan 2021. According to the proposal, prices for container loading and unloading services will be revised up based as follows:

Figure 171: Seaport services fees to be increased progressively over 2021-23F

Region	2021F	2022F	2023F
Region I (Northern seaport from Quang Ninh to Nam Dinh, excl. HICT)	10%	10%	10%
Region II (Central seaport from Thanh Hoa to Binh Thuan)		10%	10%
HICT		10%	10%
Cai Mep - Thi Vai port cluster	10%		10%

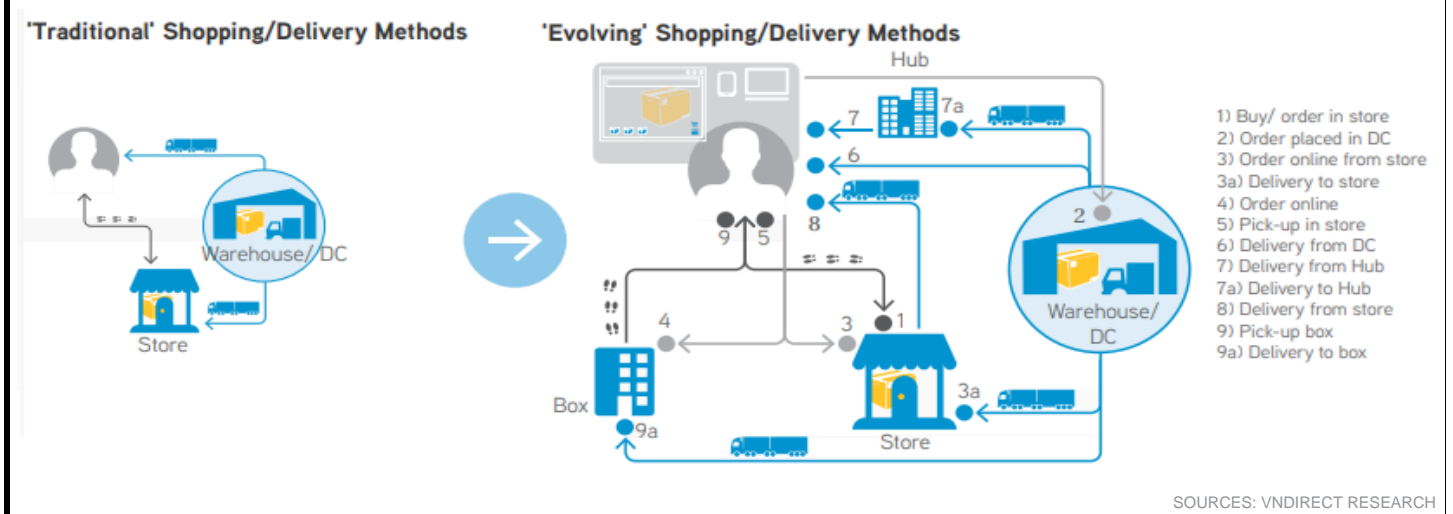
SOURCES: VNDIRECT RESEARCH, VPA, COMPANY REPORTS

We expect the proposal to be approved by the end of this year. We foresee the following impact:

- For the Hai Phong port cluster, by not increasing HICT’s services fee in 2021F, HICT would attract more cargoes as its fees become more favourable, causing more difficulties for the remaining ports. In addition, due to the oversupply, in order to retain customers, the ports here would have to find ways to reduce other fees for customers such as warehousing and storage fees to maintain their average sale price (ASP). Thus, we believe the ports here would not actually benefit from the progressive fee increase, except HICT.
- For Cai Mep–Thi Vai port cluster, we believe the current ports would actually benefit from the increase in fees thanks to the cluster’s favourable infrastructure and limited participation of port operators due to the large investment capital requirement for deep sea port construction.

Middle-mile: Untapped market waiting to be explored ➤

Figure 172: Evolution of middle-mile logistics



Vietnam's middle-mile market of the logistics chain, which accounts for a large proportion of logistics costs and complexity of operations, is still fragmented and has no dominant players. In this segment, the warehouse/distribution centre (DC) holds the key position in the middle-mile logistics chain, which can vary significantly in terms of size, specification and locational requirements depending on the type of products, destination of delivery, delivery expectations and the proportion of online sales conducted by the retailers or their logistics partners. Given the strong recovery of Vietnam's consumption demand, the middle-mile logistics market has a lot of growth potential. However, players must face and resolve the following problems to have a solid position:

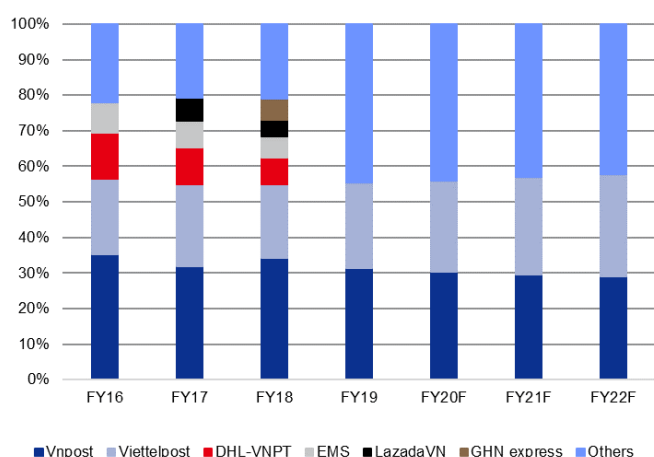
- **Technology sophistication:** demand for these warehouses/DCs is being driven by increasingly sophisticated distribution needs, particularly as e-commerce demand continues to grow. In terms of operational efficiency, logistics companies should engage a full range of mobile technologies and higher utilisation of sales data analytics, which are essentially spun off from their digital platforms, to formulate process-driven warehouses/DCs. Automation is now a critical part of enabling an efficient operation, helping to reduce returns and fault losses from previous less-efficient, manual systems.
- **Wide and well-positioned land bank:** being the connection between first-mile and last-mile logistics chain, middle-mile warehouses/DCs require convenient locations near the cities to deliver products to retailers and malls. Due to the growth of e-retailing and the corresponding space requirements to install more sophisticated facilities such as automated picking and sortation systems, there is a noticeable trend that the total floor area of warehouses/DCs is getting larger; a typical modern middle-mile distribution facility today has a floor area of more than 100,000 sq m. Before 2011, only one of 10 Amazon warehouses in Europe was larger than 90,000 sq m. Currently, 10 out of 27 Amazon DCs are larger than 90,000 sq m. In China, the average setup is now in the order of 150,000 sq m with 10 metres of headroom. Due to the limited land bank surrounding Hanoi and Ho Chi Minh city, we believe enterprises joining the segment first will have advantages in terms of well-positioned land for warehouses/DCs construction.

Last-mile: Capitalising on double-digit growth non-store retailing market ➤

The symbiotic relationship between last-mile delivery and non-store retailing is undeniable – the former is the last leg in fulfilling the non-store retailing process. In the segment, VNPost and ViettelPost (VTP) are the dominant players in the

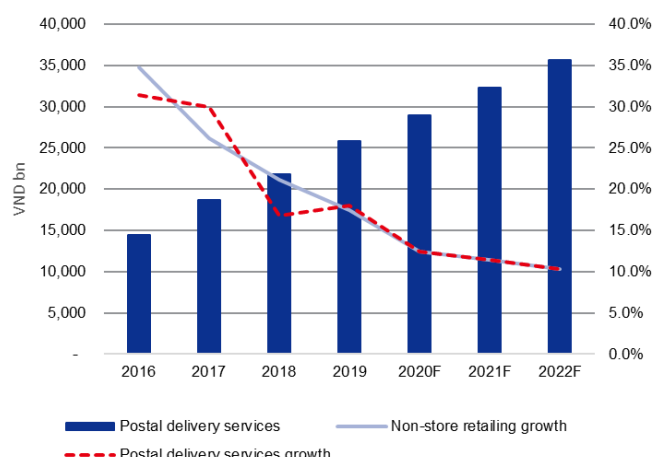
last-mile delivery market, thanks to their nationwide infrastructure. Currently, VNPost has the largest infrastructure in Vietnam with 11,235 postal hubs and collection points, following by VTP with 1,825 postal hubs and 6,000 collection points. VNPost and VTP’s most notable competitors are the e-commerce platforms that have their own delivery systems, e.g. LazadaVN, with their strong financial resources and business strategy of cash-burning for growth. However, LazadaVN’s business model is not well-performed as other e-commerce platforms like Shopee, which outsources the delivery process to third parties. As a result, LazadaVN’s market share in Vietnam’s e-commerce market is weakening, resulting in a decline of its last-mile delivery market share to 4.8% in 2018 from 6.6% in 2017.

Figure 173: VNpost and Viettelpost are the dominant players in Vietnam’s last-mile delivery services market



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 174: We forecast Vietnam’s last-mile delivery services market value to grow at 11.4% 2020-22F CAGR



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

According to Euromonitor International, the value of Vietnam’s total non-store retail industry grew a robust CAGR of 24.9% over 2016-19, thanks to its booming e-commerce, but may slow to 11.4% CAGR over 2020-22F as the growth momentum has been decreasing in recent years. Given its high correlation with growth in non-store retail value, Vietnam’s last-mile delivery market value posted a CAGR of 24.0% over 2016-19 (summarised by Vietnam’s General Statistics Office - GSO). Based on Euromonitor’s forecast and the high correlation between postal delivery growth and non-store retail growth, we expect Vietnam’s last-mile delivery market value to rise at a CAGR of 11.4% over 2020-22F, fuelled by the robust growth of e-commerce.

Stock picks ➤

We like SCS, GMD, VTP for their solid positions and strong growth potential in each segment of Vietnam’s logistics chain

Saigon Cargo Service JSC (SCS, ADD, TP: VND144,500) – The leading air cargo terminal is capitalising on Tan Son Nhat International Airport (TIA), Vietnam’s fastest-growing air cargo hub.

We believe SCS’s air cargo volume market share in TIA should grow to 55% over 2021-30F, premised on its state-of-the-art terminal and it being the only provider capable of expanding capacity at TIA. We expect SCS’s revenue/NP to dip 6.3%/5.8% yoy in FY20F. For the 2021-24F period, we forecast 14.6% revenue CAGR and 11% net profit CAGR. SCS now trades at 12.7x 2021F P/E, far below its historical three-year average P/E of 14.1x. The air freight’s toughest times are likely over and we believe SCS’s current share price offers an attractive entry point given its potential net profit growth after 2020F.

Gemadep (GMD VN, ADD, TP: VND31,400) – Waiting for the Gemalink

We expect the excess capacity in Hai Phong jumped to 42.1% in 2020F, the key reason behind a 4.5% yoy decline in total volume throughput and a 7.3% yoy fall in average handling fee. Thus, we expect GMD's total revenue to dip 5% yoy to VND2,510bn and net profit to slump 20.9% yoy to VND409bn in FY20F. GMD's largest project, the Gemalink deep sea container port, is ready for test runs in Dec 2020 and should come onstream in Jan 2021. We expect Gemalink to operate at 60% designed capacity in 2021F. Once Gemalink runs at full capacity in 2023F, we estimate it will contribute VND230.4bn net profit to GMD, accounting for 34.5% of GMD's FY23F NP.

Viettel Post Corporation (VTP, ADD, TP: VND130,700) – Robust growth in FY20-22F

We believe VTP has the ability to gain market share from competitors in the coming years, thanks to its peer-leading technology capacity and nationwide postal infrastructure. Thus, we expect VTP's share of Vietnam's last-mile delivery market to grow to 28.8% in 2022F from 24.0% in 2019. We expect VTP's FY20F NP to grow 19.4% yoy, thanks to a 400% surge in commercial sale and a 20.0% increase in delivery revenue. We project FY20-22F net profit CAGR of 19.3%, mainly due to FY20-22F CAGR of 18.5% in delivery services revenue, which is 7.1% pts higher than its last-mile delivery industry revenue CAGR in FY20-22F (11.4% p.a.) thanks to VTP's strong ability to gain market share. VTP will join the middle-mile logistics segment in FY21F and in our view, VTP could become the market leader as the segment is still fragmented and has no dominant players.

Figure 175: Peer comparison

Company name	Ticker	Price (Local curr)	TP (Local curr)	Recom.	Market Cap (US\$ m)	3-year EPS CAGR (%)	P/E		P/BV		ROE (%)		Dividend yield (%)		EV/EBITDA	
							2020F	2021F	2020F	2021F	2020F	2021F	2020F	2021F	2020F	2021F
First-mile air cargo terminal																
Atlas Air Worldwide Holdings	AAWW US	51	N/A	NR	1,512.4	NA	4.5	6.3	0.7	0.6	17.5	13.9	NA	NA	4.8	5.5
Xiamen Interna-A	600897 CH	18	N/A	NR	797.3	9.6	22.6	11.1	1.3	1.2	6.0	11.5	1.3	2.7	8.0	5.2
Macroasia Corporation	MAC PM	8	N/A	NR	307.7	47.2	NA	NA	NA	NA	-16.9	NA	2.4	NA	NA	318.6
Noibai Cargo Terminal Ser JSC	NCT VN	70,400	N/A	NR	79.6	-7.0	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Saigon Cargo Services Corp	SCS VN	121,500	144,500	ADD	273.8	22.0	14.1	12.3	5.2	4.3	42.2	40.2	4.2	4.2	11.2	10.0
Average							13.7	9.9	2.4	2.1	12.2	21.9	2.7	3.4	8.0	84.8
Median							14.1	11.1	1.3	1.2	11.8	13.9	2.4	3.4	8.0	7.7
First-mile seaport																
Adani Ports And	ADSEZ IN	464	N/A	NR	12,814.6	-0.7	20.9	16.9	3.2	2.8	16.4	17.4	0.9	1.2	14.5	11.6
Gujarat Pipavav	GPPV IN	94	N/A	NR	614.4	6.8	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Gateway Distripa	GDPL IN	114	N/A	NR	193.6	93.6	32.0	18.1	1.0	1.0	3.1	4.6	2.5	3.1	7.8	7.3
Namyong Terminal	NYT TB	4	N/A	NR	147.6	32.5	22.4	14.9	NA	NA	5.1	7.8	3.9	5.9	9.0	7.5
Nakkar Corp Ltd	NACO IN	34	N/A	NR	70.1	NA	11.0	9.3	NA	NA	2.5	3.0	NA	NA	5.7	5.3
Vietnam Containe	VSC VN	52,600	N/A	NR	125.3	-0.3	13.6	11.6	1.6	1.5	13.3	14.6	3.8	3.8	5.1	4.6
Gemadept Corp	GMD VN	29,050	31,400	HOLD	434.2	18.1	21.1	19.1	1.4	1.4	6.9	7.4	3.4	3.4	9.3	8.9
Average							20.2	15.0	1.8	1.7	7.9	9.2	2.9	3.5	8.6	7.5
Median							21.0	15.9	1.5	1.5	6.0	7.6	3.4	3.4	8.4	7.4
Last-mile delivery																
Singapore Post LTD	SPOST SP	1	N/A	NR	1,212.4	737.5	24.8	18.9	1.1	1.1	4.6	6.0	3.1	3.6	11.9	10.4
YTO Express Group CO LTD-A	600233 CH	13	N/A	NR	6,492.8	3.0	21.6	19.7	2.8	2.5	12.5	11.9	1.3	1.4	10.9	9.6
P&T Express Group CO LTD-A	EMS VN	31,000	N/A	NR	20.1	77.5	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
STO Express CO LTD-A	002468 CH	12	N/A	NR	2,808.5	-4.8	39.1	24.0	1.9	1.8	5.1	7.4	0.8	1.0	19.9	11.9
New Trend International LO-A	300532 CH	10	N/A	NR	436.0	37.4	47.5	30.7	3.5	3.4	7.4	11.0	NA	NA	36.7	23.7
Sea and Freight International	SFI VN	31,500	N/A	NR	18.2	-7.5	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Viettel Post JSC	VTP VN	109,000	130,700	ADD	390.7	-1.7	17.1	16.6	7.1	5.5	40.4	37.5	1.4	1.4	10.8	10.5
Average							30.0	22.0	3.3	2.9	14.0	14.8	1.6	1.9	18.0	13.2
Median							24.8	19.7	2.8	2.5	7.4	11.0	1.4	1.4	11.9	10.5

All prices are based on the closing prices on 9 December 2020. All estimates for Non-rated (NR) stocks are based on Bloomberg consensus estimates.

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

AVIATION: Flying through turbulence

Possible recovery scenario of global aviation in 2021-25F ➤

The recovery of global aviation is strongly tied up with the Covid-19 vaccine development. Currently, six vaccines have been approved for early or limited use. In the U.S, Pfizer believes it will be able to supply 50m doses by the end of this year, and around 1.3bn by the end of FY21F, followed by Moderna with an estimate of 20m doses by the end of this year and 0.5bn-1bn doses in 2021F. Meanwhile in Russia, Gamaleya with Sputnik V vaccine expects to produce 500m doses in 2021F. The total number of people to be protected from the three Covid-19 vaccines above is expected at 35m in 2020F and 1.15bn-1.4bn in 2021F. In addition, there are another three vaccines from China which are also approved for early or limited use.

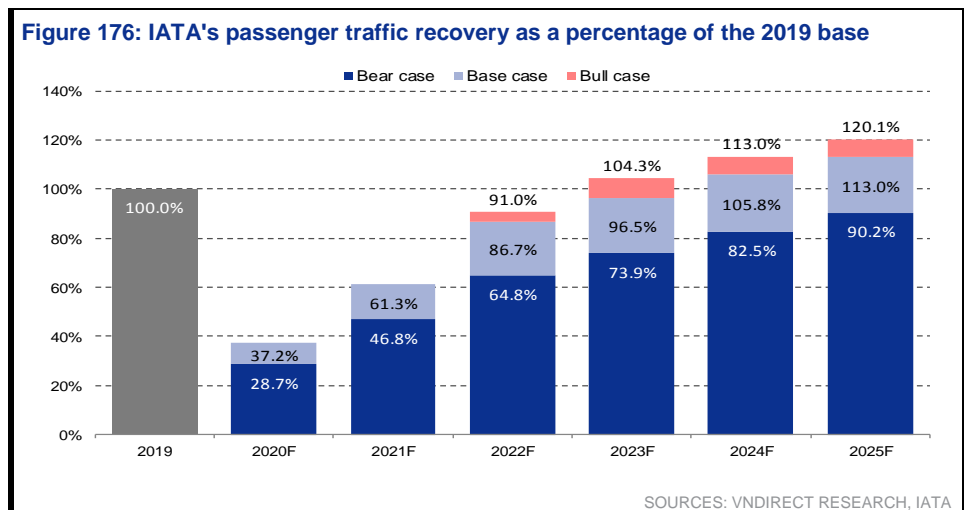
Based on the Covid-19 vaccines development, the International Air Transport Association (IATA) expects global revenue passenger kilometres (RPK) to exceed the 2019 baseline from 2024F in the base-case scenario. IATA is also making allowances for a relatively large downside risk to the bear-case scenario, but only a relatively modest upside risk to the bull-case scenario. From 8.07tr RPK demand in 2019, in the base case scenario, IATA expects RPK to:

- Fall 63% yoy to 3tr in 2020F, but then
- Rise 65% yoy to 4.95tr in 2021F, and
- Rise further by 41% yoy to 7tr in 2022F.

IATA expects the base case RPK to:

- Fall to 37.2% of the 2019 base in 2020F,
- Rise to 61.3% of the 2019 base in 2021F, and
- Rise further to 86.7% of the 2019 base in 2022F.

In our view, there will be strong momentum in traffic volumes in the coming years, and the global aviation sector's performance should see significant improvements, but it would take four more years for traffic to reach 2019's level.



We believe Vietnam will recover faster than neighbours ➤

Domestic skies: traffic strongly rebounds since Sep 20 thanks to success in containing the pandemic

Key milestones of Vietnam's domestic aviation during the Covid-19 outbreak:

- During the country's social distancing period (from 1-23 April), most scheduled flights were prohibited, except for a few flights between Hanoi, Ho Chi Minh City and Da Nang. Domestic air passenger transportation was largely suspended in Vietnam.

Analyst(s)

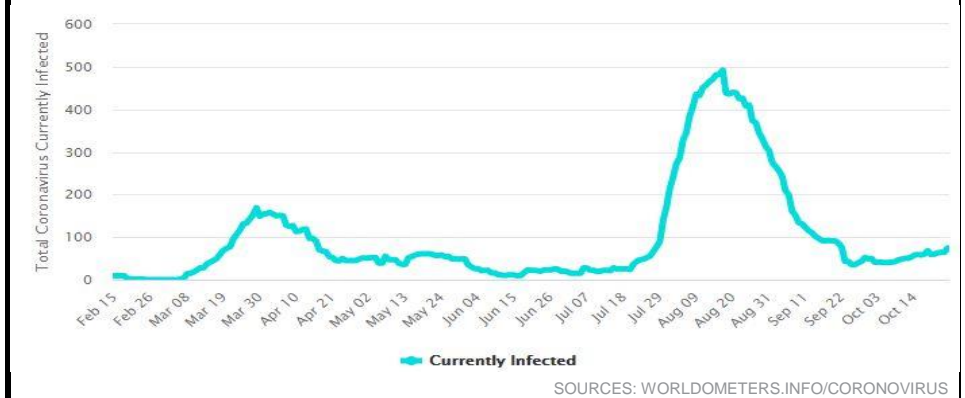
Dzung NGUYEN

T (84) 91 686 5190

E dung.nguyentien5@vndirect.com.vn

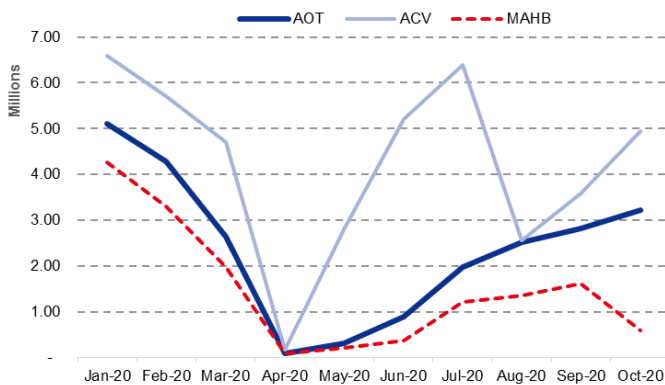
- On 23 April, Vietnamese air carriers were allowed to resume domestic flights with limited frequencies, subject to strict preventive measures (limited passengers per flight, passengers needing to wear gauze masks throughout the flight, etc.)
- By end-May, domestic airlines have restored most of their routes. Vietnam Airlines even recorded positive yoy growth in the number of domestic flights in the last few days of May.
- After nearly 100 days without any community transmission, a cluster of Covid-19 cases was reported in Da Nang in late-Jul. All airlines were required to suspend flights from/to Da Nang Airport, the third-busiest airport in Vietnam by annual passenger throughput. According to the CAAV, the number of daily flights in the last week of Jul fell 15% from the pre-outbreak level in Jul, while passenger throughput volume decreased by 30% over the same period. Before the latest Jul outbreak, domestic airline passenger numbers had recovered significantly, with total throughput volume in Jun increasing 81% from that in May, albeit still down 28% yoy.
- The government has allowed airlines to resume domestic routes from/to Da Nang (hot spot of the second outbreak) since 7 Sep. The airlines announced that they had restored all of their domestic routes by the last week of Sep.

Figure 177: Active Covid-19 cases in Vietnam (as at 25 Oct 2020)



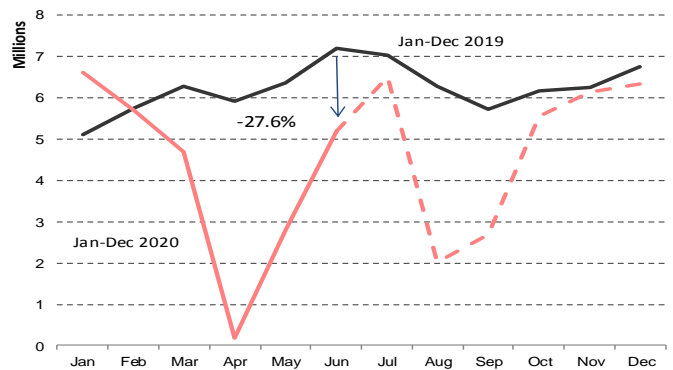
In Southeast Asia, domestic traffic in Vietnam, Thailand and Malaysia have all rebounded at varying degrees from their Apr 2020 lows. Of the three, Vietnam has been the most promising market, with Airport Corporation of Vietnam (ACV VN, ADD, TP:VND88,200) seeing a spectacular recovery to 90% of pre-Covid-19 domestic traffic in Oct. Malaysia was the laggard, with Malaysia Airport Holdings' (MAHB MK, ADD,TP:RM5.14) Sep domestic traffic still 61% lower yoy, and Oct traffic likely impacted by the new movement restrictions in key states. Thailand stood in the middle, with Airports of Thailand (AOT TB, REDUCE, TP:THB48.00) seeing a 47% yoy drop in domestic passengers in the month of Aug. Of the three countries, Vietnam has maintained the highest concerned level related to flying activities on Google since the Covid-19 outbreak.

Figure 178: Vietnam saw a spectacular recovery in domestic passenger traffic



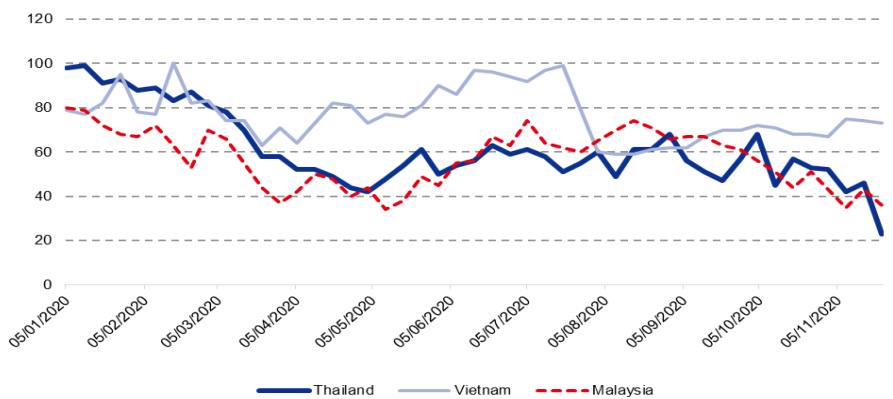
SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 179: Vietnam domestic passenger traffic in 2019-2020F



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 180: Vietnam has maintained the highest concerned level related to flying activities since the Covid-19 outbreak on Google trend analytic



SOURCES: VNDIRECT RESEARCH, GOOGLE

International skies: reopening remains uncertain

Key milestones of Vietnam’s international aviation during the Covid-19 outbreak:

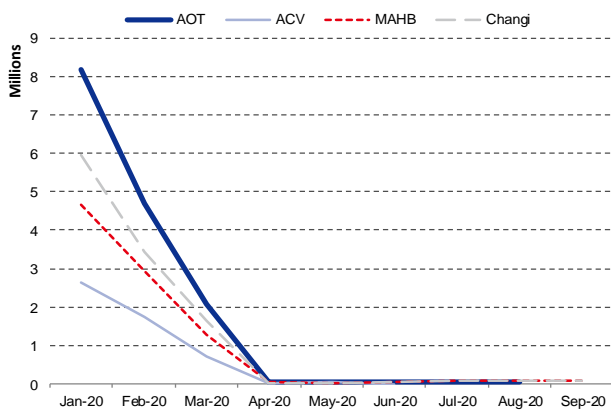
- Since Vietnam’s first infections were confirmed on 23 Jan, the country has taken drastic measures to limit its spread. In Mar, when the outbreak spread across the world and Vietnam recorded a series of imported Covid-19 cases, the government came up with more drastic policies relating to air transportation. Vietnam banned flights from/to South Korea since 5 Mar, limited flights from/to European countries in mid-Mar, and finally suspended all international scheduled flights from 25 Mar.
- Vietnam has theoretically closed its sky borders since end-Mar 20, excluding cargo flights and a few authorised charter flights. Charter flights are mainly used to bring back Vietnamese citizens, carry foreign experts and return foreign tourists stranded in Vietnam.
- After successfully controlling the second outbreak in Aug, Vietnam officially resumed international flights since mid-Sep with approved routes from/to Japan and South Korea. However, the flights were limited to passengers for study and work purposes, with tourists still prohibited.
- On 7 Oct, the Civil Aviation Authority of Vietnam (CAAV) temporarily suspended international commercial flights entering Vietnam to fine-tune the quarantine regulations. According to a CAAV representative, the quarantine

rules for foreigners have been carried out well; however, problems have arisen in terms of the application of the rules to Vietnamese citizens.

- At the moment, Vietnam only permits three groups of people to enter the country: 1) Vietnamese nationals, 2) passengers with a diplomatic or an official passport, and 3) passengers travelling on business as experts, business managers, or high-tech workers.
- Based on the positive signs from vaccine development, we expect Vietnam to gradually resume its international commercial flight network with careful preparations starting Dec 20.

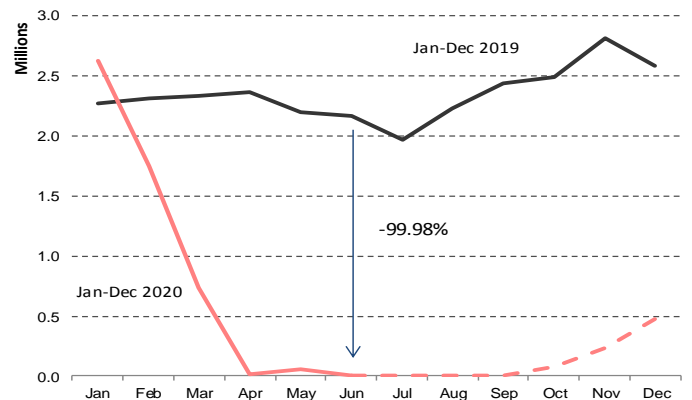
With international borders largely closed for Vietnam, Thailand, Malaysia and Singapore, international passenger traffic has failed to recover after collapsing by almost 100% in Apr. Aviation industries that depend heavily on international passenger traffic, such as in Singapore, are likely to recover slower than aviation industries that have at least some exposure to domestic travel recovery. For Vietnam, international traffic has inched up since Oct 20 and we believe Vietnam aviation would see a buoyant recovery in international traffic as Vietnam has contained the Covid-19 pandemic successfully with stringent policies, becoming a safe destination for international passengers.

Figure 181: International traffic remains suppressed



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 182: Vietnam's international passenger traffic in 2019-2020F



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Positive outlook ahead ➤

Vietnam's passenger traffic forecast in 2020-25F

We believe Vietnam's national pax throughput bottomed out in 2Q20 and will start recovering in 4Q20F on the back of strong domestic traffic. Given the heightened uncertainty globally due to the Covid-19 pandemic, we expect domestic air travel to recover faster than international travel as Vietnam's border closures might be extended till late-2020F. In our base case scenario, quarterly domestic passenger numbers should approach pre-outbreak levels by 4Q20F, while international pax throughput would likely not revert to 2019 levels before 2024F.

Figure 183: ACV passenger traffic statistics and our estimates for 3Q20F and 4Q20F

Figure 184: Airline seat capacity in Vietnam and our estimates for 3Q20F and 4Q20F

	Number of passengers			Yoy change		
	International	Domestic	Total	International	Domestic	Total
1Q 19	6,904,786	17,119,839	24,024,625			
2Q	6,724,078	19,454,840	26,178,918			
3Q	6,635,012	19,000,000	25,635,012			
4Q	7,870,958	19,146,430	27,017,388			
1Q 20	5,110,000	17,000,000	22,110,000	-26.0%	-0.7%	-8.0%
2Q	72,752	8,171,033	8,243,785	-98.9%	-58.0%	-68.5%
3Q	8,265	12,999,802	13,008,067	-99.9%	-31.6%	-49.3%
4Q	849,404	18,000,000	18,849,404	-89.2%	-6.0%	-30.2%
2019	28,134,834	74,721,109	102,855,943			
2020F	6,040,421	56,170,835	62,211,256	-78.5%	-24.8%	-39.5%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

	Total Vietnam airline seat			Yoy change		
	International	Domestic	Total	International	Domestic	Total
1Q 19	11,619,360	10,328,612	21,947,972			
2Q	11,761,539	11,941,829	23,703,368			
3Q	12,353,211	11,724,814	24,078,025			
4Q	12,869,302	11,815,175	24,684,477			
1Q 20	10,734,055	12,371,859	23,105,914	-7.6%	19.8%	5.3%
2Q	1,010,620	8,761,007	9,771,627	-91.4%	-26.6%	-58.8%
3Q	767,130	10,960,477	11,727,607	-93.8%	-6.5%	-51.3%
4Q	3,966,497	11,596,328	15,562,825	-69.2%	-1.9%	-37.0%
2019	48,603,413	45,810,429	94,413,842			
2020F	16,478,301	43,689,670	60,167,971	-66.1%	-4.6%	-36.3%

SOURCES: VNDIRECT RESEARCH, OAG, COMPANY REPORTS

For 2021F/2022F, we expect domestic to be the key driver of Vietnam's traffic growth, with ACV's domestic passenger volume growing 38.0%/yoy/8.0%/yoy, and fully recovering to pre-pandemic levels (103.7% and 112.0% of 2019 base) by 2021F. The strong domestic traffic partly comes from Vietnam's efficient control of the Covid-19 outbreak and domestic airlines increasing domestic seat capacity to offset the slow recovery of the international market.

As for Vietnam's international traffic, we expect ACV's international passenger throughput to jump significantly in 2021F/22F with volume growth of 125.0%/71.2% but still be below the 2019 base. We expect ACV to fully recover its international traffic in 2024F (at 112.8% of the 2019 base of international traffic), which is equal to global aviation's reverting to the 2019 base.

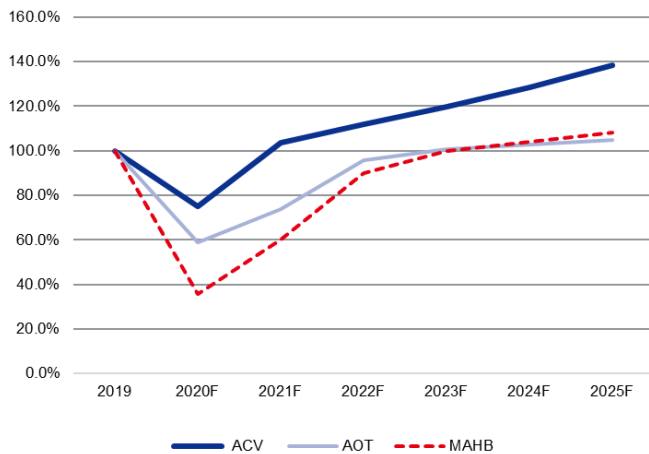
Figure 185: Medium-term estimates for ACV passenger traffic

	Number of passengers			Yoy change		
	International	Domestic	Total	International	Domestic	Total
2019	28,134,834	74,721,108	102,855,942			
2020F	6,040,421	56,170,835	62,211,256	-78.5%	-24.8%	-39.5%
2021F	13,590,944	77,514,600	91,105,544	125.0%	38.0%	46.4%
2022F	23,269,712	83,715,768	106,985,480	71.2%	8.0%	17.4%
2023F	27,281,974	89,591,856	116,873,830	17.2%	7.0%	9.2%
2024F	31,735,829	96,141,296	127,877,125	16.3%	7.3%	9.4%
2025F	36,655,443	103,464,217	140,119,660	15.5%	7.6%	9.6%
	<i>As a percentage of the 2019 base</i>			<i>Proportion of total traffic</i>		
	International	Domestic	Total	International	Domestic	Total
2019	100.0%	100.0%	100.0%	27.4%	72.6%	
2020F	21.5%	75.2%	60.5%	9.7%	90.3%	
2021F	48.3%	103.7%	88.6%	14.9%	85.1%	
2022F	82.7%	112.0%	104.0%	21.8%	78.2%	
2023F	97.0%	119.9%	113.6%	23.3%	76.7%	
2024F	112.8%	128.7%	124.3%	24.8%	75.2%	
2025F	130.3%	138.5%	136.2%	26.2%	73.8%	

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

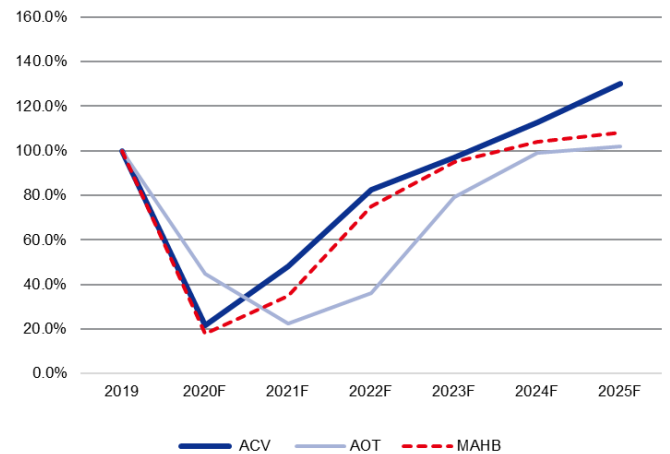
Among the three Southeast Asian aviation markets, we expect Vietnam's ACV to see the most impressive recovery in both domestic traffic and international traffic. In terms of domestic traffic, Thailand's AOT is in the middle, while Malaysia's MAHB is the laggard; both of these countries are not likely revisit the 2019 level before 2023F, two years later than Vietnam. In terms of international traffic, Malaysia is in the middle while Thailand is the laggard and all of three countries would not likely revisit the 2019 level before 2024F.

Figure 186: Vietnam, Thailand and Malaysia's domestic traffic recovery forecasts as a percentage of the 2019 base



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 187: Vietnam, Thailand and Malaysia's international traffic recovery forecasts as a percentage of the 2019 base



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

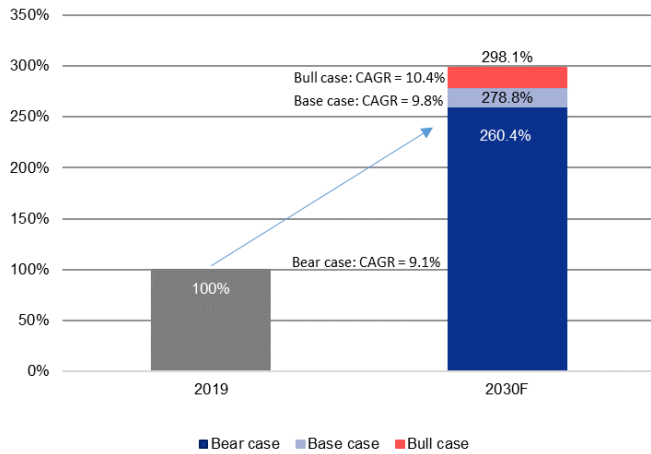
Resolving the capacity shortage for the long-term growth

Capacity shortage has been the problem hindering Vietnam's aviation growth for recent years. However, we believe this problem would be resolved with the government's active moves in upgrading and expanding aviation infrastructure recently:

- In Jun 2020, Vietnam's Prime Minister approved an investment of VND10,990bn (US\$471m) on a new Terminal (T3) in Tan Son Nhat International Airport (TIA). T3 will add 20m pax capacity to lift TIA's total capacity to 48m passengers p.a. This would alleviate the traffic congestion at TIA, which operated at 147% of designed capacity in 2019. Construction is slated to start in 2021 and complete in 2024.
- Meanwhile in the North, The Civil Aviation Authority of Vietnam (CAAV) has submitted a plan to expand Noi Bai International Airport's (NIA) existing terminal T2 to reach a capacity of 30m p.a. from current capacity of 15m p.a. NIA received 26.8m passengers in 2018 and 29.2m passengers in 2019 while the airport is only designed to handle 25m passenger p.a.
- In Nov 2020, the Prime Minister assigned ACV as the main developer of Long Thanh International Airport phase 1. This US\$15bn international airport is a mega project, with total capacity of 100m pax. Phase 1 of the project can serve 25m pax throughput. The investment cost of phase 1 was estimated by ACV at about US\$4.3bn (VND99,000bn). ACV expects to start construction of phase 1 in Dec 20 and complete it in FY25F. LTIA is positioned to become a new transit hub in Southeast Asia, competing with other regional hubs such as Singapore's Changi Airport, Bangkok's Suvarnabhumi Airport and Hong Kong International Airport. After phase 3 of LTIA is completed, LTIA will handle 80% of international passenger throughput and 20% of passenger throughput from/to HCMC, as per Civil Aviation Authority of Vietnam's (CAAV) master plan vision until 2050.

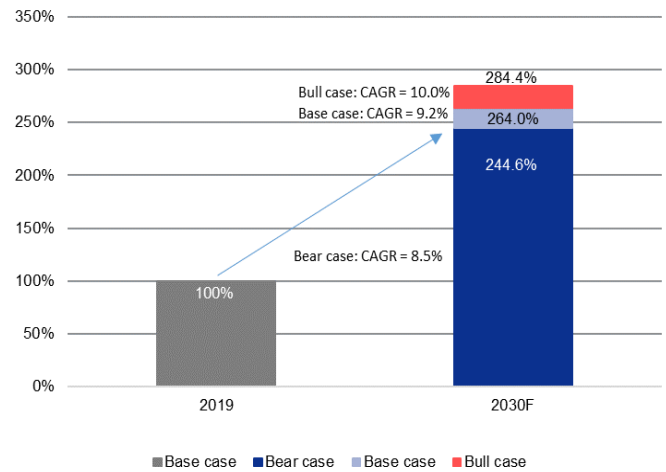
Given the airport infrastructure development to free the bottleneck of capacity shortage and strong growth of Vietnam air traffic demand in the past, the government expects total passenger volume throughput to increase by 9.6% p.a. in FY19-30F, in which domestic passenger volume throughput would increase by 9.8% p.a., while international passenger volume would increase by 9.2% p.a., in a base-case scenario. The government is also making a small allowance for both downside risk and upside risk of FY19-30F total traffic CAGR with an absolute value of 0.7% points.

Figure 188: Vietnam's domestic passenger volume forecast in FY19-30F



SOURCES: VNDIRECT RESEARCH, CAAV

Figure 189: Vietnam's international passenger volume forecast in FY19-30F



SOURCES: VNDIRECT RESEARCH, CAAV

Stock picks: We like ACV, VJC for strong recovery in the post-Covid-19 era ➤

ACV (ACV VN, ADD, TP: VND88,200) – Resilient with several catalysts

ACV has good financial strength with a robust net cash position that should help it see through the Covid-19 weakness, in our view. Strong domestic/international traffic rebound outlook will bolster mid-term earnings, while the huge capex spent will ensure long-term growth. We expect ACV's FY21-22F revenue to recover significantly with 66%/35% yoy growth, while its bottomline is expected to jump 134% yoy in FY21F, followed by a 39% yoy growth in FY22F. In addition, we believe there are several re-rating catalysts including: 1) Vietnam's Ministry of Transport's proposal to the Prime Minister to allow ACV to manage and operate aviation infrastructure assets (including runways) for 22 airports from 2021F, in exchange for annual rental payments to the government; and 2) ACV's plan to list its shares on HOSE once airfield asset transfers have been completed.

VJC (VJC VN, HOLD, TP: VND117,800) – The worst may be over

Despite the Covid-19 outbreak in Da Nang in late-Jul, we saw a recovery in VJC's 3Q20 business results. For FY20F, we expect total pax volume to drop 40.4%, of which outbound pax volume would plunge 87.7% yoy while inbound pax volume would drop 18.1% yoy. Thus, we envisage VJC's revenue/NP from core business falling 57.9% yoy/2,614% yoy, but we expect S&LB transactions, abnormal financial and other income to help boost FY20F NP to VND96bn. For the FY21F/22F period, we expect outbound pax volume to grow 365% yoy/75% yoy, which equals 57.3%/100.1% of its 2019 base, while inbound pax volume to rise 23.1% yoy/8% yoy, which equals 100.8%/108.8% of its 2019 base. We expect FY21F/22F net profit from the core business to rise to VND182bn/ VND879bn and S&LB transactions to help boost FY21F/22F NP to VND3,169bn/ VND4,652bn.

Figure 190: Peer comparisons

Company name	Ticker	Recom.	Price	TP	Market Cap	P/E		P/BV		ROE (%)		EV/EBITDA	
			(Local curr)	(Local curr)	(US\$ m)	2020F	2021F	2020F	2021F	2020F	2021F	2020F	2021F
Airports													
Airport Corp of Vietnam	ACV VN	ADD	73,300.0	88,200.0	6,884	72.2	30.9	4.3	4.0	6.0	13.5	36.3	21.1
Airports of Thailand	AOT TB	REDUCE	56.5	60.0	22,647	223.2	NA	6.8	7.8	3.6	-2.9	88.3	1397.8
Malaysia Airports Holdings	MAHB MK	ADD	5.8	6.0	2,311	NA	NA	1.2	1.3	-12.6	-7.6	395.7	26.9
Average						147.7	30.9	4.1	4.3	-1.0	1.0	173.4	481.9
Median						147.7	30.9	4.3	4.0	3.6	-2.9	88.3	26.9
Low cost carriers													
VIETJET AVIATION JSC	VJC VN	HOLD	120,000.0	117,800	2,718	677.2	20.5	3.9	3.2	0.6	17.2	NA	17.3
AIRASIA GROUP BHD	AAGB MK	NR	0.7	NA	720	NA	NA	1.1	1.2	-102.3	-39.4	NA	NA
CEBU AIR INC	CEB PM	NR	52.6	NA	641	NA	NA	1.0	1.0	-37.7	2.5	NA	NA
AIRASIA XBHD	AAX MK	NR	0.1	NA	87	NA	NA	NA	NA	179.1	66.1	NA	NA
RYANAIR HOLDINGS PLC	RYA ID	NR	16.9	NA	22,693	17.7	NA	3.2	4.0	16.9	-17.1	5.7	NA
AIR ARABIA PJSC	AIRARABI UH	NR	1.2	NA	1,639	162.8	11.5	1.3	1.2	3.0	11.6	NA	NA
ASIA AVIATION PCL	AAV TB	NR	2.2	NA	393	NA	NA	0.6	0.7	-24.7	-5.9	NA	NA
Average						283.8	15.9	1.8	1.9	5.7	17.2	5.0	5.0
Median						162.8	15.9	1.2	1.2	5.7	17.2	0.6	2.5

All prices are based on the closing prices on 9 December 2020. All estimates for Non-rated (NR) stocks are based on Bloomberg consensus estimates.

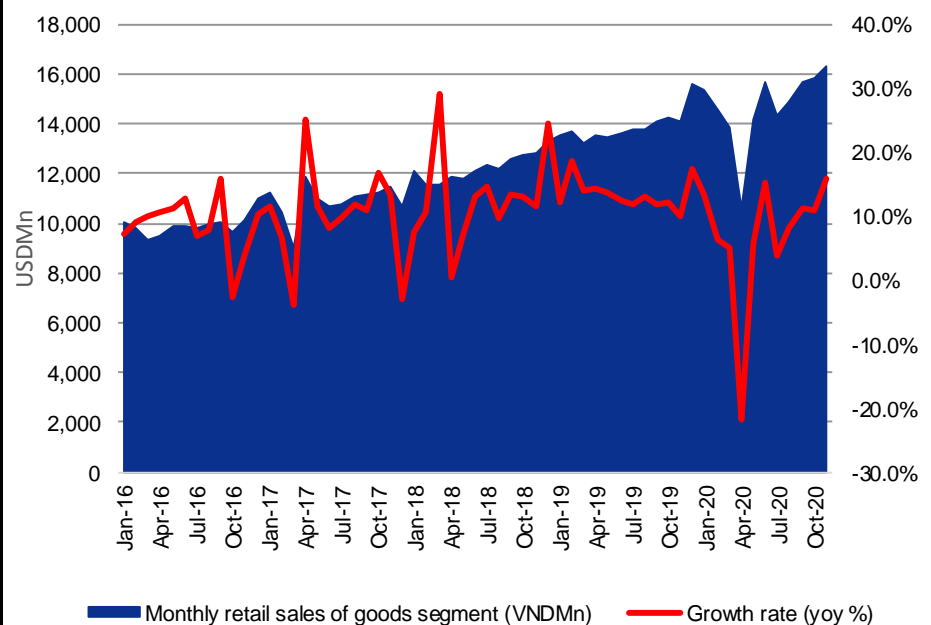
SOURCES: VND RESEARCH, COMPANY REPORTS

RETAIL: Stay tuned for a bounce back in 2021

The growth engine has largely remained in gear despite the pandemic ➤

Buoyed by a rapidly growing middle class and rising disposable incomes, domestic spending has long been a key engine of growth for retail in Vietnam. Though this was disrupted by Covid-19, it has largely remained in gear. Retail sales of goods, which fell 21.9% yoy in Apr 2020 during the social distancing period, have made a strong recovery since May. Gross retail sales of consumer goods and services in 11M20 grew 6.8% yoy, according to the General Statistics Office of Vietnam data.

Figure 191: Vietnam's retail sales maintain growth trend after being disrupted by social distancing measures in Apr 20



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Vietnam's suspension of nonessential activities lasted only 22 days – significantly shorter than many other countries, easing some of the downward pressure on consumption. Based on Google's community mobility data to compare the mobility of people during and after the outbreak versus pre-pandemic levels (Jan 2020), as at 14 Nov 2020, Vietnam's mobility had almost recovered to pre-pandemic levels, at only 6.5% below the pre-pandemic levels.

- For retail and recreation, as at 14 Nov 2020, the level of community mobility was 10% lower than the pre-pandemic level, second only to Thailand in the region where the level of community mobility is down only 5% from pre-pandemic levels. We believe Vietnam's retail mobility could soon recover to pre-pandemic levels and back to growth trend in 2021F.
- For grocery and pharmacy, Vietnam's mobility maintained positive growth in May-Nov 2020 (except for about 10 days during the second wave of outbreak at the beginning of Aug 2020). As at 14 Nov 2020, the grocery and pharmacy mobility was 7% up vs. pre-pandemic levels.

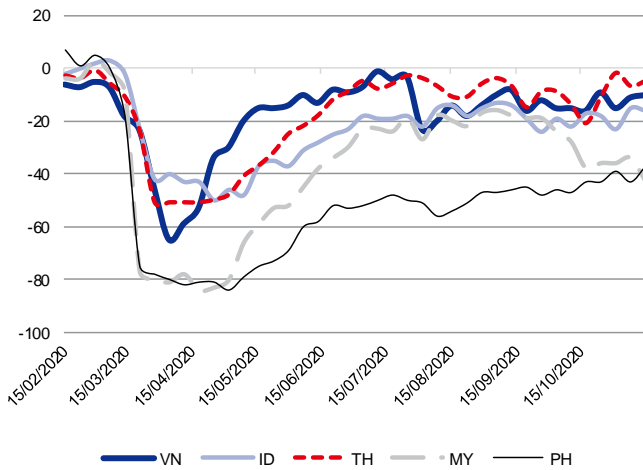
Analyst(s)

Bach PHAN Nhu

T (84) 90 928 3119

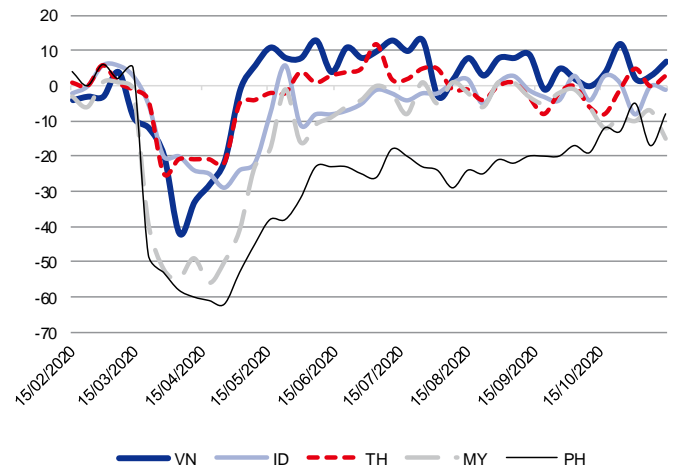
E bach.phannhu@vndirect.com.vn

Figure 192: Retail and recreation mobility of ASEAN countries in Feb-Nov 2020 compared to pre-pandemic levels (Jan 2020)



SOURCES: VNDIRECT RESEARCH, Google

Figure 193: Grocery and pharmacy mobility of ASEAN countries in Feb-Nov 2020 compared to pre-pandemic levels (Jan 2020)



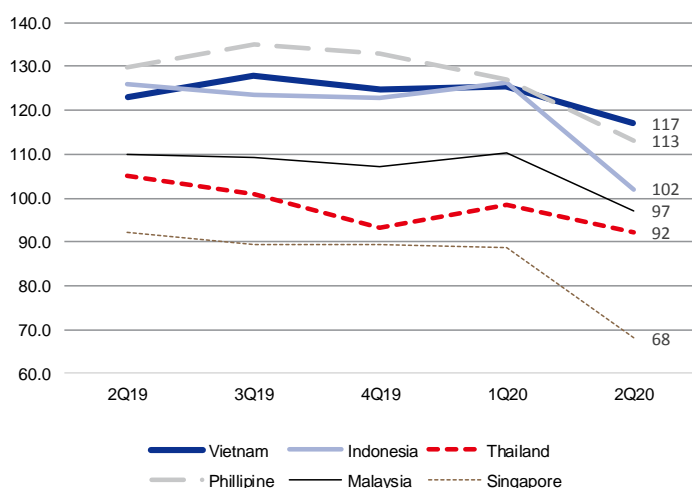
SOURCES: VNDIRECT RESEARCH, Google

We expect retail sector to rebound in 2021 thanks to high consumer confidence and potential vaccine availability ➤

According to The Conference Board and Nielsen data in 2Q20, Vietnam's Consumer Confidence Index was 117 points, the second-highest in the world behind India with an index of 123 points. In ASEAN, Vietnam's consumer confidence index was quite stable over the 2Q19-2Q20 period, with only 5% decline, while countries like Indonesia and Singapore saw sharp declines of as much as 19% and 26%, respectively.

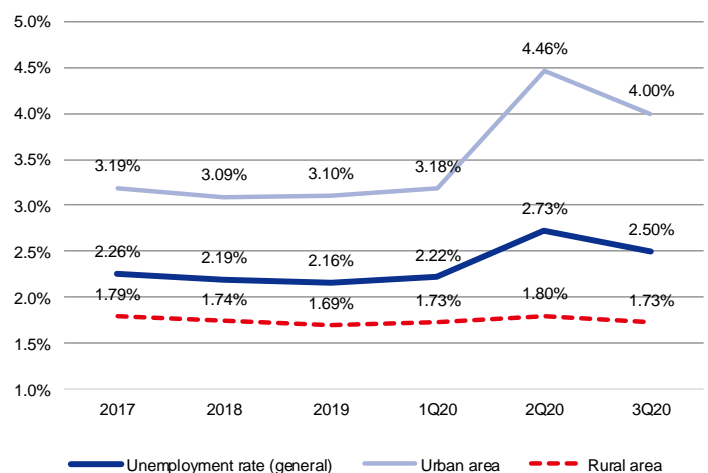
A sharp decline in consumer confidence was mainly due to concerns over the outlook of new jobs and increasing anxiety about financial health when Vietnam's unemployment rate in 2Q20 increased by 0.51% pt qoq to 2.73%. However, with the successful containment of the Covid-19 epidemic, Vietnam's economy recovered in 3Q20 when the unemployment rate fell by 0.23% pt qoq to 2.5%. We believe consumer confidence can bounce back in end-20 and 2021, especially if a vaccine becomes widely available in 2021.

Figure 194: Consumer Confidence Index of ASEAN countries in 2Q19-2Q20



SOURCES: VNDIRECT RESEARCH, The Conference Board, Nielsen

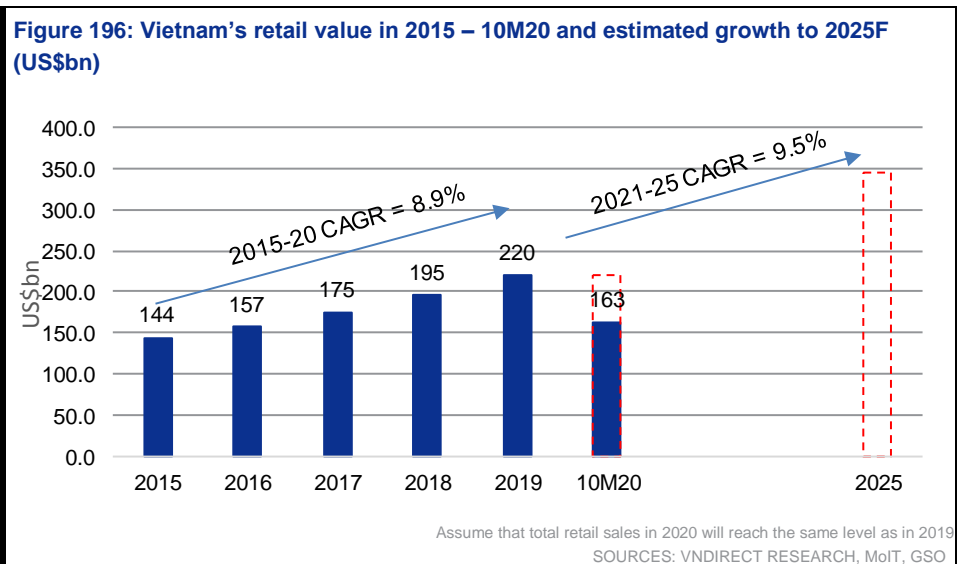
Figure 195: Vietnam's unemployment rate from 2017 – 3Q20



SOURCES: VNDIRECT RESEARCH, GSO

Based on news reports, Pfizer Inc. and BioNTech SE could secure approvals for a coronavirus vaccine in Dec 20. This has sparked hopes that the global economy could bounce back strongly next year. However, while a successful vaccine could indeed give the economy a shot in the arm in 2021, it will take longer to recover from the significant impact of Covid-19 on jobs, investment and businesses. We believe that Vietnam's successful containment of the pandemic should sustain retail sales growth in 2021, before increasing strongly when Covid-19 vaccines are available globally.

For 2021F, we expect consumption to recover to pre-pandemic growth levels with gross retail sales of consumer goods and services expected to increase by 8.5-9% yoy in 2021F. According to the Ministry of Industry and Trade projections, by FY25F, the added value of the domestic trade sector will contribute about 13.5% of GDP, and the total retail sales of goods and services would rise about 9-9.5% p.a. in FY21-25F. Assuming the total retail value in 2020F is at par with 2019, we estimate that the total retail value will reach nearly US\$350bn in 2025F, equivalent to 1.6x compared to the 2020 level.



We see four major trends shaping the retail landscape post pandemic ➤

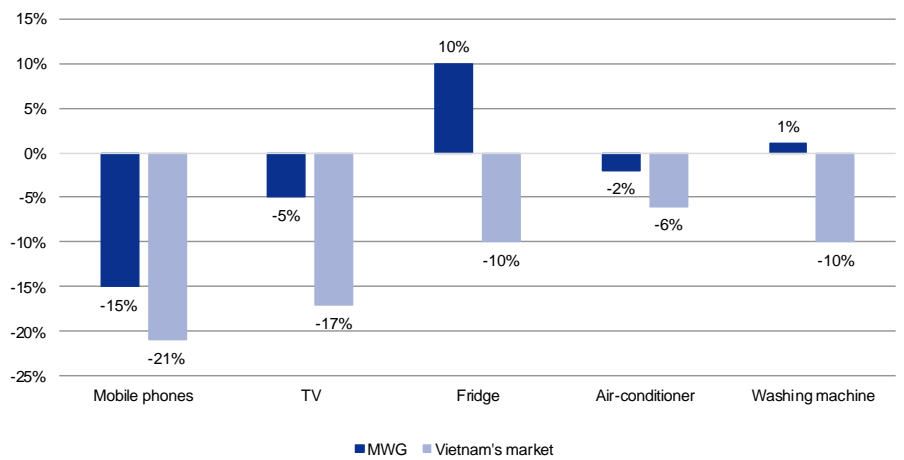
Big players seize opportunities to grab market share

According to statistics from the Department of Business Registration (Ministry of Planning and Investment), in 10M20, the number of companies that temporarily suspended operations awaiting dissolution totalled 37,710, of which 13,573 were in the wholesale and retail industry, accounting for 36% of the total (+1.7% yoy). We believe that the majority of retail businesses that are temporarily shut down pending dissolution are small-sized retailers that cannot tolerate high fixed costs stemming from social distancing measures and a decline in consumer spending amid Covid-19.

Therefore, while the Covid-19 outbreak has directly affected the retail industry, it has also opened up opportunities for large retailers with sound strategies to strengthen their retail networks and achieve greater market shares. We believe retail companies with large market shares and efficient operations could benefit from this and achieve long-term growth. We believe they include Mobile World JSC (MWG VN, ADD, VND151,200) and Phu Nhuan Jewelry JSC (PNJ VN, ADD, VND99,500). We estimate that MWG's market share in the consumer electronics segment grew to more than 42% in 1H20 from around 39% at end-2019, while PNJ's gold jewellery segment market share has increased sharply from about 23.2% in 1Q20 to 34.7% in 2Q20 and 35.8% in 3Q20.

MWG is the leading retailer in the consumer electronics market, and is performing better than peers. According to GFK, in 1H20, MWG's sales outperformed the overall market; for instance, MWG's mobile phone sales fell 15% yoy vs. the market's 21% yoy decline, and TV sales fell 5% yoy compared to the market's decline of 17% yoy. MWG's Refrigerator and washing machine sales grew 10% yoy and 1% yoy, respectively, in 1H20.

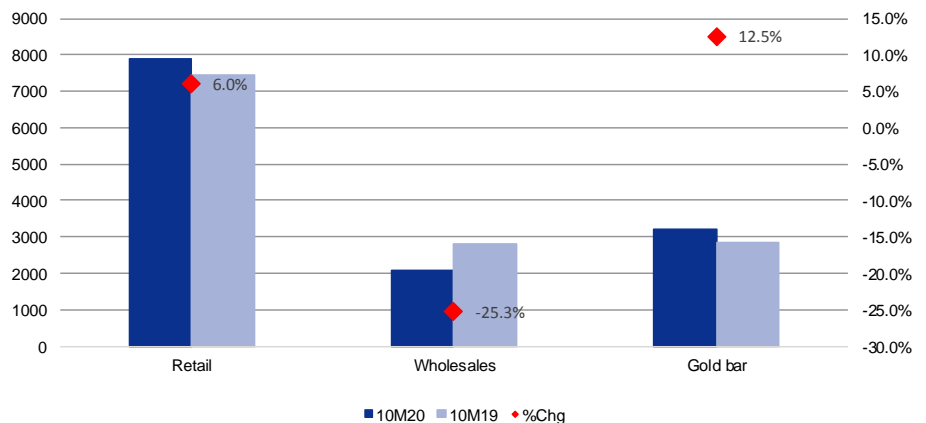
Figure 197: Consumer electronics sales - MWG and overall market (1H20)



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS, GFK 1H20

In the jewellery industry, PNJ's revenue from the retail channel achieved positive growth, with an increase of 6% yoy in 10M20. Meanwhile, PNJ's wholesale channel revenue fell 25.3% yoy in 10M20, as small-sized jewellery companies were severely affected by the weakened demand for luxury goods amid Covid-19. Based on World Gold Council data, we estimate that PNJ's gold jewellery segment market share has increased sharply from about 23.2% in 1Q20 to 34.7% in 2Q20 and 35.8% in 3Q20.

Figure 198: PNJ's 10M20 revenue by sales channel



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

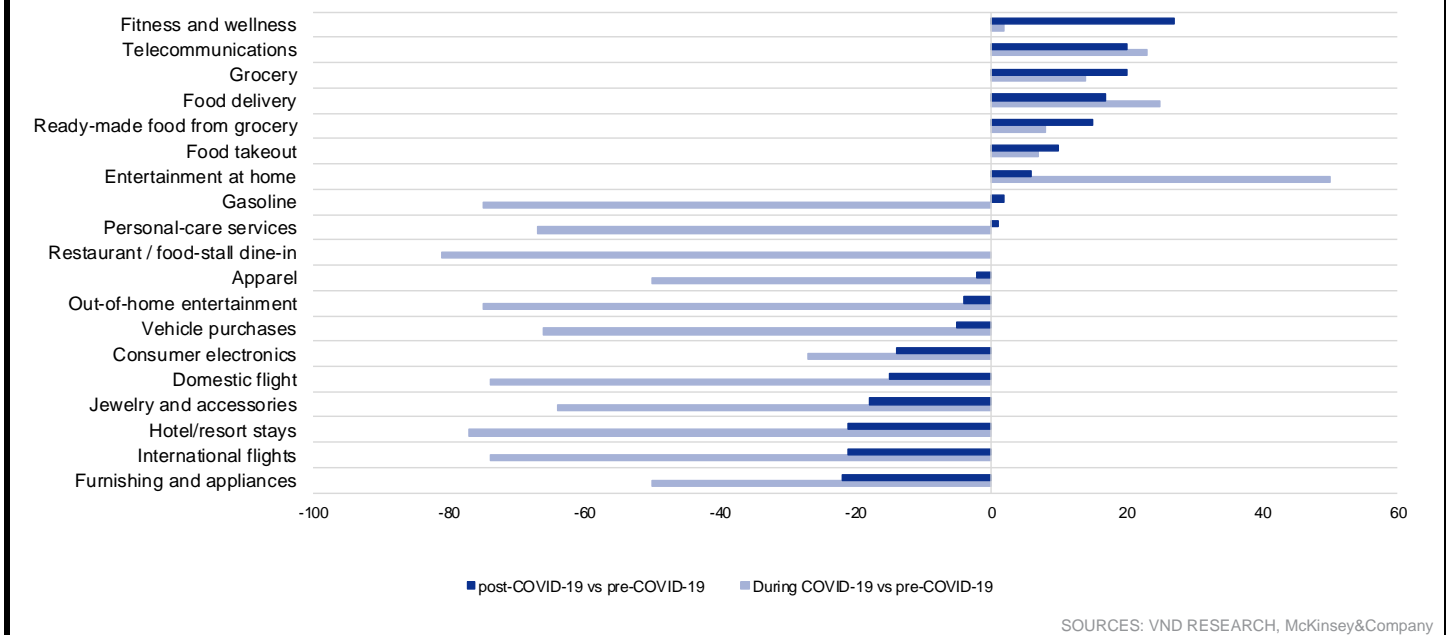
Shift in consumer spending towards consumer staples to benefit grocery retailers

According to a survey conducted by McKinney & Company, when measuring consumer spending during and after the outbreak, changes in consumer preferences were as follows:

- Fitness and wellness: due to increased concerns about health following the outbreak, consumer spending on fitness and wellness is up by 27% vs. pre-Covid-19 levels;
- Communication and home entertainment services: consumer spending in this segment is up by 20% from pre-pandemic levels due work-from-home trend and limited travel avenues; and
- Grocery and food products: consumer spending in this segment is up 10-20% compared to pre-pandemic levels.

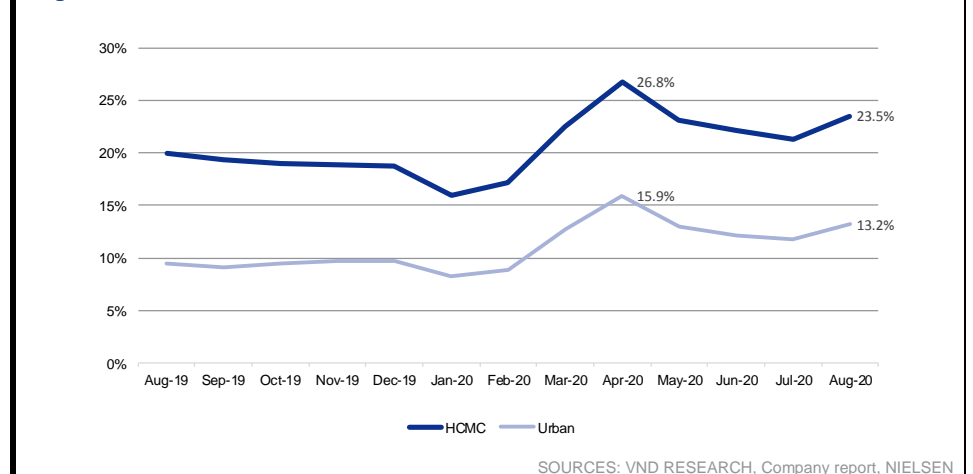
Meanwhile, consumers are spending less on travel-related services, jewellery and accessories, electronic products or outdoor entertainment services, and focusing more on essential products.

Figure 199: Vietnam's consumer spending shift (%) during and after the outbreak compared to pre-Covid-19 levels



We believe MWG's grocery chain, Bach Hoa Xanh, is a key beneficiary of the social distancing period in Apr 20. MWG has been continuously expanding Bach Hoa Xanh's network with rapid store openings. It opened more than 600 new stores in 10M20, bringing the total Bach Hoa Xanh stores to nearly 1,656 by Oct 2020, up 65% from end-2019. Bach Hoa Xanh also enjoyed strong revenue growth in 10M20, with topline surging 108% yoy to VND17,119bn, contributing 19% of MWG's total revenue. We believe Bach Hoa Xanh is the only grocery retailer that has taken advantage of the this opportunity with aggressive expansion.

Figure 200: Bach Hoa Xanh's market share in modern trade channel from Aug 19 - Aug 20

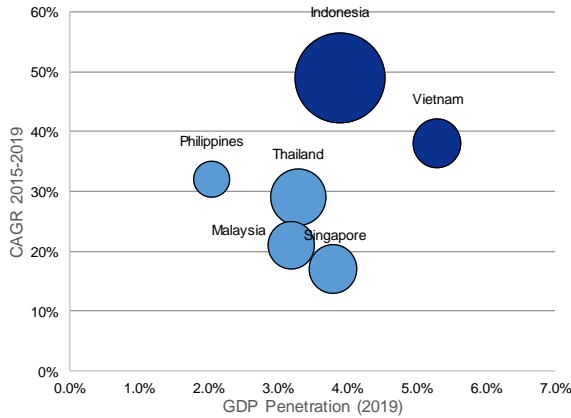


Covid-19 boosts Internet economy

According to Google, Temasek and BAIN&COMPANY, Vietnam's Internet economy is booming with revenues rising 38% p.a. since 2015 to US\$12bn in 2019, account for over 5% of the country's GDP in 2019, driven by the thriving e-commerce segment. According to WeAreSocial's statistical report, as at Jan 2020, Vietnam had more than 68m users of Internet services, equivalent to more than two thirds of the population, and more than 146m mobile data network

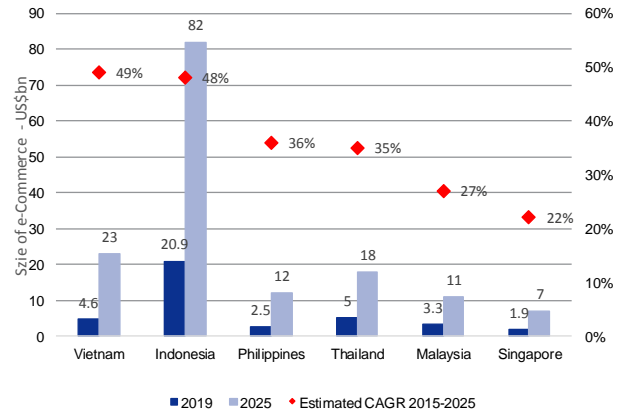
connections. As such, the online channel has become more important in the next stage of the retail economy.

Figure 201: ASEAN's Internet economy in 2019



SOURCES: VNDIRECT RESEARCH, Google, Temasek, Bain&Company

Figure 202: Estimated e-commerce size and growth in 2019-25F

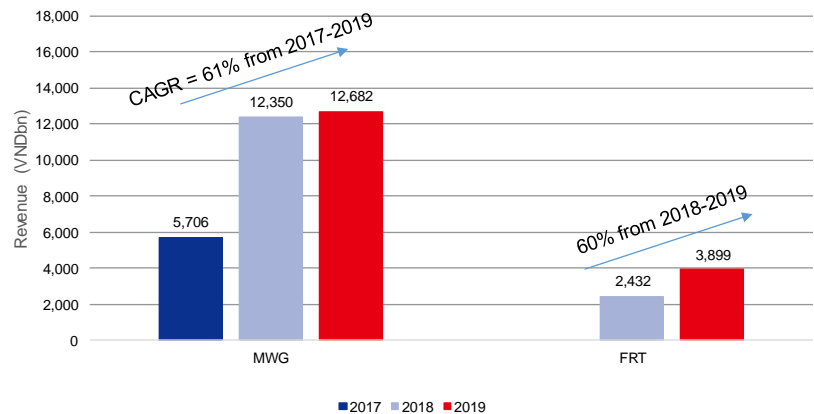


SOURCES: VNDIRECT RESEARCH, Google, Temasek, Bain&Company

We believe that large-scale retail companies, such as MWG and FPT Retail JSC (FRT VN Equity, NR), are the leaders in the online channel with parallel online and physical stores.

MWG's online revenue registered 61% CAGR 2017-19, contributing 14% of MWG's total revenue in 2019; offline channel revenue also saw 14% CAGR in the same period. FRT's online revenue also saw a CAGR of 60% in 2018-19, contributing 23% of its total revenue.

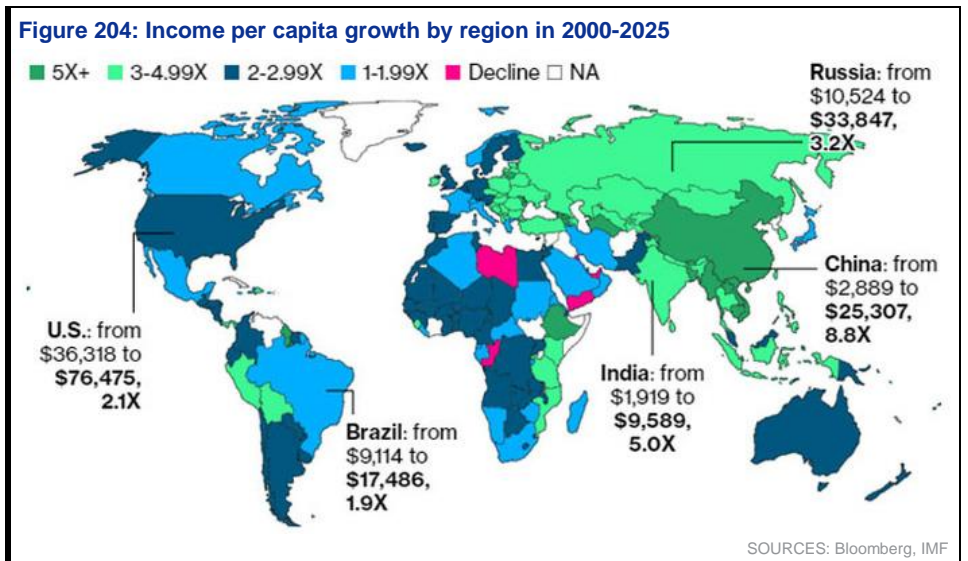
Figure 203: Online revenues of MWG and FRT in 2017-19



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

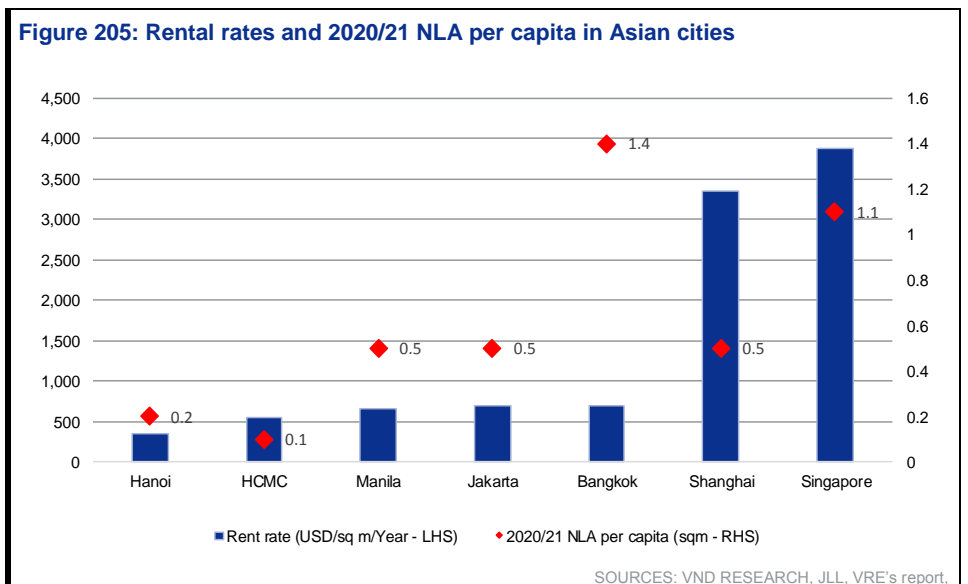
Commercial property developers to enjoy the influx of international brands

The trend of expanding retail networks of international brands in Vietnam has been strong in 2020, thanks to Vietnam's demographics and income growth, including 1) a large population 96m and population density of 290/sqm by 2019, the third highest in Southeast Asia for both indicators, according to data from the Vietnam Population and Housing Census in 2019, and 2) the strongest income growth in the Asia-Pacific region in 2000-2025, according to data from Bloomberg and IMF. We believe further expansion by international brands in Vietnam will drive the country's commercial real estate sector going forward, in terms of both leased area as well as growth in commercial land rentals.



In 11M20, many large international brands opened their stores in Vietnam; for example, Uniqlo opened two stores in Vincom centres in Hanoi and Ho Chi Minh City, Watsons opened its first flagship store at Vincom center Dong Khoi, MUJI, a Japanese household products chain, opened its first and largest Asean store, and Matsumoto Kiyoshi, Japanese pharmaceutical and cosmetic retail brand, opened its first store in HCMC.

We believe Vietnam’s retail real estate operators will see their top- and bottom-lines quickly return to pre-Covid-19 levels once the pandemic is under control and achieve strong growth thereafter, given that Vietnam has the lowest mall net leasable area (NLA) per capita and the lowest rentals in the ASEAN region.

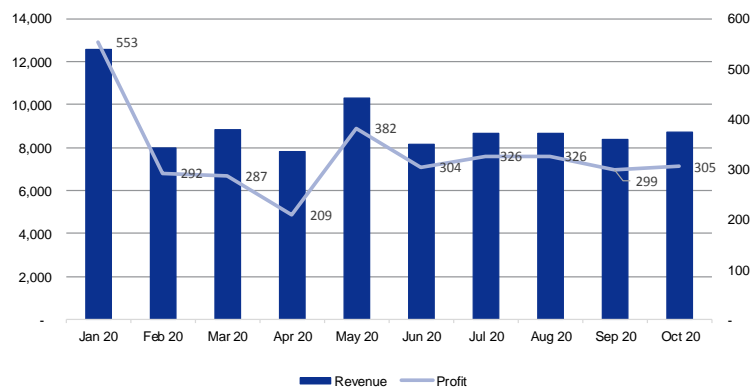


Stock picks: We prefer MWG, PNJ and VRE ➤

Despite the impact of Covid-19 that hurt the Vietnamese retail market in April 20 and Jul-Aug 20, large companies remained firm and gained market shares, which makes us believe that large retailers could deliver strong performances in 2021F. Therefore, we choose MWG and VRE as our stock picks for the retail sector.

MWG (MWG VN Equity, ADD, VND151,200) is the biggest retailer in the electronics sector market with two chains, The Gioi Di Dong (mobile phone chain) and Dien May Xanh (consumer electronics chain), as well as a growing modern retail chain in the grocery market, Bach Hoa Xanh.

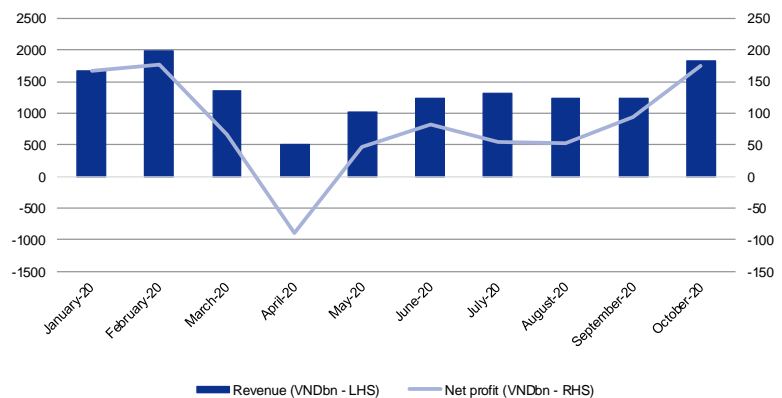
Figure 206: MWG's business performance (monthly) in 2020



SOURCES: VND RESEARCH, COMPANY REPORTS

PNJ (PNJ VN Equity, ADD, VND99,500) is the leader of jewelry retailer in Viet Nam with the jewelry market share of 35.8% in 3Q20, based on our estimates. As at 31 Oct 20, PNJ has 341 retail stores, mainly concentrated in big cities such as Ha Noi, Ho Chi Minh city, Da Nang.

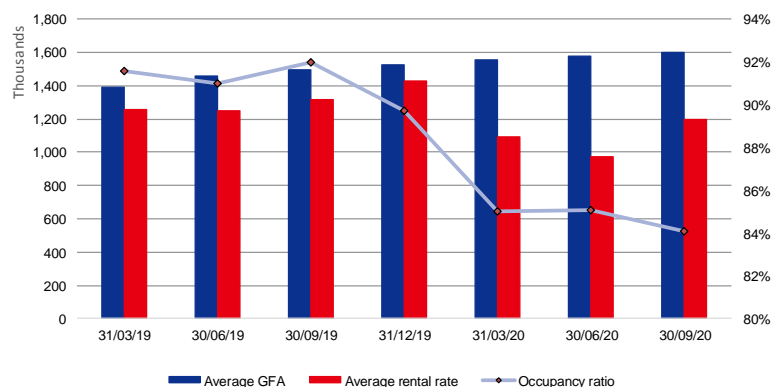
Figure 207: PNJ's business performance (monthly) in 2020



SOURCES: VND RESEARCH, COMPANY REPORTS

VRE (VRE VN Equity, ADD, VND38,000): VRE is Vietnam's largest commercial real estate operator, with more than 1.6m sq m of retail space in 79 shopping malls nationwide and four formats to target many customer segments. We believe VRE will benefit the most from the potential growth in modern trade in Vietnam's retail industry.

Figure 208: Average GFA (sq m - LHS), average rental rate (VND - LHS) and occupancy ratio (RHS) from 2019 – 3Q20



SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 209: Peer comparison

Company	Bloomberg Ticker	Recom.	Share Price (local curr)	Target Price (local curr)	Market Cap (US\$ m)	P/E (x)			3-year EPS CAGR (%)	P/BV (x)			ROE (%)			ROA (%)		
						TTM	FY21F	FY22F		TTM	FY21F	FY22F	TTM	FY21F	FY22F	TTM	FY21F	FY22F
CE&Grocery retailer																		
Mobile World Investment Corp	MWGV VN	ADD	113,800	151,200	2,227	13.4	13.7	10.2	31.3%	3.4	3.4	1.9	29.0%	25.6%	29.3%	10.5%	8.7%	10.4%
Consumer electronics peers																		
Erajaya Swasembada Tbk PT	ERAA IJ	ADD	1,900	1,750	429	14.3	15.1	11.0	32.1%	1.2	1.2	1.1	8.7%	7.5%	9.6%	4.3%	4.1%	5.1%
FPT DIGITAL RETAIL JSC	FRT VN	na	25,000	na	85	na	16.8	11.8	-16.6%	1.6	1.3	1.2	-0.2%	6.7%	12.2%	0.0%	1.5%	2.8%
Challenger Technologies Ltd	CHLG SP	na	0.49	na	125	8.8	na	na	14.2%	1.5	na	na	18.5%	na	na	12.2%	na	na
Sunfar Computer Co Ltd	6154 TT	na	12.95	na	37	26.0	na	na	-28.7%	0.9	na	na	3.2%	na	na	1.9%	na	na
Tsann Kuen Enterprise Co Ltd	2430 TT	na	19.10	na	113	12.2	na	na	-22.2%	0.7	na	na	5.6%	na	na	1.9%	na	na
Average - Consumer electronics peers						15.3	15.9	11.4	-4.2%	1.2	1.3	1.1	7.1%	7.1%	10.9%	4.1%	2.8%	3.9%
Median - Consumer electronics peers						13.2	15.9	11.4	-16.6%	1.2	1.3	1.1	5.6%	7.1%	10.9%	1.9%	2.8%	3.9%
Grocery retailing peers																		
Taiwan FamilyMart Co Ltd/Taiwan	5903 TT	na	262.5	na	2,076	27.9	27.2	24.5	10.1%	9.6	8.8	8.0	36.1%	33.6%	33.8%	3.5%	4.3%	4.7%
Sumber Alfaria Trijaya Tbk PT	AMRT IJ	na	730.0	na	2,144	27.5	28.7	24.1	45.9%	4.5	3.9	3.5	16.7%	15.0%	16.2%	4.5%	4.9%	5.9%
Average - Grocery retailing peers						27.7	27.9	24.3	28.0%	7.0	6.4	5.7	26.4%	24.3%	25.0%	4.0%	4.6%	5.3%
Jewelry retailers																		
Phu Nhuan Jewelry JSC	PNJ VN	ADD	73,000	99,500	711	15.9	17.2	14.1	32.0%	3.4	3.3	2.9	22.8%	21.2%	23.4%	13.1%	11.4%	13.0%
Tiffany & Co	TIF US	na	na	na	15,939	45.2	50.6	30.0	12.5%	4.9	4.5	4.3	9.0%	8.2%	14.4%	4.4%	4.0%	8.0%
Chow Tai Fook Jewellery Group Ltd	1929 HK	na	9.93	6.00	12,810	27.6	21.7	18.1	3.0%	3.6	3.6	3.4	13.3%	17.2%	19.7%	5.5%	7.7%	9.0%
Chow Sang Sang Holdings Ltd	116 HK	na	8.76	na	766	24.7	9.3	6.2	-1.0%	0.5	0.5	0.5	2.2%	5.9%	8.4%	1.5%	3.7%	5.6%
Average - Jewelry retailers						32.5	27.2	18.1	4.8%	3.0	2.9	2.8	8.2%	10.4%	14.2%	3.8%	5.1%	7.5%
Retail real estate companies																		
Vincom Retail JSC	VRE VN	ADD	28,200	38,000	2,770	28.2	27.1	19.9	9.3%	2.3	2.3	2.1	8.1%	8.3%	11.6%	5.9%	6.4%	8.4%
SM Prime Holdings Inc	SMPH PM	na	38.40	na	23,049	44.6	52.2	36.0	16.9%	3.7	3.5	3.3	8.4%	6.8%	9.3%	3.7%	3.5%	4.8%
Central Pattana PCL	CPN TB	ADD	56.25	63.25	8,363	22.7	33.7	24.3	11.4%	3.8	3.4	3.1	16.5%	11.1%	13.0%	5.7%	3.9%	4.8%
Pakuwon Jati Tbk PT	PWON IJ	ADD	545.0	700.0	1,857	22.4	22.1	14.8	18.3%	1.8	1.6	1.5	8.1%	7.8%	10.8%	4.5%	4.8%	6.7%
Platinum Group PCL	PLAT TB	na	2.70	na	251	146.5	na	na	1.6%	0.9	na	na	0.6%	na	na	0.4%	na	na
Average - Retail real estate peers						59.1	36.0	25.0	12.1%	2.6	2.8	2.6	8.4%	8.6%	11.0%	3.6%	4.1%	5.4%

SOURCES: VNDIRECT RESEARCH, BLOOMBERG (as of 10 Dec 2020)

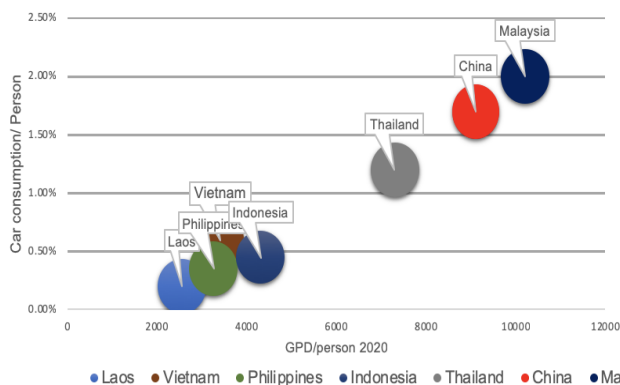
AUTO PARTS: Radial tyres riding on domestic car sales

Car sales back on upward trajectory since Jul 2020 ➤

According to Vietnam Automobile Manufacturers Association (VAMA), total car sales in 10M20 slipped 17% yoy to 204,144 cars, due to the impact of Covid-19. However, car sales made a gradual improvement since Jul 20, thanks to: 1) pent-up demand, and 2) the government’s decision to cut back the registration fee by 50% for domestically-produced cars, effective 26 Jun 2020. Consequently, 3Q20 car sales surged by 43.2% qoq to 69,800 units (-3.5% yoy). Notably, car sales in Oct 20 recorded a 21-month high, with 33,254 units sold (+16.0% yoy).

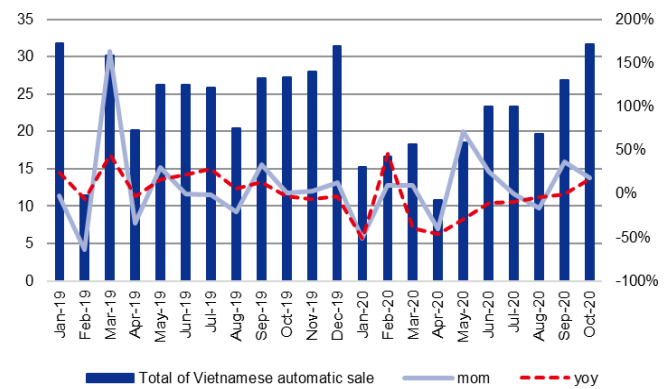
Thus, we believe this year’s decline in car sales is an outlier, as this sector has experienced robust growth of 8.5% per annum in the past five years. We expect automobile sales growth to accelerate in 2021F, based on the following considerations: 1) The import tax rate for raw materials and components for domestic automobile production has dropped to 0%, which will further boost car purchasing decisions; and 2) Vietnam’s economic recovery, affluent middle-class expansion and current low car ownership rates, which will support strong demand. Vietnam has seen one of the fastest rates of increase in purchasing power over the past five years, but its car ownership per capita remains much lower than most other markets in Asia. Vietnam’s middle-class population is expected to grow rapidly over the next decade, and this will fuel a rapid rise in demand for all manner of consumer durables. We forecast that Vietnam’s GDP will rise by 7.0% in 2021-22F. We believe that the demand for cars will continue to outpace GDP growth.

Figure 210: Income – car consumption correlation



SOURCES: VND RESEARCH, VAMA

Figure 211: Total automobile sales in Vietnam by month



SOURCES: VND RESEARCH, VAMA

Radial tyres to ride on buoyant car sales ➤

Vietnam has plenty room for the radial tyre market to grow

Most developed countries in the world tend to use radial tyres, instead of bias tyres, thanks to its advantages, such as better performance, less wear and tear, energy saving, better safety, and more environmentally friendly. We believe Vietnam is a potential market for this type of tyres, thanks to an improving transport infrastructure and rapid growth in car ownership. We forecast car consumption rate in Vietnam to rise by 20% p.a. in FY20-25F, while the rate of radial tyre use should go up from 50% in FY19 to 70% in FY23F.

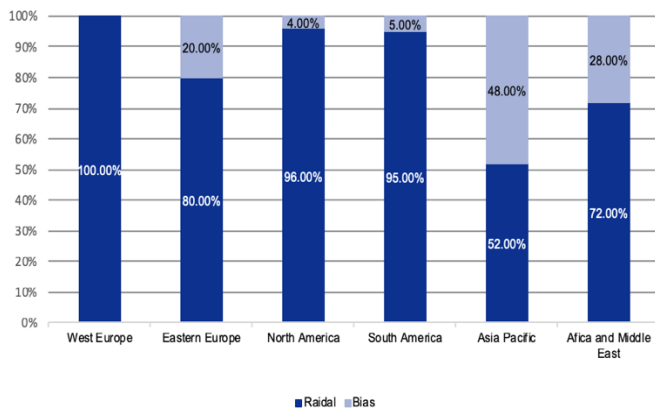
Analyst(s)

Hao NGUYEN

T (84) 96 650 3268

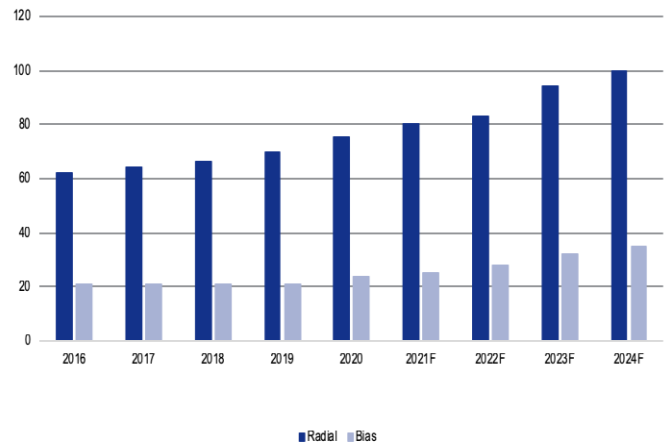
E hao.nguyenduc@vndirect.com.vn

Figure 212: Rate of using radial and bias tyres by region



SOURCES: VND RESEARCH, OICA

Figure 213: Asia Pacific automotive tyre market revenue by type in FY16-24F (US\$ bn)



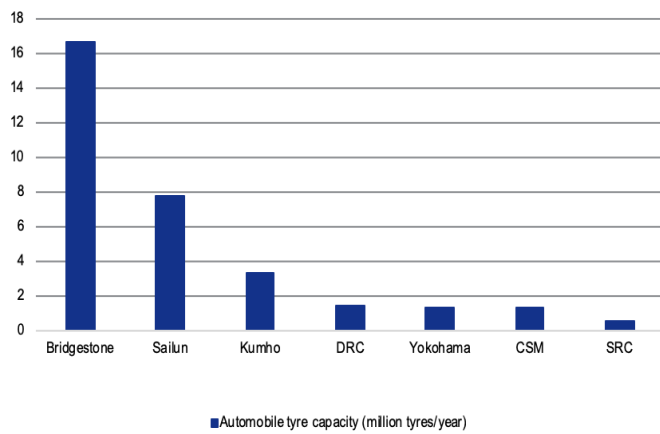
SOURCES: VND RESEARCH, OICA

Local tyre manufacturers have ramped up their radial factory capacities. Casumina invested in a 3-phase factory to manufacture 1m TBR all-steel radial tyres, with a total investment cost of VND3,380bn. The company inaugurated the first phase with a capacity of 350,000 tyres/year in Apr 2014 and aimed to complete the second phase in 2021F, which will increase its total output to 500,000 tyres/year. Meanwhile, Danang Rubber JSC completed the second phase of its radial all-steel truck tyre factory in 2019, expanding its annual capacity by 300,000 to 600,000 tyres/year.

However, local radial tyre manufacturers are struggling with the fierce competition from FDI tyres producers

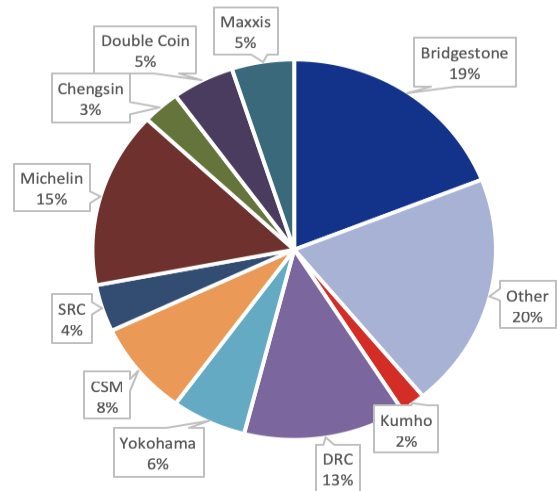
Vietnamese automobile tyre enterprises still lag behind FDI enterprises in Vietnam, which outperform domestic firms in terms of capacity and branding. Although all three leading local companies in the tyre industry in Vietnam (DRC, CSM, SRC) offer high-tech tyres with radial steel core technology, they do not hold a strong position in this segment. Meanwhile, automobile tyres originating from China are priced 10-15% lower than the domestic products in the same categories. The radial tyre market in Vietnam is still dominated by FDI enterprises and products imported from Japan, Korea, and Thailand and China, accounting for a 75% market share, whereas domestic enterprises only hold 25%. We expect domestic companies to upgrade their production technology and cooperate together to compete against the foreign enterprises.

Figure 214: Car tyre production capacity (million tyres/year)



SOURCES: VND RESEARCH, COMPANY REPORTS

Figure 215: Radial tyre consumption market share in Vietnam in 2019



SOURCES: BCSI, COMPANY REPORTS

Stock pick: DRC ➤

Danang Rubber JSC (DRC VN, Add, TP: VND25.500) is the country's largest radial tyre producer, with a capacity of 600,000 tyres/year. DRC has covered most of the provinces in the domestic market, aiming to take the lead in the segment of radial tyres for light trucks, heavy trucks, and specialised vehicles. Currently, DRC radial tires are being exported to more than 40 countries and possess product certifications from Japan (JIS), the US (DOT), Europe (EMARK), Indonesia (SNI), Brazil (INMETRO) and India (BIS). We believe increasing the proportion of radial tyre production to total revenue by 0.3-1.0% pts in FY20F-22F will lift its GPM by 0.3-2.2% pts.

Figure 216: Autoparts peer comparison

Company	Ticker	Recom.	Price			P/E (x)	3-year EPS			P/BV (x)		EV/EBITDA (x)		ROE (%)	
			VND	TP	US\$ m		CY20F	CY21F	CAGR (%)	CY20F	CY21F	CY20F	CY21F	CY20F	CY21F
Danang Rubber JSC	DRC VN	ADD	21,200	25,500	109	11.1	9.0	0.7	1.5	1.5	4.8	4.8	15.2	19.8	
Southern Rubber Industry JSC	CSM VN	n/a	16,100	na	72	17.7	na	204.5	1.3	na	na	na	na	na	
Saovang Rubber JSC	SRC VN	n/a	18,300	na	22	7.8	na	51.1	1.3	na	na	na	na	na	
Average						12.2	9.0		1.4	1.5	4.8	4.8	15.2	19.8	
Median						11.1	9.0		1.3	1.5	4.8	4.8	15.2	19.8	

SOURCES: VND RESEARCH, BLOOMBERG

Analyst(s)

Hao NGUYEN

T (84) 96 650 3268

E hao.nguyenduc@vndirect.com.vn

TEXTILE & GARMENT: Eyeing a rebound in 2021

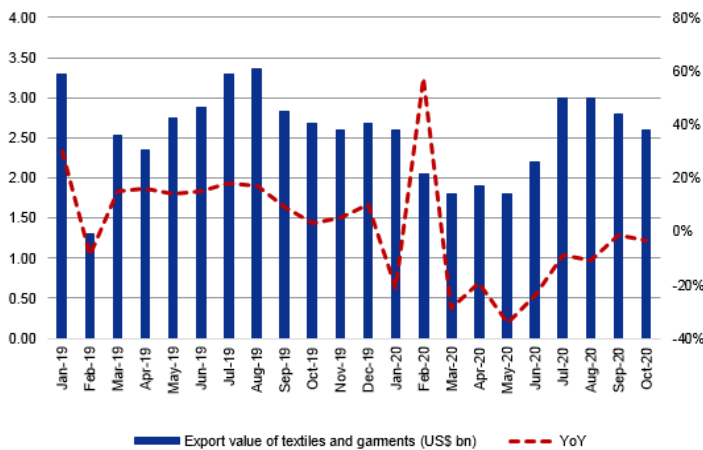
Among the sectors hardest hit by Covid-19 ➤

Subdued export volume on weak global demand

Under the shadow of Covid-19 outbreak, the textile & garment (T&G) sector has been reeling from supply chain disruptions, falling demand and manufacturing lockdowns. In 1H20, Vietnam's export value of T&G declined 13.4% yoy to only US\$15.68bn. At that time, only gauze masks were in huge demand from both domestic and exporting markets. A few T&G manufacturers, including Thanh Cong Textile JSC (TCM VN, Hold, TP: VND40,400) partly switched production to medical masks.

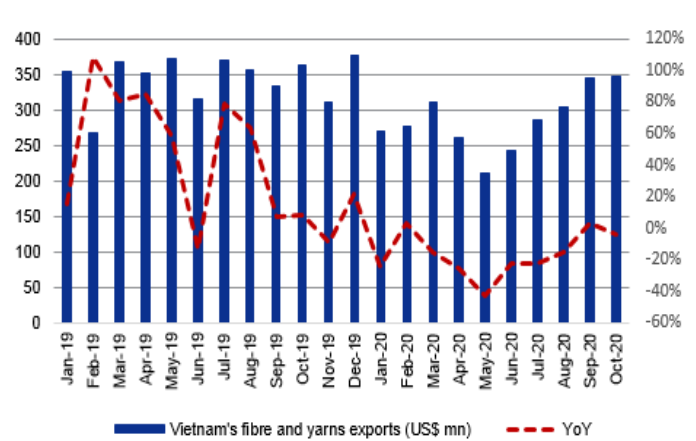
Despite few new orders, we saw a few positive signals as export value of T&G recovered by 98% yoy in Sep 20 and 97% yoy in Oct 20. This could be attributed to rising demand for sportswear in the US market. In 10M20, the Vietnam textile and garment industry exports amounted to US\$27.6bn (-10% yoy) with the US being the largest market at 41% of exporting value share.

Figure 217: Vietnam export value of textile and garment bottomed in May 20 (-34% yoy)



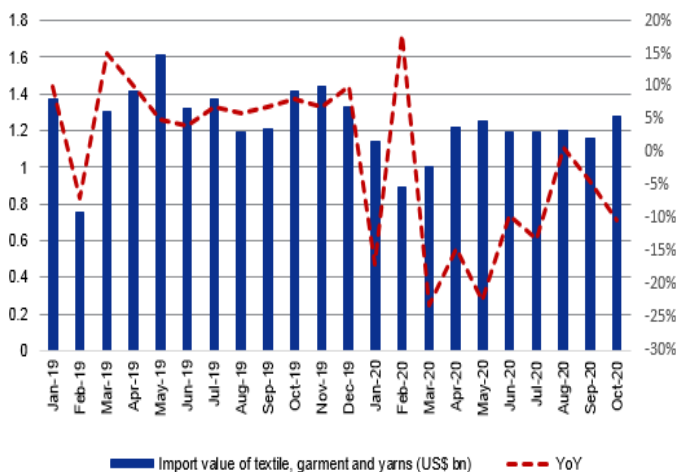
SOURCES: VND RESEARCH, MOIT

Figure 218: Vietnam's fibre and yarn exports gradually recovered in 3Q20



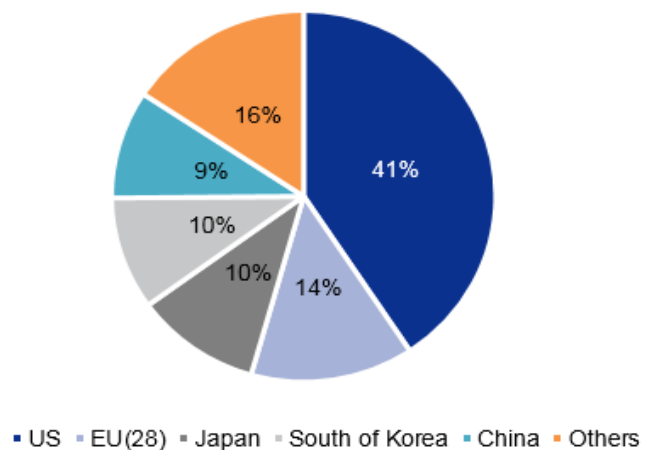
SOURCES: VND RESEARCH, MOIT

Figure 219: Vietnam import value of textile, garment and yarn fell 15% yoy in 10M20



SOURCES: VND RESEARCH, MOIT

Figure 220: T&G export destinations in 10M20



SOURCES: VND RESEARCH, COMPANY REPORTS

9M20 performance of T&G listed companies ►

Transforming to adapt to a pandemic era

A few T&G manufacturers have partially converted their production lines to gauze masks and personal protective equipment (PPE) which partially cushioned the decline in sales. Gauze mask is a product that does not require a lot of investment. Most of the existing factories, equipment and workers in Vietnam's garment industry can make masks. The antibacterial fabric material used to make gauze masks can be produced domestically or imported from China or South Korea without difficulty. Therefore, Vietnam's mask production capacity is huge, in our view. After meeting domestic demand, the product can be exported, potentially transforming Vietnam into the world's new mask production hub, in our view.

One of the country's largest mask producers TCM posted a slight 2.6% yoy drop in revenue to VND2,717bn in 9M20 while net profit climbed 30.5% yoy to VND201bn in 9M20.

Binh Thanh Import – Export Production & Trade JSC (GIL, Non rated) has shifted from working with offline partners to online retail groups like Amazon and IKEA – which have benefitted from the online shopping surge. Consequently, GIL's revenue rose 45% yoy to VND2,546bn and net profit jumped 107% yoy to VND189bn in 9M20.

Phong Phu Corporation (PPH, Non rated) has divested itself of underperforming businesses which decreased operating expenses by 43.4% yoy in 9M20. Consequently, the company posted an impressive 33.5% yoy surge in 9M20 net profit.

However, Covid-19 casts a shadow over the whole industry

Apart from a handful of companies that have changed their production lines in time, most listed T&G makers were hit hard by the Covid-19. We estimate that 9M20 aggregate revenue of listed T&G companies slid 19.5% yoy while 9M20 aggregate net profit plummeted by 30% yoy.

Vinatex (VGT VN, Non rated) – the country's largest T&G holding company– reported a 23.3% yoy decline in revenue and 23.4% yoy decrease in net profit in 9M20.

Viet Tien Garment Corp (VGG VN, Nonrated) recorded a sharp drop of 75% yoy in 9M20 earnings, owing to the declining demand from its key export markets including South Korea, the US, and the EU. Song Hong Garment (MSH VN, Non rated) suffered the hardest hit as its key client, RTW Retail filed for bankruptcy in Jul 20. This led to a sharp 53.8% yoy drop in MSH's 9M20 net profit.

Figure 221: 9M20 earnings recap of 10 large listed T&G enterprises

	Revenue			Net profit			Gross profit margin		
	9M19	9M20	% yoy	9M19	9M20	% yoy	9M19	9M20	Chg yoy
	VNDbn	VNDbn	%	VNDbn	VNDbn	%	%	%	pts
VGT	13,482	10,335	-23.3%	534	409	-23.4%	9.0%	8.1%	-0.9%
VGG	6,418	5,170	-19.4%	293	71	-75.8%	12.1%	12.6%	0.5%
MNB	3,605	3,126	-13.3%	35	27	-22.9%	19.2%	19.6%	0.4%
TNG	3,568	3,529	-1.1%	174	129	-25.9%	17.7%	17.2%	-0.5%
MSH	3,456	2,970	-14.1%	357	165	-53.8%	20.5%	20.6%	0.1%
TCM	2,789	2,717	-2.6%	154	201	30.5%	15.4%	17.5%	2.1%
PPH	2,534	1,570	-38.0%	188	251	33.5%	7.4%	8.4%	1.0%
HSM	1,787	946	-47.1%	-10	11	-	6.5%	6.4%	-0.1%
GIL	1,755	2,546	45.1%	91	189	107.7%	16.6%	15.6%	-1.0%
STK	1,653	1,197	-27.6%	161	75	-53.4%	15.6%	12.9%	-2.7%
Total	41,047	34,106	-16.9%	1,977	1,528	-22.71%	12.57%	12.63%	0.06%

SOURCES: VND RESEARCH, FIINPRO

We expect a full recovery by 2022 ➤

Vietnam's T&G is well-placed for pandemic resilience

Vietnam has been the most significant beneficiary from the shift in apparel manufacturing away from China in recent years. However, this trend was disrupted by Covid-19. Once Covid-19 was successfully contained locally, Vietnamese T&G manufacturers could keep production going during the lockdown. Logistics and warehouses have kept operating smoothly, displaying more resilience than other Asian countries. Hence, we think that orders in Vietnam are more likely to be fulfilled than in others major T&G producers such as Bangladesh, Pakistan or India. We believe Vietnam is well-placed to grab additional orders when demand rebounds. In addition, the recovery of key clients, the US and China, bodes well for Vietnam's T&G sector. The IMF estimates China's GDP to surge 8.2% yoy in 2021 and the US GDP to rise 3.1%.

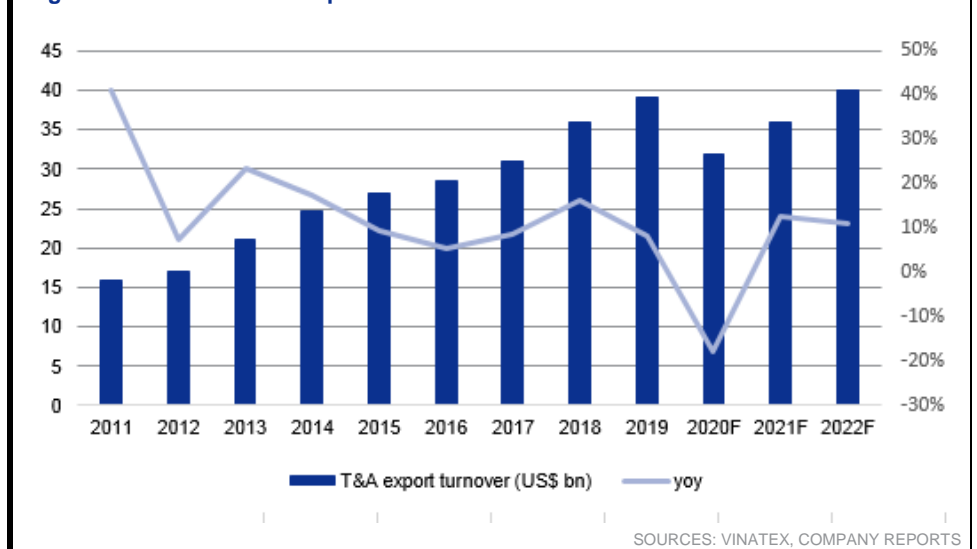
We observed that a few T&G enterprises reported a gradual improvement in new orders in 4Q20 QTD. STK's factories are running at 100% capacity in 4Q20 and TCM recorded a 30% qoq growth in sportswear and shirt orders. We estimate the textile and garment export value to rise 6.2% yoy to US\$6.8bn in 1Q21 thanks to the strong pent-up demand anticipated post pandemic in countries such as China, the US and South Korea. We expect T&G exports to rise by 8.4% yoy to US\$6.4bn in 2Q21.

Growing participation in free trade agreements (FTAs) are long-term tailwinds

Fabric production is still a challenge to Vietnam textile & garment industry when it comes to FTA requirements on product origin. Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) requires the application of the three-stage principle including fiber making, spinning, weaving, and finishing, cutting and sewing implemented in the member countries covered by CPTPP. Meanwhile, EU-Vietnam Free Trade Agreement (EVFTA) poses a technical barrier called "from fabrics onwards" that bans the use of fabrics originating from certain locations in China. Since Vietnam has to import most of its fabric needs from China, which account for 58% of the total T&G import value, it would raise certain difficulties.

We expect that the EVFTA will have a positive impact on the T&G industry in the long term, as companies will need time to develop appropriate production chains of Yarn - Weaving - Dyeing - Sewing to meet the original standards. This will ensure sustainable consumption and increase the competitiveness of Vietnam's textile and garment products. According to Vietnam National Textile & Garment Group (Vinatex), the textile and garment export value is estimated to drop by 10% in 2021 then fully recover in 2022.

Figure 222: Vietnam T&A export turnover in 2011-22F



Stock picks: we like TCM and STK ➤

We favour STK and TCM as they are well-equipped to seize the opportunities arising from EVFTA and CPTPP.

Century Synthetic Fiber Corp (STK VN, ADD, TP: VND24,036): STK is Vietnam’s biggest yarn company in terms of production capacity (63,000 tons) p.a.). The CPTPP requires that all items from the fiber stage onwards to be produced in CPTPP member countries. Therefore, garment and textile enterprises need to prioritise domestically-produced fibers in order to benefit from the CPTPP. Furthermore, STK plans to start constructing a yarn factory in 4Q21 with the hope that after completion, the project will increase STK’s total yarn production from 63,300 tons p.a. to 83,300 tons p.a. We believe that STK will be one of the fastest recovering business in the industry due to its productive “Yarn – Weaving -Dyeing – Sewing” supply chain.

Meanwhile, Thanh Cong Textile Garment Investment Trading company (TCM VN, Hold, TP: VND40,400). It is a Hold for valuation reasons, but we like it because it has the entire supply chain and stands to benefit the most from CPTPP and EVFTA. TCM’s NPAT rose 47.27% in 9M20 due to sales of gauze masks and PPEs. TCM owns a complete supply chain of yarn, weaving, knitting, dyeing, sewing and distribution which will help TCM to control its fabric supply. In order to meet the standards from EVFTA and CPTPP, TCM has built a fabric dyeing factory in Hoa Phu Industrial Park, Vinh Long province. We expect TCM to benefit from CPTPP and EVFTA more than its peers. We assume that TCM can increase its export proportion to the EU from 12% in 2020 to 25% in 2021.

Figure 223: Textile and garment peer comparison

Company	Ticker	Recom.	Price			Mkt cap	P/E (x)			3-year EPS			P/BV (x)		EV/EBITDA (x)		ROE (%)	
			VND	TP	US\$ m		CY20F	CY21F	CAGR (%)	CY20F	CY21F	CY20F	CY21F	CY20F	CY21F			
Viet Tien Garment Corp	VGG VN	na	49,600		95	7.0	na	1.3	1.2	na	na	na	na	na	na	na	na	
Song Hong Garment JSC	MSH VN	na	40,750		88	7.9	na	4.5	1.6	na	2.6	na	na	na	na	na	na	
Century Synthetic Fiber Corp	STK VN	ADD	20,300	24,036	60	11.1	8	115.2	1.4	1.2	6.5	5.2	10.6	16.2				
TNG Investment & Trading JSC	TNG VN	na	15,000		48	5.7	4.1	40.1	1.0	na	na	na	17.3	18.1				
Thanh Cong Textile JSC	TCM VN	HOLD	41,250	40,400	111	11.4	10.7	34.8	1.6	1.2	5.6	5.7	14.5	13.3				
Average								8.6	7.6		1.3	1.2	4.9	5.5	14.1	15.9		
Median								7.9	8.0		1.4	1.2	5.6	5.5	14.5	16.2		

SOURCES: VND RESEARCH, BLOOMBERG

Analyst(s)

Mai PHAM

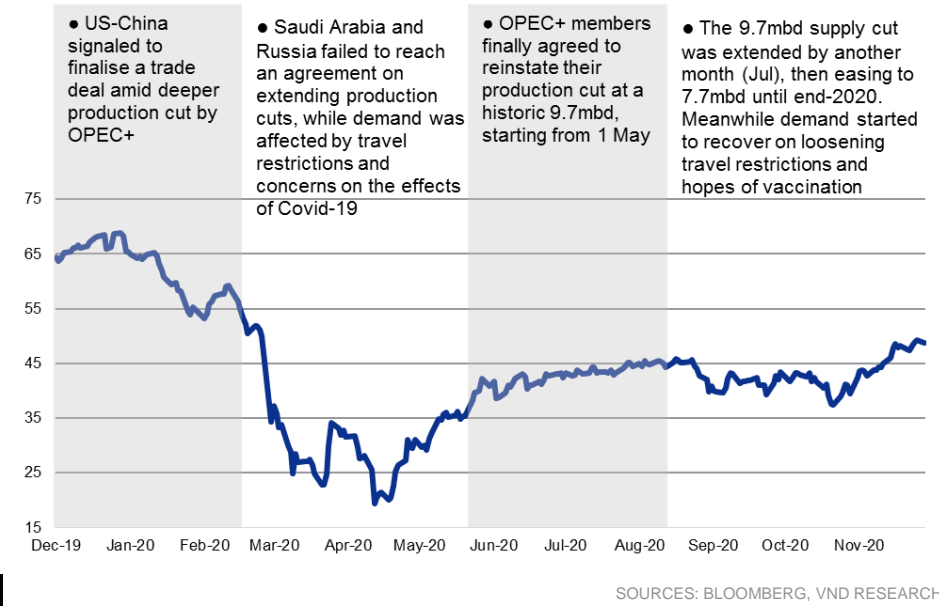
T (84) 94 328 0850

E mai.phamle@vndirect.com.vn

OIL & GAS: Gas industry development comes into focus

We estimate Brent crude oil price to average US\$48-50/bbl in 2021 ➔

Figure 224: Brent crude oil price movements in 2020 YTD (US\$/bbl)



Brent crude oil price climbed to an average of US\$43.3/bbl in 3Q20 from US\$33.4/bbl in 2Q20 as demand recovered gradually amid continued production cuts by OPEC+ members. By the last week of Nov 20, oil price had risen to its highest level since early-Mar on positive news regarding vaccine development despite the resurgence of Covid-19 outbreaks in large consuming regions, such as the North America and the EU, and the rejoining of Libya as a supplier with 1mbd in Nov (source: S&P Global Platts). We estimate the 4Q20 average oil price to be US\$42-43/bbl, translating into 2020 average oil price of US\$42-43/bbl.

Figure 225: Supply-demand balance and Brent crude price from 2013 to 3Q20

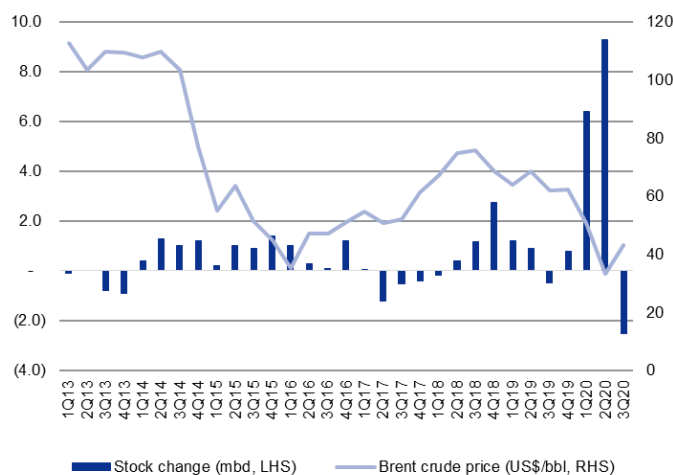
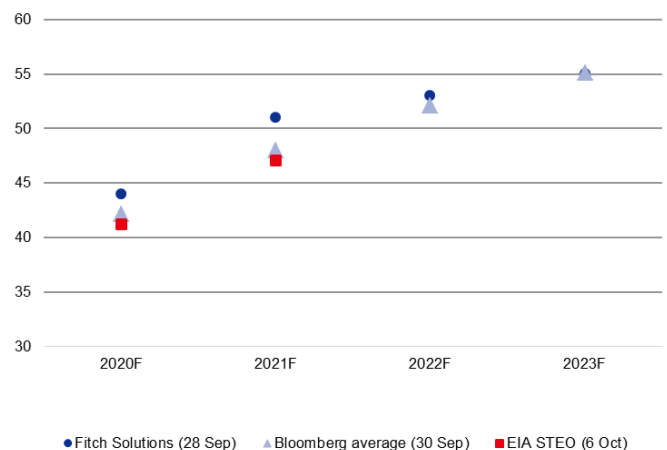


Figure 226: Brent crude oil price forecasts for 2020-23F (US\$/bbl)



For 2021F, the International Energy Agency (IEA) forecasts global demand to recover to ~97.1 mbd, equivalent to the 2016 level, mainly due to the lasting effects of Covid-19 on the aviation industry. Meanwhile, on the supply side, the

recent decision made by OPEC+ to ease the production cut to 7.2 mbd in Jan 2021 instead of going with the original plan of 5.7 mbd signaled that the group would closely monitor the stock balance and strive to support a healthy recovery of prices. We forecast 2021F average oil price to be in the range of US\$48-50/bbl, about 13-17% higher than the 2020 level, assuming that demand recovers at a faster pace than in 2020 from 2H21F onwards as Covid-19 restrictions ease globally and the first batches of vaccines are rolled out to the public.

We believe a higher price level will benefit gas distributor PVGas (GAS VN, Hold, TP: VND87,900) as its product selling prices are benchmarked to global oil and gas prices. In contrast, gas users, such as power and fertiliser plants, should be negatively affected by the increasing oil prices.

No major natural gas exploration in sight >

In 10M20, oil and gas production volume in Vietnam declined 14.1% and 10.0% yoy, respectively. However, in our observation, this was more the result of a quick depletion at mature fields and technical issues causing temporary shutdowns rather than due to lower demand amid Covid-19 restrictions. We foresee sustainable demand growth for oil and gas products in 2021F on the back of Vietnam's successful containment of Covid-19.

While crude oil and refined products could be easily imported to Vietnam thanks to sufficient infrastructure and as they become more affordable in a low-priced environment, natural gas imports to Vietnam remain unfeasible at the moment due to the lack of regasification infrastructure. We highlight the pressing demand for natural gas given the 8-9% expected growth in electricity demand p.a. in 2021-25F (according to Vietnam Electricity Group – EVN), which will require a ramp-up in both gas field development and the construction of infrastructure for LNG imports.

Figure 227: Potential gas exploration projects in pipeline

Project	Expected commission	PSC owners	Usage	Estimated reserves	Status
Sao Vang Dai Nguyet (SVDN)	2020-2021F	Idemitsu (35%), Nippon Oil (35%), Inpex (30%)	To supplement the gas supply from Nam Con Son basin, especially for current power plants at Nhon Trach (Dong Nai) and Phu My (Ba Ria) regions	2P reserves Sao Vang: 686 bcf of gas and 30m bbl of condensate, Dai Nguyet: 454bcf of gas	First gas in Nov 2020.
Su Tu Trang Phase 2	2020-2023F	PVEP (50%), Perenco Cuu Long (23.25%), KNOC (14.25%), SK (9%), Geopetrol VN (3.5%)	To supplement the gas supply from Cuu Long basin, offsetting the depletion at Bach Ho field	2P reserves of 317 bcf and 435m bbl of condensate	Phase 2A involves the development of new wells to be used as input for the current ST-PIP platform, with an expected capacity of 21bcf annually. Phase 2B involves the construction of a central gas facility (CGF) with 16 wells, connected to ST-PIP platform, with an expected capacity of 52bcf annually. In Aug 20, the gas sales and purchase agreement for Phase 2A was signed among partners. First gas from Phase 2A/2B is expected from Dec 2020F/4Q23F.
Nam Du - U Minh	2022-2023F	Jadestone (100%)	To supplement the gas supply for current power plants in the Southwest region such as Ca Mau 1, 2 plants	2C reserves: 171bcf (+31 bcf)	According to Jadestone, the company is renegotiating the gas sales and purchase agreement and the development timeline with the Vietnamese government. Jadestone anticipates completing the gas sales and purchase agreement alongside the eventual field development plan approval. First gas has been pushed back from 2021 to late-2022 or 2023 due to the collapse in oil price in early-2020.
Lac Da Vang	2023F	Murphy Oil (40%), PVEP (35%), SK Innovation (25%)		100 mmbbl of recoverable reserves	ODP was approved in Sep 2019. Field development plan submission targeted for 2020. Murphy is also carrying out exploration work at adjacent fields (Lac Da Trang, Lac Da Nau, etc.) and Block 15-2/17.
Block B - O Mon	2023-2024F	PVN (42.38%), MOECO (25.62%), PVEP (23.5%), PTTEP (8.5%)	New power plants O Mon I, O Mon II, O Mon III, O Mon IV	2.7tcf of gas	EPC tender for pipeline construction opened in Feb 2020 and was extended twice to Nov-Dec 2020. First gas is expected in 2023F; however, recent news reports said the gas sales and purchase agreement is still under discussion and first gas could be delayed to Sep 2024, at the earliest.
Blue Whale	2024-2025F	Exxonmobil (64%)	New power plants Dung Quat I,III, Mien Trung I, II	5.3 tcf of gas	FEED contract was awarded to Saipem in Feb 2019 and completed in Apr 2020. In Jul 2020, PVN and EVN said they were working with ExxonMobil to finalise gas and electricity sales agreements. First gas expected in 4Q23F.
Ken Bau	2027-2028F	ENI (50%), ESSAR (50%)		7-9 tcf of raw gas and 400-500m bbl of condensate	This field is under exploration process. The first two exploration wells drilled in Jul 2019 and Jul 2020 confirmed a significant hydrocarbon accumulation on Ken Bau discovery, potentially ranging between 7 and 9 tcf of raw gas and 400m-500m bbl of condensate.

SOURCES: VND RESEARCH, COMPANY REPORTS

Figure 227 provides a quick status update on some potential domestic gas projects in Vietnam. During 10M20, both Block B-O Mon (upstream and midstream capex of US\$3.5bn-5bn) and Blue Whale saw no significant progress due to delays in different stages of project approval relating to gas prices, electricity price negotiation and feasibility studies (FS) of corresponding power plants. We think the final investment decision (FID) for both projects will be issued no sooner than 2Q21F and therefore the related EPC contracts will be executed mostly during 2022-23F.

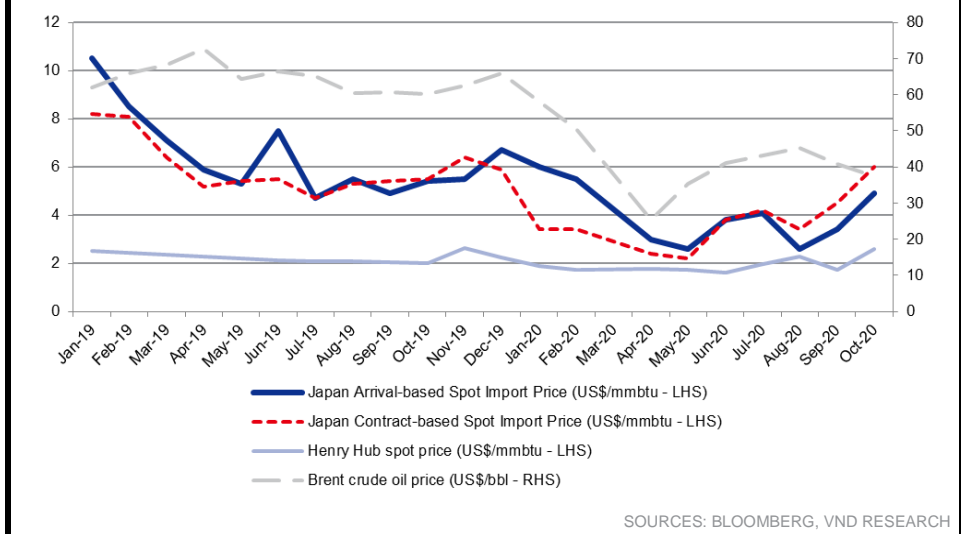
Meanwhile, other projects, mainly involving the development of existing fields, such as Su Tu Trang Phase 2 and Te Giac Trang full-field development, were given the green light in the past few months. This provides some buffer for local service providers and contractors, who have been affected by the delay in the scale-up in gas exploration, despite the smaller contract size (US\$200m-350m).

Awaiting the emergence of LNG terminals ►

Low global LNG prices offering incentives for LNG projects

As large gas projects are facing delays due to difficulties in finalising pricing schemes as well as prolonged approval procedures, we see small/existing field development and LNG terminal construction emerging as the solution in the next two years.

Figure 228: LNG prices have decreased since early-2020 due to Covid-19



LNG trading prices had declined from the US\$6.4-6.7/mmbtu level from end-2019 to US\$3.4-4.5/mmbtu by the end of Sep 2020 due to subdued demand on top of a mild 2019 winter in the northern hemisphere and Covid-19 disruptions. We expect LNG prices to recover gradually in 2021F, supported by demand recovery in light of a potential economic rebound, especially in the key Asia import markets (where the Covid-19 situation appears to be more under control than in the West). However, according to IEA, LNG trade and price growth could be capped by a faster pace of expansion in liquefaction capacity (which reported 11% yoy growth in 2019).

For Vietnam, since the country has yet to put into operation any LNG projects, we use Japan import price as a reference point for possible imports into Vietnam. Based on an oil price forecast of US\$48-60/bbl in 2021-24F (from US\$42/bbl in 2020F) and Bloomberg consensus forecast for Henry Hub gas price of US\$2.68-3.01/mmbtu (from US\$2.07 in 2020F), we estimate the import price to return to the US\$5-6/mmbtu level during the same period. Taking into account an estimated regasification and transportation cost of US\$1-1.5/mmbtu, the gas price sold to power plants could be US\$6-7.5/mmbtu by 2024F at the minimum. Assuming the gas price is fully passed through to electricity prices, lower gas price (-25% vs. policy makers' earlier forecast) could translate into lower electricity prices and make LNG power more competitive vs. renewable energy projects.

LNG projects in the pipeline

Figure 229: LNG terminal project pipeline

Terminal name	Location	Capacity (mmtpa)	Op. Year	Investors	Power plant
Relating power plants included in revised Power Development Plan 7 (PDP 7)					
Hai Linh	Ba Ria - Vung Tau	2-3	2021	Hai Linh Ltd	Hiep Phuoc, EVN's plants
Thi Vai	Ba Ria - Vung Tau	1-3	2022-2024	PVGas	Nhon Trach 3 & 4
Son My Phase 1	Binh Thuan	3	2024-2025	PVGas, AES Group (US)	Son My 2
Bac Lieu	Bac Lieu	3	2024	Delta Offshore Energy (Singapore)	Bac Lieu
Long Son Phase 1	Ba Ria - Vung Tau	3.5	2025-2026	GTPP (group of VN investors). Mitsubishi Corp, General Electric	Long Son complex
Ca Na Phase 1	Ninh Thuan		2025-2026	Trung Nam Group (VN)	Ca Na complex
Long An	Long An		2025-2027		Long An 1, 2
LNG Quang Ninh	Quang Ninh		2026-2027	Tokyo Gas, Marubeni, Colavi, PVPower	Quang Ninh
Relating power plants are being proposed for inclusion in revised PDP 7/PDP 8					
Cai Mep Ha	Ba Ria - Vung Tau	9	2023-2030	GenX Energy, T&T (US)	Cai Mep Ha
Chan May	Hue		2024-2027	Chan May LNG JSC	LNG Chan May
Vung Ang 3	Ha Tinh	1.5	2025-2028	Vingroup (VN)	LNG Vung Ang 3
Ke Ga	Binh Thuan	1.5	2025	ECV (US), KOGAS (Korea), Excelerate Energy (US)	Ke Ga
Tien Lang	Hai Phong	6	2026-2030	Exxon Mobil (US), JERA (Japan)	LNG Tien Lang
Cai Trap	Hai Phong			Vingroup (VN)	LNG Cai Trap
Long Son 2	Ba Ria - Vung Tau			Marubeni (Japan)	Long Son (inside Long Son Petroleum Industrial Zone)

SOURCES: VND RESEARCH, COMPANY REPORTS

We compile a list of LNG projects, namely of three standalone terminals and 12 integrated LNG-to-power projects, that we think have higher visibility of execution in the next seven years. Even in a low price environment for oil and gas products, the LNG terminals and power plants still need to come online in time to ease the growing electricity shortage in Vietnam. Among the mentioned projects, only two are being carried out (Hai Linh and Thi Vai), implying a huge backlog opportunity for local engineering and service providers, such as PTSC (PVS VN, Add, TP: VND17,700), and PVC-MS (PXS VN, Not Rated).

Stock picks: We prefer service providers to ride the infrastructure development story ►

We reiterate our Neutral call on the sector due to the lasting effects of Covid-19 on oil and gas prices in 2021F. However, we remain positive on the outlook of service providers, who should benefit early from the rush in project development to satisfy the gas demand for electricity.

Our top pick is PetroVietnam Technical Services Corp (PVS VN, Add, TP: VND17,700) as we believe it could replenish its backlog in 2021F with new engineering projects, such as Su Tu Trang Phase 2, Block B pipeline, and possibly work as subcontractors for pipeline contracts in other LNG projects. We forecast PVS to post a sales CAGR of 10.9% and net profit CAGR of 5.5% in FY19-22F, assuming a healthy backlog in mechanics and construction (M&C) segment and a gradual recovery in other oilfield service segments. At the current price, PVS is trading at a P/E of 8.2x on our forecasted FY20F EPS, which is much lower than the regional peer average of 13.3x.

We also like PetroVietnam Transportation Corp (PVT VN, Add, TP: VND15,200) as we expect the company's fleet renovation plan to be reignited from 2021F onwards to take advantage of the current low levels of vessel prices, on the back of a recovery in oil and gas transportation demand. We expect the 2020F capex plan of over VND7,400bn to be mainly disbursed through 2021-23F, driving a net profit CAGR of 5.3% during FY20-23F.

Figure 230: Peer comparison

Company	Bloomberg Ticker	Recom.	Share Price (local cur.)	Target Price (local cur.)	Market Cap (US\$ m)	P/E (x)		3-yr EPS CAGR (%)	P/BV (x)		ROE (%)		ROA (%)	
						FY20F	FY21F		FY20F	FY21F	FY20F	FY21F	FY20F	FY21F
Oil services companies														
PV Technical Services	PVS VN	ADD	15,000.0	17,700.0	310	8.2	7.3	5.5%	0.7	0.8	7.7%	9.7%	3.6%	4.0%
Malaysia Marine Eng	MMHE MK	NOT RATED	0.5	NA	183	NA	51.7	NA	0.3	0.3	-6.3%	1.0%	-2.8%	0.9%
Yinson Holdings	YNS MK	ADD	5.7	6.6	1,493	15.3	9.9	41.2%	1.8	1.3	11.7%	11.9%	5.0%	4.5%
Sembcorp Marine	SMM SP	HOLD	0.2	0.1	1,521	NA	NA	0.0%	0.5	0.5	-12.8%	-1.5%	-4.6%	-0.7%
Hyundai Engineering	000720 KS	HOLD	38,350.0	34,500.0	3,927	11.2	9.9	NA	0.6	0.6	5.4%	5.8%	2.0%	2.2%
Keppel Corp	KEP SP	ADD	5.2	6.5	7,106	13.4	11.6	5.3%	0.9	0.8	6.5%	7.2%	2.4%	2.6%
Average - Oil services peers					2,846	13.3	20.8	15.5%	0.8	0.7	0.9%	4.9%	0.4%	1.9%
Offshore drilling companies														
PV Drilling	PVD VN	HOLD	13,150.0	13,400.0	239	29.4	12.4	34.2%	0.4	0.4	1.5%	3.5%	0.9%	2.2%
Borr Drilling Ltd	BDRILL NO	NOT RATED	9.2	NA	229	NA	NA	26.0%	0.1	0.2	-25.0%	-23.2%	-8.9%	-6.9%
Velesb Energy Bhd	VEB MK	HOLD	0.2	0.1	304	NA	NA	NA	0.4	0.4	-1.6%	-0.2%	-1.1%	-0.2%
Sapura Energy Bhd	SAPE MK	REDUCE	0.1	0.1	492	NA	NA	-31.5%	0.2	0.2	-3.9%	-5.4%	-1.1%	-1.7%
Transocean	RIG US	NOT RATED	2.5	NA	1,562	NA	NA	NA	0.1	0.2	-6.1%	-5.9%	-3.4%	-2.3%
Average - Offshore drilling peers					647	NA	NA	-2.7%	0.2	0.3	-9.1%	-8.7%	-3.6%	-2.8%
Gas distribution companies														
PV GAS	GAS VN	HOLD	84,400.0	87,900.0	6,984	14.9	14.6	-2.4%	3.6	3.6	24.4%	24.7%	17.7%	17.2%
Indraprastha Gas	IGL IN	NOT RATED	481.7	NA	4,574	31.7	23.1	11.2%	5.6	4.9	18.9%	21.0%	NA	NA
Toho Gas Ltd	9533 JP	NOT RATED	6,590.0	NA	6,659	52.7	45.6	-0.9%	2.1	2.0	4.7%	4.5%	2.8%	2.9%
Petronas Gas Bhd	PTG MK	ADD	17.3	18.6	8,413	18.5	18.5	0.1%	2.7	2.6	14.9%	14.3%	9.9%	9.4%
China Gas Holdings	384 HK	NOT RATED	29.0	NA	19,499	14.0	12.1	15.4%	3.2	2.7	24.2%	23.5%	9.1%	9.4%
PTT PLC	PTT TB	ADD	43.0	49.0	40,837	17.5	16.2	-6.4%	2.7	2.6	14.9%	14.3%	9.9%	9.4%
Average - Gas distribution peers					15,997	26.9	23.1	3.9%	3.2	2.9	15.5%	15.5%	7.9%	7.7%
Transportation companies														
PVTrans	PVT VN	ADD	13,050.0	15,200.0	183	8.2	7.8	5.3%	0.9	0.8	11.1%	10.8%	4.8%	4.7%
Vietnam Petroleum Trans	VIP VN	NOT RATED	7,670.0	NA	22	NA	NA	NA	NA	NA	NA	NA	NA	NA
Vietnam Tanker JSC	VTO VN	NOT RATED	7,450.0	NA	25	NA	NA	NA	NA	NA	NA	NA	NA	NA
Eusu Holdings Co Ltd	000700 KS	NOT RATED	5,500.0	NA	132	NA	NA	NA	NA	NA	NA	NA	NA	NA
Shipping Corp of India Ltd	SCI IN	NOT RATED	88.4	NA	559	8.4	9.9	NA	NA	NA	6.3%	5.1%	NA	NA
Great Eastern Shipping Co I	GESCO IN	NOT RATED	293.8	NA	586	7.1	6.6	NA	NA	NA	8.7%	8.8%	NA	NA
Average - Transportation peers					265	7.7	8.3	NA	NA	NA	7.5%	7.0%	NA	NA

SOURCES: BLOOMBERG, VND RESEARCH, CGS-CIMB RESEARCH (DATA AS AT 10 DEC)

Analyst(s)

Mai PHAM

T (84) 94 328 0850

E mai.phamle@vndirect.com.vn

POWER: Go green, go clean

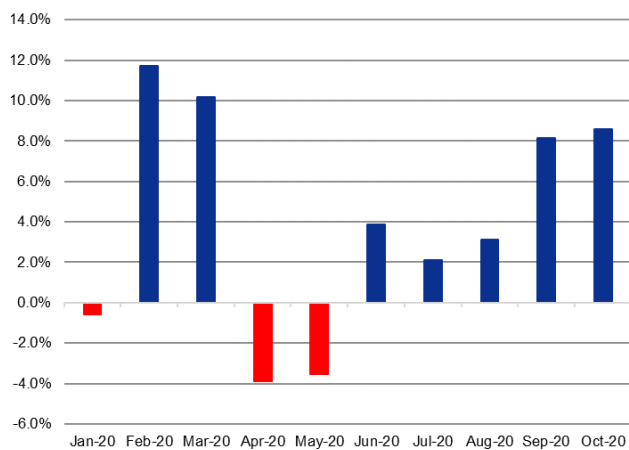
10M recap: power shortage temporarily eased due to Covid-19



In 10M20, Vietnam's electricity consumption growth decreased to 2.3% yoy, much lower than the 10.1% yoy rate seen in 10M19 due to suspended manufacturing activities amid the social distancing orders (two rounds in Apr 20 and Aug 20) due to Covid-19. We expect electricity demand growth to decline to 6.0% yoy in FY20F vs. 9.1% in FY19.

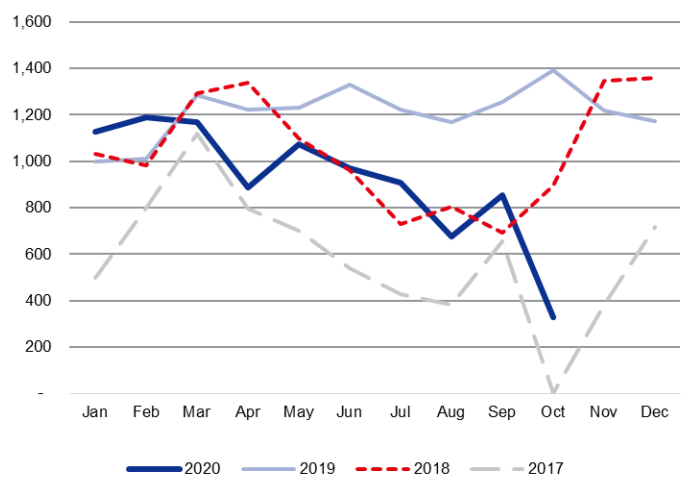
On the supply side, the delays in the commissioning of large power projects were offset by additions of solar power capacity (6,314MWp as at end Sep 20, ~10% of national supply) and the ramp-up of gridline construction that helped integrate the new supply into the system. We estimate installed capacity to reach 56,800MW in 2020 (+3.5% yoy), falling short of the 60,000MW set in the revised Power Development Plan 7 (PDP 7), mainly driven by Duyen Hai 3 expansion project (660MW), Thuong Kon Tum hydropower project (220MW), and other solar power plants (1,040MW).

Figure 231: Electricity consumption yoy growth in 10M20



SOURCES: VND RESEARCH, MINISTRY OF INDUSTRY & TRADE (MoIT)

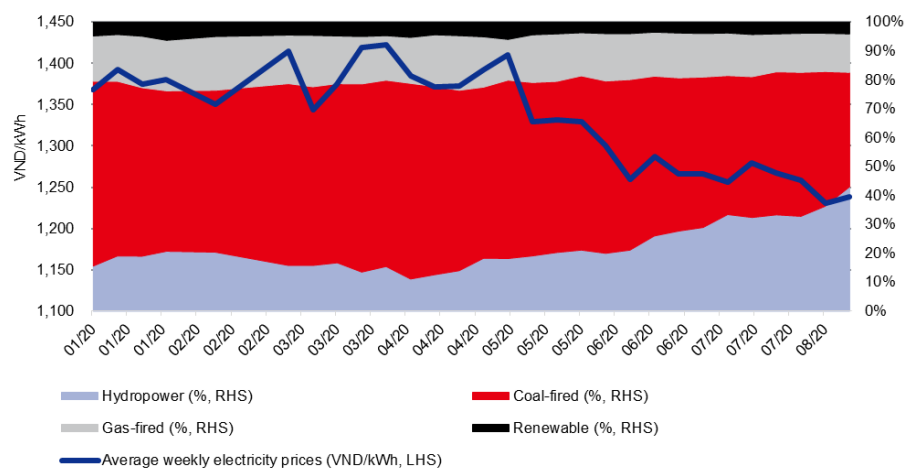
Figure 232: Electricity prices on competitive market (VND/kWh)



SOURCES: VND RESEARCH, GENCO 3

The electricity prices on the competitive generation market (CGM) also saw a decline towards the end of 2020 on the back of (1) weak demand growth, (2) lower material input prices for the plants (gas -10.1% yoy, coal -2.6% yoy in 10M20), and (3) growing contribution of hydropower, especially in 3Q20 thanks to a recovery in rainfall level.

Figure 233: Electricity prices on the CGM market saw a gradual decline due to higher contribution of hydropower



SOURCES: VND RESEARCH, EVN

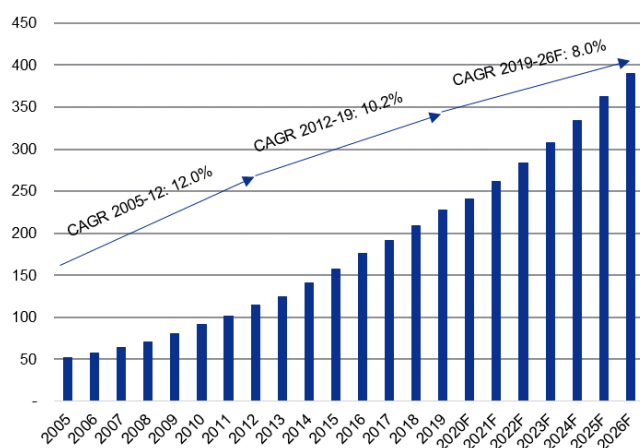
Power shortage could worsen in 2021-23F ➤

Load could recover strongly from 2021F but unmatched by supply

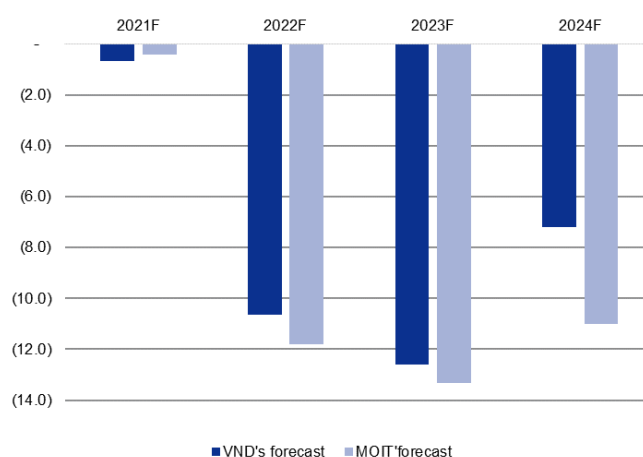
Although we think that the Covid-19 pandemic could last until late-FY21F, we believe its impact on Vietnam's electricity demand should be short-term, and demand growth could return to the pre-Covid level of 8-10% from 2021F as the economy is revived by easing monetary policy, solid macroeconomic background and recovering export demand.

However, we estimate Vietnam's total supply could only grow at a CAGR of 3.4% in FY21-22F due to 1-2 year delays for large projects (with capacity over 200MW) that are scheduled to come online in 2019-25F. According to a report by the state power group, Electricity Vietnam (EVN), about the progress of new power projects, Vietnam completed only 77.7% of the 2016-20F's planned additional power source by May 20. This was mostly due to delays in PVN's new power plants. In addition, supply of 14,490MW is unlikely to be commissioned as scheduled in FY21-25F. Hence, new supply can only fulfill 54.7% of the FY21-25F plan.

Figure 234: Electricity demand is expected to grow at 8.0% CAGR in 2019-26F **Figure 235: Power shortage forecasts in 2021-24F (bn kWh)**



SOURCES: VND RESEARCH, EVN, MoIT



SOURCES: VND RESEARCH, MoIT

We expect average selling prices to bottom out in 1H21F

In our view, electricity ASP should bottom in 1H21F and recover thereafter, due to the following reasons:

- According to the US Climate Prediction Center, there is a 65% probability for La Nina to last until May 2021, which should allow hydropower plants to accumulate sufficient water for operation until 2H21F. As hydropower is the cheapest source of electricity, this should keep a lid on CGM price at least in 1H21F.
- The electricity shortage worsens as the economy recovers from Covid-19, calling for increases in electricity selling prices. In addition, higher prices of input materials such as gas (Brent crude oil +16.3% yoy) and coal (+5% yoy in terms of domestic products and +1% yoy for imports, in our estimates) could boost the bidding prices of traditional gas-fired and coal-fired power plants.

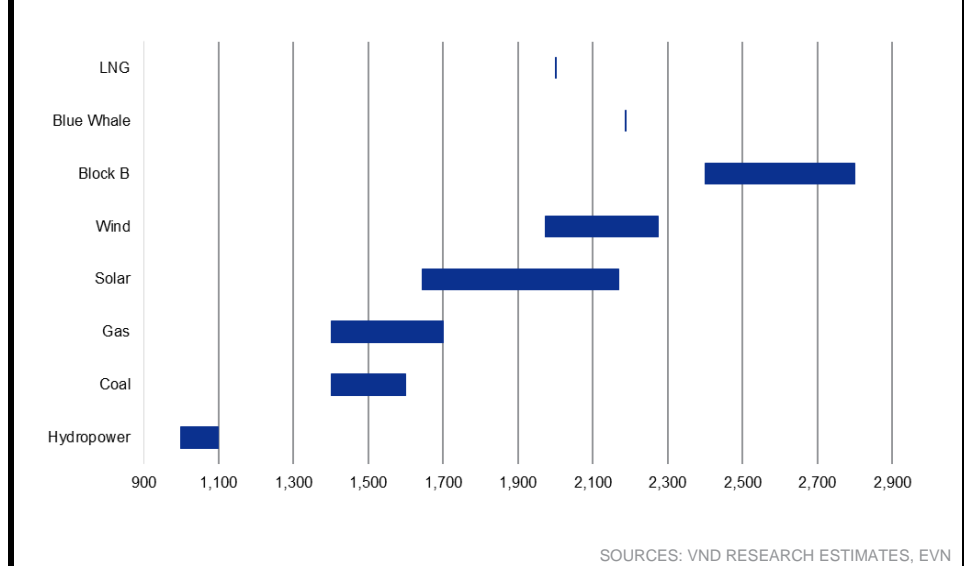
We expect this to pave the way for potential upward revision in retail electricity price in 2021F, which has been delayed in 2020 due to Covid-19.

A further review of the average selling prices by energy type showed that hydropower is the cheapest source of power, followed by traditional sources such as gas and coal. Meanwhile, renewable sources enjoy a high fixed rate from EVN as these projects are in the initial stages of development in Vietnam. Given the relatively unchanged rates of hydropower and renewable sources, we believe that the medium term increases in EVN's electricity purchasing prices would be mainly

New gas fields such as Blue Whale and Block B are expected to incur higher development costs than old gas fields. This would translate into higher gas prices sold to power plants and higher electricity purchasing prices for EVN. In terms of LNG, Vietnam's authorities previously estimated an electricity price of VND2,000/kWh assuming an LNG price of US\$10.5/mmbtu. As LNG prices have declined sharply in 2020, we expect LNG prices in 2023-24F when the first LNG-based plant in Vietnam potentially comes into operation would be US\$6-7.5/mmbtu at the minimum. This price level would make LNG more affordable for Vietnam to develop in the medium term.

driven by higher coal and oil prices, and the contribution from newly-commissioned plants which use more expensive inputs.

Figure 236: Comparison of ASPs from different power sources over 2018-2023F (VND/kWh)



Power Development Plan 8: Geared towards renewable energy

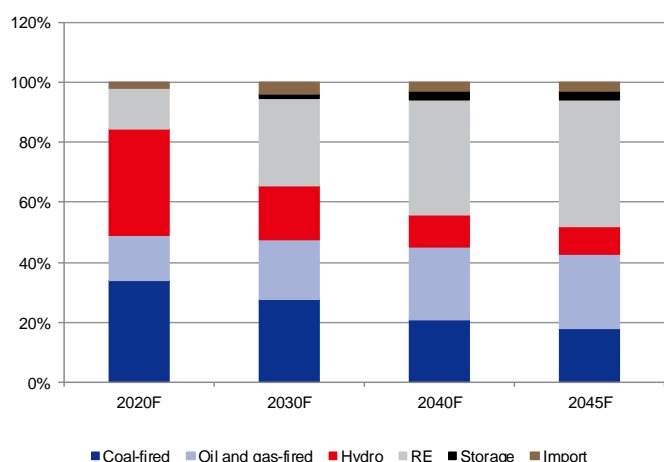


Proposed changes in generation mix

The government is in the process of constructing a new Power Development Plan (PDP 8), in which the policy choice in favour of a shift to clean, renewable energy is clear. According to the PDP 8 draft by the Ministry of Industry & Trade (MoIT), the installed capacity of the national system is expected to rise from 59GW in 2020 to 138GW by 2030F and 275GW by 2045F. This is to cater to the 8.3% demand growth in 2021-30F and 3.4% in 2031-50F. However, there are significant changes in the generation mix, specifically:

- A delay in the development of coal-fired power plants, with half of the pipeline projects in the revised PDP7 (17GW/35GW) either cancelled (9.5GW) or pushed back until after 2030 (7.6GW). The other half (18GW) would still be developed but needs to meet stricter technical standards to improve efficiency and lower emissions and fuel costs. Coal-fired power is expected to decrease its contribution to total installed capacity from 34% in 2020 to 28% in 2030F and 18% in 2045F.
- Gas-fired plants would be the key sources of baseload power thanks to its stability and increasing capability to import LNG. Gas-fired power is expected to make up 20% of total system capacity in 2030F (from the current 15%), increasing to 25% of total system capacity in 2045F. The demand for imported LNG would increase from 1.2m tonnes in 2025F to 8.5m tonnes in 2030F.
- Renewable energy, mainly solar and wind power, would grow aggressively from 13% of total capacity in 2020 to 28% in 2030F and 41% in 2045F. The majority of new projects would be in the Southern region where the solar and wind potential is highest. The shift towards renewable energy shows the government's commitment to reducing carbon emission, in line with the global trend. This is also supported by the declining investment cost of new renewable capacity (thanks to continuous technology innovations, growing economies of scale and supportive market policies).

Figure 237: Installed capacity by energy type (MW) in PDP 8 draft



SOURCES: VND RESEARCH, IEEFA

Figure 238: Cost estimates for renewables in PDP 8 draft

	Base year price (US\$/MW)	Improvement vs. base year price		
		2025-29F	2030-39F	2040-45F
Onshore wind (>= to 6 m/s)	1.7	-10.7%	-18.3%	-24.5%
Onshore wind (5.5-6m/s)	2.0	-10.7%	-21.4%	-29.2%
Onshore wind (4.5-5.5m/s)	2.0	-10.7%	-21.4%	-26.7%
Onshore Wind Average	1.9	-10.7%	-20.4%	-26.8%
Offshore wind (fixed foundation)	3.1	-2.3%	-17.3%	-23.2%
Offshore wind (floating)	4.3	-2.3%	-16.1%	-37.9%
Offshore Wind Average	3.7	-2.3%	-16.7%	-30.5%
Large-scale solar	1.1	-10.4%	-20.8%	-29.8%
Rooftop solar		-10.4%	-20.8%	-29.8%
Solar Average		-7.8%	-19.2%	-28.7%

SOURCES: VND RESEARCH, IEEFA

We expect solar and wind power to be the key drivers of capacity expansion in 2021-2023F, as the majority of new gas-fired and coal-fired plants in the pipeline are behind schedule. However, we believe that wind power capacity could see a bigger increase in 2021F, as the developers rush to put the plants into operation to take advantage of the price incentives which should expire on 30 Oct 2021. This would be similar to the boom in solar capacity seen in 2019 before the incentives for solar power ended. Historical data showed a significant growth in solar capacity from less than 300MW to 4,464MW by 30 Jun 2019. However, we expect a milder increase in wind power capacity from less than 400MW by end-2019 to 2,900MW by Nov 2021. A wind-based plant takes much longer to construct at 2-3 years compared to a solar plant which takes 6-9 months.

In terms of solar, we still see room for growth given the high untapped potential of photovoltaic power in the Middle and Southern region. However, the unclear pricing policy for solar projects after Dec 2020 could slow the development of this segment slightly going forward.

Figure 239: Summary of Feed-in-tariff (FIT) for renewable energy

	Solar power		Wind power	
Legal framework	02/2019/QD-TTg	13/2020/QD-TTg	39/2018/QD-TTg	New proposal by MoIT
Effective period	Before Jul 2019	Jul 2019 - End 2020	Before Nov 2021	Nov 2020 - Dec 2023
Purchase price (Uscents/kWh)	9.35	Floating: 7.69	Onshore: 8.5	Onshore: 7.02
		Ground-mounted: 7.09	Offshore: 9.8	Offshore: 8.47
		Rooftop: 8.38		

SOURCES: VND RESEARCH, MoIT

We believe the companies with 1) ongoing wind projects which were approved in the revised PDP 7 before 2019, 2) strong capital raising capability, and 3) a track record of project execution would be in a better position to benefit from the development of renewable energy in 2021F. Some notable domestic names include Trung Nam Group (unlisted), Gelex (GEX VN, Not Rated) and Refrigeration Electrical Engineering Corp (REE VN, Not Rated).

LNG – A long-term story

Power generation currently consumes 80% of total domestic natural gas in Vietnam. However, the domestic exploitation of natural gas is forecasted to peak in FY26F, not taking into account the new discovery at Ken Bau field (Source: Institute for Energy Economics and Financial Analysis - IEEFA). Therefore, in Resolution No.55-NQ/TW dated 11 Feb 2020, the government highlighted its

focus on developing the LNG infrastructure in Vietnam for both imports and consumption. Until now, we estimate 15,900-16,200MW of LNG projects have been approved as part of the revised PDP VII and another 9,300MW proposed for inclusion in the upcoming PDP 8.

Figure 240: LNG-based power projects in revised PDP 7

Project	Province	Capacity (MW)	Investment cost (US\$m)	Planned operation	Project owner	Comment
Nhon Trach 3&4	Dong Nai	1,500	1,400	2023-2024	PVPower	Using imported LNG from Thi Vai terminal
Son My 2	Binh Thuan	2,200	4,000	2024-2027	AES Group (U.S)	Using imported LNG through Son My port. BOT contract for 20 years.
Bac Lieu	Bac Lieu	3,200	4,000	2024-2027	Delta Offshore Energy (Singapore) GTTP (group of VN investors),	Independent Power Plant, est. selling price of 7 UScent/kWh. First phase of 800MW expected in 2024F.
Long Son (Phase 1)	Ba Ria - Vung Tau	1,200	3,780	2025-2026	Mitsubishi Corp, General Electric	Using imported LNG through Long Son port
Ca Na (Phase 1)	Ninh Thuan	1,500	3,850	2025-2026	Trung Nam Group	
Long An	Long An	2,800		2025-2027		
Quang Ninh	Quang Ninh	1,500	1,900	2026-2027	Tokyo Gas, Marubeni, Colavi, PVPower	
Son My 1	Binh Thuan	2,000		2027	EDF (France), Sojitz, Kyushu (Japan), Pacific Group (Vietnam)	Using imported LNG through Son My port.

SOURCES: VND RESEARCH, COMPANY REPORTS

The current key issues in the development of LNG-based power plants would be the lack of import infrastructure and unclear regulations on the settlement of integrated LNG projects. While the import infrastructure would be initially solved by LNG Hai Linh terminal (2-3mmtpa) coming into operation in 2021F and LNG Thi Vai terminal (1mmtpa) coming online in 2022F, more clarity on the policies regarding gas sales and electricity selling prices would only be given when the first LNG-based power plant (Nhon Trach 3) starts operation in 2023F. Therefore, although we see high potential in the LNG-power segment due to its stability (vs. the intermittency of renewable power), we consider this a long-term story from 2023F onwards.

Higher integration of private sector into power industry

Aside from capacity expansion to meet the return of electricity demand, grid investment is also critical to unload the additional capacity into the system, helping to optimise the generation mix to yield the lowest power producing costs. The PDP 8 estimates US\$317.4bn of total investment is required for the power industry in 2021-45F, in which US\$232.4bn is used for developing power sources and US\$85bn for grid development. However, EVN's 2019 net profit was only c.US\$425m, with debt at US\$21.2bn by end-2019, mostly from international sources via government on-lending (the government borrows funds and re-lends to EVN). This implies limited cashflow and limited direct access to capital from EVN's side.

Through the Resolution No.55/NQ-TW, the government has also expressed a more flexible approach to project development, which allows the participation of the private sector in power projects and help increase efficiency and reduce the burden put on EVN. The first privately-funded 500kWh transmission line was inaugurated in Sep 2020 by Trung Nam Group, which took less time than a similar project by EVN due to less bureaucracy. Therefore, we believe the investment process in new power projects would be gradually privatised, especially integrated projects which need synchronisation in all parts of the project from procuring input materials, building plants, and constructing transmission infrastructure.

Top pick - POW ➤

We stay Overweight on the power sector as we assume a quick recovery in demand when economic activities resume to pre-Covid-19 levels in FY21F. We prefer companies with planned capacity expansion, especially in terms of gas-

fired power and renewable energy, as well as the providers of engineering services or electrical equipment.

Our top pick is PetroVietnam Power Corporation (POW VN, Add, TP: VND13,300). It has a 7.5% net profit CAGR in FY20-23F, driven by 3.8% CAGR in sales volume. With its diversified portfolio of generation mix (gas-based, coal-based, hydropower), we expect POW to benefit from the power shortage in Vietnam in the medium to long term. The company's plants could sustain high utilisation rates with attractive electricity ASP. In addition, POW is preparing to invest in two LNG-based power plants with total capacity of 1,500MW. This is scheduled to come online from FY23F and raise the company's total power capacity by 36%. This could potentially become the first LNG-based power plant in Vietnam and would be a new earnings driver from FY23F onwards.

In the power sector, we also like PetroVietnam Power Nhon Trach 2 (NT2 VN, Add, TP: VND28,400). It is located in Southern Vietnam where the power shortage is expected to peak in the next three years. We estimate the company's net profit to rise 26.5% yoy in FY21F off a low base in FY20F. This should be driven by 1) a recovery in utilisation rate (from 65% to 72%) after its periodic maintenance in 2020, 2) lower interest pressure (by VND30bn-40bn per year) as NT2 would pay off all long-term debts from 1H21F, and 3) a recovery in electricity selling price (+3.5% yoy) as national electricity demand growth returns to the normal rate of 8-9% p.a. Strong financial position and sustainable cashflow should also allow the company to offer attractive dividend yields of 8.4-10.5% in FY20-21F.

Figure 241: Peer comparison

Company	Bloomberg Ticker	Recom.	Share Price (local cur.)	Target Price (local cur.)	Market Cap (US\$m)	P/E (x)		3-yr EPS CAGR (%)	P/BV (x)		ROE (%)		ROA (%)	
						FY20F	FY21F		FY20F	FY21F	FY20F	FY21F	FY20F	FY21F
Vietnam's power plants														
PetroVietnam Nhon Trach 2	NT2 VN	ADD	23,600.0	28,400.0	294	12.3	8.8	1.9%	1.7	1.6	13.4%	18.5%	8.7%	12.8%
Pha Lai Thermal Power JSC	PPC VN	NOT RATED	23,850.0	NA	331	9.3	8.8	-12.9%	1.3	1.2	14.2%	14.7%	12.0%	12.4%
HAI Phong Thermal Power	HND VN	NOT RATED	18,300.0	NA	396	7.6	10.8	-10.5%	NA	NA	18.0%	11.6%	10.4%	7.5%
PetroVietnam Power Corp	POW VN	ADD	11,300.0	13,300.0	1,144	13.9	12.0	2.4%	0.9	0.9	6.9%	7.7%	5.4%	5.5%
Regional peers														
Guodian Changyuan Electri	000966 CH	NOT RATED	3.7	NA	632	8.4	5.8	5.1%	0.9	0.8	11.4%	12.4%	NA	NA
Malakoff Corp Bhd	MLK MK	ADD	0.9	NA	1,077	13.2	12.4	5.1%	0.8	0.8	5.7%	6.1%	1.8%	1.8%
An Hui Wenergy Co Ltd	000543 CH	NOT RATED	4.0	NA	1,389	8.9	7.6	13.8%	0.6	0.6	7.2%	7.8%	3.2%	3.8%
JSW Energy Ltd	JSW IN	NOT RATED	65.4	NA	1,458	12.7	11.1	-0.4%	0.9	0.8	6.8%	7.4%	5.8%	6.2%
First Gen Corp	FGEN PM	NOT RATED	28.0	NA	2,093	9.1	8.1	-0.4%	0.8	0.7	9.0%	9.3%	6.3%	7.4%
Average					979	10.6	9.5	0.4%	1.0	0.9	10.3%	10.6%	6.7%	7.2%

SOURCES: VND RESEARCH, CGS-CIMB RESEARCH, BLOOMBERG (DATA AS AT 10 DEC)

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Company Briefs

Vietnam

ADD (no change)

Consensus ratings*: Buy 14 Hold 2 Sell 0

Current price:	VND28,200
Target price:	VND32,400
Previous target:	VND32,400
Up/downside:	14.9%
CGS-CIMB / Consensus:	3.0%
Reuters:	ACB.HM
Bloomberg:	ACB VN
Market cap:	US\$2,632m
	VND60,955,948m
Average daily turnover:	US\$9.35m
	VND216,737m
Current shares o/s:	2,162m
Free float:	35.0%

*Source: Bloomberg

Key changes in this note

No change



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	6.4	33	58
Relative (%)	-3.7	14.1	47.9

Major shareholders

	% held
Chairman and related parties	11.3
Dragon Financial Holdings Limited	6.9
Whistler Investments Limited	4.0

Analyst(s)
Ngoc NGUYEN


T (84) 90 918 2135

E ngoc.nguyendang@vndirect.com.vn

Asia Commercial JS Bank

Synergies from the exclusive banca deal

- a US\$370m exclusive bancassurance deal with Sun Life Vietnam boosts Non-III rise; migration to main bourse increases attractiveness to ACB share.
- We forecast ACB's EPS CAGR of 15.3% in 2020-22F, driven by stable credit and NIM growth; and Non-III acceleration on the banca deal.
- Reiterate Add with a TP of VND32,400.

Non-interest income (non-NII) growth to accelerate going forward

The upfront fee payment for the exclusive 15-year bancassurance partnership is US\$370m, slightly lower than that of US\$382m in the FWD-Vietcombank deal last year. Based on the FWD-VCB deal, we estimate that this upfront fee payment will be booked equally over the next five years. With ACB's intensive network of 371 branches and transaction offices, and 3.6m individual accounts, we expect non-NII CAGR to jump to 39.3% in FY20-22F from 15.6% in FY17-19.

9M20: solid NP hike on stable loan rise, flat NIM, heavy provisioning

Loan book growth expanded strongly to 10.7% ytd at end-3Q20, matching its 11.1% ytd stride in the previous year. 9M20 annualised NIM was 3.5%, nearly flat yoy, thanks to the improvement in funding cost, driven by CASA ratio rise to 18.4% at end-3Q20 from 17.5% at end-2Q20 (end-3Q19: 16.5%) and lower deposit rates; as asset yield was subdued due to loan restructuring schemes adopted for enterprises hit hard by the pandemic. Thus, net interest income (NII) grew 15.8% yoy in 9M20. Meantime, CIR improved to 45.2% in 9M20 from 49.3% in 9M19, while provision expense skyrocketed 328.6% yoy. Hence, 9M20 net profit (NP) grew only 15.4% yoy to VND5,133bn (vs. 17.9% yoy in 9M19).

Asset quality deteriorated marginally but still under control

The non-performing loan ratio inched up to 0.83% at end-3Q20 from 0.68% at end-2Q20 (end-FY19: 0.54%) but was still the second lowest among peers. 9M20 annualised write-off ratio accelerated to 0.02% from 0.01% rate seen in 2019, bringing the loan loss reserve down to 117.5% at end-3Q20 from 175% at end-2019.

We forecast earnings CAGR of 22.4% in FY20-22F

We expect ACB's NII CAGR of 15.2% in 2020-22F, on a stable c.15% loan expansion and 8bp NIM improvement. Non-CAGR is anticipated to jump 39.3% in 2020-22F, driven by a 52.4% NFI CAGR on the upfront payment and new stream of commission fees. Meanwhile, we estimate CIR to improve to c.48% in 2020-22F. As a result, net profit CAGR is expected at 22.4% over the period.

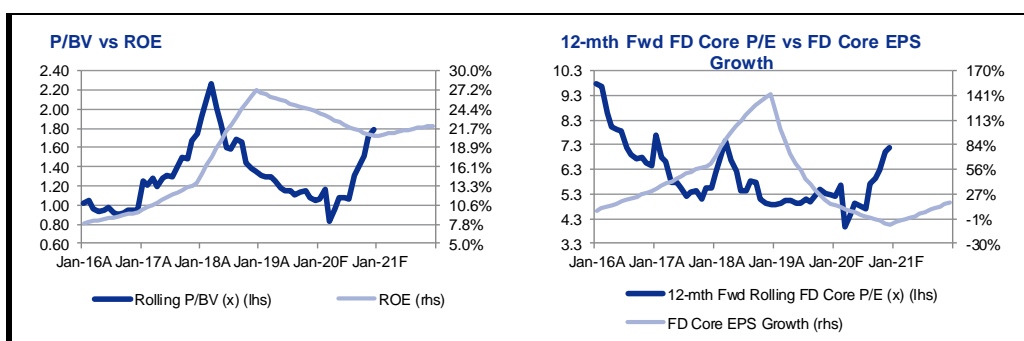
Reiterate Add with a TP of VND32,400

We reiterate our Add rating to ACB share with a TP of VND32,400. Our TP is based on a residual income valuation (COE: 14%, LTG: 3%) and 1.7x FY21F P/BV, weighted equally. Downside risks include lower-than-expected loan growth, and delays in receiving upfront fee from the recent deal in FY21/22F.

Financial Summary

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Net Interest Income (VNDb)	10,363	12,112	13,887	15,941	18,441
Total Non-Interest Income (VNDb)	3,670	3,985	3,483	6,831	6,762
Operating Revenue (VNDb)	14,033	16,097	17,370	22,773	25,203
Total Provision Charges (VNDb)	(932)	(274)	(876)	(984)	(1,022)
Net Profit (VNDb)	5,137	6,010	6,452	8,591	9,662
Core EPS (VND)	3,107	3,606	3,327	3,928	4,424
Core EPS Growth	144%	16%	(8%)	18%	13%
FD Core P/E (x)	9.08	7.82	8.47	7.18	6.37
DPS (VND)	0.0	0.0	0.0	500.0	500.0
Dividend Yield	0.00%	0.00%	0.00%	1.77%	1.77%
BVPS (VND)	12,964	16,761	15,830	19,805	23,775
P/BV (x)	2.18	1.68	1.78	1.42	1.19
ROE	27.2%	24.2%	20.5%	22.0%	20.3%
CGS-CIMB/Consensus EPS (x)			1.09	1.11	1.13

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Net Interest Income	10,363	12,112	13,887	15,941	18,441
Total Non-Interest Income	3,670	3,985	3,483	6,831	6,762
Operating Revenue	14,033	16,097	17,370	22,773	25,203
Total Non-Interest Expenses	(6,712)	(8,308)	(8,424)	(11,045)	(12,098)
Pre-provision Operating Profit	7,321	7,790	8,945	11,728	13,106
Total Provision Charges	(932)	(274)	(876)	(984)	(1,022)
Operating Profit After Provisions	6,389	7,516	8,069	10,744	12,084
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Operating EBIT (incl Associates)	6,389	7,516	8,069	10,744	12,084
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	6,389	7,516	8,069	10,744	12,084
Exceptional Items					
Pre-tax Profit	6,389	7,516	8,069	10,744	12,084
Taxation	(1,252)	(1,506)	(1,617)	(2,153)	(2,421)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	5,137	6,010	6,452	8,591	9,662
Minority Interests	0	0	0	0	0
Pref. & Special Div	0	0	0	0	0
FX And Other Adj.	0	0	0	0	0
Net Profit	5,137	6,010	6,452	8,591	9,662
Recurring Net Profit	5,037	5,910	6,352	8,491	9,562

Balance Sheet Employment

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Gross Loans/Cust Deposits	85.4%	87.2%	88.0%	88.0%	88.0%
Avg Loans/Avg Deposits	83.9%	86.4%	87.6%	88.0%	88.0%
Avg Liquid Assets/Avg Assets	27.2%	27.7%	27.5%	27.1%	26.8%
Avg Liquid Assets/Avg IEAs	28.6%	28.8%	28.6%	28.0%	27.6%
Net Cust Loans/Assets	69.1%	69.3%	70.0%	70.5%	71.1%
Net Cust Loans/Broad Deposits	76.1%	76.3%	77.4%	78.3%	79.1%
Equity & Provsns/Gross Cust Loans	10.2%	11.2%	12.1%	13.2%	13.7%
Asset Risk Weighting	60.0%	74.0%	75.0%	77.0%	79.0%
Provision Charge/Avg Cust Loans	0.435%	0.110%	0.305%	0.299%	0.271%
Provision Charge/Avg Assets	0.304%	0.077%	0.215%	0.213%	0.194%
Total Write Offs/Average Assets	0.304%	0.077%	0.215%	0.213%	0.194%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Gross Loans	249,297	299,042	341,211	390,862	449,491
Liquid Assets & Invst. (Current)	55,015	59,408	64,564	72,312	80,989
Other Int. Earning Assets	10,684	10,508	11,769	13,181	14,763
Total Gross Int. Earning Assets	314,995	368,958	417,545	476,355	545,243
Total Provisions/Loan Loss Reserve	(3,001)	(3,003)	(3,465)	(3,991)	(4,525)
Total Net Interest Earning Assets	311,994	365,956	414,080	472,363	540,718
Intangible Assets	593	1,049	1,096	1,146	1,197
Other Non-Interest Earning Assets	10,617	10,072	10,525	10,998	11,493
Total Non-Interest Earning Assets	11,210	11,121	11,621	12,144	12,691
Cash And Marketable Securities	6,129	6,438	6,728	7,030	7,347
Long-term Investments	0	0	0	0	0
Total Assets	329,333	383,514	432,429	491,538	560,755
Customer Interest-Bearing Liabilities	278,289	328,960	371,100	421,587	481,846
Bank Deposits	20,718	19,249	20,211	21,222	22,283
Interest Bearing Liabilities: Others	3,272	156	156	156	156
Total Interest-Bearing Liabilities	302,280	348,365	391,467	442,965	504,285
Bank's Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	6,035	7,384	6,744	5,764	5,079
Total Liabilities	308,315	355,749	398,211	448,729	509,365
Shareholders' Equity	21,018	27,765	34,218	42,809	51,390
Minority Interests	0	0	0	0	0
Total Equity	21,018	27,765	34,218	42,809	51,390

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Income Growth	22.7%	14.7%	7.9%	31.1%	10.7%
Operating Profit Growth	40.2%	6.4%	14.8%	31.1%	11.7%
Pretax Profit Growth	141%	18%	7%	33%	12%
Net Interest To Total Income	73.8%	75.2%	79.9%	70.0%	73.2%
Cost Of Funds	4.82%	4.98%	4.91%	4.91%	4.95%
Return On Interest Earning Assets	8.21%	8.28%	8.15%	8.15%	8.20%
Net Interest Spread	3.38%	3.30%	3.24%	3.24%	3.25%
Net Interest Margin (Avg Deposits)	4.05%	4.19%	4.23%	4.27%	4.30%
Net Interest Margin (Avg RWA)	5.20%	5.03%	4.57%	4.54%	4.49%
Provisions to Pre Prov. Operating Profit	12.7%	3.5%	9.8%	8.4%	7.8%
Interest Return On Average Assets	3.38%	3.40%	3.40%	3.45%	3.50%
Effective Tax Rate	19.6%	20.0%	20.0%	20.0%	20.0%
Net Dividend Payout Ratio	NA	NA	NA	12.6%	11.2%
Return On Average Assets	1.67%	1.69%	1.58%	1.86%	1.84%

Key Drivers

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Loan Growth (%)	16.1%	16.6%	14.0%	14.5%	15.0%
Net Interest Margin (%)	3.5%	3.5%	3.5%	3.6%	3.6%
Non Interest Income Growth (%)	23.1%	8.6%	-12.6%	96.2%	-1.0%
Cost-income Ratio (%)	47.8%	51.6%	48.5%	48.5%	48.0%
Net NPL Ratio (%)	0.4%	0.4%	0.5%	0.6%	0.5%
Loan Loss Reserve (%)	145.6%	166.3%	131.4%	117.1%	128.0%
GP Ratio (%)	0.7%	0.7%	0.8%	0.8%	0.8%
Tier 1 Ratio (%)	10.4%	9.7%	10.4%	11.2%	11.5%
Total CAR (%)	12.8%	10.9%	12.0%	12.7%	12.8%
Deposit Growth (%)	11.9%	14.1%	13.0%	14.5%	15.0%
Loan-deposit Ratio (%)	84.3%	86.2%	87.0%	87.0%	87.0%
Gross NPL Ratio (%)	0.7%	0.5%	0.7%	0.8%	0.8%
Fee Income Growth (%)	26.0%	26.6%	15.0%	104.7%	13.4%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Vietnam

ADD (no change)

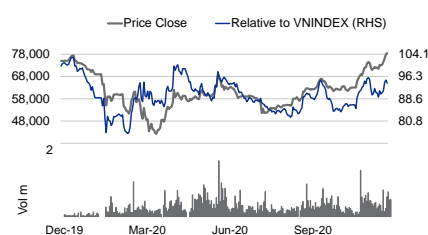
Consensus ratings*: Buy 6 Hold 2 Sell 0

Current price:	VND78,500
Target price:	VND88,200
Previous target:	VND88,200
Up/downside:	12.4%
CGS-CIMB / Consensus:	18.7%
Reuters:	ACV.HM
Bloomberg:	ACV.VN
Market cap:	US\$7,379m
	VND170,890,608m
Average daily turnover:	US\$0.82m
	VND18,926m
Current shares o/s:	2,176,999m
Free float:	5.0%

*Source: Bloomberg

Key changes in this note

N/A



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	13.8	26	4.5
Relative (%)	3.7	7.1	-5.6

Major shareholders

	% held
State capital Management	95.4
Other	4.6

Analyst(s)

Tuan NGUYEN

T (84) 94 814 2970

E tuan.nguyenthanh@vndirect.com.vn

Airport Corp of Vietnam

LTIA phase 1 to catalyse revenue growth in FY26

- The prime minister has assigned ACV as the main developer of Long Thanh International Airport (LTIA) phase 1.
- We expect the US\$4.3bn project to drive ACV's revenue growth from 2026 onwards.
- We maintain our Add call with an unchanged TP of VND88,200

LTIA officially on the table

In Nov 2020, the Prime Minister assigned ACV as the main developer of Long Thanh International Airport phase 1. This US\$15bn international airport is a mega project, with total capacity of 100m pax throughput and 5m tonnes cargo per annum. Phase 1 of the project can serve 25m pax throughput and 1.2m tonnes cargo per annum. The investment cost of phase 1 was estimated by ACV at about US\$4.3bn (VND99,000bn). ACV expects to start construction of phase 1 in Dec 20 and complete it in FY25F.

Entering a peak capex cycle

ACV plans to fund LTIA phase 1 with US\$1.5bn internally-generated funds and US\$2.7bn of debt. Thus, we expect interest income to drop significantly to -44.3% CAGR in FY20-25F, which will hurt bottom line (interest income contributed 16%/17%/79% to FY18/19/20F's pretax profit). We estimate ACV to raise about VND60,000bn via bank borrowings or bond issuance. This would increase the D/E ratio from 0.4x in FY20F to 1.3x in FY25F.

We expect strong net profit recovery in FY21F

We expect ACV's total passenger throughput to jump 46.4% yoy in FY21F on the back of a 38% yoy increase in domestic passenger throughput. After dropping 78% yoy in FY20F, we project FY21F international passenger throughput to bounce back 125% yoy, or to 48% higher than the pre-Covid-19 level. Thus, ACV's FY21F topline and bottomline are expected to increase 66.4%/134.0% yoy, respectively.

The completion of airfield handling is a re-rating catalyst

Prime Minister approved a legal scheme for ACV to manage and operate the aviation infrastructure assets (including runways) until the end of 2025, but with the government still maintaining ownership. We think ACV would account for the airfield assets of 22 airports as operating leases for which it would make annual rental payments to the government. In 2019, the airfield assets earned a net income of VND1,484bn (equivalent to 14.6% of ACV's FY19 pretax profit). With the completion of airfield asset handling, ACV paves the path to list on HOSE in 2021.

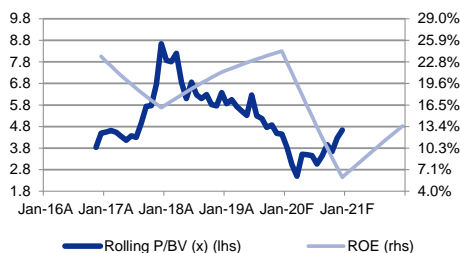
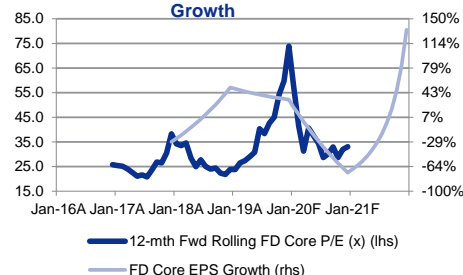
Maintain Add with TP of VND88,200

Downside risks include 1) a longer-than-expected Covid-19 pandemic, and 2) slower-than-expected construction of LTIA. Re-rating catalyst is faster-than-expected Covid-19 vaccine development and distribution.

Financial Summary

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue (VNDb)	16,123	18,329	8,105	13,483	18,272
Operating EBITDA (VNDb)	10,490	11,868	3,770	7,391	11,395
Net Profit (VNDb)	6,173	8,201	2,210	5,170	7,166
Core EPS (VND)	2,835	3,767	1,015	2,374	3,291
Core EPS Growth	51%	33%	(73%)	134%	39%
FD Core P/E (x)	27.69	20.84	77.35	33.06	23.85
DPS (VND)	900.0	899.9	900.0	900.0	900.0
Dividend Yield	1.15%	1.15%	1.15%	1.15%	1.15%
EV/EBITDA (x)	15.17	12.80	39.26	22.62	16.52
P/FCFE (x)	NA	NA	147.8	NA	NA
Net Gearing	(29.8%)	(44.3%)	(54.6%)	(2.6%)	44.6%
P/BV (x)	5.56	4.66	4.63	4.28	3.80
ROE	21.3%	24.3%	6.0%	13.5%	16.9%
CGS-CIMB/Consensus EPS (x)			1.08	0.93	1.05

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS
P/BV vs ROE

12-mth Fwd FD Core P/E vs FD Core EPS Growth

Profit & Loss

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues	16,123	18,329	8,105	13,483	18,272
Gross Profit	11,708	13,254	4,594	8,658	12,841
Operating EBITDA	10,490	11,868	3,770	7,391	11,395
Depreciation And Amortisation	(3,880)	(3,920)	(2,841)	(3,020)	(3,293)
Operating EBIT	6,609	7,948	929	4,370	8,102
Financial Income/(Expense)	1,175	1,712	2,082	1,591	494
Pretax Income/(Loss) from Assoc.	336	383	151	420	462
Non-Operating Income/(Expense)	(502)	113	(448)	20	(184)
Profit Before Tax (pre-EI)	7,618	10,156	2,714	6,402	8,874
Exceptional Items	0	0	0	0	0
Pre-tax Profit	7,618	10,156	2,714	6,402	8,874
Taxation	(1,433)	(1,942)	(516)	(1,216)	(1,686)
Exceptional Income - post-tax	0	0	0	0	0
Profit After Tax	6,185	8,214	2,199	5,185	7,188
Minority Interests	(13)	(13)	11	(16)	(22)
Preferred Dividends	0	0	0	0	0
FX Gain/(Loss) - post tax	0	0	0	0	0
Other Adjustments - post-tax	0	0	0	0	0
Net Profit	6,173	8,201	2,210	5,170	7,166
Recurring Net Profit	6,173	8,201	2,210	5,170	7,166
Fully Diluted Recurring Net Profit	6,173	8,201	2,210	5,170	7,166

Cash Flow

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
EBITDA	10,490	11,868	3,770	7,391	11,395
Cash Flow from Inv. & Assoc.	360	(544)	(1,858)	(682)	356
Change In Working Capital	142	(306)	1,035	878	(624)
(Incr)/Decr in Total Provisions	5	2	10	(3)	(8)
Other Non-Cash (Income)/Expense	638	(37)	(486)	(75)	(293)
Other Operating Cashflow	(2,851)	(1,910)	879	(313)	(1,340)
Net Interest (Paid)/Received	1,181	1,705	2,075	1,597	502
Tax Paid	(2,028)	(1,711)	(516)	(1,216)	(1,686)
Cashflow From Operations	7,937	9,067	4,908	7,576	8,302
Capex	(2,008)	(1,959)	(1,000)	(26,467)	(27,450)
Disposals Of FAs/subsidiaries	3,747	4,001	30,923	34,902	26,721
Acq. Of Subsidiaries/investments	0	0	0	0	0
Other Investing Cashflow	(10,482)	(11,240)	(33,646)	(51,097)	(43,622)
Cash Flow From Investing	(8,743)	(9,198)	(3,723)	(42,661)	(44,352)
Debt Raised/(repaid)	85	(155)	(29)	15,385	15,674
Proceeds From Issue Of Shares	0	0	0	0	0
Shares Repurchased	0	(2)	0	0	0
Dividends Paid	(1,959)	(1,959)	(1,959)	(1,959)	(1,959)
Preferred Dividends	0	0	0	0	0
Other Financing Cashflow	(1)	0	0	0	0
Cash Flow From Financing	(1,875)	(2,116)	(1,988)	13,426	13,715
Total Cash Generated	(2,682)	(2,247)	(803)	(21,660)	(22,335)
Free Cashflow To Equity	(722)	(286)	1,156	(19,701)	(20,376)
Free Cashflow To Firm	(712)	(35)	1,281	(34,713)	(35,132)

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Cash And Equivalents	24,369	31,271	35,402	32,031	28,146
Total Debtors	6,156	5,361	3,521	3,976	5,323
Inventories	469	493	218	363	492
Total Other Current Assets	287	166	79	122	159
Total Current Assets	31,281	37,291	39,220	36,493	34,121
Fixed Assets	18,444	16,340	13,502	36,949	61,106
Total Investments	2,806	2,963	2,963	2,963	2,963
Intangible Assets	3	5	3	3	3
Total Other Non-Current Assets	1,091	1,577	1,759	1,738	2,679
Total Non-current Assets	22,344	20,885	18,227	41,652	66,750
Short-term Debt	0	0	0	0	0
Current Portion of Long-Term Debt	151	240	495	796	3,094
Total Creditors	7,092	6,264	4,870	6,277	7,088
Other Current Liabilities	441	15	320	396	440
Total Current Liabilities	7,684	6,518	5,685	7,468	10,622
Total Long-term Debt	15,043	14,760	14,723	30,205	45,129
Hybrid Debt - Debt Component	0	0	0	0	0
Total Other Non-Current Liabilities	111	141	97	120	133
Total Non-current Liabilities	15,155	14,901	14,820	30,325	45,261
Total Provisions	0	0	0	355	0
Total Liabilities	22,839	21,419	20,506	38,148	55,883
Shareholders' Equity	30,734	36,702	36,886	39,941	44,932
Minority Interests	53	53	53	53	53
Total Equity	30,786	36,755	36,939	39,994	44,985

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue Growth	16.6%	13.7%	(55.8%)	66.4%	35.5%
Operating EBITDA Growth	20.4%	13.1%	(68.2%)	96.1%	54.2%
Operating EBITDA Margin	65.1%	64.8%	46.5%	54.8%	62.4%
Net Cash Per Share (VND)	4,214	7,474	9,270	473	(9,221)
BVPS (VND)	14,116	16,858	16,942	18,345	20,638
Gross Interest Cover	69.51	82.43	9.67	11.74	8.83
Effective Tax Rate	18.8%	19.1%	19.0%	19.0%	19.0%
Net Dividend Payout Ratio	31.7%	23.9%	88.7%	37.9%	27.3%
Accounts Receivables Days	51.3	51.2	109.8	55.5	44.3
Inventory Days	36.11	34.63	37.07	21.96	28.73
Accounts Payables Days	93.7	86.3	109.7	74.2	79.1
ROIC (%)	32.4%	42.0%	5.3%	31.5%	22.2%
ROCE (%)	18.1%	20.1%	6.1%	10.5%	11.7%
Return On Average Assets	9.7%	11.6%	0.2%	5.3%	7.5%

Key Drivers

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Int'l Passenger Traffic Growth (%)	11.8%	9.1%	-78.5%	125.0%	71.2%
Domestic Pax Traffic Growth (%)	4.9%	11.4%	-24.7%	38.0%	8.0%
International Flight Traffic Growth (%)	14.1%	12.7%	-77.9%	105.0%	102.3%
Domestic Flight Traffic Growth (%)	4.5%	13.9%	-15.6%	20.8%	8.0%
Int'l Pax Service Charge	-	-	-	-	-
Dom Pax Serv Charge	-	-	-	-	-
Unit Meals Produced (% Change)	0.0%	0.0%	0.0%	0.0%	0.0%

SOURCES: VND RESEARCH, COMPANY REPORTS

Vietnam

ADD (previously NOT RATED)

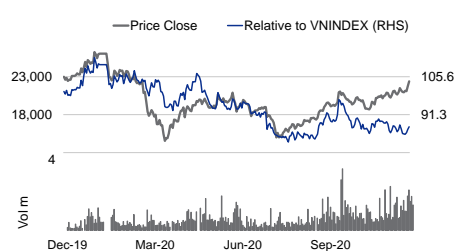
Consensus ratings*: Buy 8 Hold 0 Sell 0

Current price:	VND22,400
Target price:	VND25,500
Previous target:	N/A
Up/downside:	13.8%
CGS-CIMB / Consensus:	10.9%
Reuters:	DRC.HM
Bloomberg:	DRC VN
Market cap:	US\$114.9m VND2,660,954m
Average daily turnover:	US\$1.00m VND23,120m
Current shares o/s:	118.8m
Free float:	14.0%

*Source: Bloomberg

Key changes in this note

N/A



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	9	21.1	-2.4
Relative (%)	-1.1	2.2	-12.5

Major shareholders	% held
Vietnam National Chemical Group	50.5
KWE Beteiligungen AG	5.7
Pham Thi Hong Hoi	2.5

Analyst(s)

Toan CHU

T (84) 94 519 9218

E toan.chuduc@vndirect.com.vn

Hao NGUYEN

T (84) 96 650 3268

E hao.nguyenduc@vndirect.com.vn

Danang Rubber JSC

Higher GPM to boost FY21F earnings

- DRC is the largest domestic tyre producer in terms of market capitalization; automotive bias and radial tyre sales contributed 80% of 9M20 total revenue.
- We expect DRC's FY21F net profit to jump by 49.8% yoy to VND337bn.
- Reiterate Add with a TP of VND25,500.

Covid-19 cast a shadow on DRC's 9M20 results

Due to global automotive supply chain disruptions and lower logistics demand caused by the Covid-19 pandemic, Danang Rubber (DRC) reported a 12.2% drop in 9M20 net revenue to VND2,539bn, as car and tractor tyre volume plunged 7.8% yoy and average selling price (ASP) of its bias tyres and radial tyres reduced 11.7% yoy and 1.0% yoy, respectively, during the period. DRC's 9M20 export and domestic revenue decreased by 11.6% yoy and 12.4% yoy, respectively.

Radial tyres to ride on buoyant car sales in 2021F

We expect worldwide automobile sales growth will accelerate in 2021, based on higher demand with economic recovery, especially in Vietnam, given the middle-class expansion and current low car ownership rates. We forecast the car consumption rate in Vietnam to rise by 20% p.a. in FY20-25F, while the rate of radial tyre use will rise from 50% in FY19 to 70% in FY23F, which would be tailwinds for DRC's radial tyre sales.

Higher GPM from "radialisation" to boost DRC's FY21F net profit

We forecast radial tyre revenue to achieve VND1,944bn (+12.8% yoy) in FY21F, contributing 50.9% (+0.9% pts yoy) to DRC's FY21F total revenue. We expect FY21F GPM of radial tyres to increase strongly as the first phase of its radial tyre plant has been fully depreciated. Specifically, radial tyre GPM should reach 14.5% (+6.0% pts yoy) in FY21F, resulting in a 17.3% FY21F blended GPM (+2.2% pts yoy), in our view. As a result, DRC's FY21F net profit is projected to rise sharply by 49.8% yoy to VND337bn. We expect DRC to achieve a FY20-23F net profit CAGR of 20.6%, driven by a 7.9% CAGR in radial tyre revenue and a 3.1%-pt blended GPM expansion in FY20-23F (from FY19 GPM of 14.8%).

Reiterate Add, with a TP of VND25,500

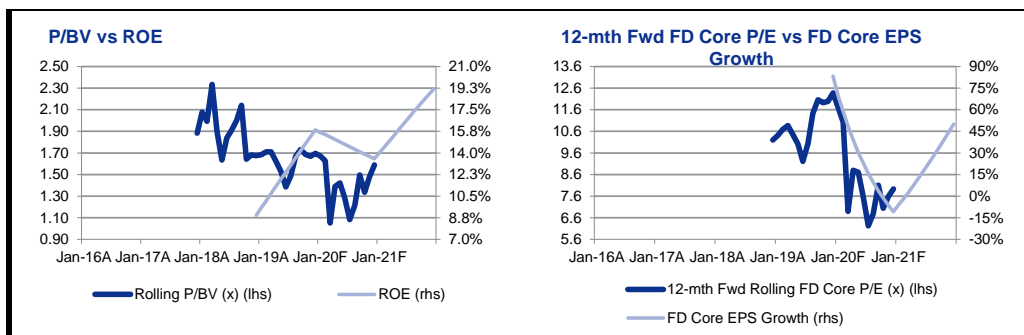
Our TP is based on an FY21F EPS of VND2,837/share and target P/E of 9.0x, which is a 10% discount (given uncertainties from Covid-19) to DRC's historical 1-year average P/E. Potential re-rating catalyst include main export markets imposing import duties on Chinese tyre products. Key downside risk to our Add call is the trade protection tax imposed on Vietnamese tyres and tubes in DRC's export markets. DRC is exporting mainly radial heavy-duty tyres (all-steel tyres) to the US market, while the US's preliminary anti-subsidy tax applies to semi-steel and light-load tyres only. Thus, DRC is not significantly affected by the new US tariff policy.

Financial Summary

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue (VNDb)	3,551	3,858	3,449	3,817	3,959
Operating EBITDA (VNDb)	535.1	657.5	566.3	557.7	593.7
Net Profit (VNDb)	136.7	250.5	223.5	335.4	363.6
Core EPS (VND)	1,151	2,109	1,882	2,824	3,061
Core EPS Growth	(17.7%)	83.3%	(10.8%)	50.1%	8.4%
FD Core P/E (x)	19.47	10.62	11.91	7.93	7.32
DPS (VND)	1,100	1,100	1,500	1,500	1,500
Dividend Yield	4.91%	4.91%	6.70%	6.70%	6.70%
EV/EBITDA (x)	6.65	5.01	5.02	4.83	4.13
P/FCFE (x)	23.24	21.20	13.05	7.64	6.35
Net Gearing	59.0%	38.9%	10.9%	2.1%	(10.2%)
P/BV (x)	1.74	1.63	1.59	1.46	1.32
ROE	9.0%	15.9%	13.5%	19.2%	18.9%
% Change In Core EPS Estimates					
CGS-CIMB/Consensus EPS (x)			1.19	1.20	1.17

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues	3,551	3,858	3,449	3,817	3,959
Gross Profit	431	571	520	659	703
Operating EBITDA	535	657	566	558	594
Depreciation And Amortisation	(271)	(275)	(229)	(88)	(86)
Operating EBIT	264	383	338	470	508
Financial Income/(Expense)	(87)	(70)	(57)	(49)	(51)
Pretax Income/(Loss) from Assoc.	(4)	(0)	(1)	(2)	(2)
Non-Operating Income/(Expense)	0	1	0	0	1
Profit Before Tax (pre-EI)	173	313	280	420	455
Exceptional Items					
Pre-tax Profit	173	313	280	420	455
Taxation	(37)	(63)	(56)	(84)	(91)
Exceptional Income - post-tax					
Profit After Tax	137	250	224	335	364
Minority Interests	0	0	0	0	0
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	137	250	224	335	364
Recurring Net Profit	137	250	224	335	364
Fully Diluted Recurring Net Profit	137	250	224	335	364

Cash Flow

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
EBITDA	535.1	657.5	566.3	557.7	593.7
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(179.3)	(137.5)	174.8	(109.8)	(41.6)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(43.5)	(10.9)	0.0	0.0	0.0
Other Operating Cashflow					
Net Interest (Paid)/Received	(49.5)	(40.5)	(28.0)	(17.5)	(18.1)
Tax Paid	(36.5)	(62.6)	(56.2)	(84.2)	(91.3)
Cashflow From Operations	226.3	406.0	656.9	346.1	442.6
Capex	(134.2)	(15.6)	(26.7)	(22.6)	(22.7)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	2.7	1.7	(84.0)	0.0	0.0
Cash Flow From Investing	(131.6)	(14.0)	(110.7)	(22.6)	(22.7)
Debt Raised/(repaid)	19.7	(266.5)	(342.4)	24.7	(0.7)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(130.7)	(130.7)	(178.2)	(178.2)	(178.2)
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing	(110.9)	(397.2)	(520.6)	(153.5)	(178.9)
Total Cash Generated	(16.2)	(5.2)	25.7	170.0	241.1
Free Cashflow To Equity	114.5	125.5	203.9	348.2	419.2
Free Cashflow To Firm	144.2	432.5	574.3	341.0	438.1

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Cash And Equivalents	51	46	155	325	566
Total Debtors	315	142	203	224	233
Inventories	846	1,153	976	1,053	1,085
Total Other Current Assets	34	36	27	29	30
Total Current Assets	1,246	1,377	1,361	1,632	1,915
Fixed Assets	1,512	1,256	1,051	987	925
Total Investments	4	3	7	6	6
Intangible Assets	5	4	4	3	2
Total Other Non-Current Assets	66	67	57	63	66
Total Non-current Assets	1,587	1,331	1,119	1,060	998
Short-term Debt	707	532	294	318	318
Current Portion of Long-Term Debt					
Total Creditors	345	386	295	320	331
Other Current Liabilities	10	9	171	182	208
Total Current Liabilities	1,062	927	760	820	856
Total Long-term Debt	245	149	45	45	45
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	0	0	0	0	0
Total Non-current Liabilities	245	149	45	45	45
Total Provisions	0	0	0	0	0
Total Liabilities	1,307	1,076	805	865	901
Shareholders' Equity	1,525	1,632	1,674	1,826	2,012
Minority Interests	0	0	0	0	0
Total Equity	1,525	1,632	1,674	1,826	2,012

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue Growth	(3.2%)	8.6%	(10.6%)	10.7%	3.7%
Operating EBITDA Growth	2.5%	22.9%	(13.9%)	(1.5%)	6.4%
Operating EBITDA Margin	15.1%	17.0%	16.4%	14.6%	15.0%
Net Cash Per Share (VND)	(7,580)	(5,345)	(1,540)	(316)	1,719
BVPS (VND)	12,839	13,739	14,094	15,374	16,935
Gross Interest Cover	5.33	9.46	12.05	26.82	27.99
Effective Tax Rate	21.1%	20.0%	20.1%	20.1%	20.1%
Net Dividend Payout Ratio	95.6%	52.2%	79.7%	53.1%	49.0%
Accounts Receivables Days	35.46	20.90	17.62	19.30	19.91
Inventory Days	84.3	111.0	133.0	117.2	119.8
Accounts Payables Days	26.25	25.91	25.74	22.67	23.18
ROIC (%)	11.7%	15.8%	14.9%	25.4%	27.3%
ROCE (%)	10.8%	16.1%	15.7%	22.5%	22.3%
Return On Average Assets	7.9%	11.6%	10.8%	14.9%	14.8%

Key Drivers

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
ASP (% chg, main prod./serv.)	0.9%	-2.0%	-1.4%	6.0%	3.0%
Unit sales grth (% , main prod./serv.)	12.6%	36.0%	-8.8%	6.4%	2.4%
Util. rate (% , main prod./serv.)	62.6%	85.2%	77.7%	82.7%	84.7%
ASP (% chg, 2ndary prod./serv.)	9.0%	-5.7%	-9.1%	6.0%	3.0%
Unit sales grth (% ,2ndary prod/serv)	-21.0%	-5.9%	-7.0%	2.0%	-2.6%
Util. rate (% , 2ndary prod/serv)	85.2%	80.2%	74.6%	76.1%	74.1%
Unit raw mat ASP (%chg,main)	-4.5%	-8.3%	-0.2%	-1.0%	2.3%
Unit raw mat ASP (%chg,2ndary)	12.9%	-7.6%	-10.9%	7.9%	2.3%
Total Export Sales Growth (%)	19.7%	29.7%	-9.3%	12.2%	5.1%
Export Sales/total Sales (%)	35.6%	42.9%	43.5%	44.1%	44.7%

SOURCES: VND RESEARCH, COMPANY REPORTS

Vietnam

ADD (no change)

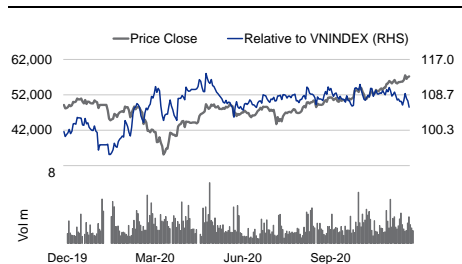
Consensus ratings*: Buy 11 Hold 1 Sell 0

Current price:	VND57,200
Target price:	VND67,800
Previous target:	VND67,800
Up/downside:	18.5%
CGS-CIMB / Consensus:	-0.3%
Reuters:	FPT.HM
Bloomberg:	FPT VN
Market cap:	US\$1,936m
	VND44,839,372m
Average daily turnover:	US\$4.82m
	VND111,597m
Current shares o/s:	784.0m
Free float:	78.9%

*Source: Bloomberg

Key changes in this note

N/A.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	6.3	16	15.2
Relative (%)	-3.8	-2.9	5.1

Major shareholders	% held
Truong Gia Binh	7.1
Vietnam SCIC	5.9
Macquarie Bank Limited OBU	5.4

Analyst(s)

Toan CHU

T (84) 94 519 9218

E toan.chuduc@vndirect.com.vn

FPT Corporation

Moving into FY21F with confidence

- FPT is Vietnam's largest tech company in terms of revenue and is involved in the IT services, telecom and education businesses.
- We forecast FPT's FY21F revenue and net profit to grow by 17.1% and 20.3% yoy, respectively.
- Reiterate our Add call with a SOP-based TP of VND67,800.

FPT's 10M20 earnings in line with our expectations

10M20 net revenue rose 7.4% yoy to VND23,635bn, fulfilling 76.4% of our full-year projection, while net profit increased 7.7% yoy to VND2,927bn, in line at 83.3% of our full-year forecast. Blended GPM widened 66bp yoy to 41.8% in 10M20 on higher revenue contribution from digital transformation (Dx), which earns high margins. Particularly, 10M20 Dx revenue jumped 38% yoy to VND2,704bn, equivalent to 11.4% of FPT's total revenue (vs. 8.9% in 10M19).

We expect 4Q20F net profit to see sharp growth

We expect 4Q20F net profit to increase 26.6% yoy due to the low base effect as 4Q19 saw higher employee bonus costs and loss of VND20bn at FPT Retail (FRT VN, Non-rated, CP: VND22,700) and loss of VND12bn at FPT Securities (FTS VN, Non-rated, CP: VND12,800). For the whole FY20F, FPT's revenue and net profit are projected to increase 10.1% yoy and 12.1% yoy to VND30,930bn and VND3,514bn, respectively.

Return to solid growth on the back of vaccine availability in FY21F

For FY21F, we expect the pandemic situation to improve with the availability of vaccines. As a result, we forecast FPT's FY21F revenue and net profit to grow by 17.1% and 20.3% yoy, respectively. We believe FPT's GPM will further improve on the back of the higher proportion of the Dx business line in technology revenue. In particular, FPT's blended GPM will gain 0.3% pts to 39.5% in FY21F, in our view.

Reiterate Add with a TP of VND67,800

Our TP is based on a sum-of-parts methodology with P/E-based valuations for its three main business segments. The multiples are extracted from the regional FY21F P/E median corresponding to each segment with discounts given the difference in interest rates between countries. We hold our positive stance on FPT's long-term outlook, especially when the pandemic blows over.

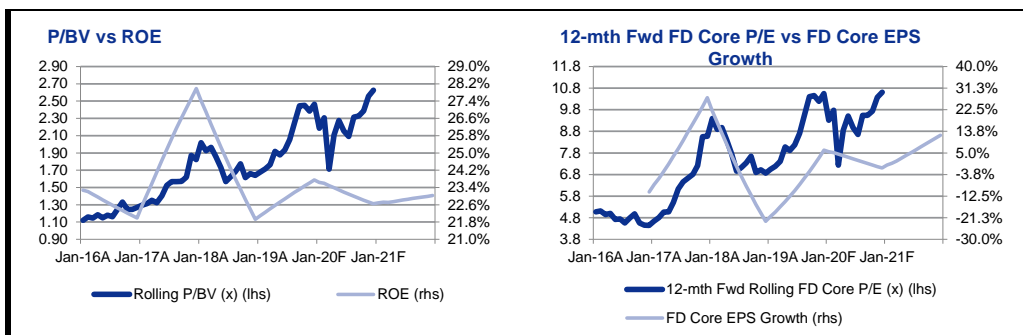
Re-rating catalysts and downside risks

Potential re-rating catalysts are a successful M&A deal with an overseas technology company and higher-than-expected signed IT services revenue. Downside risks include shortage of high-quality IT personnel to achieve the company's long-term strategies and fewer technology contracts if the pandemic prolongs.

Financial Summary	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue (VNDb)	23,214	27,717	30,930	36,228	41,971
Operating EBITDA (VNDb)	4,286	5,501	6,351	7,525	8,880
Net Profit (VNDb)	2,620	3,139	3,514	4,226	4,997
Core EPS (VND)	4,578	4,859	4,806	5,391	6,374
Core EPS Growth	(22.7%)	6.1%	(1.1%)	12.2%	18.2%
FD Core P/E (x)	12.49	11.77	11.90	10.61	8.97
DPS (VND)	2,500	2,000	2,000	2,000	2,000
Dividend Yield	4.37%	3.50%	3.50%	3.50%	3.50%
EV/EBITDA (x)	7.07	6.36	6.08	5.26	4.13
P/FCFE (x)	15.40	39.32	11.37	9.62	7.75
Net Gearing	(17.1%)	(13.7%)	(18.9%)	(26.9%)	(35.4%)
P/BV (x)	2.81	2.78	2.63	2.28	1.95
ROE	21.9%	23.7%	22.6%	23.0%	23.5%
CGS-CIMB/Consensus EPS (x)			1.10	1.07	1.08

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues	23,214	27,717	30,930	36,228	41,971
Gross Profit	8,723	10,712	12,121	14,315	16,785
Operating EBITDA	4,286	5,501	6,351	7,525	8,880
Depreciation And Amortisation	(1,165)	(1,355)	(1,577)	(1,815)	(2,065)
Operating EBIT	3,122	4,147	4,774	5,710	6,815
Financial Income/(Expense)	234	114	158	182	198
Pretax Income/(Loss) from Assoc.	439	405	276	372	391
Non-Operating Income/(Expense)	63	3	11	15	18
Profit Before Tax (pre-EI)	3,858	4,668	5,220	6,278	7,423
Exceptional Items					
Pre-tax Profit	3,858	4,668	5,220	6,278	7,423
Taxation	(624)	(753)	(843)	(1,013)	(1,198)
Exceptional Income - post-tax					
Profit After Tax	3,234	3,916	4,377	5,264	6,224
Minority Interests	(614)	(776)	(863)	(1,038)	(1,227)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	2,620	3,139	3,514	4,226	4,997
Recurring Net Profit	2,620	3,139	3,514	4,226	4,997
Fully Diluted Recurring Net Profit	2,620	3,139	3,514	4,226	4,997

Cash Flow

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
EBITDA	4,286	5,501	6,351	7,525	8,880
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(111)	(606)	29	43	31
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(183)	(293)	236	312	324
Other Operating Cashflow	(178)	(233)	(16)	(18)	(19)
Net Interest (Paid)/Received	204	155	186	214	236
Tax Paid	(430)	(639)	(843)	(1,013)	(1,198)
Cashflow From Operations	3,588	3,886	5,943	7,063	8,253
Capex	(2,454)	(3,233)	(2,399)	(2,573)	(2,759)
Disposals Of FAs/subsidiaries	1	2	0	0	0
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(1,244)	(614)	(1,079)	(1,136)	(1,118)
Cash Flow From Investing	(3,697)	(3,845)	(3,478)	(3,710)	(3,878)
Debt Raised/(repaid)	2,235	899	1,215	1,308	1,412
Proceeds From Issue Of Shares	27	72	0	0	0
Shares Repurchased	0	(0)	0	0	0
Dividends Paid	(1,708)	(1,484)	(1,960)	(1,960)	(1,960)
Preferred Dividends					
Other Financing Cashflow	0	0	0	0	0
Cash Flow From Financing	553	(513)	(745)	(652)	(548)
Total Cash Generated	445	(472)	1,719	2,701	3,827
Free Cashflow To Equity	2,126	940	3,679	4,661	5,787
Free Cashflow To Firm	130	407	2,902	3,853	4,943

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Cash And Equivalents	9,494	10,162	12,961	16,798	21,744
Total Debtors	6,174	6,218	6,717	7,867	9,115
Inventories	1,341	1,284	1,456	1,696	1,950
Total Other Current Assets	1,397	1,315	1,758	1,788	2,072
Total Current Assets	18,406	18,979	22,892	28,150	34,879
Fixed Assets	5,210	6,298	7,732	9,084	10,346
Total Investments	2,202	2,497	2,743	3,074	3,423
Intangible Assets	1,630	1,420	1,168	1,144	1,123
Total Other Non-Current Assets	2,309	4,200	4,609	5,436	6,371
Total Non-current Assets	11,351	14,415	16,252	18,738	21,263
Short-term Debt	6,599	7,514	8,658	9,882	11,193
Current Portion of Long-Term Debt					
Total Creditors	4,958	5,066	5,644	6,583	7,581
Other Current Liabilities	2,894	3,522	3,750	5,874	8,407
Total Current Liabilities	14,451	16,102	18,052	22,339	27,181
Total Long-term Debt	367	350	420	504	604
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	164	143	167	195	224
Total Non-current Liabilities	531	493	587	698	829
Total Provisions	0	0	0	0	0
Total Liabilities	14,982	16,595	18,638	23,038	28,010
Shareholders' Equity	12,473	13,964	17,072	19,641	22,973
Minority Interests	2,302	2,835	3,434	4,209	5,160
Total Equity	14,775	16,799	20,506	23,850	28,133

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue Growth	(45.6%)	19.4%	11.6%	17.1%	15.9%
Operating EBITDA Growth	1.9%	28.3%	15.4%	18.5%	18.0%
Operating EBITDA Margin	18.5%	19.8%	20.5%	20.8%	21.2%
Net Cash Per Share (VND)	4,121	3,389	4,953	8,179	12,686
BVPS (VND)	20,327	20,585	21,776	25,053	29,303
Gross Interest Cover	13.10	11.32	10.92	11.42	12.00
Effective Tax Rate	16.2%	16.1%	16.1%	16.1%	16.1%
Net Dividend Payout Ratio	58.5%	43.2%	44.6%	37.1%	31.4%
Accounts Receivables Days	79.83	70.77	66.66	63.60	63.93
Inventory Days	29.73	28.17	26.66	26.25	26.42
Accounts Payables Days	60.32	55.29	53.64	51.78	52.10
ROIC (%)	37.3%	40.6%	39.3%	40.7%	46.8%
ROCE (%)	18.0%	20.1%	19.9%	20.1%	20.5%
Return On Average Assets	11.0%	12.0%	11.6%	11.8%	11.7%

Key Drivers

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Rev. growth (% , main biz.)	20.9%	17.8%	10.1%	18.9%	18.5%
EBITDA mgns (% , main biz.)	N/A	N/A	N/A	N/A	N/A
Rev. as % of total (main biz.)	57.7%	56.9%	56.2%	57.0%	58.3%
EBITDA as % of total (main biz.)	N/A	N/A	N/A	N/A	N/A
Rev. growth (% , 2ndary biz.)	15.4%	17.7%	11.3%	12.9%	12.3%
EBITDA mgns (% , 2ndary biz.)	N/A	N/A	N/A	N/A	N/A
Rev. as % of total (2ndary biz.)	38.0%	37.5%	37.4%	36.1%	35.0%
EBITDA as % of total (2ndary biz.)	N/A	N/A	N/A	N/A	N/A
Rev. growth (% , tertiary biz.)	31.8%	30.2%	10.8%	26.3%	12.4%
EBITDA mgns (% , tertiary biz.)	N/A	N/A	N/A	N/A	N/A
Rev.as % of total (tertiary biz.)	5.9%	6.5%	6.4%	6.9%	6.7%
EBITDA as % of total (tertiary biz.)	N/A	N/A	N/A	N/A	N/A

SOURCES: VND RESEARCH, COMPANY REPORTS

Vietnam

HOLD (no change)

Consensus ratings*: Buy 4 Hold 5 Sell 0

Current price:	VND87,000
Target price:	VND87,900
Previous target:	VND87,900
Up/downside:	1.0%
CGS-CIMB / Consensus:	8.0%
Reuters:	GAS.HM
Bloomberg:	GAS VN
Market cap:	US\$7,190m
	VND166,513,648m
Average daily turnover:	US\$3.38m
	VND78,280m
Current shares o/s:	1,914m
Free float:	4.2%

*Source: Bloomberg

Key changes in this note

No changes



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	18.4	21.8	-11.2
Relative (%)	8.3	2.9	-21.3

Major shareholders	% held
PetroVietnam Group	95.8
Others	4.2

Analyst(s)

Mai PHAM

T (84) 94 328 0850

E mai.phamle@vndirect.com.vn

PetroVietnam Gas JSC

Transforming into a pure gas distributor

- We forecast FY21F EPS to increase 35% yoy, on the back of a recovery in gas sales volume (+5.2% yoy) and higher oil prices (+ c.16% yoy).
- Reiterate Hold, with an unchanged TP of VND87,900.

9M20 bottomline hurt by low oil prices

PVGas posted a 31.2% yoy drop in 9M20 net profit to VND6,150bn on the back of a 39.7% yoy plunge in the benchmark Singapore Fuel oil (FO) price, which hurt gas selling prices, and a 9.2% yoy decline in dry gas volumes due to technical issues at Block 11.2 from Mar to Jul. For FY20F, we forecast EPS to decrease 32.3% on the back of a 33.2% decline in oil prices and 8.6% decline in dry gas sales volume, offset by an 8.9% growth in LPG sales volume.

Sao Vang Dai Nguyet to ease the gas supply shortage in 2021-23F

As the Sao Vang field produced its first gas only in Nov 2020, we expect its contribution to PVGas to be minimal in 2020F, but it could add 800-900 mcm of gas p.a. to PVGas's total volume from 2021F onwards. Meanwhile the Dai Nguyet field is on track to come online in 3Q22F, adding another 800 mcm of gas p.a. We estimate these two fields will generate VND0.9tr-1.6tr in gross profit for PVGas in 2021-23F, making up c.14% of its dry gas segment's gross profit. We forecast FY21F EPS to increase 35% yoy, on the back of a recovery in gas sales volume (+5.2% yoy) and higher crude oil prices (+ c.16% yoy).

Medium-term profitability to come from gas transportation

We project total gas sales volume CAGR of 5.0% over 2020-24F as PVGas replaces the supply from depleting old fields with supply from new sources such as Sao Vang - Dai Nguyet from 2021-22F, imported LNG from 4Q22F, and Block B - Blue Whale from 4Q24F. We believe that with the new supplies, PVGas would gain only the gas transportation tariff, without the profit from the price difference between gas purchase and sale. It could only earn a profit when the gas selling price is higher than the purchasing price (wellhead price), which we consider unlikely as new supplies are further offshore and would require high development costs. We estimate gross profit contribution from gas transportation would increase from an average of 21% in 2015-19 to an average of 33% in 2020-24F.

Reiterate Hold at unchanged TP of VND87,900

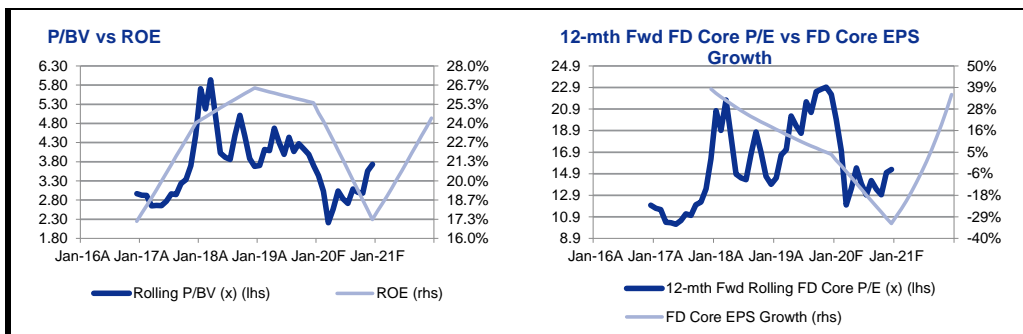
We reiterate our Hold rating as its new capacity, expanded to cater to new gas fields/LNG imports, would only go into operation after at least 2-3 years. However, we maintain a positive view on the company's long-term outlook. Our TP is based on an equal weighting of DCF valuation and target P/E of 15.3x on FY21-23F EPS. Key upside risk to our call is higher-than-expected oil prices. Downside risks include delays in gas field development and a prolonged Covid-19 pandemic putting pressure on oil prices.

Financial Summary

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue (VNDb)	75,612	75,005	64,374	77,644	83,352
Operating EBITDA (VNDb)	16,553	16,340	12,256	16,893	17,952
Net Profit (VNDb)	11,454	11,902	8,062	10,887	11,080
Core EPS (VND)	5,984	6,219	4,212	5,688	5,789
Core EPS Growth	18.3%	3.9%	(32.3%)	35.0%	1.8%
FD Core P/E (x)	14.54	13.99	20.65	15.29	15.03
DPS (VND)	4,000	4,300	3,500	3,000	3,000
Dividend Yield	4.60%	4.94%	4.02%	3.45%	3.45%
EV/EBITDA (x)	8.75	8.61	11.74	8.80	8.40
P/FCFE (x)	205.6	27.7	14.9	16.5	65.8
Net Gearing	(50.0%)	(53.6%)	(50.8%)	(40.0%)	(34.9%)
P/BV (x)	3.69	3.43	3.73	3.72	3.71
ROE	26.5%	25.4%	17.3%	24.4%	24.7%
CGS-CIMB/Consensus EPS (x)			1.00	1.15	1.08

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues	75,612	75,005	64,374	77,644	83,352
Gross Profit	17,491	16,919	11,475	15,975	16,668
Operating EBITDA	16,553	16,340	12,256	16,893	17,952
Depreciation And Amortisation	(2,829)	(2,691)	(3,421)	(4,101)	(4,701)
Operating EBIT	13,725	13,649	8,835	12,792	13,251
Financial Income/(Expense)	860	1,424	1,345	959	743
Pretax Income/(Loss) from Assoc.	(4)	(1)	(0)	(1)	(1)
Non-Operating Income/(Expense)	(41)	(4)	27	32	35
Profit Before Tax (pre-EI)	14,540	15,068	10,207	13,783	14,028
Exceptional Items					
Pre-tax Profit	14,540	15,068	10,207	13,783	14,028
Taxation	(2,831)	(2,983)	(2,020)	(2,728)	(2,777)
Exceptional Income - post-tax					
Profit After Tax	11,709	12,086	8,187	11,055	11,251
Minority Interests	(255)	(183)	(124)	(168)	(171)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	11,454	11,902	8,062	10,887	11,080
Recurring Net Profit	11,454	11,902	8,062	10,887	11,080
Fully Diluted Recurring Net Profit	11,454	11,902	8,062	10,887	11,080

Cash Flow

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
EBITDA	16,553	16,340	12,256	16,893	17,952
Cash Flow from Inv. & Assoc.	(1,401)	(1,585)	(1,225)	(1,302)	(1,347)
Change In Working Capital	(170)	(968)	2,104	(732)	(74)
(Incr)/Decr in Total Provisions	24	836	0	0	0
Other Non-Cash (Income)/Expense	(2,013)	(1,272)	(2,049)	(3,110)	(3,924)
Other Operating Cashflow	2,989	2,458	10,632	10,943	2,529
Net Interest (Paid)/Received	(447)	(276)	(175)	(368)	(485)
Tax Paid	(3,113)	(2,853)	(2,020)	(2,728)	(2,777)
Cashflow From Operations	12,422	12,681	19,522	19,596	11,873
Capex	(692)	(2,690)	(5,355)	(8,392)	(7,161)
Disposals Of FAs/subsidiaries	19	1	10	12	11
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(6,641)	(2,033)	(3,419)	(3,419)	(3,419)
Cash Flow From Investing	(7,315)	(4,722)	(8,765)	(11,799)	(10,569)
Debt Raised/(repaid)	(4,297)	(1,950)	387	2,310	1,225
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(7,656)	(8,230)	(6,699)	(5,742)	(5,742)
Preferred Dividends					
Other Financing Cashflow	48	(8)	(8)	(8)	(8)
Cash Flow From Financing	(11,905)	(10,188)	(6,319)	(3,440)	(4,524)
Total Cash Generated	(6,798)	(2,229)	4,438	4,357	(3,220)
Free Cashflow To Equity	810	6,009	11,145	10,107	2,529
Free Cashflow To Firm	5,555	8,234	10,933	8,165	1,789

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Cash And Equivalents	28,308	29,391	26,354	23,735	22,607
Total Debtors	10,214	10,359	8,828	10,648	11,431
Inventories	1,948	1,575	1,604	1,870	2,022
Total Other Current Assets	462	491	494	497	500
Total Current Assets	40,932	41,815	37,281	36,750	36,561
Fixed Assets	18,609	15,850	17,784	22,075	24,535
Total Investments	280	533	533	533	533
Intangible Assets	0	0	0	0	0
Total Other Non-Current Assets	2,793	3,981	3,981	3,981	3,981
Total Non-current Assets	21,682	20,363	22,298	26,589	29,048
Short-term Debt	1,490	1,341	1,360	1,662	1,669
Current Portion of Long-Term Debt					
Total Creditors	2,901	2,117	2,139	2,579	2,769
Other Current Liabilities	7,455	6,507	7,072	7,685	8,352
Total Current Liabilities	11,847	9,964	10,570	11,927	12,790
Total Long-term Debt	3,396	1,456	1,824	3,831	5,050
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	505	1,144	1,601	2,002	2,302
Total Non-current Liabilities	3,901	2,600	3,426	5,833	7,352
Total Provisions	0	0	0	0	0
Total Liabilities	15,747	12,564	13,996	17,760	20,142
Shareholders' Equity	45,073	48,507	44,600	44,764	44,822
Minority Interests	1,794	1,108	983	816	645
Total Equity	46,867	49,615	45,583	45,579	45,467

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue Growth	17.2%	(0.8%)	(14.2%)	20.6%	7.4%
Operating EBITDA Growth	15.4%	(1.3%)	(25.0%)	37.8%	6.3%
Operating EBITDA Margin	21.9%	21.8%	19.0%	21.8%	21.5%
Net Cash Per Share (VND)	12,238	13,895	12,106	9,531	8,302
BVPS (VND)	23,550	25,344	23,302	23,388	23,419
Gross Interest Cover	31.19	69.07	69.19	47.70	37.49
Effective Tax Rate	19.5%	19.8%	19.8%	19.8%	19.8%
Net Dividend Payout Ratio	66.8%	69.1%	83.1%	52.7%	51.8%
Accounts Receivables Days	46.80	50.06	54.54	45.78	48.34
Inventory Days	11.28	11.07	11.00	10.28	10.65
Accounts Payables Days	15.66	14.38	13.42	12.83	13.45
ROIC (%)	43.3%	46.1%	29.9%	43.6%	36.8%
ROCE (%)	29.2%	29.4%	20.5%	28.3%	28.0%
Return On Average Assets	17.7%	17.5%	11.7%	16.7%	16.5%

Key Drivers

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Oil Price (US\$/bbl)	71.2	64.4	45.0	50.0	55.0
Volume Growth (%)	0.9%	2.4%	-8.6%	5.2%	-1.0%
Ratio Of Up To Downstream (x)	N/A	N/A	N/A	N/A	N/A
Operating Cash Cost (US\$/bbl)	N/A	N/A	N/A	N/A	N/A
Ratio Of High To Low Margin (x)	N/A	N/A	N/A	N/A	N/A

SOURCES: VND RESEARCH, COMPANY REPORTS

Vietnam

HOLD (no change)

Consensus ratings*: Buy 7 Hold 1 Sell 0

Current price:	VND31,850
Target price:	VND31,400
Previous target:	VND31,400
Up/downside:	-1.4%
CGS-CIMB / Consensus:	7.7%
Reuters:	GMD.HM
Bloomberg:	GMD VN
Market cap:	US\$408.4m
	VND9,457,060m
Average daily turnover:	US\$2.05m
	VND47,399m
Current shares o/s:	296.9m
Free float:	85.0%

*Source: Bloomberg

Key changes in this note

■ FY20-21F EPS increased by 11.4-11.5%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	21.1	35.8	35
Relative (%)	11	16.9	24.9

Major shareholders

	% held
Vietnam Investment Fund II, Limited	14.4
SSJ Consulting Co., LTD	10.0
KIM Vietnam Growth Equity Fund	5.2

Analyst(s)



Dzung NGUYEN

T (84) 91 686 5190

E dung.nguyentien5@vndirect.com.vn

Gemadept Corporation

Waiting for the Gemalink

- Gemalink will come onstream in Jan 2021 and should benefit from the handling fee hike in 2021-23F.
- GMD's recent announcement about non-core business divestment prompted us to add these non-core assets into our valuation.
- Maintain Hold with a SOTP-based TP of VND31,400.

Gemalink to benefit from handling fee hike in 2021-23F

Given the big gaps between Vietnam's seaport services fees and those of other countries in the region, the Ministry of Transport (MOT) has proposed to increase the nation's seaport services fees following a roadmap over the 2021-23F period. We foresee varied impact on GMD's ports. We believe the fee increase would not benefit its ports in Hai Phong given the oversupply situation in the cluster, but would benefit Gemalink, thanks to the favourable infrastructure and limited port operator participation in the Cai Mep –Thi Vai port cluster.

Gemalink to drive earnings growth in 2021-23F

Due to fierce competition in Hai Phong port cluster, GMD's growth engine in 2021-23F is Gemalink. In 2021F, we expect Gemalink to operate at 60% designed capacity and record a positive EBIT of VND323.9bn. High interest expense in the project's early years would drag Gemalink's NP down to a net loss of VND8.1bn in FY21F, of which GMD would bear a loss of VND5.3bn but turn in a net profit contribution of VND164.9bn in FY22F. Once Gemalink runs at full capacity in 2023F, we estimate Gemalink to contribute net profit of VND329.4bn in FY23F, accounting for 44.4% of GMD's FY23F NP. We expect GMD's NP to increase 10.3%/31.3% yoy in 2021-22F.

Non-core asset valuations added to fair price

In late-Oct, GMD revealed plans to divest its non-core businesses, including a rubber plantation and the real estate projects, in the near future. Thus, our valuation of GMD's fair price now include book-value-based valuation of VND1,406bn for its rubber plantation and RNAV valuation of VND1,021bn for its property assets.

Maintain Hold with a TP of VND31,400

GMD's share price has rallied 25.6% since 30 Oct in response to its divestment plan and now approaches our TP. In our view, GMD is still interesting for long-term investment, based on 1) Gemalink's growth potential, 2) it riding the recovery in global trade, and 3) its valuable non-core assets.

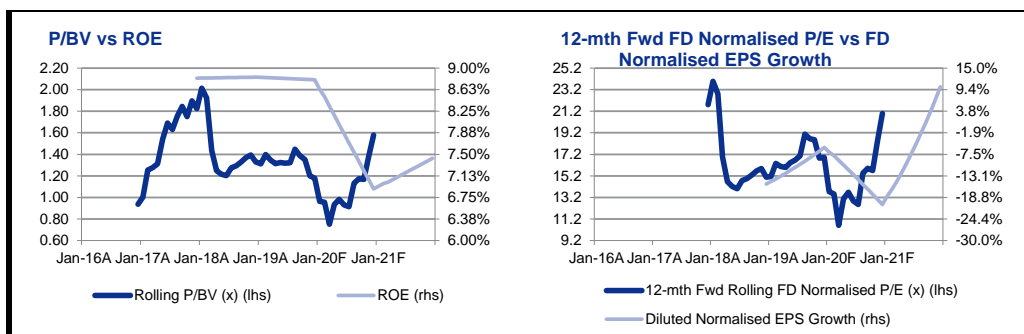
Upside risks and downside risks

Upside risks to our forecasts including higher-than-expected container volume and handling fee income from GMD's ports. Downside risks are 1) uncertainty arising from the Covid-19 pandemic or geopolitics hindering the growth of global trade including Vietnam's, and 2) lower-than-expected handling fee income due to fierce competition.

Financial Summary	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue (VNDb)	2,708	2,643	2,510	2,871	3,161
Operating EBITDA (VNDb)	880.8	910.2	892.6	932.0	984.6
Net Profit (VNDb)	1,848	517	409	451	592
Normalised EPS (VND)	1,861	1,741	1,378	1,518	1,993
Normalised EPS Growth	5.6%	(6.4%)	(20.9%)	10.1%	31.4%
FD Normalised P/E (x)	17.31	18.36	23.11	20.99	15.98
DPS (VND)	9,500	1,500	1,000	1,000	0
Dividend Yield	29.8%	4.7%	3.1%	3.1%	0.0%
EV/EBITDA (x)	10.75	10.45	10.25	9.82	9.49
P/FCFE (x)	4.3	17.3	28.3	31.6	396.2
Net Gearing	30.4%	28.1%	22.5%	22.9%	26.5%
P/BV (x)	1.62	1.61	1.58	1.54	1.40
ROE	8.84%	8.80%	6.90%	7.43%	9.19%
Normalised EPS/consensus EPS (x)			1.02	1.00	1.05

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues	2,708	2,643	2,510	2,871	3,161
Gross Profit	968	1,013	969	1,048	1,107
Operating EBITDA	881	910	893	932	985
Depreciation And Amortisation	(335)	(366)	(366)	(382)	(421)
Operating EBIT	546	544	527	550	564
Financial Income/(Expense)	(4)	(39)	(135)	(142)	(167)
Pretax Income/(Loss) from Assoc.	133	236	203	244	446
Non-Operating Income/(Expense)	(86)	(37)	(37)	(37)	(37)
Profit Before Tax (pre-EI)	588	705	558	614	807
Exceptional Items	1,594				
Pre-tax Profit	2,182	705	558	614	807
Taxation	5	(91)	(72)	(79)	(104)
Exceptional Income - post-tax	(287)	0			
Profit After Tax	1,900	614	486	535	702
Minority Interests	(53)	(97)	(76)	(84)	(111)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
Net Profit	1,848	517	409	451	592
Normalised Net Profit	593	614	486	535	702
Fully Diluted Normalised Profit	540	517	409	451	592

Cash Flow

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
EBITDA	881	910	893	932	985
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(37)	420	(15)	(35)	(100)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	106	(29)	(37)	(37)	(37)
Net Interest (Paid)/Received	(131)	(144)	(144)	(151)	(176)
Tax Paid	(273)	(101)	(72)	(79)	(104)
Cashflow From Operations	545	1,057	625	630	568
Capex	(876)	(379)	(100)	(501)	(1,102)
Disposals Of FAs/subsidiaries	1,899	165	44	0	0
Acq. Of Subsidiaries/investments	(238)	(300)	0	0	0
Other Investing Cashflow	224	138	98	89	99
Cash Flow From Investing	1,008	(377)	42	(412)	(1,003)
Debt Raised/(repaid)	626	(133)	(333)	81	460
Proceeds From Issue Of Shares	86	0	0	0	0
Shares Repurchased	0	0	0	0	0
Dividends Paid	(2,841)	(478)	(297)	(297)	0
Preferred Dividends	0	0	0	0	0
Other Financing Cashflow	(33)	(56)	0	0	0
Cash Flow From Financing	(2,161)	(668)	(630)	(216)	460
Total Cash Generated	(607)	13	37	2	24
Free Cashflow To Equity	2,180	548	334	299	24
Free Cashflow To Firm	1,685	825	811	370	(260)

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Cash And Equivalents	285	230	223	225	249
Total Debtors	949	787	748	855	942
Inventories	66	78	74	88	99
Total Other Current Assets	92	92	87	103	116
Total Current Assets	1,391	1,188	1,132	1,271	1,406
Fixed Assets	2,919	2,916	2,650	2,768	3,450
Total Investments	2,632	2,684	2,798	2,961	3,318
Intangible Assets	281	269	269	269	269
Total Other Non-Current Assets	2,760	3,062	3,062	3,163	3,320
Total Non-current Assets	8,593	8,932	8,779	9,162	10,357
Short-term Debt	675	652	572	662	761
Current Portion of Long-Term Debt					
Total Creditors	408	423	400	473	533
Other Current Liabilities	481	754	713	843	950
Total Current Liabilities	1,564	1,828	1,685	1,977	2,244
Total Long-term Debt	1,592	1,426	1,172	1,164	1,524
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	299	299	299	299	299
Total Non-current Liabilities	1,891	1,724	1,471	1,462	1,823
Total Provisions	0	0	0	0	0
Total Liabilities	3,455	3,553	3,156	3,440	4,066
Shareholders' Equity	5,880	5,876	5,988	6,142	6,734
Minority Interests	649	691	768	852	963
Total Equity	6,529	6,567	6,756	6,994	7,696

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue Growth	(32.0%)	(2.4%)	(5.0%)	14.4%	10.1%
Operating EBITDA Growth	(3.06%)	3.34%	(1.93%)	4.42%	5.64%
Operating EBITDA Margin	32.5%	34.4%	35.6%	32.5%	31.1%
Net Cash Per Share (VND)	(6,629)	(6,223)	(5,125)	(5,389)	(6,858)
BVPS (VND)	19,665	19,789	20,167	20,684	22,678
Gross Interest Cover	4.24	3.71	3.66	3.64	3.20
Effective Tax Rate	0.0%	12.9%	12.9%	12.9%	12.9%
Net Dividend Payout Ratio	526%	86%	73%	66%	NA
Accounts Receivables Days	69.79	54.03	52.16	47.49	48.34
Inventory Days	18.19	16.11	18.11	16.19	16.56
Accounts Payables Days	122.2	92.5	97.7	87.4	89.3
ROIC (%)	8.91%	8.81%	8.73%	9.51%	9.51%
ROCE (%)	6.30%	6.39%	6.24%	6.45%	6.10%
Return On Average Assets	5.61%	6.49%	6.20%	6.66%	7.83%

Key Drivers

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Volumes Moved (% Change)	10.0%	10.0%	10.0%	10.0%	10.0%
Rates Charged (% Change)	5.0%	5.0%	5.0%	5.0%	5.0%
Acquisitions (m)	N/A	N/A	N/A	N/A	N/A

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Vietnam

ADD (no change)

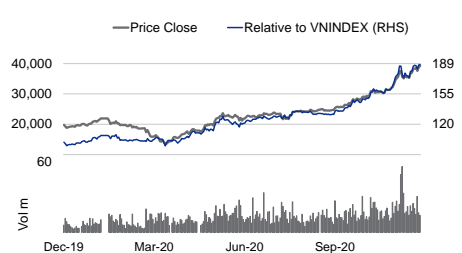
Consensus ratings*: Buy 9 Hold 3 Sell 0

Current price:	VND39,250
Target price:	VND47,300
Previous target:	VND47,300
Up/downside:	20.5%
CGS-CIMB / Consensus:	23.4%
Reuters:	HPG.HM
Bloomberg:	HPG VN
Market cap:	US\$5,615m
	VND130,046,336m
Average daily turnover:	US\$25.24m
	VND584,711m
Current shares o/s:	2,761m
Free float:	67.3%

*Source: Bloomberg

Key changes in this note

N/A



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	22.8	59.6	97.9
Relative (%)	12.7	40.7	87.8

Major shareholders	% held
Tran Dinh Long	25.4
Vu Thi Hien	7.3

Analyst(s)

Trung TRAN

T (84) 97 665 3885

E trung.tranba@vndirect.com.vn

Hoa Phat Group

Encouraging growth momentum in FY21-22F

- HPG's construction steel market share is expected to widen to 35% by 2021F from 32% in 2020F.
- We forecast FY21/FY22F net profit growth to slow down to 27.9% yoy/12.4% yoy given the high base in FY20F.
- Reiterate Add and target price of VND47,300.

Domestic steel demand to grow by double-digits in 2021F

We expect sales volume of construction steel sub-industry to grow 10-12% in 2021F on the back of: (1) acceleration of infrastructure development in FY21F, thanks to state investment expansion; and (2) our view that the residential property market will heat up in FY21F as interest rates are subdued and given higher new supply. Given HPG's established scale, expertise and proven operational efficiency, we believe the company will take advantage of this opportunity to propel domestic sales volume for construction steel by 21.1% yoy in 2021F. Thus, its market share will likely widen to 35% in 2021F from 32% in 2020F and 26% in 2019, based on our estimates.

DQSC Phase 2 to drive HPG's steel sales volume growth in 2021F

Despite starting operations on 24 Aug, blast furnace 3 of the Dung Quat Steel Complex (DQSC) Phase 2 is running at 77% utilisation rate, based on our estimates, and produced 515,000 tonnes of hot rolled coil (HRC) as at end-Oct 2020. The 4th blast furnace at DQSC Phase 2 should commence operations from the beginning of next year, according to HPG's management. We estimate HPG's total steel sales volume (including construction steel, billet, steel pipe, galvanised steel and HRC) to rise 17.3% yoy to 7.5m tonnes in FY21F, supported by the ramping up of DQSC operations for Phase 1 and the full-year contribution of Phase 2.

We expect net profit to grow 27.9%/12.4% for FY21/FY22F

We forecast HPG to report FY21F revenue of VND111,138bn (+24.8% yoy) and net profit of VND16,196bn (+27.9% yoy) on the back of: (1) 21.1% yoy growth in construction steel sales volume and a 282.5% yoy increase in HRC sales volume; (2) a 6.7% yoy decrease in average iron ore prices, based on our forecasts; and (3) a 4.0% yoy increase in average construction steel selling prices. For 2022F, we forecast net profit growth of 12.4% yoy to VND18,197bn.

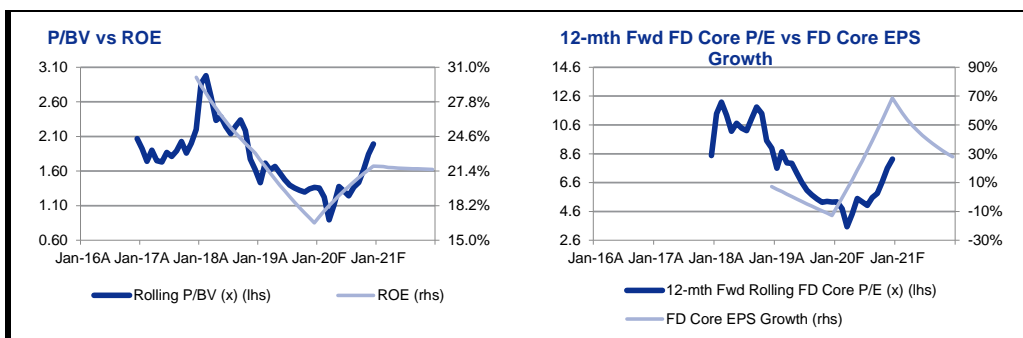
Reiterate Add and target price of VND47,300

Our valuation is based on an equal weighting of: (1) forward P/E of 10.0x on FY21F EPS; and (2) DCF valuation over a 10-year projection period. Downside risk: slower-than-expected steel demand growth. Re-rating catalyst: lower-than-expected iron ore price.

Financial Summary

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue (VNDb)	55,836	63,658	89,047	111,138	116,289
Operating EBITDA (VNDb)	12,524	11,914	21,856	26,847	28,537
Net Profit (VNDb)	8,392	7,318	12,347	15,789	17,741
Core EPS (VND)	2,533	2,209	3,726	4,766	5,354
Core EPS Growth	7.2%	(12.8%)	68.7%	27.9%	12.4%
FD Core P/E (x)	15.50	17.77	10.53	8.24	7.33
DPS (VND)	2	0	500	500	1,000
Dividend Yield	0.00%	0.00%	1.27%	1.27%	2.55%
EV/EBITDA (x)	11.83	13.51	6.89	5.19	4.24
P/FCFE (x)	NA	71.36	38.33	38.14	9.06
Net Gearing	44.5%	64.3%	30.8%	11.1%	(9.6%)
P/BV (x)	3.21	2.73	1.99	1.60	1.35
ROE	23.1%	16.6%	21.9%	21.5%	20.0%
CGS-CIMB/Consensus EPS (x)			1.09	1.17	1.17

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues	55,836	63,658	89,047	111,138	116,289
Gross Profit	11,671	11,185	18,417	22,646	24,442
Operating EBITDA	12,524	11,914	21,856	26,847	28,537
Depreciation And Amortisation	(2,206)	(2,417)	(5,507)	(6,840)	(6,840)
Operating EBIT	10,318	9,498	16,349	20,007	21,696
Financial Income/(Expense)	(245)	(465)	(1,793)	(1,506)	(900)
Pretax Income/(Loss) from Assoc.	0	(1)	(1)	(1)	(1)
Non-Operating Income/(Expense)	(1)	66	(28)	(13)	(55)
Profit Before Tax (pre-EI)	10,071	9,097	14,526	18,487	20,740
Exceptional Items					
Pre-tax Profit	10,071	9,097	14,526	18,487	20,740
Taxation	(1,471)	(1,518)	(1,791)	(2,220)	(2,472)
Exceptional Income - post-tax					
Profit After Tax	8,601	7,578	12,735	16,267	18,268
Minority Interests	(28)	(71)	(71)	(71)	(71)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax	(181)	(189)	(318)	(407)	(457)
Net Profit	8,392	7,318	12,347	15,789	17,741
Recurring Net Profit	8,392	7,318	12,347	15,789	17,741
Fully Diluted Recurring Net Profit	8,392	7,318	12,347	15,789	17,741

Cash Flow

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
EBITDA	12,524	11,914	21,856	26,847	28,537
Cash Flow from Inv. & Assoc.	0	(1)	(1)	(1)	(1)
Change In Working Capital	(2,766)	(8,494)	(5,434)	(8,047)	706
(Incr)/Decr in Total Provisions	(73)	(6)	0	0	0
Other Non-Cash (Income)/Expense	0	0	0	0	0
Other Operating Cashflow	(86)	(8)	(134)	(128)	(383)
Net Interest (Paid)/Received	(540)	(937)	(1,925)	(1,637)	(1,031)
Tax Paid	(1,416)	(1,518)	(1,791)	(2,220)	(2,472)
Cashflow From Operations	7,642	949	12,570	14,814	25,355
Capex	(27,594)	(21,622)	(7,000)	(6,000)	(5,000)
Disposals Of FAs/subsidiaries	65	22	0	0	0
Acq. Of Subsidiaries/investments	6,148	2,350	(7,559)	0	0
Other Investing Cashflow	849	41	0	0	0
Cash Flow From Investing	(20,533)	(19,209)	(14,559)	(6,000)	(5,000)
Debt Raised/(repaid)	11,137	20,082	5,382	(5,404)	(6,001)
Proceeds From Issue Of Shares	11	0	5,522	0	0
Shares Repurchased					
Dividends Paid	(6)	(13)	(1,657)	(1,657)	(3,313)
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing	11,143	20,069	9,247	(7,061)	(9,314)
Total Cash Generated	(1,748)	1,810	7,258	1,753	11,041
Free Cashflow To Equity	(1,754)	1,822	3,393	3,410	14,354
Free Cashflow To Firm	(12,351)	(17,323)	(64)	10,451	21,386

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Cash And Equivalents	6,240	5,939	15,141	16,792	27,927
Total Debtors	3,210	3,575	6,831	9,135	8,336
Inventories	14,115	19,412	23,221	30,037	31,784
Total Other Current Assets	1,743	1,546	2,162	2,698	2,823
Total Current Assets	25,309	30,472	47,355	58,662	70,870
Fixed Assets	50,852	68,992	70,485	69,644	67,803
Total Investments	67	26	26	26	26
Intangible Assets	217	269	250	231	212
Total Other Non-Current Assets	1,778	2,032	4,452	5,557	5,814
Total Non-current Assets	52,914	71,319	75,213	75,458	73,855
Short-term Debt	11,495	16,838	13,766	7,473	3,503
Current Portion of Long-Term Debt					
Total Creditors	8,707	6,178	8,708	10,910	12,892
Other Current Liabilities	2,435	3,982	5,343	6,401	6,505
Total Current Liabilities	22,636	26,998	27,817	24,785	22,900
Total Long-term Debt	12,811	19,842	21,587	18,358	15,146
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	2,153	7,163	7,569	9,447	9,885
Total Non-current Liabilities	14,964	27,005	29,156	27,804	25,031
Total Provisions	0	0	0	0	0
Total Liabilities	37,600	54,003	56,972	52,589	47,931
Shareholders' Equity	40,496	47,605	65,342	81,207	96,400
Minority Interests	127	183	253	324	394
Total Equity	40,623	47,788	65,596	81,531	96,795

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue Growth	21.0%	14.0%	39.9%	24.8%	4.6%
Operating EBITDA Growth	9.7%	(4.9%)	83.4%	22.8%	6.3%
Operating EBITDA Margin	22.4%	18.7%	24.5%	24.2%	24.5%
Net Cash Per Share (VND)	(5,452)	(9,278)	(6,100)	(2,728)	2,800
BVPS (VND)	12,222	14,368	19,721	24,510	29,095
Gross Interest Cover	19.11	10.14	8.49	12.22	21.04
Effective Tax Rate	14.6%	16.7%	12.3%	12.0%	11.9%
Net Dividend Payout Ratio	0.1%	NA	11.7%	9.2%	16.4%
Accounts Receivables Days	31.92	19.45	21.39	26.22	27.42
Inventory Days	106.9	116.6	110.5	109.8	122.8
Accounts Payables Days	53.44	51.77	38.57	40.46	47.29
ROIC (%)	27.9%	13.0%	16.7%	18.9%	19.1%
ROCE (%)	19.2%	13.3%	17.8%	19.3%	19.6%
Return On Average Assets	15.4%	10.3%	14.1%	15.1%	15.1%

Key Drivers

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
ASP (% Change)	14.6%	-8.8%	-7.1%	4.0%	1.0%
Unit Sales Growth (%)	6.4%	21.1%	65.7%	17.3%	0.3%
Utilisation Rate (%)	84.7%	71.1%	107.7%	108.1%	101.7%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Vietnam

HOLD (no change)

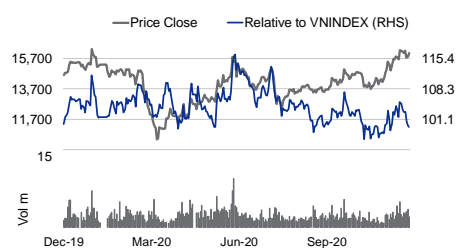
Consensus ratings*: Buy 5 Hold 3 Sell 0

Current price:	VND16,050
Target price:	VND15,700
Previous target:	VND15,700
Up/downside:	-2.2%
CGS-CIMB / Consensus:	-3.5%
Reuters:	KBC.HM
Bloomberg:	KBC VN
Market cap:	US\$325.6m VND7,539,651m
Average daily turnover:	US\$1.49m VND34,573m
Current shares o/s:	475.7m
Free float:	37.0%

*Source: Bloomberg

Key changes in this note

N/A



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	11.8	18.5	9.2
Relative (%)	1.7	-0.4	-0.9

Major shareholders	% held
Dang Thanh Tam	16.0
Kinh Bac Consulting and Investment	9.6
Dragon Capital	5.6

Analyst(s)

Tu NGUYEN

T (84) 333 557 019

E tu.nguyencam2@vndirect.com.vn

Toan CHU

T (84) 94 519 9218

E toan.chuduc@vndirect.com.vn

Kinh Bac City Corp

Looking better in FY21-22F

- Kinh Bac City Corp (KBC) has a total industrial land bank of 5,278ha (as of end-2019), which could sustain 10 to 20 years of development, in our view.
- We forecast FY20F EPS to decline 33% yoy due to weak sales in 9M20 then surge 35.1% yoy in FY21F EPS, backed by huge leased land in FY21F.
- Reiterate Hold, with an unchanged RNAV-based TP of VND15,700.

Leading Northern IP operator with abundant land bank

We believe KBC is well positioned to capture the growing demand for industrial properties (IPs), triggered by a surge in FDI in Vietnam's northern region because: 1) KBC has several tech giants in its tenant portfolio, with its Que Vo and Trang Due IPs as the local manufacturing hubs for South Korean tech companies, like Samsung Electronics Vietnam and LG Electronics, and 2) it has a total industrial land bank of 5,278ha (as of end-2019), which could sustain 10 to 20 years of development.

We expect NSHL to be key driver for FY20-23F earnings growth

We expect Nam Son Hap Linh (NSHL) IP to be the key revenue contributor to land sales in 2020-23F; as it is located near the Que Vo 1 and 2 IPs, we think it would meet the excess capacity demand from existing tenants there and achieve good rental rates. In Oct 20, the government approved the zoning adjustment at NSHL IP. Thus, we expect NSHL Phase 1 (100ha) to be ready to hand over land to registered investors in 4Q20F. In the best case scenario, KBC can record VND1,379bn in revenue from NSHL IP (66ha in total NLA) in 4Q20F.

EPS expected to slow down in FY20F then bounce back in FY21F

KBC reported a 9M20 net revenue of VND930bn (-63% yoy), due to a sharp decrease in IP leased land revenue (-76% yoy) to VND520bn as well as the absence of factory and warehouse sales. Weaker-than-expected 9M20 revenue dragged down net profit by 94% yoy to VND30bn, forming only 4.9% of our full-year forecast. We project KBC's FY20F revenue to be down 12.8% yoy to VND2,800bn due to weak sales in 9M20. We also forecast KBC to report a net profit of VND616bn in FY20F (-33.0% yoy), implying core EPS growth of -33.0% yoy. Nevertheless, we expect FY21F net profit to jump 35.1% yoy to VND831.9bn, driven by the potential normalisation of travel in 2021F and the strong rental growth in Tan Phu Trung IP in FY20-21F.

Reiterate Hold with an unchanged RNAV-based TP of VND15,700

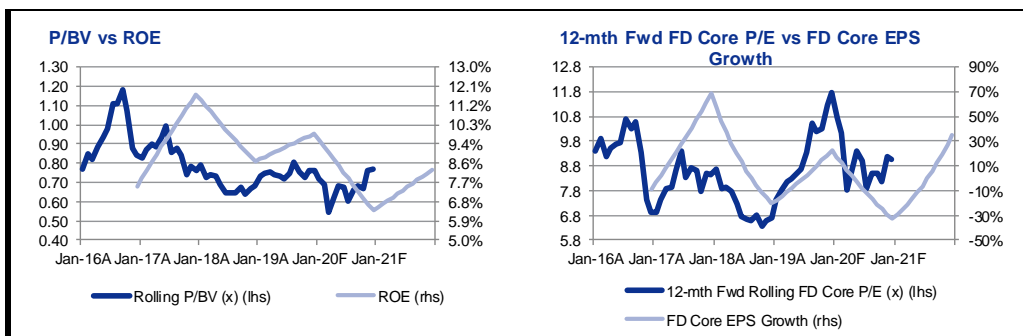
We reiterate our Hold rating with an unchanged RNAV-based TP of VND15,700 due to weak sales in 9M20 and delays in revenue booking from the Phuc Ninh project. Potential near-term upside risks could come from faster IP or residential land sales; our mid- to long-term investment thesis is dependent on whether KBC can clear legal hurdles for the start of its Trang Cat project and receive approval for Trang Due 3 IP in FY21-22F. Key downside risks to our call: 1) worse-than-expected IP land sales, 2) delays in the delivery of NSHL Phase 1, and 3) delays in booking revenue from residential projects.

Financial Summary

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues (VNDb)	2,491	3,210	2,800	3,210	3,483
Operating EBITDA (VNDb)	1,201	1,586	1,194	1,535	1,566
Net Profit (VNDb)	746.2	918.4	615.5	831.9	857.3
Core EPS (VND)	1,588	1,955	1,310	1,771	1,825
Core EPS Growth	(20.6%)	23.1%	(33.0%)	35.1%	3.1%
FD Core P/E (x)	10.10	8.21	12.25	9.06	8.79
DPS (VND)	0.0	1,000.0	0.0	0.0	0.0
Dividend Yield	0.00%	6.23%	0.00%	0.00%	0.00%
EV/EBITDA (x)	8.83	6.12	5.89	5.61	5.41
P/FCFE (x)	NA	8.54	3.54	NA	22.17
Net Gearing	23.0%	12.2%	(13.9%)	(0.4%)	(2.6%)
P/BV (x)	0.83	0.80	0.77	0.73	0.69
ROE	8.61%	9.92%	6.37%	8.23%	8.03%
CGS-CIMB/Consensus EPS (x)			1.50	1.10	0.92

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues	2,491	3,210	2,800	3,210	3,483
Gross Profit	1,469	1,847	1,399	1,754	1,783
Operating EBITDA	1,201	1,586	1,194	1,535	1,566
Depreciation And Amortisation	(39)	(53)	(61)	(63)	(65)
Operating EBIT	1,162	1,533	1,133	1,472	1,501
Financial Income/(Expense)	(102)	(143)	(208)	(197)	(181)
Pretax Income/(Loss) from Assoc.	14	0	0	0	0
Non-Operating Income/(Expense)	(26)	(27)	8	(12)	(14)
Profit Before Tax (pre-EI)	1,047	1,364	933	1,263	1,305
Exceptional Items					
Pre-tax Profit	1,047	1,364	933	1,263	1,305
Taxation	(238)	(323)	(224)	(303)	(313)
Exceptional Income - post-tax					
Profit After Tax	809	1,041	709	960	992
Minority Interests	(63)	(122)	(93)	(128)	(135)
Prof. & Special Div	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	746	918	616	832	857
Recurring Net Profit	746	918	616	832	857
Fully Diluted Recurring Net Profit	746	918	616	832	857

Cash Flow

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
EBITDA	1,201	1,586	1,194	1,535	1,566
Cash Flow from Inv. & Assoc.	(92)	(79)	(50)	(70)	(70)
Change In Working Capital	(632)	462	2,400	(2,119)	(436)
Straight Line Adjustment	(154)	(222)	(262)	(272)	(261)
(Incr)/Decr in Total Provisions	(22)	5	5	0	0
Other Non-Cash (Income)/Expense	39	53	61	63	65
Other Operating Cashflow	47	(26)	(94)	(117)	(129)
Net Interest (Paid)/Received	(207)	(282)	(198)	(196)	(174)
Tax Paid	(205)	(180)	(224)	(303)	(313)
Cashflow From Operations	130	1,539	3,094	(1,208)	508
Capex	(62)	(275)	(90)	(70)	(73)
Disposals Of FAs/subsidiaries	0	0	0	0	0
Disposals of Investment Properties					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(93)	200	(1,901)	66	70
Cash Flow From Investing	(155)	(75)	(1,991)	(3)	(3)
Debt Raised/(repaid)	(246)	(582)	1,024	(50)	(165)
Proceeds From Issue Of Shares	0	0	0	0	0
Shares Repurchased	0	0	0	0	0
Dividends Paid	(10)	(455)	(238)	(238)	(238)
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing	(255)	(1,037)	786	(288)	(403)

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet					
(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Cash And Equivalents	227	655	4,450	2,951	3,053
Properties Under Development					
Total Debtors	5,842	5,493	5,889	6,111	6,324
Inventories	8,593	7,548	7,083	7,450	7,559
Total Other Current Assets	200	216	248	260	273
Total Current Assets	14,862	13,912	17,670	16,772	17,209
Fixed Assets	351	1,076	1,128	1,158	1,191
Total Investments	1,082	1,294	1,311	1,291	1,267
Intangible Assets	0	0	0	0	0
Total Other Non-Current Assets	614	151	184	184	184
Total Non-current Assets	2,047	2,521	2,623	2,633	2,642
Short-term Debt	1,204	804	1,150	1,150	1,035
Current Portion of Long-Term Debt					
Total Creditors	226	371	381	396	462
Other Current Liabilities	2,502	2,893	5,278	3,745	3,577
Total Current Liabilities	3,933	4,067	6,809	5,291	5,075
Total Long-term Debt	1,283	1,122	1,800	1,750	1,700
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	1,857	863	862	863	863
Total Non-current Liabilities	3,139	1,984	2,662	2,613	2,563
Total Provisions	0	0	0	0	0
Total Liabilities	7,072	6,052	9,472	7,903	7,637
Shareholders' Equity	9,035	9,483	9,830	10,383	10,959
Minority Interests	803	898	991	1,120	1,254
Total Equity	9,837	10,381	10,821	11,502	12,214

Key Ratios					
	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue Growth	97.7%	28.9%	(12.8%)	14.6%	8.5%
Operating EBITDA Growth	134%	32%	(25%)	29%	2%
Operating EBITDA Margin	48.2%	49.4%	42.7%	47.8%	45.0%
Net Cash Per Share (VND)	(4,811)	(2,706)	3,192	108	677
BVPS (VND)	19,232	20,187	20,926	22,102	23,329
Gross Interest Cover	5.79	7.83	5.72	7.50	8.62
Effective Tax Rate	22.8%	23.7%	24.0%	24.0%	24.0%
Net Dividend Payout Ratio	NA	52.3%	NA	NA	NA
Accounts Receivables Days	218.6	177.4	177.4	155.8	145.4
Inventory Days	3,020	2,161	1,911	1,822	1,611
Accounts Payables Days	64.35	79.89	98.16	97.37	92.08
ROIC (%)	10.4%	12.9%	10.9%	18.5%	14.8%
ROCE (%)	10.4%	13.1%	9.1%	10.9%	10.7%
Return On Average Assets	5.58%	7.10%	4.99%	5.83%	5.98%

Key Drivers					
	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Unbooked Presales (m) (VND)	1,131.4	2,152.9	2,479.3	2,753.2	1,532.6
Unbooked Presales (area: m sm)	N/A	N/A	N/A	N/A	N/A
Unbooked Presales (units)	N/A	N/A	N/A	N/A	N/A
Unsold attrib. landbank (area: m sm)	N/A	N/A	N/A	N/A	N/A
Gross Margins (%)	57.5%	50.0%	54.7%	51.2%	0.0%
Contracted Sales ASP (per Sm) (VND)	N/A	N/A	N/A	N/A	N/A
Residential EBIT Margin (%)	46.6%	47.8%	40.5%	45.9%	43.1%
Investment rev / total rev (%)	15.2%	11.9%	14.3%	12.1%	11.2%
Residential rev / total rev (%)	84.8%	88.1%	85.7%	87.9%	88.8%
Inv. properties rental margin (%)	N/A	N/A	N/A	N/A	N/A
SG&A / Sales Ratio (%)	5.7%	4.4%	3.3%	3.2%	2.6%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Vietnam

HOLD (no change)

Consensus ratings*: Buy 10 Hold 0 Sell 0

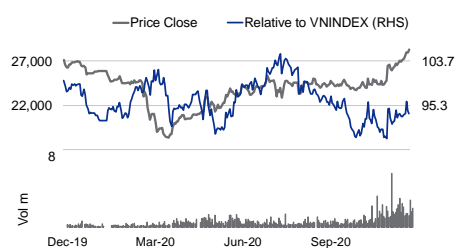
Current price:	VND28,300
Target price:	VND29,100
Previous target:	VND29,100
Up/downside:	2.8%
CGS-CIMB / Consensus:	-0.7%

Reuters:	KDH.HM
Bloomberg:	KDH VN
Market cap:	US\$682.9m
	VND15,814,226m
Average daily turnover:	US\$1.39m
	VND32,296m
Current shares o/s:	579.7m
Free float:	55.0%

*Source: Bloomberg

Key changes in this note

No change.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	14.3	16	4.4
Relative (%)	4.2	-2.9	-5.7

Major shareholders	% held
Tien Loc Investment Limited	11.7
Gam Ma Investment Company	9.6
A Au Investment Trading Company	8.6

Khang Dien House T&I JSC

Potential growth has been largely priced in

- We expect FY21F presales remain strong in FY20-21F thanks to the launch of two potential projects in the eastern HCMC (Armena and Clarita).
- Solid FY20-21F earnings backed by strong presales in FY19-21F.
- Reiterate Hold with an RNAV-based TP of VND29,100.

Strong 9M20 net profit growth thanks to huge delivery

KDH's 3Q20 net revenue rose 187.8% yoy, bringing 9M20 net revenue to VND3,292bn (+76.8% yoy), forming 93.4% of our FY20F forecast, driven by the delivery of 96 units from Verosa and 821 units from Safira. KDH's 9M20 blended gross profit margin (GPM) narrowed 9.9% pts yoy to 39.4%, due to low-margin Safira condo properties. 9M20 net profit increased by 50.8% yoy to VND770bn, coming in at 65.1% of our forecast and 69.9% of the company's FY20F target.

We expect strong presales in FY20-21F

As of 30 Sept 20, KDH's three key projects recorded high take-up rates (Safira 100%, equivalent to 1,593 units sold; Verosa Park 90% equivalent to 265 units sold; Lovera Park 86% equivalent to 1,129 units sold) thanks to bulk sales in FY19. We expect the rest of Lovera Vista and Verosa Park units to be sold in 4Q20F, bringing FY20F presales at VND3,737bn (-21% yoy). We expect FY21F presales stay stronger, driven by the launch of two potential projects in the eastern HCMC (Armena and Clarita) in 4Q20-FY21F.

Solid FY20-21F earnings backed by strong presales in FY19-21F

We project FY20F revenue up 23.9% yoy to VND3,526bn, driven by more than 800 units delivery from Safira in 2H20F. We expect KDH to report a net profit of VND1,183bn in FY20F (+29.2% yoy), implying core EPS growth of 24.6% yoy. We believe KDH's FY21F earnings remain strong thanks to the delivery of c.VND2,451bn from Lovera Vista in 3Q21F.

Reiterate Hold with an RNAV-based TP of VND29,100

We maintain our Hold rating on KDH with an RNAV-based TP of VND29,100. Upside risks in the short term could come from higher-than-expected ASPs for the Armena project in District 9 and the Clarita project in District 2; our mid- to long-term investment thesis includes sooner-than-expected launch of the Tan Tao project. Potential downside risks to our call include: 1) a new wave of Covid-19 which may restrict sales and marketing activities; and 2) delays in obtaining building permits which could delay new launches.

Analyst(s)

Tu NGUYEN

T (84) 333 557 019

E tu.nguyencam2@vndirect.com.vn

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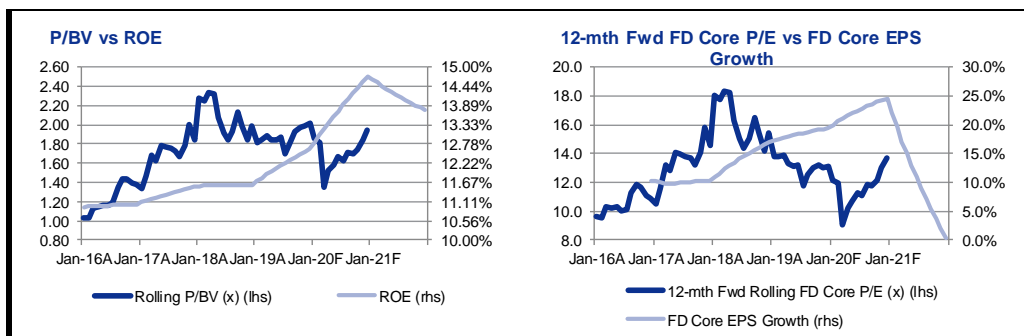
T (84) 94 519 9218

E toan.chuduc@vndirect.com.vn

Financial Summary

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues (VNDb)	2,917	2,813	3,526	4,592	6,408
Operating EBITDA (VNDb)	990	1,232	1,561	1,583	3,457
Net Profit (VNDb)	808	915	1,183	1,195	2,629
Core EPS (VND)	1,381	1,649	2,055	2,062	4,535
Core EPS Growth	17%	19%	25%	0%	120%
FD Core P/E (x)	20.50	17.16	13.77	13.72	6.24
DPS (VND)	500.0	500.0	500.0	500.0	500.0
Dividend Yield	1.77%	1.77%	1.77%	1.77%	1.77%
EV/EBITDA (x)	13.68	12.43	9.71	10.02	4.68
P/FCFE (x)	NA	NA	14.89	NA	46.88
Net Gearing	(12.6%)	(5.5%)	(13.8%)	(6.5%)	(2.5%)
P/BV (x)	2.22	2.12	1.94	1.84	1.54
ROE	11.6%	12.6%	14.7%	13.7%	26.8%
CGS-CIMB/Consensus EPS (x)			1.06	0.90	1.61

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues	2,917	2,813	3,526	4,592	6,408
Gross Profit	1,239	1,500	1,855	1,945	4,063
Operating EBITDA	990	1,232	1,561	1,583	3,457
Depreciation And Amortisation	(8)	(9)	(22)	(22)	(23)
Operating EBIT	982	1,223	1,539	1,561	3,434
Financial Income/(Expense)	111	(0)	(26)	(30)	(110)
Pretax Income/(Loss) from Assoc.	4	0	0	0	0
Non-Operating Income/(Expense)	(21)	(33)	(34)	(36)	(38)
Profit Before Tax (pre-EI)	1,076	1,190	1,479	1,494	3,286
Exceptional Items					
Pre-tax Profit	1,076	1,190	1,479	1,494	3,286
Taxation	(266)	(273)	(296)	(299)	(657)
Exceptional Income - post-tax					
Profit After Tax	810	917	1,183	1,195	2,629
Minority Interests	(2)	(2)	0	0	0
Pref. & Special Div	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	808	915	1,183	1,195	2,629
Recurring Net Profit	701	915	1,183	1,195	2,629
Fully Diluted Recurring Net Profit	701	915	1,183	1,195	2,629

Cash Flow

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
EBITDA	990	1,232	1,561	1,583	3,457
Cash Flow from Inv. & Assoc.	(200)	(41)	(41)	(83)	(42)
Change In Working Capital	(1,236)	(964)	(36)	(1,016)	(1,995)
Straight Line Adjustment	86	(42)	(82)	(89)	(171)
(Incr)/Decr in Total Provisions	(8)	(2)	0	0	0
Other Non-Cash (Income)/Expense	8	9	22	22	23
Other Operating Cashflow	97	(78)	(108)	(114)	(260)
Net Interest (Paid)/Received	(114)	(90)	(33)	(35)	(42)
Tax Paid	(256)	(229)	(296)	(299)	(657)
Cashflow From Operations	(719)	(164)	1,069	59	483
Capex	(161)	(235)	(68)	(75)	(82)
Disposals Of FAs/subsidiaries	1	0	0	0	0
Disposals of Investment Properties					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	680	34	41	83	42
Cash Flow From Investing	519	(201)	(27)	8	(40)
Debt Raised/(repaid)	(689)	(186)	53	(98)	(93)
Proceeds From Issue Of Shares	101	97	0	0	0
Shares Repurchased	0	0	0	0	0
Dividends Paid	(194)	(207)	(290)	(290)	(290)
Preferred Dividends					
Other Financing Cashflow	226	0	0	0	0
Cash Flow From Financing	(556)	(296)	(237)	(388)	(383)

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Cash And Equivalents	1,836	1,207	2,012	1,320	912
Properties Under Development					
Total Debtors	1,760	3,778	4,650	6,526	7,177
Inventories	5,817	7,037	7,567	7,620	8,382
Total Other Current Assets	157	305	320	336	353
Total Current Assets	9,570	12,327	14,549	15,802	16,824
Fixed Assets	500	677	734	797	867
Total Investments	19	114	104	93	83
Intangible Assets	4	3	3	3	3
Total Other Non-Current Assets	134	116	120	122	120
Total Non-current Assets	658	910	960	1,015	1,072
Short-term Debt	632	377	480	432	389
Current Portion of Long-Term Debt					
Total Creditors	284	696	885	1,402	1,243
Other Current Liabilities	1,859	3,499	4,677	5,064	4,613
Total Current Liabilities	2,775	4,572	6,042	6,898	6,244
Total Long-term Debt	337	405	355	305	255
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	217	596	614	640	685
Total Non-current Liabilities	553	1,001	969	945	940
Total Provisions	0	0	0	0	0
Total Liabilities	3,328	5,573	7,011	7,843	7,184
Shareholders' Equity	6,864	7,625	8,459	8,934	10,673
Minority Interests	35	39	39	39	39
Total Equity	6,899	7,664	8,498	8,973	10,712

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue Growth	(4.5%)	(3.5%)	25.3%	30.2%	39.5%
Operating EBITDA Growth	24%	25%	27%	1%	118%
Operating EBITDA Margin	33.9%	43.8%	44.3%	34.5%	53.9%
Net Cash Per Share (VND)	1,612	743	2,030	1,006	462
BVPS (VND)	12,753	13,339	14,593	15,412	18,412
Gross Interest Cover	31.0	804.7	46.6	44.7	81.3
Effective Tax Rate	24.7%	22.9%	20.0%	20.0%	20.0%
Net Dividend Payout Ratio	25.6%	29.7%	23.0%	22.8%	10.4%
Accounts Receivables Days	76.4	158.5	188.8	185.1	179.8
Inventory Days	1,161	1,787	1,600	1,047	1,245
Accounts Payables Days	36.8	136.2	173.2	157.8	205.8
ROIC (%)	18.6%	19.7%	20.0%	20.0%	38.5%
ROCE (%)	15.0%	15.5%	17.8%	17.3%	33.0%
Return On Average Assets	7.0%	7.8%	8.4%	7.6%	15.8%

Key Drivers

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Unbooked Presales (m) (VND)	1,659.5	5,659.4	5,044.3	3,825.6	8,282.3
Unbooked Presales (area: m sm)	N/A	N/A	N/A	N/A	N/A
Unbooked Presales (units)	N/A	N/A	N/A	N/A	N/A
Unsold attrib. landbank (area: m sm)	N/A	N/A	N/A	N/A	N/A
Gross Margins (%)	42.5%	53.3%	52.6%	42.4%	63.4%
Contracted Sales ASP (per Sm) (VND)	N/A	N/A	N/A	N/A	N/A
Residential EBIT Margin (%)	33.7%	43.5%	43.6%	34.0%	53.6%
Investment rev / total rev (%)	1.9%	3.5%	3.4%	3.1%	2.7%
Residential rev / total rev (%)	98.1%	96.5%	96.6%	96.9%	97.3%
Inv. properties rental margin (%)	N/A	N/A	N/A	N/A	N/A
SG&A / Sales Ratio (%)	3.4%	4.1%	4.2%	3.5%	5.5%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Vietnam

HOLD (no change)

Consensus ratings*: Buy 4 Hold 1 Sell 0

Current price:	VND11,850
Target price:	VND12,500
Up/downside:	5.5%
CGS-CIMB / Consensus:	-7.8%
Reuters:	LPB.HM
Bloomberg:	LPB VN
Market cap:	US\$549.9m
	VND12,734,471m
Average daily turnover:	US\$4.17m
	VND96,652m
Current shares o/s:	1,075m
Free float:	20.0%

*Source: Bloomberg

Key changes in this note

▶ No change.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	7.3	31.7	91.2
Relative (%)	-2.8	12.8	81.1

Major shareholders	% held
Vietnam Post	12.7
H.T.H Ltd. Co.	5.0
Mr.Nguyen Dinh Thang	3.6

Analyst(s)



Thanh NGUYEN

T (84) 91 514 3803

E thanh.nguyenphuong@vndirect.com.vn

Lienviet Post Bank

Positives priced in

- LPB is the thirteenth largest bank by total assets; its loan growth has been strong in recent years due to increased focus on retail lending.
- We forecast an EPS CAGR of 24% over FY20-22F on the back of resilient NIMs and high loan growth.
- Reiterate Hold with a target price of VND12,500.

A retail bank with an extensive network

LPB is the thirteenth largest bank in Vietnam in terms of total assets, with a modest 2.0% lending market share and 1.7% customer deposit market share as at end-FY19. Despite the modest size, the bank has a competitive edge over peers thanks to its intensive network. Having acquired the Vietnam Postal Savings Company, LPB has the right to access more than 600 postal transaction offices (PTOs) nationwide. By utilising the existing network, LPB can reach rural areas, where bank presence is limited, at a cost lower than opening new transaction offices.

Deteriorating asset quality raises concerns

In 9M20, non-performing loans (NPL) grew fast with NPL ratio rising from 1.44% at end-FY19 to 1.64% at end-3Q20. We believe the increase in bad debts was due to LPB's increased focus on retail lending. Furthermore, loan-loss reserve (LLR) ratio fell sharply to 73% at end-3Q20 from 85% at end-FY19 while annualised write-off ratio remained low (0.02%).

We forecast EPS CAGR of 24% over FY20-22F

We project a net profit CAGR of 24% over FY20-22F, driven by 19% CAGR in NII on the back of 15% loan CAGR and 29bp NIM expansion over the period. We also forecast 7% FY20-22F CAGR in non-II, including a 22% FY20-22F CAGR in fee income, thanks to strong fee income growth and launch of new digital banking services. We project NPL to inch up to 1.8% in FY21-22F as the bank is increasing focus on individual banking. We maintain our provision expense forecasts with a higher credit cost (0.42% and 0.37% in FY20F and FY21F, respectively) than the current level (0.29%) as we believe asset quality risks might emerge in the near term. As a result, we project 7.6% and 20.2% yoy net profit growth in FY20F and FY21F, respectively.

Reiterate Hold rating VND12,500 TP

Our target price is based on equal weight of residual income valuation (COE: 14.5%; LTG: 3.0%) and 0.8x FY21F P/BV. The share price has rallied 38% since the bank submitted its registration documents to the main bourse (HOSE). Thus, we reiterate Hold rating as the share price is close to fair value. A potential upside risk is a successful private placement to foreign investors. A downside risk is lower-than-expected NIM.

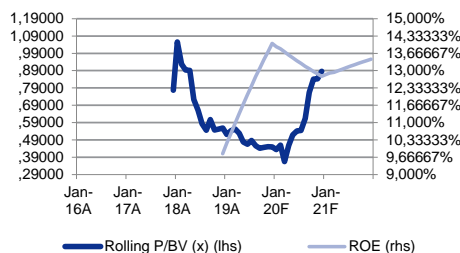
Financial Summary

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Net Interest Income (VNDb)	5,016	6,061	6,552	7,765	9,272
Total Non-Interest Income (VNDb)	(136,3)	445,7	705,0	679,7	807,7
Operating Revenue (VNDb)	4,879	6,507	7,257	8,444	10,080
Total Provision Charges (VNDb)	(618,4)	(435,6)	(636,4)	(655,8)	(666,9)
Net Profit (VNDb)	960	1,600	1,722	2,070	2,641
Core EPS (VND)	1,116	1,638	1,679	1,926	2,458
Core EPS Growth	(33,9%)	46,8%	2,5%	14,8%	27,6%
FD Core P/E (x)	10,62	7,23	7,06	6,15	4,82
DPS (VND)	-	-	-	-	-
Dividend Yield	0%	0%	0%	0%	0%
BVPS (VND)	13,601	14,164	13,367	15,294	17,751
P/BV (x)	0,87	0,84	0,89	0,77	0,67
ROE	9,8%	14,0%	12,8%	13,4%	14,9%
% Change In Core EPS Estimates					
CGS-CIMB/Consensus EPS (x)			1,10	1,10	0,89

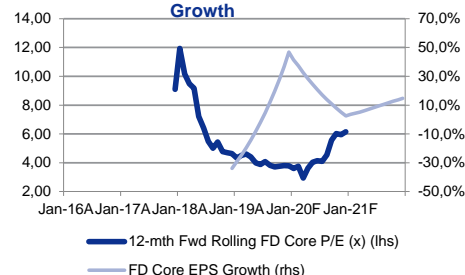
SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

BY THE NUMBERS

P/BV vs ROE



12-mth Fwd FD Core P/E vs FD Core EPS Growth



Profit & Loss

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Net Interest Income	5.016	6.061	6.552	7.765	9.272
Total Non-Interest Income	(136)	446	705	680	808
Operating Revenue	4.879	6.507	7.257	8.444	10.080
Total Non-Interest Expenses	(3.048)	(4.032)	(4.427)	(5.151)	(6.048)
Pre-provision Operating Profit	1.831	2.474	2.830	3.293	4.032
Total Provision Charges	(618)	(436)	(636)	(656)	(667)
Operating Profit After Provisions	1.213	2.039	2.194	2.638	3.365
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Operating EBIT (incl Associates)	1.213	2.039	2.194	2.638	3.365
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	1.213	2.039	2.194	2.638	3.365
Exceptional Items					
Pre-tax Profit	1.213	2.039	2.194	2.638	3.365
Taxation	(253)	(439)	(472)	(567)	(724)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	960	1.600	1.722	2.070	2.641
Minority Interests	0	0	0	0	0
Pref. & Special Div	0	0	0	0	0
FX And Other Adj.	0	0	0	0	0
Net Profit	960	1.600	1.722	2.070	2.641
Recurring Net Profit	960	1.600	1.722	2.070	2.641

Balance Sheet Employment

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Gross Loans/Cust Deposits	95%	103%	106%	106%	105%
Avg Loans/Avg Deposits	87%	99%	105%	106%	106%
Avg Liquid Assets/Avg Assets	31,0%	27,3%	25,2%	23,6%	23,4%
Avg Liquid Assets/Avg IEAs	32,5%	28,7%	26,3%	24,5%	24,2%
Net Cust Loans/Assets	67,2%	68,7%	72,1%	72,6%	73,0%
Net Cust Loans/Broad Deposits	77,7%	76,0%	81,4%	82,1%	81,6%
Equity & Provs/Gross Cust Loans	7,31%	7,73%	7,44%	7,29%	7,34%
Asset Risk Weighting	83%	147%	146%	146%	146%
Provision Charge/Avg Cust Loans	0,56%	0,34%	0,42%	0,37%	0,33%
Provision Charge/Avg Assets	0,365%	0,231%	0,298%	0,272%	0,242%
Total Write Offs/Average Assets	0,216%	0,105%	0,107%	0,054%	0,076%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Gross Loans	124.302	152.186	175.492	201.040	230.598
Liquid Assets & Invst. (Current)	35.731	34.884	36.395	41.917	48.228
Other Int. Earning Assets	6.256	6.622	4.635	5.006	5.507
Total Gross Int. Earning Assets	166.289	193.692	216.522	247.963	284.333
Total Provisions/Loan Loss Reserve	(1.483)	(1.721)	(2.129)	(2.655)	(3.113)
Total Net Interest Earning Assets	164.806	191.972	214.393	245.308	281.220
Intangible Assets	477	469	497	526	569
Other Non-Interest Earning Assets	8.148	8.404	8.908	9.443	10.198
Total Non-Interest Earning Assets	8.625	8.873	9.405	9.969	10.767
Cash And Marketable Securities	1.664	1.214	1.286	1.364	1.473
Long-term Investments	0	0	0	0	0
Total Assets	175.095	202.058	225.085	256.641	293.460
Customer Interest-Bearing Liabilities	135.068	165.003	182.793	208.805	240.974
Bank Deposits	16.441	17.533	16.657	18.322	21.620
Interest Bearing Liabilities: Others	7.345	287	301	316	332
Total Interest-Bearing Liabilities	158.854	182.823	199.751	227.443	262.927
Bank's Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	6.040	6.655	10.968	12.763	11.457
Total Liabilities	164.894	189.478	210.720	240.206	274.384
Shareholders' Equity	10.201	12.580	14.365	16.435	19.076
Minority Interests					
Total Equity	10.201	12.580	14.365	16.435	19.076

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Income Growth	(4,4%)	33,3%	11,5%	16,4%	19,4%
Operating Profit Growth	(20,0%)	35,1%	14,4%	16,4%	22,4%
Pretax Profit Growth	(31,4%)	68,1%	7,6%	20,2%	27,6%
Net Interest To Total Income	103%	93%	90%	92%	92%
Cost Of Funds	5,74%	5,97%	6,07%	6,08%	6,13%
Return On Interest Earning Assets	8,60%	9,03%	8,85%	8,94%	9,13%
Net Interest Spread	2,87%	3,06%	2,79%	2,86%	3,00%
Net Interest Margin (Avg Deposits)	3,96%	4,63%	4,50%	4,67%	4,83%
Net Interest Margin (Avg RWA)	3,54%	2,75%	2,10%	2,21%	2,31%
Provisions to Pre Prov. Operating Profit	33,8%	17,6%	22,5%	19,9%	16,5%
Interest Return On Average Assets	2,96%	3,21%	3,07%	3,22%	3,37%
Effective Tax Rate	20,9%	21,5%	21,5%	21,5%	21,5%
Net Dividend Payout Ratio	NA	NA	NA	NA	NA
Return On Average Assets	0,57%	0,85%	0,81%	0,86%	0,96%

Key Drivers

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Loan Growth (%)	18,5%	17,9%	17,0%	15,0%	15,0%
Net Interest Margin (%)	3,1%	3,4%	3,2%	3,3%	3,5%
Non Interest Income Growth (%)	10,0%	N/A	58,2%	-3,6%	18,8%
Cost-income Ratio (%)	62,5%	62,0%	61,0%	61,0%	60,0%
Net NPL Ratio (%)	0,4%	0,2%	0,3%	0,2%	0,0%
Loan Loss Reserve (%)	-88,2%	-84,7%	-76,4%	-77,9%	-79,0%
GP Ratio (%)	-0,6%	-0,6%	-0,7%	-0,7%	-0,7%
Tier 1 Ratio (%)	6,8%	4,1%	4,4%	4,4%	4,5%
Total CAR (%)	10,9%	8,4%	8,2%	8,1%	8,1%
Deposit Growth (%)	-2,6%	9,5%	13,0%	15,0%	16,0%
Loan-deposit Ratio (%)	94,2%	101,4%	104,9%	104,8%	103,9%
Gross NPL Ratio (%)	1,4%	1,4%	1,7%	1,8%	1,8%
Fee Income Growth (%)	135,6%	157,4%	20,0%	25,0%	20,0%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Vietnam

ADD (no change)

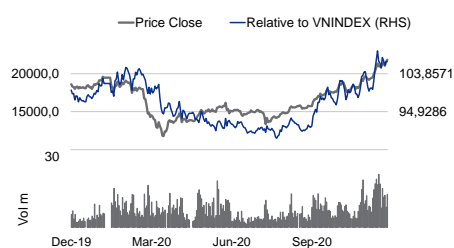
Consensus ratings*: Buy 12 Hold 3 Sell 0

Current price:	VND21,850
Target price:	VND27,000
Previous target:	VND27,000
Up/downside:	23.6%
CGS-CIMB / Consensus:	7.7%
Reuters:	MBB.HM
Bloomberg:	MBB VN
Market cap:	US\$2,616m
	VND60,593,124m
Average daily turnover:	US\$7.86m
	VND181,996m
Current shares o/s:	2,773m
Free float:	20.0%

*Source: Bloomberg

Key changes in this note

No change



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	13.2	38.4	15.3
Relative (%)	3.1	19.5	5.2

Major shareholders	% held
Viettel Group	14.6
SCIC	9.8
Vietnam Helicopter Corporation	7.8

Analyst(s)

Thanh NGUYEN

T (84) 91 514 3803

E thanh.nguyenphuong@vndirect.com.vn

Military Commercial JSB

Set for solid growth in FY21-23F

- We forecast EPS CAGR of 16.3% over FY20-22F on the back of NIM expansion and outstanding loan growth.
- We reiterate our Add rating with a target price of VND27,000.

Asset quality remains strong

MBB's non-performing loan (NPL) ratio was 1.50% at end-9M20, slightly lower than the 1.54% at end-9M19. The drop in NPL ratio was mainly caused by lower NPL ratio at MCredit, from 7.9% at end-3Q19 to 6.5% at end-3Q20 as the bank reduced exposure to consumer lending (high-risk lending sector) due to prevailing economic headwinds. Loan loss reserves (LLR) climbed to 119% at end-3Q20, from 103% at end-3Q19 as write-off rate eased to 1% at end-3Q20, from 1.4% at end-3Q19.

We expect 4Q20F net profit to see robust growth

We expect 4Q20F net profit to increase 23.5% yoy on the back of impressive credit growth. At end-3Q20, MBB's credit balance grew 11.4% YTD, much higher than the industry's credit growth of 6.1% YTD. However, as SBV recently allowed MBB to lift the credit growth limit from 12% to 21.5% for FY20F, we believe that MBB has enough room to increase credit growth even further towards year-end.

We forecast EPS CAGR of 16.3% over FY20-22F

We project a net profit CAGR of 16.3% over FY20-22F, driven by 16.1% CAGR in net interest income on the back of 14% loan CAGR and 31bp NIM expansion over the period. We expect the Covid-19 outbreak to be less intense in FY21F, thus boosting retail lending as well as the bank's NIM. For non-interest income, we project a 19.5% CAGR in FY20-22F, including a 24% FY20-22F CAGR in fee income, thanks to income from payment services and bancassurance income stream. In terms of asset quality, we project NPL to inch up to 1.4% in FY20F and 1.8% at end as the bank is more exposed to retail lending while its loan-loss coverage ratio remains solid with loan-loss reserve ratio at 72-89% in FY20-21F, respectively.

Reiterate Add with a target price of VND27,000

We reiterate our Add rating with a TP of VND27,000 based on equal weighting of residual income valuation (COE: 13.3%; LTG: 3.0%) and 1.2x FY20F P/BV. We believe MBB deserves to trade in line with local peers' average P/BV of 1.2x (ex-VCB), given its strong foundation to grow retail banking with low funding costs, prudent risk management, sufficient capital buffers and a large partnership ecosystem.

Re-rating catalysts and downside risks

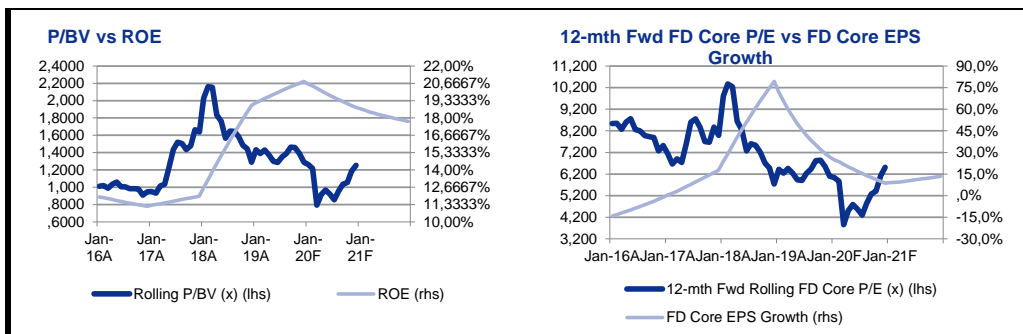
Downside risk would be higher-than-expected credit costs. Strong growth in fee income that exceeds our projections is a potential re-rating catalyst.

Financial Summary

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Net Interest Income (VNDb)	14,583	18,000	20,120	23,091	27,113
Total Non-Interest Income (VNDb)	4,953	6,650	8,286	10,047	11,840
Operating Revenue (VNDb)	19,537	24,650	28,406	33,138	38,953
Total Provision Charges (VNDb)	(3,035)	(4,891)	(5,624)	(6,783)	(7,915)
Net Profit (VNDb)	6,113	7,823	8,641	9,908	11,692
Core EPS (VND)	2,150	2,715	2,940	3,359	3,963
Core EPS Growth	79,4%	26,2%	8,3%	14,2%	18,0%
FD Core P/E (x)	10,16	8,01	7,37	6,51	5,51
DPS (VND)	600,0	600,0	0,0	600,0	600,0
Dividend Yield	2,75%	2,75%	0,00%	2,75%	2,75%
BVPS (VND)	12,159	14,027	17,444	20,417	24,033
P/BV (x)	1,80	1,56	1,25	1,07	0,91
ROE	19,0%	20,8%	18,8%	17,7%	17,8%
CGS-CIMB/Consensus EPS (x)			1,12	1,10	1,14

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Net Interest Income	14.583	18.000	20.120	23.091	27.113
Total Non-Interest Income	4.953	6.650	8.286	10.047	11.840
Operating Revenue	19.537	24.650	28.406	33.138	38.953
Total Non-Interest Expenses	(8.734)	(9.724)	(11.646)	(13.586)	(15.971)
Pre-provision Operating Profit	10.803	14.927	16.760	19.551	22.982
Total Provision Charges	(3.035)	(4.891)	(5.624)	(6.783)	(7.915)
Operating Profit After Provisions	7.767	10.036	11.135	12.768	15.067
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Operating EBIT (incl Associates)	7.767	10.036	11.135	12.768	15.067
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	7.767	10.036	11.135	12.768	15.067
Exceptional Items					
Pre-tax Profit	7.767	10.036	11.135	12.768	15.067
Taxation	(1.577)	(1.968)	(2.227)	(2.554)	(3.013)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	6.190	8.069	8.908	10.215	12.054
Minority Interests	(77)	(246)	(267)	(306)	(362)
Pref. & Special Div	0	0	0	0	0
FX And Other Adj.	0	0	0	0	0
Net Profit	6.113	7.823	8.641	9.908	11.692
Recurring Net Profit	5.773	7.353	8.122	9.314	10.991

Balance Sheet Employment

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Gross Loans/Cust Deposits	89,5%	91,8%	93,4%	94,3%	94,7%
Avg Loans/Avg Deposits	86,7%	90,7%	92,7%	93,9%	94,5%
Avg Liquid Assets/Avg Assets	36,7%	35,6%	34,7%	34,3%	33,6%
Avg Liquid Assets/Avg IEAs	38,5%	37,4%	36,5%	35,9%	35,0%
Net Cust Loans/Assets	58,3%	60,0%	60,5%	61,4%	62,3%
Net Cust Loans/Broad Deposits	67,8%	70,7%	72,4%	73,5%	74,4%
Equity & Provs/Gross Cust Loans	16,7%	16,5%	18,3%	18,9%	19,6%
Asset Risk Weighting	105%	115%	115%	117%	119%
Provision Charge/Avg Cust Loans	1,52%	2,10%	2,11%	2,24%	2,29%
Provision Charge/Avg Assets	0,90%	1,26%	1,29%	1,39%	1,44%
Total Write Offs/Average Assets	0,61%	1,26%	1,21%	1,23%	1,25%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Gross Loans	259.748	290.022	326.534	370.502	420.452
Liquid Assets & Invst. (Current)	74.567	87.088	97.539	107.293	118.022
Other Int. Earning Assets	10.548	14.362	16.085	17.694	19.463
Total Gross Int. Earning Assets	344.863	391.472	440.159	495.489	557.937
Total Provisions/Loan Loss Reserve	(3.469)	(3.493)	(3.845)	(4.625)	(5.694)
Total Net Interest Earning Assets	341.394	387.980	436.314	490.865	552.243
Intangible Assets	1.113	1.156	1.237	1.324	1.416
Other Non-Interest Earning Assets	18.082	20.007	21.408	22.906	24.510
Total Non-Interest Earning Assets	19.195	21.163	22.645	24.230	25.926
Cash And Marketable Securities	1.737	2.344	2.508	2.684	2.872
Long-term Investments	0	0	0	0	0
Total Assets	362.325	411.488	461.467	517.779	581.041
Customer Interest-Bearing Liabilities	251.122	298.998	330.311	372.423	421.637
Bank Deposits	60.471	50.314	55.345	59.773	64.555
Interest Bearing Liabilities: Others	2.958	319	320	321	322
Total Interest-Bearing Liabilities	314.551	349.631	385.976	432.517	486.514
Bank's Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	13.601	21.971	24.961	26.181	25.056
Total Liabilities	328.152	371.602	410.937	458.697	511.570
Shareholders' Equity	32.643	37.998	48.375	56.620	66.648
Minority Interests	1.530	1.888	2.155	2.462	2.823
Total Equity	34.173	39.886	50.530	59.081	69.471

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Income Growth	40,9%	26,2%	15,2%	16,7%	17,5%
Operating Profit Growth	37,3%	38,2%	12,3%	16,7%	17,5%
Pretax Profit Growth	68,3%	29,2%	11,0%	14,7%	18,0%
Net Interest To Total Income	74,6%	73,0%	70,8%	69,7%	69,6%
Cost Of Funds	3,48%	3,97%	3,80%	3,88%	3,90%
Return On Interest Earning Assets	7,72%	8,47%	8,20%	8,33%	8,55%
Net Interest Spread	4,24%	4,50%	4,40%	4,45%	4,65%
Net Interest Margin (Avg Deposits)	6,34%	7,02%	6,99%	7,16%	7,43%
Net Interest Margin (Avg RWA)	4,23%	4,22%	4,01%	4,06%	4,18%
Provisions to Pre Prov. Operating Profit	28,1%	32,8%	33,6%	34,7%	34,4%
Interest Return On Average Assets	4,31%	4,65%	4,61%	4,72%	4,93%
Effective Tax Rate	20,3%	19,6%	20,0%	20,0%	20,0%
Net Dividend Payout Ratio	21,2%	18,2%	NA	16,9%	14,4%
Return On Average Assets	1,81%	2,02%	1,98%	2,02%	2,13%

Key Drivers

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Loan Growth (%)	16,6%	16,6%	13,0%	14,0%	14,0%
Net Interest Margin (%)	4,5%	4,9%	4,8%	4,9%	5,1%
Non Interest Income Growth (%)	87,0%	34,3%	24,6%	21,3%	17,8%
Cost-income Ratio (%)	44,7%	39,4%	41,0%	41,0%	41,0%
Net NPL Ratio (%)	0,6%	0,6%	0,9%	1,3%	1,2%
Loan Loss Reserve (%)	112,3%	110,5%	89,0%	72,3%	74,6%
GP Ratio (%)	0,7%	0,7%	0,8%	0,8%	0,8%
Tier 1 Ratio (%)	8,5%	8,1%	9,1%	9,3%	9,6%
Total CAR (%)	11,0%	10,1%	11,0%	11,1%	11,3%
Deposit Growth (%)	9,0%	13,6%	11,0%	13,0%	13,5%
Loan-deposit Ratio (%)	88,0%	90,5%	92,2%	92,9%	93,2%
Gross NPL Ratio (%)	1,3%	1,2%	1,4%	1,8%	1,9%
Fee Income Growth (%)	126,5%	24,4%	22,0%	24,0%	24,0%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Vietnam

ADD (no change)

Consensus ratings*: Buy 16 Hold 1 Sell 0

Current price:	VND115,700
Target price:	VND151,200
Previous target:	VND151,200
Up/downside:	30.7%
CGS-CIMB / Consensus:	6.6%
Reuters:	MWG.HM
Bloomberg:	MWG VN
Market cap:	US\$2,261m
	VND52,366,500m
Average daily turnover:	US\$4.65m
	VND107,641m
Current shares o/s:	453.3m
Free float:	92.7%

*Source: Bloomberg

Key changes in this note

▶ No changes.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	4.1	24.4	2.4
Relative (%)	-6	5.5	-7.7

Major shareholders	% held
Mobile World Retail Advisory Co. Ltd	11.4
Tri Tam Co. Ltd	8.5
Vietnam Enterprise Investments	3.5

Analyst(s)



Bach PHAN Nhu

T (84) 90 928 3119

E bach.phannhu@vndirect.com.vn

Mobile World Investment Corp

Firming V-shaped recovery

- The Bach Hoa Xanh chain has become MWG's main revenue growth engine; revenue grew 111% yoy to make up 18.6% of MWG's total revenue in 9M20.
- MWG has maintained a sound business model and strategy to overcome the challenges presented by the Covid-19 pandemic.
- We reiterate our Add call premised on Bach Hoa Xanh's expansion and the widening in MWG's gross margins for all businesses.

Growth momentum secured thanks to the Bach Hoa Xanh chain

In 9M20, MWG's revenue rose 5.8% yoy to VND82,288bn thanks to the revenue growth of its grocery chain Bach Hoa Xanh (BHX), which jumped 111% yoy and contributed 18.6% of MWG's 9M20 total revenue (+9.3% pts yoy), to offset the decline in revenue of The Gioi Di Dong (TGDD – mobile phone chain) and Dien May Xanh (DMX - consumer electronics chain) which were impacted by the Covid-19 pandemic. MWG's 9M20 net profit growth was flat yoy at VND2,976bn.

Healthier balance sheet to support future plans

At the end of 3Q20, MWG's inventories had decreased by 32% YTD to VND17,514bn and held-to-maturity investment increased by 111% YTD to VND13,189bn, lifting the quick ratio 30% pts YTD to 63%. As we expect the negative impact of the pandemic on demand for non-essential products to persist in 2021-22F, MWG's decision to keep these products' inventory levels low to reduce inventory risks is a prudent one, and could also help support its new growth plans in the next coming years, in our view.

We expect strong bottomline growth in 2021-22F

We expect revenue of the TGDD and DMX chains to grow 16.2% yoy/9.2% yoy in 2021F/22F when the impact of Covid-19 eases. Meanwhile, revenue of the BHX chain should continue to chart strong growth of 57.3% yoy/41.1% yoy, contributing 24.1%/29.1% of the total revenue in 2021F/22F. We expect MWG's net profit to increase 37.3% yoy/38.9% yoy in 2021F/22F.

Reiterate Add call with TP of VND151,200

We reiterate our Add call premised on 1) BHX's expansion, and 2) widening gross margin for all businesses, with TP of VND151,200 by using SOP methodology to value MWG's two core businesses: consumer electronics (TGDD and DMX) at VND77,800 per share (WACC: 12.4%) and grocery retailing (BHX) at VND73,400 (WACC: 14% to reflect our conservative view given the risks in terms of profitability and expansion capabilities).

Downside risks and re-rating catalysts

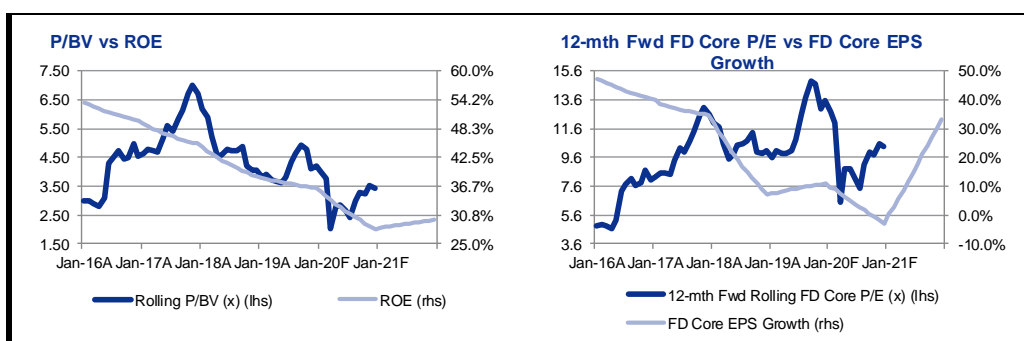
Key downside risks are: 1) lower-than-expected gross margin, and 2) another nationwide social distancing period, especially in the business hubs of Hanoi and HCMC. Re-rating catalysts are BHX's faster-than-expected expansion, higher-than-expected revenue per store and higher-than-expected gross margin.

Financial Summary

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue (VNDb)	86,516	102,174	109,225	135,430	158,298
Operating EBITDA (VNDb)	5,094	6,420	6,981	8,332	11,150
Net Profit (VNDb)	2,879	3,834	3,870	5,313	7,381
Core EPS (VND)	6,839	8,560	8,524	11,383	15,298
Core EPS Growth	25.0%	25.2%	(0.4%)	33.5%	34.4%
FD Core P/E (x)	14.84	13.37	13.75	10.31	7.70
DPS (VND)	1,500	1,500	1,500	1,500	1,500
Dividend Yield	1.30%	1.30%	1.30%	1.30%	1.30%
EV/EBITDA (x)	10.19	9.30	8.10	6.38	4.32
P/FCFE (x)	357	1,285,556	10	8	9
Net Gearing	36.1%	65.1%	26.2%	(4.0%)	(28.2%)
P/BV (x)	5.42	4.27	3.45	2.71	2.10
ROE	38.7%	36.3%	28.1%	29.8%	31.2%
CGS-CIMB/Consensus EPS (x)			1.02	1.02	1.15

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues	86,516	102,174	109,225	135,430	158,298
Gross Profit	15,292	19,488	22,855	27,857	33,305
Operating EBITDA	5,094	6,420	6,981	8,332	11,150
Depreciation And Amortisation	(1,223)	(1,443)	(2,022)	(1,601)	(1,837)
Operating EBIT	3,871	4,977	4,959	6,731	9,313
Financial Income/(Expense)	(94)	61	123	249	390
Pretax Income/(Loss) from Assoc.	(2)	(3)	0	0	0
Non-Operating Income/(Expense)	12	19	22	27	32
Profit Before Tax (pre-EI)	3,786	5,053	5,103	7,007	9,735
Exceptional Items					
Pre-tax Profit	3,786	5,053	5,103	7,007	9,735
Taxation	(906)	(1,217)	(1,230)	(1,689)	(2,346)
Exceptional Income - post-tax					
Profit After Tax	2,880	3,836	3,874	5,318	7,389
Minority Interests	(2)	(2)	(4)	(5)	(7)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	2,879	3,834	3,870	5,313	7,381
Recurring Net Profit	2,879	3,834	3,870	5,313	7,381
Fully Diluted Recurring Net Profit	2,879	3,834	3,870	5,313	7,381

Cash Flow

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
EBITDA	5,094	6,420	6,981	8,332	11,150
Cash Flow from Inv. & Assoc.	(2)	(3)	0	0	0
Change In Working Capital	(1,981)	(6,454)	1,416	824	108
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	12	19	22	27	32
Other Operating Cashflow	50	(235)	508	249	13
Net Interest (Paid)/Received	(94)	61	123	249	390
Tax Paid	(830)	(1,092)	(1,230)	(1,689)	(2,346)
Cashflow From Operations	2,249	(1,286)	7,819	7,992	9,347
Capex	(1,484)	(3,067)	(2,931)	(2,242)	(1,713)
Disposals Of FAs/subsidiaries	1	1	2	3	4
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(850)	(2,752)	(568)	(983)	(762)
Cash Flow From Investing	(2,332)	(5,818)	(3,497)	(3,221)	(2,471)
Debt Raised/(repaid)	203	7,104	1,003	2,462	(600)
Proceeds From Issue Of Shares	705	90	1	2	2
Shares Repurchased	(1)	(5)	0	0	0
Dividends Paid	(486)	(658)	(680)	(706)	(734)
Preferred Dividends					
Other Financing Cashflow	(0)	0	0	0	0
Cash Flow From Financing	422	6,532	325	1,758	(1,331)
Total Cash Generated	338	(572)	4,647	6,529	5,544
Free Cashflow To Equity	120	0	5,325	7,233	6,276
Free Cashflow To Firm	353	(6,534)	5,106	5,646	7,799

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Cash And Equivalents	3,800	6,252	11,111	18,429	24,662
Total Debtors	1,560	1,815	2,239	2,701	3,086
Inventories	17,446	25,745	22,622	25,052	27,428
Total Other Current Assets	583	1,199	1,022	1,257	1,604
Total Current Assets	23,390	35,012	36,995	47,439	56,779
Fixed Assets	3,305	5,375	6,284	6,923	6,797
Total Investments	60	56	66	68	63
Intangible Assets	581	520	527	535	543
Total Other Non-Current Assets	805	745	1,130	1,520	1,756
Total Non-current Assets	4,751	6,696	8,006	9,047	9,159
Short-term Debt	5,797	13,031	14,143	16,763	16,359
Current Portion of Long-Term Debt					
Total Creditors	12,049	15,340	14,381	18,561	21,774
Other Current Liabilities	62	72	78	97	113
Total Current Liabilities	17,907	28,442	28,602	35,421	38,245
Total Long-term Debt	1,248	1,122	1,013	855	660
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	2	0	0	0	0
Total Non-current Liabilities	1,250	1,122	1,013	855	660
Total Provisions	0	0	0	0	0
Total Liabilities	19,157	29,565	29,615	36,276	38,905
Shareholders' Equity	8,977	12,136	15,421	20,202	27,037
Minority Interests	6	8	12	17	24
Total Equity	8,983	12,144	15,433	20,219	27,061

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue Growth	30.4%	18.1%	6.9%	24.0%	16.9%
Operating EBITDA Growth	46.8%	26.0%	8.7%	19.3%	33.8%
Operating EBITDA Margin	5.90%	6.30%	6.40%	6.20%	7.00%
Net Cash Per Share (VND)	(7,708)	(17,639)	(8,793)	1,712	15,549
BVPS (VND)	21,328	27,092	33,522	42,668	55,006
Gross Interest Cover	8.90	8.70	6.30	7.70	10.10
Effective Tax Rate	23.9%	24.1%	24.1%	24.1%	24.1%
Net Dividend Payout Ratio	16.9%	17.2%	17.6%	13.3%	9.9%
Accounts Receivables Days	3.80	1.10	1.40	1.70	1.50
Inventory Days	75.6	95.3	102.5	80.9	76.6
Accounts Payables Days	40.00	44.80	46.60	39.20	41.50
ROIC (%)	41.6%	40.9%	24.8%	34.8%	48.2%
ROCE (%)	29.3%	26.5%	20.6%	23.0%	25.9%
Return On Average Assets	11.7%	10.8%	8.7%	10.0%	11.4%

Key Drivers

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% , main prod./serv.)	N/A	N/A	N/A	N/A	N/A
No. of POS (main prod/serv)	1,782	2,014	2,033	2,078	2,078
SSS grth (% , main prod/serv)	N/A	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% ,2ndary prod/serv)	N/A	N/A	N/A	N/A	N/A
No. of POS (2ndary prod/serv)	405	1,008	1,773	2,313	2,713
SSS grth (% , 2ndary prod/serv)	N/A	N/A	N/A	N/A	N/A

SOURCES: VND RESEARCH, COMPANY REPORTS

Vietnam

ADD (no change)

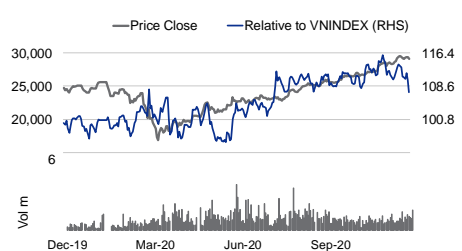
Consensus ratings*: Buy 10 Hold 1 Sell 0

Current price:	VND29,150
Target price:	VND34,800
Previous target:	VND34,800
Up/downside:	19.4%
CGS-CIMB / Consensus:	9.0%
Reuters:	NLG.HM
Bloomberg:	NLG.VN
Market cap:	US\$346.5m
	VND8,024,140m
Average daily turnover:	US\$1.05m
	VND24,227m
Current shares o/s:	283.3m
Free float:	46.3%

*Source: Bloomberg

Key changes in this note

N/A.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	2.6	14.3	16.8
Relative (%)	-7.5	-4.6	6.7

Major shareholders	% held
Nguyễn Xuân Quang	13.0
PYN Elite Fund	6.8
Nguyễn Thị Bích Ngọc	5.6

Nam Long Investment Corp

Cautiously optimistic for FY21-22F

- We believe the weak net profit in 9M20 is temporary and expect a strong rebound in 4Q20F earnings, driven by one-off gain from Waterfront.
- We expect presales growth will remain strong in 4Q20-FY21F thanks to the launch of three potential projects (VSIP Hai Phong, Waterfront, Southgate).
- Reiterate our Add call with a TP of VND34,800.

Temporarily weak earnings in 9M20 and expect a strong rebound in 4Q20F earnings

Nam Long Investment Corp (NLG) reported a 9M20 bottomline of VND208bn (-49.5% yoy), fulfilling only 14.6% our previous full-year projection, due to a sharp decrease in GPM (-12% yoy) and an absence of one-off income which was driven by Dai Phuoc project in 2019 (VND130bn). We project revenue to fall by 71.9% yoy in 4Q20F to VND343bn due to the lack of property handover. Nevertheless, 4Q20F net profit should still rise by 22.5% yoy to VND672bn on the back of 1) capital transfer income of c.VND490bn from Waterfront project; and 2) the on-schedule villas and townhouses handover in BCC projects (Southgate Phase 1) at the end of 4Q20F yielding associate profit of VND367bn.

Strong presales momentum likely to continue in 4Q20F and FY21F

NLG's 9M20 presales value reached VND3,346bn (+23% yoy) thanks to the Southgate (VND2,497bn) and Flora Akari (VND780bn) projects. NLG's total accumulate pre-sales value reached VND7,702bn at the end of 3Q20, mostly from two projects: Flora Akari (VND3,785bn), and Southgate (VND3,762bn). We believe presales growth will remain strong in 4Q20F and 2021F, driven by the launch of 760 condos in the next phase of Mizuki project in end-4Q20F; 1,240 units in Southgate Phase 2, 740 units in the first phase of VSIP Hai Phong and 1,244 units in the first phase of Waterfront Dong Nai in 2021F. Given their favourable geographical locations, we expect take-up rates of c.80-90% for these projects, contributing FY21F pre-sales value of c.VND7,940bn (+42% yoy), in our estimate.

We expect net profit to grow 28.1%/28.1% for FY21/FY22F

We project NLG to report a net profit of VND1,127bn in FY21F (+28.1% yoy), driven by the huge delivery in BCC projects such as Akari (VND1,766bn) and Southgate (VND2,707bn), implying core EPS growth of +23% yoy. For 2022F, we forecast net profit growth of 28.1% yoy to VND1,444bn.

Reiterate Add with a TP of VND34,800

We reiterate our Add rating with an RNAV-based TP to VND34,800. We believe it is worth accumulating NLG stocks, given its strong presales of VND7,702bn as of 30 Sep 2020 which translates to a promising outlook for FY21-22F. Re-rating catalysts are higher-than-expected selling prices of the next phase of Mizuki, Akari and Southgate projects. Key downside risks to our call are regulatory delays and higher mortgage rates as these may dent NLG's mid-range condo presales.

Analyst(s)

Tu NGUYEN

T (84) 333 557 019

E tu.nguyencam2@vndirect.com.vn

Toan CHU

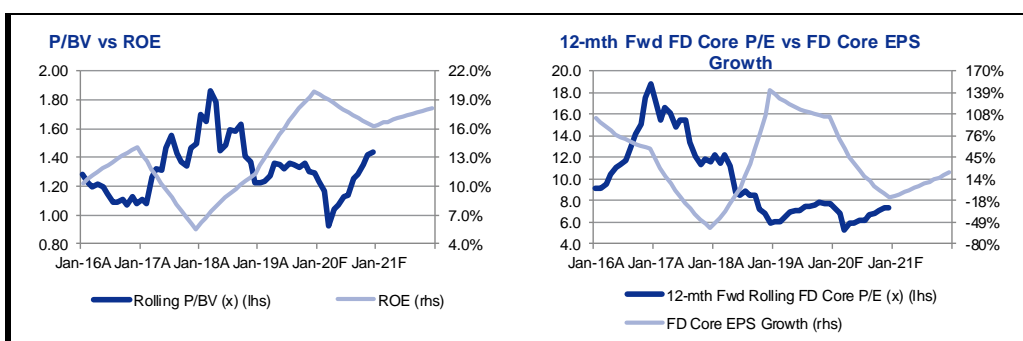
T (84) 94 519 9218

E toan.chuduc@vndirect.com.vn

Financial Summary

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues (VNDb)	3,480	2,546	1,641	1,734	2,291
Operating EBITDA (VNDb)	1,026	642	283	359	571
Net Profit (VNDb)	721	960	880	1,127	1,444
Core EPS (VND)	1,823	3,709	3,240	3,979	5,096
Core EPS Growth	142%	103%	(13%)	23%	28%
FD Core P/E (x)	15.99	7.86	9.00	7.33	5.72
DPS (VND)	452.0	543.0	500.0	500.0	500.0
Dividend Yield	1.55%	1.86%	1.72%	1.72%	1.72%
EV/EBITDA (x)	4.59	9.13	25.04	21.71	13.01
P/FCFE (x)	NA	NA	NA	NA	15.61
Net Gearing	(20.4%)	(16.5%)	(1.3%)	2.7%	(2.2%)
P/BV (x)	1.63	1.50	1.43	1.23	1.04
ROE	11.3%	19.9%	16.3%	18.1%	19.7%
CGS-CIMB/Consensus EPS (x)			1.06	1.09	1.27

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues	3,480	2,546	1,641	1,734	2,291
Gross Profit	1,517	1,066	612	760	1,037
Operating EBITDA	1,026	642	283	359	571
Depreciation And Amortisation	(13)	(16)	(35)	(36)	(36)
Operating EBIT	1,013	626	248	323	535
Financial Income/(Expense)	92	76	481	121	118
Pretax Income/(Loss) from Assoc.	14	126	410	1,015	1,214
Non-Operating Income/(Expense)	9	398	10	10	10
Profit Before Tax (pre-EI)	1,128	1,226	1,150	1,469	1,877
Exceptional Items					
Pre-tax Profit	1,128	1,226	1,150	1,469	1,877
Taxation	(241)	(219)	(230)	(294)	(375)
Exceptional Income - post-tax					
Profit After Tax	887	1,007	920	1,175	1,501
Minority Interests	(124)	(47)	(40)	(48)	(58)
Prof. & Special Div	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax	(43)				
Net Profit	721	960	880	1,127	1,444
Recurring Net Profit	424	960	880	1,127	1,444
Fully Diluted Recurring Net Profit	424	960	880	1,127	1,444

Cash Flow

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
EBITDA	1,026	642	283	359	571
Cash Flow from Inv. & Assoc.	0	0	0	0	0
Change In Working Capital	384		(811)	(1,340)	(920)
Straight Line Adjustment	0	0	0	0	0
(Incr)/Decr in Total Provisions	12	22	235	36	36
Other Non-Cash (Income)/Expense	(143)		(948)	(1,201)	(1,394)
Other Operating Cashflow	96	133	885	1,140	1,322
Net Interest (Paid)/Received	(36)	(40)	(57)	(65)	(62)
Tax Paid	(346)	(228)	(230)	(294)	(375)
Cashflow From Operations	991	528	(642)	(1,365)	(821)
Capex	0	(302)	0	0	0
Disposals Of FAs/subsidiaries	0	2	0	0	0
Disposals of Investment Properties	2	33	0	0	0
Acq. Of Subsidiaries/investments	(1,719)	(460)	(1,106)	(0)	0
Other Investing Cashflow	(112)	129	943	1,195	1,388
Cash Flow From Investing	(1,830)	(598)	(163)	1,195	1,388
Debt Raised/(repaid)	600	(138)	132	(52)	(38)
Proceeds From Issue Of Shares	447	573	0	0	0
Shares Repurchased	0	(297)	0	0	0
Dividends Paid	(207)	(244)	(130)	(142)	(142)
Preferred Dividends					
Other Financing Cashflow	0	(26)	0	0	0
Cash Flow From Financing	840	(131)	2	(194)	(180)

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Cash And Equivalents	2,084	1,894	1,095	731	1,119
Properties Under Development	3,261	4,205	5,427	6,443	7,142
Total Debtors	1,833	1,500	1,272	1,262	1,430
Inventories	0		0	0	0
Total Other Current Assets	142	182	194	194	194
Total Current Assets	7,320	7,782	7,988	8,630	9,884
Fixed Assets	40	54	52	46	39
Total Investments	1,722	2,000	3,079	3,058	3,037
Intangible Assets	16	24	23	20	17
Total Other Non-Current Assets	476	932	966	897	878
Total Non-current Assets	2,254	3,009	4,120	4,022	3,971
Short-term Debt	201	63	46	43	55
Current Portion of Long-Term Debt	0	0	0	0	0
Total Creditors	270	175	126	119	152
Other Current Liabilities	2,222	2,661	2,963	2,602	2,596
Total Current Liabilities	2,694	2,899	3,134	2,764	2,803
Total Long-term Debt	806	806	956	906	856
Hybrid Debt - Debt Component	0	0	0	0	0
Total Other Non-Current Liabilities	790	883	1,069	1,033	933
Total Non-current Liabilities	1,596	1,689	2,025	1,939	1,789
Total Provisions	0	0	0	0	0
Total Liabilities	4,290	4,588	5,159	4,704	4,592
Shareholders' Equity	4,600	5,054	5,764	6,715	7,972
Minority Interests	684	1,145	1,185	1,233	1,291
Total Equity	5,285	6,199	6,949	7,948	9,262

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue Growth	10.1%	(26.8%)	(35.5%)	5.7%	32.1%
Operating EBITDA Growth	14.7%	(37.5%)	(55.9%)	26.8%	59.1%
Operating EBITDA Margin	29.5%	25.2%	17.3%	20.7%	24.9%
Net Cash Per Share (VND)	4,173	3,947	329	(769)	732
BVPS (VND)	17,830	19,461	20,344	23,700	28,136
Gross Interest Cover	27.82	15.61	4.39	4.96	8.66
Effective Tax Rate	21.3%	17.9%	20.0%	20.0%	20.0%
Net Dividend Payout Ratio	9.9%	13.5%	14.8%	12.6%	9.8%
Accounts Receivables Days	126.5	238.9	309.2	266.7	214.4
Inventory Days	-	-	-	-	-
Accounts Payables Days	52.20	54.84	53.41	45.89	39.52
ROIC (%)	37.0%	15.3%	4.9%	5.3%	7.0%
ROCE (%)	21.8%	11.2%	10.5%	6.0%	7.5%
Return On Average Assets	8.8%	9.3%	4.7%	8.7%	10.6%

Key Drivers

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Unbooked Presales (m) (VND)	1,388,201.9	4,475,087.6	7,474,229.9	9,934,559.8	12,254,534.9
Unbooked Presales (area: m sm)	N/A	N/A	N/A	N/A	N/A
Unbooked Presales (units)	989.0	2,338.0	3,505.0	4,123.0	4,607.0
Unsold attrib. landbank (area: m sm)	N/A	N/A	N/A	N/A	N/A
Gross Margins (%)	41.6%	32.7%	55.0%	55.6%	53.6%
Contracted Sales ASP (per Sm) (VND)	N/A	N/A	N/A	N/A	N/A
Residential EBIT Margin (%)	26.3%	33.5%	38.7%	32.9%	35.2%
Investment rev / total rev (%)	N/A	N/A	N/A	N/A	N/A
Residential rev / total rev (%)	69.0%	77.3%	37.7%	55.2%	65.1%
Inv. properties rental margin (%)	N/A	N/A	N/A	N/A	N/A
SG&A / Sales Ratio (%)	5.0%	5.0%	5.0%	5.0%	5.0%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Vietnam

ADD

Consensus ratings*: Buy 7 Hold 5 Sell 0

Current price:	VND23,600
Target price:	VND28,400
Previous target:	N/A
Up/downside:	20.3%
CGS-CIMB / Consensus:	10.1%

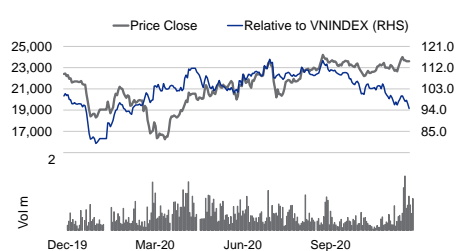
Reuters:	NT2.HM
Bloomberg:	NT2 VN
Market cap:	US\$293.4m
	VND6,793,875m
Average daily turnover:	US\$0.26m
	VND5,968m

Current shares o/s:	287.9m
Free float:	32.4%

*Source: Bloomberg

Key changes in this note

No changes.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	1.7	-2.5	5.4
Relative (%)	-8.4	-21.4	-4.7

Major shareholders	% held
PetroVietnam Power	59.4
CFTD Technologies	8.3

Analyst(s)

Mai PHAM

T (84) 94 328 0850

E mai.phamle@vndirect.com.vn

PetroVietnam Power Nhon Trach 2 JSC

Feeding power-hungry Vietnam

- We expect FY21F net profit to grow 39.6% yoy on the back of a recovery in utilisation rate, higher CGM price, and easing pressure on interest expense.
- Reiterate Add with a TP of VND28,400.

Major thermal power plant in Vietnam's southern region

NT2 is the newest and most modern gas-fired power plant in Vietnam with 750MW of power generation capacity, covering 2.4% of Vietnam's power demand. The plant is located in the heart of the southern region, which accounts for 46-48% of the country's total demand with 2015-19 demand CAGR of 9.1%. We expect NT2 would benefit from the widening power shortage in this region, due to delays in key power projects, and maintain a high utilisation rate of average 70% in FY20-22F, similar to its FY17-19 level.

NT2's net profit to recover in FY21F

We expect NT2's FY20F net profit to drop 26.6% yoy to VND575bn due to a periodic maintenance in Sep-Oct which could reduce FY20F utilisation rate to 65%, and a 13.5% yoy lower selling prices on the competitive generation market (CGM) amid weak electricity demand as a result of Covid-19 disruptions. However, we expect net profit to rebound to VND774bn in FY21F, thanks to: (1) a recovery in utilisation rate (from 65% to 72%) after the periodic maintenance, (2) lower interest pressure (by VND30bn-40bn per year) as NT2 would pay off all long-term debts from 1H21F, and (3) a recovery in electricity selling price (+3.5% yoy) as demand growth returns to the normal rate of 8-9% p.a.

High dividend payouts offer attractive yields

We expect NT2 to maintain a sustainable cash flow from operation of VND1,000bn-1,200bn annually, supported by the rising electricity demand in Vietnam. This should allow the company to maintain its dividend payment of VND2,000-2,500/share in FY20-21F (similar to the FY15-19 period), then increase its payment to VND3,200/share from FY22F, in our estimates. This translates to attractive dividend yield of 8.4-10.5% in FY20-21F.

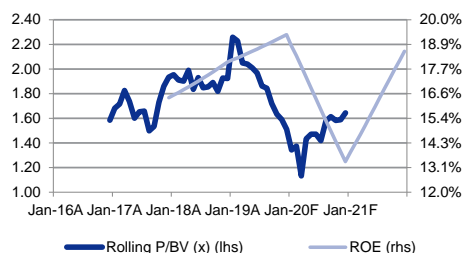
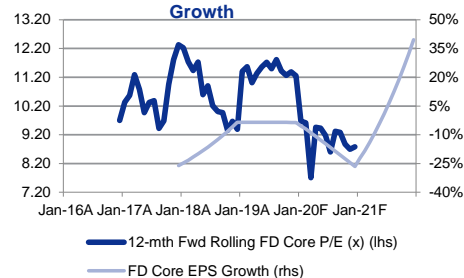
Reiterate Add with a TP of VND28,400

We recommend Add for NT2 as we expect its plant to benefit from the power shortage condition in the southern region, on top of its sustainable, high dividend yield. Our TP is based on an equal weighting of: (1) 10-year DCF valuation, and (2) target FY21F EV/EBITDA of 5.5x. Potential re-rating catalysts are improvements in utilisation rate and CGM prices from FY21F. Downside risks include lower-than-expected prices post power purchasing contract renegotiation and unexpected gas supply issues which could affect NT2's operation.

Financial Summary

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue (VNDb)	7,670	7,654	6,066	6,956	7,154
Operating EBITDA (VNDb)	1,608	1,578	1,310	1,524	1,551
Net Profit (VNDb)	782.2	754.2	554.1	773.6	797.7
Core EPS (VND)	2,717	2,620	1,925	2,687	2,771
Core EPS Growth	(3.5%)	(3.6%)	(26.5%)	39.6%	3.1%
FD Core P/E (x)	8.69	9.01	12.26	8.78	8.52
DPS (VND)	6,286	899	2,000	2,500	3,200
Dividend Yield	26.6%	3.8%	8.5%	10.6%	13.6%
EV/EBITDA (x)	6.02	5.06	5.54	4.44	3.93
P/FCFE (x)	3.93	10.54	13.86	10.00	3.88
Net Gearing	78.3%	28.9%	11.1%	(0.7%)	(17.0%)
P/BV (x)	1.84	1.65	1.64	1.61	1.65
ROE	18.0%	19.3%	13.4%	18.5%	19.2%
% Change In Core EPS Estimates					
CGS-CIMB/Consensus EPS (x)			0.85	1.14	0.99

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS
P/BV vs ROE

12-mth Fwd FD Core P/E vs FD Core EPS Growth

Profit & Loss

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues	7,670	7,654	6,066	6,956	7,154
Gross Profit	1,015	974	698	919	948
Operating EBITDA	1,608	1,578	1,310	1,524	1,551
Depreciation And Amortisation	(694)	(690)	(695)	(694)	(693)
Operating EBIT	914	888	615	830	858
Financial Income/(Expense)	(119)	(120)	(62)	(42)	(46)
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Non-Operating Income/(Expense)	29	30	30	30	30
Profit Before Tax (pre-EI)	824	797	583	818	842
Exceptional Items					
Pre-tax Profit	824	797	583	818	842
Taxation	(42)	(43)	(29)	(45)	(44)
Exceptional Income - post-tax					
Profit After Tax	782	754	554	774	798
Minority Interests	0	0	0	0	0
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	782	754	554	774	798
Recurring Net Profit	782	754	554	774	798
Fully Diluted Recurring Net Profit	782	754	554	774	798

Cash Flow

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
EBITDA	1,608	1,578	1,310	1,524	1,551
Cash Flow from Inv. & Assoc.	0	0	0	0	0
Change In Working Capital	107	544	44	(282)	79
(Incr)/Decr in Total Provisions	(23)	0	0	0	0
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	63	14	340	9	200
Net Interest (Paid)/Received	(210)	(179)	(94)	(19)	(21)
Tax Paid	(25)	(39)	(29)	(45)	(44)
Cashflow From Operations	1,520	1,917	1,571	1,187	1,764
Capex	(2)	(5)	(8)	(7)	(6)
Disposals Of FAs/subsidiaries	0	1	1	2	1
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	945	(183)	(25)	(10)	(10)
Cash Flow From Investing	943	(187)	(31)	(15)	(15)
Debt Raised/(repaid)	(734)	(1,085)	(1,050)	(492)	0
Proceeds From Issue Of Shares	0	0	0	0	0
Shares Repurchased	0	0	0	0	0
Dividends Paid	(1,810)	(259)	(576)	(720)	(921)
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing	(2,544)	(1,344)	(1,626)	(1,212)	(921)
Total Cash Generated	(81)	386	(86)	(40)	828
Free Cashflow To Equity	1,729	645	490	679	1,749
Free Cashflow To Firm	2,673	1,909	1,633	1,191	1,770

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Cash And Equivalents	66	651	334	329	998
Total Debtors	2,520	1,459	1,577	1,808	1,860
Inventories	261	302	218	250	254
Total Other Current Assets	0	4	2	3	2
Total Current Assets	2,847	2,416	2,130	2,390	3,115
Fixed Assets	5,538	4,853	4,166	3,480	2,793
Total Investments	3	1	4	4	4
Intangible Assets	25	23	22	22	22
Total Other Non-Current Assets	440	270	266	276	299
Total Non-current Assets	6,005	5,148	4,459	3,781	3,117
Short-term Debt	1,391	1,350	792	300	300
Current Portion of Long-Term Debt					
Total Creditors	1,569	195	857	570	788
Other Current Liabilities	613	1,399	809	1,087	1,027
Total Current Liabilities	3,572	2,944	2,458	1,957	2,115
Total Long-term Debt	1,558	492	0	0	0
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	38	1	1	1	1
Total Non-current Liabilities	1,597	493	1	1	1
Total Provisions	0	0	0	0	0
Total Liabilities	5,169	3,437	2,459	1,958	2,115
Shareholders' Equity	3,683	4,127	4,131	4,213	4,117
Minority Interests	0	0	0	0	0
Total Equity	3,683	4,127	4,131	4,213	4,117

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue Growth	13.4%	(0.2%)	(20.7%)	14.7%	2.8%
Operating EBITDA Growth	(18.4%)	(1.9%)	(17.0%)	16.3%	1.8%
Operating EBITDA Margin	21.0%	20.6%	21.6%	21.9%	21.7%
Net Cash Per Share (VND)	(10,016)	(4,136)	(1,593)	101	2,426
BVPS (VND)	12,795	14,336	14,349	14,635	14,300
Gross Interest Cover	8.72	10.11	13.13	85.54	80.46
Effective Tax Rate	5.06%	5.42%	5.00%	5.46%	5.23%
Net Dividend Payout Ratio	231%	34%	104%	93%	115%
Accounts Receivables Days	102.7	94.9	91.6	88.8	93.6
Inventory Days	14.27	15.38	17.73	14.14	14.83
Accounts Payables Days	68.30	48.19	35.85	43.12	39.93
ROIC (%)	12.5%	14.2%	12.1%	19.1%	21.6%
ROCE (%)	12.5%	14.4%	11.7%	17.8%	19.4%
Return On Average Assets	9.6%	10.7%	8.7%	12.8%	13.6%

Key Drivers

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Power Despached (GWh)	4,737.2	4,952.1	4,270.5	4,730.4	4,730.4
Capacity (MW)	750.0	750.0	750.0	750.0	750.0
Average Capacity Utilisation (%)	72.1%	75.4%	65.0%	72.0%	72.0%
Avg tariff/ASP per kwh (% chg)	N/A	N/A	N/A	N/A	N/A
Fuel Cost Per Kwh (% Change)	N/A	N/A	N/A	N/A	N/A
Industry Reserve Margin (%)	N/A	N/A	N/A	N/A	N/A

SOURCES: VND RESEARCH, COMPANY REPORTS

Vietnam

ADD (no change)

Consensus ratings*: Buy 1 Hold 1 Sell 0

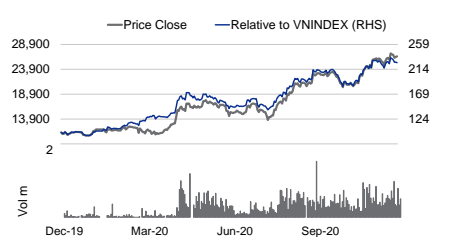
Current price:	VND26,500
Target price:	VND30,900
Previous target:	VND30,900
Up/downside:	16.6%
CGS-CIMB / Consensus:	30.4%

Reuters:	PLC.HM
Bloomberg:	PLC VN
Market cap:	US\$92.45m
	VND2,141,136m
Average daily turnover:	US\$0.53m
	VND12,210m
Current shares o/s:	80.80m
Free float:	16.0%

*Source: Bloomberg

Key changes in this note

No changes.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	6.9	14.7	147.7
Relative (%)	-3.2	-4.2	137.6

Major shareholders	% held
Viet Nam National Petroleum Group	79.1
Vu Van Chien	0.5

Analyst(s)

Trung TRAN

T (84) 97 665 3885

E trung.tranba@vndirect.com.vn

Petrolimex Petrochemical JSC

Set for upward trajectory from 2021F

- PLC is Vietnam's largest asphalt producer with a 30% market share in 2019.
- We believe PLC will be the key beneficiary of the country's expected strong asphalt demand growth of 20-25% p.a. in FY21-22F.
- Reiterate Add and target price of VND30,900.

Subdued oil price to improve gross profit margin

On the back of plunging oil prices in 9M20, the GPMs of lubricant and asphalt expanded by 2.1% pts and 3.0% pts, respectively. Overall, PLC's blended GPM grew by 3.6% pts and finished 9M20 at 17.5%, compared with 13.9% in 9M19. We project average FY20F/21F oil price to be US\$42/50 per barrel (-34.3%/+19.0% yoy) in our base case, which would lift PLC's GPM to 17.6%/16.3% in FY20F/21F, from 13.6% in 2019.

Riding on state investment expansion

As asphalt paving usually takes place in the later stages of road-building projects, we expect asphalt companies' sales to benefit more in FY21-22F. Thus, we project that Vietnam's asphalt demand growth of 20-25% p.a. in FY21-22F. As PLC is the leading Vietnam asphalt producer with a 30% market share as of 2019, we think it would benefit from the state investment expansion. We forecast PLC's asphalt to post a revenue CAGR of 27.0%, helping total revenue grow at 16.4% CAGR in FY21-22F.

Expected higher lubricant demand growth in 2021F

Lubricant demand has been affected by restrictions in the movement of people and goods, as well as slowing economic growth, during the Covid-19 outbreak in 2020. According to PwC estimates, Vietnam's lubricant demand will likely decrease by 6.4% yoy in 2020 before recovering strongly by 8.5% in 2021F. As PLC is one of the leaders in a highly fragmented lubricant industry with an estimated volume share of 8%, we forecast PLC's lubricant sales volume rising by 8% yoy in 2021F.

We see a solid outlook for PLC's earnings in FY21F

We forecast PLC's revenue growing 29.1% yoy and net profit jumping 61.2% yoy in FY21F on the back of: (1) a 47.8% yoy growth in FY21F asphalt sales volume; and (2) a decrease in its administrative expense-to-revenue ratio to 3.2% in FY21F, from 4% in FY20F, on expectations that progress in the disbursement of public investment will be speedier, helping the company reduce its provisions for receivables.

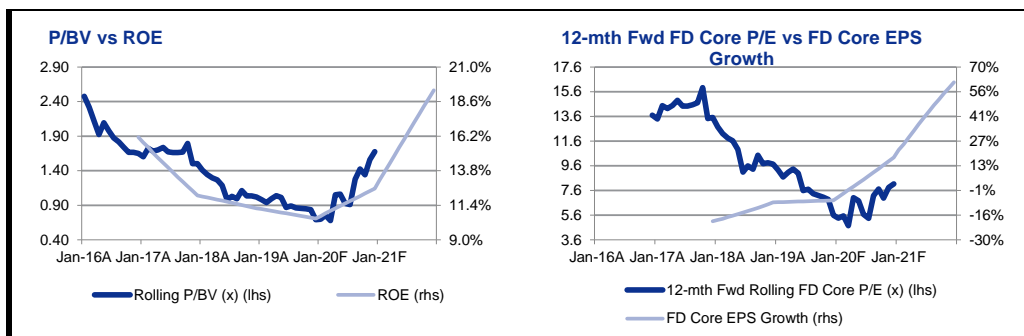
Reiterate Add and target price of VND30,900

Our TP is based on an FY21F EPS of VND3,256/share and target P/E of 9.5x, equivalent to PLC's historical 1-year average P/E. We expect a VND2,500 dividend per share for FY21F, which is equivalent to a 9.3% FY21F dividend yield. A risk to our call is higher-than-expected oil price. A potential re-rating catalyst is earlier-than-expected acceleration in public investment.

Financial Summary	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue (VNDb)	6,434	6,160	5,329	6,878	7,220
Operating EBITDA (VNDb)	316.7	328.7	340.9	466.8	443.0
Net Profit (VNDb)	149.3	138.7	163.2	263.1	244.0
Core EPS (VND)	1,848	1,717	2,020	3,256	3,019
Core EPS Growth	(8.3%)	(7.1%)	17.7%	61.2%	(7.3%)
FD Core P/E (x)	14.34	15.44	13.12	8.14	8.78
DPS (VND)	1,997	0	2,000	2,500	2,500
Dividend Yield	7.54%	0.00%	7.55%	9.43%	9.43%
EV/EBITDA (x)	11.53	9.57	9.24	6.91	7.33
P/FCFE (x)	11.87	NA	9.52	8.10	7.95
Net Gearing	117%	78%	81%	78%	75%
P/BV (x)	1.62	1.62	1.68	1.49	1.42
ROE	11.2%	10.5%	12.6%	19.4%	16.6%
% Change In Core EPS Estimates				1.23	1.46
CGS-CIMB/Consensus EPS (x)					

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues	6,434	6,160	5,329	6,878	7,220
Gross Profit	871	841	930	1,124	1,134
Operating EBITDA	317	329	341	467	443
Depreciation And Amortisation	(57)	(72)	(89)	(97)	(97)
Operating EBIT	260	256	252	370	346
Financial Income/(Expense)	(54)	(83)	(50)	(36)	(37)
Pretax Income/(Loss) from Assoc.	(20)	(12)	3	3	3
Non-Operating Income/(Expense)	8	24	7	4	5
Profit Before Tax (pre-EI)	194	185	212	341	317
Exceptional Items					
Pre-tax Profit	194	185	212	341	317
Taxation	(41)	(40)	(45)	(71)	(67)
Exceptional Income - post-tax					
Profit After Tax	153	145	168	270	250
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax	(4)	(6)	(4)	(7)	(6)
Net Profit	149	139	163	263	244
Recurring Net Profit	149	139	163	263	244
Fully Diluted Recurring Net Profit	149	139	163	263	244

Cash Flow

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
EBITDA	316.7	328.7	340.9	466.8	443.0
Cash Flow from Invt. & Assoc.	(19.7)	(12.0)	3.0	3.0	3.0
Change In Working Capital	(329.7)	632.1	35.9	(203.8)	(91.9)
(Incr)/Decr in Total Provisions	(13.6)	0.8	0.0	0.0	0.0
Other Non-Cash (Income)/Expense	0.0	0.0	0.0	0.0	0.0
Other Operating Cashflow	30.3	23.7	40.2	46.5	44.9
Net Interest (Paid)/Received	(85.6)	(127.1)	(109.6)	(106.0)	(105.5)
Tax Paid	(40.5)	(50.0)	(44.9)	(71.3)	(66.7)
Cashflow From Operations	(142.0)	796.2	265.5	135.2	226.9
Capex	(222.2)	(202.3)	(150.0)	(150.0)	(150.0)
Disposals Of FAs/subsidiaries	1.4	24.6	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	(67.0)	(149.2)	(416.0)	202.8	0.0
Other Investing Cashflow	15.4	26.8	0.0	0.0	0.0
Cash Flow From Investing	(272.4)	(300.1)	(566.0)	52.8	(150.0)
Debt Raised/(repaid)	594.8	(534.0)	525.3	76.5	192.5
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0	0.0
Shares Repurchased					
Dividends Paid	(161.4)	(129.2)	(161.6)	(202.0)	(202.0)
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing	433.5	(663.2)	363.7	(125.5)	(9.5)
Total Cash Generated	19.0	(167.1)	63.2	62.4	67.5
Free Cashflow To Equity	180.4	(37.9)	224.8	264.4	269.5
Free Cashflow To Firm	(328.8)	623.1	(190.9)	294.0	182.4

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Cash And Equivalents	694	677	1,156	1,016	1,083
Total Debtors	1,879	1,569	1,472	1,790	1,780
Inventories	1,139	990	964	1,025	1,084
Total Other Current Assets	84	73	63	81	85
Total Current Assets	3,796	3,308	3,655	3,912	4,033
Fixed Assets	839	950	1,012	1,066	1,119
Total Investments	44	32	32	32	32
Intangible Assets	4	5	4	3	3
Total Other Non-Current Assets	171	169	163	211	221
Total Non-current Assets	1,059	1,156	1,211	1,311	1,374
Short-term Debt	2,160	1,605	2,087	2,057	2,175
Current Portion of Long-Term Debt					
Total Creditors	1,140	1,304	1,265	1,498	1,518
Other Current Liabilities	141	115	120	144	152
Total Current Liabilities	3,441	3,024	3,473	3,698	3,845
Total Long-term Debt	88	109	108	76	44
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	0	10	9	11	12
Total Non-current Liabilities	88	119	117	87	56
Total Provisions	0	0	0	0	0
Total Liabilities	3,530	3,143	3,590	3,786	3,901
Shareholders' Equity	1,325	1,322	1,277	1,438	1,506
Minority Interests					
Total Equity	1,325	1,322	1,277	1,438	1,506

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue Growth	27.5%	(4.3%)	(13.5%)	29.1%	5.0%
Operating EBITDA Growth	(2.7%)	3.8%	3.7%	36.9%	(5.1%)
Operating EBITDA Margin	4.92%	5.34%	6.40%	6.79%	6.14%
Net Cash Per Share (VND)	(19,229)	(12,834)	(12,862)	(13,830)	(14,056)
BVPS (VND)	16,395	16,359	15,801	17,792	18,643
Gross Interest Cover	3.04	2.02	2.30	3.49	3.28
Effective Tax Rate	21.2%	21.7%	21.2%	20.9%	21.0%
Net Dividend Payout Ratio	84.8%	NA	77.6%	60.4%	65.0%
Accounts Receivables Days	97.7	102.1	104.4	86.6	90.2
Inventory Days	62.85	73.04	81.29	63.08	63.23
Accounts Payables Days	63.0	83.8	106.9	87.6	90.4
ROIC (%)	8.8%	7.1%	8.5%	12.8%	10.8%
ROCE (%)	8.9%	9.1%	9.6%	12.5%	11.4%
Return On Average Assets	5.34%	5.23%	5.31%	7.19%	6.39%

Key Drivers

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Oil Price (US\$/bbl)	71.7	64.2	42.7	50.0	55.0
Volume Growth (%)	14.2%	-0.7%	-8.4%	32.8%	4.3%
Ratio Of Up To Downstream (x)	N/A	N/A	N/A	N/A	N/A
Operating Cash Cost (US\$/bbl)	N/A	N/A	N/A	N/A	N/A
Ratio Of High To Low Margin (x)	N/A	N/A	N/A	N/A	N/A

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Vietnam

ADD (no change)

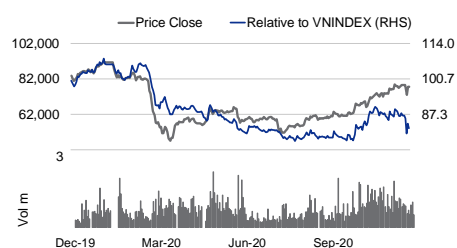
Consensus ratings*: Buy 10 Hold 3 Sell 0

Current price:	VND77,600
Target price:	VND99,500
Previous target:	VND99,500
Up/downside:	28.2%
CGS-CIMB / Consensus:	17.6%
Reuters:	PNJ.HM
Bloomberg:	PNJ.VN
Market cap:	US\$754.3m
	VND17,469,624m
Average daily turnover:	US\$2.94m
	VND68,182m
Current shares o/s:	225.3m
Free float:	80.0%

*Source: Bloomberg

Key changes in this note

▶ No changes.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	5.1	29.3	-7.1
Relative (%)	-5	10.4	-17.2

Major shareholders	% held
Cao Thi Ngoc Dung	9.0
LGM Investments Ltd	4.4
Route One Investment Company	3.9

Analyst(s)



Bach PHAN Nhu

T (84) 90 928 3119

E bach.phannhu@vndirect.com.vn

Phu Nhuan Jewelry JSC

Ready to sparkle again

- Phu Nhuan Jewelry JSC (PNJ) is Vietnam's biggest jewellery retailer, with a market share of 35.8% in 3Q20, based on our estimates.
- We forecast 15.2% net profit CAGR in FY21-22F, a strong rebound from the decline of 8.6% yoy seen in FY20F.
- Reiterate Add, with a TP of VND99,500 per share

Biggest jewellery retailer in Vietnam

As at 31 Oct 20, PNJ had 341 retail stores, mainly concentrated in big cities, such as Ha Noi, Ho Chi Minh City and Da Nang, with the largest market share in Vietnam's jewellery segment (c.35.8% in 3Q20). In 10M20, PNJ's revenue stayed flat yoy at VND13,495bn while its 10M20 net profit decreased 13% yoy to VND817bn.

Has not lost its shine

We believe PNJ has overcome the toughest times caused by the Covid-19 pandemic and should surpass its pre-Covid-19 levels in 2021-22F, thanks to: 1) its position as Vietnam's largest jewellery chain, outperforming Vietnam's jewellery market in 9M20, based on our estimates; 2) Covid-19 vaccines, which are expected to be distributed in 2021F, improving consumer confidence and demand for discretionary goods; and 3) the release of its new collection — STYLE by PNJ — which targets the young generation with trendy marketing campaigns; this is expected to boost retail sales revenue in the next few years.

We forecast 15.2% FY21-22F net profit CAGR

We expect PNJ's retail sales revenue to maintain its growth momentum to grow 10.1% yoy/9.5% yoy in 2021F/22F while wholesale revenue should mark a recovery in the same period from a low base in 2020F to pre-Covid-19 levels as the global economy recovers after vaccines are widely distributed. We also expect growth of gold bar revenue to slow down in 2021F before making a decline in 2022F. As a result, PNJ's topline is expected to increase 9.9%/7.2% in 2021F/22F, bringing its bottomline growth to 16.3%/14.2%.

Reiterate Add, with a TP of VND99,500 per share

We reiterate our Add call with a TP of VND99,500 per share following: 1) our assumptions of risk-free rate of 3% and WACC of 10.6%; 2) stronger-than-market retail jewellery sales during the Covid-19 pandemic to maintain its growth momentum in FY21F/22F; and 3) the recovery of the world economy in FY21F-22F, thanks to Covid-19 vaccines.

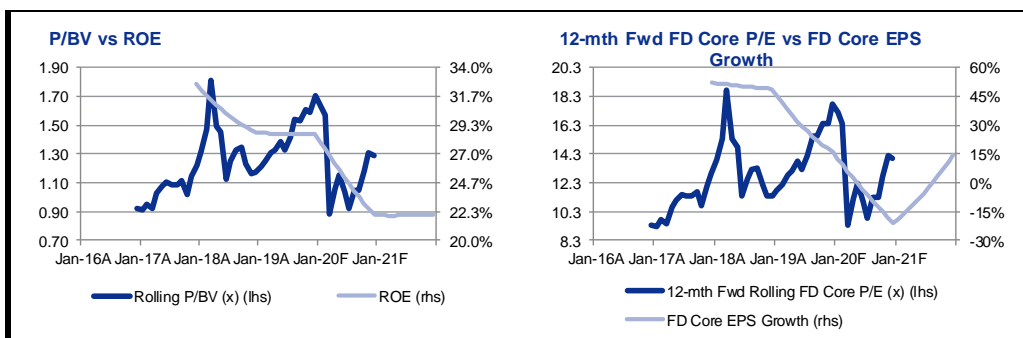
Re-rating catalysts and downside risks

Potential re-rating catalysts include: 1) faster-than-expected store openings, 2) better-than-expected recovery after the pandemic, and 3) new projects to boost sales. A downside risk to our call is another wave of Covid-19 outbreaks in Vietnam.

Financial Summary

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue (VNDb)	14,573	17,001	18,064	19,850	21,276
Operating EBITDA (VNDb)	1,263	1,619	1,451	1,660	1,891
Net Profit (VNDb)	960	1,191	1,088	1,265	1,445
Core EPS (VND)	4,242	5,260	4,806	5,560	6,351
Core EPS Growth	(39.7%)	24.0%	(8.6%)	15.7%	14.2%
FD Core P/E (x)	14.65	12.63	15.99	13.96	12.22
DPS (VND)	2,000	1,800	1,800	1,800	1,800
Dividend Yield	2.58%	2.32%	2.32%	2.32%	2.32%
EV/EBITDA (x)	14.99	12.41	12.35	10.78	9.11
P/FCFE (x)	94.0	130.5	10.3	69.6	15.9
Net Gearing	36.3%	55.1%	6.8%	3.9%	(5.8%)
P/BV (x)	1.30	1.54	1.28	1.21	1.11
ROE	28.7%	28.6%	22.0%	22.1%	21.7%
% Change In Core EPS Estimates					
CGS-CIMB/Consensus EPS (x)			1.13	1.08	0.97

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues	14,573	17,001	18,064	19,850	21,276
Gross Profit	2,779	3,461	3,452	3,821	4,186
Operating EBITDA	1,263	1,619	1,451	1,660	1,891
Depreciation And Amortisation	0	0	0	0	0
Operating EBIT	1,263	1,619	1,451	1,660	1,891
Financial Income/(Expense)	(60)	(117)	(91)	(78)	(84)
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Non-Operating Income/(Expense)	3	1	(0)	(1)	(1)
Profit Before Tax (pre-EI)	1,206	1,503	1,360	1,581	1,806
Exceptional Items					
Pre-tax Profit	1,206	1,503	1,360	1,581	1,806
Taxation	(246)	(312)	(272)	(316)	(361)
Exceptional Income - post-tax					
Profit After Tax	960	1,191	1,088	1,265	1,445
Minority Interests	0	0	0	0	0
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	960	1,191	1,088	1,265	1,445
Recurring Net Profit	960	1,191	1,088	1,265	1,445
Fully Diluted Recurring Net Profit	960	1,191	1,088	1,265	1,445

Cash Flow

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
EBITDA	1,263	1,619	1,451	1,660	1,891
Cash Flow from Inv. & Assoc.	0	0	0	0	0
Change In Working Capital	(1,293)	(1,953)	927	(250)	(226)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	1	(0)	(1)	(1)	(2)
Other Operating Cashflow	(28)	9	595	(270)	130
Net Interest (Paid)/Received	(64)	(110)	(90)	(77)	(83)
Tax Paid	(232)	(291)	(272)	(316)	(361)
Cashflow From Operations	(354)	(727)	2,610	745	1,349
Capex	(336)	(208)	(121)	(267)	(352)
Disposals Of FAs/subsidiaries	1	1	1	1	2
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	166	1	(2)	(7)	(6)
Cash Flow From Investing	(169)	(206)	(122)	(273)	(356)
Debt Raised/(repaid)	672	1,048	(805)	(218)	114
Proceeds From Issue Of Shares	97	69	23	0	0
Shares Repurchased	0	(2)	0	0	0
Dividends Paid	(265)	(344)	(410)	(410)	(410)
Preferred Dividends					
Other Financing Cashflow	0	(2)	0	0	0
Cash Flow From Financing	505	769	(1,191)	(628)	(296)
Total Cash Generated	(18)	(164)	1,297	(156)	698
Free Cashflow To Equity	150	115	1,684	254	1,107
Free Cashflow To Firm	(456)	(814)	2,588	560	1,087

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Cash And Equivalents	207	95	1,448	1,353	2,124
Total Debtors	176	139	169	189	199
Inventories	4,816	7,019	5,865	6,205	6,460
Total Other Current Assets	82	78	146	122	133
Total Current Assets	5,280	7,331	7,628	7,870	8,917
Fixed Assets	719	924	988	1,192	1,469
Total Investments	0	0	0	0	0
Intangible Assets	0	0	0	0	0
Total Other Non-Current Assets	304	346	347	355	360
Total Non-current Assets	1,023	1,270	1,336	1,547	1,830
Short-term Debt	1,558	2,611	1,806	1,588	1,702
Current Portion of Long-Term Debt					
Total Creditors	846	1,335	1,143	1,338	1,426
Other Current Liabilities	138	73	731	353	444
Total Current Liabilities	2,542	4,018	3,680	3,278	3,573
Total Long-term Debt	8	4	4	4	4
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	8	4	4	4	4
Total Non-current Liabilities	16	8	8	8	8
Total Provisions	0	0	0	0	0
Total Liabilities	2,558	4,026	3,688	3,286	3,581
Shareholders' Equity	3,745	4,574	5,299	6,154	7,189
Minority Interests	0	0	0	0	0
Total Equity	3,745	4,574	5,299	6,154	7,189

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue Growth	32.8%	16.7%	6.3%	9.9%	7.2%
Operating EBITDA Growth	33.0%	28.2%	(10.4%)	14.4%	13.9%
Operating EBITDA Margin	8.70%	9.50%	8.00%	8.40%	8.90%
Net Cash Per Share (VND)	(21,587)	(27,783)	(4,129)	(2,477)	4,083
BVPS (VND)	59,468	50,441	60,437	63,989	70,110
Gross Interest Cover	19.00	13.60	14.60	19.00	20.20
Effective Tax Rate	20.4%	20.8%	20.0%	20.0%	20.0%
Net Dividend Payout Ratio	27.6%	28.9%	37.7%	32.4%	28.4%
Accounts Receivables Days	1.50	1.30	1.10	1.30	1.30
Inventory Days	127.2	159.5	161.4	137.4	135.2
Accounts Payables Days	8.80	13.20	14.60	12.10	12.80
ROIC (%)	28.6%	25.1%	16.4%	23.5%	23.7%
ROCE (%)	27.7%	25.9%	20.4%	22.5%	22.8%
Return On Average Assets	18.7%	17.2%	13.2%	14.4%	15.0%

Key Drivers

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% , main prod./serv.)	N/A	N/A	N/A	N/A	N/A
No. of POS (main prod/serv)	205	256	256	287	307
SSS grth (% , main prod/serv)	N/A	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% ,2ndary prod/serv)	N/A	N/A	N/A	N/A	N/A
No. of POS (2ndary prod/serv)	236	225	225	214	214
SSS grth (% , 2ndary prod/serv)	N/A	N/A	N/A	N/A	N/A

SOURCES: VND RESEARCH, COMPANY REPORTS

Vietnam

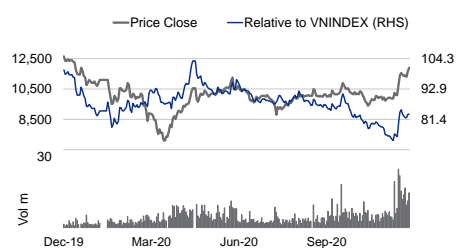
ADD (no change)

Consensus ratings*: Buy 10 Hold 2 Sell 0

Current price:	VND11,900
Target price:	VND13,300
Previous target:	VND13,300
Up/downside:	11.8%
CGS-CIMB / Consensus:	1.5%
Reuters:	POW.HM
Bloomberg:	POW VN
Market cap:	US\$1,203m
	VND27,868,272m
Average daily turnover:	US\$3.23m
	VND74,691m
Current shares o/s:	2,342m
Free float:	20.0%
*Source: Bloomberg	

Key changes in this note

No changes.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	19	19	-3.7
Relative (%)	8.9	0.1	-13.8

Major shareholders	% held
Vietnam Oil and Gas Group	79.9
Norges Bank	1.3
Amersham Industries Limited	0.7

Analyst(s)

Mai PHAM

T (84) 94 328 0850

E mai.phamle@vndirect.com.vn

PetroVietnam Power Corporation

On track for recovery

- We expect FY21F net profit to increase 16.4% yoy on the back of a 10.8% yoy rebound in electricity sales volume and 4.7% yoy growth in ASP.
- Reiterate Add at unchanged TP of VND13,300.

10M20 revenue within expectations

PVPower (POW) reported 10M20 sales volumes at 16.1bn kWh, down 13.5% yoy mainly due to weak mobilisation at Nhon Trach 1 plant, the 36-day medium maintenance at Nhon Trach 2 plant and slightly lower hydropower volumes due to water shortage at the beginning of 2020. Net revenue declined 15.8% yoy as selling prices on the competitive generation market (CGM) continued their downward trend, -76% mom in Oct and -24.2% yoy in 10M due to a sharp recovery in the low-priced hydropower source. 10M net revenue completed 80.3% of our FY20F forecast, which we deem in-line as we expect Nhon Trach 2 and POW's hydropower plants to be highly utilised in Nov and Dec.

FY21F outlook: earnings to recover on volumes and ASP recovery

We estimate the company's sales volumes in 2021F to increase 10.8% yoy thanks to a rebound in electricity demand post Covid-19. There could be a sharp increase in hydropower volumes (+27.4% yoy), while thermal power mobilisation from EVN should decline as the low-priced hydropower source is prioritised. ASP is forecasted to improve 4.7% yoy on the back of higher gas and coal input prices (which should be passed through to selling prices of contracted volumes) and a soft rebound in CGM prices (+3-5% yoy). We expect net profit to grow 16.4% yoy in FY21F.

Ambitious capacity expansion plan

PVPower has various projects in its pipeline, including the 1,500MW LNG-based Nhon Trach 3 and Nhon Trach 4 plants (NT3 & 4), the newly-approved 1,500MW Quang Ninh LNG project (in cooperation with Japan partners), and some other power projects such as Ca Mau 3 plant, LNG Nam Du terminal, rooftop solar installations. Most of the projects are at initial stages of development, and we consider NT3&4 to be ones with highest visibility. The company is selecting contractors for the bidding packages to start construction in 2021F. We expect these two plants to raise POW's total power capacity by 36% in 2023-24F.

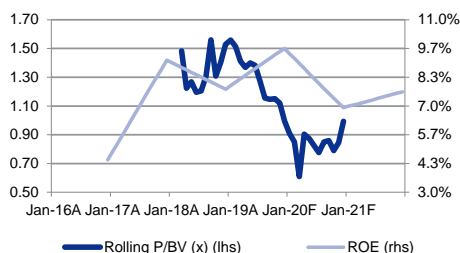
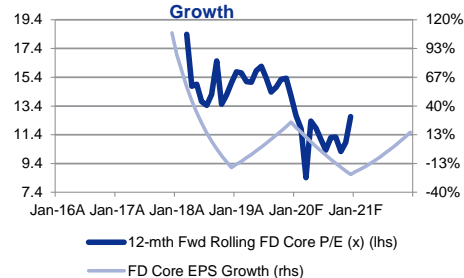
Reiterate Add at unchanged TP of VND13,300

Our TP is based on an equal weighting of DCF and target FY21-22F EV/EBITDA of 6.7x (domestic peer average). A re-rating catalyst is the recovery in sales volume and ASP in FY21F. Downside risks are complications involving the power purchasing agreement renegotiation and further provisions made for EVN's receivables.

Financial Summary

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue (VNDb)	32,662	35,421	29,451	34,143	35,788
Operating EBITDA (VNDb)	7,604	7,048	5,750	6,026	6,319
Net Profit (VNDb)	1,921	2,491	1,905	2,202	2,445
Core EPS (VND)	850	1,064	814	940	1,044
Core EPS Growth	(17.1%)	25.1%	(23.5%)	15.6%	11.0%
FD Core P/E (x)	14.00	11.19	14.63	12.65	11.40
DPS (VND)	0.0	0.0	300.0	300.0	300.0
Dividend Yield	0.00%	0.00%	2.52%	2.52%	2.52%
EV/EBITDA (x)	5.89	5.86	6.99	7.10	7.56
P/FCFE (x)	21.22	13.55	28.65	13.13	21.15
Net Gearing	61.5%	39.9%	33.9%	39.2%	50.7%
P/BV (x)	1.14	1.03	0.99	0.95	0.90
ROE	7.78%	9.68%	6.92%	7.66%	8.08%
CGS-CIMB/Consensus EPS (x)			0.97	0.94	0.99

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS
P/BV vs ROE

12-mth Fwd FD Core P/E vs FD Core EPS Growth

Profit & Loss

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues	32,662	35,421	29,451	34,143	35,788
Gross Profit	4,477	5,123	4,187	4,327	4,574
Operating EBITDA	7,604	7,048	5,750	6,026	6,319
Depreciation And Amortisation	(3,920)	(3,132)	(2,654)	(2,654)	(2,654)
Operating EBIT	3,683	3,917	3,096	3,372	3,665
Financial Income/(Expense)	(1,264)	(877)	(619)	(503)	(450)
Pretax Income/(Loss) from Assoc.	50	57	60	60	60
Non-Operating Income/(Expense)	22	48	12	14	19
Profit Before Tax (pre-EI)	2,492	3,145	2,548	2,943	3,294
Exceptional Items	0	0	0	0	0
Pre-tax Profit	2,492	3,145	2,548	2,943	3,294
Taxation	(205)	(307)	(378)	(434)	(509)
Exceptional Income - post-tax	0	0	0	0	0
Profit After Tax	2,287	2,837	2,170	2,509	2,785
Minority Interests	(366)	(346)	(265)	(306)	(340)
Preferred Dividends	0	0	0	0	0
FX Gain/(Loss) - post tax	0	0	0	0	0
Other Adjustments - post-tax	0	0	0	0	0
Net Profit	1,921	2,491	1,905	2,202	2,445
Recurring Net Profit	1,921	2,491	1,905	2,202	2,445
Fully Diluted Recurring Net Profit	1,921	2,491	1,905	2,202	2,445

Cash Flow

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
EBITDA	7,604	7,048	5,750	6,026	6,319
Cash Flow from Inv. & Assoc.	0	0	0	0	0
Change In Working Capital	(1,114)	(2,057)	449	378	(498)
(Incr)/Decr in Total Provisions	(69)	766	0	0	0
Other Non-Cash (Income)/Expense	22	48	12	14	19
Other Operating Cashflow	(45)	24	98	(219)	56
Net Interest (Paid)/Received	(1,307)	(1,152)	(1,093)	(1,122)	(1,146)
Tax Paid	(96)	(326)	(378)	(434)	(509)
Cashflow From Operations	4,996	4,352	4,837	4,643	4,242
Capex	(219)	(137)	(3,166)	(6,770)	(8,881)
Disposals Of FAs/subsidiaries	125	4	0	0	0
Acq. Of Subsidiaries/investments	891	(207)	(2,421)	(280)	0
Other Investing Cashflow	759	299	428	537	595
Cash Flow From Investing	1,555	(42)	(5,158)	(6,513)	(8,286)
Debt Raised/(repaid)	(5,284)	(2,254)	1,294	3,992	5,362
Proceeds From Issue Of Shares	0	2	0	0	0
Shares Repurchased	0	0	0	0	0
Dividends Paid	(349)	(119)	(703)	(703)	(703)
Preferred Dividends	0	0	0	0	0
Other Financing Cashflow	0	0	1	38	13
Cash Flow From Financing	(5,633)	(2,370)	592	3,327	4,673
Total Cash Generated	919	1,940	271	1,457	628
Free Cashflow To Equity	1,267	2,056	973	2,122	1,318
Free Cashflow To Firm	7,858	5,462	772	(748)	(2,898)

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Cash And Equivalents	3,361	5,741	8,433	10,171	10,799
Total Debtors	7,531	8,701	7,199	7,877	8,401
Inventories	4,187	3,912	3,447	4,046	4,222
Total Other Current Assets	172	192	171	191	203
Total Current Assets	15,251	18,546	19,251	22,284	23,625
Fixed Assets	40,113	37,250	35,445	36,677	41,215
Total Investments	1,314	1,205	3,581	6,524	8,273
Intangible Assets	64	71	71	71	71
Total Other Non-Current Assets	1,369	1,097	763	927	936
Total Non-current Assets	42,860	39,623	39,859	44,199	50,494
Short-term Debt	706	3,954	8,846	12,176	14,210
Current Portion of Long-Term Debt	5,848	5,195	3,365	2,000	1,330
Total Creditors	5,900	6,684	5,288	6,073	6,458
Other Current Liabilities	5,116	3,598	3,456	4,343	4,174
Total Current Liabilities	17,571	19,431	20,955	24,593	26,172
Total Long-term Debt	13,304	8,406	6,722	8,797	12,824
Hybrid Debt - Debt Component	0	0	0	0	0
Total Other Non-Current Liabilities	422	729	492	437	502
Total Non-current Liabilities	13,725	9,135	7,214	9,234	13,326
Total Provisions	0	0	0	0	0
Total Liabilities	31,296	28,565	28,169	33,827	39,498
Shareholders' Equity	24,506	26,979	28,053	29,461	31,087
Minority Interests	2,309	2,624	2,889	3,195	3,535
Total Equity	26,815	29,603	30,942	32,656	34,622

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue Growth	9.9%	8.4%	(16.9%)	15.9%	4.8%
Operating EBITDA Growth	(9.7%)	(7.3%)	(18.4%)	4.8%	4.9%
Operating EBITDA Margin	23.3%	19.9%	19.5%	17.6%	17.7%
Net Cash Per Share (VND)	(7,044)	(5,045)	(4,484)	(5,467)	(7,501)
BVPS (VND)	10,464	11,520	11,979	12,580	13,274
Gross Interest Cover	2.82	3.40	2.83	3.01	3.20
Effective Tax Rate	8.2%	9.8%	14.8%	14.7%	15.4%
Net Dividend Payout Ratio	NA	NA	30.8%	26.6%	23.8%
Accounts Receivables Days	79.76	83.63	98.80	80.58	83.01
Inventory Days	49.99	48.78	53.31	45.86	48.34
Accounts Payables Days	70.85	75.80	86.72	69.54	73.27
ROIC (%)	7.63%	9.23%	7.56%	8.79%	9.31%
ROCE (%)	8.46%	9.00%	7.26%	7.41%	7.18%
Return On Average Assets	6.33%	6.92%	5.40%	5.49%	5.33%

Key Drivers

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Power Despatched (GWh)	21,007.0	22,540.3	19,558.9	21,662.7	22,134.2
Capacity (MW)	4,208.2	4,208.2	4,205.0	4,205.0	4,205.0
Average Capacity Utilisation (%)	57.0%	61.1%	53.1%	58.8%	60.1%
Avg tariff/ASP per kwh (% chg)	8.0%	0.3%	-3.9%	4.7%	2.6%
Fuel Cost Per Kwh (% Change)	16.9%	-3.4%	2.3%	11.9%	4.1%
Industry Reserve Margin (%)	N/A	N/A	N/A	N/A	N/A

SOURCES: VND RESEARCH, COMPANY REPORTS

Vietnam

HOLD (no change)

Consensus ratings*: Buy 4 Hold 4 Sell 0

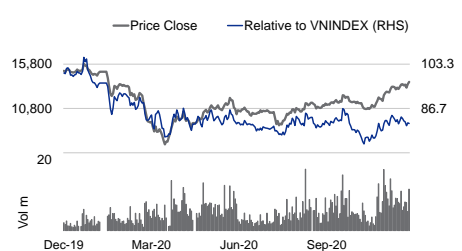
Current price:	VND13,800
Target price:	VND13,400
Previous target:	VND13,400
Up/downside:	-2.9%
CGS-CIMB / Consensus:	6.1%

Reuters:	PVD.HM
Bloomberg:	PVD VN
Market cap:	US\$250.9m
	VND5,811,591m
Average daily turnover:	US\$3.66m
	VND84,883m
Current shares o/s:	421.5m
Free float:	34.0%

*Source: Bloomberg

Key changes in this note

No changes



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	16.5	23.8	-7.1
Relative (%)	6.4	4.9	-17.2

Major shareholders	% held
PetroVietnam Group	50.4
Others	49.6

Analyst(s)

Mai PHAM

T (84) 94 328 0850

E mai.phamle@vndirect.com.vn

PetroVietnam Drilling & Well Services JSC

FY21-22F earnings supported by the TAD rig

- We expect PVDrilling's net profit to increase 19% in FY21F and 136% in FY22F as the TAD rig resumes work from Jul 2021.
- Reiterate Hold with an unchanged TP of VND13,400.

11M20 revenue fulfills full-year guidance

According to PVDrilling (PVD), the majority of its subsidiaries and affiliates had by end-Nov already achieved their full-year revenue guidance, generating an estimated consolidated revenue of VND5,400bn (~US\$231.8m, +23.6% yoy), equivalent to 115.4% of PVD's 2020F guidance and 104.3% of our FY20F revenue forecast. The growth in the topline could be credited to additional revenue from three leased rigs and higher jack-up charter rate of 7-9% yoy, which more than offset a lower average utilisation rate (73% vs. 2019's 90%). However, we estimate PVD to post a 13% decline in FY20F net profit, mainly due to a 2.8% pts contraction in gross margin as a result of additional expenses incurred in response to the Covid-19 restrictions.

FY21F net profit expected to recover on the resumption of TAD rig

We expect the company's average jack-up utilisation rate to improve to 80.0% in 2021F in the best-case scenario, with various job opportunities in the domestic market, such as Te Giac Trang field development, Ken Bau appraisal, drilling programmes of Hoang Long JOC, Cuu Long JOC, JVPC, etc. We forecast net revenue to fall 9.0% yoy on a slightly lower average day rate (US\$60,000), but positive net profit growth of 19% yoy would be primarily driven by the resumption of the tender assist drilling (TAD) rig from Jul 2021F, which would generate lower losses than the cold-stacked 2017-19 period. For FY22F, we estimate 136% growth in net profit thanks to the full-year contribution of the TAD rig, estimated average charter rate growth of 8.3% yoy and a 10% pts improvement in jackup utilisation rate to 90%.

Reiterate Hold with unchanged TP of VND13,400

Our valuation is based on an equal weighting of DCF valuation and 0.4x FY21-23F P/BV. We maintain Hold, as we believe the recent stock price rally has largely priced in an FY21F net profit rebound and support from the oil price recovery.

Upside and downside risks

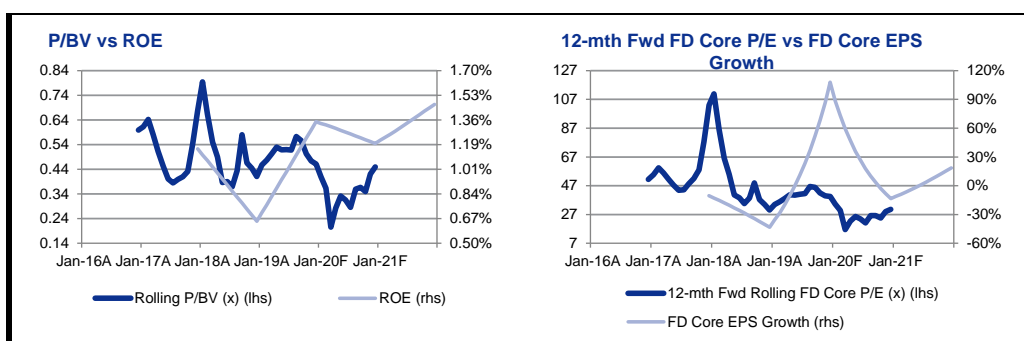
Potential upside risks are faster-than-expected recovery in the drilling sector and quick debt collection. Downside risks include higher operating costs and low oil prices.

Financial Summary

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue (US\$m)	239.2	188.5	222.3	202.3	241.3
Operating EBITDA (US\$m)	30.79	27.06	19.41	23.80	41.68
Net Profit (US\$m)	8.60	7.96	6.87	8.15	19.26
Core EPS (US\$)	0.009	0.019	0.016	0.019	0.046
Core EPS Growth	(43%)	108%	(13%)	19%	136%
FD Core P/E (x)	65.76	31.63	36.54	30.81	13.04
DPS (US\$)	0.000	0.000	-	-	-
Dividend Yield	0.053%	0.048%	0.000%	0.000%	0.000%
EV/EBITDA (x)	8.36	9.32	13.92	10.84	6.04
P/FCFE (x)	13.74	NA	NA	7.90	NA
Net Gearing	4.06%	5.93%	9.12%	6.70%	5.21%
P/BV (x)	0.43	0.42	0.45	0.45	0.47
ROE	0.65%	1.35%	1.19%	1.47%	3.53%
CGS-CIMB/Consensus EPS (x)			1.25	1.49	1.47

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(US\$m)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues	239.2	188.5	222.3	202.3	241.3
Gross Profit	17.3	19.4	16.7	20.5	38.5
Operating EBITDA	30.8	27.1	19.4	23.8	41.7
Depreciation And Amortisation	(26.5)	(25.5)	(15.7)	(17.9)	(23.1)
Operating EBIT	4.3	1.6	3.7	5.9	18.6
Financial Income/(Expense)	(2.9)	(3.3)	(3.3)	(1.5)	(1.5)
Pretax Income/(Loss) from Assoc.	2.6	4.8	6.7	4.0	3.6
Non-Operating Income/(Expense)	6.1	5.1	0.9	1.2	1.7
Profit Before Tax (pre-EI)	10.1	8.2	8.0	9.5	22.5
Exceptional Items					
Pre-tax Profit	10.1	8.2	8.0	9.5	22.5
Taxation	(2.6)	(0.7)	(2.0)	(2.4)	(5.6)
Exceptional Income - post-tax					
Profit After Tax	7.5	7.4	6.0	7.2	16.9
Minority Interests	1.1	0.5	0.8	1.0	2.4
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	8.6	8.0	6.9	8.2	19.3
Recurring Net Profit	3.8	7.9	6.9	8.2	19.3
Fully Diluted Recurring Net Profit	3.8	7.9	6.9	8.2	19.3

Cash Flow

(US\$m)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
EBITDA	30.79	27.06	19.41	23.80	41.68
Cash Flow from Inv. & Assoc.	(7.11)	(9.61)	(9.36)	(9.13)	(8.91)
Change In Working Capital	(2.89)	(18.54)	8.77	19.95	(4.01)
(Incr)/Decr in Total Provisions	(4.95)	0.72	0.00	0.00	0.00
Other Non-Cash (Income)/Expense	(20.67)	(18.91)	(11.37)	(14.27)	(19.16)
Other Operating Cashflow	25.89	25.02	20.77	22.93	27.46
Net Interest (Paid)/Received	(7.70)	(6.07)	(10.06)	(10.01)	(9.19)
Tax Paid	(6.21)	(3.01)	(2.01)	(2.38)	(5.63)
Cashflow From Operations	7.15	(3.34)	16.15	30.89	22.25
Capex	(3.42)	(2.30)	(31.12)	(16.18)	(12.07)
Disposals Of FAs/subsidiaries	0.03	0.05	0.00	0.00	0.00
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	54.90	(7.38)	0.00	0.00	0.00
Cash Flow From Investing	51.51	(9.63)	(31.12)	(16.18)	(12.07)
Debt Raised/(repaid)	(40.38)	(3.65)	1.33	17.08	(16.79)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(0.12)	(0.12)	0.00	0.00	0.00
Preferred Dividends					
Other Financing Cashflow	0.00	0.00	0.00	0.00	0.00
Cash Flow From Financing	(40.51)	(3.77)	1.33	17.08	(16.79)
Total Cash Generated	18.16	(16.74)	(13.64)	31.78	(6.61)
Free Cashflow To Equity	18.28	(16.62)	(13.64)	31.78	(6.61)
Free Cashflow To Firm	66.37	(6.90)	(4.90)	24.72	19.37

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(US\$m)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Cash And Equivalents	141.6	126.4	107.0	134.2	122.4
Total Debtors	69.7	82.5	78.5	71.5	85.3
Inventories	32.8	36.1	42.8	37.8	42.2
Total Other Current Assets	1.1	1.7	2.0	1.8	2.2
Total Current Assets	245.2	246.7	230.3	245.3	252.1
Fixed Assets	624.9	602.8	600.9	584.5	559.3
Total Investments	29.9	46.1	44.8	43.7	42.6
Intangible Assets	0.0	0.0	0.0	0.0	0.0
Total Other Non-Current Assets	7.5	8.0	7.8	7.6	7.4
Total Non-current Assets	662.3	656.9	653.5	635.8	609.3
Short-term Debt	15.7	22.5	15.0	34.4	30.2
Current Portion of Long-Term Debt					
Total Creditors	42.9	36.9	44.8	39.6	44.3
Other Current Liabilities	62.4	64.3	75.7	68.9	82.2
Total Current Liabilities	121.0	123.8	135.5	142.9	156.7
Total Long-term Debt	150.2	139.7	143.9	137.7	120.9
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	37.9	35.9	34.9	34.1	33.2
Total Non-current Liabilities	188.1	175.6	178.8	171.7	154.1
Total Provisions	0.0	0.0	0.0	0.0	0.0
Total Liabilities	309.1	299.4	314.3	314.7	310.8
Shareholders' Equity	587.3	593.5	558.3	554.5	536.6
Minority Interests	11.1	10.7	11.2	11.9	14.0
Total Equity	598.4	604.2	569.5	566.4	550.6

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue Growth	39.4%	(21.2%)	17.9%	(9.0%)	19.3%
Operating EBITDA Growth	77.9%	(12.1%)	(28.3%)	22.6%	75.1%
Operating EBITDA Margin	12.9%	14.4%	8.7%	11.8%	17.3%
Net Cash Per Share (US\$)	(0.06)	(0.08)	(0.12)	(0.09)	(0.07)
BVPS (US\$)	1.39	1.41	1.32	1.32	1.27
Gross Interest Cover	0.58	0.23	0.56	0.89	3.07
Effective Tax Rate	25.8%	8.9%	25.0%	25.0%	25.0%
Net Dividend Payout Ratio	1.41%	1.51%	NA	NA	NA
Accounts Receivables Days	105.4	147.3	132.6	135.4	118.5
Inventory Days	54.36	74.45	70.23	80.87	71.97
Accounts Payables Days	58.78	84.00	71.28	83.02	73.88
ROIC (%)	0.49%	0.23%	0.45%	0.72%	2.35%
ROCE (%)	1.61%	1.14%	1.41%	1.96%	3.66%
Return On Average Assets	1.04%	1.15%	0.95%	0.94%	2.06%

Key Drivers

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Outstanding Orderbook (US\$m)	N/A	N/A	N/A	N/A	N/A
Order Book Wins (US\$m)	N/A	N/A	N/A	N/A	N/A
Order Book Depletion (US\$m)	N/A	N/A	N/A	N/A	N/A
Average Day Rate Per Ship (US\$)	N/A	N/A	N/A	N/A	N/A
No. Of Ships (unit)	N/A	N/A	N/A	N/A	N/A
Average Utilisation Rate (%)	N/A	N/A	N/A	N/A	N/A
Oil Price (US\$/bbl)	71.2	64.4	45.0	50.0	55.0
Energy Production Volume (mmboc)	N/A	N/A	N/A	N/A	N/A
Average Day Rate - Drilling Rigs (US\$)	56,149.0	57,500.0	65,000.0	60,000.0	65,000.0
Average Util. Rate - Drilling Rigs (%)	85.3%	90.0%	72.9%	80.0%	90.0%
Average Day Rate - FPU's (US\$)	N/A	N/A	N/A	N/A	N/A
Average Util. Rate - FPU's (%)	N/A	N/A	N/A	N/A	N/A
Total Oil Storage Capacity (000 cbm)	N/A	N/A	N/A	N/A	N/A
Equity Share Of Oil Storage Capacity (000 cbm)	N/A	N/A	N/A	N/A	N/A
Assumed Util. Rate Of Oil Storage Capacity (%)	N/A	N/A	N/A	N/A	N/A

SOURCES: VND RESEARCH, COMPANY REPORTS

Vietnam

ADD (no change)

Consensus ratings*: Buy 6 Hold 2 Sell 0

Current price:	VND15,900
Target price:	VND17,700
Previous target:	VND17,700
Up/downside:	11.3%
CGS-CIMB / Consensus:	8.1%
Reuters:	PVS.HM
Bloomberg:	PVS VN
Market cap:	US\$328.2m
	VND7,599,664m
Average daily turnover:	US\$4.16m
	VND96,349m
Current shares o/s:	478.0m
Free float:	34.0%

*Source: Bloomberg

Key changes in this note

No changes.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	5.3	28.2	-8.6
Relative (%)	-4.8	9.3	-18.7

Major shareholders	% held
PetroVietnam Group	51.4
Acadian Frontier Markets Equity	3.3
Vietnam Invstmt. Property Holdings	3.2

Analyst(s)



Mai PHAM

T (84) 94 328 0850

E mai.phamle@vndirect.com.vn

PetroVietnam Technical Services

Well equipped for new contract awards

- We expect FY21F net profit to rely mainly on existing projects, but FY22F net profit would be supported by new contracts such as Block B, GPP Dinh Co 2.
- Reiterate Add with a TP of VND17,700.

9M20 net profit slipped due to higher expenses and provisions

PetroVietnam Technical Services (PVS) posted an 8.5% yoy increase in net revenue in 9M20, mainly due to revenue recognition from its construction projects (Sao Vang and Gallaf Qatar) and higher yoy charter rate for Lam Son FPSO. However, net profit fell 11.5% yoy, due to: 1) a 1.6%-pt contraction in gross margin as the company incurred higher overheads across all segments; and 2) an estimated VND270bn in provisioning expenses recorded at PVS's FSO/FPSO joint ventures, leading to a 69.7% yoy drop in income from affiliates. For FY20F, we expect a 14.5% yoy decline in EPS, assuming a total VND421bn of provision expenses at the company's joint ventures (JVs) and higher minority interest as the dissolution of the CGGV JV in 2019 lowered the losses at the seismic survey segment.

FY21F outlook: soft recovery and no more one-off expenses

We forecast FY21F net profit to increase 21.8% yoy to VND884bn from a low base in FY20F, on the back of: 1) a 2-5% revenue recovery in the service segments, including offshore vessels, port base, operation and maintenance (O&M) as oil prices continue to recover; 2) lack of one-off provision expenses in FY21F; and 3) the full-year contribution of FSO Sao Vang with an annual profit of c.VND91bn, in our estimate. We expect the mechanics and construction segment to record profit mainly from old EPC contracts in FY21F with gross profit at VND421bn (-2% yoy), which could increase 34% yoy to VND564bn in FY22F as new contracts such as Block B, GPP Dinh Co 2, take off.

Reiterate Add with unchanged TP of VND17,700

Our TP is based on a 50:50 combination of DCF valuation and 8.4x FY21-23F P/E (5-year mean P/E). We reiterate Add as the large pipeline of upcoming domestic projects implies huge potential backlog for PVS; we also believe the company could win new contracts such as White Lion 2, Block B pipeline, LNG terminals, GPP Dinh Co 2. etc., in 2020-23F, given its healthy financial position and proven track record in project execution. Its strong cash balance should also allow PVS to maintain a cash dividend of at least VND700/share in FY21-23F (translating into a dividend yield of 4.6%).

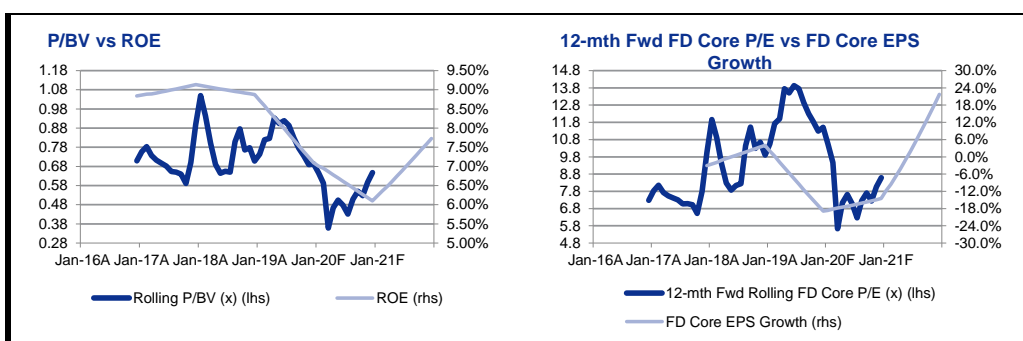
Re-rating catalysts and downside risks

A potential re-rating catalyst would be newsflow on contract awards. Downside risks include further delays in project progress and additional provision expenses.

Financial Summary	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue (VNDb)	14,638	16,968	16,626	17,198	23,171
Operating EBITDA (VNDb)	939.9	618.6	947.7	887.3	955.7
Net Profit (VNDb)	1,047	849	726	884	998
Core EPS (VND)	2,191	1,777	1,519	1,850	2,089
Core EPS Growth	4.0%	(18.9%)	(14.5%)	21.8%	12.9%
FD Core P/E (x)	7.26	8.95	10.46	8.59	7.61
DPS (VND)	1,064	830	700	700	700
Dividend Yield	6.69%	5.22%	4.40%	4.40%	4.40%
EV/EBITDA (x)	(3.83)	(8.45)	(5.05)	(4.82)	(3.10)
P/FCFE (x)	7.52	7.25	NA	NA	NA
Net Gearing	(56.1%)	(65.2%)	(63.2%)	(61.6%)	(58.4%)
P/BV (x)	0.64	0.63	0.65	0.68	0.80
ROE	8.87%	7.10%	6.10%	7.73%	9.67%
CGS-CIMB/Consensus EPS (x)			1.01	1.26	1.13

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues	14,638	16,968	16,626	17,198	23,171
Gross Profit	1,119	898	1,107	1,173	1,474
Operating EBITDA	940	619	948	887	956
Depreciation And Amortisation	(567)	(478)	(478)	(481)	(487)
Operating EBIT	373	140	469	406	469
Financial Income/(Expense)	440	253	196	187	155
Pretax Income/(Loss) from Assoc.	723	581	150	513	587
Non-Operating Income/(Expense)	(559)	129	200	131	176
Profit Before Tax (pre-EI)	976	1,103	1,016	1,237	1,387
Exceptional Items					
Pre-tax Profit	976	1,103	1,016	1,237	1,387
Taxation	(403)	(295)	(213)	(260)	(284)
Exceptional Income - post-tax					
Profit After Tax	573	808	802	977	1,103
Minority Interests	474	41	(76)	(93)	(105)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	1,047	849	726	884	998
Recurring Net Profit	1,047	849	726	884	998
Fully Diluted Recurring Net Profit	1,047	849	726	884	998

Cash Flow

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
EBITDA	940	619	948	887	956
Cash Flow from Inv. & Assoc.	(997)	(855)	(458)	(798)	(837)
Change In Working Capital	(710)	1,367	(122)	(31)	(750)
(Incr)/Decr in Total Provisions	90	154	0	0	0
Other Non-Cash (Income)/Expense	36	485	68	350	432
Other Operating Cashflow	1,055	495	708	704	708
Net Interest (Paid)/Received	(36)	(39)	(65)	(57)	(56)
Tax Paid	(187)	(320)	(223)	(272)	(298)
Cashflow From Operations	192	1,906	855	784	155
Capex	(355)	(766)	(499)	(516)	(695)
Disposals Of FAs/subsidiaries	2	5	5	5	5
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	1,428	(545)	(545)	(545)	(545)
Cash Flow From Investing	1,075	(1,306)	(1,039)	(1,056)	(1,235)
Debt Raised/(repaid)	(256)	448	(223)	(83)	33
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(509)	(397)	(335)	(335)	(335)
Preferred Dividends					
Other Financing Cashflow	0	0	0	0	0
Cash Flow From Financing	(765)	52	(557)	(418)	(301)
Total Cash Generated	502	651	(741)	(690)	(1,381)
Free Cashflow To Equity	1,011	1,048	(406)	(355)	(1,046)
Free Cashflow To Firm	1,303	639	(118)	(215)	(1,024)

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Cash And Equivalents	8,037	9,692	8,951	8,261	6,880
Total Debtors	5,006	4,627	4,719	4,882	6,577
Inventories	494	1,269	806	833	1,127
Total Other Current Assets	591	396	388	401	541
Total Current Assets	14,129	15,984	14,865	14,377	15,126
Fixed Assets	2,634	3,177	3,197	3,232	3,440
Total Investments	4,937	5,372	5,258	5,259	5,277
Intangible Assets	0	0	0	0	0
Total Other Non-Current Assets	1,390	1,471	1,471	1,471	1,471
Total Non-current Assets	8,961	10,020	9,926	9,962	10,189
Short-term Debt	721	771	574	504	492
Current Portion of Long-Term Debt					
Total Creditors	3,277	4,356	3,857	4,026	5,379
Other Current Liabilities	2,827	3,867	3,789	3,920	5,281
Total Current Liabilities	6,825	8,995	8,220	8,449	11,152
Total Long-term Debt	193	584	559	546	591
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	3,366	3,641	3,641	3,641	3,641
Total Non-current Liabilities	3,559	4,225	4,199	4,187	4,231
Total Provisions	0	0	0	0	0
Total Liabilities	10,384	13,220	12,420	12,636	15,383
Shareholders' Equity	11,872	12,070	11,733	11,158	9,491
Minority Interests	833	714	638	545	440
Total Equity	12,705	12,784	12,371	11,704	9,931

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue Growth	(13.5%)	15.9%	(2.0%)	3.4%	34.7%
Operating EBITDA Growth	(3.0%)	(34.2%)	53.2%	(6.4%)	7.7%
Operating EBITDA Margin	6.42%	3.65%	5.70%	5.16%	4.12%
Net Cash Per Share (VND)	14,903	17,441	16,357	15,088	12,130
BVPS (VND)	24,839	25,253	24,548	23,346	19,857
Gross Interest Cover	13.91	4.15	8.38	8.27	9.78
Effective Tax Rate	41.3%	26.7%	21.0%	21.0%	20.5%
Net Dividend Payout Ratio	48.6%	46.7%	46.1%	37.8%	33.5%
Accounts Receivables Days	132.1	103.6	102.9	101.9	90.3
Inventory Days	12.96	20.02	24.48	18.66	16.48
Accounts Payables Days	84.69	81.93	89.39	82.52	72.71
ROIC (%)	6.3%	2.8%	13.8%	11.1%	13.1%
ROCE (%)	6.30%	3.32%	5.62%	5.26%	6.05%
Return On Average Assets	0.92%	2.47%	2.54%	3.37%	3.94%

Key Drivers

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Outstanding Orderbook (VNDb)	11,689	15,337	9,187	35,424	24,407
Order Book Wins (VNDb)	N/A	N/A	N/A	N/A	N/A
Order Book Depletion (VNDb)	N/A	N/A	N/A	N/A	N/A
Average Day Rate Per Ship (US\$)	N/A	N/A	N/A	N/A	N/A
No. Of Ships (unit)	N/A	N/A	N/A	N/A	N/A
Average Utilisation Rate (%)	N/A	N/A	N/A	N/A	N/A
Oil Price (US\$/bbl)	71.1	64.2	45.0	50.0	55.0
Energy Production Volume (mmboc)	N/A	N/A	N/A	N/A	N/A
Average Day Rate - Drilling Rigs (US\$)	N/A	N/A	N/A	N/A	N/A
Average Util. Rate - Drilling Rigs (%)	N/A	N/A	N/A	N/A	N/A
Average Day Rate - FPU's (US\$)	N/A	N/A	N/A	N/A	N/A
Average Util. Rate - FPU's (%)	N/A	N/A	N/A	N/A	N/A
Total Oil Storage Capacity (000 cbm)	N/A	N/A	N/A	N/A	N/A
Equity Share Of Oil Storage Capacity (000 cbm)	N/A	N/A	N/A	N/A	N/A
Assumed Util. Rate Of Oil Storage Capacity (%)	N/A	N/A	N/A	N/A	N/A

SOURCES: VND RESEARCH, COMPANY REPORTS

Vietnam

ADD (no change)

Consensus ratings*: Buy 4 Hold 1 Sell 0

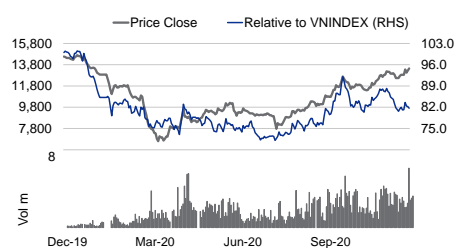
Current price:	VND13,450
Target price:	VND15,200
Previous target:	VND15,200
Up/downside:	13.0%
CGS-CIMB / Consensus:	26.3%

Reuters:	PVT.HM
Bloomberg:	PVT VN
Market cap:	US\$188.0m
	VND4,353,110m
Average daily turnover:	US\$1.60m
	VND36,956m
Current shares o/s:	281.4m
Free float:	27.6%

*Source: Bloomberg

Key changes in this note

No changes



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	4.9	33.3	-7.7
Relative (%)	-5.2	14.4	-17.8

Major shareholders	% held
PetroVietnam Group	51.0
Yurie Vietnam Securities	6.2
PVcom Bank	5.1

Analyst(s)

Mai PHAM

T (84) 94 328 0850

E mai.phamle@vndirect.com.vn

PetroVietnam Transportation Corp

Right time for new capex disbursement

- PVTrans could reignite its investment plan soon to take advantage of the current low levels of vessel prices.
- We estimate a net profit CAGR of 5.3% in FY20-23F. Reiterate Add at a TP of VND15,200.

9M20 bottom line hurt by Covid-19

PVTrans (PVT) reported a 28.1% yoy decline in 9M20 net profit on the back of (1) lower yoy day rate at Dai Hung FSO as the vessel completed maintenance and transformation into FPSO in 9M20, (2) lower transportation charter rates amid weak oil prices and demand, and (3) gross margin contraction across all segments as Covid-19 restrictions led to additional expenses.

Low-price environment creates opportunities for fleet expansion

According to data on Bloomberg, selling prices of vessels stayed on a downward trend year-to-date amid the weak demand for oil and gas products. The current price levels are near the trough in 2016-2017, which we believe could reverse in FY21F as transportation demand recovers after Covid-19 becomes contained on a global scale. On 07 Dec, PVT announced the acquisition of a relatively young chemical/oil tanker with a capacity of 13,149 DWT. This implies that PVT has reignited its fleet expansion plan to prepare for an expected market recovery in 2021F. We expect the 2020F capex plan of over VND7,400bn to be mainly disbursed through 2021-23F, which includes the purchase of a very large crude carrier (VLCC) in 2021F (~VND1,100bn) and a very large gas carrier (VLGC) in 2022F (~VND1,200bn).

We estimate a net profit CAGR of 5.3% in FY20-23F

We expect net profit to fall 25.4% yoy in FY20F due to the short-term effects of Covid-19. However, the bottom line could resume positive growth from FY21F onwards, supported by soft recovery in charter rates and higher transportation volumes, especially in terms of refined oil and LPG products. We estimate net profit CAGR of 5.3% in FY20-23F.

Reiterate Add at unchanged TP of VND15,200

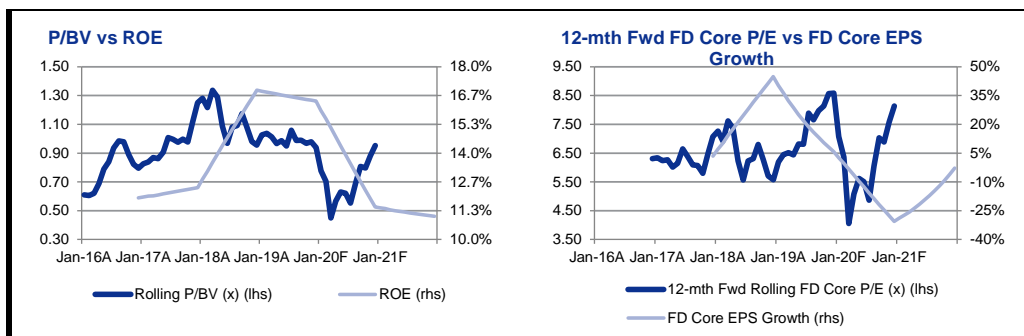
Our TP is based on an equal weighting of DCF and target FY21-23F P/E of 7.7x. Potential re-rating catalysts: higher refined oil and coal transportation volumes in FY21F. Downside risks are declines in oil prices as that would hamper the recovery of charter rates and transportation demand.

Financial Summary

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue (VNDb)	7,523	7,758	6,266	7,128	7,816
Operating EBITDA (VNDb)	1,402	1,678	1,505	1,663	1,799
Net Profit (VNDb)	652.1	689.6	514.7	534.9	574.9
Core EPS (VND)	2,015	2,131	1,590	1,653	1,776
Core EPS Growth	44.9%	5.8%	(25.4%)	3.9%	7.5%
FD Core P/E (x)	5.80	5.49	7.91	8.14	7.57
DPS (VND)	1,103	1,209	372	400	1,000
Dividend Yield	8.20%	8.99%	2.77%	2.97%	7.43%
EV/EBITDA (x)	3.86	3.70	3.94	3.78	3.59
P/FCFE (x)	NA	26.31	19.16	9.99	11.88
Net Gearing	2.7%	13.1%	9.9%	16.5%	20.2%
P/BV (x)	0.94	0.86	0.95	0.85	0.79
ROE	16.9%	16.4%	11.5%	11.1%	10.8%
CGS-CIMB/Consensus EPS (x)			1.04	0.99	1.03

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues	7,523	7,758	6,266	7,128	7,816
Gross Profit	1,083	1,191	960	1,061	1,144
Operating EBITDA	1,402	1,678	1,505	1,663	1,799
Depreciation And Amortisation	(600)	(750)	(781)	(870)	(948)
Operating EBIT	802	928	724	793	851
Financial Income/(Expense)	49	28	4	(40)	(42)
Pretax Income/(Loss) from Assoc.	26	34	22	25	27
Non-Operating Income/(Expense)	97	26	19	22	24
Profit Before Tax (pre-EI)	975	1,016	770	800	860
Exceptional Items					
Pre-tax Profit	975	1,016	770	800	860
Taxation	(195)	(195)	(154)	(160)	(172)
Exceptional Income - post-tax					
Profit After Tax	780	821	616	640	688
Minority Interests	(128)	(131)	(101)	(105)	(113)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	652	690	515	535	575
Recurring Net Profit	652	690	515	535	575
Fully Diluted Recurring Net Profit	652	690	515	535	575

Cash Flow

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
EBITDA	1,402	1,678	1,505	1,663	1,799
Cash Flow from Inv. & Assoc.	(271)	(195)	(195)	(195)	(195)
Change In Working Capital	30	(199)	101	(40)	(32)
(Incr)/Decr in Total Provisions	88	105	0	0	0
Other Non-Cash (Income)/Expense	(427)	(661)	(736)	(863)	(939)
Other Operating Cashflow	440	823	821	952	1,052
Net Interest (Paid)/Received	(99)	(145)	(171)	(223)	(251)
Tax Paid	(232)	(226)	(154)	(160)	(172)
Cashflow From Operations	931	1,179	1,172	1,134	1,262
Capex	(1,399)	(1,823)	(627)	(1,782)	(1,563)
Disposals Of FAs/subsidiaries	128	27	27	27	27
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(392)	273	177	177	177
Cash Flow From Investing	(1,663)	(1,523)	(422)	(1,577)	(1,359)
Debt Raised/(repaid)	311	488	(538)	879	463
Proceeds From Issue Of Shares	49	127	127	127	127
Shares Repurchased		0	0	0	0
Dividends Paid	(310)	(340)	(113)	(129)	(324)
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing	49	274	(524)	877	266
Total Cash Generated	(683)	(70)	226	433	170
Free Cashflow To Equity	(422)	144	212	436	367
Free Cashflow To Firm	(634)	(199)	922	(220)	154

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Cash And Equivalents	2,851	2,687	2,322	2,755	2,924
Total Debtors	1,088	865	793	902	989
Inventories	151	127	102	116	128
Total Other Current Assets	159	162	131	149	163
Total Current Assets	4,249	3,841	3,347	3,922	4,205
Fixed Assets	5,627	6,781	6,627	7,539	8,153
Total Investments	200	213	213	213	213
Intangible Assets	0	0	0	0	0
Total Other Non-Current Assets	126	163	163	163	163
Total Non-current Assets	5,953	7,157	7,002	7,914	8,529
Short-term Debt	663	1,015	643	838	941
Current Portion of Long-Term Debt					
Total Creditors	793	652	622	707	776
Other Current Liabilities	948	856	691	787	862
Total Current Liabilities	2,405	2,523	1,956	2,332	2,579
Total Long-term Debt	2,325	2,419	2,253	2,937	3,297
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	333	365	365	365	365
Total Non-current Liabilities	2,658	2,784	2,618	3,302	3,662
Total Provisions	0	0	0	0	0
Total Liabilities	5,063	5,306	4,573	5,634	6,241
Shareholders' Equity	4,023	4,381	4,567	5,099	5,502
Minority Interests	1,117	1,310	1,209	1,104	991
Total Equity	5,140	5,691	5,776	6,202	6,493

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue Growth	22.4%	3.1%	(19.2%)	13.8%	9.7%
Operating EBITDA Growth	18.7%	19.7%	(10.3%)	10.5%	8.2%
Operating EBITDA Margin	18.6%	21.6%	24.0%	23.3%	23.0%
Net Cash Per Share (VND)	(489)	(2,653)	(1,773)	(3,153)	(4,058)
BVPS (VND)	14,293	15,567	14,111	15,753	16,999
Gross Interest Cover	6.60	5.48	5.29	4.44	4.24
Effective Tax Rate	20.0%	19.2%	20.0%	20.0%	20.0%
Net Dividend Payout Ratio	47.6%	49.3%	21.9%	24.2%	56.3%
Accounts Receivables Days	46.19	45.93	48.42	43.40	44.16
Inventory Days	6.99	7.73	7.88	6.55	6.67
Accounts Payables Days	41.31	38.30	41.73	39.03	39.60
ROIC (%)	14.0%	13.7%	8.8%	9.8%	9.2%
ROCE (%)	13.0%	13.3%	10.1%	10.5%	10.2%
Return On Average Assets	7.63%	7.53%	5.74%	6.06%	5.87%

Key Drivers

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Petroleum TCE rate (yoy chg %)	N/A	N/A	N/A	N/A	N/A
Chemical TCE rate (yoy chg %)	N/A	N/A	N/A	N/A	N/A
Fleet Size (no. Of Vessels)	25.0	32.0	34.0	36.0	38.0
No. Of LNG Tankers	N/A	N/A	N/A	N/A	N/A
No. Of Petroleum Tankers	9	12	13	14	15
No. Of Chemical Tankers	N/A	N/A	N/A	N/A	N/A

SOURCES: VND RESEARCH, COMPANY REPORTS

Vietnam

ADD (no change)

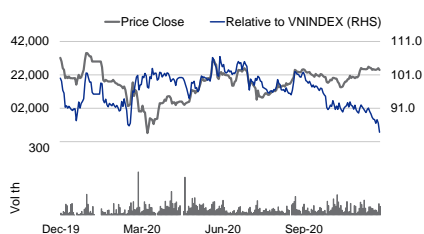
Consensus ratings*: Buy 4 Hold 1 Sell 0

Current price:	VND124,900
Target price:	VND144,500
Previous target:	VND144,500
Up/downside:	15.7%
CGS-CIMB / Consensus:	3.4%
Reuters:	SCS.HM
Bloomberg:	SCS VN
Market cap:	US\$273.7m
	VND6,338,138m
Average daily turnover:	US\$0.16m
	VND3,619m
Current shares o/s:	50,745,700m
Free float:	42.0%

*Source: Bloomberg

Key changes in this note

N/A



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	3.6	1.1	-0.5
Relative (%)	-6.5	-17.8	-10.6

Major shareholders	% held
Gemadep Corporation	31.8
Airport Corporation of Vietnam	12.9
41 Aircraft Maintenance LTD	12.4

Analyst(s)

Dzung NGUYEN

T (84) 91 686 5190

Saigon Cargo Service Corp

An opportunity in turbulent times

- Saigon Cargo Services Corp (SCS), a leading air cargo terminal is capitalising on Tan Son Nhat International Airport (TIA), Vietnam's fastest-growing air cargo hub.
- SCS now trades at 12.6x FY21F P/E which is relatively attractive while capacity expansion is near-term catalyst.
- Maintain Add rating and target price of VND144,500.

Vietnam's air freight market to stay buoyant

We expect Vietnam's total air cargo volume throughput to rise 10.5% p.a. in FY21F-30F, driven by sustainable import-export growth and the combined benefits of FTAs and the relocation of supply chains from China to Vietnam. TIA in Ho Chi Minh City is the fastest-growing hub in the country; its Terminal 3 expansion project should lend a further boost.

Equipped to be the country's leading air cargo services provider

We believe SCS's air cargo volume market share in TIA should grow to 55% over FY21-30F period, transforming it into Vietnam's leading air cargo services provider, premised on its state-of-the-art terminal and it being the only provider capable of expanding capacity at TIA. We expect SCS's performance to remain robust given its efficient cost control, strong balance sheet with zero debt and a preferential 10% tax rate until FY23F.

SCS's net profit to dip 5.8% yoy in FY20F due to the pandemic

SCS's business would start to recover in Dec 2020F, when we believe a vaccine could become available according to World Health Organization (WHO) and the pandemic could be brought under control. We expect revenue/NP to dip 6.3%/5.8% yoy in FY20F.

Capacity expansion to spearhead growth story beyond FY20F

While its sole rival Tan Son Nhat Cargo Services JSC (TCS, Unlisted) faces a capacity shortage, we believe SCS will be able to capitalise on TIA's growth with 75% expansion of SCS's current capacity by 2023F. We expect SCS's international cargo volume to rise by an average of 10.6% p.a. in FY21-24F. We forecast 14.6% revenue CAGR and 11% net profit CAGR in FY21-24F.

Maintain Add with target price of VND144,500

SCS now trades at 12.6x FY21F P/E, far below its historical three-year average P/E of 14.1x. Our FY21-22F NP forecast is 8%/7% higher than consensus due to our higher expectations in the recovery of SCS's international cargo volumes based on its technology competitive edge and its competitor's capacity shortage in TIA.

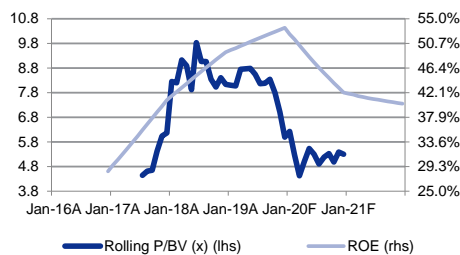
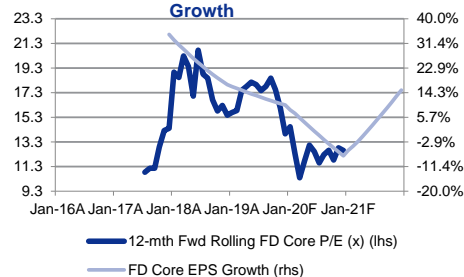
Downside risks and re-rating catalysts

Downside risks include lower-than-expected cargo volume and price due to prolonged global pandemic which can dampen global trade. Re-rating catalysts include higher-than-expected cargo volume, announcements of capacity expansion and the M&A plan.

Financial Summary

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue (VNDb)	675.4	748.0	701.3	796.1	922.7
Operating EBITDA (VNDb)	515.9	582.0	543.9	616.0	715.2
Net Profit (VNDb)	407.1	466.2	433.6	502.4	572.6
Core EPS (VND)	8,467	9,310	8,595	9,901	11,283
Core EPS Growth	17.1%	10.0%	(7.7%)	15.2%	14.0%
FD Core P/E (x)	14.75	13.42	14.53	12.62	11.07
DPS (VND)	6,000	6,700	5,000	5,000	5,000
Dividend Yield	4.80%	5.36%	4.00%	4.00%	4.00%
EV/EBITDA (x)	11.69	10.76	11.56	10.23	8.76
P/FCFE (x)	14.78	17.02	20.89	19.70	18.60
Net Gearing	(5.35%)	(6.58%)	(7.25%)	(7.54%)	(8.17%)
P/BV (x)	7.05	6.24	5.30	4.39	3.59
ROE	49.2%	53.4%	42.2%	40.2%	37.4%
CGS-CIMB/Consensus EPS (x)			1.04	1.08	1.07

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

BY THE NUMBERS
P/BV vs ROE

12-mth Fwd FD Core P/E vs FD Core EPS Growth

Profit & Loss

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues	675.4	748.0	701.3	796.1	922.7
Gross Profit	528.4	594.9	552.6	634.3	724.2
Operating EBITDA	515.9	582.0	543.9	616.0	715.2
Depreciation And Amortisation	(54.7)	(55.2)	(55.5)	(53.7)	(73.5)
Operating EBIT	461.2	526.8	488.3	562.3	641.8
Financial Income/(Expense)	7.6	13.2	21.4	28.3	31.3
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	(2.1)	(2.3)	(4.0)	(4.5)	(5.3)
Profit Before Tax (pre-EI)	466.7	537.7	505.8	586.0	667.9
Exceptional Items	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	466.7	537.7	505.8	586.0	667.9
Taxation	(29.6)	(35.5)	(32.7)	(37.9)	(43.2)
Exceptional Income - post-tax	0.0	0.0	0.0	0.0	0.0
Profit After Tax	437.1	502.2	473.0	548.1	624.7
Minority Interests	0.0	0.0	0.0	0.0	0.0
Preferred Dividends	(30.0)	(36.0)	(39.4)	(45.7)	(52.1)
FX Gain/(Loss) - post tax	0.0	0.0	0.0	0.0	0.0
Other Adjustments - post-tax	0.0	0.0	0.0	0.0	0.0
Net Profit	407.1	466.2	433.6	502.4	572.6
Recurring Net Profit	407.1	466.2	433.6	502.4	572.6
Fully Diluted Recurring Net Profit	407.1	466.2	433.6	502.4	572.6

Cash Flow

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
EBITDA	515.9	582.0	543.9	616.0	715.2
Cash Flow from Inv. & Assoc.	0.0	0.0	0.0	0.0	0.0
Change In Working Capital	(28.1)	1.6	(3.4)	(16.9)	(15.9)
(Incr)/Decr in Total Provisions	0.0	0.0	0.0	0.0	0.0
Other Non-Cash (Income)/Expense	0.0	0.0	0.0	0.0	0.0
Other Operating Cashflow	(17.3)	(14.7)	(4.9)	(5.5)	(6.4)
Net Interest (Paid)/Received	7.8	13.5	22.3	29.3	32.5
Tax Paid	(54.1)	(20.5)	(32.7)	(37.9)	(43.2)
Cashflow From Operations	424.3	561.9	525.2	585.0	682.2
Capex	(3.1)	(13.6)	(33.4)	(268.0)	(273.4)
Disposals Of FAs/subsidiaries	0.2	0.2	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0	0.0
Other Investing Cashflow	(15.1)	(181.0)	(190.1)	4.7	(68.1)
Cash Flow From Investing	(18.0)	(194.4)	(223.6)	(263.3)	(341.4)
Debt Raised/(repaid)	0.0	0.0	0.0	0.0	0.0
Proceeds From Issue Of Shares	0.0	18.2	12.2	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0	0.0
Dividends Paid	(366.1)	(330.8)	(253.7)	(253.7)	(253.7)
Preferred Dividends	(30.0)	(36.0)	(39.4)	(45.7)	(52.1)
Other Financing Cashflow	(10.1)	(0.0)	0.0	0.0	0.0
Cash Flow From Financing	(406.2)	(348.6)	(281.0)	(299.4)	(305.8)
Total Cash Generated	0.1	18.9	20.6	22.3	35.0
Free Cashflow To Equity	406.3	367.5	301.6	321.7	340.8
Free Cashflow To Firm	406.4	368.5	301.6	321.7	340.8

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Cash And Equivalents	47.3	66.1	86.7	109.0	144.0
Total Debtors	132.7	126.5	128.6	145.7	169.3
Inventories	0.0	0.0	0.0	0.0	0.0
Total Other Current Assets	87.6	221.6	421.1	414.2	480.3
Total Current Assets	267.6	414.2	636.4	668.9	793.6
Fixed Assets	630.6	587.0	564.9	779.2	979.1
Total Investments	0.0	0.0	0.0	0.0	0.0
Intangible Assets	5.4	3.2	3.2	3.2	3.2
Total Other Non-Current Assets	67.2	68.9	67.2	76.3	88.4
Total Non-current Assets	703.2	659.0	635.3	858.6	1,070.6
Short-term Debt	0.0	0.0	0.0	0.0	0.0
Current Portion of Long-Term Debt	0.0	0.0	0.0	0.0	0.0
Total Creditors	62.9	47.9	47.4	51.6	63.2
Other Current Liabilities	10.9	16.7	23.7	26.3	31.4
Total Current Liabilities	73.8	64.6	71.0	77.9	94.6
Total Long-term Debt	0.0	0.0	0.0	0.0	0.0
Hybrid Debt - Debt Component	0.0	0.0	0.0	0.0	0.0
Total Other Non-Current Liabilities	12.0	4.4	4.3	4.7	5.8
Total Non-current Liabilities	12.0	4.4	4.3	4.7	5.8
Total Provisions	0.0	0.0	0.0	0.0	0.0
Total Liabilities	85.8	69.0	75.3	82.6	100.4
Shareholders' Equity	885.0	1,004.2	1,196.3	1,445.0	1,763.8
Minority Interests	0.0	0.0	0.0	0.0	0.0
Total Equity	885.0	1,004.2	1,196.3	1,445.0	1,763.8

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue Growth	14.8%	10.8%	(6.2%)	13.5%	15.9%
Operating EBITDA Growth	16.4%	12.8%	(6.6%)	13.3%	16.1%
Operating EBITDA Margin	76.4%	77.8%	77.6%	77.4%	77.5%
Net Cash Per Share (VND)	947	1,318	1,709	2,148	2,838
BVPS (VND)	17,704	20,023	23,574	28,475	34,758
Gross Interest Cover	3,167	541	N/A	N/A	N/A
Effective Tax Rate	6.34%	6.60%	6.47%	6.47%	6.47%
Net Dividend Payout Ratio	73.7%	72.1%	58.5%	50.5%	44.3%
Accounts Receivables Days	52.96	63.25	66.57	62.89	62.30
Inventory Days	0.008	0.006	0.007	0.006	0.006
Accounts Payables Days	11.09	11.14	10.19	10.31	9.75
ROIC (%)	41.2%	49.6%	41.4%	40.4%	38.3%
ROCE (%)	51.9%	57.3%	46.4%	44.8%	42.0%
Return On Average Assets	44.0%	48.1%	38.9%	37.5%	35.4%

Key Drivers

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Rev. growth (% , main biz.)	15.7%	10.9%	-7.8%	14.4%	12.2%
Rev. growth (% , 2ndary biz.)	4.5%	8.4%	14.0%	3.5%	59.4%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Vietnam

ADD (no change)

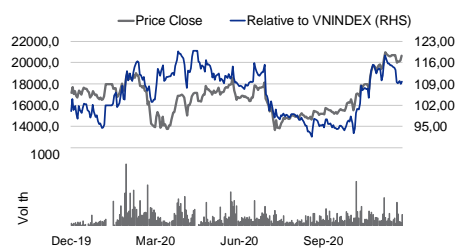
Consensus ratings*: Buy 7 Hold 1 Sell 0

Current price:	VND20,650
Target price:	VND24,036
Previous target:	VND24,036
Up/downside:	16.4%
CGS-CIMB / Consensus:	14.4%
Reuters:	STK.HM
Bloomberg:	STK VN
Market cap:	US\$60.80m VND1,408,026m
Average daily turnover:	US\$0.10m VND2,227m
Current shares o/s:	70.73m
Free float:	60.0%

*Source: Bloomberg

Key changes in this note

▶ No changes.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	5.4	36.8	20.4
Relative (%)	-4.7	17.9	10.3

Major shareholders

	% held
Huong Viet Investment Consulting	20.0
Đặng Triệu Hoa	13.8
Dang My Linh	9.2

Analyst(s)

Hao Nguyen Duc
 T (84) 96 650 3268
 E hao.nguyenduc@vndirect.com.vn

Century Synthetic Fiber Corp

Recycled yarn is the fulcrum for recovery

- STK is Vietnam's second-largest synthetic fiber manufacturer in terms of capacity at 63,000 tonnes of yarn per annum.
- We expect FY21F net profit to surge 65% yoy after a fall of 43% yoy in FY20F, thanks to the strong recovery of recycled yarn.
- Reiterate Add with TP of VND24,000.

9M20 results hampered by Covid-19

Century Synthetic Fiber Corporation (STK)'s revenue fell 28% yoy to VND1,197bn in 9M20, of which revenue from the virgin yarn fell 33% yoy, mostly due to the double impact of a sharp drop in the market demand and yarn price dumping by Chinese enterprises. Meanwhile, revenue from recycled yarn in 9M20 declined 16% yoy but surged 53% qoq thanks to the company's 7% reduction in yarn price qoq to attract new orders. 9M20 earnings fell 53% yoy to VND75bn as GPM shrank 2.7% pts yoy.

Recycled yarn will become the key recovery driver

We forecast recycled yarn revenue growing 39.4% yoy, contributing 41% to STK's FY21F total revenue (vs. 38% in FY20F) as a result of rising demand for recycled yarn from major brands (UNIQLO, Athleta, Adidas). We also expect its virgin yarn revenue to increase 8.0% yoy, although its contribution to STK's revenue will fall to 54% in FY21F (from 60% in FY20F). Overall, we expect STK's FY21F GPM to rise 2.7% pts to 15.9% due to the higher GPM from recycled yarn production.

Taking advantage of EVFTA

EVFTA took effect in Aug 2020, offering yarn exports from Vietnam to EU at reduced tariffs from 12% to 0% within the next five years. It creates opportunities for Vietnamese businesses to access specific industries, such as automobiles and furniture in this market. We expect STK's production line to meet the stringent standards and its proportion of exported yarn to the EU market to rise. We forecast direct export sales to account for about 52% STK's revenue in FY22-23F.

Net profit to achieve FY20-23F CAGR of 34.1%

We expect STK to achieve a FY20-23F net profit CAGR of 34.1%, driven by a 30.4% CAGR in recycled yarn revenue and a 4.0% pts GPM expansion in FY20-23F (from FY20 GPM of 12.9%).

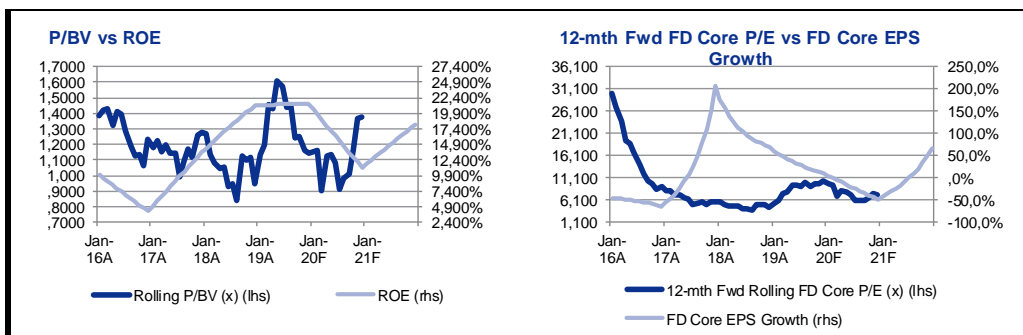
Reiterate Add and TP of VND24,000

Our TP is based on FY21F EPS of VND2,828/share and target P/E of 8.6x, equivalent to peer's P/E. Potential re-rating catalysts are: (1) recovery in volume and yarn price thanks to a rebound of market demand, and (2) better than-expected sales of recycled yarn. Key downside risk to our Add call is a worsening of the Covid-19 outbreak in STK's main export markets of US, Japan and Korea.

Financial Summary	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue (VNDm)	2,408,320	2,231,826	1,795,477	2,189,269	2,444,713
Operating EBITDA (VNDm)	387,806	406,260	282,859	451,783	517,010
Net Profit (VNDm)	178,434	213,891	120,388	199,502	236,936
Core EPS (VND)	2,977	3,274	1,702	2,821	3,350
Core EPS Growth	69,5%	10,0%	(48,0%)	65,7%	18,8%
FD Core P/E (x)	6,94	6,31	12,13	7,32	6,16
DPS (VND)	800	1,500	1,500	1,500	1,500
Dividend Yield	3,87%	7,26%	7,26%	7,26%	7,26%
EV/EBITDA (x)	4,67	4,41	6,59	4,18	3,56
P/FCFE (x)	9,56	37,08	13,71	6,80	6,72
Net Gearing	63,4%	41,0%	39,1%	40,8%	34,7%
P/BV (x)	1,36	1,35	1,37	1,29	1,22
ROE	21,2%	21,5%	11,2%	18,1%	20,4%
% Change In Core EPS Estimates					
CGS-CIMB/Consensus EPS (x)			0,99	1,16	1,02

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(VNDm)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues	2,407.700	2,228.985	1,795.477	2,189.269	2,444.713
Gross Profit	334.890	354.130	230.859	342.369	390.213
Operating EBITDA	387.806	406.260	282.859	451.783	517.010
Depreciation And Amortisation	(142.626)	(136.957)	(133.000)	(190.985)	(217.886)
Operating EBIT	245.180	269.304	149.859	260.798	299.124
Financial Income/(Expense)	(42.300)	(21.646)	(14.380)	(35.563)	(31.484)
Pretax Income/(Loss) from Assoc.	(500)	0	0	0	0
Non-Operating Income/(Expense)	(3.030)	4.730	1.656	2.019	2.254
Profit Before Tax (pre-EI)	199.350	252.388	137.135	227.254	269.895
Exceptional Items					
Pre-tax Profit	199.350	252.388	137.135	227.254	269.895
Taxation	(20.916)	(38.497)	(16.747)	(27.752)	(32.959)
Exceptional Income - post-tax					
Profit After Tax	178.434	213.891	120.388	199.502	236.936
Minority Interests	0	0	0	0	0
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	178.434	213.891	120.388	199.502	236.936
Recurring Net Profit	178.434	213.891	120.388	199.502	236.936
Fully Diluted Recurring Net Profit	178.434	213.891	120.388	199.502	236.936

Cash Flow

(VNDm)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
EBITDA	387.806	406.260	282.859	451.783	517.010
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(107.670)	(148.362)	(57.227)	(14.640)	101.774
(Incr)/Decr in Total Provisions	29.000	(16.874)	0	0	0
Other Non-Cash (Income)/Expense	(7.010)	(7.058)	(1.000)	(1.050)	(1.103)
Other Operating Cashflow	(28.480)	286	(4.344)	(23.838)	(23.219)
Net Interest (Paid)/Received	(17.940)	(16.436)	(8.380)	(9.707)	(6.010)
Tax Paid	(13.700)	(48.064)	(16.747)	(27.752)	(32.959)
Cashflow From Operations	242.006	169.754	195.162	374.798	555.493
Capex	(94.840)	(9.772)	0	(300.000)	(335.004)
Disposals Of FAs/subsidiaries	50	260	0	0	0
Acq. Of Subsidiaries/investments	0	0	(12.000)	0	0
Other Investing Cashflow	32.360	(25.424)	84.000	0	0
Cash Flow From Investing	(62.430)	(34.936)	72.000	(300.000)	(335.004)
Debt Raised/(repaid)	(50.100)	(98.432)	(160.615)	139.915	(3.093)
Proceeds From Issue Of Shares	0	65.734	0	0	0
Shares Repurchased	0	0	(42.000)	0	0
Dividends Paid	(47.950)	(106.009)	(98.000)	(170.060)	(178.783)
Preferred Dividends					
Other Financing Cashflow	0	0	0	0	0
Cash Flow From Financing	(98.050)	(138.708)	(300.615)	(30.144)	(181.876)
Total Cash Generated	81.526	(3.890)	(33.454)	44.653	38.614
Free Cashflow To Equity	129.476	36.386	106.546	214.713	217.396
Free Cashflow To Firm	208.616	165.532	284.162	94.155	240.093

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(VNDm)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Cash And Equivalents	198.070	230.026	117.569	182.207	239.359
Total Debtors	65.300	99.415	129.431	105.982	121.136
Inventories	509.769	524.958	586.171	662.902	601.500
Total Other Current Assets	31.074	25.273	31.129	37.275	41.624
Total Current Assets	804.213	879.672	864.300	988.365	1.003.619
Fixed Assets	1.178.797	1.048.468	890.551	1.000.265	1.118.171
Total Investments	1.662	1.276	12.170	34.834	36.566
Intangible Assets	0	0	0	0	0
Total Other Non-Current Assets	134.749	141.854	136.276	144.835	161.585
Total Non-current Assets	1.315.209	1.191.598	1.038.997	1.179.934	1.316.322
Short-term Debt	426.710	510.000	458.000	455.680	488.943
Current Portion of Long-Term Debt					
Total Creditors	387.097	295.918	272.743	322.794	382.049
Other Current Liabilities	48.323	17.742	33.897	65.150	91.153
Total Current Liabilities	862.130	823.660	764.639	843.623	962.145
Total Long-term Debt	347.819	164.112	75.000	189.565	164.523
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	420	378	150	160	170
Total Non-current Liabilities	348.239	164.490	75.150	189.725	164.693
Total Provisions	0	0	0	0	0
Total Liabilities	1.210.369	988.150	839.789	1.033.349	1.126.838
Shareholders' Equity	909.053	1.083.120	1.063.508	1.134.950	1.193.104
Minority Interests	0	0	0	0	0
Total Equity	909.053	1.083.120	1.063.508	1.134.950	1.193.104

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue Growth	19,9%	(7,3%)	(19,6%)	21,9%	11,7%
Operating EBITDA Growth	41,6%	4,8%	(30,4%)	59,7%	14,4%
Operating EBITDA Margin	16,1%	18,2%	15,8%	20,6%	21,1%
Net Cash Per Share (VND)	(9.618)	(6.279)	(5.874)	(6.547)	(5.855)
BVPS (VND)	15.167	15.314	15.037	16.047	16.869
Gross Interest Cover	8,44	8,77	8,82	13,47	15,26
Effective Tax Rate	10,5%	15,3%	12,2%	12,2%	12,2%
Net Dividend Payout Ratio	41%	76%	133%	85%	76%
Accounts Receivables Days	8,76	12,59	19,60	14,20	11,79
Inventory Days	80,0	100,7	130,0	123,4	112,3
Accounts Payables Days	56,30	54,59	54,04	50,18	53,55
ROIC (%)	17,0%	18,1%	9,8%	17,8%	19,1%
ROCE (%)	15,7%	16,5%	9,5%	16,0%	17,2%
Return On Average Assets	10,8%	11,2%	6,8%	11,5%	12,0%

Key Drivers

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
ASP (% chg, main prod./serv.)	18,5%	-3,3%	1,0%	1,0%	1,0%
Unit sales grth (% , main prod./serv.)	N/A	-35,4%	-15,5%	7,4%	0,7%
Util. rate (% , main prod./serv.)	N/A	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	19,0%	4,1%	4,0%	4,0%	4,0%
Unit sales grth (% ,2ndary prod/serv)	N/A	62,0%	74,1%	16,4%	28,3%
Util. rate (% , 2ndary prod/serv)	N/A	N/A	N/A	N/A	N/A

SOURCES: VND RESEARCH, COMPANY REPORTS

Vietnam

ADD (no change)

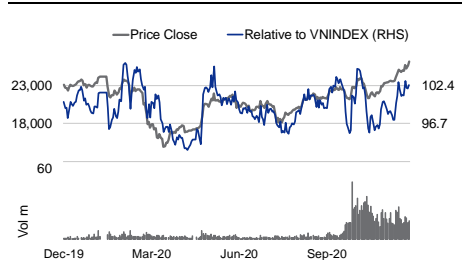
Consensus ratings*: Buy 14 Hold 2 Sell 0

Current price:	VND26,200
Target price:	VND29,300
Previous target:	VND29,300
Up/downside:	11.8%
CGS-CIMB / Consensus:	-3.0%
Reuters:	TCB.HM
Bloomberg:	TCB.VN
Market cap:	US\$3,960m
	VND91,703,664m
Average daily turnover:	US\$16.53m
	VND382,913m
Current shares o/s:	3,500m
Free float:	34.8%

*Source: Bloomberg

Key changes in this note

N/A



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	13.9	21.9	13.2
Relative (%)	3.8	3	3.1

Major shareholders	% held
Masan Group	15.0
Chairman and related parties	15.9
Others	69.1

Analyst(s)
Ngoc NGUYEN


T (84) 90 918 2135

E ngoc.nguyendang@vndirect.com.vn

Techcombank

Best performer in the industry

- We forecast EPS CAGR of 16.9% in 2020-22F, supported by steady credit growth and NIM expansion.
- We reiterate our Add call with a TP of VND29,300.

TCB to capitalise on warming-up residential property market

We expect the amendment of Construction Law 2020 and new Investment Law 2020 effective from 1 Jan 2021 to tackle the bottlenecks in approving residential projects and shorten the time taken to grant construction permits. As projects delayed by Covid-19 should resume in FY21F, we project the new condo supply to rise 10-15% yoy to 17,000 units in HCMC and to jump 50-60% yoy to 23,000 units in Hanoi in 2021F. We believe that growing residential supply should help TCB expand its mortgage finance.

Solid TOI growth in 9M20 on higher NIM and bond-related activities

TCB posted a record-high annualised NIM of 4.9% in 9M20 (+67bp yoy). This was due to a 29bp yoy asset yield hike on retail net interest income (NII) rising 40.1% yoy and forming 50% of NII in 9M20. Furthermore, cost of funds decreased 47bp yoy, as CASA rose to 38.6% at end-3Q20 and deposit interest rates fell. TCB's credit book increased by 15.6% yoy due to 31.7% yoy corporate bond (CB) and 12.4% yoy loan book rise. Hence, NII rose 31.6% yoy to VND13,296bn in 9M20. Meanwhile, net fee income (NFI) rose 45.9% yoy to VND3,120bn, driven by a 132.1% yoy surge in bond underwriting fee income and its related activities, which accounted for 45.3% of NFI. As a result, total operating income (TOI) climbed 33.5% yoy to VND19,281bn in 9M20 (9M19: 8.6% yoy).

Bad debts at lowest-ever level at end-3Q20

NPL ratio fell to 0.6% at end-3Q20, the lowest among peers. Loan loss reserve (LLR) rose to 148% at end-3Q20, the second highest in the industry. This was due to aggressive provisions which rose 3.7x yoy in 9M20. Cost-income ratio (CIR) improved to 32.8% in 9M20. Net profit rose 18.8% yoy to VND8,372bn in 9M20 (9M19: +13.5% yoy).

We forecast 16.9% EPS CAGR in 2020-22F

We estimate NII CAGR of 14.1% in 2020-22F, driven by a 15% credit book and 5bp NIM expansion. We forecast credit book growth rate to increase from 12% yoy in 2020F to 15% yoy in 2021-22F. We also expect TCB to utilise its high CASA and low deposit interest rates to maintain high NIM. We expect 16.5% non-II CAGR driven by a 21% NFI CAGR in 2020-22F. We maintain CIR at c.35% in 2020-22F (2019: c.35%). Hence, TCB's earnings CAGR is estimated at 16.9% in 2020-22F.

Reiterate Add with a TP of VND29,300

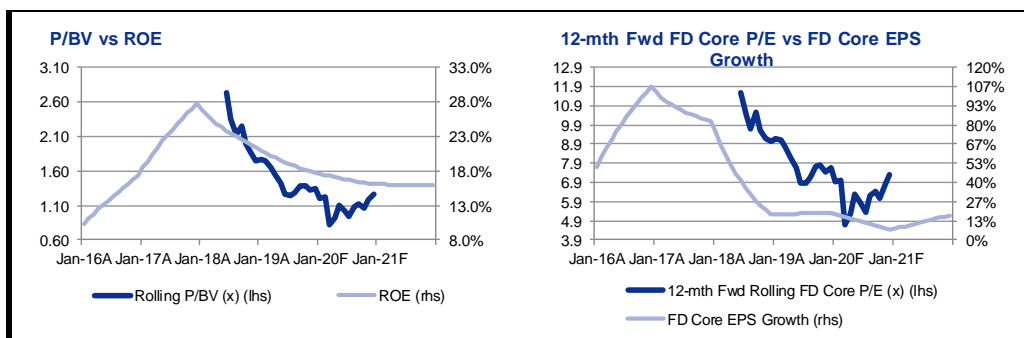
We keep our Add call with a TP of VND29,300, based on residual income valuation (COE: 13.7%, LTG: 4%) and 1.2x FY21F P/BV, weighted equally. A potential re-rating catalyst is higher-than-expected credit growth. A downside risk is lower-than-expected NIM expansion.

Financial Summary

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Net Interest Income (VNDb)	11,127	14,258	17,124	19,634	22,311
Total Non-Interest Income (VNDb)	7,223	6,810	8,138	9,770	11,041
Operating Revenue (VNDb)	18,350	21,068	25,262	29,404	33,352
Total Provision Charges (VNDb)	(1,846)	(917)	(2,732)	(3,089)	(3,313)
Net Profit (VNDb)	8,463	10,075	10,819	12,665	14,780
Core EPS (VND)	2,412	2,870	3,080	3,606	4,208
Core EPS Growth	17.6%	19.0%	7.3%	17.1%	16.7%
FD Core P/E (x)	10.86	9.13	8.51	7.27	6.23
DPS (VND)	-	-	-	-	-
Dividend Yield	0%	0%	0%	0%	0%
BVPS (VND)	14,790	17,651	20,742	24,361	28,584
P/BV (x)	1.77	1.48	1.26	1.08	0.92
ROE	21.4%	17.7%	16.0%	16.0%	15.9%
CGS-CIMB/Consensus EPS (x)			1.01	1.01	1.04

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Net Interest Income	11,127	14,258	17,124	19,634	22,311
Total Non-Interest Income	7,223	6,810	8,138	9,770	11,041
Operating Revenue	18,350	21,068	25,262	29,404	33,352
Total Non-Interest Expenses	(5,843)	(7,313)	(8,842)	(10,291)	(11,340)
Pre-provision Operating Profit	12,507	13,756	16,420	19,113	22,012
Total Provision Charges	(1,846)	(917)	(2,732)	(3,089)	(3,313)
Operating Profit After Provisions	10,661	12,838	13,688	16,024	18,700
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Operating EBIT (incl Associates)	10,661	12,838	13,688	16,024	18,700
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	10,661	12,838	13,688	16,024	18,700
Exceptional Items					
Pre-tax Profit	10,661	12,838	13,688	16,024	18,700
Taxation	(2,187)	(2,612)	(2,738)	(3,205)	(3,740)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	8,474	10,226	10,951	12,819	14,960
Minority Interests	(11)	(151)	(131)	(154)	(180)
Pref. & Special Div	0	0	0	0	0
FX And Other Adj.	0	0	0	0	0
Net Profit	8,463	10,075	10,819	12,665	14,780
Recurring Net Profit	8,433	10,039	10,781	12,621	14,728

Balance Sheet Employment

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Gross Loans/Cust Deposits	79%	100%	101%	102%	102%
Avg Loans/Avg Deposits	86%	90%	100%	101%	102%
Avg Liquid Assets/Avg Assets	40.4%	39.1%	34.4%	34.0%	33.5%
Avg Liquid Assets/Avg IEAs	43.0%	41.8%	36.8%	36.2%	35.5%
Net Cust Loans/Assets	49.0%	59.3%	59.8%	60.7%	61.5%
Net Cust Loans/Broad Deposits	62.6%	73.4%	74.7%	76.2%	77.2%
Equity & Provs/Gross Cust Loans	33.8%	28.0%	29.1%	29.6%	30.2%
Asset Risk Weighting	121%	120%	121%	122%	123%
Provision Charge/Avg Cust Loans	1.15%	0.47%	1.12%	1.11%	1.03%
Provision Charge/Avg Assets	0.63%	0.26%	0.67%	0.68%	0.64%
Total Write Offs/Average Assets	0.40%	0.12%	0.72%	0.60%	0.55%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Gross Loans	195,499	278,792	312,489	358,424	410,607
Liquid Assets & Invst. (Current)	94,434	76,402	84,653	94,382	106,310
Other Int. Earning Assets	10,555	3,192	3,288	3,551	3,906
Total Gross Int. Earning Assets	300,488	358,387	400,430	456,357	520,824
Total Provisions/Loan Loss Reserve	(2,734)	(3,223)	(3,027)	(3,356)	(3,816)
Total Net Interest Earning Assets	297,754	355,164	397,403	453,002	517,008
Intangible Assets	931	2,414	2,583	2,764	2,958
Other Non-Interest Earning Assets	19,698	21,301	22,792	24,387	26,094
Total Non-Interest Earning Assets	20,629	23,715	25,375	27,151	29,052
Cash And Marketable Securities	2,606	4,821	5,158	5,519	5,905
Long-term Investments	0	0	0	0	0
Total Assets	320,989	383,699	427,936	485,672	551,965
Customer Interest-Bearing Liabilities	214,592	248,757	275,073	312,850	359,777
Bank Deposits	36,426	61,267	67,393	74,133	80,063
Interest Bearing Liabilities: Others	6,335	434	434	434	434
Total Interest-Bearing Liabilities	257,353	310,458	342,900	387,417	440,275
Bank's Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	11,853	11,169	12,012	12,413	10,888
Total Liabilities	269,206	321,627	354,913	399,829	451,163
Shareholders' Equity	51,713	61,782	72,601	85,267	100,047
Minority Interests	69	291	422	576	755
Total Equity	51,783	62,073	73,023	85,843	100,802

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Income Growth	12.3%	14.8%	19.9%	16.4%	13.4%
Operating Profit Growth	7.4%	10.0%	19.4%	16.4%	15.2%
Pretax Profit Growth	32.7%	20.4%	6.6%	17.1%	16.7%
Net Interest To Total Income	60.6%	67.7%	67.8%	66.8%	66.9%
Cost Of Funds	4.06%	3.79%	3.43%	3.51%	3.63%
Return On Interest Earning Assets	7.63%	7.59%	7.47%	7.58%	7.65%
Net Interest Spread	3.57%	3.80%	4.04%	4.06%	4.01%
Net Interest Margin (Avg Deposits)	5.98%	6.59%	7.02%	7.15%	7.09%
Net Interest Margin (Avg RWA)	3.52%	3.36%	3.50%	3.54%	3.51%
Provisions to Pre Prov. Operating Profit	14.8%	6.7%	16.6%	16.2%	15.0%
Interest Return On Average Assets	3.77%	4.05%	4.22%	4.30%	4.30%
Effective Tax Rate	20.5%	20.3%	20.0%	20.0%	20.0%
Net Dividend Payout Ratio	NA	NA	NA	NA	NA
Return On Average Assets	2.87%	2.86%	2.67%	2.77%	2.85%

Key Drivers

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Loan Growth (%)	-0.6%	44.3%	12.1%	15.3%	15.1%
Net Interest Margin (%)	4.0%	4.3%	4.5%	4.6%	4.6%
Non Interest Income Growth (%)	-2.6%	-5.7%	19.5%	20.1%	13.0%
Cost-income Ratio (%)	31.8%	34.7%	35.0%	35.0%	34.0%
Net NPL Ratio (%)	1.0%	0.8%	0.4%	0.4%	0.4%
Loan Loss Reserve (%)	85.1%	94.8%	139.5%	156.4%	156.7%
GP Ratio (%)	0.8%	0.8%	0.8%	0.8%	0.8%
Tier 1 Ratio (%)	12.5%	12.6%	13.3%	13.8%	14.2%
Total CAR (%)	14.3%	14.3%	15.2%	15.5%	15.8%
Deposit Growth (%)	17.8%	14.8%	11.0%	14.0%	15.0%
Loan-deposit Ratio (%)	78.1%	98.4%	99.6%	100.7%	100.8%
Gross NPL Ratio (%)	1.8%	1.3%	0.8%	0.6%	0.6%
Fee Income Growth (%)	-7.2%	-8.0%	22.0%	22.0%	20.0%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Vietnam

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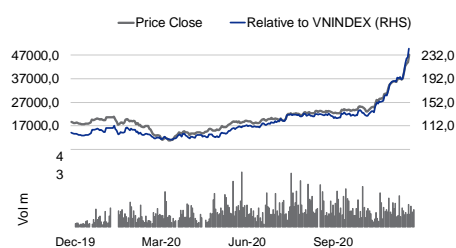
Consensus ratings*: Buy 4 Hold 1 Sell 2

Current price:	VND47,150
Target price:	VND40,400
Previous target:	VND40,400
Up/downside:	-14.3%
CGS-CIMB / Consensus:	36.6%
Reuters:	TCM.HM
Bloomberg:	TCM VN
Market cap:	US\$126.2m VND2,921,787m
Average daily turnover:	US\$1.21m VND27,950m
Current shares o/s:	58.02m
Free float:	46.0%

*Source: Bloomberg

Key changes in this note

No change



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	64.3	105.9	152.9
Relative (%)	54.2	87	142.8

Major shareholders	% held
E-land Asia Holdings Pte., Ltd	40.5
Nguyen Van Nghia	8.4
Vietcombank Securities Investment	2.1

Analyst(s)

Hao Nguyen Duc

T (84) 96 650 3268

E hao.nguyenduc@vndirect.com.vn

Thanh Cong Textile JSC

Solid growth on the back of factory No.2

- TCM is the only local textile manufacturer that owns a full supply chain of yarn, weaving, knitting, dyeing, sewing and distribution.
- We expect FY21F revenue and net profit to grow 9.1% yoy and 5.5% yoy, respectively, boosted by the new FTAs.
- Reiterate Hold with an unchanged TP of VND40,400.

Strong net profit growth in 9M20 thanks to PPE sales

Thanh Cong Textile JSC (TCM)'s revenue softened 2.6% yoy in 9M20 as sales from yarns, fabrics and garment fell 18% yoy on weak export demand. However, as the company actively switched to Personal Protective Equipment (PPE) production since 2Q20, PPE accounted for 17% (or VND460bn) of total revenue in 9M20. 9M20 gross profit margin expanded 2.1% pts to 17.5% thanks to the higher GPM for PPE. Net profit in 9M20 climbed 30.5% yoy to VND201bn.

New garment factory is the driver of earnings growth in FY22-23F

The company's US\$10m garment factory No. 2 in Vinh Long is expected to start operations in 2Q22F, with a capacity of 38m-40m products, lifting TCM's total capacity by 42.8%. In addition, TCM aims to expand its knitting and dyeing capacity, adding approximately 5,000 tons of knitted fabric/year and 5,500 tons of dyed fabric/year by 2022F. After these projects come online, revenue is expected to grow 7.3% in FY22-23F. TCM's ability to produce input materials in-house should help to widen GPM to 18.3% in FY22F and 19.6% in FY23F, in our view.

Benefitting from several Free Trade Agreements (FTAs)

As the only local textile manufacturer that owns a full supply chain of yarn, weaving, knitting, dyeing, sewing and distribution, TCM is well-equipped to adapt to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and EU-Vietnam Free Trade Agreement (EVFTA) principal rule "from yarn forward". We forecast the proportion of EU exports in TCM's total export value widening to 50% in FY21F, from 30% in FY19.

Earnings growth to slow in FY21F before bouncing back in FY22F

FY21F net profit is expected to grow at a modest 5.5% yoy from a high base in FY20F. Beyond this, we expect earnings to jump 29% yoy in FY22F thanks to an 11% revenue growth and 1.4% pts increase in gross margin.

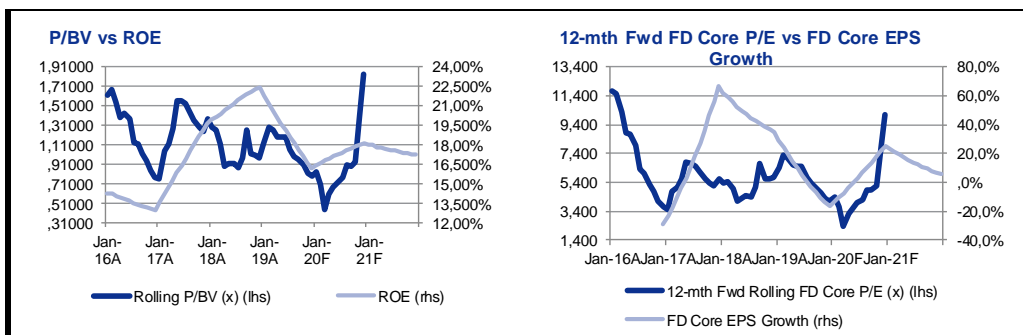
Reiterate Hold with TP of VND40,400

Our TP is based on FY21F EPS of VND4.644/share and target P/E of 9.5x, which we apply a 10% premium to peer's average due to efficient Covid-19 damage control and better position for recovery. Key upside risk: stronger-than-expected demand for PPE products. Key downside risk: worsening Covid-19 situation in TCM's main export markets, including Korea, Japan and the US.

Financial Summary	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue (VNDm)	3,662,010	3,644,053	3,550,695	3,872,073	4,279,099
Operating EBITDA (VNDm)	383,160	407,029	446,244	472,474	584,679
Net Profit (VNDm)	261,730	217,813	272,915	287,906	370,046
Core EPS (VND)	4,221	3,513	4,402	4,644	5,968
Core EPS Growth	35,3%	(16,8%)	25,3%	5,5%	28,5%
FD Core P/E (x)	11,17	13,42	10,71	10,15	7,90
DPS (VND)	451,1	473,0	1,000,0	1,000,0	1,000,0
Dividend Yield	0,96%	1,00%	2,12%	2,12%	2,12%
EV/EBITDA (x)	9,57	8,01	6,95	6,82	5,36
P/FCFE (x)	NA	34,42	12,42	NA	10,83
Net Gearing	64,0%	28,6%	15,6%	21,1%	14,6%
P/BV (x)	2,31	2,06	1,83	1,67	1,52
ROE	22,4%	16,2%	18,1%	17,2%	20,1%
% Change In Core EPS Estimates					
CGS-CIMB/Consensus EPS (x)			1,19	1,26	1,87

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(VNDm)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues	3.662.010	3.644.053	3.550.695	3.872.073	4.279.099
Gross Profit	678.770	578.571	613.495	654.018	784.452
Operating EBITDA	383.160	407.029	446.244	472.474	584.679
Depreciation And Amortisation	(78.230)	(115.052)	(119.217)	(130.853)	(145.462)
Operating EBIT	304.930	291.977	327.027	341.621	439.217
Financial Income/(Expense)	(57.560)	(27.477)	(8.220)	(4.860)	(4.084)
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Non-Operating Income/(Expense)	76.060	9.378	8.037	8.037	8.037
Profit Before Tax (pre-EI)	323.430	273.878	326.844	344.798	443.169
Exceptional Items					
Pre-tax Profit	323.430	273.878	326.844	344.798	443.169
Taxation	(63.000)	(57.185)	(53.929)	(56.892)	(73.123)
Exceptional Income - post-tax					
Profit After Tax	260.430	216.693	272.915	287.906	370.046
Minority Interests	1.300	1.120	0	0	0
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	261.730	217.813	272.915	287.906	370.046
Recurring Net Profit	261.730	217.813	272.915	287.906	370.046
Fully Diluted Recurring Net Profit	261.730	217.813	272.915	287.906	370.046

Cash Flow

(VNDm)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
EBITDA	383.160	407.029	446.244	472.474	584.679
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(250.710)	272.934	67.500	(60.189)	(69.142)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(15.590)	(54.996)	(15.000)	0	0
Other Operating Cashflow					
Net Interest (Paid)/Received	(51.900)	(49.405)	(42.973)	(41.220)	(42.480)
Tax Paid					
Cashflow From Operations	64.960	575.562	455.771	371.064	473.057
Capex	(66.390)	(75.020)	(66.021)	(250.000)	(300.000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	41.690	(3.610)	(12.610)	(21.542)	(27.283)
Cash Flow From Investing	(24.700)	(78.630)	(78.631)	(271.542)	(327.283)
Debt Raised/(repaid)	(53.610)	(412.000)	(141.719)	(113.603)	124.069
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(26.170)	(27.440)	(29.385)	(29.000)	(58.000)
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing	(79.780)	(439.440)	(171.104)	(142.603)	66.069
Total Cash Generated	(39.520)	57.492	206.036	(43.080)	211.844
Free Cashflow To Equity	(13.350)	84.932	235.421	(14.080)	269.844
Free Cashflow To Firm	92.160	546.337	420.113	140.743	188.254

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(VNDm)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Cash And Equivalents	418.830	450.520	520.290	350.419	422.463
Total Debtors	279.890	258.789	307.766	343.127	387.912
Inventories	1.138.020	892.710	857.454	941.710	1.024.688
Total Other Current Assets	56.410	22.440	22.438	22.438	22.438
Total Current Assets	1.893.150	1.624.459	1.707.948	1.657.695	1.857.501
Fixed Assets	686.690	650.313	644.197	820.424	1.032.042
Total Investments	105.680	85.778	95.776	105.776	115.776
Intangible Assets	188.540	185.970	164.387	142.803	121.220
Total Other Non-Current Assets	373.270	376.282	470.605	497.924	301.312
Total Non-current Assets	1.354.180	1.298.343	1.374.965	1.566.927	1.570.350
Short-term Debt	1.007.710	732.864	712.000	534.000	507.300
Current Portion of Long-Term Debt					
Total Creditors	614.360	534.768	607.477	648.273	692.823
Other Current Liabilities	79.020	63.714	63.714	63.714	63.714
Total Current Liabilities	1.701.090	1.331.346	1.383.191	1.245.987	1.263.837
Total Long-term Debt	222.140	123.333	58.000	185.158	196.215
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	47.710	42.849	42.849	42.849	42.849
Total Non-current Liabilities	269.850	166.182	100.849	228.007	239.064
Total Provisions	0	0	0	0	0
Total Liabilities	1.970.940	1.497.528	1.484.040	1.473.995	1.502.900
Shareholders' Equity	1.267.870	1.417.085	1.598.873	1.750.627	1.924.950
Minority Interests					
Total Equity	1.267.870	1.417.085	1.598.873	1.750.627	1.924.950

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue Growth	14,1%	(0,5%)	(2,6%)	9,1%	10,5%
Operating EBITDA Growth	9,7%	6,2%	9,6%	5,9%	23,7%
Operating EBITDA Margin	10,5%	11,2%	12,6%	12,2%	13,7%
Net Cash Per Share (VND)	(13.081)	(6.543)	(4.028)	(5.947)	(4.533)
BVPS (VND)	20.450	22.856	25.788	28.236	31.048
Gross Interest Cover	5,88	5,91	7,61	8,29	10,34
Effective Tax Rate	19,5%	20,9%	16,5%	16,5%	16,5%
Net Dividend Payout Ratio	21,9%	30,8%	58,6%	60,8%	52,0%
Accounts Receivables Days	33,71	24,81	28,18	29,90	30,48
Inventory Days	118,9	120,9	108,7	102,0	102,7
Accounts Payables Days	36,22	29,00	28,05	31,42	31,55
ROIC (%)	15,4%	14,4%	18,3%	19,0%	21,4%
ROCE (%)	13,3%	13,1%	15,6%	15,5%	18,6%
Return On Average Assets	10,1%	7,9%	9,4%	9,3%	11,2%

Key Drivers

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
ASP (% chg, main prod./serv.)	23,1%	1,9%	-15,9%	27,2%	14,4%
Unit sales grth (% , main prod./serv.)	16,7%	2,3%	-15,0%	20,0%	10,0%
Util. rate (% , main prod./serv.)	80,0%	85,0%	75,0%	80,0%	90,0%
ASP (% chg, 2ndary prod./serv.)	50,2%	6,6%	-1,0%	5,1%	5,1%
Unit sales grth (% ,2ndary prod/serv)	43,0%	5,1%	-2,0%	3,0%	3,0%
Util. rate (% , 2ndary prod/serv)	80,0%	85,0%	70,0%	80,0%	85,0%

SOURCES: VND RESEARCH, COMPANY REPORTS

Vietnam

HOLD (no change)

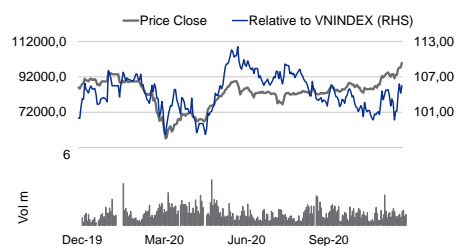
Consensus ratings*: Buy 5 Hold 12 Sell 0

Current price:	VND99,900
Target price:	VND97,700
Previous target:	VND97,700
Up/downside:	-2.2%
CGS-CIMB / Consensus:	4.7%
Reuters:	VCB.HM
Bloomberg:	VCB VN
Market cap:	US\$15,999m
	VND370,516,864m
Average daily turnover:	US\$3.71m
	VND85,889m
Current shares o/s:	3,709m
Free float:	7.6%

*Source: Bloomberg

Key changes in this note

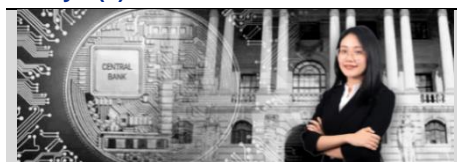
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Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	15	20.4	13
Relative (%)	4.9	1.5	2.9

Major shareholders	% held
State Bank of Vietnam	74.8
Mizuho Corporate Bank	15.0
GIC Private Limited	2.6

Analyst(s)

Thanh NGUYEN

T (84) 91 514 3803

E thanh.nguyenphuong@vndirect.com.vn

Vietcombank

Best positioned for the recovery

- Most operating metrics improved qoq, and are in good shape to support a year of robust growth in FY21F; we expect 31% net profit growth in FY21F.
- We reiterate our Hold rating with a target price of VND97,700.

We expect 4Q20F net profit to see robust growth

We expect 4Q20F net profit to increase 35% yoy on the back of NIM's resilience. At end-9M20, VCB's total restructured loans was c.VND10,400bn, ranked 3rd among the listed banks in terms of total amount and equivalent to 1.3% of its gross loans. With a credit stimulus package of up to VND300tr for affected Covid-19 clients, asset yield slipped from 6.2% in 9M19 to 5.9% in 9M20, dampening 9M20 NIM by 25bp yoy to 2.9%. However, we expect VCB's asset yield to bounce back as the bank's last credit support package expired at end-3Q20.

Equipped to have the best asset quality among peers

The bank's asset quality remains top-notch with non-performing loan (NPL) ratio at 1.0% at end-3Q20. Besides, its loan loss reserves (LLR) climbed to 215% at end-9M20 from 185% at end-9M19. This remains the highest in the banking industry even though its write-off rate inched up from 0.12% at end-3Q19 to 0.18% at end-3Q20.

We forecast 25% EPS CAGR in FY20-22F

We project 25% net profit CAGR in FY20-22F, driven by 18.6% CAGR in NII on the back of 14.5% loan CAGR and 37bp NIM expansion over the period. We also forecast 45% FY20-22F CAGR in non-II, including a 57% FY20-22F CAGR in fee income, thanks to income from payment services and bancassurance new income stream. We expect the pandemic situation to be less intense in FY21F, thus boosting commercial finance activities as well as VCB's fee income. We project NPL to inch up to 1% in FY20 and 1.15% in FY21F as the bank is more exposed to retail lending but its asset quality remains solid with high loan-loss coverage ratio (170-210%) in FY20-21F.

Reiterate Hold with a target price of VND97,700

We maintain our Add rating on VCB based on equal weighting of residual income valuation (COE: 12%; LTG: 4%) and 3.3x FY21F P/BV. VCB has traded at a premium vs. other local banks since its listing, given its industry-leading business advantages and financial performance as well as its limited free float.

Re-rating catalysts and downside risks

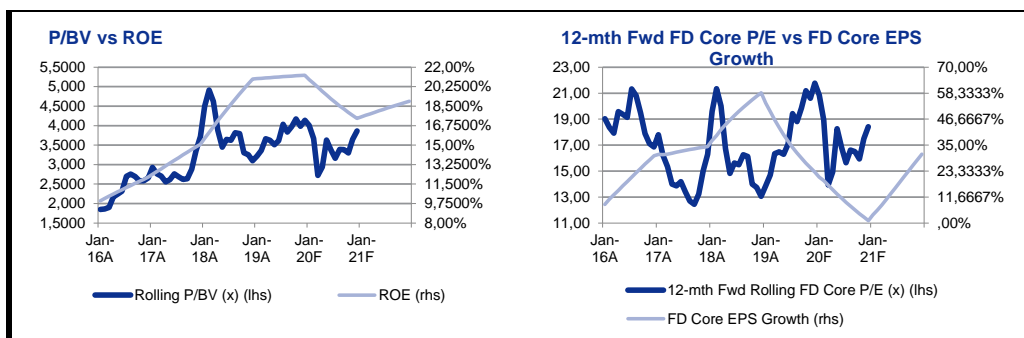
Potential re-rating catalyst is a successful capital raising of 6.5% of the bank's total charter capital via private placement with higher-than-expected valuation. Downside risks are higher-than-expected credit cost and lower-than-expected credit growth.

Financial Summary

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Net Interest Income (VNDb)	28,409	34,577	36,281	43,372	51,017
Total Non-Interest Income (VNDb)	10,870	11,153	12,889	19,924	27,038
Operating Revenue (VNDb)	39,278	45,730	49,170	63,296	78,055
Total Provision Charges (VNDb)	(7,398)	(6,790)	(8,062)	(9,854)	(13,249)
Net Profit (VNDb)	14,606	18,511	18,711	24,504	29,341
Core EPS (VND)	3,334	4,099	4,143	5,426	6,497
Core EPS Growth	58,5%	22,9%	1,1%	31,0%	19,7%
FD Core P/E (x)	29,96	24,37	24,11	18,41	15,38
DPS (VND)	800,0	800,0	800,0	800,0	800,0
Dividend Yield	0,80%	0,80%	0,80%	0,80%	0,80%
BVPS (VND)	17,264	21,785	25,860	31,444	38,289
P/BV (x)	5,79	4,59	3,86	3,18	2,61
ROE	20,9%	21,3%	17,4%	18,9%	18,6%
CGS-CIMB/Consensus EPS (x)			1,16	1,28	1,22

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Net Interest Income	28.409	34.577	36.281	43.372	51.017
Total Non-Interest Income	10.870	11.153	12.889	19.924	27.038
Operating Revenue	39.278	45.730	49.170	63.296	78.055
Total Non-Interest Expenses	(13.611)	(15.818)	(17.701)	(22.787)	(28.100)
Pre-provision Operating Profit	25.667	29.913	31.469	40.509	49.955
Total Provision Charges	(7.398)	(6.790)	(8.062)	(9.854)	(13.249)
Operating Profit After Provisions	18.269	23.122	23.407	30.655	36.706
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Operating EBIT (incl Associates)	18.269	23.122	23.407	30.655	36.706
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	18.269	23.122	23.407	30.655	36.706
Exceptional Items					
Pre-tax Profit	18.269	23.122	23.407	30.655	36.706
Taxation	(3.647)	(4.596)	(4.681)	(6.131)	(7.341)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	14.622	18.526	18.726	24.524	29.365
Minority Interests	(16)	(15)	(15)	(20)	(24)
Pref. & Special Div	0	0	0	0	0
FX And Other Adj.	0	0	0	0	0
Net Profit	14.606	18.511	18.711	24.504	29.341
Recurring Net Profit	11.995	15.203	15.367	20.125	24.097

Balance Sheet Employment

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Gross Loans/Cust Deposits	78,8%	79,1%	78,4%	79,8%	81,2%
Avg Loans/Avg Deposits	77,8%	79,0%	78,8%	79,2%	80,6%
Avg Liquid Assets/Avg Assets	42,8%	38,9%	38,3%	37,9%	36,9%
Avg Liquid Assets/Avg IEAs	43,9%	40,0%	39,4%	38,9%	37,7%
Net Cust Loans/Assets	57,9%	59,2%	59,1%	60,2%	61,5%
Net Cust Loans/Broad Deposits	69,1%	70,8%	70,3%	71,9%	73,4%
Equity & Provs/Gross Cust Loans	11,5%	12,4%	13,6%	14,5%	15,5%
Asset Risk Weighting	67,8%	72,9%	82,2%	83,3%	85,2%
Provision Charge/Avg Cust Loans	1,26%	0,99%	1,05%	1,15%	1,35%
Provision Charge/Avg Assets	0,70%	0,59%	0,63%	0,70%	0,84%
Total Write Offs/Average Assets	0,49%	0,58%	0,42%	0,49%	0,56%

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Gross Loans	882.095	984.177	1.067.764	1.195.896	1.349.815
Liquid Assets & Invst. (Current)	163.073	204.113	230.643	260.626	294.508
Other Int. Earning Assets					
Total Gross Int. Earning Assets	1.045.168	1.188.290	1.298.406	1.456.522	1.644.323
Total Provisions/Loan Loss Reserve	(10.294)	(10.417)	(13.104)	(16.103)	(20.519)
Total Net Interest Earning Assets	1.034.874	1.177.874	1.285.302	1.440.419	1.623.803
Intangible Assets	2.068	2.261	2.347	2.436	2.529
Other Non-Interest Earning Assets	24.292	28.806	29.903	31.041	32.223
Total Non-Interest Earning Assets	26.360	31.067	32.250	33.477	34.752
Cash And Marketable Securities	12.792	13.778	14.303	14.847	15.413
Long-term Investments	0	0	0	0	0
Total Assets	1.074.027	1.222.719	1.331.855	1.488.744	1.673.968
Customer Interest-Bearing Liabilities	823.390	949.835	1.042.680	1.166.305	1.316.577
Bank Deposits	76.524	73.617	77.298	81.163	85.221
Interest Bearing Liabilities: Others	90.711	92.386	94.234	96.119	98.041
Total Interest-Bearing Liabilities	990.625	1.115.838	1.214.212	1.343.586	1.499.839
Bank's Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	21.222	25.998	21.647	28.451	32.037
Total Liabilities	1.011.847	1.141.836	1.235.859	1.372.037	1.531.876
Shareholders' Equity	62.110	80.800	95.912	116.624	142.008
Minority Interests	(69)	(83)	(83)	(83)	(83)
Total Equity	62.041	80.716	95.829	116.540	141.925

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Income Growth	33,6%	16,4%	7,5%	28,7%	23,3%
Operating Profit Growth	46,3%	16,5%	5,2%	28,7%	23,3%
Pretax Profit Growth	61,1%	26,6%	1,2%	31,0%	19,7%
Net Interest To Total Income	72,3%	75,6%	73,8%	68,5%	65,4%
Cost Of Funds	2,81%	3,15%	3,05%	3,07%	3,10%
Return On Interest Earning Assets	5,44%	6,06%	5,78%	6,00%	6,14%
Net Interest Spread	2,63%	2,92%	2,73%	2,93%	3,03%
Net Interest Margin (Avg Deposits)	3,76%	4,00%	3,72%	4,01%	4,19%
Net Interest Margin (Avg RWA)	4,24%	4,27%	3,65%	3,72%	3,83%
Provisions to Pre Prov. Operating Profit	28,8%	22,7%	25,6%	24,3%	26,5%
Interest Return On Average Assets	2,69%	3,01%	2,84%	3,08%	3,23%
Effective Tax Rate	20,0%	19,9%	20,0%	20,0%	20,0%
Net Dividend Payout Ratio	20,3%	16,0%	15,9%	12,1%	10,1%
Return On Average Assets	1,38%	1,61%	1,46%	1,74%	1,86%

Key Drivers

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Loan Growth (%)	16,3%	16,3%	9,0%	14,0%	15,0%
Net Interest Margin (%)	2,8%	3,1%	2,9%	3,1%	3,3%
Non Interest Income Growth (%)	45,5%	2,6%	15,6%	54,6%	35,7%
Cost-income Ratio (%)	34,7%	34,6%	36,0%	36,0%	36,0%
Net NPL Ratio (%)	-3,9%	-4,3%	-4,9%	-5,1%	-5,4%
Loan Loss Reserve (%)	165,4%	179,5%	216,6%	173,4%	169,7%
GP Ratio (%)	0,8%	0,7%	0,8%	0,9%	1,0%
Tier 1 Ratio (%)	8,2%	8,0%	7,9%	8,6%	9,2%
Total CAR (%)	10,2%	9,7%	9,4%	10,1%	10,7%
Deposit Growth (%)	13,2%	15,8%	10,0%	12,0%	13,0%
Loan-deposit Ratio (%)	77,5%	78,0%	77,1%	78,4%	79,6%
Gross NPL Ratio (%)	1,0%	0,8%	0,8%	1,0%	1,2%
Fee Income Growth (%)	34,1%	26,6%	51,8%	67,5%	46,4%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Vietnam

ADD

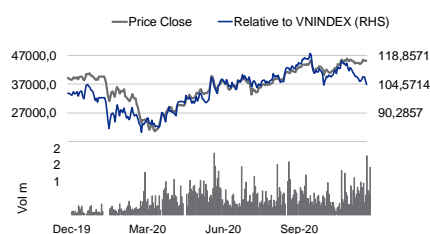
Consensus ratings*: Buy 8 Hold 1 Sell 0

Current price:	VND45,100
Target price:	VND51,800
Up/downside:	14.9%
CGS-CIMB / Consensus:	1.1%
Reuters:	VHC.HM
Bloomberg:	VHC VN
Market cap:	US\$354.3m
	VND8,205,766m
Average daily turnover:	US\$1.13m
	VND26,075m
Current shares o/s:	181.9m
Free float:	45.0%

*Source: Bloomberg

Key changes in this note

No changes.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-0.9	7.8	15.1
Relative (%)	-11	-11.1	5

Major shareholders	% held
Truong Thi Le Khanh	42.8
Mitsubishi Corp	6.5
Vo Phu Duc	5.9

Analyst(s)

Anh PHAN

T (84) 565 107 239

E anh.phanvan@vndirect.com.vn

Vinh Hoan Corporation

Signs of a leap from 2021F onwards

- The outlook for the pangasius market and its related products is improving due to larger demand from EU and tighter supply from competitors.
- We expect a 40% earnings CAGR in FY20-22F, bolstered by EU-VN FTA which was effective since 1 Aug 2020.
- Reiterate Add, with a TP of VND51,800.

VHC's 9M20 earnings in line with our expectations

9M20 net revenue dropped 19.5% yoy to VND5,094bn, fulfilling 64.6% of our full-year projection, while net profit plunged 43.8% yoy to VND551.6bn, in line at 65.7% of our full-year forecast. 9M20 GPM dropped 6.4% pts due to low pangasius fillet export prices amid the Covid-19 outbreak. However, VHC's export revenue to China showed signs of recovering. Particularly, in Oct 2020, VHC's revenue in China reached VND210bn, up 33% yoy and 53% mom. We expect pangasius prices to rise slightly by the end of 2020F, thus helping to improve VHC's profitability in 4Q20F.

Expect strong recovery in pangasius exports from 2021F onwards

After a decade of efforts, Vietnam and the European Union completed the ratification process for the Europe-Vietnam Free Trade Agreement (EVFTA) which officially became effective on 1 Aug 2020. This opens up more opportunities for pangasius exports to the EU as tariffs on pangasius will be reduced to zero over the next three years. We also expect pangasius exports to other markets to recover in 2021F on the widespread availability of a Covid-19 vaccine.

Decent outlook for FY21F

We expect FY21F earnings to increase yoy, thanks to an improvement in export volume to the US, EU and China markets. We note that the demand for whitefish from the US market has been stable throughout the years, while there had been a sharp increase in export value to the EU and China markets in recent years. Specifically, we expect export volumes to the US, China and EU markets to increase 8%, 10% and 20% yoy, respectively, in 2021F. Moreover, VHC's new R&D centre and its collagen & gelatin (C&G) production line upgrade was completed in Sep 20. We believe this upgrade will further boost VHC's collagen and gelatin capacity and reduce its production costs, leading to higher revenue and overall GPM in 2021F.

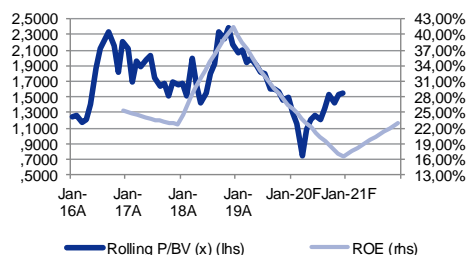
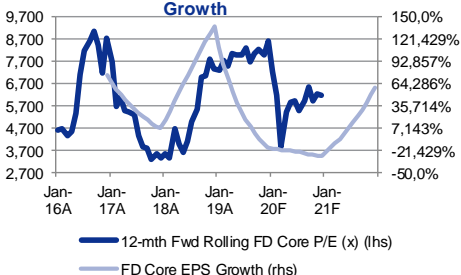
Reiterate Add with TP of VND51,800

Our TP is based on a combination of five-year DCF valuation and three-year average P/E of 6.7x on FY21F EPS. We reiterate our Add rating on VHC supported by an FY21F dividend yield of 4.7%. Downside risks include (1) a more prolonged Covid-19 outbreak negatively impacting pangasius export markets, and (2) unfavourable changes in regulations in its export markets. Potential re-rating catalysts include better-than-expected recovery in pangasius export prices.

Financial Summary

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue (VNDb)	9.407	7.895	7.275	8.785	10.097
Operating EBITDA (VNDb)	1.842	1.298	1.015	1.553	1.923
Net Profit (VNDb)	1.442	1.180	842	1.345	1.656
Core EPS (VND)	7.865	6.437	4.589	7.333	9.028
Core EPS Growth	138%	(18%)	(29%)	60%	23%
FD Core P/E (x)	5.73	7.01	9.83	6.15	5.00
DPS (VND)	1.982	1.009	2.000	2.000	3.000
Dividend Yield	4.39%	2.24%	4.43%	4.43%	6.65%
EV/EBITDA (x)	4.62	5.82	6.91	4.48	3.42
P/FCFE (x)	23.56	24.16	15.55	32.25	10.65
Net Gearing	15.4%	(14.6%)	(23.5%)	(20.7%)	(22.7%)
P/BV (x)	2.06	1.70	1.54	1.30	1.11
ROE	41.5%	26.5%	16.4%	23.0%	23.9%
% Change In Core EPS Estimates					
CGS-CIMB/Consensus EPS (x)			1.03	1.19	1.25

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS
P/BV vs ROE

12-mth Fwd FD Core P/E vs FD Core EPS Growth

Profit & Loss

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues	9.271	7.867	7.224	8.724	10.027
Gross Profit	2.039	1.533	1.212	1.782	2.176
Operating EBITDA	1.842	1.298	1.015	1.553	1.923
Depreciation And Amortisation	(156)	(165)	(164)	(204)	(242)
Operating EBIT	1.685	1.132	851	1.349	1.680
Financial Income/(Expense)	(30)	162	76	121	128
Pretax Income/(Loss) from Assoc.	79	14	0	0	0
Non-Operating Income/(Expense)	(46)	1	(7)	(8)	(9)
Profit Before Tax (pre-EI)	1.688	1.309	920	1.462	1.800
Exceptional Items					
Pre-tax Profit	1.688	1.309	920	1.462	1.800
Taxation	(245)	(129)	(78)	(117)	(144)
Exceptional Income - post-tax					
Profit After Tax	1.442	1.180	842	1.345	1.656
Minority Interests	0	0	0	0	0
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	1.442	1.180	842	1.345	1.656
Recurring Net Profit	1.442	1.180	842	1.345	1.656
Fully Diluted Recurring Net Profit	1.442	1.180	842	1.345	1.656

Cash Flow

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
EBITDA	1.842	1.298	1.015	1.553	1.923
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(593)	331	94	(610)	(387)
(Incr)/Decr in Total Provisions	(1)	1	0	(1)	(1)
Other Non-Cash (Income)/Expense	151	274	125	197	225
Other Operating Cashflow	(702)	(362)	(352)	(412)	(467)
Net Interest (Paid)/Received	81	195	113	168	184
Tax Paid	(98)	(247)	(78)	(117)	(144)
Cashflow From Operations	680	1.489	917	776	1.332
Capex	(545)	(361)	(349)	(337)	(324)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(157)	(383)	180	(21)	12
Cash Flow From Investing	(702)	(743)	(169)	(358)	(312)
Debt Raised/(repaid)	373	(403)	(217)	(162)	(244)
Proceeds From Issue Of Shares	10	0	0	0	0
Shares Repurchased	0	(114)	0	0	0
Dividends Paid	(363)	(185)	(367)	(367)	(550)
Preferred Dividends					
Other Financing Cashflow	0	0	0	0	0
Cash Flow From Financing	20	(703)	(583)	(529)	(794)
Total Cash Generated	(2)	43	165	(110)	227
Free Cashflow To Equity	351	342	532	256	777
Free Cashflow To Firm	34	805	791	434	1.020

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Cash And Equivalents	651	1.578	1.911	1.801	1.945
Total Debtors	2.002	1.516	1.206	1.637	1.875
Inventories	1.386	1.414	1.465	1.767	2.023
Total Other Current Assets	102	103	97	118	136
Total Current Assets	4.140	4.612	4.680	5.323	5.979
Fixed Assets	1.110	1.216	1.480	1.690	1.847
Total Investments	389	1	1	1	1
Intangible Assets	287	289	267	245	222
Total Other Non-Current Assets	372	496	454	549	630
Total Non-current Assets	2.158	2.001	2.202	2.484	2.702
Short-term Debt	1.269	866	650	487	244
Current Portion of Long-Term Debt					
Total Creditors	429	452	423	494	560
Other Current Liabilities	552	397	256	324	378
Total Current Liabilities	2.251	1.714	1.329	1.305	1.182
Total Long-term Debt	0	0	0	0	0
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	33	20	190	147	20
Total Non-current Liabilities	33	20	190	147	20
Total Provisions	0	0	0	0	0
Total Liabilities	2.283	1.734	1.519	1.452	1.203
Shareholders' Equity	4.015	4.879	5.362	6.355	7.478
Minority Interests	0	0	0	0	0
Total Equity	4.015	4.879	5.362	6.355	7.478

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue Growth	15,1%	(16,1%)	(7,9%)	20,8%	14,9%
Operating EBITDA Growth	91,8%	(29,5%)	(21,8%)	53,0%	23,8%
Operating EBITDA Margin	19,6%	16,4%	13,9%	17,7%	19,0%
Net Cash Per Share (VND)	(3.373)	3.884	6.882	7.165	9.277
BVPS (VND)	21.896	26.604	29.243	34.655	40.780
Gross Interest Cover	30,10	19,02	20,13	86,05	N/A
Effective Tax Rate	14,5%	9,8%	8,5%	8,0%	8,0%
Net Dividend Payout Ratio	25,2%	15,7%	43,6%	27,3%	33,2%
Accounts Receivables Days	60,83	77,33	63,85	55,04	59,45
Inventory Days	65,31	80,66	87,60	84,96	88,10
Accounts Payables Days	12,81	16,05	17,27	16,23	16,48
ROIC (%)	42,6%	26,5%	20,3%	31,4%	32,4%
ROCE (%)	37,8%	25,2%	17,1%	23,8%	25,6%
Return On Average Assets	26,0%	15,8%	11,4%	16,7%	18,5%

Key Drivers

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
ASP (% chg, main prod./serv.)	12,7%	33,0%	-13,6%	3,4%	3,7%
Unit sales grth (% , main prod./serv.)	-4,3%	-10,7%	8,0%	10,0%	12,0%
Util. rate (% , main prod./serv.)	N/A	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% ,2ndary prod/serv)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , 2ndary prod/serv)	N/A	N/A	N/A	N/A	N/A
ASP (% chg, tertiary prod/serv)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% ,tertiary prod/serv)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , tertiary prod/serv)	N/A	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,main)	20,5%	-29,6%	-8,0%	0,0%	2,1%
Total Export Sales Growth (%)	N/A	N/A	N/A	N/A	N/A
Export Sales/total Sales (%)	N/A	N/A	N/A	N/A	N/A

SOURCES: VND RESEARCH, COMPANY REPORTS

Vietnam

ADD (no change)

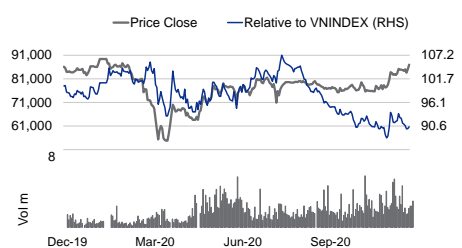
Consensus ratings*: Buy 15 Hold 0 Sell 0

Current price:	VND87,000
Target price:	VND104,300
Previous target:	VND104,300
Up/downside:	19.9%
CGS-CIMB / Consensus:	1.8%
Reuters:	VHM.HM
Bloomberg:	VHM VN
Market cap:	US\$12,358m
	VND286,187,712m
Average daily turnover:	US\$8.20m
	VND189,871m
Current shares o/s:	3,350m
Free float:	10.4%

*Source: Bloomberg

Key changes in this note

N/A.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	11.1	12.3	-2.4
Relative (%)	1	-6.6	-12.5

Major shareholders	% held
Vingroup JSC	69.7
GIC	5.7

Vinhomes JSC

Affirming market leading position

- Vinhomes JSC (VHM) has a total residential GFA of 16,400ha (as of end-3Q20), which could sustain at least 15 years of development, in our view.
- We expect VHM to record a net profit CAGR of 33.6% in FY19-23F, driven by deliveries of mega projects.
- Reiterate Add rating with an RNAV-based target price of VND104,300.

Sizeable land bank to secure pipeline for at least 15 years

Vinhomes' (VHM) total land bank, including land under acquisition, was 17,400ha as of Sep 2020, about 3.3 times higher than the second ranked company – Novaland (NVL, Non-rated), translates to 16,400ha of residential GFA. This highlights its strong land acquisition and master planning capability, in our view. As at end-3Q20, 92.5% of its total land bank had not been deployed yet, showing the huge potential of the VHM in the future. We expect its estimate gross development value (GDV) of VND1,118tr (US\$48.2bn) up to FY25F.

9M20 net profit in line at 65.6% our full-year expectation

9M20 revenue increased 31.2% yoy to VND49,378bn, making up 61.9% of our full-year forecast, thanks to the deliveries of Ocean Park (VND13.4tr), Grand Park (VND11.6tr), Marina (VND5.7tr), and Smart City (VND4.7tr). 9M20 GPM normalised to 37.4% (-8.6% pts yoy) due to lower contribution of bulk sales transactions and lower margins from office complex sale at Vinhomes Metropolis recognised in 9M20 (GPM of ca.30%). Accordingly, 9M20 net profit rose 6.6% yoy to VND16,337bn, fulfilling 65.6% our full-year projection.

Strong presales momentum likely to continue in 4Q20F and 2021F

As of 14 Oct 2020, more than 4,500 units of The Origami have been sold with an absorption rate of 92% and ASP of c.US\$2,000/sq m, illustrating VHM's outstanding sales capacity. We believe presales growth will remain strong in 4Q20F and 2021F, driven by the launch of Vinhomes Wonder Park and the rest of three mega projects. VHM's total number of pre-sold units reached 25,000 units, which were valued at VND46.6tr at the end of 3Q20.

Net profit CAGR of 33.6% in FY19-23F

We forecast VHM's FY21F revenue to jump 60.7% yoy, and FY20F net profit to grow 46.3% yoy, underpinned by retail delivery at Ocean Park, Grand Park and Smart City. In the longer term, we expect a PATMI CAGR of 33.6% in FY19-23F, driven by deliveries of mega projects.

Reiterate Add with a TP of VND104,300

We reiterate our Add rating with an RNAV-based target price of VND104,300. We believe it is worth accumulating VHM stocks, given its strong presales and unbilled bookings of VND83tr as of 30 Sep 2020 which translate into a promising outlook for FY21-22F. Potential re-rating catalysts include faster bulk sales and the launch of new projects. A downside risk are longer-than-expected licensing process and a surge in mortgage rates that may dampen VHM's retail presales.

Analyst(s)

Toan CHU

T (84) 94 519 9218

E toan.chuduc@vndirect.com.vn

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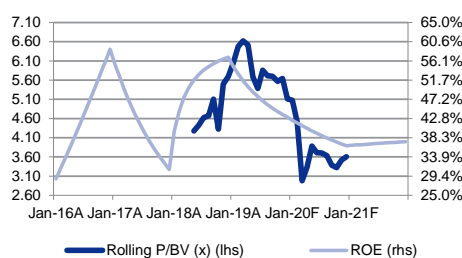
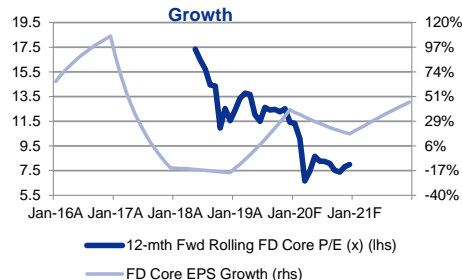
T (84) 333 557 019

E tu.nguyencam2@vndirect.com.vn

Financial Summary

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues (VNDb)	38,664	51,826	79,719	128,113	191,649
Operating EBITDA (VNDb)	7,879	23,452	27,035	47,774	76,079
Net Profit (VNDb)	14,284	21,305	24,886	36,398	58,855
Core EPS (VND)	4,567	6,361	7,430	10,867	17,571
Core EPS Growth	(19.0%)	39.3%	16.8%	46.3%	61.7%
FD Core P/E (x)	19.05	13.68	11.71	8.01	4.95
DPS (VND)	0.0	0.0	1,000.0	1,000.0	1,000.0
Dividend Yield	0.00%	0.00%	1.15%	1.15%	1.15%
EV/EBITDA (x)	38.76	13.64	12.46	7.14	4.53
P/FCFE (x)	NA	22.5	242.1	78.9	55.3
Net Gearing	59.0%	29.8%	39.6%	27.7%	17.8%
P/BV (x)	6.74	5.24	3.61	2.56	1.72
ROE	57.0%	43.1%	36.5%	37.4%	41.6%
CGS-CIMB/Consensus EPS (x)			0.92	1.16	1.58

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS
P/BV vs ROE

12-mth Fwd FD Core P/E vs FD Core EPS Growth

Profit & Loss

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues	38,664	51,826	79,719	128,113	191,649
Gross Profit	10,061	27,360	34,348	59,116	90,612
Operating EBITDA	7,879	23,452	27,035	47,774	76,079
Depreciation And Amortisation	(262)	(341)	(269)	(272)	(683)
Operating EBIT	7,617	23,111	26,766	47,503	75,396
Financial Income/(Expense)	12,108	6,504	7,718	3,576	4,846
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Non-Operating Income/(Expense)	(7)	43	0	0	0
Profit Before Tax (pre-EI)	19,719	29,658	34,484	51,078	80,242
Exceptional Items					
Pre-tax Profit	19,719	29,658	34,484	51,078	80,242
Taxation	(4,942)	(5,451)	(6,897)	(10,216)	(16,048)
Exceptional Income - post-tax					
Profit After Tax	14,776	24,206	27,588	40,863	64,193
Minority Interests	(492)	(2,901)	(2,702)	(4,465)	(5,339)
Pref. & Special Div	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax	0	0	0	0	0
Net Profit	14,284	21,305	24,886	36,398	58,855
Recurring Net Profit	14,284	21,305	24,886	36,398	58,855
Fully Diluted Recurring Net Profit	14,284	21,305	24,886	36,398	58,855

Cash Flow

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
EBITDA	7,879	23,452	27,035	47,774	76,079
Cash Flow from Invnt. & Assoc.	0	0	0	0	0
Change In Working Capital	(3,331)	2,207	(1,401)	(11,194)	(39,621)
Straight Line Adjustment	0	0	0	0	0
(Incr)/Decr in Total Provisions	262	341	510	498	867
Other Non-Cash (Income)/Expense	(29)	(244)	(10,327)	(6,235)	(7,558)
Other Operating Cashflow	(453)	4,278	10,058	5,964	6,874
Net Interest (Paid)/Received	(2,383)	(2,306)	(2,609)	(2,660)	(2,712)
Tax Paid	(3,408)	(6,188)	(6,897)	(10,216)	(16,048)
Cashflow From Operations	(1,463)	21,540	16,368	23,931	17,881
Capex	0	0	0	0	0
Disposals Of FAs/subsidiaries	1,619	456	0	0	0
Disposals of Investment Properties	26,398	37,349	0	0	0
Acq. Of Subsidiaries/Investments	(52,277)	(40,836)	(20,165)	(20,237)	(12,614)
Other Investing Cashflow	6,419	0	0	0	0
Cash Flow From Investing	(17,842)	(3,032)	(20,165)	(20,237)	(12,614)
Debt Raised/(repaid)	9,963	(5,555)	5,000	0	0
Proceeds From Issue Of Shares	12,241	(5,550)	0	0	0
Shares Repurchased	0	0	0	0	0
Dividends Paid	(945)	(3,687)	(3,350)	(3,350)	(3,350)
Preferred Dividends					
Other Financing Cashflow	0	0	0	0	0
Cash Flow From Financing	21,259	(14,792)	1,650	(3,350)	(3,350)

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Cash And Equivalents	3,515	7,231	5,086	5,430	7,349
Properties Under Development	36,743	60,075	99,674	129,288	153,347
Total Debtors	43,356	53,875	31,696	44,964	56,895
Inventories	116				
Total Other Current Assets	7,473	12,640	10,215	14,053	13,019
Total Current Assets	91,203	133,822	146,671	193,735	230,610
Fixed Assets	100	216	323	297	270
Total Investments	24,670	35,565	96,075	122,391	141,995
Intangible Assets	1,109	1,020	868	779	690
Total Other Non-Current Assets	2,607	26,547	3,796	5,532	7,761
Total Non-current Assets	28,486	63,348	101,062	128,999	150,716
Short-term Debt	6,403	18,162	8,209	8,209	9,683
Current Portion of Long-Term Debt	0	0	0	0	0
Total Creditors	2,504	5,875	3,353	5,099	7,466
Other Current Liabilities	33,965	97,016	109,073	144,576	139,694
Total Current Liabilities	42,872	121,053	120,635	157,884	156,844
Total Long-term Debt	25,506	8,343	32,700	32,700	31,225
Hybrid Debt - Debt Component	0	0	0	0	0
Total Other Non-Current Liabilities	3,166	3,018	3,836	4,075	4,337
Total Non-current Liabilities	28,672	11,361	36,536	36,774	35,562
Total Provisions	0	0	0	0	0
Total Liabilities	71,544	132,414	157,171	194,658	192,406
Shareholders' Equity	43,231	55,597	80,804	113,852	169,358
Minority Interests	4,912	9,159	9,758	14,223	19,562
Total Equity	48,143	64,756	90,562	128,076	188,920

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue Growth	153%	34%	54%	61%	50%
Operating EBITDA Growth	123%	198%	15%	77%	59%
Operating EBITDA Margin	20.4%	45.3%	33.9%	37.3%	39.7%
Net Cash Per Share (VND)	(8,477)	(5,754)	(10,695)	(10,592)	(10,019)
BVPS (VND)	12,907	16,599	24,124	33,991	50,562
Gross Interest Cover	3.20	10.02	10.26	17.86	27.80
Effective Tax Rate	25.1%	18.4%	20.0%	20.0%	20.0%
Net Dividend Payout Ratio	NA	NA	13.5%	9.2%	5.7%
Accounts Receivables Days	321.6	342.4	196.4	109.2	97.0
Inventory Days	1.48	0.86	0.00	0.00	0.00
Accounts Payables Days	21.88	62.50	37.22	22.35	22.70
ROIC (%)	31%	34%	42%	111%	133%
ROCE (%)	42.1%	37.5%	33.3%	35.8%	41.6%
Return On Average Assets	6.0%	12.0%	9.6%	13.3%	17.1%

Key Drivers

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Unbooked Presales (m) (VND)	68,900.0	101,829.7	142,755.5	197,273.0	176,382.7
Unbooked Presales (area: m sm)	N/A	N/A	N/A	N/A	N/A
Unbooked Presales (units)	N/A	N/A	N/A	N/A	N/A
Unsold attrib. landbank (area: m sm)	N/A	N/A	N/A	N/A	N/A
Gross Margins (%)	26.0%	52.8%	43.1%	46.1%	47.3%
Contracted Sales ASP (per Sm) (VND)	N/A	N/A	N/A	N/A	N/A
Residential EBIT Margin (%)	N/A	N/A	N/A	N/A	N/A
Investment rev / total rev (%)	N/A	N/A	N/A	N/A	N/A
Residential rev / total rev (%)	95.9%	95.4%	96.3%	96.9%	93.7%
Inv. properties rental margin (%)	N/A	N/A	N/A	N/A	N/A
SG&A / Sales Ratio (%)	-6.3%	-8.2%	-9.5%	-9.1%	-7.9%

SOURCES: VND RESEARCH, COMPANY REPORTS

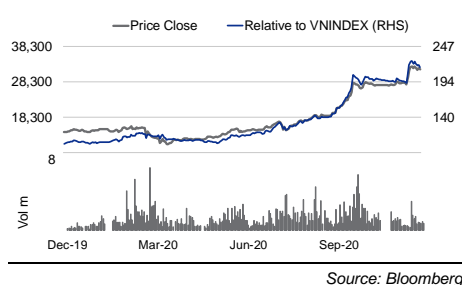
Vietnam

HOLD

Consensus ratings*:	Buy 2 Hold 1 Sell 1
Current price:	VND31,850
Target price:	VND35,000
Previous target:	VND35,000
Up/downside:	9.9%
CGS-CIMB / Consensus:	48.9%
Reuters:	VIB.HM
Bloomberg:	VIB VN
Market cap:	US\$1,526m
	VND35,334,004m
Average daily turnover:	US\$1.65m
	VND38,326m
Current shares o/s:	1,109m
Free float:	20.0%
*Source: Bloomberg	

Key changes in this note

▶ No change.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	16	68.4	126.2
Relative (%)	5.9	49.5	116.1

Major shareholders	% held
Chairman & related parties	14.9
Commonwealth Bank of Australia	20.0
BOD members and related parties	12.9

Analyst(s)

Ngoc NGUYEN



T (84) 90 918 2135

E ngoc.nguyendang@vndirect.com.vn

Vietnam International Bank

A rosy year ahead

- VIB's NP CAGR of 79.8% in 2016-19 and net profit growth of 38.1% yoy in 9M20 were the highest increases among listed peers.
- We forecast 14.8% earnings CAGR in 2020-22F, supported by 23% credit CAGR and 20bp NIM expansion.
- We reiterate our Hold call with a TP of VND35,000.

9M20 robust topline rise heightened by credit and NIM jump

VIB enjoyed its highest net interest margin of 4.1% in 9M20 (+15bp yoy) on 5bp yoy asset yield rise and 10bp yoy funding cost dip. Loans rose 15.3% YTD, driven by a 16.7% YTD individual lending hike which contributed 82.2% to loan book at end-3Q20. Net interest income (NII) rose 30.8% yoy to VND5,935bn in 9M20. Net fee income (NFI) rose 28.3% yoy to VND1,638bn, on a 63.9% yoy payment income rise and a 10.8% yoy commission fee income hike. CIR improved to 40.3%, offsetting a 27.1% yoy provision expense surge in 9M20. This boosted net profit by 38.1% yoy to VND3,220bn in 9M20.

2021F VIB benefits from decreased taxes in automobile products

Import tariff for imported European cars will be deducted by 6.8-7.4% p.a in 2020-22F due to EU-Vietnam Free Trade Agreement (EVFTA). Hence, European car prices would be cheaper and compel competitors to lower their prices. As the economy recovers and incomes improve, VIB should benefit from lower car prices as it has the largest market share of auto loans at 23% in 2019.

Bad debt was still considerable at end-3Q20

NPL ratio fell from 2.37% at end-2Q20 to 2.14% at end-3Q20 while loan loss reserve (LLR) edged down from 49.8% at end-2Q20 to 48.3% at end-3Q20. VIB wrote off bad debt amounting to VND380bn in 9M20 (1H20: VND78bn). Hence, annualised write-off rate rose from 0.12% in 1H20 to 0.36% in 9M20 (2019: 0.2%), helping improve NPL ratio.

We forecast 14.8% net profit CAGR in 2020-22F

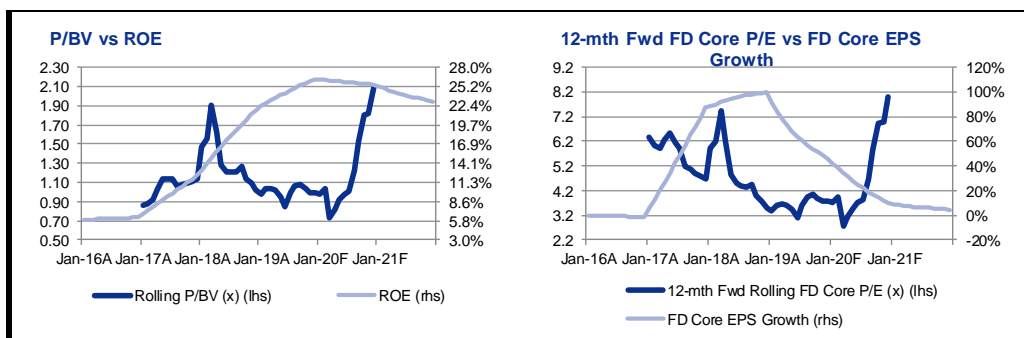
We estimate NII CAGR to be 25.1% in 2020-22F, driven by a 23% loan book CAGR and 20bp NIM expansion. We expect gross loan to jump to 24%/22% yoy in 2021/22F from a 20% yoy estimated growth in 2020F; while NIM is anticipated to stay high at c.4%, benefitting from low deposit rates. We forecast Non-II CAGR of 20.5% in 2020-22F, including a 21% NFI CAGR. Meanwhile, we expect CIR to stay at c.43% in 2020-22F, (2019: c.42.2%), while provision expense CAGR should jump to 65.1% in 2020-22F from 34.5% in 2017-19. As a result, net profit CAGR is 14.8% in 2020-22F.

Reiterate Hold with a TP of VND35,000

Reiterate Hold. Our TP of VND35,000 is based on residual income valuation (COE: 14%; LTG: 3.0%) and 1.6x FY21F P/BV, weighting equally. Upside catalysts are better-than-expected loan and NIM rise. Downside risk would be higher-than-expected bad debt.

Financial Summary	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Net Interest Income (VNDb)	4,825	6,213	8,013	9,959	12,549
Total Non-Interest Income (VNDb)	1,260	1,939	2,262	2,748	3,284
Operating Revenue (VNDb)	6,086	8,152	10,275	12,707	15,833
Total Provision Charges (VNDb)	(653)	(633)	(934)	(1,630)	(2,545)
Net Profit (VNDb)	2,194	3,266	3,980	4,542	5,248
Core EPS (VND)	2,373	3,473	3,797	3,971	4,589
Core EPS Growth	99.7%	46.3%	9.3%	4.6%	15.6%
FD Core P/E (x)	13.42	9.17	8.39	8.02	6.94
DPS (VND)	567.0	567.0	0.0	500.0	500.0
Dividend Yield	1.78%	1.78%	0.00%	1.57%	1.57%
BVPS (VND)	11,848	14,527	15,221	19,315	23,546
P/BV (x)	2.69	2.19	2.09	1.65	1.35
ROE	21.9%	26.3%	25.5%	23.0%	21.4%
% Change In Core EPS Estimates					
CGS-CIMB/Consensus EPS (x)			1.14	1.03	1.05

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Net Interest Income	4,825	6,213	8,013	9,959	12,549
Total Non-Interest Income	1,260	1,939	2,262	2,748	3,284
Operating Revenue	6,086	8,152	10,275	12,707	15,833
Total Non-Interest Expenses	(2,690)	(3,437)	(4,367)	(5,400)	(6,729)
Pre-provision Operating Profit	3,396	4,715	5,908	7,306	9,104
Total Provision Charges	(653)	(633)	(934)	(1,630)	(2,545)
Operating Profit After Provisions	2,743	4,082	4,974	5,676	6,559
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Operating EBIT (incl Associates)	2,743	4,082	4,974	5,676	6,559
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	2,743	4,082	4,974	5,676	6,559
Exceptional Items					
Pre-tax Profit	2,743	4,082	4,974	5,676	6,559
Taxation	(549)	(816)	(994)	(1,134)	(1,311)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	2,194	3,266	3,980	4,542	5,248
Minority Interests					
Pref. & Special Div	0	0	0	0	0
FX And Other Adj.	0	0	0	0	0
Net Profit	2,194	3,266	3,980	4,542	5,248
Recurring Net Profit	2,127	3,168	3,861	4,405	5,091

Balance Sheet Employment

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Gross Loans/Cust Deposits	113%	106%	111%	110%	110%
Avg Loans/Avg Deposits	115%	109%	108%	110%	110%
Avg Liquid Assets/Avg Assets	31.3%	28.7%	28.1%	27.9%	27.9%
Avg Liquid Assets/Avg IEAs	32.1%	29.4%	28.7%	28.4%	28.3%
Net Cust Loans/Assets	68.3%	69.3%	69.8%	70.2%	70.4%
Net Cust Loans/Broad Deposits	76.5%	76.7%	77.8%	78.0%	77.9%
Equity & Provs/Gross Cust Loans	12.0%	11.4%	12.0%	12.3%	12.5%
Asset Risk Weighting	119%	80%	82%	82%	84%
Provision Charge/Avg Cust Loans	0.74%	0.56%	0.66%	0.94%	1.19%
Provision Charge/Avg Assets	0.50%	0.39%	0.46%	0.67%	0.85%
Total Write Offs/Average Assets	0.50%	0.39%	0.46%	0.67%	0.85%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Gross Loans	104,554	133,212	160,456	199,561	244,415
Liquid Assets & Invst. (Current)	28,719	27,925	43,262	51,908	61,245
Other Int. Earning Assets	2,474	19,040	11,424	14,851	19,307
Total Gross Int. Earning Assets	135,747	180,177	215,142	266,320	324,967
Total Provisions/Loan Loss Reserve	(1,019)	(1,368)	(1,910)	(2,455)	(3,552)
Total Net Interest Earning Assets	134,728	178,808	213,232	263,865	321,414
Intangible Assets	156	137	145	154	163
Other Non-Interest Earning Assets	3,184	4,427	4,692	4,974	5,272
Total Non-Interest Earning Assets	3,340	4,564	4,837	5,128	5,435
Cash And Marketable Securities	1,098	1,160	1,229	1,303	1,381
Long-term Investments	0	0	0	0	0
Total Assets	139,166	184,531	219,299	270,296	328,231
Customer Interest-Bearing Liabilities	95,015	139,512	167,804	209,755	256,940
Bank Deposits	29,400	27,225	29,131	33,500	39,531
Interest Bearing Liabilities: Others	873	13	13	13	13
Total Interest-Bearing Liabilities	125,288	166,750	196,948	243,268	296,484
Bank's Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	3,211	4,352	5,465	5,600	5,626
Total Liabilities	128,499	171,102	202,413	248,868	302,110
Shareholders' Equity	10,668	13,430	16,886	21,427	26,121
Minority Interests	0	0	0	0	0
Total Equity	10,668	13,430	16,886	21,427	26,121

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Income Growth	48.8%	34.0%	26.0%	23.7%	24.6%
Operating Profit Growth	93.5%	38.8%	25.3%	23.7%	24.6%
Pretax Profit Growth	95.2%	48.8%	21.9%	14.1%	15.6%
Net Interest To Total Income	79.3%	76.2%	78.0%	78.4%	79.3%
Cost Of Funds	4.43%	5.24%	5.05%	5.10%	5.20%
Return On Interest Earning Assets	7.88%	8.78%	8.70%	8.80%	8.99%
Net Interest Spread	3.45%	3.54%	3.65%	3.70%	3.79%
Net Interest Margin (Avg Deposits)	6.30%	6.00%	6.11%	6.32%	6.46%
Net Interest Margin (Avg RWA)	3.59%	3.97%	4.89%	4.96%	5.05%
Provisions to Pre Prov. Operating Profit	19.2%	13.4%	15.8%	22.3%	27.9%
Interest Return On Average Assets	3.68%	3.84%	3.97%	4.07%	4.19%
Effective Tax Rate	20.0%	20.0%	20.0%	20.0%	20.0%
Net Dividend Payout Ratio	23.2%	15.8%	NA	12.2%	10.6%
Return On Average Assets	1.67%	2.02%	1.97%	1.86%	1.75%

Key Drivers

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Loan Growth (%)	20.4%	34.4%	20.0%	24.0%	22.0%
Net Interest Margin (%)	3.8%	3.9%	4.1%	4.1%	4.2%
Non Interest Income Growth (%)	98.9%	53.8%	16.7%	21.5%	19.5%
Cost-income Ratio (%)	44.2%	42.2%	42.5%	42.5%	42.5%
Net NPL Ratio (%)	0.3%	0.0%	0.3%	0.5%	0.2%
Loan Loss Reserve (%)	36.2%	50.7%	48.2%	50.3%	66.3%
GP Ratio (%)	0.7%	0.7%	0.8%	0.8%	1.0%
Tier 1 Ratio (%)	6.4%	9.0%	9.4%	9.7%	9.5%
Total CAR (%)	10.0%	9.7%	10.0%	10.3%	10.1%
Deposit Growth (%)	24.1%	44.2%	14.5%	25.0%	22.0%
Loan-deposit Ratio (%)	112.1%	104.5%	109.3%	108.4%	108.1%
Gross NPL Ratio (%)	2.5%	2.0%	2.3%	2.3%	2.1%
Fee Income Growth (%)	80.6%	144.6%	20.0%	22.0%	20.0%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Vietnam

HOLD

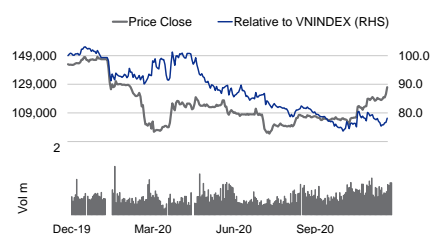
Consensus ratings*: Buy 0 Hold 4 Sell 2

Current price:	VND127,000
Target price:	VND117,800
Up/downside:	-7.2%
CGS-CIMB / Consensus:	9.4%
Reuters:	VJC.HM
Bloomberg:	VJC.VN
Market cap:	US\$2,873m
	VND66,527,500m
Average daily turnover:	US\$2.44m
	VND56,498m
Current shares o/s:	541.6m
Free float:	55.1%

*Source: Bloomberg

Key changes in this note

N/A



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	12.7	18.2	-12.1
Relative (%)	2.6	-0.7	-22.2

Major shareholders	% held
Sunflower Sunny Investment Co. Ltd	28.6
Nguyen Thi Phuong Thao	8.8
Sovico JSC	7.6

Analyst(s)

Dzung NGUYEN

T (84) 91 686 5190

E dung.nguyentien5@vndirect.com.vn

VietJet Aviation JSC

Flying through the turbulence

- S&LB and abnormal income could help boost VJC's FY20F NP to VND96bn.
- FY21F/22F core NP could propel to VND182bn/VN879bn, thanks to higher domestic traffic recovery and international traffic resuming.
- We recommend a Hold rating with a DCF-based TP of VND117,800.

Air transport business recovery in 3Q20

VietJet Aviation's (VJC) total number of flights fell 55.3% yoy to 15,190 in 3Q20; most of those were domestic flights with lower revenue per flight vs. international flights, leading to a 72.5% yoy drop in core revenue. VJC had no sale-and-leaseback (S&LB) transactions in 3Q20 (vs. VND836bn S&LB gross profit recorded in 3Q19), resulting in a net loss of VND971bn in 3Q20 (vs. NP of VND1,700bn in 3Q19). However, despite the Covid-19 outbreak in Da Nang in late-Jul 20, we saw a recovery in VJC's 3Q20 business results. 3Q20 net loss from core business reduced to VND971bn (from VND1,996bn in 2Q20) due to domestic traffic demand recovery, which helped total flights increase 10.1% qoq, leading to a 56% qoq hike in 3Q20 core revenue.

S&LB, financial income and other income to boost FY20F NP

In 4Q20F, we expect VJC's domestic traffic to grow 16.5% qoq to 3.9m passengers and revert to pre-Covid-19 levels of 1.6m passengers by Dec 20. We expect VJC's international flights to not resume until Jan 21 with stringent policies. For FY20F, we expect total pax volume to drop 45.0%, of which outbound pax volume would plunge 87.7% yoy, while inbound pax volume would drop 18.1% yoy; thus, we envisage VJC's core revenue/core NP to drop 57.9% yoy/2,614% yoy to VND16,255bn/-VND4,099bn, but we expect S&LB transactions, abnormal financial and other income to help boost FY20F NP to VND96bn.

FY21-22F outlook enhanced by vaccine announcement

As of 20 Nov 2020, six vaccines have been approved for early or limited use. Based on the positive signs from the vaccine developments, we expect outbound pax volume to soar in FY21F/22F by 365%/75% yoy, equivalent to 57.3%/100.1% of its 2019 base, while inbound pax volume to grow 23.1%/8% yoy, equivalent to 100.8%/108.8% of its 2019 base. We expect FY21F/22F core net profit to jump to VND182bn/VND879bn, with FY21F/22F NP boosted by S&LB transactions to VND3,169bn/VND4,652bn.

Recommend Hold as positive factors have been priced in

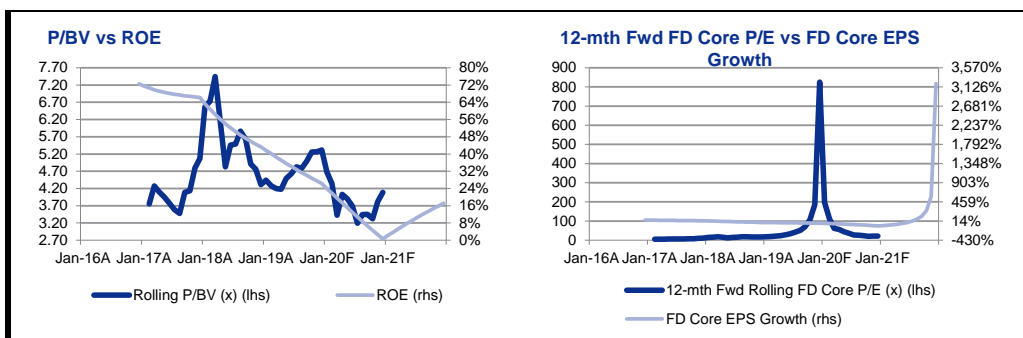
Our target price of VND117,800 is based on 10-year DCF-based valuation (WACC: 9.93%). We recommend Hold for VJC as positive factors have been priced in. Upside risk includes higher-than-expected international traffic recovery from FY21F. Downside risks include: 1) uncertainties arising from the pandemic, and 2) higher-than-expected fuel prices.

Financial Summary

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue (VNDb)	53,577	50,603	25,777	59,567	77,259
Operating EBITDA (VNDb)	6,631	4,359	(1,259)	3,894	5,579
Net Profit (VNDb)	5,335	3,807	96	3,169	4,652
Core EPS (VND)	11,319	7,280	177	5,850	8,590
Core EPS Growth	(18%)	(36%)	(98%)	3202%	47%
FD Core P/E (x)	11.2	17.4	716.7	21.7	14.8
DPS (VND)	4,000	1,000	0	0	0
Dividend Yield	3.15%	0.79%	0.00%	0.00%	0.00%
EV/EBITDA (x)	8.65	16.44	NA	18.32	13.18
P/FCFE (x)	25.80	60.96	NA	10.35	46.84
Net Gearing	(17.5%)	35.7%	22.4%	13.0%	19.4%
P/BV (x)	4.56	4.62	4.09	3.43	2.78
ROE	43.3%	26.3%	0.6%	17.2%	20.8%
% Change In Core EPS Estimates					
CGS-CIMB/Consensus EPS (x)			(0.14)	1.41	1.37

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues	53,577	50,603	25,777	59,567	77,259
Gross Profit	7,638	5,798	(146)	5,284	7,415
Operating EBITDA	6,631	4,359	(1,259)	3,894	5,579
Depreciation And Amortisation	(147)	(175)	(133)	(164)	(186)
Operating EBIT	6,484	4,184	(1,393)	3,730	5,393
Financial Income/(Expense)	(586)	(244)	135	(662)	(871)
Pretax Income/(Loss) from Assoc.	(89)	(92)	(184)	(90)	(116)
Non-Operating Income/(Expense)	7	721	1,538	191	248
Profit Before Tax (pre-EI)	5,816	4,569	96	3,169	4,653
Exceptional Items					
Pre-tax Profit	5,816	4,569	96	3,169	4,653
Taxation	(481)	(761)	0	0	0
Exceptional Income - post-tax	0	0	0	0	0
Profit After Tax	5,335	3,807	96	3,169	4,653
Minority Interests	(0)	(1)	(0)	(0)	(1)
Preferred Dividends	0	0	0	0	0
FX Gain/(Loss) - post tax	0	0	0	0	0
Other Adjustments - post-tax	0	0	0	0	0
Net Profit	5,335	3,807	96	3,169	4,652
Recurring Net Profit	5,335	3,807	96	3,169	4,652
Fully Diluted Recurring Net Profit	5,335	3,807	96	3,169	4,652

Cash Flow

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
EBITDA	6,631	4,359	(1,259)	3,894	5,579
Cash Flow from Inv. & Assoc.	(89)	(92)	(184)	(90)	(116)
Change In Working Capital	(2,416)	(7,988)	(2,428)	1,708	(2,533)
(Incr)/Decr in Total Provisions	0	0	0	0	0
Other Non-Cash (Income)/Expense	661	1,245	(34)	37	22
Other Operating Cashflow	71	1,169	1,589	682	(278)
Net Interest (Paid)/Received	(254)	(322)	(472)	(520)	(687)
Tax Paid	(108)	(472)	0	0	0
Cashflow From Operations	4,496	(2,100)	(2,787)	5,711	1,987
Capex	(800)	(2,594)	0	(4,124)	(4,696)
Disposals Of FAs/subsidiaries	1,546	0	0	0	0
Acq. Of Subsidiaries/investments	0	0	0	0	0
Other Investing Cashflow	(924)	(507)	(143)	222	164
Cash Flow From Investing	(178)	(3,101)	(143)	(3,902)	(4,532)
Debt Raised/(repaid)	(1,998)	6,290	(4,134)	4,834	4,014
Proceeds From Issue Of Shares	0	0	0	0	0
Shares Repurchased	0	(2,347)	0	0	0
Dividends Paid	(2,017)	(543)	0	0	0
Preferred Dividends	0	0	0	0	0
Other Financing Cashflow	0	0	1,864	0	0
Cash Flow From Financing	(4,015)	3,400	(2,269)	4,834	4,014
Total Cash Generated	303	(1,801)	(5,199)	6,643	1,468
Free Cashflow To Equity	2,320	1,089	(7,064)	6,643	1,468
Free Cashflow To Firm	4,572	(4,878)	(2,458)	2,330	(1,858)

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Cash And Equivalents	7,982	6,509	3,911	9,922	11,733
Total Debtors	10,273	16,756	15,581	18,416	24,204
Inventories	469	748	503	851	1,106
Total Other Current Assets	356	446	333	566	738
Total Current Assets	19,079	24,459	20,328	29,755	37,781
Fixed Assets	1,643	1,302	1,344	1,369	1,391
Total Investments	68	216	216	216	216
Intangible Assets	3	2	2	2	2
Total Other Non-Current Assets	18,292	22,880	17,378	26,403	34,640
Total Non-current Assets	20,007	24,400	18,940	27,990	36,250
Short-term Debt	4,958	8,161	5,927	8,644	11,415
Current Portion of Long-Term Debt	0	0	0	0	0
Total Creditors	9,983	11,009	7,048	12,172	15,855
Other Current Liabilities	0	0	0	0	0
Total Current Liabilities	14,941	19,170	12,975	20,816	27,270
Total Long-term Debt	572	3,662	1,762	3,879	5,122
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	16	71	49	83	108
Total Non-current Liabilities	588	3,733	1,811	3,961	5,229
Total Provisions	9,519	11,054	7,652	12,931	16,820
Total Liabilities	25,048	33,956	22,439	37,709	49,320
Shareholders' Equity	14,037	14,900	16,827	20,033	24,708
Minority Interests	2	2	2	3	4
Total Equity	14,039	14,903	16,830	20,036	24,711

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue Growth	27%	(6%)	(49%)	131%	30%
Operating EBITDA Growth	14%	(34%)	(129%)	N/A	43%
Operating EBITDA Margin	12.4%	8.6%	(4.9%)	6.5%	7.2%
Net Cash Per Share (VND)	4,862	(9,812)	(6,975)	(4,802)	(8,869)
BVPS (VND)	27,837	27,511	31,069	36,988	45,619
Gross Interest Cover	25.18	11.90	(2.95)	7.17	7.85
Effective Tax Rate	8.3%	16.7%	0.0%	0.0%	0.0%
Net Dividend Payout Ratio	37.8%	14.3%	NA	NA	NA
Accounts Receivables Days	14.8	38.0	108.5	48.2	44.2
Inventory Days	2.92	4.96	8.83	4.55	5.11
Accounts Payables Days	5.90	11.48	22.64	11.86	13.33
ROIC (%)	36.6%	19.9%	(4.5%)	13.3%	15.2%
ROCE (%)	33.9%	17.8%	(5.4%)	12.9%	14.4%
Return On Average Assets	16.7%	9.2%	(0.1%)	7.9%	8.4%

Key Drivers

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Av. Seat Km (ASK, Yoy Chg %)	38.4%	18.9%	-52.6%	81.5%	26.0%
Rev. Psg Km (RPK, Yoy Chg %)	38.5%	17.5%	-54.7%	91.9%	26.0%
Passenger Load Factor (%)	88.1%	87.0%	83.0%	87.7%	87.7%
Pax yld per RPK (VND)	894.5	810.3	794.1	853.6	870.7
Pax rev. per ASK (VND)	787.7	704.9	659.1	749.0	763.9
Total Cost Per ATK (VND)	-	-	-	-	-
Fuel Cost Per ATK (VND)	-	-	-	-	-
Non-fuel Cost Per ATK (VND)	-	-	-	-	-
Jet Fuel Price (US\$/barrel)	87.4	79.1	55.0	75.3	83.6
Fleet Size (no. Of Planes)	64	78	83	98	117

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Vietnam

HOLD

Consensus ratings*: Buy 11 Hold 7 Sell 0

Current price:	VND113,400
Target price:	VND119,000
Previous target:	VND119,000
Up/downside:	4.9%
CGS-CIMB / Consensus:	-6.7%
Reuters:	VNM.HM
Bloomberg:	VNM VN
Market cap:	US\$10,232m
	VND236,965,776m
Average daily turnover:	US\$9.06m
	VND209,888m
Current shares o/s:	2,090m
Free float:	33.4%

*Source: Bloomberg

Key changes in this note

No changes.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	5.6	9.6	15.3
Relative (%)	-4.5	-9.3	5.2

Major shareholders	% held
SCIC	36.0
F&N Dairy Investment Pte, Ltd	17.7
Platinum Victory Pte Ltd	10.6

Analyst(s)

Hien HA

T (84) 38 2110 114

E hien.hathu@vndirect.com.vn

Vietnam Dairy Products JSC

Solid outlook post M&A

- We expect 6.9% yoy/8.9% yoy revenue/NP growth, respectively, in FY21F.
- Maintain Hold rating with a TP of VND119,000.

9M20 results in line with our expectations

In 9M20, with GTN's contribution, VNM's net revenue enjoyed a 7.4% yoy growth (while net revenue excluding GTN only edged up 2.3% yoy) and its net profit rose 6.4% yoy, respectively fulfilling 72.9% and 76% of our full-year forecasts.

GTN's business results improved significantly after consolidation

After joining the VNM family, GTNFoods's net profit expanded rapidly in 9M20 by 923% yoy to VND72.7bn (10 times higher than the same period) thanks to the parent company's restructuring initiatives, which included revising trade terms with distributors and optimising SG&A. In 9M20, GTN's GM reached 28.3%, rising 13% pts from 15.3% in 9M19, owing to the promising initial results from VNM's restructuring efforts. However, GTN's current GM is still lower than other VNM segments' GM by 18-32% pts. Thus, we expect GTN's consolidation to reduce VNM's gross margin slightly to 47.1% in FY20F (-0.1% pts yoy) before improving in FY21F to 47.4% helped by GTN's higher GM of 35% (+5% pts yoy).

FY21F results look solid on the back of stable dairy demand

We maintain our FY21F revenue growth forecast of 6.9% yoy to VND66,330bn to reflect our expectations of steady dairy demand in both the domestic and export markets, driven by (1) 6.5%/10% yoy growth in existing/export businesses, respectively, and (2) a 10% yoy growth in GTN's revenue as it focuses on the key business, Moc Chau Milk. In FY21F, management aims to invest in a dairy farm with 4,000 milk cows in Moc Chau (increasing its total cow herd to 28,600 cows) and a new factory (detailed information has not been disclosed yet) to expand material milk production in a bid to improve the company's gross margin by reducing material cost. Overall, we expect VNM's net profit to rise by 8.9% yoy to VND12,747bn in FY21F.

Maintain Hold with a TP of VND119,000

We maintain our TP of VND119,000 based on an equal weighting of the DCF model rolled forward to FY21F (with WACC 11.8%, COE 12.5% and LTG 5.0%) and target P/E of 21.6x on FY21F EPS. Reiterate Hold as expected earnings growth in FY20-21F appears to have been priced in.

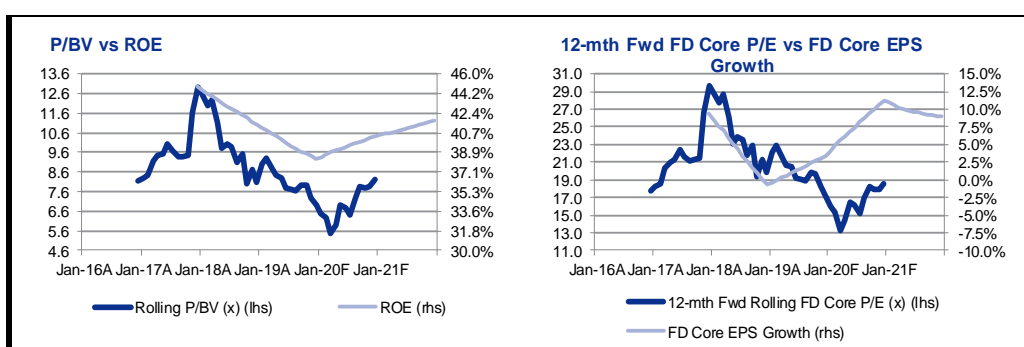
Upside and downside risks

Upside risks include 1) stronger-than-expected growth of domestic dairy consumption, and 2) higher-than-expected demand in the Middle East and China. Downside risks include 1) a more prolonged Covid-19 pandemic than expected, and 2) higher-than-expected material milk prices.

Financial Summary

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue (VNDb)	52,562	56,318	62,042	66,330	72,107
Operating EBITDA (VNDb)	12,896	14,198	16,788	18,381	20,287
Net Profit (VNDb)	10,184	10,527	11,705	12,747	14,157
Core EPS (VND)	4,873	5,037	5,600	6,099	6,774
Core EPS Growth	(0.7%)	3.4%	11.2%	8.9%	11.1%
FD Core P/E (x)	23.27	22.51	20.25	18.59	16.74
DPS (VND)	4,500	4,500	4,500	4,500	4,500
Dividend Yield	3.97%	3.97%	3.97%	3.97%	3.97%
EV/EBITDA (x)	17.72	16.05	13.53	12.23	10.94
P/FCFE (x)	30.31	30.21	22.60	30.73	18.96
Net Gearing	(34.0%)	(32.4%)	(35.5%)	(38.6%)	(41.6%)
P/BV (x)	9.19	8.11	8.23	7.37	6.42
ROE	41.4%	38.3%	40.3%	41.8%	41.0%
% Change In Core EPS Estimates					
CGS-CIMB/Consensus EPS (x)			1.12	1.12	1.15

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues	52,562	56,318	62,042	66,330	72,107
Gross Profit	24,611	26,572	29,203	31,441	34,431
Operating EBITDA	12,896	14,198	16,788	18,381	20,287
Depreciation And Amortisation	-1,684	-2,016	-3,177	-3,600	-3,958
Operating EBIT	11,212	12,182	13,612	14,780	16,329
Financial Income/(Expense)	633	478	766	876	994
Pretax Income/(Loss) from Assoc.	22	-6	25	27	17
Non-Operating Income/(Expense)	184	141	8	11	89
Profit Before Tax (pre-EI)	12,052	12,796	14,411	15,694	17,430
Exceptional Items					
Pre-tax Profit	12,052	12,796	14,411	15,694	17,430
Taxation	-1,846	-2,241	-2,594	-2,825	-3,137
Exceptional Income - post-tax					
Profit After Tax	10,206	10,554	11,817	12,869	14,293
Minority Interests	-22	-27	-112	-122	-136
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	10,184	10,527	11,705	12,747	14,157
Recurring Net Profit	10,184	10,527	11,705	12,747	14,157
Fully Diluted Recurring Net Profit	10,184	10,527	11,705	12,747	14,157

Cash Flow

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
EBITDA	12,896	14,198	16,788	18,381	20,287
Cash Flow from Inv. & Assoc.					
Change In Working Capital	-3,040	-808	75	36	-47
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	-93	14	0	0	0
Other Operating Cashflow	-810	-237	-708	-804	-261
Net Interest (Paid)/Received	614	615	676	785	901
Tax Paid	-1,846	-2,241	-2,594	-2,825	-3,137
Cashflow From Operations	7,721	11,542	14,238	15,572	17,743
Capex	-2,673	-3,186	-2,158	-4,192	-3,762
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	2,046	-4,704	6	-1,220	-1,540
Cash Flow From Investing	-627	-7,890	-2,152	-5,412	-5,302
Debt Raised/(repaid)	724	4,194	-1,598	-2,447	57
Proceeds From Issue Of Shares	0	128	0	0	0
Shares Repurchased	-3	-1			
Dividends Paid	-7,256	-7,836	-9,405	-9,405	-9,405
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing	-6,535	-3,516	-11,003	-11,852	-9,348
Total Cash Generated	559	136	1,082	-1,693	3,093
Free Cashflow To Equity	7,819	7,846	10,487	7,712	12,498
Free Cashflow To Firm	7,146	3,761	12,269	10,263	12,499

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Cash And Equivalents	10,197	15,101	14,269	14,039	17,048
Total Debtors	4,621	4,442	5,455	5,832	6,340
Inventories	5,526	4,983	6,329	6,689	7,271
Total Other Current Assets	304	134	234	250	551
Total Current Assets	20,648	24,660	26,287	26,809	31,210
Fixed Assets	14,006	14,750	14,886	15,235	15,908
Total Investments	1,069	1,100	897	1,196	1,494
Intangible Assets	856	3,516	3,283	3,047	2,861
Total Other Non-Current Assets	787	705	929	993	1,080
Total Non-current Assets	16,718	20,071	19,995	20,470	21,343
Short-term Debt	1,060	5,351	3,785	1,400	1,454
Current Portion of Long-Term Debt					
Total Creditors	6,179	5,872	6,821	7,292	7,927
Other Current Liabilities	3,400	3,220	4,705	5,006	5,415
Total Current Liabilities	10,640	14,443	15,310	13,698	14,796
Total Long-term Debt	216	123	91	29	32
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	239	434	1,578	908	328
Total Non-current Liabilities	455	557	1,670	937	360
Total Provisions	0	0	0	0	0
Total Liabilities	11,095	15,000	16,980	14,635	15,156
Shareholders' Equity	25,781	29,240	28,812	32,155	36,908
Minority Interests	490	491	490	490	490
Total Equity	26,271	29,731	29,303	32,645	37,398

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue Growth	3.0%	7.1%	10.2%	6.9%	8.7%
Operating EBITDA Growth	1.1%	10.1%	18.2%	9.5%	10.4%
Operating EBITDA Margin	24.5%	25.2%	27.1%	27.7%	28.1%
Net Cash Per Share (VND)	4,268	4,606	4,973	6,033	7,446
BVPS (VND)	12,335	13,990	13,786	15,385	17,659
Gross Interest Cover	218.3	111.9	74.1	141.9	284.9
Effective Tax Rate	15.3%	17.5%	18.0%	18.0%	18.0%
Net Dividend Payout Ratio	77.0%	74.4%	80.4%	73.8%	66.4%
Accounts Receivables Days	24.28	22.21	22.02	22.71	22.53
Inventory Days	62.34	64.48	63.04	68.09	67.62
Accounts Payables Days	51.95	46.87	42.73	43.50	43.44
ROIC (%)	88.6%	73.7%	70.0%	75.4%	82.7%
ROCE (%)	45.8%	41.6%	42.6%	46.9%	47.6%
Return On Average Assets	26.6%	24.5%	24.3%	25.6%	26.6%

Key Drivers

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
ASP (% chg, main prod./serv.)	1.1%	3.2%	5.6%	5.5%	0.0%
Unit sales grth (% , main prod./serv.)	2.1%	4.4%	4.6%	4.7%	0.0%
Util. rate (% , main prod./serv.)	N/A	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	1.0%	6.0%	6.0%	6.0%	0.0%
Unit sales grth (% ,2ndary prod/serv)	1.0%	2.5%	2.5%	2.5%	0.0%
Util. rate (% , 2ndary prod/serv)	N/A	N/A	N/A	N/A	N/A
ASP (% chg, tertiary prod/serv)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% ,tertiary prod/serv)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , tertiary prod/serv)	N/A	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,main)	N/A	N/A	N/A	N/A	N/A
Total Export Sales Growth (%)	4.6%	18.1%	17.3%	17.3%	0.0%
Export Sales/total Sales (%)	14.9%	16.2%	17.3%	18.5%	N/A

SOURCES: VND RESEARCH, COMPANY REPORTS

Vietnam

ADD (no change)

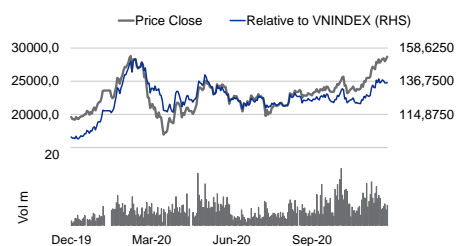
Consensus ratings*: Buy 11 Hold 4 Sell 0

Current price:	VND28,700
Target price:	VND35,000
Previous target:	VND35,000
Up/downside:	22.0%
CGS-CIMB / Consensus:	7.0%
Reuters:	VPB.HM
Bloomberg:	VPB VN
Market cap:	US\$3,021m
	VND69,963,376m
Average daily turnover:	US\$7.19m
	VND166,554m
Current shares o/s:	2,438m
Free float:	72.7%

*Source: Bloomberg

Key changes in this note

No change



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	17.1	23.7	46.1
Relative (%)	7	4.8	36

Major shareholders

	% held
Mr. Ngo Chi Dzong	4.5
Mr. Bui Hai Quan	2.3
Mr. Lo Bang Giang	0.1

Analyst(s)

Thanh NGUYEN

T (84) 91 514 3803

E thanh.nguyenphuong@vndirect.com.vn

Vietnam Prosperity JSB

Positioned for re-rating in FY21F

- We forecast EPS CAGR of 16% over FY20-22F in response to impressive credit growth and NIM expansion.
- Maintain Add with a target price of VND35,000

Assets quality showed signs of deterioration

Non-performing loan (NPL) ratio inched up to 3.6% at end-3Q20 from 3.5% at end-3Q19 as NPL ratio of FE Credit jumped to 6.5% at end-3Q20 from 5.2% at end-3Q19. We believe the increase in bad debts was due to the negative impact of Covid-19 on the mass customer segment, which is a major focus area for the consumer finance company. Furthermore, loan-loss reserve (LLR) fell to 48% at end-3Q20 (the lowest among HOSE listed banks) from 50% at end-3Q19 while annualised write-off ratio decreased by 4bp yoy to 4.75% in 9M20.

We expect 4Q20F net profit to decrease by 11% yoy

We forecast 4Q20F net profit to slide to VND2,500bn on the back of higher credit cost. The bank has scaled down unsecured lending business lately, thus reducing the contribution of consumer loans, which has higher credit cost in the consolidated loan book. However, as FE Credit has eased its strategy of squeezing consumer lending lately, we expect VPB's credit cost to bounce back in 4Q20F, hence boosting FY20F credit cost to increase to 5.6%, from the current level of 5.1%.

We forecast EPS CAGR of 16% over FY20-22F

We project a net profit CAGR of 16% over FY20-22F, driven by a 17% CAGR in net interest income, on the back of a 15% loan CAGR and a 42bps NIM expansion over the period. We believe the Covid-19 outbreak will be mild next year thanks to incremental positive news flow of the vaccines, thus prompting consumer lending activities as well as blended NIM. We forecast a 20% CAGR in Non-II, including a 25% CAGR in fee income, for FY20-22F, thanks to income from payment services and bancassurance income stream. VPB's CIR in FY21F is expected to remain at the 32% level, slightly higher than the current level of 30.5% as we think consumer lending would require more debt collection staff, increasing the bank's operating expenses in the future. On the Balance sheet side, we project non-performing loan ratio and loan-loss reserve ratio will sustain in FY20-21F, 3.1% and 53% respectively.

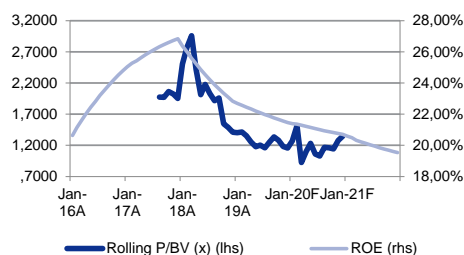
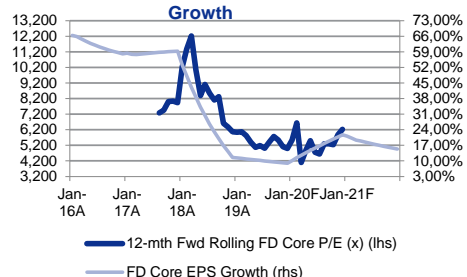
Reiterate Add with a target price of VND35,000/share

We maintain our Add rating on VPB based on equal weighting of residual income valuation (COE: 13.3%; LTG: 3%) and 1.4x FY21F P/BV. Downside risks could come from higher-than-expected credit costs. Potential re-rating catalysts include better-than-expected asset yields and equity raising via the sale of a 49% stake in FE Credit with higher-than-expected valuation to strategic investors.

Financial Summary

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Net Interest Income (VNDb)	24,702	30,670	33,038	38,554	45,207
Total Non-Interest Income (VNDb)	6,384	5,685	6,383	8,189	9,197
Operating Revenue (VNDb)	31,086	36,356	39,421	46,742	54,404
Total Provision Charges (VNDb)	(11,253)	(13,688)	(15,018)	(17,731)	(20,096)
Net Profit (VNDb)	7,356	8,260	9,747	11,245	13,083
Core EPS (VND)	3,015	3,285	3,998	4,613	5,367
Core EPS Growth	11,6%	9,0%	21,7%	15,4%	16,4%
FD Core P/E (x)	9,52	8,74	7,18	6,22	5,35
DPS (VND)	-	-	-	-	-
Dividend Yield	0%	0%	0%	0%	0%
BVPS (VND)	14,145	17,315	21,314	25,926	31,293
P/BV (x)	2,03	1,66	1,35	1,11	0,92
ROE	22,8%	21,5%	20,7%	19,5%	18,8%
CGS-CIMB/Consensus EPS (x)			1,13	1,11	1,11

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

BY THE NUMBERS
P/BV vs ROE

12-mth Fwd FD Core P/E vs FD Core EPS Growth

Profit & Loss

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Net Interest Income	24.702	30.670	33.038	38.554	45.207
Total Non-Interest Income	6.384	5.685	6.383	8.189	9.197
Operating Revenue	31.086	36.356	39.421	46.742	54.404
Total Non-Interest Expenses	(10.634)	(12.344)	(12.221)	(14.958)	(17.953)
Pre-provision Operating Profit	20.452	24.012	27.201	31.785	36.450
Total Provision Charges	(11.253)	(13.688)	(15.018)	(17.731)	(20.096)
Operating Profit After Provisions	9.199	10.324	12.182	14.054	16.354
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Operating EBIT (incl Associates)	9.199	10.324	12.182	14.054	16.354
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	9.199	10.324	12.182	14.054	16.354
Exceptional Items					
Pre-tax Profit	9.199	10.324	12.182	14.054	16.354
Taxation	(1.843)	(2.064)	(2.435)	(2.810)	(3.271)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	7.356	8.260	9.747	11.245	13.083
Minority Interests					
Pref. & Special Div	0	0	0	0	0
FX And Other Adj.	0	0	0	0	0
Net Profit	7.356	8.260	9.747	11.245	13.083
Recurring Net Profit	7.356	8.260	9.747	11.245	13.083

Balance Sheet Employment

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Gross Loans/Cust Deposits	130%	120%	114%	118%	119%
Avg Loans/Avg Deposits	133%	125%	117%	116%	119%
Avg Liquid Assets/Avg Assets	27,8%	25,9%	26,6%	27,4%	27,6%
Avg Liquid Assets/Avg IEAs	29,4%	27,7%	28,5%	29,3%	29,4%
Net Cust Loans/Assets	67,6%	67,1%	65,4%	65,9%	65,4%
Net Cust Loans/Broad Deposits	79,8%	78,5%	77,5%	78,0%	79,6%
Equity & Provs/Gross Cust Loans	17,3%	18,0%	20,0%	21,1%	22,4%
Asset Risk Weighting	97%	105%	110%	110%	109%
Provision Charge/Avg Cust Loans	5,56%	5,71%	5,55%	5,84%	5,77%
Provision Charge/Avg Assets	3,74%	3,91%	3,74%	3,90%	3,86%
Total Write Offs/Average Assets	3,61%	3,76%	3,56%	3,82%	3,51%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Gross Loans	249.362	280.736	310.151	357.197	414.103
Liquid Assets & Invst. (Current)	56.129	70.296	87.866	95.774	111.120
Other Int. Earning Assets					
Total Gross Int. Earning Assets	305.491	351.032	398.017	452.970	525.223
Total Provisions/Loan Loss Reserve	(3.567)	(4.084)	(4.826)	(5.201)	(7.018)
Total Net Interest Earning Assets	301.924	346.948	393.190	447.769	518.205
Intangible Assets	578	580	627	689	772
Other Non-Interest Earning Assets	18.934	27.217	29.394	32.334	36.214
Total Non-Interest Earning Assets	19.512	27.797	30.021	33.023	36.986
Cash And Marketable Securities	1.855	2.459	2.656	2.922	3.272
Long-term Investments	0	0	0	0	0
Total Assets	323.291	377.204	425.868	483.714	558.464
Customer Interest-Bearing Liabilities	219.509	271.549	306.847	342.751	389.025
Bank Deposits	54.231	50.868	53.013	65.790	70.040
Interest Bearing Liabilities: Others	4.130	357	356	356	356
Total Interest-Bearing Liabilities	277.870	322.774	360.215	408.897	459.421
Bank's Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	10.671	12.220	13.696	11.616	22.758
Total Liabilities	288.541	334.994	373.911	420.513	482.179
Shareholders' Equity	34.750	42.210	51.957	63.201	76.285
Minority Interests	0	0	0	0	0
Total Equity	34.750	42.210	51.957	63.201	76.285

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Income Growth	24,2%	17,0%	8,4%	18,6%	16,4%
Operating Profit Growth	26,8%	17,4%	13,3%	16,9%	14,7%
Pretax Profit Growth	13,2%	12,2%	18,0%	15,4%	16,4%
Net Interest To Total Income	79,5%	84,4%	83,8%	82,5%	83,1%
Cost Of Funds	6,05%	6,39%	6,12%	6,15%	6,25%
Return On Interest Earning Assets	14,2%	15,2%	14,4%	14,6%	14,8%
Net Interest Spread	8,15%	8,80%	8,28%	8,47%	8,54%
Net Interest Margin (Avg Deposits)	16,2%	15,9%	14,3%	14,8%	15,4%
Net Interest Margin (Avg RWA)	8,92%	8,65%	7,66%	7,71%	7,91%
Provisions to Pre Prov. Operating Profit	55,0%	57,0%	55,2%	55,8%	55,1%
Interest Return On Average Assets	8,22%	8,76%	8,23%	8,48%	8,68%
Effective Tax Rate	20,0%	20,0%	20,0%	20,0%	20,0%
Net Dividend Payout Ratio	NA	NA	NA	NA	NA
Return On Average Assets	2,45%	2,36%	2,43%	2,47%	2,51%

Key Drivers

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Loan Growth (%)	21,5%	15,9%	10,2%	14,2%	15,0%
Net Interest Margin (%)	8,7%	9,3%	8,8%	9,1%	9,2%
Non Interest Income Growth (%)	45,1%	-10,9%	12,3%	28,3%	12,3%
Cost-income Ratio (%)	34,2%	34,0%	31,0%	32,0%	33,0%
Net NPL Ratio (%)	-9,5%	-12,8%	-16,8%	-19,9%	-22,5%
Loan Loss Reserve (%)	45,9%	46,4%	54,4%	52,6%	66,3%
GP Ratio (%)	0,9%	0,9%	1,0%	0,9%	1,1%
Tier 1 Ratio (%)	11,0%	10,7%	11,1%	11,9%	12,5%
Total CAR (%)	11,9%	11,1%	11,4%	12,2%	12,7%
Deposit Growth (%)	27,9%	25,2%	16,0%	10,5%	13,7%
Loan-deposit Ratio (%)	127,8%	118,3%	112,3%	116,2%	117,2%
Gross NPL Ratio (%)	3,5%	3,4%	3,1%	3,1%	2,8%
Fee Income Growth (%)	11,3%	73,1%	5,0%	30,0%	20,0%

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

Vietnam

ADD (no change)

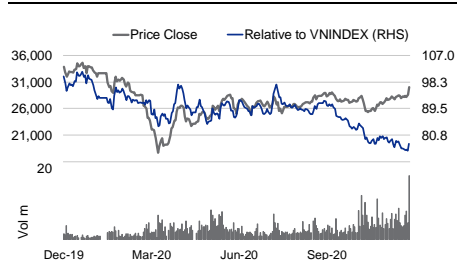
Consensus ratings*: Buy 11 Hold 3 Sell 0

Current price:	VND30,000
Target price:	VND38,000
Previous target:	VND38,000
Up/downside:	26.7%
CGS-CIMB / Consensus:	12.4%
Reuters:	VRE.HM
Bloomberg:	VRE VN
Market cap:	US\$2,944m
	VND68,169,552m
Average daily turnover:	US\$5.49m
	VND127,195m
Current shares o/s:	2,272m
Free float:	45.0%

*Source: Bloomberg

Key changes in this note

No changes.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	10.3	4.9	-10.6
Relative (%)	0.2	-14	-20.7

Major shareholders	% held
Vingroup JSC	50.7
Hanoi South City Dev LLC	8.3

Analyst(s)

Bach PHAN Nhu

T (84) 90 928 3119

E bach.phannhu@vndirect.com.vn

Vincom Retail JSC

Stay tuned for a bounce-back in FY21F

- Vincom Retail JSC (VRE) is Vietnam's largest retail property developer with 1.6m sq m gross floor area as at 30 Sep 2020, based on our estimates.
- We expect a 37.6% net profit CAGR in FY20-22F thanks to a 28.7% leasing revenue CAGR over the same period.
- Reiterate Add with a DCF-based TP of VND38,000, supported by its large retail gross floor area and benefitting from the rise in Vietnam's modern retail.

Riding on modern retail growth trend

Even amid the global Covid-19 outbreak, many large international brands are still expanding into Vietnam, thanks to the country's rapid growth in modern retail. In 11M20, many large international brands have opened their stores, especially in Vincom's malls, such as Uniqlo (opened two stores in Vincom centres in Hanoi and Ho Chi Minh City), Watsons (opened its first flagship store at Vincom center Dong Khoi) and Matsumoto Kiyoshi, a Japanese pharmaceutical and cosmetic retail brand (opened its first store at Vincom center Dong Khoi).

Recovery apparent in VRE's better qoq results in 3Q20

VRE recorded a 3Q20 revenue of VND1,760bn (-20.3% yoy; +8.0% qoq) and a 3Q20 net profit of VND572bn (-20.1% yoy, +66.8% qoq). Leasing revenue slid 11% on a yoy basis but surged 23% on a qoq basis to VND1,607bn. We estimate that average rental price dropped 9% yoy, but improved 23% qoq, as VRE scaled down the value of its supporting package for tenants to VND145bn in 3Q20, from VND675bn in 1H20. For 9M20, VRE's revenue fell 21.6% yoy to VND5,076bn and net profit declined by 28.5% yoy to VND1,407bn.

We expect a 37.6% FY20-22F net profit CAGR

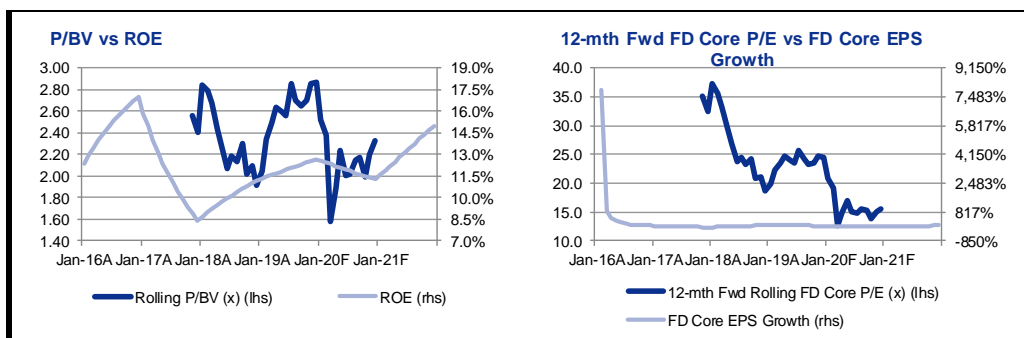
We expected retail mobility in 2021-22F to bounce-back and pass pre-Covid-19 levels to lift both average rental price and occupancy ratio above 2020's levels. Moreover, with Vincom Mega Mall Ocean Park (Hanoi) expected to be launched in Dec 20 and Vincom Mega Mall Ocean Park as well as Vincom Mega Mall Grand Park set to be launched in 2021F, they will add 172k sqm to VRE's total gross floor area (+10.8% yoy), which will boost the retail leasing business revenue of VRE by 33.5% yoy/23.8% yoy in 2021F/22F. As the result, VRE's topline is expected to increase 27% yoy/20.5% yoy, to bring the bottomline growth to 47% yoy/28.1% yoy in 2021F/22F.

Reiterate Add with DCF-based TP of VND38,000

We reiterate our Add rating with a target price (TP) of VND38,000 (WACC: 12.4%). Our TP is based on a conservative forecast at 3.5m sqm GFA until 2026F, while VRE has released pipeline planned to expand its total GFA to 5.0m sqm in 2026F, anchored around its mega mall projects. Potential catalysts: 1) faster-than-expected mall openings, and 2) faster-than-expected recovery in retail sales, leading to a strong growth in the leasing business. Downside risk: another wave of the Covid-19 outbreak.

Financial Summary	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues (VNDb)	9,124	9,259	9,089	11,545	13,911
Operating EBITDA (VNDb)	4,048	5,032	4,788	6,424	7,869
Net Profit (VNDb)	2,404	2,848	2,405	3,535	4,528
Core EPS (VND)	1,444	1,522	1,393	1,932	2,434
Core EPS Growth	53.4%	5.4%	(8.5%)	38.7%	26.0%
FD Core P/E (x)	25.31	20.21	21.54	15.53	12.33
DPS (VND)	0	2	0	1,500	1,500
Dividend Yield	0.00%	0.01%	0.00%	5.00%	5.00%
EV/EBITDA (x)	12.80	11.80	11.17	8.94	7.45
P/FCFE (x)	76.57	21.04	24.64	31.52	22.01
Net Gearing	1.20%	5.20%	0.90%	7.00%	9.50%
P/BV (x)	2.06	2.53	2.32	2.32	2.24
ROE	11.2%	12.6%	11.3%	15.0%	18.5%
CGS-CIMB/Consensus EPS (x)			1.02	1.10	1.12

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues	9,124	9,259	9,089	11,545	13,911
Gross Profit	3,641	4,405	3,970	5,526	6,944
Operating EBITDA	4,048	5,032	4,788	6,424	7,869
Depreciation And Amortisation	(1,157)	(1,447)	(1,780)	(1,979)	(2,194)
Operating EBIT	2,891	3,585	3,008	4,445	5,675
Financial Income/(Expense)	102	(37)	6	(7)	12
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Non-Operating Income/(Expense)	60	30	30	38	46
Profit Before Tax (pre-EI)	3,876	4,398	4,006	5,557	7,002
Exceptional Items					
Pre-tax Profit	3,053	3,578	3,044	4,476	5,733
Taxation	(640)	(729)	(639)	(940)	(1,204)
Exceptional Income - post-tax					
Profit After Tax	2,413	2,849	2,405	3,536	4,529
Minority Interests	(9)	(0)	(0)	(1)	(1)
Prof. & Special Div	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	2,404	2,848	2,405	3,535	4,528
Recurring Net Profit	3,055	3,501	3,164	4,389	5,530
Fully Diluted Recurring Net Profit	3,055	3,501	3,164	4,389	5,530

Cash Flow

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
EBITDA	4,048	5,032	4,788	6,424	7,869
Cash Flow from Inv. & Assoc.	0	0	0	0	0
Change In Working Capital	294	(588)	1,215	707	524
Straight Line Adjustment					
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	60	30	30	38	46
Other Operating Cashflow	151	58	(109)	(199)	88
Net Interest (Paid)/Received	(417)	(303)	(254)	(338)	(386)
Tax Paid	(561)	(663)	(639)	(940)	(1,204)
Cashflow From Operations	3,574	3,567	5,032	5,693	6,937
Capex	(2,578)	(3,942)	(3,257)	(4,015)	(4,285)
Disposals Of FAs/subsidiaries	585	1,611	14	16	18
Disposals of Investment Properties					
Acq. Of Subsidiaries/investments	(2)	0	0	0	0
Other Investing Cashflow	2,631	2,127	(732)	(249)	(250)
Cash Flow From Investing	636	(205)	(3,975)	(4,248)	(4,517)
Debt Raised/(repaid)	(3,200)	0	1,710	718	677
Proceeds From Issue Of Shares	0	0	0	0	0
Shares Repurchased	0	(1,954)	0	0	0
Dividends Paid	0	(2,451)	0	(3,493)	(3,493)
Preferred Dividends					
Other Financing Cashflow	0	0	73	248	262
Cash Flow From Financing	(3,200)	(4,405)	1,783	(2,527)	(2,554)

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Cash And Equivalents	2,431	1,388	4,228	3,146	3,012
Properties Under Development					
Total Debtors	1,048	724	562	612	735
Inventories	902	986	1,084	1,192	1,311
Total Other Current Assets	2,742	1,270	1,451	1,843	2,220
Total Current Assets	7,123	4,368	7,324	6,793	7,278
Fixed Assets	282	450	418	394	380
Total Investments	28,261	28,764	30,257	32,497	34,775
Intangible Assets	505	430	430	428	432
Total Other Non-Current Assets	2,512	1,810	2,805	3,167	3,596
Total Non-current Assets	31,561	31,454	33,911	36,486	39,184
Short-term Debt	18	19	91	115	139
Current Portion of Long-Term Debt					
Total Creditors	6,218	4,721	5,943	6,974	8,177
Other Current Liabilities	24	27	29	33	38
Total Current Liabilities	6,260	4,768	6,063	7,123	8,355
Total Long-term Debt	2,762	2,765	4,404	5,097	5,751
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	1,152	1,340	1,413	1,661	1,923
Total Non-current Liabilities	3,915	4,105	5,817	6,758	7,674
Total Provisions	0	0	0	0	0
Total Liabilities	10,174	8,872	11,879	13,881	16,029
Shareholders' Equity	28,468	26,916	29,321	29,363	30,397
Minority Interests	42	34	34	35	36
Total Equity	28,509	26,950	29,355	29,398	30,433

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue Growth	65.3%	1.5%	(1.8%)	27.0%	20.5%
Operating EBITDA Growth	28.4%	22.0%	(1.7%)	30.5%	21.8%
Operating EBITDA Margin	52.6%	63.2%	63.3%	65.0%	65.7%
Net Cash Per Share (VND)	(178)	(615)	(117)	(909)	(1,267)
BVPS (VND)	14,535	11,845	12,903	12,922	13,377
Gross Interest Cover	8.90	14.60	15.70	16.40	18.00
Effective Tax Rate	21.0%	20.4%	21.0%	21.0%	21.0%
Net Dividend Payout Ratio	NA	66.8%	NA	75.7%	60.3%
Accounts Receivables Days	20.30	17.30	17.30	15.30	15.70
Inventory Days	90.50	71.00	74.00	69.00	65.60
Accounts Payables Days	149.4	206.0	183.3	202.6	204.1
ROIC (%)	32%	202%	344%	569%	884%
ROCE (%)	13.4%	15.3%	13.3%	17.1%	20.7%
Return On Average Assets	8.2%	9.9%	8.7%	10.9%	12.9%

Key Drivers

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Unbooked Presales (m) (VND)	N/A	N/A	N/A	N/A	N/A
Unbooked Presales (area: m sm)	N/A	N/A	N/A	N/A	N/A
Unbooked Presales (units)	N/A	N/A	N/A	N/A	N/A
Unsold attrib. landbank (area: m sm)	N/A	N/A	N/A	N/A	N/A
Gross Margins (%)	39.9%	47.6%	43.7%	47.9%	49.9%
Contracted Sales ASP (per Sm) (VND)	N/A	N/A	N/A	N/A	N/A
Residential EBIT Margin (%)	N/A	N/A	N/A	N/A	N/A
Investment rev / total rev (%)	N/A	N/A	N/A	N/A	N/A
Residential rev / total rev (%)	N/A	N/A	N/A	N/A	N/A
Inv. properties rental margin (%)	N/A	N/A	N/A	N/A	N/A
SG&A / Sales Ratio (%)	N/A	N/A	N/A	N/A	N/A

SOURCES: VND RESEARCH, COMPANY REPORTS

Vietnam

ADD

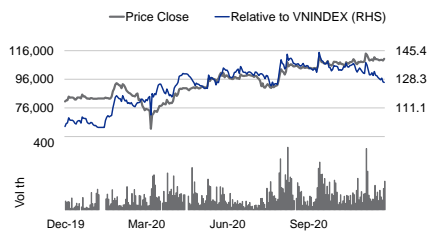
Consensus ratings*: Buy 6 Hold 0 Sell 0

Current price:	VND110,300
Target price:	VND130,700
Up/downside:	18.5%
CGS-CIMB / Consensus:	2.5%
Reuters:	VTP.HM
Bloomberg:	VTP VN
Market cap:	US\$395.5m
	VND9,160,186m
Average daily turnover:	US\$0.48m
	VND11,052m
Current shares o/s:	59.62m
Free float:	28.0%

*Source: Bloomberg

Key changes in this note

▶ N/A



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	1.9	6.1	34.7
Relative (%)	-8.2	-12.8	24.6

Major shareholders	% held
Viettel Group	66.8
Japan Asia MB Capital	4.9

Analyst(s)



Dzung NGUYEN
T (84) 91 686 5190

Viettel Post JSC

Robust growth in FY20-22F

- We expect a FY20-22F net profit CAGR of 19.3%, on the back of VTP's outperforming technology capacity and nationwide postal infrastructure.
- VTP will join Vietnam's middle-mile logistics segment in 2021F and is likely to become the market leader as the segment is still fragmented.
- Recommend Add rating, with a TP of VND130,700.

VTP to gain market share in a double-digit growth market

We expect the postal delivery market value to rise at a CAGR of 11.4% over FY20-22F, fuelled by the robust growth of e-commerce. On the back of outperforming technology capacity to its competitors and its nationwide postal infrastructure, we believe Viettel Post (VTP) has the ability to gain market share from its competitors in the coming years. Thus, we expect VTP's market share to grow to 28.8% in FY22F from 24.0% in FY19.

Viettel Group successfully sold a 6% stake in VTP in Nov 20

The auction for Viettel Group's 6% stake in VTP took place successfully in Nov 20, with an average auction price of VND105,907/share, VND407 higher than Viettel Group's starting price of VND105,500/share. Viettel announced that the next 6% stake divestment in VTP will be held in the 2021-25F period.

Tapping into Vietnam's middle-mile logistics segment from FY21F

According to the company's development strategy for the FY21-25F period, VTP will spend up to VND2,000bn investing in warehouses/distribution centres (DCs) around Hanoi and Ho Chi Minh City. VTP will act as an intermediary between small independent stores and large consumer goods to help all parties benefit from the rapid growth of Vietnam retail sector. In our view, VTP, with its sophisticated technology capacity, is likely to become the market leader as the segment is still fragmented with no dominant player.

Robust growth in FY20-22F

We expect VTP's FY20F NP to grow 19.4% yoy, thanks to a 400% yoy surge in commercial sales and a 20.0% yoy increase in delivery revenue. We expect FY20-22F net profit CAGR of 19.3%, mainly due to a FY20-22F CAGR of 18.5% in delivery services revenue, which is 7.1% pts higher than the postal industry revenue CAGR for the same period (11.4% p.a.), thanks to VTP's outperforming technology capacity and nationwide postal infrastructure.

Recommend Add with a TP of VND130,700

We recommend Add for VTP, with a TP of VND130,700/share, based on an equal weighting of: 1) 10-year DCF-based valuation and 2) a target FY20F P/E of 19.5x. Downside risks include: 1) a prolonged global pandemic or external crisis, which will reduce total number of outbound parcels to be delivered, and 2) the participation of e-commerce platforms which successfully develop their own delivery systems.

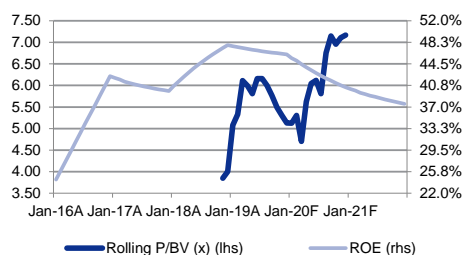
Financial Summary

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue (VNDb)	4,922	7,812	15,582	17,857	20,156
Operating EBITDA (VNDb)	367.1	498.2	617.6	737.0	852.8
Net Profit (VNDb)	279.0	380.1	453.9	546.9	645.1
Core EPS (VND)	7,803	7,549	6,363	6,586	7,768
Core EPS Growth	21.9%	(3.3%)	(15.7%)	3.5%	17.9%
FD Core P/E (x)	14.14	14.61	17.33	16.75	14.20
DPS (VND)	1,500	1,500	1,500	1,500	1,500
Dividend Yield	1.36%	1.36%	1.36%	1.36%	1.36%
EV/EBITDA (x)	7.83	9.53	10.96	10.64	8.81
P/FCFE (x)	NA	NA	49.52	44.34	45.06
Net Gearing	(158%)	(84%)	(86%)	(81%)	(79%)
P/BV (x)	6.68	6.79	7.17	5.60	4.41
ROE	47.8%	46.2%	40.4%	37.5%	34.7%
% Change In Core EPS Estimates					
CGS-CIMB/Consensus EPS (x)			1.25	1.14	1.14

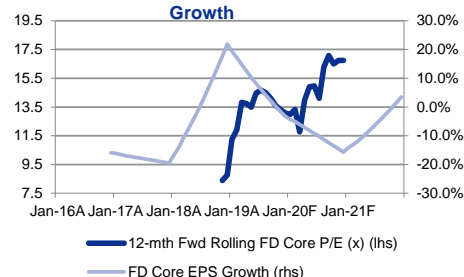
SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

BY THE NUMBERS

P/BV vs ROE



12-mth Fwd FD Core P/E vs FD Core EPS Growth



Profit & Loss

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues	4,922	7,812	15,582	17,857	20,156
Gross Profit	597	832	1,016	1,211	1,398
Operating EBITDA	367	498	618	737	853
Depreciation And Amortisation	(50)	(57)	(72)	(81)	(88)
Operating EBIT	317	441	545	656	765
Financial Income/(Expense)	30	45	43	52	69
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Non-Operating Income/(Expense)	3	(9)	(19)	(22)	(24)
Profit Before Tax (pre-EI)	350	477	570	686	810
Exceptional Items					
Pre-tax Profit	350	477	570	686	810
Taxation	(71)	(97)	(116)	(139)	(165)
Exceptional Income - post-tax	0	0	0	0	0
Profit After Tax	279	380	454	547	645
Minority Interests	0	0	0	0	0
Preferred Dividends	0	0	0	0	0
FX Gain/(Loss) - post tax	0	0	0	0	0
Other Adjustments - post-tax	0	0	0	0	0
Net Profit	279	380	454	547	645
Recurring Net Profit	279	380	454	547	645
Fully Diluted Recurring Net Profit	279	380	454	547	645

Cash Flow

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
EBITDA	367.1	498.2	617.6	737.0	852.8
Cash Flow from Inv. & Assoc.	0.0	0.0	0.0	0.0	0.0
Change In Working Capital	164.8	(327.2)	32.2	(58.8)	(53.8)
(Incr)/Decr in Total Provisions	0.0	0.0	0.0	0.0	0.0
Other Non-Cash (Income)/Expense	(0.0)	11.5	0.0	0.0	0.0
Other Operating Cashflow	(81.6)	(153.3)	(181.2)	(220.9)	(265.4)
Net Interest (Paid)/Received	31.0	45.7	43.4	52.4	69.0
Tax Paid	(54.4)	(97.1)	(115.8)	(139.5)	(164.5)
Cashflow From Operations	426.9	(22.2)	396.2	370.1	438.1
Capex	(33.2)	(203.4)	(103.1)	(125.4)	(120.4)
Disposals Of FAs/subsidiaries	2.9	0.7	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	(624.7)	(225.5)	(273.9)	(201.5)	(271.0)
Other Investing Cashflow	0.0	0.0	(24.1)	(28.5)	(27.4)
Cash Flow From Investing	(655.0)	(428.2)	(401.2)	(355.4)	(418.8)
Debt Raised/(repaid)	207.3	415.1	163.8	191.9	184.0
Proceeds From Issue Of Shares	0.0	33.4	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0	0.0
Dividends Paid	(45.6)	(61.6)	(89.4)	(124.6)	(124.6)
Preferred Dividends	0.0	0.0	0.0	0.0	0.0
Other Financing Cashflow	0.0	0.0	0.0	0.0	0.0
Cash Flow From Financing	161.7	386.8	74.4	67.4	59.4
Total Cash Generated	(66.4)	(63.6)	69.5	82.0	78.7
Free Cashflow To Equity	(20.8)	(35.3)	158.9	206.6	203.3
Free Cashflow To Firm	(209.3)	(401.5)	59.7	96.7	113.0

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Cash And Equivalents	1,471	1,623	2,075	2,493	3,005
Total Debtors	832	1,073	1,195	1,433	1,659
Inventories	120	48	57	68	79
Total Other Current Assets	67	114	137	164	189
Total Current Assets	2,491	2,858	3,463	4,157	4,932
Fixed Assets	190	290	319	360	391
Total Investments	14	95	98	100	103
Intangible Assets	25	41	43	46	48
Total Other Non-Current Assets	116	110	131	157	182
Total Non-current Assets	344	536	591	664	724
Short-term Debt	400	815	979	1,171	1,355
Current Portion of Long-Term Debt	0	0	0	0	0
Total Creditors	923	846	1,019	1,220	1,412
Other Current Liabilities	833	765	778	795	812
Total Current Liabilities	2,155	2,426	2,776	3,185	3,578
Total Long-term Debt	0	0	0	0	0
Hybrid Debt - Debt Component	0	0	0	0	0
Total Other Non-Current Liabilities	0	0	0	0	0
Total Non-current Liabilities	0	0	0	0	0
Total Provisions	0	0	0	0	0
Total Liabilities	2,156	2,426	2,776	3,186	3,578
Shareholders' Equity	679	968	1,278	1,636	2,078
Minority Interests	0	0	0	0	0
Total Equity	679	968	1,278	1,636	2,078

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue Growth	22.1%	58.7%	99.5%	14.6%	12.9%
Operating EBITDA Growth	58.2%	35.7%	24.0%	19.3%	15.7%
Operating EBITDA Margin	7.46%	6.38%	3.96%	4.13%	4.23%
Net Cash Per Share (VND)	26,066	13,559	13,197	15,918	19,873
BVPS (VND)	16,521	16,236	15,389	19,694	25,020
Gross Interest Cover	16.86	9.01	8.44	7.99	8.17
Effective Tax Rate	20.3%	20.3%	20.3%	20.3%	20.3%
Net Dividend Payout Ratio	22.1%	23.5%	27.4%	22.8%	19.3%
Accounts Receivables Days	48.61	44.52	26.63	26.85	27.99
Inventory Days	5.89	4.39	1.32	1.38	1.44
Accounts Payables Days	13.49	11.82	5.82	6.13	6.40
ROIC (%)	(31%)	(22%)	169%	155%	72%
ROCE (%)	41.5%	37.4%	32.3%	31.2%	29.7%
Return On Average Assets	11.9%	11.9%	12.0%	12.1%	12.1%

Key Drivers

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Volumes Moved (% Change)	112.3%	3.3%	10.0%	5.0%	5.0%
Rates Charged (% Change)	-15.6%	2.9%	12.4%	11.5%	10.3%
Acquisitions (m)	-	-	-	-	-

SOURCES: VNDIRECT RESEARCH, COMPANY REPORTS

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 – 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, Declared, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** – Excellent, Certified, **BPCG** – Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** – Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** – Good, Declared, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENDEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Very Good, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **DELTA** – Excellent, n/a, **DEMCO** – Excellent, Certified, **DDD** – Very Good, Declared, **DIF** – not available, n/a, **DREIT** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** – Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** – Excellent, Certified, **GCG** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HREIT** – Excellent, Certified, **ICHI** – Excellent, Declared, **HUMAN** – not available, n/a, **III** – Good, n/a, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD*** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – not available, n/a, **JWD** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Declared, **MALEE** – Very Good, Certified, **MC** – Very Good, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Declared, **NETBAY** – Good, n/a, **OSP** – not available, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PR9** – not available, n/a, **PSH** – Excellent, Certified, **PSTC** – Good, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, Certified, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **RSP** – not available, n/a, **S** – Very Good, n/a, **SAMART** – Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Very Good, Certified, **SF** – Good, n/a, **SIRI** – Very Good, Certified, **SPA** – Good, n/a, **SPALI** – Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Declared, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, Declared, **TMB** – Excellent, Certified, **TNR** – Very Good, Declared, **TOP** – Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Very Good, Declared, **UNIQ** – Good, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Very Good, Certified, **WORK** – Good, n/a.

Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 31, 2018) are categorized into:

- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

* The company, its director or management had been reportedly accused for breaching proper corporate governance such as violation of the SEC's regulations or charged with corruption.

RECOMMENDATION FRAMEWORK

Stock Ratings

Definition:

Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

The total expected return of a stock is defined as the sum of the:(i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
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Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

VNDIRECT Securities Corporation

1 Nguyen Thuong Hien Str – Hai Ba Trung Dist – Ha Noi | Tel: +84 2439724568

Email: research@vndirect.com.vn | Website: <https://vndirect.com.vn>

International Network

Asia

China

Unit 802 AZIA Center
1233 Lujiazui Ring Road
Pudong New District
Shanghai 200120
T: +86 (21) 6194-0212 / +86 (21) 6194-0218

Indonesia

The Indonesia Stock Exchange Building
Tower II, 20th Floor
Jl. Jend. Sudirman, Kav. 52-53
Jakarta 12190
T: +62 (21) 515-1330
F: +62 (21) 515-1335

South Korea

CIMB Securities Limited, Korea Branch
15F, S-Tower, 116 Shinmun-ro 1-ga
Jongro-gu, Seoul 110-700
T: +82 (2) 6730-6000
F: +82 (2) 6730-6183

Thailand

132 Sindhorn Tower 3, 12th Floor
Wireless Road, Lumpini, Pathumwan
Bangkok 10330
T: +66 (2) 841-9000
F: +66 (2) 657-9240

Philippines

SB Equities, Inc.
(a strategic partner with CIMB Securities)
18F Security Bank Centre
6776 Ayala Ave.
Makati 0719
T: +63 (2) 891-1243 / +63 (2) 891-1258
F: +63 (2) 813-3349

Europe

United Kingdom

(2719607)
27 Knightsbridge
London, SW1X 7YB
T: +44 (20) 7201-2199
F: +44 (20) 7201-2191

Hong Kong

25/F, The Gloucester Tower
The Landmark, 15 Queen's Road
Central, Hong Kong
T: +852 2868-0380
F: +852 2537-1928

Malaysia

Level 17, Menara CIMB
Jalan Stesen Sentral 2
Kuala Lumpur Sentral
50470 Kuala Lumpur.
T: +60 (3) 2261 8888
F: +60 (3) 2261 8899

Sri Lanka

Level 33, West Tower
World Trade Center
Echelon Square
Colombo 01

Vietnam

CIMB Securities International Ltd.
90 Pasteur Street
District 1, HCMC
Vietnam
T: +84 839146925
F: +84 839 146924

Sri Lanka

John Keells Stock Brokers (Pvt) Ltd
(a strategic partner with CIMB Securities)
130 Glennie Street
Colombo 00200
T: +94 (0) 11 230 6271
F: +94 (0) 11 234 2068

Americas

USA

(52-1971703)
7 Times Square #1605
New York, NY 10036
T: +1 (212) 616 8600
F: +1 (212) 616 8639

India

CIMB Securities (India) Private Limited
603 , Platina
G Block ; Bandra Kurla Complex
Bandra (East)
Mumbai 400 051, India
T: +91 (22) 6602-5252

Singapore

50 Raffles Place
#01-01
Singapore Land Tower (S048623)
T: +65 6225-1228
F: +65 6224-6906