

**Vietnam Strategy 2H2024**

# **Rising optimism but risks on the horizon**



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## Rising optimism but risks on the horizon

- ❖ Global growth is projected to stabilize at 2.6% this year while several central banks are ready to set for a less restrictive stance in the 2H24. While EU has revised down the policy rates in Jun, **the Fed is expected to begin for 1 – 2 times cut in the 2H24**, which would provide a more supportive environment for EM equities, including Vietnam.
- ❖ The 2Q24 performance of Vietnam 's economy exceeded most market forecasts (about 6.1% - 6.5%), accelerating from an upwardly revised 5.87% yoy rise in 1Q24. Vietnam's exports and FDI inflow in 1H24 are outliers which reaffirmed our view that global demand recovery likely to bolster domestic consumption in near term. The surprising 2Q24 performance prompted us to **upgrade our 2024 GDP forecasts to 6.5% from previous 6.3%**. We expect the economy growth upturn will getting stronger with 6.6% - 6.5% yoy in 3Q - 4Q, respectively, fueled by bouncing-back export growth and manufacturing expansion and more effective public investment disbursement.
- ❖ However, risks are tilted toward the upside. Having depreciated by 4.7% year-to-date vs the USD, the VND is among regional second worst performer. Vietnam's negative interest rate differential with the US has been a key factor. Though the DXY is expected to lose it strength in the 2H24, following the FED 's rate cuts, but a prolonged weak VND will pose upside risks to inflation that is already near the central bank's 4.5% target.
- ❖ The VN-index ended the Jun 2024 at 1,250 (+10.2% ytd), still among top performer in regional markets. The strong rally thus far has led some investors to question if the market has peaked. However, we believe it has not yet reached its limit. As at 21 Jun, VN-Index was trading at 14.5x trailing 12-month P/E , which is 6% premium to the 3-year average PE (13.8x) and 14% discount to the 3-year peak (16.7x in 4Q21). **We expect the VN-index will extend further its uptrend toward 1,350 – 1,380 into 2H24**, bolstered by a robust recovery in market earnings growth, low interest rate environment and stronger confidence in Fed's rate cut. Our index forecasts are based on a 20% FY24F earnings growth and P/E target of 12-12.5x.
- ❖ Our investment strategy is **focus in large-caps**. The recent rally of mid-cap has brought the valuation of VNMID to 17.1x TTM P/E which is about 17% premium to the VN-index. Meanwhile, large-caps valuation (represented by VN30 and VNX50) are about 11% discount to market average. Even, mid-caps are currently traded at the same P/B level to large-caps. We believe large-caps valuation looks attractive in term of FY24-25 earnings growth potential versus other peers, in our view. Our top picks for 2H24 include: **VPB, ACB, BCM, POW, HPG, MWG, FPT, PVS, DCM and DXG**.

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# 1

## Global Outlook

**Growth is resilient and uneven, while optimism rises over rate cuts**

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## Growth is resilient and uneven, while optimism rises over rate cuts

- Global growth is projected to stabilize at 2.65% this year, holding steady for the first time in three years despite flaring geopolitical tensions and high interest rates. It is then expected to edge up to 2.7% in 2025-26 amid modest growth in trade and investment.
- Global inflation is expected to moderate at 3.5% this year. However, the progress of disinflation are different among countries. Stickier and elevated prints in the US and UK stall progress on global inflation. Other regions including the EU show benign trajectories, closer to their targets.
- Global monetary policy settings are set for a less restrictive stance in 2H, setting up relief on the rates front. We think that a nuanced view is still necessary amongst the developed market central banks given that there are still differences in their respective stages of economic and monetary policy cycles.
- Risks have become more balanced but remain tilted to the downside. Escalating geopolitical tensions could lead to volatile commodity prices. In a context of elevated trade policy uncertainty, further trade fragmentation risks additional disruptions to trade networks. More persistent inflation could lead to higher-for-longer interest rates.

• Source: World Bank, MBS Research

## GDP growth (%) of major economies

	2021	2022	2023e	2024f	2025f	2026f
<b>Global</b>	<b>6.3</b>	<b>3.0</b>	<b>2.6</b>	<b>2.6</b>	<b>2.7</b>	<b>2.7</b>
<b>Developed market</b>	<b>5.5</b>	<b>2.6</b>	<b>1.5</b>	<b>1.5</b>	<b>1.7</b>	<b>1.8</b>
United States	5.8	1.9	2.5	2.5	1.8	1.8
Euro area	5.9	3.4	0.5	0.7	1.4	1.3
Japan	2.6	1.0	1.9	0.7	1.0	0.9
<b>Emerging market</b>	<b>7.3</b>	<b>3.7</b>	<b>4.2</b>	<b>4.0</b>	<b>4.0</b>	<b>3.9</b>
China	8.4	3.0	5.2	4.8	4.1	4.0
Indonesia	3.7	5.3	5.0	5.0	5.1	5.1
Thailand	1.6	2.5	1.9	2.4	2.8	2.9
Russia	5.9	-1.2	3.6	2.9	1.4	1.1
Brazil	4.8	3.0	2.9	2.0	2.2	2.0
India 2	9.7	7.0	8.2	6.6	6.7	6.8
South Africa	4.7	1.9	0.6	1.2	1.3	1.5

<b>World trade volume <sup>4</sup></b>	<b>11.2</b>	<b>5.6</b>	<b>0.1</b>	<b>2.5</b>	<b>3.4</b>	<b>3.4</b>
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## WordBank commodity price forecasts

Commodity price index	100.9	142.5	108.0	106.0	102.1	101.5
Energy index	95.4	152.6	106.9	104.0	100.0	99.0
Oil price (US\$/bbl)	70.4	99.8	82.6	84.0	79.0	78.1
Non-energy index	112.1	122.1	110.2	110.1	106.4	106.6

## The outlook for 2H24 is positive, but geopolitical issues and shipping disruptions increase uncertainties

- Global trade in goods and services is projected to expand by 2.5 percent in 2024 and 3.4 percent in 2025 but remain well below the average rates of the two decades preceding the pandemic.
- Attacks in the Red Sea have resulted in a sharp increase in freight rates and travel time as hundreds of vessels have opted to sail an extra 4,000 miles around the Cape of Good Hope in South Africa, and a steep decline in passages through the Bab el-Mandeb Strait near Yemen's coast and the Suez Canal in Egypt. The Red Sea crisis will likely persist in the short-to-medium term in spite of US-led strikes on Houthi assets in Yemen.

### Global trade has rebounded in 1Q24

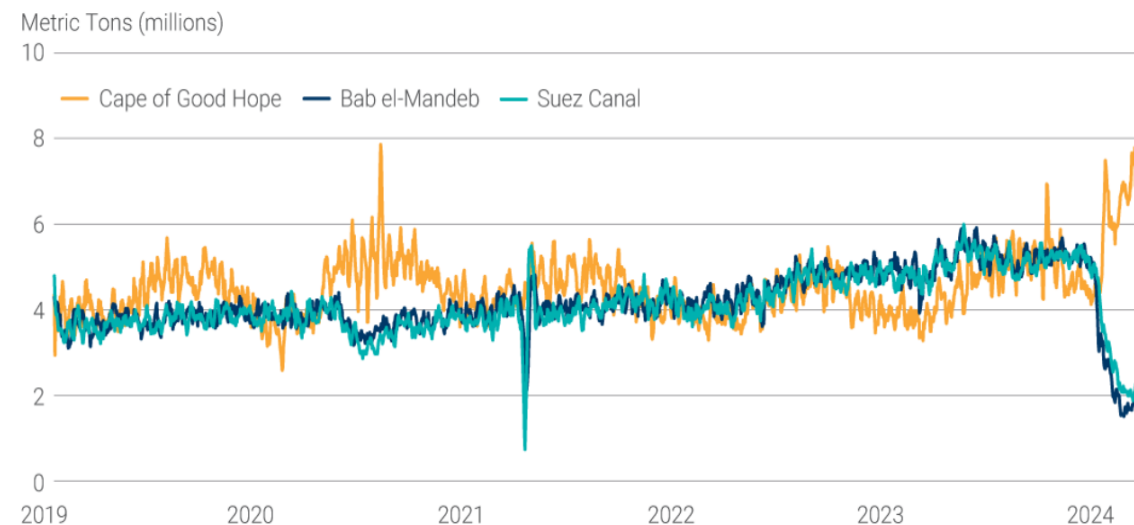


Note: Quarterly growth is the quarter over quarter growth rate of seasonally adjusted values. Annual growth refers to the last four quarters. Figures for Q4 2023 are estimates. Q1 2024 is a nowcast.

Source: Sources: UNCTADstat; UNCTAD calculations based on national statistics.

- Source: UNCTAD, MBS Research

### The Red Sea Poses a Choke Point for Global Trade



- Source: IMF Port Watch, MBS Research

# Global monetary policies outlook

Global monetary policy is set to be less restrictive in 2H24, though at varying degrees in different markets

## Major economies policy rates forecasts (%)

Countries	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25
US	5.5	5.5	5.25 ↓	5.0 ↓	4.75 ↓	4.5 ↓	4.25 ↓	4.0 ↓
Eurozone	4.0	3.75	3.5 ↓	3.25 ↓	3.0 ↓	3.0 →	3.0 →	3.0 →
Japan	0.1	0.1	0.1 →	0.25 ↑	0.25 →	0.25 →	0.5 ↑	0.5 →
China (*)	3.45	3.45	3.45 →	3.35 ↓	3.25 ↓	3.15 ↓	3.15 →	3.15 →
South Korea	3.5	3.5	3.5 →	3.25 ↓	3.0 ↓	2.75 ↓	2.5 ↓	2.5 →
India	6.5	6.5	6.5 →	6.5 →	6.5 →	6.25 ↓	6.25 →	6.0 ↓
Malaysia	3.0	3.0	3.0 →	3.0 →	3.0 →	3.0 →	3.0 →	3.0 →
Singapore (**)	3.62	3.7	3.5 ↓	3.38 ↓	3.23 ↓	3.08 ↓	2.93 ↓	2.88 ↓
Thailand	2.5	2.5	2.5 →	2.5 →	2.5 →	2.5 →	2.5 →	2.5 →
Indonesia	6.0	6.25	6.25 →	6.25	6.0 ↓	5.5 ↓	5.5 →	5.5 →
Vietnam	4.5	4.5	4.5 →	4.5 →	4.5 →	4.5 →	4.5 →	4.5 →
Philippines	6.5	6.5	6.5 →	6.5 →	6.25 ↓	6.0 ↓	5.75 ↓	5.75 →

• Note: (\*) China 1-year loan prime rates. (\*\*) Singapore 3-month SOR. (\*\*\*) Vietnam prime rate.

• Source: DSB, Bloomberg, MBS Research.





# 2

## Vietnam Macro Outlook

### Sailing through the trough water

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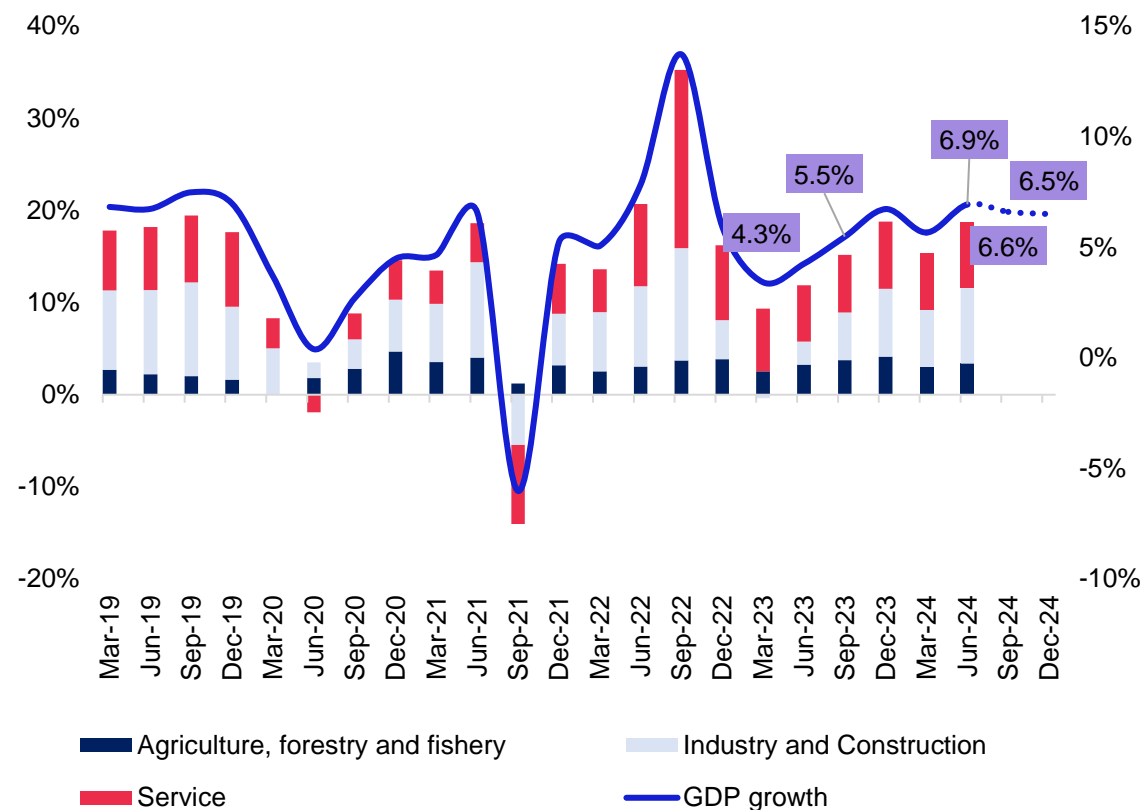


# Economic expanded robustly in 1H24 but inflation risks are tilting to the upside

## Vietnam GDP advanced 6.93% yoy in 2Q24, bringing the 1H24 pace to 6.42%

- The 2Q24 performance of Vietnam 's economy exceeded most market forecasts (about 6.1% - 6.5%), accelerating from an upwardly revised 5.87% yoy rise in 1Q24. It was also the strongest yearly expansion since Q3 of 2022, buoyed by robust exports and expanding manufacturing.
- For 1H24, the economy grew 6.42%, the second highest level for the period since 2020. By sector, industry & construction grew remarkably 7.5%, making a significant contribution of 44.3% to GDP. The robust growth of 1H24 industry & construction is the second highest level for the period since 2020, driven mainly by manufacturing (+8.7% yoy), electricity production (+13.3% yoy) and construction (+7.3% yoy). On the other hand, mining experienced a decline of 7.2% yoy.
- Service sector grew modestly at 6.6% in 1H24, slightly higher than that of 6.3% seen in same period last year, contributing 49.8% to GDP.. Agriculture, forestry and fishery increased steadily 3.38% in 1H24, contributing 6% to GDP.
- The surprising 2Q24 performance prompted us to upgrade our 2024 GDP forecasts to 6.5% from previous 6.3%. We expect the economy to grow healthily 6.6% and 6.5% yoy in 3Q and 4Q, respectively, following bouncing export, improving domestic consumption and more effective public investment disbursement.
- The government targets the economy to grow around 6-6.5% in 2024 but is aware of some external risks

### Quarterly GDP growth and growth by sectors (yoy%)

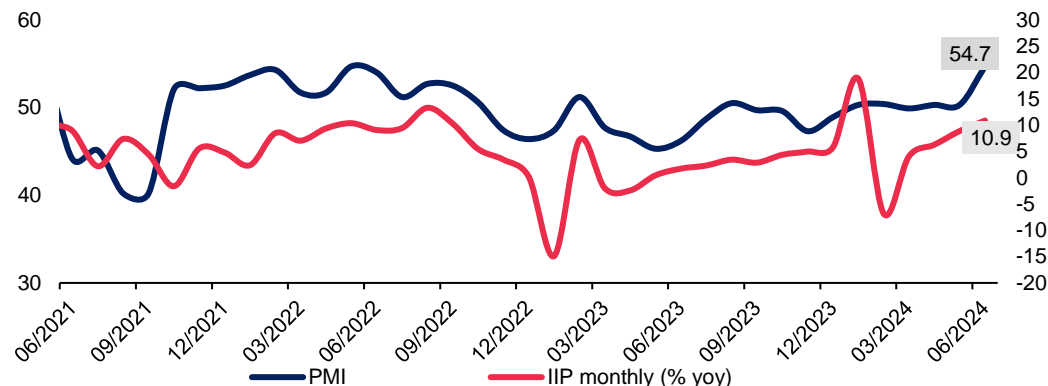


• Source: GSO, MBS Research

# Manufacturing activities recover progressively from low base last year

The steady expansion of industrial production set as the key driver for the near-term recovery

## Both PMI and IIP have accelerated since Mar 2024 (% yoy)



Source: GSO, MBS Research

- Vietnam industrial production (IIP) accelerated 10.9% yoy in Jun and 7.7% in 1H24, driven by key manufacturing sectors including: rubber & plastics products (+29% yoy); textiles (+12.6%); wood & wooden products (12.3% yoy), electronics products (8.6% yoy), food processing (8.5% yoy).
- PMI grew sharply to 54.7 in June, this marks the third consecutive month of growth in factory activity since March 2024. Notably, the new orders returned to expansion, and the rate of rise was the fastest since March 2011. This positive trend reflects the resilience and dynamism of Vietnam's industrial sector.

## Monthly change of IIP by category (% yoy)

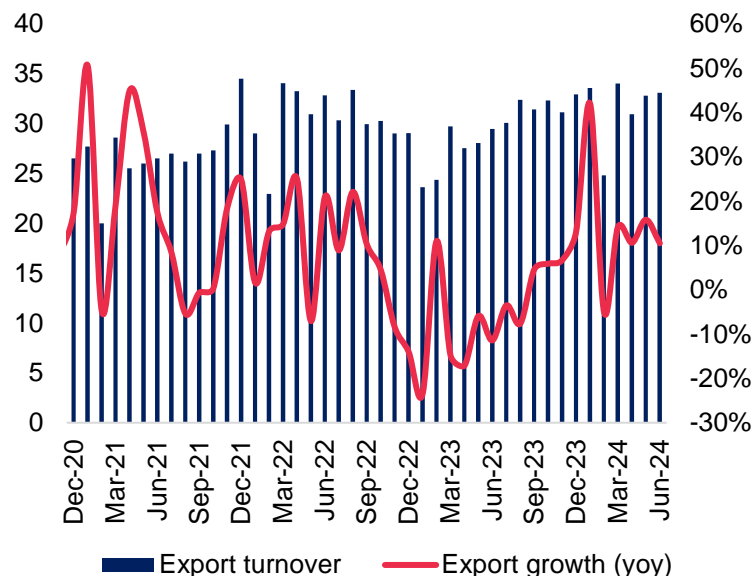
Sector	Jan	Feb	Mar	Apr	May	Jun	6M24
<b>WHOLE INDUSTRY</b>	<b>18.3</b>	<b>-6.8</b>	<b>4.1</b>	<b>6.3</b>	<b>8.9</b>	<b>10.9</b>	<b>7.7</b>
<b>Mining</b>	7.3	-15.4	-7.8	-6.8	-9.4	-7.7	<b>-5.5</b>
<b>Manufacturing</b>	<b>19.3</b>	<b>-6.5</b>	<b>4.6</b>	<b>7.0</b>	<b>10.6</b>	<b>12.6</b>	8.5
Food processing	17.2	5.8	4.5	5.5	5.4	6.5	8.5
Aquacultural products	13.1	4.1	2.4	8.8	8.8	11.4	5.3
Milk processing	19.8	0.0	4.0	7.6	4.6	13.5	5.0
Feed processing	14.8	7.7	4.5	4.4	4.2	12.4	5.5
Beverage processing	3.7	-19.7	-1.0	10.4	4.4	1.7	0.5
Garment & textiles	46.2	-5.6	8.8	11.0	7.9	11.4	12.6
Leather products	34.7	-10.4	3.4	8.8	9.6	15.4	9.1
Wood & wooden products	26.8	-16.7	0.0	19.2	23.0	14.8	12.3
Paper & paper products	38.7	-6.6	-1.2	7.8	6.2	12.2	9.8
Coke & petroleum products	24.6	20.9	8.9	-32.2	8.6	13.0	6.7
Chemical products	38.7	15.1	3.4	9.4	6.2	9.7	18.5
Fertilizer	14.8	20.2	21.5	24.9	2.2	3.9	14.8
Rubber & plastics products	33.2	0.4	29.1	29.7	24.1	34.1	<b>29.0</b>
Medicine	26.1	-0.1	-2.5	-7.1	-2.7	12.3	10.9
Metal	39.4	-3.9	10.9	1.8	6.8	11.9	12.6
Computer, electronics products	5.6	-7.3	4.8	10.2	17.4	20.3	8.6
Electrical equipment	43.3	2.2	25.0	24.3	19.4	-6.5	17.8
Machinery & Equipment	52.5	-18.6	10.3	-0.3	12.6	4.0	3.3
Motor vehicles	24.0	-16.0	0.1	9.6	7.3	-2.2	3.2
<b>Electricity &amp; gas supply</b>	<b>21.6</b>	<b>-3.7</b>	<b>9.5</b>	<b>11.3</b>	<b>11.4</b>	<b>13.7</b>	<b>13.0</b>
<b>Water treatment</b>	<b>5.7</b>	<b>-1.1</b>	<b>9.4</b>	<b>6.6</b>	<b>7.4</b>	<b>8.0</b>	<b>6.3</b>

Source: GSO, MBS Research

# Resilient global demand will empower Vietnam exports in 2024 - 2025

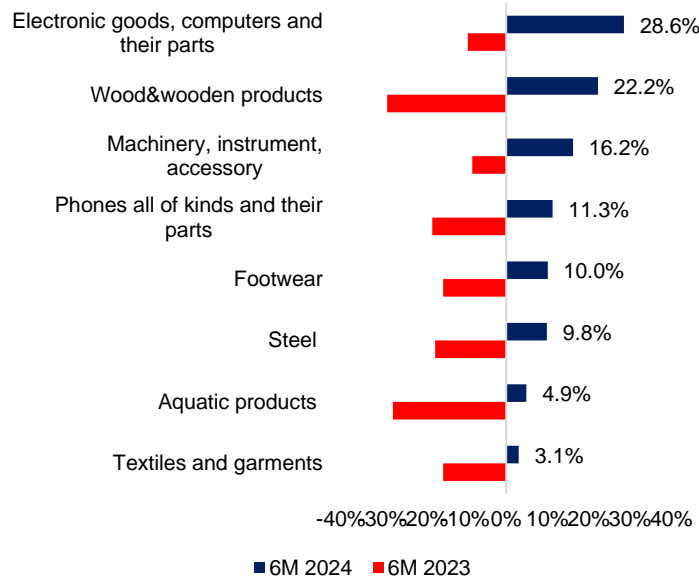
1H24 exports grew 14.5% yoy mainly driven by the US and EU market, whilst China market is still retrieving slowly

## Exports turnover by monthly(USD bn)



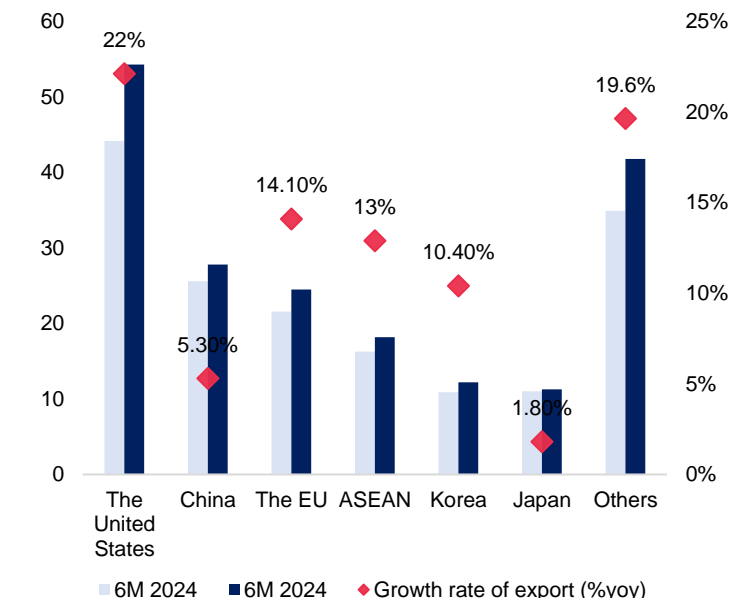
• Source: GSO, MBS Research

## Growth of key exports products (% yoy)



• Source: GSO, MBS Research

## Export turnover by markets in 1H24



• Source: GSO, MBS Research

- For 1H24, Vietnam's export turnover has accumulated to US\$190bn (+14.5% yoy), a leap-frog from the decrease of 12.1% yoy seen in same period last year. Key export commodities such as machinery, electronic goods, mobile phones and wood & wooden products have continued to grow significantly. Exports of domestic investment grew 20.6%, accounting for 28%, meanwhile, exports of FDI increased 12.3%, accounting for 72%.
- In terms of export markets: The U.S grew strongly at 22% yoy with an export turnover of USD54.3bn. Exports to the E.U also experienced strong growth of 14.1% yoy while exports to China rose modestly 5.30% yoy. Exports to ASEAN also accelerated to USD 18.2 billion, reflecting a 13% yoy growth.

# Resilient global demand will empower Vietnam exports in 2024 - 2025

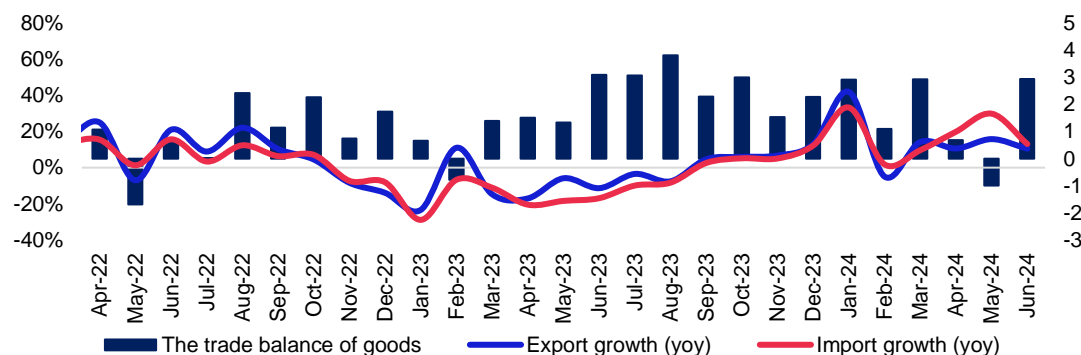
**We expect exports to grow 12% in 2024**

## Imports surged since Mar for a new manufacturing expansion cycle



• Source: GSO, MBS Research

## Vietnam enjoyed a trade surplus of US\$11.6bn in 1H24



• Source: GSO, MBS Research

- For 1H24, imports has surged 17% yoy, which is a positive signal for a new manufacturing expansion cycle. Consequently, Vietnam enjoyed a trade surplus of US\$11.6bn in 1H24, slightly lower than that of US\$13.4bn in 1H23.
- We forecast that exports will increase by 11% - 12% in 2024, resulting in a trade surplus of US\$12 – 14bn. Our outlook is based on the following factors: (1) World Bank has forecasted global trade in goods and services is projected to expand by 2.5% in 2024 and 3.4% in 2025 . (2) Positive signs of FDI in Vietnam are anticipated to play a crucial role in commercial activities. Additionally, recent trade and customs policy reforms have enhanced the efficiency of import-export management, streamlined administrative processes, and reduced costs and time for enterprises. (3) For long-term the possibility of 'market economy' status granted by U.S will ease the market entry barrier for Vietnam exporting goods.
- However, Vietnam's export growth in 2024 faces several challenges:** (1) Geopolitical conflicts may lead to spikes in transportation costs. (2) Rival exporting countries like China, Indonesia, and Thailand pose increased competition. (3) "Higher for longer" interest rates might hurt Vietnam's partner countries' economy which will lead to low demand.

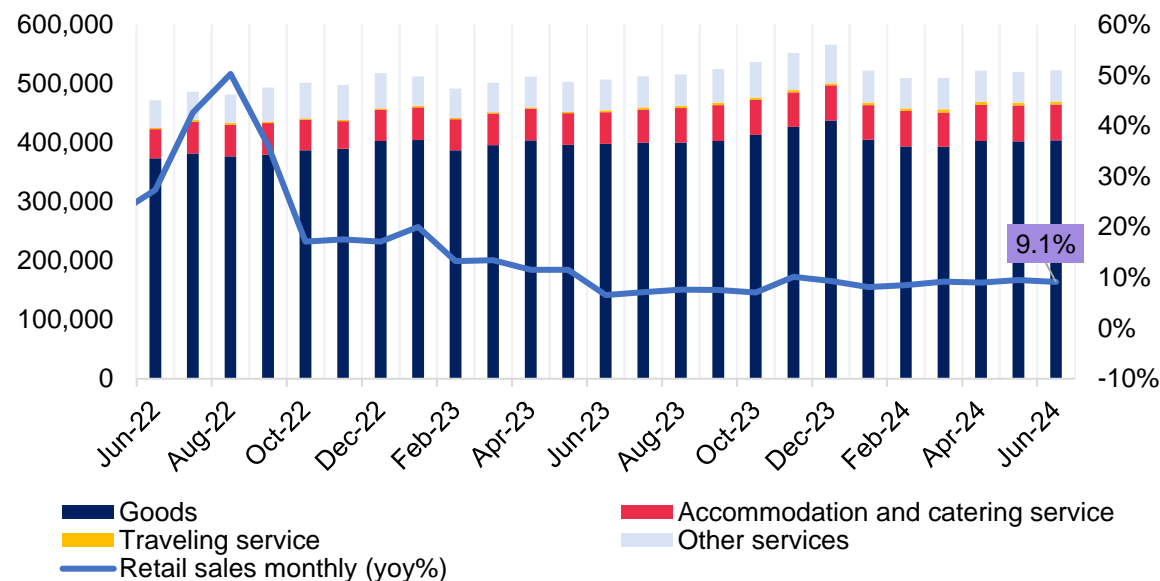


## Domestic consumption recovered lackluster

**We expect the domestic consumption will improve better toward year-end**

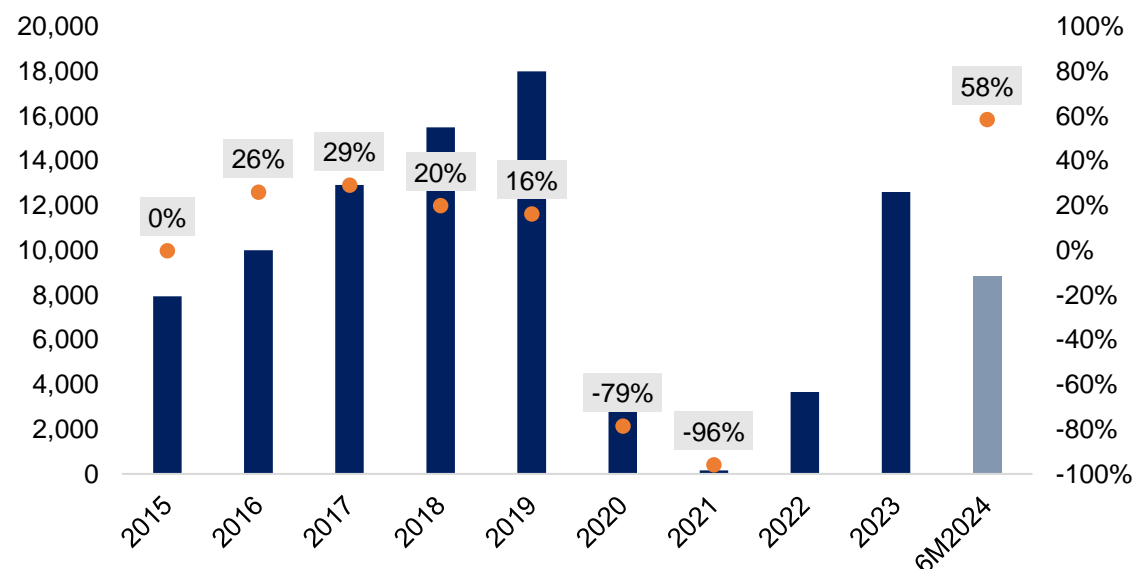
- For 6M24, the total retail sales increased 8.6% and only 5.7% yoy (excluding the price factor), much lower than the 5-year average growth of 8% (excluding 2021 – social distancing period). Among that, tourism is the bright spot as international tourists arrivals grew robustly 58.4% yoy, to 8.8 million, indicating a 104% recovery to pre-pandemic level.
- We expect the consumption to improve modestly toward year-end following the manufacturing expansion. Additionally, some tax and fee cutdown policies will be effective in order to stimulate the consumption. VAT reduction from 10% to 8% for certain goods and services will be extended to end-year. Additionally, the Ministry of Finance (MoF) has proposed to reduce registration fees by 50% for domestically-produced and assembled cars for six months, from Aug 1.

### Retail sales of consumer goods and services over the same period last year (VND tn)



Source: GSO, MBS Research

### International visitors to Vietnam ('000s arrivals)



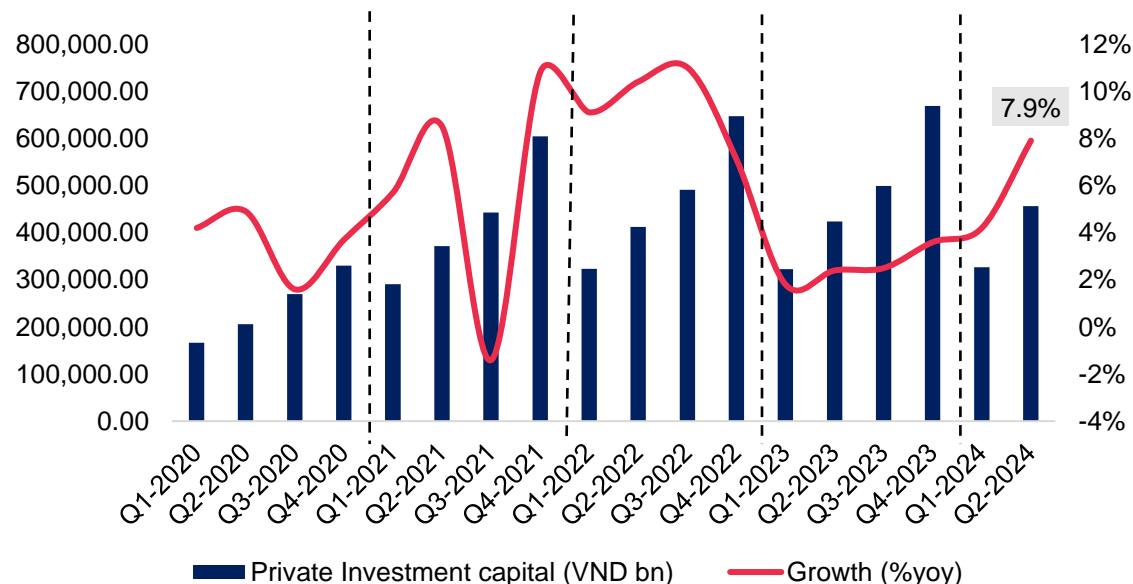
Source: GSO, MBS Research

## Investment: State and private investment dimming, FDI shining

State and private investment grew 5% yoy and 4.2% yoy in the first few months of 2024

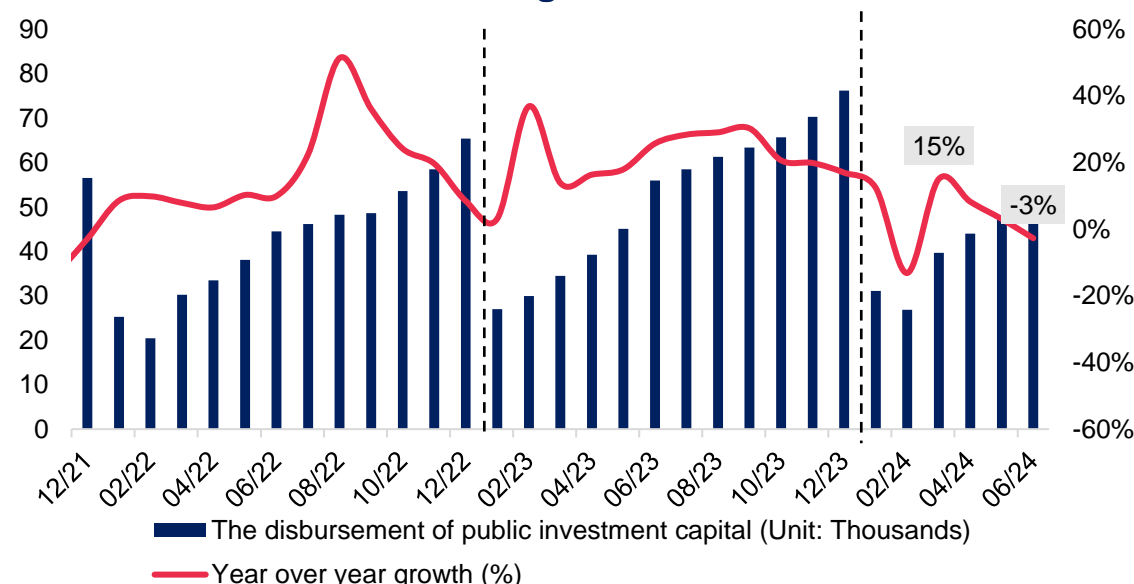
- Public investment remain sluggish, with more than VND244 trillion(+3.5% yoy) has been allocated, fulfilling for only 29.4% of the plan as assigned by the Prime Minister. The reasons should be attributed to the stagnancy in approval process, the delay in site clearance and rising construction material prices. We expect the state investment to accelerate in 2H24 regarding the government recent implemented various measures to expedite disbursement.
- Private investment lost momentum since 1Q23 and but gradually recovered since 2Q24 with 7.9% yoy. The growth of 1H24 was 6.7% yoy, indicating that domestic business confidence are getting more stronger following low lending rates and increasing global demand.

### Private investment show sign of recovery with 7.9% yoy in 2Q24 and 6.7% yoy for 1H24



Source: GSO, MBS Research

### Public investment grew only 3.5% yoy in 1H24, completing about 29.4% of Government guidance



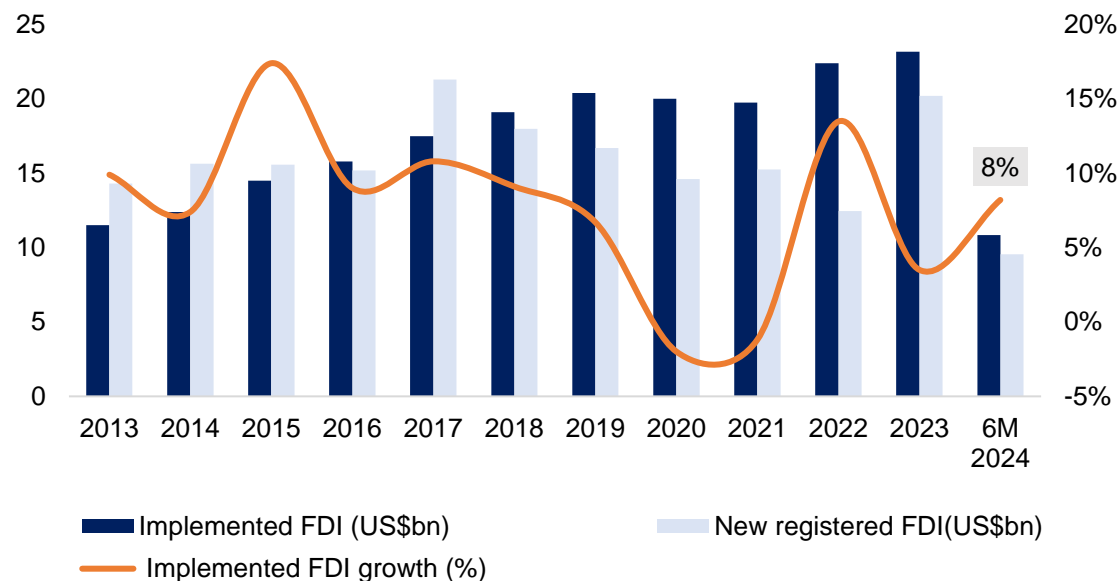
Source: GSO, MBS Research

## Investment: State and private investment dimming, FDI shining

### Implemented FDI shined in 1H24 with 8.2% yoy

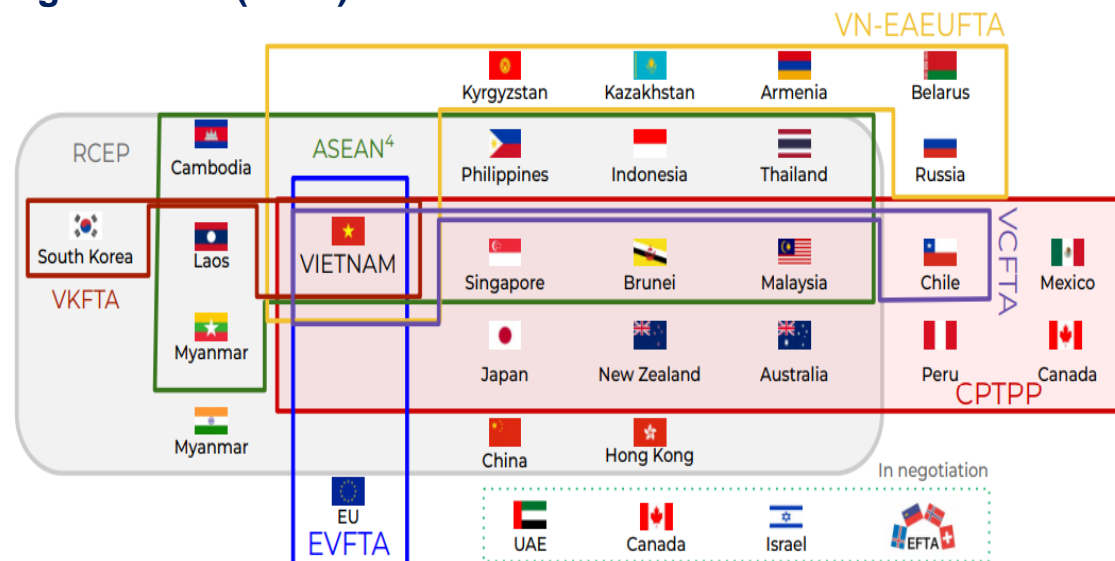
- As of Jun 20, accumulated implemented FDI was US\$10.8bn (+8.2% yoy), marking the highest growth of period within recent 5 years. This partially eased the concern over the recent VND depreciation (-5% ytd versus USD)
- New registered FDI was US\$9.5bn (+47% yoy) which maintained Vietnam as the top destination for global manufacturers who are moving away from China thanks to its strategic position in the supply chain and its openness in both economic and political spheres. In term of location, Ba Ria-Vung Tau is the leader in FDI attraction, following by Quang Ninh (+208% yoy) and Bac Ninh (+93% yoy). Top new registered FDI in 1H24 are from Singapore, Hong Kong and China.

### Implemented FDI shined in 1H24 with 8.2% yoy



Source: GSO, MBS Research

### Vietnam is affirming its position in global trade through forming numerous strategic alliances and free trade agreements (FTAs)



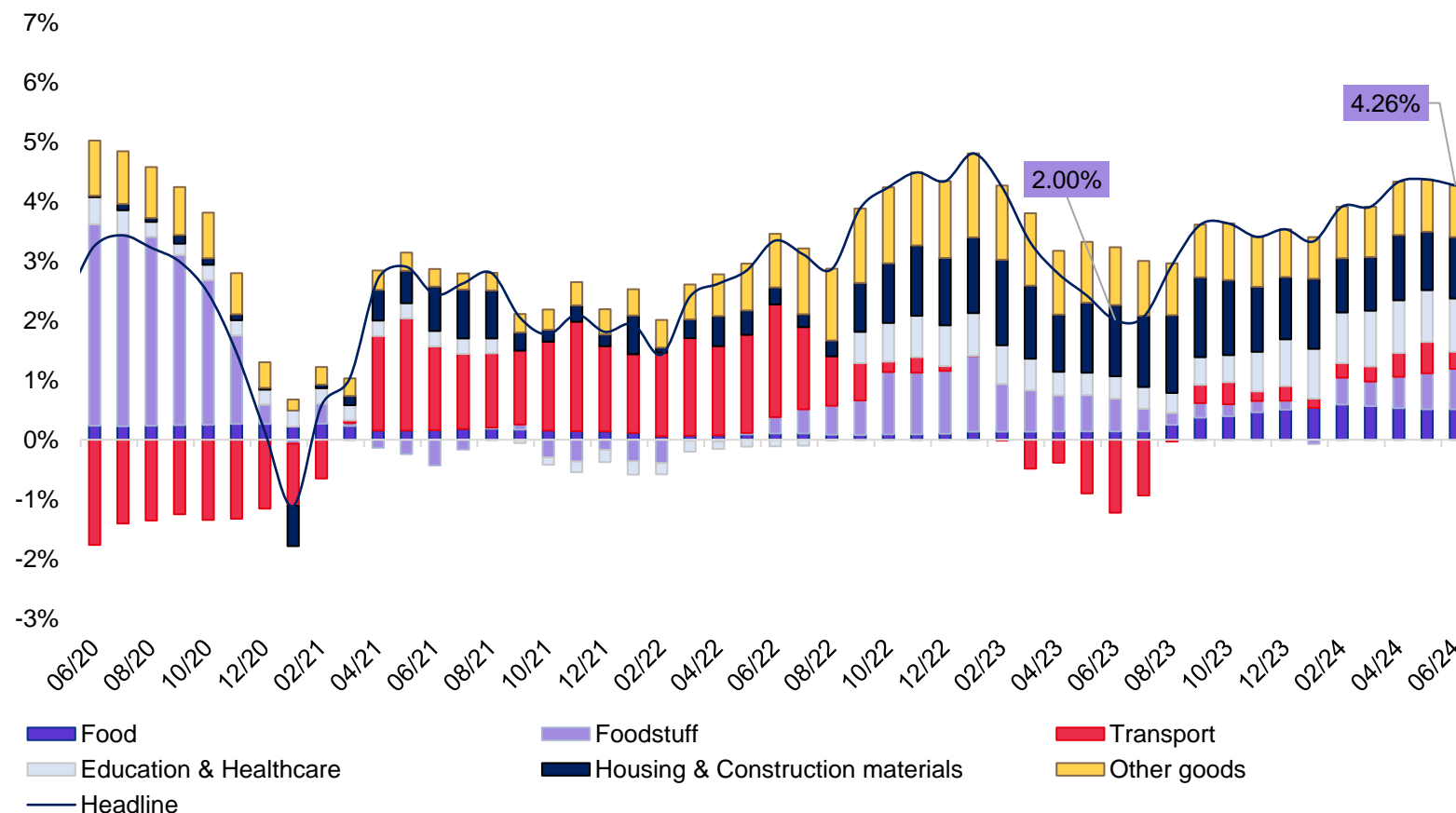
Source: Ministry of Planning & Investment (MPI), MBS Research

# Inflationary pressure poses big challenge to economy

**CPI and core inflation surged 4.1% yoy and 2.8% yoy in 6M24, respectively**

- CPI accelerated to 4.4% in May and 4.3% in Jun which raise the concern as it is inching up close to the government's target ceiling of 4.5%. For 6M24, CPI hiked by 4.1% yoy, while core inflation increased by 2.8% yoy.
- Key factors attributed for the increase of 6M24 CPI included: Cement and sand prices increase in consonance with rising price of input materials together and the high rental costs have levitated the price index of the housing and construction materials group by 5.5% yoy. Moreover, tuition fee increases in some citites caused the increase of 9.2% yoy for the education group index; the price index of medicines and medical services increased by 7.1% being adjusted according to the Ministry of Health.

**Monthly CPI by category (% yoy)**



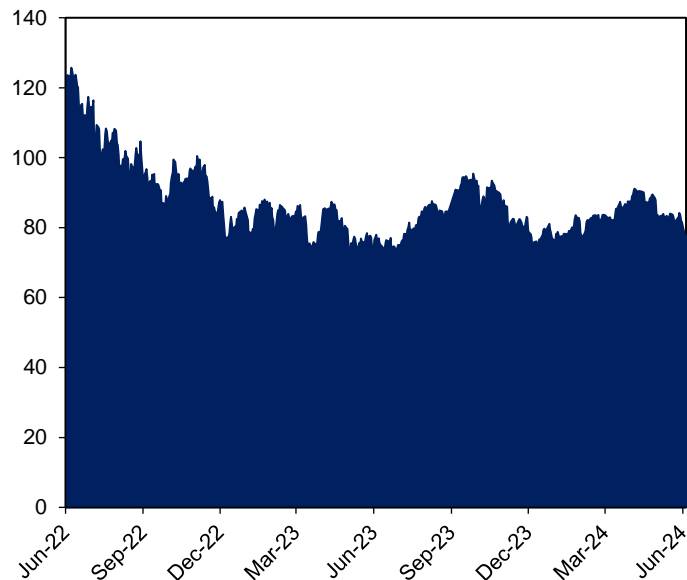
• Source: GSO, MBS Research



# Inflation: rising on the horizon

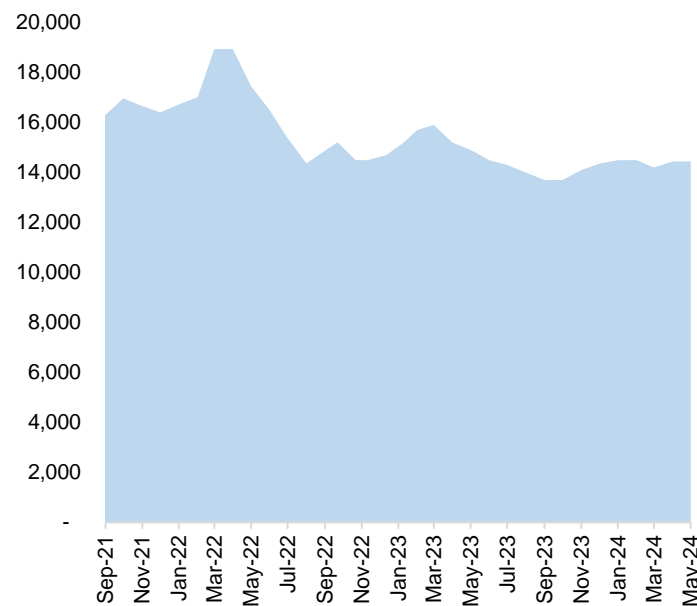
We estimate a potential rise of CPI in 2H which will lift the average CPI for 2024 up to 4.3%, close to the government's guidance

## Brent crude oil price (USD/Barrel)



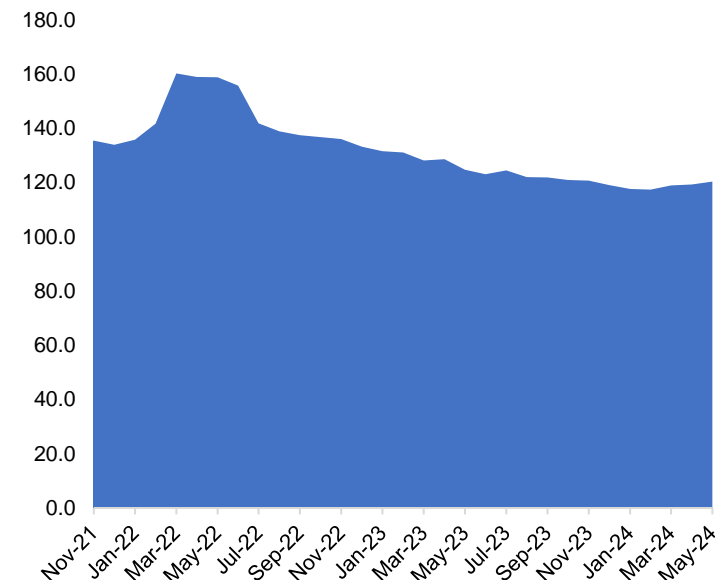
• Source: Bloomberg, MBS Research

## Steel price (Mn VND/ton)



• Source: Bloomberg, MBS Research

## FAO food price index



• Source: Bloomberg, MBS Research

Inflation will be at risk due to the following factors in 2H2024:

- 1) Domestic construction steel prices are expected to recover to 15mn VND/ton (+8% yoy) in 2024 due to increase in global steel prices and demand in the domestic market.
- 2) The exchange rate remains elevated, affecting the cost of imported goods.
- 3) Base salary hike set to be implemented from July 1 may impact domestic inflation. In addition, we still hold our forecast of oil price in 2024 to fluctuate within a narrow range of around 85 USD/barrel as OPEC+ has decided to maintain production cuts until the end of Q3/2024, higher than the average oil price in the second half of 2023.

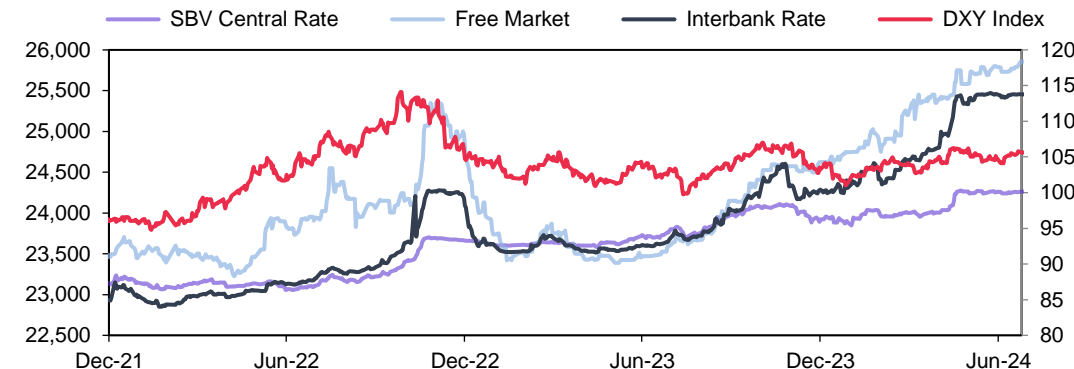
# Currency: We expect Vietnam Dong to regain its composure after a rough 2024 start



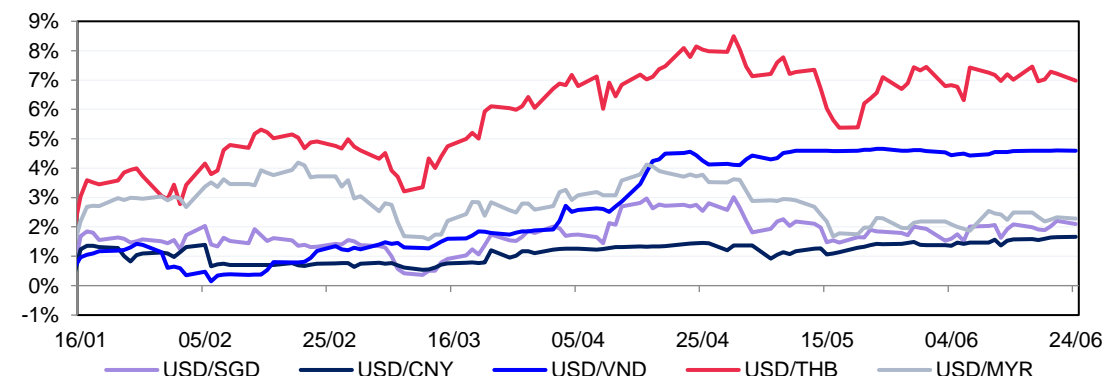
The dynamics of both global and local have led to consecutive record-breaking exchange rates since the start of April

- Exchange rates became a focal point as early as Mar 2024. Having depreciated by 4.7% year-to-date vs the USD, however, the VND was not misaligned with its Asian peers. Vietnam's negative interest rate differential with the US has been a key factor. Heightened production activity has spurred increased demand for USD to facilitate the importation of raw materials. Furthermore, the interest rate gap encourages speculative actions like stockpiling foreign currency to capitalize on the difference.
- State Bank of Vietnam (SBV) take actions: The SBV has activated the bond auction channel since March 11 to counter exchange rate speculation, by reducing the amount of VND in circulation and narrowing the interest rate gap between the VND and the USD in the interbank market. Since mid-Apr, SBV has begun selling USD to banks with negative foreign exchange balances at a lower rate with aims to alleviate market concerns and smooth the liquidity.
- We attributed the exchange rate volatility primarily to the USD's strength, amplified by negative yield differentials against the US for some currencies

## VND has depreciated by 4.7% ytd versus the USD



## Regional currencies performance against USD year-to-date



Source: Bloomberg, MBS Research

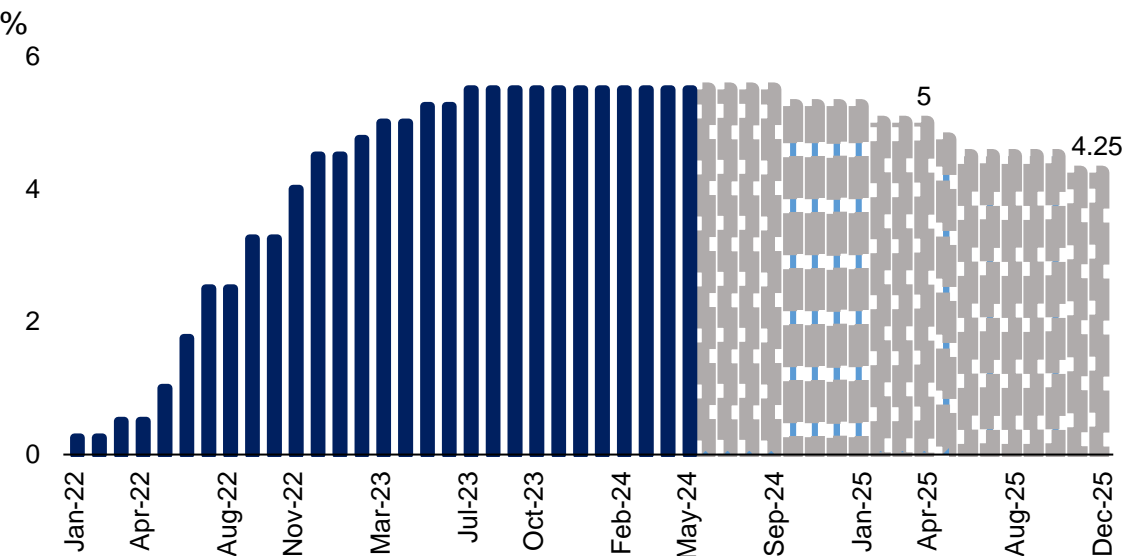
# Currency: We expect Vietnam Dong to regain its composure after a rough 2024 start



## Awaiting USD to weaken

- The dynamics that kept the USD “exceptionally” strong globally in the first five months of 2024 have started to wane. Historical data show that the greenback likely depreciate when the Fed starts easing monetary policy restriction with 25 bps rate cuts every quarter from 3Q34 into 2025. We believe the pressure on VND will ease and expect the USD/VND to range within 25,100 – 25,300 in Jun – Jul. Supportive factors for VND include: positive trade surplus (~US\$8bn in 5M24), net FDI inflows (US\$8.2bn, +7.8% yoy) and a bounce-back of international tourist arrivals (+64.9% yoy in 5M24). The stability of the macro environment is likely to be maintained and further improvement will be the basis for stabilizing the exchange rate in 2024.

## FED is expected to cut interest rates 1-2 times in 2024, bringing rates down to 4– 4.25% by the end of 2025



• Source: Bloomberg, MBS Research

## USD to fall when the Fed gains the confidence to lower interest rates



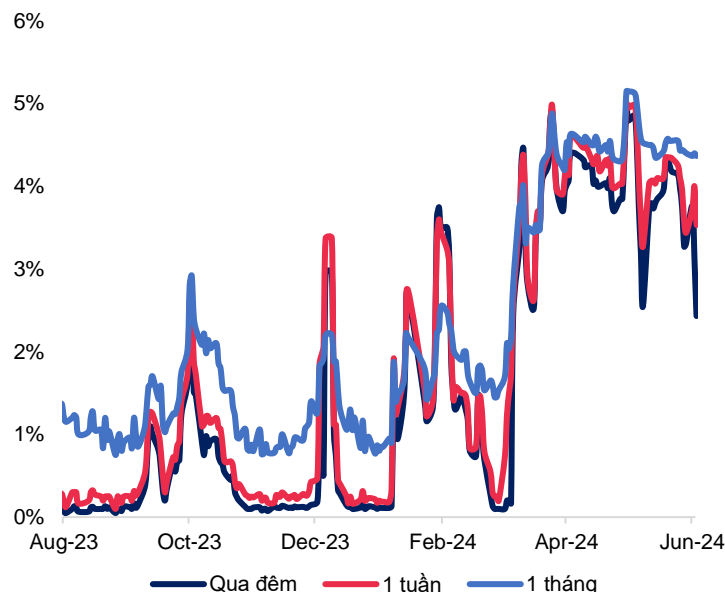
• Source: Bloomberg, MBS Research

# Monetary policy: We do not expect a policy rate hike in 2H24



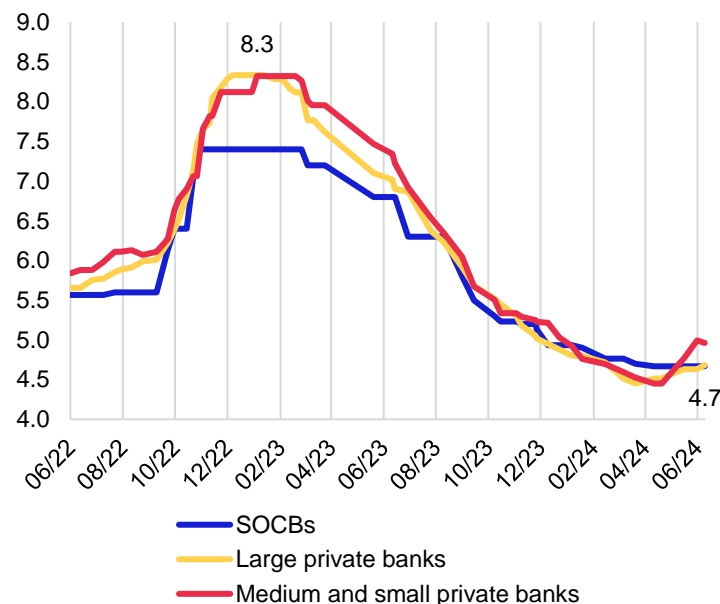
Though limited room for further loosening, we don't think about a rate hike in near-term

## Interbank overnight lending rate (%)



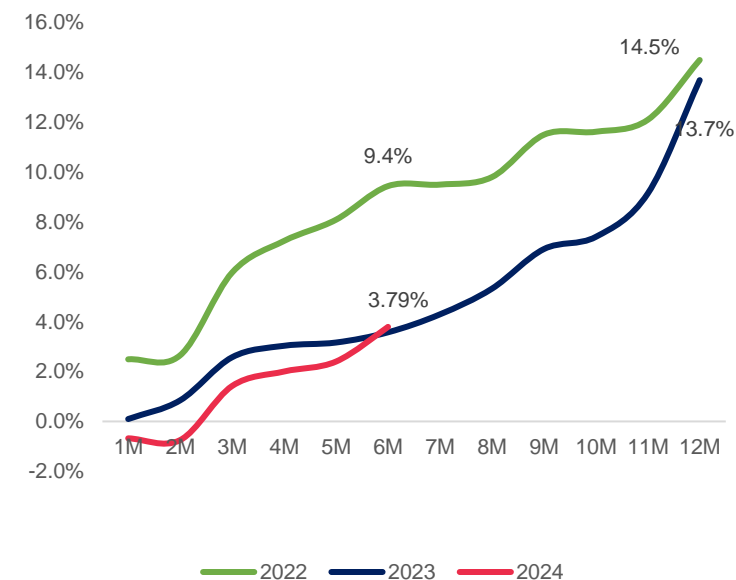
• Source: Bloomberg, MBS Research

## Commercial banks deposit rate (%)



• Source: Commercial banks, MBS Research

## Credit growth has improved since Jun



• Source: SBV, MBS Research

- The interbank interest rate has now surged close to 5%, marking a new benchmark driven by liquidity demands
- As of May 21st, data from monitored banks indicated that the average 12-month deposit interest rate for small and medium commercial banks saw a month-over-month increase of 0.3%, while large commercial banks experienced a 0.1% rise in the same period. Although state-owned banks have not officially updated their deposit rates on their respective websites, it is anticipated that they will follow this increasing trend shortly.
- We believe that credit demand will start increasing sharply from 3Q2024 amid strong production and investments growth. We forecast that the 12-month deposit rate of large commercial banks will be able to inch up by 50bps more and progressively return to 5.2% - 5.5% by the end of 2024. However, we believe that lending rates will remain the same as regulators and commercial banks are actively striving to provide credit capital for businesses.



# Vietnam Macro outlook: Sailing through the trough water



We expect the economy to grow healthily 6.6% and 6.5% yoy in 3Q and 4Q, bringing the whole year pace to 6.5%

## Summary of economic forecasts

- The surprising 2Q24 performance prompted us to upgrade **our 2024 GDP forecasts to 6.5% from previous 6.3%.**
- Potential upside catalyst to the economy includes : higher-than-expected of the U.S or China might boost the export-led growth.
- Downside risks include: (1) Softened global demand caused by slow economic recovery and continued geopolitical tensions. (2) Higher-for-longer interest rates in the US will weigh pressure on the Vietnam currency. (3) If a spike in oil price or food price lift the inflation higher than the Government 's guidance, SBV might shift their priority from economic stimulation to inflation control.

Economic indicators	2019	2020	2021	2022	2023	2024F
<b>1. GDP, population &amp; income</b>						
Real GDP growth (%)	7.02	2.91	2.58	8.02	5.05	6.5
Export of goods and services (% yoy)	8.1	6.5	19	10.6	-4.4	11 - 12
Import of goods and services (% yoy)	7	3.6	26.5	8.4	-8.9	15 - 16
GDP per capita (USD)	3267	3491	3586	3756	4163	4869
<b>2. Fiscal policy (%GDP)</b>						
Government debt	49.2	51.5	39.1	34.7	34	37
Public debt	55.9	43.1	38	37.4	37	39
Foreign debt	47.1	47.9	38.4	36.1	37.2	38
<b>3. Financial indicators</b>						
USD/VND exchange rate	23228	23115	23145	23612	24353	25,300 - 25,700
Inflation rate (%)	2.8	3.2	1.8	3.15	3.25	4.3
Credit growth (%)	18.7	18.2	13.9	12.1	13.7	13 - 14
Average 12-month deposit rate	7.2	6.8	5.8	8.5	5.9	5.2-5.5
Trade balance (USD bn)	9.9	19.1	4	11.2	28	14
Goods: Exports (USD bn)	263	281	336	371	355.5	391.05
Goods: Imports (USD bn)	253	262	332	360	327.5	376.6
Foreign reserve (USD bn)	78	94	109	86	95	92

• Source: GSO, MBS Research



# 3

## Vietnam Stock Market Outlook

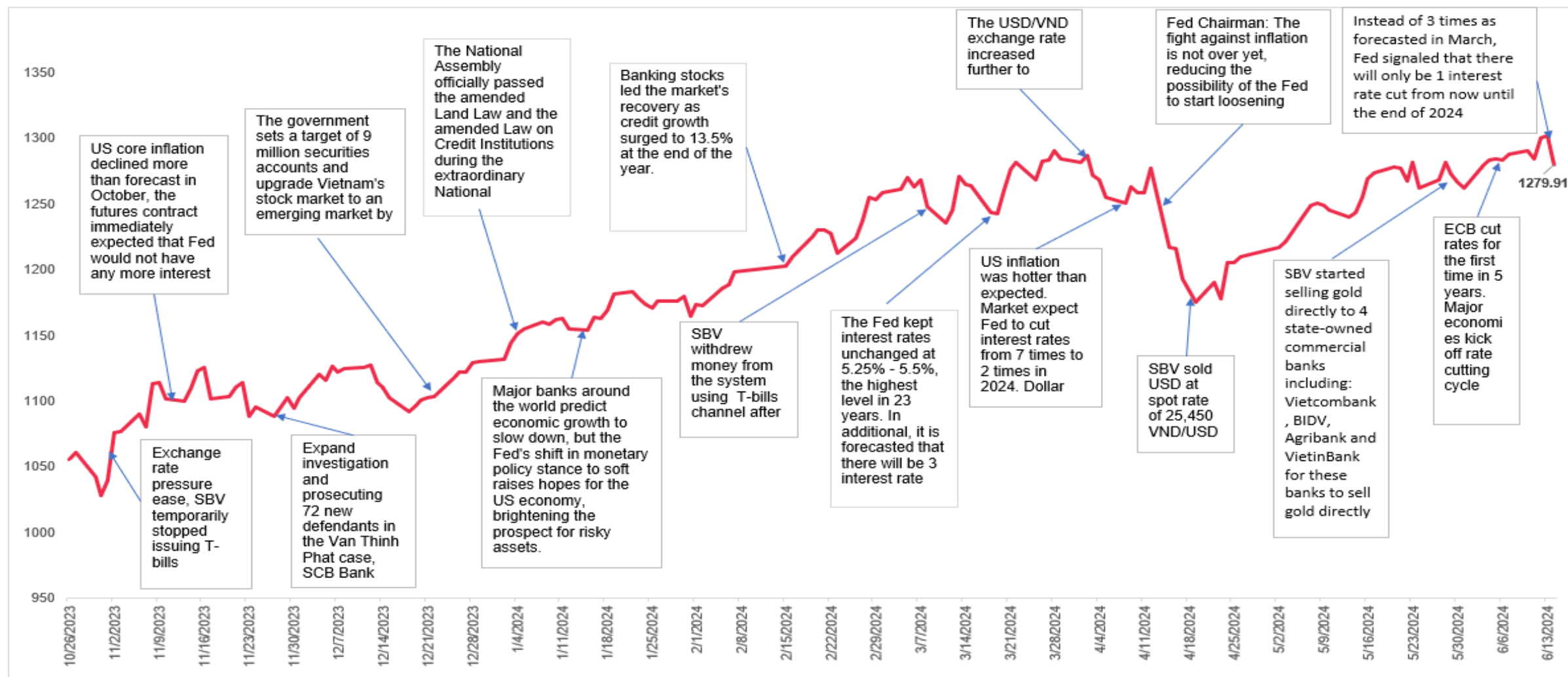
**Rising optimism but still risks on the horizon**

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Vietnam Strategy 2H2024

# 1H24 Stock market recap

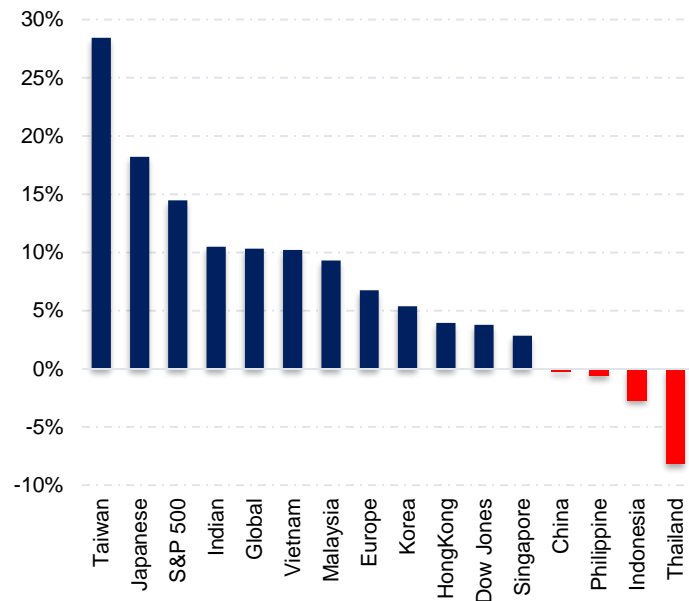
Bottoming out since Oct last year, Vietnam 's stock market surged 13.5% ytd



# 1H24 Stock market recap

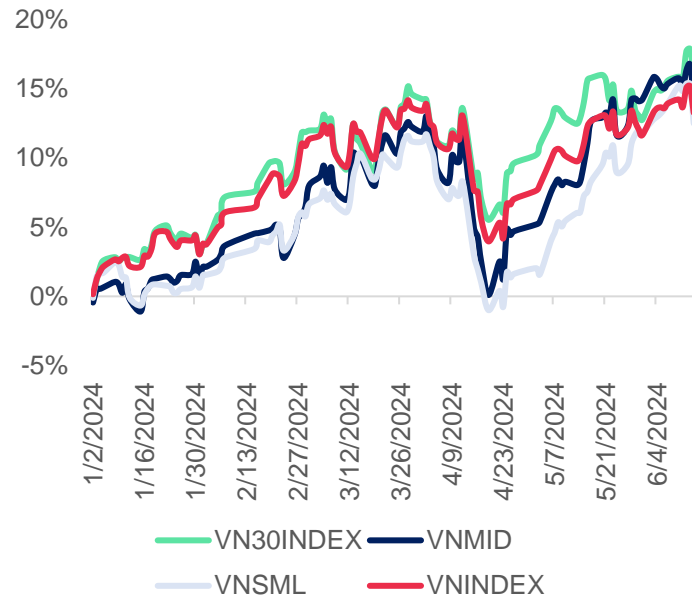
## The blue chips were the growth engine for the VNIndex in 1H24

### Vietnam is among the top performer market since ytd (%)



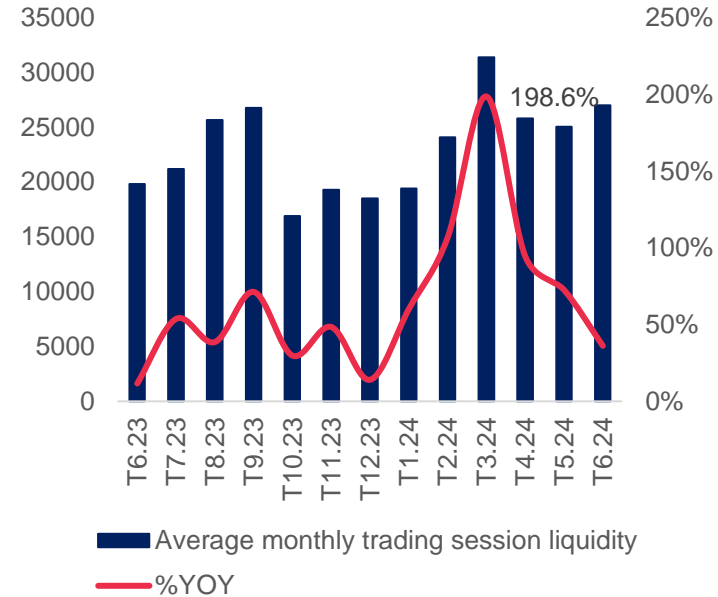
• Source: Bloomberg, MBS Research. Data as at Jun 21, 2024

### Market cap weighted indexes performance in 1H24 (%)



• Source: Fiinpro, MBS Research. Data as at Jun 21, 2024

### Average daily trading value grew robustly by 87% yoy to VND25.4tn (~US\$1bn)



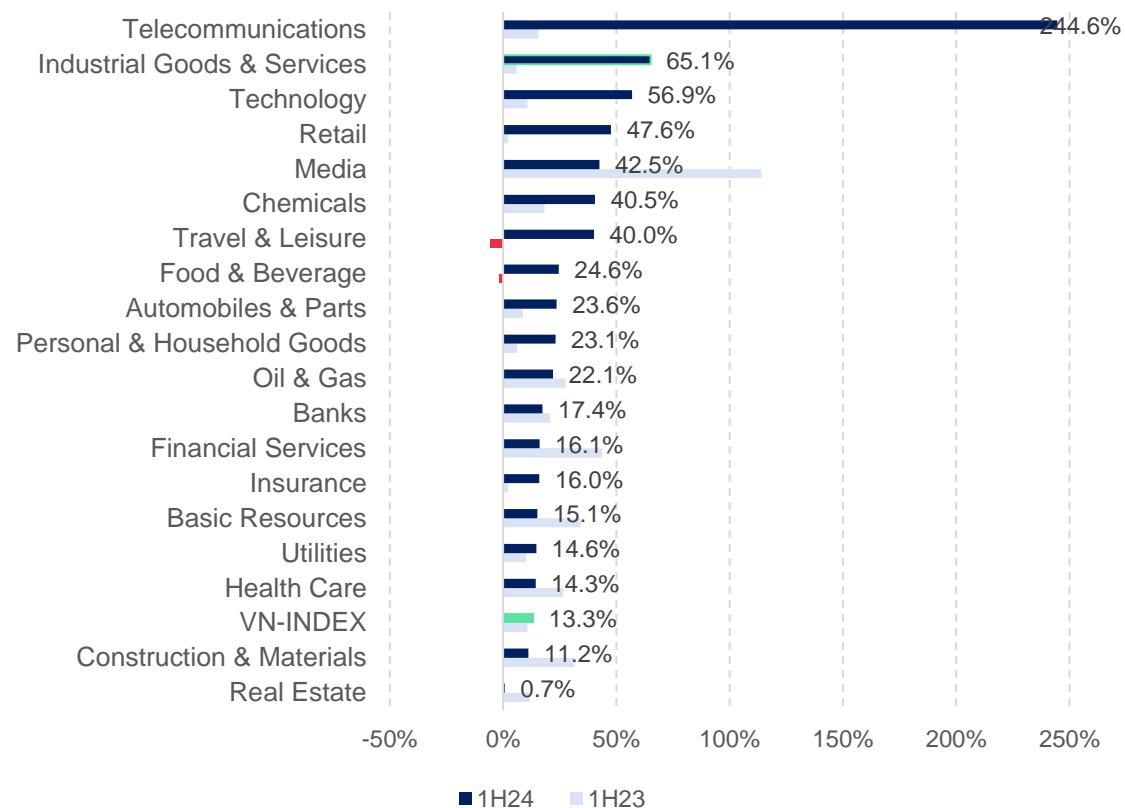
• Source: Fiinpro, MBS Research. Data as at Jun 21, 2024



# 1H24 Stock market recap

Telecommunication, Industrial goods and Technology were best industry performers in 1H24

## Telecommunication and Industrial goods were best industry performers in 1H24 (% ytd)



## Monthly money flow expansion by sectors

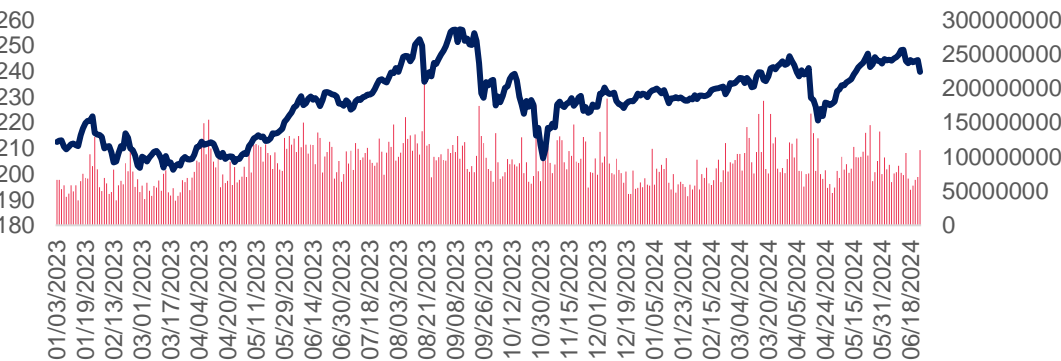
	6/24	5/24	4/24	3/24	2/24	1/24	12/23	11/23	10/23	9/23	8/23	7/23	6/23
Chemicals	17.0%	40.5%	-28.6%	24.6%	75.4%	14.9%	-18.6%	-33.1%	-14.6%	12.0%	4.1%	12.3%	65.6%
Natural Resources	16.1%	21.3%	-30.4%	18.5%	5.2%	1.7%	-3.5%	50.9%	-48.0%	22.8%	5.4%	-1.9%	50.9%
Construction & Materials	13.5%	-7.4%	-31.0%	19.7%	10.4%	21.6%	-12.1%	3.2%	-40.9%	3.1%	22.9%	-0.1%	33.9%
Industrial Goods & Services	24.9%	39.6%	-23.0%	43.7%	19.2%	-8.3%	-0.7%	-1.1%	-33.0%	28.6%	9.2%	1.9%	49.3%
Automobiles & Auto Components	-13.0%	17.4%	3.0%	18.0%	15.9%	-10.1%	112.0%	16.5%	-58.9%	-26.2%	53.4%	-5.9%	47.5%
Food & Beverage	1.1%	25.3%	-30.8%	37.0%	35.3%	-22.5%	44.1%	12.2%	-36.4%	-3.5%	-3.5%	16.7%	56.7%
Household & Personal Products	3.3%	70.4%	-29.3%	51.3%	30.9%	-4.8%	30.1%	-2.7%	-31.2%	12.0%	-21.0%	20.1%	37.0%
Healthcare	29.2%	41.6%	-38.7%	55.7%	5.6%	-37.2%	113.2%	-32.2%	-5.1%	-28.1%	-9.3%	-7.7%	5.7%
Retail	-13.4%	16.8%	-14.3%	51.0%	18.5%	-0.1%	1.4%	6.5%	-22.2%	4.6%	12.6%	33.1%	91.2%
Communication	103.3%	-18.4%	-11.1%	21.8%	0.3%	5.9%	31.1%	48.1%	-34.2%	-75.8%	60.8%	195.1%	64.2%
Travel & Leisure	-3.8%	52.2%	47.0%	12.2%	-1.9%	-29.4%	4.1%	24.2%	-49.9%	52.3%	-5.3%	-4.3%	3.8%
Telecommunication	36.3%	25.0%	39.5%	86.4%	77.3%	6.3%	-34.2%	-2.1%	166.7%	-35.1%	-20.3%	26.6%	4.6%
Electricity, water & gasoline, oil and gas	37.5%	59.8%	-9.3%	20.6%	23.6%	-4.9%	20.3%	-5.4%	-37.7%	-20.6%	12.2%	-1.8%	13.1%
Insurance	26.9%	171.9%	-46.7%	-65.1%	34.1%	235.8%	12.1%	15.6%	-53.5%	-26.9%	-18.5%	18.4%	74.4%
Real estate	-9.4%	-17.8%	-16.1%	41.9%	30.2%	-17.7%	-11.9%	32.8%	-44.2%	-9.0%	49.9%	8.6%	34.3%
Financial Services	-5.2%	-18.5%	-28.1%	46.4%	22.7%	-5.8%	-14.8%	15.3%	-29.9%	21.6%	35.5%	-3.8%	31.0%
Bank	14.6%	-4.3%	-0.8%	2.3%	18.4%	45.1%	0.5%	24.5%	-45.0%	-1.6%	9.9%	13.4%	31.0%
Information Technology	42.4%	56.3%	3.7%	8.2%	66.8%	-21.9%	27.8%	-17.7%	-7.7%	23.5%	71.8%	16.7%	5.0%

# 1H24 Stock market recap



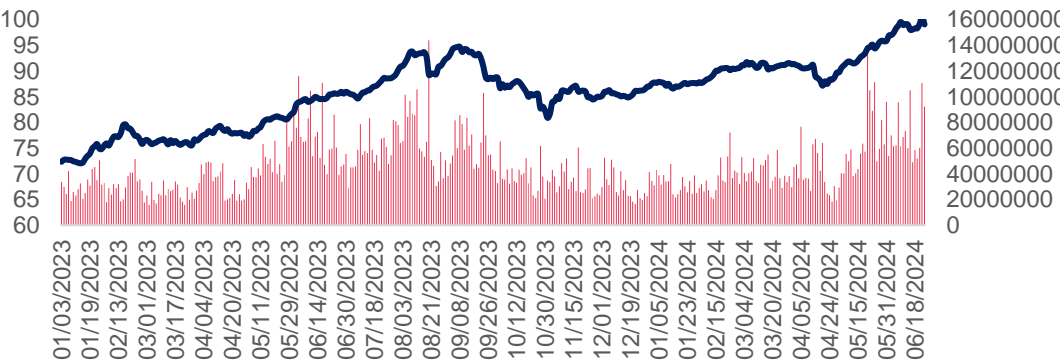
## HNX & UPCOM performance

### HNX index inched up only 3.8% ytd



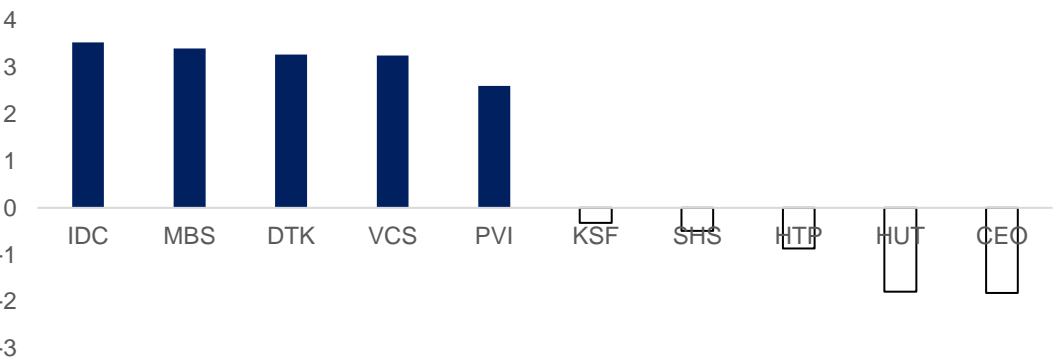
• Source: Fiinpro, MBS Research. Data as at Jun 21, 2024

### UPCOM index has surged 13.8% ytd...



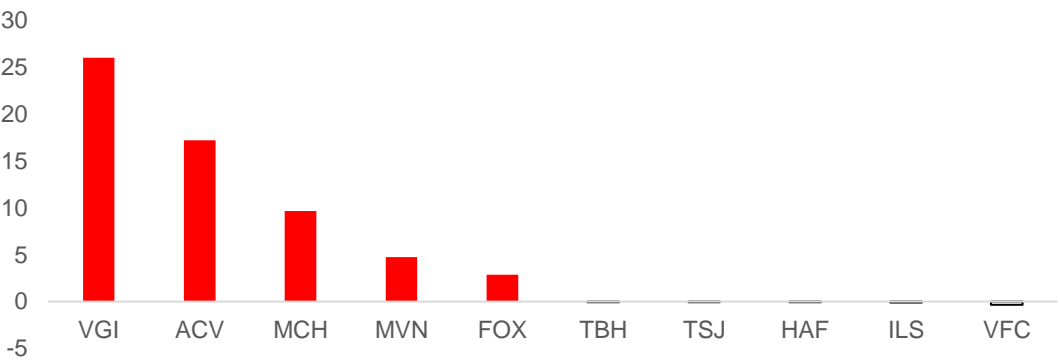
• Source: Fiinpro, MBS Research. Data as at Jun 21, 2024

### HNX's top mover and top laggards



• Source: Fiinpro, MBS Research. Data as at Jun 21, 2024

### ... mainly driven by the rally of VGI, ACV and MCH



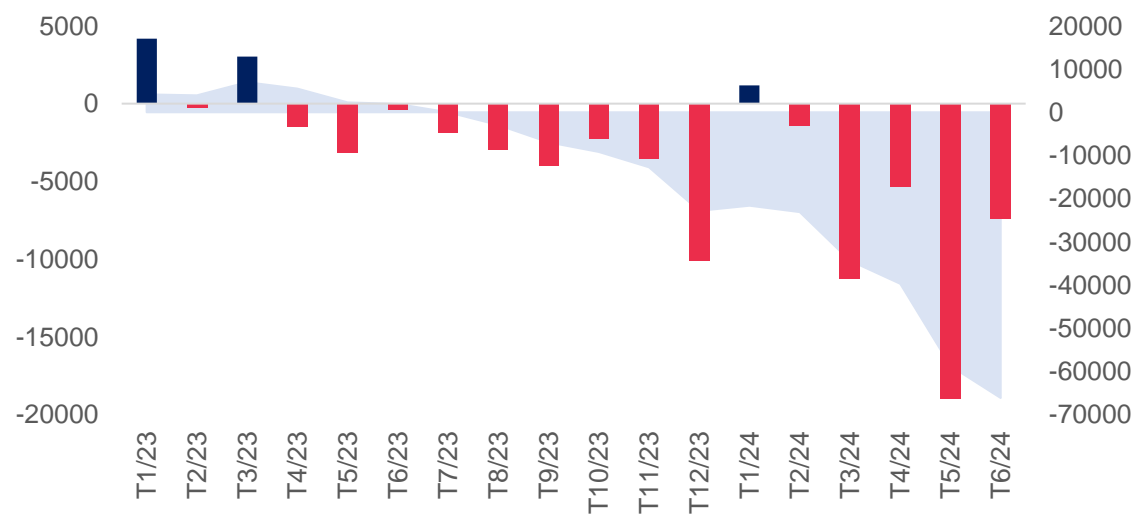
• Source: Fiinpro, MBS Research. Data as at Jun 21, 2024

# 1H24 Stock market recap

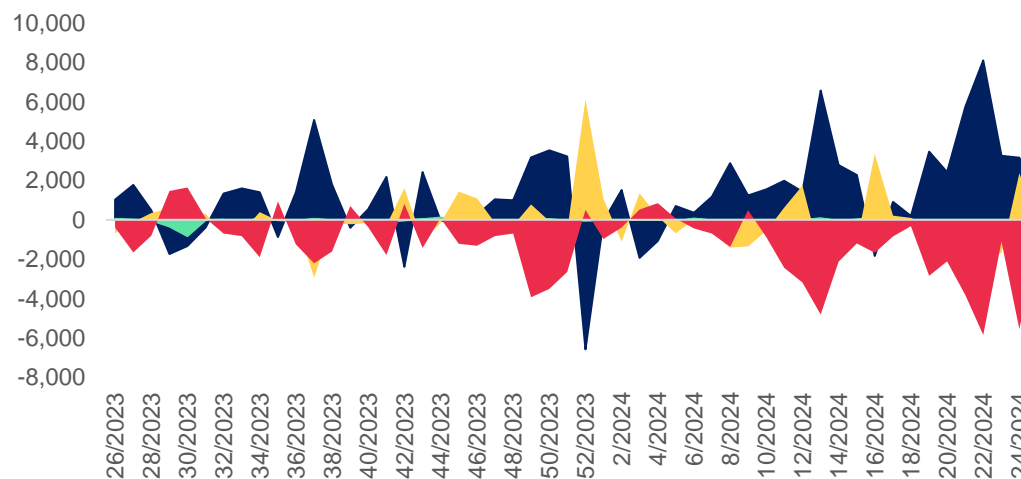
## Foreign return to net bought territory since the beginning of 2023

- Foreign investors have been selling consecutively over the past 1 year with a net sold of VND 53,600bn (US\$2.0bn) since the beginning of the year, whilst 2023 witnessed a net sold of VND 22,800 bn. We believe the net selling activities of foreign investors on Vietnam stocks could be attributed for the weakness of Vietnam Dong. Furthermore, Vietnam is among emerging markets that experienced the net outflow of foreign investments since the beginning of 2024.
- Top net-selling stocks : VHM, VNM, FPT, VRE, MSN, VND, VPB, VIC. Top net-buying stock: MWG, NLG, MSB, DBC, HVN, KDH, EIB, MBB, ASM, STB

### Net buying/(selling) value of foreign investors monthly (VNDbn)



### Market transaction by types of investors



Accumulated net buying/(selling) ytd - Right ■ Net buying/(selling) value (VND) - LHS

■ Local retails ■ Foreign retails ■ Local institutes ■ Foreign institutes

Source: Fiinpro, MBS Research. Data as at Jun 21, 2024

Source: Fiinpro, MBS Research. Data as at Jun 21, 2024

# 1H24 Stock market recap



## Foreign return to net bought territory since the beginning of 2023

Vietnam is among emerging markets that experienced the net outflow of foreign investments since the beginning of 2024

Country	Date	MTD	QTD	YTD	12M
Asia					
China	31MAR2024	4,960	-3,356	-3,356	-119,040
India	27JUN2024	2,925	-1,195	163	11,868
Indonesia	28JUN2024	-92	-2,113	-427	-1,870
Japan	21JUN2024	-2,238	27,479	37,884	21,443
Malaysia	28JUN2024	-13	14	-173	243
Philippines	28JUN2024	-104	-690	-527	-923
S. Korea	28JUN2024	3,821	4,939	17,128	19,294
Sri Lanka	28JUN2024	-3	-4	-29	-19
Taiwan	28JUN2024	1,773	-347	4,382	-280
Thailand	28JUN2024	-950	-1,298	-3,231	-5,631
Vietnam	28JUN2024	-564	-1,276	-1,677	-2,452
Americas					
Brazil	26JUN2024	-906	-3,398	-8,017	-1,794
Canada	30APR2024	4,830	4,830	309	-16,157
Chile	31MAR2024		37	37	-1,260
Colombia	31MAR2024		4	4	-3
United States	30APR2024	67,642	67,642	131,725	216,058
EMEA					
Bulgaria	30APR2024	0	0	3	-31
Czech Republic	30APR2024	5	5	364	1,200
Dubai	28JUN2024	9	-25	332	822
Euro Area	30APR2024	38,819	38,819	79,617	243,888
France	30APR2024	38	39	6,568	-5,067
Germany	30APR2024	-1,372	-1,372	-6,443	-16,922
Hungary	31MAR2024		-20	-20	299
Israel	31MAR2024		3,147	1,851	-506
Italy	30APR2024	731	731	1,450	2,259
Luxembourg	31MAR2024		10,414	10,414	3,598
Netherlands	31DEC2023		-36,148	20,130	20,130
Poland	30APR2024	177	177	1,322	2,285
Portugal	31DEC2020	51	-622	-298	-298
Qatar	27JUN2024	-215	-433	-377	-247

## Net inflow/outflow of Vietnam ETF

Name	Ticker	MTD Return	YTD Return	1 Yr Return	1M Flow (M USD)	YTD Flow (M USD)	1Y Flow (M USD)
DCVFMVN Diamond ETF	FUEVFVND VN	1.58%	21.79%	33.67%	-37.83	-292.42	-437.91
Fubon FTSE Vietnam ETF	00885 TT	1.33%	1.11%	2.54%	-48.70	-102.14	-104.47
SSIAM VNFIN LEAD ETF	FUESSVFL VN	0.20%	10.30%	16.02%	-6.28	-74.50	-160.84
DCVFMVN30 ETF Fund	E1VFN30 VN	0.44%	15.29%	15.76%	-4.64	-61.89	-99.79
Xtrackers FTSE Vietnam Swaj XFVT GR		2.02%	3.11%	8.30%	-8.93	-40.73	-39.55
KIM INDEX Vietnam VN30 ETI 245710 KS		1.02%	16.33%	11.06%	4.42	-8.39	45.54
Premia Vietnam ETF	9804 HK	1.93%	2.93%	6.40%	0.00	-4.75	-5.95
VanEck Vietnam ETF	VNM US	3.49%	5.81%	3.52%	-5.18	-5.82	-10.80
Premia Vietnam ETF	2804 HK	1.93%	2.93%	6.40%	0.00	-4.75	-5.95
CGS Fullgoal Vietnam 30 Secti VND SP		1.48%	1.90%	0	-2.06	-2.31	-4.76
SSIAM VN50 ETF	FUESSV50 VN	0.05%	15.69%	15.00%	0.00	-2.31	-1.76
SSIAM VN30 ETF	FUESSV30 VN	0.38%	13.10%	13.59%	0.00	-0.58	1.21
KIM Growth VNFINSELECT ETI FUEKIVFS VN		2.06%	11.98%	18.35%	0.00	-0.05	6.24
CSOP FTSE Vietnam 30 ETF	3004 HK	1.64%	4.76%	9.91%	0.00	0.00	-0.28
KIM INDEX Vietnam VN30 Fut 371130 KS		1.49%	18.69%	12.72%	0.00	0.00	-1.70
VinaCapital VN100 ETF	FUEVN100 VN	0.11%	13.63%	19.48%	0.00	0.00	0.00
DCVFMVN Mid Cap ETF	FUEDCMID VN	2.02%	11.01%	31.66%	0.05	1.92	6.03
Global X MSCI Vietnam ETF	VNAM US	3.51%	4.20%	4.05%	0.00	1.93	7.72
KIM Growth VN30 ETF	FUEKIV30 VN	1.06%	14.40%	15.01%	5.99	24.32	35.64

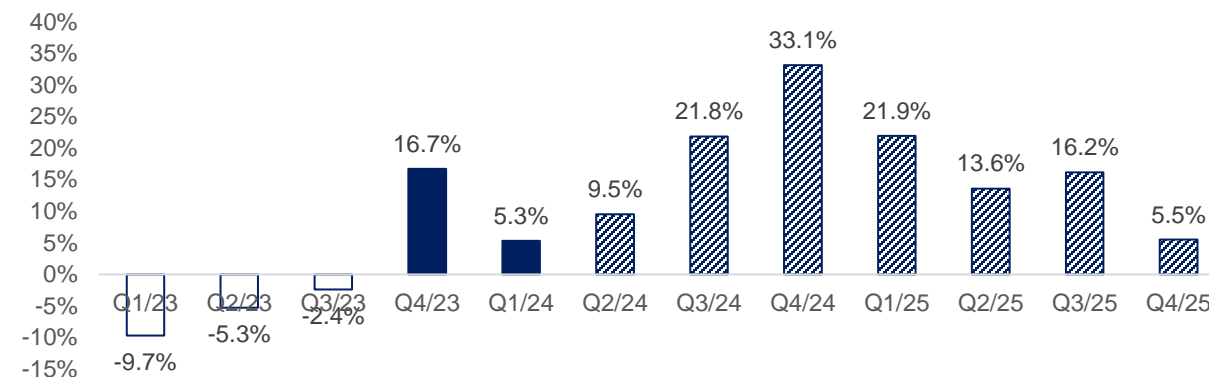


**We believe 2H24 earnings growth will bode well for further market expansion**

## FY24 – 25F earnings growth forecasts by sectors

	2023	2024F	2025F
Aviation	126%	882%	-16%
Retail	-69%	204%	21%
Construction Materials	-1%	82%	33%
Chemicals	-74%	56%	21%
Power	-37%	25%	28%
Exports	-41%	24%	24%
ICT	21%	21%	20%
<b>Market</b>	<b>-3.5%</b>	<b>20%</b>	<b>15%</b>
Banking	4%	20%	23%
Consumer/F&B	-22%	15%	10%
Property	12%	14%	13%
O&G	-22%	-4%	8%
Logistics/Ports	44%	-25%	13%
Industrial Park	9%	-30%	26%

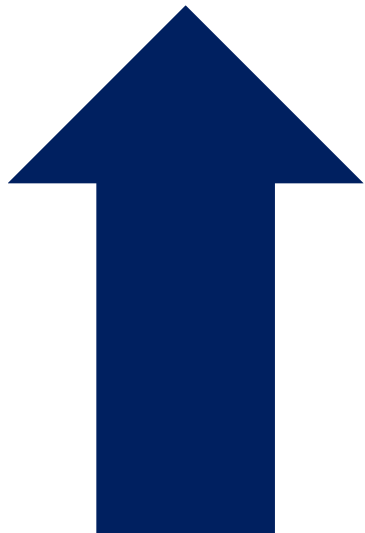
## We expect market earnings growth to rally in 2H24 (% yoy)



After a modest growth of only 5.3% in 1Q24, we expect that market aggregate earnings growth to rally 9.5% yoy in 2Q24, and 33.1% yoy and 21.9% yoy in 3Q24 and 4Q24, respectively. For FY24F, market earnings is expected to grow 20% yoy from the low base FY23. Key drivers for market earnings improvement will come from the solid performance of banks (+20% yoy), retail (+204% yoy), construction materials (+56%) and power (+25% yoy).

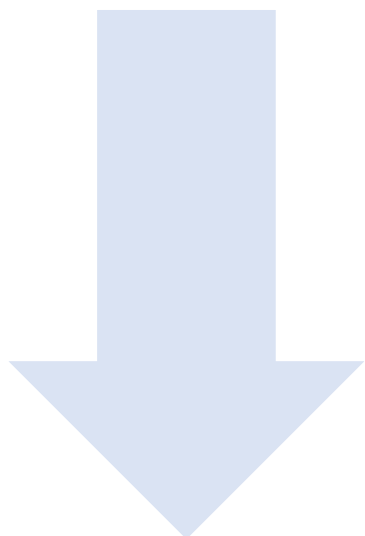
For FY25, the market earnings growth likely decelerate to 15%, bolstered by banking (+23% yoy), construction materials (+33% yoy); industrial park (+26% yoy) and power (+28% yoy).

## We weigh the market catalysts and risks



### Market catalyst

- After an upbeat performance in 2Q, we expect the economy to accelerate into 2H24, driven by the strong recovery of exports and the improvement of investment (both private and state sector). For 2024F, GDP is expected to grow 6.5% yoy.
- Rebound in macro-outlook suggests a 20% and 15% growth of FY24 and 25F forward earnings which will bode well in for further market expansion
- We get closer to a pivot by central banks away from tight monetary policy. Though several debates on when rates will be cut down, we expect 2 cut times in 2H23, bringing rates down to 5% by the end of 2024, which will favour for the emerging markets, including Vietnam.
- Though deposit rates show signs of increasing, but still lower than that of rates during Covid-19. We believe low saving rate environment will attract capital flow into equity market.



### Market risks

- Having depreciated by 4.7% year-to-date vs the USD, the VND is among regional second worst performer. Though the DXY is expected to lose its strength in the 2H24, following the FED's rate cuts, but a prolonged weak VND will pose upside risks to inflation that is already near the central bank's 4.5%. Any upside risks to inflation might let the SBV to reverse its monetary policy.
- The prolonged heavy net-sold activities of foreign investors will cause a pullback in Vietnam market valuation.



# 4

## Investment strategy

### Double down on large caps

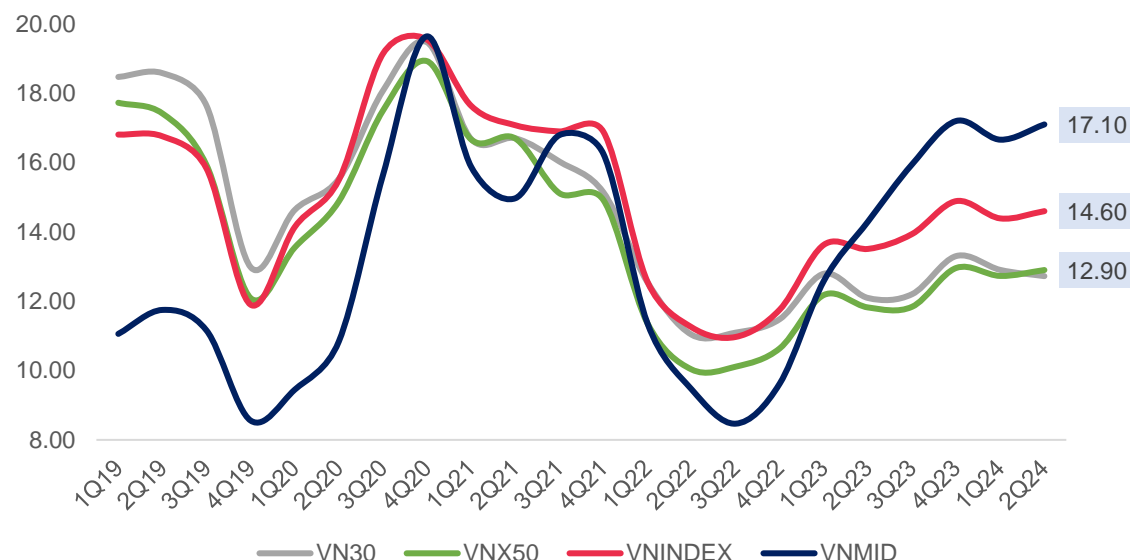
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Vietnam Strategy 2H2024

## We expect the VN-Index to reach 1,350 – 1,380 toward year-end

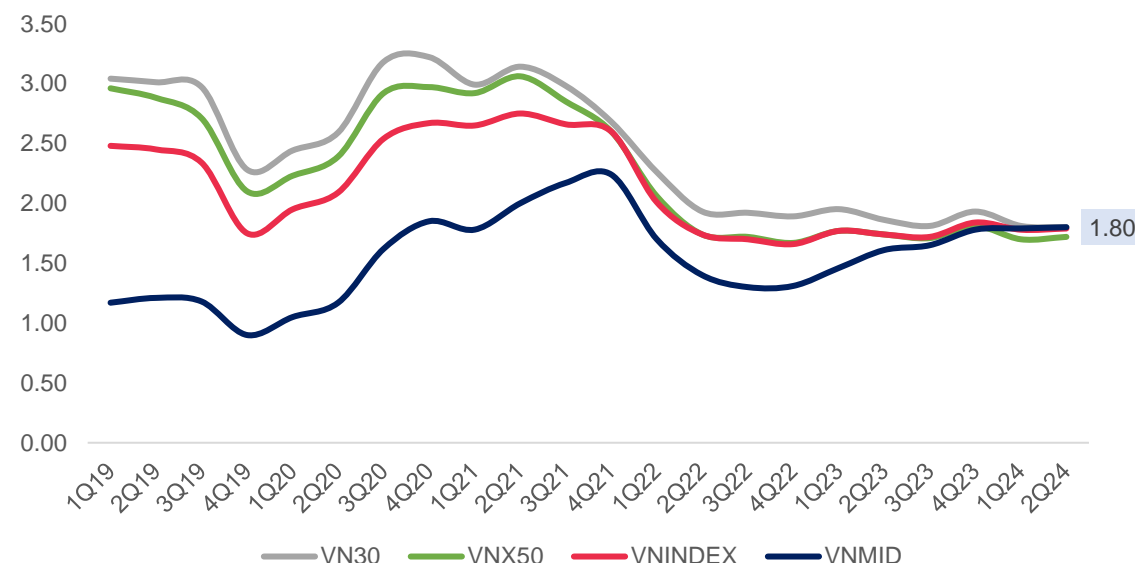
- The strong rally thus far has led some investors to question if the market has peaked. However, we believe it has not yet reached its limit. As at 21 Jun, VN-Index was trading at 14.6x trailing 12-month P/E , which is 6% premium to the 3-year average PE (13.8x) and 14% discount to the 3-year peak (16.7x in 4Q21).
- However, the recent rally of mid-cap has brought the valuation of VNMID to 17.1x TTM P/E which is about 17% premium to the VN-index. Even, mid-caps are currently traded at the same P/B level to large-caps. Meanwhile, large-caps valuation (represented by VN30 and VNX50) are about 11% discount to market average. We believe large-caps valuation looks attractive in term of Fy24-25 earnings growth potential versus other peers, in our view.
- Overall, we expect the VN-Index to **reach 1,350 – 1,380 toward year-end**, following a 20% FY24F earnings growth and P/E target of 12-12.5x.

### PE performance of VNIndex, VN30, VNX50 and VNMID



• Source: Fiinpro, MBS Research. Data as at Jun 21, 2024

### PB performance of VNIndex, VN30, VNX50 and VNMID



• Source: Fiinpro, MBS Research. Data as at Jun 21, 2024

# Investment strategy



No	Stock	Target price (VND/share)	Upside (%)	FY24FP/E	FY24F P/B	Comments
1	VPB	24,050	29.0%	11.2	1.1	More solid asset quality with expected lower NPL encouraged by higher provision and reduced bad debt from FE Credit; Attractive valuation with current P/B under 1.1x
2	ACB	30,500	28.2%	5.3	1.1	Currently, ACB is trading at a price-to-book (P/B) ratio of 1.1x for 2024; lower than banks of similar scale. With profitable performance (ROE 2023: 21.9% and ROA: 2.4%), ACB deserves a valuation of 1.3x P/B.
3	DXG	25,100	58.4%	69.3	1.1	New changes in the Land Law 2024 are expected to expedite the legal implementation process for the strategic Gem Riverside project (3,000 high-end apartments). Net profit in 2024 is projected to increase by 36.2% YoY, driven by the continued handover of the Gem Sky World project and the remaining portion of Opal Skyline.
4	BCM	78,000	23.8%	27.8	3.4	Net earnings in 2025 would grow 68% yoy after decreasing 51% yoy in 2024. VSIP would contribute the major of BCM industrial earnings attributable to VSIP III Binh Duong, VSIP Bac Ninh II, Becamex VSIP Binh Dinh,....
5	HPG	36,400	28.6%	13.5	1.6	(1) Consumption output is expected to grow with the expectation that housing supply recovered and export markets (EU, ASEAN) grow. (2) Gross profit margin continued to recover thanks to rise of steel prices and lower coal and ore prices. (3) Dung Quat 2 Complex is the long-term growth prospect of the enterprise.
6	POW	16,800	13.0%	39.1	1.1	POW recorded solid stock price surge prompted by crucial LNG price framework issued in early-June. However, we believe its long-term outlook to remain intact under potential re-rating catalyst owing to a very intriguing story related to Vietnam LNG-to-power sector in long-term. Therefore, we set a long-term TP of 16.800VND/share, equating to multiple P/B 2024 forward of 1.2x.
7	PVS	51,100	25.8%	18.2	1.5	Key upstream projects are expected to bring great backlog and positive prospects for M&C companies. The company keeps working on EPCI#1 and EPCI#2 of the Block B project, even after the limited contract expired. Besides, offshore wind power projects are anticipated to contribute significantly to PVS' profit.
8	MWG	72,000	15.4%	26.7	3.4	Non-essential consumption is recovering after the low base, and the end of the biggest "price-war" will help improve MWG's gross profit margin to 21%. Thanks to the year-end shopping peak, net profit for 2024-25 reached 3,403/4,463 billion VND. We expect BHX to get break-even point in mid-2024.
9	DCM	44,000	25.0%	11.4	1.9	(1) The end of depreciation for Ca Mau Urea Plant is anticipated to offset rising gas prices, thus supporting an increase in the gross profit margin; (2) Cost reduction thanks to the VAT refund; (3) The acquisition of KVF will increase NPK production capacity and better expand to the Southeast and Central Highlands regions.
10	FPT	144,200	12.0%	24.1	5.0	Technology revenue continues to maintain double-digit growth in 2024/25 thanks to (1) stable growth in newly signed revenue and (2) global IT spending expected to grow strongly in 2024. We believe that partnering with NVIDIA, the world's leading chip manufacturer will drive long-term revenue growth for FPT in 2025-2030 as generative AI emerges as the new trend in the information technology sector.





## Banks

Earnings growth to improve from low base last year

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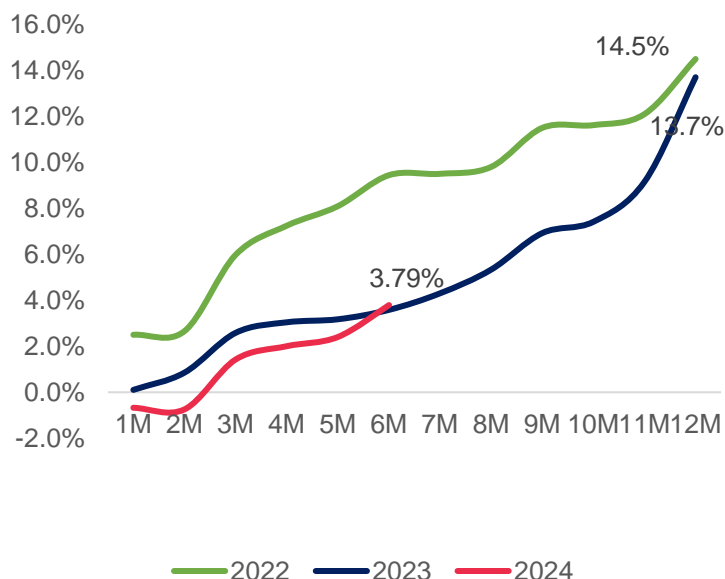
Vietnam Strategy 2H2024

# Banking sector 1H24 recap

## 1H2024: Weak credit demand lowering profit growth and deteriorated asset quality

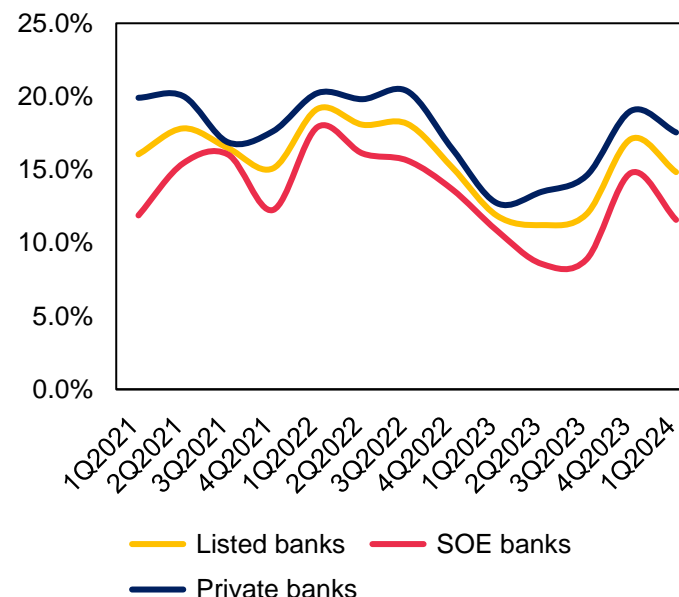
- According to the State Bank of Vietnam (SBV), the credit growth was 4.4% as of 24/06/2024 which is far from the target of 14-15% for FY2024.
- In short-term, the target credit growth of 6% for 1H2024 is challenging as real estate industry which is the major source of credit recovering slower than expected because of the legal issues. Besides, import and manufacturing activities have still not been the main drivers of credit growth while government spending has slowed down in 5M2024 yoy.
- In general, commercial banks have lead credit growth of the whole system while credit growth of SOEs banks has slowed down because of the prepayment activities are stronger driven by low interest rates.

### Credit growth started accelerating sine Jun 2024



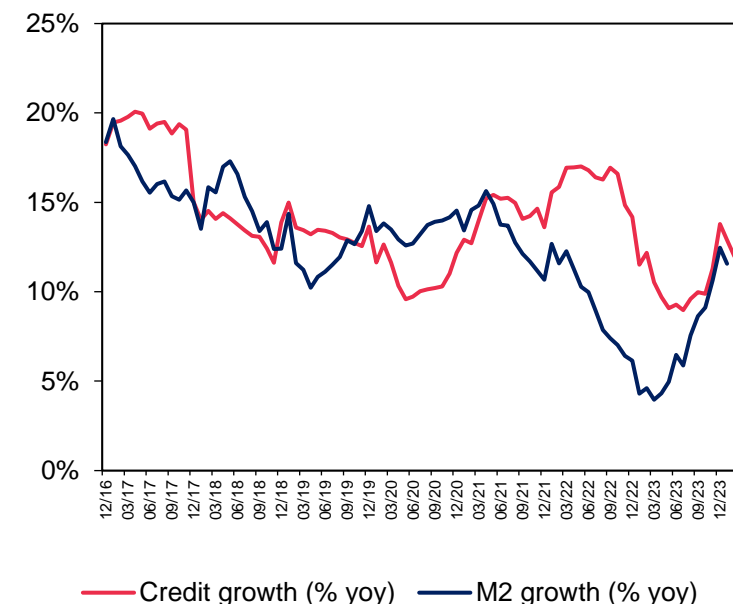
• Source: SBV, MBS Research

### Credit growth of group of listed banks by quarter



• Source: Commercial banks, MBS Research

### Credit growth and M2 growth

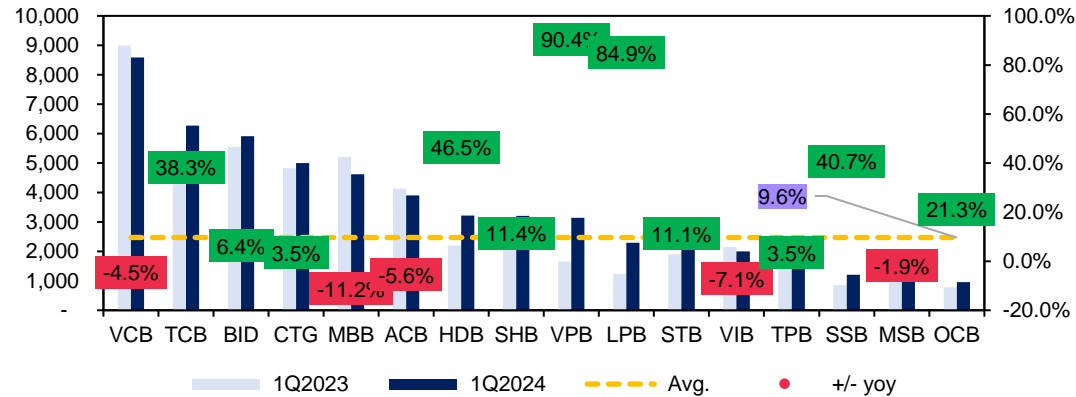


• Source: Bloomberg, MBS Research

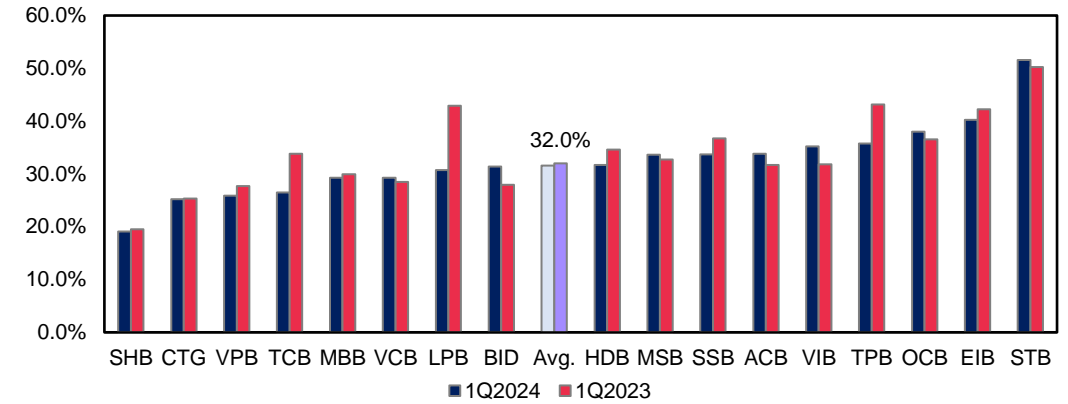
# Banking sector 1H24 recap

1H2024: Weak credit demand lowering profit growth and deteriorated asset quality

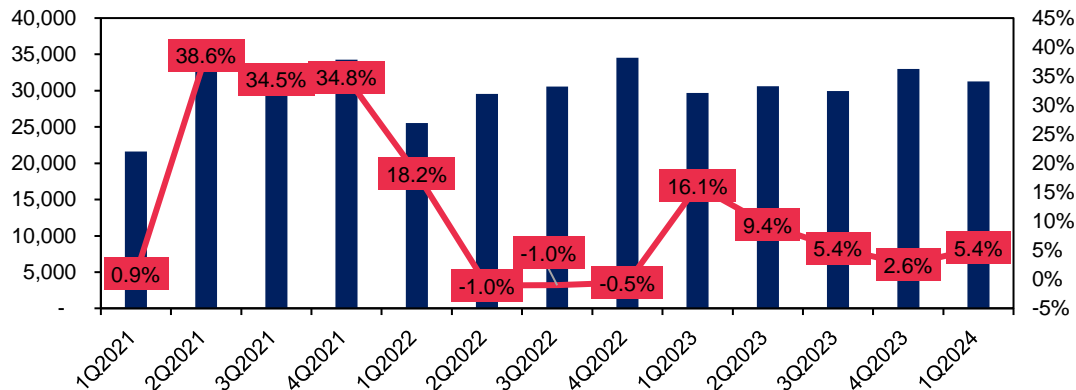
## 1Q24 earnings of listed banks increased by 9.6% yoy



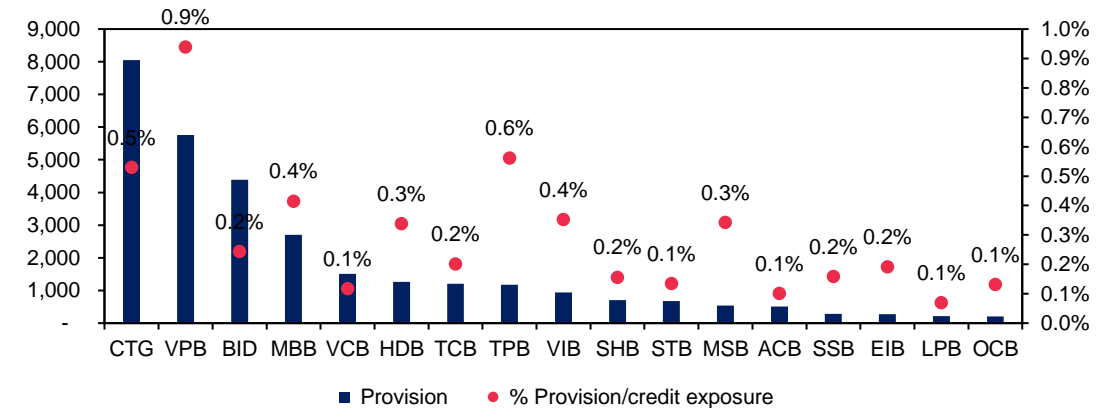
## 1Q24 CIR stay flat



## 1Q24 provision yoy growth tend to slowdown



## 1Q24 Provision expense/Credit exposure



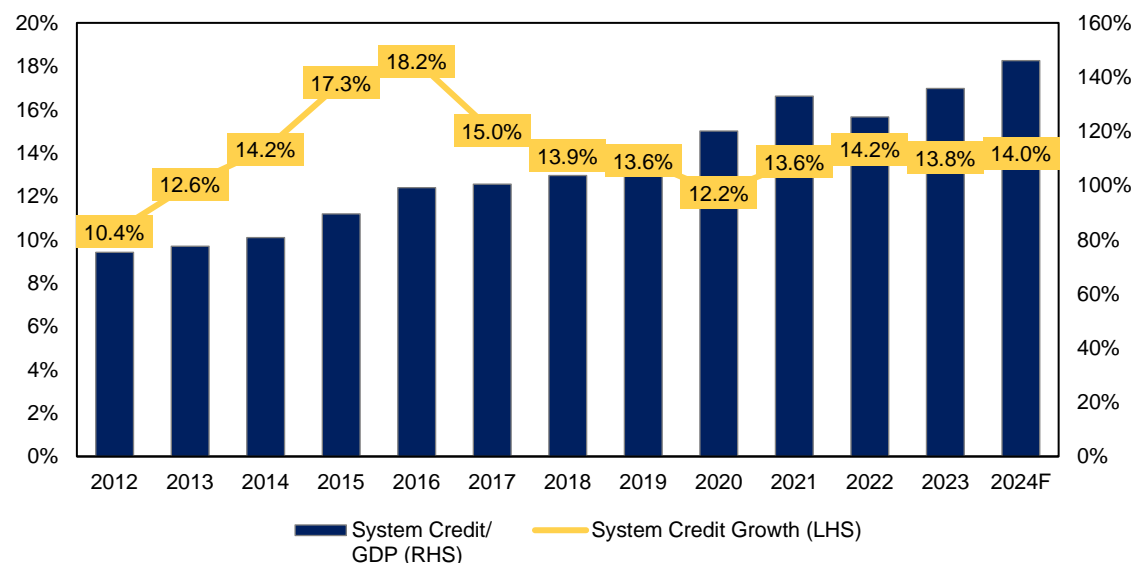
Source: Commercial banks, MBS Research

Source: Commercial banks, MBS Research

## Credit growth is expected to accelerate in 2H2024 and reach the target of 14% for the whole year

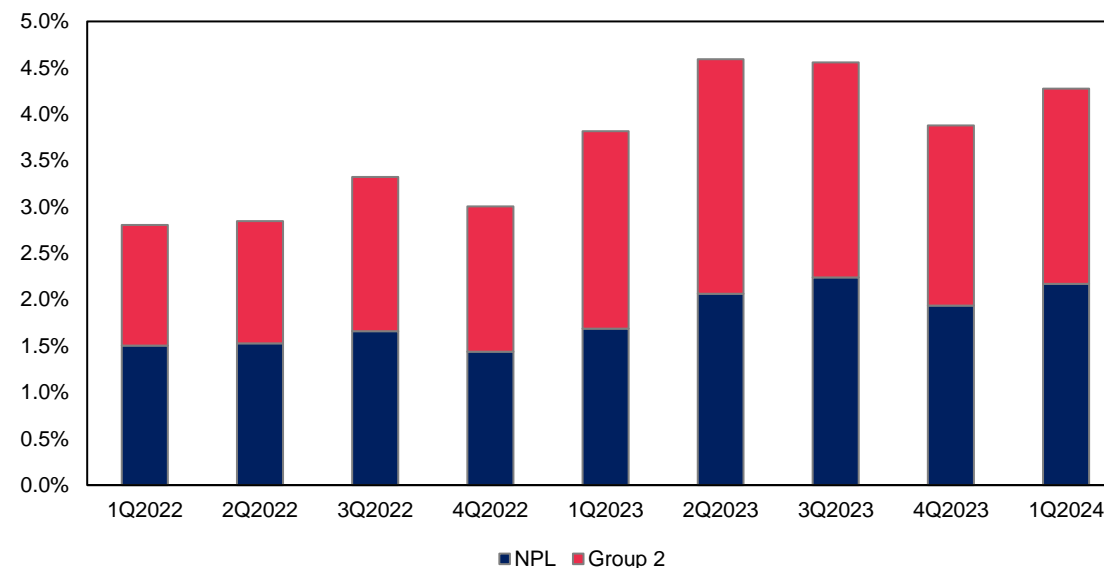
- We expect credit growth to reach 14% in 2024 with a projected GDP growth of 6.0% for the whole year: Consumer finance, credit card and car loans are expected to experience higher demand supported by low lending rates and recovered retail sales. As of first 5 months of 2024, total retail sales recorded growth by 8.7% yoy. Real estate which is major credit source has shown some positive signs of recovery such as (i) inventories-to-asset ratio of real estate companies slightly increase in 1Q2024; (ii) highly growing land-related tax revenues recorded in 1Q2024 compared to 1Q2023. We anticipate that import activities to grow by 18-20% in 2024 coming from the base that it has grown by 17.7% in 5M2024.

### System credit growth forecasts



• Source: Commercial banks, MBS Research

### NPL and Group 2 debt ratio of listed banks (%)



• Source: Commercial banks, MBS Research

Credit will focus on banks that can either afford to scarify NIM more than others or have more solid asset quality

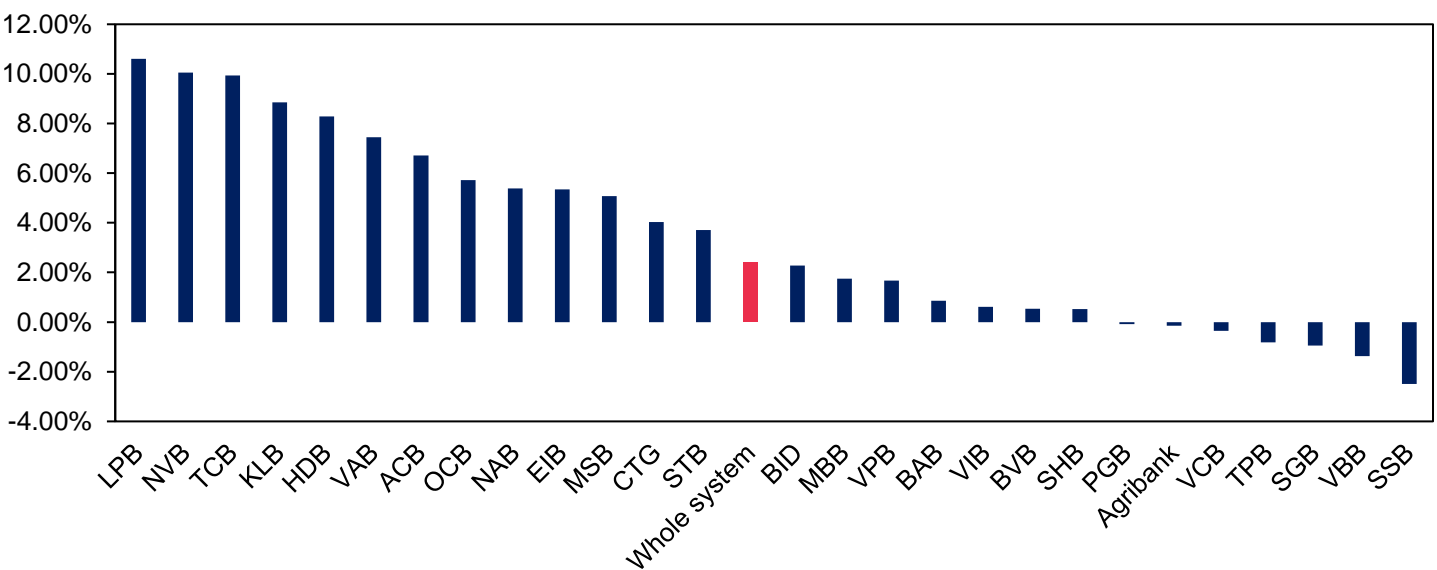
We expect that banks get high credit growth for the remaining of FY2024 having: (1) Higher NIM so that those banks can scarify their NIM by reducing lending rates to attract credit such as VPB, MBB, TCB, HDB,... (2) Solid asset quality proven during Covid-19 to date such as ACB, VCB, TCB,...so that banks can overcome provision pressure in the next quarters when credit has grown faster; (3) High credit growth in FY2023 and 1Q2024 because they could have shown outperformed ability to absorb credit under high prepayment pressure during the weak demand lasting from 2H2023 till now.

## Our estimates of credit growth of coverage banks for FY2024

	2023	1Q2024 vs 1Q2023	2024F
ACB	14.5%	12.5%	16.0%
BID	14.0%	10.5%	14.0%
CTG	14.0%	9.6%	14.3%
HDB	29.0%	25.3%	22.6%
MBB	24.0%	18.2%	15.8%
OCB	15.0%	12.5%	20.4%
STB	11.0%	9.9%	10.8%
TCB	14.0%	16.3%	20.9%
TPB	14.0%	9.5%	16.0%
VCB	14.0%	7.5%	12.0%
VIB	15.0%	9.9%	19.6%
VPB	24.0%	24.6%	25.5%

Source: Commercial banks, MBS Research

## Credit growth by each bank and sector as of 16/05/2024 (%)



Source: Commercial banks, MBS Research



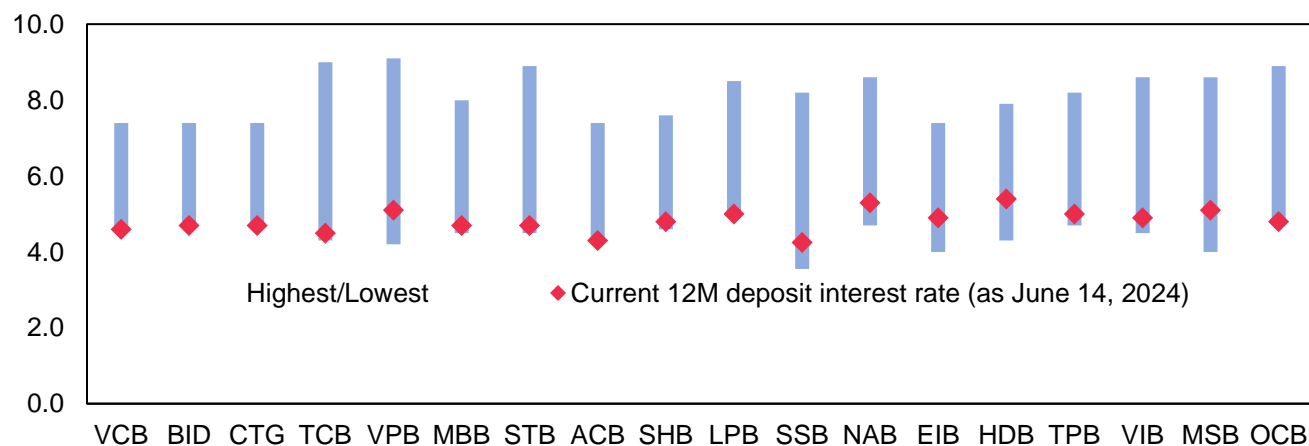
# Banking sector 2H24 Outlook



**NIM is expected to slide down cross most of banks under our coverage in 2024**

- 12M deposit rates slide down to historical low since Apr 2023, alongside with SBV 's 4 times of policy rates cutdown. Commercial banks has lowered deposit rates by at least 270 – 440bps till 1Q24 which will fully reflected in the cost of fund (COF) this year.
- Though deposit rates of some medium-size banks started to inch up since Apr 2024 but still stayed at low level. We forecast that the 12M deposit rate of large commercial banks likely increased by 50bps more to 5.2% - 5.5% by the end of 2024.

## Current 12M deposit rates and the highest/lowest rates of banks since 2023 (%)



Source: Commercial banks, MBS Research

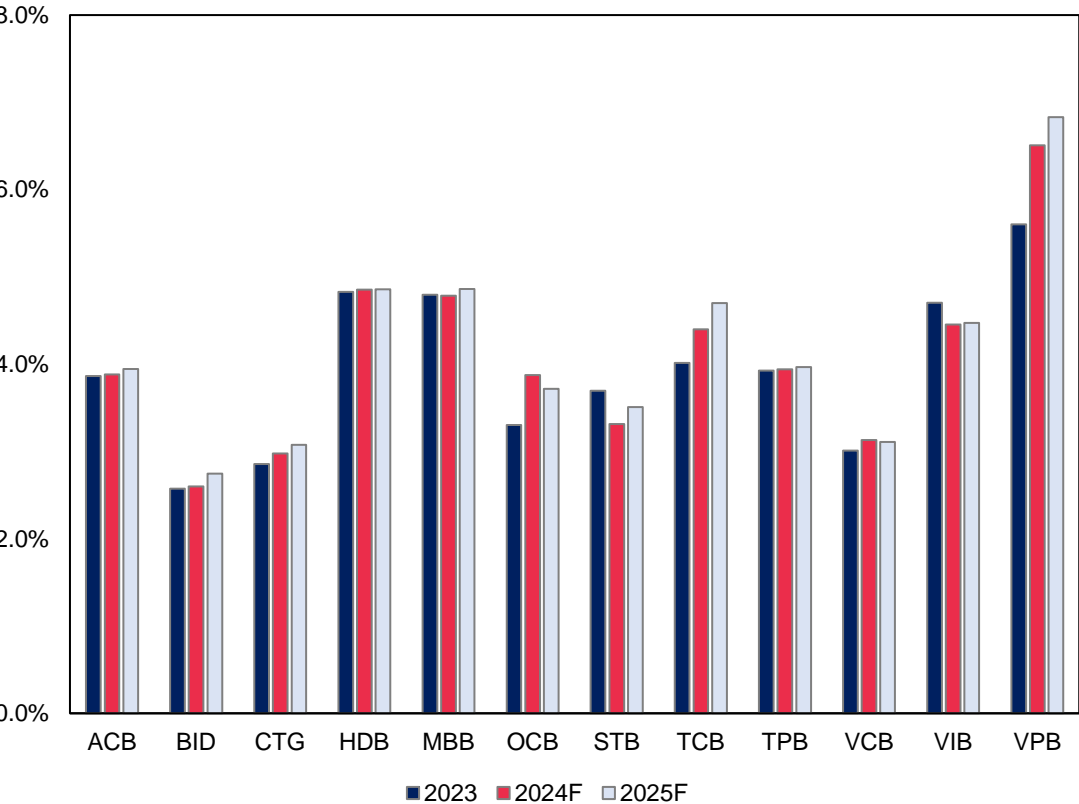
## Covered banks mostly will record lower COF in FY2024 compared to FY2023

	+/- EAY (YTD)	+/- COF (YTD)
HDB	(86.28)	(135.69)
LPB	(98.10)	(140.40)
TCB	(79.11)	(124.44)
EIB	(138.08)	(189.29)
TPB	(113.75)	(139.27)
VPB	(130.73)	(170.80)
CTG	(97.60)	(118.09)
VCB	(68.38)	(90.87)
SSB	(83.18)	(108.80)
OCB	(126.36)	(151.02)
Average	(133.06)	(144.88)
SHB	(169.25)	(163.21)
STB	(166.96)	(175.73)
ACB	(131.75)	(140.32)
BID	(110.83)	(96.42)
MSB	(179.82)	(146.98)
VIB	(208.75)	(148.32)
MBB	(130.95)	(61.96)

Source: Commercial banks, MBS Research

NIM is expected to slide down cross most of banks under our coverage in 2024

NIM forecasts for coverage banks



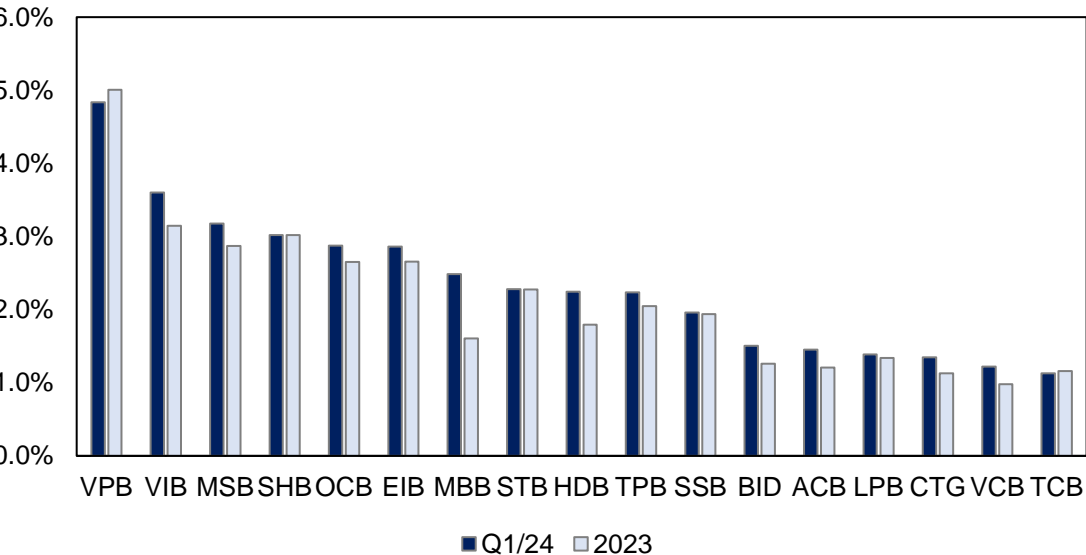
- Deposit rates maintained at low level and weak credit demand have encouraged banks to reduce lending rates that will lower NIM of most banks in 2H2024 compared to 1Q2024. In 2025, we believe that only stronger credit demand can raise up the interest rates helping NIM of banks recover.
- As our observation, cost of funds (COF) of covered banks have significantly decreased in 1Q2024 but still smaller than EAY decline. In our opinions, deposit rates will slightly be raised in 2H2024 proven by that some banks have increased their rates recently. Hence, we expect the down of COF will still be smaller than EAY decline that has lead NIM of most banks declined in 2024.
- In 2025, assumption of higher credit demand leading to higher lending rates will recover NIM of banks while COF will be maintained as the same level as in 2024.

• Source: Commercial banks, MBS Research

Asset quality is expected to be less solid at the end of 2024 compared to 1Q2024

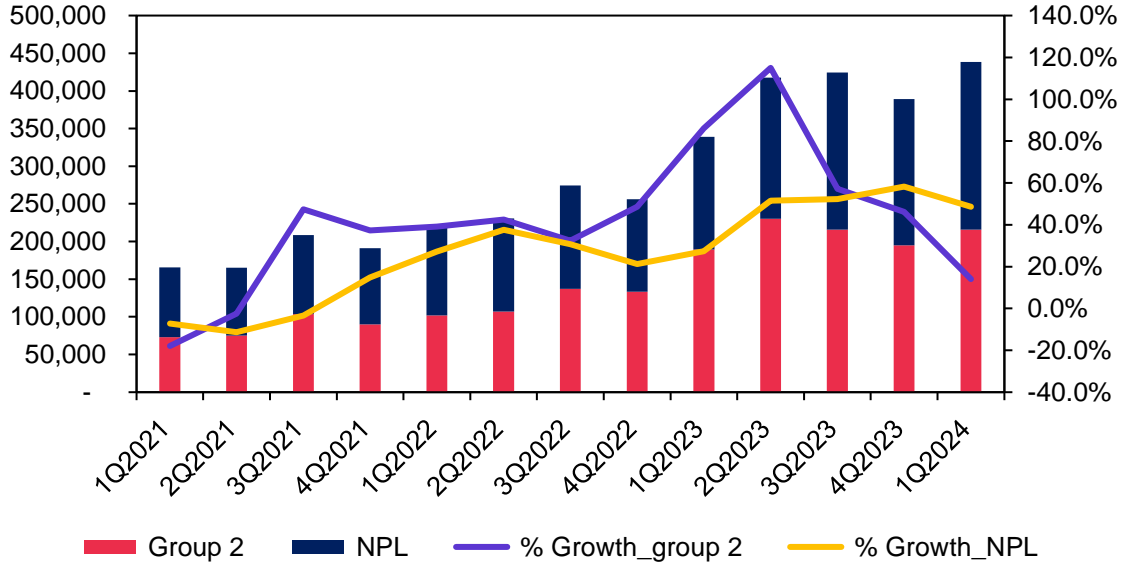
- Our watch shows that asset quality of banks have recored deteriorating in 1Q2024 compared to at the end of 2023. Group 3-5 loan outstanding of listed banks has increased 0.28% yoy and 0.33% qoq (except NVB as it outlier), while group 2 outstanding slightly decreased 0.7% yoy. Less solid asset quality has lead banks to raise their provision expense in 1Q2024 by 5% yoy. However, average LLR of banks record slight decrease by 20% as the banks used more provision to lower NPL.
- We expected that NPL of coverage banks will slightly increase at the end of 2024 since banks' space for provisioning has reduced remarkably combined with higher expected growth of bad debt caused by weak credit demand.

NPL across banks in 1Q2024



Source: Commercial banks, MBS Research

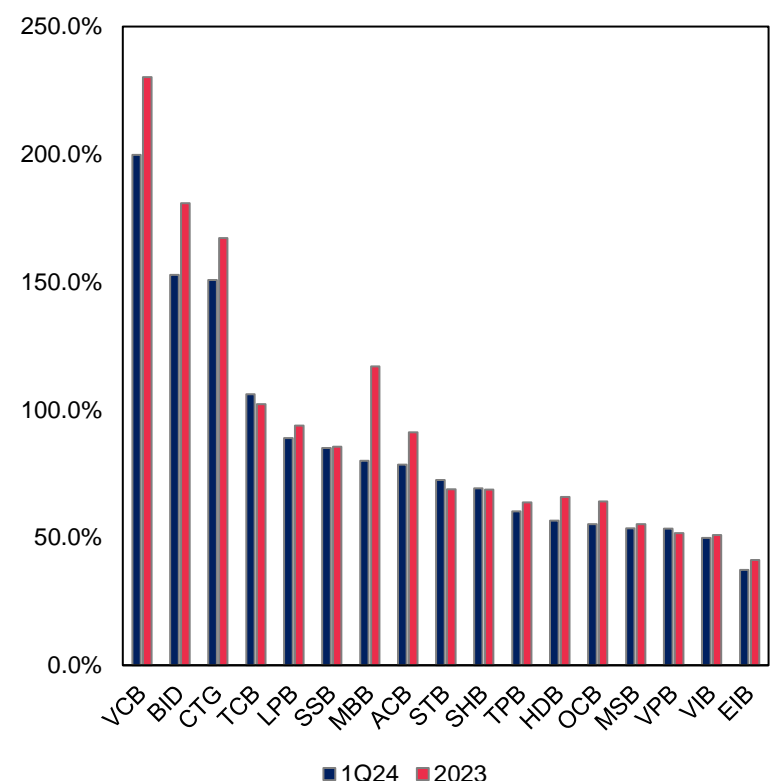
NPL formation seems to merge



Source: Commercial banks, MBS Research

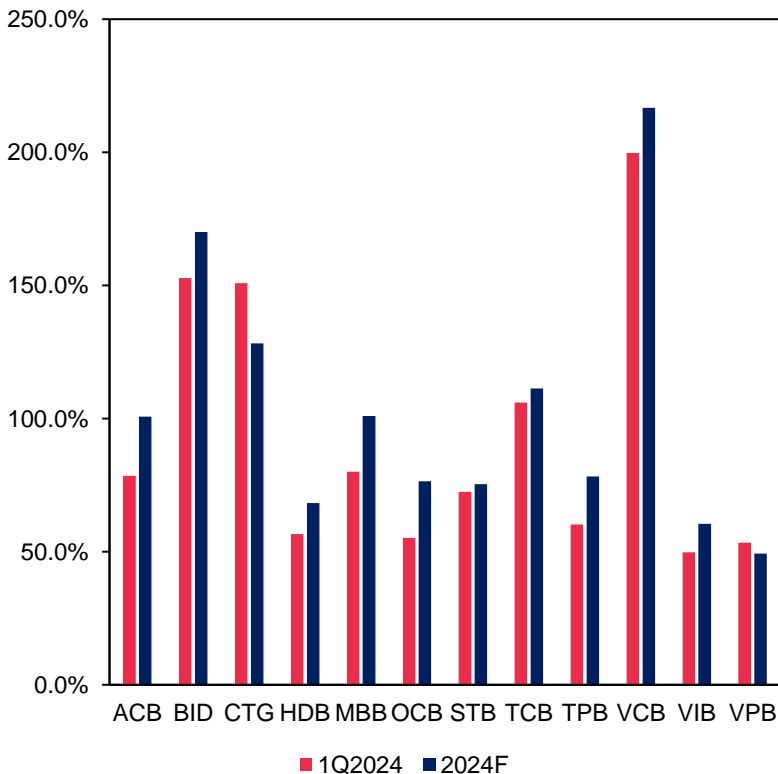
Asset quality is expected to be less solid at the end of 2024 compared to 1Q2024

- Most of banks recorded LLR down in 1Q2024 compared to 2023



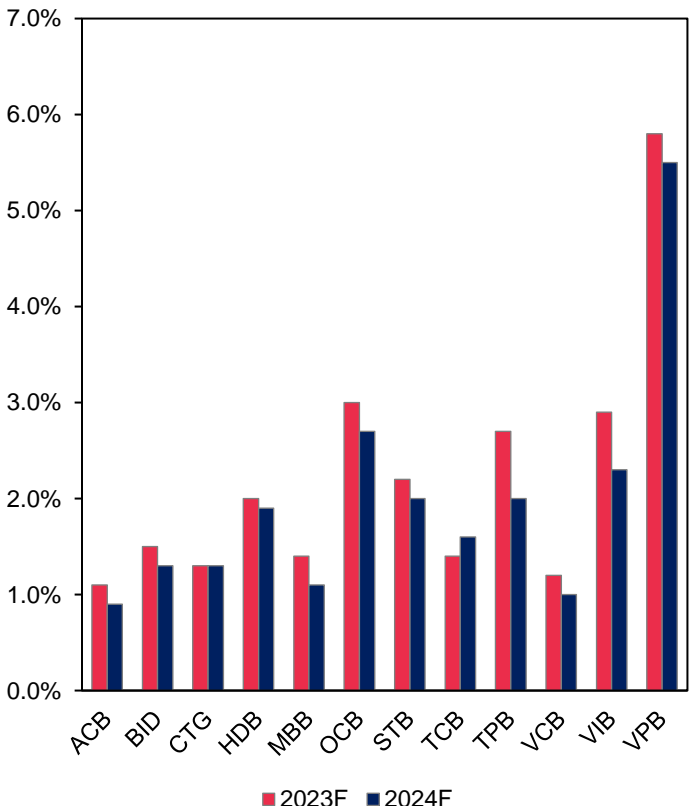
Source: Commercial banks, MBS Research

- We expect that LLR will go up in coming quarters of 2024



Source: Commercial banks, MBS Research

- Projected NPL of coverage banks

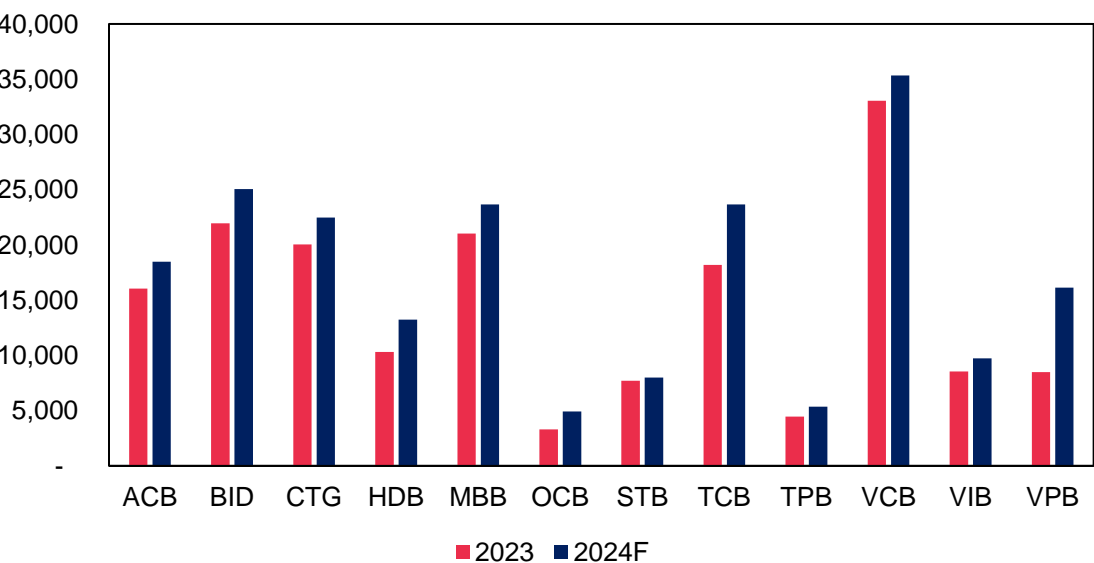


Source: Commercial banks, MBS Research

Earning of banks under coverage is forecasted to increase by 15.3% yoy.

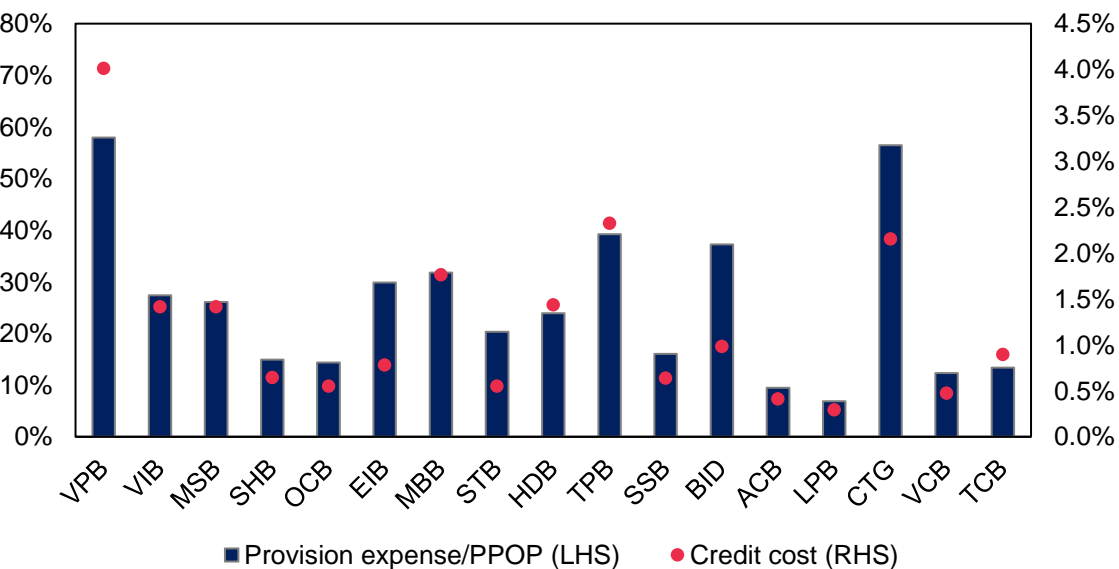
- The pressure to make provisions still remains high in 2024 as: (1) Bad debt growth has returned to high level of 3Q2024; (2) Credit demand has not shown strong recovery that slower loan rollover activities raising bad debt, especially for retail lending.
- We believe that this pressure will be different among banks

Estimates of PAT growth of covered banks in FY2024



Source: Commercial banks, MBS Research

Provision expense/PPOP of coverage banks 1Q24



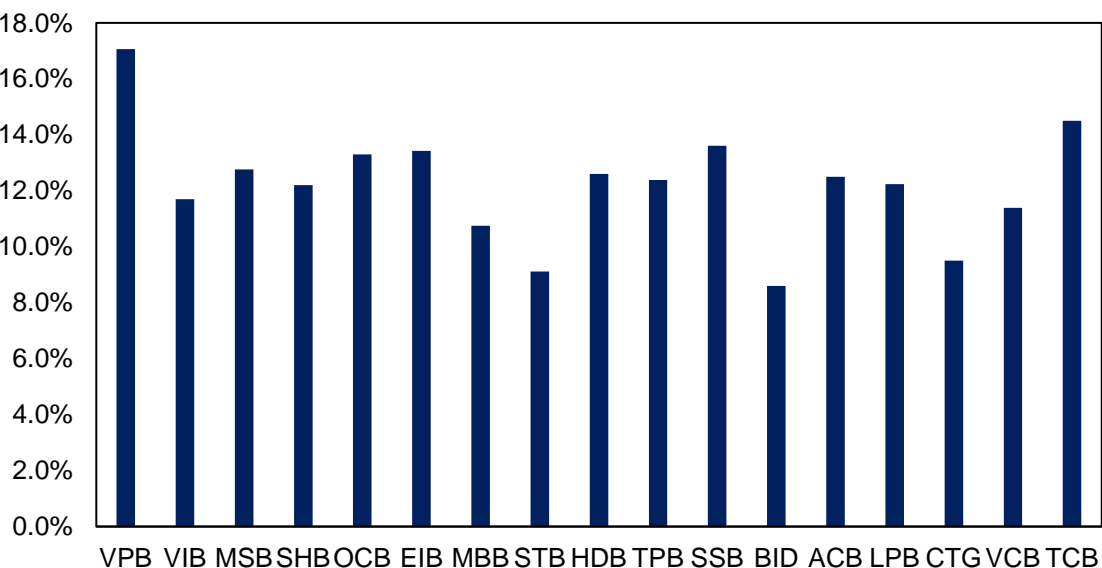
Source: Commercial banks, MBS Research



## Capital raising activities in 2024 are more frequent than in 2023

- Capital raising activities are more active for SOEs banks while private banks focus on increasing chartered capital by stock dividend.
- VCB planned to make a private placement by 6.5% that is expected to value around USD 1bn in 2024
- BID has delayed its plan of issuing more by 9.0% chartered capital to 2024-2025. The valuation is dependent on the market price at that time.
- In 2024, MBB has completed the issuance of 73 mn shares to Viettel valued more than 1.1tn VND. Besides, LPB also completed the public offering of 500 mn shares with price of 10,000 VND/share.

## CAR of banks as of 31/12/2023



• Source: Commercial banks, MBS Research

## Capital raising plan of banks in 2024

Banks	Hoạt động	% of shares in issue	Issue value
VCB	Dividend payment by share	38.8%	The expected value of the additional issue about 1bn USD
	Private placement	6.5%	
BID	Private placement/ Public offering	9.0%	Depending on the issue price
CTG	Dividend payment by share	SBV approved	
MBB	Private placement	73 mn shares	The value of the additional issue is more than 1.1tn VND
	Dividend payment by share	15-20%	
ACB	Dividend payment by share	15.0%	
NAB	Dividend payment by share	25%	
	ESOP	50mn share	
LPB	Public offering	500mn shares	Price 10,000 VND/share

• Source: Commercial banks, MBS Research

## Legal document and regulations that have been expected to impact banking sector in 2024 (1)

	Regulations	Main points	Evaluative Commentary
1	Roadmap for reducing the ratio of short-term capital for long-term loans according to Circular 08/2020/TT-NHNN	<ul style="list-style-type: none"> <li>From 01/10/2023, the maximum ratio of short-term capital for medium and long-term loans will decrease to 30%.</li> </ul>	<ul style="list-style-type: none"> <li>State-owned commercial banks and large-scale joint stock commercial banks having a high ratio of loans provided to help finance infrastructure developments, real estate, and energy projects such as TCB, MBB, VPB, HDB, etc. would face greater pressure on enhancing long-term capital mobilization (requires higher capital cost).</li> </ul>
2	Circular 26/2022/TT-NHNN (Amended Circular 22/2019/TT-NHNN) aims to adjust the LDR ratio calculation method at commercial banks	<ul style="list-style-type: none"> <li>Deposits of State Treasury will be included in the mobilized capital at a certain deducted rate:                             <ul style="list-style-type: none"> <li>- From the effective date of the Circular until 31/12/2023: 50%;</li> <li>- From 01/01/2024 to 31/12/2024: 60%;</li> <li>- From 01/01/2025 to 31/12/2025: 80%;</li> <li>- From 01/01/2026 onwards: 100%.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Circular 26 will bring advantages to banks with abundant deposits from the State Treasury. According to our evaluation, the state-owned commercial banks group will benefit more from this policy</li> </ul>
3	Circular 02/2023/TT-NHNN: Regulations on credit institutions restructuring debts repayment, keep debt classifications unchanged for debtors facing difficulties in business, production activities and repaying loans borrowed for personal use.	<ul style="list-style-type: none"> <li>Apart from the production and business sector, the Circular has allowed debt rescheduling/postponement for consumer lending – a sector also facing difficulties amid a decline in borrowers' income (The draft circular has not included the consumer loans yet)</li> <li>The debt group should be retained according to the most recent classification before restructuring and the accrued interest should be removed from the balance sheet for monitoring purpose (accrued interest must be taken off) until <b>31/12/2024</b>.</li> </ul>	<ul style="list-style-type: none"> <li>Debtors have more time to arrange their funds for debt repayment, thereby completely resolving potential bad debts of the banking system.</li> <li>Extending the validity period of the Circular will help gradually reduce provisioning pressure on commercial banks when business results in 2024 are expected to be more bullish, thus, increasing provisioning buffers for banks.</li> </ul>

## Legal document and regulations that have been expected to impact banking sector in 2024 (2)

	Regulations	Main points	Evaluative Commentary
4	Circular 03/2023 postponing the implementation of Clause 11, Article 4 of Circular 16/2021, allowing banks to buy corporate bonds	<ul style="list-style-type: none"> <li>Is a way for banks to promote loan growth through purchasing corporate bonds amid weak credit growth and redundant liquidity in the banking system.</li> </ul>	<ul style="list-style-type: none"> <li>Partially help in increasing bond demand, beneficial for banks operating actively in the corporate bond market such as TPB (9.2% of total outstanding loan), TCB (7.9%), MBB (7.7%), VPB (7.4%).</li> <li>Offer more room for commercial banks to roll over debts to qualified bondholders who have the ability to repay debts.</li> </ul>
5	Circular 22/2023 amending and supplementing some articles of Circular No. 41/2016 regulating the capital adequacy ratio for banks.	<ul style="list-style-type: none"> <li>Keep the risk coefficient (HSRR) for real estate business loan at 200%. However, HSRR will be 160% when financing industrial park real estate project.</li> <li>Supplement HSRR regulations applicable to residential mortgage loans based on guaranteed rate (LTV) and debt repayment ability ratio (DSC)</li> </ul>	<ul style="list-style-type: none"> <li>Help to improve to asset quality of banks, especially banks that have high portion of real estate accounted in lending portfolio.</li> <li>Negative impact to credit growth of the whole system in weak credit demand situation now.</li> </ul>
6	Resolution 148/NQ-CP/2022	<ul style="list-style-type: none"> <li>Pilot resolution on handling bad debts of credit institutions according to Resolution No. 42/2017/QH14</li> </ul>	<ul style="list-style-type: none"> <li>Directly affected entities are 100% State-owned organizations established by the Government to handle bad debts of credit institutions, foreign bank branches and related organizations. Therefore, this may affect the debt handling activities of credit institutions in 2024, causing provisioning pressure to increase.</li> </ul>
7	New Law on Credit Institutions 2024 (expected to take effect soon from July 1, 2024)	<ul style="list-style-type: none"> <li>Limit of organized shareholders down from 15% to 10%; shareholders related group from 20% to 15%. Group of shareholders limit to 5% of charter capital.</li> <li>Banca products are not allowed to obligately combined with credit products provided by banks in any case.</li> <li>Credit institutions have the right to transfer part or all of the collateral assets, which are real estate projects, to recover debt.</li> </ul>	<ul style="list-style-type: none"> <li>Limit cross-ownership and help identify major risks from backyard businesses like the cases of SCB and Van Thinh Phat.</li> <li>Banca activities will be more strictly managed, this will cause banks' income growth rate of banca activities to slow down compared to the period of 2019-2021. In particular, the group of joint stock commercial banks has a high proportion of banca income in total non-interest income such as VIB and ACB.</li> <li>This will help banks have more options in dealing with large projects which have a small part facing legal problems, thereby smoothening the cash flow of real estate businesses and reducing bad debts for banks, especially listed banks with a high real estate lending rate like TCB, MBB, VPB, SHB, HDB, etc.</li> </ul>

# Banking sector 2H24 Outlook



## 2024 – 2025 forecasts summary of banks under our coverage

	<u>ACB</u>		<u>BID</u>		<u>CTG</u>		<u>HDB</u>		<u>EIB</u>		<u>OCB</u>	
	2024F	2025F	2024F	2025F	2024F	2025F	2024F	2025F	2024F	2025F	2024F	2025F
TOI	37,038	41,546	81,655	96,061	80,850	92,179	33,113	38,665	7,627	8,633	10,656	14,111
% yoy	13.1%	12.2%	11.8%	17.6%	14.6%	14.0%	25.4%	16.8%	16.3%	13.1%	19.2%	32.4%
Net profit	18,025	20,764	25,068	28,860	22,570	28,600	13,241	15,248	2,410	2,781	3,780	5,397
% yoy	14.8%	13.9%	16.3%	15.1%	12.6%	26.7%	31.5%	15.2%	11.3%	15.3%	14.4%	42.8%
Credit exposure	16.0%	15.0%	14.0%	11.0%	14.3%	12.7%	22.6%	20.7%	9.3%	9.8%	20.4%	14.7%
Deposit growth	14.9%	12.0%	14.0%	12.2%	15.0%	16.7%	18.16%	11.91%	17.2%	15.4%	19.9%	13.7%
NIM	3.88%	3.95%	2.6%	2.7%	3.0%	3.1%	4.85%	4.85%	2.7%	2.9%	3.1%	3.3%
CIR	33.5%	33.4%	34.6%	32.6%	31.0%	30.0%	34%	35%	48.0%	47.9%	35.0%	35.0%
NPL	1.2%	1.0%	1.15%	1.13%	1.4%	1.4%	1.75%	1.68%	2.9%	2.6%	2.50%	2.00%
LLR	89.3%	97.3%	170.1%	152.2%	128.3%	137.1%	68%	70%	40.7%	46.1%	69.1%	103.9%
ROE	21.2%	19.6%	16.94%	16.32%	16.5%	18.0%	23.3%	21.2%	10.2%	10.6%	12.4%	15.4%
ROA	2.2%	2.3%	0.9%	1.0%	1.1%	1.2%	1.9%	1.8%	1.2%	1.3%	1.4%	1.8%

# Banking sector 2H24 Outlook

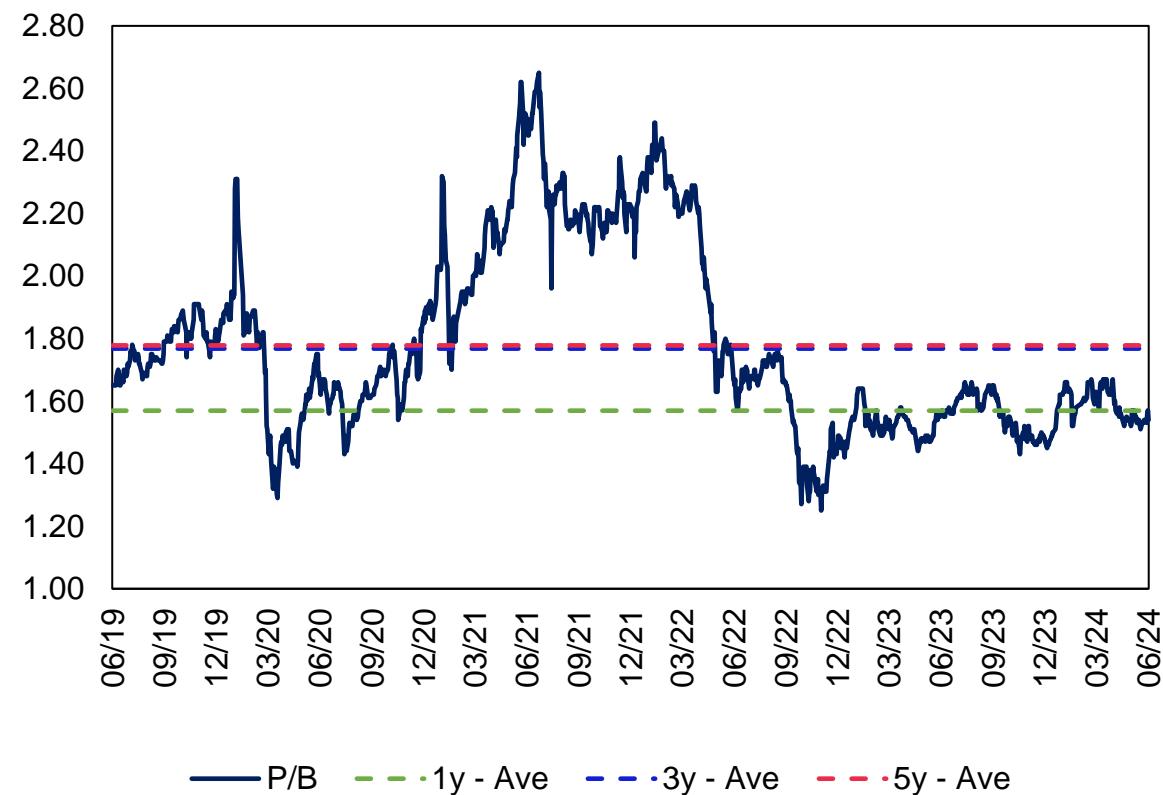


## 2024 – 2025 forecasts summary of banks under our coverage

	<u>STB</u>		<u>TCB</u>		<u>TPB</u>		<u>VCB</u>		<u>VIB</u>		<u>VPB</u>	
	2024F	2025F	2024F	2025F	2024F	2025F	2024F	2025F	2024F	2025F	2024F	2025F
TOI	27,599	30,868	52,378	65,935	18,130	21,148	74,634	81,783	23,661	28,428	65,323	79,452
% yoy	5.4%	11.8%	30.7%	25.9%	11.7%	17%	10.2%	9.6%	6.8%	20.1%	31.3%	21.6%
Net profit	8,020	10,324	23,661	29,583	5,371	7,549	35,354	38,343	8,680	12,629	15,376	19,142
% yoy	3.9%	28.7%	30.1%	25.0%	20.3%	40.5%	7.0%	8.5%	1.4%	45.5%	78.0%	24.5%
Credit exposure	10.8%	14.9%	22.4%	20.1%	16.0%	18.0%	12.0%	13.0%	16.0%	15.3%	25.5%	18.4%
Deposit growth	6.9%	16.8%	20.9%	18.7%	10.0%	15.00%	11.6%	10.2%	11.7%	11.3%	23.6%	21.2%
NIM	3.3%	3.5%	4.4%	4.7%	3.94%	3.97%	3.1%	3.1%	4.2%	4.5%	5.9%	5.9%
CIR	49.0%	49.0%	30.0%	31.0%	42.3%	40.3%	32.5%	32.6%	32.0%	31.0%	28.0%	28.0%
NPL	2.4%	2.2%	1.1%	0.9%	1.95%	1.77%	1.0%	0.8%	2.3%	2.0%	4.8%	4.5%
LLR	75.4%	87.5%	111.4%	138.9%	78.3%	82.4%	216.7%	240.0%	47.0%	62.5%	49.0%	55.3%
ROE	16.2%	17.7%	16.6%	17.7%	14.5%	16.9%	17.3%	15.8%	21.0%	25.7%	11.2%	13.2%
ROA	1.2%	1.3%	2.5%	2.7%	1.5%	1.7%	1.8%	1.7%	2.0%	2.6%	1.7%	1.8%

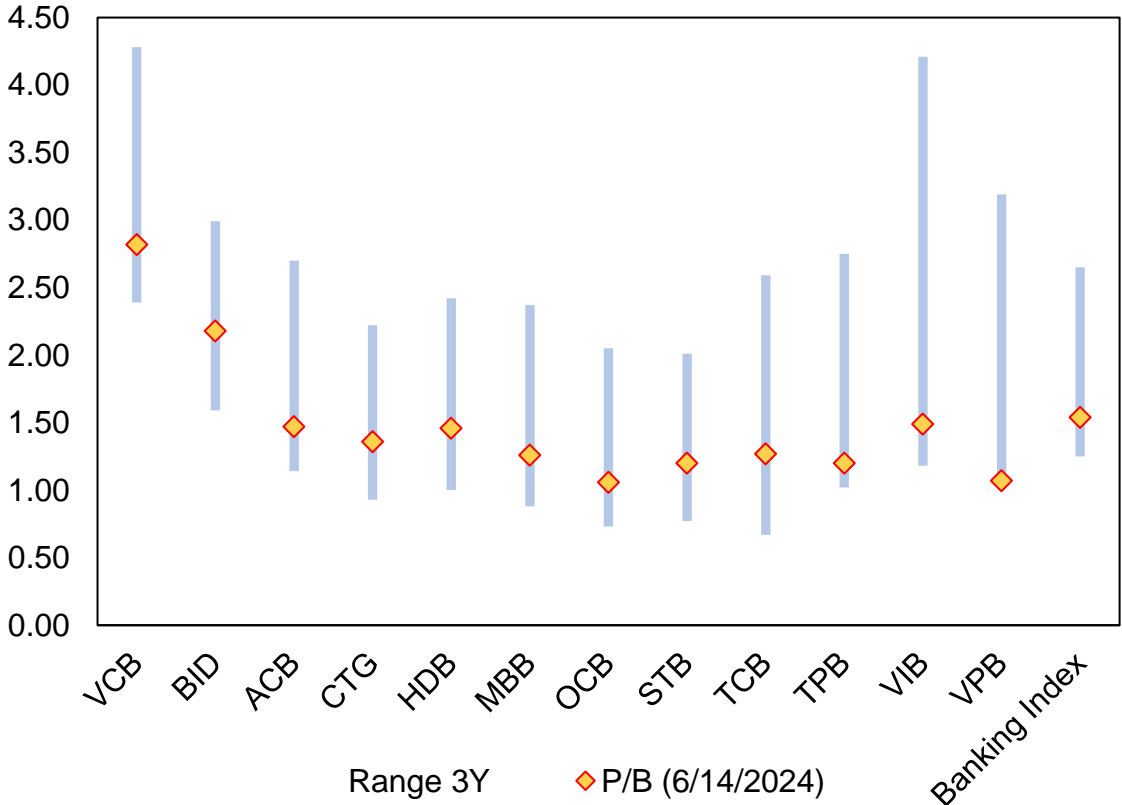
We think the current valuation of banks is too good to ignore

Banking sector's current P/B is falling below 1Y-, 3Y- average range and the peak in 2021



Source: Fiinpro, MBS Research

Except VCB and BID, most coverage banks are trading below sector P/



Source: Fiinpro, MBS Research



## Our stock picks are VPB and ACB

Ticker	Rating	Target price	Investment thesis
ACB	ADD	30,500	<p>Net profit for 2024/2025 is expected to increase by 15%/14% yoy, based on assumptions: (1) Credit growth reaches 16% in 2024F and 15% in 2025F, and (2) NIM improves slightly in 2024/2025 (+2bps and 6 bps in 2024, 2025 respectively) in a low deposit interest rate environment.</p> <p>Good asset quality; (1) the low NPL ratio among banks; (2) LLR has decreased, but 98% of the debt is secured (as of 1Q24).</p> <p>Currently, ACB is trading at a price-to-book (P/B) ratio of 1.1x for 2024; lower than banks of similar scale. With profitable performance (ROE 2023: 21.9% and ROA: 2.4%), ACB deserves a valuation of 1.3x P/B, equivalent to a price of 30,500 VND/share.</p>
VPB	ADD	24,050	<p>Net profit for 2024 increases 78.0% yoy on low base of 2023.</p> <p>Credit growth will reach 25.5% in 2024, equivalent to 2023.</p> <p>NIM will increase 29 bps to 5.9% yoy, but still lower than it was before Covid-19 as the consumer finance is expected to not show impressive performance as before.</p> <p>More solid asset quality with expected lower NPL encouraged by higher provision and reduced bad debt from FE Credit</p> <p>Attractive valuation with current P/B under 1.1x, much lower than peers such as MBB, TCB or STB.</p>
HDB	ADD	29,400	<p>We forecast credit growth to achieve by 23% in FY24, driven by the rebound in real estate loan demand with the implementation of the new land law. Additionally, we expect loan demand from SME to continue growing robustly as the economy recovers.</p> <p>We forecast NIM to improve slightly by 2 bps yoy to 4.85%, driven by a 95% bps reduction in COF due to the low interest rate environment. On the other hand, we forecast that AY will decrease more slowly than COF due to the resurgence of credit demand in key segments.</p> <p>HDB's asset quality is expected to improve in 2024 due to several factors: (1) stable and high-profit growth providing the bank with ample room to increase provisions; (2) economic recovery and the extension of Circular 02/2023/TT-NHNN for an additional 6 months contributing to improved borrowers' repayment capacity.</p>

# Investment strategy 2H24



Ticker	Rating	Target price	Investment thesis
VIB	HOLD	21,050	<p>Weak retail credit has negatively impacted to retail banks like VIB. Hence, we forecast credit growth of VIB for FY2024 reaching 16.2%, full credit quote provided. Net profit of FY2024 will grow 1.4% reaching 10.8 VNDtn.</p> <p>NPL and LLR will be 2.9% and 47.0% respectively.</p> <p>Target P/B is 1.2x as the asset quality has been seriously impacted.</p>
STB	HOLD	30,900	<p>Net profit for FY2024 increases is expected to increase 3.9% yoy. Credit growth will reach 10.8% as we expect that SBV will have no extension for credit quotes of banks in the remaining of 2024.</p> <p>NIM will be down by 40 bps to 3.3% for FY2024.</p> <p>NPL is expected to be high level of 2.4%. Provision expense increase by 8.2% yoy.</p> <p>Target P/B is down to 1.1x as the business performance and asset quality in 1Q2024 is worse than expected.</p>
CTG	HOLD	33,800	<p>Net profit of FY2024 is expected to grow by 12.6% yoy. Credit growth will reach 14.3% yoy while NIM maintain the same level as FY2023 at 3.0%. For FY2025, we expect that net profit growth will increase to 26.7% yoy as the recovery of credit demand improving NIM and NOI.</p> <p>NPL is expected to stay at 1.4%, equivalent to at the end of 2023. LLR will reach 128.3%, top 3 of all sector.</p> <p>Target P/B of 1.3x is appropriate for CTG. Compared to other 2 SOEs banks, this P/B is quite lower as the credit cost of CTG is much higher than VCB and BID.</p>
OCB	HOLD	14,500	<p>Net profit for FY2024/2025 is expected to increase by 49.2%/42.8% yoy. Credit growth of FY2024 will reach 20.4%. NIM is down to 3.1%.</p> <p>NPL of FY2024 will be 2.8% that encourage provision expense increasing by 35.3%</p> <p>Down target P/B to 1.0x.</p>

## Investment strategy 2H24



Ticker	Rating	Target price	Investment thesis
TPB	HOLD	20,850	<p>We expect credit growth to reach 16%/18% in FY24F/FY25F. This forecast is based on several factors: (1) reducing lending rates to stimulate credit demand during 2024-2025; (2) continued leadership in growth from the corporate customer segment in 2024; (3) TPB's strong track record of impressive credit growth over the years..</p> <p>NIM is expected to improve slightly 1.5 bps and reach 3.9% in FY24, due to lower interest rates, which offsets the reduction in lending rates and the increase in lower-interest corporate lending.</p> <p>We expect NPLs to have peaked in 1Q24, as group 2 loan ratio has decreased for three consecutive quarters. We forecast TPB's NPL ratio in FY2024 to reach 2.0% (~ FY23).</p>
VCB	HOLD	104,700	<p>We forecast loan book in 2024 to grow 12% yoy as individual lending is expected to rebound in 2H24, supported by economic recovery and a resurgence in retail credit demand. Additionally, we expect consumer credit to improve in 2024 compared to the lower base of 2023.</p> <p>We expect NIM to remain flat compared to 1Q24 (3.1%) in 2H24, as VCB will continue to maintain low lending rates to support businesses. Meanwhile, deposit interest rates are anticipated to increase slightly in 2H24. We forecast net profit to grow 10.5%/14.1% in 2024-25</p>
EIB	HOLD	18,100	<p>We forecast that EIB's credit growth will reach 9.3% in 2024 and 9.8% in 2025, driven by several factors: (1) continued growth in wholesale and retail lending, which constituted 36% of EIB's lending structure in 2023; (2) recovery in real estate lending as the real estate market warms up from Q4/23 onwards; and (3) expected growth in SME lending due to the provision of credit packages with attractive interest rates.</p> <p>We forecast EIB's NIM to reach its bottom in 2023 and will see a slight improvement to 20 bps in 2024. This improvement is expected due to a reduction in funding costs by 150 basis points, reflecting the ongoing decline in deposit interest rates since 3Q23. We forecast net profit to grow 11.3%/15.4% in 2024-25.</p>
BID	HOLD	53,800	<p>In 2024, we forecast credit growth to reach 14% in FY24 driven by two main factors: (1) lower lending rates stimulating credit demand; (2) the corporate lending segment continues to grow strongly in 2024.</p> <p>We expect NIM to improve in 2H24 and reach 2.6% in FY24 as high-interest customer deposits from the 4Q22 – 1Q23 period gradually mature, leading to a reduction in COF. We expect BID's asset quality to improve in 2H24 driven by: (1) credit growth rebound; (2) economic recovery and the extension of Circular 02/2023/TT-NHNN for an additional 6 months are expected to enhance borrowers' repayment capacity; (3) stable net profit growth will provide the bank with more room to increase provisions</p>

# Investment strategy 2H24



Our stock picks are VPB and ACB

## Peer comparison (data as at Jun 21<sup>st</sup> 2024)

	Price	Market cap	<u>P/E</u>		<u>P/B</u>		<u>ROE</u>		<u>ROA</u>	
	(VND)	(Bn VND)	2024F	2025F	2024F	2025F	2024F	2025F	2024F	2025F
BID	45,600	259,940	10.4x	9.0x	1.8x	1.5x	16.9%	16.3%	0.9%	1.0%
CTG	32,200	172,914	7.7x	6.1x	1.2x	1.0x	16.5%	18.0%	1.1%	1.2%
VCB	86,000	480,662	13.6x	12.5x	2.4x	2.0x	17.3%	15.8%	1.8%	1.7%
MBB	23,200	123,107	6.6x	5.5x	1.1x	0.9x	17.6%	17.8%	1.8%	1.9%
VPB	19,600	155,505	11.2x	9.0x	1.1x	1.0x	11.7%	16.6%	1.8%	2.3%
TCB	24,500	172,603	3.8x	3.0x	0.6x	0.5x	16.6%	17.7%	2.5%	2.7%
ACB	24,550	109,656	5.3x	4.6x	1.1x	0.9x	21.2%	19.6%	2.2%	2.3%
STB	30,650	57,782	7.2x	5.6x	1.1x	0.9x	16.2%	17.7%	1.2%	1.3%
HDB	23,150	67,426	5.1x	4.4x	1.2x	0.9x	23.3%	21.2%	1.9%	1.8%
VIB	21,800	55,302	5.7x	4.3x	1.2x	1.0x	23.4%	25.7%	2.2%	2.5%
OCB	14,500	29,795	6.0x	5.0x	0.9x	0.8x	15.9%	16.5%	1.9%	2.0%
EIB	18,500	32,231	12.8	11.1	1.2x	1.1x	10.2%	10.6%	1.2%	1.1%
TPB	18,100	39,850	7.4x	5.3x	1.1x	0.9x	14.5%	16.9%	1.5%	1.7%
<b>Average (except for SOCBs)</b>			<b>7.2x</b>	<b>5.8x</b>	<b>1.0x</b>	<b>0.9x</b>	<b>17.0%</b>	<b>18.1%</b>	<b>1.82%</b>	<b>2.0%</b>
<i>Average</i>			8.0x	6.7x	1.2x	1.0x	16.9%	17.7%	1.7%	1.8%

• Source: Fiinpro, MBS Research



# Residential property

## Adaptive recovery

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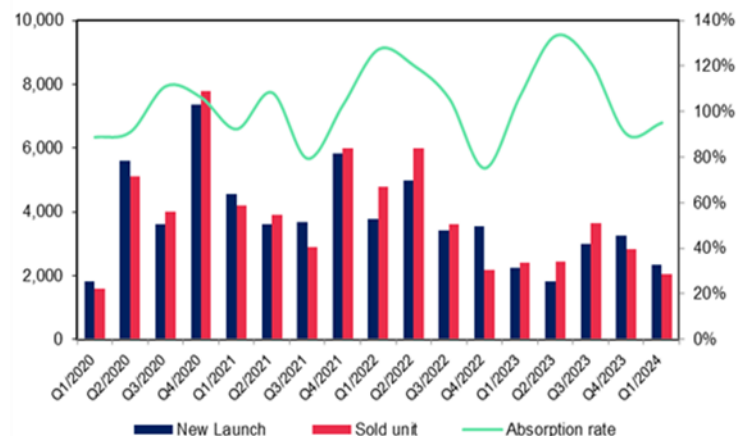
Vietnam Strategy 2H2024

# Q1/24 overview: Some positive signs are beginning to emerge

## Hanoi Residential Property Market

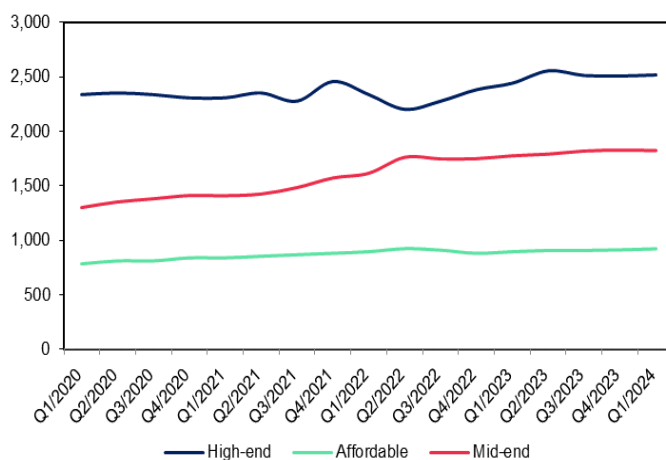
- The total apartment supply in Q1 was over 2,340 units, mainly concentrated in newly opened subdivisions of Smart City projects such as Imperia and Lumiere. Driven by continued high demand, the absorption rate increased slightly to 90% (compared to 87% in 4Q2023). Due to the shortage of land in the central area, the apartment supply in Hanoi is expected to be concentrated in the Western and Eastern urban areas in 2024.
- The high-end segment witnessed the strongest increase of 12% to USD 2,560/sqm due to strong price increases of new projects caused by supply shortages. Moreover, the contribution of high-end products reached the highest level ever (about 85%), leading to a strong increase in the average selling price YoY.
- The low-rise product segment has not yet shown signs of improvement, with supply in the quarter reaching only 30 units (-98% YoY), coming from a single phase of the Park City project (in Ha Dong). Meanwhile, selling prices have continued to maintain a high level, reaching VND 185 million/sq.m (+10% YoY) against a backdrop of limited supply and persistent strong demand. Investors have been maintaining a cautious sentiment in launching new low-rise projects, as the market has not yet shown clear signs of recovery, and absorption rates in the higher-priced segments remain low.

In 1Q2024, the apartment supply decreased by 11% yoy, mainly coming from the western region



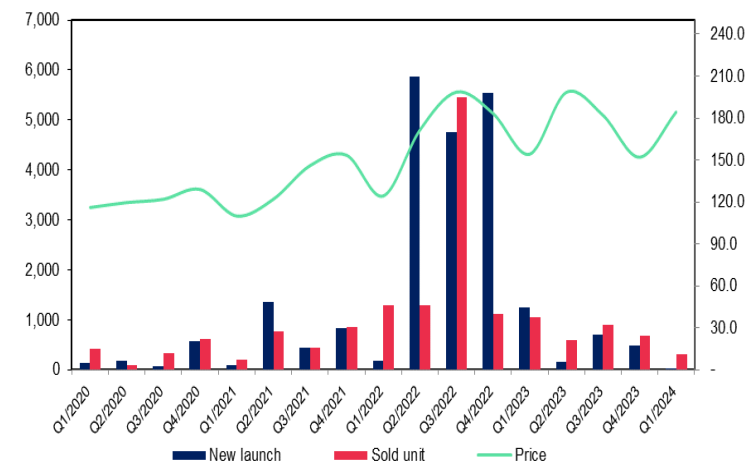
Source: CBRE, MBS Research

The average primary apartment price increased by 12% yoy



Source: CBRE, MBS Research

The supply of low-rise products declined by 98% YoY as investors maintained a cautious sentiment amidst a quiet environment



Source: CBRE, MBS Research

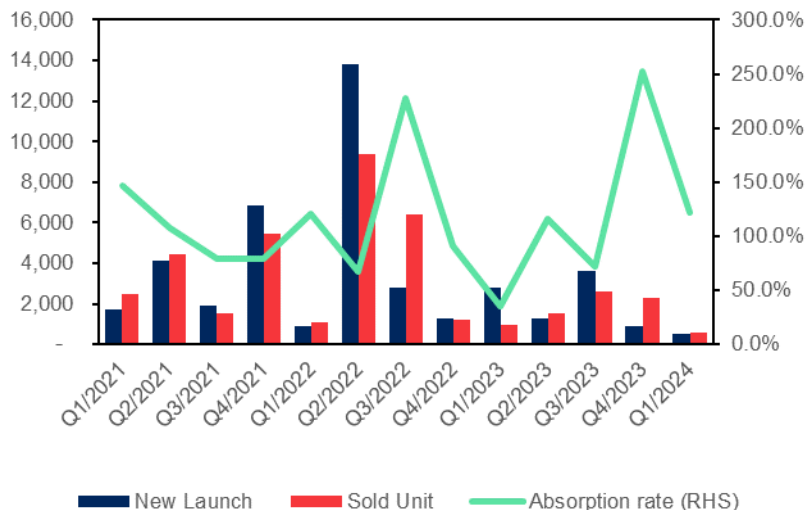


# Q1/24 overview: Some positive signs are beginning to emerge

## HCMC Residential Property Market

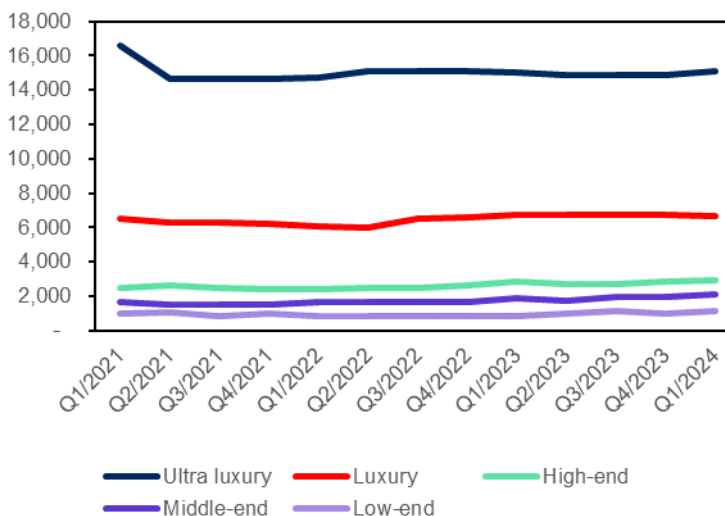
- According to CBRE, the apartment supply reached about 500 units (-82% yoy), with the main source coming from the next phases of projects that were opened for sale in 2023 and continuing to focus on the Eastern part of the city and the mid-range and high-end segments. Despite the significant decrease in supply compared to the same period, the absorption rate still reached 122.2%, higher than the average absorption rate of 116.9% in the past 3 years, showing that the demand for housing is still very high.
- The average primary apartment price in 1Q24 reached 61 million VND/sqm (+0% QoQ, -3% YoY). The high price is due to a shortage of supply and high existing demand, causing newly opened projects to have prices 3-4% higher than existing projects.
- The downturn in the residential property market cycle has negatively impacted demand for high-end segments such as townhouses and villas. However, the primary selling price of low-rise residential property in Ho Chi Minh City is still maintained at a high level due to limited supply. The primary selling price remains at 259 million VND/sqm (+0% QoQ, -3% YoY) as 1Q24 did not record any new land property supply during the period.

Apartment supply decreased in Q1, absorption rate remains high



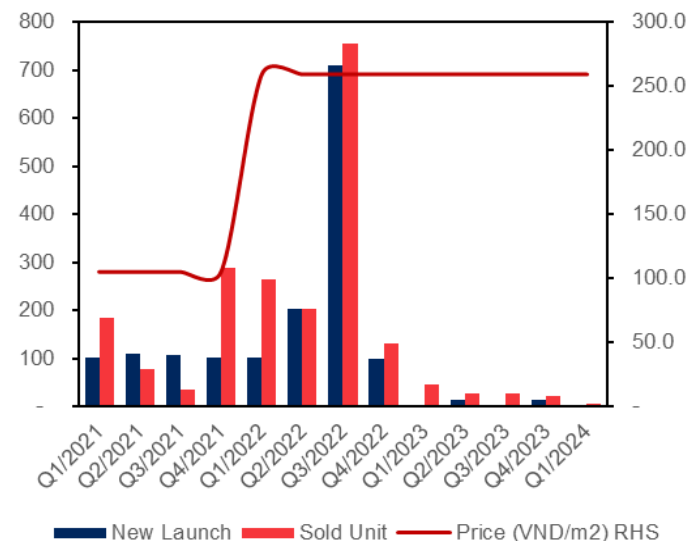
Source: CBRE, MBS Research

Average primary apartment prices increased by 5% yoy



Source: CBRE, MBS Research

Land property prices remain high due to limited new supply



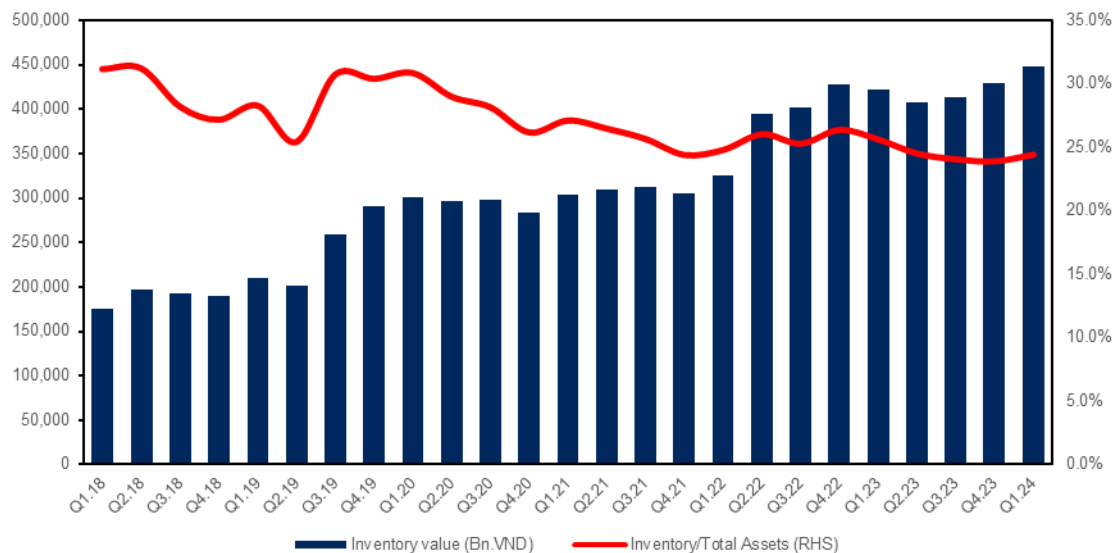
Source: CBRE, MBS Research

## Q1/24 overview: Some positive signs are beginning to emerge

### The supply has recovered, albeit modestly.

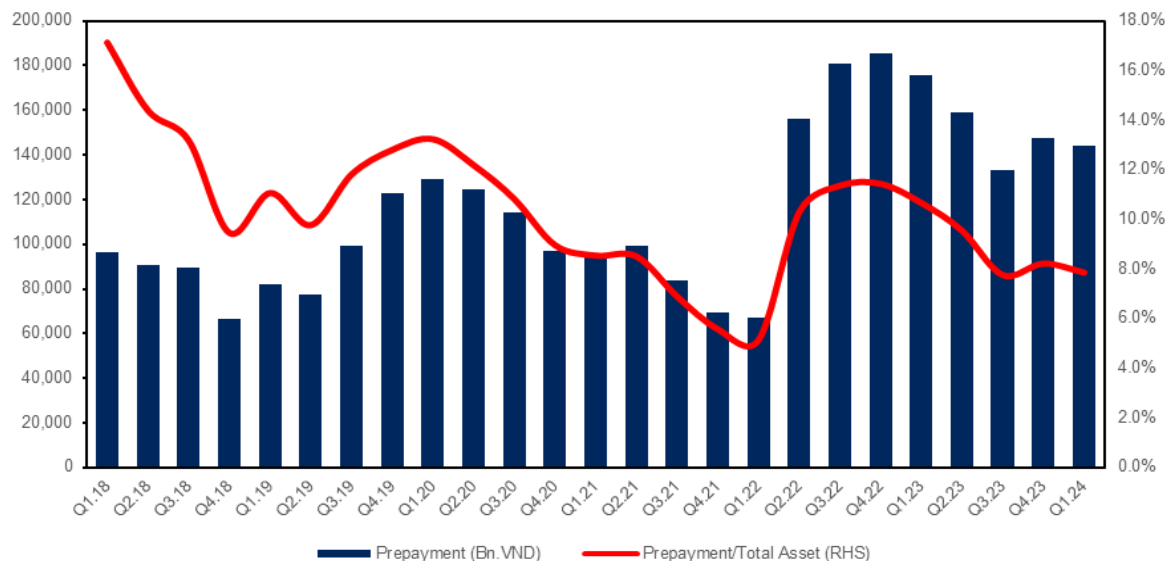
- The ratio of inventory to total asset has started to bottom out and increased to 24.4% compared to 23.9% at the beginning of the year. The slight increase in the value of inventory at the end of 1Q24 compared to the beginning of the year shows that the implementation of residential property projects has recovered, albeit modestly, mainly from subsequent phases of existing projects and projects with clear legal status. Moreover, our estimated pre-paid buyer value reached VND 144,146 billion (-17.9% YoY), and is trending downwards from its peak in 4Q22, indicating that the overall sales situation has not yet changed significantly.
- Despite the supply shortage, certain new project launches have seen strong absorption rates, indicating sustained real demand, particularly for mid-range products. Moreover, policies such as interest/fee waivers and improved payment discounts have contributed to enhanced liquidity in the market over the recent period.

The inventory-to-total assets ratio stood at 24.4% at the end of 1Q24, showing insignificant increase from the beginning of the year



Source: MBS Research

Customer prepayment-to-total asset ratio decreased to 7.8% at the end of 1Q24



Source: Fiinpro, MBS Research

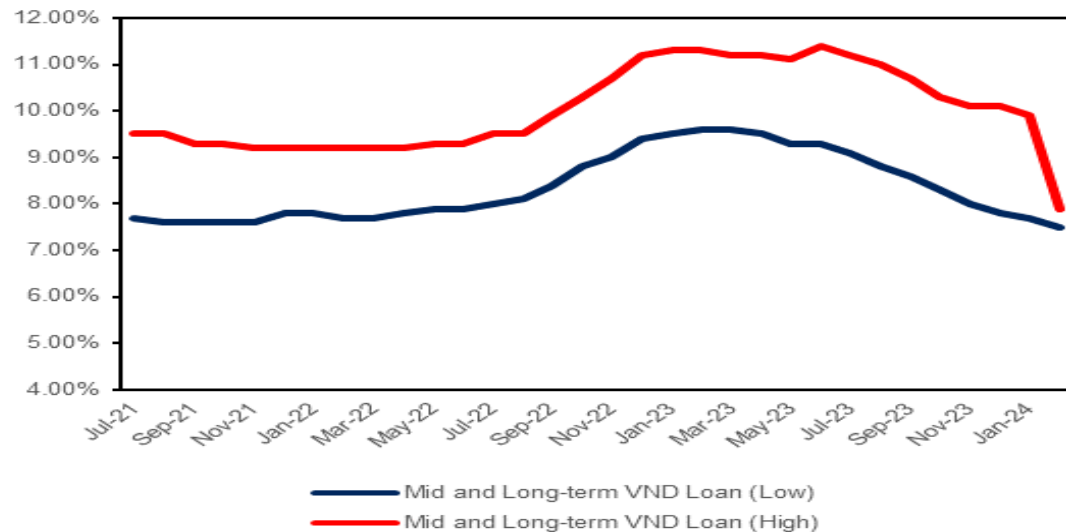
# Macroeconomic factors are supporting the residential property sector's recovery in 2024.



## Interest rates have reached attractive levels for market growth.

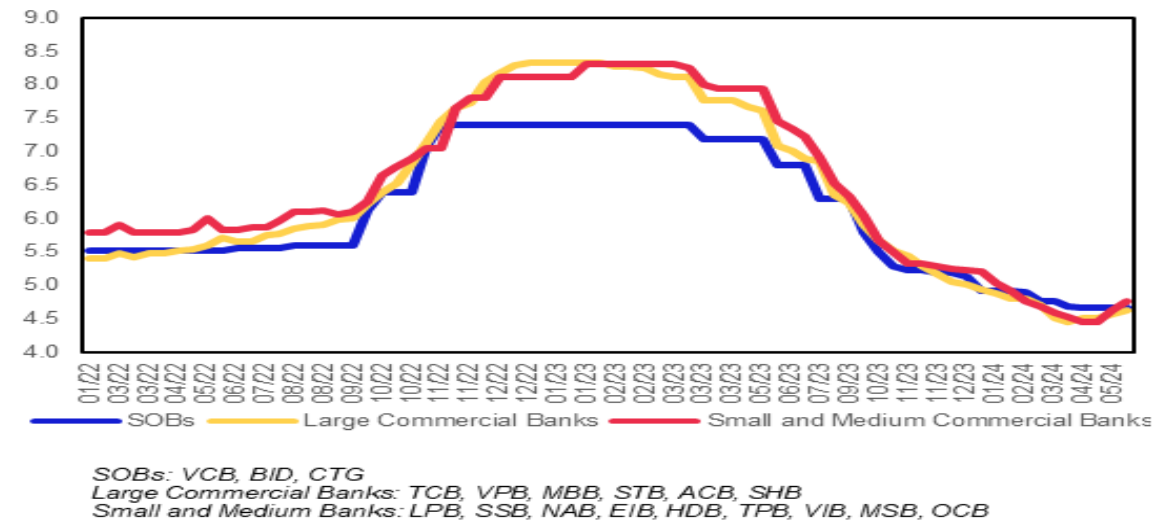
- Since the beginning of 2023, the State Bank of Vietnam has reduced its key interest rates 4 times, with the current refinancing rate now at 4.5% (lower than the levels during the Covid period in 2020). As a result, medium to long-term lending rates are currently hovering around 7.5% - 7.9% (down from 9.3% - 11.4% in mid-2023).
- The rise in exchange rates has created tight liquidity pressures in the system. Market interest rates are showing signs of gradual increase in order to attract liquidity, which may exert mild upward pressure on lending rates going forward. However, we believe that even if interest rates rise in the near term, this would not have significant negative implications for the residential property market, as a moderate increase in lending rates would encourage capital inflows into residential property, given expectations that interest rates have bottomed out and investors' sentiment to capitalize on relatively favorable borrowing costs to invest.

### Medium and long-term lending interest rates will remain low (Unit: %/year)



Source: MBS Research

### 12-month deposit interest rates of bank groups (Unit: %/year)



Source: Fiinpro, MBS Research

# Macroeconomic factors are supporting the residential property sector's recovery in 2024



Changes to the legal framework will help the market develop in a sustainable manner, driving growth in both supply and demand.

The new aspects of the Real Estate Business Law 2023 and their Impact.	The new aspects of the Housing Law 2023 and their Impact.	The new aspects of the Real Estate Business Law 2023 and their Impact.	Decrees and Circulars supporting the Real Estate market.
<p>Regarding the 2023 Real Estate Business Law, in our assessment, the new regulations focus on restricting the widespread practice of capital mobilization and project development that has led to the wasteful utilization of social resources by financially weak residential property developers with unclear legal status. The new provisions also aim to strengthen the confidence of residential property buyers and increase market transparency (<b>Article 6, Article 61</b>). However, the novel aspects of the law are expected to create a supply shortage, particularly for land-based products (<b>Article 5</b>), in the short term, and will impose stricter financial health requirements on developers to fulfill their financial obligations to the state, while limiting their previous forms of customer capital mobilization.</p>	<p>Regarding the Housing Law 2023, we observe that the key changes focus on promoting the supply of Social housing, ensuring social security, strengthening buyer confidence, contributing to improved liquidity, and revitalizing the residential property market.</p>	<p>Regarding the 2024 Land Law, the novel aspects focus on provisions that facilitate the land acquisition and clearance process, and limit disputes while enhancing transparency during implementation. From the perspective of residential property developers, the accelerated land clearance process will also translate to a shortened project development timeline. Conversely, the determination of land prices based on "market principles" will lead to an increase in land acquisition costs compared to the previous period, as land prices are updated more closely to market levels, resulting in higher project development costs and, consequently, higher output prices. The application of the "market principles" for land pricing still requires additional guidance and implementation from the relevant authorities. Unresolved issues in the pricing process, such as land origin, are yet to be fully addressed by the changes in this law.</p>	<p>In 2023, the government has also passed several Decrees and Laws aimed at supporting the credit and bond markets, and easing liquidity pressures for businesses. These policies have focused on deferring the financial obligations of residential property developers, enabling developers to restructure their debt repayment schedules during the broader market downturn. The revised Credit Institution Law will provide commercial banks additional tools to address non-performing loans, and unlock cash flow for residential property developers.</p>

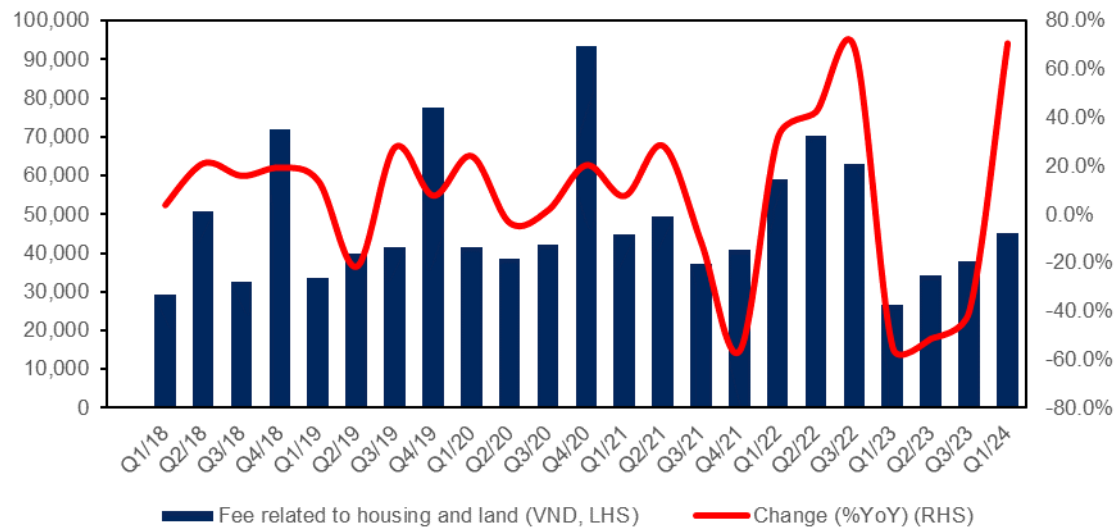
# Macroeconomic factors are supporting the residential property sector's recovery in 2024



## Indicators worth noticing

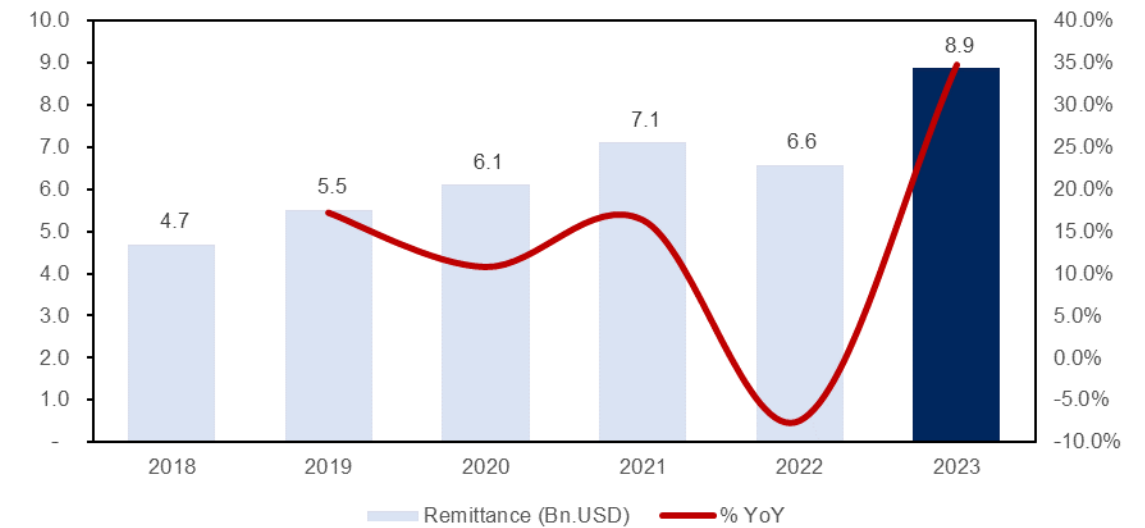
- After declining to a multi-year low of VND 26,515 billion (-55.1% YoY) in Q1/23 amid the residential property market's liquidity challenges, tax revenues from housing and land have been steadily recovering over the subsequent quarters, reaching VND 45,277 billion (+70.8% YoY), indicating a resurgence in financial obligations to the state. Tax revenues from land comprise primarily of land use fees (80-85%) and land/water surface lease payments (10%-15%). We believe this represents an early indicator of an impending recovery in residential property supply.
- Notably, the latest amendment to the law recognizes the legal rights and obligations of overseas Vietnamese who still hold Vietnamese citizenship. This will allow Vietnamese nationals residing abroad to directly hold residential property titles, helping resolve the litigation issues that previously arose when they had to rely on family members or acquaintances to hold property on their behalf, leading to potential asset misappropriation.

### Fee related to housing and land have increased in Q1/24.



Source: MBS Research

### Remittances inflows to HCMC saw record high in 2023



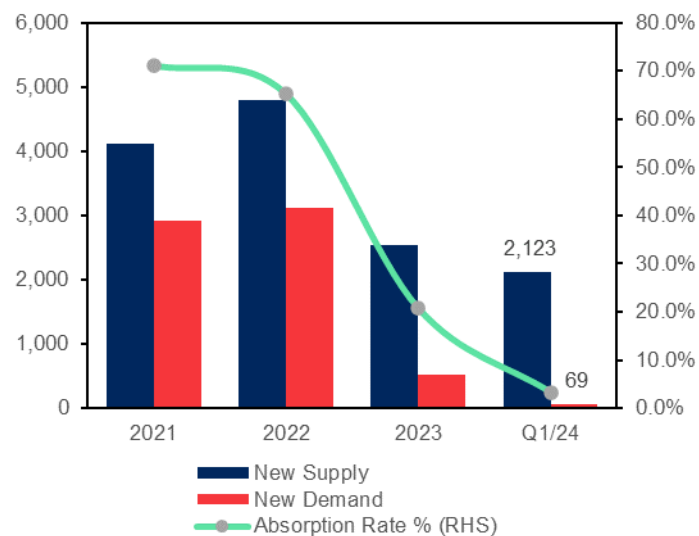
Source: Fiinpro, MBS Research

# Residential Property Developers still face a multitude of challenges

## The Resort Real Estate segment remains profoundly subdued

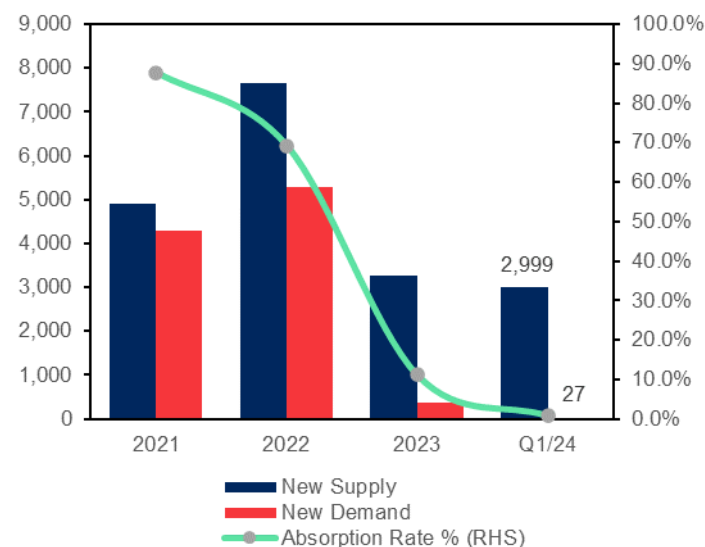
- A multitude of projects have had to suspend development due to legal complications, leading to a marked increase in unsold stock, while the flow of new supply has continuously dwindled. Demand for the resort real estate segment is at its lowest point in a decade, with absorption rates of 3.3% for resort villas/townhouses and 0.9% for resort shophouses. Primary sales prices have remained flat, as developers have persistently rolled out profit/revenue sharing commitments, interest rate subsidies, and debt moratoriums, yet liquidity has yet to see meaningful improvement.
- For the condotel market, the supply continues to be predominantly sourced from the existing inventory of older projects (accounting for over 98%), primarily due to ongoing legal issues. According to DKRA, overall market demand has recorded the lowest level in the past 5 years, with an absorption rate of only 1.3%, equivalent to a 35% year-over-year decline in sales volume. We believe this segment will remain depressed for an extended period, given the excessive development in recent years, as well as the fact that many projects are failing to continue delivering profits, with low operational efficiency, and investor confidence has been severely eroded.

**Resort Villa Supply, New Demand, and Absorption Rates**



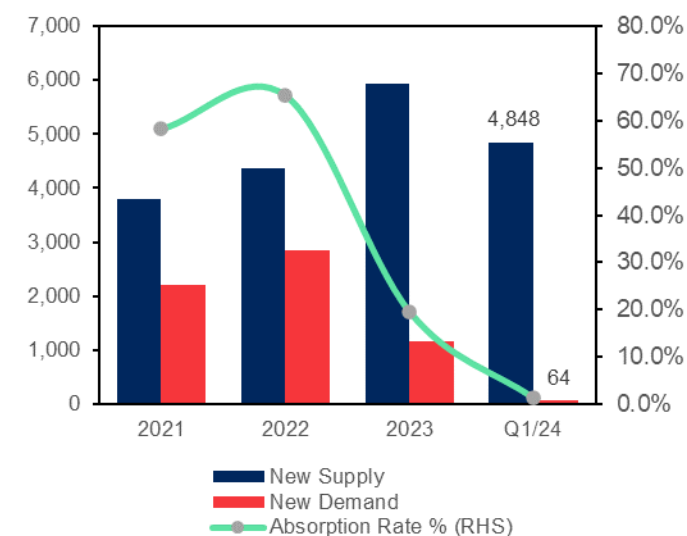
Source: DKRA, MBS Research

**Resort Shophouse Supply, New Demand, and Absorption Rates**



Source: DKRA, MBS Research

**Condotel Supply, New Demand, and Absorption Rates**



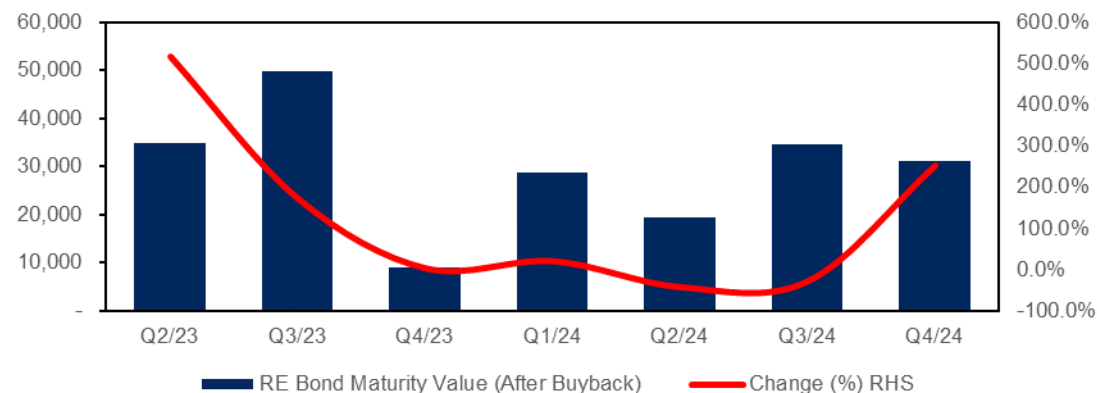
Source: DKRA, MBS Research



# Residential Property developers still face a multitude of challenges

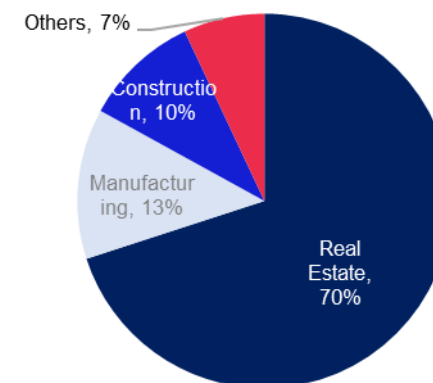
## Bond maturity pressures should not be overlooked

The maturing bond obligations of residential property developers will be concentrated in Q3/24



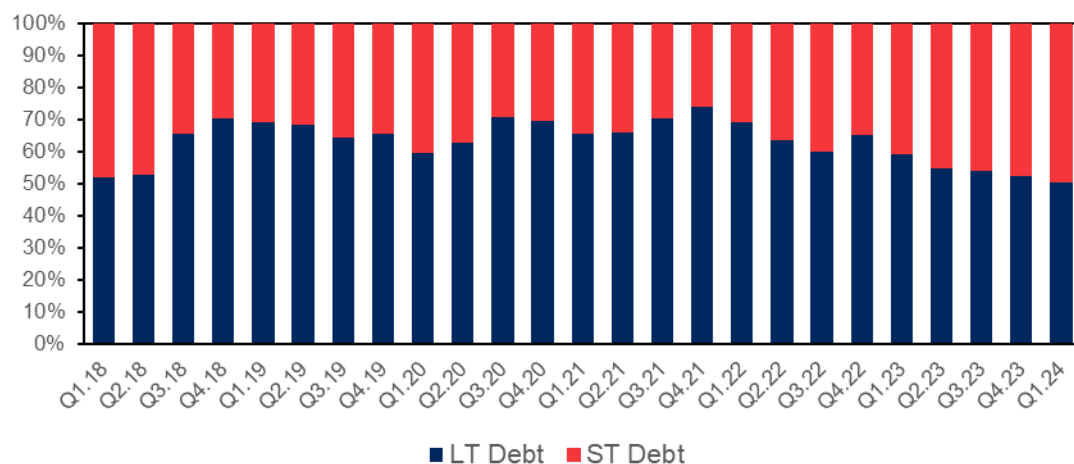
Source: MBS Research

The residential property sector continues to account for the largest share of delayed payments (~70% of the total delayed payment value).



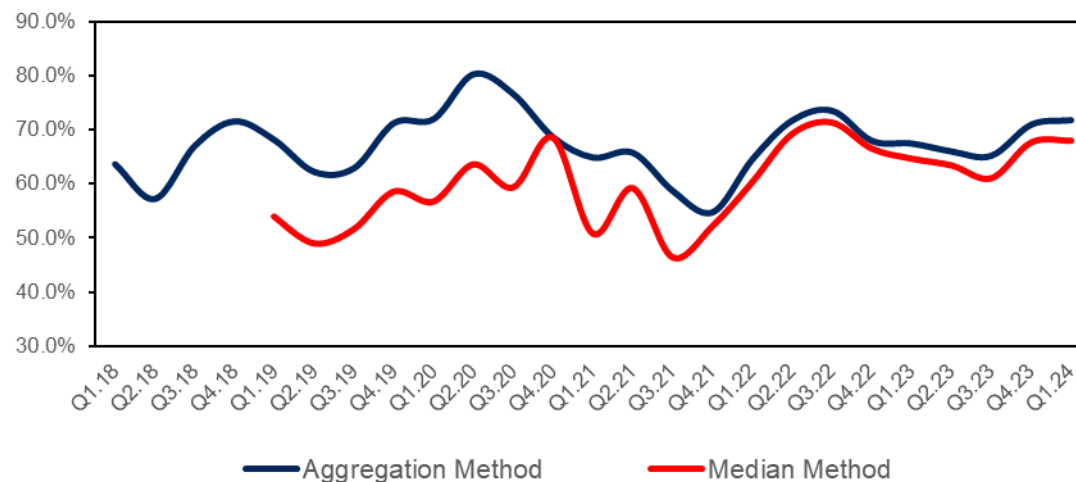
Source: MBS Research

## Short-term debt to total debt and long-term debt to total debt



Source: MBS Research

## Total debt to equity ratio indicating signs of Balance sheet expansion



Source: MBS Research

# Development Trends of the Residential Property sector in 2024



Activities related to capital restructuring and residential property project M&A are expected to be vibrant in 2024.

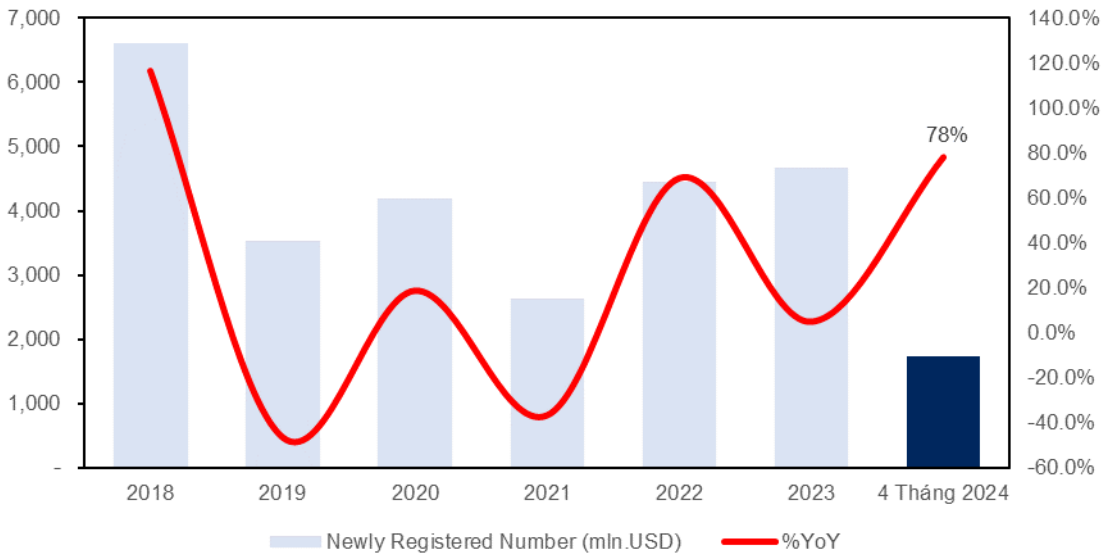
- We believe that capital raising via issuance will be one of the highlights for residential property developers in the remainder of 2024, as they aim to restructure debt, fulfill land-related financial obligations to the government, and cope with rising project development costs.
- Additionally, we expect M&A activity for residential property projects to also be an important trend in 2024 for the following reasons: (1) The financial health of many residential property developers remains weak, and they are unable to access capital, while project development costs will continue to rise as we have analyzed above (2) Interest rate volatility has significantly decreased and will make it easier for buyers to arrange financing to execute transactions in the future (3) The targets of M&A transactions will continue to be focused on projects with clear legal status, high quality, and significant development potential, according to our analysis.

## M&A, Joint venture highlights in 2023, 2024

Projects	Investor	Partners	Value
The One World urban zone	Kim Oanh Real Estate Corp	Sumitomo Forestry, Kumaga Gumi, NTT	1 Bn.USD
Tâm Lực Housing Complex (3.7 ha, located in Thủ Đức city)	Tâm Lực Real Estate Jsc	Gamuda	315.8 Mln.USD
Emeria (6ha) Clarita (5.8 ha) (Thủ Đức City)	Khang Điền	Keppel Land	150 Mln.USD
24-story Apartment building (District 8, TP.HCM)	Thuận Thành JSC	SkyWorld Development Berhad (Malaysia)	50.4 Mln.USD

Source: MBS Research

FDI inflows into RE have seen a strong increase in the first 4 months of the year.



Source: MPI, MBS Research

# Development Trends of the Residential Property sector in 2024



**Activities related to capital restructuring and residential property project M&A are expected to be vibrant in 2024.**

**Companies plan to raise capital in 2024, with upcoming issuance plans.**

Company	Issuance method	Additional capital	Expected timeline
NOVALAND Group Corp (NVL)	The company is offering 1.17 billion shares to its existing shareholders through a rights issue.	The company's charter capital may increase from 19,501 bn.VND to over 31,200 bn.VND.	Q2/24 to Q4/24
Khang Dien House Trading and Investment Jsc (KDH)	The company plans to issue 110.09 million shares through a private placement to 20 professional securities investors at a price of 27,250 VND per share, raising 3,000 billion VND, with the issuance expected to be carried out in 2024.	The company's charter capital may increase from 7,993.1 bn.VND to over 9,094 bn.VND.	The issuance is expected to take place in 2024, with the exact date to be determined by the Board of Directors after receiving approval from the State Securities Commission.
Development Investment Construction Jsc (DIG)	<p>The company is offering a rights issue to existing shareholders at a ratio of 1,000:327.94, corresponding to 200 million shares at a price of 15,000 VND per share.</p> <p>Additionally, the company plans to issue up to 150 million shares through a private placement to professional securities investors, with the minimum offer price set at 20,000 VND per share.</p>	The company's charter capital may increase from 6,099 bn.VND to over 9,599 bn.VND.	<p>For the rights issue, it is expected to take place in 2024.</p> <p>As for the private placement, it is anticipated to occur between 2024 and 2025.</p>
Dat Xanh Group JSC (DXG)	<p>The company is offering a rights issue of 150 million shares to existing shareholders at a minimum price of 12,000 VND per share, with a ratio of 24:5.</p> <p>Additionally, the company plans to issue 93.4 million shares through a private placement to professional securities investors at a minimum price of 18,600 VND per share.</p>	If both options are completed, DXG will be able to raise over 3,500 bn.VND, while also increasing its charter capital from more than 7,200 bn.VND to nearly 9,650 bn.VND.	It is expected to take place in 2024 or at a later date as determined by the Board of Directors after receiving approval from the State Securities Commission.
Phat Dat Real Estate Development JSC (PDR)	The company is offering a rights issue of 134.2 million shares to existing shareholders at a price of 10,000 VND per share.	The company's charter capital may increase from 7,388 bn.VND to over 8,730 bn.VND	It is expected to take place in 2024, after receiving approval from the State Securities Commission.

Source: Companies' Reports, MBS Research

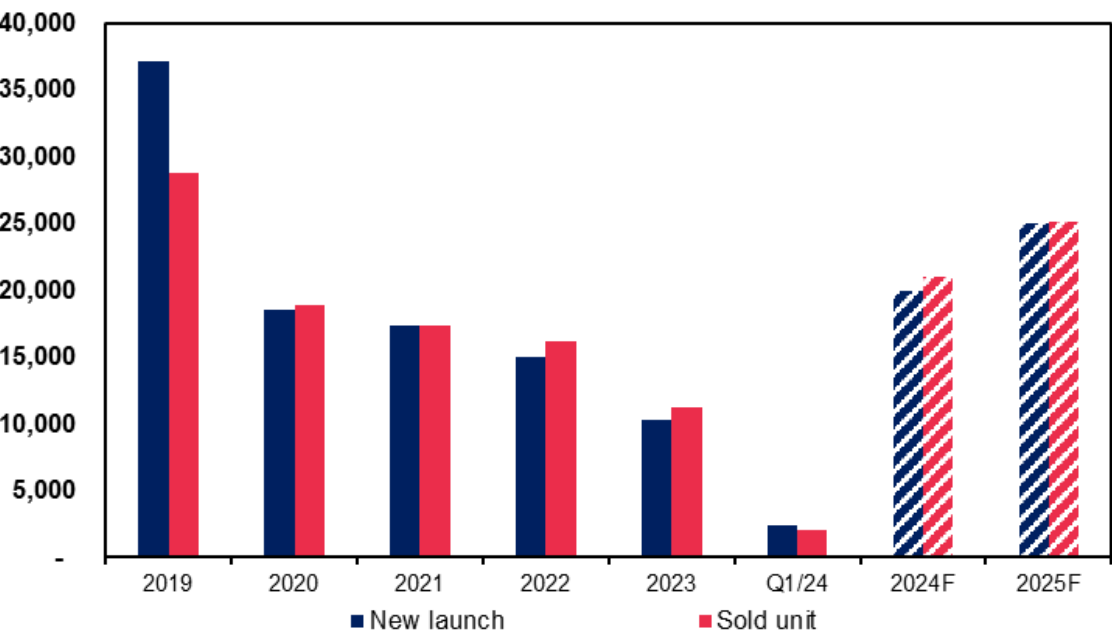
# Development Trends of the Residential Property sector in 2024



The supply of apartments is coming from the eastern and western regions as land in the city center becomes scarce

Against the backdrop of a sharp decline in central land reserves, the Eastern and Western regions are expected to be the primary contributors to apartment supply in 2024, thanks to the sub-zones within the two large-scale urban developments of Smart City and Ocean Park. Projects such as Canopy and The Lumi, which launched in Q1/24, have achieved absorption rates above 60% and seen price increases of nearly 15% compared to surrounding developments, indicating strong demand amid the current low-interest rate environment. The average selling price currently stands at 55 million VND/sqm (+9% YoY) as products catered towards end-users show signs of recovery, with the contribution of high-end offerings gradually increasing over the past 4 years.

## Apartment supply in Ha Noi



Source: MBS Research

## Apartment projects launched for sale in 2024 in Hanoi and the Northern region

Projects	Scale	Segment, expected selling price
Canopy Residences and Sola Park (Smart City urban zone)	6,000 apartments Investor: Vinhomes and GIC	Segment: High-end Selling price: 50 mln/m2
The Lumi Hanoi	2,400 apartments Investor: Capital Land Jsc	Segment: High-end Selling price: 65 mln/m2
BRG Lê Văn Lương	662 apartments Investor: BRG Corp	Segment: High-end Selling price: 60 mln/m2
Central Residence (Gamuda City)	2,600 apartments Investor: Gamuda Land	Segment: High-end Selling price: 45 mln/m2
The Zurich (Ocean Park urban zone)	2,200 apartments Investor: Nhà Từ Liêm JSC	Segment: High-end Selling price: 70 mln/m2

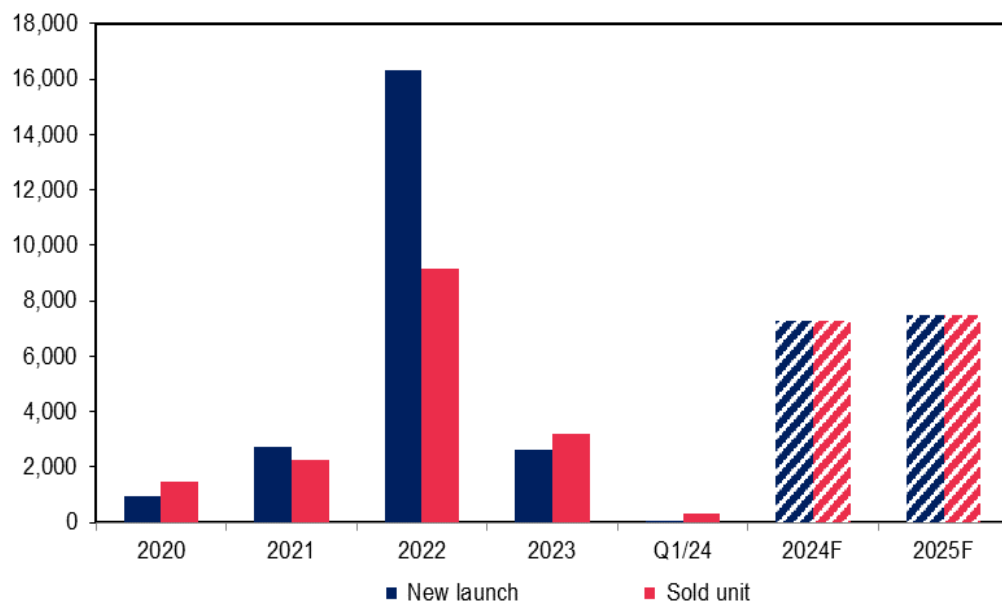
Source: batdongsan.com.vn, MBS Research

## Development Trends of the Residential Proeprty sector in 2024

**The supply of townhouses is coming from the Western region and adjacent areas such as Hai Phong City**

Similar to the apartment segment, the supply of low-rise houses is concentrated in the suburban areas rather than the central urban areas as before. The main contribution comes from the large-scale urban areas in the suburban regions such as Ocean Park and Vinhomes Vu Yen (accounting for approximately 85% of the supply in Hanoi). The remaining supply comes from smaller projects such as Charm Villa and Park City, which were launched in 2022 and are set to open for sale in Q1/24. Currently, some developers such as Hoang Huy Corporation (TCH) and Ha Do Group (HDG) are planning to launch their low-rise products in the second half of the year. We assess that businesses have become more optimistic compared to the end of 2023, as market demand in certain segments has recovered significantly, and lower interest rates will alleviate the financial burden for homebuyers.

### Low-rise supply in Ha Noi



Source: MBS Research

### Low-rise projects in 2024

Project	Scale	Segment, Expected selling price
Park City urban zone (Hà Đông)	100 townhouses and villas Investor: Vietnam international township development Jsc - VIDC	Segment: High-end Selling price: 150 Mln/m2
Dương Nội urban zone (Hà Đông)	150 villas Investor: Nam Cường Corp Jsc	Segment: High-end Selling price: 140 Mln/m2
Vinhomes Ocean Park 3	3,500 townhouses and villas Investor: Vinhomes	Segment: High-end Selling price: 100 Mln/m2
Hado Charm Villa (Hoài Đức)	100 townhouses and villas Investor: Hà Đô Corp JSC	Segment: Middle-end Selling price: 130 Mln/m2
Vinhomes Vũ Yên (Hải Phòng)	800 townhouses and villas Investor: Vinhomes Jsc	Segment: High-end Giá bán 120 Mln/m2
Hoàng Huy New City (Hải Phòng)	220 townhouses và 150 social housings Investor: Hoang Huy Finance Jsc	Segment: High-end Selling price: 85 Mln/m2

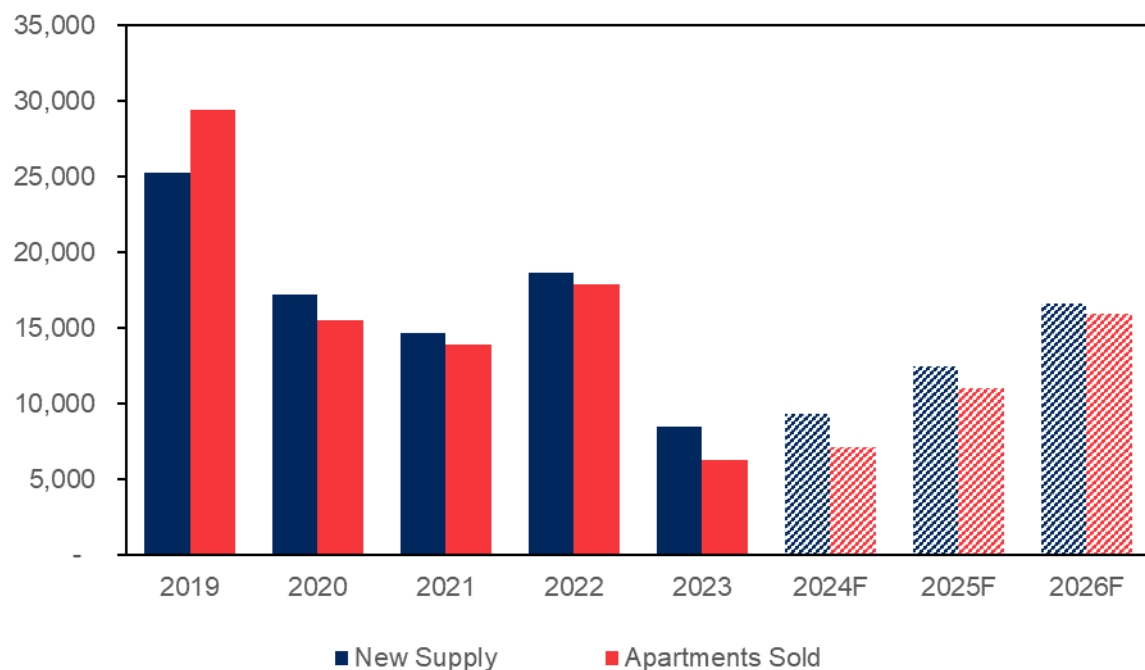
Source: batdongsan.com.vn, MBS Research

## Development Trends of the Residential Property sector in 2024

**High-end segment will continue to dominate the supply in HCM City, while mid-range supply will be more prevalent in the surrounding provinces**

According to CBRE's statistics, the new supply in Ho Chi Minh City is expected to be over 8,000 units. With this relatively limited supply, prices are expected to remain at high levels, with primary sales prices potentially increasing by 3% YoY. New projects in HCM City will mainly focus on the high-end segment, with the launch of developments such as Eaton Park and The Global City. As land in the inner city districts becomes increasingly scarce, new supply tends to concentrate in areas like the Eastern and Southern regions, as well as the city's periphery and neighboring provinces, in line with infrastructure development plans. These will be the areas that continue dominating the market going forward.

### Apartment supply in HCM



Source: CBRE, MBS Research

### Supply in HCM city and Southern region in 2024

Project	Scale	Segment, Expected selling price
Eaton Park (Thủ Đức city)	3.76 ha with 540 apartments Investor: Gamuda Land	Segment: High-end Selling price: 125 mln/m2
The Global City (District 2)	117.4 ha with 8,500 apartments Investor: Materise Homes	Segment: High-end Selling price: 125 mln/m2
Lotte Eco Smart City (District 2)	1,000 apartments Investor: Lotte Group	Segment: High-end Selling price: 200-300 mln/m2
Zeit river (District 2)	300 apartments Investor: GS E&C	Segment: High-end Selling price: 150 -200 mln/m2
Biên Hòa Universe Complex (Đồng Nai)	1,200 apartments Investor: Hưng Thịnh Corporation	Segment: Middle-end Selling price: 25 mln/m2
Sycamore (Bình Dương)	168 apartments Investor: Capitaland	Segment: High-end Selling price: 95 mln/m2

Source: batdongsan.com.vn, MBS Research

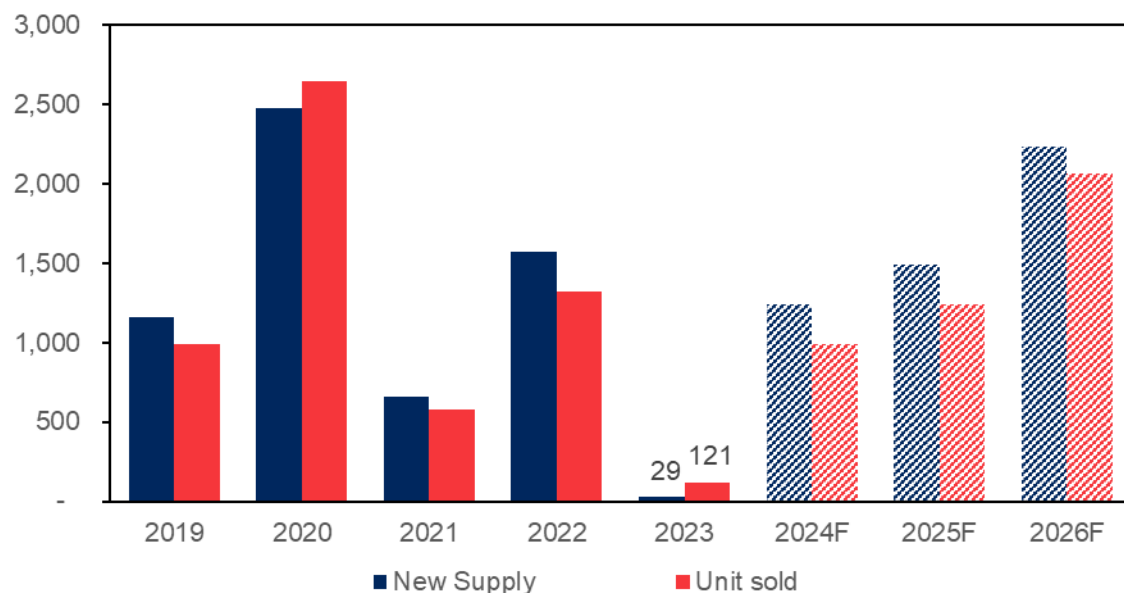


# Development Trends of the Residential Property sector in 2024

## The low-rise supply is concentrated in the Eastern and Southern regions of Ho Chi Minh City.

- With the goal of relieving pressure on the inner-city areas, Ho Chi Minh City aims to continue urbanizing into regions with lower population density, such as Thu Duc City and Nha Be District. Low-rise supply during the 2024-2025 period will still be primarily concentrated in Thu Duc City, benefiting from the rapid development of infrastructure projects like the expansion of the Ho Chi Minh City - Long Thanh - Dau Giay Expressway, Long Thanh Airport, Thu Thiem 4 Bridge, and Ring Road 3. Residential properties in satellite cities like Dong Nai and Binh Duong will also benefit from these projects, with larger supply available.
- For the remainder of 2024, the supply in Ho Chi Minh City will primarily come from the next phases of existing projects, with new developments accounting for only around one-third of the total, including notable projects like Foresta, The Meadow, and L'Arcade. The majority of future supply will be townhouses priced at over 20 billion VND. Given this segment's more speculative nature rather than being driven by end-user demand, we believe that the recent signs of rising interest rates and the limited supply preventing significant primary price declines will incentivize investors to deploy capital.

### Low-rise supply in HCM



Source: MBS Research

### Low-rise supply in HCM city and Southern region in 2024

Project	Scale	Segment, Expected selling price
Foresta (District 2)	5.77 ha with 159 villas Investor: Khang Điền and Keppel Land	Segment: High-end Selling price: 250 mln/m2
The Meadow (Binh Chánh)	5 ha with 212 townhouses, villas Investor: Gamuda Land	Segment: High-end Selling price: 70 mln/m2
L'Arcade (Phú Mỹ Hưng)	0.87 ha with 32 units Investor: Phú Mỹ hưng	Segment: High-end
Waterpoint (Long An)	355 ha Investor: Nam Long group	Segment: Middle-end Selling price: 36-58 mln/m2
Symlife Thuận An (Thuận An city, Bình Dương)	660 apartments Investor: Nam Hiệp Thành Company	Segment: Middle-end Selling price: 35 mln/ m2

Source: batdongsan.com.vn, MBS Research

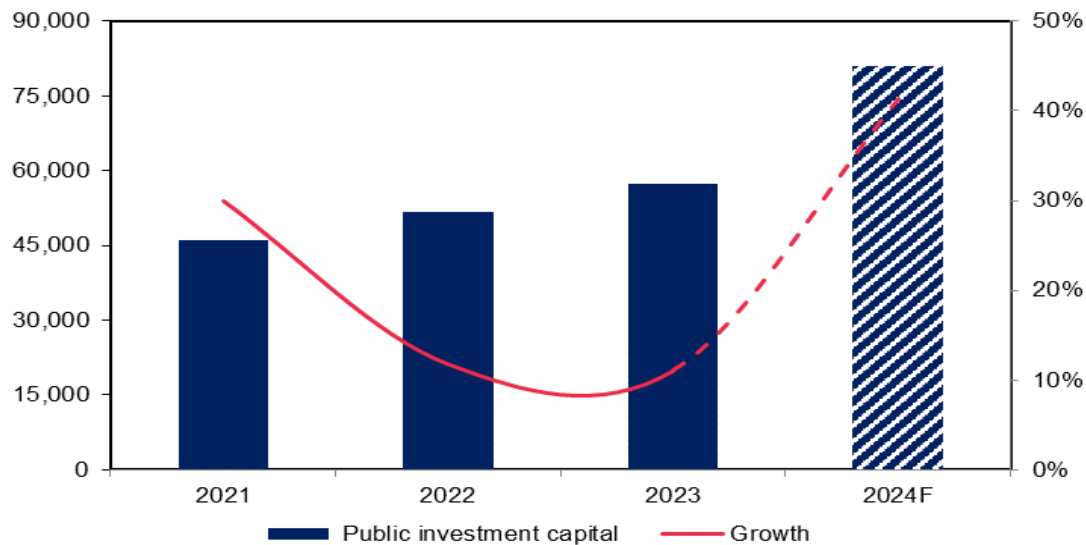
# Development Trends of the Residential Property sector in 2024



## Infrastructure plays a crucial part, especially to suburban area

- According to our assessment, the suburban urban areas will benefit from the strong investment in infrastructure. In the 2021-2025 period, Hanoi's total public investment is expected to increase by 36% to 340,153 billion VND compared to the 2016-2020 period. This year's public investment is significantly contributed by key transportation projects such as Ring Road 4 and Ring Road 3.5, aimed at connecting the central area to the Eastern, Western Hanoi and neighboring provinces. We believe that infrastructure development will help enhance the advantages of the large-scale suburban urban areas compared to the central areas, by reducing travel time between different regions.
- In 2024, Ho Chi Minh City will prioritize the implementation of 59 transportation projects with a total budget of 231 trillion VND, equivalent to \$9.4 billion. Robust and coordinated investment in transportation infrastructure will help alleviate the pressure on the inner-city areas. Flagship projects such as the Long Thanh Airport (Dong Nai) and the Bien Hoa - Vung Tau Expressway will create promising prospects for residential property developments in Southern provinces like Vung Tau, Dong Nai, Binh Duong, and Binh Phuoc.

### Public Investment Disbursement of Hanoi



Source: MBS Research

### Notable infrastructure investment projects in the Southern region.

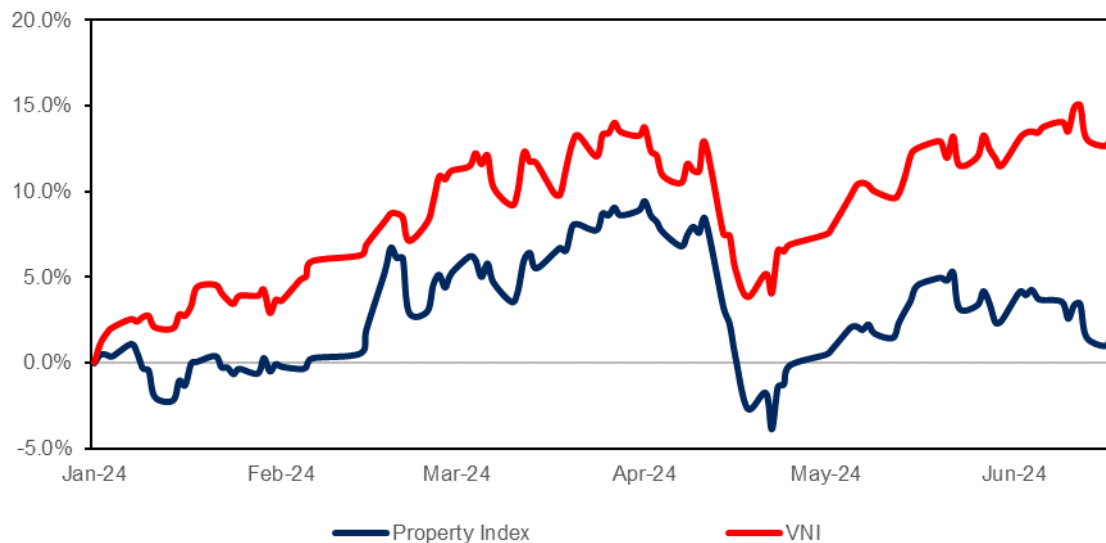
Projects	Total Inv. (Bn.VND)	Commence ment date	Completi on
HCMC - Mộc Bài (Tây Ninh) Expressway	20,100	05/25	12/27
HCMC - Chơn Thành (Bình Phước) Expressway	1,940	2023	2027
HCMC - Long Thành - Dầu Giây Expressway	2,350	09/23	2025
HCMC - Trung Lương Expressway access roads expansion	1,037	2023	2025
National route 13 expansion (Bình Phước - Bình Triệu Bridge Crossroads)	13,851	2025	2027
HCM - Mộc Bài (Tây Ninh) Expressway	20,100	05/25	12/27
HCM - Chơn Thành (Bình Phước) Expressway	1,940	2023	2027

Source: HCM City People's Committee, HCMC Department of Transport, MBS Research

## We believe an imminent re-rating is probable in the upcoming period

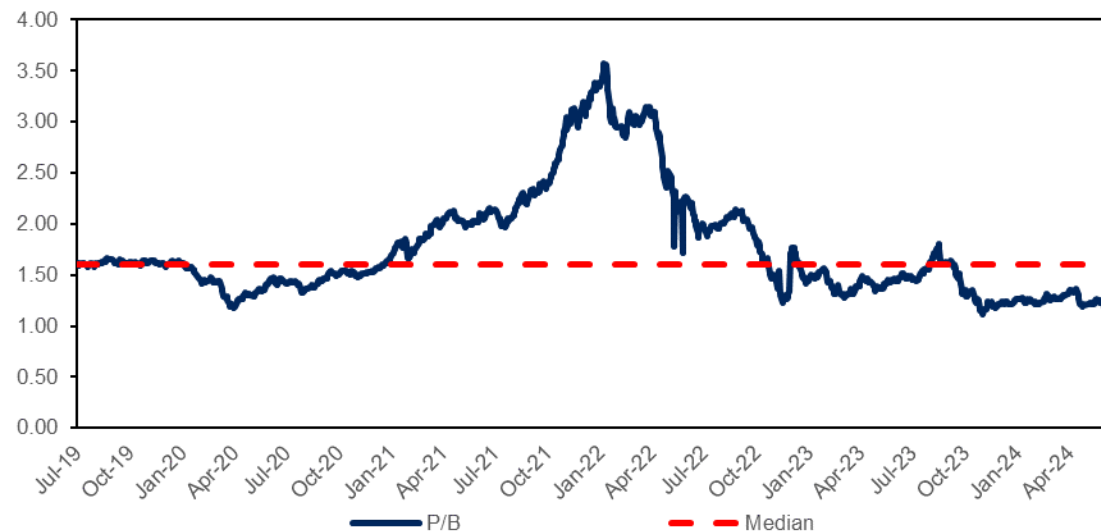
- To date, the Residential Property sector has significantly lagged behind the VN Index, with respective YTD gains of 1.4% and 13.1%.
- The current price-to-book ratio of the Residential property group stands at 1.16 times, lower than the 5-year median of 1.60 times.
- We believe that with the Residential property sector currently trading at relatively low valuations and the industry outlook showing more positive signals, the market is likely to seek out leading sectors with compelling narratives, appropriate risk-reward ratios in the near future. We do not rule out the possibility of a re-rating of residential property stocks to bring the group to more reasonable valuations.

### Property Index has been lagging compared to VNI (YTD)



Source: Fiinpro, MBS Research

### Valuation of Residential Property Index is below 5-year median



Source: Fiinpro, MBS Research

## 2024 – 2025 forecasts summary of stocks under our coverage

Bn.VND	KDH			NLG			DXG		
	2023	2024	2025	2023	2024	2025	2023	2024	2025
Revenue	2,088	4,249	4,832	3,181	6,303	5,902	3,725	3,745	4,460
% YoY	-28.3%	103.5%	13.7%	-26.8%	97.6%	-6.1%	-32.4%	0.5%	19.1%
Gross profit	1,587	1,844	2,621	1,562	2,736	2,652	1,710	1,975	2,420
GPM (%)	76.0%	43.4%	54.2%	49.1%	43.4%	44.9%	45.9%	52.7%	54.3%
EBIT	1,220	1,232	1,998	582	1,100	1,074	734	712	712
EBIT margin (%)				18.2%	24.1%	25.0%			
NPAT	743	808	832	484	547	576	172	234	440
% YoY	-30.0%	12.9%	3.0%	-13.2%	7.1%	11.1%	-20.0%	36.2%	88.1%
EPS (VND/share)	840	808	833	1,257	1,178	1,240	281	328	617
BVPS (VND/share)	16,828	17,440	18,273	35,170	31,200	29,900	15,370	15,219	15,836
Net cash/share (VND/share)	4,666	1,786	3,368	1,394	1,130	1,281	451	1,549	573
Debt/Equity	0.4	0.4	0.4	0.4	0.4	0.4	1.1	1	1
Dividend ratio (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
ROAE (%)	5.7%	5.2%	4.7%	5.2%	5.5%	6.0%	1.9%	2.3%	4.0%
ROAA (%)	3.0%	3.0%	5.0%	1.7%	2.0%	2.1%	0.7%	0.9%	1.7%

• Source: Companies, MBS Research

## We prefer KDH and DXG

Stock	Rating	Target price	Investment Thesis
KDH	<b>ADD</b>	43,000	<p>The Privia project (1,000 apartments) achieved an absorption rate exceeding 85% during the final sales launch in late 2023, which would be the growth driver for net profit in 2024. Net profit is expected to reach 832 billion VND (+3.0% YoY) when the entire project is expected to be handed over in Q4/24.</p> <p>The company maintains a healthy financial structure, with a net debt to total assets ratio of 19.5%, which is significantly lower than the industry average of around 37.3%.</p>
DXG	<b>ADD</b>	25,100	<p>The Land Law 2024, once enacted, is expected to help clarify issues related to land use fee determination. We anticipate the new changes in the law will expedite the legal implementation process for the strategic Gem Riverside project (3,000 high-end apartments). Net profit in 2024 is projected to increase by 36.2% YoY, driven by the continued handover of the Gem Sky World project and the remaining portion of Opal Skyline. Once the Long Thanh Airport is completed, there will be a significant influx of passengers transiting through this area, benefiting surrounding projects, such as the low-rise Gem Sky World development, which is only about a 30-minute drive to the airport.</p> <p>The stock currently has significant upside potential (+46.8%).</p>
NLG	<b>HOLD</b>	45,000	<p>The rollout of mid-tier apartment projects has achieved high absorption rates exceeding 70% amid supply shortages. In 2024, NLG will focus on developing this product segment by launching subsequent phases of the Southgate, Mizuki, and Akari projects, comprising approximately 800 apartments and 200 low-rise units. Pre-sales are expected to reach around 8,700 billion VND (+8% YoY). Net profit is projected to grow 13% YoY to 548 billion VND, driven by the handover of sold units from the Izumi 1A1, Mizuki, and Southgate phases, totaling around 220 townhouses and 500 apartments.</p> <p>The company maintains a healthy financial structure, with a debt-to-total assets ratio of 30%, which is lower than the industry average of 45%, and it does not face bond debt pressures.</p>

## We prefer KDH and DXG

Stock	Rating	Target price	Investment Thesis
TCH	N/A	N/A	<p>The Hoang Huy Commerce project (4,010 apartments) has successfully sold 90% of its units since late 2022, becoming a key driver of the company's profit growth in 2024. TCH is expected to complete the handover of this entire project in 2024, resulting in a projected 220% YoY increase in net profit.</p> <p>Currently, TCH's landbank is poised to benefit significantly as the city of Hai Phong accelerates infrastructure investment. The ongoing Hoang Huy New City Phase 1 project (200 townhouses) is set to capitalize on its location along the extended Do Muoi road, which connects the VSIP industrial zone to the city center. Sales prices are anticipated to rise by 20% due to the benefits of this new thoroughfare.</p> <p>Furthermore, approximately 90% of TCH's landbank is located in the Thuy Nguyen district, which has been approved for city status by 2025. This will further enhance the value of TCH's landbank as infrastructure development continues to be prioritized in this area.</p>
VHM	N/A	N/A	<p>In Q1/24, VHM recorded underwhelming financial results, with revenue reaching VND 8,200 billion (-72% YoY), 50% of which came from the handover of Ocean Park 1,2, Smart City, and Grand Park projects. Pre-tax profit stood at VND 1,416 billion (-91% YoY).</p> <p>VHM is poised to continue developing large-scale urban projects in satellite cities, such as Vinhomes Vu Yen (Thuy Nguyen, Hai Phong) and Vinhomes Co Loa (Dong Anh, Hanoi).</p> <p>The group owns a vast land bank, accumulated over the years through various means. Prominent projects like Wonder Park and Co Loa have completed site clearance and site preparation, while the Vu Yen project has commenced sales at the end of Q1. Given VHM's strong reputation and robust legal capabilities, we believe the company will continue to be a leading residential property developer in the future.</p>



Peer Comparison

Company	Ticker	Market price	Target price	Mar Cap	Rec	P/E (x)		P/B (x)		ROA (%)		ROE (%)	
	BB	VND	VND	(Mn USD)		2024	2025	2024	2025	2024	2025	2024	2025
Vinhomes Jsc	VHM VN	37,450	N/A	6,407	Not rated	5.4	4.6	0.8	0.7	6.4	6.8	16.0	15.8
NOVALAND Group Jsc	NVL VN	13,300	N/A	1,019	Not rated	62.6	NA	0.7	0.8	0.2	NA	-3.8	-6.4
KhaDiHouse Jsc	KDH VN	36,650	43,000	1,151	Add	33.3	30.7	1.9	1.9	3.8	4.6	6.5	7.6
Hoang Huy Investment Financial Services Jsc	TCH VN	19,600	N/A	515	Not rated	17.6	NA	1.5	NA	5.2	NA	8.6	NA
Nam Long Investment Jsc	NLG VN	40,750	45,000	616	Hold	29.0	24.6	1.6	1.6	2.8	3.0	6.1	6.7
Phat Dat RE Development JSC	PDR VN	24,200	N/A	830	Not rated	36.4	15.6	1.8	1.7	3.3	8.5	5.6	12.0
Dat Xanh Group	DXG VN	16,050	25,100	453	Add	69.3	41.1	1.1	1.1	1.2	1.4	2.1	2.5
Average						36.2	23.3	1.3	1.6	3.3	4.9	5.9	6.4



# Industrial Park

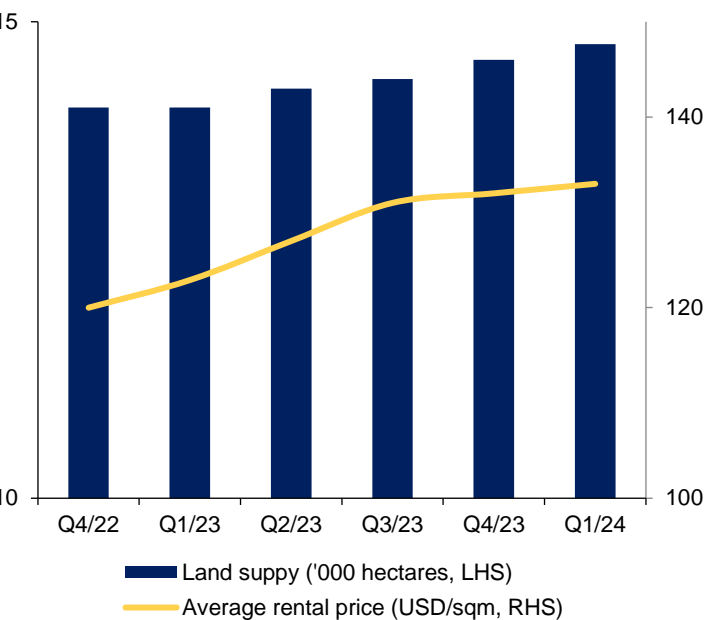
## Benefits coupled with challenges

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Vietnam Strategy 2H2024

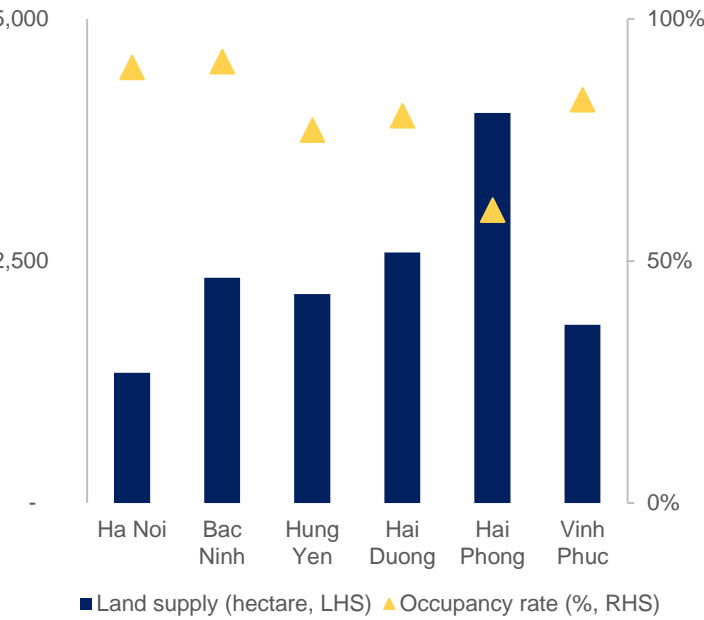
Northern industrial land market: Rental land price continued to increase

Industrial land supply and rental price



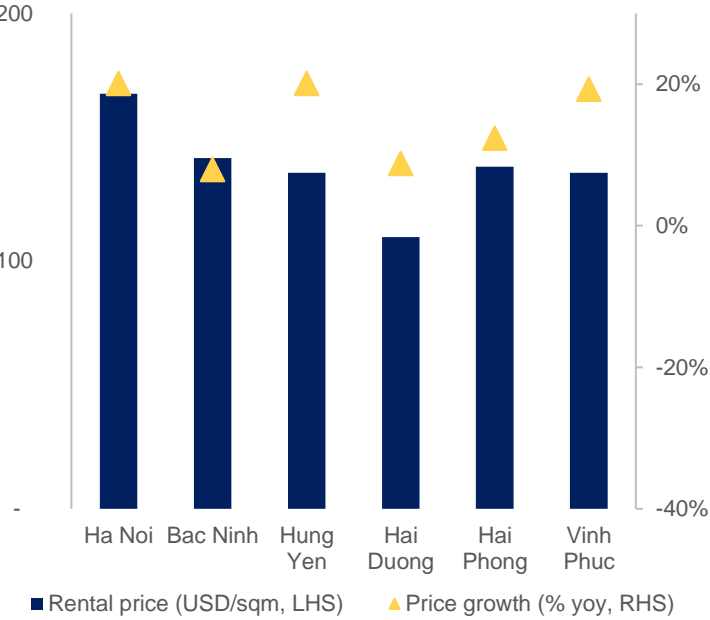
(Source: Cushman & Wakefield, CBRE)

Land supply and occupancy rate by province



(Source: MBS Research)

Rental price growth by province



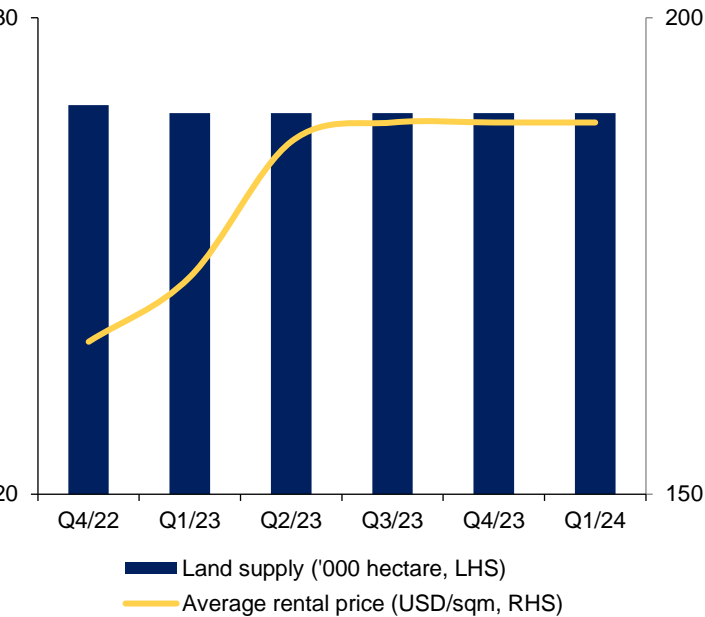
(Source: MBS Research)

According to the CBRE, in the first quarter of 2024, rental land prices in Tier-1 markets experienced a slight increase of 1.2% qoq and 7.8% yoy, averaging at US\$133/sqm/remaining term due to the absence of new industrial park during the quarter and the continuous attraction of new tenants to existing industrial park in Tier-1 markets. The occupancy rate increased by 1.3 pts, reaching 83%. The absorption area reached nearly 110 hectares during the quarter. Over the next three years, the rental land prices for industrial land in the North may increase by 3-9% per year. As Vietnam has enhanced its diplomatic relations with major economies recently, the country's economy in general, and its manufacturing and industrial real estate sectors, will benefit and continue to develop.

Note: Tier-1 markets include Ha Noi, Bac Ninh, Hung Yen, Hai Duong, Hai Phong. Tier-2 markets include Thai Nguyen, Vinh Phuc, Bac Giang, Quang Ninh, Ha Nam and Thai Binh.

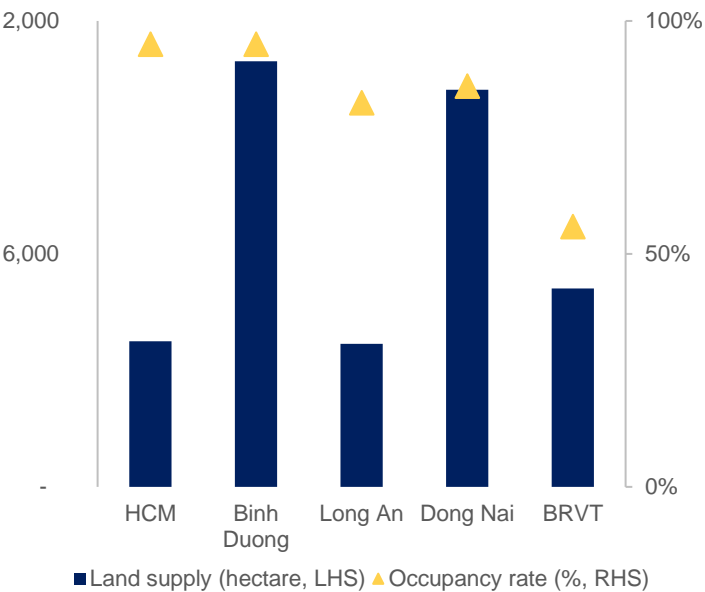
Southern industrial land market: Rental land price remained stable

Industrial land supply and rental price



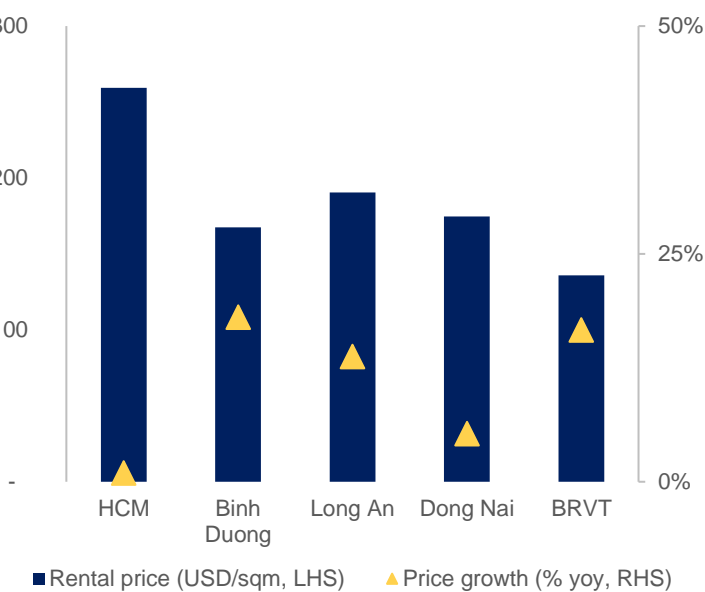
(Source: Cushman&Wakefield, CBRE)

Land supply and occupancy rate by province



(Source: MBS Research)

Rental land price growth by province



(Source: MBS Research)

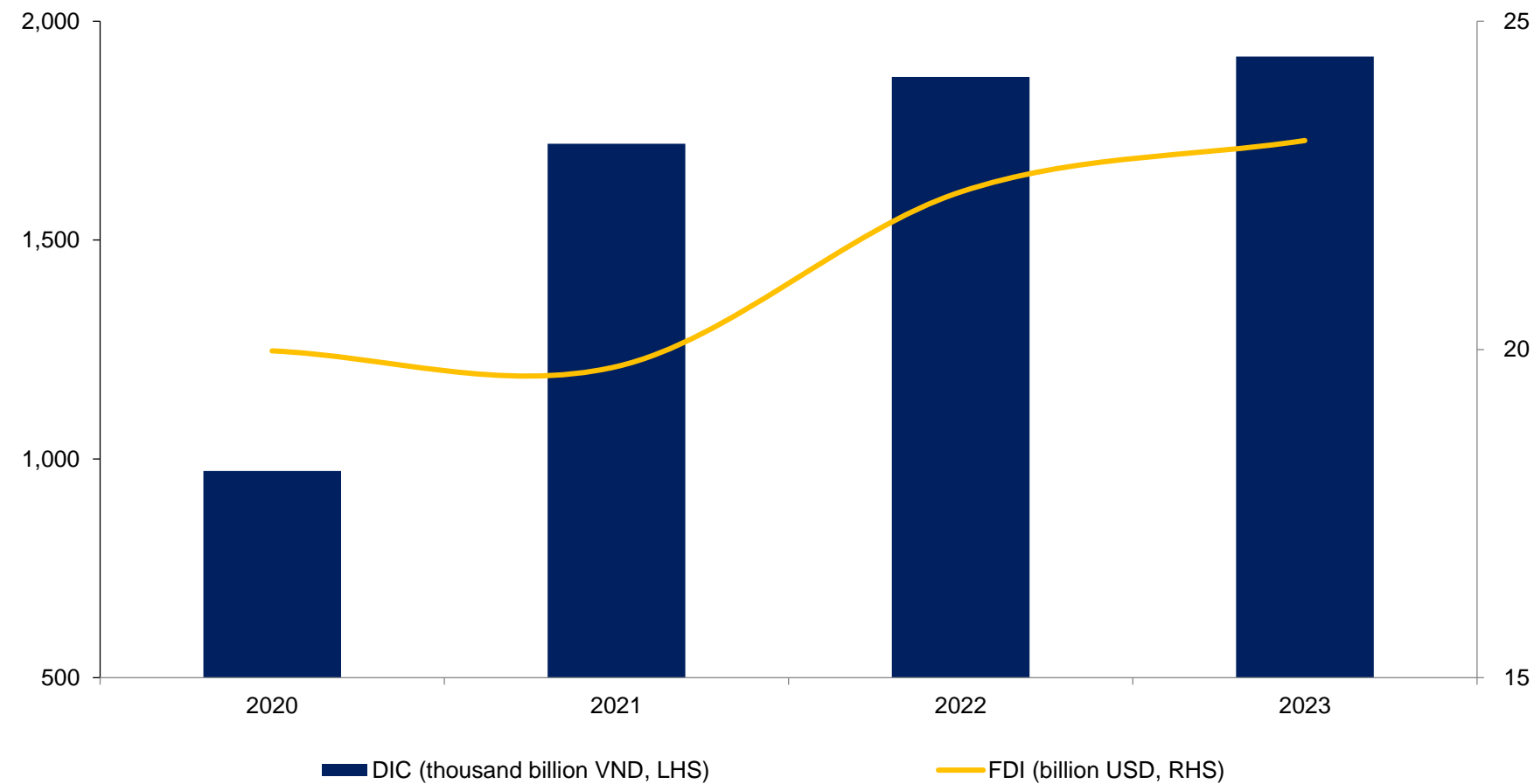
According to the CBRE, in the first quarter of 2024, rental land prices in Tier-1 markets remained stable at US\$189/sqm/remaining term, showing a yoy growth of 2.4%. Due to relatively limited industrial land availability, the occupancy rate remained stable at 92%, with an absorption area of just over 20 hectares. Domestic and foreign manufacturers tend to expand to Tier-2 markets such as Ba Ria – Vung Tau and Tay Ninh, where industrial land supply is relatively abundant and rental land prices are more competitive compared to Tier-1 markets.

Note: Tier-1 markets include Ho Chi Minh City, Binh Duong, Dong Nai and Long An. Tier-2 markets include Ba Ria – Vung Tau, Binh Thuan, Binh Phuoc and Tay Ninh.

Higher industrial land demand due to investment capital increasing

According to General Statistics Office of Vietnam, in 2023, domestic investment capital excepting for the Government (DIC) reached 1,919 thousand billion VND +2.7% yoy.

According to Ministry of Planning and Investment, in 2023, the total registered FDI in Vietnam reached nearly 36.61 billion USD, marking a substantial 32.1% increase from the same period the previous year. Additionally, the realized capital of foreign-invested projects reached approximately \$23.18 billion, a 3.5% increase compared to 2022 and setting a record-high disbursement level.



(Source: MPI, GSO Vietnam)

# 2H24 sector outlook



According to TMS Consultancy, in the first five months of 2024, 65% of foreign companies have established their production bases in the Northern region, while 30% are situated in the Southern region, and small percentage in the Central region. The Northern region hosts numerous large-scale and well-known enterprises, including Compal, Foxconn, Samsung, Meiko and Intel. In the South, key industrial parks in Dong Nai and Binh Duong also accommodate significant foreign investment.

Enterprise	Location	Time	Scale	Total investment	IP
Suntory PepsiCo Vietnam Beverage	Long An	April, 2024	20 ha	300 million USD	Huu Thanh IP
Vina Evergreen	Hai Duong	April, 2024	1 ha	10 million USD	VSIP Hai Duong
Jehong Textile Vietnam	Ha Nam	March, 2024	3.06 ha	6 million USD	Aurora IP
Pegavision Corporation	Thai Binh	March, 2024	10 ha	200 million USD	Lien Ha Thai IP - Thai Binh
TA-I Technology	Hai Duong	March, 2024	2.5 ha	10 million USD	An Phat 1 IP
EON Industry Vietnam	Thua Thien Hue	March, 2024	6.1 ha	12 million USD	Gilimex IP
BOE Technology Group	Ba Ria - Vung Tau	April, 2024	Unpublished	275 million USD	Phu My 3 IP
SEAH M&S Vietnam	Ba Ria - Vung Tau	March, 2024	6 ha	35.3 million USD	Phu My 3 IP
Tamagawa	Quang Ninh	May, 2024	6.27 ha	35 million USD	Song Khoai IP
Pandora	Binh Duong	May, 2024	Unpublished	150 million USD	VSIP III IP

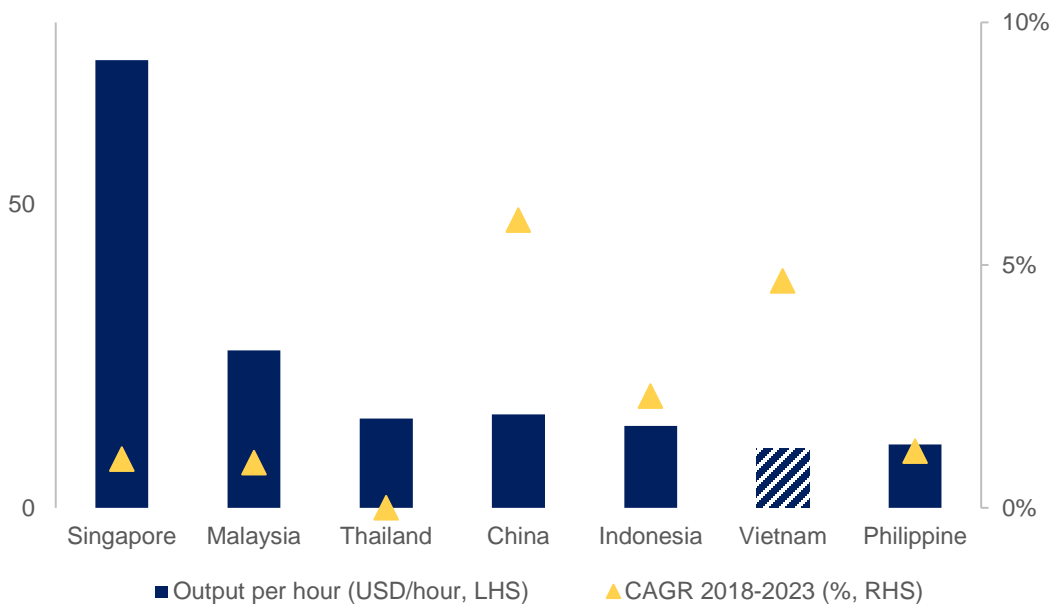
(Source: TMS Consultancy)



We think Vietnam is still one of the most favourable destination of FDI capital following to the China +1 strategy

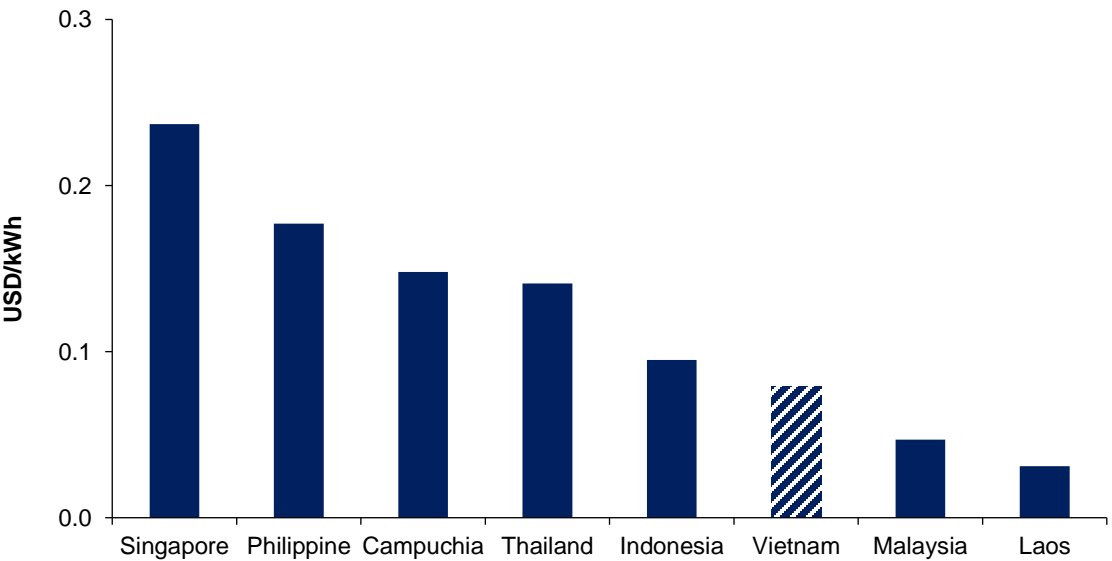
- As of May 2024, total registered FDI and implemented FDI in Vietnam had reached 11.07 billion USD (+2.0% yoy) and 8.25 billion USD (+7.8% yoy). It is the highest rate recorded in condition of difficult world economy and many countries tightening their monetary policies. We expect that FDI capital in Vietnam continues increasing due to:
  - ✓ Effective FTAs in recent years (RCEP, EVFTA, CPTPP...)
  - ✓ Improved labour productivity
  - ✓ Low electricity cost
  - ✓ Built infrastructure system

Labour productivity



(Source: International Labour Organization, MBS Research)

Electricity cost

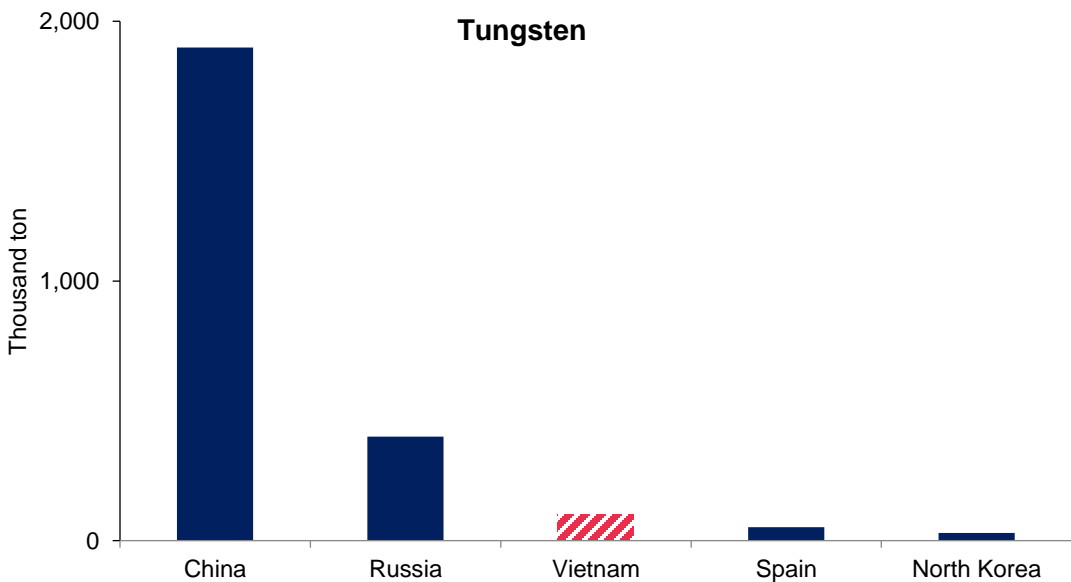
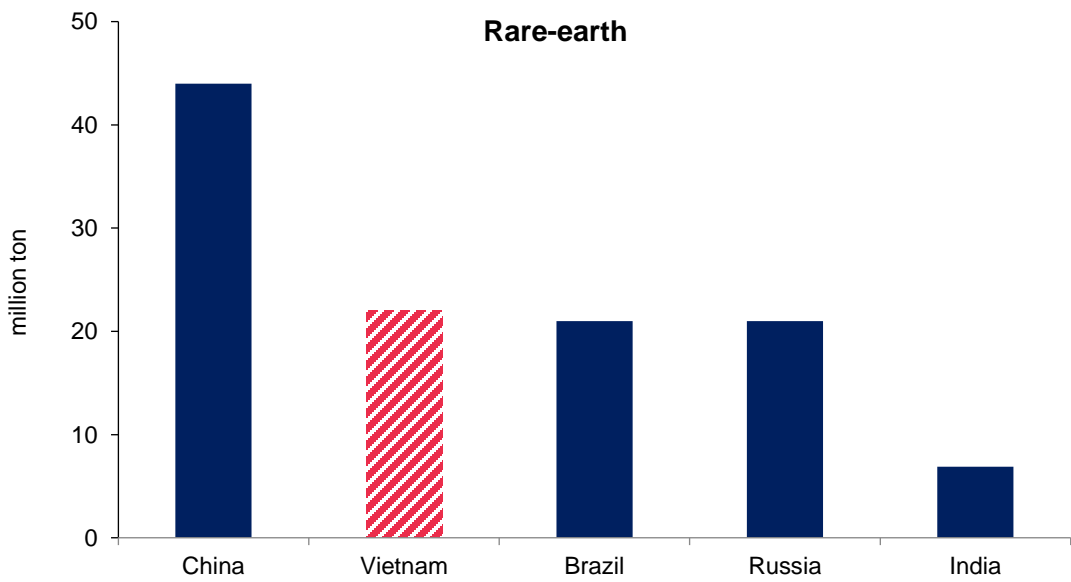


(Source: Global Petro Prices, MBS Research)

Upgrading US-Vietnam diplomatic relation as a comprehensive strategic partnership will prompt US investment in high-tech sectors in Vietnam

United States is one of the most leading high-tech countries in the world. US companies invest in other nations about 200-300 billion USD yearly, but US investment in Vietnam is just 1 billion USD. After upgrading US-Vietnam diplomatic relation as a comprehensive strategic partnership, we hope US investment capital in Vietnam will increase rapidly due to Vietnam having the large rare-earth and tungsten reserves for high-tech development. They are two indispensable elements for high-tech sectors such as energy, military, astronomy, traffic. Vietnam has the second largest rare-earth reserve (22 million tons) and the third largest tungsten reserve (100 thousand tons).

Top 5 countries having the largest rare-earth and tungsten reserves in the world



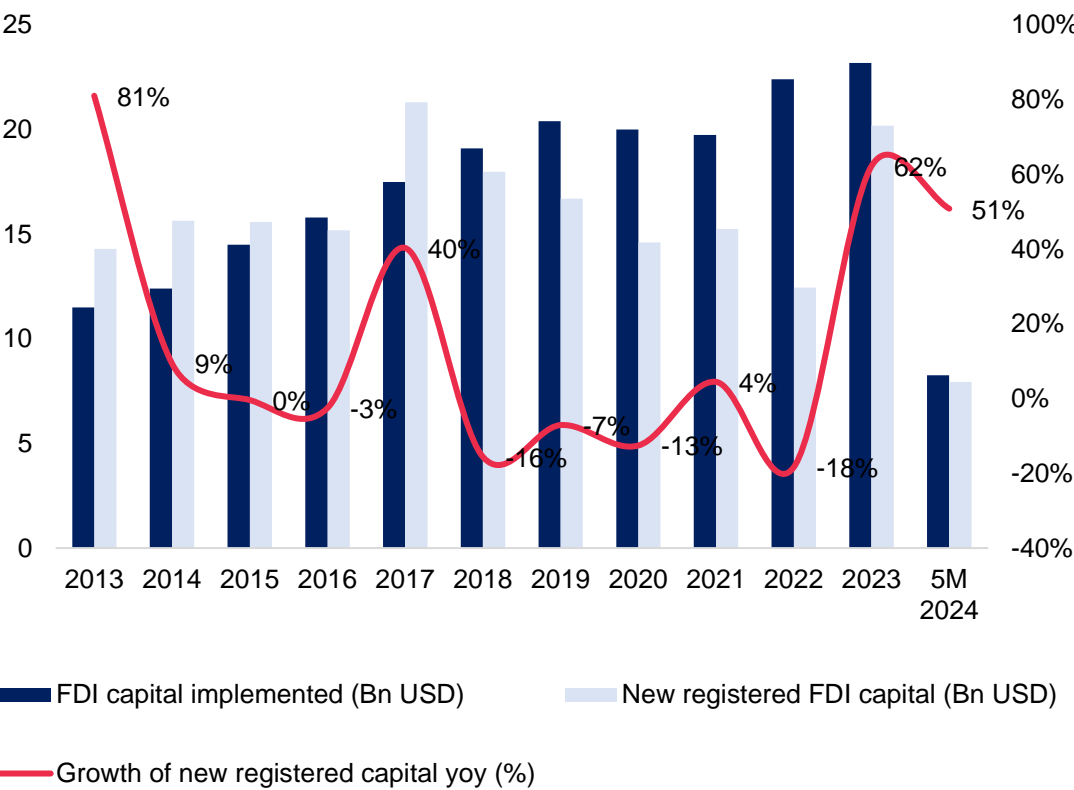
(Source: USGS, MBS Research)

# 2H24 sector outlook



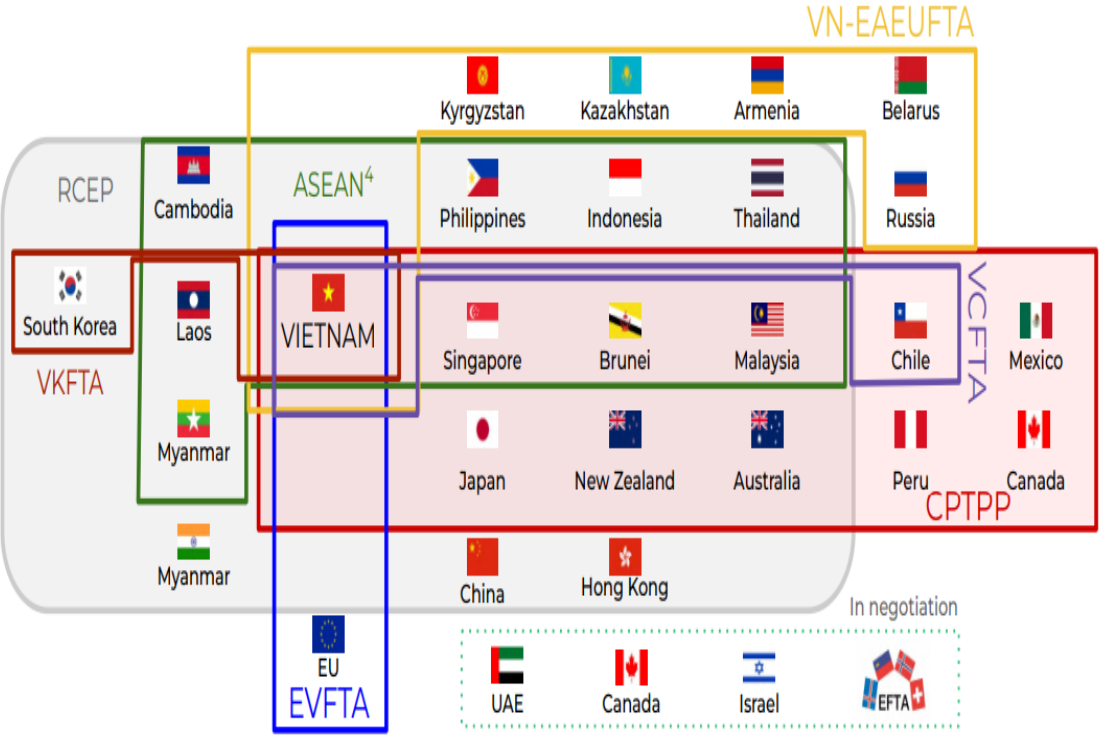
Vietnam is the top destination for foreign enterprises who are moving away from China thanks to its strategic position in the supply chain and its openness in both economic and political spheres.

## Newly registered FDI inflow in 2023-2024 accelerated despite exchange rate risk



Source: GSO, MBS Research

## Vietnam is affirming its position in global trade through forming numerous strategic alliances and free trade agreements (FTAs)



Source: Ministry of Planning & Investment (MPI), MBS Research

## 2H24 sector outlook

### New industrial parks

#### Northern region

Industrial Park	Location	Area	Developer
My Thuan	Nam Dinh	158.4 ha	Dai Phong
Deep C II	Quang Ninh	1,193 ha	Bac Tien Phong
Industrial Center YP2C	Bac Ninh	13.6 ha	GELEX and Frasers Property
Hightech 2 Hoa Lac	Ha Noi	277 ha	Vinaconex
Gia Binh II	Bac Ninh	250 ha	Hanaka Group
Song Lo II	Vinh Phuc	165.65 ha	VPID
SHI IP Tam Duong	Vinh Phuc	162.33 ha	Son Ha Group

(Source: MBS Research)

#### Central region

Industrial Park	Location	Area	Developer
Becamex VSIP Binh Dinh	Binh Dinh	1,374 ha	Becamex IDC and VSIP
VSIP II Quang Ngai	Quang Ngai	497.7 ha	VSIP
Son My I	Binh Thuan	1,070 ha	IPICO
Gilimex	Thua Thien Hue	460,85 ha	Gilimex
Hoang Mai II	Nghe An	343,69 ha	Hoang Thinh Dat
Bac Thach Ha	Ha Tinh	190,41 ha	VSIP

(Source: MBS Research)

#### Southern region

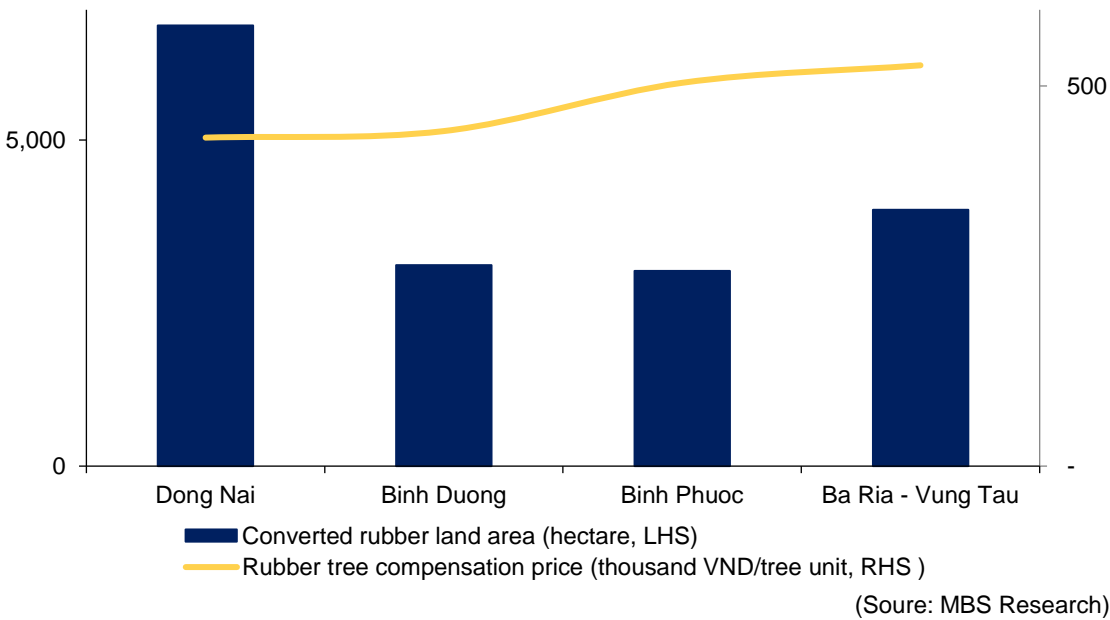
Industrial Park	Location	Area	Developer
VSIP III Binh Duong	Binh Duong	1,000 ha	VSIP
Duc Hoa III	Long An	190,41 ha	Slico Long An
Long Duc III	Dong Nai	244.5 ha	Long Duc III
Bau Hiep Can-Tan	Dong Nai	2,627 ha	Tan Hiep
Xuan Que-Song Nhan	Dong Nai	3,595 ha	Xuan Que
Pham Van Hai I&II	HCM City	668 ha	Not determined
DNN - Tan Phu	Long An	262 ha	DNN Tan Phu
Phuoc Dong	Long An	128.88 ha	IMG Phuoc Dong
VSIP Can Tho	Can Tho	293.7 ha	VSIP
Amata City Long Thanh	Dong Nai	410.31 ha	Amata Long Thanh

In the period of 2024-26, industrial land supply has reached nearly 15,000 ha with 23 new industrial parks (7 parks in the North, 10 parks in the South and 6 parks in the Central region). We realize that the market is evenly not developed, mainly concentrating on Bac Ninh, Vinh Phuc, Quang Ninh, Binh Duong and Dong Nai.

## Converting rubber land into industrial land in the South

- In the period of 2021-2030, industrial land supply in the Southern region has been from rubber land. Converting rubber land into industrial land makes new land supply in condition that occupancy rate in the Southern industrial markets are at the high level, such as Binh Duong rate at 95%, Dong Nai rate at 86%.
- Some advantages of rubber land conversion are large land area, quick land clearing and low cost. But, there are many disadvantages to attract FDI investment capital: (1) unfavorable geographic location far from large cities, airports, seaports (2) unsynchronized infrastructure system making costs increase (3) higher rubber consumption demand decelerating the conversion.
- Revised Land Law is expected to reduce land compensation procedure, but land compensation cost would increase more than before.
- Enterprises with potential from converting rubber land into industrial land are GVR, DPR, PHR.

## Rubber land area and compensation cost

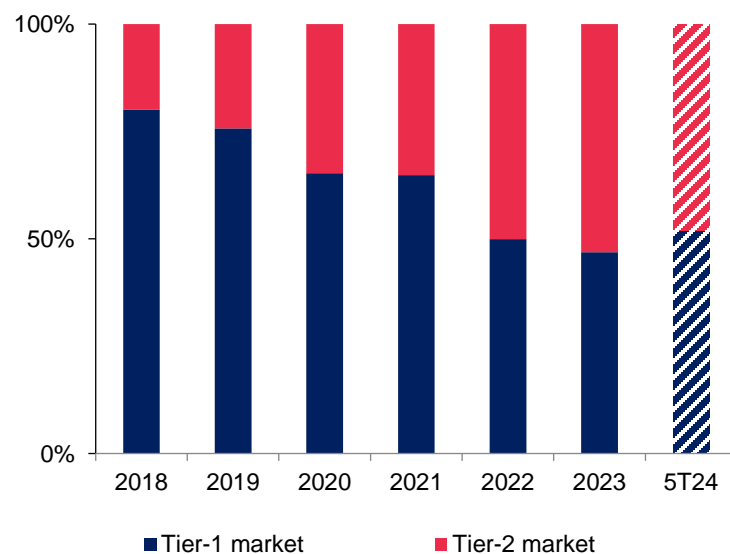


## Some IPs converted from rubber land

Industrial park	Location	Area (hectare)	Developer
Minh Hung III expanding	Binh Phuoc	578	Binh Long Rubber
Bac Dong Phu expanding	Binh Phuoc	317	Bac Dong Phu IP
Nam Dong Phu expanding	Binh Phuoc	480	Bac Dong Phu IP
VSIP III	Binh Duong	1,000	VSIP
Tan Lap I	Binh Duong	202	Phuoc Hoa Rubber
Rach Bap expanding	Binh Duong	639	An Dien TP
Bau Xeo II	Dong Nai	380	Thong Nhat
Phuoc Binh II	Dong Nai	294	Cuong Thuan IDICO
Long Duc III	Dong Nai	244	Long Duc
Xuan Que-Song Nhan	Dong Nai	3,595	Xuan Que
Bau Can-Tan Hiep	Dong Nai	2,627	Tan Hiep

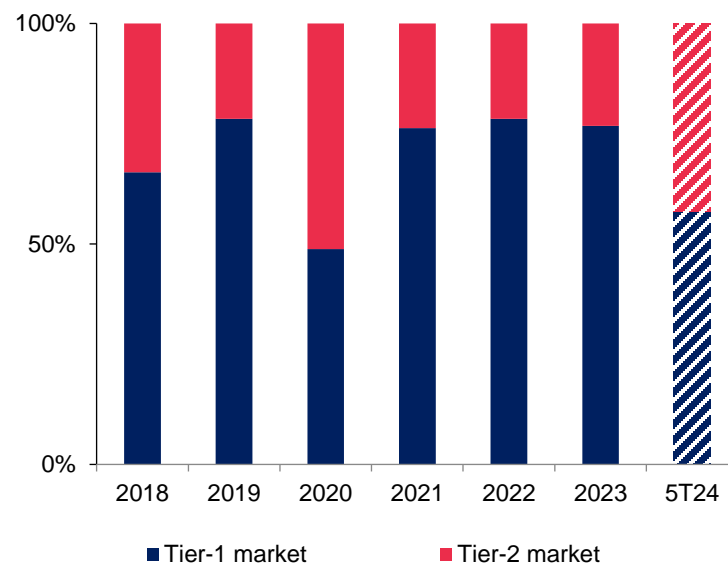
## Manufacturing trend toward expanding into Tier-2 markets

### FDI capital in the North



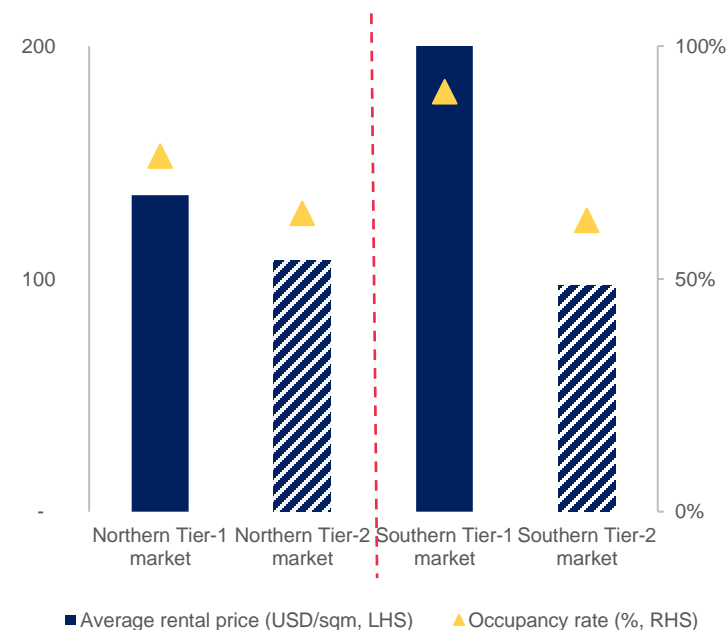
(Source: MBS Research)

### FDI capital in the South



(Source: MBS Research)

### Rental price and occupancy rate of Tier-2 market are lower than those of Tier-1 market



(Source: MBS Research)

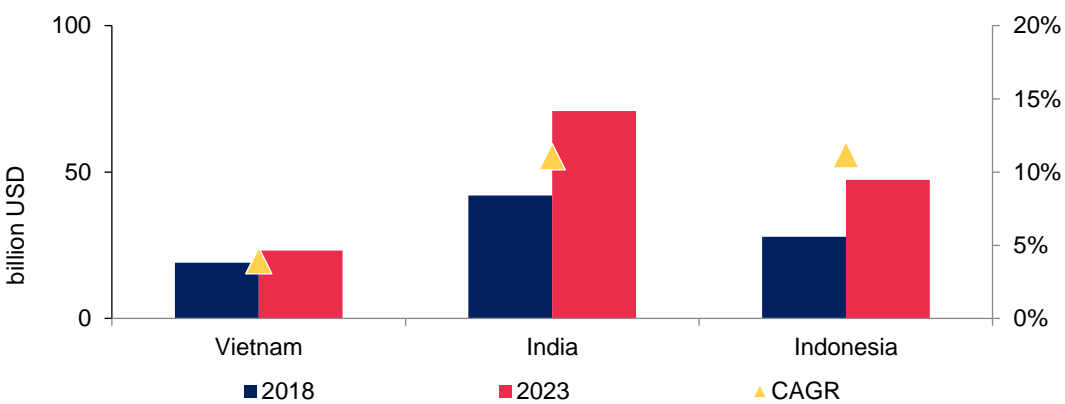
- In northern industrial land market, FDI capital has shifted from Tier-1 market to Tier-2 market. The percentage of FDI capital in Tier-2 market increased from 20% in 2018 to 53% in 2023 as the average rental price of Tier-2 market was 20% lower than that of Tier-1 market and the occupancy rate of Tier-2 market reached 64%, lower than that of Tier-1 market.
- In southern industrial land market, the percentage of FDI capital in Tier-2 market reached 43% in the first 5 months of 2024 as the rental price of Tier-2 market was just half that of Tier-1 market.



## Challenges are rising

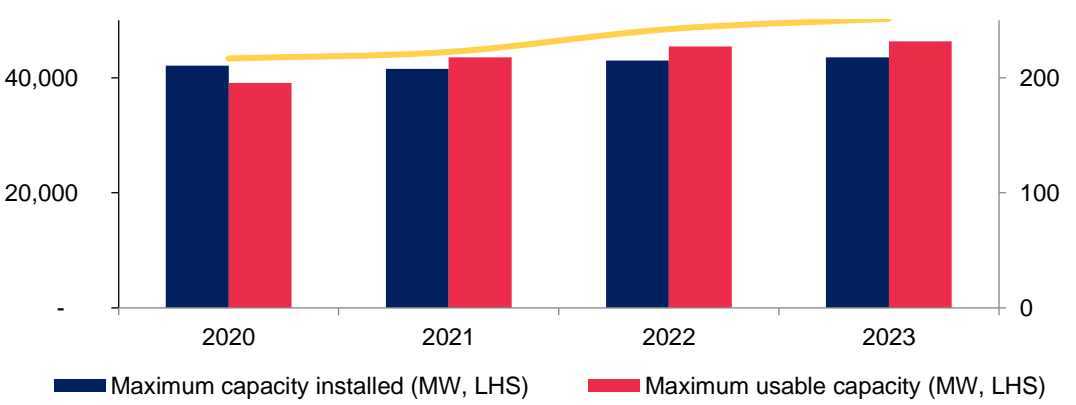
- **Increasing competition to attract FDI capital with other countries:** Two competitors with Vietnam are India and Indonesia. CAGR of FDI capital in India and Indonesia in the period of 2018-2023 reached 11.0% and 11.2% respectively, while Vietnam just reached 4%.
- **Risk of electricity shortfall in rush hour:** Electricity load has grown rapidly so that Vietnam could lack about 2,500 MW in rush hour. Risk of electricity shortfall could affect the investment decision of foreign investors in Vietnam.
- **Global minimum tax policy:** Vietnam approved the resolution of the global minimum tax (15%), effective in the start of 2024. So, foreign companies with more than 750 million euro in revenue being tax-preferred in Vietnam must pay additional tax upto 15%. We think that the global minimum tax policy could affect tax-preferential policies, investment funds and competition to attract FDI capital for developing high-tech sectors in Vietnam.

India and Indonesia competing with Vietnam to attract FDI



(Source: MBS Research)

Vietnam facing risk of electricity shortfall in rush hour



(Source: EVN, MBS Research)

## 2H24 sector outlook

### 2024 – 2025 earnings forecasts of stocks under our coverage

VND bn	KBC		BCM		IDC		PHR		SZC	
	2024F	2025F	2024F	2025F	2024F	2025F	2024F	2025F	2024F	2025F
Revenue	4,411	6,187	5,927	7,131	8,410	8,858	1,545	1,580	962	1,302
y-o-y	-21.5%	40.3%	-26.6%	20.3%	16.2%	5.3%	14.4%	2.3%	17.6%	35.4%
Gross profit	2,490	3,241	2,745	3,528	3,022	3,059	384	398	589	764
Gross profit margin (%)	56.4%	52.4%	46.3%	49.5%	35.9%	34.5%	24.9%	25.2%	46.9%	45.3%
EBITDA	1,795	2,305	1,801	2,357	3,998	4,033	417	448	485	598
EBITDA margin (%)	48.1%	46.0%	53.2%	59.6%	50.2%	48.2%	53.3%	55.1%	52.3%	48.0%
NOPAT	1,185	1,492	1,198	2,016	1,665	1,705	493	517	333	432
y-o-y	-41.6%	25.9%	-50.9%	68.3%	19.5%	2.4%	-20.4%	4.8%	52.1%	29.8%
EPS (đ/cp)	1,544	1,943	1,157	1,948	5,046	5,166	3,640	3,813	2,220	2,402
BVPS (đ/cp)	25,222	27,166	17,885	18,916	16,059	17,169	27,769	29,255	17,168	18,570
Net cash per share	9,702	10,776	-5,729	-5,721	6,905	6,222	16,791	18,220	-1,504	-2,137
Debt - to - equity	18.7%	16.0%	87.8%	88.6%	19.7%	12.8%	2.4%	5.0%	66.6%	67.8%
Dividend yield (%)	0.0%	0.0%	1.3%	1.3%	6.3%	6.3%	3.2%	3.2%	2.3%	2.3%
ROAE (%)	6.3%	7.4%	6.5%	10.6%	32.4%	31.1%	13.3%	13.4%	13.8%	13.4%
ROAA (%)	3.2%	3.5%	2.3%	3.8%	9.5%	9.9%	7.7%	7.7%	4.3%	4.9%

(Source: MBS Research)

## KBC and BCM are stock picks in industrial property sector

Ticker	Target price	Rating	Investment thesis
KBC	39,200	ADD	<p>We forecast net earnings would decrease 24% yoy in 2024 and increase 26% yoy in 2025. Industrial sector would be positive attributable to FDI capital in Vietnam. Real estate sector would be improved due to Trang Due and Nenh social houses being operated this year</p> <p>Trang Due 3 IP and Trang Cat urban area are legally accelerated to operate later this year</p> <p>KBC financial ratios have been improved after all the bond issues were liquidated</p>
BCM	78,000	ADD	<p>Net earnings in 2025 would grow 68% yoy after decreasing 51% yoy in 2024</p> <p>VSIP would contribute the major of BCM industrial earnings attributable to VSIP III Binh Duong, VSIP Bac Ninh II, Becamex VSIP Binh Dinh,....</p> <p>Binh Duong People's Committee is approved to divest its interest ownership down 65%</p>
IDC	55,500	HOLD	<p>Huu Thanh IP is the main growth momentum of industrial sector for the next few years. Tan Phuoc 1 IP approved recently would have contributed IDC earnings since 2026</p> <p>Energy sector would increase in revenue because of La Nina forecasted to occurring since the third quarter of 2024</p> <p>Dividend in cash is high with the rate of about 30-40% yearly</p>
PHR	60,900	HOLD	<p>Rubber prices, which have increased since the beginning of 2024, supports PHR revenue growing 18.1% yoy in 2024 and 2.7% yoy in 2025</p> <p>The IPs of Phuoc Hoa Rubber, Nam Tan Uyen and Sai Gon VRG along with the favorable geographic locations are hoped to occupy 100% soon because Binh Duong's land supply does not have much more</p> <p>PHR financial health has been good with high dividend-in-cash rates</p>
SZC	39,300	HOLD	<p>Financial ratios have been improved after the capital issue</p> <p>SNZ, which ownsthe 46.84% interest in SZC, is about to divest its ownership down 36%.</p>

(Source: MBS Research)

# Investment strategy 2H24



## Peer comparison

Company name	Ticker	Market Price (VND)	Market Cap (billion VND)	P/E (x)		P/B (x)		ROE		ROA	
				2024	2025	2024	2025	2024	2025	2024	2025
Rubber peer											
Vietnam Rubber Group	GVR	33,000	132,000	51.7	n/a	2.6	n/a	3.3	n/a	5.1	n/a
Dong Phu Rubber	DPR	41,100	3,571	16.1	10.1	1.4	1.3	6.1	8.2	9.8	14.1
Phuoc Hoa Rubber	PHR	59,000	7,994	16.2	15.5	2.1	2.0	13.3	13.4	7.7	7.7
Average				28.0	n/a	2.0	n/a	7.6	n/a	7.5	n/a
Industrial peer											
Becamex IDC	BCM	61,900	64,067	53.5	31.8	3.5	3.3	6.5	10.6	2.3	3.8
Kinh Bac City	KBC	29,750	22,836	25.4	20.2	1.6	1.4	6.3	7.4	3.2	3.5
IDICO	IDC	61,400	20,262	12.2	11.9	3.8	3.6	32.4	31.1	9.5	9.9
Sonadezi Chau Duc	SZC	40,000	7,199	18.0	16.7	2.3	2.2	13.8	13.4	4.3	4.9
Average				27.3	20.2	2.8	2.6	14.8	15.6	4.8	5.5

(Source: Bloomberg, MBS Research)



# Steel Manufacturing

## The start of new cycle

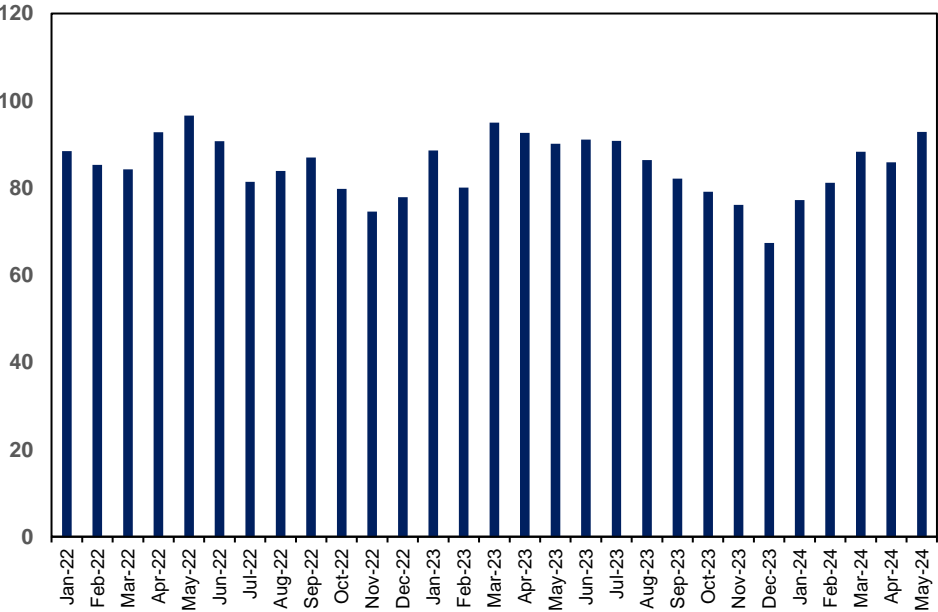
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Vietnam Strategy 2H2024

The decline supply due to cut off from China

- China (54% total supply) plan to drop steel productivity 2% yoy in 2024 and 1.5% yoy in 2025 aiming the “Net zero” emissions by 2060 and deal with the oversupply of steel industry. After 4 months, the supply down 1.8% yoy. Other major steel – producing such as Japan (3%) also decrease output 1.1% yoy thank to lower demand in construction and avoid pricing war with China export. The volume of USA estimated to remain because of sluggish demand in automotive and construction.
- In contrast, India aim to improve blast furnance capacity to serve stimulus plan of infrastructure and cooling pressure of electricity price lead to growth of EU. So the world steel supply is forecasted decrease more than 1% yoy.

China’s steel production (Million Tons)



Source: WSA

The supply

Factor	Comment
China plan to cut down the production	China government focus on "Zero commission" in 2060 and encourage the steel corporation to close obsolete mills. 15 major producers of long products in China are calling on the authorities to take measures to limit the output.
The decline of Japan output	The Japan supply will decrease 1.1% yoy due to low demand in construction industry and avoid pricing war with China steel export.
The US supply remain constant	The output of US is predicted constant due to sluggish demand in automotive, construction industry. The supply will recover in 2025
The growth in India	As the report of India Steel Association (ISA), the mill aim to improve volumes due to low price of material and strong demand.
The growth of EU	The output of EU will recover 1% yoy thanks to the cooling pressure of electricity price.

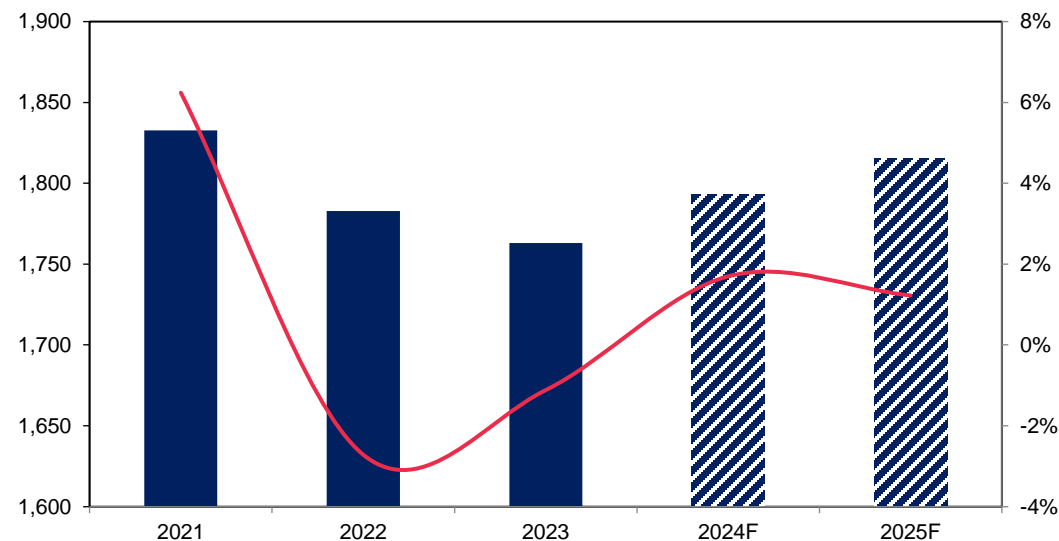
Source : MBS Research



The demand estimated to rebound 1.7% yoy

- According to latest report of World Steel Association (WSA), world steel demand will see a 1.7% rebound to reach 1.8 billion steel due to the growth of India and EU. The EU consumption could obtain a 5.6% recovery with the stimulation of construction and automotive industry. Lower interest rate bring positive impact to major steel – consumption as construction (52%) and Auto manufacturing (12%). The capital investment of construction may recover 1.3% yoy (according to FIEC) and EU car production could reach 11.7 million (+3% yoy). So, the world demand (outside China)
- China’s Metallurgical Industry Planning and Research Institute (MPI) predicts a 1.7% drop in steel demand due to sluggish real estate and lower infrastructure budget. China housing prices were down 0.7% in May from the previous month, marking the 11th straight month-on-month decline and steepest drop since October 2014. In annual terms, new home prices were down 3.9% from a year earlier, compared with a 3.1% slide in April.

World steel consumption (Million Tons)



Source : MBS Research

The demand

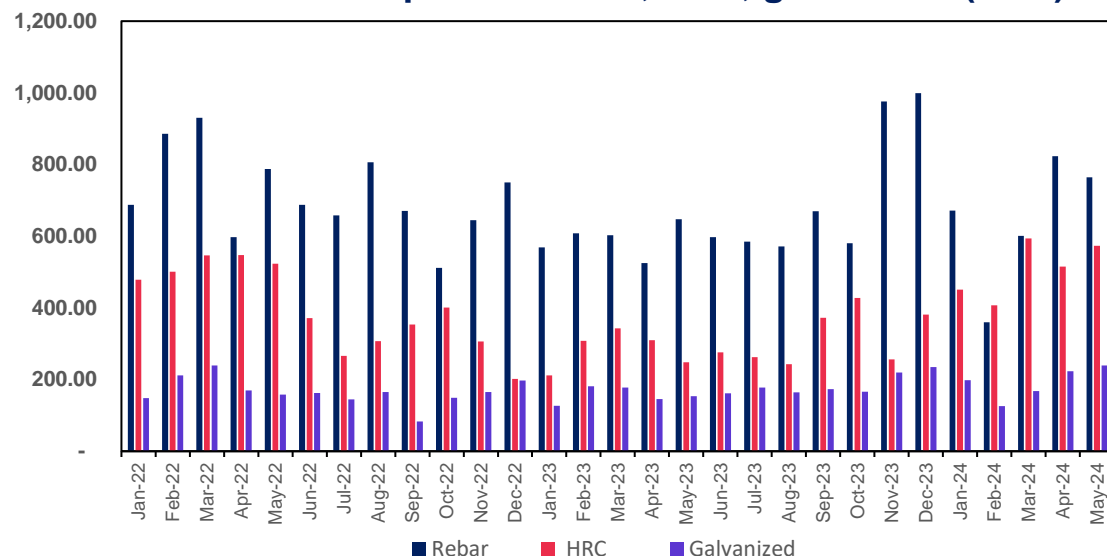
Factor	Comment
The strong demand of India	The Demand of India forecasted to increase more than 8% yoy because government plan to boost investment infrastructure. capital investment outlay for infrastructure was increased by 33% to(US\$ 122 billion) in 2024.
The growth of EU	The EU consumption may have a 5.6% recovery because of positive sign of 2 most steel - consumption industry: Construction and Automotive.
The positive sign of ASEAN	ASEAN are expected to show accelerating growth in their steel demand over 2024-2025. The highlight of recovery is Malaysia and Indonesia
China demand decline	China’s Metallurgical Industry Planning and Research Institute (MPI) predicts a 1.7% drop in steel demand.

Source : MBS Research

## The volumes of total steel grew 8% yoy in 5M/24 due to rebar and HRC

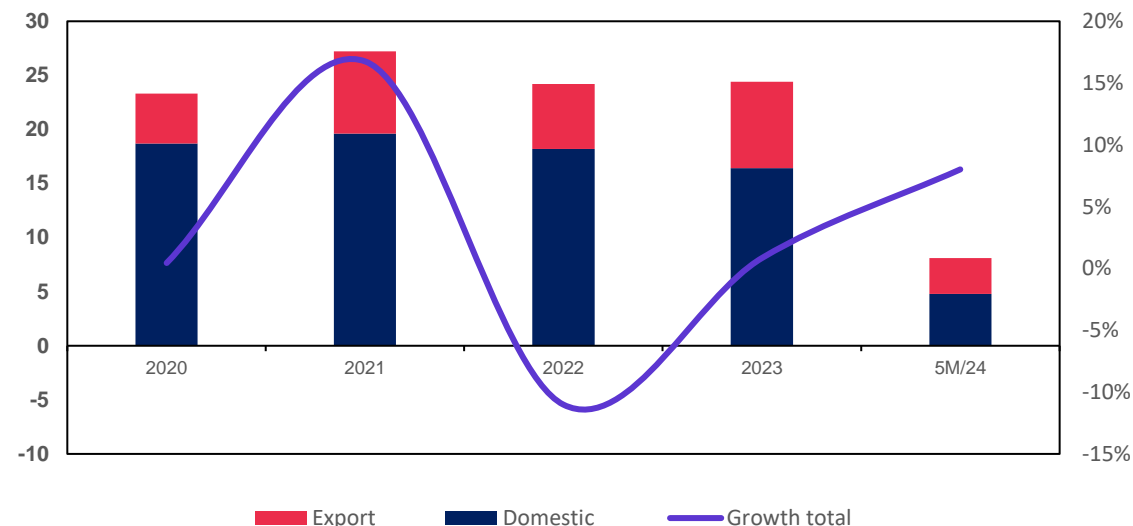
- The total consumption in 5M/24 reached 9.2 million tons (+9% yoy) thanks to growth of rebar and HRC.
- Rebar consumption (50% total production) increased 12% yoy because of both domestic and export. The export is highlight which accelerated 45% yoy because several major export partner as ASEAN may have strong demand when boost the capital investment of infrastructure. Domestic is predicted to grow in 2024 thanks to recovery of housing supply after Land Law launched.
- In 5M/24, HRC consumption accelerated 35% yoy due to positive circumstance of export. The demand of major export markets (EU, ASEAN) is forecasted grow 5.6% and 5.1% yoy respectively thanks to supportive industry.

### Domestic consumption of rebar, HRC, galvanized (tons)



Source : VSA, MBS Research

### Volume of total steel (Million tons)

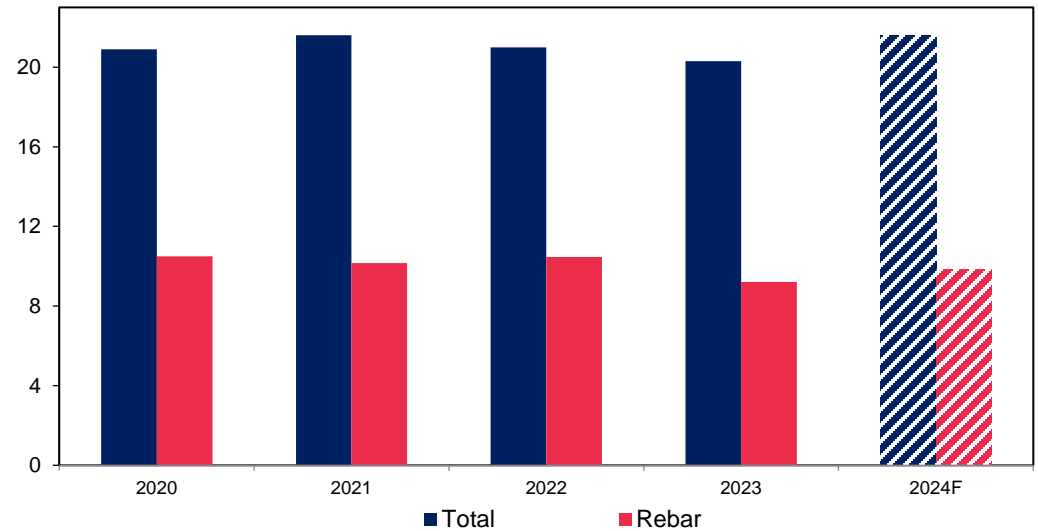


Source : VSA, MBS Research

The domestic consumption and price increase by 9% and 8% in 2024, respectively

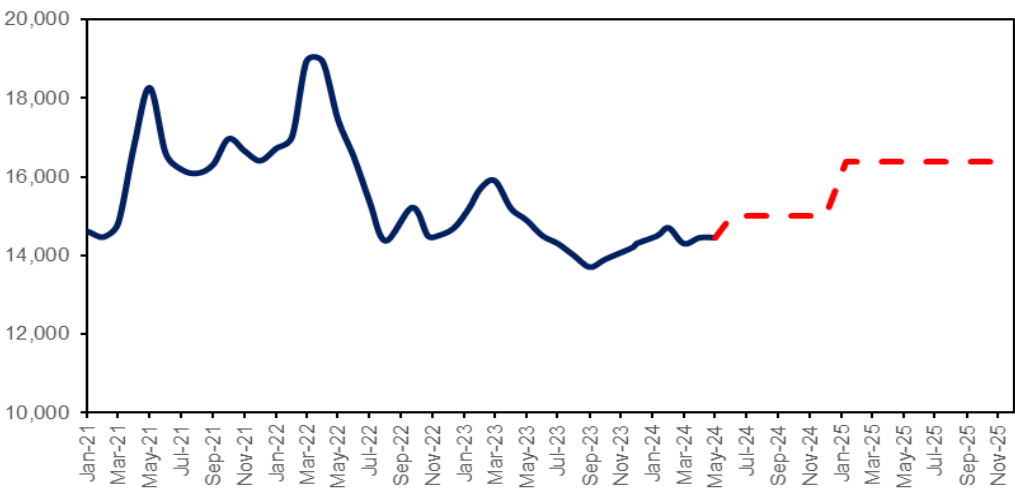
- The reason of potential growth are (1) Apartment supply is expected to improve, positively impacting on steel demand (2) The capital investment of infrastructure predicted to increase 12% yoy.
- Apartment supply is expected to improve 2024. Hanoi record to increase by more than 33% in 2024, reaching 20,000 apartments, HCM will reach about 12,000 units (+31% yoy). So the favourable situation of real estate supply could have positive impact to constructive activities which contribute to steel consumption. Furthermore, the disbursement of public investment is estimated 26 billion USD (+12% yoy) also boost the steel consumption.
- Thanks to the recovery of construction sector and growth of public investment We forecast the price of rebar reach average 15 million VND/ton (+8% yoy) and volume would be 10.5 million tons (+9% yoy).

Domestic consumption of total steel, rebar (Million tons)



Source : VSA, MBS Research

Price of domestic rebar forecast ( Thousand VNĐ/Ton)

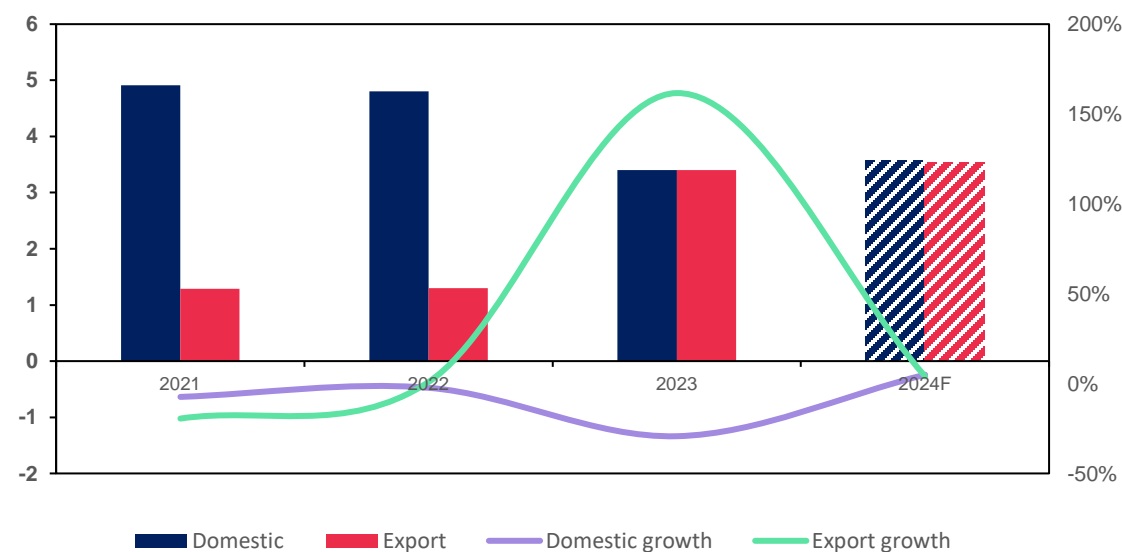


Source : VSA, MBS Research

The HRC consumption maintain the 4% growth

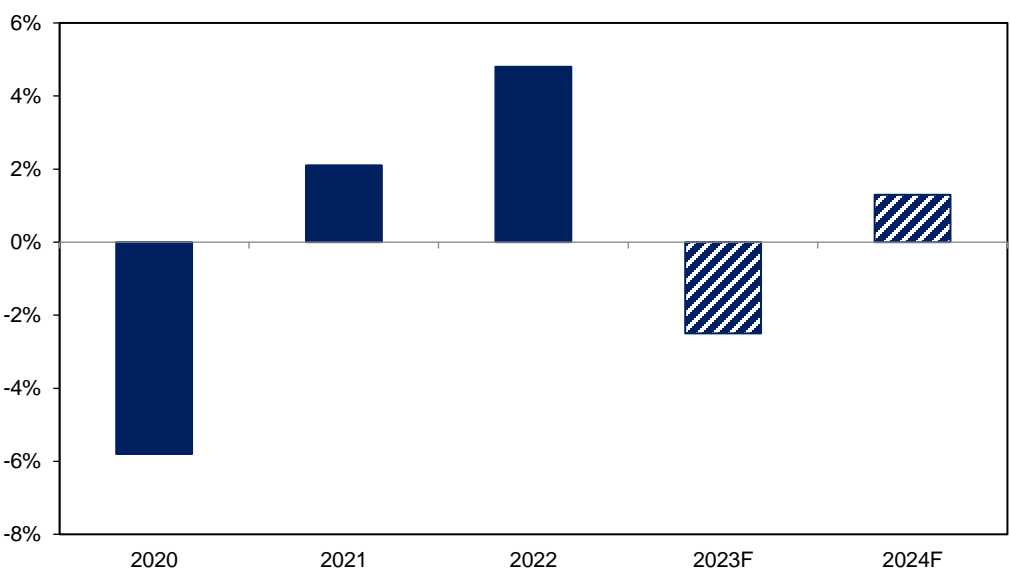
- Demand recovery from the EU is the main factor positively impacting the export HRC market. In the circumstance of lower interest rate, 2 main steel – consuming industry Construction (52%) and Automotive (12%) will have a strong recovery. The capital investment in construction could grow 1.3% yoy and the car production is predicted to reach 11.7 million cars (+3% yoy).
- Moreover, HRC domestic consumption also increase due to the recovery of galvanized and automotive manufacturing. The price of HRC decreased 8% yoy lead to cooling pressure for galvanized manufacturer (HSG,NKG) so these stimulate to obtain material inventory. The Parliment lauched the resolution of cutting the registration tax for car, this could have the positive affect to car demand.

The growth of EU construction



Source :MBS Research, WSA

HRC consumption (Million tons)

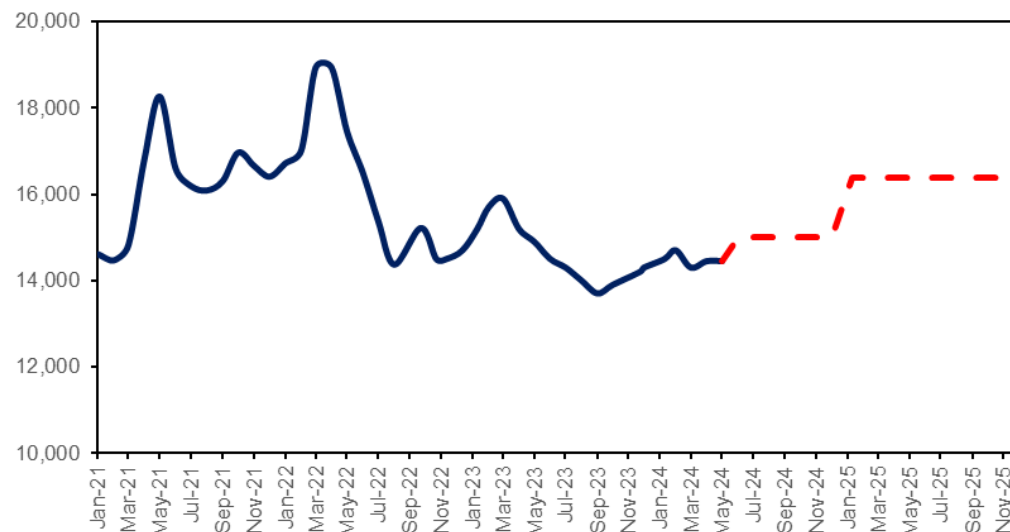


Source :MBSResearch tổng hợp

## Input material expected to decrease slightly in 2024 due to restritive production in China

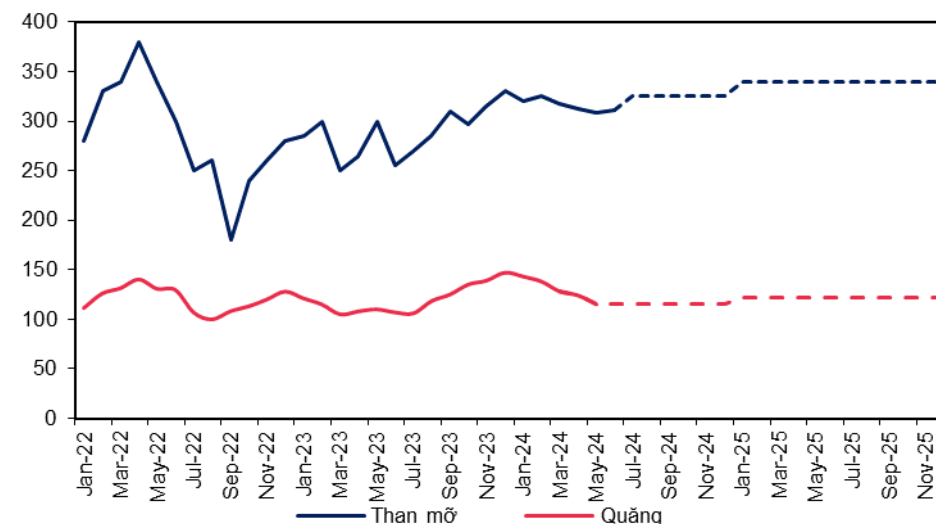
- Due to the recovery of demand, the rebar price is forecasted to reach average 15 million VND/ton (+8%svck). In 3 consecutive months, the price remain constant despite of decline in China, which lead to widen spread between VN and China. We believe the spread confirm the strong domestic demand while China still have no positive signal.
- Weak demand and stable supply make coal and ore prices expected to continue to decline slightly in 2024. We forecast that coal and ore prices will average 305 US\$/ton (-7% yoy) and 112 US\$/ton, respectively. US\$/ton (-6% yoy) in 2024. Recovery in selling prices and a slight decrease in raw materials will expand the industry's gross margin improve.

**Forecast domestic rebar(Thousand VND/Ton)**



Source : MBS Research

**Forecast price of coal and ore (US\$/Ton)**

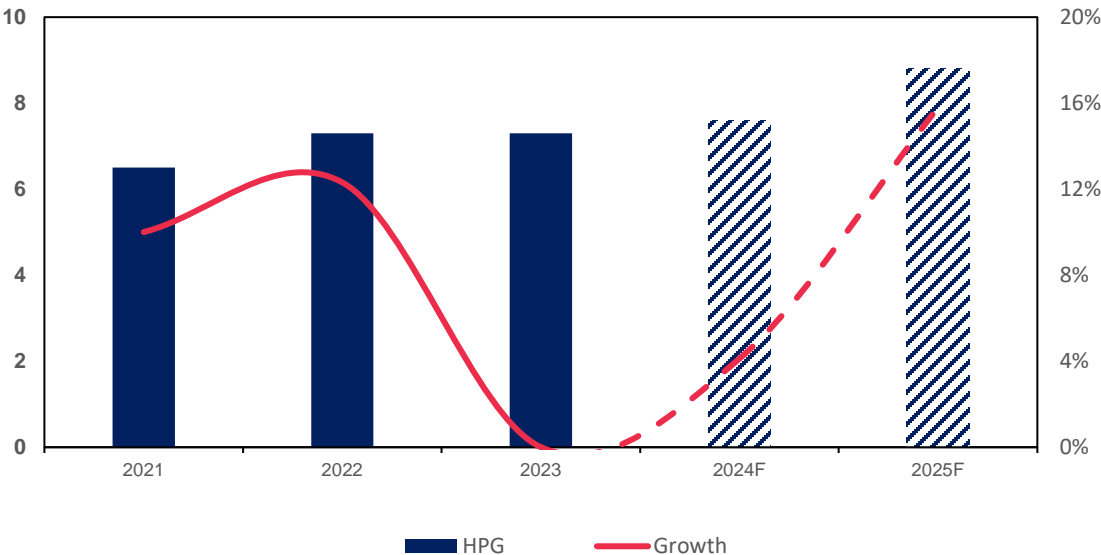


Source :MBS Research

Steel company have more chance to extend market share due to anti-dumping duty

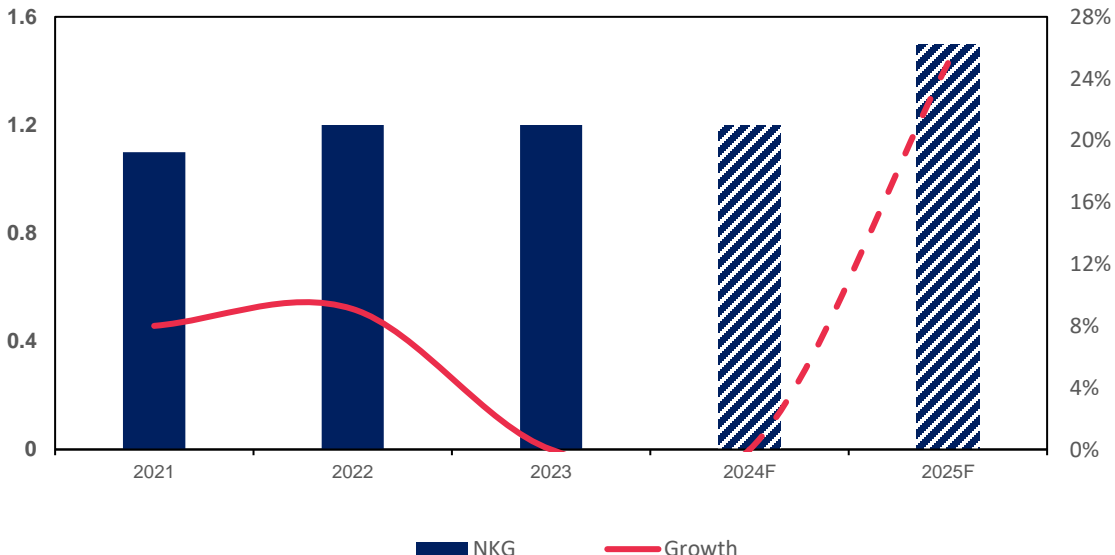
- Ministry of Industry and Trade decided to investigate in the imported galvanized from China and Korea since Q3/2024. We believe that contribution to domestic galvanized such as (HSG,NKG) for avoid competing with cheap product. In our view, market share of domestic company could increase because the spread could be narrower.
- Furthermore, about anti – dumping tax in HRC product, coporations plan to encompass documents for investigation of Ministry of Industry and Trade. In situation of overwhelm of China steel (imported China HRC account for 55% market share in Q1), we believe this dute could be launched since Q4/2025.
- The tax will benefit for some company which tend to expand their manufacturing as HPG,NKG.

The forecast volume of HPG ( Million Tons)



Source : MBS Research

The forecast volume of NKG ( Million Tons)

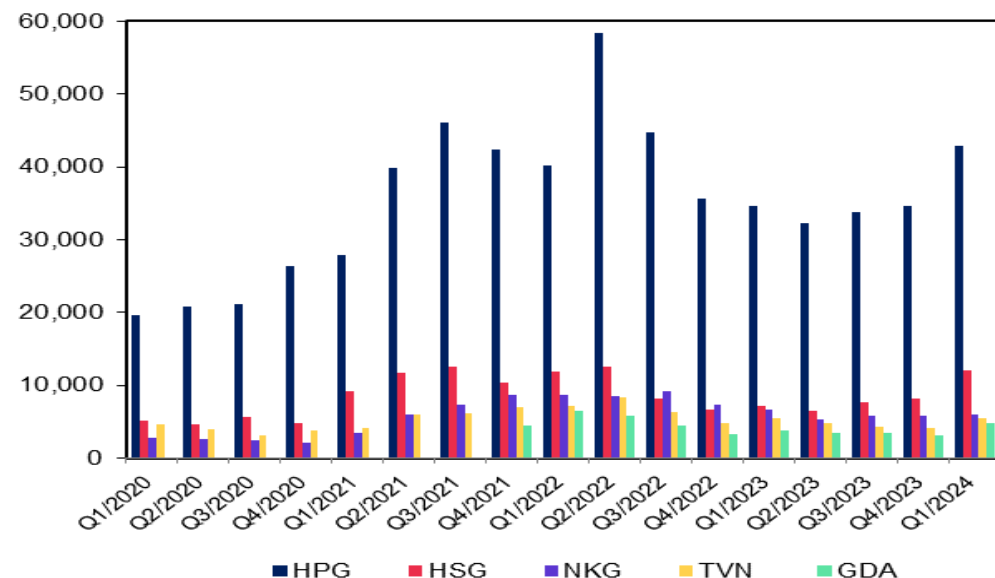


Source :MBS Research

**We expect the gross profit margin of steel enterprises to improve from an average of 8% in 2023 to 13% in 2024**

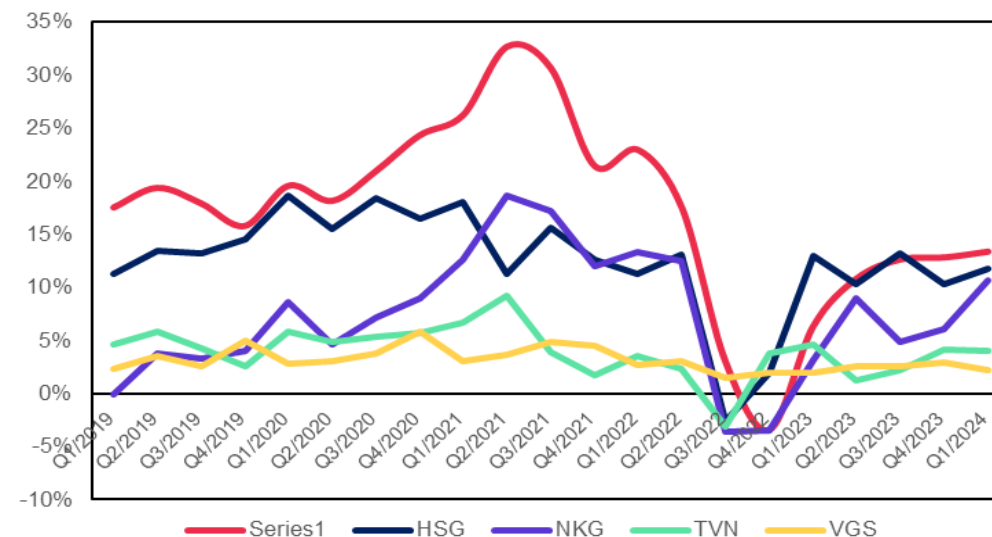
- World steel prices fluctuate with unclear trends, causing businesses to tend to manage their inventories cautiously. Inventories at enterprises decreased by over 25% of inventory (raw material value decreased by about 20%) in the context of low consumer demand and fluctuating raw material prices. Steel prices increased again, causing the pressure on provisioning to decrease by about 35%..
- For galvanized steel companies such as HSG or NKG, gross profit margins diverge in the context of steel prices in the EU and US cooling down and depend on the time of price signing and the export market of each company. According to our forecast, steel prices recover by about 8% of capacity and raw material prices decrease slightly by 6% of capacity, which is the basis for gross profit margins to recover to 13% in 2024.

**Inventory (Billion VND)**



Source :MBS Research

**Gross profit margin after cooling down the material**



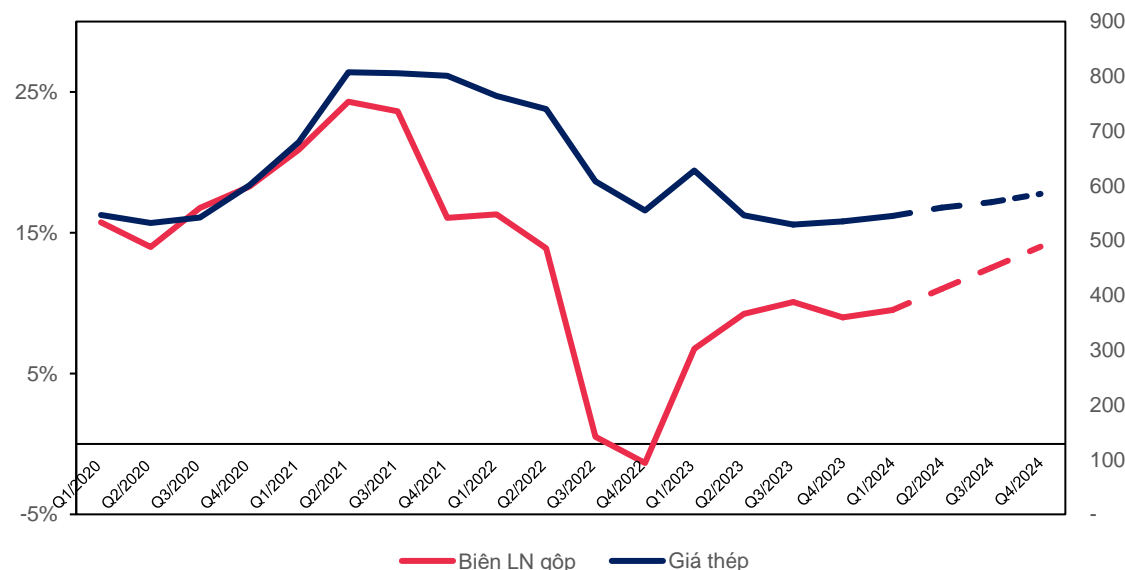
Source : Finpro, MBS Research



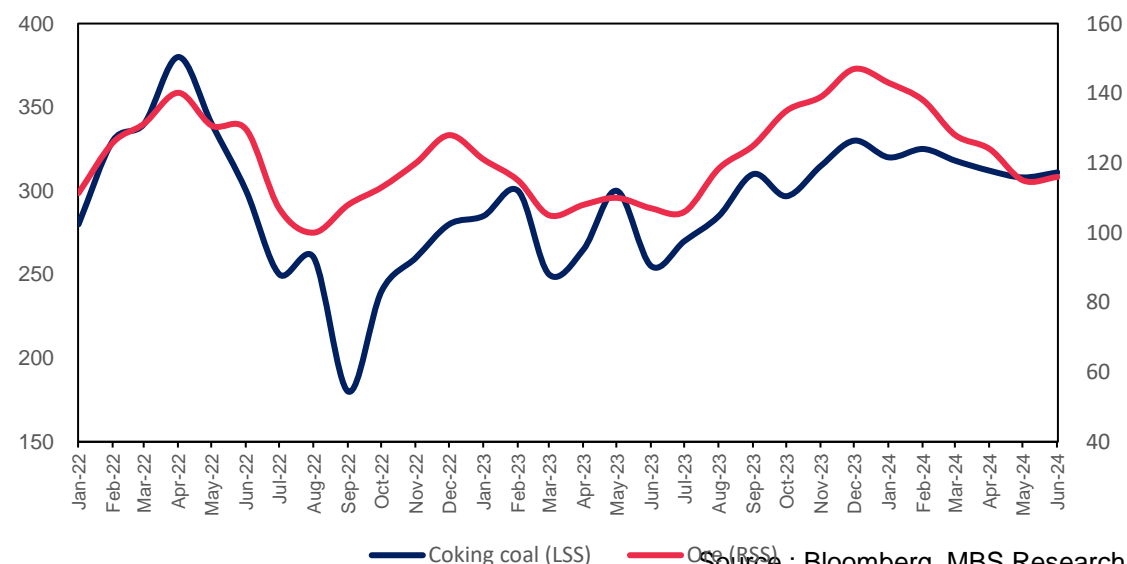
## We expect the gross profit margin of steel enterprises to improve from an average of 8% in 2023 to 13% in 2024

- We note that coal and ore prices have tended to increase since the beginning of September 2023 in the context of steel factories in China increasing inventory accumulation before having to implement a policy of cutting production in the coming months in 2H 2024. Furthermore, in the situation of slowing down in manufacturing due to oversupply, demand of material in china may decrease significantly.
- Iron ore supply in 2024 continues to improve when output in Australia (accounting for 35% of global supply) is forecast to increase by 2.9% to 1.01 billion tons according to forecasts of the Ministry of Industry and Science of this country. Beside that, coal producers as China, Australia remain high level of capacity during 2024 due to some new mills.

## We forecast that gross profit margins climb to 13% in 2024



## Price of coal and ore( USD/Ton)

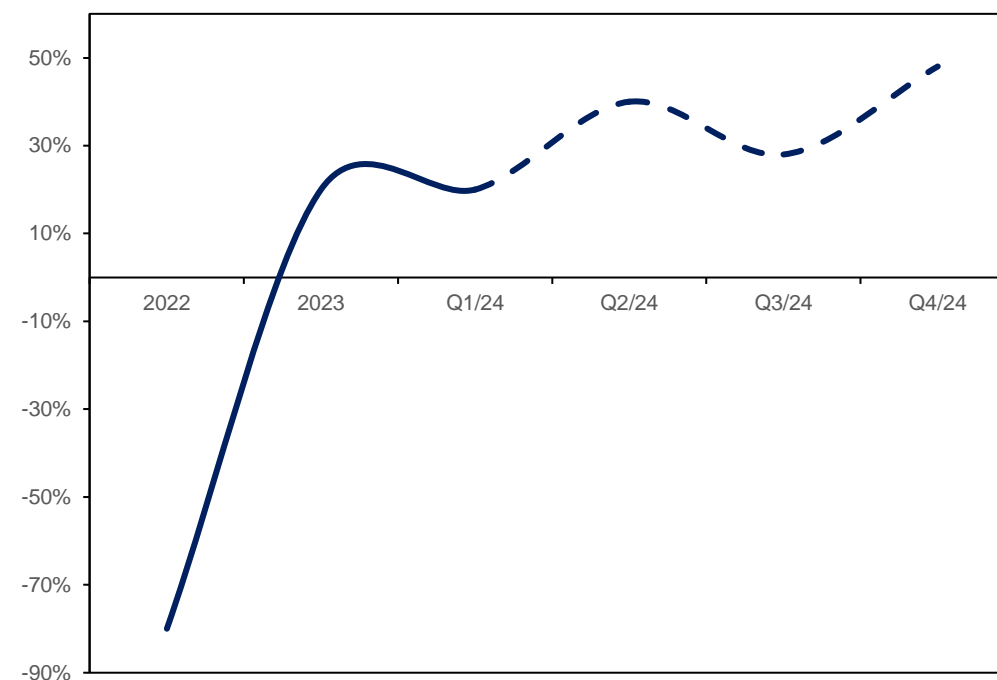


Source : Bloomberg, MBS Research

**We forecast that the net profit of steel enterprises can grow by 40% in 2024.**

- Profits of steel company are expected to grow by 40% in 2024 thanks to the following factors:
- Steel industry could recover due to the positive signal of real estate. Housing supply and capital infrastructure increase will contribute to both price and volume. Revenue is expected to recover by 25% thanks to volumes and selling price growth of 9% and 8%.
- Gross profit margin recovers to 13% (compared to about 8% in 2023) thanks to (1) the price of output increase 8% yoy and material (ore, coal) decrease about 4% yoy because of stable supply. (2) provision rate would be cooling down due to growth of output's price.
- Financial expense decreased by 30% in the context of exchange rate pressure and cooling interest costs.

**Profits of steel industry enterprises are forecast to grow by 40% and 20% in 2024 and 2025**



Source :MBS Research

## Sector outlook

### 2024 – 2025 forecasts summary of stocks under our coverage

Billion VND	HPG			NKG			HSG		
	2023	2024F	2025F	2023	2024F	2025F	2023	2024F	2025F
Revenue	118,953	140,456	168,899	18,596	22,344	26,201	31,650	41,335	44,848
% yoy	-15.9%	18.1%	20.3%	-19.4%	20.2%	17.3%	-36.8%	30.6%	8.5%
Gross profit	12,938	20,295	27,578	1,112	1,668	2,277	3,060	3,555	4,395
Gross margin (%)	10.9%	14.4%	16.3%	6.0%	7.5%	8.7%	9.7%	8.6%	9.8%
EBITDA	16,443	24,890	33,746	749	1,102	1,675	1,350	2,065	2,268
EBITDA margin (%)	13.8%	17.7%	20.0%	4.0%	4.9%	6.4%	4.3%	5.0%	5.1%
Net profit	6,835	13,116	17,850	117	454	956	40	552	824
% yoy	-23.1%	91.9%	36.1%	-194.2%	286.6%	110.7%	-84.1%	1230.0%	26.4%
EPS (VND/share)	1,175	2,256	3,070	446	1,724	3,632	47	1,120	1,240
BVPS (VND/share)	17,670	19,960	21,030	20,600	21,660	24,400	17,742	18,600	19,200
Net cash (VND/share)	(1,563)	(2,257)	(2,280)	(12,344)	(10,060)	(7,327)	(8,509)	(9,512)	(8,876)
Divident yield (%)	0.0%	0.0%	0.0%	0.0%	2.0%	4.5%	0.0%	4.0%	5.0%
ROAE (%)	6.9%	12.0%	15.0%	2.2%	8.0%	14.2%	1.2%	9.5%	12.4%
ROAA (%)	3.8%	6.6%	8.3%	1.0%	3.5%	7.2%	0.8%	7.2%	8.2%

## We like NKG and HPG

Stock	Rating	Target price (VND)	Investment thesis
HPG	ADD	36,400	<ul style="list-style-type: none"> <li>- Demand of both rebar and HRC have positive signal of recovery due to the growth of housing supply and domestic manufacturing. Selling price and output are predicted to rise 8% and 7% respectively. Moreover, export partner in ASEAN such as Indonesia and Malaysia have strong demand export volumes reach 2.1 million tons (+5% yoy) thanks to strong demand from ASEAN partners.</li> <li>- We forecast that HPG's net profit in 2024 and 2025 will reach 13,116 respectively billion VND (+92% yoy) and 17,850 billion VND (+36% yoy) with main drivers including: (1) Consumption output is expected to grow by 8% and 13% respectively with the expectation that housing supply recovered and export markets such as the EU and ASEAN grow. Gross profit margin continued to recover to 14%/16% during the period 2024/2025 thanks to rise of steel prices and lower coal and ore prices. (3) Dung Quat 2 Complex can go into operation from Q2/2025 is the long-term growth prospect of the enterprise.</li> <li>- P/B valuation is below average of 2 cycles in growing phase.</li> </ul>
NKG	ADD	30,000	<ul style="list-style-type: none"> <li>- The export and domestic steel industry is expected to enter a recovery cycle from 2024 when demand recovers. With a positive market outlook of EU and US, NKG will benefit with one of the advantages of leading enterprise in the industry.</li> <li>- NKG's net profit will enter a recovery cycle with strong growth of 287%/111% in 2024 - 2025 thanks to (1) Increased revenue growth of 20%/17% in the context of output and selling prices recovering export demand improved and (2) Gross profit margin increased sequentially 7.5% and 8.7% thanks to a stronger increase in selling price than HRC raw material price.</li> <li>- P/B valuation is below average of 2 cycles in growing phase.</li> </ul>
HSG	N/A	N/A	<ul style="list-style-type: none"> <li>- The demand of domestic galvanized forecasted to grow due to positive of construction. Selling price and volume are projected to rise 6% 5% respectively thanks to recovery of both domestic and export market. Furthermore, the gross profit of HSG could be widen because of low price inventory.</li> <li>- HSG net profit may reach 552 billion VND in 2024 (1230% yoy) thanks to (1) Increased revenue 30% yoy in the context of output and price could grow 10% and 14% yoy (2) Gross profit is widen QoQ when company obtain low - price inventory (3) transportation cost decreased 30% yoy when the world shipping cost is cooled down.</li> <li>- Anti - dumping tax could bring opportunities to gain market share of domestic galvanized.</li> </ul>

Peer comparison

Company	Ticker	Target price	Recom.	Mkt Cap	P/E (x)		P/BV (x)		ROA (%)		ROE (%)	
	Bloomberg	VND		US\$m	2024F	2025F	2024F	2025F	2024F	2025F	2024F	2025F
Hoa Phat Group	HPG VN	36,400	ADD	6,800	13.5	10.2	1.6	1.4	6.60%	8.20%	12.50%	15.40%
Hoa Sen Group	HSG VN	N/A	N/A	685	23.8	17.5	1.2	1.0	4.40%	6.80%	4.50%	5.10%
Nam Kim Group	NKG VN	30,000	ADD	321	25.1	17.6	1.1	0.9	3.25%	5.50%	7.40%	8.92%
VN - Germany Steel Pipe JSC	VGS VN	N/A	NA	130	10.2	7.8	1.5	1.3	6.20%	7.80%	8.50%	9.78%
Nippon Steel	5401 JP Equity	N/A	N/A	19,800	16.8	15.4	0.6	0.5	11.80%	12.60%	17.60%	19.15%
Valin Steel	000932 CH Equity	N/A	N/A	4,760	19.2	17.3	0.7	0.6	6.30%	7.20%	9.60%	10.50%
Kobe Steel	5406 JP Equity	N/A	N/A	4,200	8.2	7.8	0.7	0.6	7.50%	8.20%	8.30%	8.70%
Mean				5,257	16.7	13.4	1.1	0.9	6.58%	8.04%	9.77%	11.08%



## Retail

### Expectations for spending recovery

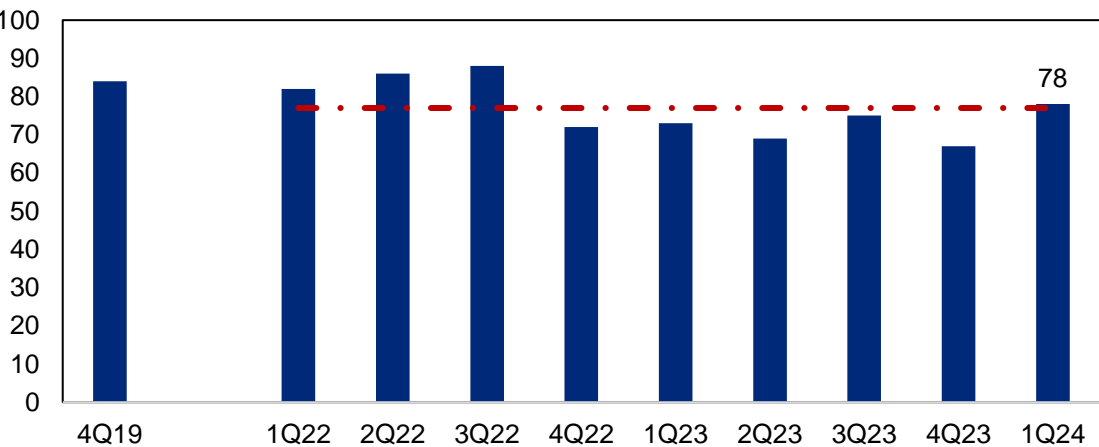
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Vietnam Strategy 2H2024

Consumer demand still in a low base

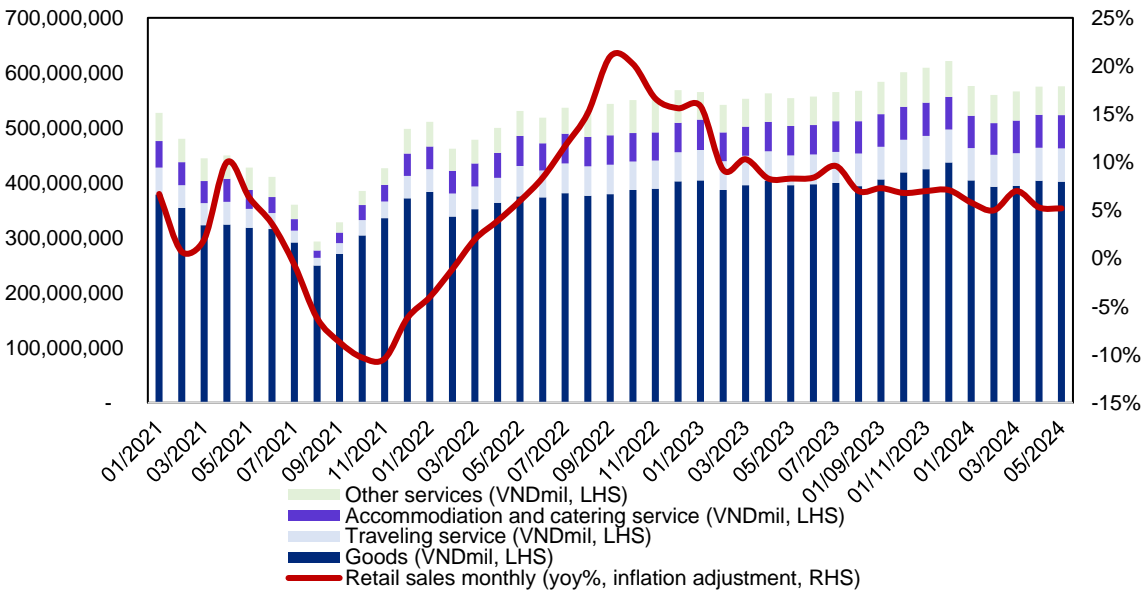
- In 5M2024, the growth of domestic consumption still under the expectations due to (1) the income and worker’s saving is still affected, (2) the higher food. Within the support of the 2% VAT reduction in 1H 2024, the growth rate of total retail sales is 5% (inflation adjustment), lower than the average 5 year 2015-19 (time before Covid-19 period), down from 8% in the same previous period, showing that the consumer demand has not yet significantly improved.

Consumer expectations for Vietnam’s economic in the future



Source: Kantar, MBS Research

Retail sales of goods and services compared to the same period last year (VNDmn)

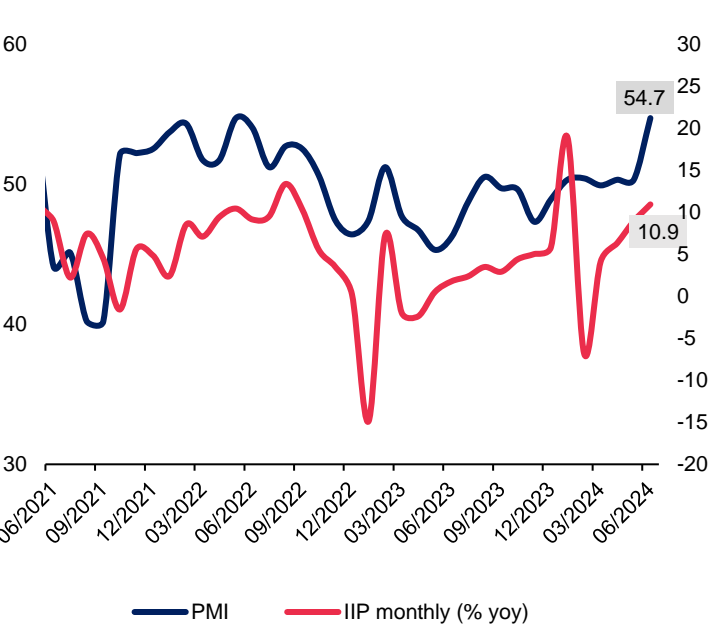


Source: GSO, MBS Research



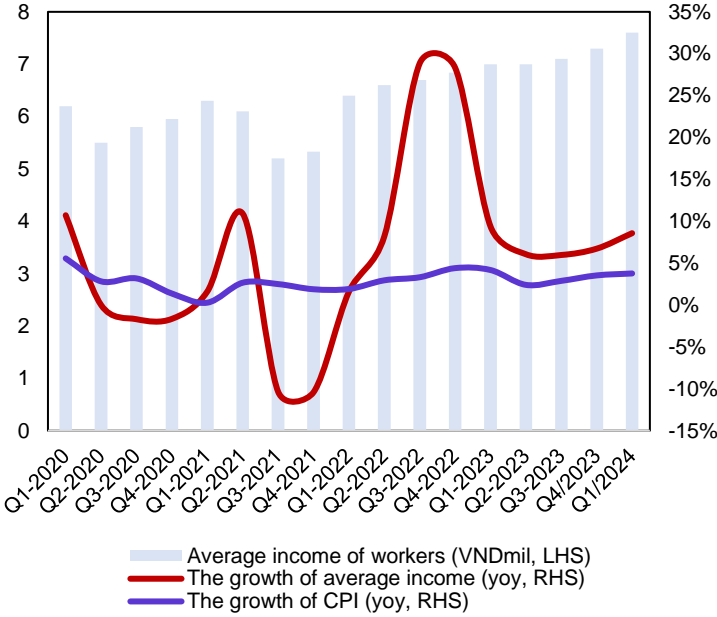
Consumer demand will be mainly supported by the growth of regional minimum wages in 2H2024.

2Q 2024, PMI Index has improved thanks to new orders...



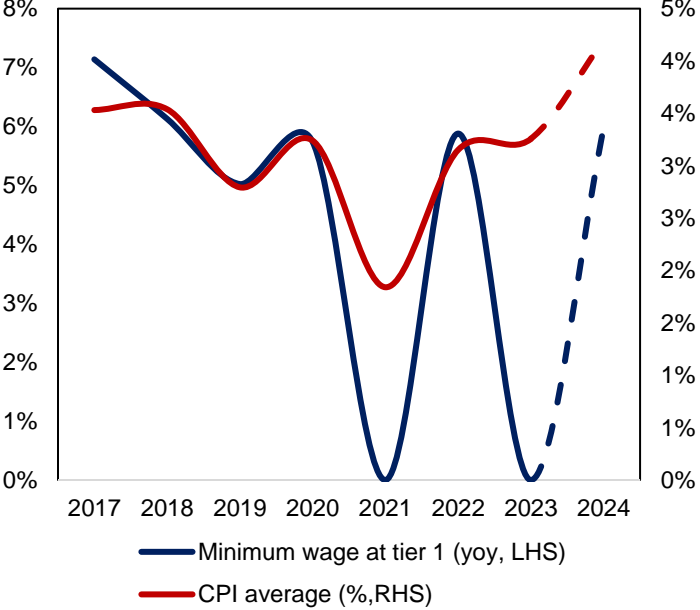
Source: GSO, MBS Research

So that the income of workers grew 9% yoy, much better than the overall of 2023



Source: GSO, MBS Research

The income will improve in 2024 thanks to the growth of regional minimum wages

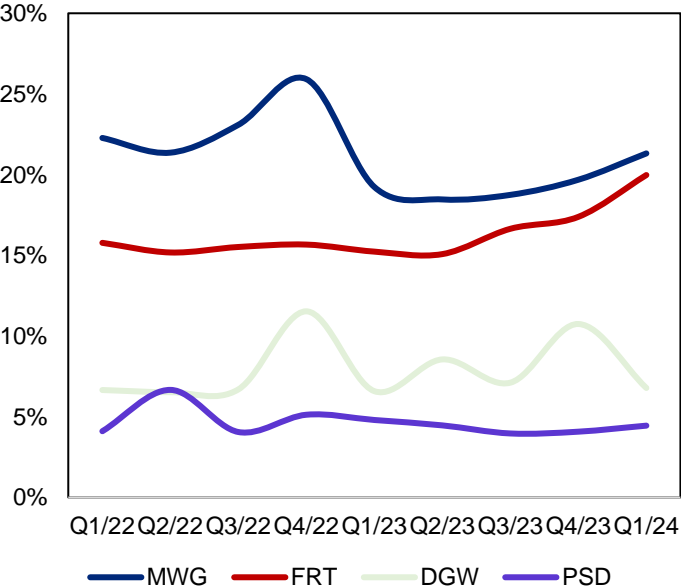


Source: GSO, MBS Research

Consumer Electronics: Winner takes it all

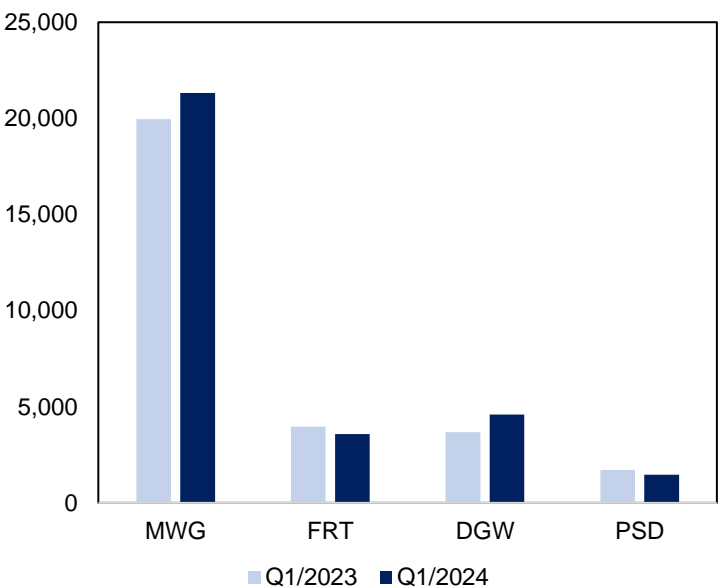
- 1Q 2024, the end of the biggest “price-war” helped the gross margin of ICT-CE retail business improve, increasing by an average of 2% yoy, the majority of the recovery stems from the sales prices of smartphones and laptops. Beside that, ICT-CE consumption demand has not improved significantly, especially consumer electronic (excluding air-conditioner). Result, the revenue of ICT-CE retail sector slightly increase 2% yoy.
- 1Q 2024, Business, which have the proportion of consumer electronics is higher (like MWG, DGW), recovered better than the others (FRT, PSD). While MWG has been selling air conditioners and TVs since 2010, FRT will only start trading in these products in 2024. We observe that the CE market has better potential than the ICT market (including laptops, tablets, smartphones).

In 1Q 2024, end of “price-war”, gross margin of ICT-CE sales business improved.



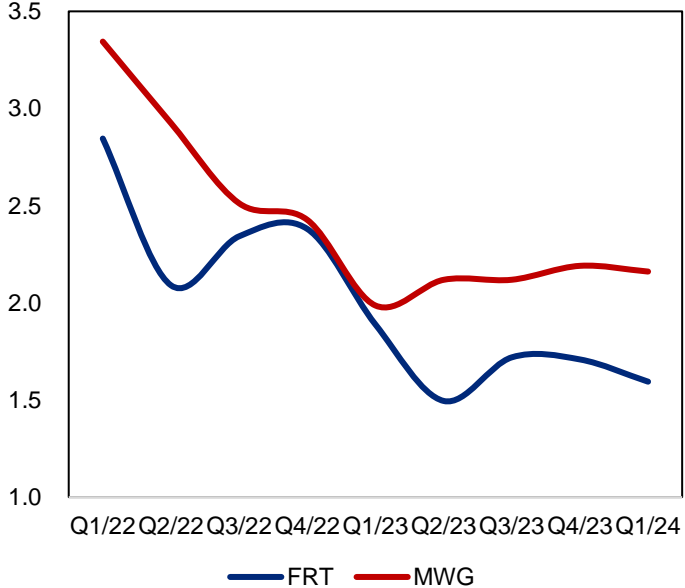
Source: MWG, FRT, DGW, PSD, MBS Research

Revenue of ICT sector see the recovery but still in the low base



Source: MWG, FRT, DGW, PSD, MBS Research

Revenue/store/month of FRT and MWG

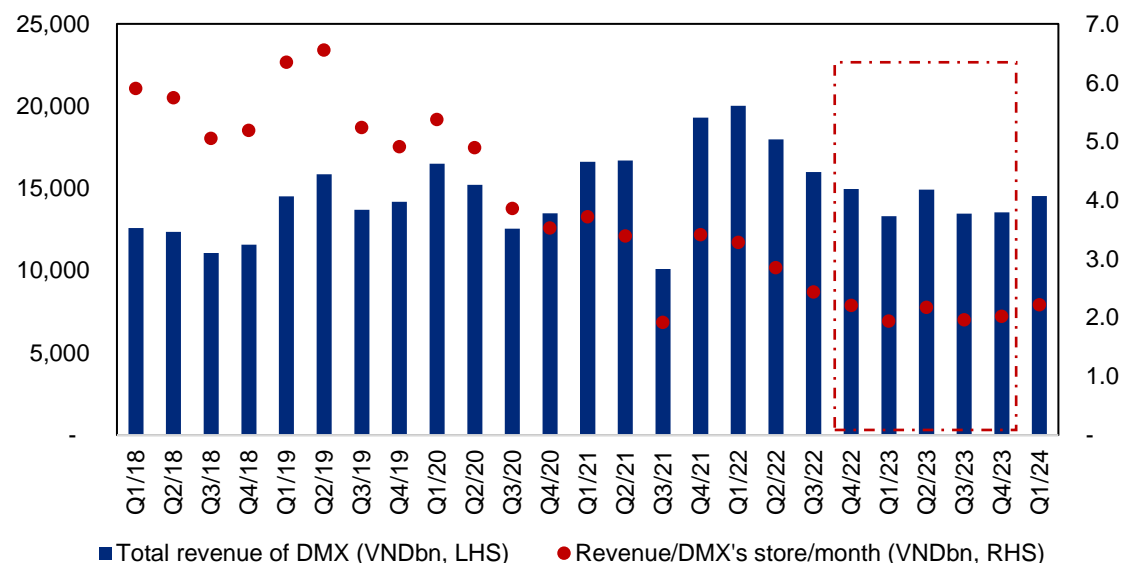


Source: MWG, FRT, MBS Research

## Consumer electronic trend: The growth of mid-range IoT consumer

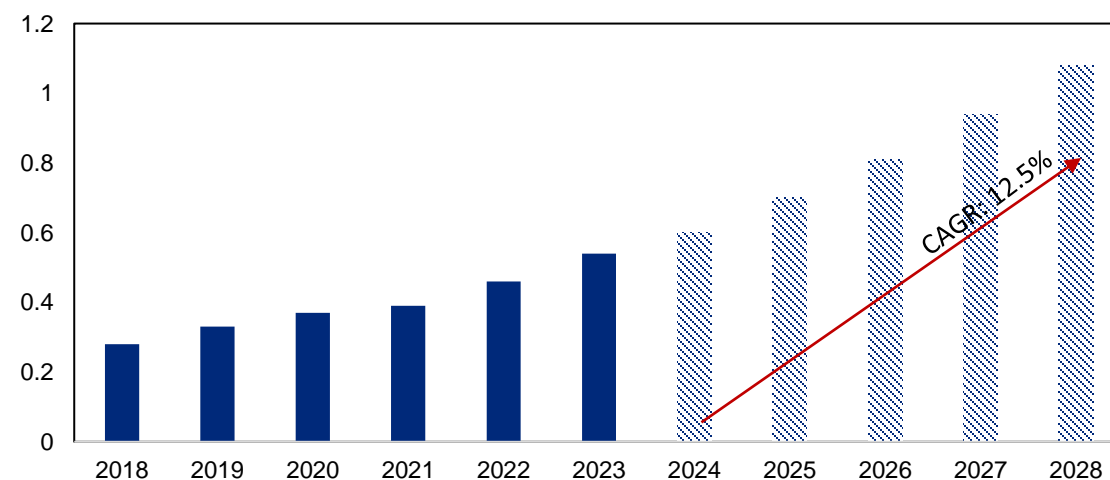
- During and after COVID-19, the revenue per DMX remained steady between 3.5-4 VNDbn/month, higher than the average recorded in 2023 and 1Q 24. We have observed that the tightening of consumer spending has significantly impacted this segment's revenue. With the economic rebound and the young Vietnamese population's preference for new technology, the CE market still has the potential for double-digit growth.
- The key catalyst for mid and long-term growth in the IoT market are the increasing of IoT consumer products. Currently, nearly 80% of Vietnam's population uses the Internet, with 4G network coverage reaching 99.8%. However, the average number of IoT connections per person is only 0.2, compared to the global average of 2 IoT connections per person, indicating a substantial opportunity for the development of IoT applications in CE. The increasing supply of mid-range products, particularly from China, will facilitate easier access to IoT products for Vietnamese consumers, thereby driving growth in the IoT market.

### Revenue/DMX's store/month



Source: MWG, MBS Research

### IoT consumer forecast in Vietnam (USDbn)

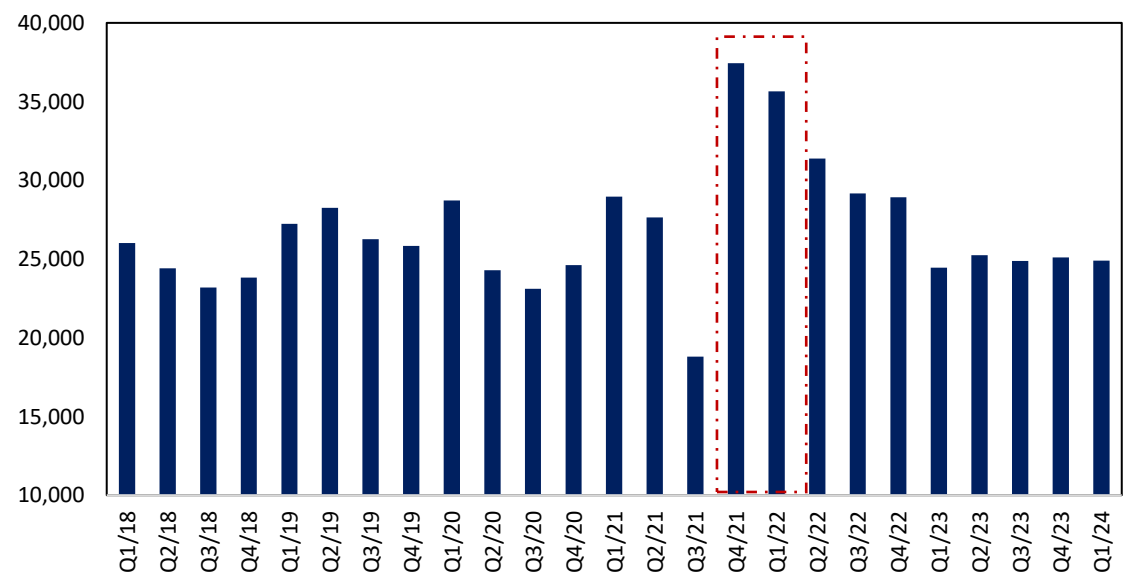


Source: Statista, MBS Research

## Smartphone and PCs trend: Update for AI and consumer's private information

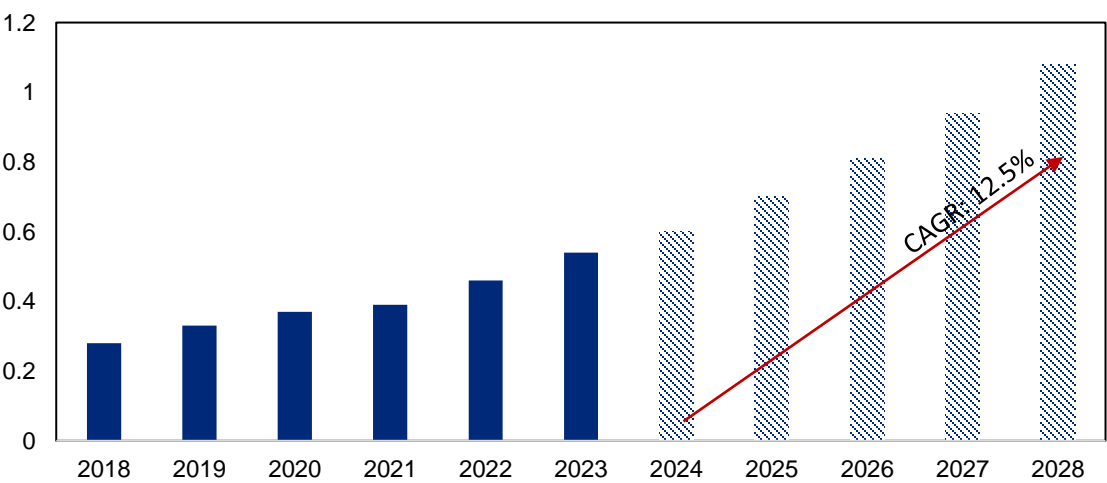
- Normally, in the second half of 2024, new product launches from well-known brands, such as Apple (Macbook M4, iPhone 16) and Samsung (Zfold 6, Samsung Ring). We believe that the consumption of ICT-CE products in the 2H 2024 will be significantly stronger than it was during the same period last year because of the AI catalyst and new products with superior processing units. According to Canalys's latest forecast, AI-capable smartphones are projected to comprise 9% of total shipments in 2024, rapidly increasing to 54% by 2028. In addition, in PC shipment's market, Canalys expects the market share of AI-capable PC shipments to increase by 19% yoy, reaching CAGR 24-28 of 44%.
- Phone product replacement cycles are 2.5–3 years, while laptop range about 4-6 years. We expect that the smartphone and laptop product lines will begin to rebound by the end of 2024, with a greater recovery in 2025.

Total ICT-CE retail revenue of MWG and FRT (VNDbn)



Source: MWG, FRT, MBS Research

Forecast ICT-CE demand in Vietnam (USDbn)

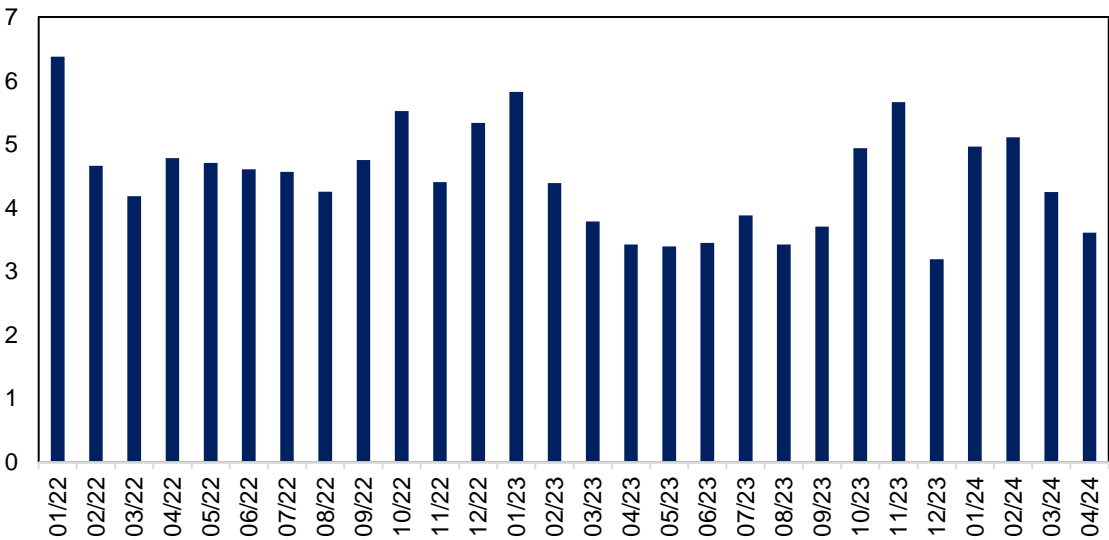


Source: BMI, MBS Research

Jewelry sector: Gold bar and gold ring demand rose because of gold price

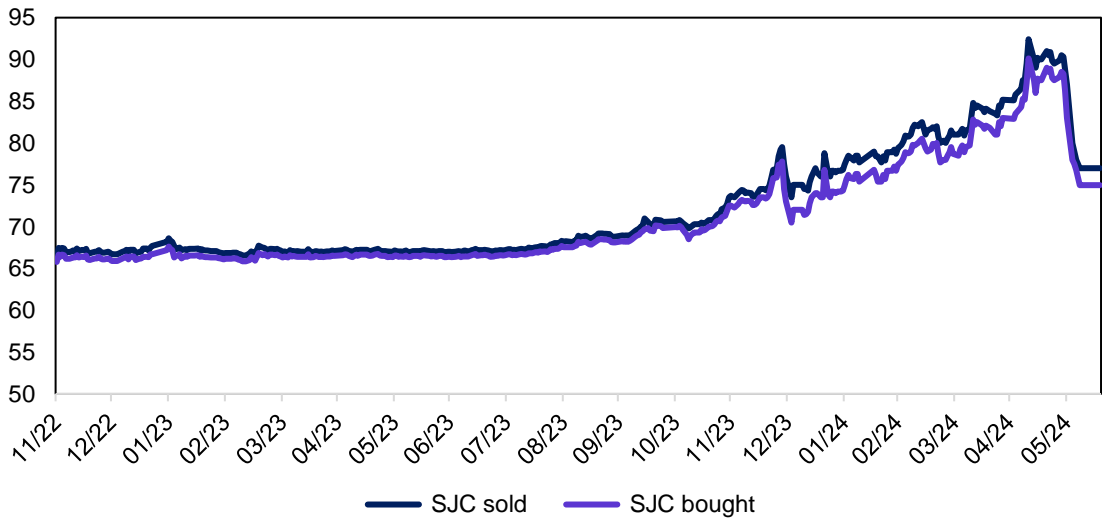
- 1Q 2024, due to fluctuations in the price of gold, there has been a significant rise in the sale of gold rings (gold jewelry). With PNJ, in 4M2024, total retail sales reached 1,451 VNDbn (+14% yoy), revenue/store/month reached 3.6 VNDbn (+5% yoy) thanks for (1) product prices increased 5% yoy when raw material price has increased 5-10% yoy, (2) consumer demand of gold rings rose.
- Only in 4 months in 2024, SJC price strongly increased from 73.5 VNDmn to 91 VNDmn (+23%), which is abnormally for gold market so that SBV need timely solution to adjust gold price including in: 4 successful SJC gold auctions, selling gold directly to customers at 4 commercial banks and SJC. It causing the price of gold rings (gold jewelry) changes so fast, which is turn raised trading demand and make scarce supply.

Revenue/store/month of PNJ (VNDbn)



Source: PNJ, MBS Research

The demand may be affected in the short term and will back to the normal when the gold price stabilized again

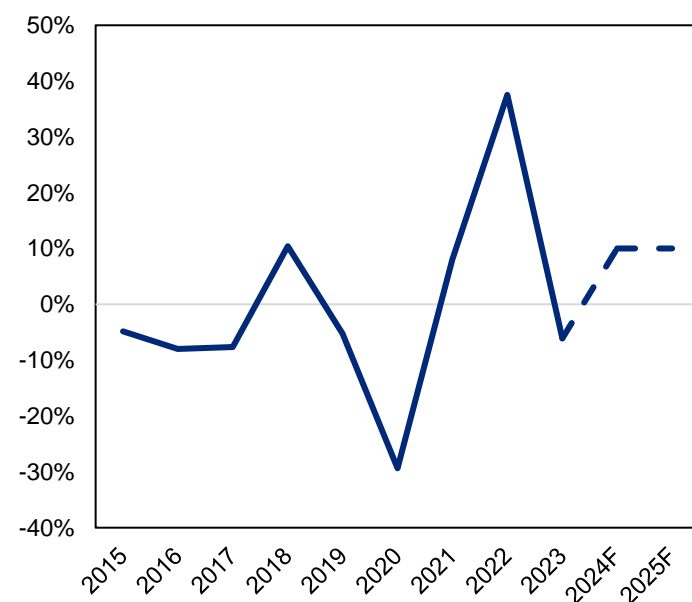


Source: SJC, MBS Research

Jewelry sector: Targeting the new generation of consumers

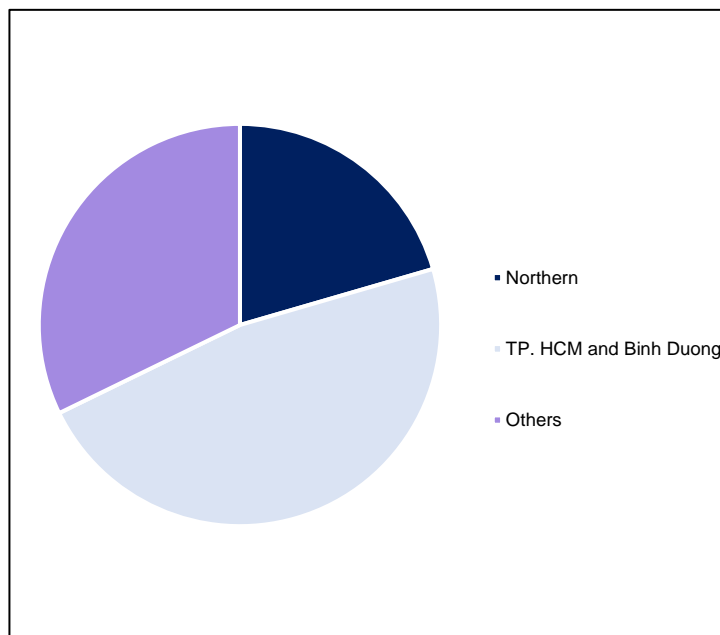
- Overall in 2023, the demand for jewelry decreased by 30% (yoy) and experienced a slight recovery of 11% in 1Q 2024. We observed that the demand for jewelry reached its lower limit in 2023 and is projected to recover in 2024. Nevertheless, given the sluggish pace of economic growth, luxury and non-essential goods are anticipated to experience a gradual recovery in 2024, with a more robust resurgence expected in 2025.
- For major brands like Doji and PNJ, in addition to targeting the Gen Z customer base (the new generation of consumers), we observe promising growth potential in the northern region in the medium to long term. Some northern regions of tier 2,3, where have a sparse distribution of jewelry stores, suggesting a fragmented market, are witnessing substantial income growth and have golden age population.

The growth of demand gold and forecast for 2024-25



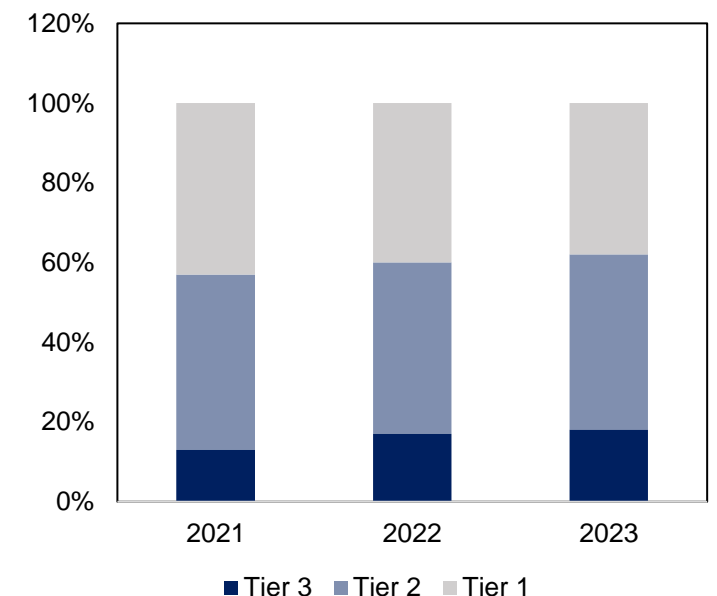
Source: WGC, MBS Research forecast

The majority of Tier 1 still is TP.HCM and Binh Duong, where creating the largest proportion of retail revenue for PNJ



Source: PNJ, MBS Research

PNJ is gradually exploring more potential customers in tier 2, 3

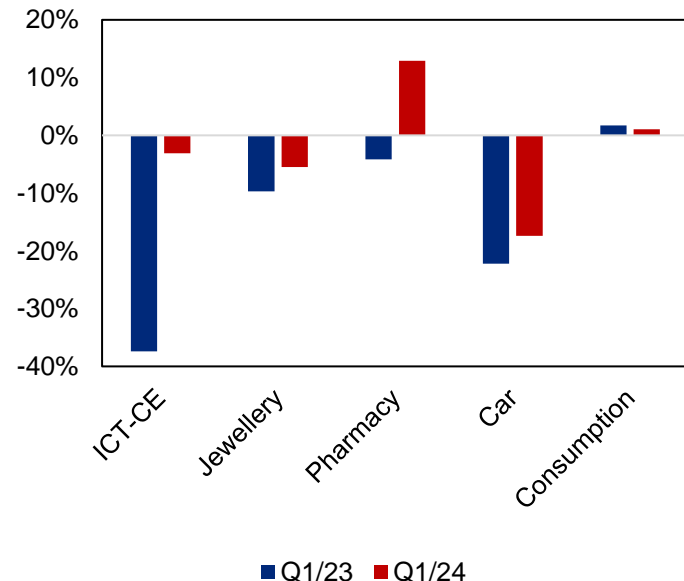


Source: PNJ, MBS Research

## Pharmaceutical retail sector: Long Chau is the only profitable enterprise with outstanding growth in 1H 2024

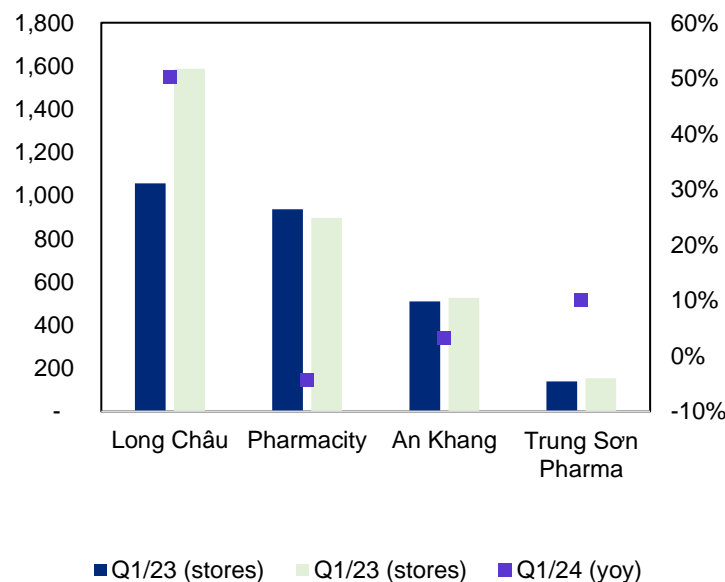
- In 1Q 2024, the consumer detail of pharmaceutical retail had the best growth rate, reached approximately 13% yoy thanks to the rapid increase of the modern medicine model, among them, Long Chau has reached 1,587 stores (+50% yoy) and has a net profit of about 120 billion VND, while An Khang, Pharmacity has not yet made a profit.
- We believe that the pharmacy retail chain market has the great potential in mid-long term when the market still is fragmented, the proportion of pharmacy retail chain is under 10% (with the total pharmacy stores is >60,000, including independent stores and pharmacy retail chains). In there, businesses that provide more customer services (including fast shipping, omnichannel sales...) and a full supply of medicines will have more advantage.

Pharmaceutical retail has the greatest revenue growth thanks for the rapid rise of the modern's pharmacy model (%)



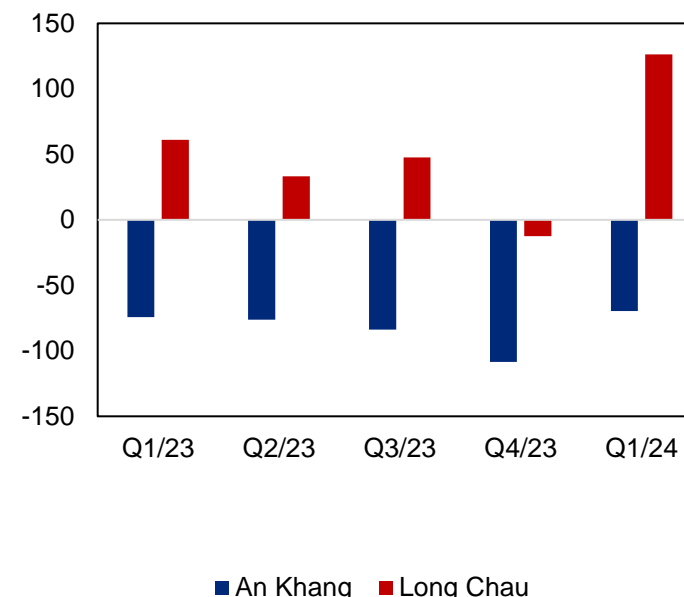
Source: MWG,FRT,PNJ,VAMA,MSN, MBS Research

Long Chau had the greater store growth more than the other pharmacy chains.



Source: FRT, Pharmacity, MWG, Trung Son Pharma, MBS Research

Net profit of An Khang and Long Chau (VNDbn)



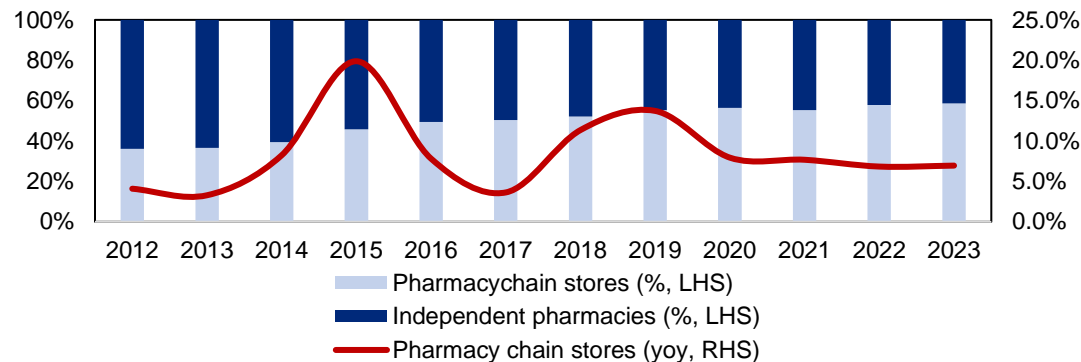
Source: FRT, MWG, MBS Research



## Sector outlook

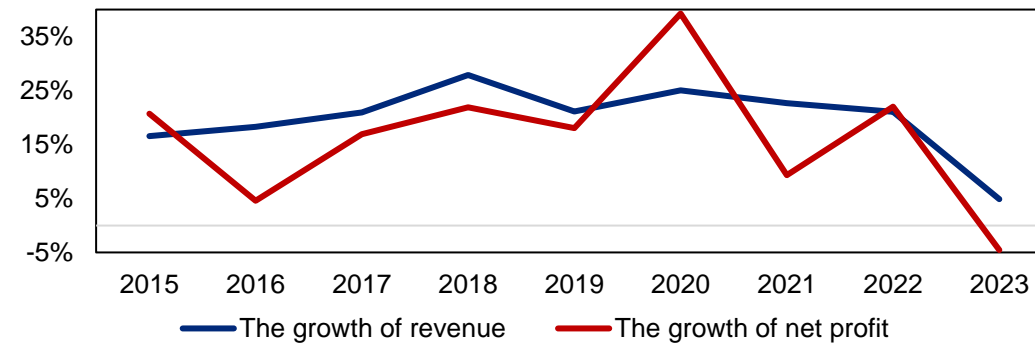
### Pharmaceutical retail sector: Pharmacy retail in China

#### The proportion of 2 model of pharmacy retail business in China



Source: National Medical Products Administration

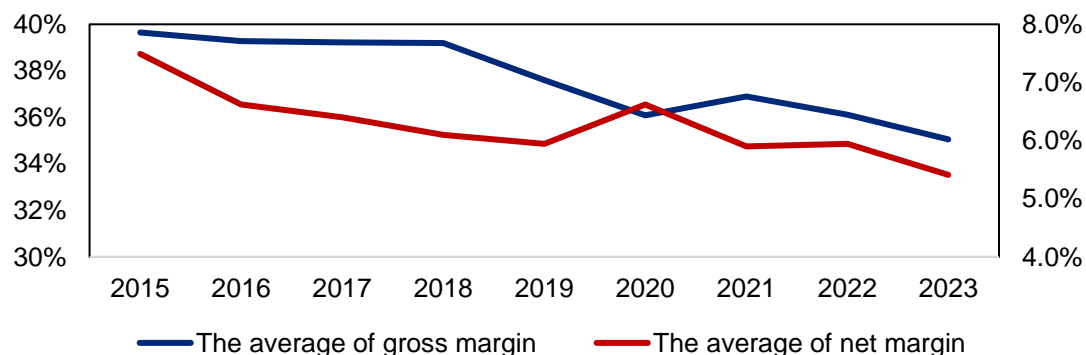
#### The growth rate slows down when the proportion of pharmacy chain store reached 50%



Base in the data of Laobaixing, Yifeng, Yixintang, Dashenlin

Source: Laobaixing, Yifeng, Yixintang, Dashenlin, MBS Research

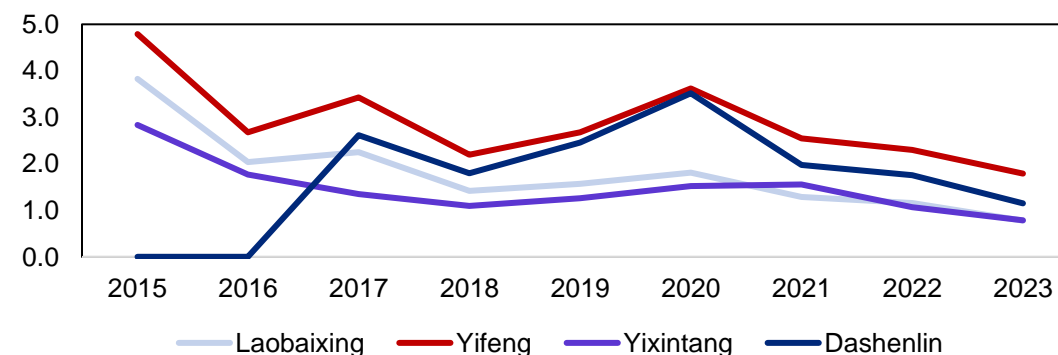
#### The average of net margin 5-year (including covid-19 time) is 6%



Base in the data of Laobaixing, Yifeng, Yixintang, Dashenlin

Source: Laobaixing, Yifeng, Yixintang, Dashenlin, MBS Research

#### P/S average 5-years 1.8x (including 2023), higher than 1.0x of Long Chau at now



Source: Laobaixing, Yifeng, Yixintang, Dashenlin, MBS Research

## 2024 – 2025 forecasts summary of stocks under our coverage

VNDbn	PNJ			DGW			MWG			FRT		
	2023	2024	2025	2023	2024	2025	2023	2024	2025	2023	2024	2025
Net Revenue	33,137	38,622	42,924	18,817	21,800	26,384	118,280	128,503	145,826	31,850	39,992	49,054
Yoy	-2.2%	16.6%	11.1%	-14.6%	15.9%	21.0%	-11.3%	8.6%	13.5%	5.6%	25.6%	22.7%
Gross profit	6,059	7,125	7,926	1,559	1,818	2,235	22,521	26,986	30,623	5,162	7,647	9,761
Gross margin	18.3%	18.4%	18.5%	8.3%	8.3%	8.5%	19.0%	21.0%	21.0%	16.2%	19.1%	19.9%
EBITDA	2610	3106	3477	459	615	777	407	4784	5900	149	1011	1710
EBITDA margin (%)	7.9%	8.0%	8.1%	2.4%	2.8%	2.9%	0.3%	3.7%	4.0%	0.5%	2.5%	3.5%
Net profit	1,971	2,353	2,627	354	493	639	168	3,403	4,463	- 329	219	491
yoy	8.9%	19.3%	11.6%	-48.2%	39.2%	29.5%	-95.9%	1929.9%	31.1%	N/A	N/A	124.6%
EPS (vnd/share)	6,008	7,029	7,848	2,119	2,950	3,821	115	2,326	3,050	-2,714	1,574	3,534
BVPS (vnd/share)	29,883	34,312	39,924	15,709	18,215	21,105	15,963	18,291	20,841	12,618	13,612	17,318
Debt/Shareholder Equity	0.2	0.3	0.2	0.9	0.7	0.7	1.1	0.8	0.5	4.7	5.6	4.8
Dividend yield(%)	2.1%	2.0%	2.0%	1.6%	0.9%	1.8%	1.1%	0.8%	0.8%	0.5%	0.0%	0.5%
ROAE (%)	21.6%	22.1%	21.1%	14.2%	17.6%	19.6%	0.7%	13.6%	15.6%	-19.2%	12.5%	23.1%
ROAA (%)	14.2%	15.0%	14.5%	5.1%	6.5%	7.4%	0.3%	5.6%	7.3%	-3.0%	1.5%	2.8%

## We prefer DGW and MWG

Stocks	Rating	Target price (VND)	Investment thesis
PNJ	ADD	115,400	<ul style="list-style-type: none"> <li>The company holds a leading position in the industry with approximately 50% market share of Vietnam's retail jewelry sector, continuing to expand its store network despite challenging consumer conditions in 2023. We expect PNJ to keep opening new stores, increasing its nationwide presence, aiming to reach 440/462 stores by 2024/2025. We forecast the retail jewelry market to recover by approximately 10% yoy as overall consumption rebounds from Q2/24 onwards; coupled with PNJ's effective sales strategies and the continued in-depth engagement with the new customer base acquired in 2023, a net profit increase of 19%/12% yoy is expected as a result, respectively.</li> <li>PNJ still has prospects for further expansion in the northern region in the medium to long term, as the market penetration for retail jewelry in this area remains relatively low.</li> </ul>
DGW	ADD	73,000	<ul style="list-style-type: none"> <li>Respectively, the top four companies in the current ICT-CE wholesale market are FPT Synnex, Viettel Distribution, Digiworld, and Petrosetco. Digiworld (DGW) holds a strong position in the industry thanks to its abundant customer base (over 6,000 stores) and robust financial health. Additionally, DGW's distinctive competitive advantage lies in its capability to develop markets and manage sales channels for new brands entering the Vietnamese market.</li> <li>Vietnam has a golden population structure and a strong consumer preference for technology products. We have observed that the ICT-CE sector experienced a significant decline mainly due to tightened consumer spending. The ICT-CE market is expected to recover and enter a new consumption cycle, providing DGW with opportunities to capitalize on this recovery. Net profit for 2024/25 is forecasted to grow at 39%/29% yoy. We have noted that DGW has discovered additional growth potential in the sector of providing occupational safety equipment.</li> </ul>
MWG	ADD	72,000	<ul style="list-style-type: none"> <li>Non-essential consumption is recovering after the low base, and the end of the biggest “price-war” will help improve MWG's gross profit margin to 21%. The total revenue in 2024F reaches 128,503 billion VND (+9% YoY). Thanks to the year-end shopping peak, net profit for 2024-25 reached 3,403/4,463 billion VND. We expect BHX to get break-even point in mid-2024 and bring in a net profit of about 500 billion VND.</li> </ul>
FRT	HOLD	176,000	<ul style="list-style-type: none"> <li>Long Chau is the best growth driver for FRT with the largest retail store coverage nationwide. It is expected that in 2024, Long Chau will reach 1,897 stores (+ 400 stores yoy) with average revenue/store reaching 1.2 billion VND/store. ICT revenue will reach 23,730 billion VND in 2024F thanks to the recovery of non-essential consumption, helping total net profit reach 214 billion VND.</li> </ul>

# Investment strategy 2H24



## Peer comparison

	Bloomberg code	Market cap (USDmn)	PE (x)		P/B (x)		ROE (%)		ROA (%)	
			2024	2025	2024	2025	2024	2025	2024	2025
ICT- CE retail corporation										
Mobile World Investment JSC	MWG VN	3,561	26.7	20.4	3.4	3.0	13.6%	15.6%	5.6%	7.3%
Digiworld JSC	DGW VN	399	21.0	16.2	3.4	2.9	17.4%	19.4%	6.5%	7.4%
FPT Digital Retail JSC	FRT VN	942	119.2	53.1	13.1	10.3	11.6%	20.4%	1.4%	2.7%
Erajaya Swasembada Tbk	ERAA IJ EQUITY	377.4	6.3	5.2	0.8	0.7	12.4%	13.4%	4.5%	5.2%
Average			43.3	23.7	5.2	4.2	13.7%	17.2%	4.5%	5.6%
Jewelry retail corporation										
Phu Nhuan Jewelry JSC	PNJ VN	1,279	13.2	11.9	2.7	2.3	22.1%	21.1%	15.0%	14.5%
Chow Tai Fook Jewellery group	1929 HK EQUITY	11,040	10.8	10.0	2.8	2.6	27.7%	28.2%	9.2%	9.8%
Chow Sang Sang Holdings Intern	116 HK EQUITY	640	4.1	3.6	0.4	0.4	6.4%	6.9%	4.1%	4.5%
Average			9.4	8.5	2.0	1.7	18.7%	18.7%	9.4%	9.6%
Pharmacy retail corporation										
Laobaixing Pharmacy Chain JSC	603883 CH EQUITY	2,204	14.2	11.8	2.2	1.9	15.1%	16.2%	5.1%	5.5%
Yifeng Pharmacy Chain Co Ltd	603939 CH EQUITY	4,354	18.0	14.8	2.8	2.4	16.1%	17.1%	7.1%	7.6%
Yixintang Pharma A Equity	002727 CH Equity	1,268	9.1	7.9	1.1	1.0	11.9%	12.5%	6.0%	6.4%
DaShenLin Pharmaceutical Group	603233 CH Equity	2,344	11.3	9.6	2.1	1.9	19.3%	20.1%	5.7%	6.1%
Average			13.2	11.0	2.0	1.8	15.6%	16.5%	6.0%	6.4%

Source: Bloomberg, MBS Research



## Power

**Awaiting for a comprehensive policy framework**

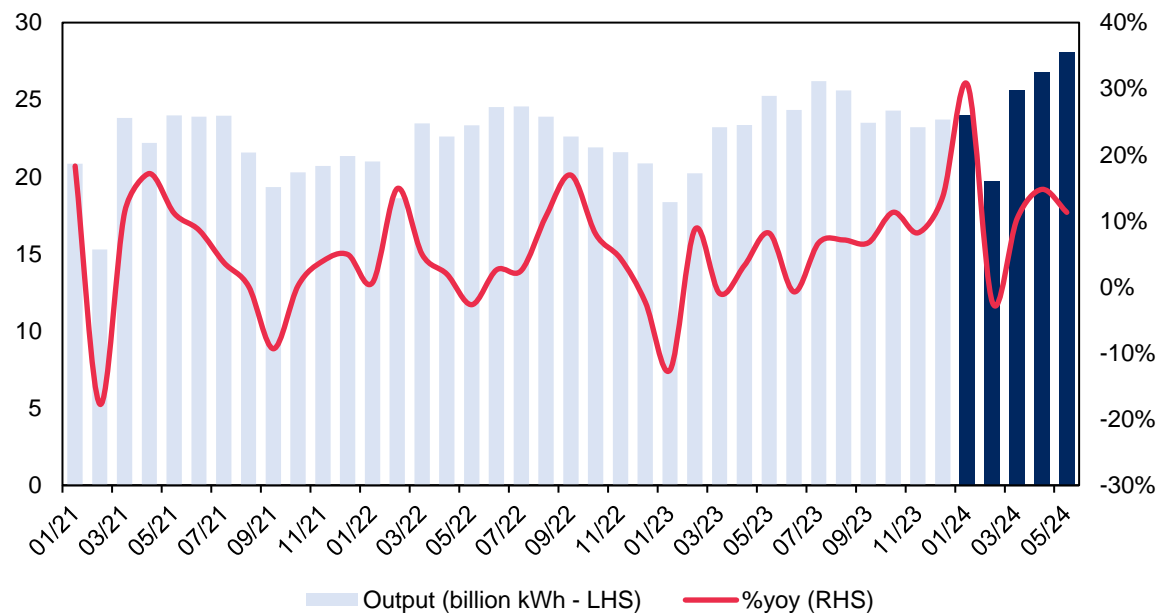
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Vietnam Strategy 2H2024

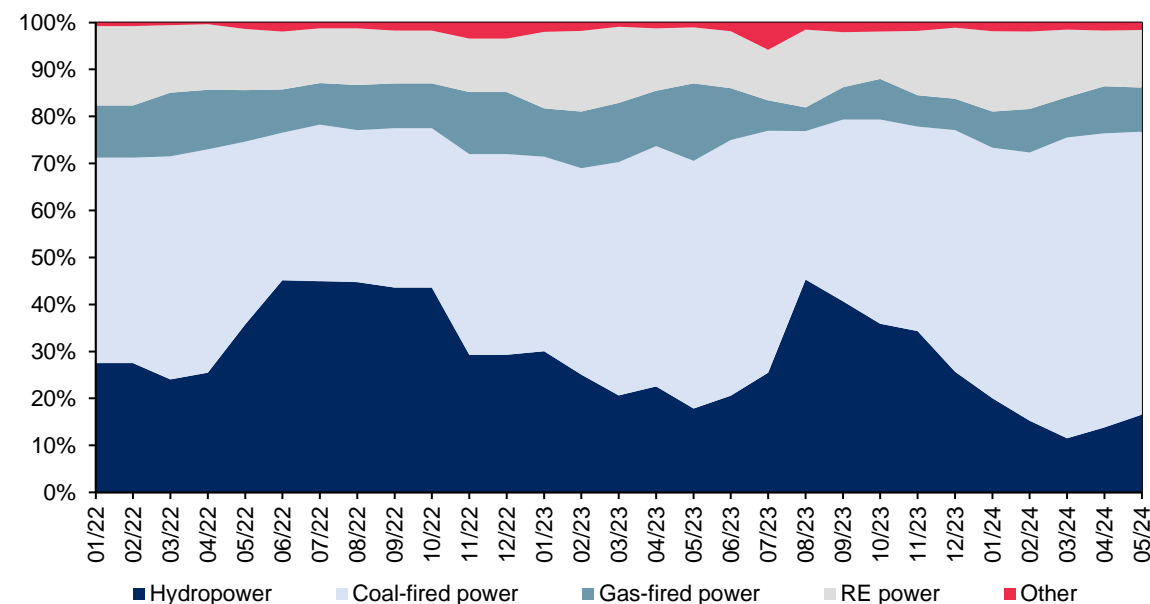
## Power sector 5M24 recap

- In 5M24, national power consumption increased by 11% yoy from a low base 2023, supported by: 1) Significant rise in residential electricity demand amid early heat waves, particularly surge from late 1Q24; 2) Strong recovery in industrial demand, as indicated by positive growth in IIP with the resurgence in core industrial sector such as cement, steel and export sectors.
- Coal-fired power output increased 38% yoy to constitute 59% of total system output due to 1) Coal-fired power were prioritized by A0 due to demand surge in the North and coal price drop, bolstered its competitiveness; 2) Hydropower output slumped, comprising only 15% of total generation (-24% yoy) due to ongoing El Nino phase and the necessity to conserve water for peak demand period; 3) Gas-fired power markedly dropped under severe gas supplies shortage, its output only accounted for merely 9% total output (narrowing 21% yoy).

### 5M24 power consumption rebounded from last year's humble growth rate



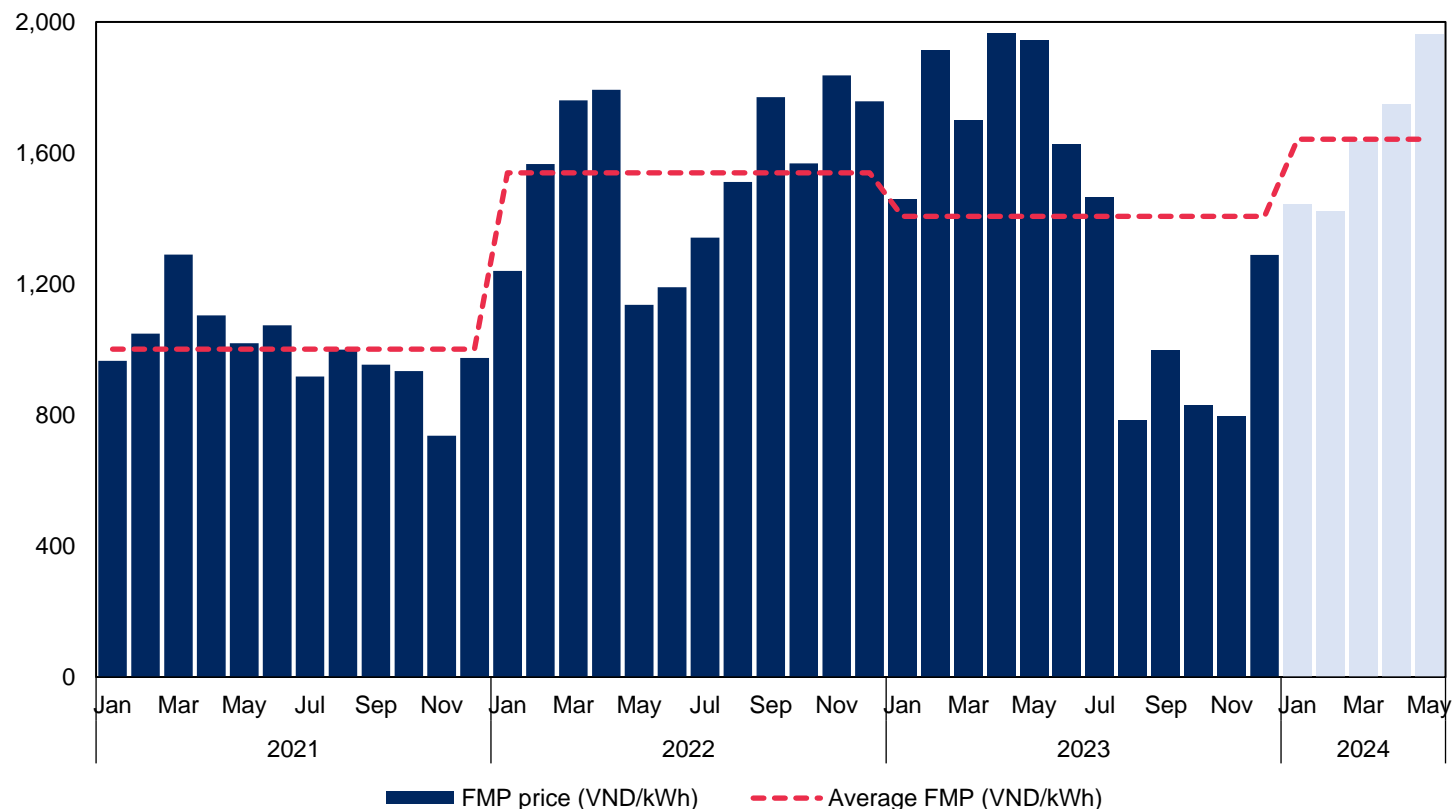
### Coal-fired power generation predominantly high in 5M24 under sharp decline in hydropower and gas-fired power



The full market price (FMP) in Competitive generation market (CGM) reached higher level from 2Q24, support thermal power mobilization

There are some adjustments under 2024 Competitive Market Operation Plan (CGM) for 2024:

- System marginal price (SMP) is set at 1,510VND/kWh, a decrease of 12% yoy. This reduction diminishes the pricing latitude for high-cost thermal power such as gas-fired power plan.
- Contract output (Qc) rate for hydropower increase from 90% in 2023 to 98% in 2024, equating to lower output on the competitive market (Qm) of only 2%. Thus, we see hydropower average selling price (ASP) to hinder due to the reduction for higher-priced portion bidding in the CGM.
- Qc proportion for thermal power plants is 70%, corresponding to higher Qm of 30%. With new SMP set at 1,510VND/kWh, and average capacity cost (CAN) tariff at 330 VND/kWh, coal-fired power has higher potential to proactively bid in the market to optimize profit margins.





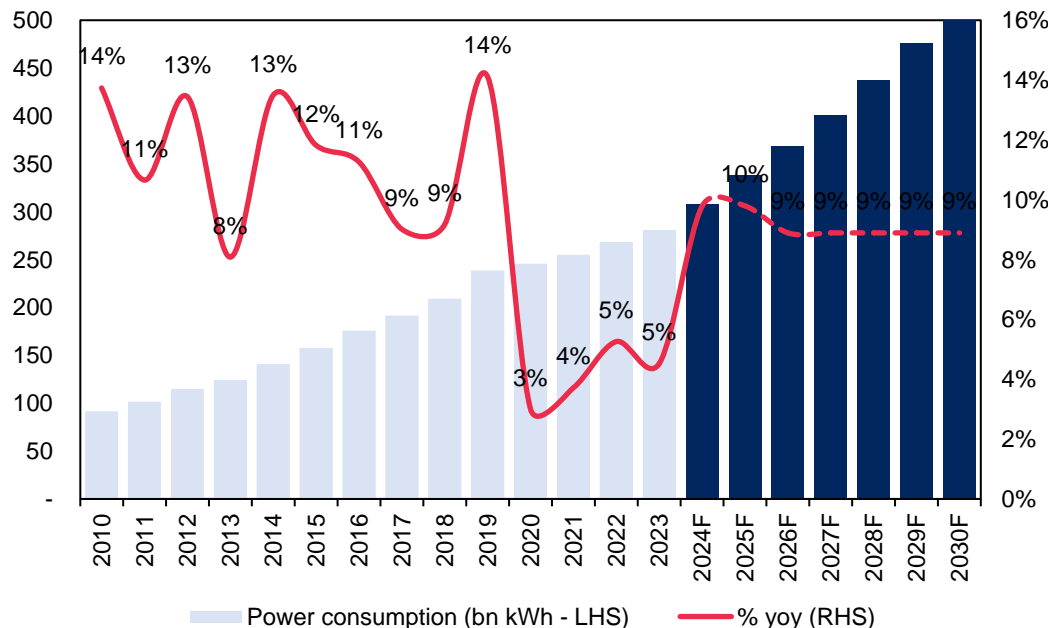
# 2024-25 power sector outlook: Exhibits positive transformations



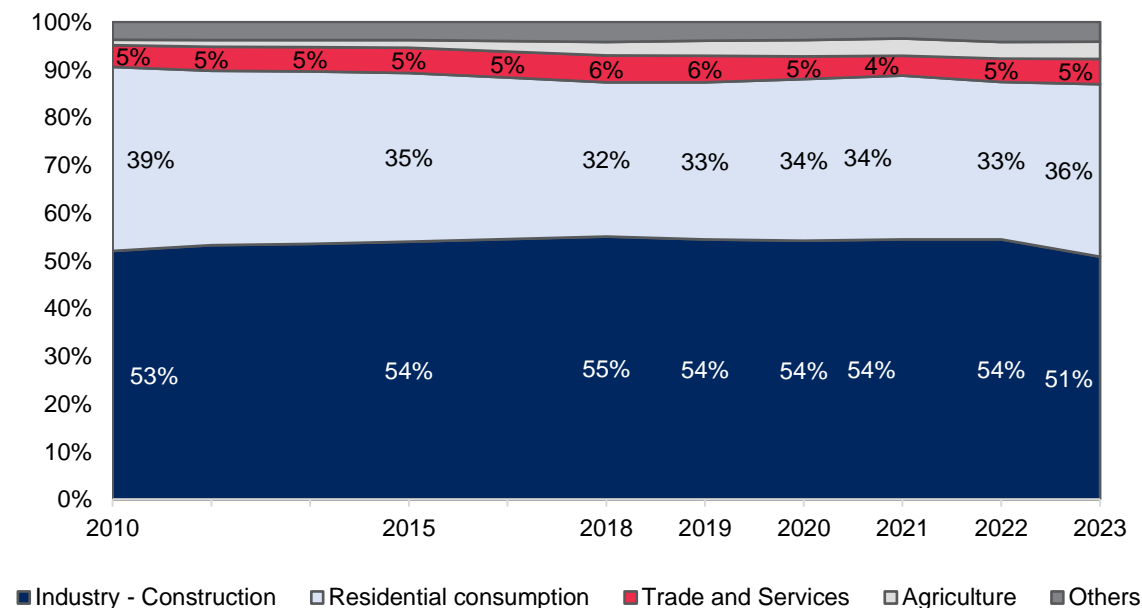
## Power consumption to reach robust growth from 2024

- We anticipate that power demand could rebound by 9.8% yoy in 2024, aligning with the high scenario outlined in the PDP8, and exceeding the MOIT early-year projection of 9% yoy. We see the recovery is supported by higher-than-expected power output growth in the initial months of the year, averaging 13% yoy, with the trend expected to continue during the peak summer months.
- For 2025-30 period, we forecast power demand to grow at a compound annual growth rate (CAGR) of 9.3%, closely tracking the Vietnam solid economic growth after a very challenging period 2020-23. We see the robust growth will be driven by the resurgence in industrial activities as well as the increasing residential power consumption during the hot months.

## Power consumption will grow at 9.3% CAGR over 2024-30 period, exceeding low base level in 2021-23



## Power demand for industrial sector will be the primary driver, while residential demand needs to be secured in peak months



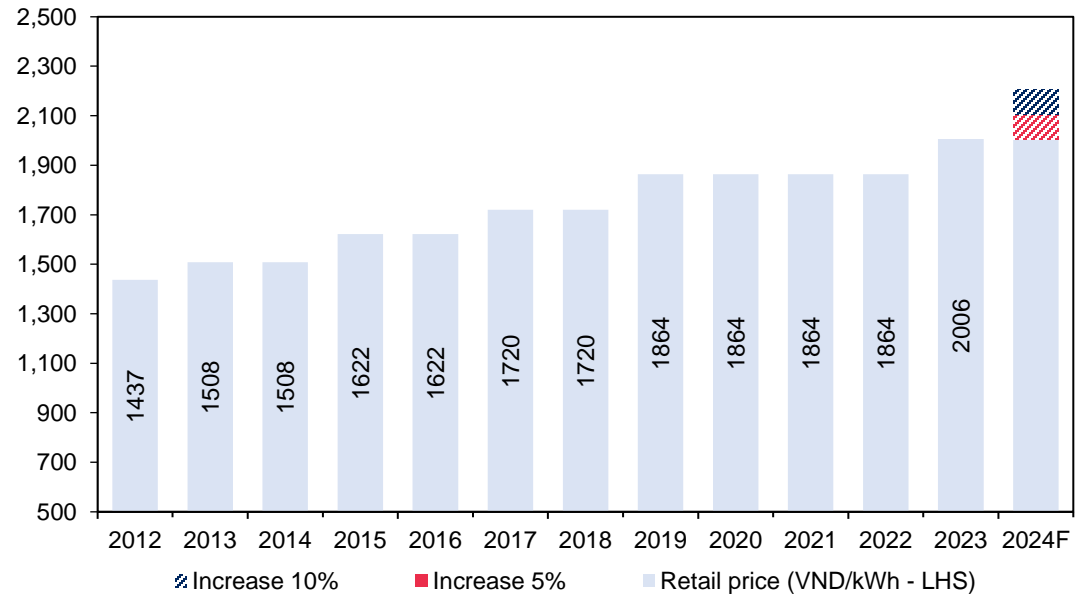
# 2024-25 power sector outlook: Exhibits positive transformations



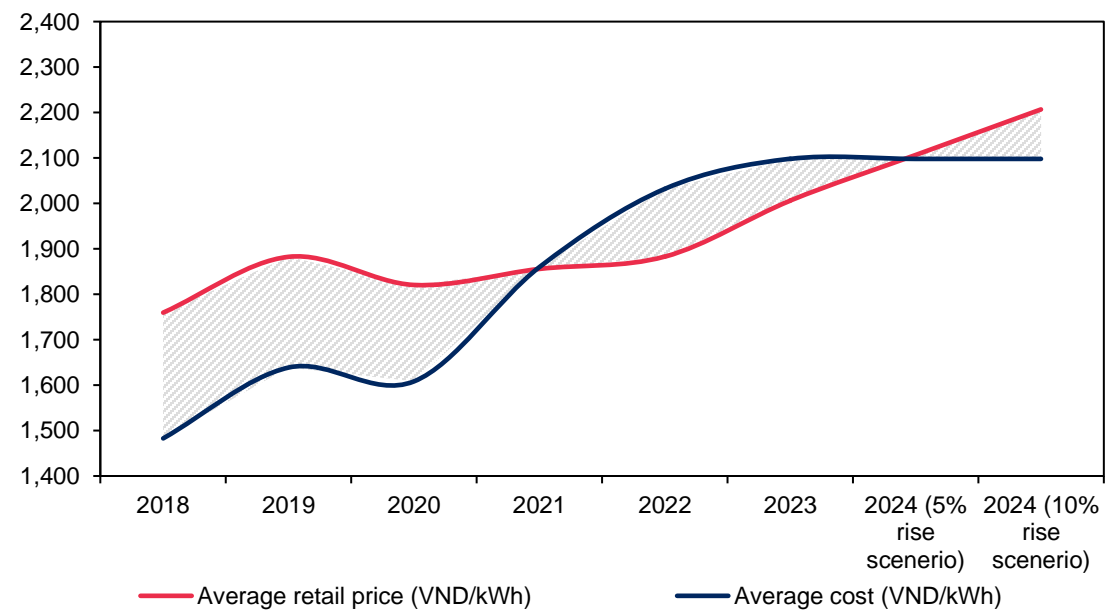
## New retail electricity pricing mechanism to support EVN's financial sustainability

- 1) Minimum price adjustment cycle reduced from 6 months to 3 months, ensuring short-term input cost fluctuation are promptly reflected; 2) Market transaction operational costs and industry management cost are now included in EVN production costs, providing a more comprehensive reflection of incurred expenses;
- 3) EVN's obligation to reduce electricity prices accordingly if calculated input price decreases more than 1% compared to the current retail price. In contrast, EVN is authorized to increase retail prices if the calculated production cost rises by 3-5%. For an increases between 5-10%, they can adjust prices after receiving approval from MOIT. For more than 10% increases of those affecting the macroeconomic situation, consultation with relevant ministries and approval from the Prime Minister is required.

We see the new mechanism to signal a new price increase this year, averaging around 5-10% per our view



Price increase by 5% help EVN gains ~8VND/kWh in gross profit, while a 10% raise bring the number to ~109VND/kWh from gross loss 2023



# 2024-25 power sector outlook: Exhibits positive transformations



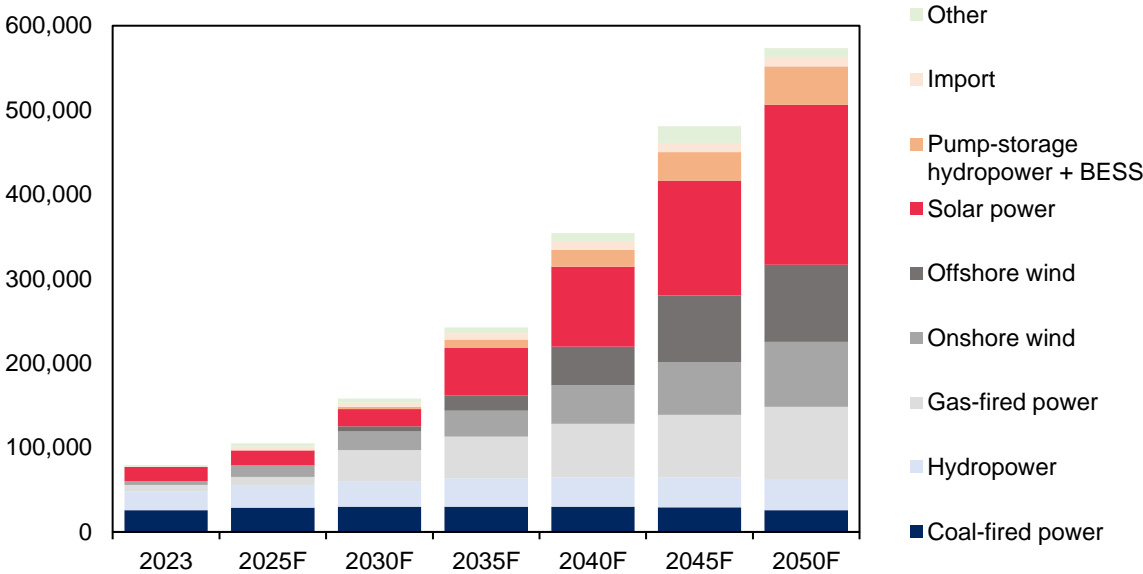
## 2024-25 to be pivotal period for promulgating crucial sector policies

- By 2025, several policies and legal projects are in the rush to complete, of which, some of them that we believe need to be carried out soon to lays a basis for implementing new power sources include 1) Price framework for new power sources (RE power, LNG-to-power, offshore wind power); 2) Direct power purchase mechanism (DPPA); 3) Electricity law (Amended). Currently, most of the above have been drafted and are in completion process, thus, we see 2024-25 will be a crucial period in issuing key policies when Vietnam only has 6.5 years left to complete heavy task assigned in the PDP8.

### List of priority projects/policies for Vietnam power sector in 2023-25 period

Policies/projects	Timeline	Progress
Building price framework for importing power from Laos	2023-25	- Propose a price framework of minimum 6.95UScent/kWh from 2025
Price framework for power sources (LNG, RE, offshore)	2023-25	- Issued LNG price framework in 2Q24 - RE price framework not yet finalized.
Direct power purchase agreement (DPPA)	2023-25	- Submitted to Government on May 2024 - Expected issuance at 3Q24.
Rooftop development mechansism	2023-25	- Finalizing and submitting to government before June 15, 2024
Electricity law (amended)	2023-25	- Collecting comments on Draft 2
Law on Energy saving and efficiency (amended)	2023-25	
Mechanism for carbon credit market	2023-25	

### Power capacity development workload is heavy over 2024-30 period, targeting wind power and gas-fired power (Unit: MW)



Sources: PDP8, MBS Research

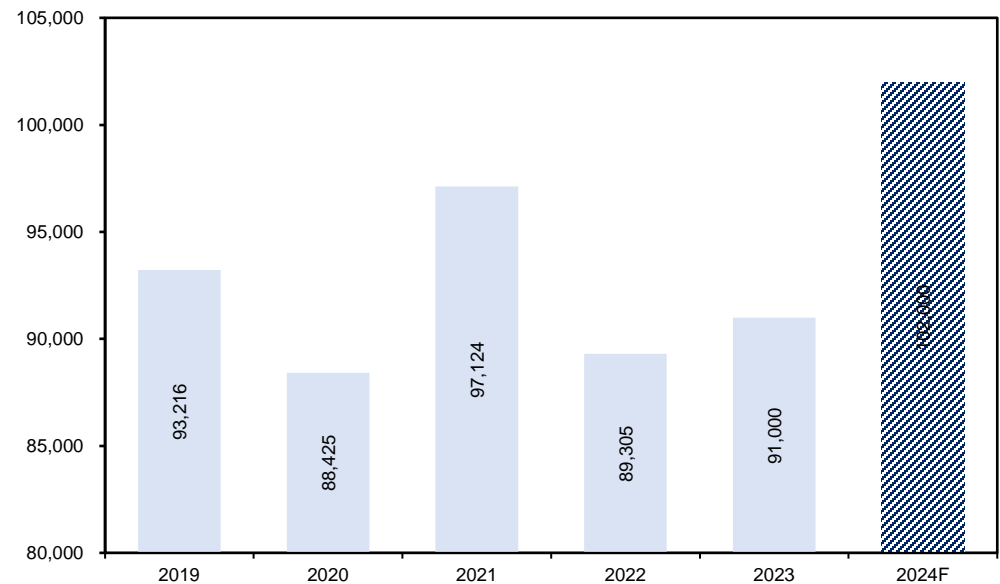
# Power infrastructure plays an essential role in the long term



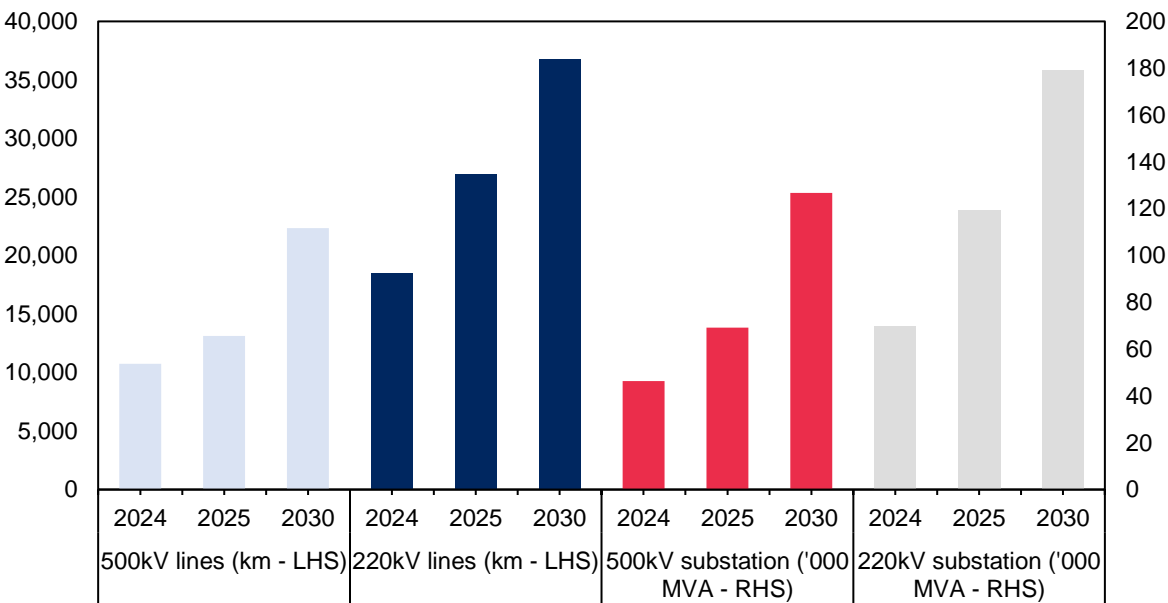
## Grid and power plant contractor to enjoy brighter outlook in 2024-25 when recovery from low base 2022-23

- According to EVN, the construction investment plan for 2024 reach ~VND102,000bn, up 12% yoy with the 500kV line 3 Quang Trach – Pho Noi being the focus. Thus, PC1 and TV2 are some prominent listed companies benefiting from this trend.
- In the longer term, power transmission development is a crucial task to support National power system stand firm against high penetration of RE power sources, alongside with the urgent need for increasing power supply from South to North. On the other hand, power plant construction is the fulcrum, ensuring economic growth to the fullest. We see high workload as well as capital requirement for power construction from in 2025-2050. Therefore, this will basically secure a substantial outlook for power construction companies, especially the one with capacity to undertake large-scale and high technical projects.

EVN’s 2024 main focus includes construction investment, with expected total capital of about VND102,000bn (+12% yoy)



Workload for transmission project development remain high in 2024-50 period with estimated value of ~US\$1.6bn/year

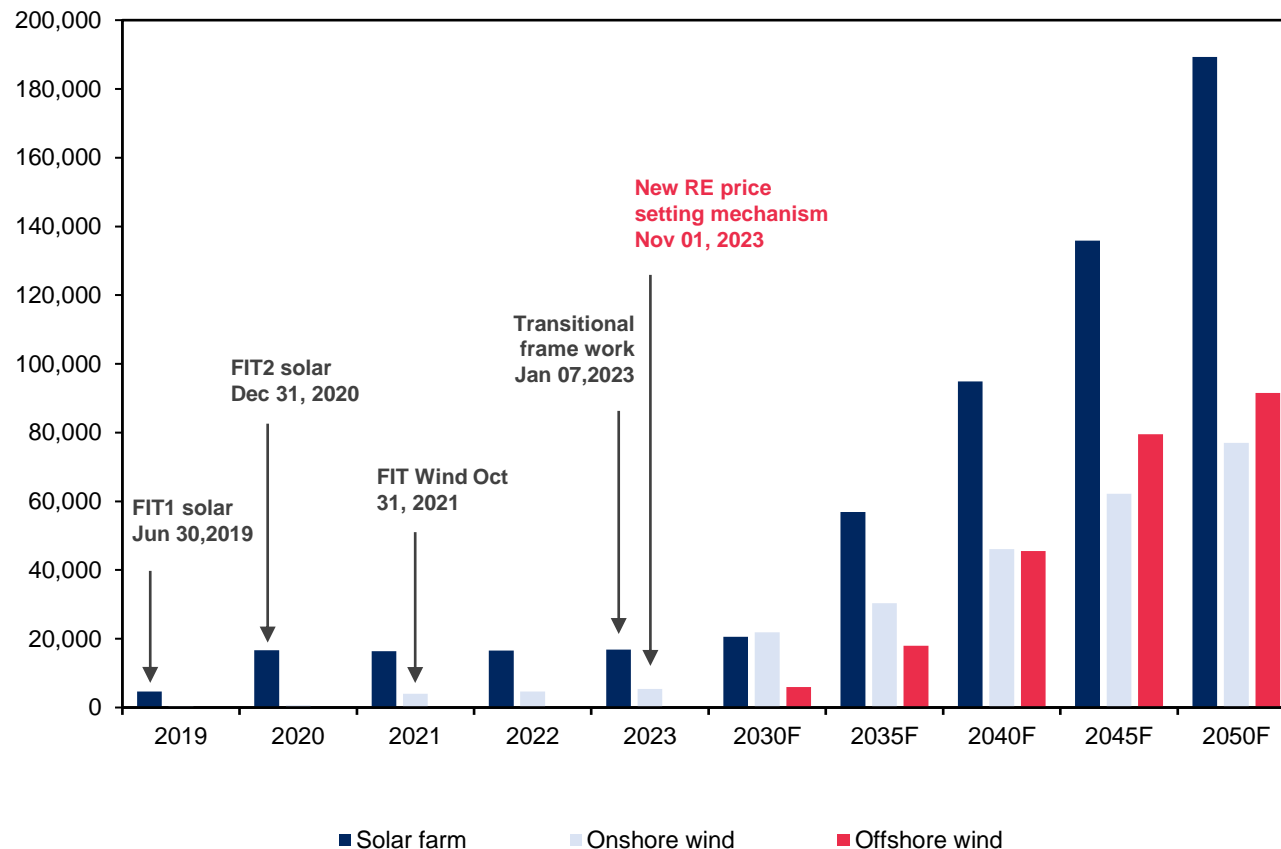


# RE power: Urgently complete important policies

The growth prospect of RE power firms come from its ability to expand capacity

Wind power capacity grows at highest rate of 30% CAGR over 2023-50, the new price framework will be the hinge to realize the goal (Unit: MW)

- In 2024-25, RE power output growth is expected to remain stable due to improved capacity curtailment risk, supported by timely power system upgraded to basically absorb high proportion of RE power capacity.
- Regarding policy outlook, after more than one year of issuing price framework for transitional projects, currently almost all projects have submitted legal documents for further price negotiation, of which, by the end of 2023, 21 plants with total capacity of 1,201MW have completed COD procedures and generated power onto the grid (some prominent names include BCG, GEG, Trung Nam). However, these projects are still being mobilized at provisional prices (half the transitional ceiling price), and at the moment, the official price negotiation has not made any significant progress, causing pressure on financial efficiency of the projects.

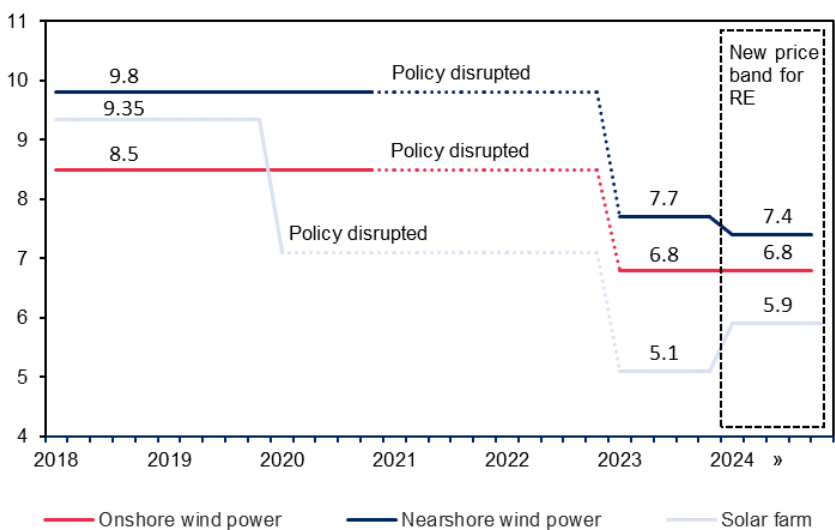


# RE power: Urgently complete important policies



After the Circular 19 – Regulations on the method of developing RE power price framework was issued in Nov 23, there has been no further information on the official price band for RE power up to now, thus, hindering the implementation of new projects

Wind power prices remain flat compared to transitional prices, however, solar farm prices should be higher in order to be economically viable (Unit: UScent/kWh)



We calculated the price band for RE power according to the Circular 19 guidance, based on the following assumptions:

Unit	Solar farm	Onshore wind	Nearshore wind
Capacity**	MW	50MW	50MW
Operation hour**	hour/year	1,900	3,100
Investment cost**	VNDbn	18	34
Economic life*	year	20	20
NPAT/Equity*	%	12%	12%
Regulated tax rates*	%	20%	20%
Local loan interest rate**	%	9%	9%
Foreign loan interest rate**	%	7%	7%
Average fixed price	VND/k Wh	1,295	1,500
Fixed O&M price	VND/k Wh	123	143
Estimated ceiling price	VND/kWh	1,419	1,642

(\*) Calculated parameters follow the Circular 19  
(\*\*) MBS Research's assumptions

We conduct a sensitivity analysis of investment cost and interest rate on onshore wind power ASP (1) and nearshore wind power ASP (2)...

Investment (VNDbn/MW)	Interest rate (%)						
	6.0%	6.5%	7.0%	7.4%	8.0%	8.5%	9.0%
28	1,315	1,329	1,342	1,353	1,369	1,382	1,395
30	1,409	1,423	1,438	1,449	1,466	1,481	1,495
32	1,503	1,518	1,534	1,546	1,564	1,579	1,595
34	1,597	1,613	1,629	1,642	1,662	1,678	1,695
36	1,691	1,708	1,725	1,739	1,760	1,777	1,794
38	1,785	1,803	1,821	1,836	1,857	1,876	1,894
40	1,879	1,898	1,917	1,932	1,955	1,974	1,994

... Accordingly, assuming investment cost decrease by VND1.0bn/MW and interest rate decrease by 0.5%, the feasible price for wind power will decrease by 6-7% per our estimation

Investment (VNDbn/MW)	Interest rate (%)						
	6.0%	6.5%	7.0%	7.4%	8.0%	8.5%	9.0%
35	1,476	1,491	1,506	1,517	1,535	1,550	1,565
37	1,561	1,576	1,592	1,604	1,623	1,639	1,654
39	1,645	1,661	1,678	1,691	1,711	1,727	1,744
41	1,729	1,746	1,764	1,778	1,798	1,816	1,833
43	1,814	1,832	1,850	1,864	1,886	1,904	1,923
45	1,898	1,917	1,936	1,951	1,974	1,993	2,012
47	1,982	2,002	2,022	2,038	2,062	2,082	2,102

# RE power: Urgently complete important policies

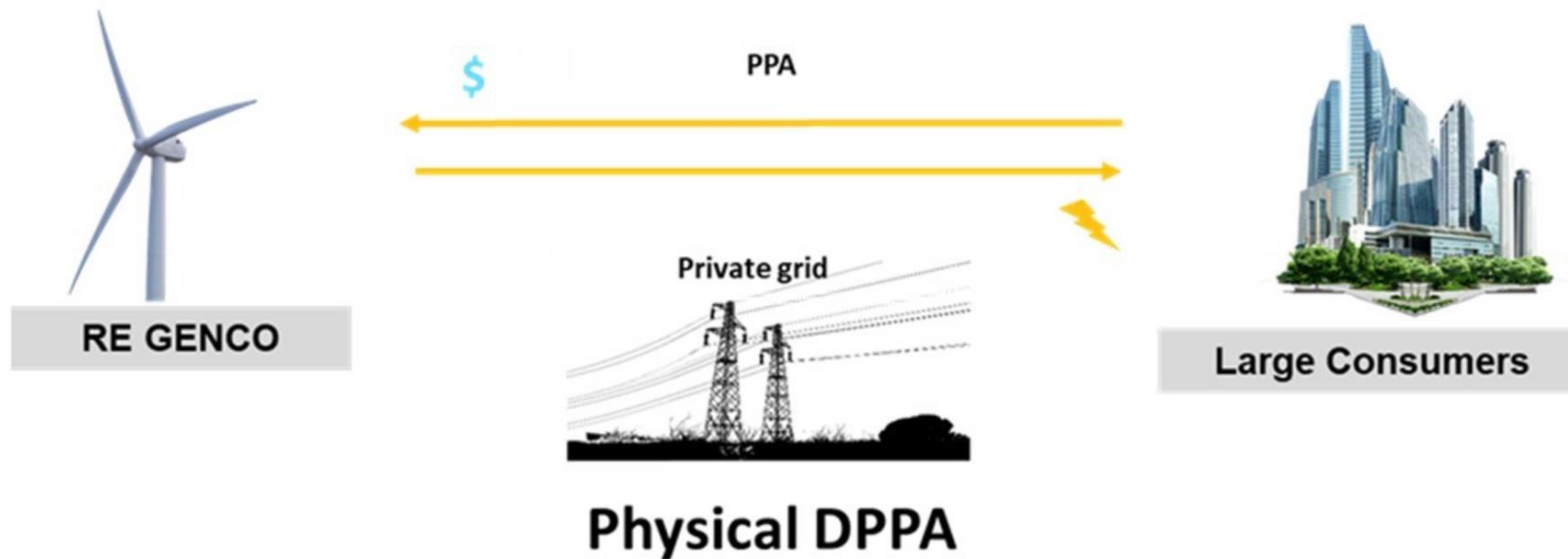
In 2023-25 period, DPPA for RE power is a key policy that is being pushed to issue. We see two options are brought up for discussion On-grid and Off-grid DPPA. Whatever the option, an intermediate pilot phase is necessary to thoroughly access the effectiveness of this policy.

Option 1: Directly purchase power via private lines:

- The parties sign a DPPA contract to exchange electricity through a direct transmission line without going through national grid. In this option, electricity supplier suggested are RE power plants (including wind power, solar farm, rooftop solar system, waste-to-energy and biomass power), with no capacity limit. Customers and generators will negotiate on contracted output, selling price usually based on the retail electricity price.

## Diagram of the option 1: Private-wire DPPA (Off-grid DPPA)

Model based on Report No. 158/BC-BCT dated 25 Sep 2023, subject to change





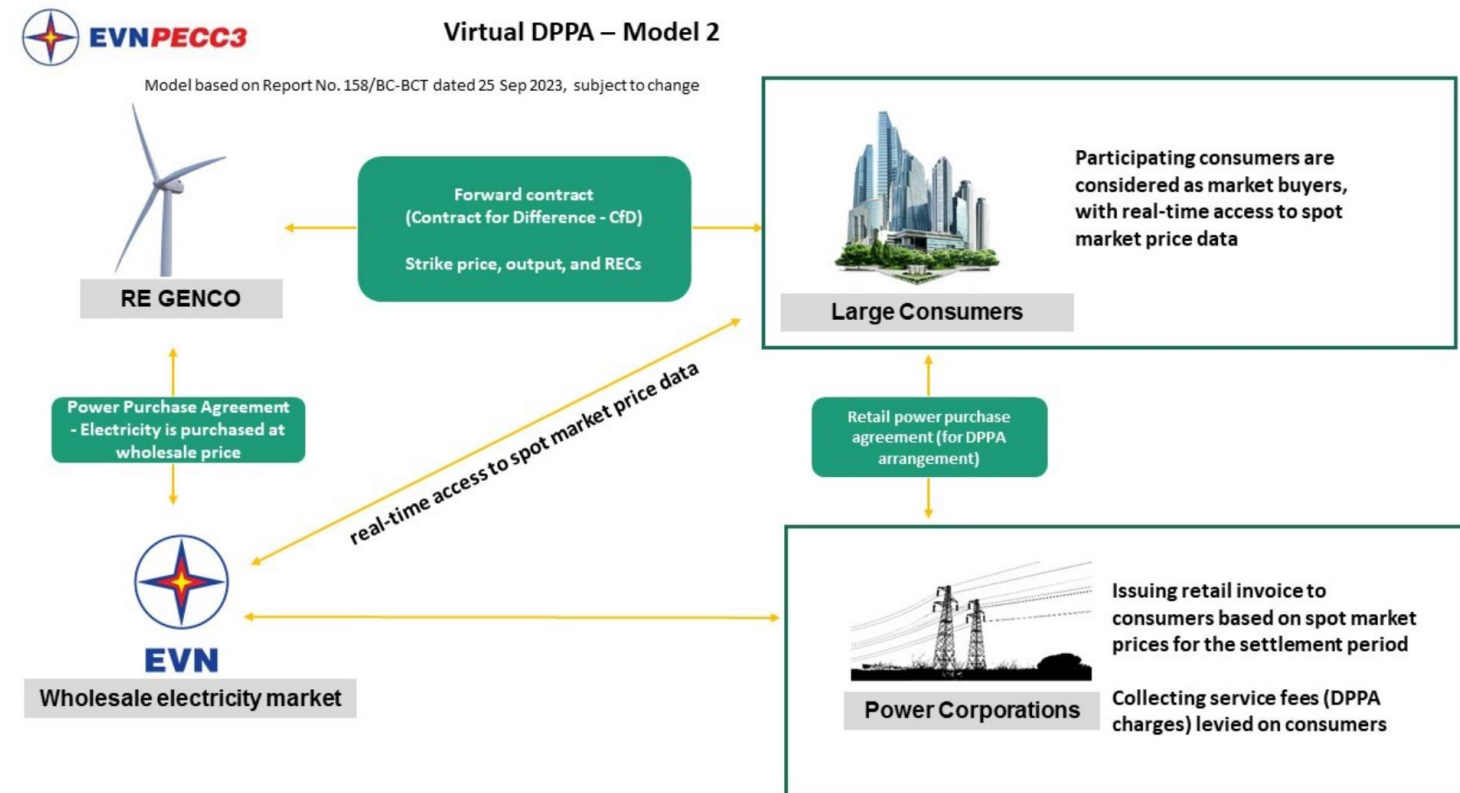
# RE power: Urgently complete important policies

For power plants, DPPA contracts create a more favorable business environment, enhancing competitiveness and motivating investors to proactively seek for customers

## Diagram of option 2: Purchasing power through national grid (On-grid DPPA)

Buyer and seller sign a DPPA contract to exchange electricity through national grid (EVN). Therefore, three parties will sign these following contracts:

- Power plant (>10MW) joins the competitive wholesale market and execute payment for EVN through the full market price (FMP) in CGM, determined by SMP price + CAN price, issued annually by the MOIT.
- Large customer signs a power purchase contract with EVN, also base on the FMP, but plus DPPA service costs (including power transmission fee + distribution fee + Dispatch fee + other ancillary costs).
- Power plant and customer sign a Contract for Difference (CfD), committing specific terms regarding power output and contract selling price as mutually agreed. Two parties will settle the payment based on the difference between the contract price ( $P_c$ ) and the reference price (FMP).



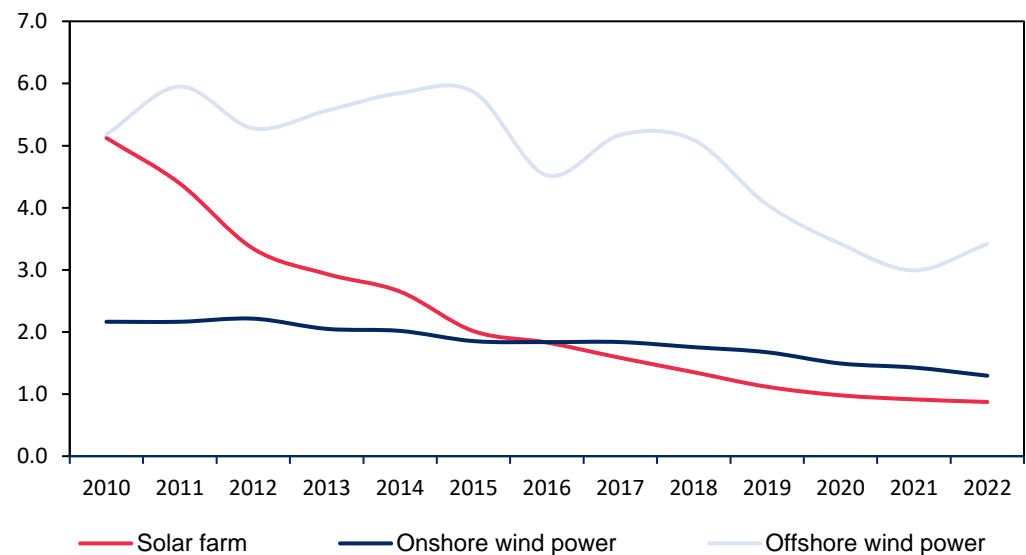
# RE power: Urgently complete important policies



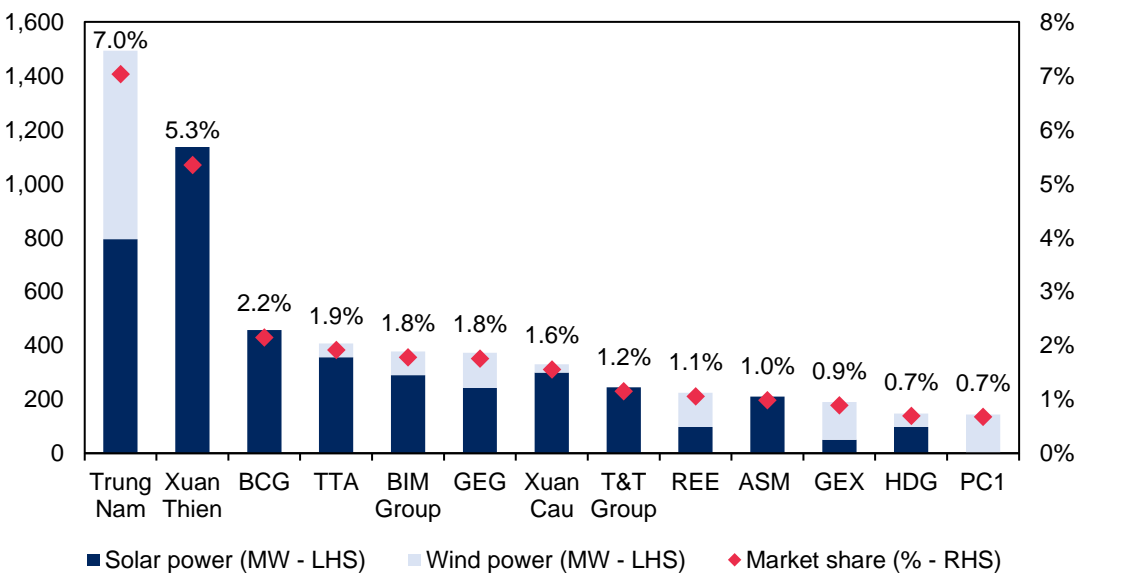
## Sector’s outlook remains positive with the acceleration of policies, decreasing investment costs coupled with improved efficiency

- According to IRENA latest report, the levelized cost of energy (LCOE) for RE power, particularly wind and solar power has significantly decreased over 2010-22 period. This decline is supported by two main factors, including the reduction in installed cost and increased plant capacity factor due to technological advancements.
- Therefore, we see companies with capacity and experience to implement large-scale projects, possessing efficient power generation plants with optimal LCOE, as well as the ability to raise low-cost capital will benefit in the upcoming period. These companies include HDG, REE, GEG, PC1.

According to IRENA’s latest report, equipment installation costs are on a sharp decline over 2010-22 (Unit: million US\$/MW)



Enterprises with experience in implementing RE projects such as REE, GEX, GEG, and strong ability to mobilize low-cost capital including PC1, HDG will stay ahead in the coming period

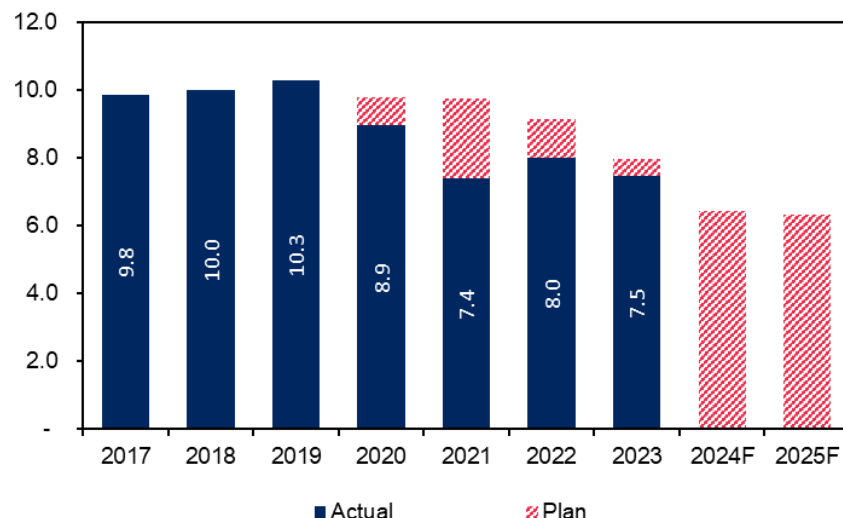


Sources: IRENA, PDP8, MBS Research

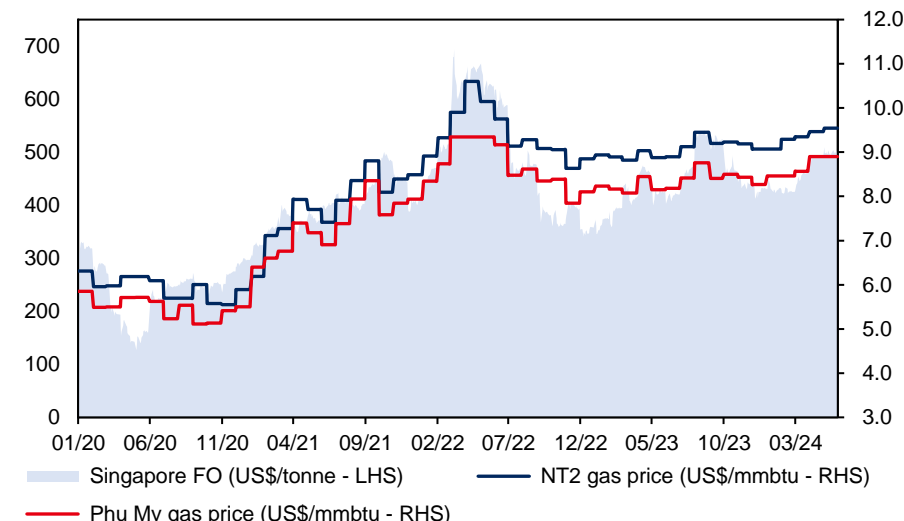
# Gas-fired power: LNG-to-power plays a vital role in medium to long term



**Domestic gas supply declined over years, failing to meet the annual plan since 2020. We forecast that gas supply output in 2024-25 will continue to decrease (Unit: billion m3)**



**Gas prices retreated from 2022 peak, but still anchored at high level relative to historical averages. We expect the high base to persist in 2024-25 as new gas fields become increasingly expensive**



## List of outstanding gas field under development, additional gas flows to be possible at soonest late 2026 onward

Project	Location	Capex (US\$m)	Reserves (m3 gas)	2023	2024	2025	2026	2027	2028	2029	2030
Block B	Malay - Tho Chu basin	6,700	107bn m3 gas		FID			First gas expectation			
White Lion - Phase 2b	Cuu Long basin	1,300	20bn m3 gas		FID	Sep 2025: Contract expires	First gas expectation				
Nam Du - U Minh	Malay - Tho Chu basin	n/a	171.3bn m3 gas		FDP setting		First gas expectation				
Blue Whale	Song Hong basin	4,600	150bn m3 gas		FDP setting					First gas expectation	
Bao Vang - Bao Den	Song Hong basin	1,321	58bn m3 gas		Exploring						
Ken Bau	Song Hong basin	n/a	200-250bn m3 gas		Exploring						

Sources: GAS, GENCO3, NT2, MBS Research

- We expect gas-fired power to face difficulties in 2024, affected by domestic gas shortage, and anchored high gas prices. Looking ahead to 2025, we see the decreasing trend of domestic gas supply will continue, given new gas fields such as White Lion and Nam Du – U Minh to operate earliest by late 2026-27.
- in May 2024, the MOIT issued official pricing framework for LNG power, with ceiling price of 2,590.85USD/kWh, based on gas price of ~12.9US\$/mmBtu (excluding gas reprocessing costs and VAT). We see the new policy is economically viable enough for investors to expedite PPA negotiations with EVN this year.

# Gas-fired power: LNG-to-power plays a vital role in medium to long term

In medium to long term, gas-fired power is one of the main development thrusts according to the PDP8 over 2023-35 period:

## List of outstanding LNG-to-power and domestic gas-fired power plants in 2024-35 period

- LNG-to-power becomes increasingly crucial amid sharp decline in domestic gas supply. At the moment, Vietnam total LNG imported reached around 270,000 tons with price fluctuate in the range of US\$12-14/mmBtu, primarily served Nhon Trach 3&4 commissioning and acted as backup sources for Phu My 3 thermal power plant during peak load period of 2Q-3Q24.
- In term of project implementation outlook, the new pricing framework for LNG power will support the PPA's negotiation progress for some of the first under construction LNG power plants, Nhon Trach 3&4 and LNG Hiep Phuoc 1. Over 2024-35 period, we highly appreciate companies involved in LNG gas-fired power value chain, including infrastructure investment firms like GAS, as well as power plant developers such as POW and PGV.

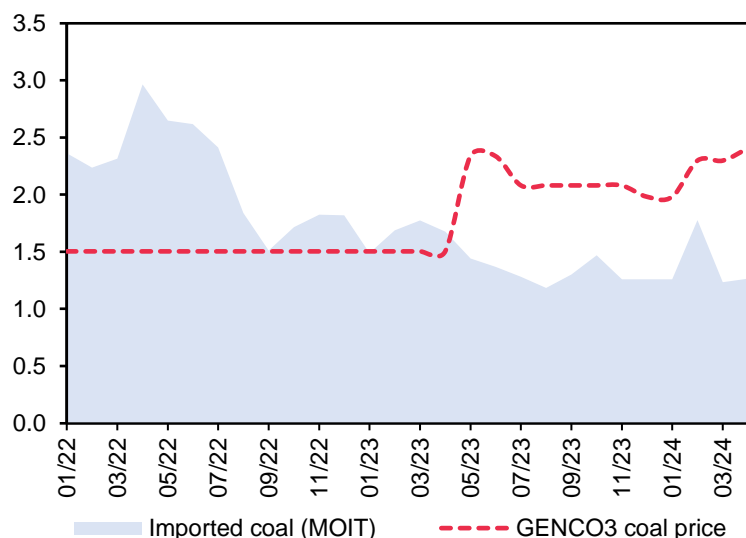
Power plant	Capacity (MW)	Timeline	Investor	Progress
<b>LNG-to-power</b>				
Nhon Trach 3&4	1.600	2024-25	PVPower	Under construction
LNG Hiep Phuoc 1	1.200	2025	Hai Linh Company Limited	Under construction
LNG Bac Lieu	2.400	2027-29	Delta Offshore Energy	Building FS
LNG Quang Ninh 1	1.500	2028-29	PVPower - Colavi - Tokyo Gas - Marubeni	Building FS
LNG Thai Binh	1.500	2029		Choosing investors
LNG Nghi Son	1.500	2029-30		Choosing investors
LNG Quynh Lap	1.500	2029-30		
LNG Quang Trach	1.500	2029-30	EVN	
LNG Hai Lang	1.500	2028-29	T&T Group - Hanwha - Kospo - Kogas	Building FS
LNG Ca Na	1.500	2029-30		Choosing investors
LNG Son My 2	2.250	2027-29	AES Group	Building FS
LNG Son My 1	2.250	2027-29	EDF - Sojitz - Kyushu - Pacific Group	Building FS
LNG Long Son	1.500	2031-35	PGV - TTC - TV2 - Mitsubitshi - GE - GTPP	
LNG Long An 1	1.500	2021-30	VinaCapital - GE	Building FS
LNG Long An 2	1.500	2031-35	VinaCapital - GE	
<b>Domestic gas-fired power</b>				
O Mon III, IV (Block B)	2.100	2028-30	PVN	Transferred to PVN from Jun 23
O Mon II (Block B)	1.050	2027	Vietracimex - Marubeni	
Dung Quat 1,2,3 (CVX)	2.250	2028		
Mien Trung 1,2 (CVX)	1.500	2030	PVN	

# Coal-fired power: Robust mobilization outlook remains intact

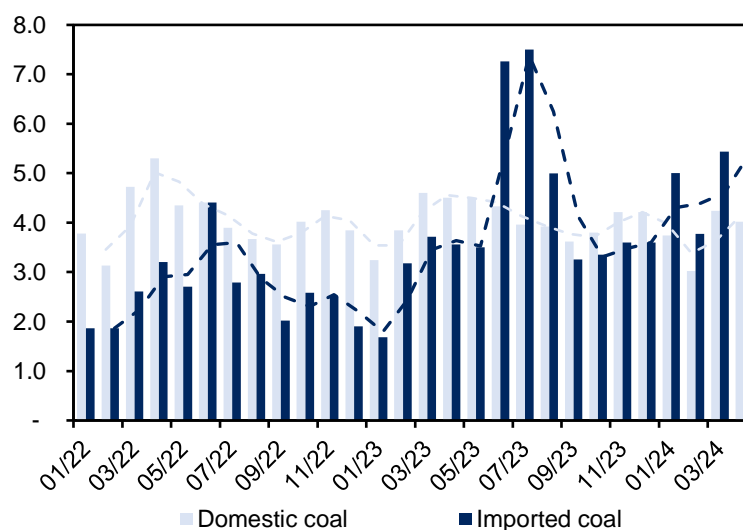
## We maintained positive output mobilization outlook for coal-fired power, especially in the North for 2024-25

- In 2024-25F, we see robust mobilization outlook for coal-fired power, especially for power plants in the North thanks to 1) Northern's power demand grows at highest rate, exerting pressure on the national supply amidst significantly lower capacity growth rate; 2) Coal prices level to normalize from 2022 peak, supporting the power sources competitiveness compared to gas-fired power. QTP, HND and PPC to be the main beneficiary from 2024 onwards.
- In the long term, coal-fired power no longer be a focal point due to high emissions and difficulties in capital arrangement. Until 2030, only 6 coal-fired power plant left will be implemented, mostly BOT projects. Some of them are soon come online such as BOT Quang Trach 1 (1,403MW) and Na Duong 2 (110MW). For the list of projects currently at deployment risk, the MOIT will consider terminating contracts if these projects are unable to show strong probability to proceed by the end of Jun 2024.

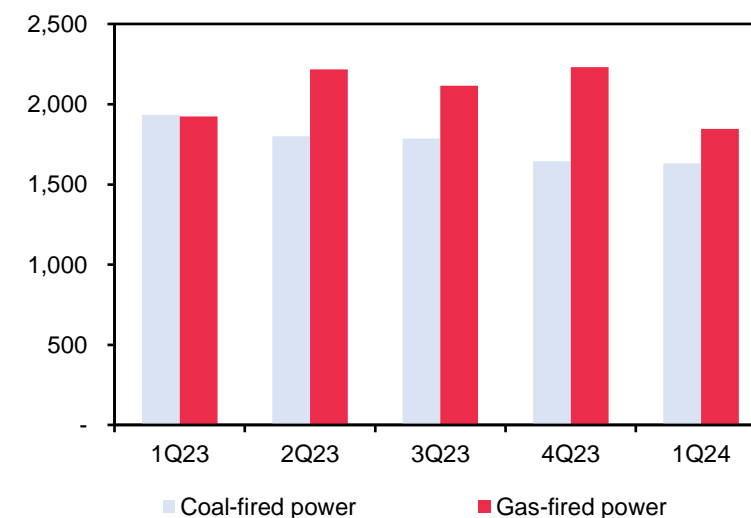
**Coal prices slightly went up in 4M24, but stayed lower than gas-fired power input (Unit: VNDm)**



**Coal input sources remained sufficient in 2024-25, thanks to increase coal imported from 3Q23 (Unit: billion tons)**



**Coal-fired ASP tend to be lower than gas-fired power in 1Q24, benefiting higher mobilization of this group (Unit: VND/kWh)**





# Hydropower exits El Nino phase starting 2Q24



According to the International Research Institute for Climate and Society (IRI), the El Niño phase ended in Q2/24, and there is a high probability of La Niña returning by August 2024. We expect hydropower sector to mobilized positively from 2Q24 onward, compared to low base 1Q24, when power plants maximized water storage, preparing for peak summer season. For 2025, hydropower could sustain positive mobilization as La Nina typically lasts between 15-18 months bases on historical data. Given the low cost, hydropower plants are the preference power sources to mobilize from EVN.

**Although the impact of El Nino lasted until the end of 1Q24, several hydropower reservoirs maintained high water level mainly due to low mobilization from A0, especially plants in the North had to store water to prepare for peak season 2Q-3Q24**

		Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	
North west	Son La	22.5%	21.6%	20.7%	20.6%	18.4%	15.7%	13.7%	12.6%	17.7%	22.1%	21.3%	21.7%	19.7%	18.7%	17.3%	13.9%	3.2%	1.9%	10.1%	16.5%	18.5%	22.2%	22.8%	22.7%	22.8%	22.7%	22.6%	21.2%	20.5%	
	Hoa Binh	37.3%	33.0%	34.4%	33.5%	31.9%	33.6%	30.4%	24.7%	35.4%	44.1%	43.3%	42.9%	43.7%	38.3%	36.3%	39.2%	38.4%	28.7%	21.4%	33.0%	40.6%	44.9%	45.9%	45.8%	44.7%	42.4%	41.4%	42.1%	37.1%	
	Thac Ba	17.6%	15.1%	13.2%	10.4%	9.2%	13.7%	15.5%	18.8%	23.7%	26.0%	25.7%	24.8%	21.3%	15.2%	11.7%	7.1%	1.0%	0.5%	5.1%	11.5%	16.5%	21.4%	21.6%	22.2%	20.6%	16.8%	16.1%	15.9%	15.6%	
	Ban Chat	10.1%	9.8%	9.2%	8.3%	7.1%	9.1%	10.0%	8.8%	8.9%	9.4%	9.6%	9.6%	9.1%	8.3%	6.4%	3.2%	1.3%	1.3%	4.3%	8.3%	9.7%	10.0%	10.2%	10.2%	10.2%	10.1%	9.8%	8.8%	7.8%	
North Central	Ban Ve	25.9%	23.8%	22.4%	19.0%	14.9%	13.0%	10.7%	14.2%	22.4%	28.0%	28.5%	27.6%	25.1%	21.3%	18.0%	13.7%	7.2%	1.3%	1.1%	21.3%	25.8%	28.1%	28.5%	28.7%	27.7%	25.9%	24.3%	22.5%	20.0%	
	Quang Tri	6.2%	5.8%	5.2%	4.8%	4.1%	3.4%	2.3%	1.2%	1.2%	4.3%	5.9%	6.5%	6.4%	5.9%	5.3%	4.4%	3.4%	2.5%	0.8%	0.3%	0.6%	3.3%	5.9%	6.6%	6.6%	6.5%	6.5%	6.4%	6.2%	
	Trung Son	5.3%	5.3%	2.8%	1.7%	2.3%	5.6%	1.9%	-0.5%	-0.3%	1.6%	1.0%	4.8%	3.5%	-0.3%	-1.6%	-1.7%	-2.2%	1.9%	0.6%	0.0%	-0.1%	4.3%	6.1%	5.7%	6.1%	5.9%	4.8%	3.7%	5.8%	
South Central	Vinh Son A	1.3%	1.2%	1.2%	1.2%	1.1%	1.2%	1.2%	1.2%	1.2%	1.4%	1.4%	1.4%	1.3%	1.2%	1.2%	1.1%	1.0%	0.9%	0.7%	0.7%	0.6%	0.7%	1.3%	1.3%	1.3%	1.2%	1.1%	1.0%	1.0%	
	Vinh Son B	1.5%	1.5%	1.4%	1.2%	1.0%	0.8%	1.1%	1.3%	1.4%	1.7%	1.7%	1.6%	1.6%	1.5%	1.3%	1.1%	1.0%	0.7%	0.6%	0.5%	0.5%	0.7%	1.1%	1.4%	1.5%	1.4%	1.4%	1.2%	1.1%	
	Song Ba Ha	2.9%	3.0%	2.7%	2.3%	2.6%	2.4%	1.5%	2.2%	1.8%	1.9%	2.3%	3.7%	3.4%	3.0%	2.7%	1.8%	1.2%	2.0%	1.9%	1.8%	1.2%	1.7%	1.9%	3.4%	3.7%	3.7%	3.4%	2.8%	2.6%	
	A Vuong	11.3%	10.8%	9.9%	10.3%	9.5%	9.0%	8.3%	7.1%	6.0%	10.4%	10.0%	11.1%	11.6%	11.0%	10.1%	7.4%	6.3%	6.7%	5.2%	4.0%	2.8%	6.3%	10.8%	11.6%	11.5%	11.2%	10.6%	10.0%	8.7%	
	Song Hinh	6.2%	6.6%	6.4%	6.6%	6.6%	6.5%	5.8%	5.3%	5.2%	5.4%	6.1%	6.6%	6.6%	6.6%	6.5%	5.8%	5.0%	4.3%	3.2%	1.9%	1.1%	1.8%	5.4%	6.6%	6.6%	6.3%	6.1%	5.5%	5.0%	
	Song Bung 2	6.7%	6.5%	5.8%	5.7%	6.0%	6.4%	5.9%	4.4%	3.0%	5.9%	5.7%	6.6%	6.6%	6.1%	5.8%	5.3%	5.5%	4.8%	3.5%	2.8%	1.3%	4.8%	6.1%	6.9%	6.9%	6.8%	6.2%	5.7%	5.1%	
High lands	Buon Kuop	0.3%	0.3%	0.3%	0.2%	0.4%	0.5%	0.4%	0.5%	0.6%	0.5%	0.3%	0.3%	0.2%	0.2%	0.3%	0.1%	0.3%	0.4%	0.4%	0.6%	0.5%	0.6%	0.6%	0.6%	0.2%	0.2%	0.6%	0.5%	0.6%	
	Srepok 3	1.3%	1.1%	1.1%	0.7%	0.9%	1.3%	1.3%	0.9%	0.9%	0.9%	1.0%	1.2%	1.0%	0.7%	0.7%	0.0%	0.3%	0.5%	0.7%	0.8%	0.9%	1.0%	1.4%	1.3%	0.9%	0.4%	0.8%	1.3%	1.1%	
	An Khe	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.4%	0.5%	0.5%	0.4%	0.4%	0.3%	0.3%	0.3%	0.3%	0.2%	0.2%	0.2%	0.3%	0.3%	0.3%	0.5%	0.4%	0.2%	0.2%	0.2%	0.2%	0.1%	
	Pleikrong	6.1%	6.0%	6.1%	6.0%	4.6%	1.9%	1.4%	2.6%	4.0%	6.0%	5.9%	6.1%	6.0%	5.7%	5.4%	4.4%	3.1%	1.7%	1.8%	4.7%	5.8%	6.1%	6.1%	6.1%	6.1%	6.1%	6.0%	5.5%	4.9%	4.7%
	Ialy	4.7%	4.0%	2.7%	1.4%	2.2%	2.9%	2.4%	2.3%	3.9%	4.9%	4.4%	4.4%	4.3%	3.6%	2.2%	1.3%	0.7%	2.6%	2.2%	3.8%	4.4%	4.9%	5.0%	4.7%	3.6%	2.5%	2.1%	1.6%	1.5%	
	Dong Nai 3	3.4%	3.0%	2.5%	2.0%	1.8%	1.4%	1.3%	1.4%	1.8%	2.6%	3.1%	3.3%	3.2%	2.7%	2.3%	1.4%	0.4%	0.3%	0.8%	1.9%	2.4%	3.1%	3.5%	3.5%	3.3%	3.1%	2.9%	2.5%	1.9%	
	Se San 4	2.1%	1.1%	1.1%	1.4%	0.7%	0.6%	1.1%	2.0%	2.1%	2.1%	2.0%	1.8%	1.8%	1.4%	0.6%	0.1%	0.1%	0.5%	-59.5%	2.0%	2.1%	2.1%	2.4%	2.2%	2.2%	2.2%	2.1%	0.9%	0.2%	
	Ham Thuan	4.9%	4.2%	3.4%	2.6%	2.0%	2.4%	2.5%	2.6%	2.8%	3.8%	4.3%	4.5%	4.3%	3.7%	2.9%	1.8%	1.1%	1.4%	1.9%	4.4%	4.8%	5.1%	5.2%	5.2%	5.1%	4.6%	4.1%	3.3%	2.5%	
	Da Mi	0.4%	0.4%	0.2%	0.3%	0.3%	0.4%	0.3%	0.3%	0.4%	0.5%	0.3%	0.4%	0.2%	0.4%	0.3%	0.4%	0.3%	0.3%	0.5%	0.3%	0.5%	0.5%	0.6%	0.4%	0.2%	0.2%	0.3%	0.4%	0.4%	
South East	Tri An	22.9%	22.6%	21.7%	20.1%	13.2%	6.7%	6.7%	12.4%	17.1%	20.1%	18.0%	17.6%	17.3%	15.7%	12.9%	5.9%	2.8%	6.6%	10.5%	21.5%	22.4%	23.1%	23.0%	23.7%	23.7%	23.0%	22.0%	19.9%	16.1%	
	Thac Mo	9.3%	8.2%	7.3%	5.8%	4.5%	3.9%	5.2%	7.9%	9.1%	9.8%	9.9%	9.4%	8.7%	7.7%	6.6%	4.9%	1.8%	0.8%	2.7%	7.7%	9.2%	-12.1%	10.1%	10.0%	9.6%	8.9%	8.1%	7.0%	5.7%	

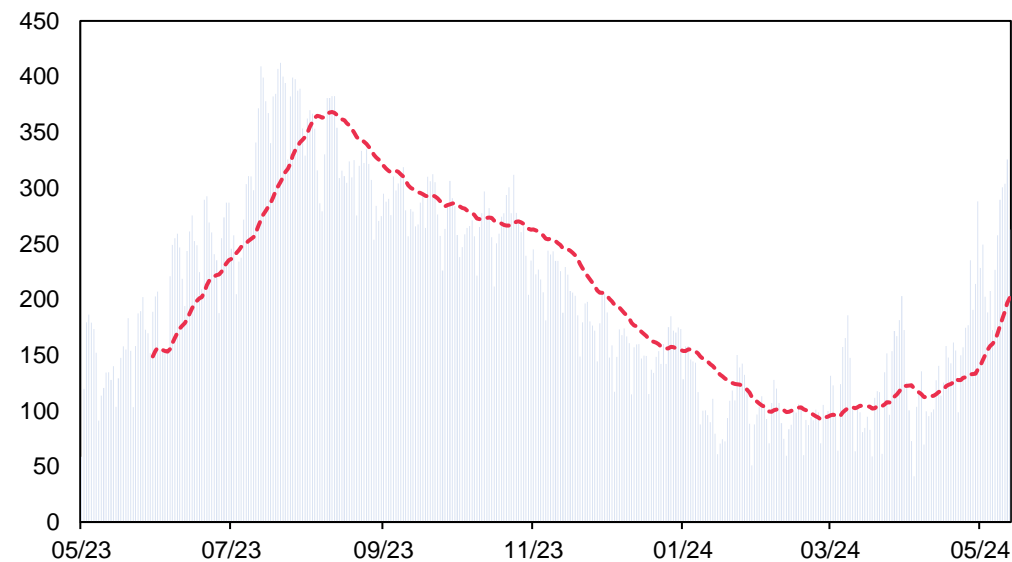
# Hydropower exits El Nino phase starting 2Q24



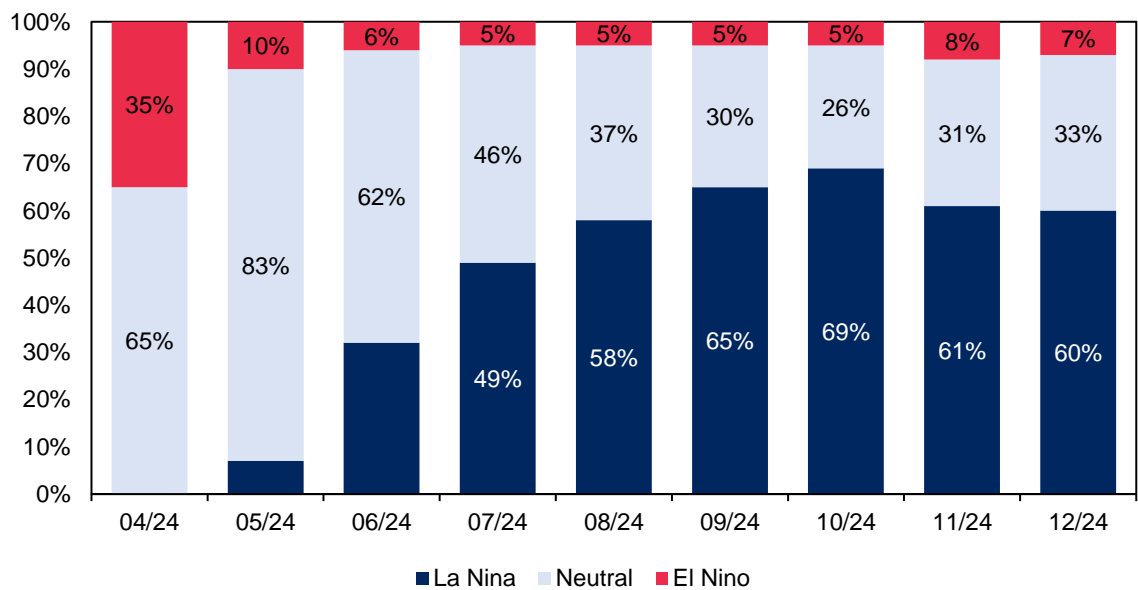
We see company with high portion of small hydropower such as PC1, GEG, HDG will be the main beneficiary

- Hydropower ASP might slump in 2024, negatively affect revenue growth. This is primarily due to MOIT early-year decision to increase contracted output (Qc) ratio from 90% to 98% in 2024, equating to lower market output (Qm) from 10% to only 2%. The Qm portion basically be the output that hydropower proactively bidding in the CGM to gain higher selling price, and by cutting it, meaning a lower room for mobilized at higher profit portion.
- We see the Qm reduction is a measure for A0 to better control dispatch operation of hydropower plants, preventing power shortages like those experienced in 1H23. However, we expect small hydropower (< 30MW) outlook to be intact thanks to favorable avoided cost tariffs and companies with high proportion of small hydropower such as PC1, HDG and GEG will ride on this trend.

2Q24 hydropower output turned up from low level in 1Q24 (Unit: million kWh)



According to IRI, there is a high probability of La Niña returning by August 2024





## 2024 – 2025 forecasts summary of stocks under our coverage



VNDbn	PC1		POW		REE		HDG		NT2		QTP	
	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025
Revenue (VNDbn)	9,925	10,951	31,507	46,305	9,421	9,920	3,333	3,724	6,035	7,151	12,091	11,760
% growth	27.2%	10.3%	12.7%	47.0%	9.8%	5.3%	15.7%	11.8%	-5.5%	18.5%	0.0%	0.0%
Gross profit	2,030	2,246	2,278	4,004	3,598	3,852	2,189	2,393	(28)	352	1,106	1,527
Gross margin (%)	20.5%	20.5%	7.2%	8.6%	38.2%	38.8%	65.7%	64.3%	-0.5%	4.9%	9.1%	13.0%
EBITDA	2,293	2,490	4,416	6,436	4,281	4,533	2,422	2,681	599	786	1,592	1,416
EBITDA margin (%)	23.1%	22.7%	14.0%	13.9%	45.4%	45.7%	72.7%	72.0%	9.9%	11.0%	13.2%	12.0%
Net profit (VNDbn)	583	858	1,185	1,690	2,304	2,549	995	1,240	-64	267	816	1,181
% growth	327.2%	47.0%	10.2%	42.6%	5.3%	10.6%	39.9%	24.6%	na	-517.5%	33.4%	44.7%
EPS (VND/share)	1,876	2,758	506	721	4,903	5,424	3,028	3,745	-222	928	1,723	2,493
BVPS (VND/share)	22,247	25,548	15,280	16,960	46,125	51,812	21,680	25,989	13,307	12,750	14,102	15,706
Net cash/share (VND/share)	-23,151	-22,725	-5,604	-7,529	-8,705	-1,981	-12,081	-9,939	6,663	6,904	1,922	1,987
D/E (x)	1.7	1.6	0.7	0.8	0.7	0.5	0.8	0.6	0.6	0.7	0.0	0.0
Dividend yield (%)	0.0%	0.0%	0.0%	0.0%	2.4%	2.4%	3.2%	3.2%	6.5%	6.5%	8.6%	8.6%
ROAE (%)	8.4%	10.8%	3.8%	5.1%	10.6%	10.5%	15.0%	15.6%	-1.7%	7.3%	12.9%	16.7%
ROAA (%)	2.7%	3.7%	1.6%	1.9%	6.4%	6.7%	6.4%	7.3%	-1.0%	4.3%	11.3%	15.1%

# Investment strategy 2H24



## We like PC1, REE and POW

Stock	Rating	Target price (VND/share)	Investment thesis
REE	ADD	73,000	<ul style="list-style-type: none"> <li>REE maintained strong cash flow (CFO/revenue averaging more than 15%) by mainly investing in cash cow businesses such as power, water and office leasing. This abundant cash flow and healthy financial status enable REE to proactive pursue future investment with efficient potential return. Notably, REE aims to invest in large-scale offshore wind farm in the long-term and we see this to be the re-rating catalyst for the company valuation.</li> <li>Despite the underperformance of its hydropower portfolio – the largest investment category in 2023 and 1Q24, the segment is expected to recover from 2Q24 to 2025 thanks to the resurgence of La Nina phase.</li> <li>Additionally, E.Town 6 – its new Office tower, when coming into operation from 3Q24 and the revenue recognition from low-rise residential project – Thai Binh Light Square will support bottom line growth in 2024-25 (+5.3% yoy/+10.6% yoy).</li> <li>We see REE owns high-quality and profitable assets, and also is well-positioned for long-term growth, targeting offshore wind power.</li> </ul>
POW	ADD	16,800	<ul style="list-style-type: none"> <li>Leading gas-fired power companies, stand to benefit from the government's long-term strategy, focused on developing gas-fired power until 2035. POW has favorable opportunity to enhance its position by investing in key gas-fired power projects, outlined in the national plan including LNG Nhon Trach 3&amp;4 (1,600MW – come online in 2024-25) and LNG Quang Ninh (1,500MW – come online in 2028-29).</li> <li>2024 Net profit to edge up slightly 10% yoy from low base 2023, with significant improvement from 2Q24 compare to low level in 1Q24 thanks to 1) The recovery of gas-fired power output mobilization in peak load season and no major maintenance in 2024; 2) Vung Ang 1 operating at full capacity from August 2023, currently running at high rate thanks to demand surge in the North.</li> <li>POW recorded solid stock price surge prompted by crucial LNG price framework issued in early-June, we see its short-term upside faded as current price somewhat reflect the company outlook. However, we believe its long-term outlook to remain intact under potential re-rating catalyst owing to a very intriguing story related to Vietnam LNG-to-power sector in long-term. Therefore, we set a long-term TP of 16.800VND/share, equating to multiple P/B 2024 forward of 1.2x, we see this level is still attractive as we positive about the segment outlook.</li> </ul>
PC1	ADD	33,400	<ul style="list-style-type: none"> <li>PC1 is an industry leader in power construction, poised to benefit from 2024 key project – the 500kV transmission line Quang Trach – Pho Noi. As one of the few contractors capable of taking on large-scale and technically complex projects, we see the company to be at the forefront thanks to high workload for transmission construction in the long-term. Additionally, several signal for pushing RE policies issuance (DPPA and new RE price) will leverage PC1 position as an outstanding EPC wind power contractor from 2025.</li> <li>In 2024-25, PC1 expects a strong EPS growth of 150% CAGR, driven by the profitability point of new key business segments include 1) full-year mining operations; 2) profit recognition from IP; 3) Hydropower and M&amp;E activities to recover from low base.</li> <li>For long-term outlook, PC1 continues to focus on two main segments, RE power and IP. The company is developing two small hydropower plants – Bac Lac A (30MW), Thuong Ha (18MW) in 2025-26 and monitoring investment opportunities for a wind power project in Quang Tri. Besides, PC1 planning on new IP project Nomura 2 (200ha) and also scanning new opportunities to invest in the South.</li> <li>Although exchange rate risk remained, we see lower interest rate will greatly support PC1 bottom line following its high debt portion.</li> </ul>

# Investment strategy 2H24



## We like PC1, REE and POW

HDG	ADD	32,300	<ul style="list-style-type: none"> <li>• HDG advantaged in securing low-cost financing compared to its peers. This advantage stems from its project execution capabilities with optimal output, and cost-effective investment. At the moment, the company proactively negotiates with bank to secure more favorable interest rate.</li> <li>• We see hydropower output to recover from low base, but revenue somewhat offsetting buy lower ASP. 2024 primary EPS growth driver will come from Charm Villa Phase 3 handover.</li> <li>• We see less serious risks from Hong Phong 4 and SP Infra 1 violation, however, HDG valuation is fair at the moment.</li> </ul>
QTP	NR	NA	<ul style="list-style-type: none"> <li>• In 2024, coal-fired power to enjoy optimal output mobilization, supported by demand surge higher than expected and the persistent risk power shortage in the North.</li> <li>• Gross profit margin improves due to decreased in mixed-coal price. Minimal coal shortage risk thanks to sufficient import value from 3Q23, and QTP plants stay near coal mines.</li> <li>• 2024-25, QTP is projected to a boost in earnings, driven by sufficient outlook mobilization and power depreciation cost.</li> <li>• High dividend yield of ~7-8% in 2024, the company has potential to enhance higher dividend in the following years, supported by the phase-out of long-term debt from 2026-27.</li> </ul>
NT2	NR	NA	<ul style="list-style-type: none"> <li>• Bleak outlook in 2024-25, mainly due to difficulties in gas supply, leading to low output assigned from A0. We see NT2 to incur losses this year.</li> <li>• Payment cash flow from EVN is improved, however gas shortage to be the major problem for the companies. POW and other parties are building new mechanisms to supplement LNG for domestic gas-fired power plants in near future.</li> </ul>
TV2	NR	NA	<ul style="list-style-type: none"> <li>• TV2 is well-positioned to benefit from the recovery in power construction investment in 2024, particularly with the 500kV lines, where TV2 involved in 3/4 design and consulting packages.</li> <li>• TV2 has wealthy experience as EPC contractor for RE and biomass power plants, expected to bring benefits in 2025, following the issuance of new RE pricing framework.</li> <li>• Major growth potential from Song Hau 2 thermal power plants (2,120MW) with total investment of US\$2.4bn. TV2, in partnership with Sunway Construction (Malaysia), will serve as the EPC contractor for the project. Successful implementation of this project could contribute about 70-80% to revenue growth during 2025-27. There have been positive signal in financing for the plant and we see good chance for the construction of this project.</li> </ul>

(\*) Power stock pick under MBS coverage

(\*) NR: Non-rated

# Investment strategy 2H24



## Peer comparison

Company	Ticker	Price	Target price	Recom.	Mkt Cap	P/E (x)		P/BV (x)		ROA (%)		ROE (%)	
	Bloomberg	LC\$	LC\$			US\$m	TTM	FY24F	Current	FY24F	TTM	FY24F	TTM
Gas-fired power peer													
PVPower	POW VN	12,600	16,800	ADD	1,380.1	44.9	39.1	1.1	1.1	1.2	2.5	2.5	4.4
GENCO 3	PGV VN	22,000	NA	NR	1,103.4	na	na	1.9	na	-0.3	na	-1.3	na
PetroVietnam Nhon Trach 2 JSC	NT2 VN	23,350	23,050	HOLD	245.1	na	24.2	1.6	1.6	1.0	1.4	1.4	2.0
Average						44.9	31.6	1.5	1.3	0.6	1.9	0.9	3.2
Median						44.9	31.6	1.6	1.3	1.0	1.9	1.4	3.2
Coal-fired power peer													
HAI Phong Thermal Power JSC	HND VN	23,700	NA	NR	306.4	17.6	13.3	1.3	1.3	5.5	7.8	7.1	10.2
Quang Ninh Thermal Power JSC	QTP VN	17,400	NA	NR	302.3	12.5	10.5	1.5	1.5	7.9	10.6	10.6	14.1
Pha Lai Thermal Power JSC	PPC VN	16,650	NA	NR	195.9	10.0	8.5	1.1	0.9	8.0	10.6	10.1	13.3
Average						13.4	10.8	1.3	1.2	7.1	9.7	9.3	12.5
Median						12.5	10.5	1.3	1.3	7.9	10.6	10.1	13.3
Hydropower peer													
Vinh Son - Song Hinh Hydropower	VSH VN	49,000	NA	NR	460.3	22.5	na	2.5	na	5.3	na	10.2	na
Hua Na Hydropower JSC	HNA VN	23,400	NA	NR	242.6	37.8	na	1.9	na	4.4	na	4.9	na
Central Hydropower JSC	CHP VN	34,750	NA	NR	193.4	18.9	na	2.5	na	8.7	na	12.7	na
Average						26.4	na	2.3	na	6.1	na	9.3	na
Median						22.5	na	2.5	na	5.3	na	10.2	na
RE power peer													
Gia Lai Electricity JSC	GEG VN	14,200	NA	NR	185.0	33.5	32.7	1.2	na	1.0	na	3.2	na
Multi-segment peer													
REE Corp	REE VN	62,900	73,000	ADD	1,174.4	15.5	11.1	1.7	1.3	5.5	7.3	11.6	12.5
Ha Do Group JSC	HDG VN	27,500	32,300	ADD	363.4	15.8	15.2	1.5	1.2	4.0	5.5	9.9	14.2
PC1 Group JSC	PC1 VN	28,650	33,400	ADD	345.2	47.4	23.8	1.7	1.4	1.0	2.2	3.6	11.5
Bamboo Capital Group JSC	BCG VN	9,630	NA	NA	271.9	76.8	na	0.7	na	0.1	na	0.9	na
Average						38.9	16.7	1.4	1.3	2.7	5.0	6.5	12.7
Median						31.6	15.2	1.6	1.3	2.5	5.5	6.7	12.5

Sources: Bloomberg, MBS Research



## Oil & Gas

### New journey for upstream players

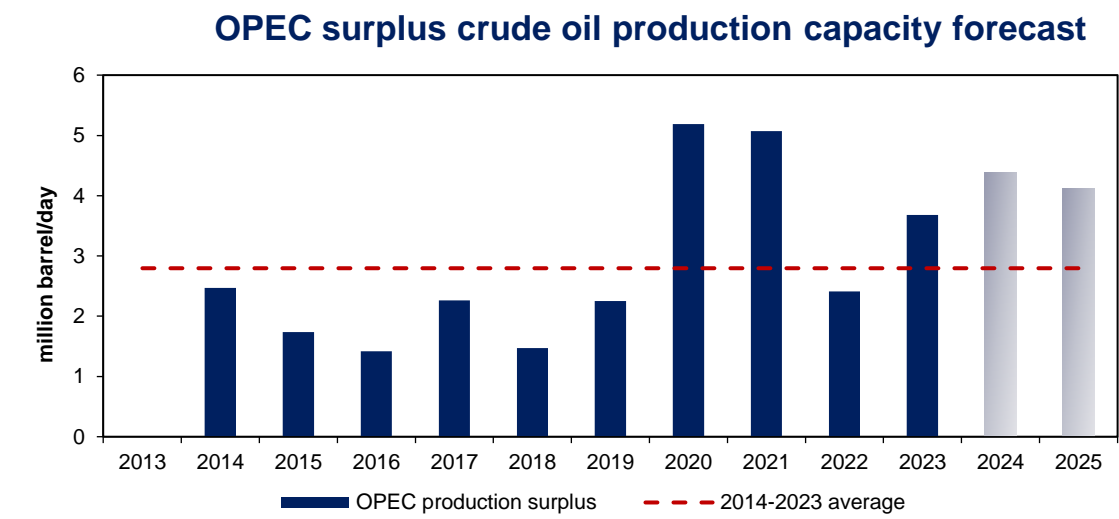
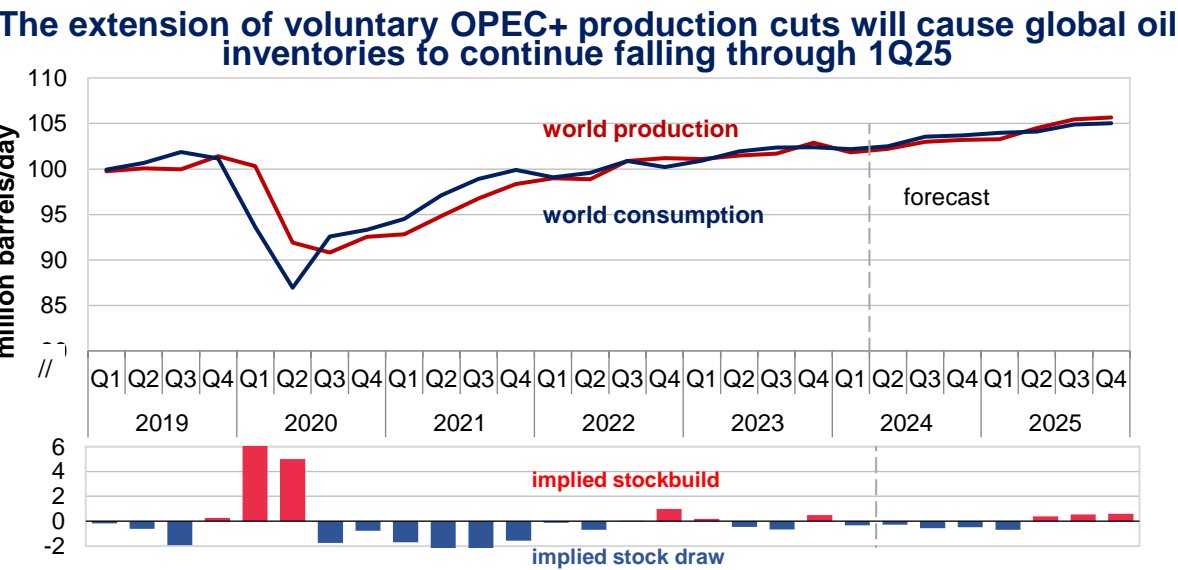
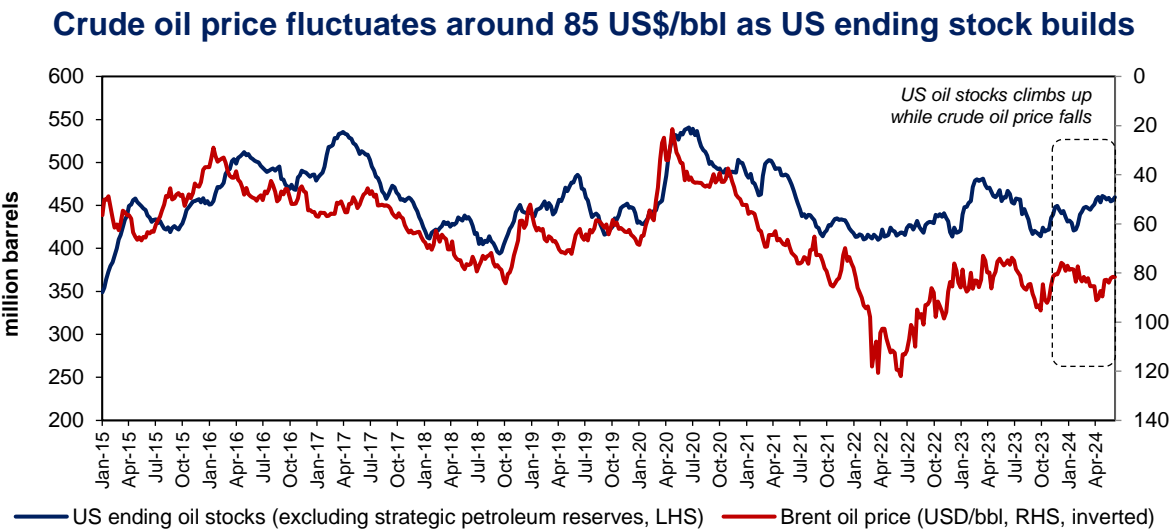
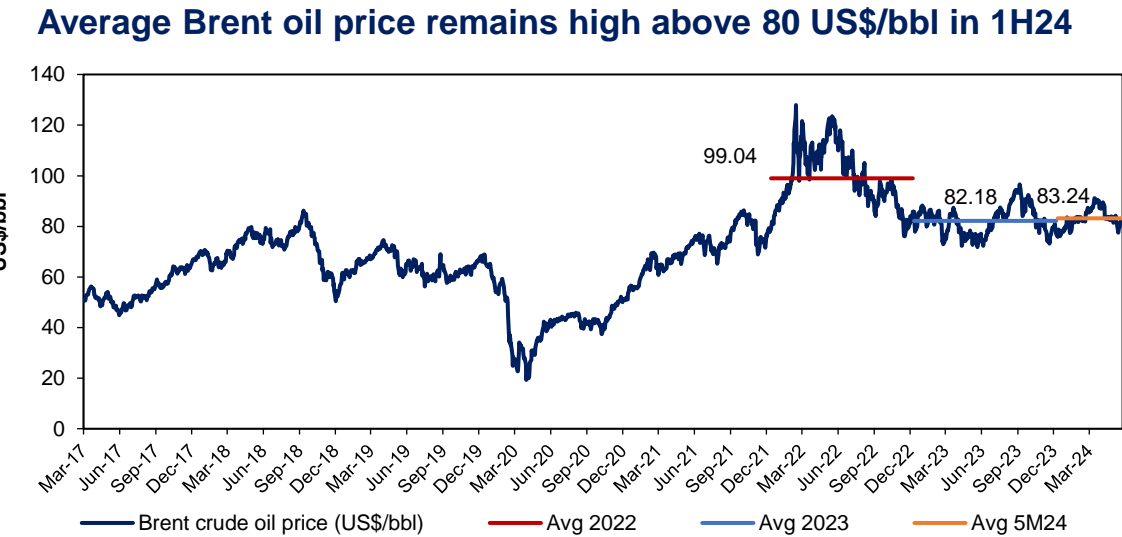
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Vietnam Strategy 2H2024

# Average Brent crude oil price in 2024 is forecasted to be 85 US\$/bbl



Gradual unwinding of OPEC+ last year's voluntary output cuts may trigger a bearish view on oil price



Source: Bloomberg, OPEC, EIA, MBS Research

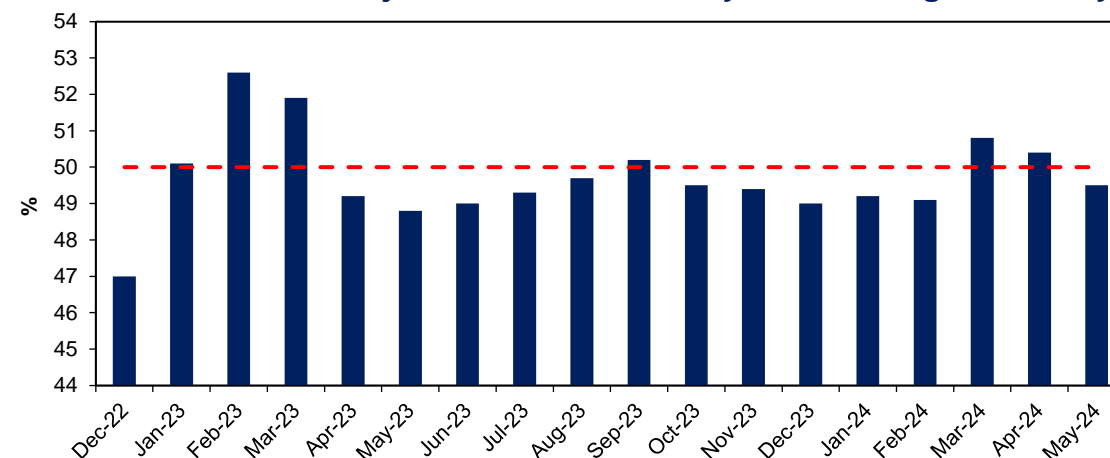
# Average Brent crude oil price in 2024 is forecasted to be 85 US\$/bbl



However, the slight improvement in world demand may help keep crude oil prices at a high base

- Global oil demand growth in 2024 is expected to rise by 2.21% yoy and 1.72% in 2024 and 2025, respectively. This depend heavily on the recovery speed of China as this country contributes 15.9% total world oil demand in 2023, and China's oil demand is expected to rise by 4.3% in 2024.
- Recent macroeconomic data of China and the world have slightly recovered from a low base. We maintain our forecast for the average Brent crude oil price in 2024 to be 85 US\$/bbl.

China's seasonal adjusted PMI has recently shown a slight recovery



## World oil demand growth forecast

millions barrels/day	2023	2024F	% yoy	2025F	% yoy
<b>OECD</b>	<b>45.7</b>	<b>46.0</b>	<b>0.57%</b>	<b>46.1</b>	<b>0.22%</b>
Americas	25.0	25.2	0.88%	25.3	0.32%
Europe	13.4	13.4	0.15%	13.4	0.07%
Asia Pacific	7.3	7.3	0.27%	7.3	0.14%
<b>Non OECD</b>	<b>56.5</b>	<b>58.5</b>	<b>3.54%</b>	<b>60.2</b>	<b>2.91%</b>
China	16.3	17.0	4.29%	17.4	2.35%
Middle East	8.6	8.9	3.49%	9.3	4.49%
India	5.3	5.6	5.66%	5.8	3.57%
Others	26.3	27.0	2.66%	27.7	2.59%
<b>Total world demand</b>	<b>102.2</b>	<b>104.5</b>	<b>2.21%</b>	<b>106.3</b>	<b>1.72%</b>

Source: OPEC, MBS Research

## 2024 average crude oil price forecast

Organization	2024 average crude oil price forecast	Last update
EIA	84 US\$/bbl	Jun 2024
Goldman Sachs	86 US\$/bbl	Jun 2024
S&P Global	85 US\$/bbl	Jun 2024
World Bank	84 US\$/bbl	Jun 2024
<b>MBS Research</b>	<b>85 US\$/bbl</b>	<b>Jun 2024</b>

Source: MBS Research compiled



# Upstream: Positive outlook in the upcoming years



## Heating up E&P activities bring more opportunities for upstream players

- New oil & gas exploration and production (E&P) projects are essential to maintain domestic energy security as current domestic key oil & gas basins are in the final stages of exploitation with a decline rate of 15%-25%/year.
- MBS Research expects oil & gas E&P activities to recover in the 2<sup>nd</sup> half of 2024 as several big projects are here to be implemented, especially the Block B – O Mon project with a total capex of approximately US\$ 12bn, which will bring a great deal of opportunities to increase backlog for companies working mainly in the upstream stage such as PVS.
- Recently, PV Drilling (PVD) has successfully secured “Bundled Services” contract for Dai Hung Field Development – Phase 3, Block 05-1(a) project. The contract is estimated to last for 2 years with a total of 12 drilling wells.
- About Block B – O Mon project: A number of commercial agreements were signed in March 2024, marking a significant milestone in the Block B – O Mon project chain. To expedite the contract tenders, the project requires seven more agreements to receive the final investment decision (FID).

Project	Area	Capex (million USD)	Oil/gas reserves	2023	2024	2025	2026	2027	2028	2029	2030
Block B	Malay - Thổ Chu basin	6,700	107 bn m3 gas		FID expectation			First gas expectation			
White Lion - Phase 2b	Cửu Long basin	1,300	20 bn m3 gas		FID expectation	Sep 2025: Contract expires	First gas expectation				
Nam Du - U Minh	Malay - Thổ Chu basin	n/a	171.3 bn m3 gas		FDP setting		First gas expectation				
Golden Camel	Cửu Long basin	693	61 m oil barrels		Nov 2023: got FID		First oil expectation				
Kinh Ngự Trắc - Kinh Ngự Trắc Nam	Cửu Long basin	650	6 m oil barrels			First oil expectation					
Blue Whale	Sông Hồng basin	4,600	150 bn m3 gas		FDP setting						First gas expectation
Bảo Vàng - Bảo Đen	Sông Hồng basin	1,321	58 bn m3 gas		Exploring						
Kèn Bầu	Sông Hồng basin	n/a	200-250 bn m3 gas		Exploring						

## Block B projects' estimated backlog

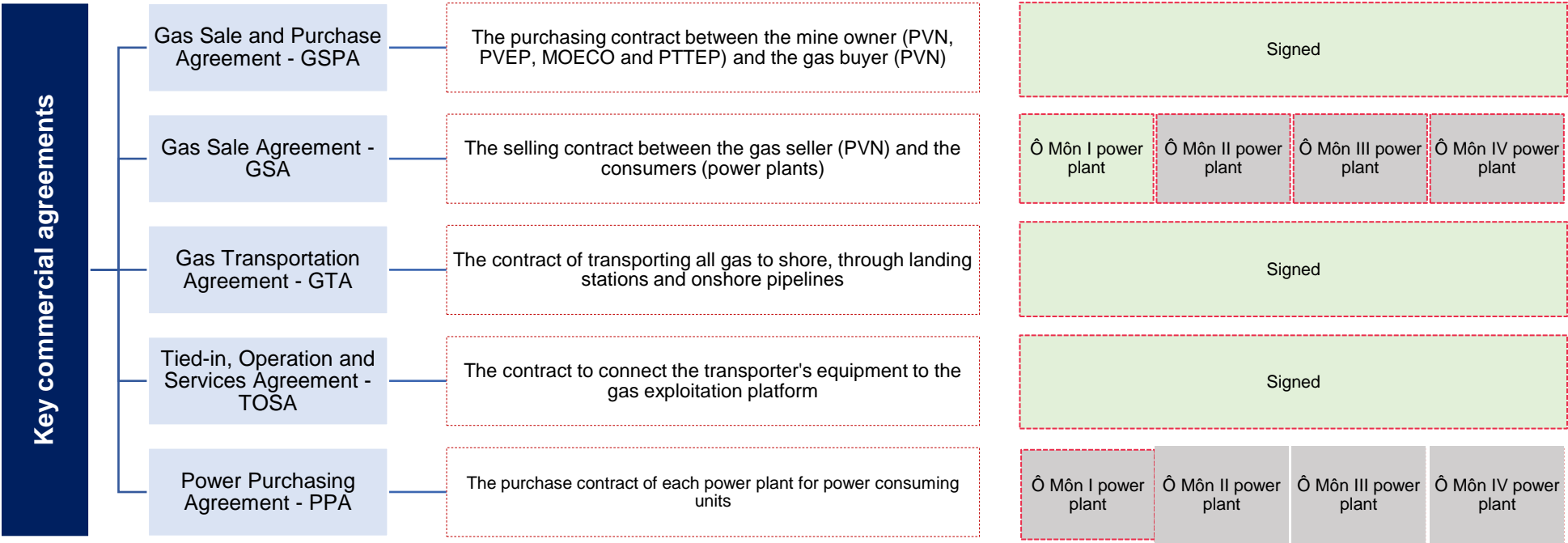
	Capex	Execution	Beneficiary	Comments
Upstream	6.7 bn US\$	- 1 central processing platform CPP - 43 wellhead platforms - 1000 wells - 1 FSO	PVS	- Won the bid for EPCI package #1 (1.1 billion US\$) in joint venture with McDermott (design, construction, installation of central technology truss cluster, housing truss) - Won the bid for EPCI package #2 (estimated at 400 million US\$) (design, procurement, fabrication and installation of gathering/wellhead platforms and intra-field piping systems)
			PVD	May participate in later stage of the project (after first gas – FG)
			PVC	Provide drilling fluid
			PXS	Subcontractor
Midstream	1.3 bn US\$	>= 400 km long pipeline (both onshore and offshore)	PVS	In December 2023, PVS - Lilama 18 won the bid for EPC contract to implement the Block B – O Mon gas pipelines projects with total investment of 1.277 billion US\$ for constructing the pipeline system with total length of 431 km, in which the offshore pipeline length is 329 km and onshore pipeline length is 102 km.
			PVB	Pipeline coating with total contract size about 100 millions US\$
			GAS	GAS holds 51% shares of the gas pipeline project --> May benefit since 2026 thanks to gas transportation fee and additional gas sources
Downstream	3.5 bn US\$	4 thermal plants	PVS, PXS	Subcontractor

## Heating up E&P activities bring more opportunities for upstream players

### Update on Block B's process

We believe that the stakeholders implementing Block B's LLOA packages may encounter 1 of the following 3 scenarios:

- ✓ Scenario 1: FID for the project is not approved before the limited bidding packages expire, the parties cannot agree on related commercial contracts and there is a possibility that the project must change investors.
- ✓ **Scenario 2: FID for the project is not approved before the limited bidding packages expire, but the parties are willing to negotiate further; Limited tenders will be extended.**
- ✓ Scenario 3 (did not happen): FID is approved before limited bidding packages expire.

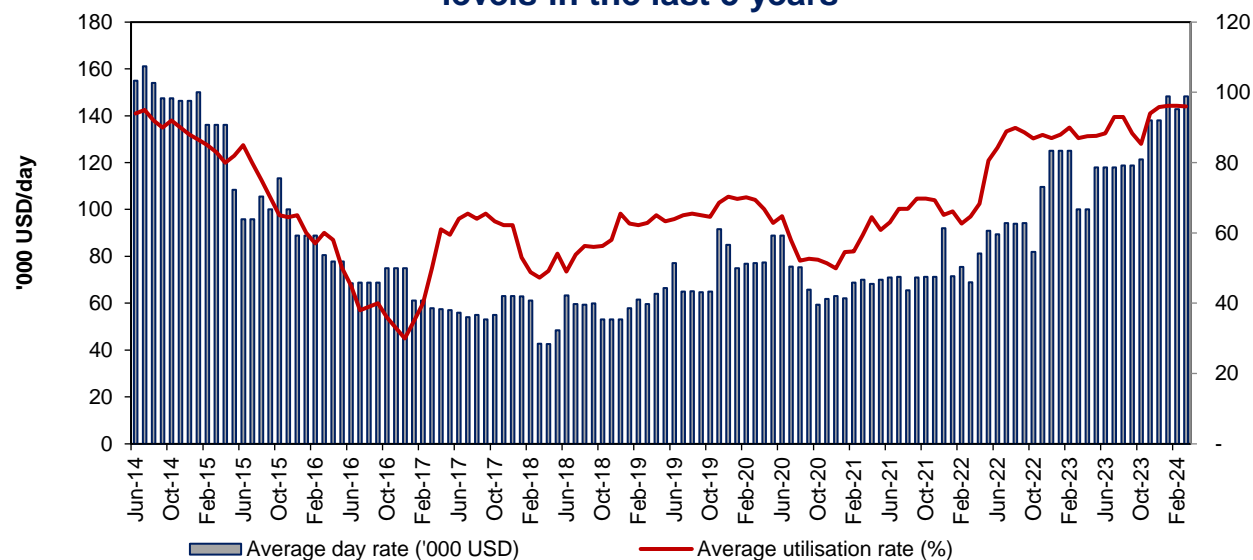


# Upstream: Positive outlook in the upcoming years

## The global drilling market continues its upward movement but may be affected by Saudi Aramco's cancellation

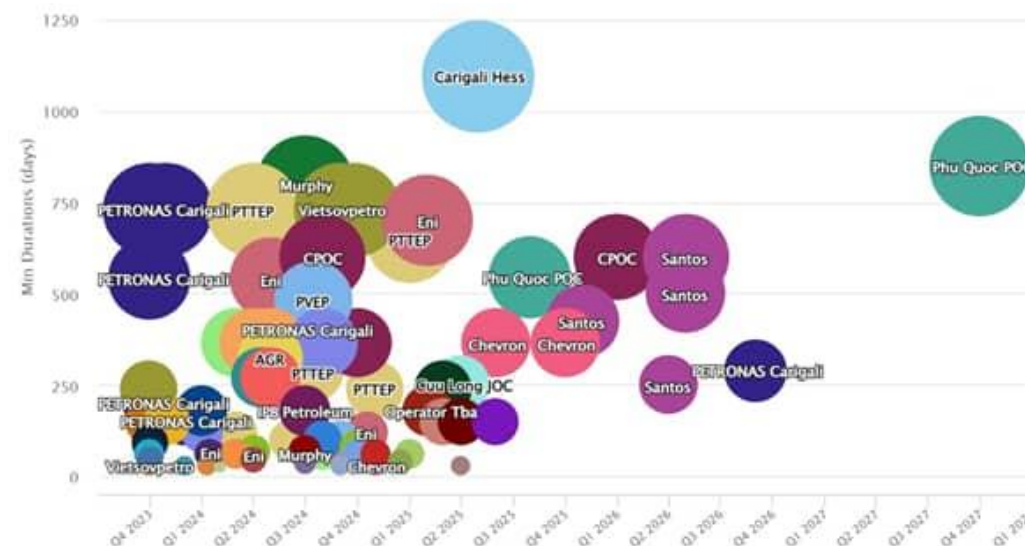
- In Southeast Asia (SEA), drilling demand in general and jack-up rig demand in particular may increase as: (1) new drilling campaigns are being implemented in Malaysia and Indonesia, while (2) drilling contracts tend to last longer, fluctuating around 750 days to 1000 days in 2024.
- Unexpectedly, Saudi Aramco has scaled back its earlier decision to ramp up oil production targets. As a result, a series of working rigs in Saudi were temporarily suspended starting last months. This may trigger a reposition to other profitable regions like India or Southeast Asia, which increases total supply in these areas and may affect spot day rates.
- However, it is noted that some drilling companies like PVD have secured long-term contracts with fixed day rates for its jack-up rigs, and will not be seriously affected by easing supply-demand gap of jack-up rig in the Southeast Asia area.

### Southeast Asia jack-up day rate and utilization have reached the highest levels in the last 5 years



Source: S&P Global, MBS Research

### Southeast Asia drilling demand from 2023 to 2027



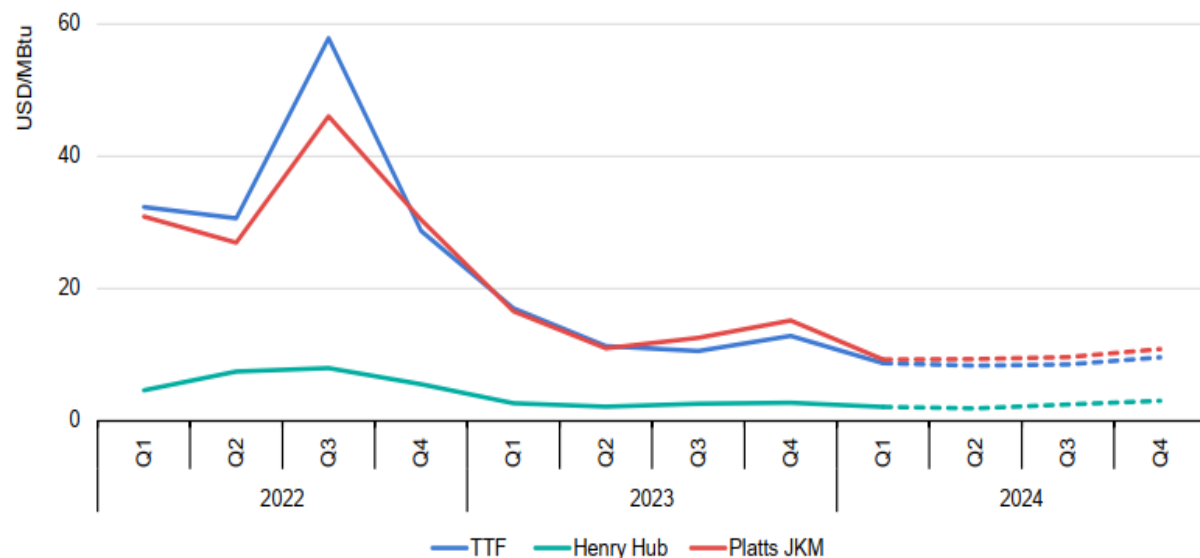
Source: S&P Global, MBS Research

## Midstream: Waiting for structural changes in mid-term

### The process of shifting to LNG power is happening faster than expected

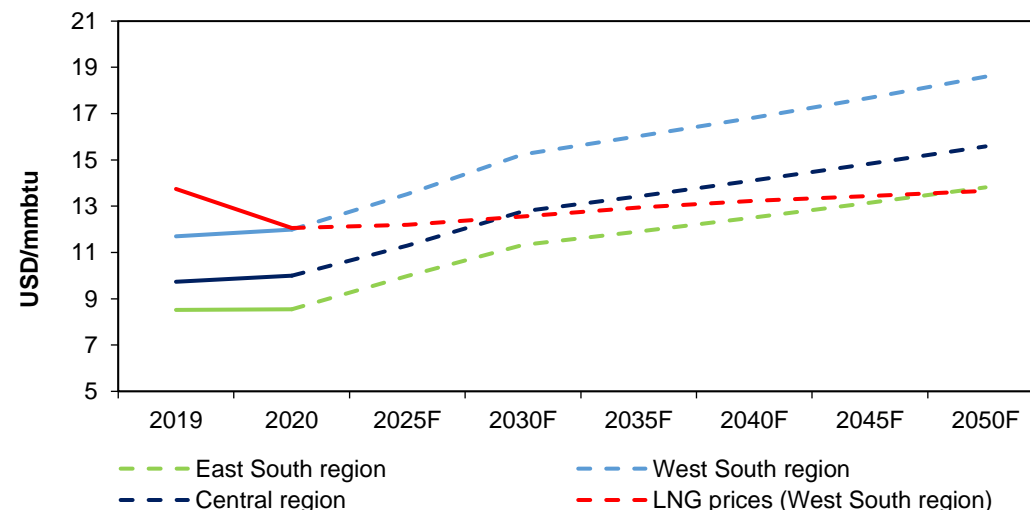
- According to Power Development Plant 8 (PDP8), the total LNG power capacity by 2030 will be 22,400 MW, equivalent to 14.9% of Vietnam's total power capacity. GAS will benefit in the medium term thanks to the trend of shifting to LNG power by transporting gas and providing enough gas to corporate customers even when new basins have not yet come into operation.
- Domestic gas prices are rising as new gas fields fall behind schedule and crude oil prices remain high. Meanwhile, Asian spot LNG prices are at the lowest level since 2022, which makes it easy for Vietnamese gas suppliers to transform their products into LNG faster than expected.

### Asian spot LNG prices are expected to retain their premium over TTF in 2024



Source: IEA, MBS Research

### Domestic natural gas price forecast in PDP8 are significantly higher than imported LNG prices

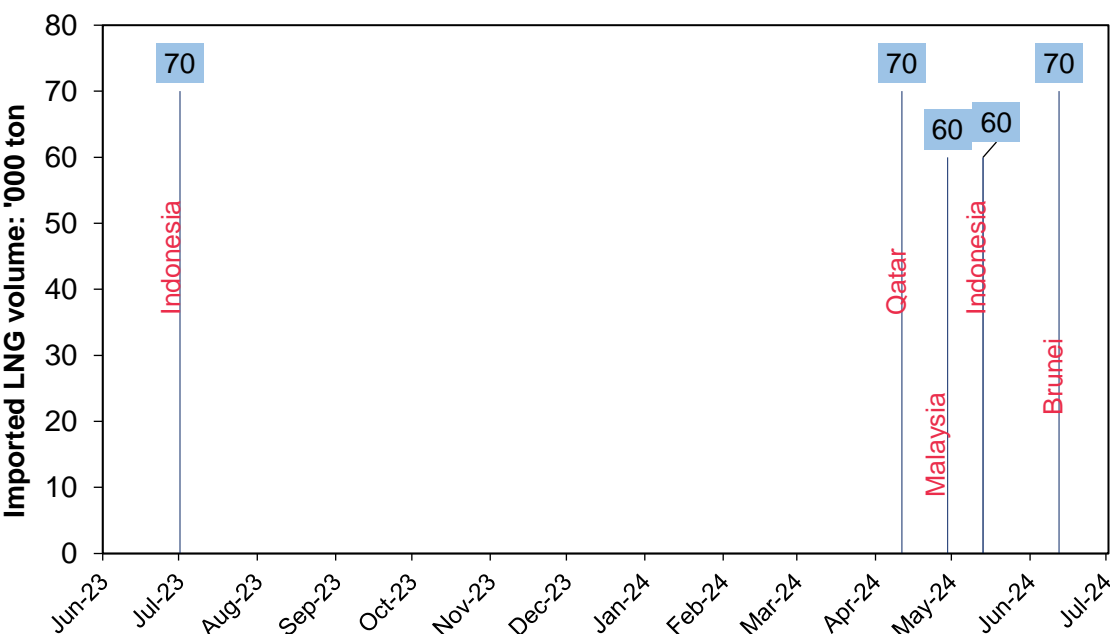


Source: PDP8, MBS Research

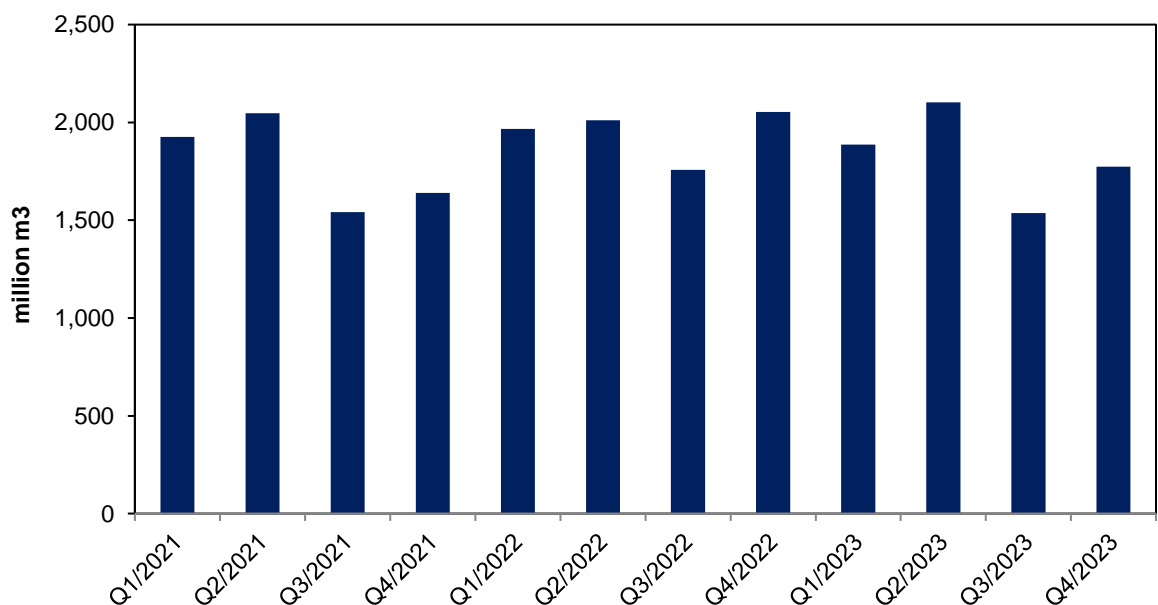
## The process of shifting to LNG power is happening faster than expected

- Petrovietnam Gas (GAS) is the first and only enterprise qualified for LNG import and export in Vietnam, as it is the only one to own the required infrastructure since July last year.
- GAS recently imported its 5<sup>th</sup> batch of LNG in Jun 2024, which raised its total LNG volume to approximately 330 thousand tons. These gas vessels are stated to feed gas-fired power stations during the peak of this year's dry season.

### GAS's LNG imported volume surged in 2Q24 as the dry season is coming



### GAS's natural gas volume has recently shown signs of declining



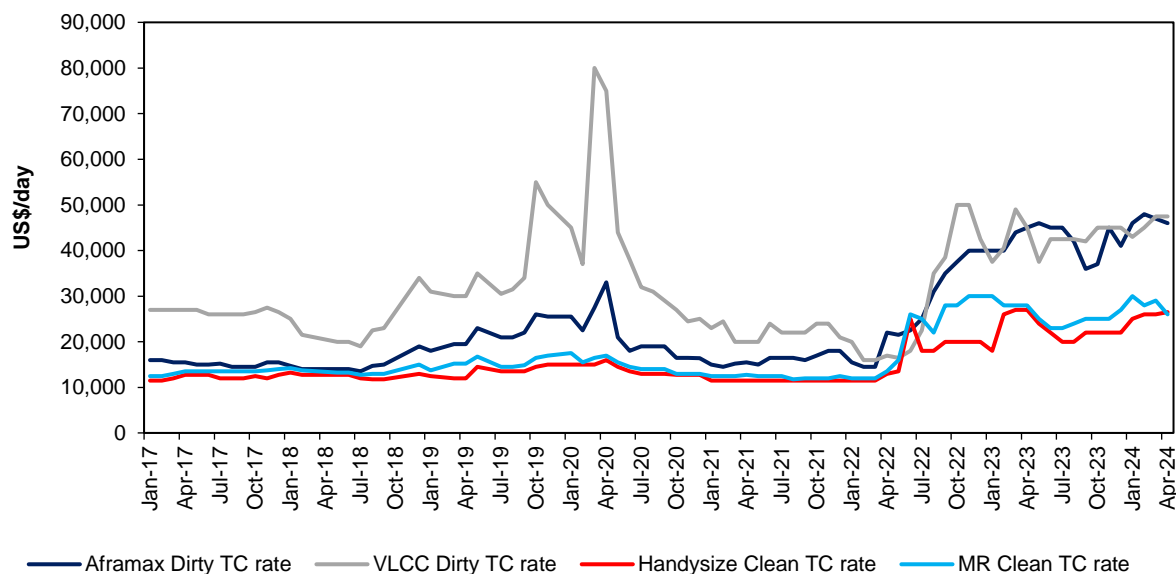
Source: GAS, MBS Research

## Midstream: Waiting for structural changes in mid-term

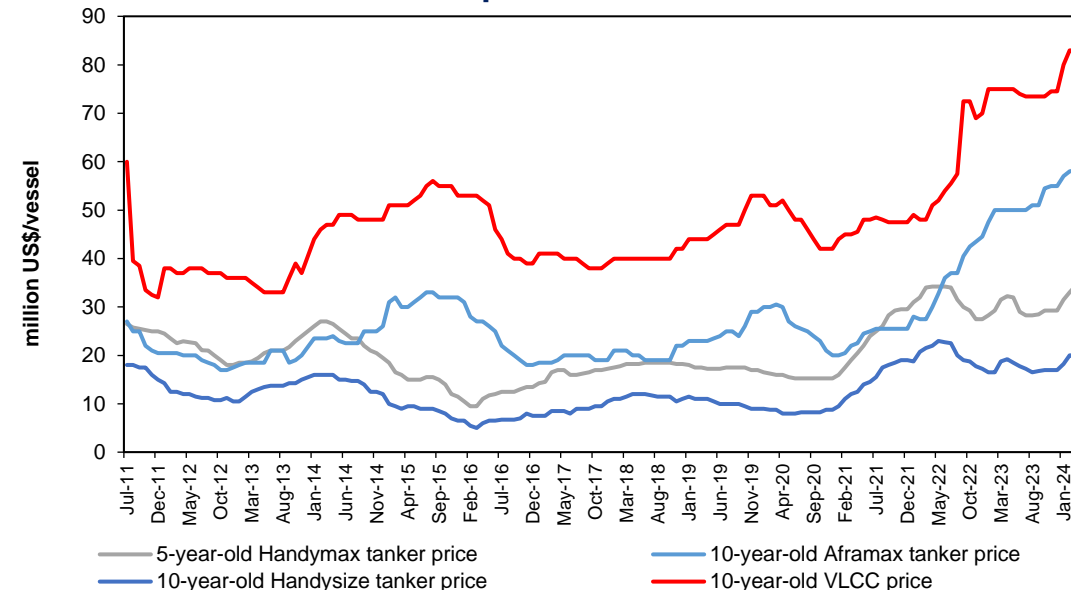
### Both tanker charter rates and tanker prices are moving upwards...

- Global ton-mile demands for crude tankers and product tankers are forecasted to grow 8.0%-9.0% in 2024. Meanwhile, limited volume, slower speed, and geopolitical uncertainty may lead to increasing tanker rates for crude and product oil. High tanker rates may positively affect tanker shipping companies like Petrovietnam Transportation Corporation (HOSE: PVT).
- Tanker vessel prices are reaching their highest level since 2011, which makes it hard for oil shipping companies to expand their fleets and therefore, make global tanker supply even narrower in short-term.

#### Global tanker charter rates have remained at a high level since 1Q23



#### High vessel prices make it hard for shipping companies to expand their fleets

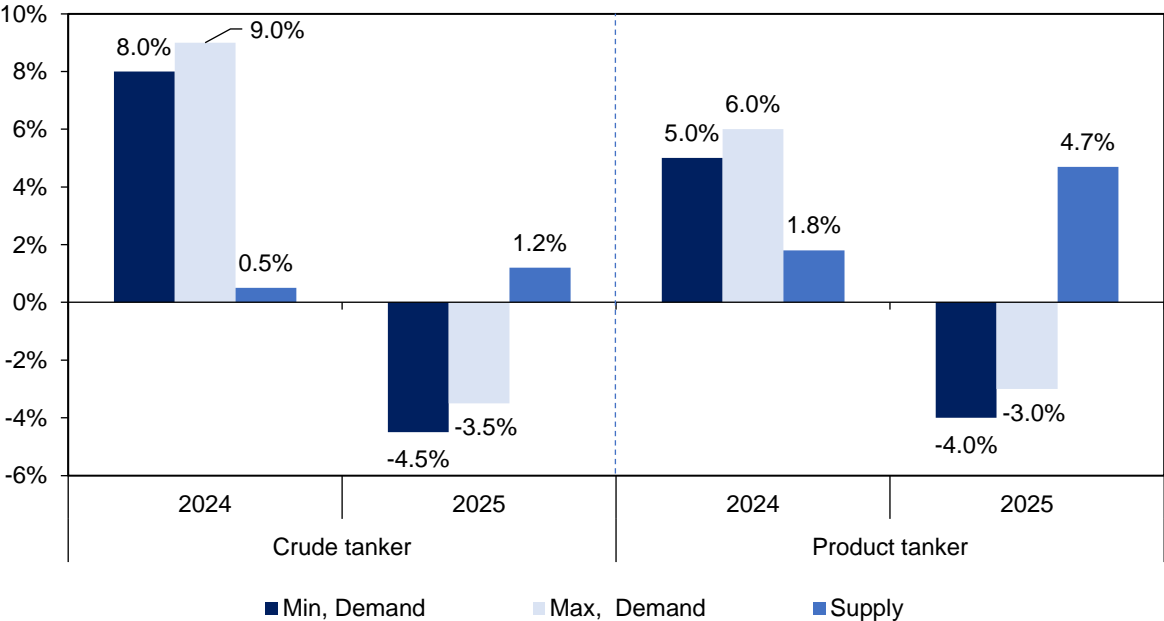


Source: Bloomberg, MBS Research

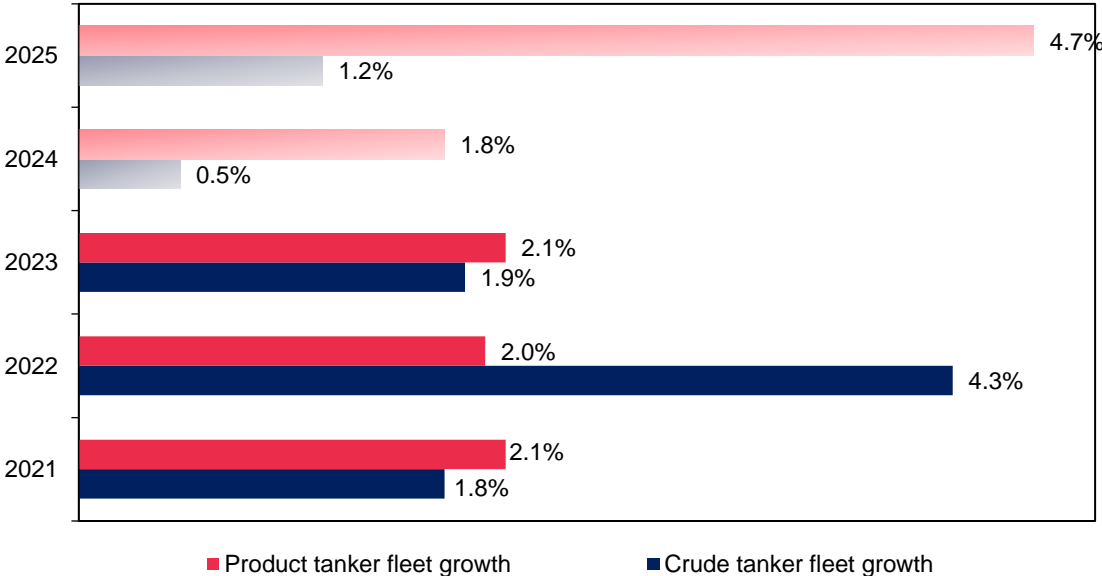
... but the supply-demand gap may ease by 2025

- The rerouting of ships away from the Red Sea and the Suez Canal towards the Cape of Good Hope may last throughout 2024 and impact the market. Transits of the Suez Canal appear to be settled at a level 35%-40% lower than last year for crude tankers and 45%-50% lower for product tanker. Longer sailing distance is expected to drive 75%-80% of demand growth in 2024.
- Crude tanker demand is forecasted to outpace supply in 2024 but grow slower than supply in 2025 as ships may be able to return to normal routings. As a result, average sailing distances for crude tankers in 2025 will end nearly 1% higher than 2023 whereas it will fall nearly 1% for product tankers.

Global tanker supply-demand growth forecast



Crude tanker fleets growth forecast



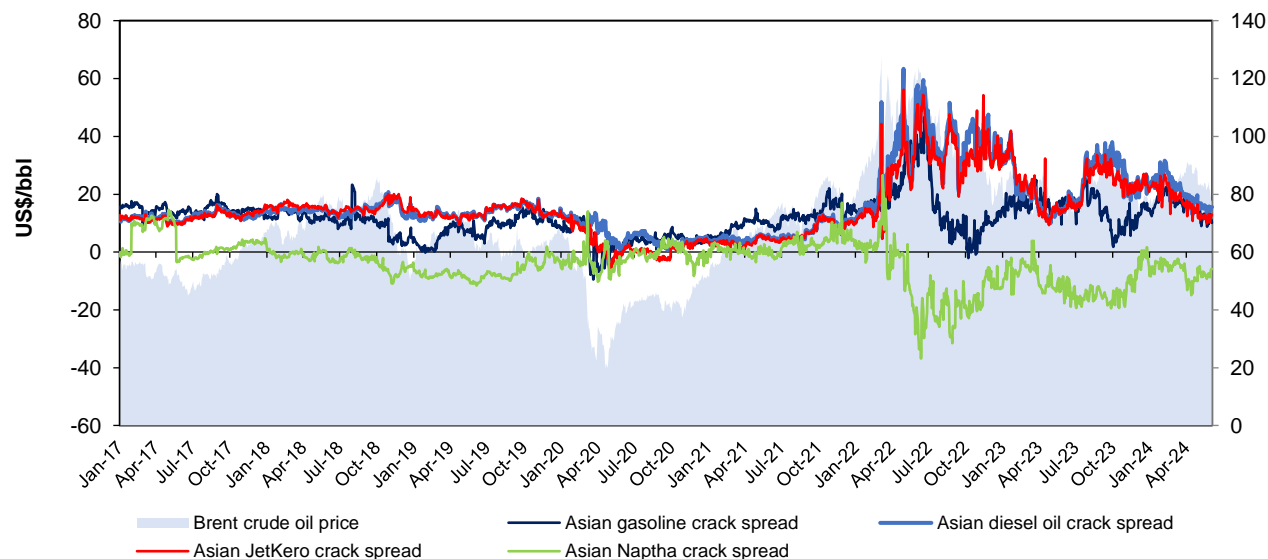


## Downstream: Distinctive outlook for refiners and distributors

### Refiners: Crack spread may be negatively affected by lower demand and higher-than-expected oil product stock builds

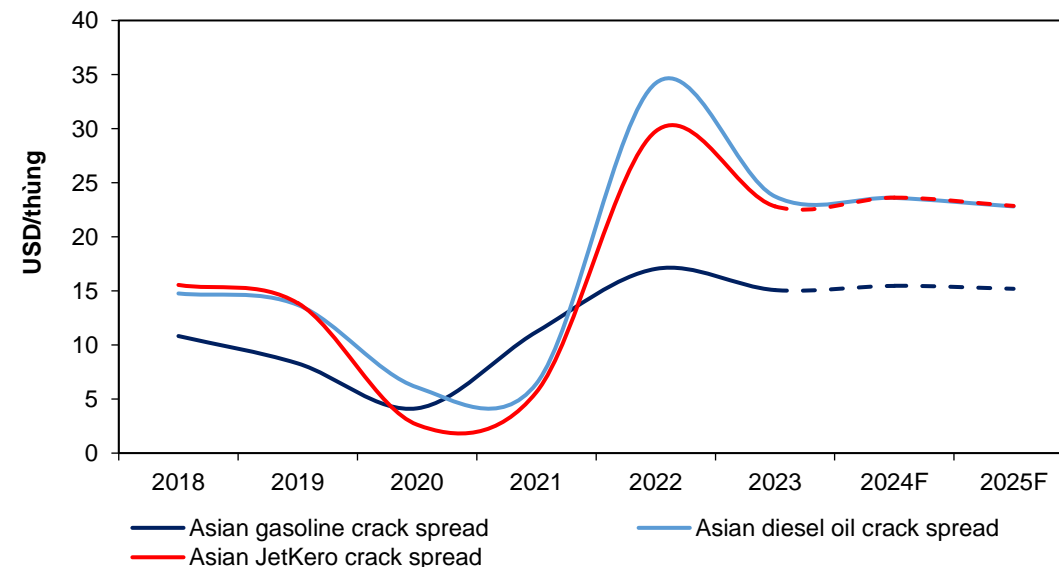
- Global and Asian crack spread eased in all main trading hubs for the 3<sup>rd</sup> consecutive month, as an ongoing in refinery processing rates led to product stock builds. While diesel oil crack spread and gasoline crack spread remain stable, jet fuel crack spread in 1H24 has been 14% lower than 1H23, indicated a weaker demand while supply is the same. We expect global and Asian crack spread to improve gradually in the 2<sup>nd</sup> half of 2024 with rising mobility over the summer months.
- We forecast the reference crack spread in 2024 to be slightly higher than the 2023: Asia gasoline crack spread in 2024F reaches 15.5 US\$/bbl (2023: 15.1 US\$/bbl), Asia diesel crack spread in 2024F reaches 23.6 US\$/bbl (2023: 23.7 US\$/bbl).

#### Asian crack spread eased further as an ongoing recovery in refinery processing rates lead to product stock builds



Source: Bloomberg, MBS Research

#### Our forecast on reference Asian crack spread

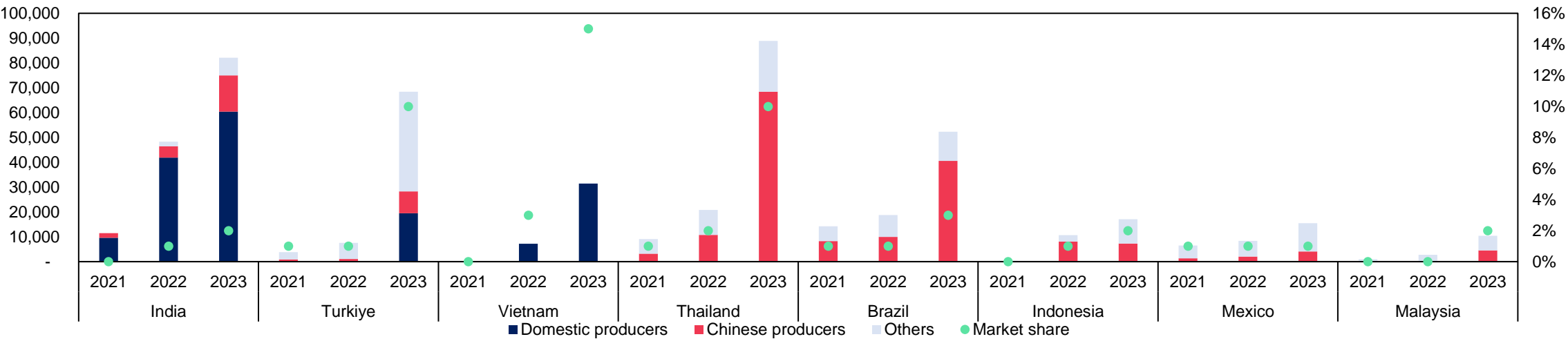


Source: MBS Research

## Distributors: Stable outlook

- Although electric vehicles is becoming more and more popular both domestically and internationally, there won't be much of an impact on gasoline suppliers in the near future (2024–2025) for two reasons: (1) replacing all of the current gasoline-powered vehicles would be very expensive and time-consuming; and (2) most electric vehicles are currently family cars and cannot yet replace used gasoline-powered vehicles used in industry (large trucks, tank trucks, etc.) or aircraft.
- Several relatively serious incidents occurred with Hai Ha Petro and Xuyen Viet Oil when these units did not strictly manage distribution activities gasoline, price stabilization fund abuse, and tax, leading to their business license revocation. This may benefit big distributors in the country like Petrolimex or PV Oil thanks to their better facilities and big market share.
- Moreover, The Decree on Petroleum Business will be amended in 2024 with many important changes including: 1) Supporting petroleum business operators in making proactive decisions regarding retail fuel prices, facilitating easy adjustments based on actual incurred costs. Merchants also have the right to sell petroleum at prices lower than the maximum retail price stipulated by the pricing formula.(2) Reducing time and procedural complexities involved in calculating monthly costs for traders; supporting pricing regulatory bodies in not only computing but also periodically disclosing incurred expenses.

## Electric cars sale and contribution to car market of some countries



Source: IEA, MBS Research

# Sector earnings outlook 2024 - 2025



## 2024 – 2025 forecasts summary of stocks under our coverage

VND billion	PVS			PVD			GAS			PVT			BSR			PLX		
	2023	2024F	2025F	2023	2024F	2025F	2023	2024F	2025F	2023	2024F	2025F	2023	2024F	2025F	2023	2024F	2025F
Revenue	19,374	25,346	33,438	5,804	7,499	8,777	89,954	91,375	94,608	9,556	9,711	10,096	147,423	133,889	137,021	273,979	292,269	297,844
% yoy	18.4%	30.8%	31.9%	6.9%	29.2%	17.0%	-10.7%	1.6%	3.5%	5.6%	1.6%	4.0%	-11.8%	-9.2%	2.3%	-9.9%	6.7%	1.9%
Gross profit	1,039	1,223	1,545	1,305	1,831	2,216	16,925	16,720	17,108	1,838	2,043	1,984	9,760	7,386	8,303	15,264	16,695	16,819
Gross profit margin (%)	5.4%	4.8%	4.6%	22.5%	24.4%	25.2%	18.8%	18.3%	18.1%	19.2%	21.0%	19.7%	6.6%	5.5%	6.1%	5.6%	5.7%	5.6%
EBITDA	480	747	851	1,616	2,282	2,576	15,933	16,586	17,009	2,769	3,179	3,160	10,374	8,125	9,015	4,360	5,307	5,254
EBITDA margin (%)	2.5%	2.9%	2.5%	27.8%	30.4%	29.3%	17.7%	18.2%	18.0%	29.0%	32.7%	31.3%	7.0%	6.1%	6.6%	1.6%	1.8%	1.8%
Net profit	1,026	1,127	1,464	585	969	1,382	11,606	11,693	12,012	972	1,093	1,066	8,650	6,389	7,282	2,834	3,299	3,269
% yoy	3.7%	9.8%	29.9%	n/a	65.7%	42.6%	-21.6%	0.8%	2.7%	13.4%	12.4%	-2.4%	-41.3%	-26.1%	14.0%	95.5%	16.4%	-0.9%
EPS (VNĐ/share)	2,148	2,358	3,063	1,051	1,742	2,484	5,053	5,091	5,230	3,005	3,376	3,293	2,790	2,061	2,349	2,190	2,550	2,527
BVPS (VNĐ/share)	26,852	28,660	31,219	26,354	28,705	30,699	27,887	26,700	29,894	21,044	24,563	27,979	18,511	19,937	21,520	20,048	22,565	24,422
Net cash/share (VNĐ/share)	18,642	22,789	29,891	5,359	8,218	11,557	17,045	17,368	19,623	2,705	2,890	2,890	8,757	9,806	11,269	8,817	12,867	16,101
Debt/Equity	12.8%	12.8%	11.9%	22.4%	27.3%	22.7%	9.0%	11.8%	11.4%	65.6%	65.3%	66.5%	19.2%	16.3%	15.5%	67.7%	59.1%	52.1%
Dividend yield (%)	1.8%	2.1%	2.1%	0.0%	0.0%	1.6%	4.0%	7.7%	2.6%	1.8%	2.3%	2.3%	3.0%	1.3%	1.3%	2.3%	2.7%	2.7%
ROAE (%)	8.2%	8.5%	10.2%	4.1%	6.3%	8.4%	18.7%	18.7%	18.5%	15.2%	14.8%	12.5%	15.9%	10.7%	11.3%	11.2%	12.0%	10.8%
ROAA (%)	3.9%	3.9%	4.4%	2.8%	4.1%	5.4%	13.6%	13.4%	13.1%	6.1%	5.9%	5.2%	10.5%	7.3%	7.9%	3.7%	4.0%	3.8%

## We prefer PVS and PVD

Ticker	Target price (VNĐ/share)	Recommend	Comments
<b>PVD *</b>	<b>37,300</b>	ADD	<ul style="list-style-type: none"> <li>- The outlook for the 2024-2025 period is promising, driven by a buoyant drilling rig market where rental rates for jack-up rigs are expected to remain high. Long-term drilling contracts signed during this period will contribute to (1) enhancing operational efficiency of rigs in 2024 and (2) reducing rig mobilization costs, directly increasing gross profit margins.</li> <li>- Mid-term growth prospects will be fueled by providing technical drilling services for major onshore oil and gas projects domestically. The substantial workload from domestic upstream O&amp;G projects is expected to provide valuable experience for PVD to enhance its technical expertise in well drilling. Gross profit margin for PVD's well services segment is expected to be 29% and 30% in 2024 and 2025, respectively.</li> <li>- We forecast PVD's net profit to be 969 VNĐbn in 2024 (65.7% yoy) and 1,382 VNĐbn in 2025 (+42.6% yoy) thanks to solid increase in rig day rate and utilization directly contributing to higher gross margin.</li> </ul>
<b><u>PVS *</u></b>	<b>51,100</b>	ADD	<ul style="list-style-type: none"> <li>- Key upstream projects expected to be implemented in 2024 such as Golden Camel and Block B - O Mon, which is expected to bring great backlog and positive prospects for M&amp;C companies. The company has won a limited contract for EPCI#1 (1.1 US\$bn), EPCI#2 (400 US\$m) and EPCI#3, expected to be implemented in 2024.</li> <li>- Average crude oil price forecast in 2024 is 85 US\$/barrel, which is on a high base compared to last year, helping FSO/FPSO segment profits remain stable.</li> <li>- We forecast PVS's net profit to be 1,127 VNĐbn in 2024 (+9.8% yoy) and 1,464 VNĐbn in 2025 (+29.9% yoy).</li> </ul>
<b><u>GAS</u></b>	84,600	HOLD	<ul style="list-style-type: none"> <li>- GAS, a leading entity in Vietnam's gas sector, plays a crucial role in the country's transition to LNG power. LNG supply volumes are expected to increase significantly from 2025, particularly with the commissioning of Nhon Trach 3 and 4 power plants. Projections for LNG production in the 2024-2025 period are estimated to account for 30.3% and 56.0%, respectively, of the total capacity of the Phase 1 LNG storage facility at Thi Vai.</li> <li>- Despite a sharp decline in gas production expected in 2024, high oil prices are anticipated to support GAS's gas sales prices, thereby partially bolstering profitability. GAS maintains a strong financial position with substantial cash deposits and a moderate Debt-to-Asset ratio, which positively influences its net financial income. Additionally, GAS has a consistent policy of distributing cash dividends over the years; the cash dividend payout rate for 2023 is 60% of charter capital.</li> <li>- We forecast GAS's net profit to be 11,693 VNĐbn in 2024 (+0.8% yoy) and 12,012 VNĐbn in 2025 (+2.7% yoy).</li> </ul>

## We prefer PVS and PVD

Ticker	Target price (VNĐ/share)	Recommend	Comments
PVT	34,100	HOLD	<ul style="list-style-type: none"> <li>- PVT's crude tanker transportation segment is forecasted to benefit from the world's supply – demand gap (cruises and volumes increase at a faster rate than the fleet and travel speed). PVT is also expanding its fleet faster than expected with an ambitious plan (85 ships by 2025).</li> <li>- A limited tanker supply with a rising in tanker demand (mile-ton) may keep PVT's time charter rate to remain high in 2024 and support the company's profit to be at a high level. However, the supply-demand gap in crude tanker and product tanker may ease in 2025, which may affect gross margin of shipping companies.</li> <li>- We forecast PVT's net profit to be VND 1,093 bn in 2024 (+12.4% yoy) and VND 1,066 bn in 2025 (-2.4% yoy).</li> </ul>
BSR	25,000	HOLD	<ul style="list-style-type: none"> <li>- Asian reference crack spreads are expected to recover in the 2<sup>nd</sup> half of 2024 with rising mobility over the summer months and better China's consumption. We forecast the reference crack spread in 2024 to be slightly higher than the 2023: Asia gasoline crack spread in 2024F reaches 15.5 US\$/bbl (2023: 15.1 US\$/bbl), Asia diesel crack spread in 2024F reaches 23.6 US\$/bbl (2023: 23.7 US\$/bbl) and Asia JetKero crack spread reaches 23.6 US\$/bbl in 2024F (2023: 22.8 US\$/bbl).</li> <li>- In our projection, BSR's net profit in 2024 is 6,389 VNDbn (-26.1% yoy) due to maintenance and in 2025 is 7,282 VNDbn (+14% yoy)</li> <li>- Update on BSR's HOSE listing plan: The company is considering a plan to dissolve the subsidiary BSR-BF to exclude its business results from the consolidated financial statements. Overdue debt of this subsidiary is the only barrier to BSR's listing approval on the Ho Chi Minh Stock Exchange (HSX).</li> </ul>
PLX	43,800	HOLD	<ul style="list-style-type: none"> <li>- Vietnam's petroleum consumption market still have space to grow while PLX has a large market share and leading position in the industry thanks to good facilities.</li> <li>- We expect PLX to have a chance to gain about 0.3% - 0.5% more market Domestic petroleum business from small suppliers has been withdrawn license to operate petroleum business due to legal problems. We expect PLX's total petroleum output to increase tenfold 4.1% and 2.6% respectively in the period 2024-2025.</li> <li>- In our projection, PLX's net profit in 2024-2025 is 3,299 VNDbn (+16.4% yoy) and 3,269 VNDbn (-0.9% yoy), respectively.</li> </ul>

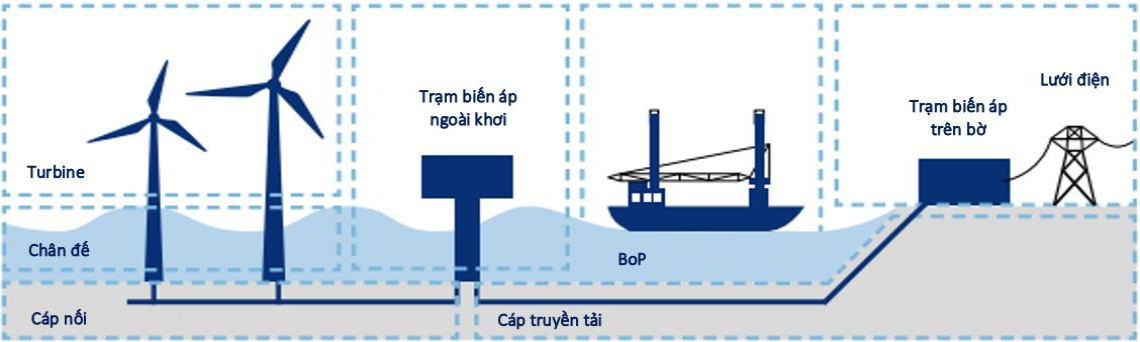
Peer comparison

Company	Ticker	Current price	Target price	RCM	MV of equity	P/E (times)		P/B (times)		ROA%		ROE (%)	
		VND/share	VND/share			2024F	2025F	2024F	2025F	2024F	2025F	2024F	2025F
Petrovietnam Technical Services Corporation	PVS	43,000	51,100	ADD	19,883	18.2	14.0	1.5	1.4	3.9	4.4	8.5	10.2
Petrovietnam Drilling & Well Services Corporation	PVD	31,450	37,300	ADD	16,676	18.1	12.7	1.1	1.0	4.1	5.4	6.3	8.4
Petrovietnam Gas Corporation	GAS	77.900	84,600	HOLD	177,538	15.3	14.9	2.9	2.6	13.4	13.1	18.7	18.5
Petrovietnam Transportation Corporation	PVT	29,900	34,100	HOLD	10,307	8.9	9.1	1.2	1.1	5.9	5.2	14.8	12.5
Binh Son Refining and Petrochemical JSC	BSR	24,100	25,000	HOLD	71,622	11.7	10.3	1.2	1.1	7.3	7.9	10.7	11.3
Vietnam National Petroleum Group (Petrolimex)	PLX	42,300	43,800	HOLD	52,221	16.6	16.7	1.9	1.7	4.0	3.8	12.0	10.8
Average						14.8	13.0	1.6	1.5	6.4	6.6	11.8	12.0

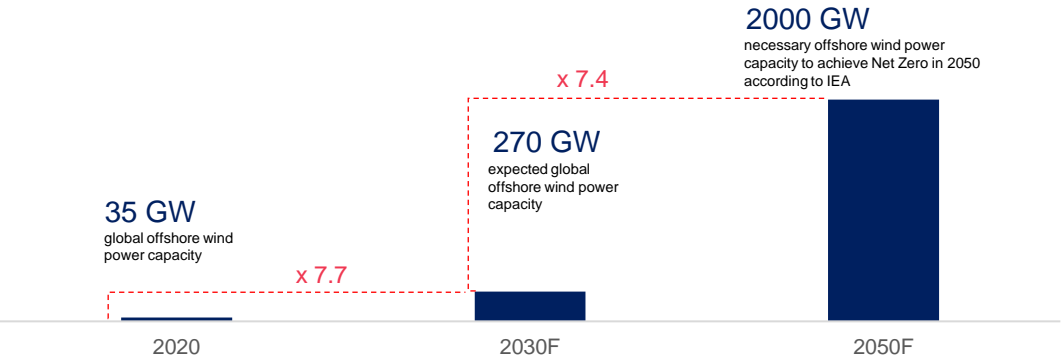
\*Closing price as of Jun 21, 2024

## PVS [\(Back to Investment recommendation\)](#)

Project	Estimated value	Estimated progress at the end of 2024	Comment
Block B – Upstream	900m US\$	20%	Won the bids EPCI#1 and EPCI#2
Block B – Midstream	600m US\$	12%	Won the bid of onshore pipeline EPC
Golden Camel	245m US\$	40%	May win the bid
White Lion Phase 2b	250m US\$	30%	May win the bid
Nam Du - U Minh	150m US\$	30%	May win the bid

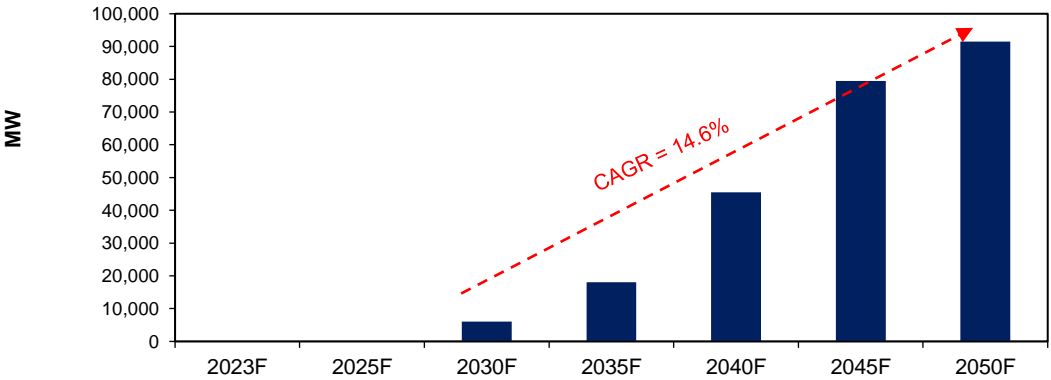


## Global offshore wind power capacity to achieve Net Zero



Offshore wind projects	Partner	PVS participation	Estimated value (million US\$)	Estimated timeline	Estimated progress at the end of 2024
Hai Long	Semco Maritime	EPC for 2 offshore substations	90	2022 - 2024	100%
Greater Changhua 2b & 4	Ørsted	Providing 33 turbine foundation	300	2023 - 2025	60%
Baltica 2	Semco Maritime	EPC for 4 offshore substations	200	2023 - 2026	50%
Fengmiao	Semco Maritime	EPC for offshore substations	200	2024 - 2026	30%

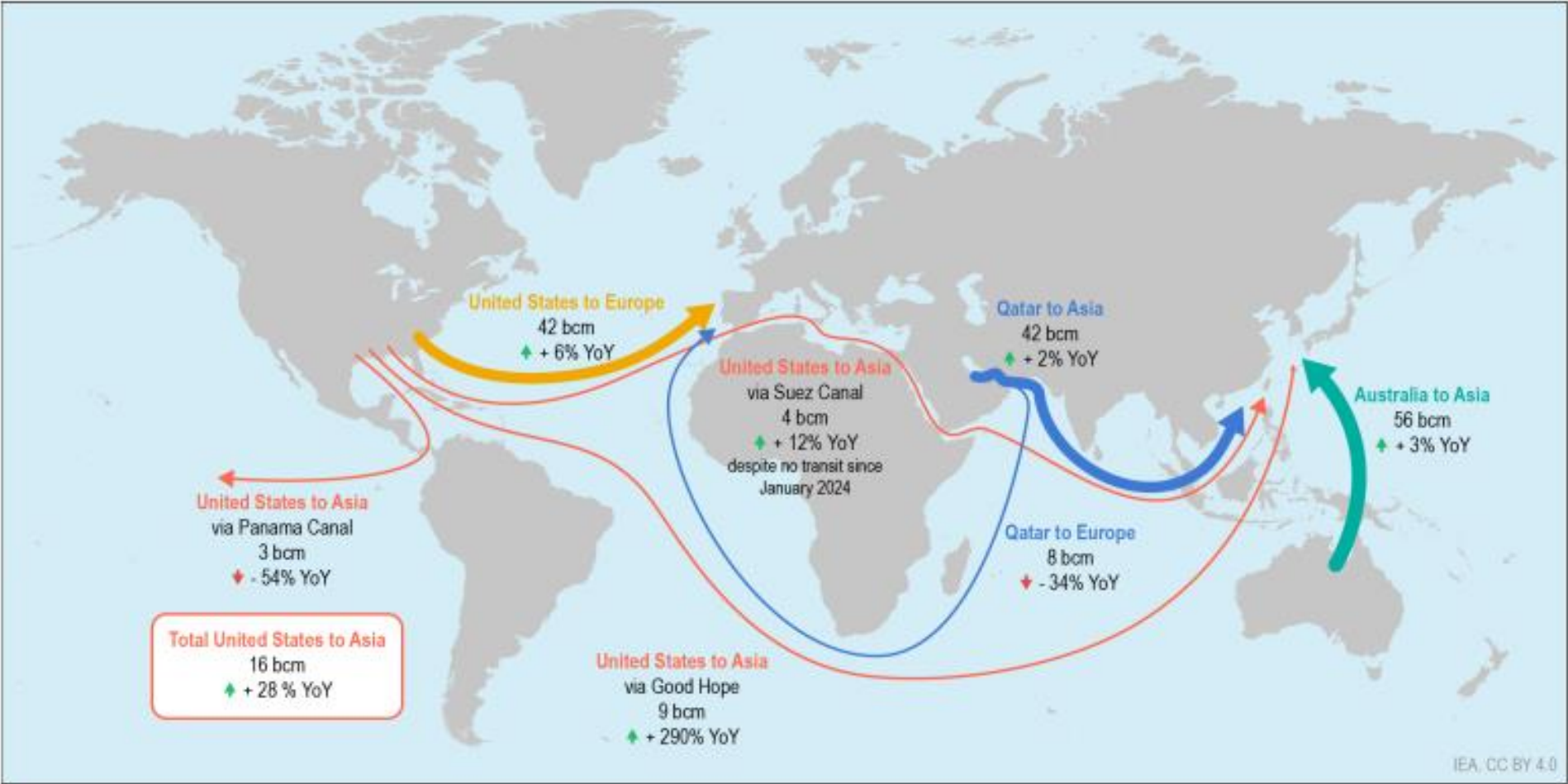
## Domestic offshore wind power capacity according to PDP8





**GAS** [\(Back to Investment recommendation\)](#)

LNG flow dynamics: Winters 2023-24 vs 2022-23



Notes: Winter period refers to the northern hemisphere winter and spans October to March. This map represents the main LNG flows only and should not be considered exhaustive. Numbers in bcm indicate winter 2023-24 flow volumes and arrow thickness corresponds to flow volumes.



## The emergence of new industries

**Data center**

**Semiconductor**

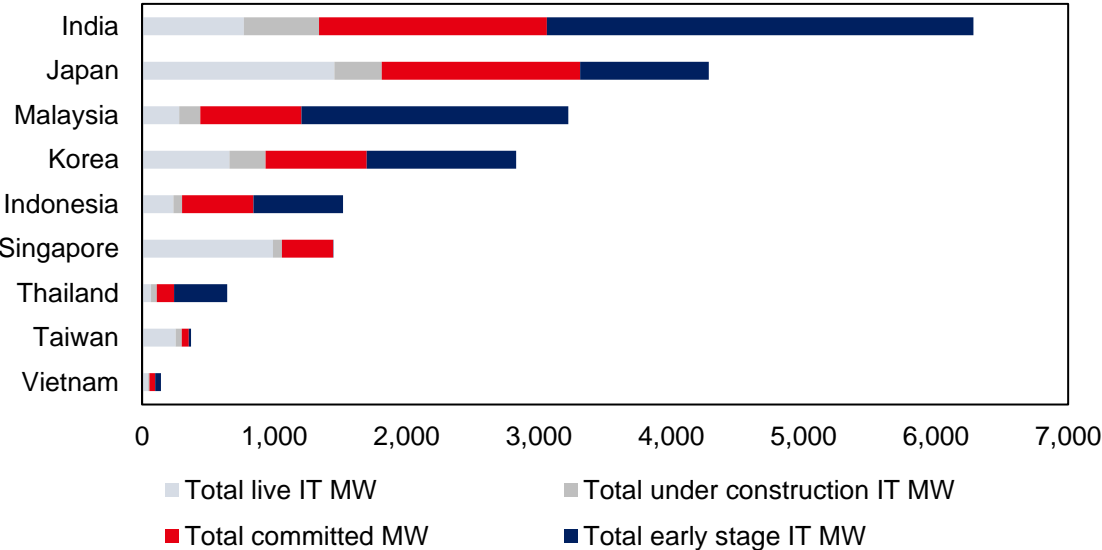
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Vietnam Strategy 2H2024

## Data center in Vietnam market still has more room for growth

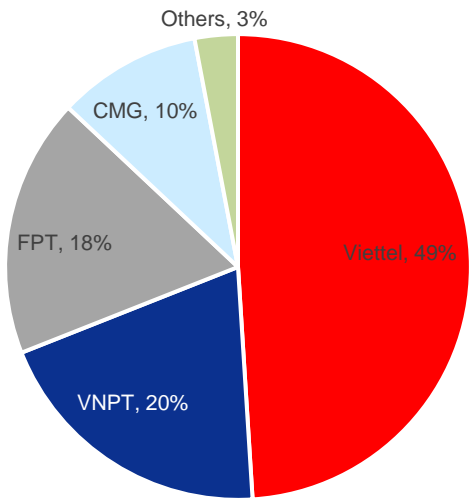
- Data center can be considered a computer room, which specializes in storing high-density servers and information technology resources. Data center is responsible for operating and managing the server of the entire system, providing stable and fast information processing and storage functions.
- Vietnam currently has only nearly 30 data centers, accounting for less than 1% of the number of tourism markets worldwide. Data center capacity in Vietnam is still small compared to other competitors in the Asia-Pacific region.
- The data center market in Vietnam is dominated by domestic enterprises, with 97% of the country's data centers controlled by four companies: Viettel, VNPT, FPT, and CMG.

## Data center capacity in Vietnam is still minuscule in the Asia Pacific region



Source: DC BYTE, MBS Research

## Data center market in Vietnam is dominated by domestic enterprises



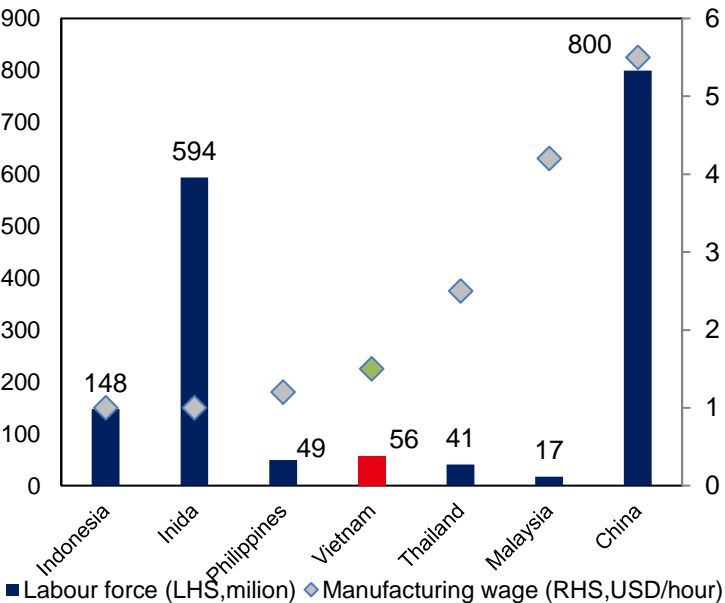
Source: Viettel IDC, MBS Research

# Data center market outlook 2024-2025: ready to strong growth



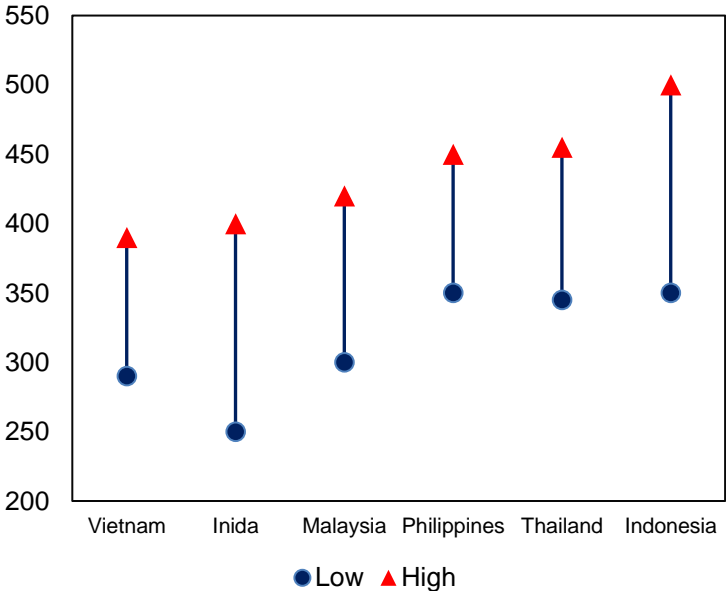
## Vietnam has the potential to expand data center in 2024-2026

Vietnam possesses abundant human resources with low wage costs compared to other countries



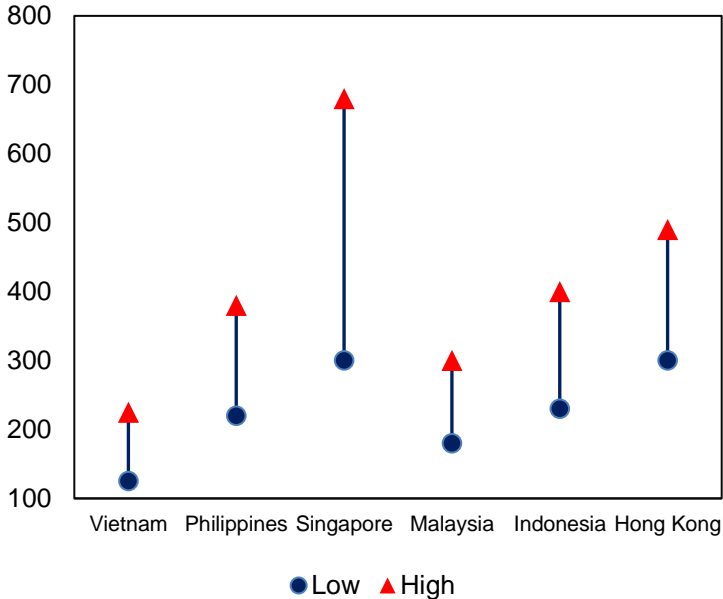
Source: JLL, World bank, MBS Research

Vietnam's construction costs are also lower than most countries in the region (US\$/sqm)



Source: JLL research, MBS Research

Data center rental prices in Vietnam are cheaper than other countries in the region (Unit: USD/KW/month)



Source: JLL research, MBS Research

- We expect that Vietnam possesses many growth drivers to boost its data center market, such as an inexpensive labor market, an abundant technology workforce, lower construction costs and rental price.
- The Vietnamese Government's push toward digitization has significantly bolstered the demand for data centers across the country. Furthermore, the Vietnamese data center market is driven by the shifting of enterprise data to cloud platforms. This has led to an increase in the adoption of data storage solutions, which in turn is expected to positively influence the growth of the market. Additionally, growing adoption of generative AI (genAI), big data solutions, Internet of things (IoT) and cloud-based solutions among others is expected to push market growth in 2024-2025.

# Data center market outlook 2024-2025: ready for strong growth



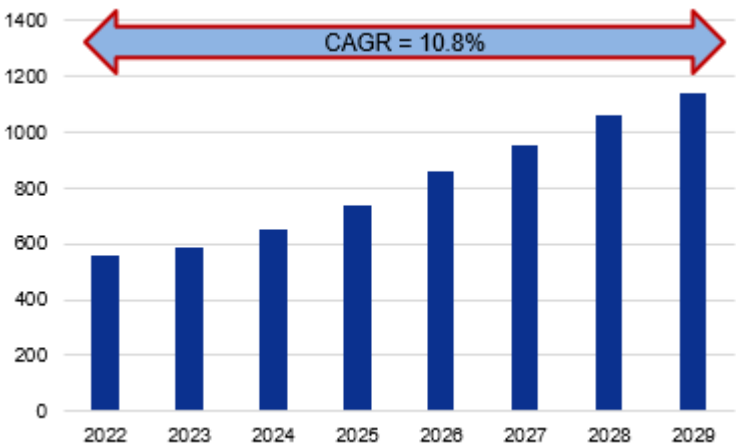
## Leading telecommunication businesses in Vietnam market has continued to invest new data centers in 2024-26

- The data center market in Vietnam growth has slowed down in 2022-23 as enterprise and organizations tend to optimize costs after moving services to the cloud due to sluggish economic conditions. However, we evaluate this trend as only short-term. In 2024, leading telecommunication enterprises in Vietnam, such as VNPT, Viettel, CMC, and FPT, are actively investing in new data centers and upgrading existing ones to meet international standards. We anticipate strong growth in the Vietnamese data center market in 2024-25, driven by the inauguration of numerous new data centers from major providers like FPT, Viettel, and VNG.
- According to Blueweave Consulting, the Vietnamese data center market stood at 557US\$m in 2022 and is forecast to grow at a CAGR of over 10.8% until 2029, achieving 1.14US\$bn. With political and social stability, few natural disasters like earthquakes, Vietnam has the necessary characteristics to become a major data center market in the region, in our view.

### Plan to expand and upgrade data centers of telecommunications businesses in 2024

Companies	No. data centers in operation	Total current capacity	Expansion and upgrade plan in 2024
FPT	3	17,000 m2/4,000 racks	FPT is building 2 more data centers in Ho Chi Minh and Da Nang. In which, The upcoming data center in District 9 - HCM, scheduled for completion in Q4/2024, is set to become one of Vietnam's largest with capacity exceeding 3,000 racks. In 1Q24, FPT held the topping-out ceremony of the FPT Data Center at FPT Danang Technology Urban Area. The Data Center at Da Nang is built on an area of nearly 1,500 m2, with 4 floors above ground level with a total floor area of 1,793 m2. The project is expected to be completed in 3Q24 including: Data center block, security house, parking lot canopy,...
Viettel	14	81000m2/11,500 racks	On Apr-24, Viette opened Viettel Hoa Lac Data Center. This is Vietnam's first data center designed with a capacity twice as high as the average, to meet the AI trend. Viettel Hoa Lac data center has also become the largest data center in Vietnam today with 60,000 servers; more than 2,400 racks; 21,000m2 of floor space
CMG	3	3,000 racks	In Jun-24, CMC Telecom Data Center Tan Thuan became the first unit in Vietnam to meet Level 4 Information System Safety standards. CMC's Data Center system with level 4 certification ensures serving users of particularly large scale such as financial institutions, banks, and e-commerce.
VNG	1	410 racks	In May-24, VNG and ST Telemedia Global Data Centers (STT GDC) cooperated to build and operate 2 Data Centers in Ho Chi Minh City. VNG and STT GDC will continue to operate Data Center STT VNG Ho Chi Minh City 1 and build a new Data Center STT VNG Ho Chi Minh City 2. VNG expects that data center No. 2 will be operational in the first half of 2026 with the ability to provide electricity capacity of up to 60 MW.

### Vietnam's data center market will exceed 1US\$bn by 2028



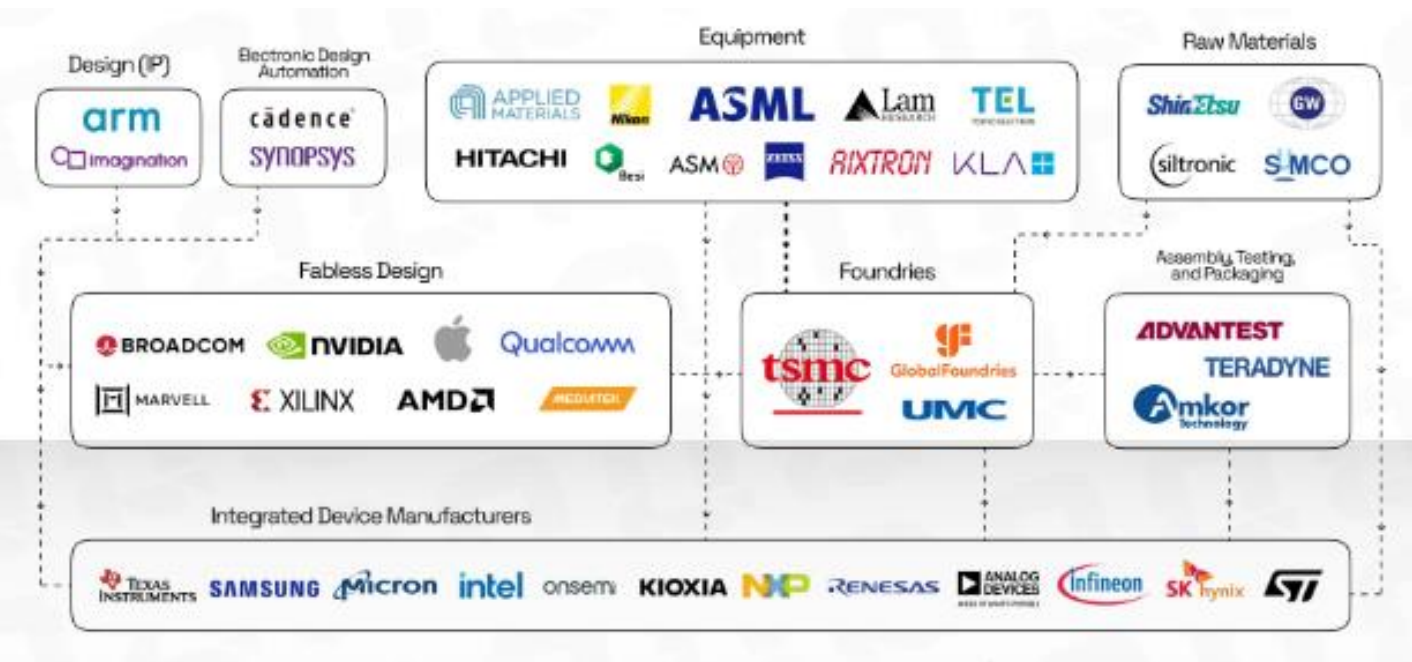
Source: Blueweave Consulting, MBS Research



## Vietnam's semiconductor companies mostly come from foreign-invested companies

- A semiconductor is a material product with some of the properties of both insulators and conductors. The semiconductor industry is a hugely important sector for both the U.S. and world economies, with semiconductor components found in a wide range of consumer and commercial products, from vehicles to computers to mobile devices and personal electronics. The semiconductor value chain consists of several stages, each with their own specialized roles and companies. These stages include: design, fabrication and assembly, testing and packaging.
- Vietnam's involvement in semiconductor production is primarily concentrated in the final phases, particularly in the Assembly, Testing, and Packaging (ATP) segment. This segment requires lower capital investment and less skilled labor is the least valuable in the supply chain. Additionally, Vietnam's semiconductor companies mostly come from foreign-invested companies. In which, FPT and Viettel are the most prominent domestic enterprises.

Semiconductor value chain



Companies involved in chip design by region in Vietnam

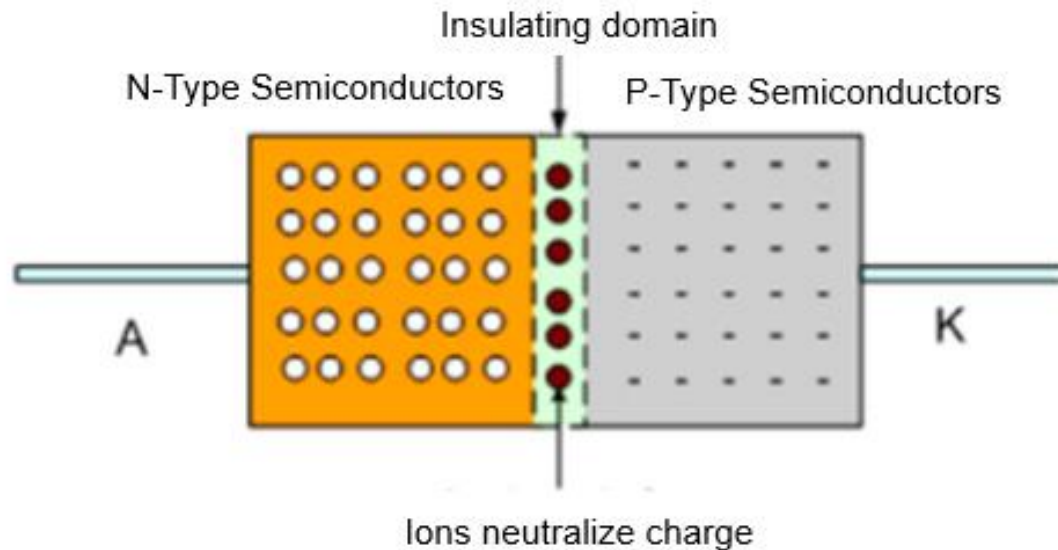


# Semiconductor overview

## Most semiconductor materials are in limited supply

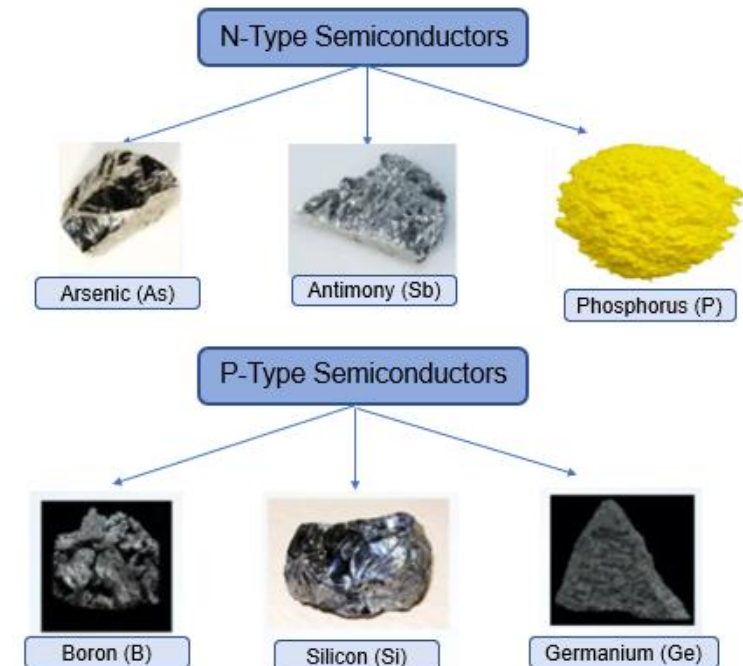
- Semiconductors are divided into two main parts: P-type and N-type semiconductors. The main materials include phosphorus, arsenic and antimony for n-type conductors and boron, gallium, germanium for p-type conductors. Among these materials, silicon is the primary component used in semiconductor chips. As the second most abundant element in the Earth's crust, comprising 28%, the supply of silicon is expected to remain relatively stable in the near future. In contrast, other semiconductor materials have more limited availability. These include phosphorus (0.105% of the Earth's crust), arsenic (0.00018%), and bismuth (0.0000008%) for n-type conductors, as well as boron (0.001%), gallium (0.0019%), and indium (0.000025%) for p-type conductors.
- Phosphorus is a widely favored choice for doping n-type silicon semiconductors, including those used in n-type solar panels n-type solar cells. Phosphorus is used to increase electron concentration and boosting electrical conductivity.

## Semiconductor structure



Source: ULVAC , MBS Research

## The main material of semiconductors



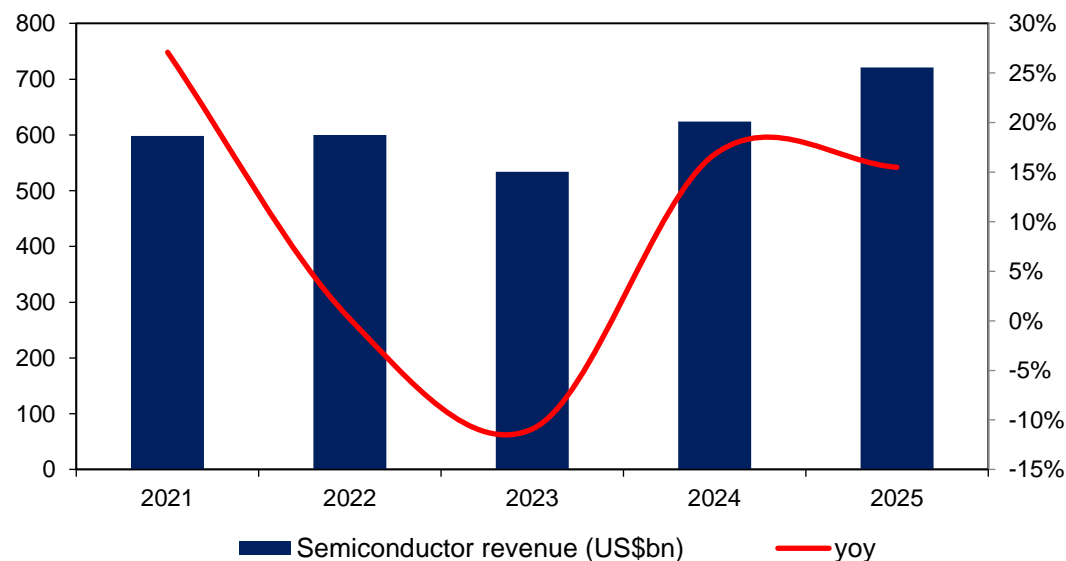
Source: Electronics - PCB - Semiconductors , MBS Research



## Semiconductor demand is expected to recover strongly in 2024/2025 thanks to Generative AI (GenAI)

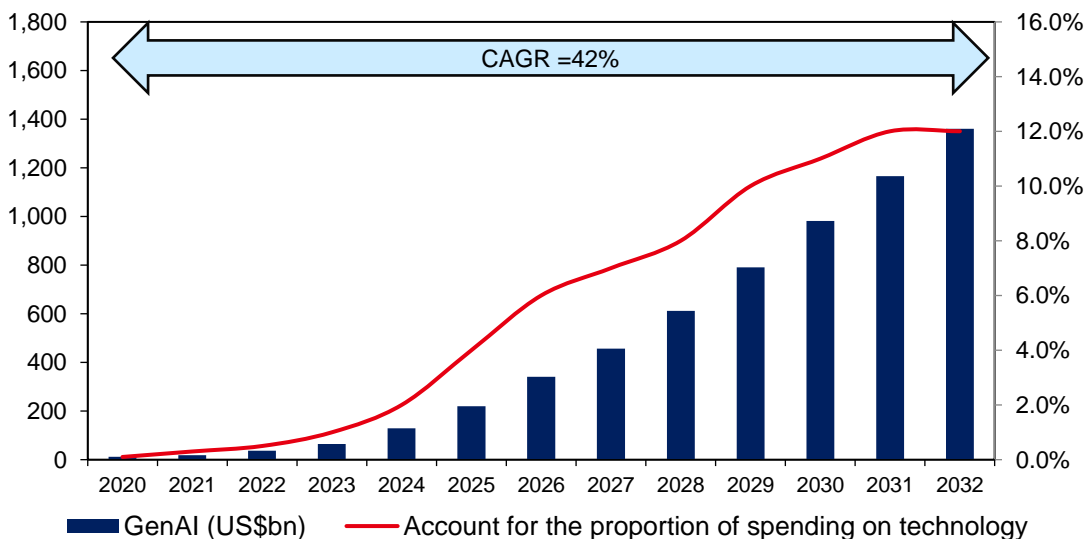
- Global semiconductor revenue totaled 533US\$bn in 2023 (-11.1% yoy) due to a slowdown in enterprise and consumer spending. Only 9 of the 25 largest semiconductor manufacturers recorded revenue growth in 2023, with 10 recording double-digit declines. The combined semiconductor revenue of the top 25 semiconductor suppliers fell by 14.1 % in 2023 and accounted for 74.4 % of the market, compared to 77.2 % in 2022.
- However, semiconductor demand is expected to recover strongly in 2024/2025 thanks to Generative AI (GenAI). According to the latest report from Bloomberg Intelligence, GenAI market value will reach a growth rate of 42% in the period 2023-2032. AI is commonly used in everyday tasks such as searching for information, creating content (text, images, videos), and decision support. According to the latest forecast from Gartner, Inc., global semiconductor revenue is expected to increase 16.8%/15.5% yoy in 2024/2025 to reach 624US\$bn/721\$bn, in which AI semiconductor revenue will achieve 71.2US\$bn/91.9US\$bn (+33%/29% yoy) in 2024/25. Over the long term, we expect a strong growth in the global semiconductor industry driven by rising demands for electric vehicles, data centers, and emerging technologies such as IoT, AI, and 5G.

### Global semiconductor revenue is forecast to grow 16.8%/15.5% yoy in 2024/25



Source: Gartner, MBS Research

### GenAI revenue to reach CAGR = 42% in 2020-32

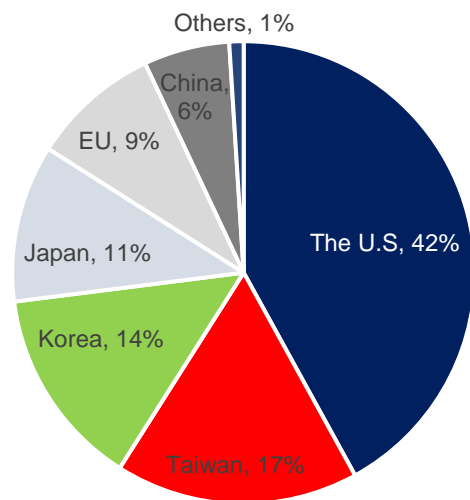


Source: Bloomberg Intelligence, MBS Research

## The “China +1” trend will create opportunities for other countries to attract FDI capital flows

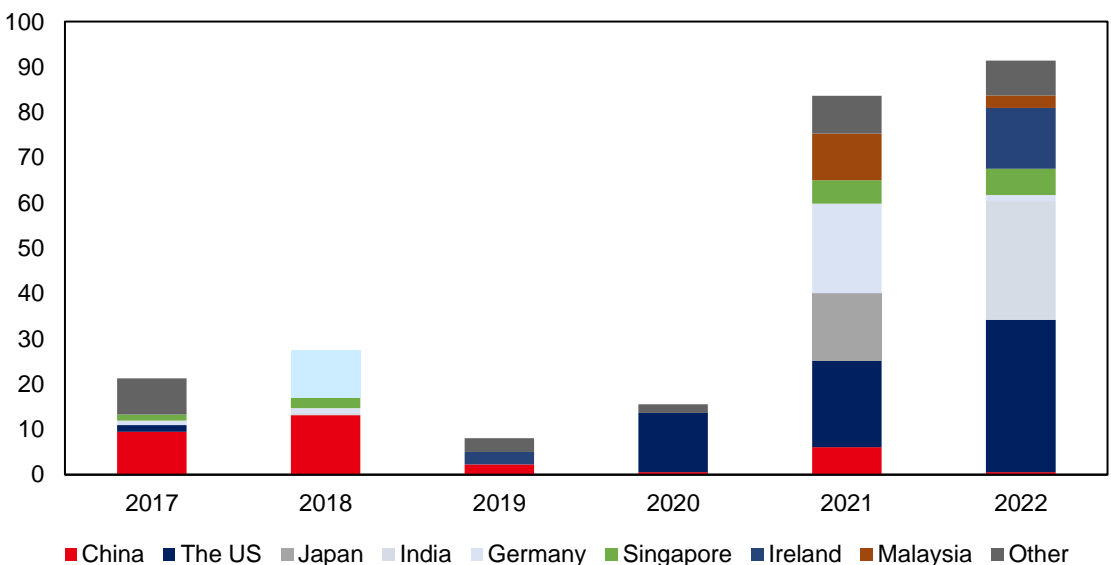
- China is gradually losing its position as "the world's major factory" driven by 1) the US-China trade war , 2) China's aging population and 3) China's zero covid policy. Thus, we believe that multinational corporations will look for a second choice for their sourcing to reduce their dependence on the Chinese market.
- In just two years, 2021 and 2022, the world witnessed approximately 155US\$bn in total foreign direct investment (FDI) into the semiconductor sector. This marks the highest level of FDI into this industry in the past 20 years. Foreign direct investment in China's semiconductor sector saw a significant decline (China only accounted for 3% of FDI attraction into semiconductors in 2020). The United States and several other countries, including Japan, Germany, India, Malaysia, and Ireland, have seen an increase in foreign direct investment (FDI) attraction.
- According to Trendforce, China market share of advanced process capacity is expected to decrease from 8% in 2023 to 6% by 2027 due to export controls on advanced chip making equipment by the U.S. While Taiwan holds 68% of advanced foundry capacity, though this is expected to fall to 60% by 2027 as the U.S. expands its domestic capacity. We expect that the “China +1” trend will create opportunities for other countries to attract FDI capital flows.

Global semiconductor market share in 2022



Source: Yole Intelligence, MBS Research

FDI in the semiconductor sector by destination country in 2017-22 (unit: US\$bn)



Source: FDI market, MBS Research

# Emerging trend in Vietnam semiconductor industry



We believe that Vietnam has the potential to become a world's new semiconductor manufacturing factory in 2024-30

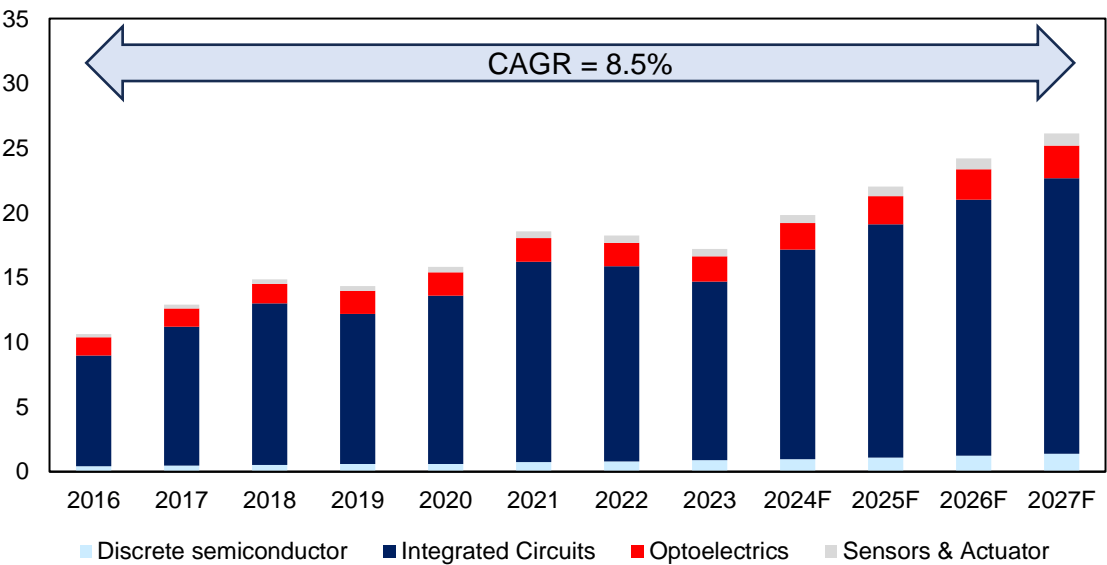
- In Sep-23, the U.S. and Vietnam have signed a Memorandum of Cooperation on semiconductor supply chains, workforce and ecosystem development, which aims to strengthen bilateral sci-tech ties and build a more resilient semiconductor supply chain. And to equip human resources for this pivotal industry, Vietnam and the U.S. will initiate extensive workforce development programs, including hands-on teaching labs and training courses focusing on semiconductor assembly, testing, and packaging. Moreover, several major semiconductor companies from the US, including Intel, Amkor, Marvell, and GlobalFoundries, have pledged substantial investments in Vietnam’s semiconductor industry.
- Vietnam is formulating a development strategy and a comprehensive human resources plan, supported by relevant regulations, policies, and mechanisms to attract the world's foremost semiconductor manufacturers and designers. We believe that semiconductor manufacturing enterprises such as FPT and input material suppliers (phosphorus, bismuth) such as DGC, MSR will benefit from FDI semiconductor capital flows and support from the Government.
- Statista Market Insights forecast Vietnam semiconductor revenue will achieve CAGR 11.6% in 2023-27, culminating in a market volume of 31.28US\$bn by 2027. In which, integrated circuits - the most substantial segment within the semiconductor industry is projected to be valued at 16.44\$bn in 2024.

## Amkor and Hana Micron have pledged substantial investments in Vietnam’s semiconductor industry

	Amkor Technology Vietnam	Hana Micron
Location	Yen Phong II-C IP, Bac Ninh	Van Trung IP, Bac Giang
Land area	23ha	6.6ha
Invesment capital to date	530\$m	600\$US
Invesment capital plan	1.6US\$bn until 2035	1.0US\$bn until 2025
Operation time	Sep-23	Oct-23

Source: MBS Research

## Vietnam semiconductor revenue will achieve CAGR 11.62% in 2023-27



Source: Statista Market Insights, MBS Research

# Sector earnings outlook 2024 - 2025



## Revenue and net profit growth vary significantly among companies within the industry in 1Q24

- FPT maintains 20% growth momentum and leading position in revenue scale and net profit in 1Q24. While enterprises under Viettel Group (VGI, CTR) also showed positive business results in 1Q24, especially VGI. Specifically, in 1Q24, Viettel Global's revenue reached VND7,907bn (+22% yoy) thanks to strong growth in Burundi (29%), Lao (24%), Mozambique (22%), Haiti (18%), Cambodia (13%) markets. Financial income soared 156% yoy thanks to foreign exchange gain. As a results, VGI's net profit in 1Q24 achieved VND1,296bn (+248% yoy).
- Net profit of DGC – leading phosphorus supplier in Vietnam in 1Q24 plunged 14% yoy due to the decrease of phosphorus price (-25% yoy) and weaker demand amid the global economic slowdown.
- Most of technology and semiconductor stocks had an impressive performance with about 12.6% - 310.5% rally in market prices in 1H24 . Despite the solid outlook of sector in 2H24-25, we believe investors should pick up selectively as most of technology and semiconductor stocks are close to fair value.

## Company earnings recap in 1Q24

	1Q24 revenue (VNDbn)	yoy (%)	1Q24 gross margin	yoy (pts)	1Q24 net profit (VNDbn)	yoy (%)	ROE	Return (01/01/2024 to 18/06/2024)
FPT	14,093	20.6%	39.1%	0.0%	1,798	20.4%	27.2%	33.5%
CMG	1,649	-10.2%	20.2%	0.9%	43	1.3%	12.6%	55.1%
VEC	48	-7.1%	56.1%	-1.5%	-3	-26.8%	-1.3%	12.6%
FOX	4,013	5.8%	47.4%	3.1%	653	12.8%	29.4%	113.0%
VGI	7,907	22.0%	52.2%	2.1%	1,296	248.7%	4.6%	310.5%
CTR	2,623	12.1%	7.2%	-0.3%	116	7.0%	28.4%	72.3%
SGT	110	17.4%	50.1%	5.2%	6	-9.0%	2.5%	20.8%
ELC	107	25.0%	19.9%	-14.4%	7	101.4%	8.6%	33.3%
DGC	2,385	-3.9%	0	-3.8%	704	-14.0%	25.0%	38.6%

Source: Fiinpro, MBS Research

## Sector earnings outlook 2024 - 2025



### 2024 – 2025 summary forecasts of stocks under of our coverage

We forecast that FPT and DGC will maintain double-digit NP growth momentum in 2024/25.

VNDbn	FPT			DGC		
	2023	2024	2025	2023	2024	2025
Revenue (VNDbn)	52,625	62,768	75,406	9,748	11,249	13,656
% growth	19.5%	19.3%	20.1%	-32.5%	15.4%	21.4%
Gross profit	20,320	24,418	29,159	3,440	4,015	5,257
Gross margin (%)	38.6%	38.9%	38.7%	35.3%	35.7%	38.5%
EBITDA	10,677	12,684	14,843	3,875	4,482	5,735
EBITDA margin (%)	20.3%	20.2%	19.7%	39.8%	39.8%	42.0%
Net profit (VNDbn)	6,657	8,002	9,390	3,100	3,583	4,554
% growth	25.7%	20.2%	17.3%	-44.3%	15.6%	27.1%
EPS (VND/share)	5,242	6,301	7,394	8,163	9,434	11,992
BVPS (VND/share)	23,570	28,795	35,254	31,667	40,113	48,232
Net cash/share (VND/share)	8,156	9,985	12,307	23,894	28,559	38,022
D/E (x)	0.5	0.4	0.4	0.1	0.1	0.1
Dividend yield (%)	1.5%	1.5%	1.5%	2.4%	2.4%	2.4%
ROAE (%)	24.1%	24.1%	23.1%	24.9%	24.7%	25.5%
ROAA (%)	11.9%	12.2%	12.0%	22.4%	22.5%	24.2%

## We prefer FPT and DGC for data center and semiconductor industry in 2H24-25

Stocks	Rating	Target price	Investment thesis
FPT	ADD	144,200	<ul style="list-style-type: none"> <li>Technology revenue continues to maintain double-digit growth in 2024/25 thanks to (1) stable growth in newly signed revenue and (2) global IT spending expected to grow strongly in 2024.</li> <li>We forecast that telecommunications revenue will grow by 11.4%/8.8% in 2024/25, driven by the expansion of data centers and a resurgence in online advertising. We expect the data center business to thrive due to increasing demand for AI, cloud computing, and IoT. FPT plans to continue expanding its data centers, with two new facilities set to open in Ho Chi Minh City and Da Nang.</li> <li>We forecast the education segment to see impressive revenue growth of 32.4%/34% in 2024/25 driven by 1) the ongoing expansion of the inter-level high school system across Vietnam's provinces, and 2) the establishment of additional AI science departments at universities..</li> <li>We believe that partnering with NVIDIA, the world's leading chip manufacturer will drive long-term revenue growth for FPT in 2025-2030 as generative AI emerges as the new trend in the information technology sector.</li> <li>We forecast that FPT's 2024/25 net profit will grow by 20.2%/17.3% yoy.</li> </ul>
DGC	ADD	136,600	<ul style="list-style-type: none"> <li>DGC is Asia's largest exporter of yellow phosphorus - an important material in semiconductor manufacturing technology and in the F&amp;B industry. DGC is also the only enterprise in the world that can produce yellow phosphorus from apatite ore in both powder and lump forms.</li> <li>We believe that DGC will back to net profit growth in 2024, driven by the recovering demand in the semiconductor market. Additionally, yellow phosphorus prices remain at a one-year low and are unlikely to drop to 2021 levels due to China's restrictive policies on apatite ore exploitation.</li> <li>We expect the Nghi Son caustic soda project to complete and come online in 3Q25. We anticipate that Nghi Son Caustic Soda will contribute 15% to DGC's annual revenue from 2026.</li> <li>As a result, we forecast that DGC's 2024/25 net profit will grow by 15.6%/27.1% yoy.</li> </ul>

## We prefer FPT and DGC for the data center and semiconductor industry in 2H24-25

Stocks	Rating	Target price	Investment thesis
CMG	N/a	N/a	<ul style="list-style-type: none"> <li>CMG is currently the second largest information technology - telecommunications service provider in Vietnam. The enterprise focuses on 4 business segments: digital infrastructure, technology &amp; solutions, international business, research and education</li> <li>May-24, Mr. Nguyen Trung Chinh - Chairman of CMC Corp had a meeting with NVIDIA's leaders to strengthen comprehensive strategic cooperation, especially in the field of artificial intelligence (AI).</li> <li>In 2024-25, CMG plans to invest in expanding AI Data center in Ho Chi Minh City High-Tech Park with a large scale of 40MW, ensuring the availability of AI Cloud infrastructure as well as private Cloud infrastructure for each customer. CMC also plans to invest 1,000 Nvidia GH 200 GPUs worth US\$250m in 2024-25, focusing on 6 main areas: Chip design, AI, big data, social data, IoT, and blockchain.</li> <li>In Jun-24, CMC Telecom Data Center Tan Thuan became the first unit in Vietnam to meet Level 4 Information System Safety standards. CMC's Data Center system with level 4 certification ensures serving users of particularly large scale such as financial institutions, banks, and e-commerce. We expect achieving tier 4 certification to support for CMG to expand data center tenants to financial institutions and banks from 2H24.</li> </ul>
VNZ	N/a	N/a	<ul style="list-style-type: none"> <li>VNZ is the leading internet-based company in Vietnam, renowned for its strong performance in the online game sector. In 2022, VNZ secured a dominant position in the Vietnamese online game market with a substantial 39% market share.</li> <li>We expect game segment of VNZ to grow strongly in 2024-2025 thanks to 1) mobile devices and PCs are the dominant platforms in Vietnam and are set to continue in 2024-25 and 2) Vietnamese government is promoting the development of the online gaming industry.</li> <li>In May-24, VNG and ST Telemedia Global Data Centers (STT GDC) cooperated to build and operate 2 Data Centers in Ho Chi Minh City. VNG and STT GDC will continue to operate Data Center STT VNG Ho Chi Minh City 1 and build a new Data Center STT VNG Ho Chi Minh City 2. VNG expects that data center No. 2 will be operational in the first half of 2026 with the ability to provide electricity capacity of up to 60 MW.</li> <li>VNG plans revenue of VND11,069bn (+46% yoy) and net profit of VND150bn in 2024 (net loss VND2,101bn I 2023)</li> </ul>



## Peer comparison

Companies	Sticker	Market cap	P/E(x)		P/BV(x)		ROA		ROE (%)		
			Bloomberg	US\$m	TTM	2024	Current	2024	TTM	2024	TTM
Technology											
INFOSYS LTD	INFO IN	71,579	24.0	21.4	6.8	6.3	19.4	20.9	29.2	30.8	
WIPRO LTD	WPRO IN	28,986	23.5	19.2	3.0	2.9	10.2	11.4	15.1	15.3	
HCL TECH LTD	HCLT IN	43,539	25.2	20.7	5.0	5.4	16.5	17.9	24.5	26.5	
TECH MAHINDRA LT	TECHM IN	15,058	52.4	21.2	3.8	4.3	11.2	12.6	15.8	20.6	
CYIENT LTD	CYL IN	2,380	30.2	20.4	2.8	4.0	11.3	12.1	19.6	21.0	
MPHASIS LTD	MPHL IN	5,183	29.4	23.0	5.2	4.6	15.8	16.8	19.0	20.5	
L&T TECHNOLOGY S	LTTS IN	5,703	36.5	33.9	9.2	7.7	24.2	24.9	17.8	19.0	
FPT Corporation	FPT VN	8,110	29.3	24.1	7.8	5	11.5	12.2	23.2	24.1	
Average				31.3	23.0	5.5	5.0	15.0	16.1	20.5	22.2
Median				29.3	21.3	5.1	4.8	13.6	14.7	19.3	20.8
Domestic data center											
FPT telecom	FOX VN	2,217	22.4	na	6.5	na	11.7	na	28.7	na	
CMC Corporation	CMG VN	549	41	na	5.0	na	4.7	na	10.1	na	
VNG Corporation	VNZ VN	683	na	na	5.6	na	-5.0	na	-11.8	na	
Average				31.7	na	5.7	na	3.8	na	9.0	na
Median				31.7	na	5.6	na	4.7	na	10.1	na
Semiconductor material											
Hubei Xingfa Chemicals Group Co Ltd	600141 CH	2994.5	11.6	9.6	1	0.93	3.9	4.17	8.6	9.5	
Kunming Chuan Jin Nuo Chemical Co Ltd	300505 CH	463.7	na	2.8	1.39	na	-2.3	na	-3.5	na	
Nickel Asia Corporation	6350R1069 PHY	902.1	18.3	11.6	1.45	na	5.4	na	8.2	na	
PT Vale Indonesia	1000109309 ID	2509.9	9.13	16.5	0.98	0.93	9.8	4.9	11.2	5.6	
Duc Giang chemical group	DGC VN	1,932	16.2	12.0	3.7	2.8	21.5	22.5	24.5	24.7	
Masan High-tech materials corporation	MSR VN	729	na	na	1.4	na	-5.6	na	-16.1	na	
Average				13.8	10.5	1.7	1.6	5.5	10.5	5.5	13.3
Median				13.9	11.6	1.4	0.9	4.6	4.9	8.4	9.5



## Logistics

**Strong recovery from low base**

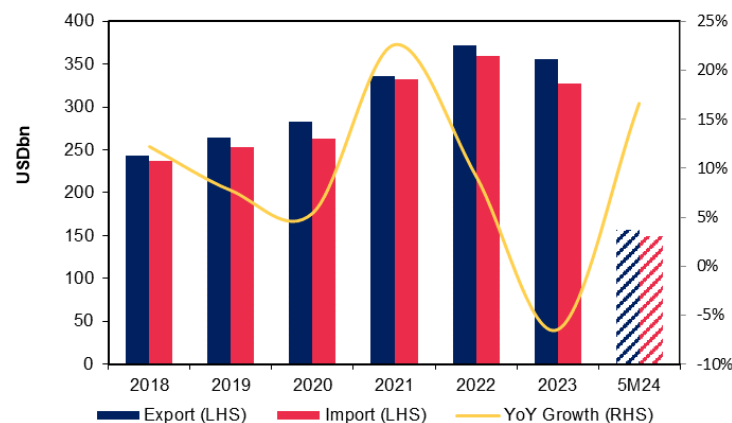
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Vietnam Strategy 2H2024

## Strong recovery in 1H24

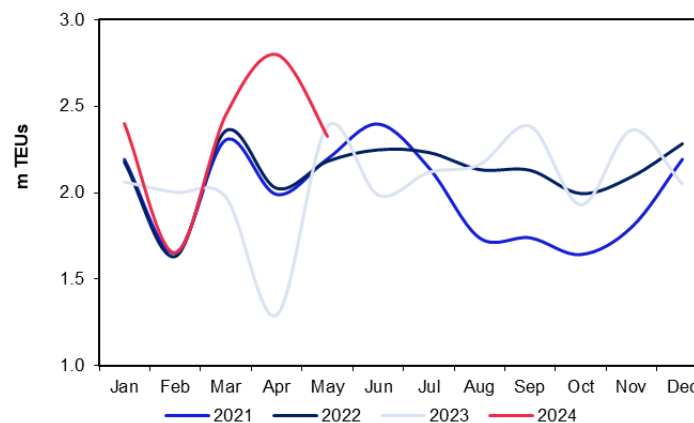
- In 5M24, the total value of Vietnam's imports and exports has increased by 16.6% yoy. Strong export growth mainly led by industrial, processing goods while stronger import growth attributed to the surge in imported equipment, machinery, and raw materials. In terms of markets, the US remains being our primary market with export turnover of USD 44bn, up 2% yoy; export to the E.U rose 16.1% yoy to USD 20.7bn, meanwhile, export to ASEAN countries amounted to USD 15.3bn (+12% yoy).
- The total container throughput at Vietnamese seaports experienced a strong recovery in 5M24, with an increase of 19.7% yoy. This was attributed to (1) the low base in 5M23 (-6.3% yoy) and (2) production activities linger positive growth with the Industrial production index (IIP) remarks the third consecutive month having an upturn momentum.
- On the international market, after a period of decline, the upward trend in sea freight rates began from Jan 2024 when the conflict in the Red Sea emerged. As of Jun 2024, global container index (40ft) has surge 200% yoy and 241% ytd.

**Total Vietnam's import and exports value has recovered strongly (USDbn)**



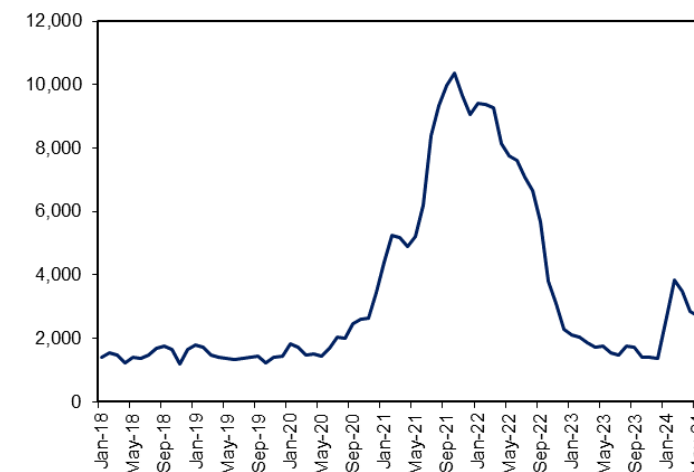
Source: GSO, MBS Research

**Vietnam's total container volume throughput (m TEUs)**



Source: Vinamarine, MBS Research

**Global container index (USD/40ft)**



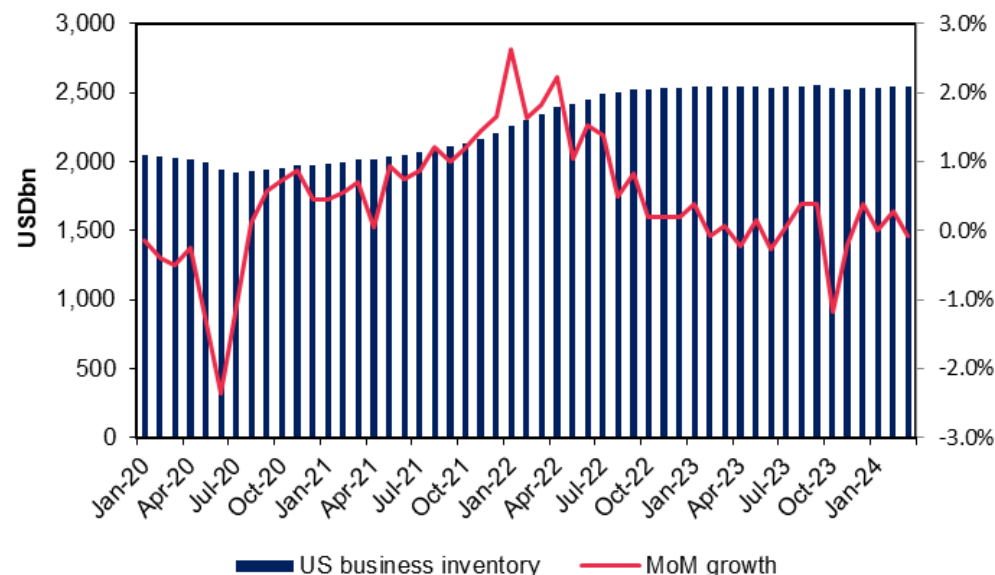
Source: Drewry, MBS Research

# Seafreight volume: Recover from a low base in 2024

## Demand for additional goods in major markets may slowdown in 2H24

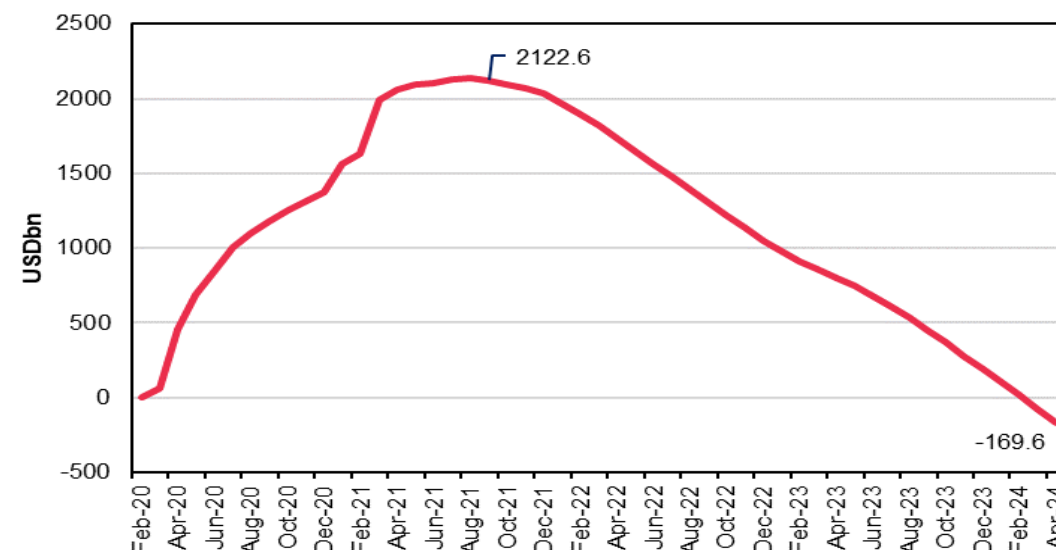
- Monthly business inventory levels in the US have almost remained unchanged since the beginning of 2024.
- According to the WB, GDP growth in the United States might reach 1.6% in 2024, down from 2.5% in 2023, which will have a negative impact on US consumption.
- Low GDP growth and high inflation from 2021-2023 have reduced US cumulative aggregate excess savings since the pandemic-era. US cumulative aggregate pandemic-era excess savings have peaked in Oct-2021 at US\$2,122.6bn and come into a downward trend since then. By Feb-2024, the excess savings have turned into negative and reduced to US\$-169.6bn by Apr-2024, which means resources to support US consumption are seriously declining.

## Business inventories in the US have remained unchanged since the beginning of 2024



Source: Investing, MBS Research

## US cumulative aggregate pandemic-era excess savings



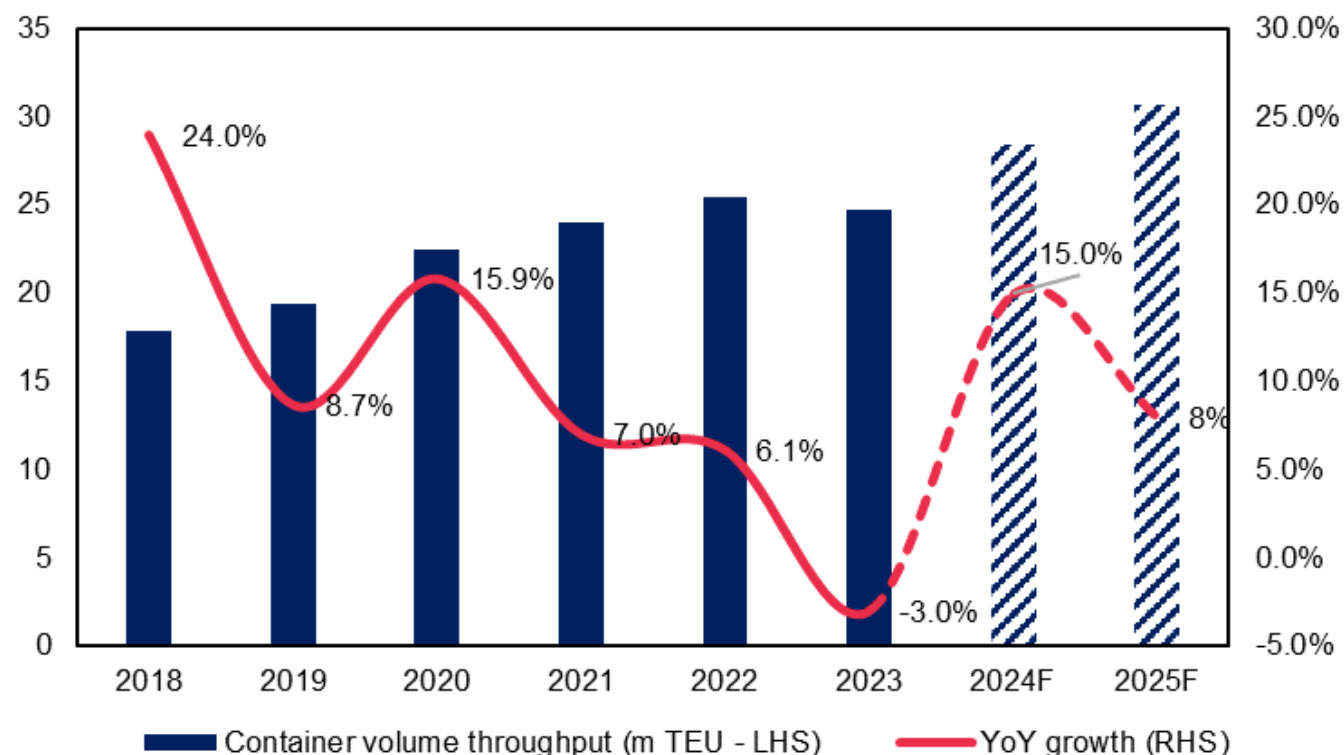
Source: US Bureau of Economic Analysis, MBS Research

# Seafreight volume: Recover from a low base in 2024

**Container volume throughput at Vietnamese seaports is anticipated to recover by 15%/8% yoy in 2024-25**

**We project that the container throughput at Vietnam's seaports, after experiencing a 3.0% decline yoy in 2023, will rebound by 15.0% in 2024**

- In 5M24, Vietnam's total container volume throughput reached 11.63 million TEU, marking a 19.7% increase yoy. We forecast the container throughput volume growth will decelerate towards the end of the year as (1) the low base effect fades (2H23 container volume increased 0.8% yoy), and (2) US consumption demand may further weaken because of the excess savings drawdown. Consequently, the total container throughput in Vietnam may recover 15% yoy in 2024.
- For the year 2025, we expect US consumption to slightly recover, which may help Vietnam container volume grow 8% yoy.



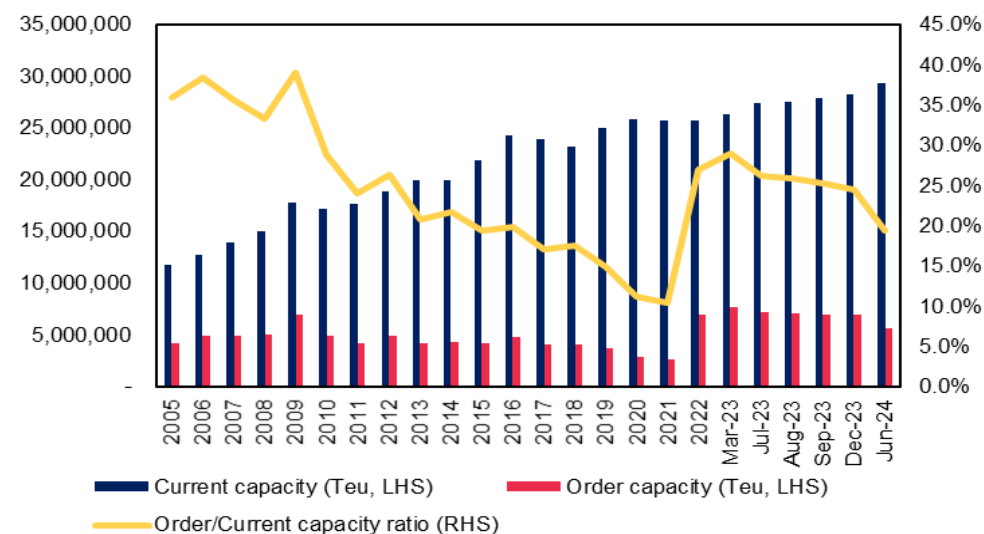
# Seafreight rates may cool down towards the end of 2024



## Although cooling down, global container freight rates still stay at high level until the end of 2024 (+200% yoy)

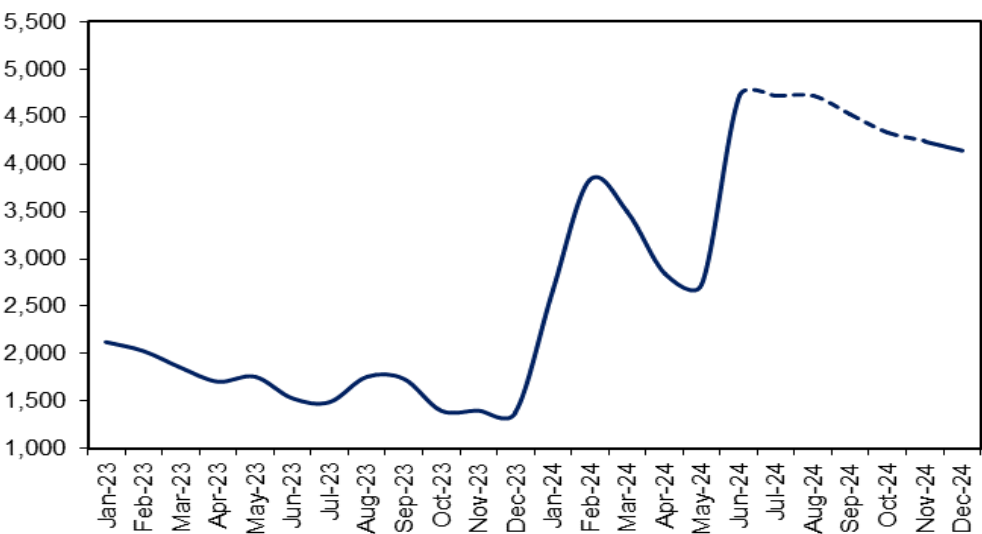
- From Jan-2024, due to the danger of crossing the Red Sea, carries have to change their routes by passing through Cape of Good Hope and increase the average shipping distance by 30%. However, thanks to recent Western activities, we expect Israel-Palestine conflict to cool down by the end of 2024, which will help free the shipping lines through Red Sea and cool down global sea freight rates.
- According to Alphaliner, the surge in new vessel orders has led to a continuous increase in the order-to-capacity ratio throughout the market from 10.4% in 2021 to a peak of 29% in March 2023. The shipping rates appears to be inversely correlated with the order-to-capacity ratio across the market, indicating that oversupply has negatively impacted shipping rates. However, this ratio has started to decrease since June 2023, reaching around 19.4% by Jun-2024 with almost no new orders appearing. This will be a support factor for sea freight rates in a longer term.
- We expect global container freight rates to cool down towards the end of 2024 but still maintain at high level (+ 200% yoy) by the end of 2024.

## The order/current capacity ratio has decreased strongly in 2024



Source: Alphaliner, MBS Research

## We forecast that global container freight rates could increase by 200% yoy in 2024 (USD/40ft)



Source: Drewry, MBS Research

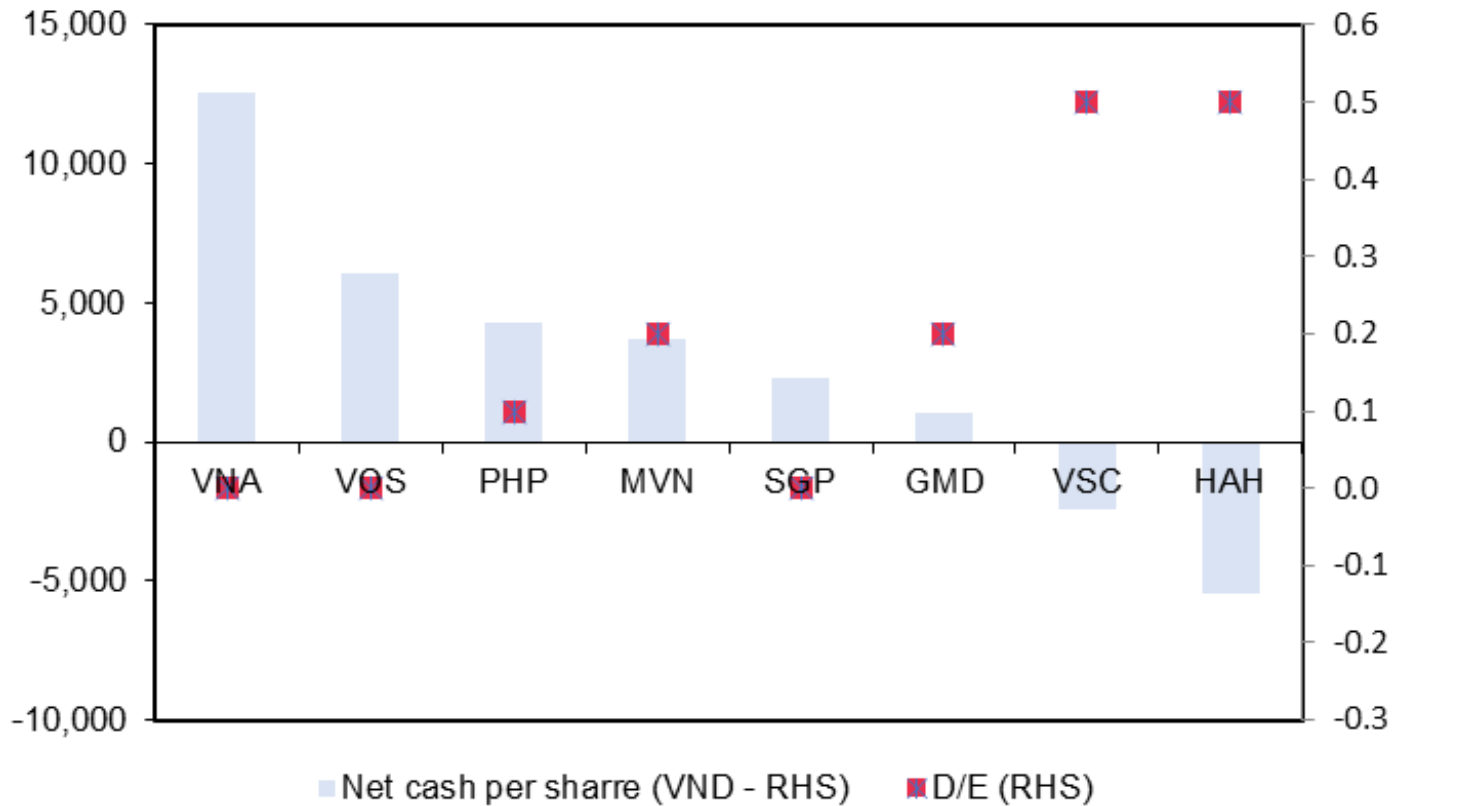
# From 2024, the future appears more promising for logistics enterprises



Financial stability is a solid foundation for logistics companies to sustain operations and capitalize on opportunities as the market recovers

- By 1Q24, most companies in the maritime and port logistics sector maintained strong financial health after navigating through challenging times. During this period, most companies refrained from new investments, resulting in high cash reserves and low leverage ratios
- Some companies, such as GMD, VSC, HAH, continued to engage in new investments, leading to low/negative cash positions and higher leverage ratios compared to others. However, these metrics still remain within safe thresholds. We believe that the logistics market has overcome its most challenging phase, and investments made during tough times may yield positive results as the market enters a recovery phase.

Most logistics companies maintain a strong cash position along with a low leverage ratio



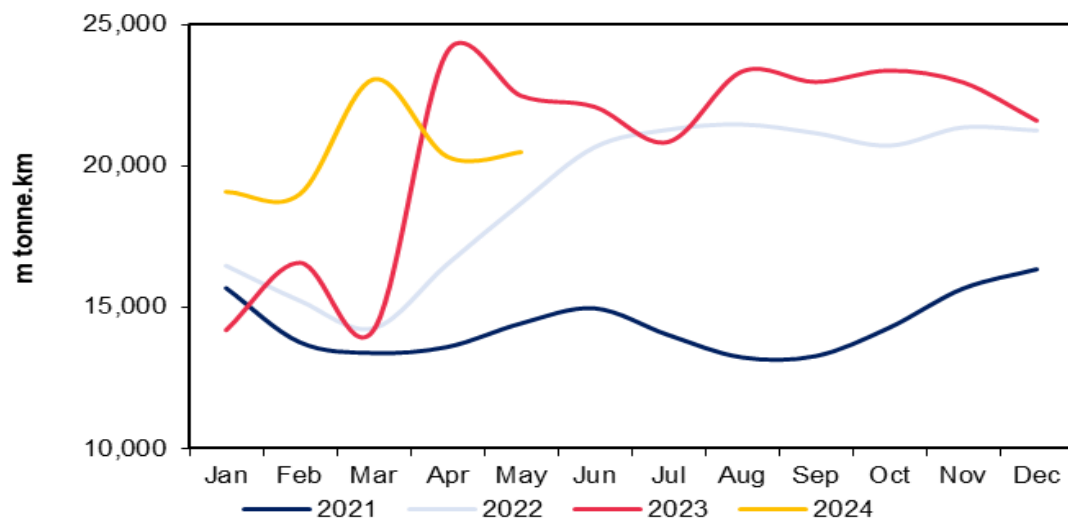


# From 2024, the future appears more promising for logistics enterprises

## The sea freight rates maintain at high level may lead to a good turnaround in the profits of maritime transport corporations

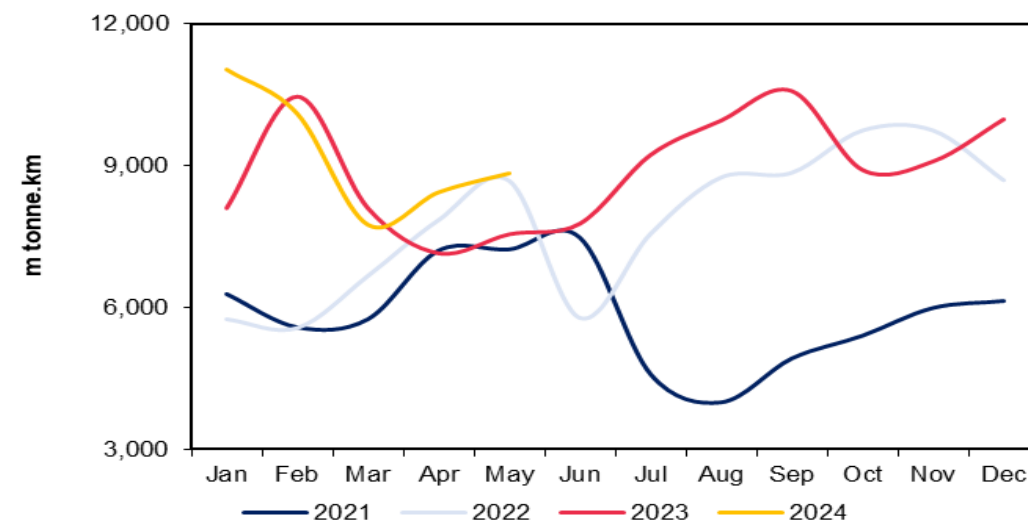
- In the context of higher sea freight rates, the volume of maritime transport in Vietnam remains high, especially the international maritime transport, as Vietnamese maritime transport companies have expanded their fleet size and entered the international market in recent times. The volume of maritime transport in Vietnam in 5M24 increased by 11.6% yoy, while the volume of inland waterway transport also achieved a growth of 11.6% yoy.
- The profits of maritime transport companies may continue to plateau in the second quarter of 2024 before experiencing a recovery in 2H2024, driven by (1) the continued growth in transportation volume due to fleet expansion and international market expansion, notably by HAH, which receives 3 new ships in 2024, increasing capacity by about 50%; (2) the forecasted 200% increase in global container freight rates in 2024, positively impacting the gross profit margin of maritime transport companies.

### International maritime transport volume



Source: GSO, MBS Research

### Inland waterway transport volume



Source: GSO, MBS Research

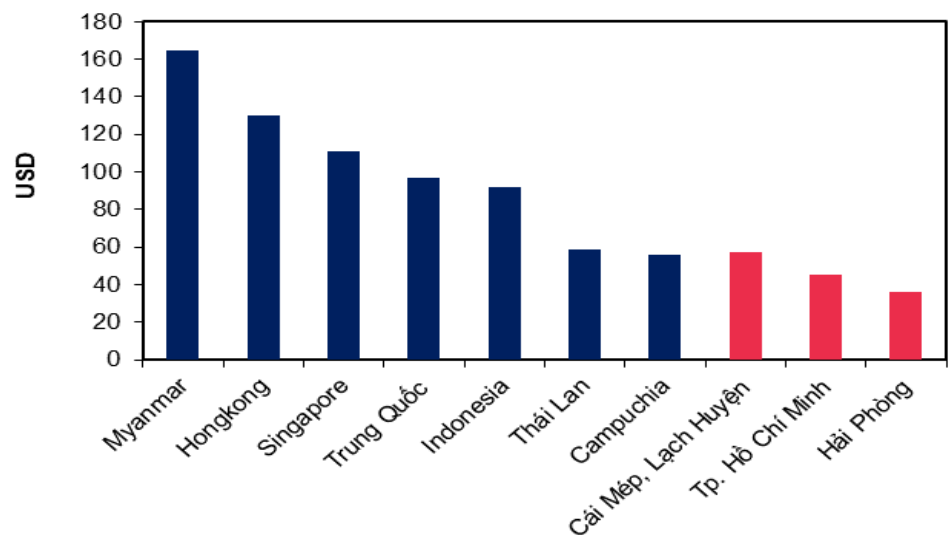
# From 2024, the future appears more promising for logistics enterprises



## The profits of seaport businesses will improve thanks to the implementation of increasing handling fees policy

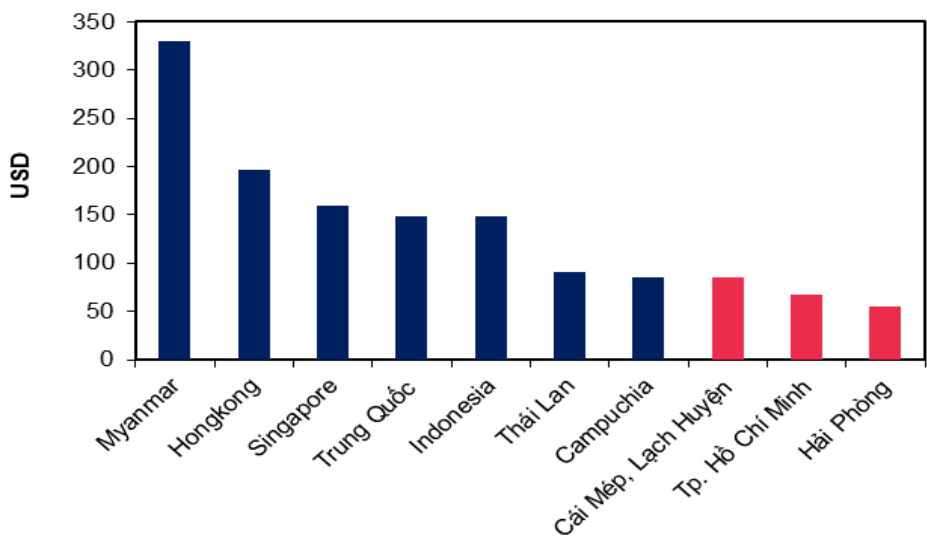
- The policy of increasing handling service fees at seaports has been approved in Dec-2023, proposing an increase in the minimum fee for cargo handling services at Type I ports (Hai Phong), Type III ports (Ho Chi Minh City), and deep-water ports (Cai Mep, Lach Huyen) by 10%. We believe that deep-water port areas (Cai Mep, Lach Huyen) will benefit the most, as the operating capacity at these port clusters is already close to the maximum. Other port clusters may not benefit as much due to existing oversupply, and port operators may increase incentives in other fee categories to retain customers.
- Despite recent increasing in fee, the handling service fees in Vietnam are much lower than those in other countries in the region.
- Expectations for container throughput to recover by 15%/8% YoY in 2024-25 are noteworthy.

Handling fee for 20ft container (USD)



Source: Vinamarine, MBS Research

Handling fee for 40ft container (USD)



Source: Vinamarine, MBS Research

## We prefer HAH and GMD for the logistics industry in 2024-25

- GMD and HAH are two companies that have maintained capacity expansion during challenging times while still preserving a safe financial health. We highly value this as with increased capacity, HAH and GMD are expected to have a better recovery than other companies when the logistics industry rebounds in 2024-25.
- We forecast HAH net profit to increase 10.1%/22.2%yoy in 2024-25 thanks to (1) transport volume may increase 24%/12% yoy in 2024-25F, (2) global freight rates maintain at high level in 2024F but may reduce 20% by the end of 2025F.
- For GMD, 2024 net profit may decrease by 32.5% YoY as lower divestment profit (VND336bn in 2024 vs VND1,840bn in 2023) while 2025 NP may increase 11% yoy. Main drivers are (1) total container volume through GMD ports may increase 12%/10% yoy in 2024-25, (2) average handling price may increase 7% in 2024 and stay flat in 2025.
- We believe that price adjustments for these two stocks in 2024 will present attractive opportunities for stock accumulation.

## 2024 – 2025 forecasts summary of stocks under our coverage

	HAH			GMD		
	2023	2024F	2025F	2023	2024F	2025F
Revenue (VNDbn)	2,613	3,045	3,221	3,846	4,140	4,523
% growth	-18.5%	16.5%	5.8%	-1.3%	7.6%	9.3%
Gross profit	611	734	807	1,778	1,890	2,079
Gross margin (%)	23.4%	24.1%	25.1%	46.2%	45.7%	46.0%
EBITDA	887	1,093	1,248	3,673	2,459	2,592
EBITDA margin (%)	33.9%	35.9%	38.7%	95.5%	59.4%	57.3%
Net profit (VNDbn)	385	424	518	2,251	1,520	1,687
% growth	-53.2%	10.1%	22.2%	123.5%	-32.5%	11.0%
EPS (VND/share)	3,648	3,494	4,268	7,358	4,969	5,515
BVPS (VND/share)	25,222	25,427	29,695	28,052	32,771	38,011
Net cash/share (VND/share)	-10,130	-6,024	-5,392	-435	-790	-545
D/E (x)	0.4	0.5	0.4	0.2	0.2	0.2
Dividend yield (%)	0.0%	0.0%	4.0%	2.4%	0.0%	0.0%
ROAE (%)	12.6%	13.2%	14.7%	24.9%	16.3%	14.7%
ROAA (%)	6.2%	6.5%	7.2%	16.8%	11.0%	9.9%

Source: Company report, MBS Research

## Peer comparison

Company name	Ticker Bloomberg	Market cap m USD	P/E (x)		P/BV (x)		ROE (%)		ROA (%)	
			2024	2025	2024	2025	2024	2025	2024	2025
Seaport companies										
Hai Phong Port JSC	PHP VN	362	17.9	na	2.0	na	11.8	na	8.3	na
Vietnam Container Shipping JSC	VSC VN	236	31.8	na	1.5	na	5.0	na	2.9	na
Adani Ports And Special Econ	ADSEZ IN	37,013	35.7	29.4	5.4	5.0	16.5	18.2	6.9	9.9
Xiamen Interna-A	600897 CH	752	11.5	10.6	1.3	1.2	6.9	12.2	5.4	8.9
Namyong Terminal	NYT TB	122	8.1	8.2	1.3	1.3	15.6	15.9	8.0	8.7
Gemadept Corp	GMD VN	1,022	16.9	15.2	2.6	2.2	16.3	14.7	11.0	9.9
Average			20.3	15.9	2.4	2.4	12.0	15.2	7.1	9.4
Median			17.4	12.9	1.8	1.7	13.7	15.3	7.5	9.4
Maritime transportation companies										
Ap Moller-Maersk A/S-B	MAERSKB	26,191	22.9	na	0.5	0.5	2.8	-1.1	2.1	-2.8
Cosco Shipping Holdings Co-A	601919 CH	31,953	6.3	14.1	0.9	0.9	15.1	7.8	6.5	3.9
Evergreen Marine Corp Ltd	2603 TT	13,060	6.8	15.7	0.9	0.9	13.1	7.1	7.1	4.6
Hmm Co Ltd	011200 KS	9,333	6.4	14.3	0.6	0.7	9.2	4.0	8.4	4.0
Hai An Transportation and Stevedoring JS HAH VN		208	14.4	11.8	2.0	1.7	13.2	14.7	6.5	7.2
Average			11.4	14.0	1.0	0.9	10.7	6.5	6.1	3.4
Median			6.8	14.2	0.9	0.9	13.1	7.1	6.5	4.0

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## MBS INVESTMENT RECOMMENDATION

### Stock rating

Our investment recommendations are based on the expected profitability of the stock, calculated as the sum of (i) the percentage difference between target price and market price at the time of publication, and (ii) expected dividend yield. Unless otherwise stated in the report, investment recommendations have an investment horizon of 12 months.

- ADD            The stock can generate a profitability of 15% or more
- HOLD          The stock can generate a profitability of between -15% and 15%
- REDUCE      The stock can generate a loss of 15% or more

### Sector rating

- POSITIVE     Industry stocks have Add recommendations on a weighted market capitalization basis
- NEUTRAL     Industry stocks have Hold recommendations on a weighted market capitalization basis
- NEGATIVE    Industry stocks have Reduce recommendations on a weighted market capitalization basis

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*Nghiêm Phú Cường*  
*Ngô Quốc Hưng*  
*Lê Minh Anh*  
*Đinh Hà Anh*

### Banking – Financial Services

*Đinh Công Luyến*  
*Nguyễn Đức Hào*

### Real Estate

*Nguyễn Minh Đức*  
*Nguyễn Minh Trí*  
*Lê Hải Thành*

### Energy - Industrials

*Nguyễn Hà Đức Tùng*  
*Phạm Thị Thanh Huyền*

### Consumer - Retail

*Nguyễn Quỳnh Ly*

# THANK YOU!

The MBS Research logo, featuring a red stylized star icon followed by the text "MBS Research" in white.

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