MBS

MBS Head Office
MB Building, 21 Cat Linh, Dong Da, Hanoi, Vietnam
Tel: +84 24 7304 5688Fax: +84 24 3726 2601
Web: www.mbs.com.vn

Vietnam Dynamics 2025

Confidently stride into the era of expansion

Confidently stride into the era of expansion

Dear valued clients,

As the adage goes: with a new year comes new beginnings. 2025 really feels like the start of a new chapter for Vietnam. This is a feeling compounded by a number of factors including: policy reform aiming to streamline governance and enhance efficiency under new leadership, a new world order and Vietnam is poised to enhance its strategic position global value chain.

Following a stunning performance in 2024, We believe the Vietnam's economy will be the standout among the ASEAN-6, growing at a faster pace 7% - 7.5% over the next three years. **We define confluence of 6 trends will shape the economic prospect in 2025.**

- We see manufacturing is poised to accelerate amid buoyant global trade and resurging domestic investment. Moreover, this time is different, Vietnam is well-positioned to move up the value chain, shifting into higher value-added manufacturing and services.
- State investment will accelerate throughout 2025, focusing on major infrastructure projects like expressways, high-speed rail, and airport, aiming to achieve high GDP growth and solidify its position as an attractive destination for FDI.
- Modest inflation allow the government maintain accommodative fiscal policies which will anticipate surging domestic demand.
- On the flipside, we see Trump 2.0 and the uncertain China recovery might create both opportunities and challenges to Vietnam
- Despite the global easing cycle begins, Vietnam's monetary policy space will be more limited due to a strong USD. Thus, State Bank need to balance between short-term currency risks and long-term growth stimulus.

Downside risks to the economy include: (1) accelerating geopolitical tensions. (2) magnitude and speed of expected policy shifts under the second Trump presidency.

On the investment front, we believe FY25-26F earnings growth still bode well for the equity market expansion. Aggregate market earnings is expected grow healthy 18% yoy over FY25-26F yoy bolstered by banking (+24% yoy), construction materials (+33% yoy); residential property (+14% yoy), construction (+31%), and industrial property (+17%).

This earning broadening, coupled with resilient economic fundamentals, policy tailwinds and favorable interest rate, should support a more inclusive rally in the year ahead. Besides, the potential of EM upgrade within 2025 – 2026 is added cherry on the top. All in all, **we expect the VN-Index to reach 1,400 – 1,420 toward year-end,** following a 18% FY24F earnings growth and P/E target of 12.5 - 13x.

We identify 8 winning themes for 2025 including: (1) The new cycle of residential property, (2) Seizing opportunities from robust state investment , (3) The story of banking sector, (4) China's aggressive stimulus package & its potential impact, (5) Elevating power consumption, (6) Trump 2.0 & beneficiaries, (7) The emergency of new industries; (8) The tail of Vietnam 's market status upgrade.

Downside risks to the market include: slower the pace of FED rate cut, currency pressure, slower-than-expected recovery of residential market. Upside catalyst includes the earlier-than-expected MSCI Emerging Market upgrade of Vietnam.

In this publication, we also highlight the exciting investment potential in new industries, ie: semiconductor, 5G and data center.

Do enjoy the read, and I wish you a profitable year of investing!

Tran Thi Khanh Hien

Head of Research

& MBS Research team

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VIETNAM MACRO | 2024 Recap

Dynamic Vietnam amid resilient global growth

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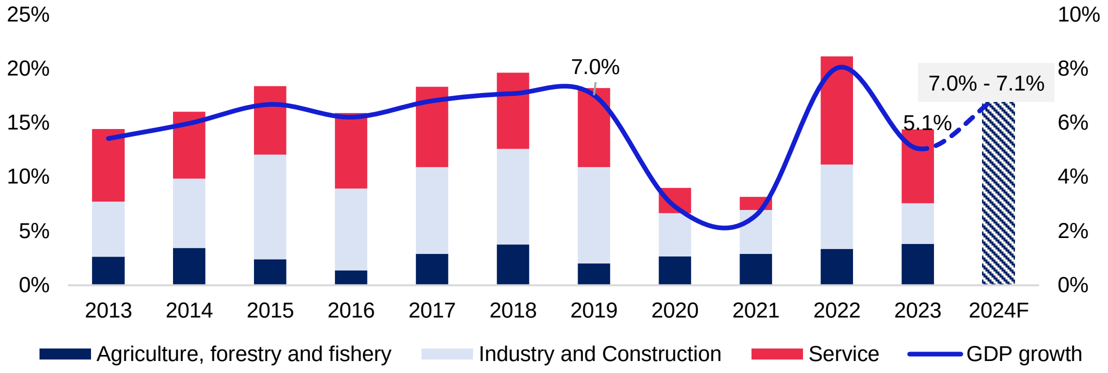
Vietnam’s GDP is expected to reach 7.0% - 7.1% in 2024, driven by a resilient manufacturing sector

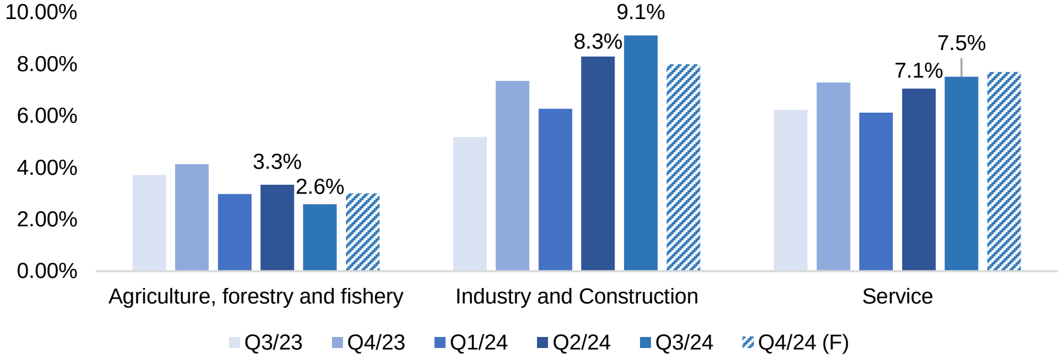
- Vietnam's economy has consistently maintained robust growth across quarters (Q1: +5.87%; Q2: +6.93%; Q3: +7.4%). Cumulatively, GDP grew by 6.82% in the first nine months of 2024. Consequently, Vietnam is expected to become the fastest-growing economy in ASEAN this year.
- For 9M24, the economy grew by 6.82%. By sector, industry & construction grew remarkably 8.2%, making a significant contribution of 46.2% to GDP. The robust growth of industry & construction in 9M24 was mainly driven by manufacturing (+8.3% yoy), electricity production (+11.1% yoy) and construction (+7.5% yoy). On the other hand, mining experienced a decline of 7% yoy.
- The service sector had a positive performance in 3Q24, with a growth rate of 7.5% (higher than the 7.1% in Q2/24). For 9M24, growth reached 6.95%, exceeding the 6.3% recorded in the same period last year, contributing 48.4% to GDP. However, this growth rate remains below the pre-Covid-19 average of approximately 7%.
- On the other hand, due to the impact of natural disasters, the agriculture, forestry, and fisheries sector grew by only 2.6% in 3Q24. For 9M24, the sector recorded a growth of 3.2%, contributing 5.4% to GDP.
- The Ministry of Planning and Investment has set a growth target of 7.6% - 8% for the fourth quarter, aiming to achieve or even exceed the Government's annual growth target of 7%. In line with this perspective, we forecast full-year GDP growth for 2024 to reach 7.0% - 7.1%, (already factoring a minor slowdown in industrial production in Q4), while the service sector is expected to recover and become the key driver in the last quarter.

GDP growth by sectors (%yoy)



- *Source: GSO, MBS Research*

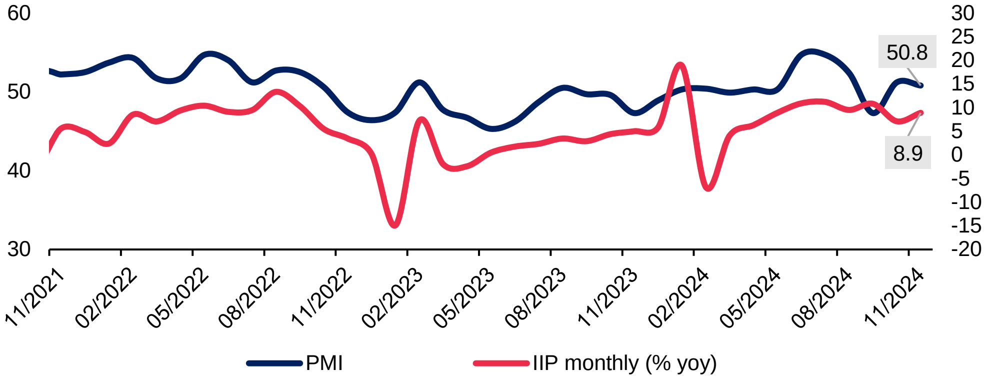
Quarterly GDP growth by sector (%yoy)



- *Source: GSO, MBS Research*

Manufacturing has been at the epicenter of the country‘s strong growth

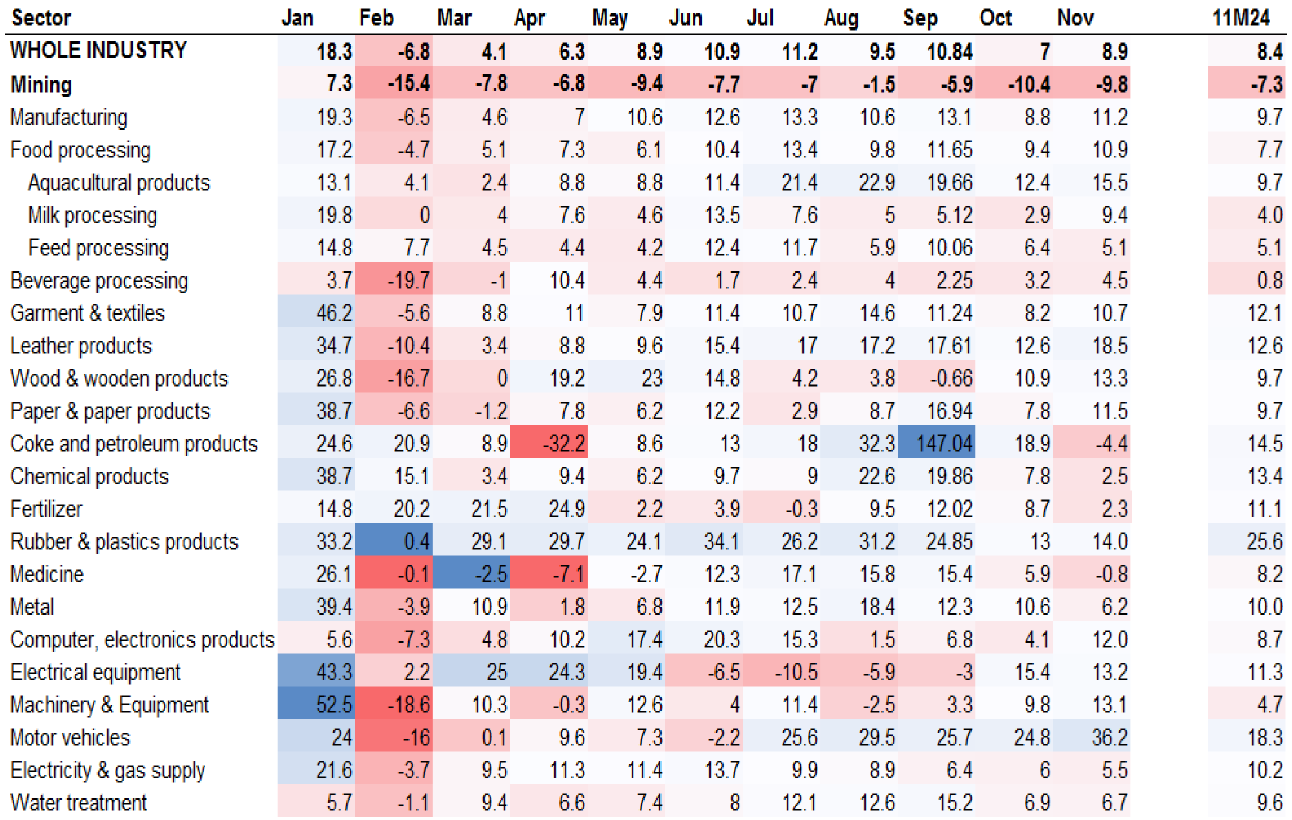
Vietnam’s manufacturing PMI and IIP (% yoy)



- *Source: GSO, MBS Research*

- The manufacturing sector has maintained a steady growth pace throughout the year, even reaching a two-year high of 54.7 in June and July. However, manufacturing activities began to slow down, significantly impacted by Typhoon Yagi. In November, the PMI stood at 50.8, indicating a modest recovery in the sector.
- Vietnam industrial production (IIP) expanded 8.4% in 11M24, much stronger than that of 1% seen last year. Manufacturing soared 9.7% yoy, driven by rubber & plastics products (+25.6% yoy); furniture (+24.7%); motor vehicles; (+18.3% yoy), textiles (+12.1% yoy), electrical equipment (+11.3% yoy). On the other hand, mining slid 7.3% yoy following lower selling prices (oil & coal).

Monthly change of Index of Industrial Production (IIP) by category (% yoy)

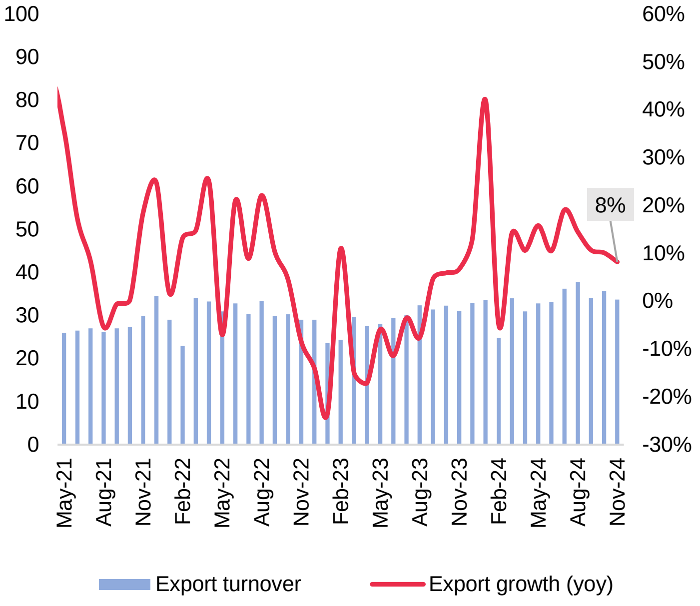


Sector	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	11M24
WHOLE INDUSTRY	**18.3**	**-6.8**	**4.1**	**6.3**	**8.9**	**10.9**	**11.2**	**9.5**	**10.84**	**7**	**8.9**	**8.4**
Mining	**7.3**	**-15.4**	**-7.8**	**-6.8**	**-9.4**	**-7.7**	**-7**	**-1.5**	**-5.9**	**-10.4**	**-9.8**	**-7.3**
Manufacturing	19.3	-6.5	4.6	7	10.6	12.6	13.3	10.6	13.1	8.8	11.2	9.7
Food processing	17.2	-4.7	5.1	7.3	6.1	10.4	13.4	9.8	11.65	9.4	10.9	7.7
Aquacultural products	13.1	4.1	2.4	8.8	8.8	11.4	21.4	22.9	19.66	12.4	15.5	9.7
Milk processing	19.8	0	4	7.6	4.6	13.5	7.6	5	5.12	2.9	9.4	4.0
Feed processing	14.8	7.7	4.5	4.4	4.2	12.4	11.7	5.9	10.06	6.4	5.1	5.1
Beverage processing	3.7	-19.7	-1	10.4	4.4	1.7	2.4	4	2.25	3.2	4.5	0.8
Garment & textiles	46.2	-5.6	8.8	11	7.9	11.4	10.7	14.6	11.24	8.2	10.7	12.1
Leather products	34.7	-10.4	3.4	8.8	9.6	15.4	17	17.2	17.61	12.6	18.5	12.6
Wood & wooden products	26.8	-16.7	0	19.2	23	14.8	4.2	3.8	-0.66	10.9	13.3	9.7
Paper & paper products	38.7	-6.6	-1.2	7.8	6.2	12.2	2.9	8.7	16.94	7.8	11.5	9.7
Coke and petroleum products	24.6	20.9	8.9	-32.2	8.6	13	18	32.3	147.04	18.9	-4.4	14.5
Chemical products	38.7	15.1	3.4	9.4	6.2	9.7	9	22.6	19.86	7.8	2.5	13.4
Fertilizer	14.8	20.2	21.5	24.9	2.2	3.9	-0.3	9.5	12.02	8.7	2.3	11.1
Rubber & plastics products	33.2	0.4	29.1	29.7	24.1	34.1	26.2	31.2	24.85	13	14.0	25.6
Medicine	26.1	-0.1	-2.5	-7.1	-2.7	12.3	17.1	15.8	15.4	5.9	-0.8	8.2
Metal	39.4	-3.9	10.9	1.8	6.8	11.9	12.5	18.4	12.3	10.6	6.2	10.0
Computer, electronics products	5.6	-7.3	4.8	10.2	17.4	20.3	15.3	1.5	6.8	4.1	12.0	8.7
Electrical equipment	43.3	2.2	25	24.3	19.4	-6.5	-10.5	-5.9	-3	15.4	13.2	11.3
Machinery & Equipment	52.5	-18.6	10.3	-0.3	12.6	4	11.4	-2.5	3.3	9.8	13.1	4.7
Motor vehicles	24	-16	0.1	9.6	7.3	-2.2	25.6	29.5	25.7	24.8	36.2	18.3
Electricity & gas supply	21.6	-3.7	9.5	11.3	11.4	13.7	9.9	8.9	6.4	6	5.5	10.2
Water treatment	5.7	-1.1	9.4	6.6	7.4	8	12.1	12.6	15.2	6.9	6.7	9.6

- *Source: GSO, MBS Research*

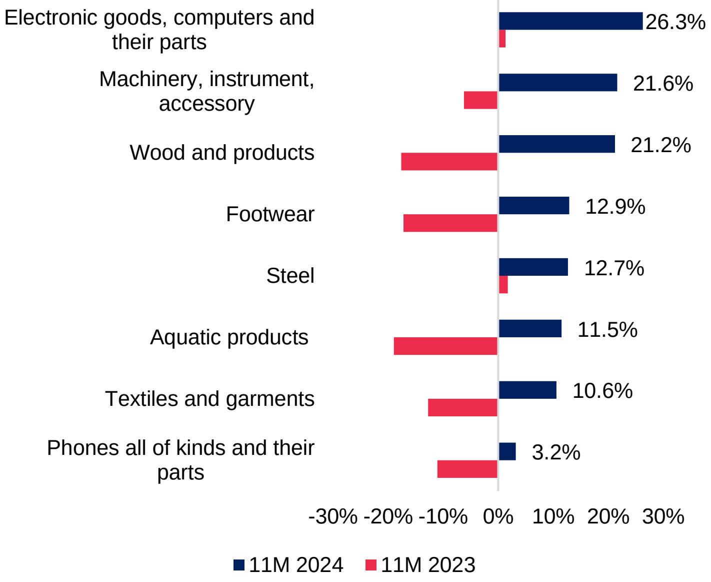
Export: 11M24 exports grew by 14.4% yoy mainly driven by the US and EU, whilst China is still retrieving slowly due to weak demand

Exports turnover by monthly(USD bn)



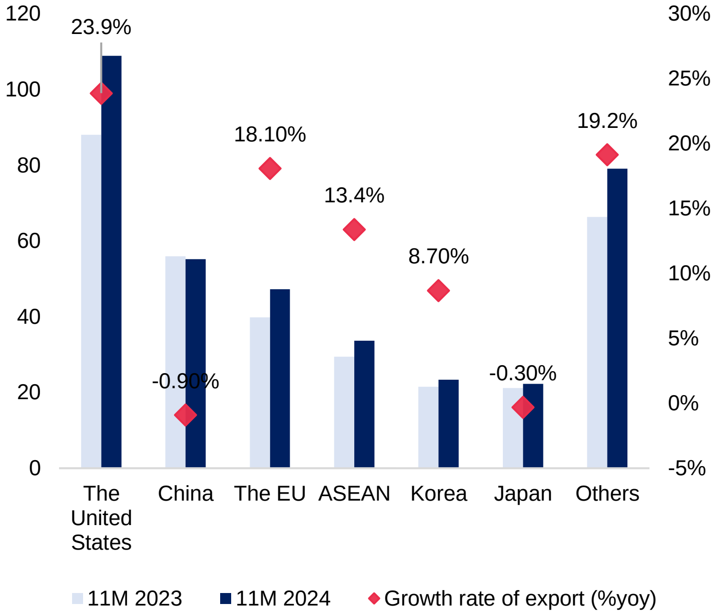
- *Source: GSO, MBS Research*

Growth of key exports products (% yoy)



- *Source: GSO, MBS Research*

Growth and value by export market in 11M2024 (USD bn)

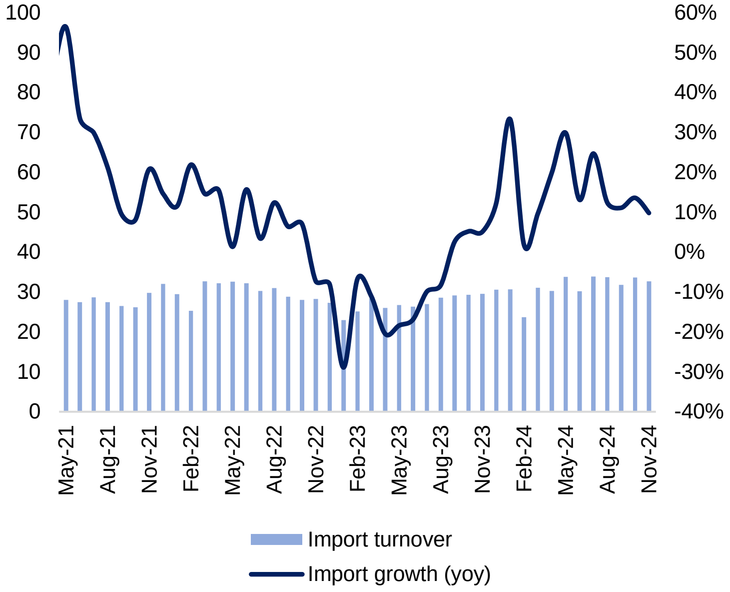


- *Source: GSO, MBS Research*

- For 11M24, Vietnam's export turnover has accumulated to USD369.9bn (+14.4% yoy), a leap-frog from the decrease of 6% yoy seen in same period last year. Key export products grow robustly, including electronic goods (+26.3%), machinery (+21.6%), wood & wooden products (+21.2%), textiles (+10.6%) and phones (+3.2%). Notably, steel export grew 12.7% yoy to USD 8.5bn. Exports of domestic enterprises grew by 20% yoy, accounting for 28%, meanwhile, exports of FDI expanded by 12.4%, accounting for 72%.
- In terms of export markets: The U.S grew strongly at 24% yoy with an export turnover of USD108.9bn. Exports to the E.U also experienced strong growth of 18.1% yoy while exports to China fell by 0.9% yoy. Exports to ASEAN also accelerated to USD 33.7 billion, reflecting a 13.4% yoy growth.

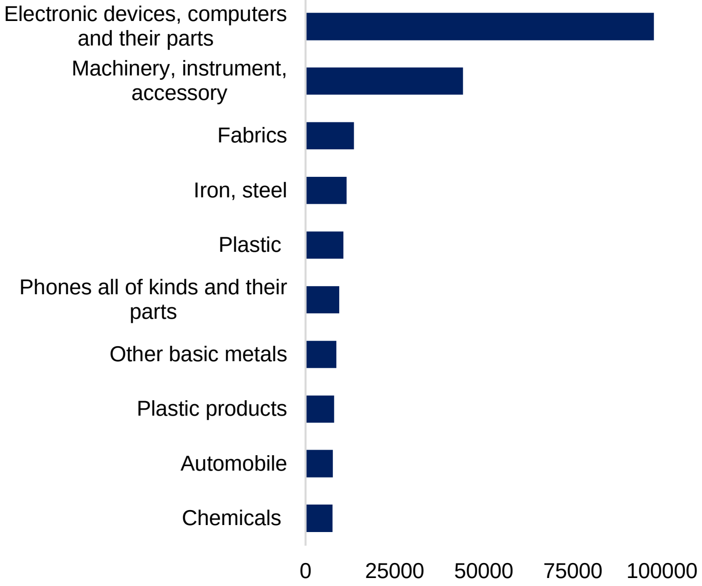
Import: 11M24 imports grew by 16.4% yoy as businesses ramped up imports of raw materials to expand production, driven by the gradual recovery in demand from major export partners

Imports surged since Mar for a new manufacturing expansion cycle



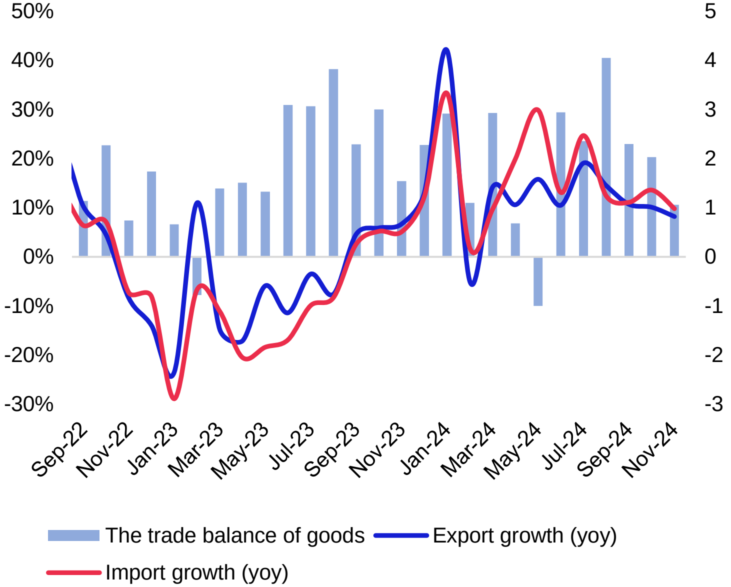
- *Source: GSO, MBS Research*

Top import products in term of value in 11M24



- *Source: GSO, MBS Research*

Vietnam enjoyed a trade surplus of USD24.3bn in 11M24



- *Source: GSO, MBS Research*

- For 11M24, imports rose 16.4% yoy, which is a positive signal for a new manufacturing expansion cycle. Consequently, Vietnam enjoyed a trade surplus of USD24.3bn in 11M24, slightly lower than that of USD25.8bn in 11M23. Top import products are: electronic devices (USD97.7bn, +22.4% yoy), machinery (USD44.2bn, +17.3% yoy), fabrics (USD13.6bn, +14.3% yoy), iron & steel (USD11.5bn, +20.3% yoy), and plastics (USD10.6bn, +18.4% yoy). China continued to be Vietnam's largest import market (accounting for 37.7% of total import turnover), followed by South Korea (14.8%), Japan (5.7%) and US (3.9%).
- We forecast that exports will increase by 15% in 2024, resulting in an estimated trade surplus of USD31bn. Key risk toward year-end is to watch a re-escalation in trade disputes and increase in logistics cost.

Investment: State and private investment gaining momentum toward the year end

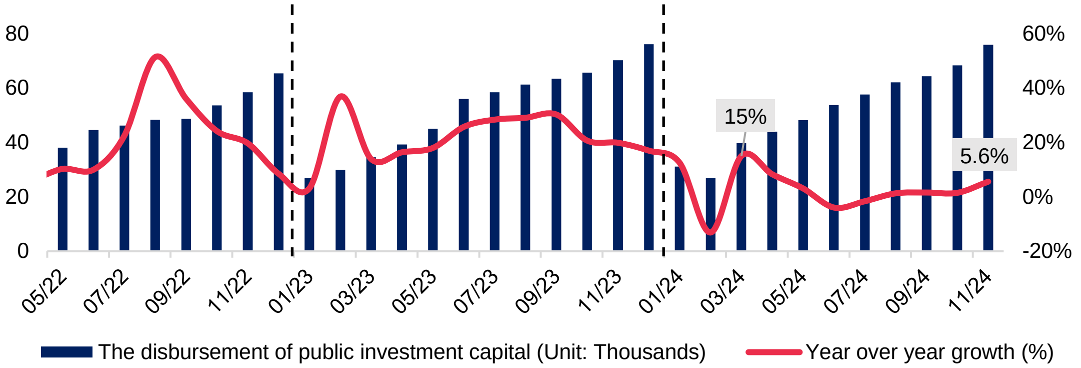
State investment:

- 2024 is a crucial year for laying the foundation to achieve the goals of the 2021-2025 five-year plan. Therefore, at the beginning of the year, the government closely directed localities to accelerate disbursement, especially for key national projects such as the 500kV Line 3, Long Thanh Airport, and the North-South Expressway.
- Although there was some delay in the first months due to cumbersome procedures, time-consuming processes, challenges in land clearance and compensation, and rising material costs, public investment disbursement gained momentum in the final months of the year. In November alone, nearly VND 76tn was disbursed. As a result, the total disbursed capital from the beginning of the year to the end of November reached approximately VND 572tn, up 2.4%, completing 73.5% of the Government's target. However, achieving the goal of disbursing 95% of the total capital remains a challenge with limited time remaining in the year.

Private investment

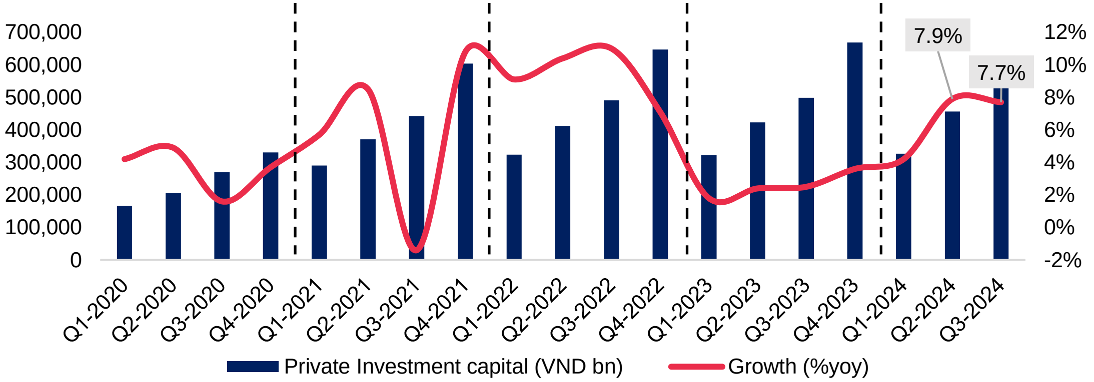
- Private investment declined in 1Q23 but began to recover in 2Q24, with a 7.7% yoy growth in 3Q24. Growth for the first nine months of 2024 reached 7.1% yoy, the highest in the past two years, indicating that domestic businesses' confidence is strengthening, supported by low lending rates and rising global demand.

State investment grew by 2.4% yoy in 11M24, fulfilling about 73.5% of Government's target



- *Source: GSO, MBS Research*

Private investment show sign of recovery with 7.7% yoy in 3Q24 and 7.1% yoy for 9M24

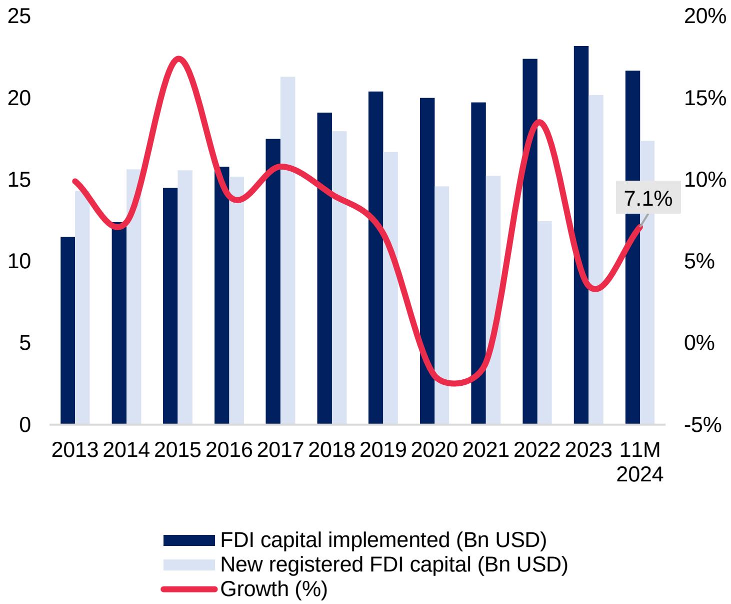


- *Source: GSO, MBS Research*

Investment: Strong FDI inflows reinforce Vietnam's position as a key player in the global supply chain

- As of Nov, accumulated implemented FDI was USD21.68bn (+7.1% yoy), marking the highest growth of period within recent 5 years.
- New registered FDI was USD17.4bn (+0.7% 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, Quang Ninh is the leader in FDI attraction, following by Bac Ninh (+79% yoy) and Ba Ria – Vung Tau (+98.3% yoy). Top new registered FDI in 11M24 are from Singapore, Korea and China.
- Foreign investors have invested in 18 out of 21 sectors of the national economy. Among them, the manufacturing and processing industry leads with a total investment of nearly 20.2 billion USD, accounting for nearly 64.4% of the total registered investment, a decrease of 8.7% compared to the same period last year.

Implemented FDI flourished in 11M24 with an increase of 7.1% yoy



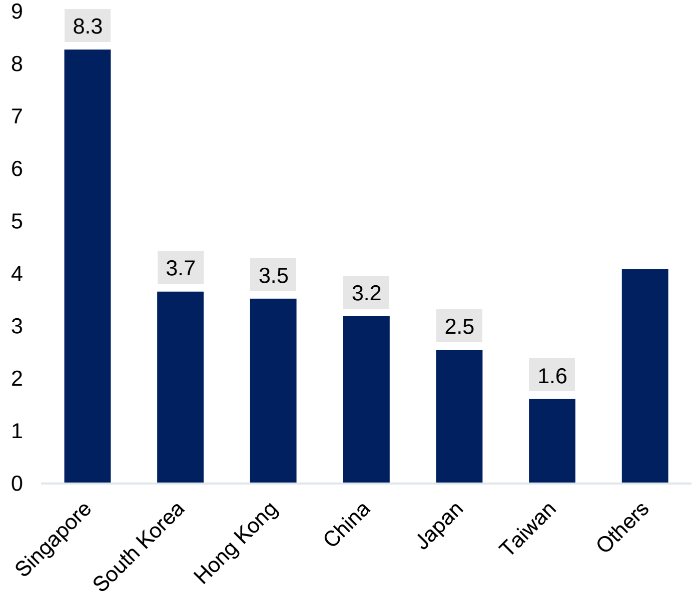
- *Source: GSO, MBS Research*

Top largest newly registered FDI project

Project name	Country	Field of operation	Value (USD mn)	Location	Province
Bio-BDO manufacturing plant	South Korea	Biodegradable fiber products	730	Phu My II Industrial Park	Ba Ria - Vung Tau
Smart entertainment products facility - Foxconn	Singapore	Electronic components and devices	263.7	Song Khoai Amata Industrial Park	Quang Ninh
Smart-system equipment plant - Foxconn	Singapore	Electronic components and devices	278.2	Bac Tien Phong Industrial Park	Quang Ninh
Trina Solar Cell	China	Solar panels, monocrystalline silicon products	454	Yen Binh Industrial Park	Thai Nguyen
Everwin Technology Factory	Hong Kong	Electronic components, wires, cables, and plastic parts for cars	200	VSIP Nghe An Industrial Park	Nghe An
Gokin Solar - production of monocrystalline silicon products	Hong Kong	Monocrystalline silicon products	275	Texhong Hai Ha Industrial Park	Quang Ninh
Electronic Tripod factory	Taiwan	Electronic equipment	250	Chau Duc Industrial Park	Ba Ria - Vung Tau
Pandora Production Vietnam factory	Denmark	Jewelry	150	VSIP 3 Industrial Park	Binh Duong
Sunny Automotive Optech Vina	Hong Kong	Electronic components	150	WHA Industrial Zone 1	Nghe An
Radiant Opto-Electronics Vietnam Nghe An plant	Taiwan	Electronic components	120	VSIP Nghe An Industrial Park	Nghe An

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

FDI by country (USD bn)

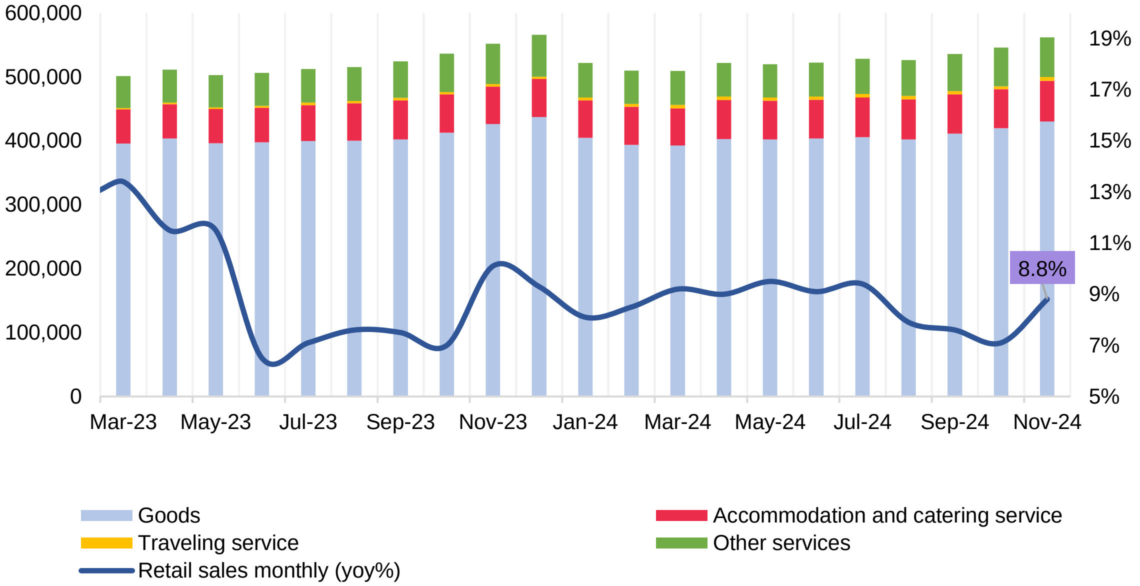


- *Source: GSO, MBS Research*

Domestic consumption has been treading water since the start of 2024

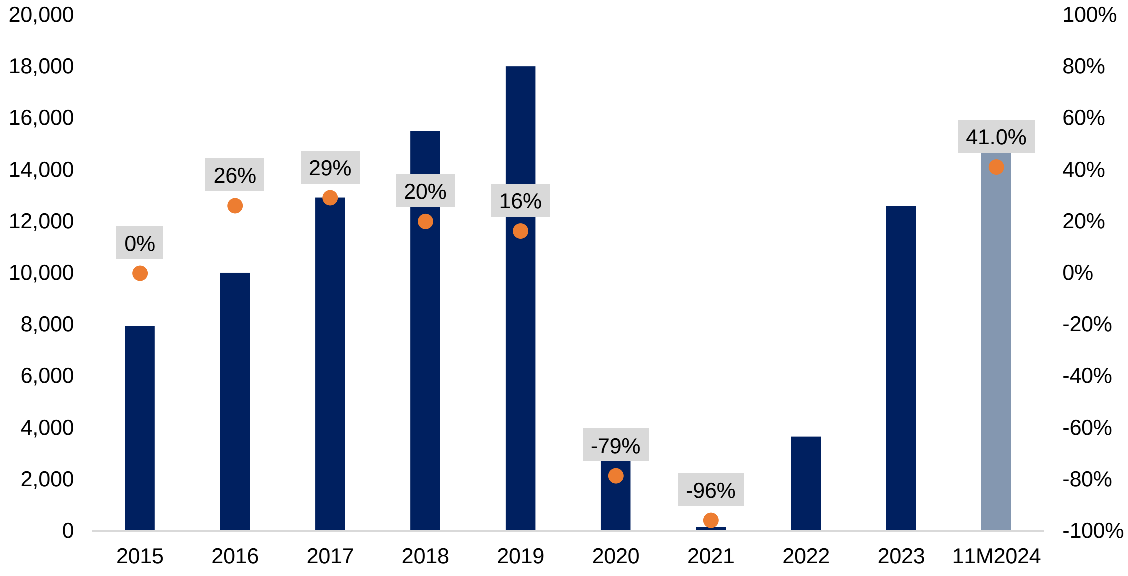
- For 11M24, the total retail sales increased 8.8% and only 5.8% yoy (excluding the price factor), much lower than the 5-year average growth of 8% (excluding 2021 – social distancing period). Among that, tourism remains a bright spot, with the number of international visitors to Vietnam exceeding 15.8 million, up 41% yoy and 2.8% lower than the same period in 2019 - the pre-Covid-19 year.
- During the year, the Government has implemented several tax and cost-cutting policies to stimulate consumption such as: reducing VAT to 8% for certain goods; reducing registration fees by 50% for domestically manufactured and assembled cars for 3 months; and increasing the base salary by 30%. However, the domestic consumption has not shown any significant improvement throughout the year as consumers have been more conservative in their spending amid global economic uncertainties and inflation related volatility.

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)

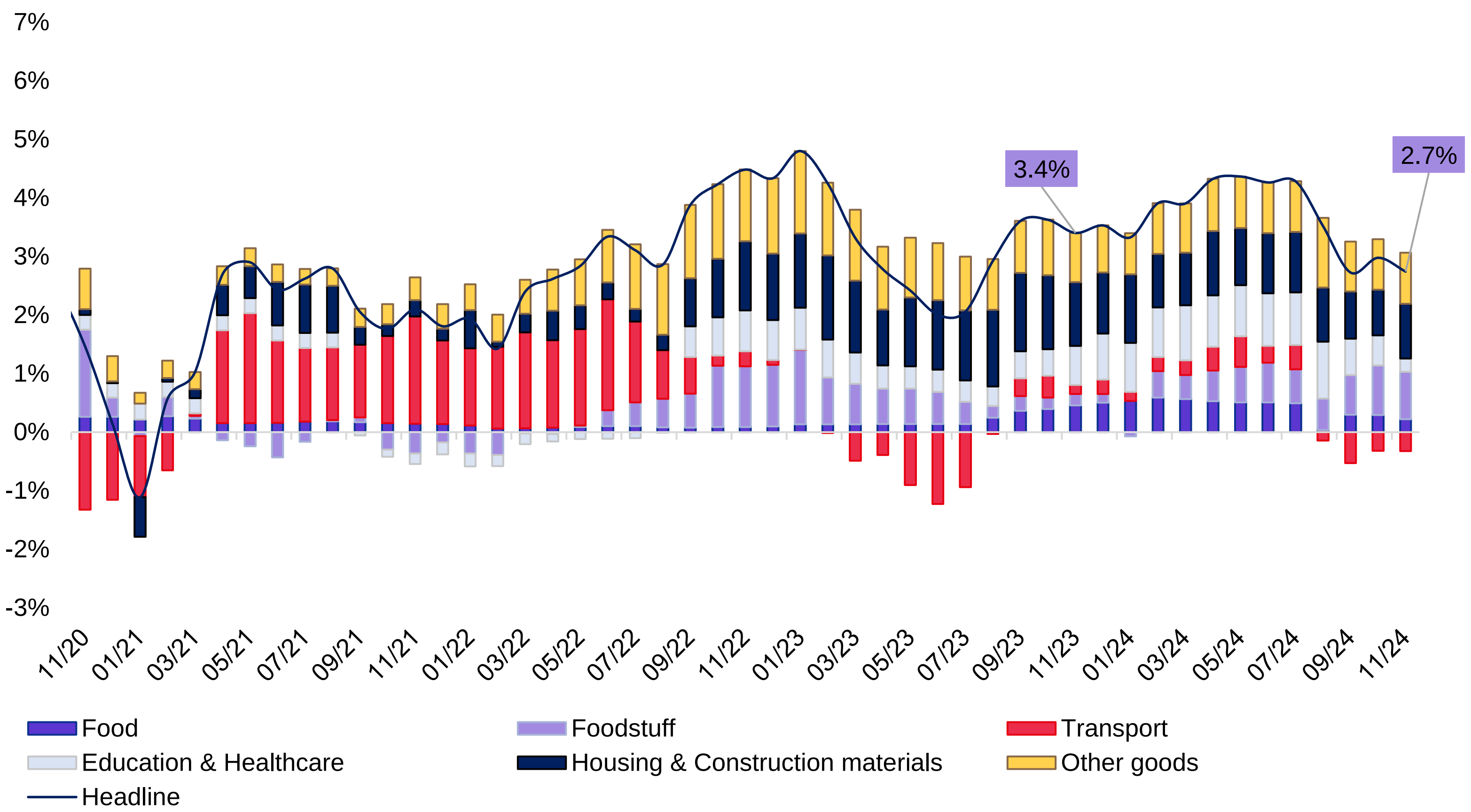


- *Source: GSO, MBS Research*

Inflationary pressure leveled off towards the year end

- CPI started the year at 3.4%, then gradually climbed up to one-year-high of 4.4% in May, then cooled down to 2.77% In Nov. For 11M24, CPI surged by 3.7% yoy, while core inflation increased by 2.7% yoy.
- The 11-month average CPI was significantly driven by the rise in the price index for the housing and construction materials group (+5.2% yoy), largely due to increasing costs of input materials, rental expenses, and household electricity prices (+7.7% yoy) following EVN's adjustment of the average retail electricity price last year. Moreover, the food and catering services also rose by 4.05% yoy due to a sharp 13% yoy increase in the food basket. Besides, tuition fees increased in some cities, leading to an 5.98% yoy rise in the education group index.
- For 2024, we expect CPI likely to reach 3.9% which is higher than that of 3.3% seen in 2023. We believe, favorable CPI will allow Government more room for another electricity tariff hike in 1Q25.

Monthly CPI by category (% yoy)



- *Source: GSO, MBS Research*

VIETNAM MACRO | 2025 Outlook

We anticipate 6 key economic themes

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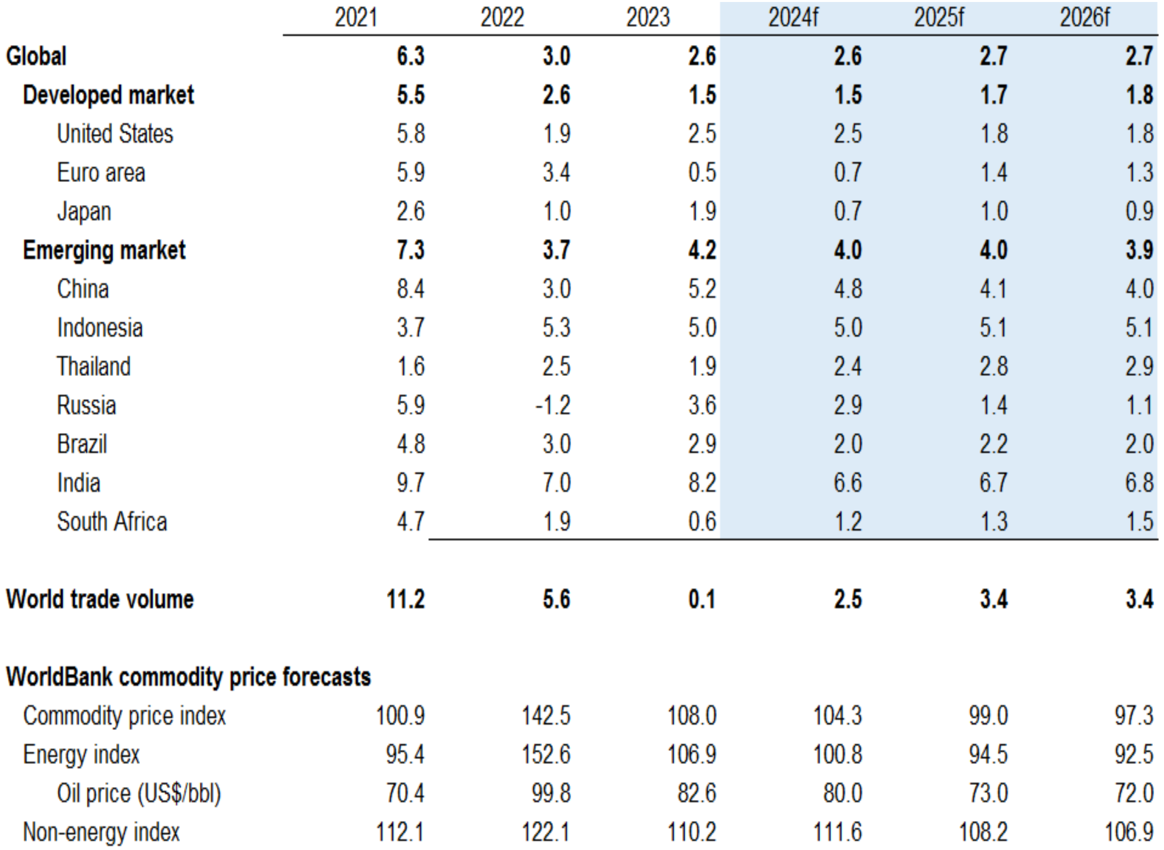
Growth is resilient with steady disinflation, yet uncertainties surrounding the outlook still persist

- Global growth is projected to remain stable yet underwhelming at 2.6% this year, amid flaring geopolitical tensions, elevated policy uncertainty, and an uneven recovery among nations. It is then expected to edge up to 2.7% in 2025-26, mainly driven by modest growth in trade and investments.
- Global inflation is expected to moderate at 3.5% in 2024. Inflation has mostly been brought under control globally, with inflation returning close to central bank targets in key economies like the United States, the United Kingdom, and the Eurozone.
- With inflationary pressures easing, global monetary policy settings have become more accommodative, shifting focus to boosting economic growth since the second half of 2024. Various central banks in major economies have initiated rate-cutting cycles: the ECB and the Fed have both reduced their interest rates by a total of 75 bps, while the UK has also lowered its interest rate by 50 bps.
- Commodity prices are expected to decrease by 3% in 2024, followed by a further 5% decline in 2025. Oil prices are projected to soften due to slowing global oil demand, particularly in China. However, risks remain, as coordinated stimulus in China and above-trend growth in the US could drive commodity prices higher.
- 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.

GDP growth (%) of major economies



	2021	2022	2023	2024f	2025f	2026f
Global	**6.3**	**3.0**	**2.6**	**2.6**	**2.7**	**2.7**
Developed market	**5.5**	**2.6**	**1.5**	**1.5**	**1.7**	**1.8**
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
Emerging market	**7.3**	**3.7**	**4.2**	**4.0**	**4.0**	**3.9**
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	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
World trade volume	**11.2**	**5.6**	**0.1**	**2.5**	**3.4**	**3.4**
WorldBank commodity price forecasts						
Commodity price index	100.9	142.5	108.0	104.3	99.0	97.3
Energy index	95.4	152.6	106.9	100.8	94.5	92.5
Oil price (US$/bbl)	70.4	99.8	82.6	80.0	73.0	72.0
Non-energy index	112.1	122.1	110.2	111.6	108.2	106.9

- *Source: World Bank, MBS Research*

A series of rate cuts are coming

- There are no markers left to justify withholding some monetary easing in the near term, especially with falling oil prices now likely easing the inflation print further.
- Growing signs of growth moderation and a softening jobs market have prompted the Fed to shift to a lower gear and pivot to monetary easing. FED is expected to cut interest rates 3 - 4 times in 2024, bringing rates down to 3.0% by the end of 2025.
- China has aggressively cut its policy rates by 3 times in 2024 to support growth and expected to bring the rate down to 3.1% by year-end.
- ASEAN central banks who have adopted the easing monetary policies since late 2023, will have more room for further cuts. However, due to the currency upward pressure, Malaysia, Thailand and Vietnam are likely maintain the rates to stay flat into 2025.

Major economies policy interest rates forecasts (%)

Countries	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25
US	5.5	5.5	5.0 ↓	4.5 ↓	4 ↓	3.5 ↓	3.0 ↓	3.0 →
Eurozone	4.0	3.75 ↓	3.5 ↓	3.0 ↓	3.0 ↓	3.0 →	3.0 →	3.0 →
Japan	0.1 ↑	0.1	0.25 ↑	0.25 →	0.5 ↑	0.5 →	0.75 ↑	0.75 →
China (*)	3.45	3.45 →	3.35 ↓	3.1 ↓	3.15 ↓	3.05 ↓	3.05 →	3.05 →
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 ↓	6.0 ↓	5.75 ↓	5.75 →	5.75 →
Malaysia	3.0	3.0	3.0 →	3.0 →	3.0 →	3.0 →	3.0 →	3.0 →
Singapore (**)	3.62	3.7 ↑	3.25 ↓	3.08 ↓	2.78 ↓	2.48 ↓	2.28 ↓	2.28 →
Thailand	2.5	2.5	2.5 →	2.25 ↓	2.5 →	2.5 →	2.5 →	2.5 →
Indonesia	6.0	6.25 ↑	6.0 ↓	6.0 →	5.5 ↓	5.0 ↓	5.0 →	5.0 →
Vietnam	4.5	4.5	4.5 →	4.5 →	4.5 →	4.5 →	4.5 →	4.5 →
Philippines	6.5	6.5	6.25 ↓	6.0 ↓	5.75 ↓	5.25 ↓	5.0 ↓	5.0 →

- *Note: (*) China 1-year loan prime rates. (**) Singapore 3-month SOR. (***) Vietnam prime rate.*
- *Source: DSB, Bloomberg, MBS Research.*

We anticipate 6 key economic themes for 2025

6 key economic themes for 2025

Manufacturing

Manufacturing set to accelerate amid buoyant global trade and resurging domestic investment

State investments

State investment to accelerate into 2025

Manageable inflation

Inflation to inch up modestly, allowing SBV to maintain an accommodative monetary policy

Trump 2.0

Policy narratives under Trump 2nd term & potential impacts on Vietnam macro

China economic ‘s uncertain recovery

China‘s growth stimulus & its possible impact to Vietnam.

Vietnam’s monetary policies

Monetary policy balance between short-term currency risks and long-term stimulus

1. Manufacturing set to accelerate amid buoyant global trade and resurging domestic investment

Buoyant global trade will give a support for export

- We forecast that Vietnam exports will increase by 9% - 10% in 2025, resulting in a trade surplus of USD27bn, based on the following factors: (1) World Bank has forecasted global trade in goods and services is projected to expand by 3.4% in 2025, higher than that of 2.5% in 2024. (2) Vietnam can leverage its participation in regional initiatives like the CPTPP and RCEP to help it deepen domestic reform efforts.
- But there's also downside risks from soft electronics demand in the near-term, the possibility of higher US import tariffs, and interest rates could be dragged higher from a stronger USD.
- Risks to Vietnam's trade: tensions and ongoing geopolitical challenges, potential US policy shifts, including broader tariffs that could disrupt global value chains and impact key trading partners

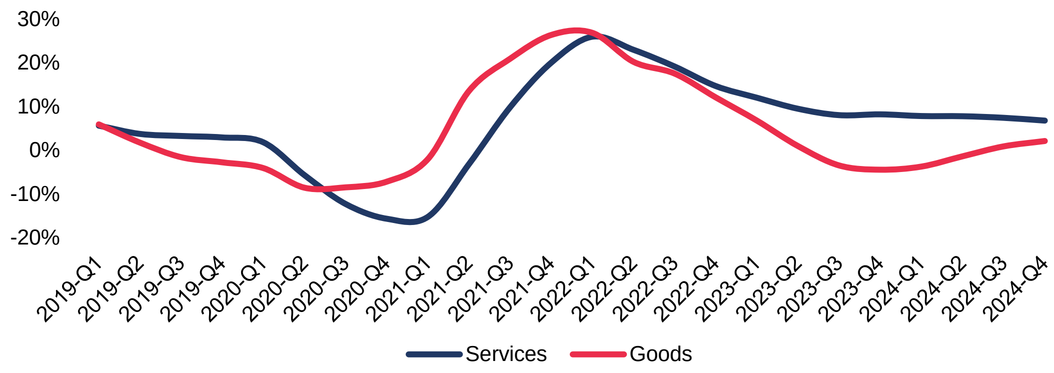
Vietnam is well-positioned to move up the value chain, shifting into higher value-added manufacturing and services.

- Manufacturing now accounts for around 63% of FDI, emphasizing Vietnam's growing appeal, far exceeding its traditional fame as a low-cost production hub. In 11M24, total new registered FDI reached $24.8 billion, with high-value sectors such as electronics, automotive components, semiconductors, and green technologies leading the charge.
- On Aug 2024, the PM signed a decision to establish a national steering committee on semiconductor industry development, paving the way for the country's future in this industry.

Domestic investment resurge

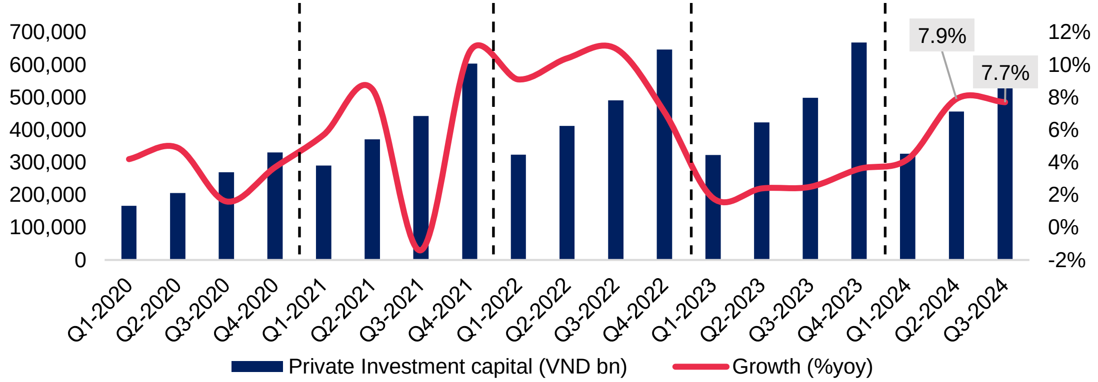
- Private investment declined in 1Q23 but began to recover in 2Q24, with a 7.7% yoy growth in 3Q24. Growth for the first nine months of 2024 reached 7.1% yoy, the highest in the past two years, indicating that domestic businesses' confidence is strengthening, supported by low lending rates and rising global demand.

Global trade in goods and services showed steady growth in 2024



- *Source: Bloomberg, MBS Research, UNCTAD*

Private investment show sign of recovery with 7.7% yoy in 3Q24 and 7.1% yoy for 9M24

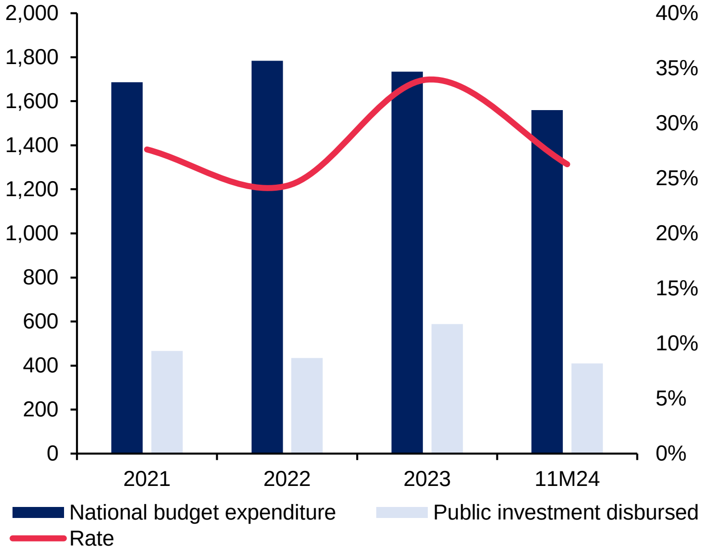


- *Source: GSO, MBS Research*

2. State investment to accelerate into 2025

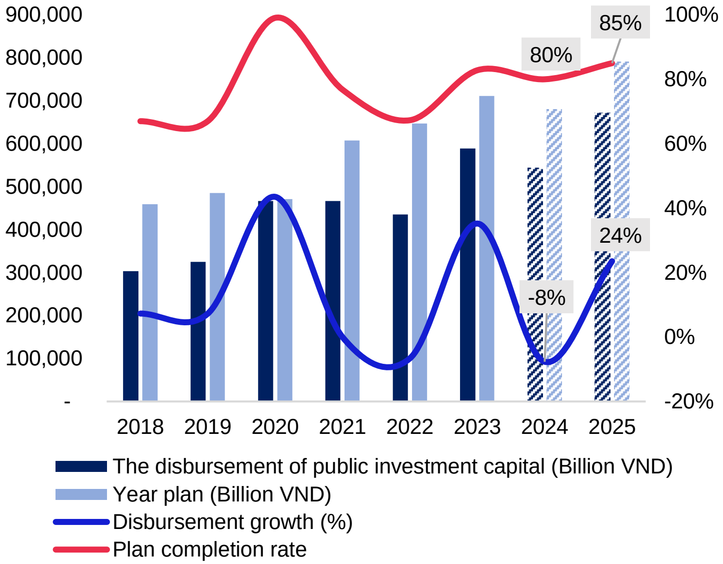
- The disbursement of public investment in 2025 is anticipated to reach approximately 85% to 90% of the plan set by the Prime Minister, representing a growth rate of 24% to 31% compared to 2024.
- As 2025 marks the final year of the 2021-2025 medium-term investment plan, the Government has outlined an ambitious investment target of VND790.7tn (USD30.8bn), representing a substantial increase from the previous year's allocation. We believe this plan, while achievable, is contingent on addressing key challenges such as streamlining capital allocation processes, refining policy mechanisms, expediting land acquisition, and ensuring a stable supply of construction materials.
- According to the Ministry of Planning and Investment (MPI), a 1-percentage increase in public investment disbursement corresponds to a 0.058-percentage increase in GDP growth. Furthermore, every $1 of public investment disbursed is estimated to stimulate $1.61 of investment from the non-state sector.

National budget expenditure and public investment



- *Source: GSO, MBS Research*

Completion rate of investment disbursement for the 2019 –2024 period and the plan for 2025



- *Source: MOF, MBS Research*

Key public investment projects in 2025-2026

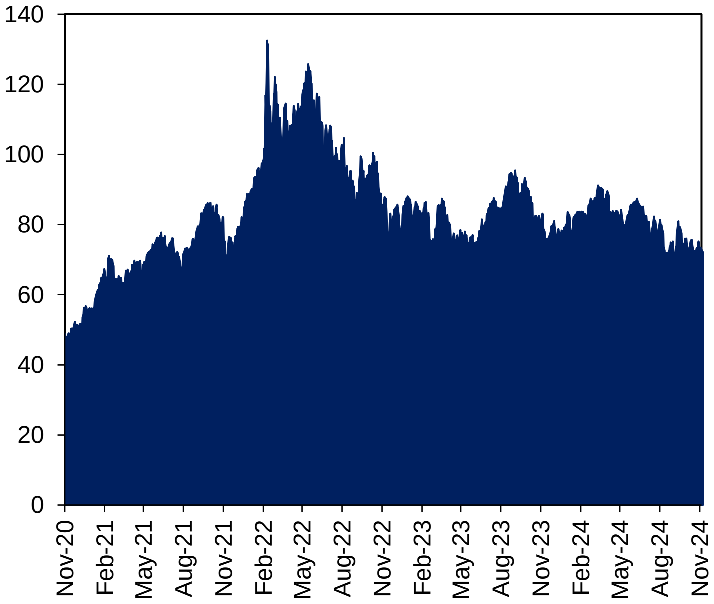
No.	Project	Length (km)	Total investment (VNDbn)	Time of construction					
				2024	2025	2026	2027	2028	After 2028
1	The North – South Express (Phase 2)	729	146,990	■	■	■			
2	Ring Road 4 (HN)	36	85,813	■	■	■	■	■	
3	Long Thanh Airport (Phase 1)	2668	109,000	■	■	■	■	■	
4	Ring Road 3 (HCM)	76	75,400	■	■	■	■	■	
5	North-South high-speed railway	1,541	1,713,548			■	■	■	■

- *Source: MOT, MBS Research*

3. Inflation to inch up modestly

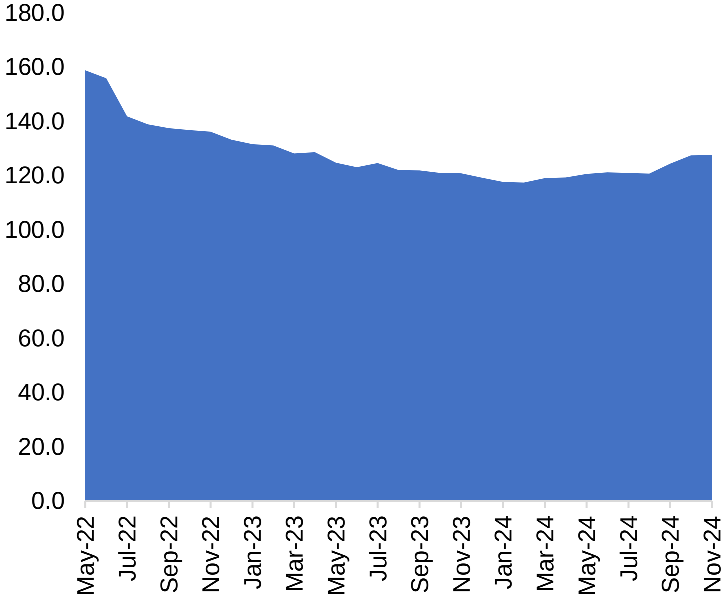
- The impact of a stronger US dollar and accelerated public investment , could be counterbalanced by lower year-on-year basis commodity prices. Global oil prices are likely to remain moderate due to a weak demand-supply balance going into 2025. We forecasts an average Brent crude oil price of USD70/bbl in 2025, lower than USD77-82/bbl in 2024. Rice prices also dropped sharply in October, after India lifted its export ban on non-basmati white rice in late September. With India re-entering the market, prices for rice exports from Thailand, Viet Nam, and Pakistan fell significantly as they adjusted to the renewed competition, easing food price pressures that had built up in recent months.
- We forecast 2025F average headline CPI to increase 4.0% yoy (vs. our forecast of a 2024F average CPI of 3.9% yoy). It remains under control and meets the government's target of keeping the average CPI below 4.5% yoy.

Brent crude oil price (USD/Barrel)



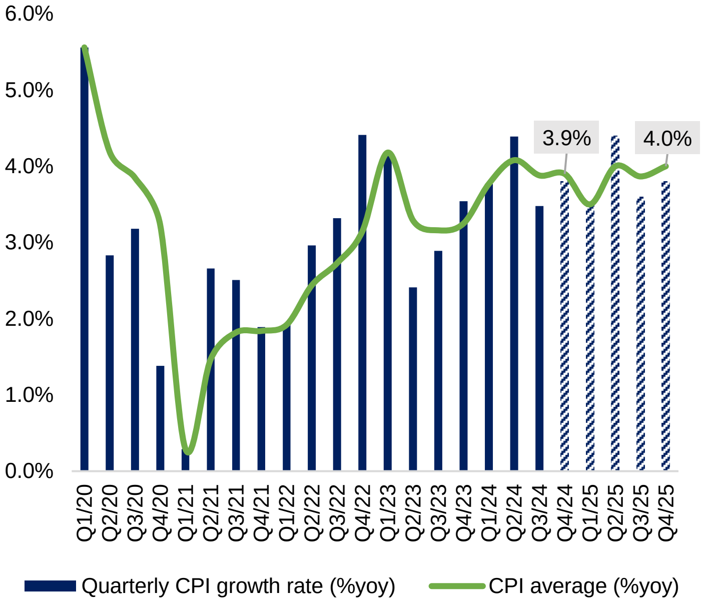
- *Source: Bloomberg, MBS Research*

FAO food price index



- *Source: Bloomberg, MBS Research*

Quarterly CPI growth rate & MBS Research's forecast



- *Source: GSO, MBS Research*

4. Trump version 2.0 & potential impact on Vietnam macro

Policy narrative	Comments	▲ Positive impact	▬ Neutral	▼ Negative impact
Tariff 60% tariffs on imports from China & 10%–20% tariffs on imports from all other economies.	▪ Vietnam may potentially fall into the group of countries subject to Trump 2.0' 10-20% tariffs, as it ranks third among the nations with the largest trade deficits with the US. The potential impact of the tariff hike (if it occurs) might be imposed to six major export products. ▪ However, the trade war US – China will accelerate the manufacturing reallocation away from China.	▪ Logistics ▪ Industrial property	▪ Fishery ▪ Electrical products ▪ Machinery	▪ Wood & wooden products ▪ Textiles & footwear ▪ Plastics product
Trade investigation	▪ Vietnam has a substantial trade surplus with the U.S., placing it among the top four countries with the largest trade surpluses. Combined with a steady increase in Chinese FDI and a doubling of Vietnam's imports from China in recent years, this has led to concerns about potential trade investigations into transshipment practices.			▪ Steel ▪ Paper ▪ Fishery
Energy policy Trump approve export permits for new LNG projects and increase drilling off the US coast and on federal lands,	▪ This might put a downward pressure on oil price. ▪ Vietnam could expand imports from the U.S. to help reduce the trade surplus. Potential imports include aircraft, Liquefied Natural Gas (LNG), defense equipment, and services. During Trump's first term, Vietnam and the U.S. engaged in extensive discussions on energy imports, particularly LNG.	▪ O&G Upstream (drilling & exploration) ▪ LNG-to-power thermal plants ▪ Transportation & Storage		▪ Oil & gas downstream
Currency	▪ The potential appreciation of the USD from Trump's proposed policies could put further pressure on the USD/VND exchange rate	▪ Exporting sectors		▪ USD/VND ▪ Inflation
Monetary policy The Trump 2.0 could be associated with a more dovish Fed	▪ Trump would want an economy supported by low interest rates, but his fiscal policy ideas would get in the way of the Fed cutting by a lot, in our view. But this could lead to generally lower policy rates and higher inflation rates across the world—including Vietnam.	▪ Banks ▪ Financial services		▪ Inflation

5. China's uncertain recovery & its possible impact to Vietnam

- The PRC's GDP growth forecasts for 2024 and 2025 remain at 4.8% and 4.5%, respectively. GDP grew 4.8% in the first 3 quarters of 2024, driven by robust exports and industrial activity. Export growth and policies promoting equipment upgrades boosted industrial activity, particularly in high-end manufacturing.
- However, weak domestic demand and continued fragility in the property sector held back growth. On the demand side, consumption remained weak, while net exports and investment in high-end manufacturing and infrastructure provided some support.
- China's economy will continue facing risks though, from property market to strained local government finance, from persistently weak aggregate demand to a very likely escalation of trade and tech war.
- Since late September, the government announced several support measures, including using special purpose bonds and increasing the debt ceiling to assist local governments. To support the real estate market, the central bank reduced benchmark interest rates, mortgage rates, and down payments, signaling its intent to boost liquidity and stimulate home buying. However, fiscal expansion may be limited by rising debt and weak revenues, while continued monetary easing faces challenges due to subdued credit demand, with trade tensions, particularly with the United States (US), also posing a key risk to growth.
- Given that China is Vietnam's largest trading partner and second-biggest export market, a possible recovery in Chinese domestic demand driven by the new stimulus package could benefit Vietnamese exporters of key commodities

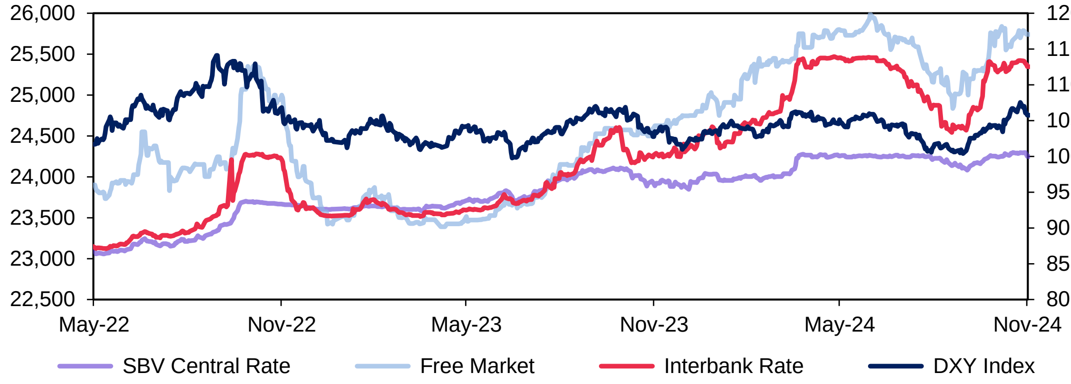
Policy narrative	▲Positive impact	▼Negative impact
Stimulus package Simultaneously cut the RRR, lowered policy interest rates, more fiscal support to tackle local government debt and to boost the recovery of domestic demand.	▪ Chemical ▪ Fertilizer ▪ Steel ▪ Rubber ▪ Aviation ▪ Tourism	
Currency A loosen monetary policy stance could amplify devaluation pressures on the Yuan through higher liquidity and a potentially widening interest rate differential with other major economies.	▪ Lower input costs	▪ Downward pressure on the VND
China – US tech war The tech war between the US-China has been shaking up the global semiconductor/ electronics value chain	▪ Logistics ▪ Industrial Property	

6. Monetary policy balance between short-term currency risks and long-term stimulus

We see short-term currency risks

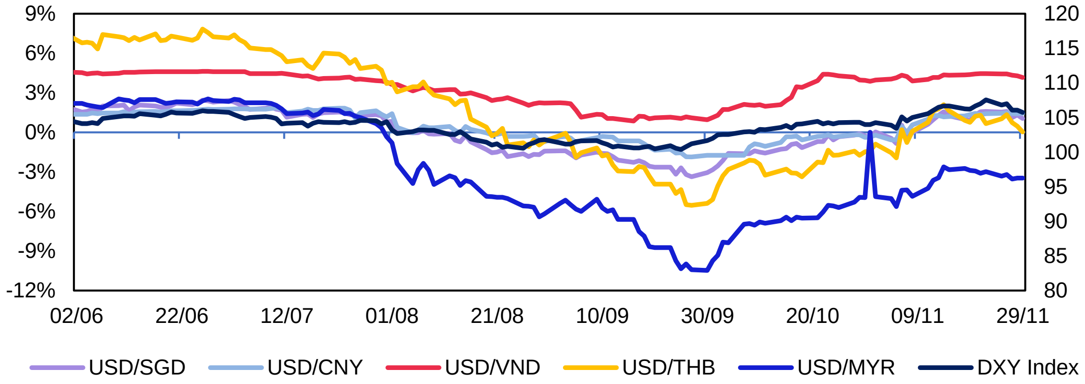
- Exchange rates became a focal point since Mar 2024. Pressure peaked in May, reaching 25,470 VND/USD, marking a depreciation of approximately 4.6% compared to the beginning of the year. This was driven by the Fed maintaining interest rates at their highest level in 23 years, which bolstered the USD's appreciation. Additionally, heightened production activities increased demand for USD to import raw materials. The interest rate gap further encouraged speculative actions, such as hoarding foreign currency to profit from the rate differential.
- After struggling with depreciation pressures, the VND gradually recovered significantly from mid-September, following the Fed's aggressive rate cut of 50 basis points—the first reduction in four years. However, this recovery was short-lived as exchange rates surged again in Q4. Domestically, the rising demand for foreign currency was driven by businesses ramping up imports to boost production for the year-end season. Additionally, the State Treasury's increased demand for USD during this period to meet debt repayment obligations added to the pressure.
- As of Nov, exchange rate pressures is still elevated due to the swift resurgence of the USD following Trump's victory. The depreciation of the Dong against the USD since the start of the year has risen to 4.1%, reached 25,346 VND/USD by the end of Nov.

VND has depreciated by 4.1% ytd versus the USD



- *Source: Bloomberg, MBS Research*

Regional currencies performance against USD year-to-date



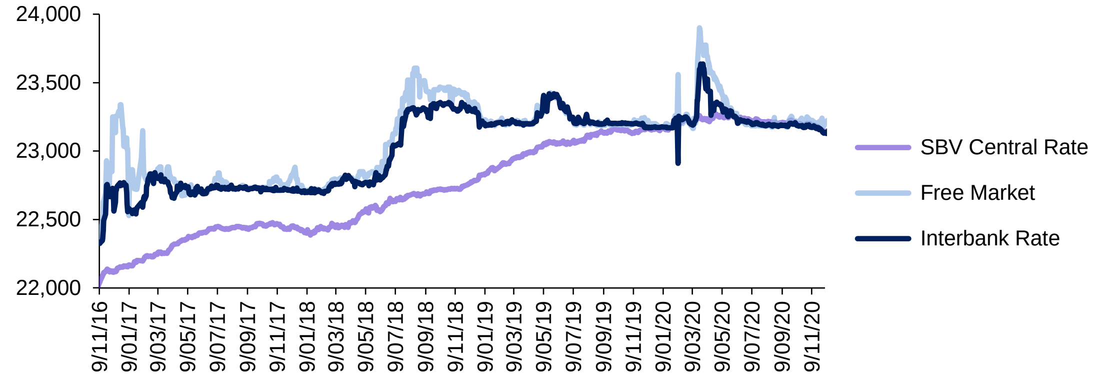
- *Source: Bloomberg, MBS Research*

6. Monetary policy balance between short-term currency risks and long-term stimulus

We expect the USD/VND rate to range within 25,100 – 25,500 in 2025

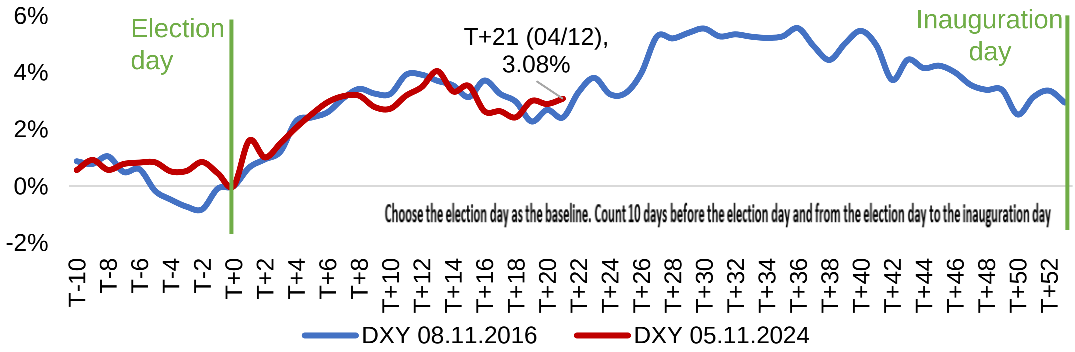
- The new administration's plans for fiscal easing, combined with stricter immigration policies, along with high interest rates in the U.S. compared to other economies and the relatively high protectionism of the United States, is expected to support for a surge in the value of the USD in 2025. A similar scenario occurred during Donald Trump's first term, when the USD strengthened significantly after his 2016 election victory. The US dollar surged nearly 5% from the time of his win in November 2016 to his inauguration in January 2017. the potential appreciation of the USD from Trump’s proposed policies could put further pressure on the USD/VND exchange rate. Assuming that US inflation remains sticky at around 3% after Trump takes office and increases tariff, the Fed may slow its rate cut path, anchoring the DXY at the current high level of 106.
- According to IMF, Vietnam's balance of payments surplus in 2024 is expected to reach 3.0% of GDP, a decrease from 5.8% of GDP in 2023, and is projected to continue narrowing in 2025. Meanwhile, the buffer to cope with exchange rate pressures, namely foreign exchange reserves, has significantly depleted in 2024. This depletion has made the exchange rate more vulnerable to fluctuations against the USD.
- On a positive note, Vietnam's robust trade surplus and 7.1% YoY increase in implemented FDI offer some relief to the VND.

USD/VND exchange rate under Trump’s 1st term



- *Source: Bloomberg, MBS Research*

The trend of the DXY index in 2016 and 2024 shows significant alignment



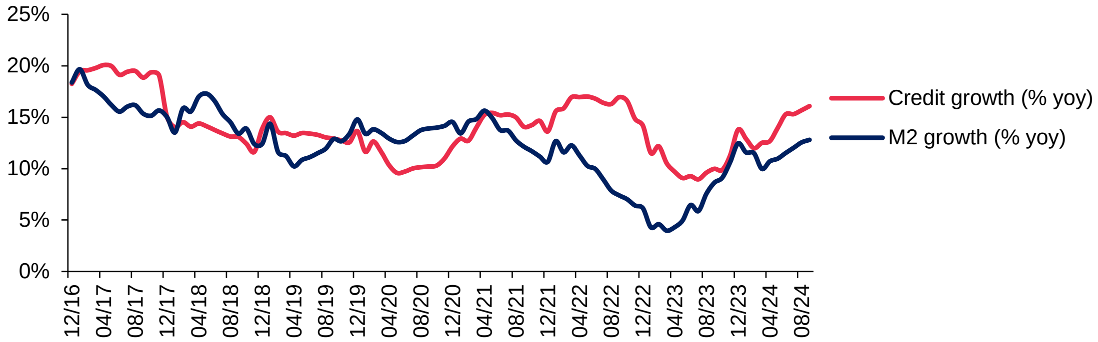
- *Source: Bloomberg, MBS Research*

6. Monetary policy balance between short-term currency risks and long-term stimulus

Deposit rates bottomed out in March and has been bouncing back gradually

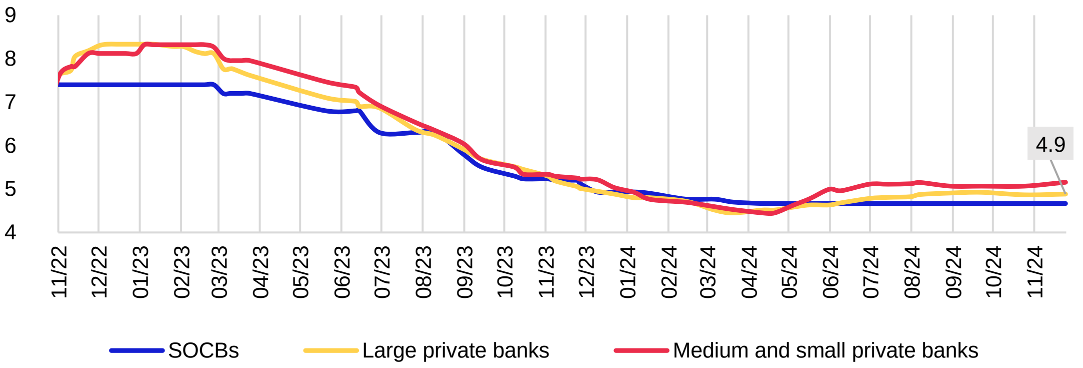
- Deposits rates began to rise again in April as low deposit rates led to a gradual withdrawal of public deposits from the banking system. The upward trend became more pronounced from June, as credit growth accelerated from 3.4% at the end of May to 6.1% by the end of June. Credit growth outpacing deposit growth by 2-3 times fueled the competition to raise deposit rates, with some banks exceeding 6% per annum at times.
- Following a two-month pause, the upward trend resumed in November to ensure liquidity as credit demand typically accelerates toward year-end. SBV's latest data shows that credit growth reached 11.9% by the end of November compared to late 2023 and further increased to 12.5% as of December 7. This is a notable improvement compared to the same period in 2023 when credit grew by only 9%. As such, achieving the 15% credit growth target for this year appears feasible, which is expected to continue exerting upward pressure on deposit rates through year-end.
- As of late November, the average 12-month deposit rate for commercial banks stood at 5%, up 14 basis points from the start of the year. Meanwhile, rates at state-owned commercial banks remained at 4.7%, 26 basis points lower than at the beginning of the year.

Credit growth & M2 growth



- *Source: Bloomberg, MBS Research*

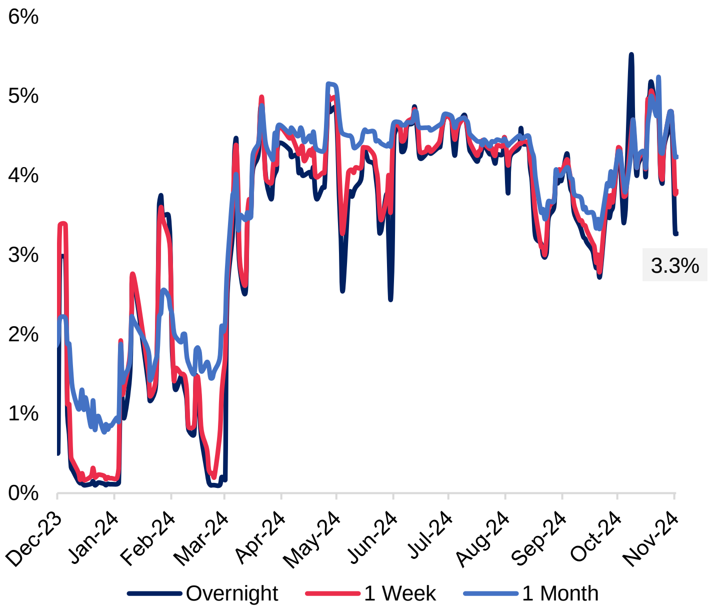
Commercial banks deposit rate (%)



- *Source: Bloomberg, MBS Research*

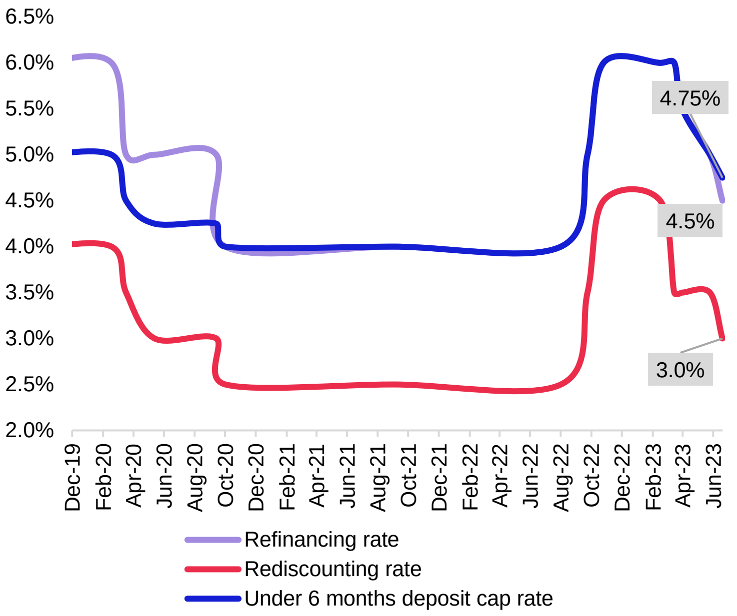
6. Monetary policy balance between short-term currency risks and long-term stimulus

Interbank lending rate in tenors (%)



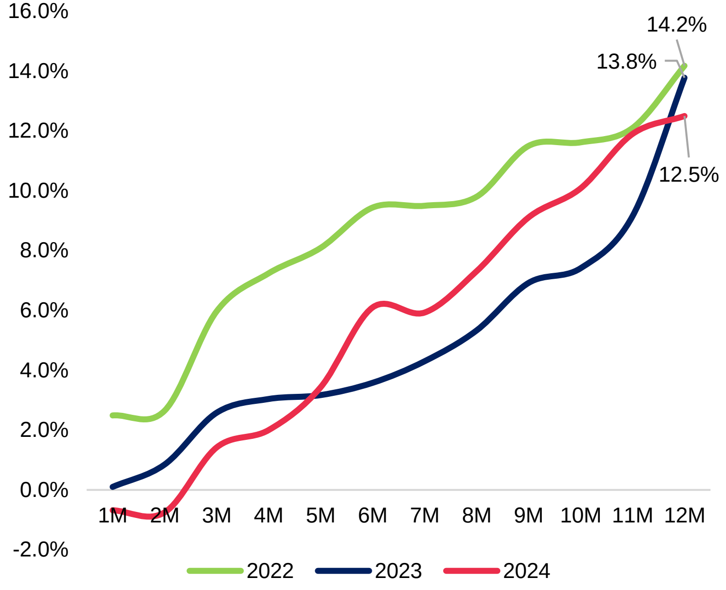
- *Source: Bloomberg, MBS Research*

Policy rate



- *Source: SBV, MBS Research*

Credit growth has improved since Jun



- *Source: SBV, MBS Research*

- Vietnam's monetary policy space will be more limited than previously expected due to a strong USD and the risk of continued US investigations into currency manipulation allegations. In that scenario, the SBV may need to adopt a more cautious monetary policy stance to manage exchange rate stability, meaning that the room for monetary policy easing may be limited.
- **We do not expect any policy rate cut in 2025 and expect deposit rate to stay at 5.0% - 5.2%. On the other side,** we see limited upside for further rate in the context of global easing. Otherwise, SBV aim to maintain a more growth-oriented monetary policy to keep market interest rates low, thereby promoting credit growth.

We expect the economy to expand by 7.1% in 2025 on the back of accelerated public investment and vibrant manufacturing activities

- Following a stunning performance in 2024, we expect the economy to witness resilient growth in all aspects next year. Accelerated public investment and accommodative fiscal and monetary policies are anticipated to further stimulate domestic demand.
- Potential upside catalyst to the economy including 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) magnitude and speed of expected policy shifts under the second Trump presidency. (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.

Summary of economic forecasts

Economic indicators	2017	2018	2019	2020	2021	2022	2023	2024F	2025F
1. GDP, population & income									
Nominal GDP (USDbn)	193.2	281.3	310.1	334.3	346.6	366.1	430	500-516	503-520
Real GDP growth (%)	6.81	7.08	7.02	2.91	2.58	8.02	5.05	7.0 - 7.1	7.1
Export of goods and services (% yoy)	21.1	13.8	8.1	6.5	19	10.6	-4.4	15.0	9.0 - 10.0
Import of goods and services (% yoy)	20.8	11.5	7	3.6	26.5	8.4	-8.9	16.0	10.0
GDP per capita (USD)	2.086	2992	3267	3491	3586	3756	4163	4,869	4,900
2. Fiscal policy (%GDP)									
Government debt	51.7	49.9	49.2	51.5	39.1	34.7	34	37	35
Public debt	58.3	55	55.9	43.1	38	37.4	37	39	37
Foreign debt	48.9	46	47.1	47.9	38.4	36.1	37.2	38	34
3. Financial indicators									
USD/VND exchange rate	22690	23180	23228	23115	23145	23612	24353	25,000	25,100 - 25,500
Inflation rate (%)	3.5	3.5	2.8	3.2	1.8	3.15	3.25	3.9	4.0
Credit growth (%)	17,1	17.1	18.7	18.2	13.9	12.1	13.7	14	15
Average 12-month deposite rate	6.9	7	7.2	6.8	5.8	8.5	5.9	5.1-5.2	5.0-5.2
Trade balance (USD bn)	2.7	7.2	9.9	19.1	4	11.2	28	31	27
Goods: Exports (USD bn)	213	244	263	281	336	371	355.5	409	445
Goods: Imports (USD bn)	211	237	253	262	332	360	327.5	380	418
Foreign reserve (USD bn)	49	55	78	94	109	86	95	92	94

- *Source: GSO, MBS Research*

3

VIETNAM STOCK MARKET | 2025 Outlook

At the sweet point

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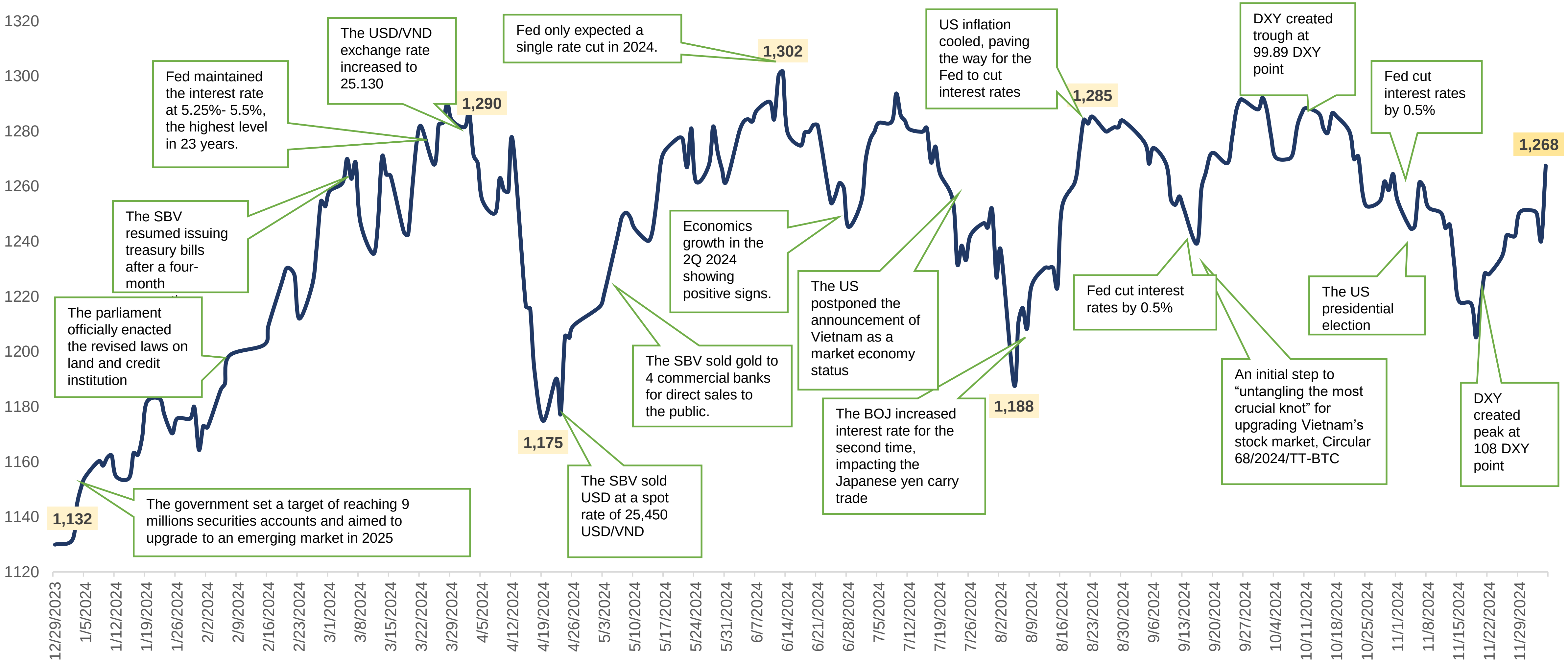
The VN-index has failed to break the 1300-resistance zone several times, closed at 1.268 (+12.5% ytd)



The government set a target of reaching 9 millions securities accounts and aimed to upgrade to an emerging market in 2025

The parliament officially enacted the revised laws on land and credit institution

The SBV resumed issuing treasury bills after a four-month

Fed maintained the interest rate at 5.25%- 5.5%, the highest level in 23 years.

The USD/VND exchange rate increased to 25.130

Fed only expected a single rate cut in 2024.

The SBV sold USD at a spot rate of 25,450 USD/VND

The SBV sold gold to 4 commercial banks for direct sales to the public.

Economics growth in the 2Q 2024 showing positive signs.

The US postponed the announcement of Vietnam as a market economy status

US inflation cooled, paving the way for the Fed to cut interest rates

The BOJ increased interest rate for the second time, impacting the Japanese yen carry trade

Fed cut interest rates by 0.5%

DXY created trough at 99.89 DXY point

An initial step to "untangling the most crucial knot" for upgrading Vietnam's stock market, Circular 68/2024/TT-BTC

Fed cut interest rates by 0.5%

The US presidential election

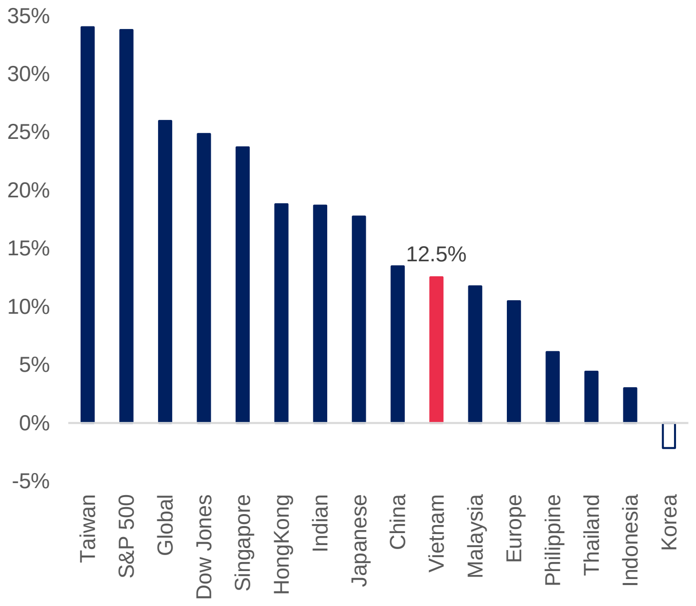
DXY created peak at 108 DXY point

- *Source: MBS Research. Data as of Dec 5, 2024*

All eyes on the VN30

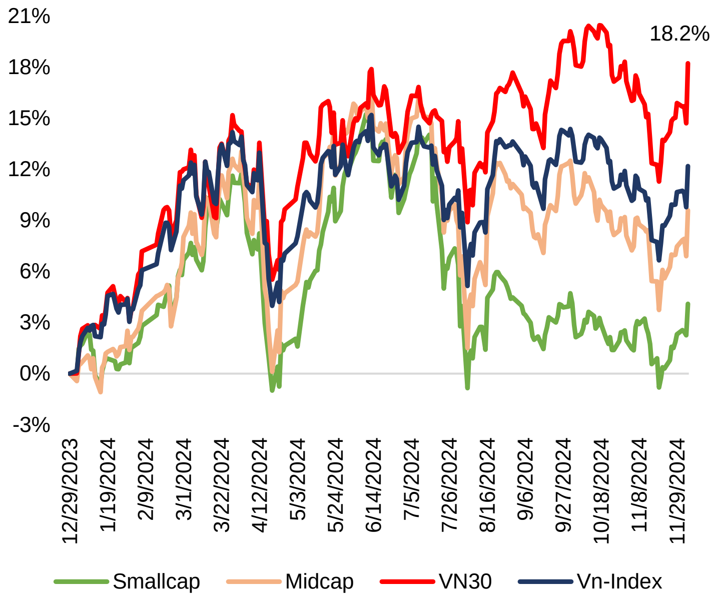
- Having a good start in 1H24 but then the concerns over weak currency and foreign capital outflow, the VN-index lost its steam in 2H24. Thus, its performance lagged behind the global stock rally, but still surpassing all Southeast Asia markets.
- Both mid-cap and small-cap indexes have underperformed, meanwhile money run into the blue chips (representing by VN30 index), resulting a 18.2% ytd performance.
- Market liquidity accelerated in the 1H24, following the index rally but then dropped to about VND15,000bn per trading day during Oct – Dec. For the whole year, the daily trading value on HOSE reached VND21,500bn (about +23% yoy).

Vietnam's performance lagged behind global stock rally but still outperformed SEA (% ytd)



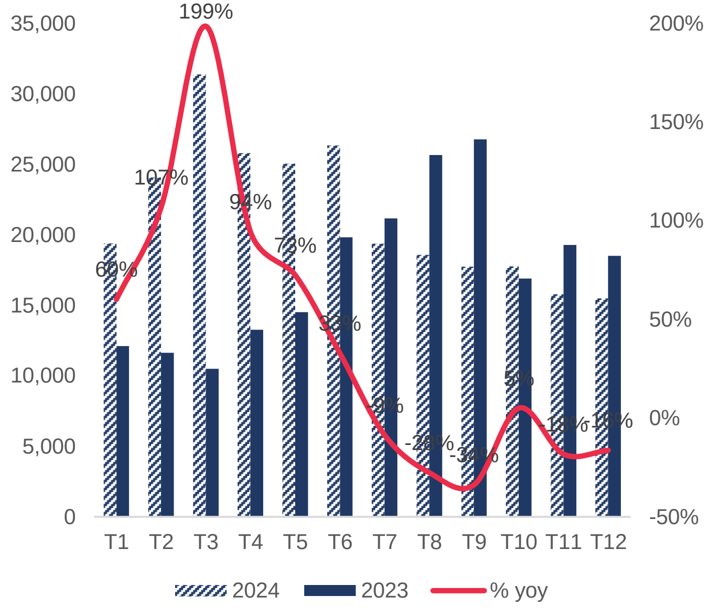
- *Source: Investing, MBS Research. Data as of December 5, 2024*

Market cap weighted indexes performance (%)



- *Source: MBS Research. Data as of December 5, 2024*

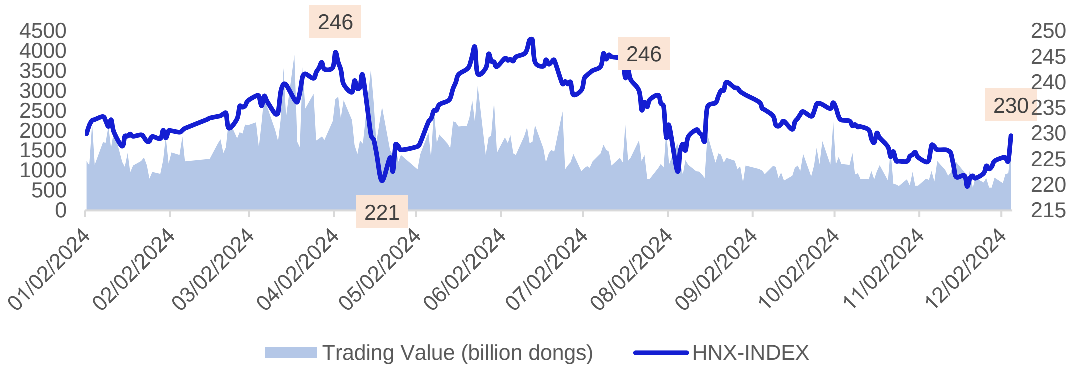
Market liquidity (VND mn)



- *Source: FiinPro, MBS Research. Data as of December 5, 2024*

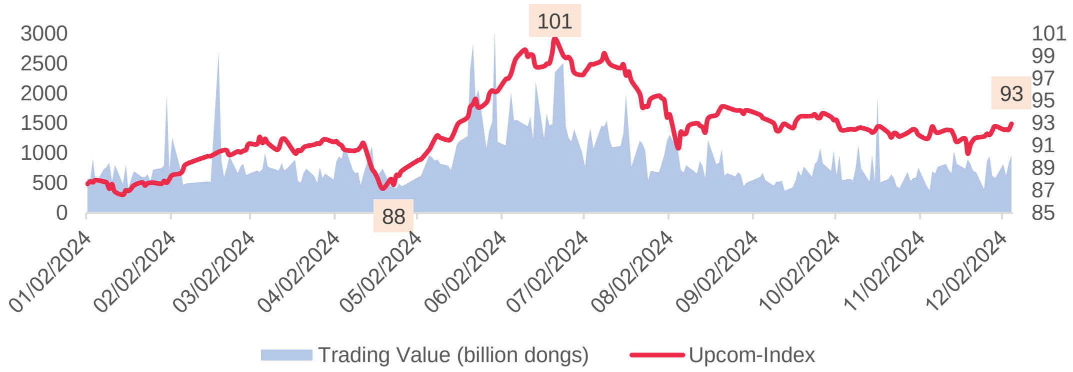
HNX and UPCOM 2024 performance

The HNX index slid 0.62% since year-to- date



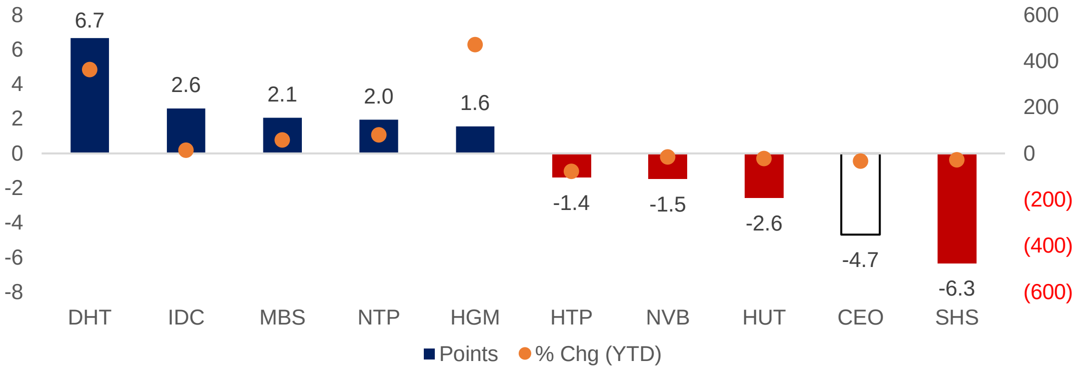
- *Source: MBS Research. Data as of December 5, 2024*

Meanwhile, the UPCOM index increased by 6.78% versus beginning of the year



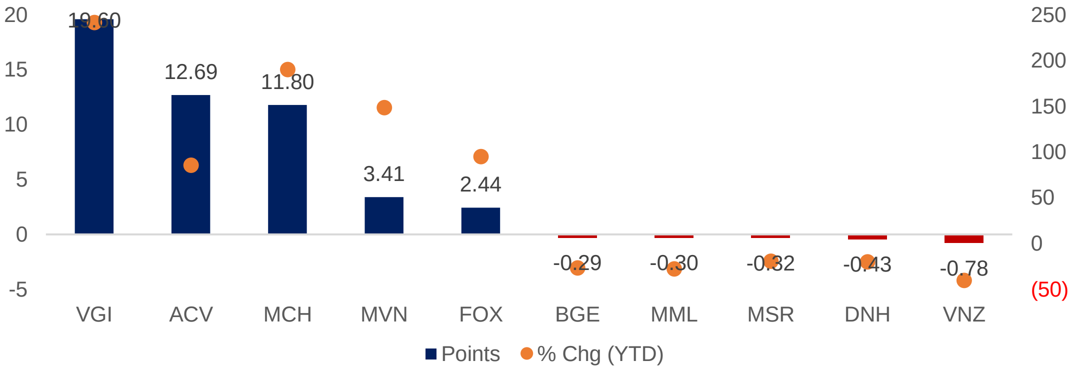
- *Source: MBS Research. Data as of December 5, 2024*

Top stocks contributing to the HNX index performance in 2024



- *Source: MBS Research, Bloomberg. Data as of December 5, 2024*

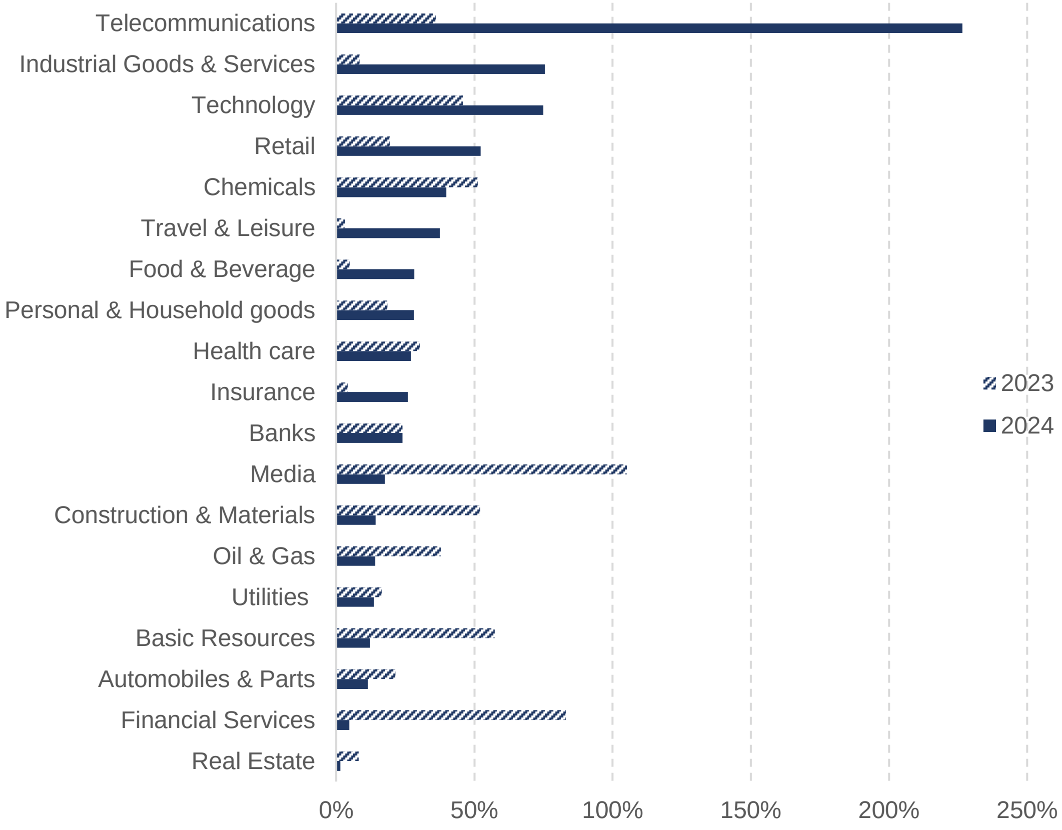
Top stocks contributing to the UPCOM index performance in 2024



- *Source: MBS Research, Bloomberg. Data as of December 5, 2024*

Telecom, Industrial goods and Technology are the best sector performers in 2024

Sector performance (% ytd)



- *Source: FiinPro, MBS Research. Data as of December 5, 2024*

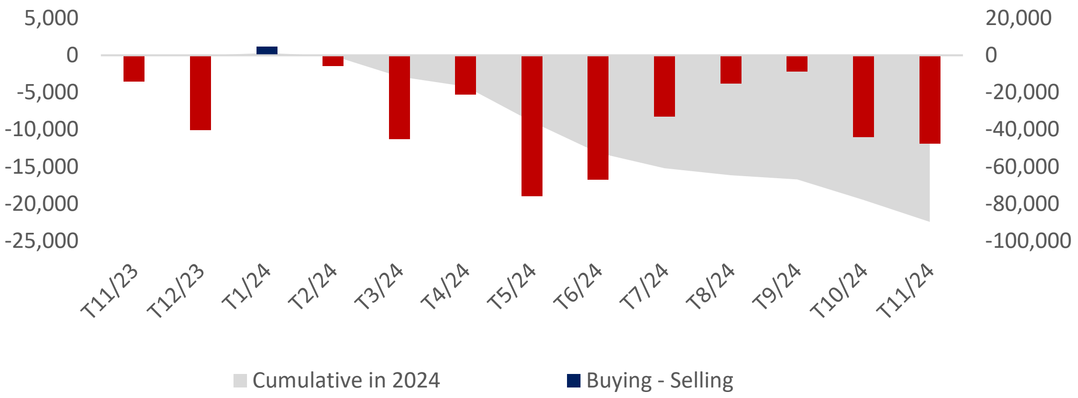
Money flow expansion by sectors: positive cash flows growth across various sectors, except Real Estate, Construction, and Materials

	2024	2023	2022	2021
Oil & Gas	4.4%	-34.3%	-5.9%	314.8%
Chemicals	46.2%	-42.4%	8.3%	279.3%
Basic Resources	0.7%	-17.5%	-38.9%	292.8%
Construction & Materials	-17.6%	-14.7%	-12.2%	215.2%
Industrial goods & service	30.5%	-18.5%	-6.9%	250.6%
Automobiles & Parts	59.7%	-59.3%	-53.3%	130.6%
Food & Beverage	34.5%	-19.3%	-10.5%	115.3%
Personal & Household goods	82.2%	-42.2%	-6.2%	186.2%
Health care	22.5%	-34.9%	-40.5%	165.4%
Retail	76.3%	-15.3%	19.7%	166.1%
Media	14.1%	-31.8%	17.1%	160.2%
Travel & Leisure	37.4%	-16.4%	-13.5%	73.9%
Telecommunications	441.6%	-22.6%	-19.3%	77.4%
Utilities	30.9%	-44.2%	-3.8%	179.6%
Insurance	42.4%	-63.6%	-10.0%	162.3%
Real Estate	-1.5%	-10.8%	-22.7%	288.8%
Finiancial Services	4.7%	31.8%	-27.5%	654.3%
Banks	44.4%	-4.9%	-42.4%	278.8%
Technology	207.4%	-17.2%	-18.4%	170.3%

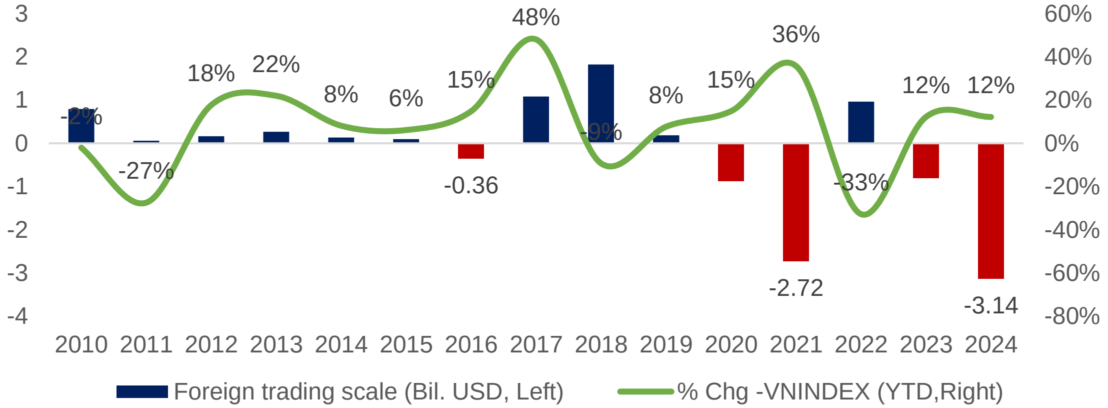
- *Source: FiinPro, MBS Research. Data as of December 5, 2024*

Foreign investors recorded a historic net sell of over $3.3 billion across the market

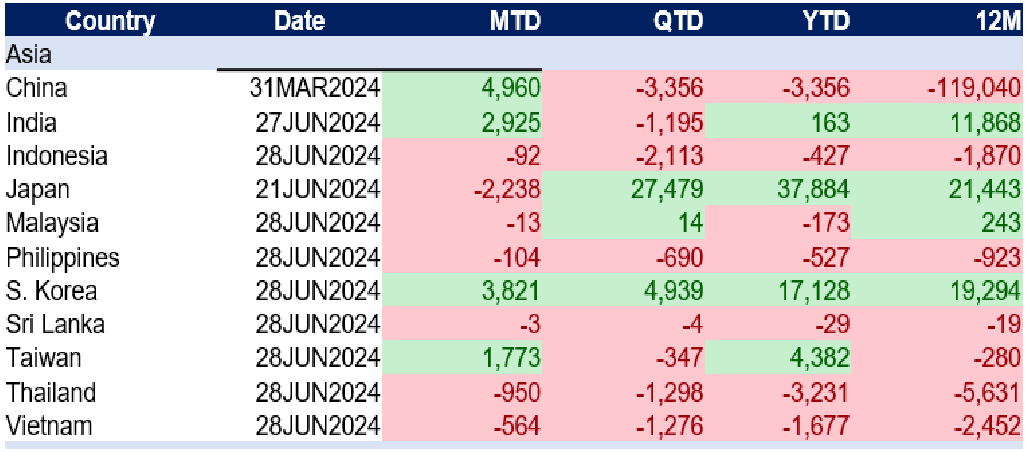
Monthly net buy/(sell) value of foreign investors (billion VND)



Foreign investor transactions on HOSE (2010-2024)



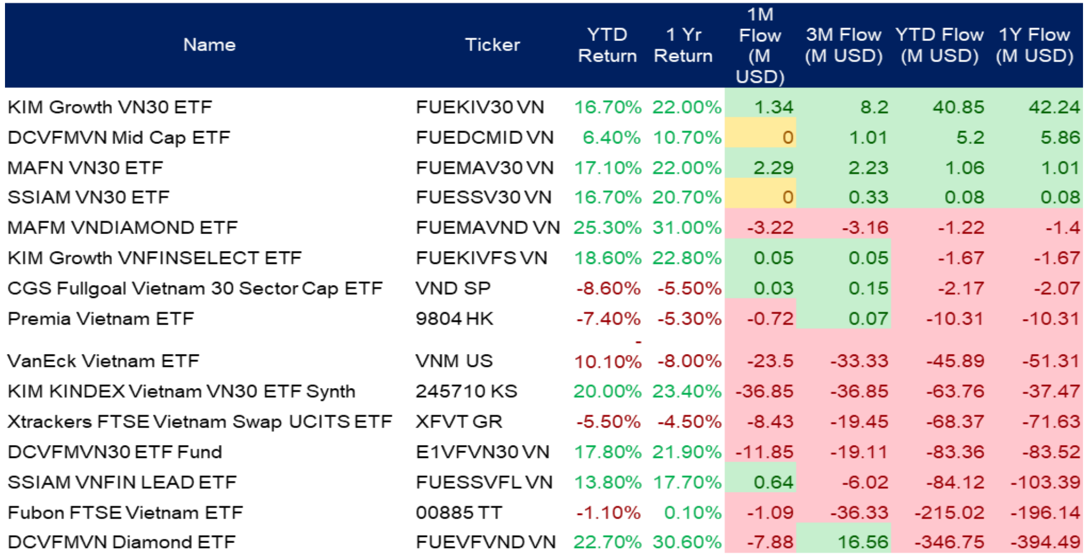
Vietnam is among emerging markets that experienced the net outflow of foreign investments since the beginning of 2024



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

- *Source: MBS Research, Bloomberg. Data as of December 5, 2024*

Net inflow/outflow of Vietnam ETF

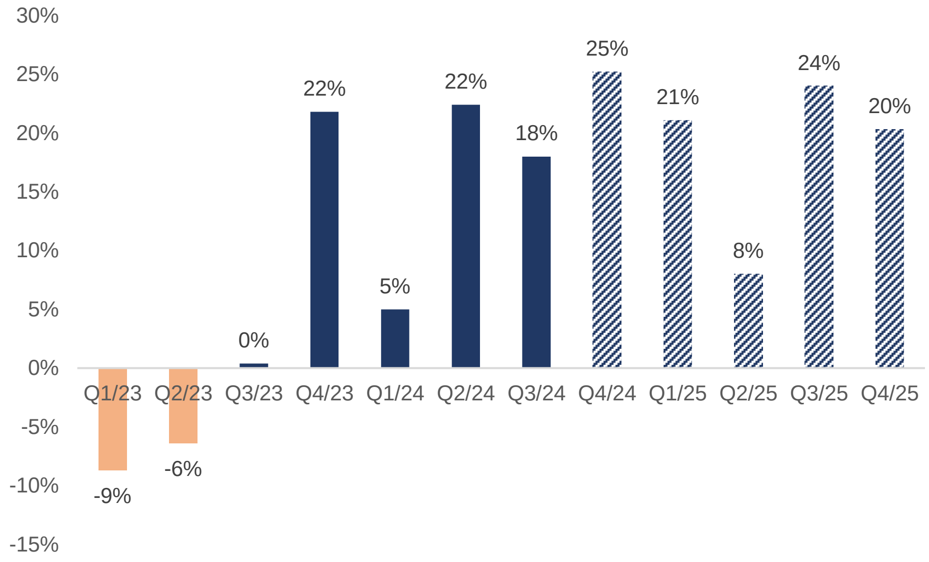


Name	Ticker	YTD Return	1 Yr Return	1M Flow (M USD)	3M Flow (M USD)	YTD Flow (M USD)	1Y Flow (M USD)
KIM Growth VN30 ETF	FUEKIV30 VN	16.70%	22.00%	1.34	8.2	40.85	42.24
DCVFMVN Mid Cap ETF	FUEDCMID VN	6.40%	10.70%	0	1.01	5.2	5.86
MAFN VN30 ETF	FUEMAV30 VN	17.10%	22.00%	2.29	2.23	1.06	1.01
SSIAM VN30 ETF	FUESSV30 VN	16.70%	20.70%	0	0.33	0.08	0.08
MAFM VNDIAMOND ETF	FUEMAVND VN	25.30%	31.00%	-3.22	-3.16	-1.22	-1.4
KIM Growth VNFINSELECT ETF	FUEKIVFS VN	18.60%	22.80%	0.05	0.05	-1.67	-1.67
CGS Fullgoal Vietnam 30 Sector Cap ETF	VND SP	-8.60%	-5.50%	0.03	0.15	-2.17	-2.07
Premia Vietnam ETF	9804 HK	-7.40%	-5.30%	-0.72	0.07	-10.31	-10.31
VanEck Vietnam ETF	VNM US	-10.10%	-8.00%	-23.5	-33.33	-45.89	-51.31
KIM KINDEX Vietnam VN30 ETF Synth	245710 KS	20.00%	23.40%	-36.85	-36.85	-63.76	-37.47
Xtrackers FTSE Vietnam Swap UCITS ETF	XFVT GR	-5.50%	-4.50%	-8.43	-19.45	-68.37	-71.63
DCVFMVN30 ETF Fund	E1VFVN30 VN	17.80%	21.90%	-11.85	-19.11	-83.36	-83.52
SSIAM VNFIN LEAD ETF	FUESSVFL VN	13.80%	17.70%	0.64	-6.02	-84.12	-103.39
Fubon FTSE Vietnam ETF	00885 TT	-1.10%	0.10%	-1.09	-36.33	-215.02	-196.14
DCVFMVN Diamond ETF	FUEVFVND VN	22.70%	30.60%	-7.88	16.56	-346.75	-394.49

We believe 2025F earnings growth will bode well for further market expansion

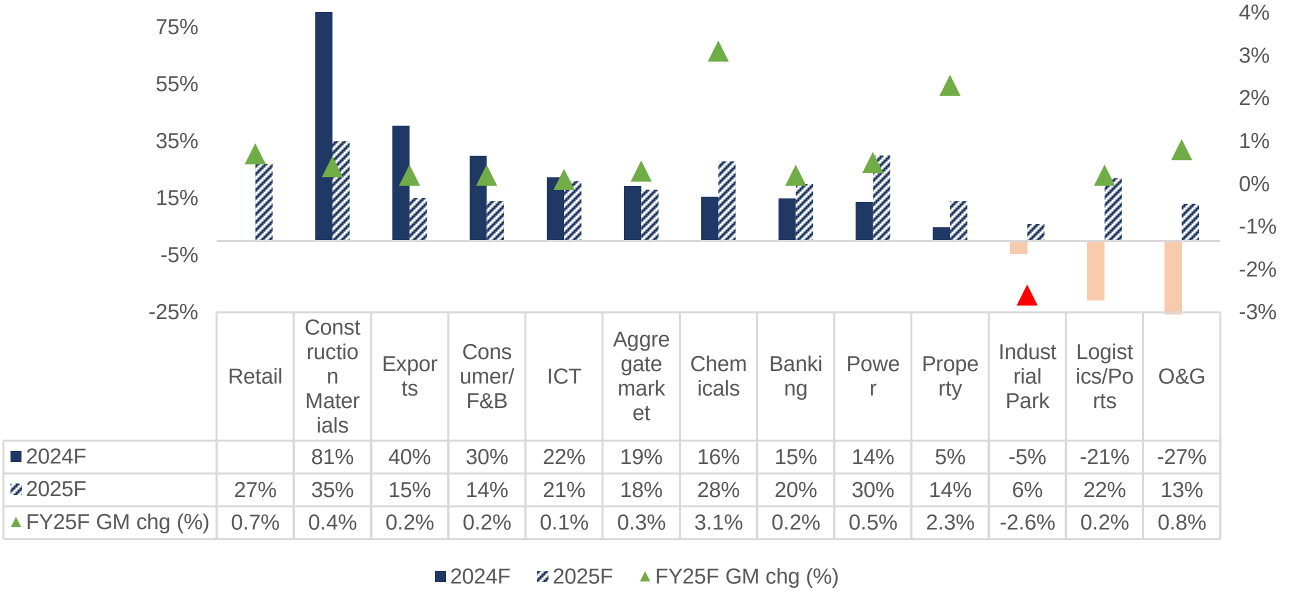
- For FY24F, market earnings is expected to grow 18% yoy from the low base FY23. Key drivers for market earnings improvement will come from the solid performance of banks (+15% yoy), retail (+230% yoy), construction materials (+81%) and export (+40% yoy).
- Look ahead, we expect FY25F market earnings to grow healthy 18% yoy bolstered by banking (+24% yoy), construction materials (+33% yoy); residential property (+14% yoy), construction (+31%), and industrial property (+17%). This broadening, coupled with resilient economic fundamentals, policy tailwinds and favorable interest rate, should support a more inclusive rally in the year ahead.
- Besides, while the FY24F earning growth was primarily driven by revenue yoy growth from the low base FY23, we believe gross margin expansion will be the key factor for 2025. Amid decreasing interest rates, low input material (brent oil, commodities,…) modest wage increase, we observe gross margin expansion across various sectors.

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



- *Source: Bloomberg, MBS Research*

We believe gross margin expansion will be the key factor for FY25 earnings growth. We observe gross margin expansion across various sectors.



	Retail	Construction Materials	Exports	Consumer/ F&B	ICT	Aggregate market	Chemicals	Banking	Power	Property	Industrial Park	Logistics/Ports	O&G
■ 2024F		81%	40%	30%	22%	19%	16%	15%	14%	5%	-5%	-21%	-27%
▨ 2025F	27%	35%	15%	14%	21%	18%	28%	20%	30%	14%	6%	22%	13%
▲ FY25F GM chg (%)	0.7%	0.4%	0.2%	0.2%	0.1%	0.3%	3.1%	0.2%	0.5%	2.3%	-2.6%	0.2%	0.8%

- *Source: Bloomberg, MBS Research*

A few step closer to EM upgrade

FTSE EM upgrade estimated timeline

Q1/2025
- Implement Pre-Funding
- KRX comes into operation

Q2/2025

Implement T+0 settlement

Q3/2025
- Deploy financial reporting in English
- Relax foreign ownership limits

September 2025
- FTSE Review
- **CONSIDERATION FOR MARKET UPGRADE**

March 2026
- FTSE Review
- **OFFICIALLY UPGRADE THE MARKET**

MSCI EM upgrade estimated timeline

Q1/2026

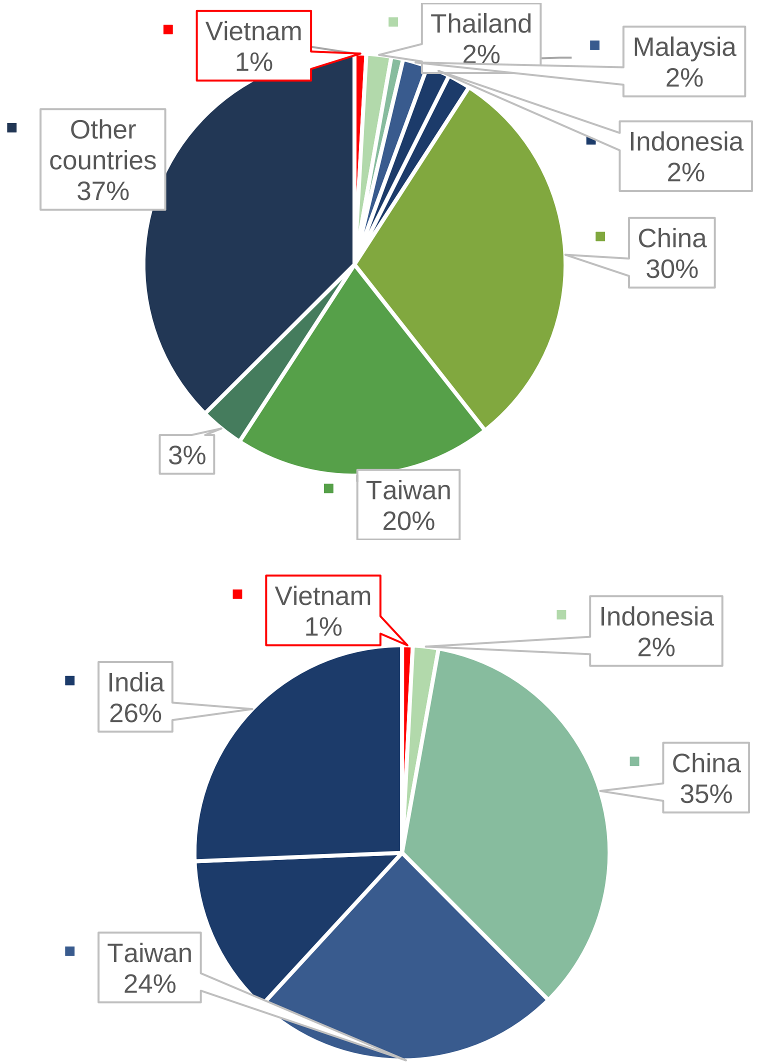
Trial implementation of short selling

Q2/2026
- MSCI Review in June 2026
- **CONSIDERATION FOR MARKET UPGRADE**

June 2027
- MSCI Review in June 2027
- **OFFICIALLY UPGRADE THE MARKET**

- *Source: MBS Research*

Estimated allocation of Vietnam in emerging markets portfolio



Investment strategy: We expect the VN-Index to reach 1,400 – 1,420 toward year-end

We weigh the market catalysts and risks

▲ **Catalysts**

- 2025 will mark the first full year in office, for the new government with aim of a high-growth decade.

- Strong macro-outlook suggests a 18% - 19% growth of over FY25-26 forward earnings which will bode well in for further market expansion

- While US interest rate hikes and the Dollar's strength previously acted as headwinds against Vietnam, the impending US rate cut should reverse this trend.
- Vietnam has taken a few step closer to EM upgrade.

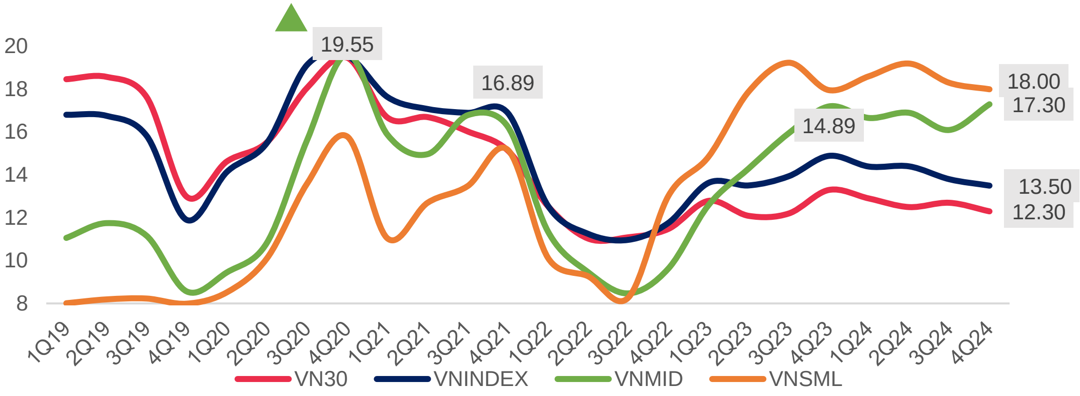
▼ **Downside risks**

- The uncertain policy shift of Trump 2.0 might weight on Vietnam economic outlook or elevate the U.S inflation which slower the pace of FED rate cut.
- FX pressure amid the VND weakness.
- The recovery of residential property market might slower than expected which could create burden on banking system.

We expect the VN-Index to reach 1,400 – 1,420 toward year-end

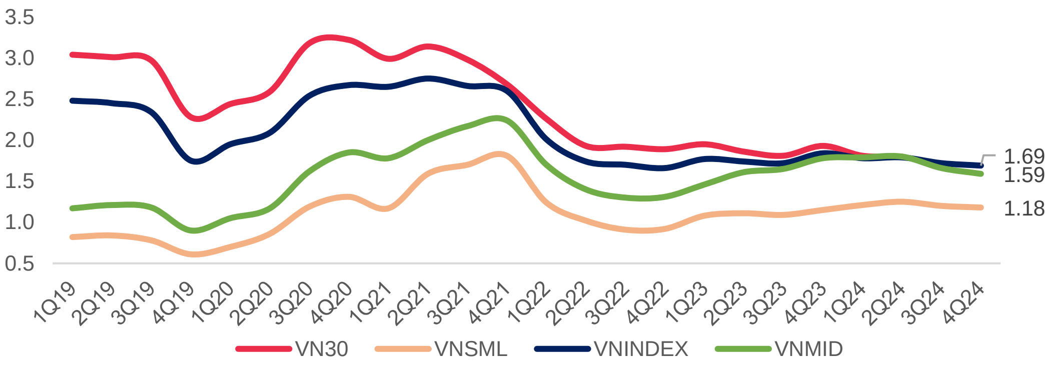
- As at Dec 05, VN-Index was trading at 13.5 trailing 12-month P/E , which is below the 3-year average PE (13.8x) and 20% discount to the 3-year peak (16.7x in 4Q21).
- However, the recent rally of mid-cap has brought the valuation of VNMID to 17.3x TTM P/E which is about 17% premium to the VN-index. 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 FY25-26 earnings growth potential versus other peers, in our view.
- Overall, we expect the VN-Index to reach 1,400 – 1,420 toward year-end, following a 18% FY24F earnings growth and P/E target of 12.5 - 13x.

PE performance of VNIndex, VN30, VNX50 and VNMID



- *Source: FiinPro, MBS Research. Data as at Dec 5, 2024*

PB performance of VNIndex, VN30, VNX50 and VNMID



- *Source: FiinPro, MBS Research. Data as at Jun 21, 2024*

Investment strategy: We identify 8 winning themes for 2025

	Investment themes	Sector pick	Stock picks
1	**The new cycle of residential property** • We believe a new cycle has begun following 3 key pillars: low interest rate – improving infrastructure – changing legal framework. The residential property sector is currently traded at relatively low valuations and the industry outlook showing more positive signals.	▪ Residential property ▪ Steel ▪ Construction	HPG, DXG, KDH, VHM, VCG
2	**State investment to accelerate into 2025** • As 2025 marks the final year of the 2021-2025 medium-term investment plan, the Government has outlined an ambitious investment target of VND790.7tn (USD30.8bn), representing a substantial increase from the previous year's allocation as 2025 marks the conclusion of the current Medium Term Public investment plan. We believe this plan, while achievable, is contingent on addressing key challenges such as streamlining capital allocation processes, refining policy mechanisms, expediting land acquisition, and ensuring a stable supply of construction materials.	• Steel • Infrastructure developers	CTR, VCG, HPG
3	**Banking sector** • We believe global easing monetary policy and the domestic demand reform will bode well for banking sector recovery.	• Banks	VIB, CTG, TPB
4	**China's aggressive stimulus package to be rolled out in order to boost the growth** • That will influence global demand for commodities, ie: rubber, chemical, copper, nickel	• Rubber • Chemical	DGC, GVR
5	**Elevating power consumption** • In 2025, national economy is expected to continue its robust growth. Accordingly, the MOIT has set a baseline scenario for power consumption growth at a high level of 11–12%, surpassing even the high scenario in PDP8, which projects 9.8%. From 2025–30, demand growth is anticipated to maintain a high CAGR of ~9.1%.	• Power • Energy infrastructure developer	POW, PC1 PVS, REE, HDG
6	**Trump 2.0** • The Trump 2.0 policy is still uncertain and likely cast shadow over Vietnam 's export industries, but industrial property is likely the most beneficiary despite the challenge	• Industrial property	BCM, GVR, KBC
7	**The emergency of new industries** • Vietnam is well-positioned to capture the opportunities arising from new industries, ie: data center, 5G technology and semiconductors	• Industrial park • Power • Technology	FPT, DGC, CTR, POW, PC1, BCM, KBC
8	**Vietnam's stock market approaching status upgrade** • The upgrade could attract significant capital flows which benefit blue-chips stocks that still have room for foreign investment. MSN and VNM are 2 Consumer Staples stocks among the list.	• Blue-chips with available FOL • Brokerage industry	MWG, VHM, HPG, DGC, VRE

Investment strategy: Our top picks for 2025

	Stock	Target price (VND/share)	FY25F P/E	FY25F PB	Comment
1	CTG	44,600	6.7	1.1	Target P/B is revised up to 1.4x for CTG thanks to positive outlook in 2025. This P/B is slightly higher than current P/B of 1.3x but much lower than BID (2.0x) and VCB (2.7x) due to higher credit cost. We believe the difference will shrink in long term.
2	KDH	43,000	33.4	2.6	In 2025 – 2026, due to lack of low – rise projects in HCM, we forecast Emeria and Clarita would have high absorption rate (over 65%). Moreover, pre – sale expected to accelerate 336% yoy in 2025 thanks to launching Emeria and Clarita with more than 230 low – rise units and NP expected to rise 12.1%.
3	DXG	23,700	41.1	0.9	The catalyst of DXG is about the key project Gem Riverside (3,000 condominiums). We expect under the situation of condo supply shortage in the city center, Gem Riverside could have high absorption rate of 80%. Moreover, we project the selling price could reach more than 90 million VND (fair price as compared with that of other projects in Thu Duc City). Thanks to the contribution of Gem Riverside, the NP in 2026 could reach 481 billion VND (+57.7% YoY).
4	BCM	82,500	34.8	2.6	Net profit is expected to increase 29%/33% in 2025-26 thanks to positive FDI capital into Vietnam after Vietnam upgrades diplomatic relation with the US, Japan and South Korea; Cay Truong IP is gradually being cleared of legal issues and will soon be put into operation in the next 2-3 years.
5	HPG	33,500	13.5	1.6	HPG is beneficiary of recovery cycle driven by the strong demand of rebar and HRC segment. The growth phase expected to start since 2025 with the contribution from the positive signal of construction sector. The increase of housing supply and public investment would bring positive impact on rebar sales. In term of HRC volume, we project thanks to AD tax and Dung Quat 2 Complex, the volume could grow 40% yoy to 4.4 million tons.
6	MWG	80,500	16.9	2.8	MWG recorded positive net earnings for BHX in Q2 and Q3/24 and successfully penetrated the Central market in 4Q24. The company's streamlined minimart format is projected to divert customer traffic from traditional retail outlets, thereby helping BHX's revenue growth by 21%/16% in the FY25-26F.
7	POW	14,900	20.3	0.8	Improving utilization rates across power plants to support net profit growth of 25% CAGR over 2024-26 thanks to: 1) Strong power consumption growth is anticipated amidst recovering industrial demand; 2) EVN’s improved financial position, following an electricity price rise, is expected to facilitate a higher mobilization level for gas-fired power.
8	PVS	47,300	11.8	1.2	Delayed FID and limited contracts for Block B has prevented the company from reaching a significant increase in 2024, but as the full contracts were granted, the positive effect will be more evident next year.
9	FPT	170,400	22.3	4.8	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. We forecast FPT's 2024/25/26 net profit to grow 22.5%/21.1%/21.4% yoy.
10	CTR	153,100	23.1	5.6	The accelerating 5G network rollout and commercialization in Vietnam, projected until 2030, will be the main driver of CTR's profit growth in the coming period. Notably, the TowerCo segment is expected to be the primary growth engine, as the trend of infrastructure sharing among telecom operators is forecasted to intensify, aiming to reduce the pressure of investment and operational costs.

Table of Contents

Sectors

1

SECTOR OUTLOOK | Banks

Improving at a consistent pace but unevenly distributed

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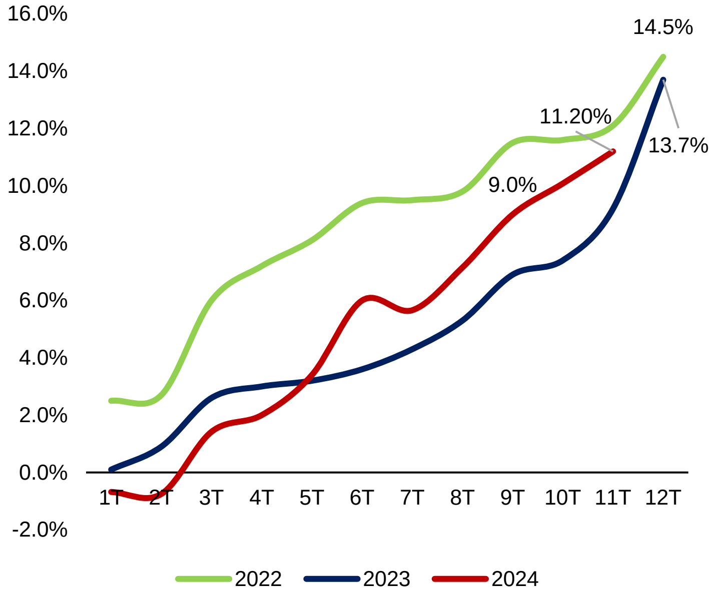
Credit growth: to surge at least 15% in FY24F

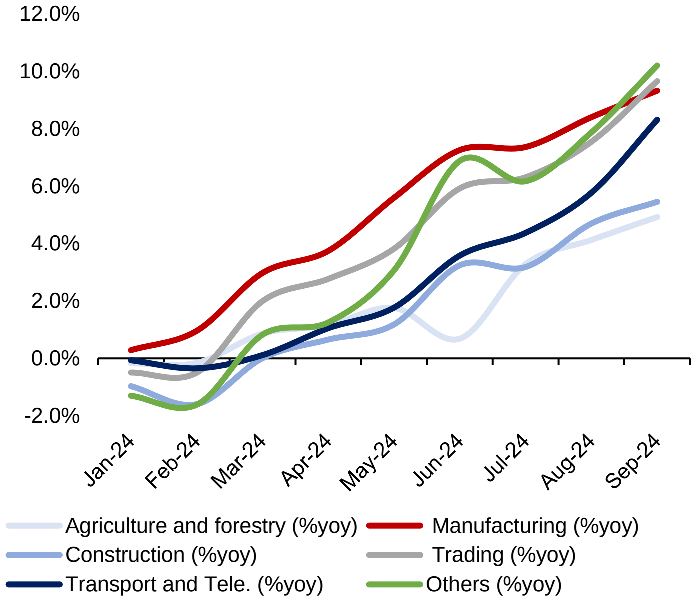
- System credit had a sluggish performance in 1Q24 but then accelerated since May, driven by both manufacturing and trading. By end-3Q24, credit demand of manufacturing and trading sectors grew 9.3% ytd and 9.7% ytd, respectively. Meanwhile, construction lending growth were 5.4% ytd, lower than that of same period last year. Total credit balance of listed bank expanded 11.2% ytd at end-3Q24, among that, three SOE banks (VCB, CTG, BID) delivered an average growth of 9.6% ytd. LPB, HDB, TCB and ACB were banks that recorded the credit growth higher than 13% ytd.
- As at 7-Dec, system credit grew 12.5% ytd, faster than that of last year and not far from the State Bank of Vietnam (SBV) ‘s target of 14-15% for the whole year. We believe the growth rate of 14% is achievable following aggressive public investment disbursement rate and the higher credit demand of 4Q.

Industry credit growth accelerated since Jun to 11.2% (% ytd)



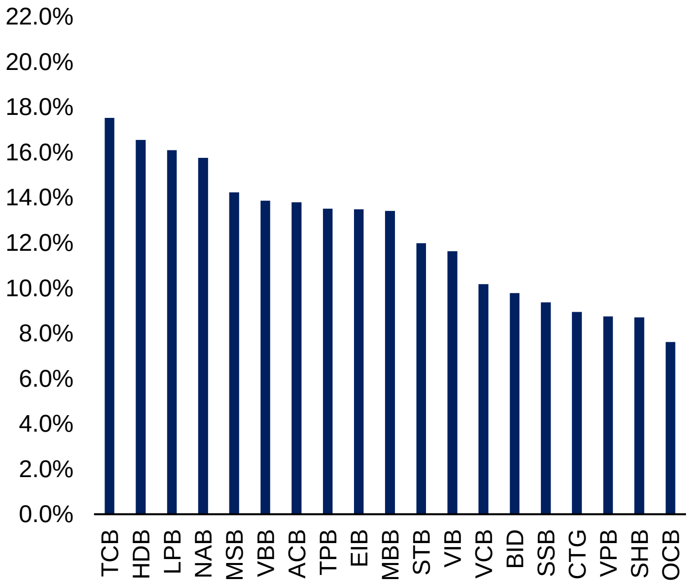
- *Source: SBV, MBS Research*

Credit growth by sectors (% ytd)



- *Source: SBV, MBS Research*

Credit growth of banks as of end-3Q24 (% ytd)

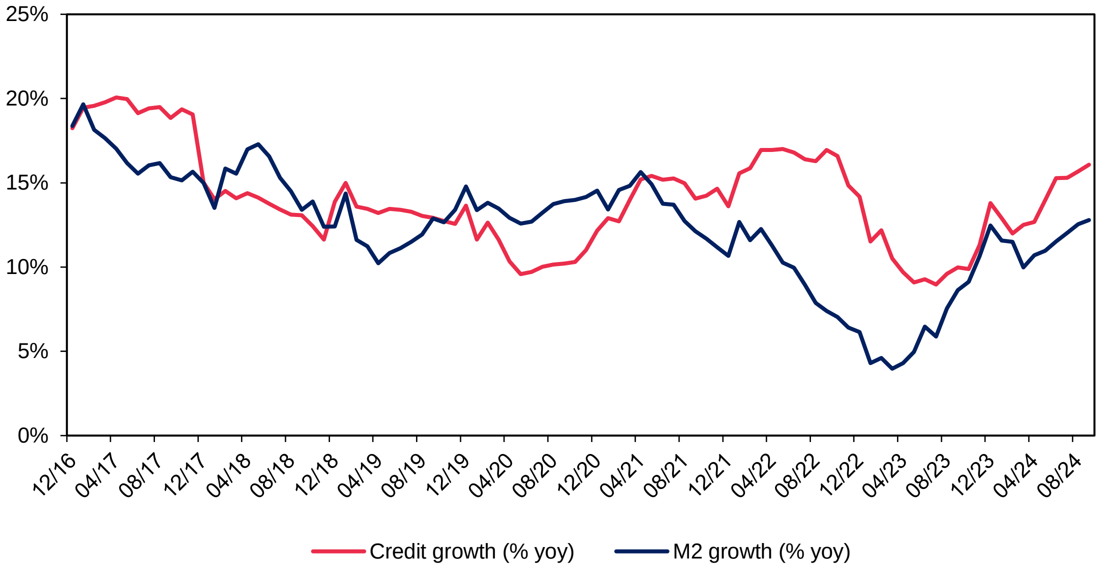


- *Source: Banks, MBS Research*

Deposit growth significantly lags behind credit growth which might create upward pressure on input rates

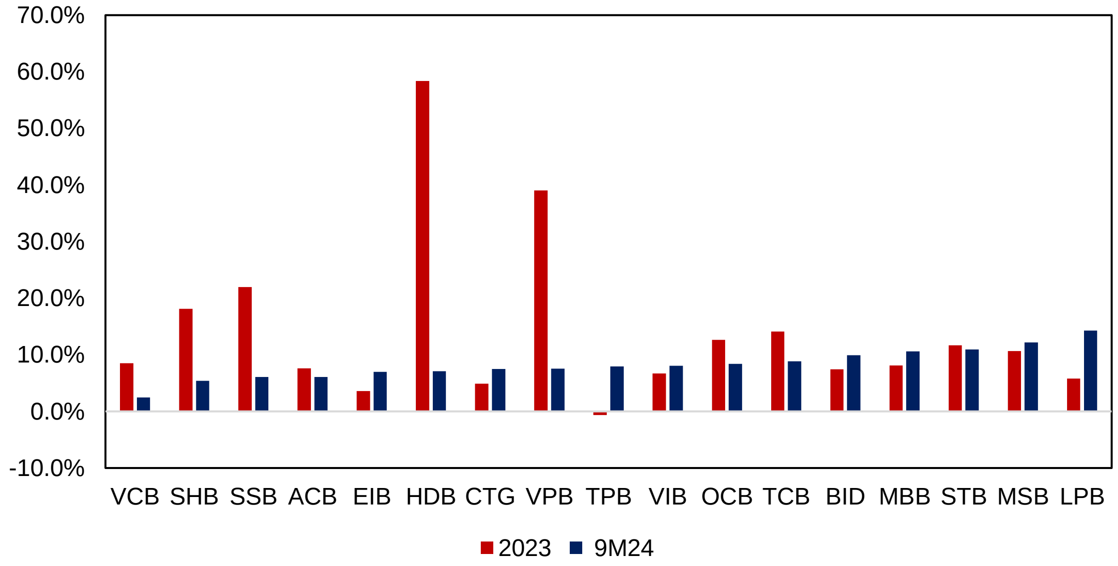
- As of Sep-2024, the total money supply (M2) reached VND16,949tr, reflecting a 5.94% ytd. Individual deposits saw stronger growth at 6.5% ytd, outpacing deposits from firms (3.4% ytd) . Notably, M2 in Sep-24 recorded a 1.75% mom growth, driven by the SBV's flexible monetary policies and deposit rate hikes by small and medium-sized banks since April 2024 to improve deposit growth. The total deposit balance of listed banks grew by 7.4% ytd . Among them, LPB, MSB, and STB led deposit growth among banks, achieving impressive rates of 14.3%/12.2%/11.0%, respectively.
- According to the SBV, total deposits as of 7-Dec reached approximately VND14,800tr, (+7.36% ytd), significantly trailing the credit growth of 12.5% ytd. We expect deposit rates will inch up by an additional 20 bps by year-end , range between 5.1%-5.2% as credit growth is expanding nearly twice as fast as capital mobilization.

M2 and credit growth of the banking system (unit: VNDbn)



- *Source: Commercial banks, MBS Research*

Deposit growth of banks as of end-3Q24 (% ytd)



- *Source: Commercial banks, MBS Research*

Credit growth: We expect credit growth to reach 15 – 16% in FY25F from the level of 15% in FY24

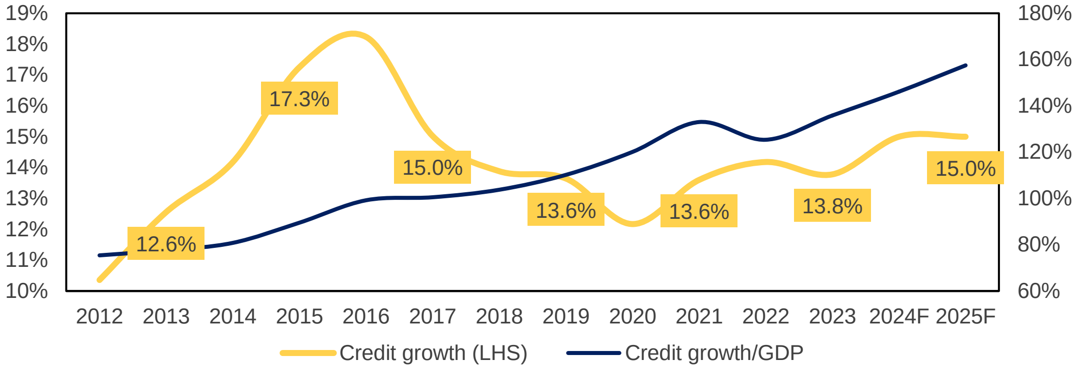
Lending activities are likely to be driven by several factors:

- Strong recovery of Vietnam's economy in 2025: This recovery will be fueled by a rebound in manufacturing and trading activities, thanks to increased external and domestic demand. This should enable the SBV (State Bank of Vietnam) to maintain an accommodative monetary policy in 2021.
- High disbursement rate of public investment: Continued high disbursement of public investment in 2025 is expected to create jobs and support credit demand, aligned with economic recovery goals and the implementation of Vietnam's mega infrastructure projects for 2021-2025.

We expect banks with the following conditions to experience higher credit growth in 2025:

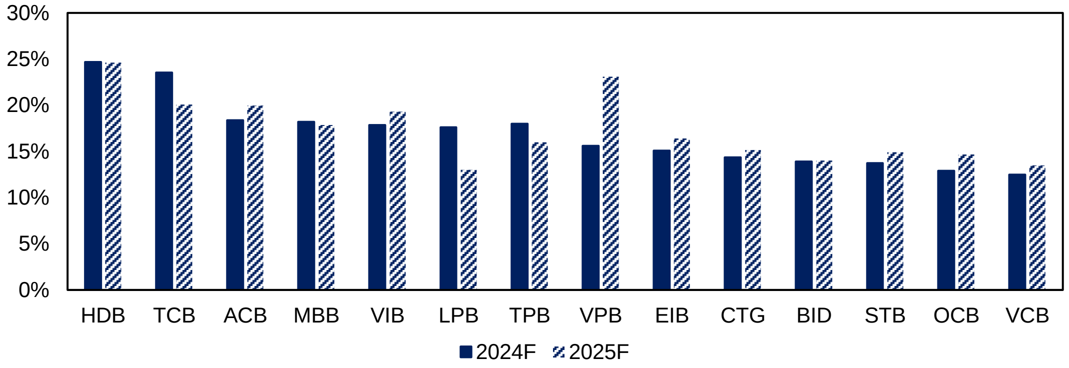
- High credit quota usage in 2024: Banks that have fully utilized a high credit quota in 2024 will be at a competitive advantage in securing credit quotas for FY2025.
- Growth in provision expenses and improved asset quality: Accelerating provision expenses in 2024, coupled with improved asset quality, will mitigate the pressure of surging NPLs (non-performing loans) in 2025 as retail banking credit growth rebounds.
- Strong recovery of Net Interest Margin (NIM) in 2024: A robust recovery in NIM in 2024 will enable banks to reduce lending rates, providing a key advantage in expanding credit in 2025.

We expect a growth of 15% - 16% for system credit in 2025



- *Source: GSO, SBV, MBS Research*

Forecasted FY25F credit growth of banks under our coverage

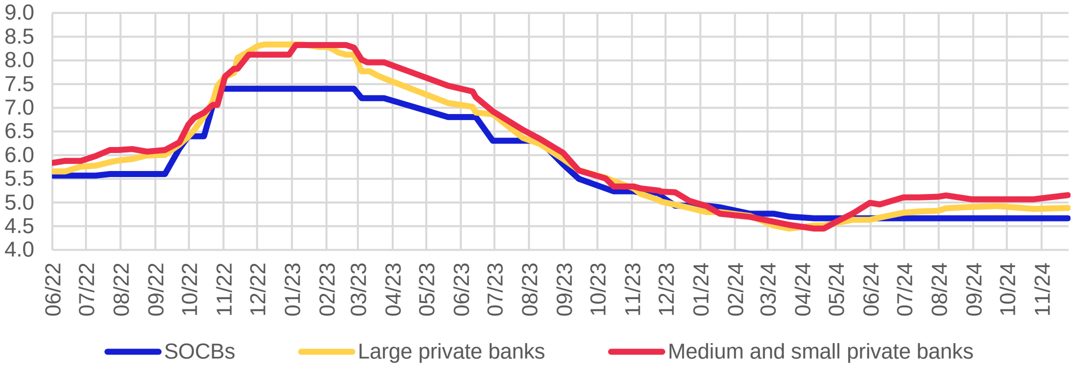


- *Source: Banks, MBS Research*

Interest rates: We expect lending rates to decrease further, but deposit rates pick up tenderly

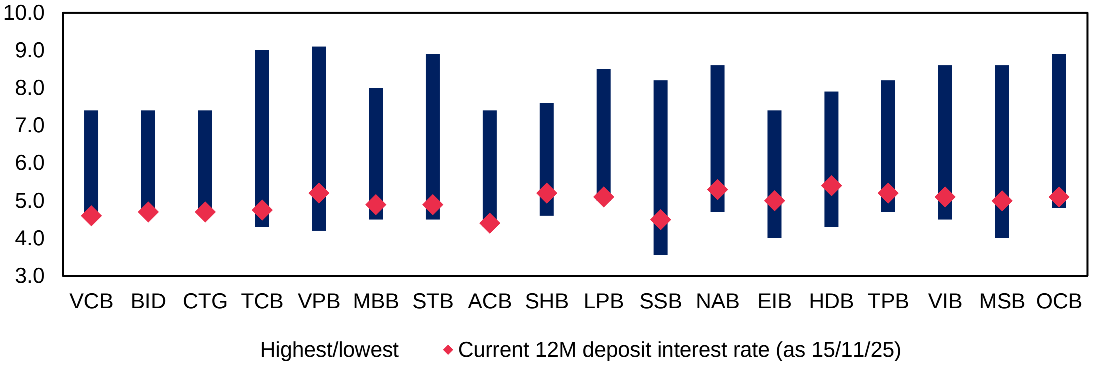
- Deposits rates began to rise again in April as low deposit rates led to a gradual withdrawal of public deposits from the banking system. The upward trend became more pronounced from June, as credit growth accelerated from 3.4% at the end of May to 6.1% by the end of June. Credit growth outpacing deposit growth by 2-3 times fueled the competition to raise deposit rates, with some banks exceeding 6% per annum at times.
- As of late November, the average 12-month deposit rate for commercial banks stood at 5%, up 14 basis points from the start of the year. Meanwhile, rates at state-owned commercial banks remained at 4.7%, 26 basis points lower than at the beginning of the year
- Deposit rates maintained at low level and weak demand for retail credit in 1H24 have encouraged banks to reduce lending rates in 3Q24. Moreover, Circular 06/2023/TT-NHNN mandates commercial banks to disclose interest rates on new loans, fostering transparency. This policy has intensified competition among banks, contributing to a noticeable cooling of lending rates by 3Q24. In addition, the impact of typhoon Yagi has prompted banks to continuously lower interest rates and launch preferential loan packages to support businesses and individuals in 3Q24.

Though deposit rates of some medium-size banks started to inch up since Apr-24 but still stayed at low level



SOCBs: VCB, BID, CTG
Large private banks: TCB, VPB, MBB, STB, ACB, SHB
Medium and small private banks: LPB, SSB, NAB, EIB, HDB, TPB, VIB, MSB, OCB

High/Low deposit rates in 12 months across banks

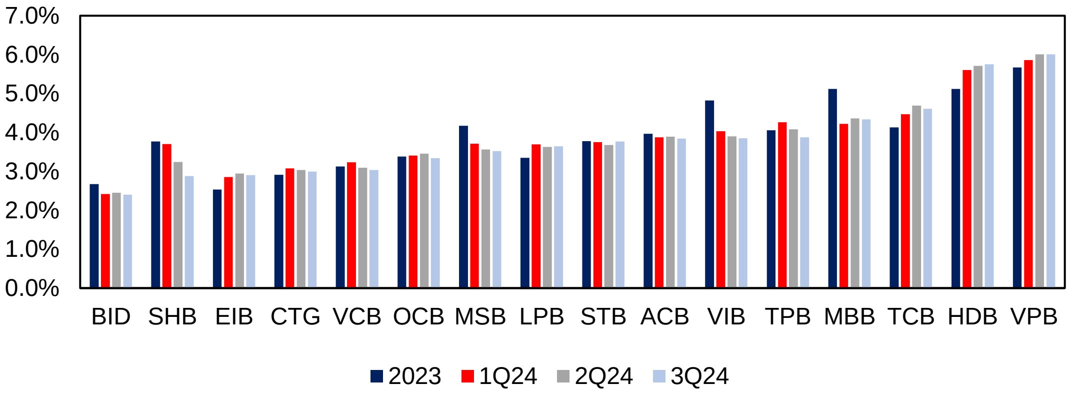


- *Source: Commercial banks, MBS Research*

NIM improvement will be challenged by lowering lending rates in FY2025

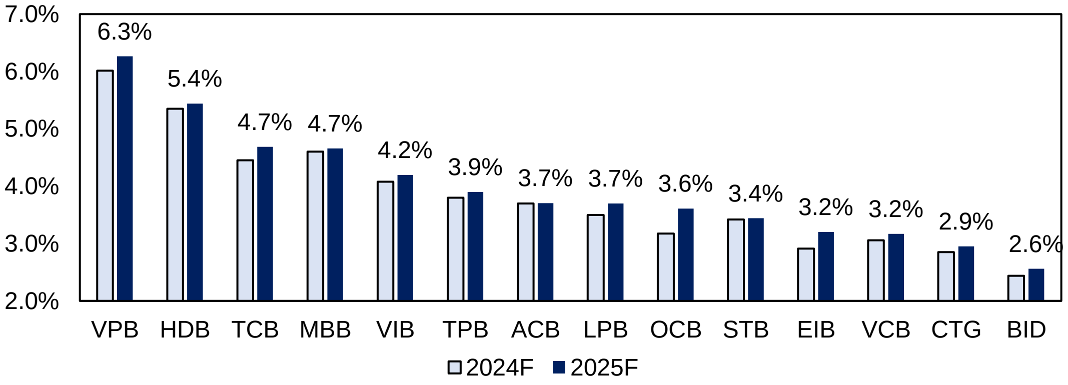
- In 3Q24, the Net Interest Margin (NIM) for listed banks decreased by 4 basis points quarter-over-quarter and by 15 basis points compared to 2023, reaching 3.37%. Overall, most banks recorded a decrease in NIM for the first nine months of 2024, with MBB and VIB experiencing the largest contractions of 119 and 113 basis points, respectively, compared to 2023.
- We anticipate that banks will continue to lower lending rates over the next 6-9 months to support borrowers, given that credit demand has not fully recovered. The slow recovery of mortgages, due to a restricted real estate supply, has primarily slowed down retail banking in 2024 and this trend may persist for the next six months, further lowering banks' asset yields in 2025.
- Deposit rates in 2025 are unlikely to remain as low as in 2024, due to stretched liquidity caused by high pressure from surging exchange rates. Moreover, interbank rates have shown signs of increasing in recent months due to global volatility. Consequently, the Cost of Funds (COF) for banks in 2025 is forecasted to be slightly higher than in 2024.
- Overall, we believe that NIM for banks is unlikely to increase significantly in 2025. However, banks could see a noticeable rise in NIM due to two factors: (i) a low base for comparison, given the significant decrease in NIM in 2024, and (ii) a focus on addressing bad debt in 2024, leading to solid earnings growth in the long term.

Except for STB, LPB, HDB, most banks in our coverage saw NIM decline QoQ



- *Source: Commercial banks, MBS Research*

FY2025F NIM forecasts of banks under our coverage

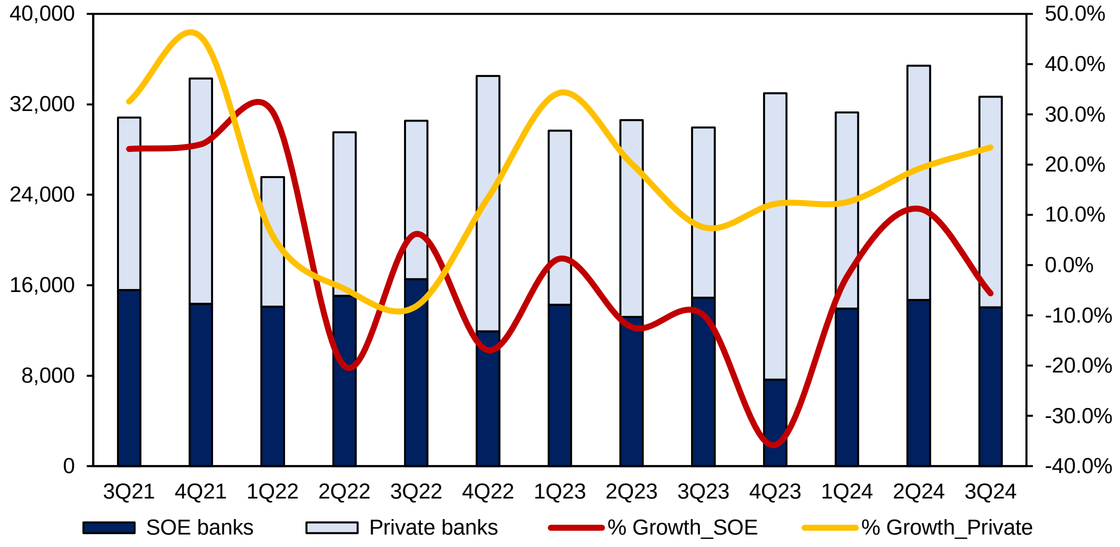


- *Source: Commercial banks, MBS Research*

Earnings growth of listed banks momentum moderate in 3Q24

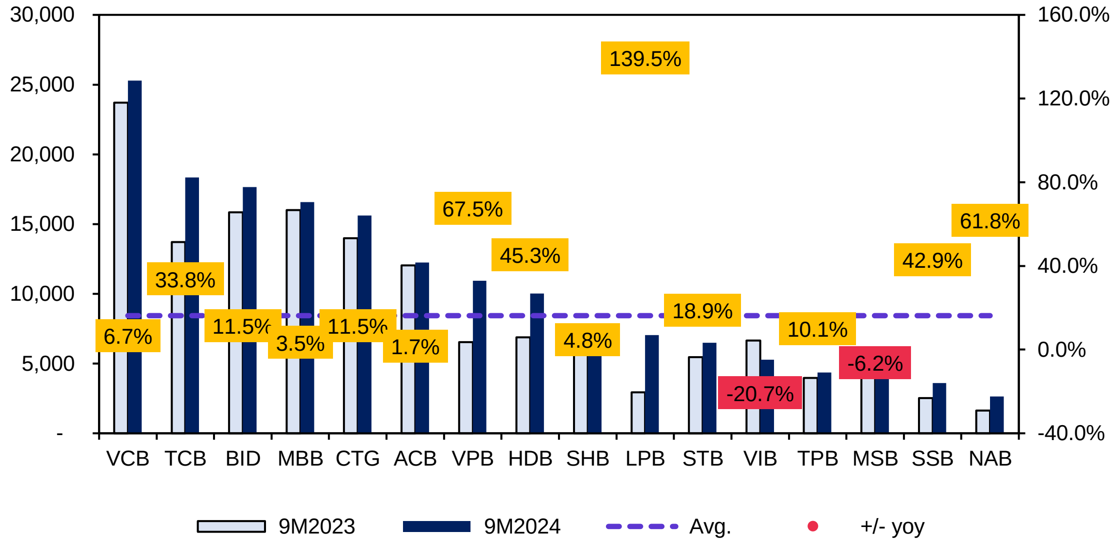
- Provisioning has slown down in 3Q2024. Provision expenses of listed banks grew by 5.4% yoy in 1Q2024 and accelerated to 15.7% yoy in 2Q2024 but decelerated to 9.7% in 3Q2024. In 9M2024, provision expenses grew by 10.1% yoy, the highest level in the last 3 years. There is a notable distinction in provisioning costs between private and state-owned banks. Robust NII growth has provided private banks with greater flexibility to enhance their provision buffers, resulting in a 23.4% yoy increase in provisioning costs in 3Q24. Meanwhile, SOE banking group proactively reduced provisioning costs in 3Q24 (-5.6% yoy) to ensure profit growth.
- Thus, the net profit of SOE banks and private banks increased 19.4% yoy and 16.7% yoy, respectively. Overall, earnings of listed banks in 3Q24 and 9M24 increased to 16.2% yoy and 17.6% yoy. In the last quarter of 2024, with controllable NPL and little improved LLR, listed banks are no longer motivated to intensify credit provisioning leading the provision expense of the sector to grow by around 10% for FY2024.

3Q24 provision expense was increased by 9% yoy leading by private banks (+23.4% yoy)



- *Source: Commercial banks, MBS Research*

3Q24 earnings of listed banks increased to 17.6% yoy, lower than growth of 2Q24 by 21.6% yoy

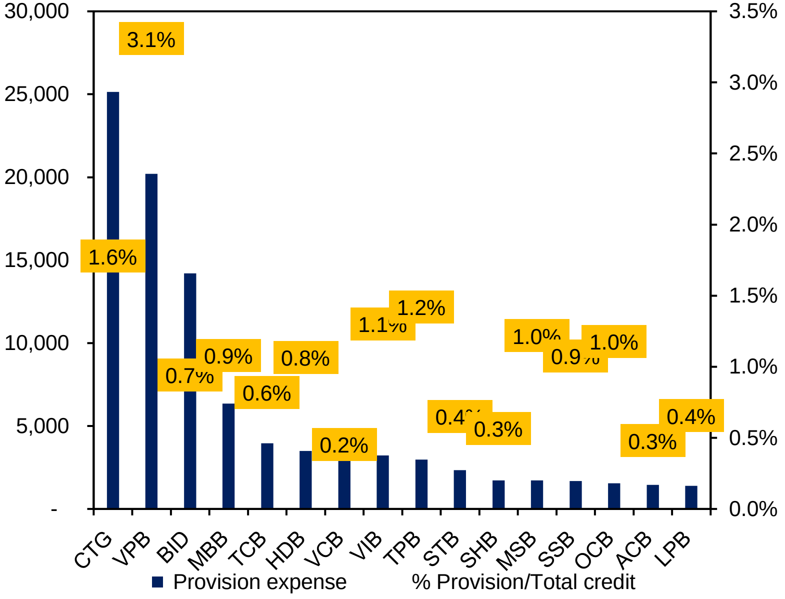


- *Source: Commercial banks, MBS Research*

Provision expenses of banks under coverage will increase by 20.1% yoy in 2025

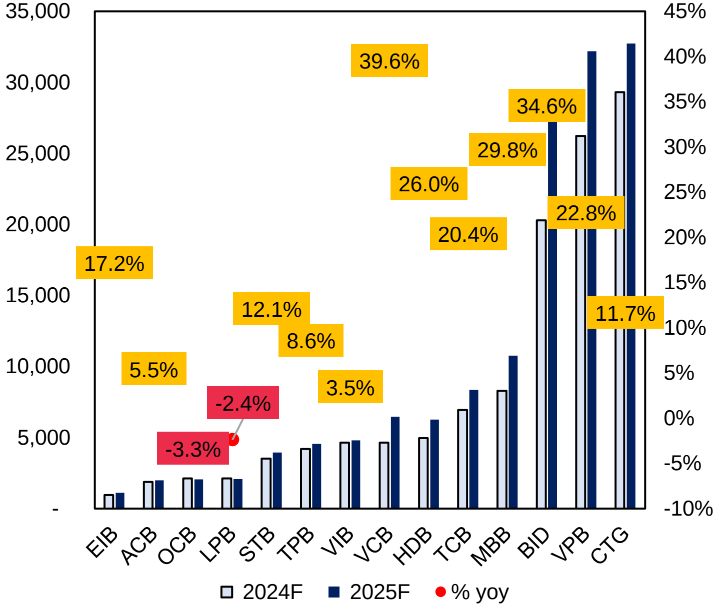
- In 2025, we concern that credit growth will be contributed by larger part of retail banking raising more NPL than corporate banking. Hence, banks tend to intensify provisioning than previous year to keep NPL lower than 2024.
- LLR ratio of listed banks has shown down trend since 2022 and was even lower than before the Covid-19. It was 83.0% at the and of 3Q2024, remarkably declined versus the peaked level of 141.5% by the end of 2021 (end of 2019: 85.4%). Therefore, we expect that banks might accelerate provisioning in 2025 to improve LLR, especially when Cir 02 is more likely to not extend that can suddenly rise NPL of low-quality banks.

Provision/Total credit in 9M2024



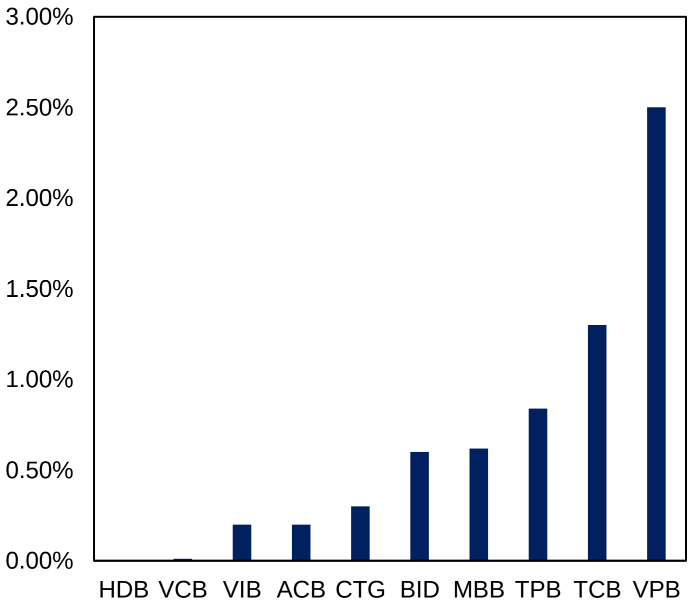
- *Source: Commercial banks , MBS Research*

Provision expenses estimated in FY2024/2025



- *Source: Commercial banks, MBS Research*

Restructured loans under Circular 02/ total loan book of listed banks

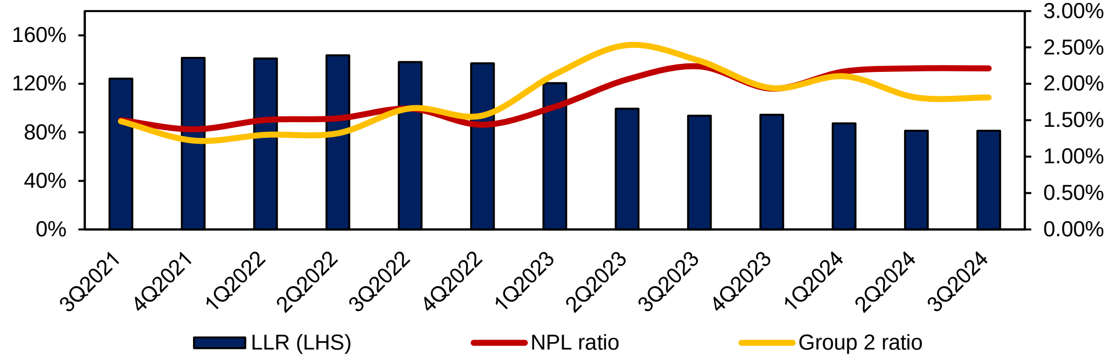


- *Source: Commercial banks, MBS Research*

Lower pressure of surging NPL thanks to higher credit growth and accelerating bad debt collection in 2025

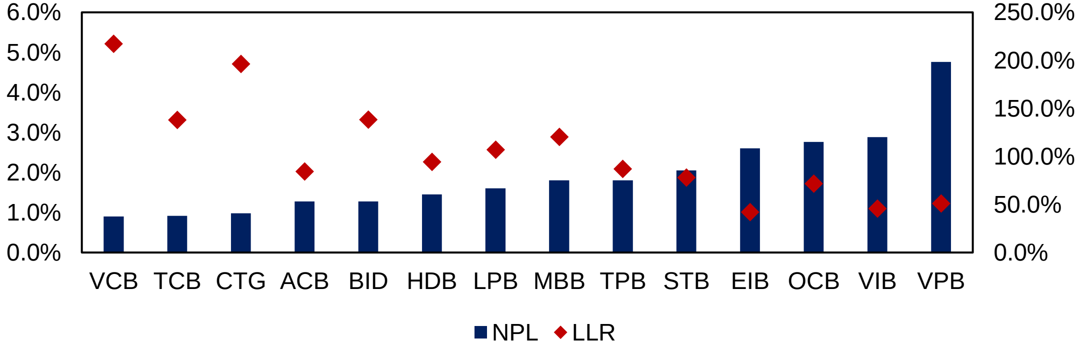
- The asset quality of listed banks has deteriorated slightly compared to the previous quarter. The NPL ratio increased for the third consecutive quarter, reaching 2.25% in 3Q24, up by 32 basis points compared to the end of FY2023. This trend is expected to continue, primarily due to the slow recovery of the construction, agriculture, oil & gas sectors, and SMEs, compounded by the impact of Typhoon YAGI, which has challenged both businesses and individuals in their production and business recovery efforts.
- The Loan Loss Reserve (LLR) ratio of listed banks was 83.5% at the end of 3Q24, up by 1.5 basis points quarter-over-quarter but down by 13.2% compared to the end of FY2023. Although 3Q24 showed a modest recovery, the provision buffers of listed banks remain weak, echoing the levels seen during the Covid-19 era.
- The Group 2 debt ratio decreased along with the LLR, but the NPL ratio continued to rise, indicating significant pressure from increasing NPLs in the last quarter of 2024. Weak credit demand in the first 10M24 has significantly contributed to this trend. Therefore, we estimate that the NPL ratio at the end of 2024 will not be lower than at the end of 3Q24.
- In 2025, the decreased Group 2 debt ratio is expected to provide a strong base for reducing the pressure from rising NPLs. Additionally, anticipated faster credit growth will help lower the NPL ratio. Banks that significantly increased provisioning and collected bad debt in 2024 are expected to intensify their lending activities in 2025, despite the surging NPLs.

Group 2 debt and NPL ratios by the end of 3Q2024



- *Source: Commercial banks, MBS Research*

FY2025F NPL and LLR ratios of banks under coverage

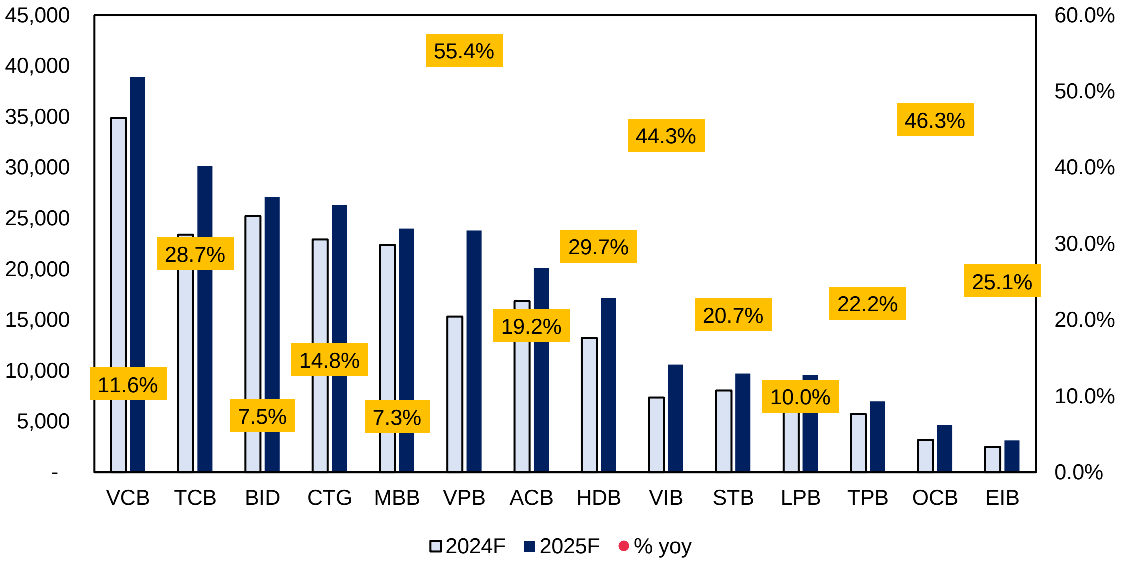


- *Source: Commercial banks, MBS Research*

We maintain our forecast that earnings growth of banks under coverage will reach around 15% in 2024 and bounce to over 20% in 2025

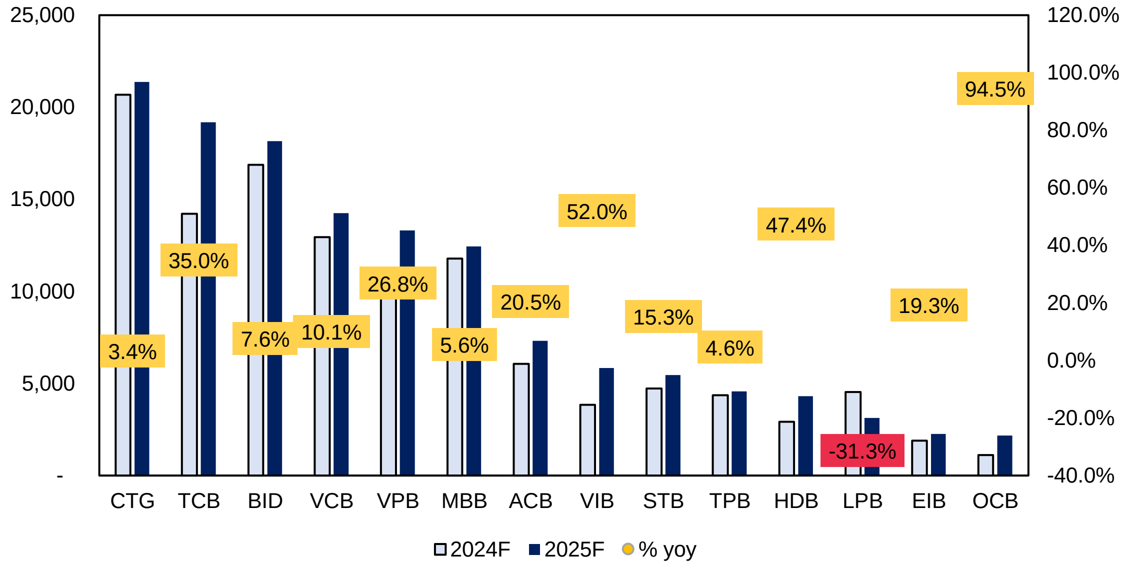
- Given the expectation that NIM will not increase in 4Q2024 due to reduced lending rates and higher COF combined with a weak NoII recovery, we estimate that net profit growth in the last quarter of FY2024 will not exceed 16%. Therefore, our forecast for the banks under our coverage remains around 15-16%, similar to the last forecast.
- In 2025, we anticipate that the recovery of NoII (Non-Interest Income) will be the main driver of accelerated earnings growth while NII (Net Interest Income) maintains its growth. The growth of NoII will be propelled by a stronger rebound in NFI (Non-Financial Income) following higher retail credit growth and continued enhancement in debt collection efforts. Certain banks, such as HDB, VIB, TCB, and OCB, which were more severely impacted in terms of NoII growth due to low income from fees and retail banking in 2024, are expected to see a stronger recovery in NoII growth in 2025. Overall, we expect earnings growth for banks under our coverage to reach 20.2% year-over-year in 2025.

Estimates of TOI’s growth of banks under coverage in FY2025



- *Source: Commercial banks, MBS Research*

NoII growth of listed banks under coverage in 2025



- *Source: Commercial banks, MBS Research*

FY24-25F key financial metrics of stock under our coverage

	ACB		**BID**		**CTG**		**EIB**		**HDB**		**LPB**		**VPB**	
	2024F	**2025F**	**2024F**	**2025F**	**2024F**	**2025F**	**2024F**	**2025F**	**2024F**	**2025F**	**2024F**	**2025F**	**2024F**	**2025F**
Total operating income	34,233	40,436	76,125	90,507	79,645	95,737	7,879	9,699	32,773	42,219	19,039	20,533	60,204	75,288
% yoy	*4.5%*	*18.1%*	*4.2%*	*18.9%*	*12.9%*	*20.2%*	*20.2%*	*23.1%*	*24.1%*	*28.8%*	*21.8%*	*7.8%*	*21.0%*	*25.1%*
Net interest income	28,167	33,126	59,252	72,346	58,975	69,923	5,987	7,441	29,848	37,909	14,496	17,410	49,714	61,983
Non-interest income	6,067	7,310	16,873	18,161	20,670	25,814	1,892	2,258	2,925	4,310	4,543	3,123	10,490	13,305
Provision expenses	1,881	1,984	20,275	27,294	29,311	32,738	954	1,118	4,967	6,257	2,125	2,074	26,221	32,193
% yoy	*4.3%*	*5.5%*	*-0.1%*	*34.6%*	*16.7%*	*11.7%*	*37.4%*	*17.3%*	*16.4%*	*26.0%*	*-24.8%*	*-2.4%*	*4.9%*	*22.8%*
Net profit	16,834	20,075	25,229	27,112	22,934	26,327	2,504	3,133	13,232	17,158	8,735	9,607	15,320	19,318
% yoy	*4.9%*	*19.2%*	*10.6%*	*13.8%*	*14.4%*	*26.2%*	*15.6%*	*25.1%*	*28.0%*	*29.7%*	*56.8%*	*10.0%*	*80.4%*	*26.1%*
Credit growth	18.4%	20.0%	13.9%	14.0%	14.3%	15.2%	15.1%	16.4%	24.7%	24.6%	17.6%	11.4%	15.6%	23.1%
Funds growth	16.8%	17.0%	14.0%	12.2%	15.3%	16.8%	16.10%	16.90%	16.2%	19.5%	22.6%	12.1%	16.1%	26.1%
NIM	3.7%	3.7%	2.4%	2.6%	2.9%	3.0%	2.91%	3.20%	5.4%	5.4%	3.5%	3.7%	6.0%	6.3%
CIR	33.0%	33.0%	33.4%	31.7%	27.0%	28.0%	48.0%	47.9%	34.0%	34.0%	34.1%	34.5%	24.5%	25.0%
NPL	1.4%	1.3%	1.40%	1.28%	1.3%	1.1%	2.70%	2.60%	1.87%	1.45%	1.7%	1.6%	4.8%	4.7%
LLR	74.8%	84.6%	136.8%	138.6%	136.0%	168.1%	41%	42%	67.9%	94.6%	89.0%	107.0%	51.3%	48.7%
ROE	21.5%	21.2%	16.20%	15.60%	16.7%	18.2%	10.6%	11.8%	26.8%	27.3%	21.6%	18.9%	11.1%	12.9%
ROA	2.2%	2.2%	0.9%	0.9%	1.1%	1.2%	1.2%	1.3%	2.0%	2.2%	2.0%	1.8%	1.8%	1.9%

FY24-25F key financial metrics of stock under our coverage

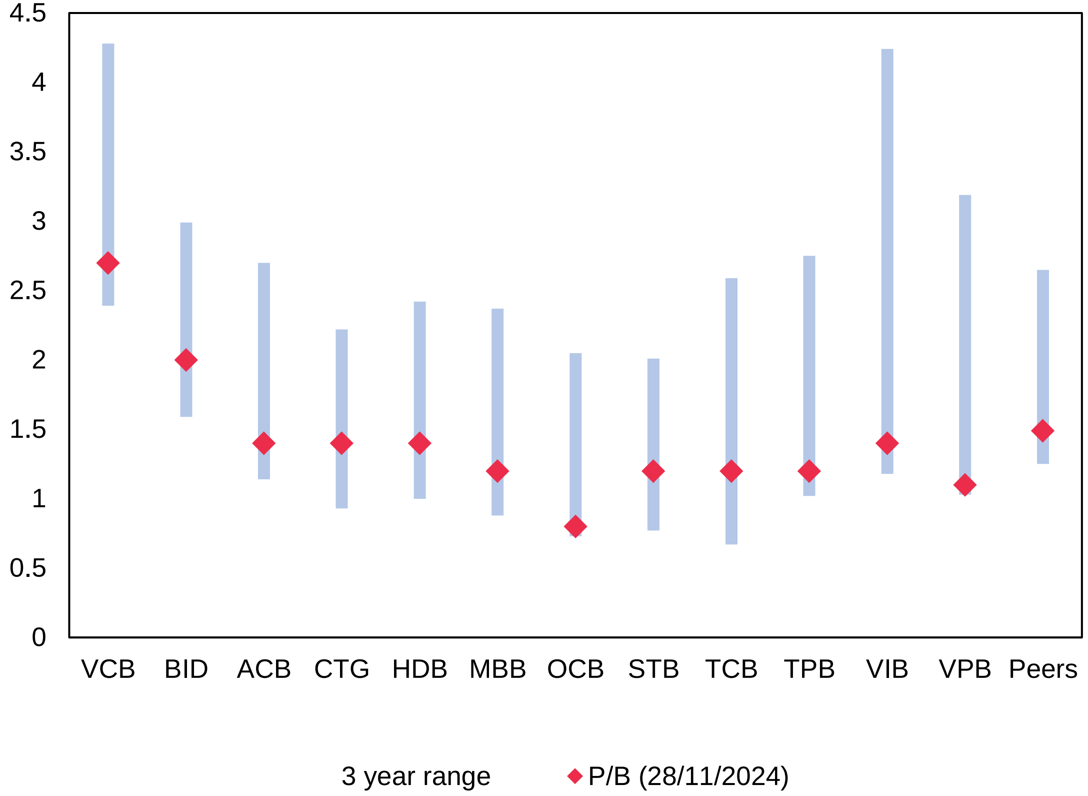
	OCB		**STB**		**TCB**		**TPB**		**VCB**		**VIB**	
	2024F	**2025F**	**2024F**	**2025F**	**2024F**	**2025F**	**2024F**	**2025F**	**2024F**	**2025F**	**2024F**	**2025F**
Total operating income	9,180	11,180	28,305	31,577	51,992	67,059	17,621	20,089	70,902	80,975	21,027	27,491
% yoy	*-2.6%*	*36.0%*	*8.1%*	*11.6%*	*29.8%*	*29.0%*	*8.5%*	*14.0%*	*7.0%*	*13.0%*	*-4.5%*	*29.4%*
Net interest income	8,063	9,007	23,965	26,376	37,777	47,875	13,253	15,519	57,960	66,726	17,312	21,513
Non-interest income	1,117	2,173	4,340	5,200	14,215	19,184	4,368	4,570	12,942	14,249	3,715	5,978
Provision expenses	2,120	2,049	3,516	3,942	6,935	8,350	4,199	4,562	4,641	6,024	4,647	4,808
% yoy	*30.3%*	*-3.3%*	*-4.7%*	*12.1%*	*76.9%*	*20.4%*	*6.4%*	*8.6%*	*2.0%*	*30.0%*	*-4.1%*	*3.5%*
Net profit	2,711	3,996	8,458	9,420	23,414	30,138	5,714	6,983	34,662	38,923	7,051	10,894
% yoy	*-17.9%*	*47.4%*	*9.6%*	*11.4%*	*28.7%*	*28.7%*	*28.0%*	*22.2%*	*4.9%*	*11.6%*	*-17.6%*	*54.5%*
Credit growth	12.9%	14.7%	13.7%	14.9%	23.5%	20.1%	16.0%	16.0%	12.5%	13.0%	21.5%	19.3%
Funds growth	9.7%	11.9%	9.4%	11.4%	22.9%	18.2%	13.0%	15.0%	11.6%	10.2%	18.7%	14.9%
NIM	3.2%	3.6%	3.7%	3.7%	4.5%	4.7%	3.8%	3.9%	3.1%	3.2%	3.9%	4.2%
CIR	40.0%	37.0%	50.0%	50.0%	30.0%	31.0%	35.9%	34.9%	31.4%	30.4%	36.0%	33.0%
NPL	3.0%	2.8%	2.4%	2.2%	1.20%	0.92%	2.0%	1.8%	1.0%	0.9%	3.0%	2.6%
LLR	62.2%	71.7%	70.4%	76.5%	101.3%	138.1%	77.4%	87.1%	205.2%	217.3%	49.9%	48.9%
ROE	10.5%	13.7%	17.0%	16.1%	16.8%	18.4%	14.8%	15.4%	17.0%	16.4%	17.9%	23.2%
ROA	1.3%	1.7%	1.2%	1.2%	2.5%	2.7%	1.4%	1.4%	1.7%	1.7%	1.6%	2.1%

Investment strategy : We believe the current valuation of banks remains attractive for investment

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

- *Source: FiinPro, MBS Research*

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



- *Source: FiinPro, MBS Research*

Investment strategy: Our stock picks are VIB, CTG and TPB

Ticker	Rating	Target price	Investment thesis
VIB	ADD	24,500	We revise forecast credit growth of VIB for FY2024 reaching 21.5%, full credit quote provided (extended in Nov 2024 from 16% last time). However, NIM in FY2024 will be down to 3.9% (-86 bps yoy). Provision expense will decrease by 4.1% yoy due to high base last year leading VIB's net profit go down by 17.6% yoy in FY2024. In 2025, we expect net profit of VIB to grow by 54.5% yoy thanks to low base resulted mainly by accelerating both NII and NoII combined with remained provision expenses. NII is supported by NIM increased by 20 bps and credit growth by over 20%. Meanwhile, NoII's growth is majorly driven by strong recovery of fee income. NPL will be under 3% by the end of 2025. Target P/B is revised up to 1.2x thanks to positive expectation of earnings growth and more solid asset quality in FY2025.
CTG	ADD	44,600	Net profit of FY2024 is expected to grow by 14.5% yoy. Credit growth will reach 14.3% yoy while NIM is slightly down to 2.9% (FY2023: 3.0%). For FY2025, we expect net profit to grow by 26.2% yoy driven by recovery of NoII and NII by 24.9% and 18.5% yoy. Provision expenses will grow by 11.7% yoy (FY2024F: +16.7% yoy). NPL is expected to stay below 1.2%, -13 bps yoy. LLR will reach 136.0%, top 3 of all sector. Target P/B is revised up to 1.4x for CTG thanks to positive outlook in 2025. This P/B is slightly higher than current P/B of 1.3x but much lower than BID (2.0x) and VCB (2.7x) due to higher credit cost. We believe the difference will shrink in long term.
TPB	ADD	20,800	We like TPB for 1) its leading position in digitalization banking which allow the bank to tap into young client and enhance the bank's lending ability, 2) credit growth is expected to reach 18%/16% yoy in FY24/25F, supporting for earnings growth 3) NIM will expands 13 bps yoy to 3.95% in FY25F, driven by a higher net interest rate spread due to the ability to pass on interest costs amid a strong recovery in property market and 4) net profit in FY25/26F is expected to grow 22%/20% yoy The current price is 1.1x at FY25F BVPS, which is 22% below P/B 3-year average of 1.4x and 15% P/B FY24F's peers. We believe that TPB is still a reasonable choice with earnings growth momentum of over 20%/year in FY24-26F and gradually improving asset quality.
TCB	ADD	29,900	Credit growth will reach 23.5% for FY2024. NIM will strongly recover to 4.5% (+43 bps yoy). NoII's forecast is revised down to grow by 14.9% (last forecast: 24.9%) due to one-off expenses valued VND 1.8tn from banca with Manulife. NPL and LLR will reach 1.2% and 101.3% respectively. TCB's earnings forecast is adjusted to grow by 28.7% yoy in 2024. In 2025, we expect that net profit will keep the same pace of growing with accelerated NoII's growth and slightly lower NII's growth due to high base last year. Besides, provision expenses will also decelerate thanks to improved asset quality proven by NPL under 1%. P/B target is revised up to 1.3x since the ability to weather the difficulties shown in the recent 2 years.

Investment strategy: Our stock picks are VIB, CTG and TPB

Ticker	Rating	Target price	Investment thesis
HDB	ADD	33,050	TOI in FY2024 is expected to increase by 24.1% yoy driven by growth of NII by 34.5% yoy while NoII will decrease by 30.8% yoy. Credit growth will reach 24.7% in 2024 and NIM is 5.4% (+32 bps yoy). NPL at the end of 2024 is expected to keep under 2.0%. In 2025, net profit is expected to grow by 29.7% thanks to strong recovery of NoII by 47.4% yoy. NIM is expected to remain at 5.4%, much higher than average of the sector. Credit cost will be maintained at 1.1%, equivalent to FY2024. Target P/B is 1.4x, higher than its peers such as MBB, ACB, TCB,…reflecting higher effectiveness proven by ROE maintaining over 20% since FY2020.
VCB	ADD	115,000	We forecast loan book in 2025 to grow 13% yoy as individual lending is expected to recovery sli in 2H25, supported by economic recovery and a resurgence in retail credit demand. Additionally, we expect consumer credit to improve in 2025 compared to the lower base of 2024. NIM will expands 11 bps yoy to 3.2% in FY25F, driven by a higher net interest rate spread due to the ability to pass on interest costs amid a strong recovery in retail demand in 2H25. We forecast net profit to grow 4.9%/11.6% in 2024-25 The current price is 2.5x at FY24F BVPS, which is 19.3% below P/B 3-year average of 3.1x. We believe that VCB is still sturdy pick given 11% yoy net profit growth in FY25F and premier asset quality with largest provision buffer among banking sectors.
VPB	ADD	22,150	Net profit of FY2024 is expected to grow by 80.4% yoy thanks to low base last year and strong recovery of NII which was resulted by NIM's significant increase. NPL is expect to below 5% by the end of 2024. In 2025, net profit's growth is revised down to 26.1% yoy due to reducing expectation of NIM increase and persistent high provisioning. Higher credit growth in 2025 will be more contributed by retail banking that might cause high pressure of surgin NPL. Hence, maintain high provisioning is to keep NPL below 5% by the end of year. FECredit is expected to get net profit in 2025. Target P/B is set to 1.1x as NPL is still much higher the average sector, attractive for long term with over 20%/year of net profit's growth.
ACB	HOLD	27,100	Credit growth in FY2024 is adjusted up to 18.4% yoy (last forecast: 16.0% yoy). NIM is down to 3.7%, lower than 3.8% of 9M2024. NoII will be reduced by 22.1% yoy. Provision expense will increase slightly by 4.3% yoy while CIR will flat at 33.0%, the same level as in FY2023. Hence, net profit of ACB is expected to reach VND 16,834 bn (+4.9% yoy), completing ~95% FY2024's plan. In 2025, we estimate net profit to grow by 19.2% mainly supported by NII growing by 17.6% yoy and flat provision expenses growth. Target P/B is 1.3x reflecting underperformed earnings growth and deteriorated asset quality in 2024.

Investment strategy: Our stock picks are VIB, CTG and TPB

Ticker	Rating	Target price	Investment thesis
STB	HOLD	33,400	Net profit for FY2024 increases is expected to increase 9.6% yoy. TOI is expected to grow 8.1% yoy in which NII and NoII grow by 8.6% and 5.8% yoy. NIM is slightly down to 3.7% (FY2023: 3.8%) with credit growth expected to reach 13.7% by the end of 2024. In 2025, net profit is expected to grow by 11.4% driven by stronger growth of NoII by 19.8%. NIM stays at 3.7% with accelerated credit growth to 15%. Provision expenses is forecasted to grow by 11.2% yoy with stable CIR at 50%. NPL will be down to 2.2% (2024: 2.5%) Target P/B 1.1x, equivalent to current P/B, relatively attractive for long term, especially when restructure progress is completed.
BID	HOLD	51,800	We forecast NIM on recover in FY25/26F, reaching 2.56%/2.64% (+15 bps/+8 bps yoy) as AY will improves 40 bps/28 bps yoy thanks to a higher interest rate base and increasing demand for retail lending, which offers higher lending yields. While we forecast COF will rise more slowly, by 29 bps/17 bps yoy in FY25/26F due to a low base interest environment in FY24F We expect asset quality to improve in 2025 thanks to 1) a warming economy and a recovery in production and business activities and BID will try to strengthen its balance sheet through write-offs and provisioning in 2025. As a results, we forecast that BID's NPL ratio will reachs 1.3% in 2025 (+9 bps yoy).
EIB	HOLD	20,600	We forecast NIM in FY25F to continue expanding, reaching 3.2% (+29 bps yoy) as AY will improves 45 bps yoy thanks to a higher interest rate base and increasing demand for retail lending, which offers higher lending yields. We forecast EIB's LLR ratio to climb by 147 bps/100bps to 42.1%/43.1% in 2025/26, driven by (1) strengthened provisioning efforts and (2) a forecasted NPL ratio reduction of 17 bps/9bps yoy to 2.6%/2.5% in 2025/26. Overall, we forecast EIB's NP to increase 19.9%/24.9%/19.8% in FY24/25F/26F. EIB is traded at 1.3x P/B 2025 lower 7.1% vs. average 1-year P/B and equivalent vs. peers. We believe EIB' s growth prospects are already priced in.
OCB	HOLD	12,600	Net profit in 2024 is expected to decrease by 17.8% yoy due to negative business result in 9M2024 along with seriously deteriorated asset quality. TOI in FY2024 is forecasted to go up by 2.7% yoy in which NII increases by 19.2% yoy while NoII decreases by 48.6% yoy. Provision will go up by 30.3% yoy while CIR stays at high level of 40% for FY2024. In 2025, we estimate that net profit growth will reach 47.4% yoy thanks to strong improvement of NoII and declined provision expenses by 3.3% yoy. NPL at the end of 2025 is expected to go down to 2.8% (2024F: 3.0%). Target P/B is 0.9x. Despite of expected strong recovery of net profit growth in 2025, it is mainly due to low base in FY2024. This target P/B is equivalent to current P/B reflecting worse than expected business performance in 2024.

Investment strategy: Our stock picks are VIB, CTG and TPB

Banks	**Market cap VNDbn**	**Recommend**	**P/E**		**P/B**		**Earnings growth**		**ROE**		**ROA**	
			2024F	**2025F**	**2024F**	**2025F**	**2024F**	**2025F**	**2024F**	**2025F**	**2024F**	**2025F**
ACB	112,336	Hold	6.7x	5.6x	1.3x	1.1x	4.9%	19.2%	21.5%	21.2%	2.2%	2.2%
BID	264,500	Hold	11.2x	9.8x	1.8x	1.5x	10.6%	13.8%	16.2%	15.6%	0.9%	0.9%
CTG	195,199	ADD	8.4x	6.7x	1.3x	1.1x	14.4%	26.2%	16.7%	18.2%	1.1%	1.2%
EIB	36,696	Hold	12.9x	10.3x	1.4x	1.2x	15.9%	25.1%	10.6%	11.8%	1.2%	1.3%
HDB	82,833	ADD	5.7x	4.4x	1.4x	1.0x	28.0%	29.7%	26.8%	27.3%	2.0%	2.2%
LPB	84,785	N/a	9.7x	8.9x	2.0x	1.6x	56.8%	10.0%	21.6%	18.9%	2.1%	2.0%
OCB	26,877	Hold	8.9x	5.1x	0.7x	0.6x	-17.9%	47.4%	10.5%	13.7%	1.3%	1.7%
STB	64,097	Hold	7.4x	6.6x	1.2x	1.0x	9.6%	11.4%	17.0%	16.1%	1.2%	1.2%
TCB	172,029	ADD	7.2x	5.6x	1.1x	0.9x	28.7%	28.7%	16.8%	18.4%	2.5%	2.7%
TPB	42,932	ADD	7.5x	6.1x	1.2x	1.0x	28.0%	22.2%	15.3%	15.8%	1.5%	1.5%
VCB	520,344	ADD	15.1x	13.5x	2.6x	2.2x	4.9%	11.6%	17.1%	16.1%	1.7%	1.7%
VIB	57,348	ADD	6.8x	4.4x	1.2x	0.9x	-16.9%	54.5%	17.9%	23.2%	1.6%	2.1%
VPB	151,935	ADD	10.6x	8.3x	1.1x	1.0x	80.4%	26.1%	11.1%	12.9%	1.8%	1.9%
Avg (excluding SOE banks)			8.3x	6.5x	1.2x	1.0x	19.2%	22.5%	16.9%	17.9%	1.7%	1.9%
Avg.			**9.1x**	**7.3x**	**1.4x**	**1.2x**	**14.7%**	**20.2%**	**16.9%**	**17.6%**	**1.6%**	**1.7%**

- *Source: FiinPro, MBS Research*

2

SECTOR OUTLOOK | Residential Property

A new cycle begins

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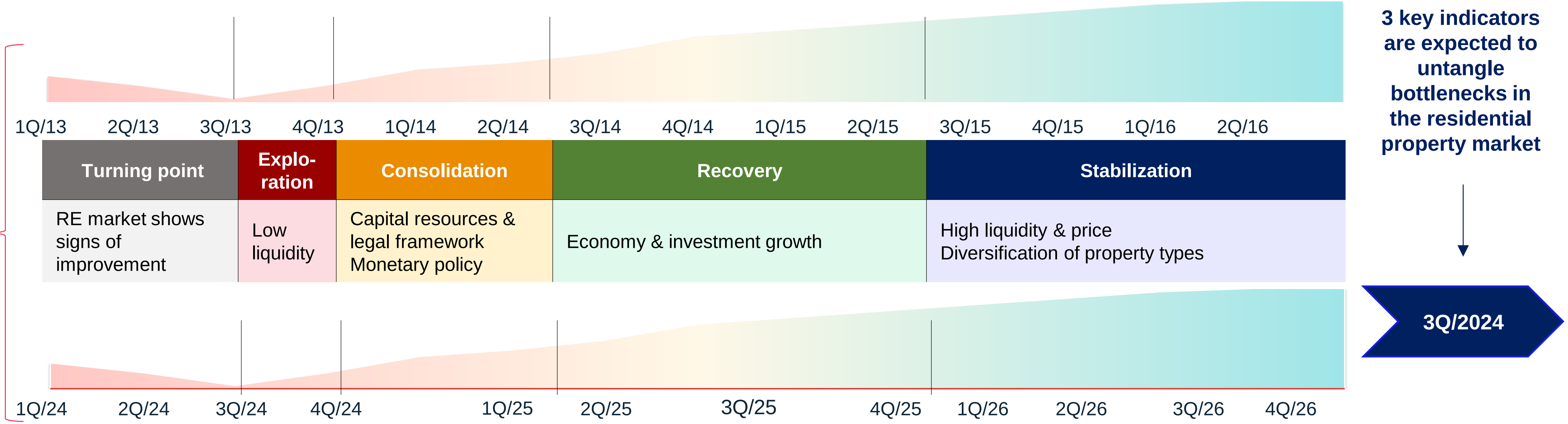
We believe a new cycle has begun following 3 key pillars: low interest rate – improving infrastructure – changing legal framework

The 2013 residential property cycle

Interest rate	Infrastructure	Residential property legal framework
Following consecutive interest rate hikes, the SBV had cut down the key interest rates **for the first time since early 2012**.	**2013** marked the opening of Ninh Binh – Cau Gie express way. Ha Noi – Hai Phong, parts of Long Thanh – Dau Giay expressways are constructed and opened in 2015.	The first year of proactive policies targeting the market, especially real estate laws. VND30tn housing loan initiative was introduced, with a preferential 6% interest rate. Amended Land Law was enacted in 2013.



RESIDENTIAL PROPERTY CYCLE

Turning point	Exploration	Consolidation	Recovery	Stabilization
RE market shows signs of improvement	Low liquidity	Capital resources & legal framework Monetary policy	Economy & investment growth	High liquidity & price Diversification of property types

3 key indicators are expected to untangle bottlenecks in the residential property market

The 2024 residential property cycle

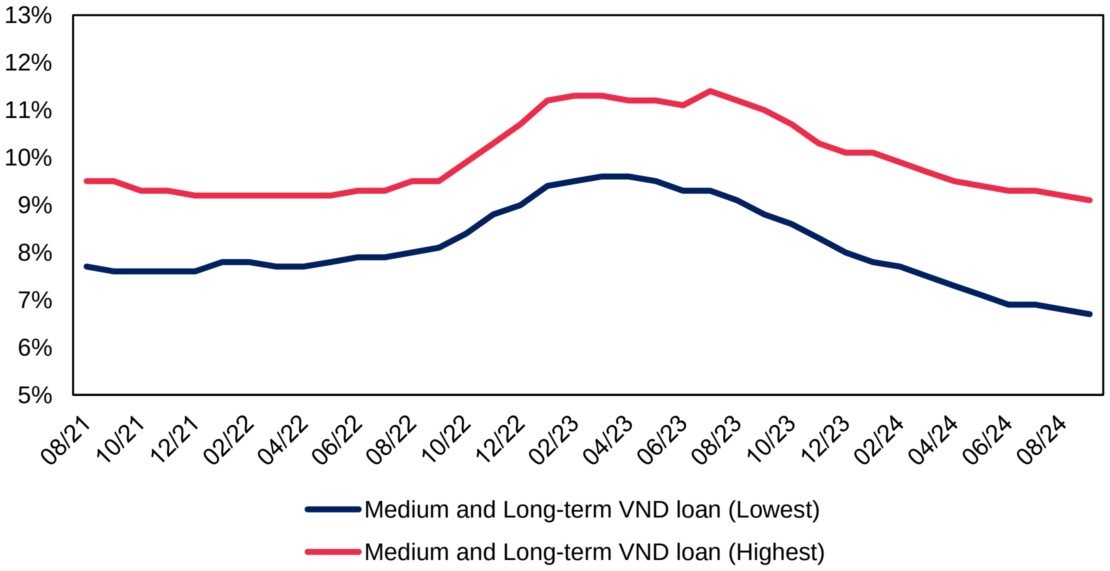
Interest rate	Infrastructure	Residential property legal framework
Policy rates have been consistently lowered since early 2023, with lending rates currently ranging from 9% to 11%.	In Hanoi, Ring Road 3.5 and Ring Road 4 may finish in 2025-27. In HCM, Long Thanh Airport is the most promising project.	Three critical laws were enacted in early 2024 and are scheduled for early implementation, starting mid-2024.

- *Source: Batdongsan.com.vn, MBS Research*

Supportive macro factors: Interest rates have reached attractive levels

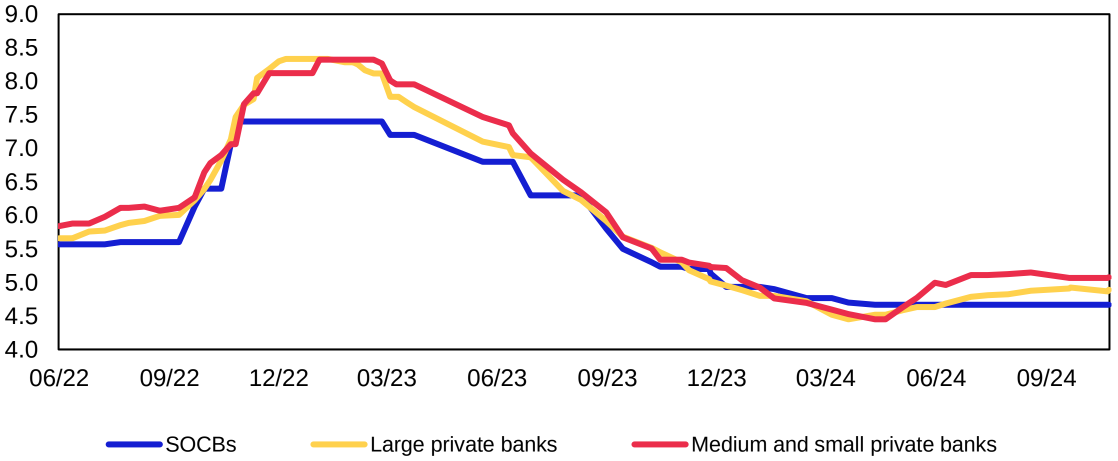
- Since the beginning of 2023, the State Bank of Vietnam has reduced its key interest rates 4 times, with the current refinancing rate now at 4.5% (lower than that in the Covid period in 2020). As a result, medium to long-term lending rates are currently hovering around 6.7% - 9.1% (down from 9.3% - 11.4% in mid-2023).
- The rise in exchange rates has created tight liquidity pressures in the system. Deposit interest rates are showing signs of gradual increase in order to attract liquidity (increasing from 0.1%-0.7%/year in the first half of Nov/2024), 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 (%/year)



- *Source: Banks, MBS Research*

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



SOCBs: VCB, BID, CTG
Large private banks: TCB, VPB, MBB, STB, ACB, SHB
Medium and small private banks: LPB, SSB, NAB, EIB, HDB, TPB, VIB, MSB, OCB

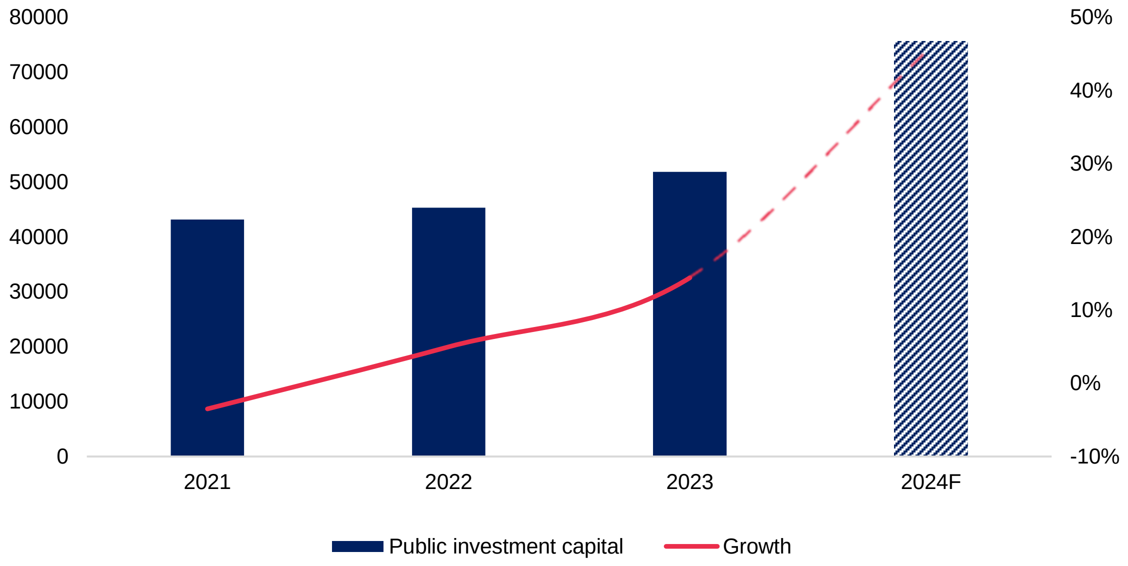
- *Source: Banks, MBS Research*

Supportive macro factors: 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: GSO, MBS Research*

Notable infrastructure investment projects in the Southern region

Projects	Total Inv. (VND bn)	Commence-ment date	Completion date
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

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

Supportive macro factors: Changing legal framework leads to trade off between resolving the source of land bottlenecks (land valuation, land auction) and anticipated cost increasing throughout the entire real estate development process

PREPARATION	
Source of land/Land auction	Specific regulations on cases of land allocation through auction or not, which will accelerate legal procedure for developers *(Article 124-126 of the 2024 Land Law)* In Nov/2024, ***Resolution on piloting the implementation of commercial housing projects through agreements on receiving land use rights or having land use rights*** has passed, which will allow agricultural and non-agricultural land to be transferred for commercial housing projects.
Land valuation	Eliminate old land price framework. Add more land valuation methods to keep land price close to the market price. *(Article 102, 158,159 of the 2024 Land Law)*
Financial requirements for developers	• Ensure the credit debt ratio and bond debt ratio • For projects <20ha: Shareholders' equity ≥20% of total capital • For projects ≥20ha: equity ≥15% of total capital • Ensure the ability to raise capital to develop the project *(Article 9 of the 2023 Real Estate Business Law)*

DEVELOPMENT	
Project information	Before launching sales, the investor must publicly disclose complete, truthful, and accurate information *(Article 6 of the 2023 Real Estate Business Law)*
Project development progress	Supplementary tax payments for projects that fail to utilize land or experience delays in the implementation timeline. *(Article 153 of the 2024 Land Law)*

LAUNCHING SALES	
Deposit collection regulations	The collected deposit should not exceed 5% of selling prices. *(Article 23 of the 2023 Real Estate Business Law)*
Payment progress	• First payment ≤30%, including previous collected deposit (currently: ≤ 30%) • For lease-purchase agreements, the total payment for subsequent installments shall not exceed 50% (currently: ≤70%). *(Article 25 of the 2023 Real Estate Business Law)*
Contracts	The authorization of another party to sign the sales, transfer, or lease-purchase contract is not allowed. *(Article 17 of the 2023 Real Estate Business Law)*

- *Source: Batdongsan.com.vn, MBS Research*

Escalated prices across various sectors: Rising land costs and numerous new regulations are exerting pressure on both primary and secondary markets.

Increasing land prices

Update frequency

- Eliminating the old land price framework
- Land price tables will be updated annually (instead of every 5 years)

Article 159 of the 2024 Land Law

Accuracy

- Eliminating the subtraction method
- Outlining clear conditions for applying 4 land valuation methods

Chapter XI of the 2024 Land Law

Legal Certification

- Introducing additional conditions to grant land use rights certificates for disputed land under specific circumstances.

Article 138 of the 2024 Land Law

Rising primary property price

Land clearance costs rise in alignment with land price increase

Resettle schedule

- Developers must provide resettlement housing within projects
- Resettlement must be completed before land recovery and clearance.
- Resettle housing conditions must be equivalent/ better than the original ones.
- Resettle areas must have completed infrastructure

Article 91 of the 2024 Land Law
Article 49 of the 2023 Housing Law

Stricter developer requirements

- Mini apartment construction requires developers to meet eligibility criteria.
- Developers must comply with capital ratio requirements
- Limits are set on the collection of advance payments for future projects.

Article 57 of the 2023 Housing Law
Articles 9 -23 - 25 of the 2023 Real Estate Business Law

Rising secondary property price

Prices for transferring project properties increase in alignment with primary market prices

Private Homes: Prices are rising in line with land costs, driven by market expansion

- Overseas Vietnamese are now allowed to purchase real estate (had only permitted property management without usage)

Article 44 of the 2024 Land Law

Landed properties: Tightly regulating urban land plots subdivision, proper prices

- Subdivision of urban land plots is more tightly regulated → an anticipated increase in demand for smaller plots.
- Urban housing projects will become more popular than land plots → increasing costs

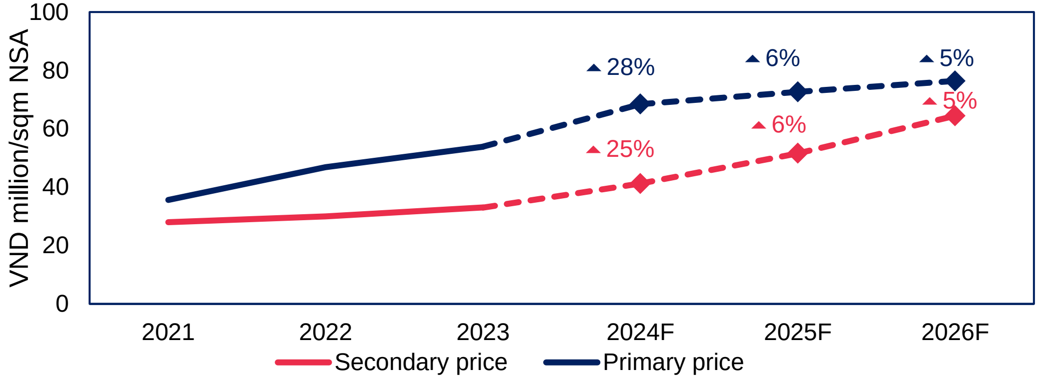
Article 44 of the 2024 Land Law

- *Source: Batdongsan.com.vn, MBS Research*

Escalated prices across various sectors: The average primary and secondary price will witness a single-digit growth in 2025F-2026F

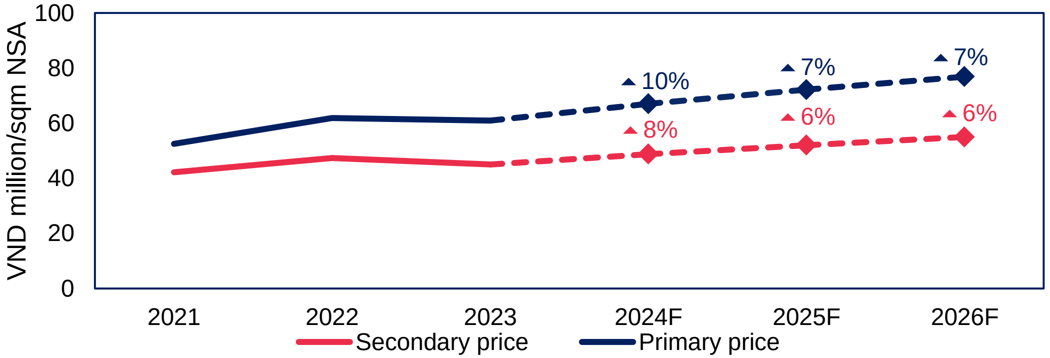
The average primary prices in Hanoi and Ho Chi Minh City are projected to experience double-digit growth in 2024, driven by a combination of supply shortages and sustained high demand. Subsequently, these prices are expected to witness a more moderate single-digit growth during the period from 2025 to 2026 as supply constraints ease in the coming years.

Condominium average price in Hanoi



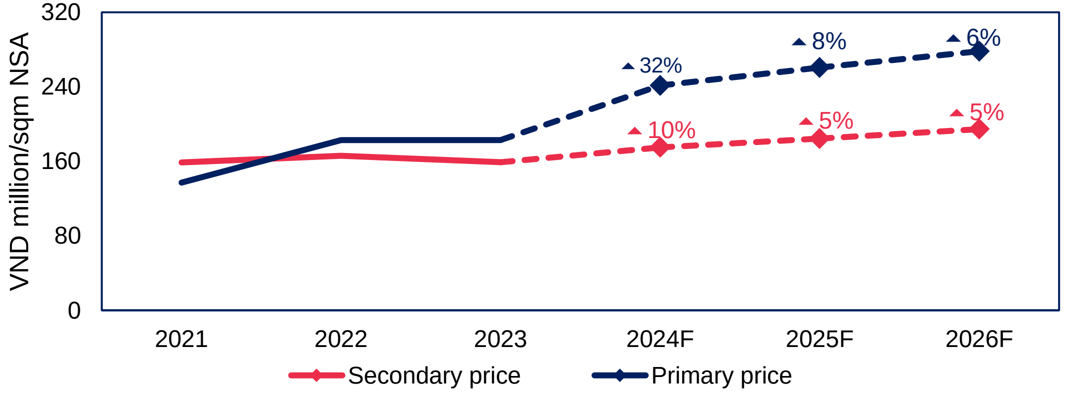
- *Source: CBRE, MBS Research*

Condominium average price in HCMC



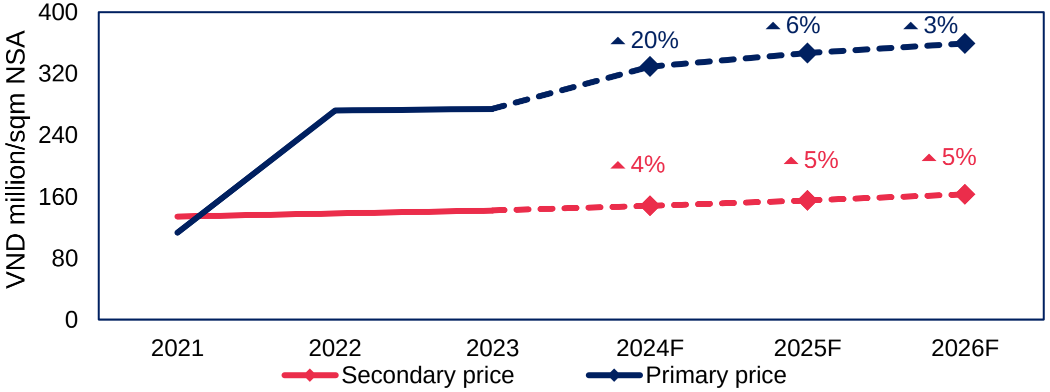
- *Source: CBRE, MBS Research*

Low-rise average price in Hanoi



- *Source: CBRE, MBS Research*

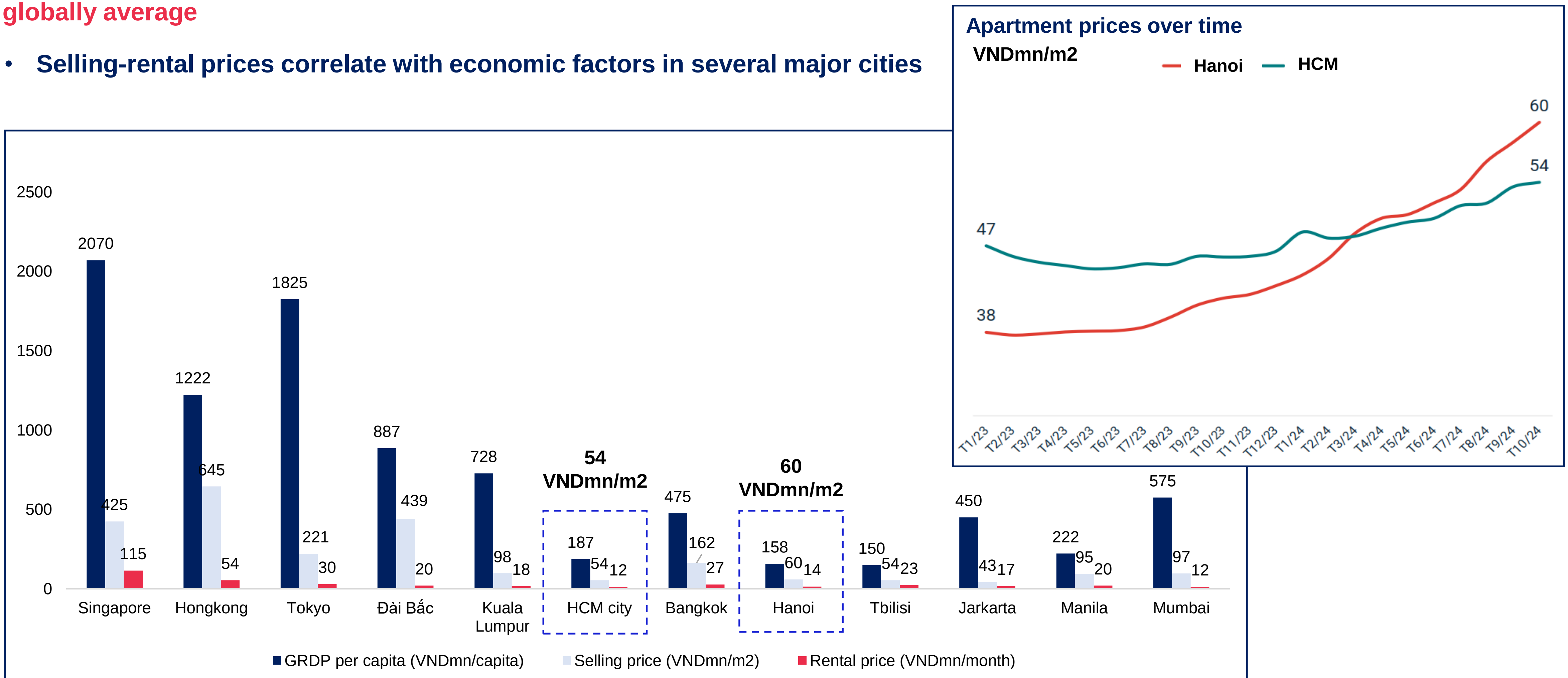
Low-rise average price in HCMC



- *Source: CBRE, MBS Research*

Real estate capital may return in the South: Apartment selling and rental rates in HCM city currently lower than in Hanoi, and are globally average

- **Selling-rental prices correlate with economic factors in several major cities**



Estimated years to afford a house - Apartment price (50m2)/GDP per capita

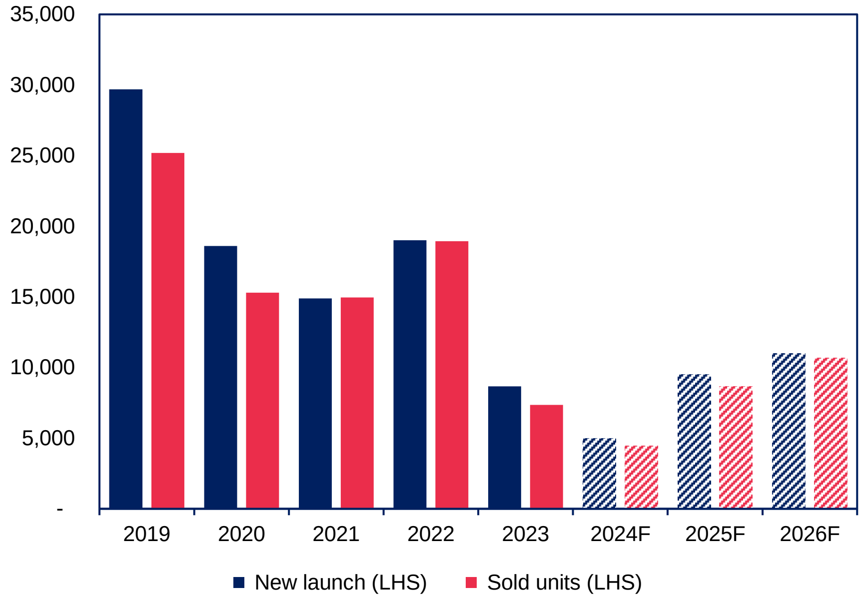
10	26.3	6	24.7	6.7	14.4	17	19	17.9	4.8	21.4	8.4

- *Source: Worldbank, Worldometer, Batdongsan.com.vn, Global Property Guide, MBS Research*

Real estate capital may return in the South: The supply of apartments is coming from the Eastern and Western regions as land in the city center becomes scarce

- According to CBRE, the supply in Ho Chi Minh City in 2025F is expected to reach 9,500 newly launched units (+90% yoy). New projects in HCM City will mainly focus on the high-end segment, with the launch of developments such as Lotte Eco Smart City, The Global City (next phases), Vinhomes Grand Park and East Valley. As land in the inner of the city districts becomes increasingly scarce, new supply tends to concentrate in areas like the Eastern and Southern regions especially in Thu Duc city, 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, batdongsan.com.vn, MBS Research*

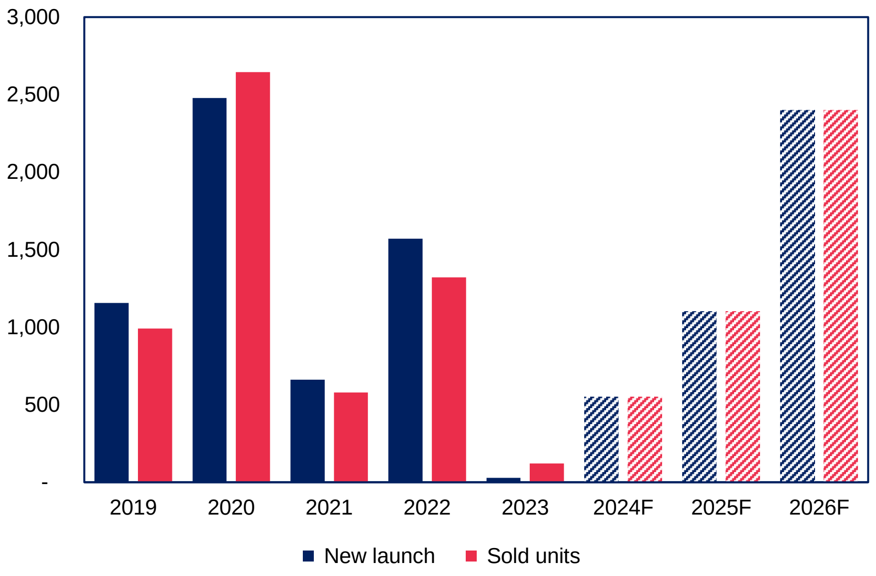
Apartment projects launched for sale in HCMC and Southern region in 2025

Project	Location	Developer	Scale	Segment	Expected selling price
Lotte Eco Smart City	Thu Duc	Lotte Group	1,200 apartments	High-end	>VND 250 mn
Vinhomes Grand Park	Thu Duc	Vinhomes Jsc	733 apartments	High-end	VND 70-90 mn
The Global City (next phase)	Thu Duc	Masterise Homes	~9,400 apartments	High-end	n/a
East Valley	Thu Duc	Refico	3,200 apartments	High-end	VND 95 – 135 mn
Eaton Park Phase 2	Thu Duc	Gamuda Land	400 apartments	High-end	VND 150 mn
Mizuki Park	Binh Chanh	Nam Long	450 apartments	Middle-end	VND 55mn
Elysian	District 9	Gamuda Land	700 apartments	Middle-end	VND 65 – 70mn
Gem Riverside (DXH Riverside)	Thu Duc	Dat Xanh	6.7ha with 3,175 apartments	High-end	VND 90mn
The Emerald 68	Bình Duong	Le Phong Corporation jsc	~700 apartments	High-end	n/a

Real estate capital may return in the South: 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 2025F, the low-rise new supply in HCMC is expected to hit 1,100 units (+100% YoY), primarily coming from newly developed projects, developed by reputable developers, with clear legal status. Newly launched projects will be focused mainly on the high-end segment.

Low-rise supply in HCM



Low-rise supply in HCM city and Southern region in 2025

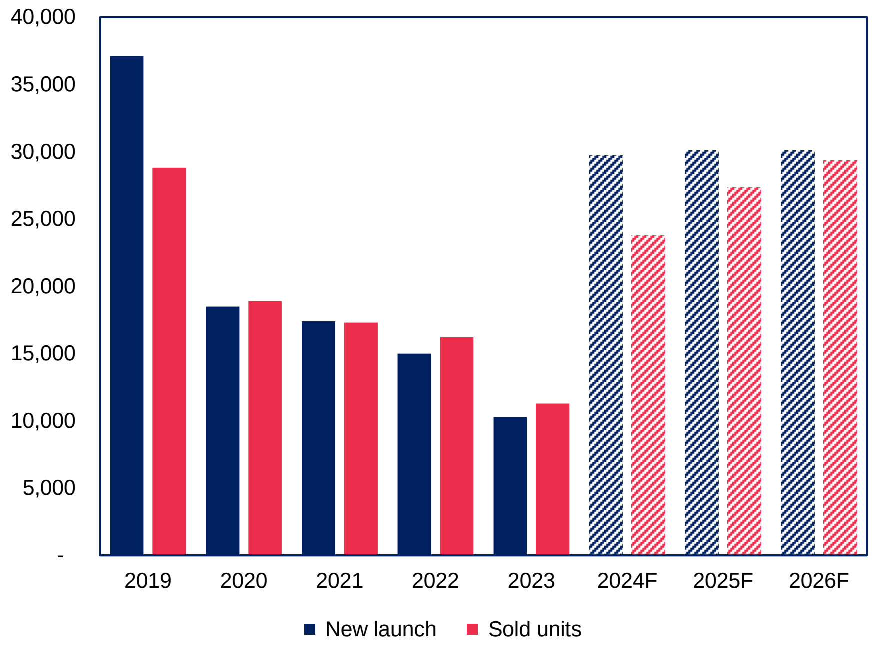
Project	Location	Developer	Scale	Segment	Expected selling price
The Global City	Thu Duc	Masterise Homes	600 townhouses, 300 villas	High-end	~VND330mn
Foresta (Emeria & Clarita)	Thu Duc	Khang Điền & Keppel Land	200 units	High-end	VND220 - 250 mn
Solina	Binh Chanh	Khang Dien	200 units	High-end	VND 180mn
LA Home Long An	Long An	Prodezi Long An	100 ha with 3,750 units	Mid-end	n/a
Izumi City (next phase)	Dong Nai	Nam Long	180 units	Mid-end	VND 75mn

- *Source: CBRE, batdongsan.com.vn, MBS Research*

The heat may persist in the North: The supply of apartments is coming from the Eastern and Western regions as land in the city center becomes scarce

- According to CBRE, the supply of high-rise residential units in Hanoi is forecasted to reach 30,100 newly launched units in 2025F, representing a slight increase compared to 2024 and setting a new five-year record high. A substantial portion of this anticipated supply is expected to be concentrated in the high-end segment, driven by prominent developers such as Masterise Homes, MIK Group and Mitsubishi & Vinhomes. Meanwhile, data from OMRE indicates that the distribution of new supply by region will be led by the Eastern region (accounting for 48% of the total), followed by the Western region at 29% and the Northern region at 19%.

Apartment supply in Hanoi



Apartment projects launched for sale in Hanoi and the Northern region in 2024 - 2026

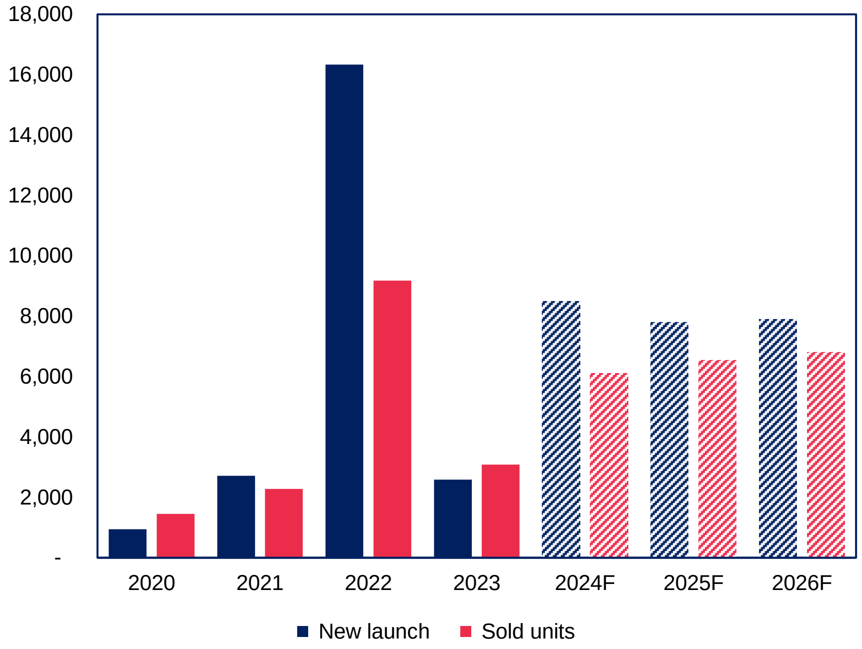
Project	Location	Developer	Scale	Segment	Expected selling price
Masteri Grand Avenue	Dong Anh	Masterise Homes	1,460 apartments	High-end	VND 100-120 mn
The Matrix One (Phase 2)	Nam Tu Liem	MIK Group	2 apartment blocks	High-end	VND 120-140 mn
Vinhomes Wonder Park	Dan Phuong	Vinhomes	4 apartment blocks	High-end	n/a
Nobel Crystal River	Tay Ho	Sunshine Group	900 apartments	High-end	n/a
Nobel Crystal Long Bien	Long Bien	Sunshine Group	4 apartment blocks	High-end	n/a
The Metropolitan	Gia Lam	Mitsubishi	~1,000 apartments	High-end	n/a
The Senique	Gia Lam	Capital Land	2,150 apartments	High-end	VND 80mn
Masteri Lakeside	Gia Lam	Masterise Homes	2,500 apartments	High-end	VND 80mn

- *Source: CBRE, batdongsan.com.vn, MBS Research*

The heat may persist in the North: The supply of townhouses is coming from the Western region and adjacent areas such as Hai Phong

- 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 Vinhomes Ocean Park and Vinhomes Vu Yen.
- New launched supply in 2025F is expected to reach 7,800 units (-8.2% YoY), with the main contribution from the high-end segment. The new low-rise supply is mainly from projects of Vinhomes and Sunshine Group in the Western and Eastern Hanoi.

Low-rise supply in Hanoi



Low-rise projects launched for sale in Hanoi and the Northern region in 2024 - 2026

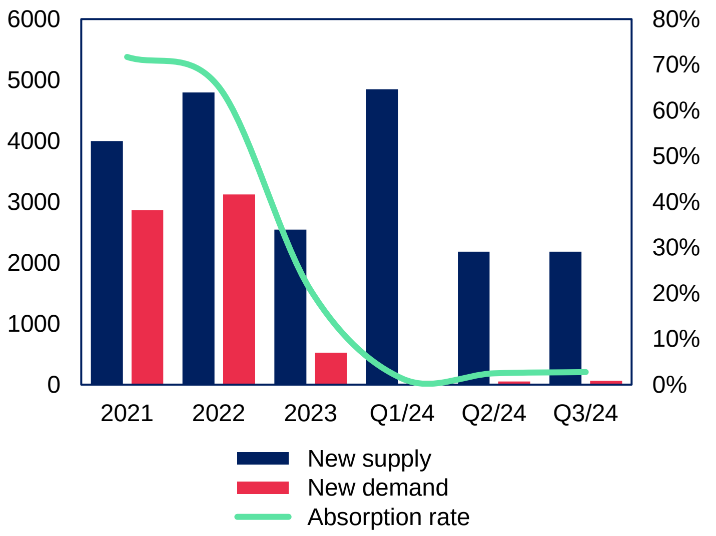
Project	Location	Developer	Scale	Segment	Expected selling price
Vinhomes Wonder Park	Dan Phuong	Vinhomes Jsc	2,356 dwellings	High-end	n/a
Nobel Place Long Bien	Long Bien	Sunshine Group	172 dwellings	High-end	n/a
Nobel Capital	Tay Ho, Bac Tu Liem	Sunshine Group	~100 dwellings	High-end	VND 500 Mn
Vinhomes Ocean Park 3	Hung Yen	Vinhomes Jsc	3,500 townhouses and villas	High-end	VND 100 Mn
Vinhomes Vu Yen	Hai Phong	Vinhomes Jsc	2,900 townhouses and villas	High-end	VND 120 Mn
Vinhomes Ha Long Xanh	Quang Ninh	Vinhomes Jsc	4,100ha	High-end	n/a

- *Source: CBRE, batdongsan.com.vn, MBS Research*

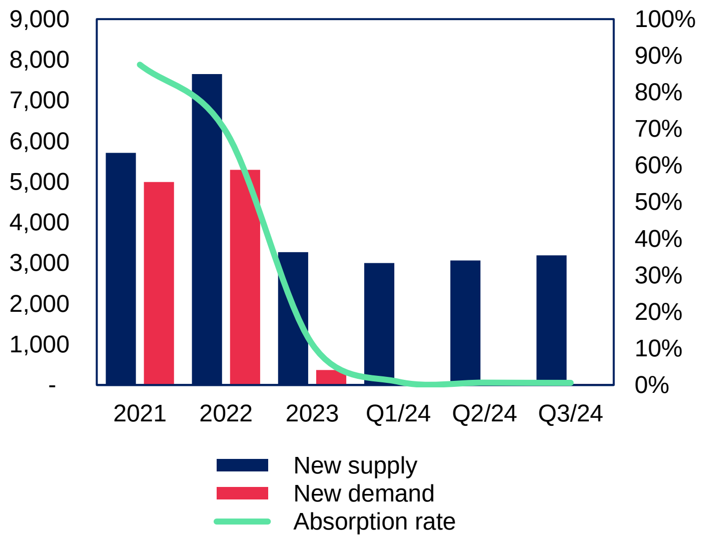
The Hospitality Real Estate segment remains profoundly subdued

- 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% YoY 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.

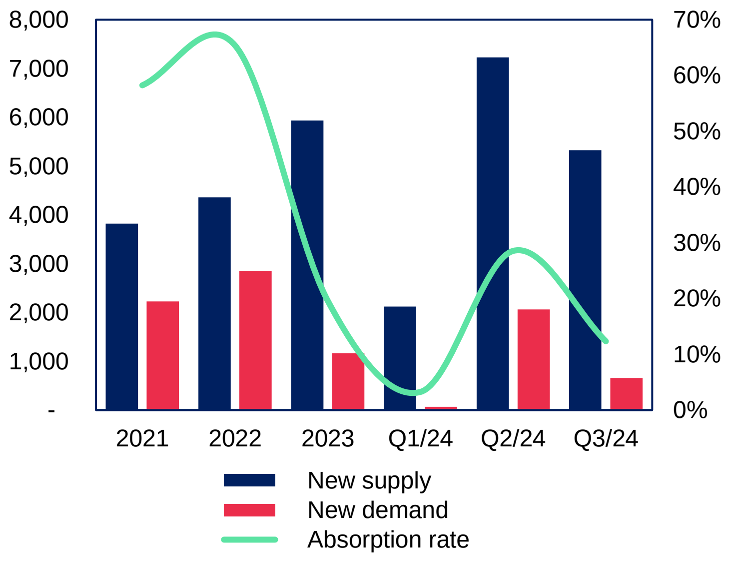
Resort Villa/Townhouse Supply, New Demand, and Absorption Rates



Resort Shophouse Supply, New Demand, and Absorption Rates



Resort Condotel Supply, New Demand, and Absorption Rates

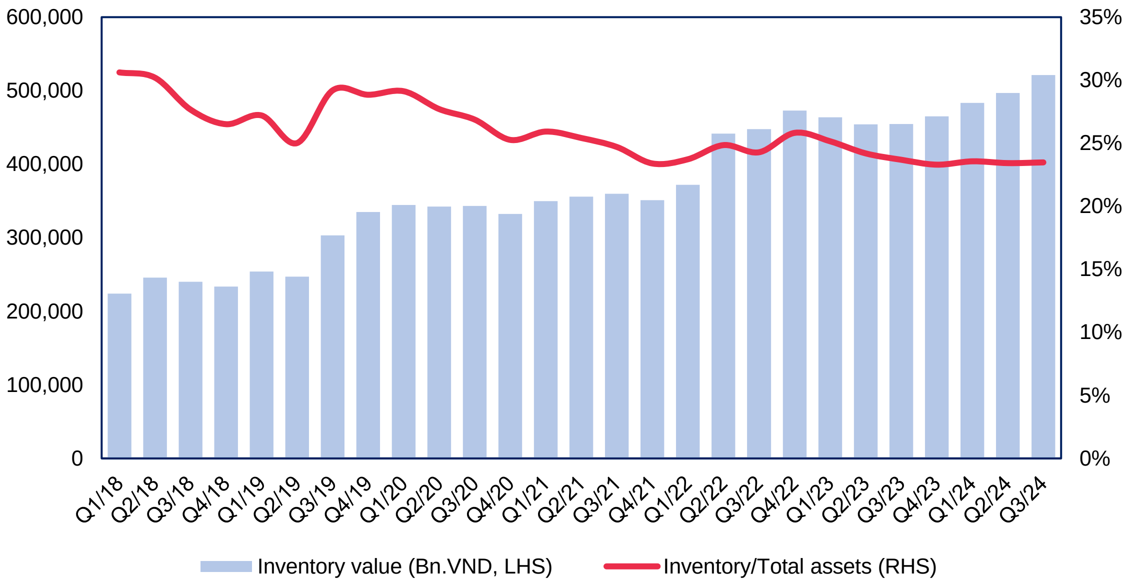


- *Source: DRKA, MBS Research*

Current picture of real estate enterprises: The supply and sales performance have recovered, albeit modestly

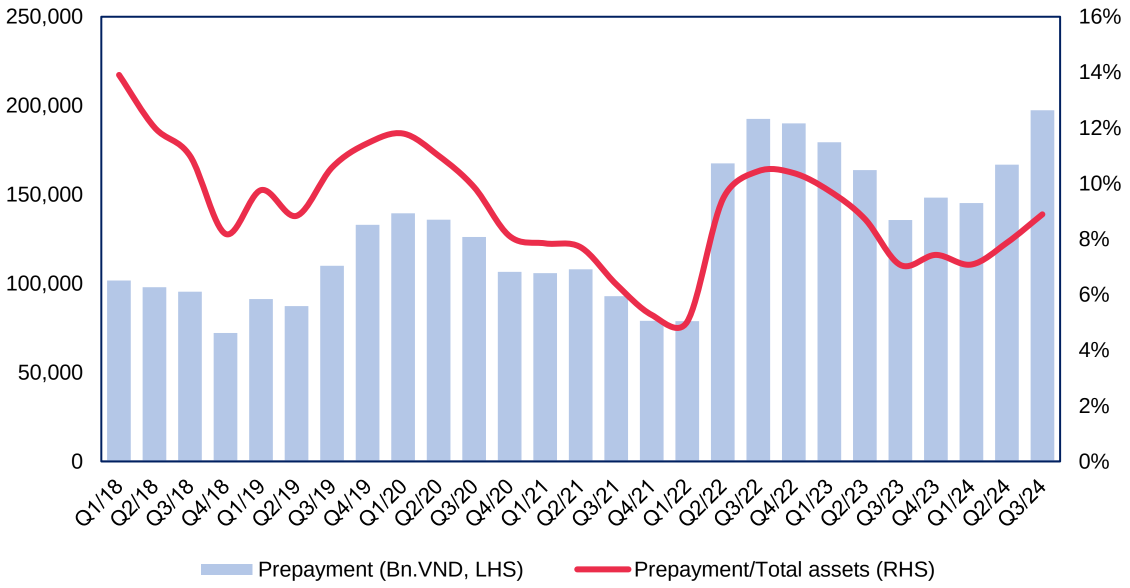
- The steady rise in inventory value at the end of 3Q24, following the low point in 2Q23, indicates a gradual recovery in the execution of residential property projects. This recovery is primarily driven by subsequent phases of existing projects and those with clear legal status. The inventory-to-total-assets ratio has been on a downward trend since its peak in 4Q22, stabilizing at 23% after a slight increase in 1Q24.
- Moreover, the pre-paid buyer value has significantly increased over recent quarters. In 3Q24, prepayment value reached VND 197,348 billion (+45.4% YoY), marking an all-time high and signaling a notable recovery in overall sales performance. Despite increase in overall supply, many newly launched projects have experienced high absorption rates, reflecting 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.

Total inventory value is increasing but the inventory-to-total assets ratio stood at 23% at the end of 3Q24, falling back to the low base as in Q4/21



- *Source: FiinPro, MBS Research*

Customer prepayment-to-total asset ratio experienced an increase since 1Q24 to 9% at the end of 3Q24

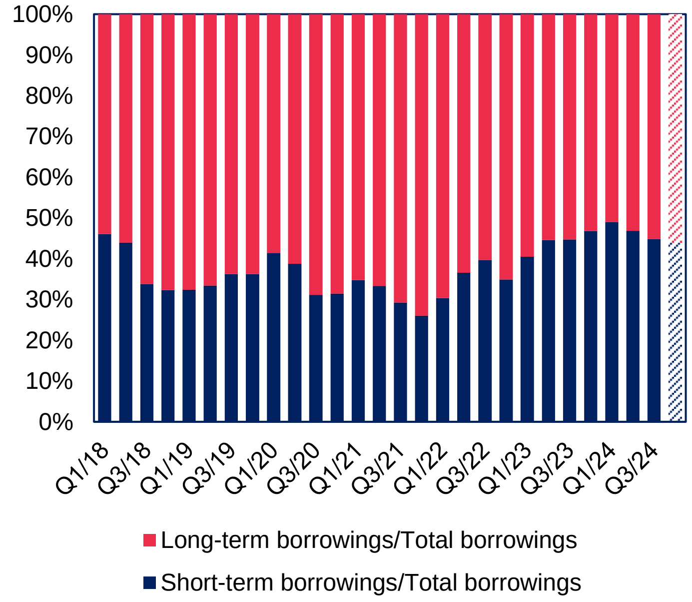


- *Source: FiinPro, MBS Research*

Current picture of real estate enterprises: Leverage is at medium level, the ability to mobilize capital from customer is improving

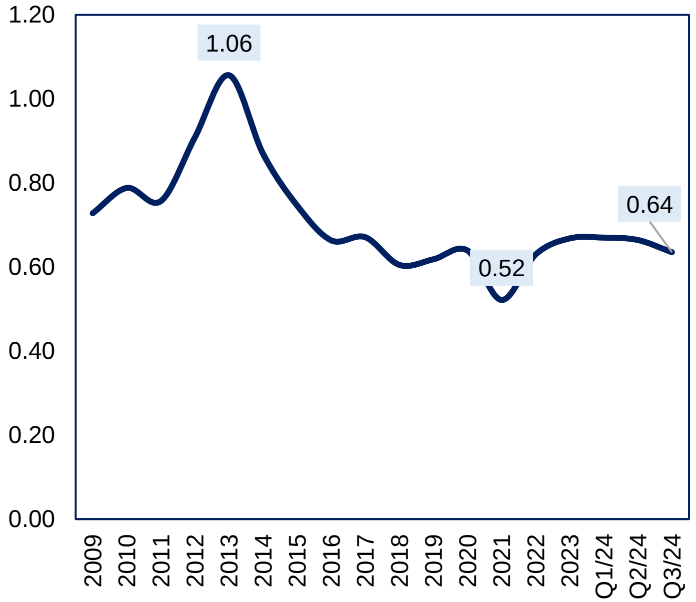
- The total borrowing value of real estate enterprises has shown consistent growth over recent quarters, with a slight dip in 3Q24, amounting to VND 475,731 billion (+4.8% YTD, -1.8% QoQ). The ratio of long-term borrowings to total borrowings hit its lowest point at 51% in 1Q24, but has bounced back to 55% in 3Q24, reflecting efforts to expand their debt capital in anticipation of upcoming real estate projects.
- The borrowings-to-equity ratio in 3Q24 has remained consistent with the average observed over the past eight years, suggesting a stable balance between debt and equity financing. Meanwhile, the proportion of total liabilities within total capital has reached a record high of 66%, underscoring an increasingly mobilized capital from customers.

Short-term borrowings/ Total borrowings and long-term borrowings/ Total borrowings



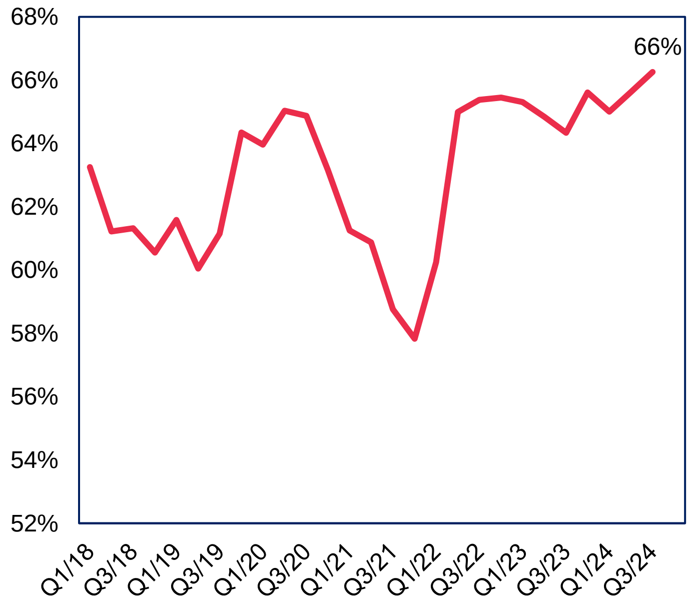
- *Source: FiinPro, MBS Research*

Total borrowings/Equity



- *Source: FiinPro, MBS Research*

Total liabilities/ total capital ratio indicates better presales performance

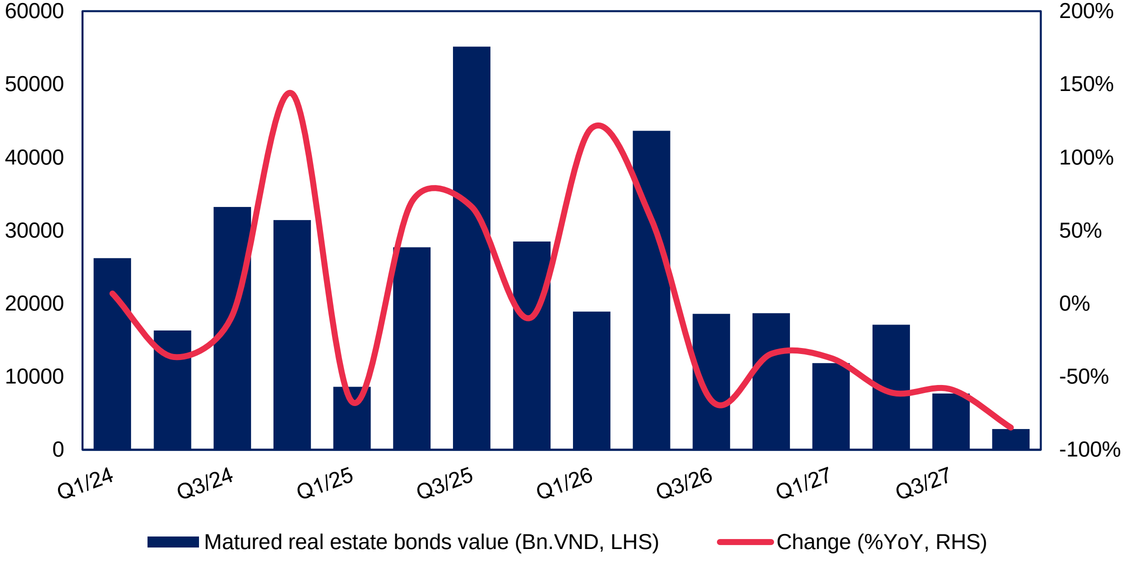


- *Source: FiinPro, MBS Research*

Current picture of real estate enterprises: Real estate corporate bond risk is no longer a big concern

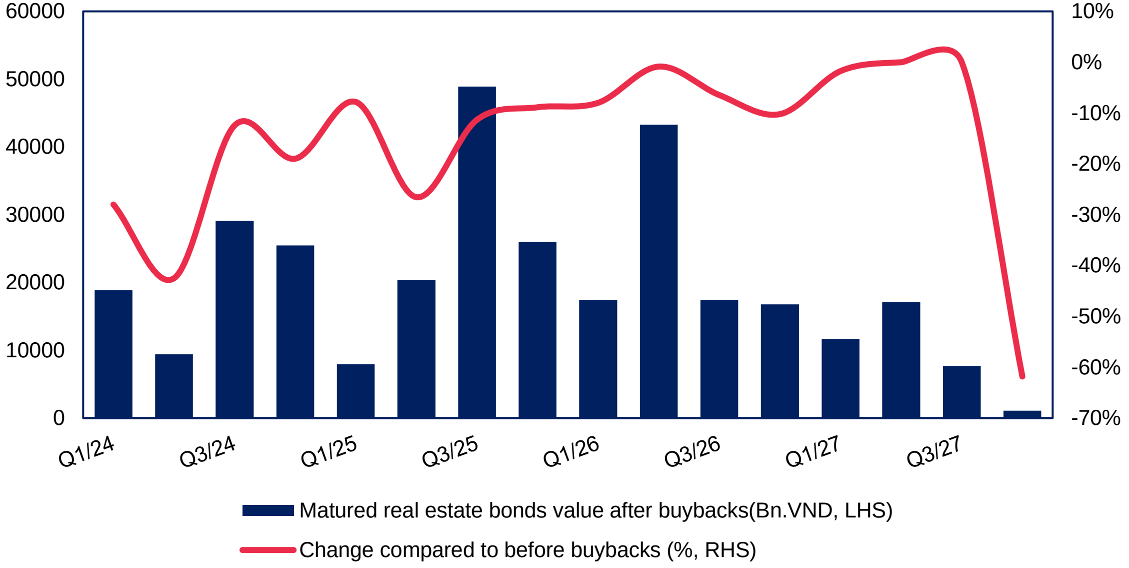
- Total value of outstanding real estate corporate bonds maturing in 2025-26F after buybacks are VND 103,177/ 94,875 billion, respectively, showing 14%/ 5% reduction compared to before buybacks, which is no longer a big concern.
- Insolvency is less likely to occur, as the real estate market gradually becomes more positive. If the cash flow is tight, real estate enterprises only need to set a small product discount to sell products and may avoid default risk. Prepaid from customers are increasing which will improve the enterprises' financial health.

Real estate development companies have bought back VND18,402 bn of corporate bond in 9M24,…



- *Source: HNX, MBS Research*

… helping the maturity of outstanding bonds in 2025-26 decrease by 14% and 5% respectively.



- *Source: HNX, MBS Research*

Activities related to capital restructuring and residential property project M&A are expected to be vibrant in 2025

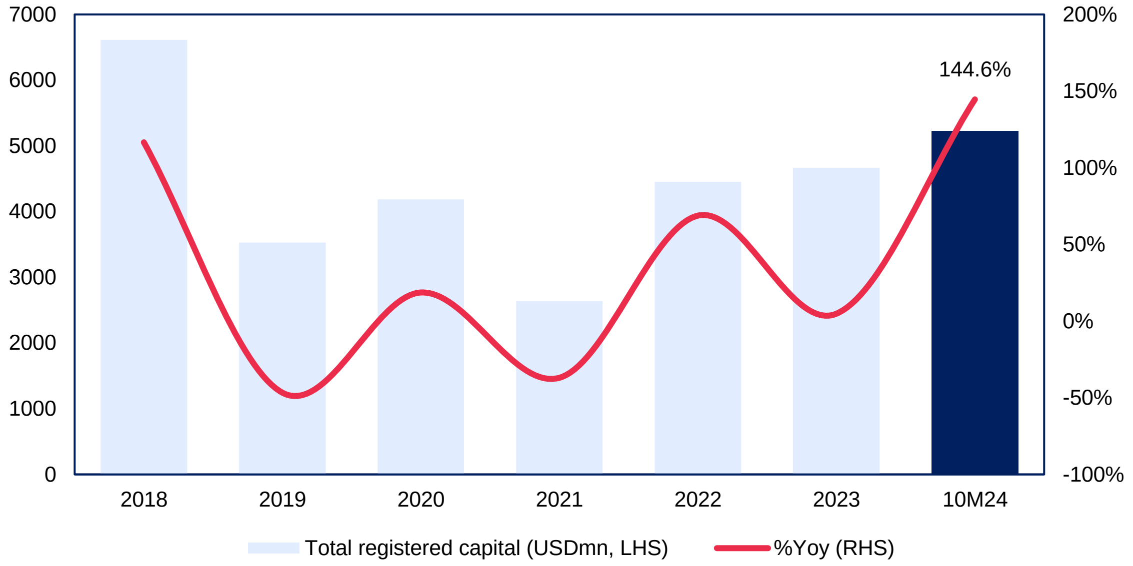
- We believe that capital raising via issuance will be one of the highlights for residential property developers in 2025, as they aim to restructure debt, fulfill land-related financial obligations to the government, and cope with rising project development costs.
- Additionally, we expect M&A activity for residential property projects to also be an important trend in 2025 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.

Key tie-up in property sector in 2024

Projects	Investor	Partners	Value
The One World urban zone	Kim Oanh Real Estate Corp	Sumitomo Forestry, Kumaga Gumi, NTT	1 Bn.USD
SDI Investment and Trade Development Company	Vingroup	a group of companies headquartered in Vietnam	982 Mn.USD
Tan Thanh Binh Duong Urban Housing Complex (18.9ha)	Becamex IDC	Sycamore Ltd (CapitaLand)	553 Mn.USD
Tâm Lực Housing Complex (3.7 ha, located in Thủ Đức city)	Tâm Lực Real Estate Jsc	Gamuda Land	315.8 Mn.USD
Paragon Đại Phước (45.5ha)	Nam Long Group	Nishi Nippon Railroad	26 Mn.USD

- *Source: MBS Research*

FDI inflows into residential properties have seen a strong increase in the first 10 months of the year (+144.6%yoy)



- *Source: MPI, MBS Research*

Activities related to capital restructuring and residential property project M&A are expected to be vibrant in 2025

Companies raised capital in 2024 and plan to have an issuance in 2025

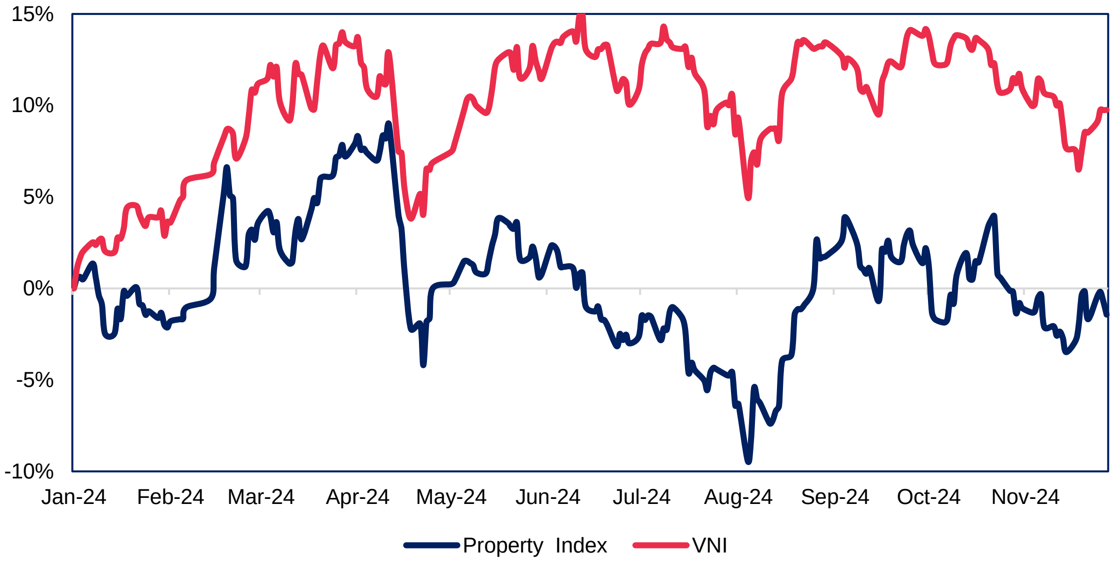
Company	Issuance method	Additional capital	Expected timeline
NOVALAND Group Corp (NVL)	The company is offering 1.17 billion shares to its existing shareholders through a rights issue.	The company's charter capital may increase from VND 19,501 bn to over VND 31,200 bn.	2025
Khang Dien House Trading and Investment Jsc (KDH)	The company issued 110.09 million shares through a private placement to 19 professional securities investors at a price of 27,250 VND/share, raising over VND 3,000 bn, carried out in 8M2024.	The company's charter capital increased from VND 7,993.1 bn to above VND 9,094 bn.	
Development Investment Construction Jsc (DIG)	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/share. 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/share.	The company's charter capital may increase from VND 6,099 bn to over VND 9,599 bn.	The rights issue and the private placement are expected to take place in 2025.
Dat Xanh Group JSC (DXG)	The company is offering a rights issue of 150 million shares to existing shareholders at a minimum price of 12,000 VND/share, with a ratio of 24:5. 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/share.	DXG will be able to raise over VND 3,500 bn, while also increasing its charter capital from more than VND 7,200 bn to nearly VND 9,650 bn.	It is expected to take place in early 2025.
Phat Dat Real Estate Development JSC (PDR)	The company offered a rights issue of 134.3 million shares to existing shareholders at a price of 10,000 VND/share.	The company's charter capital increased from VND 7,388 bn to over VND 8,730 bn	

- *Source: Companies' Reports, MBS Research*

Investment strategy: 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 9.8% and -1.4%.The current P/B of the Residential property group stands at 1.08 times, lower than the 5-year median of 1.50 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*

FY24F-26F key financial metrics of stock under our coverage

VND bn	**VHM**			**NLG**			**DXG**			**KDH**		
	2024	**2025**	**2026**	**2024**	**2025**	**2026**	**2024**	**2025**	**2026**	**2024**	**2025**	**2026**
Revenue	85,593	93,193	99,584	5,813	5,798	5,272	3,745	4,460	6,384	3,544.7	5,334.5	5,941.2
% YoY	*-17.3%*	*8.9%*	*6.9%*	*82.6%*	*-0.2%*	*-9.6%*	*0.5%*	*19.1%*	*54.1%*	*69.3%*	*50.5%*	*11.4%*
Gross profit	41,510	38,885	19,518	2,515	2,616	2,456	1,975	2,420	3,309	1,852.8	2,846.0	3,157.2
GPM (%)	*40.6%*	*44.5%*	*39.0%*	*43.4%*	*45.9%*	*46.9%*	*52.7%*	*54.3%*	*52.1%*	*52.3%*	*53.4%*	*53.1%*
EBIT	30,641	35,831	31,081	912	1,074	1,002	562	712	804	1,368.8	2,195.3	2,371.5
EBIT margin (%)	*59.4%*	*63.4%*	*59.8%*	*19.1%*	*18.9%*	*18.2%*	*23.5%*	*24.6%*	*32.5%*	*38.6%*	*41.2%*	*39.9%*
NPAT	35,008	39,023	40,775	471	576	535	234	305	481	943.1	1,057.6	1,339.6
% YoY	*4.9%*	*11.5%*	*4.5%*	*-2.7%*	*22.3%*	*-7.1%*	*36.0%*	*30.3%*	*57.7%*	*31.5%*	*12.1%*	*26.7%*
EPS (VND/share)	8,786	9,794	10,234	1,178	1,240	1,181	228	387	540	933	951	1,095
BVPS (VND/share)	49,867	59,621	69,838	31,200	29,900	30,650	15,219	15,836	16,300	16,349	15,740	15,316
Net cash/share (VND/share)	-2,651	-1,576	19	-1,130	-1,281	-1,265	-1,549	-573	-1,200	-2,253	1,381	-129
Debt/Equity	31.8%	26.1%	21.0%	40%	40%	40%	110%	110%	120%	41%	58%	49%
Dividend ratio (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	11.4%	0.0%	0.0%
ROAE (%)	18.5%	17.9%	15.8%	5.5%	6.0%	5.3%	2.3%	4.0%	7.2%	5.5%	5.5%	6.6%
ROAA (%)	7.4%	7.6%	7.5%	2.0%	2.1%	1.9%	0.9%	1.7%	3.2%	3.6%	3.7%	4.3%

- *Source: Companies, MBS Research*

Investment strategy: We prefer KDH, DXG and NLG

Stock	Rating	Target price (VND/share)	Investment Thesis
KDH	**ADD**	43,000	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 943.1 billion VND (+31.5% YoY) when the entire project is expected to be handed over in 4Q/24 and 2025. In 2025 – 2026, due to lack of low – rise projects in HCM, we forecast Emeria and Clarita would have high absorption rate (over 65%). Moreover, pre – sale expected to accelerate 336% yoy in 2025 thanks to launching Emeria and Clarita with more than 230 low – rise units and NP expected to rise 12.1%. 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%.
DXG	**ADD**	23,700	The catalyst of DXG is about the key project Gem Riverside (3,000 condominiums). We expect under the situation of condo supply shortage in the city center, Gem Riverside could have high absorption rate of 80%. Moreover, we project the selling price could reach more than 90 million VND (fair price as compared with that of other projects in Thu Duc City). Thanks to the contribution of Gem Riverside, the NP in 2026 could reach 481 billion VND (+104% YoY). The pre – sale is forecasted to to climb 203% to VND 4,600 billion with the contribution of Gem Riverside. The stock currently has significant upside potential (+36.8%) thanks to reveluation of Gem Riverside.
NLG	**ADD**	45,000	We project NLG is beneficiary of the real estate recovery thanks to the middle – income segment. In 2024, Pre-sales are expected to reach around VND 8,700 billion (+8% YoY) by launching subsequent phases of the Southgate, Mizuki, and Akari projects, comprising approximately 600 apartments and 200 low-rise units. In 2025, Net profit is projected to grow 13% YoY to 548 billion VND, driven by the handover of sold units from the Mizuki and Southgate, totaling around 220 townhouses and 300 apartments because we expect low – rise segment could have positive signs in 2H25. 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 payment pressures.
VHM	**ADD**	54,700	VHM owns large land bank in large cities such as Wonder Park (133 hectares), Royal Island (877 hectares), making favourable conditions for the company's sustainable development. In addition, other mega projects such as IUT (880 hectares), Green Paradise (2,870 hectares) and Apollo City (5,489 hectares) will bring long-term development potential; Robust unbilled sales make a solid foundation for growth in FY24-26F. We forecast, in FY24-26F, net profit to grow 5%/11%/4% yoy, respectively; After the completion of the share buyback, shareholder interests are increased through increased ownership and profit sharing.

Investment strategy: We prefer KDH, DXG and NLG

Company	**Ticker**	**Market price**	**Target price**	**Mar Cap**	**RCM**	**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	40,850	54,700	6,600	Add	4.6	4.2	0.8	0.7	7.4	7.6	18.5	17.9
NOVALAND Group Jsc	NVL VN	10,550	N/A	1,019	Not rated	62.6	NA	0.7	0.8	0.2	NA	-3.8	-6.4
KhaDiHouse Jsc	KDH VN	34,500	44,200	1,151	Add	42.7	41.4	3.0	2.6	3.0	5.0	5.2	4.7
Hoang Huy Investment Financial Services Jsc	TCH VN	15,700	N/A	515	Not rated	17.6	NA	1.5	NA	5.2	NA	8.6	NA
Nam Long Investment Jsc	NLG VN	38,100	45,000	616	Add	32.0	30.4	1.2	1.3	2.0	2.1	5.5	6.0
Phat Dat RE Development JSC	PDR VN	21,850	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	17,850	23,700	453	Add	45.3	41.1	1.1	0.9	0.9	1.7	2.3	4.0
Average						**36.2**	**23.3**	**1.3**	**1.6**	**3.3**	**4.9**	**5.9**	**6.4**

- *Source: Bloomberg, MBS Research*

3

SECTOR OUTLOOK | Steel manufacturing

In “steel” we trust

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World steel demand is expected to drop 0.9% yoy in 2024F but may recover 1.2% yoy in 2025F

- According to the World Steel Association, demand expected to decrease 0.9% yoy in 2024 dominated by the downturn of China due to real estate crisis. The China consumption forecasted to decline by 3% to 883 mt. Moreover, some major – country such as USA, Japan and Korea reported the negative growth because of difficulty of construction sector. India remain bright spot of global steel when the consumption grow 8% to 138 mt.

- In 2025, WSA remain the forecast that the crisis in China real estate still have negative impact on steel demand which would continue to decrease 1% yoy. While others as Japan, Korea and USA manage to improve thanks to lower level of interest rate. India and EU expected to grow 8% yoy and 4.1% yoy thanks to stimulus on construction and manufacturing.

Key factors to shape the world steel demand into 2025

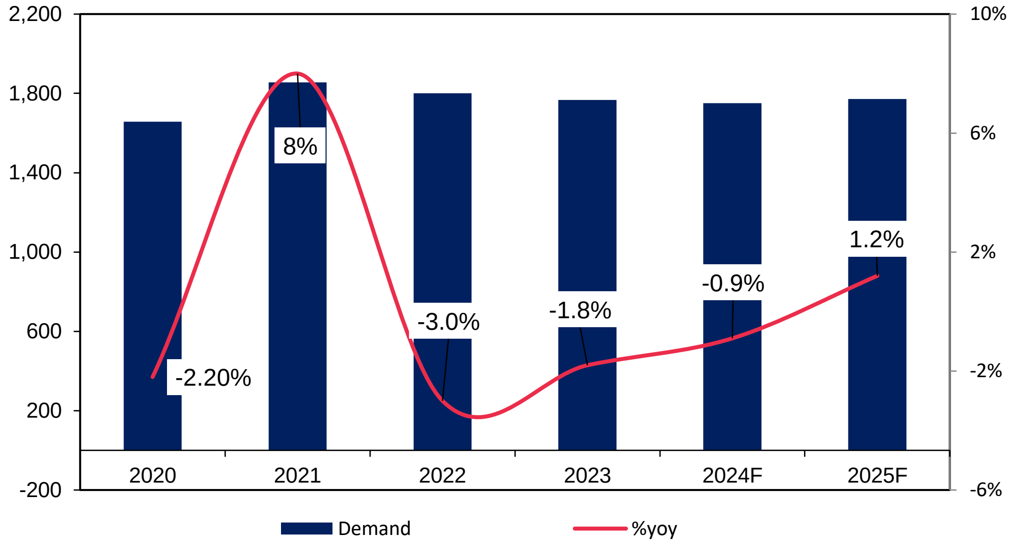
1 ▲ **The strong demand of India**
The demand of India forecasted to increase more than 8% as government plan to boost investment infrastructure investment in 2025.

2 ▲ **The recovery of EU**
The EU consumption may have a 4.1% recovery because of positive sign of 2 most steel - consumption industry: Construction and Automative.

3 ▲ **ASEAN ‘s mega infrastructure projects**
ASEAN are expected to show accelerating growth of 5% yoy in their steel demand over 2024-2025. The highlight of recovery is driven from Malaysia and Indonesia. More detail, the demand in Malaysia and Indo expected to grow 4.5%/5% in 2025 thanks to the recovery of national economic growth and projects, infrastructure spending.

4 ▼ **China demand decline**
Which might result in a 1.7% drop in steel demand.

Forecasted world steel demand (unit: Million tons)



- *Source: Bloomberg, MBS Research*

World steel supply deteriorate 2% yoy in 2024 and stay flat iton 2025

- According to the World Steel Association, 10M24 the overall manufacturing contracted 1.6% yoy due to the cut off in China (-3% yoy). The decrease of China outweighted the growth of India (5.6%) and Turkie (-12% yoy). China blast furnace capacity reached 79% in average this year (down from 83% in 2023) to deal with the oversupply and loss in manufacturing. Furthermore, China government focus on “Net Zero” in 2050 so some large manufacturers minimize the production.
- In 2025, WSA report the supply could remain constant thanks to the production of India expected to climb 7% yoy and some developed countries as Japan, Korea and USA recover 1%-2%yoy thanks to positive signal in lower level of interest rate. In contrast, China continue to decline the production 1.5% yoy following the plan of China government because of environmental issues.

Key factors to shape the world steel supply into 2025

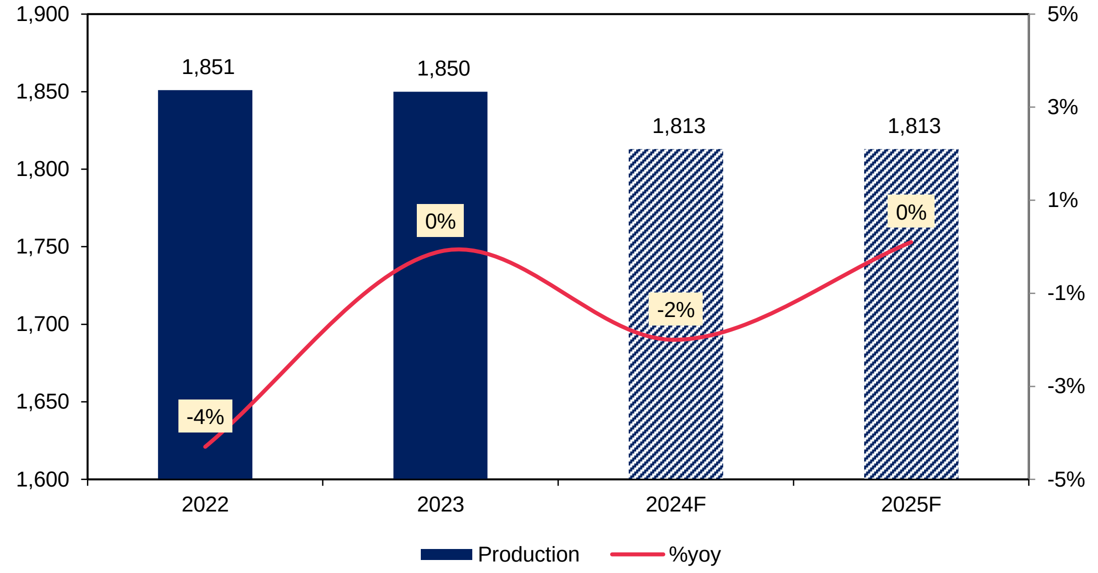
1 ▼ **China plan to cut down the steel manufacturing quantity**
China government focus on “net zero " in 2050 and encourage the steel corporation to close obsolete mills. 15 major producers of long products in China are calling on the authorities to take measures to limit the output

2 ▲ **The recovery of Japan, Korea and USA**
The production of developed countries projected recover because the sectors as construction and Automative report positive signal

3 ▲ **The growth of India manufacturing**
As the report of India Steel Association (ISA), the mill aim to improve volumes due to low price of material and strong demand.

4 ▲ **The slight recovery of EU production**
The output of EU steel manufacturer would climb 2.3% yoy thanks to lower electricity price and higher demand.

The supply remain stable in 2025 (Unit: mt)

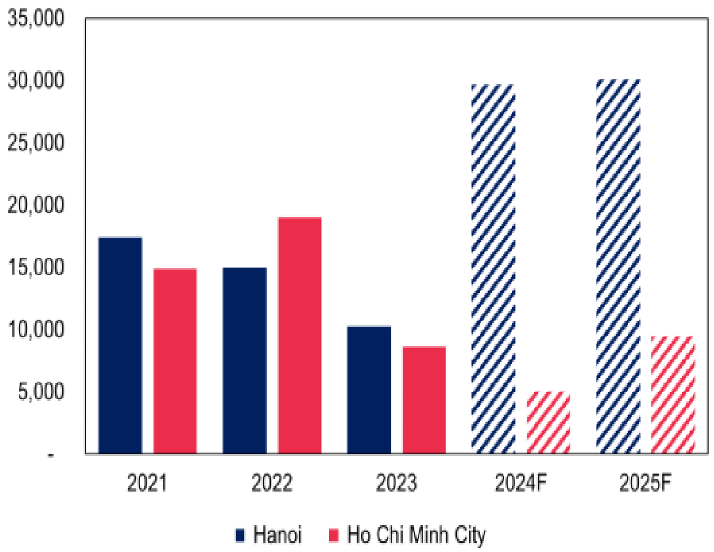


- *Source: Bloomberg, MBS Research*

Vietnam steel market outlook: Sales volume expected to increase 21%/10% in 2024 - 25 supported by growth of housing supply and public investment

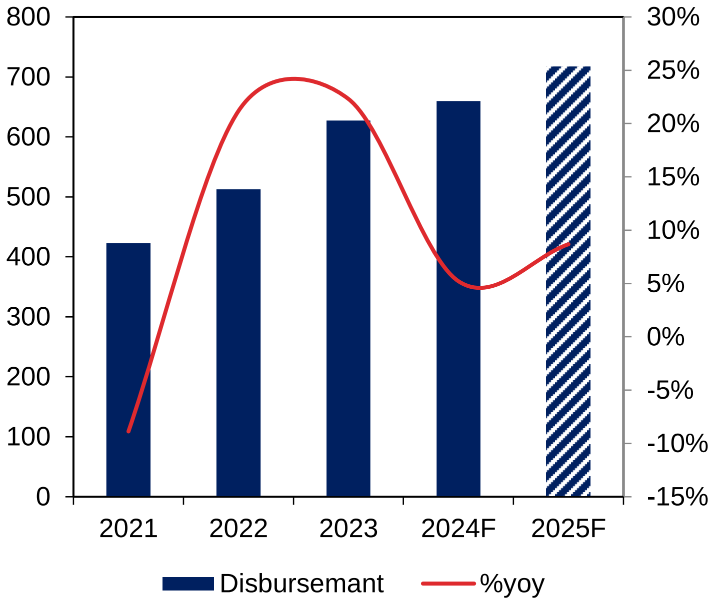
- In 10M24, domestic total sales volume reach 17 mt (+18% yoy) supported by growth of rebar and Hot-Dipped galvanized (HDG). In term of rebar, the consumption accelerated 17% yoy to 8.3 mt and HDG increased by 30% yoy to 2.1 mt. The recovery is mainly contributed from rise housing supply (+40% yoy in HN and 45% in HCM). Moreover, HRC volume climb 15% yoy to 3.4 mt despite of the overwhelming of imported from China and India.
- In 2025, we expect the increase of housing supply and public investment are key point for the growth of consumption volume. According to CBRE, both apartment and land property could climb since 2025 thanks to legal issues resolved by new Laws as land Law,.. In term of public investment, some projects would be improved the constructional process such as North – South Express and Long Thanh Airport. So, the total consumption volume in 2024 and 2025 could reach 19.8 mt (+21% yoy) and 21.8(+10% yoy).

The housing supply in HN and HCM



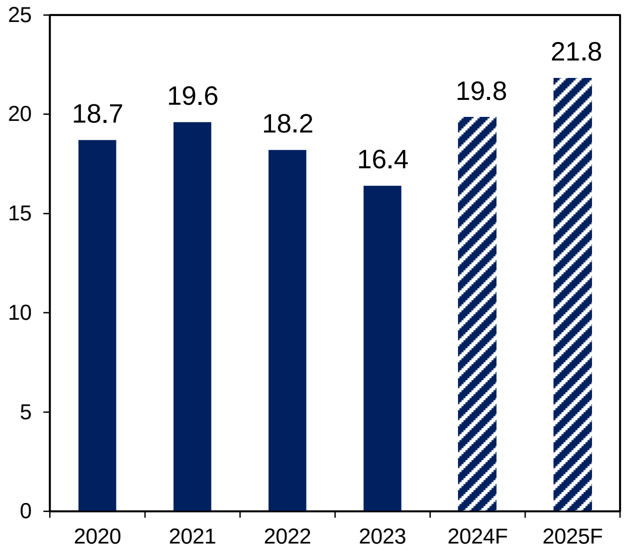
- *Source: CBRE*

Disbursement of public investment in 2024 - 25



- *Source: Minsitry of Finance, MBS Research*

Domestic sales volume (Unit: mt)

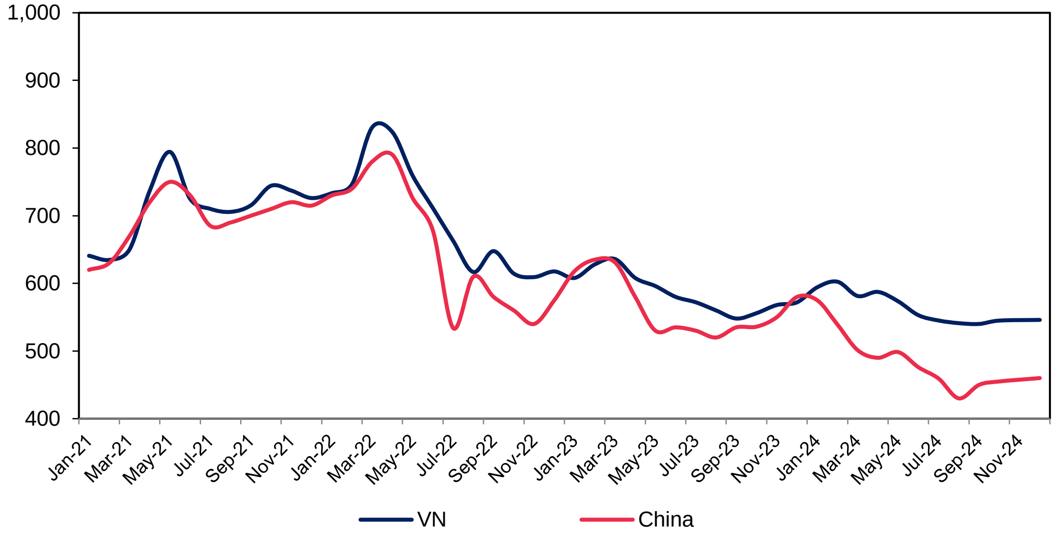


- *Source: VSA, MBS Research*

Steel price outlook: The price of VN rebar could climb 7%/8% in 2025/2026 thanks to lower China pressure

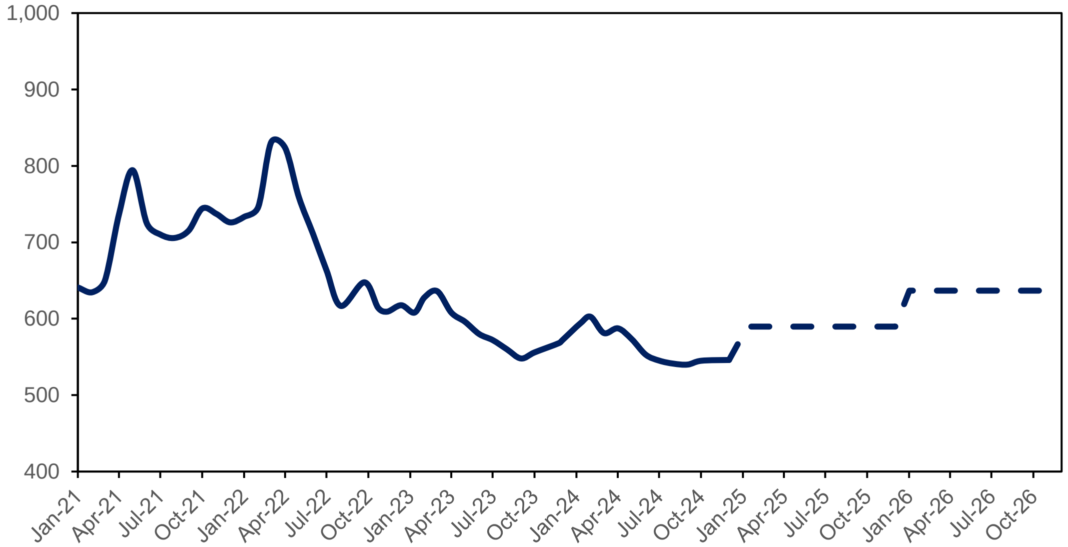
- Over supply and low demand are main distributor for the fall of China steel. The rebar and HRC price recorded 5 – year low with the drop of 24% and 21% YTD respectively. In term of demand, the recession of real estate has been worsened despite several stimulus policy from government. In October 2024, China's home-price slump deepens to new 9-year low with the decrease of 5% (more than 4.5% of September). We project the real estate would continue to be in crisis until the end of 2024 and potential of steel price depend on the supply when steel mill participating in cut off production.
- Unlike China, the potential of VN steel has been witnessed due to the bright outlook of real estate. The growth of housing supply and public investment have driven the recovery of rebar. We forecast VN rebar would have positive growth since Q4/24 when the pressure of China has been minimized. Therefore, in our estimation, the rebar price could reach average 551 USD/ton (-2% yoy) due to serious pressure of China steel in 1H24. In 2025 - 2026, we expect rebar could rise 7% and 8% to hit 590 USD and 637 USD/ton.

Vietnam rebar price has been negatively impacted by the downtrend in China



- *Source: Bloomberg, MBS Research*

Price of VN rebar forecast in 2024 - 2026

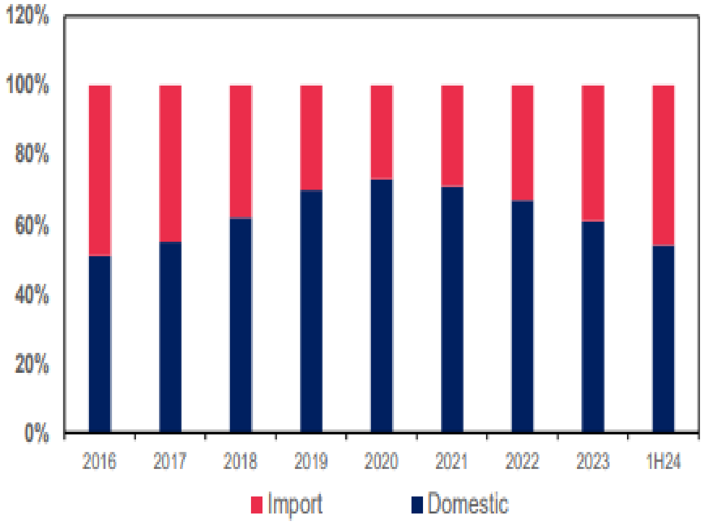


- *Source: Bloomberg, MBS Research*

Vietnam steel market outlook: Domestic manufacturer could gain more market share thanks to AD tax

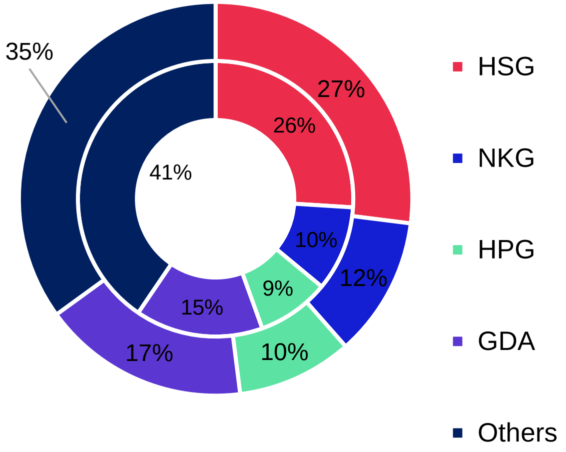
- Due to the overwhelming of imported HRC and Hot Dipped Galvanized (HDG) in 2024, Ministry of Industry and Trade (MOIT) have investigated the product particularly from China, Korea and India. MOIT initiated the investigation on imported HDG from China and Korea (AD19) and HRC from China and India (AD20) and we expect both of AD tax could be surpassed in 2025 to protect domestic production. In case this would be implemented, the spread of domestic and imported HRC, HDG could decrease to 45 USD/ton and 60 USD/ton (-20%/-24% as compared with in 2024).
- Lower spread could have positive impact on domestic company which could deal with the pricing competition of imported product. This can be witnessed that the market share of domestic HDG increased to 65% from 45% after applying AD tax in 2017. In 2025, the market share of local may improve driven by the contribution of tax. We expect the market share of HPG about HRC segment could reach 25% thanks to AD tax on China and India. In term of HDG, key players such as HSG, NKG would account for nearly 40% sales volume.

Market share of domestic manufacturer improved since applying AD tax



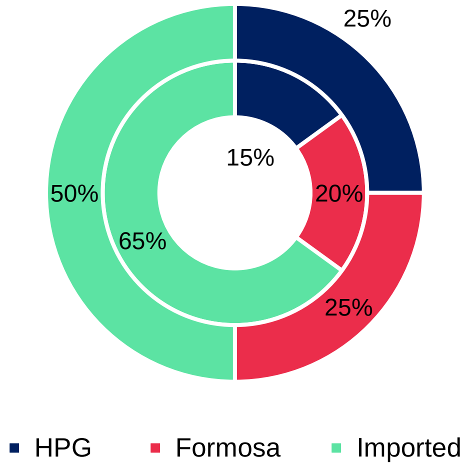
- *Source: VSA, MBS Research*

Market share of HDG segment in 10M24 (inside) and forecast 2025 (outside)



- *Source: VSA, MBS Research*

Market share of HRC segment in 10M24 (inside) and forecast 2025 (outside)

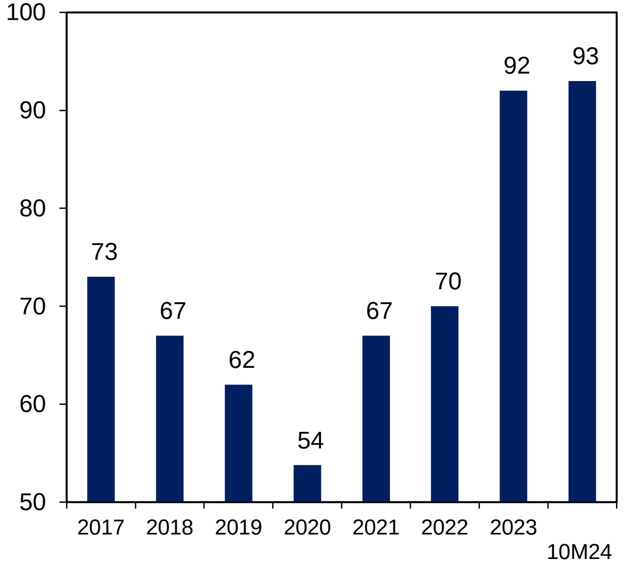


- *Source: VSA, MBS Research*

Steel price outlook: Price of HRC could recover thanks to strong demand and Anti – Dumping (AD) tax

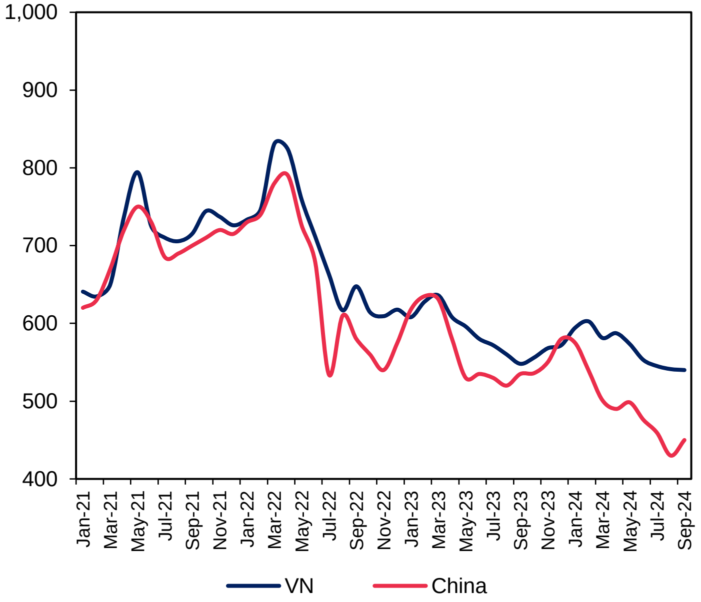
- China export volume in 10M24 climb by 23% yoy to reach 93 mt, which already exceeds the total exports of 2023 and is the highest since 2016. Thus, this year's figure may exceed 110 million tons according to WSA. In 10M24, domestic HRC market has been dominated by the imported from China and Korea. The imported volume accelerated to reach 3.5 mt (+33% yoy) because China improved exporting to deal with the oversupply. Furthermore, foreign manufacturer claim their price decrease about 18% - 20% as compared to domestic so this accounted for 65% total consumption, that is key reason why AD tax would be applied since 2025 to protect local manufacturing.
- In case the tax is effective, the pricing pressure could be decreased so that the spread of local and import could range 40 – 60 USD/ton (-20% yoy. We forecast average price of HRC reached 556 USD/ton (-7% yoy). In 2025 – 2026, thanks to AD tax applying help pressure cool down, the average price would reach 590/634 USD/ton (+6%/8% yoy).

The export volume of China (Unit: mt)



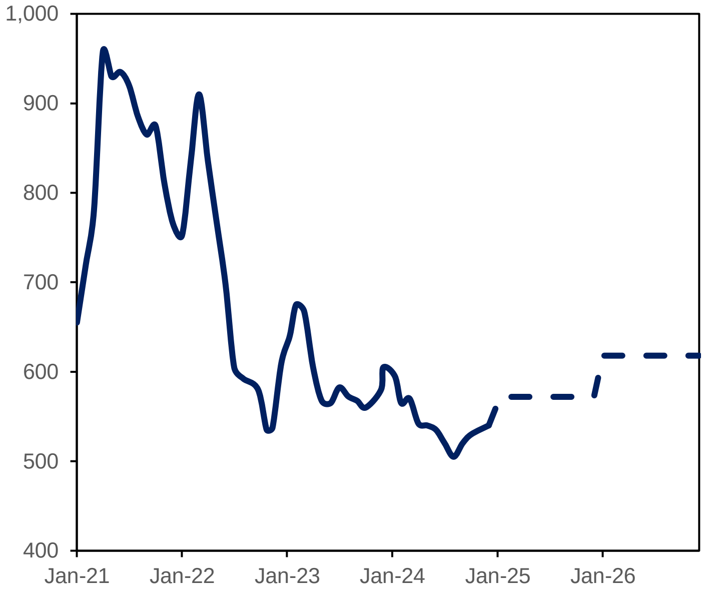
- *Source: Bloomberg, MBS Research*

Price of China and VN HRC (USD/ton)



- *Source: Bloomberg, MBS Research*

Price of VN HRC forecast in 2024 – 2026 (USD/ton)

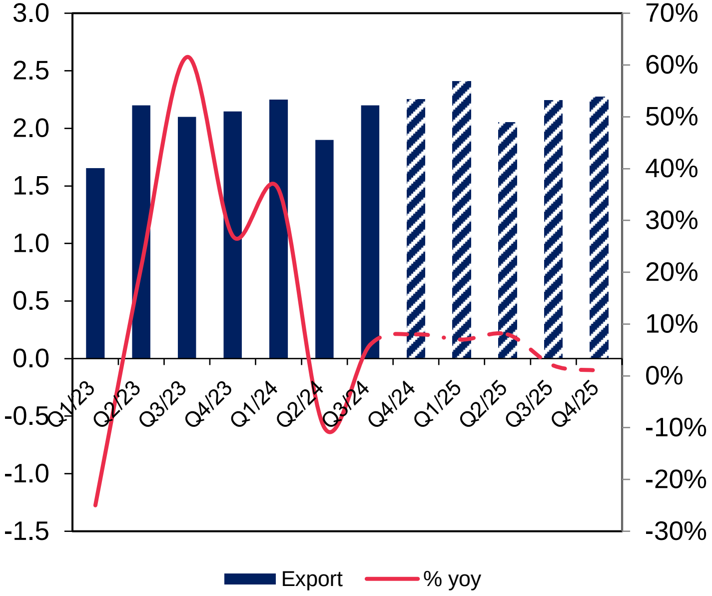


- *Source: Bloomberg, MBS Research*

Vietnam steel market outlook: Export volume slightly to grow 8%/5% yoy in 2024/25 thanks to demand recovery

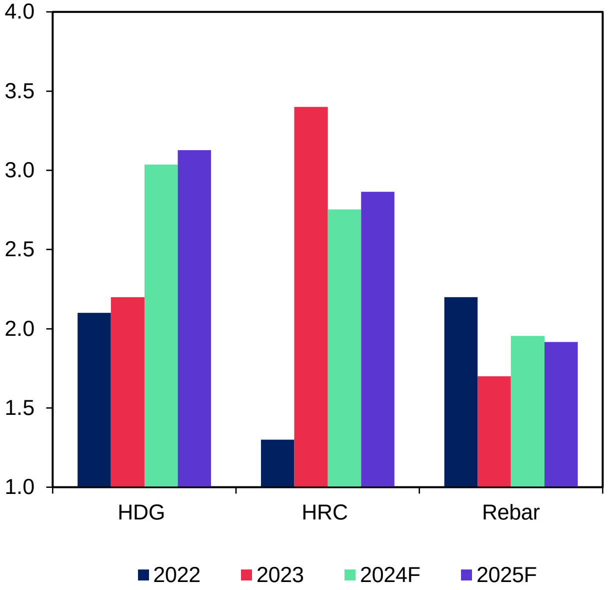
- In 10M24, export volume reach 7.1 mt (+6% yoy) thanks to the growth of rebar (20% yoy) and HDG (44% yoy) while HRC volume reported 2.1 mt (-26% yoy). Although, the volume increased the export price dropped 17% yoy to 650 USD/ton due to intense competition with China export product. Moreover, the demand of EU have decreased slightly in 2024 because of major sectors such as Construction (30%) and Automative (17%) reported minus 3% and 4.5% yoy, respectively.
- We forecast export volume would have potential to grow moderately in 2025 but we notice this could be minimized by the AD tax on HRC product from EU. In term of demand, according to The European Steel Association (Eurofer), construction and automative are key contributor for the growth. More detail, sector possibly report the growth of 4% and 3% yoy because lower level of interest support the demand. Due to both positive and negative impact on export market, the total sales volume could accelerate 8%/5% in 2024 – 2025. For each segment, HDG forecasted to grow strongest in 2024 (35% yoy) to reach 3.2 mt.

Vietnam ‘s steel export volume



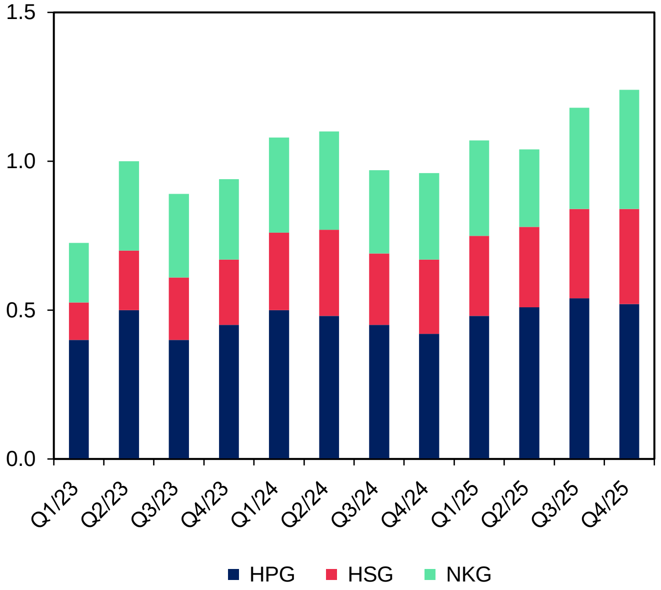
- *Source: VSA, MBS Research*

Export volume break down by product (Unit: Mt)



- *Source: WSA, MBS Research*

Export volume of listed steel manufacturers

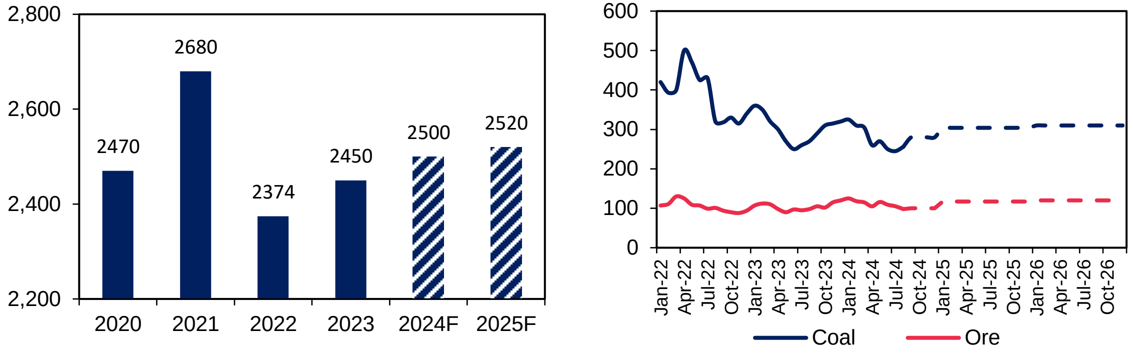


- *Source: VSA, MBS Research*

Vietnam steel market outlook: lower input prices might boost gross margin of steel manufacturers

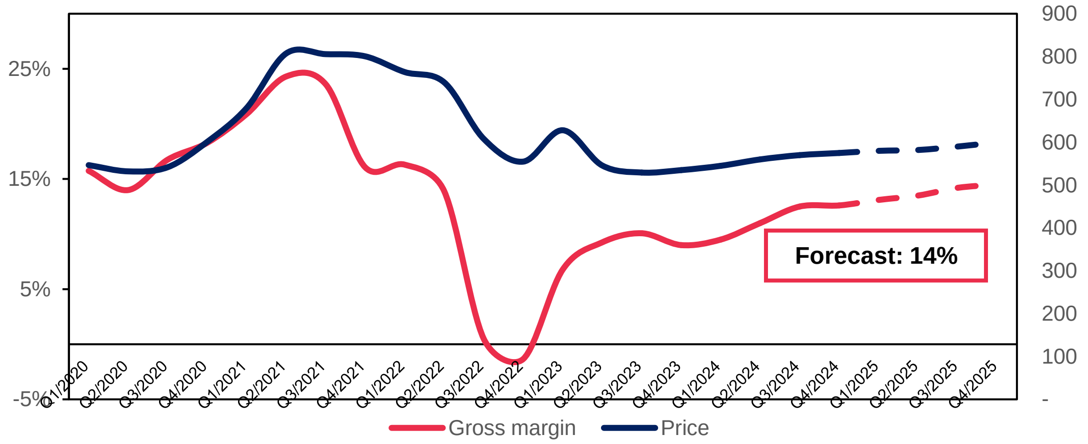
- According to S&P Global's assessment, the world supply of coal and ore is expected to remain stable in the context of large mining enterprises in Australia, Brazil, and India continuing to increase output. Furthermore, according to the China Association of Steel and Mining Enterprises, coal and ore output continues to improve to stabilize prices and support the recovery of the steel industry. Therefore, we assess that raw materials may decrease slightly before increasing again in 2025 when the world steel industry recovers, positively impacting raw material prices.
- Global iron ore output is expected to increase slightly by 2%, reaching 2.5 billion tons. Thanks to stable supply and reduced demand for steel production in China, ore prices are expected coking coal output is expected to grow by 4% in 2024 when stable weather in Australia has a positive impact on the mining process.
- Coal prices are forecast to cool down to 300 USD/ton (-7% yoy) and 340 USD/ton (+5% yoy) in 2024 and 2025. In 2026, we forecast ore could remain stable and coal could increase 3% % yoy to 314 USD/toned to reach 117 USD/ton (-4% yoy) in 2024. By 2025, ore prices may increase slightly by 2% yoy to reach 121 USD/ton and remain high base in 2026.

Lower input prices thanks to stable ore and coal production



- *Source: Bloomberg, MBS Research*

Gross margin of listed steel manufacturers



- *Source: Fiingroup, MBS Research*

FY24-26F key financial metrics of stock under our coverage

VND billion	**HPG**			**HSG**			**NKG**		
	2024	**2025F**	**2026F**	**2024**	**2025F**	**2026F**	**2024**	**2025F**	**2026F**
Revenue	139,409	172,225	225,524	39,272	45,760	51,477	22,860	25,402	26,192
% yoy	*17.5%*	*23.7%*	*30.8%*	*24.0%*	*16.5%*	*12.5%*	*22.9%*	*11.1%*	*3.1%*
Gross profit	19,858	26,184	34,317	4,253	5,141	6,080	1,867	1,821	2,022
Gross profit margin (%)	*14.2%*	*15.2%*	*15.3%*	*10.8%*	*11.2%*	*11.8%*	*8.2%*	*7.2%*	*7.7%*
EBITDA	22,393	32,118	39,477	2,906	2,379	2,821	1,412	1,381	1,629
EBITDA margin (%)	*16.8%*	*19.2%*	*17.9%*	*7.4%*	*5.2%*	*5.5%*	*6.2%*	*5.4%*	*6.2%*
Net profit	12,930	17,995	23,903	510	869	1,324	606	657	836
% yoy	*90.5%*	*39.0%*	*32.7%*	*1600.0%*	*70.3%*	*52.4%*	*254.3%*	*9.30%*	*27.3%*
EPS (VNĐ/share)	2,224	3,095	3,795	828	1,376	1,949	2,302	2,495	3,175
BVPS (VNĐ/share)	16,132	16,952	17,638	17,687	18,731	18,888	22,300	23,690	23,975
Net cash/share (VNĐ/share)	(12,477)	(12,818)	(13,094)	(2,500)	(2,350)	(2,250)	(2,541)	(2,257)	(2,346)
Debt/Equity	71.6%	72.7%	71.9%	49.2%	46.7%	41.0%	96.9%	97.7%	95.8%
Dividend yield (%)	1.8%	2.1%	2.4%	2.5%	3.50%	4.1%	4.0%	4.1%	2.6%
ROAE (%)	11.5%	15.0%	18.3%	4.7%	7.1%	9.8%	10.3%	10.4%	11.7%
ROAA (%)	6.1%	8.8%	11.0%	2.6%	4.1%	5.9%	4.6%	5.1%	4.7%

Source: MBS Research’s projection

Investment strategy: We prefer HPG, HSG and NKG

Ticker	Target price (VNĐ/share)	Recommend	Comments
HPG	**33,500**	ADD	- HPG is beneficiary of recovery cycle driven by the strong demand of rebar and HRC segment. The growth phase expected to start since 2025 with the contribution from the positive signal of construction sector. The increase of housing supply and public investment would bring positive impact on rebar sales. In term of HRC volume, we project thanks to AD tax and Dung Quat 2 Complex, the volume could grow 40% yoy to 4.4 million tons. - As the result of lower pressure from China export and strong domestic demand, the price of rebar and HRC would recover 7%/6% in 2025. Thanks to the growth of price more than input material, gross profit margin (GPM) forecasted to improve 1% pts to 15.2%. So, the net profit (NP) could reach 17,995bn VND (+39% yoy). - HPG is valuated lower than average multiple: The forward PB and PE currently reach 1.6 and 10.2 (below to the average in 2 cycle about 2.2 and 12.5).
HSG	**24,800**	ADD	- HSG is beneficiary of recovery cycle driven by the strong demand of domestic market. Sales volume could rise 6% yoy to reach 2.1 mt thanks to domestic growth and AD tax. - As the result of lower pressure from China export and strong domestic demand, the price of HDG would recover 6% yoy in 2025 and reach 984 USD/ton. Thanks to the growth of price more than input material, gross profit margin (GPM) forecasted to improve 0.4% pts to 11.2%. So, the net profit (NP) could reach 869bn VND (+70% yoy). - HSG is valuated lower than average multiple: The forward PB and PE currently reach 0.9 and 10.5 (below to the average in 2 cycle about 1.2 and 12.0).
NKG	24,500	ADD	- Although the export market could only report sligjht recover due to the pressure of AD tax, we expect domestic would be the key market for the growth of sale volume. The total volume forecasted to reach 1.1 mt (6% yoy) driven by the growth of domestic sales production (8% yoy). - Due to recovery of EU demand, we project export price would climb 5% yoy so GPM could iprove to 8.1% so that the NP expected to reach 656 bn VND (+18% svck) - NKG is valuated lower than average multiple: The forward PB and PE currently reach 0.8 and 9.5 (below to the average in 2 cycle about 1.1 and 11.0).

Investment strategy: We prefer HPG, HSG and NKG

	Ticker	**Current price**	**Target price**	**RCM**	**MV of equity**	**P/E (times)**		**P/B (times)**		**ROA%**		**ROE (%)**	
Company	**Bloomberg**	**VND/share**	**VND/share**		**VND bn**	**2024F**	**2025F**	**2024F**	**2025F**	**2024F**	**2025F**	**2024F**	**2025F**
Hoa Phat Group	HPG VN	27,600	33,500	ADD	19,880	23.4	13.5	1.7	1.6	3.8%	6.6%	7.2%	12.5%
Hoa Sen Group	HSG VN	18,800	24,800	ADD	16,676	130.2	23.8	1.3	0.2	0.5%	3.4%	1.2%	4.5%
Nam Kim Group	NKG VN	19,500	24,600	ADD	250	50.1	25.1	1.2	1.1	0.9%	3.2%	3.11	7.3%
VN - Germany Steel Pipe JSC	VGS VN	32,800	N/A	KKN	185	29.3	27.5	1.9	1.7	2.4%	4.2%	4..1%	5.5%
Dong A Group	GDA VN	27,200	N/A	KKN	150	7.3	6.5	0.9	0.8	5.4%	6.2%	7..1%	8.5%
Average						**37.6**	**16.6**	**1.1**	**0.9**	**5.6%**	**6.4%**	**6.0%**	**8.7%**

Source: Bloomberg

4

SECTOR OUTLOOK | Industrial Property

Rising tide lift all boats

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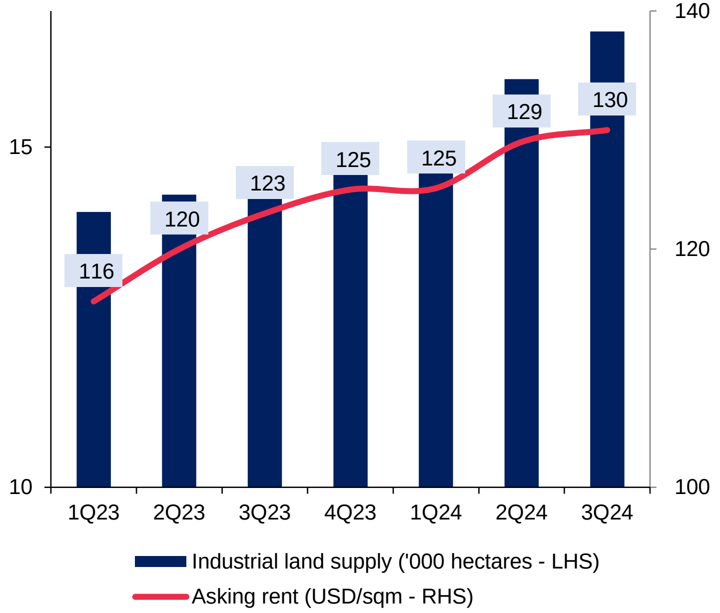
2024 Recap: Northern land price grew at a slower pace

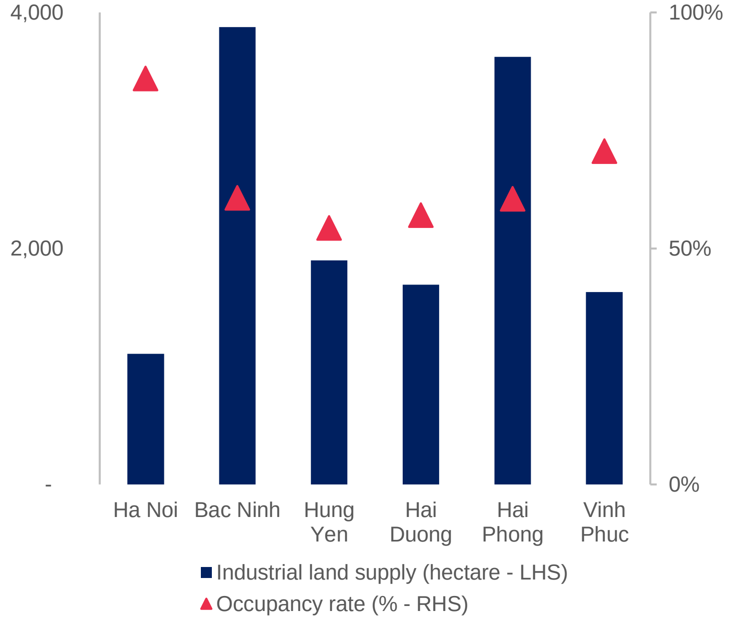
- According to Cushman & Wakefield (CW), by 3Q/24, the total industrial land supply in the Northern market reached 16.7 thousand ha, marking a 16% yoy increase. This growth was primarily driven by Bac Ninh, Hai Duong, Hai Phong, and Vinh Phuc, which collectively provided approximately 1,274 ha. The occupancy rate stood at 68%, and the average primary asking price experienced a slight rise of 5.7% yoy, reaching 130 USD per m2. High demand led to some projects in Bac Ninh and Hung Yen increasing their prices by 10% over the quarter. Thanks to advantageous locations, improved infrastructure, and positive investment sentiment, the total absorbed land area reached about 450 hectares, with Bac Ninh, Quang Ninh, and Hai Duong take the leading position.
- Total ready-build supply reached 4.5 mn m2, accounting for 30% of country supply, with 61% from factories and 39% from warehouses. Bac Ninh led with 40% of the supply, followed by Hai Phong with 33% market share. The overall occupancy rate stood at 80%. Rent averaged USD5/m2/month, with high rents were recorded in Bac Ninh and Hai Phong.

Industrial land supply and asking rent



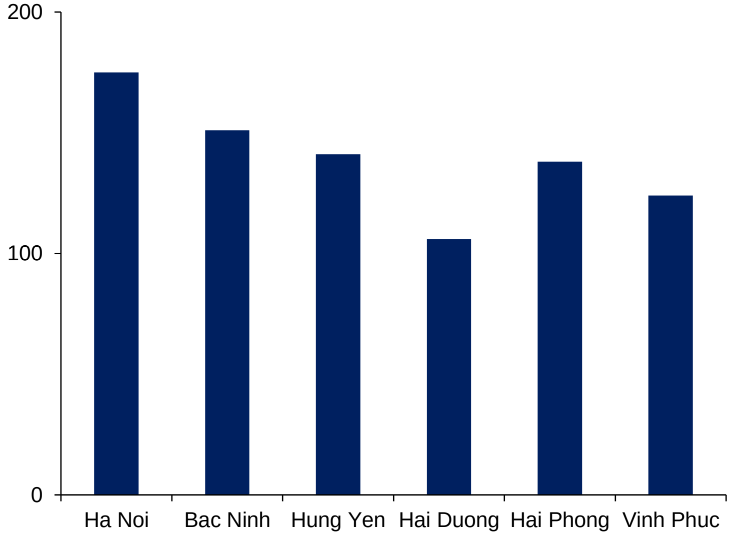
- *Source: CW, MBS Research*

Industrial land supply by province



- *Source: CW, MBS Research*

Asking rent by province

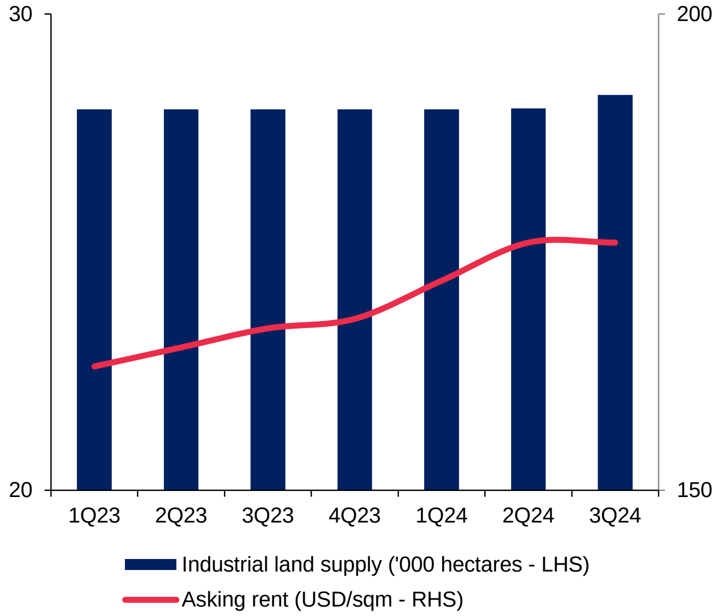


- *Source: CW, MBS Research*

2024 Recap: Limited new supply in Southern market

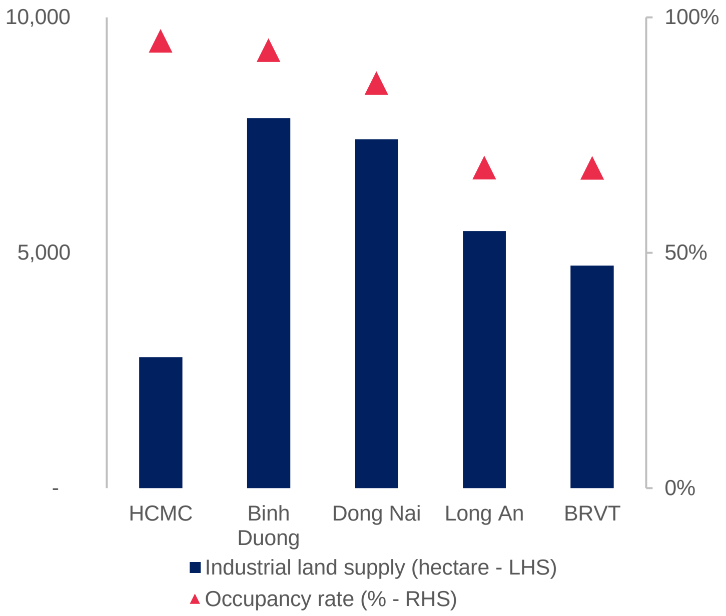
- By end-3Q/24, the total industrial land supply in the Southern market had increased by 1.6% year-over-year, reaching 28.3 thousand hectares, with an occupancy rate of around 82%. The average primary asking price stood at 176 USD per square meter, unchanged from the previous quarter, but up by 5.6% year-over-year.
- Long An and Ba Ria-Vung Tau emerged as the leading provinces in leasing areas. Major tenants of industrial park (IP) land came from sectors such as Machinery & Equipment, Plastics, and Pharmaceuticals.
- The ready-built supply reached 10.6 million m², with factories accounting for 49% and warehouses for 51%. The region achieved an 80% occupancy rate, with an average rent of 4.4 USD/m²/month. This impressive performance was fueled by the robust manufacturing sector, which continues to expand due to favorable policies and strategic investments. Additionally, the high demand for logistics space, driven by the rapid growth of e-commerce and increasing consumption in the region, further supports this positive trend.

Industrial land supply and asking rent



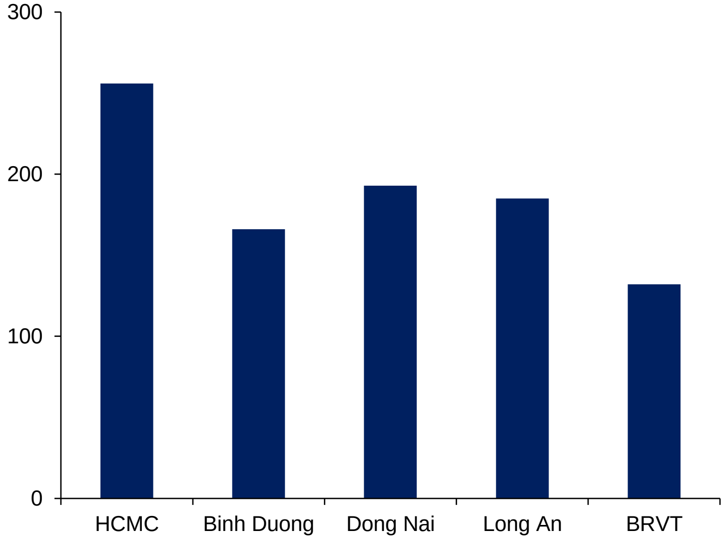
- *Source: CW, MBS Research*

Industrial land supply by province



- *Source: CW, MBS Research*

Asking rent by province

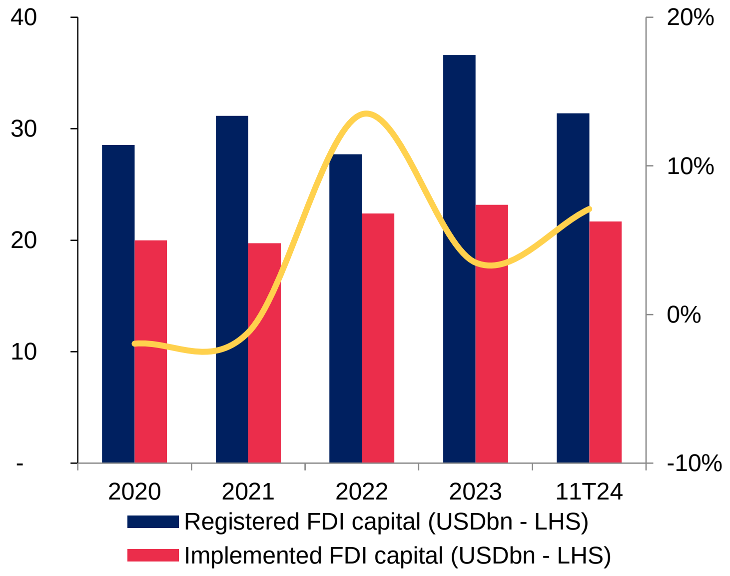


- *Source: CW, MBS Research*

2025 outlook: Riding on robust FDI inflow

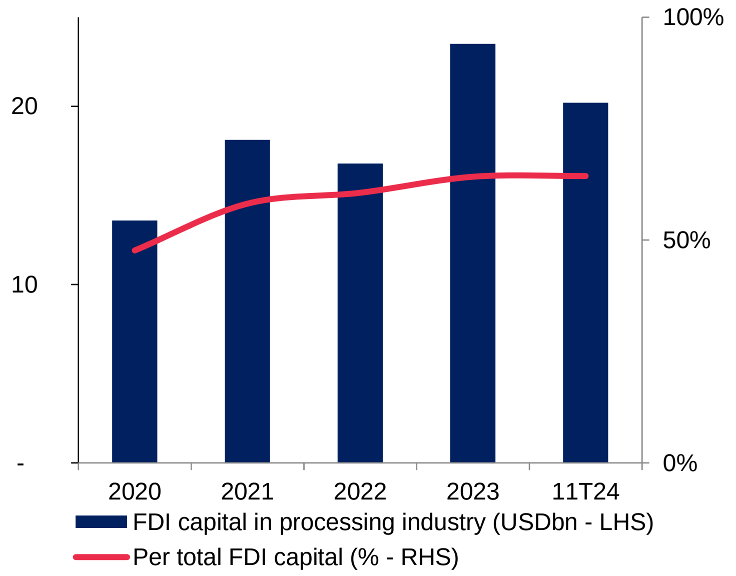
- According to Ministry of Planning & Investment (MPI), in 11M24, registered and implemented FDI capital reached USD 31.4 billion (+1% yoy) and USD 21.7 billion (+7.1% yoy), respectively. This is a good growth rate in the context of a difficult world economy when many countries tightened monetary policies.
  - ✓ The processing and manufacturing industry remains the leading sector in attracting FDI capital, accounting for 64% of total FDI capital flowing into Vietnam, followed by real estate business accounting for 18%.
  - ✓ Bac Ninh and Quang Ninh are the two leading provinces in attracting FDI capital, reaching USD 5.0 billion (+210% yoy) and USD 2.3 billion (-26% yoy), respectively.
- Overall, FDI inflow continues to be a spotlight in 2024, but we have seen a slowing momentum recently as foreign enterprises await the election results in the US and new policies in Vietnam. So, we see that FDI capital flows will find it difficult to reach the 2024 target of USD 39-40 billion.

Total FDI since 2020



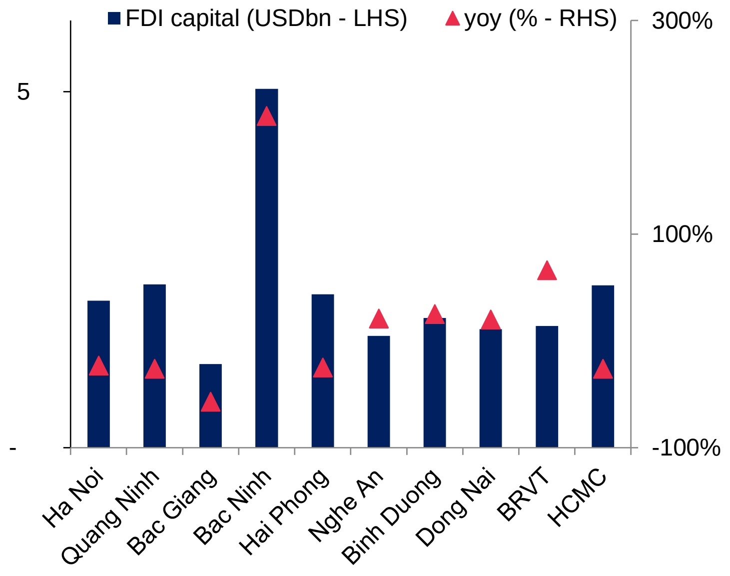
- *Source: MPI, MBS Research*

Newly registered FDI by industry



- *Source: MPI, MBS Research*

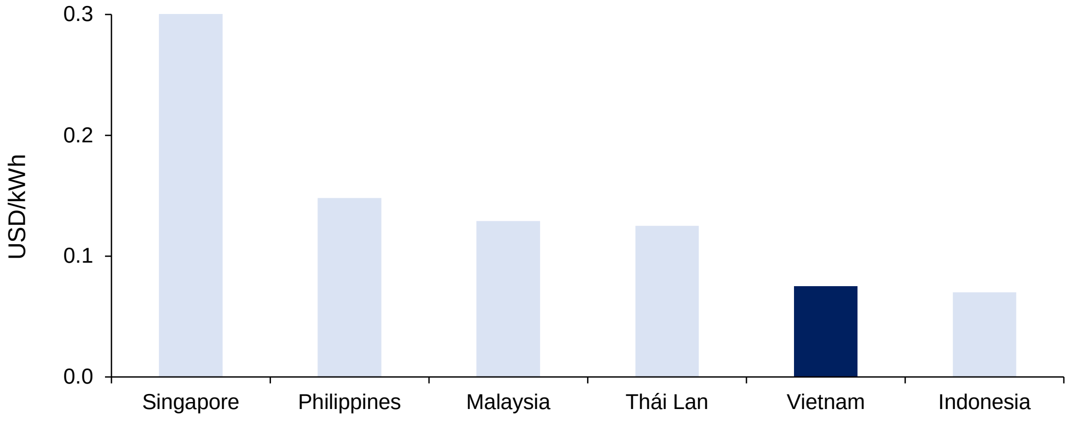
Newly registered FDI by province



- *Source: MPI, MBS Research*

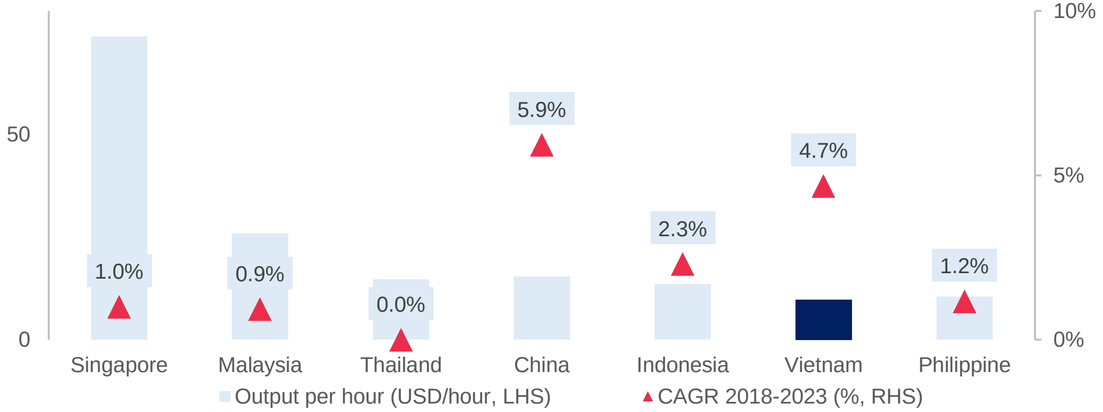
2025 outlook: Vietnam is the top destination for foreign enterprises who are moving away from China thanks to its strategic position in the supply chain and its openness in both economic and political spheres

Electricity prices for businesses



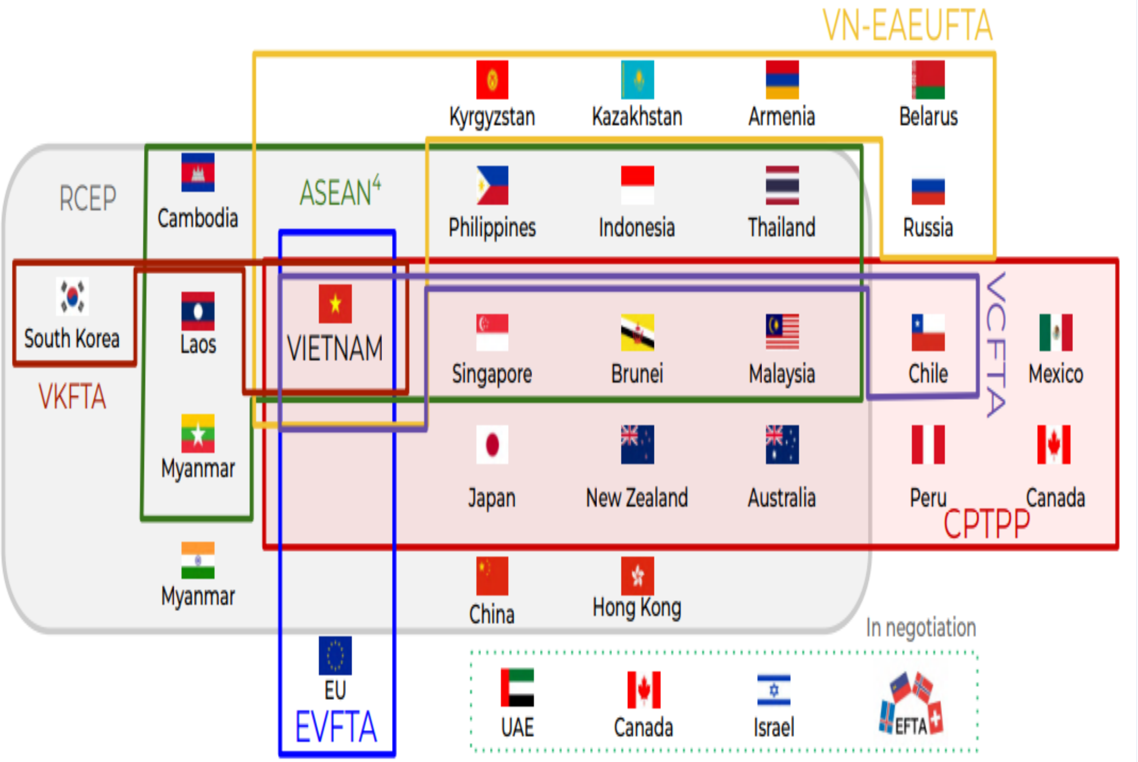
- *Source: Global Petro Prices, MBS Research*

Labour productivity



- *Source: International Labour Organization, MBS Research*

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



- *Source: MPI, MBS Research*

2025 outlook: Northern market is more appeal regarding its improving infrastructure and attractive asking rents

- The northern provinces have a strategic location with access to local and international markets. China’s Southern Economic Corridor, which connects to northern Vietnam, includes places like Shanghai, Hong Kong, and Guangdong. The region also boasts improved infrastructure, including highways and three major ports: Hai Phong Port, Lach Huyen Deep Water Port, and Cai Lan Port. Compared to southern provinces, the northern provinces have more available land banks and more affordable land prices.
- The Northern region comprises about 61% of Vietnam’s highways and includes the country’s longest and modern highway, the Lao Cai – Quang Ninh route (approximately 600 km). The port systems in Hai Phong, Quang Ninh, Thai Binh, and Nam Dinh, along with Noi Bai and Cat Bi International Airports, facilitate connectivity for the whole region. Many regional highways linking industrial zones with Ha Noi and the Chinese border enhanced the North’s appeal to foreign investors.
- Average asking price in Northern market is 26% lower than in Southern market. We expect asking prices in the North region to grow 5-10% per year.
- According to CW, from now to 2027, the Northern market will have about 4,700 hectares of IP land. Among the provinces, Hai Phong and Hung Yen accounted for up to 27% and 23% of total new supply, respectively. Thanks to good demand, the IP land price is expected to increase.

Key infrastructure projects in the North

Project	Investment capital (VND bn)	Time	Beneficiary areas
Ring Road 4 phase 1	85,800	2022-2028	Ha Noi, Hung Yen, Bac Ninh, Bac Giang and Vinh Phuc
Hoa Binh – Moc Chau expressway	9,997	2022-2028	Ha Noi, Hoa Binh, Son La

- *Source: MBS Research*

Key new Industrial parks in the North

IP	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*

2025 outlook: Southern market is expected to supplement huge new supply

- The presence of Tan Son Nhat and Can Tho airports, along with a network of national roads and expressways, ensures good connectivity, granting easy access to both domestic and international markets. Notable future projects include Ben Luc – Long Thanh, Bien Hoa – Vung Tau, HCMC – Chon Thanh – Thu Dau Mot expressways, Ring Road 3, and Ring Road 4.
- Until 3Q24, four industrial provinces (Binh Duong, Dong Nai, Long An and Ba Ria - Vung Tau) have the 2021-2030 master plan. Thanks to that, the industrial market in the south is expected to be supplemented with several new IPs comprising nearly 6,000 hectares of industrial land in the period from now to 2027.
- According to CW, the RBF market will have a future supply of about 1.0 million sqm in the period of 2024-2027. Amid weak demand for RBW, the conversion trend of RBW to RBF might continue for a period of time, making more RBF supply entering the market.
- From now to 2027, there will be an RBW supply of about 1.9 million sqm entering the market. However, to adapt to market conditions, developers might need to consider converting their projects from RBW to RBF, as well as offer competitive schemes to attract clients.

Key infrastructure projects in the South

Project	Investment capital (VND bn)	Time	Beneficiary areas
Ring Road 3	75,378	2023 - 2026	HCMC, Binh Duong, Dong Nai, Long An
Long Thanh International Airport phase 1	110,000	2022 - 2026	Dong Nai, BR-VT, HCMC
Southern Regional expressway system	93,000	Groundbreaking in 2023	HCMC, Vung Tau, Binh Duong, Can Tho
Ben Luc – Long Thành expressway	31,320	2014 - 2025	HCMC, Long An, Dong Nai

- *Source: MBS Research*

Key new Industrial parks in the South

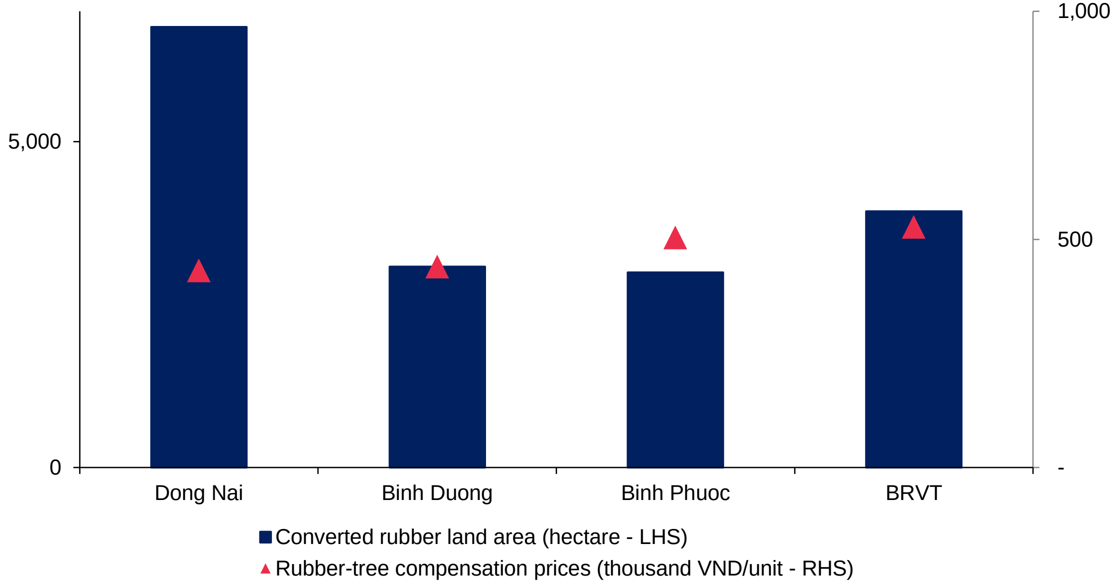
IP	Location	Area	Developer
Bau Can-Tan Hiep	Dong Nai	2,627 ha	Tan Hiep
Xuan Que-Song Nhan	Dong Nai	3,595 ha	Xuan Que
VSIP III Binh Duong	Binh Duong	1,000 ha	VSIP
Pham Van Hai I&II	HCM City	668 ha	Not determined
Amata City Long Thanh	Dong Nai	410.31 ha	Amata Long Thanh
VSIP Can Tho	Can Tho	293.7 ha	VSIP

- *Source: MBS Research*

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 rates in the Southern region are at the high level, such as Binh Duong's rate of 93%, Dong Nai's rate of 86%.
- Some advantages of rubber land conversion are large land area, quick land clearing and low cost. However, there are many disadvantages to attract FDI 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



- *Source: MBS Research*

Some IPs being converted from rubber land

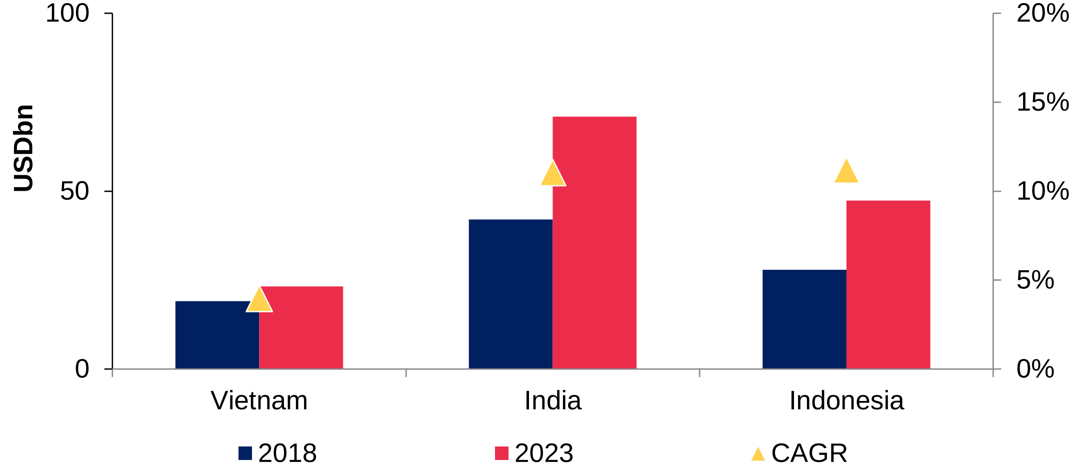
IP	Location	Area (hectare)	Developer
Minh Hung III Ext	Binh Phuoc	578	Binh Long Rubber
Bac Dong Phu Ext	Binh Phuoc	317	Bac Dong Phu IP
Nam Dong Phu Ext	Binh Phuoc	480	Bac Dong Phu IP
VSIP III	Binh Duong	1,000	VSIP
Tan Lap I	Binh Duong	202	Phuoc Hoa Rubber
Rach Bap Ext	Binh Duong	639	An Dien TP
Bau Xeo 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

- *Source: MBS Research*

Key risks to the industry

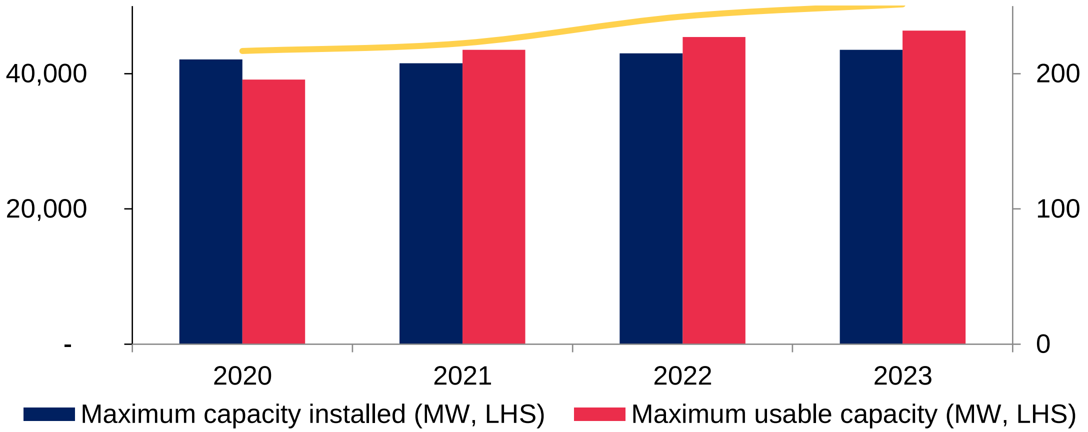
- **Increasing competition to attract FDI capital with other countries**: Two competitors with Vietnam are India and Indonesia. CAGR of FDI capital in India and Indonesia in the period of 2018-2023 reached 11.0% and 11.2% respectively, while Vietnam just reached 4%.
- **Risk of electricity shortfall 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 up to 15%. We find 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.
- On December 11,2024, The Government proposes to establish an Investment Support Fund with stronger policies to retain and attract large enterprises in the semiconductor and AI sectors when applying global minimum tax policy. It is a good signal for attracting FDI flows into 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*

Business results in 9M24

Listed developer	**Industrial area (hectare)**	**Occupancy rate**	**Asking prices (USD/sqm)**	**Business results in 9M24**
BCM	3,000	88%	150-210	Revenue reached VND 3,195 billion (+6% yoy), of which revenue from industrial and residential property reached VND 1,990 billion (+6% yoy), gross margin increased by 10 pts to 80% thanks to BCM handing over land at Bau Bang resettlement area with low compensation costs. Income from joint ventures and associates reached VND 765 billion, 3.5 times higher than 9M23, mainly from profits distributed from VSIP. As a result, in 9M24, net profit reached VND 736 billion (+89% yoy), completing 33% of the 2024 profit plan.
KBC	2,200	60%	130-190	Revenue reached VND 1,994 billion (-58% yoy) and net profit reached VND 352 billion (-82% yoy), completing 10% of the 2024 profit plan. The reason for the decrease was due to (1) industrial revenue decreased by 76% yoy because the hand-overed IP area was only 29.7 hectares in 9M24, much lower than 131.8 hectares in 9M23 (2) gross margin of IP segment decreased by 19 pts. Residential property segment grew 432% yoy thanks to the Nenh social housing project and Trang Due urban area.
IDC	2,800	66%	100-160	Revenue and net profit reached VND 6,891 billion (+38% yoy) and VND 1,639 billion (+95% yoy), respectively, completing 93% of the 2024 profit plan. IP revenue increased by 52% yoy thanks to the handover of 90 hectares of IP land, with an average leasable price of 135 USD/sqm. Gross margin of IP improved due to the handover of large IP areas in Phu My 2 IP and Phu My 2 Ext IP having high gross margin of over 70%. Revenue from residential property increased by 567% thanks to the land transfer to Aeon and the launch of the Bac Chau Giang project. Energy revenue grew 14% yoy thanks to the operation of Huu Thanh substation phase 1 (63 MVA).
SZC	1,100	54%	100	Revenue reached VND 641 billion (+15% yoy) and net profit reached VND 227 billion (+39% yoy), almost completing the 2024 profit plan. IP revenue increased by 23% yoy thanks to large contracts with SNZ, D2D and HPG. Some large tenants contracted to lease IP land by 3Q24, including Tripod Vietnam, Steel Builder. The asking prices at Chau Duc IP experienced an increase of 25% compared to the beginning of 2024, reaching at about 100 USD/sqm. In contrast, residential property revenue was less positive, down 69% yoy, due to weak demand for real estate.

- *Source: Companies' financial statements, MBS Research*

FY24-26F key financial metrics of stock under our coverage

	KBC				**BCM**				**IDC**				**SZC**			
	2023	**2024**	**2025**	**2026**	**2023**	**2024**	**2025**	**2026**	**2023**	**2024**	**2025**	**2026**	**2023**	**2024**	**2025**	**2026**
Revenue	5,618	4,411	6,187	7,932	7,883	6,549	6,422	6,883	7,237	8,556	8,961	10,063	818	1,037	1,302	1,447
yoy (%)	*491.3%*	*-21.5%*	*40.3%*	*28.2%*	*20.1%*	*-16.9%*	*-1.9%*	*7.2%*	*-3.3%*	*18.2%*	*4.7%*	*12.3%*	*-4.8%*	*26.7%*	*25.6%*	*11.1%*
Gross profit	3,695	2,490	3,241	4,140	4,248	2,995	2,995	3,306	2,423	3,267	3,232	3,494	488	547	603	935
Gross margin (%)	*65.8%*	*56.4%*	*52.4%*	*52.2%*	*53.9%*	*45.7%*	*46.6%*	*48.0%*	*33.5%*	*38.2%*	*36.1%*	*34.7%*	*42.8%*	*47.1%*	*42.0%*	*41.7%*
EBITDA	2,750	1,795	2,305	2,966	3,050	1,923	1,856	2,173	2,917	3,612	3,589	3,790	394	496	533	579
EBITDA margin (%)	*55.9%*	*48.1%*	*46.0%*	*44.9%*	*49.1%*	*51.3%*	*61.2%*	*69.7%*	*42.8%*	*45.0%*	*42.8%*	*39.8%*	*50.2%*	*49.2%*	*42.6%*	*41.0%*
Net profit	2,031	1,185	1,492	1,983	2,424	1,775	2,284	3,046	1,394	1,807	1,821	1,916	218	323	346	389
yoy (%)	*33.0%*	*-41.6%*	*25.9%*	*32.9%*	*42.8%*	*-26.8%*	*28.7%*	*33.4%*	*-21.2%*	*29.7%*	*0.8%*	*5.2%*	*10.4%*	*48.2%*	*7.2%*	*12.5%*
EPS (VND/share)	2,646	1,544	1,943	2,584	2,342	1,715	1,927	2,282	4,223	5,475	5,518	5,806	1,816	1,794	1,923	2,164
BVPS (VND/share)	23,679	25,222	27,166	29,249	17,934	18,546	26,222	27,167	15,069	16,484	18,941	20,681	14,478	17,113	18,036	19,199
Net cash/share	3,085	9,702	10,776	11,889	-7,696	-6,180	8,445	1,630	3,956	8,150	6,114	6,311	(3,099)	(1,029)	(1,316)	(2,784)
Net debts/equity	13.9%	18.7%	16.0%	14.0%	94.4%	87.4%	9.6%	29.7%	35.3%	6.4%	12.2%	8.2%	140.8%	51.8%	71.4%	79.7%
Dividend yield (%)	0.0%	0.0%	0.0%	0.0%	1.2%	1.5%	1.5%	1.8%	7.1%	7.1%	5.3%	7.1%	0.0%	2.3%	2.3%	2.3%
ROAE (%)	11.9%	6.3%	7.4%	9.2%	13.7%	9.4%	8.4%	8.5%	28.1%	34.7%	31.2%	29.3%	13.3%	13.4%	10.9%	11.6%
ROAA (%)	5.9%	3.2%	3.5%	4.3%	4.8%	3.3%	3.6%	4.2%	8.0%	9.7%	9.3%	9.5%	3.3%	4.2%	4.0%	4.1%

Investment strategy: We prefer KBC and BCM

Ticker	Target price	Rating	Comments
KBC	39,200	ADD	▪ We forecast net profit to decrease 42% yoy in 2024 and increase 26%/33% yoy in 2025-26. IP segment would be positive attributable to FDI inflows into Vietnam. Real estate segment would be improved due to the launch of the Nenh social house project and Trang Due urban area this year. ▪ Trang Due 3 IP and Trang Cat urban area are being legally completed to operate in 2025-26.
BCM	82,500	ADD	▪ Net profit is expected to increase 29%/33% in 2025-26 thanks to positive FDI capital into Vietnam after Vietnam upgrades diplomatic relation with the US, Japan and South Korea; Cay Truong IP is gradually being cleared of legal issues and will soon be put into operation in the next 2-3 years; ▪ VSIP would contribute the major of BCM industrial earnings attributable to VSIP III Binh Duong, VSIP Bac Ninh II, Becamex VSIP Binh Dinh,.... ▪ BCM plans to issue 300 million new shares in 2024-25 with a minimum price of VND 50,000.
IDC	55,500	HOLD	▪ We expect more positive FDI inflows after the US election results and the FED signals to lower interest rates; FDI flows into BRVT have increased well; ▪ New IPs (Tan Phuoc 1 IP and My Xuan B1 Ext IP) create growth momentum for FY25-26F; ▪ Good financial health, high dividend payout (about 30-40% in cash)
SZC	39,300	HOLD	▪ BRVT's infrastructure is built synchronously, helping to reduce costs for investors; ▪ Chau Duc IP is increasingly attracting many large-scale foreign enterprises.

Company name	Ticker	Price	Market cap	P/E (x)		P/B (x)		ROE (%)		ROA (%)	
		VND/share	VND bn	2024	2025	2024	2025	2024	2025	2024	2025
Becamex IDC	BCM	67,000	69,345	39.1	34.8	3.6	2.6	9.4	8.4	3.3	3.6
Kinh Bac	KBC	28,200	21,646	25.4	20.2	1.6	1.4	6.3	7.4	3.2	3.5
IDICO	IDC	56,400	18,612	10.3	10.2	3.4	3.0	34.7	31.2	9.7	9.3
Sonadezi Chau Duc	SZC	43,000	7,739	24.0	22.4	2.5	2.4	13.4	10.9	4.2	4.0
	Average			**24.7**	**21.9**	**2.8**	**2.4**	**16.0**	**14.5**	**5.1**	**5.1**

- *Source: FiinPro, MBS Research*

5

SECTOR OUTLOOK | Power

Pioneering the green energy revolution

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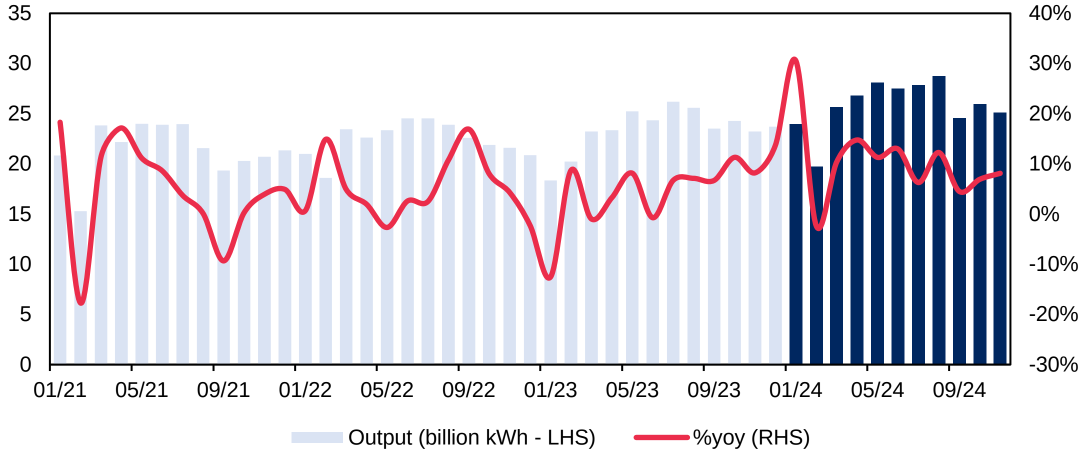
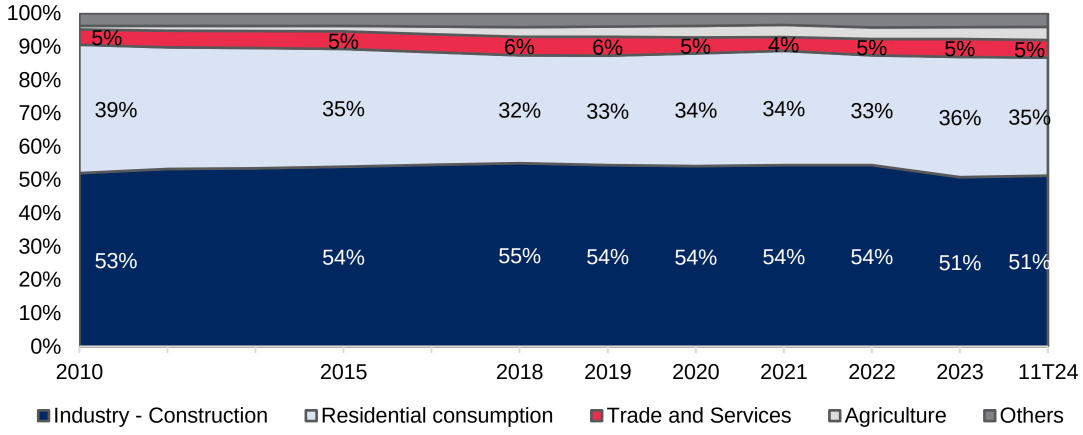
11M24 Power sector recap: Differentiated mobilization amid strong production recovery

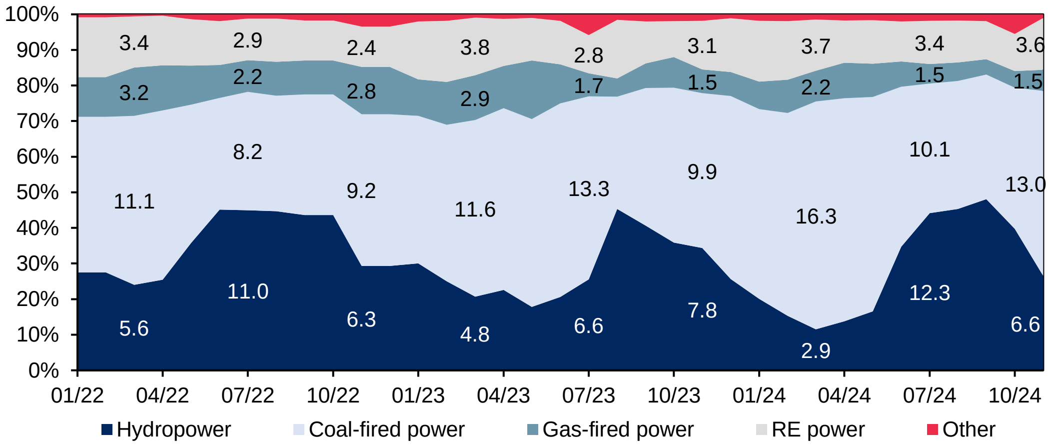
11M24 power consumption increased 10% yoy, surpassing the MOIT plan, driven by economic recovery from the low base of 2021–23



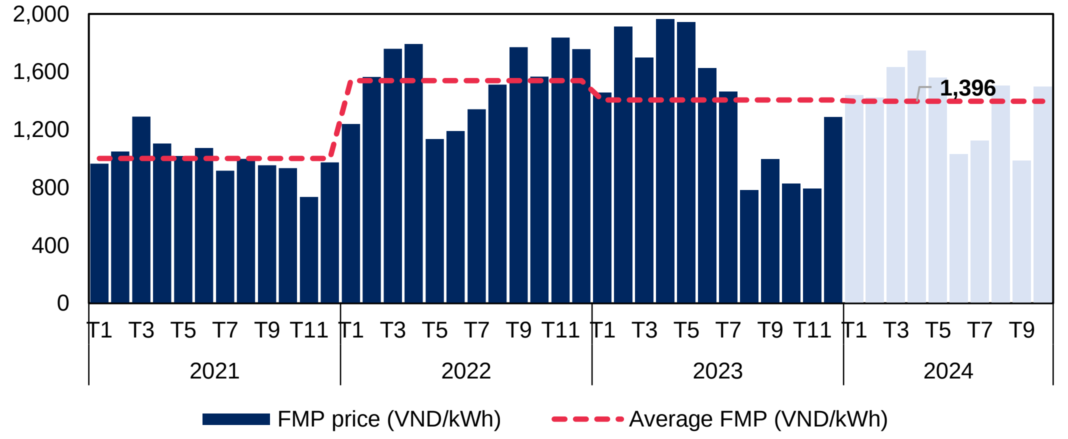
Industrial and residential consumption remained key drivers of demand growth, accounting for 51% and 35%, respectively, of the national electricity consumption structure in 11M24



Coal-fired power was the highlight in 1H24; Hydropower took the lead from 2H24, due to favorable hydrology; Gas-fired power output remained low due to gas shortages; RE power sustained stable output



10M24 FMP reached VND1,396 VND/kWh (+1% yoy), a relatively low level. This limited the scope for thermal power mobilization, primarily due to NSMO's prioritization of hydropower in 2H24

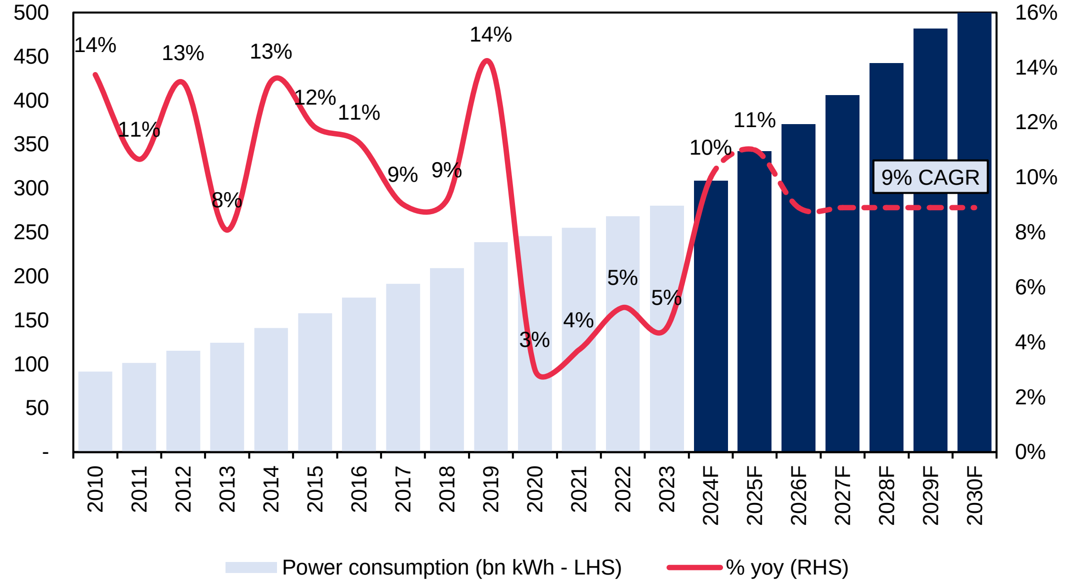


- *Sources: EVN, GENCO3, MBS Research*

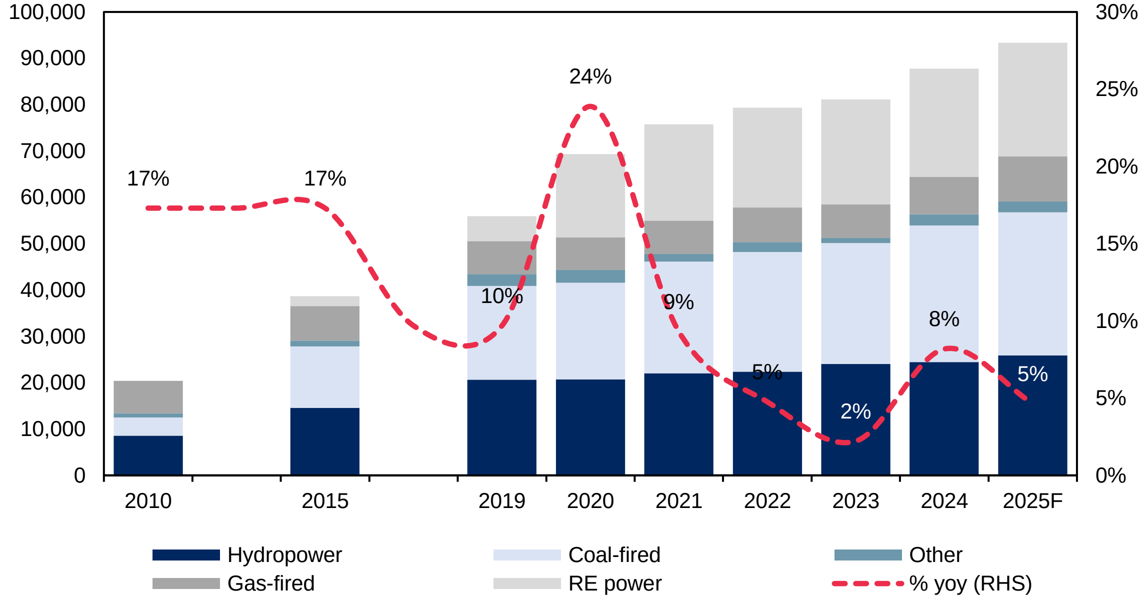
2025- 26 Outlook: Power consumption to grow 11% yoy in 2025, providing a solid foundation for mobilization especially when capacity growth decelerates

- In 2025, national economy is expected to continue its robust growth. Accordingly, the MOIT has set a baseline scenario for power consumption growth at a high level of 11–12%, surpassing even the high scenario in PDP8, which projects 9.8%. From 2025–30, demand growth is anticipated to maintain a high CAGR of ~9.1%.
- Amid slowing power supply growth relative to demand growth, this presents both pressure and opportunity for power plants to benefit from more active mobilization trends. Notably, the Ministry of Industry and Trade is intensifying preparation efforts, determined to avoid electricity shortages akin to those of 2023. With the commissioning of the 500kV Circuit 3, the surplus capacity in the southern region is expected to be absorbed, aided by enhanced inter-regional electricity distribution capabilities from South to North.

2024-30 power consumption grow at CAGR of 9.1%, marking a solid recovery from the low base of 2021-23



The pace of power supply growth since 2021 has been lagging behind demand growth, we see continue pressure from 2025 onward (Unit: MW)

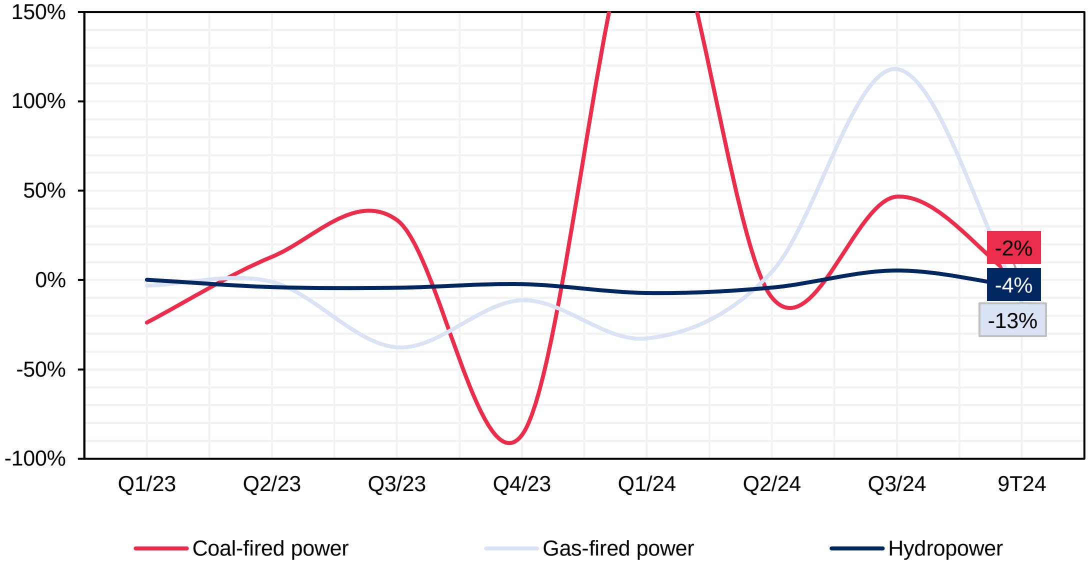


- *Sources: MOIT, EVN, MBS Research*

2025- 26 Outlook: EVN’s retail electricity price increase, a critical factor supporting power plant mobilization from 2025

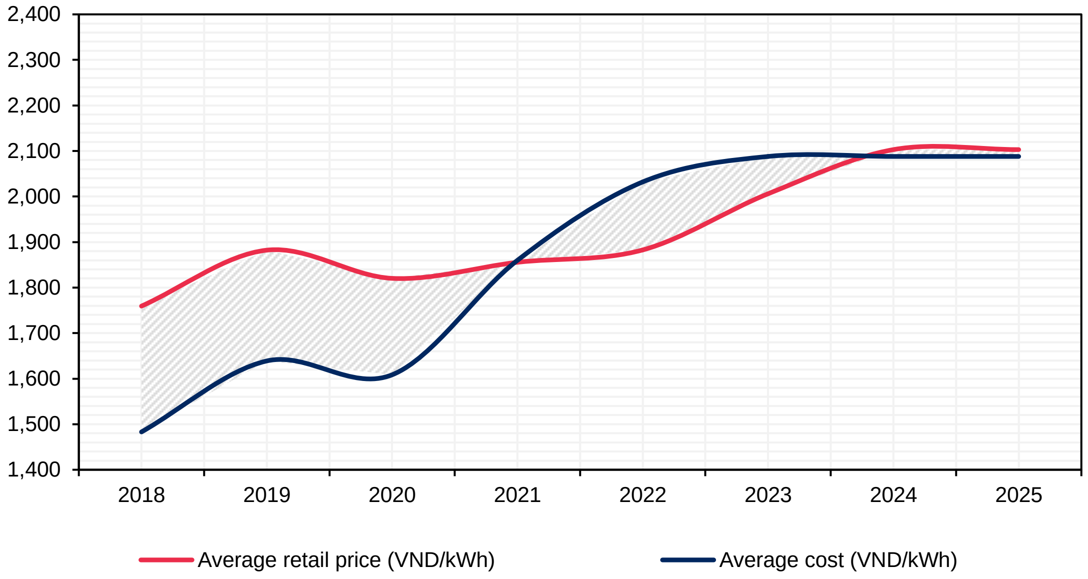
- In 2024, despite solid power consumption growth, the 9M24 financial results of power companies were lackluster, primarily due to challenging mobilization conditions amidst EVN's financial difficulties: 1) Hydropower experienced significantly low production in 6M24, with selling prices reduced as EVN lowered the Qm ratio from 10% to 2%, limiting the high-price mobilization potential for hydropower plants.; 2) Gas-fired power was not mobilized due to gas shortages and high selling prices; 3) Coal-fired power, while maintaining good production levels, saw a sharp decline in profit margins due to rising input costs and lower CGM price.
- EVN's retail electricity price increase will improve the mobilization environment from 2025. Assuming a production cost of 2,088 VND/kWh, consistent with 2023 levels, the new retail price would enable EVN to achieve a profit of ~15 VND/kWh. Moreover, with strong contribution of hydropower, we expect the current profit margin could be higher in 2024.

Listed power companies posted dismal financial results in 9M24, driven by the challenging mobilization environment across power sources



- *Sources: FiinPro, EVN, MBS Research*

EVN increased the retail price 4.8%, reaching VND2,103/kWh from Oct 24, supporting its financial improvement from 2025 onward



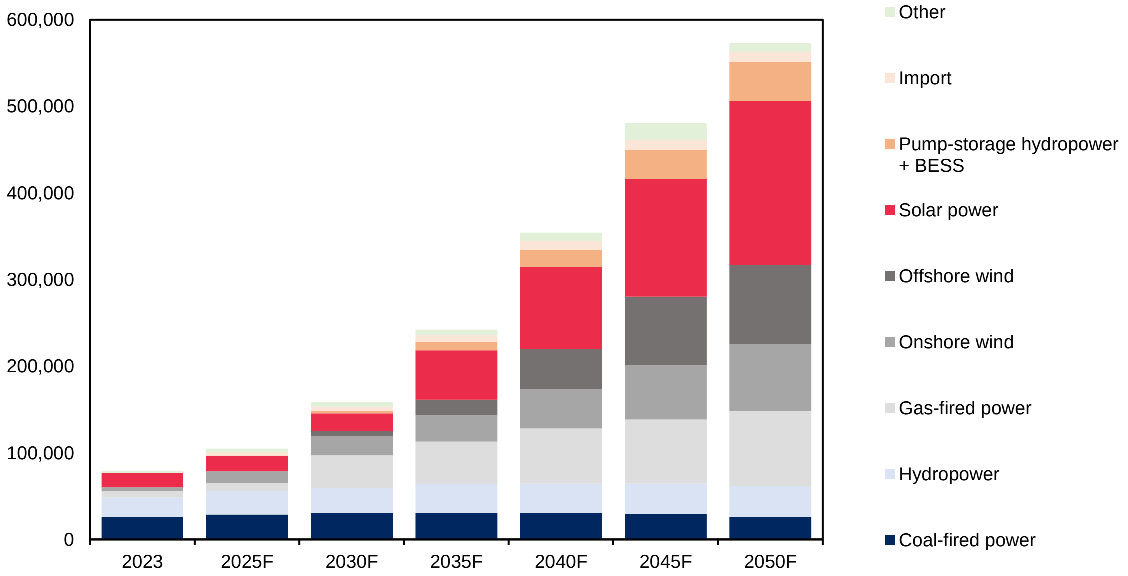
2025- 26 Outlook: A crucial period for finalizing Laws and Regulations in preparation for the green energy era

- With only 6.5 years remaining to complete the tasks outlined in PDP8, 2024–25 will witness the issuance of critical policies laying the groundwork for power development from 2025 onward. Notably, the amended Electricity Law, approved in November 2024, serves as a comprehensive legal framework for the sector, covering key policies on power development planning, investment in power projects, and the growth of renewable and new energy sources.
- In addition to prominent changes like allowing nuclear power development and eliminating cross-subsidies in electricity pricing among consumer groups, the amended Electricity Law continues to emphasize the role of renewable energy and LNG power. It also mandates mechanisms to accelerate investment in these sources in the future.

Multiple policies issued in 2024 provide a foundation for continuing the power sector's development from 2025

Policies/projects	Progress
Completed	
Power import price framework from Laos	- Approved price framework on Oct 24 - Hydropower: 6.78UScent/kWh; Wind power: 6.4UScent/kWh
LNG power price framework	- Approved 2025 LNG-to-power price in June 2024
DPPA mechanism	- Officially issued on July 03,2024
Mechansim for developing self-consumed rooftop solar	- Issued Decree No. 135/2024/ND-CP on October 22, 2024
Electricity Law (amended)	- Passed by the National Assembly on Nov 30, 2024, effective from Feb 2025
In progress	
New price framework for RE	- EVN submitted new price to ERAV for further evaluation in Dec 2024
2-component retail electricity price	- EVN submitted to MOIT in Nov 24, expected to initially pilot on particular client group before expand nationwide application from 2025
Developing a mechanism for carbon credit market	- Building projects

The demand for power generation capacity remains substantial until 2030, focusing on wind and gas-fired power (Unit: MW)

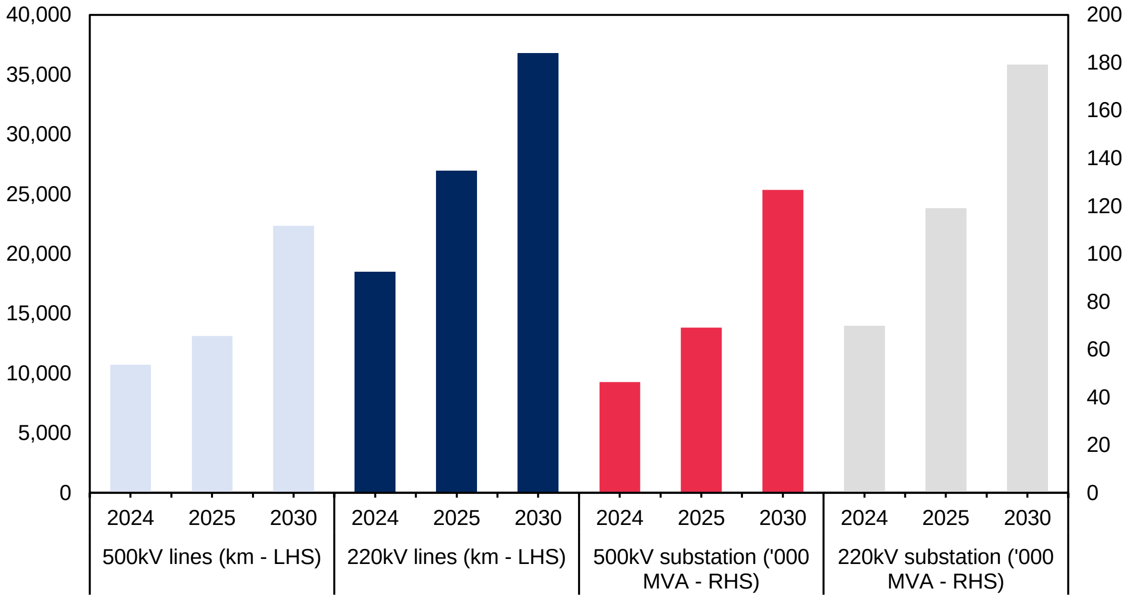


- *Sources: PDP8, MBS Research*

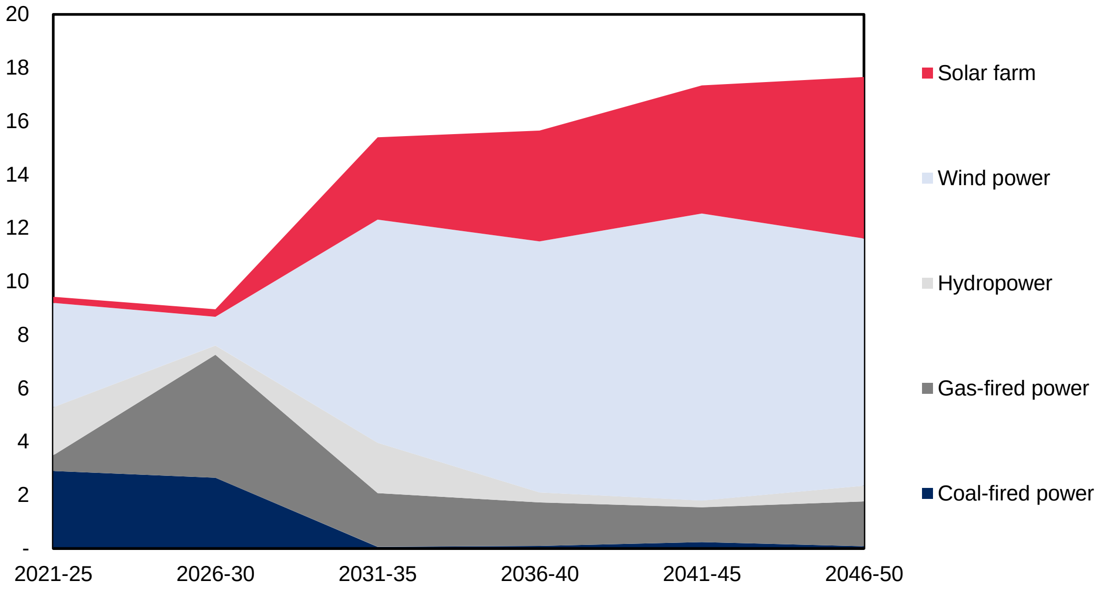
Power infrastructure construction: Including the transmission grid and power generation facilities, is pivotal in the green energy era

- The need to expand the power grid to accommodate the high capacities share of RE and to enhance power transmission from the South to North remains critical. Consequently, power infrastructure to maintain a positive outlook through 2030, with annual project workloads averaging USD1.6bn, as outlined in PDP8.
- The focus on power generation investments, particularly in wind and LNG power, is well-defined. Leading contractors with expertise in RE power plant development, such as PC1, TV2, and PVS, are poised to benefit significantly from this trend through 2030. From 2025, we see critical DPPA and the issuance of new price framework for wind power to be the major catalyst, boosting RE power contracting activities in the upcoming years.

Estimated workload for power transmission projects remains high from 2021–2050, with an annual value of ~USD1.6bn



Investment demand for power sources is substantial under PDP8, with a high allocation toward wind and LNG power (Unit: USD billion)

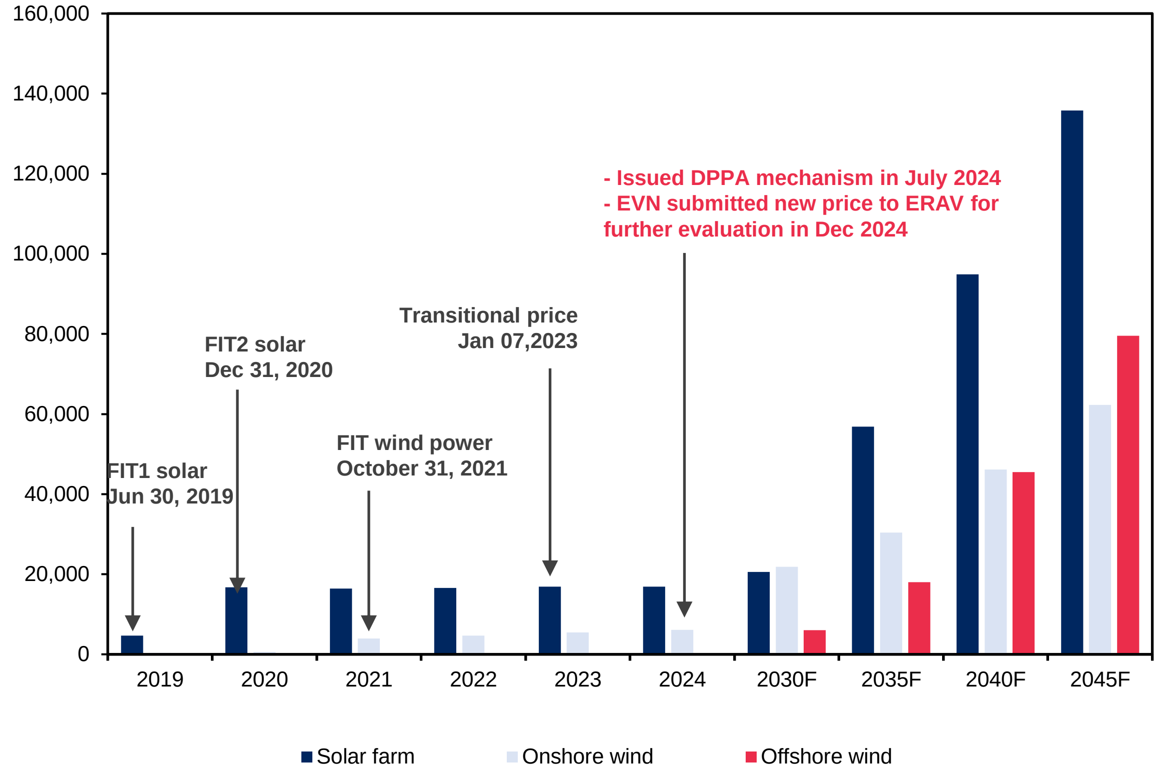


- *Sources: PDP8, MBS Research*

Renewable energy: Wind power as a key driver through 2030

- During 2024–25, RE power plants are expected to sustain stable output growth due to reduced curtailment, supported by an upgraded electricity system capable of handling a high RE share in Vietnam's energy mix
- The pricing framework for transitional projects, introduced after more than a year, has facilitated tariff negotiations for most projects. By the end of 2023, 29 plants (with a total capacity of 1,577 MW) had completed COD procedures and commenced commercial operations. However, these projects are currently mobilized at a temporary tariff (only 50% of the transitional cap), and the slow progress in finalizing official prices continues to strain cash flows and economic efficiency.
- In 2024, the DPPA mechanism was officially introduced in July. Furthermore, in December, EVN submitted preliminary calculations for a new wind power tariff to ERAV for evaluation and approval. A finalized wind power tariff is anticipated in 2025 in our view.

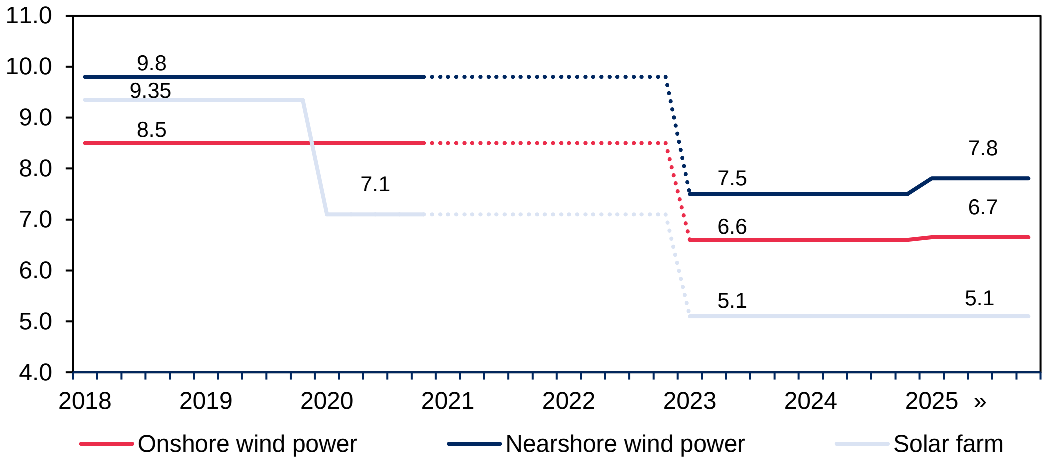
The immense demand for wind power development is projected to achieve a 30% CAGR over 2024-30, underpinned by mechanisms like DPPA and a new pricing framework, which serve as catalysts starting in 2025 (Unit: MW)



- *Sources: PDP8, MBS Research*

Renewable energy: There are positive signs of a pricing framework issuance emerged after EVN's Dec 24 submission to ERAV

Preliminary tariffs are 4% higher than the transitional tariff



- On December 4, 2024, EVN submitted a proposal for calculating the wind power price framework to ERAV for further evaluation and approval. We view this as a positive signal that will support businesses in advancing project development starting from 2025. The new wind power price framework is approximately 1-4% higher than the transitional price framework, a level expected to maintain the economic viability of RE projects.
- Companies with strong capabilities and proven expertise in executing large-scale projects, particularly those operating power plants with efficient output, optimized investment costs, and access to low-cost financing, are poised to benefit in the upcoming phase. Notable beneficiaries include HDG, REE, GEG, and PC1.

We run a sensitivity analysis of investment costs and output on wind power IRR, following the new price…

Onshore wind power operating hour (hour/year)

Investment cost (VNDbn)

0%	2,700	2,800	2,900	**3,000**	3,100	3,200	3,300
28	11.8%	13.0%	14.3%	15.5%	16.7%	17.9%	19.2%
30	9.7%	10.8%	11.9%	13.0%	14.2%	15.3%	16.5%
32	7.8%	8.9%	9.9%	10.9%	12.0%	13.0%	14.1%
34	6.2%	7.2%	8.1%	9.1%	10.1%	11.1%	12.1%
36	4.7%	5.7%	6.6%	7.5%	8.4%	9.3%	10.2%
38	3.5%	4.3%	5.2%	6.0%	6.9%	7.8%	8.6%
40	2.3%	3.1%	3.9%	4.7%	5.6%	6.4%	7.2%

… It is suggested a 2.8% increase in IRR for each unit reduction in investment costs, an output increase as per our evaluations

Nearshore wind power operating hour (hour/year)

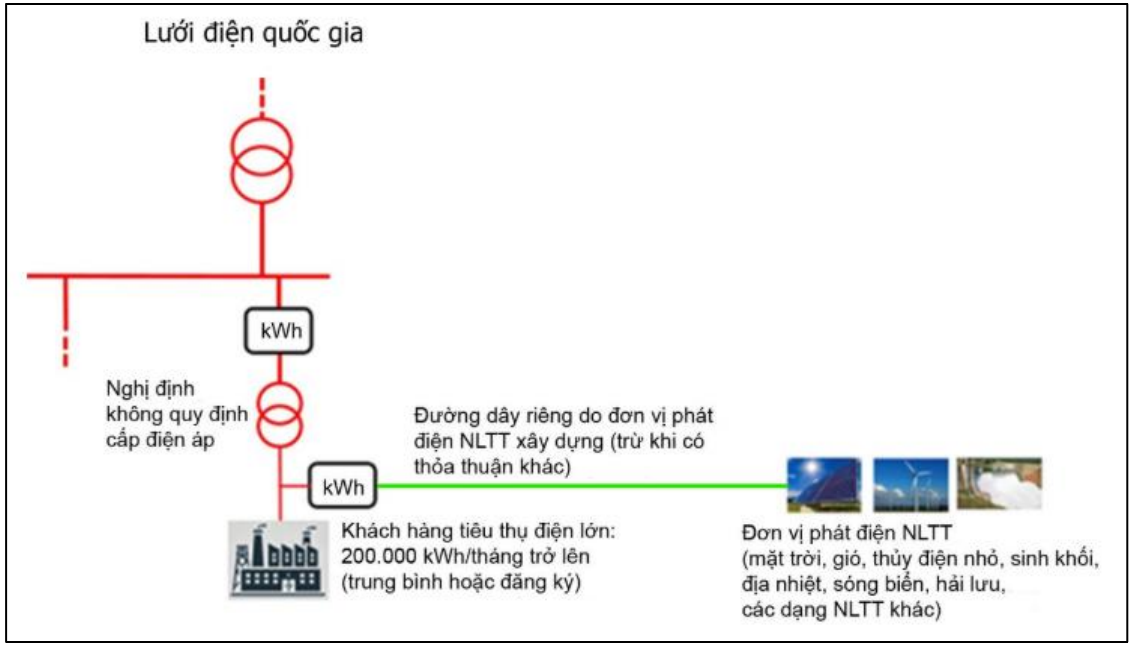
Investment cost (VNDbn)

	2,900	3,000	3,100	**3,200**	3,300	3,400	3,500
34	13.7%	14.9%	16.1%	17.3%	18.5%	19.6%	20.9%
36	11.7%	12.9%	14.0%	15.1%	16.3%	17.4%	18.5%
38	10.1%	11.1%	12.2%	13.2%	14.3%	15.4%	16.4%
40	8.5%	9.5%	10.5%	11.5%	12.5%	13.5%	14.6%
42	7.2%	8.1%	9.1%	10.0%	11.0%	11.9%	12.9%
44	5.9%	6.8%	7.7%	8.6%	9.5%	10.4%	11.3%
46	4.8%	5.7%	6.5%	7.4%	8.2%	9.1%	10.0%

- *Sources: EVN, PDP8, MBS Research*

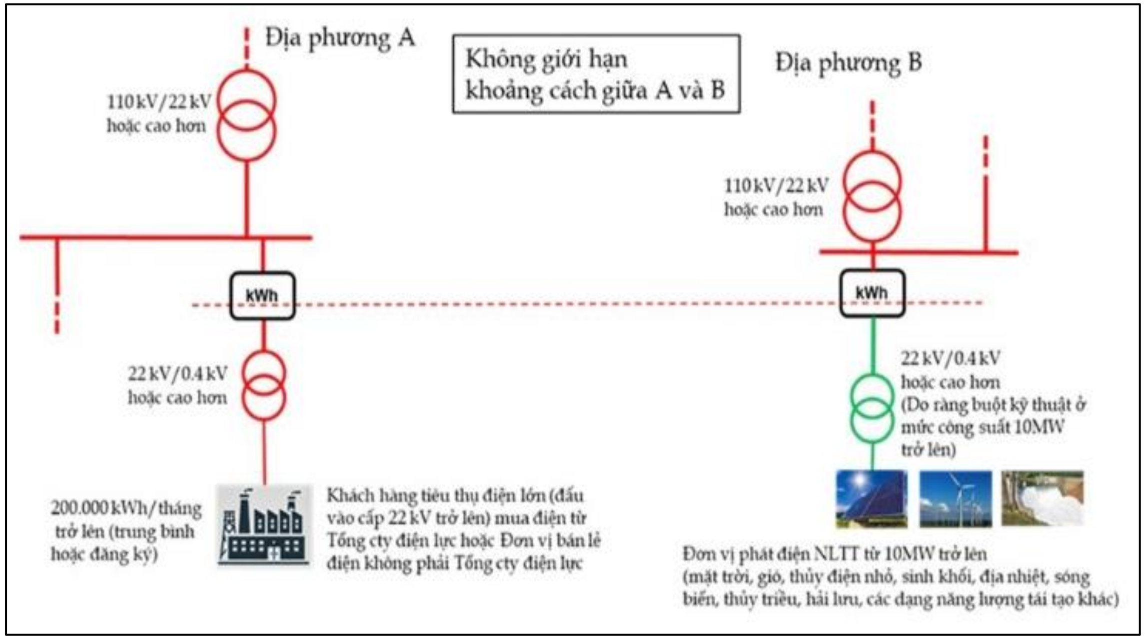
Renewable energy: The DPPA mechanism is a step forward in promoting renewable energy adoption

Option 1: DPPA via private transmission lines



- No specific voltage requirements for private connection lines
- No capacity or RE power plant type restrictions
- Suitable for customers and RE plants located in proximity, such as within the same industrial park or cluster

Option 2: DPPA via the national grid



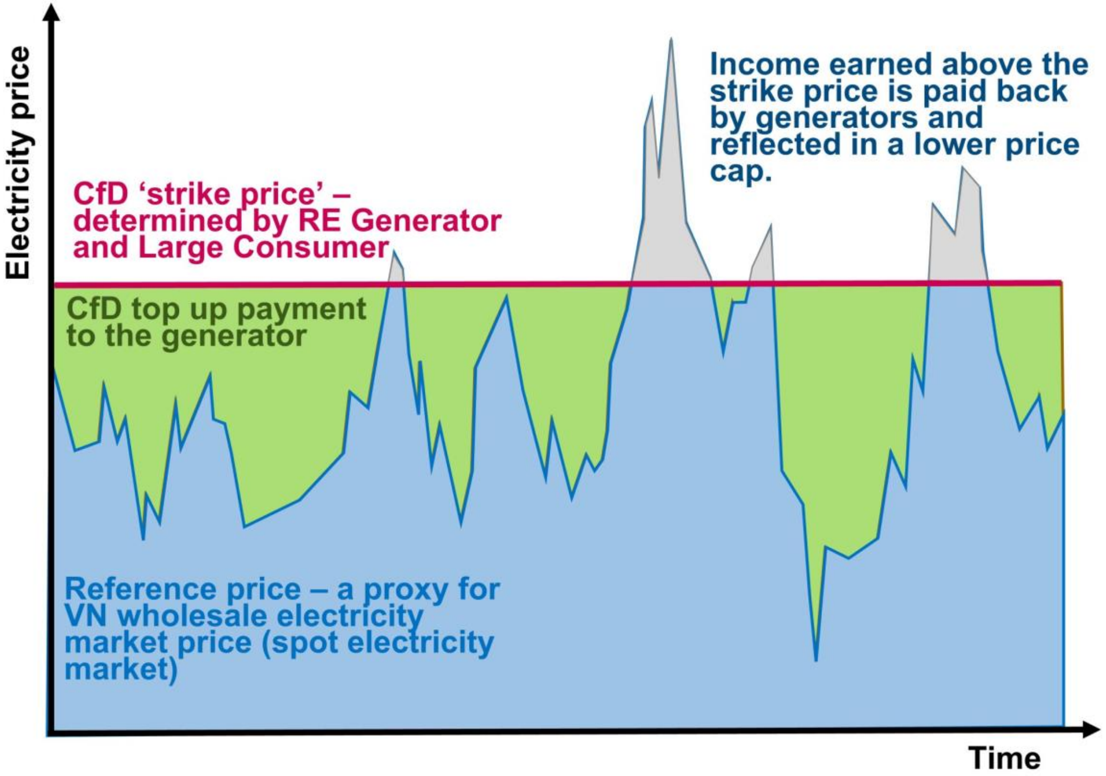
- Customers and RE plants must connect at 22kV voltage or higher
- Eligible RE plants must have a minimum capacity of 10MW
- Power generators and customers execute long-term Contracts for Difference (CfD), settling the difference between agreed price (Pc) and market price (FMP)
- Buyers pay additional DPPA-related costs, including system usage fees
- As a virtual DPPA contract, this option is not restricted by geographical distance

- *Sources: Vietnam Energy Magazine, MBS Research*

Renewable energy: The DPPA mechanism is a step forward in promoting renewable energy adoption

- DPPA not only enhances transparency and competition in the electricity market but also supports Vietnam in achieving sustainable development goals and reducing carbon emissions. This aligns with modern trends as Vietnam is expected to attract substantial green FDI, meeting higher environmental standards. Moreover, it elevates the competitiveness of domestic export businesses, enabling them to satisfy stringent international market requirements.
- Currently, there are no detailed guidelines from the Ministry of Industry and Trade (MOIT) for implementing DPPA. Specifically, regulations regarding the calculation of transmission, distribution, and retail electricity costs have not been issued, which is a crucial basis for stakeholders to estimate costs during price negotiations.
- In our view, the demand for DPPA is significant, with many parties having signed MOUs to participate in this mechanism. DPPA electricity prices are expected to be higher than EVN's retail rates, primarily because buyers receive Renewable Energy Certificates (RECs). However, additional time and the operation of the first DPPA cases will be required to effectively evaluate the policy's impact.

The CfD mechanism mitigates market price volatility risks for both RE plants and customers, ensuring financial predictability

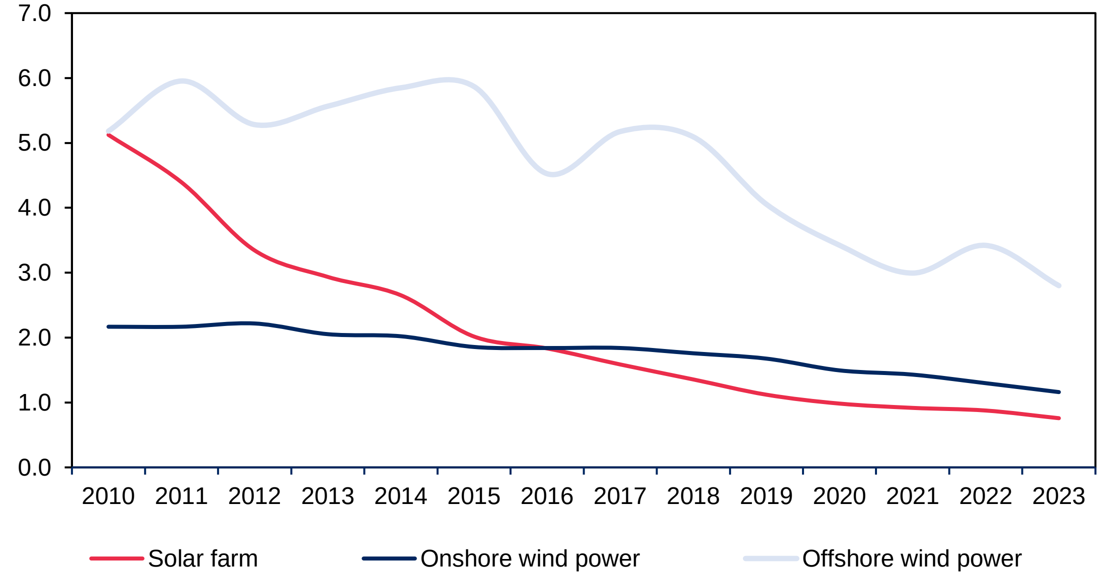


- *Sources: CM Group, MBS Research*

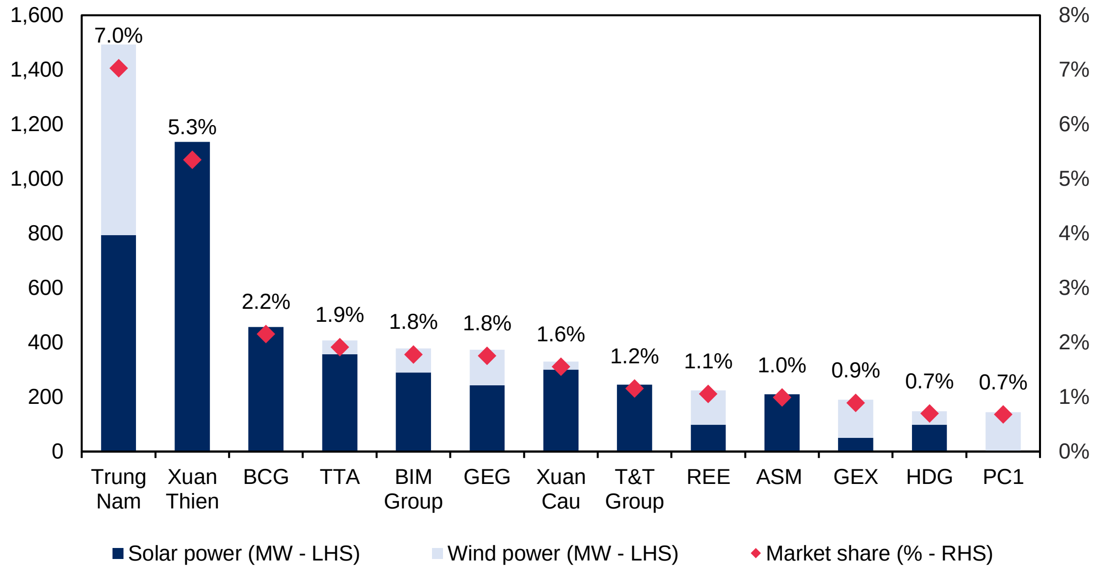
Renewable energy: We see positive policy signals as a driving force for the renewable energy market from 2025

- With encouraging policy signals, including: 1The issuance of the DPPA mechanism; 2) The implementation of the self-consumption rooftop solar policy; 3) Preliminary calculations for the wind power price framework in 2025, we believe that the renewable energy (RE) market will become more vibrant from 2025, with early beneficiaries being construction contractors such as PC1 and TV2.
- According to IRENA, declining installation costs and improved turbine efficiency are key factors supporting wind power investment. Companies with strong capabilities and experience in large-scale project implementation, efficient power plants, reasonable investment costs, and low-cost capital mobilization will benefit in the upcoming period, including HDG, REE, and PC1.

IRENA's latest report indicates that installation costs have sharply declined between 2010 and 2023 (Unit: Million USD/MW)



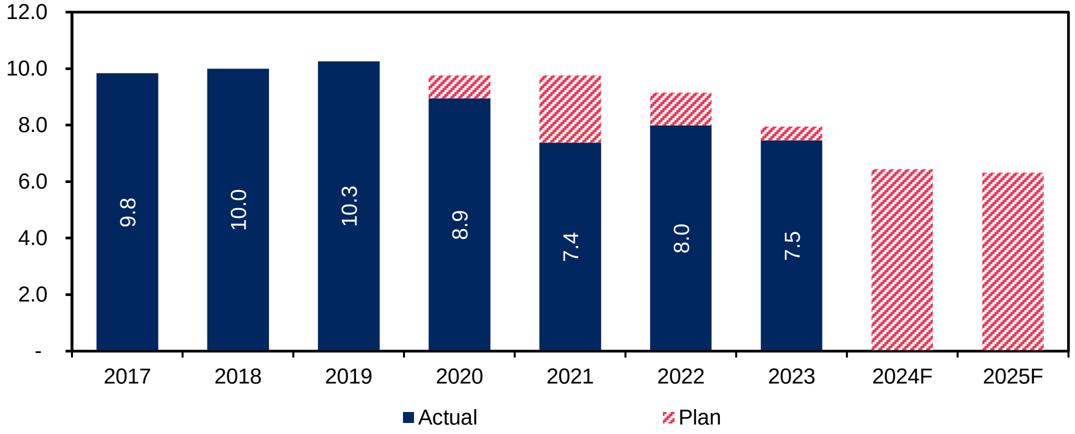
Companies with expertise in wind power, such as REE, GEX, GEG, those with low-cost capital mobilization, such as PC1 and HDG, will have competitive advantages in the near future.



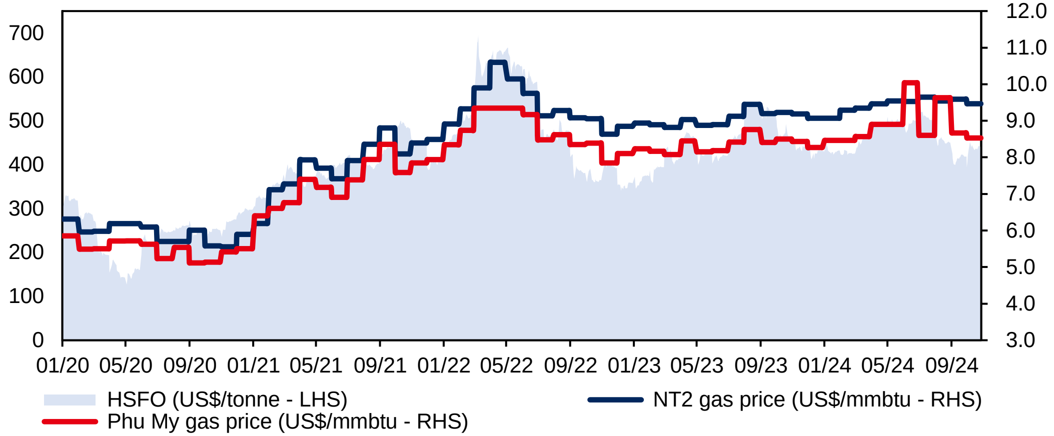
- *Sources: IRENA, MBS Research*

Gas-fired power: LNG as an inevitable trend from 2025

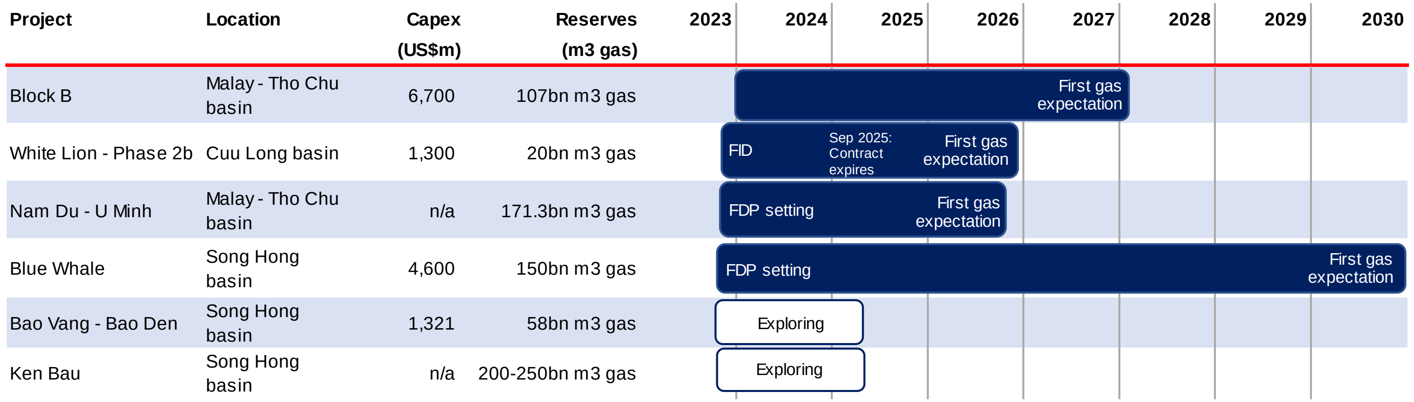
Gas output has consistently fallen short of annual targets since 2020. We project that total gas supply in 2024-2025 will continue to decline (Unit: billion m³)



Gas prices have remained high during 2022-2024 and are unlikely to reverse given the escalating costs of extracting new gas fields



A list of ongoing gas field projects shows that additional gas supplies from new fields may only be feasible from late 2026



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					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*

- In 2025, gas shortages will remain the primary factor affecting gas-fired power generation, particularly for plants relying on the Southern Gas. We see an existing risk as new gas field projects are only expected to come online as early as 2026-2027.
- We believe that policies for LNG allocation to domestic plants need to be expedited. Amid declining gas supply, high extraction costs, and elevated domestic gas prices during 2022-2024, the competitiveness of gas-fired power has been adversely affected. However, the situation could improve as Vietnam's electricity demand continues to grow from 2025, and EVN's electricity price hike may create room for higher-priced power sources.

Gas-fired power: LNG is poised to become a key growth driver over 2024-35

- The role of LNG is becoming increasingly critical amidst the decline in domestic gas supplies. Presently, imported gas are traded at fluctuating prices ranging from 12 to 14 USD/mmBtu—30-50% higher than prevailing domestic gas prices. These imports are primarily allocated for the trial operations of Nhon Trach 3 and 4, as well as serving as a contingency supply for the Phu My 3 thermal power plant during the peak demand periods of Q2 and Q3 of 2024.
- In terms of project implementation, the recently established LNG power pricing mechanism is poised to facilitate the progress of PPA negotiations for initial plants currently under construction, such as Nhon Trach 3 and 4 and LNG Hiep Phuoc 1. Over the 2024–2035 period, we hold a favorable view of enterprises engaged across the LNG electricity value chain, notably infrastructure investors like GAS and power project developers such as POW and PGV.

List of outstanding power projects in the period 2024-35 according to the implementation plan of PDP8

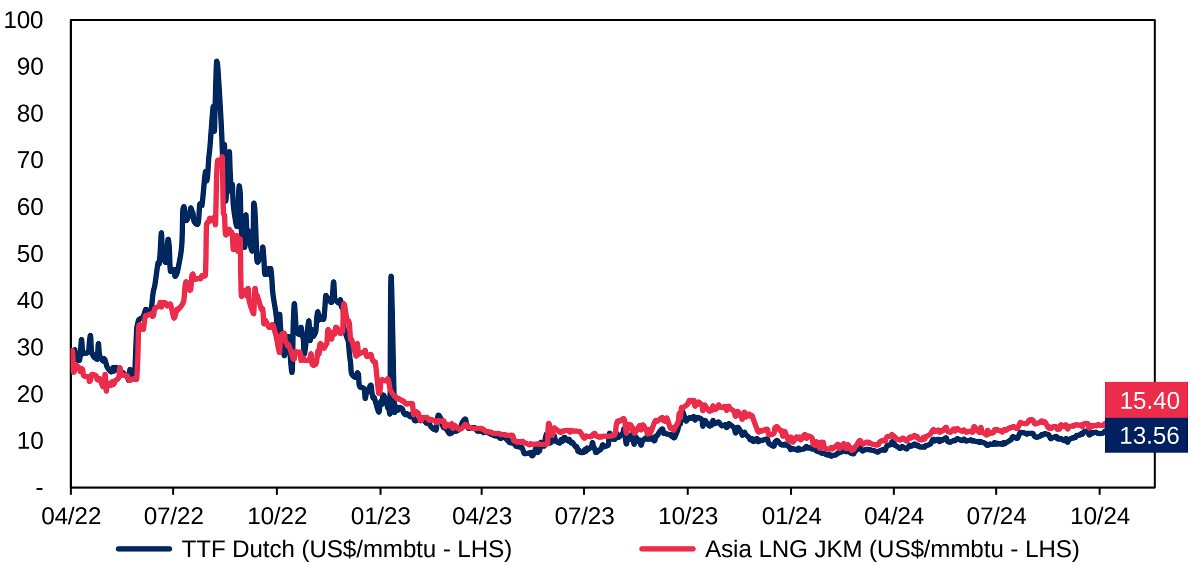
Power plant	Capacity (MW)	Timeline	Investor	Progress
LNG-to-power				
Nhon Trach 3&4	1,600	2025-26	PVPower	Under construction
LNG Hiep Phuoc 1	1,200	2025	Hai Linh Company Limited	Under construction
LNG Bac Lieu	2,400	2027-29	Delta Offshore Energy	Building FS
LNG Quang Ninh 1	1,500	2028-29	PVPower - Colavi - 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	
Domestic gas-fired power				
O Mon III, IV (Block B)	2,100	2028-30	PVN	
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	

- *Sources: PDP8, MBS Research*

Gas-fired power: LNG is poised to become a key growth driver over 2024-35

- We observe that the declining trend in LNG prices is bolstering Vietnam's significant demand for gas-fired power investment. Currently, LNG shipments are primarily sourced from Indonesia and Malaysia at an approximate price of $12/MMBtu (inclusive of transportation and regasification costs). This price remains approximately 20% higher than that of domestic gas, exerting pressure on the viability of LNG-based power generation in the short to medium term.
- From a policy perspective, we believe that the promulgation of the LNG pricing framework will serve as a catalyst for enterprises to advance the development of gas-fired power plants. This, in turn, will drive the medium- to long-term demand for LNG storage and port infrastructure, aligning with Vietnam's increasing gas consumption needs.

Bench-mark LNG price drop to be the main support for LNG gas-fired power investment in medium term



List of LNG terminal projects are being invested in to meet the increasing gas demand from 2025

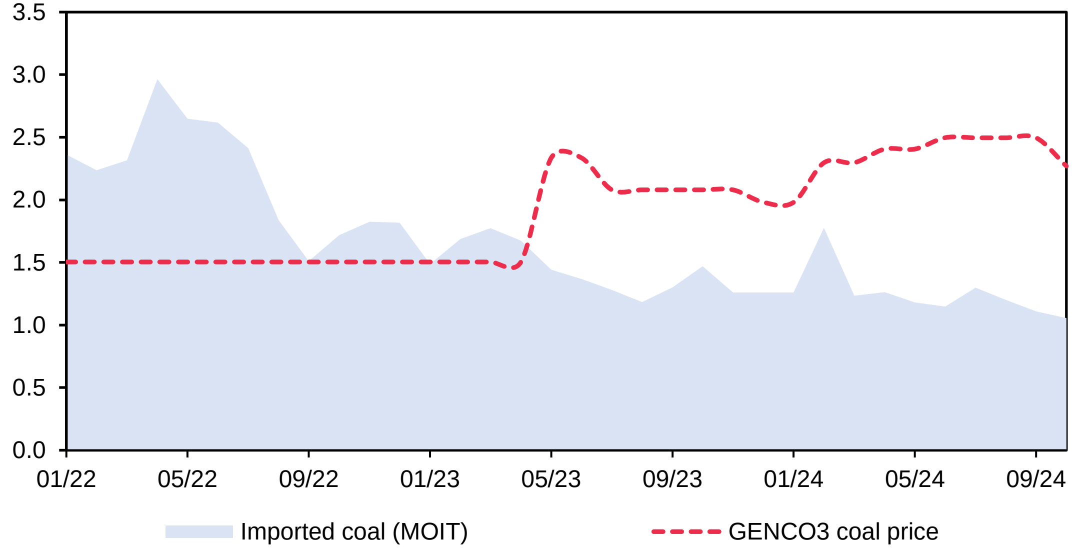
LNG terminal	Capacity (million tonne)	Timeline	Investors
Southern regions			
Thi Vai Terminal phase 1	1.0	2023	PVPower
Hai Linh Terminal	1.2	2024	Hai Linh, AG&P
LNG Son My Terminal	3.6	2026-30	GAS, AES
FSRU Nam Du	1.0-3.0	2026-30	
Central regions			
LNG Khanh Hoa Terminal	2.0-3.0	2031-35	
Northern regions			
FSRU Hon Me	1.0	2025	
LNG Lach Huyen Terminal	3.0 - 4.0	2026-30	

- *Sources: PDP8, MBS Research*

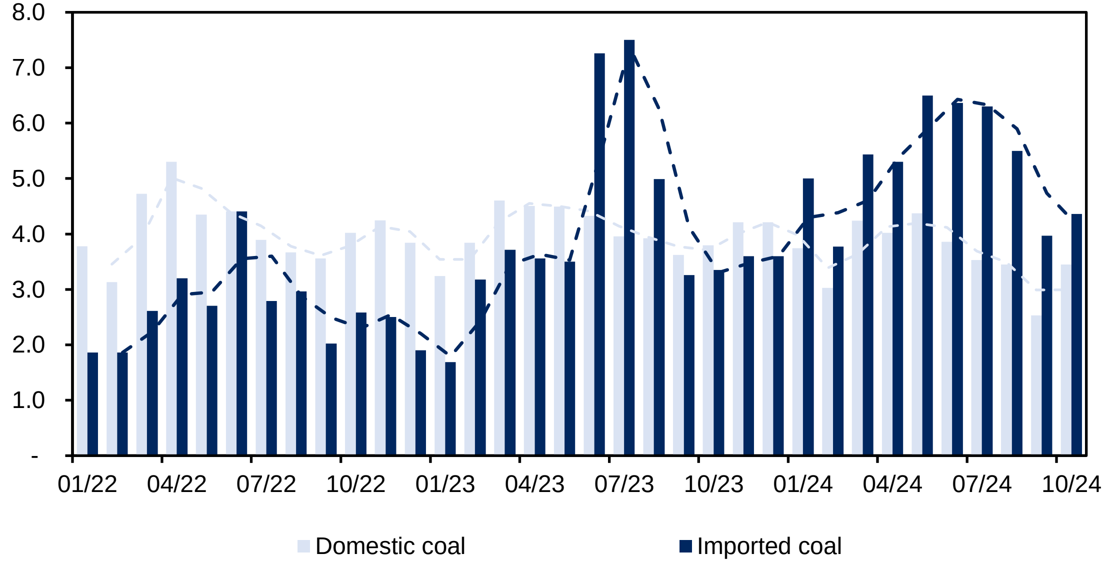
Coal-fired power: Positive mobilization outlook to remain in 2025

- By 2025, we anticipate that the reliance on coal-fired power generation, particularly in Northern Vietnam, will persist due to two key factors: 1) Power demand growth in the North remains the highest nationwide, exerting significant pressure on supply, as the expansion of power generation capacity lags behind the demand growth; and 2) Hydropower output is expected to fall short of projections, further exacerbating the risk of nationwide power shortages. We foresee that QTP, HND, and PPC are positioned to benefit in 2025. However, given the resurgence in coal prices, we see rising risk for profit margin, as opportunities for dispatch optimization in the CGM will be constrained.
- In the long term, coal-fired power is unlikely to remain a focal point for development due to its high emissions and challenges in securing financing. Between now and 2030, only six coal power projects are expected to proceed, primarily under the BOT. Among these, certain projects, such as Vung Ang 2 (1,200MW) BOT Quang Trach 1 (1,403 MW) and Na Duong 2 (110 MW), are already under construction and are anticipated to commence operations in the near future.

Coal prices have tended to increase again since the beginning of the year, affecting the ability to mobilize in the electricity market and the profit margin of enterprises (Unit: million/tonne)



In the context of TKV continuing to increase coal imports, the prospect of mobilizing the coal-fired thermal power group will be guaranteed to serve the expected high growth in load demand from 2025 (Unit: million tonne)

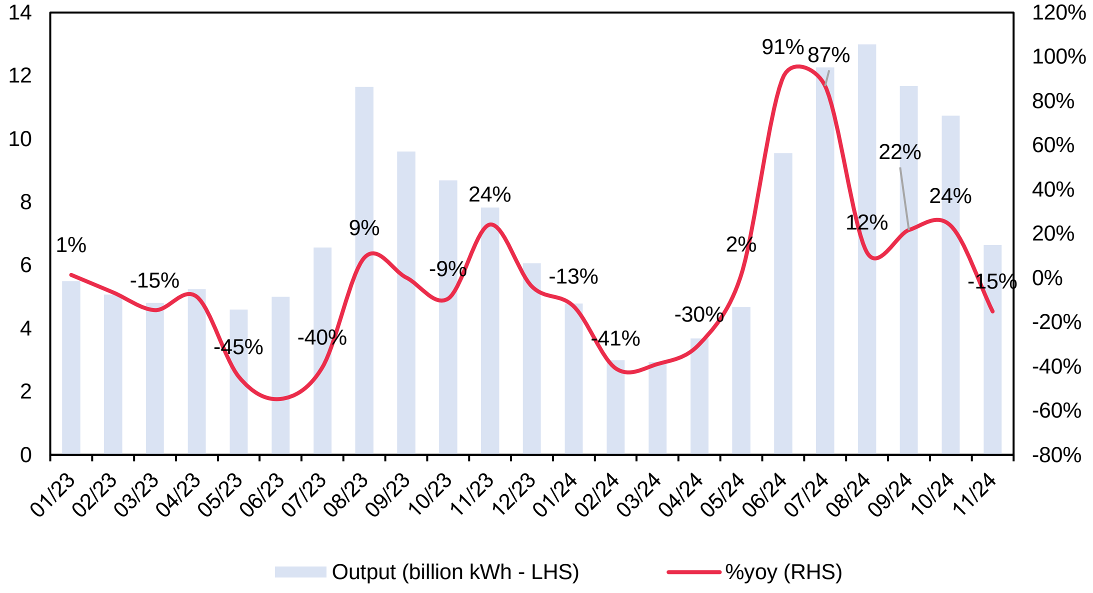


- *Sources: GENCO3, MOIT, GOS, MBS Research*

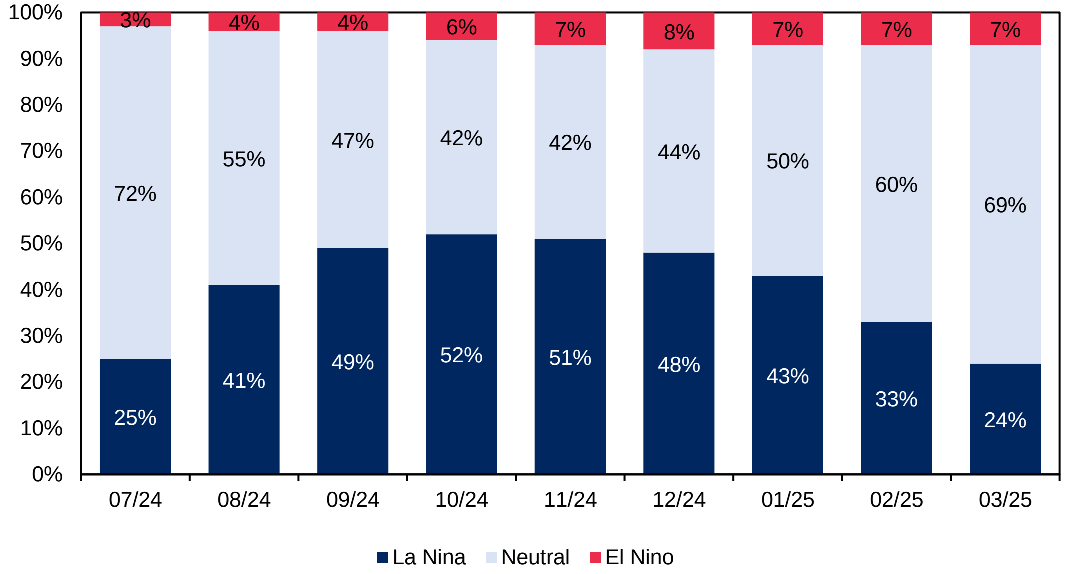
Hydropower: We see hydropower to enjoy solid output recovery over 4Q24 - 1H25 from low-base

- Hydropower output, after a less favorable performance in 1Q24, has shown signs of recovery starting from 2H24, supported by favorable hydrological conditions and prioritize mobilization. Looking ahead to 4Q24, the National Center for Hydro-Meteorological Forecasting projects that total rainfall in the Central, Central Highlands, and Southern regions will remain consistent with the multi-year average, while rainfall in the Central Coast region is anticipated to exceed the multi-year average by 5–15%. Consequently, enterprises with hydropower plants in these regions, such as HDG and REE, are likely to benefit. Meanwhile, we see hydropower mobilization among Northern plant to be hamper under modest rainfall and lower-than-expected hydrology.
- For 2025, the La Niña phase is expected to persist until 1Q25, transitioning back to a Neutral phase thereafter. While weather patterns for the upcoming year remain somewhat uncertain, we maintain a positive outlook for the first half of 2025, driven by a low comparative base from 1H24.

Hydropower output has shown gradual improvement since Q2/24, with a marked surge from June 2024 onwards (Unit: million kWh)



According to IRI, weather conditions are expected to transition to a Neutral phase starting from Q1/25, with no pronounced patterns anticipated for the following year



- Sources: IRI, EVN, MBS Research

FY24-26F key financial metrics of stock under our coverage

VND bn	**PC1**			**POW**			**REE**			**HDG**			**NT2**			**QTP**		
	2024	**2025**	**2026**	**2024**	**2025**	**2026**	**2024**	**2025**	**2026**	**2024**	**2025**	**2026**	**2024**	**2025**	**2026**	**2024**	**2025**	**2026**
Revenue (VNDbn)	10,093	11,020	12,674	30,303	47,154	52,450	8,778	9,874	10,551	2,923	3,858	3,663	5,886	7,675	7,723	11,874	12,380	12,378
% growth	*29.3%*	*9.2%*	*15.0%*	*8.4%*	*55.6%*	*11.2%*	*2.3%*	*12.5%*	*6.8%*	*1.4%*	*32.0%*	*-5.1%*	*-7.8%*	*30.4%*	*0.6%*	*-1.5%*	*4.3%*	*0.0%*
Gross profit	2,006	2,226	2,612	2,226	4,451	5,303	3,298	3,816	3,984	1,765	2,403	2,250	79	591	900	890	1,023	951
Gross margin (%)	*19.9%*	*20.2%*	*20.6%*	*7.3%*	*9.4%*	*10.1%*	*37.6%*	*38.7%*	*37.8%*	*60.4%*	*62.3%*	*61.4%*	*1.3%*	*7.7%*	*11.7%*	*7.5%*	*8.3%*	*7.7%*
EBITDA	2,229	2,439	2,783	4,389	6,861	7,613	4,028	4,501	4,677	2,034	2,685	2,538	708	1,018	960	1,378	1,507	1,434
EBITDA margin (%)	*22.1%*	*22.1%*	*22.0%*	*14.5%*	*14.5%*	*14.5%*	*45.9%*	*45.6%*	*44.3%*	*69.6%*	*69.6%*	*69.3%*	*12.0%*	*13.3%*	*12.4%*	*11.6%*	*12.2%*	*11.6%*
Net profit (VNDbn)	522	773	1,139	1,172	1,470	1,945	2,013	2,504	2,668	721	1,293	1,215	118	476	760	684	832	764
% growth	*282.0%*	*48.1%*	*47.4%*	*9.1%*	*25.4%*	*32.3%*	*-8.0%*	*24.3%*	*6.6%*	*1.3%*	*79.4%*	*-6.0%*	*-75.0%*	*303.1%*	*59.6%*	*11.8%*	*21.6%*	*-8.2%*
EPS (VND/share)	1,459	2,161	3,186	501	628	830	4,284	5,327	5,677	1,989	3,559	3,329	410	1,655	2,642	1,444	1,756	1,613
BVPS (VND/share)	19,162	21,852	25,526	15,257	17,066	18,406	45,380	50,903	56,941	18,655	23,049	26,549	13,964	14,165	15,369	12,268	12,652	12,850
Net cash/share (VND/share)	(20,362)	(20,210)	(17,864)	(5,637)	(7,532)	(5,051)	(9,858)	(6,001)	(1,259)	(11,154)	(8,837)	(6,864)	7,273	7,928	9,619	(230)	67	30
D/E (x)	1.8	1.7	1.5	0.7	0.8	0.7	0.7	0.5	0.5	0.8	0.6	0.5	0.6	0.7	0.6	0.0	-	-
Dividend yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.4%	102.4%	202.4%	3.3%	3.3%	3.3%	7.9%	7.9%	7.9%	10.2%	10.0%	10.0%
ROAE (%)	7.6%	9.9%	12.5%	3.7%	4.4%	5.5%	9.4%	10.5%	10.0%	11.5%	16.7%	13.6%	2.9%	11.7%	17.2%	12.4%	14.6%	13.2%
ROAA (%)	2.4%	3.2%	4.4%	1.6%	1.6%	1.9%	5.6%	6.7%	6.8%	4.8%	7.8%	6.9%	1.7%	7.2%	10.9%	9.8%	11.7%	10.6%

- *Sources: MBS Research*

Investment strategy: We chose PC1, NT2, and POW

Company	Rcm.	Target price (VND/share)	Investment thesis
PC1	ADD (+30%)	29,300	• Leading player in power construction with a strong track record in several key national projects. We see robust segment outlook for PC1 from 2025 driven by 1) Several RE policies were carried out to enhance RE development from 2025, including DPPA, and initial evaluation of new 2025 RE price framework; 2) High workload for grid development of averaging USD1.5bn/year under PDP8. Following its ambition to approaching not only top tier project domestically but international market, PC1 has achieved initial successes thanks to win the EPC contract for a 58MW wind power plant in Philippines (total value ~VND1,200bn), further prove the company capability to gain valuable back-log in the future. • PC1 continues to expand its power capacity, particularly in hydropower and wind power. The company plans to bring two small hydropower plants, Bao Lac A (30MW) and Thuong Ha (13MW), into operation in 2026-27 and is closely monitoring opportunities to invest in a wind power project in Quang Tri. • 2024-26 PC1's EPS robust growth will be driven by real estate segment. Particularly, the recent successful auction of Thap Vang and the ongoing legal processes for PC1 Gia Lam and Dinh Cong indicate a solid foundation for revenue generation in the residential sector over 2025-27. Moreover, PC1 is making gradual strides into the IP market through its investment in joint venture with ongoing projects like Western Pacific, as well as independently developing NHIZ IP Phase 2. We believe this positions them well for sustained profit growth through 2028.
POW	ADD (+20%)	14,900	• POW stands to gain significantly from the Vietnamese government's long-term strategy to develop LNG-based power until 2035. particularly through major LNG power projects listed as national priorities, including Nhon Trach 3&4 (1,600MW – 2024-25) and Quang Ninh LNG (1,500MW – 2029-30). • Mid-term revenue growth driven by Nhon Trach 3&4: Operations for Nhon Trach 3&4 are scheduled to commence in 2025. The recent signing of the Power Purchase Agreement (PPA) in October 2024 marked a major milestone following decisive actions to resolve pricing mechanism issues, land clearance, and financing. We expect Nhon Trach 3&4 to drive POW's growth from 2026-27. • Improving utilization rates across power plants to support net profit growth of 25% CAGR over 2024-26 thanks to: 1) Strong power consumption growth is anticipated amidst recovering industrial demand; 2) EVN's improved financial position, following an electricity price rise, is expected to facilitate a higher mobilization level for gas-fired power. • Attractive valuation: The current price level corresponds to a P/B of 0.8x, well below the industry average (~1.5x). POW's valuation is appealing, presenting a compelling opportunity for long-term investment, given its expected business recovery and potential capacity growth from 2025-30.
NT2	ADD (+24%)	23,100	• Amid the continued decline in Southeastern gas supplies in 2025, NT2 is expected to receive a higher gas allocation due to two key factors: 1) Phu My 3 and 2.2 (1,400 MW) BOT contracts will expire and lose priority in dispatch; and 2) NT2 retains a gas offtake agreement with GAS valid until 2027. We believe this will significantly support NT2's business performance, following a period of very low dispatch in H1/24. • National electricity demand is forecasted to grow by 11-13%, with improved transmission capacity from South to North after the commissioning of the 500kV Circuit 3. This will help absorb the surplus electricity supply in the Southern region, enhancing dispatch levels for gas-fired power plants. • Upon completing its debt obligations, we expect the company to maintain a dividend payout of 1,500 VND per share, equivalent to a dividend yield of 7.8%, aligning with the defensive investment appeal of the sector.

Investment strategy: We chose PC1, NT2 and POW

Company	Rcm.	Target price (VND/share)	Investment thesis
HDG	HOLD (+12%)	33,600	• Leading power company, with proven capability in implementing and operating projects with low investment cost, averaging VND25bn/MW across total portfolio of 461MW. Looking ahead 2025-30, HDG set ambitious plans to double current power capacity, in which some of the outstanding projects include hydropower Son Linh (15MW), Son Nham (9MW), as well as wind power Phuoc Huu (50MW), Binh Gia (80MW). • 2025-26 robust NP growth of 25% CAGR mainly driven by Charm Villa Phase 3 (~130 units). Specifically, HDG has high chance to benefit from the issuance of the pilot implementation of commercial housing projects on non-residential land, which untie the biggest knot among the company prolonged delayed projects in term of convert land-used purpose. However, developer have to wait until April 1, 2025 when the policy officially takes effect. Until then, Government need to issue a guideline for the implementation of the new policy as well as a specific list of projects to be pilot. • Robust financial health enable HDG to withstand market difficulties. The company bears minimal pressure from interest expenses due to owning effectively operating projects, and its proactive approach in negotiating new loans with lower interest rate, especially for their hydropower plants.
QTP	ADD (+21%)	16,100	• In 2025, coal-fired power plants, particularly those in Northern Vietnam, are expected to maintain high output levels. This trend will be driven by increased electricity demand during the summer months and persistent risks of power shortages amid less favorable hydropower conditions. • QTP may witness profit improvements as their plants become fully depreciated starting in 2025, with debt anticipated to be fully repaid by 2026. Additionally, input costs are expected to benefit from the declining trend in imported coal prices beginning in December 2024. • The company hold the potential to distribute higher dividends (9-10% dividend yield at current price) in the coming years as they transition into a phase of debt repayment completion and depreciation, alongside stable medium-term dispatch prospects.
REE	HOLD (+13%)	75,300	• In the latter half of 2024, growth momentum is expected to stem from the property segment, driven by the phase 1 launch of the low-rise residential project The Light Square and the opening of E.Town 6, a new office building. • M&E activities to enjoy robust NP recovery of 25% CAGR from 2025-26, backed by substantial back-log new signed from the Long Thanh Terminal as well as the come back of HCMC property market. • REE long-term growth trajectory is supported by planned investments, including the development of two RE projects: Tra Khuc 2 hydropower (30MW) and Duyen Hai wind power (48MW), both expected to commence operations in 2026. Furthermore, REE is pursuing the development of three additional wind power projects in Tra Vinh with a total capacity of 344MW, reinforcing its commitment to renewable energy expansion. • REE presents a compelling investment case within the defensive sector, thanks to its solid financial position, superior profitability, and an expected EPS CAGR of 15% over 2025-26.

Investment strategy: We chose PC1, NT2 and POW

Company	Ticker	Price	Target price	Recom.	Mkt Cap	P/E (x)		P/BV (x)		ROA (%)		ROE (%)		EV/EBITDA (x)		D/E
	Bloomberg	LC$	LC$		USDm	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	Current
Gas-fired power peer																
PVPower	POW VN	12,450	14900	ADD	1,167.7	12.7	20.3	0.9	0.8	1.8	1.4	4.3	3.9	8.6	8.4	0.6
GENCO 3	PGV VN	22,000	NA	NR	852.4	9.2	1.5	1.2	(1.1)	na	(1.1)	(4.1)	13.3	7.8	5.9	2.1
PetroVietnam Nhon Trach 2 JSC	NT2 VN	19,550	23,000	ADD	221.8	48.8	12.0	1.4	1.3	1.7	7.0	2.9	11.7	6.6	4.7	0.0
Average						*35.5*	*13.8*	*1.2*	*0.3*	*1.2*	*1.2*	*0.7*	*8.2*	*7.7*	*6.3*	*0.9*
Median						*12.7*	*19.6*	*1.2*	*0.8*	*1.2*	*1.4*	*1.9*	*7.4*	*7.8*	*5.9*	*0.6*
Coal-fired power peer																
HAI Phong Thermal Power JSC	HND VN	13,300	NA	NR	262.1	15.1	10.9	1.1	1.1	5.5	8.7	7.1	10.7	4.7	4.4	0.1
Quang Ninh Thermal Power JSC	QTP VN	14,000	16,100	ADD	260.7	9.1	7.9	1.2	1.1	7.9	12.5	10.6	14.9	4.3	4.2	0.1
Pha Lai Thermal Power JSC	PPC VN	11,500	NA	NR	145.3	10.8	5.8	0.8	na	6.1	12.3	6.9	7.7	41.2	15.2	-
Average						*11.6*	*8.2*	*1.0*	*1.1*	*6.5*	*11.2*	*8.2*	*11.1*	*16.7*	*7.9*	*0.0*
Median						*10.8*	*7.9*	*1.1*	*1.1*	*6.1*	*12.3*	*7.1*	*10.7*	*4.7*	*4.4*	*0.1*
Hydropower peer																
Vinh Son - Song Hinh Hydropower	VSH VN	50,000	NA	NR	465.6	31.3	na	2.5	na	4.1	na	7.6	na	10.9	na	0.7
Hua Na Hydropower JSC	HNA VN	24,850	NA	NR	230.4	22.9	na	1.8	na	7.1	na	7.9	na	9.8	na	0.0
Central Hydropower JSC	CHP VN	33500	NA	NR	194.0	15.9	na	2.7	na	11.1	na	16.8	na	8.8	na	0.4
Average						*23.4*	*na*	*2.3*	*na*	*7.4*	*na*	*10.8*	*na*	*9.8*	*na*	*0.4*
Median						*22.9*	*na*	*2.5*	*na*	*7.1*	*na*	*7.9*	*na*	*9.8*	*na*	*0.4*
RE power peer																
Gia Lai Electricity JSC	GEG VN	10,950	NA	NR	154.6	28.9	15.9	1.0	0.9	0.9	1.7	3.8	5.2	8.5	8.6	1.7
BGE	BGE VN	10,300	NA	NR	296.4	na	na	1.0	na	na	na	na	na	16.4	na	0.7
Multi-segment peer																
REE Corp	REE VN	67,400	75,300	HOLD	1,251.2	15.4	12.4	1.5	1.3	5.6	6.7	9.4	10.5	9.3	8.5	0.6
Ha Do Group JSC	HDG VN	30,650	33,900	HOLD	406.3	15.1	8.4	1.6	1.4	4.8	7.8	11.5	16.1	8.2	6.6	0.7
PC1 Group JSC	PC1 VN	22,850	30,100	ADD	322.1	17.4	13.0	1.2	1.0	2.4	3.3	8.0	10.1	7.7	7.0	1.6
Bamboo Capital Group JSC	BCG VN	9,630	NA	NR	222.0	26.5	na	0.5	na	0.4	na	2.3	na	22.3	na	0.6
Average						*18.4*	*12.2*	*1.3*	*1.4*	*3.3*	*4.8*	*9.6*	*14.7*	*11.9*	*7.4*	*0.8*
Median						*16.5*	*13.0*	*1.5*	*1.4*	*3.4*	*5.8*	*9.7*	*16.1*	*8.8*	*7.0*	*0.6*

- *Sources: Bloomberg, MBS Research*

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SECTOR OUTLOOK | Oil & Gas

Fire proves gold

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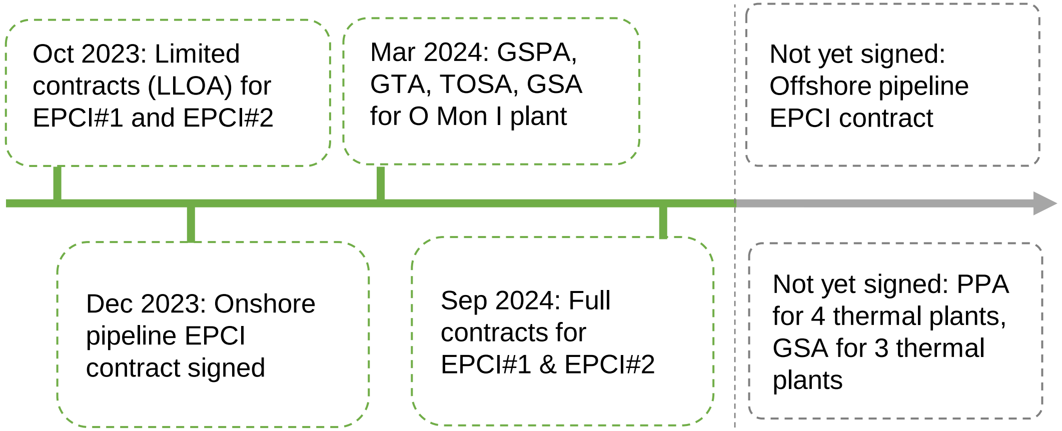
2024 recap: A year of disappointment

- **Upstream - Delayed FID for the key project Block B – O Mon but EPCI contracts were still granted**: In 1H24, several essential contracts for Block B's final investment decision (FID) were signed including GSPA, GTA, TOSA, and GSA for O Mon I. This progress enhanced the belief that FID will be approved in later 2024, as long as the remaining GSAs and PPAs are finalized. Now Block B's FID may seem to be an unfulfilled promise in 2024, but we note that without FID, key EPCI contracts for the project were still granted and operated, replacing the limited contracts earlier and brought great backlog for upstream EPCI contractors.
- **Upstream – No new jack-up rig received**: In the 2024 annual general meeting of PV Drilling, the company planned to purchase one or two new jack-up rigs to take advantage of the global rig market's favorable environment. However, this plan did not come true in 2024 as (1) The global and regional rig market is in surplus due to Saudi Aramco's postponement of their expansion plan but (2) PVD wants the new rig to work with long-term contracts immediately.
- **Midstream – Lacking gas from domestic sources**: Gas distributors faced many difficulties in 2024 due to the lack of natural gas from domestic sources. Key gas fields currently in operation have entered a phase of natural decline, especially at Block 06.1, Nam Con Son basin. PV Gas must compensate for this shortfall by liquified natural gas (LNG), which was imported from different sources at spot prices.
- **Downstream – Unpredictable sluggish movement of crude oil price presented challenges for refiners and distributors**: The profits of both refiners and distributors are negatively impacted by the movement of crude oil price due to high input costs but low output prices.

Block B – O Mon: Key milestones and contracts



Oct 2023: Limited contracts (LLOA) for EPCI#1 and EPCI#2

Dec 2023: Onshore pipeline EPCI contract signed

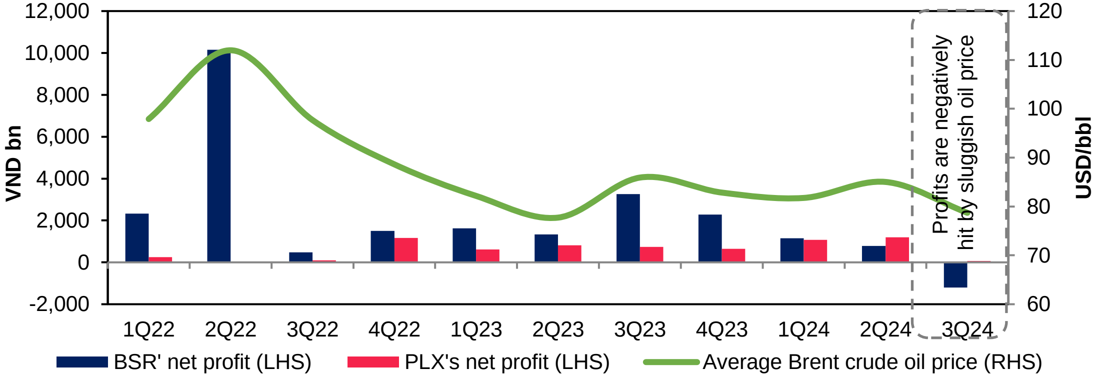
Mar 2024: GSPA, GTA, TOSA, GSA for O Mon I plant

Sep 2024: Full contracts for EPCI#1 & EPCI#2

Not yet signed: Offshore pipeline EPCI contract

Not yet signed: PPA for 4 thermal plants, GSA for 3 thermal plants

Crude oil movement and downstream companies' profits

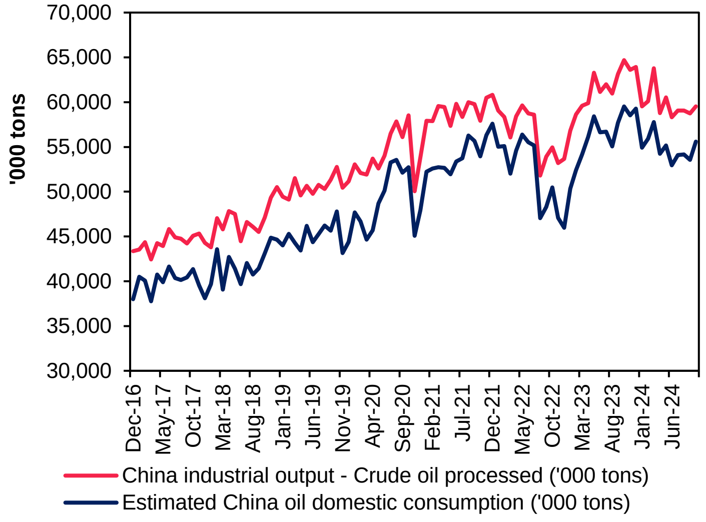


- *Source: Bloomberg, MBS Research's compilation*

Crude oil price outlook: Mixed factors amid low demand concern

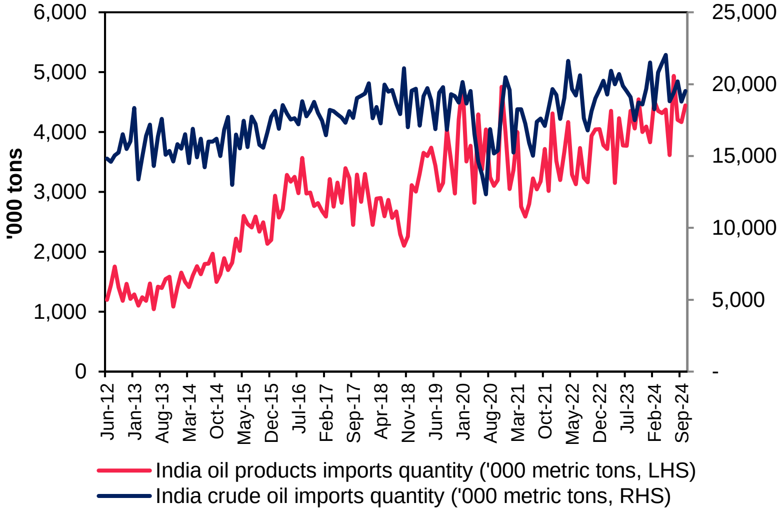
- **Demand**: The 2025 global oil demand growth is forecasted to be mainly driven by non-OECD countries. The key driver for global oil consumption growth in 2025 may not come from China as previously expected. Decelerating economic growth, growing adoption of electric vehicles, and the usage of liquified natural gas may limit the growth of oil consumption in this country in the very next year. Instead, India is expected to be a new growth driver for global oil consumption in 2025 thanks to rising demand for transportation fuels.
- **Supply**: Oil supply in 2025 is forecasted to rise with major contribution from non-OPEC+ countries like the U.S. and Brazil. Under the second Trump Presidency, the U.S. is likely to boost oil & gas output, which put downward pressure on oil price. Previously, OPEC+ has been planning to slowly increase production starting in 2025, but under the pressure of weak demand and rising supply outside the group, the group has decided to extend output cuts until April 2025.
- In our opinion, the geopolitical conflicts are likely to continue in 2025, but the risk of actual oil supply disruption will remain very limited and will **not** be a strong supporting factor for oil price next year, as weak demand may loom over market concern.

Chinese oil consumption may have peaked



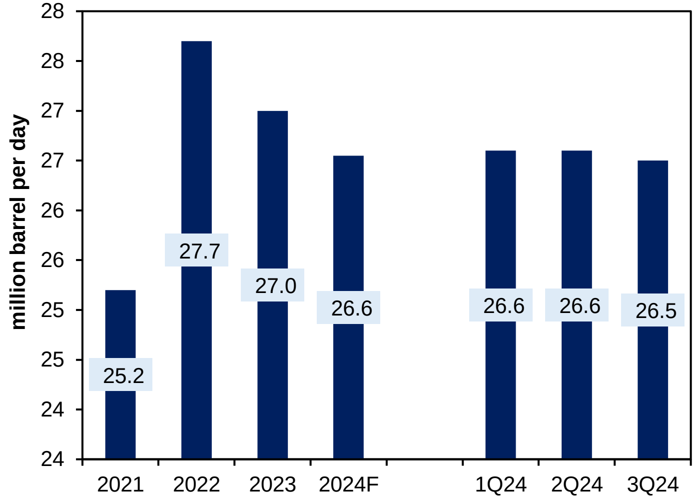
- *Source: Bloomberg, MBS Research's estimation*

Indian oil products import is in an upward trend



- *Source: Bloomberg, MBS Research*

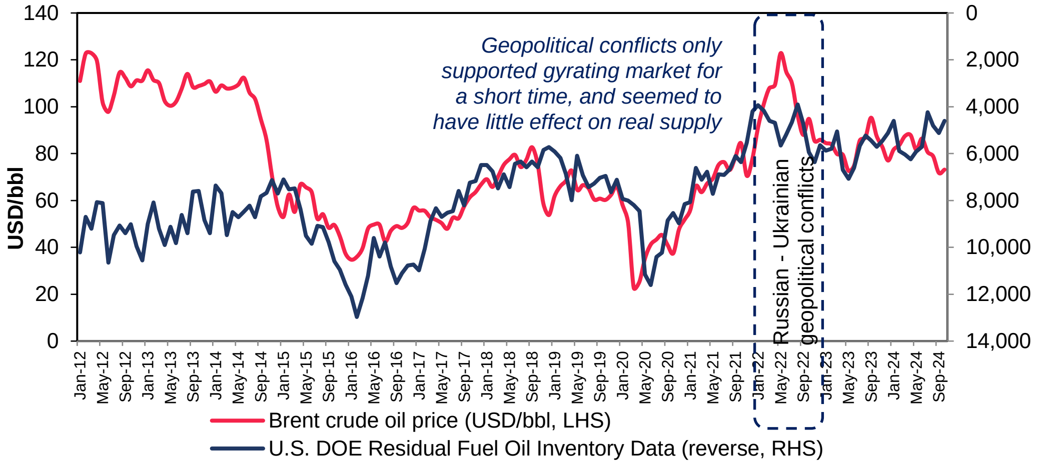
OPEC crude oil production volume



- *Source: MBS Research's compilation*

Crude oil price forecast: Average Brent crude oil price in 2025 is expected to be around 70 USD/bbl

The U.S. oil inventory keeps building, implying a weaker demand

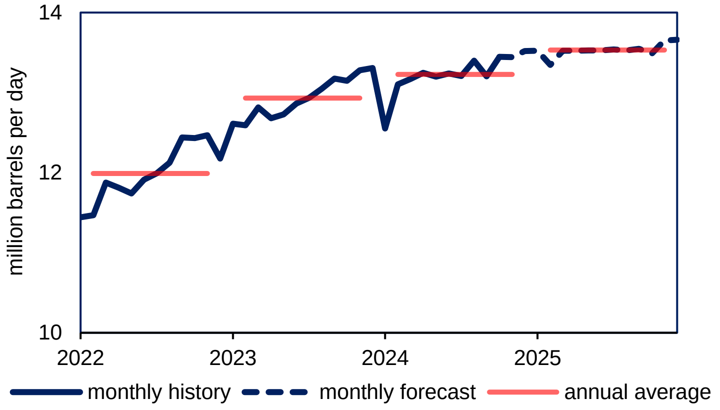


Geopolitical conflicts only supported gyrating market for a short time, and seemed to have little effect on real supply

India is forecasted to be the new driver of global oil demand growth in 2025

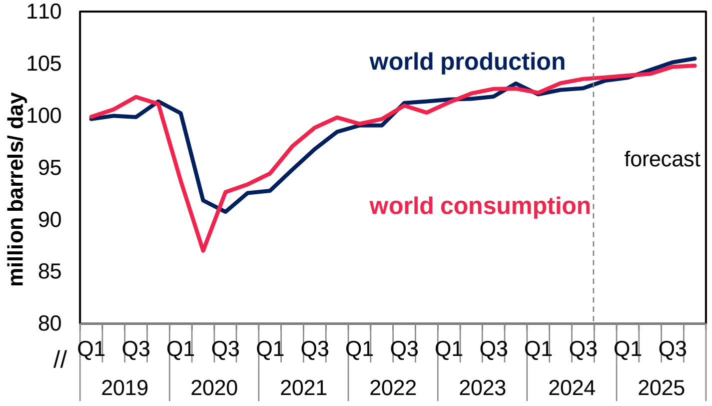
mb/day	2023	2024E	% yoy	2025F	% yoy
OECD	**45.6**	**45.8**	**0.44%**	**45.9**	**0.22%**
Americas	25.0	25.1	0.40%	25.2	0.40%
Europe	13.4	13.5	0.75%	13.5	0.00%
Asia Pacific	7.2	7.3	1.39%	7.3	0.00%
Non-OECD	**56.6**	**58.2**	**2.83%**	**59.7**	**2.58%**
China	16.4	16.8	2.44%	17.1	1.79%
Middle East	8.6	8.8	2.33%	9.1	3.41%
India	5.3	5.6	5.66%	5.8	3.57%
Others	26.3	27.0	2.66%	27.7	2.59%
World demand	**102.2**	**104.0**	**1.76%**	**105.6**	**1.54%**

U.S. crude oil production is expected to rise in 2025



- *Source: Bloomberg, OPEC MOMR, EIA, MBS Research*

The global oil market may face a surplus in late 2025



2025 Brent crude oil price forecast

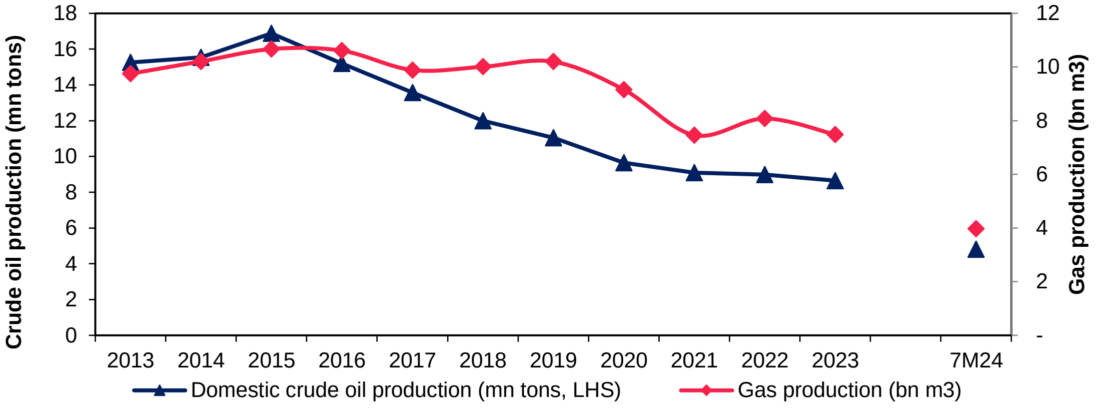
Organization	2025 average oil price forecast
EIA	76 USD/bbl
JP Morgan	73 USD/bbl
Goldman Sachs	76 USD/bbl
Average	75 USD/bbl
MBS Research	*70 USD/bbl*

Our forecast oil price indicates a more conservative scenario than average forecast as we see Trump's 2nd Presidency will increase crude oil output significantly and put a downward pressure on oil price

2025 outlook: The exploration of new oil & gas fields is essential and urgent to ensure national energy security

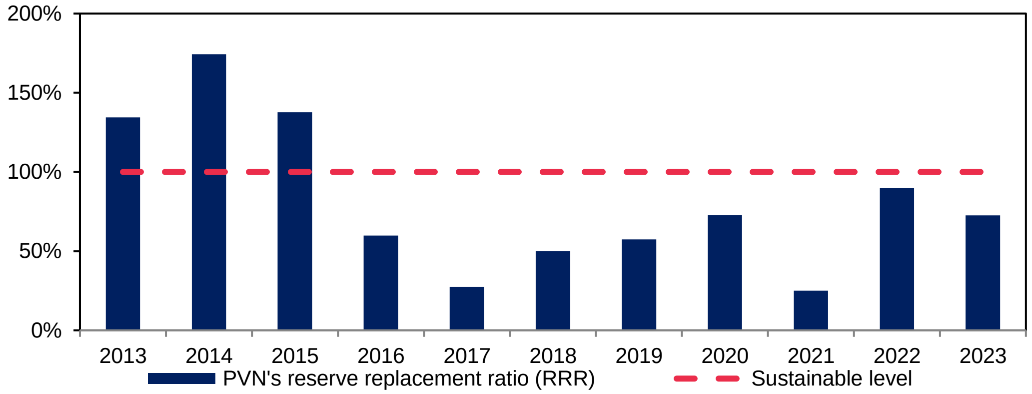
- Expected lower base of crude oil price in 2025 may affect domestic oil & gas companies' profit in all segment. For upstream segment, the effect is forecasted to be minimal, as the average crude oil price may decline but still remain higher than global breakeven point, ensuring the implementation of exploration and production projects. For downstream segment, the weaker-than-expected oil products demand in the context of rising refining capacity in China may lead to a low base of crack spread, and may affect refiners' profit. Please be noted that 70 USD/bbl is a support level for upstream projects, and if crude oil price falls below this level, we do not rule out the possibility of postponing the exploration and production activities.
- In the first 7M24, PVN has achieved 5.81 mn tons of oil and 3.97 bn m3 of gas, fulfilling 70.9% and 77.8% its annual targets, respectively. These production volumes represent 55.7% and 53.1% of PVN's total output for the full year of 2023, respectively. However, it is evident that the domestic oil & gas production has been experiencing a long-term downward trend since reaching its peak in 2015.
- The reserve replacement ratio (RRR) of PVN has remained below sustainable level (100% - 120%) for the last 8 years. The ratio is calculated by the amount of oil & gas added to reserves divided by the amount extracted for production, and an RRR of 100% indicates that the company can sustain current production levels. Low RRR implies the need for domestic exploration and production (E&P) of new oil & gas fields, and the boost for these projects will create many opportunities for upstream players (EPCI contractors & drilling companies).

Domestic oil and gas production is decreasing significantly



- *Source: PVN, MBS Research*

PVN's reserve replacement ratio kept remaining below sustainable levels, implying the need for new oil & gas fields



- *Source: PVN, MBS Research*

Upstream segment – EPCI Contractors: Utilize all opportunities in both domestic and foreign markets

- The demand for new oil and gas fields is expected to create a substantial workload for Vietnamese oil and gas EPCI contractors. Almost all domestic oil & gas upstream projects have recently made significant strides toward their first gas/ oil milestones, creating great opportunities for local EPCI contractors.
- If crude oil prices remain above 70 USD/bbl and international upstream projects are executed, Vietnamese contractors could also engage in foreign projects, as their capabilities are proved in previously engaged ones. Moreover, given the similarities between oil and gas EPCI contracts and offshore wind power EPCI contracts, these contractors have the potential to enter the renewable energy sector, which offers significant long-term opportunities in both domestic and international markets. (Appendix 1)

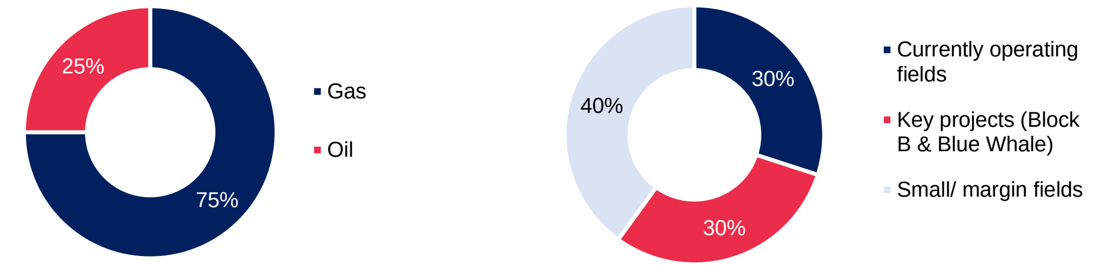
Domestic oil & gas exploration projects and updated information

No.	Project	Block	Basin	Capex (USD mn)	Reserve	Investor	Updated information	Estimated first gas/ first oil
1	Block B - O Mon	52/97, 48/95	Malay Tho Chu	5200	107 bn m3 of gas	PVN, PVEP, MOECO, PTTEP	Full contracts for EPCI#1, EPCI#2, and the onshore pipeline EPC have been awarded; The PPA for 4 power plants and GSA for 3 power plants have not been signed, and PVN has not yet issued the Final Investment Decision (FID).	2026 - 2027
2	Blue Whale	117 - 119	Song Hong	4600	150 bn m3 of gas	ExxonMobil, PVN	May 2023: PVN, PVEP, and ExxonMobil signed a Gas Sales Agreement Framework (HOA GSA). July 2024: Project implementation progress remains largely unchanged, as ExxonMobil does not prioritize advancing the project in the current phase.	2030
3	While Lion - phase 2B	15 - 1	Cuu Long	1300	24 bn m3 of gas	Cuu Long JOC, ConocoPhillips, KNOC, SK, Geopetrol	Negotiations are underway for a new Production Sharing Contract (PSC) to replace the current agreement when it expires in September 2025..	2026
4	Nam Du - U Minh	46/07; 51	Malay Tho Chu	n/a	171 bn m3 of gas	Jadestone Energy - JSE	Jan 2024: PVN, PV Gas, and JSE signed a framework agreement for gas sales from the field.	n/a
5	Thien Nga - Hai Au	12/11	Nam Con Son	349	7.5 bn m3 of gas	Zarubezhneft - ZNEP	Mar 2024: PV Gas - ZNEP signed a memorandum of understanding on gas trading; Nov 2024: PVEP - ZNEP signed an agreement for connecting Block 12/11 with the facilities of Block 11-2.	4Q26
6	Bao Vang - Bao Den	112 - 113	Song Hong	1321	58 bn m3 of gas	PVN, Gazprom	In exploration	2028
7	Ken Bau	114	Song Hong	n/a	230 bn m3 of gas	Eni Vietnam B.V, Essar E&P Limited	In exploration	2028
8	Golden Camel	15/1 - 05	Cuu Long	693	63 mn oil barrels	Murphy Oil, PVEP, SK	2Q24: PVS signed an EPCIC contract for the project, estimated at USD 245 million; October 2024: PTSC M&C and Murphy Cuu Long Bac started working on the central processing platform.	2026 - 2027
9	Kinh Ngu Trang - Kinh Ngu Trang Nam	09-2/09	Cuu Long	650	6 mn oil barrels	Vietsovpetro, PVEP, Zarubezhneft	Jun 2024: Completed the jacket structure for the Central Processing Platform (CPP) of Kinh Ngu Trang on schedule.	2025

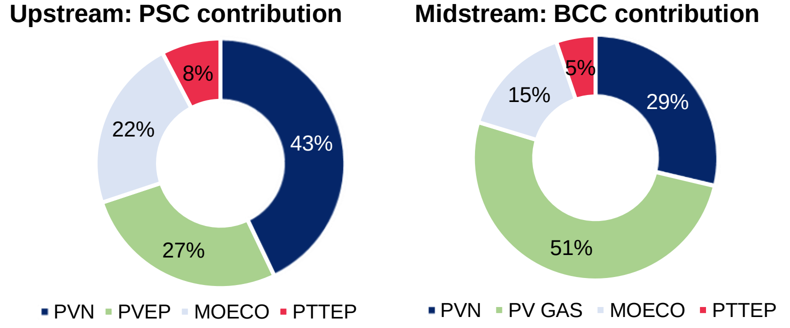
Upstream segment – EPCI Contractors: The real game begins

- Block B and Blue Whale are two key projects to ensure national energy security in the medium term, as their reserves contribute about 30% to Vietnamese remaining oil & gas reserve. However, while Blue Whale's progress remains unchanged, some of Block B's key EPCI contracts have been fully granted.
- Given that Exxon Mobil does not prioritize advancing the Blue Whale project in the current phase, all eyes are now on Block B. Although the Final Investment Decision for this project has not yet been approved by PVN, key EPCI contracts were still awarded in September 2024, providing a substantial workload for upstream contractors such as PTSC (PVS). While the entire oil & gas industry may face challenges due to a lower and fluctuating crude oil price, whether minimal or significant, local upstream contractors with strong capabilities will still sustain their profit growth thanks to a robust backlog; the adversity may reveal strength.

Vietnamese remaining oil & gas reserve structure



Block B's project chain

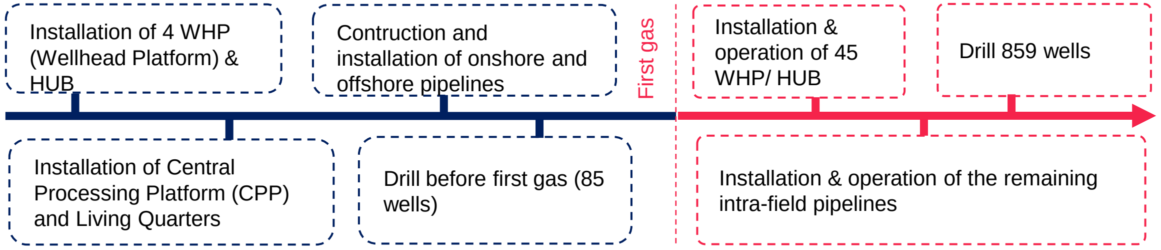


Downstream

Thermal plant	Investor
Ô Môn I	EVNGENCO 2
Ô Môn II	Marubeni-WTO
Ô Môn III	PVN
Ô Môn IV	PVN

- *Source: MBS Research's compilation*

Block B's progress and key contracts



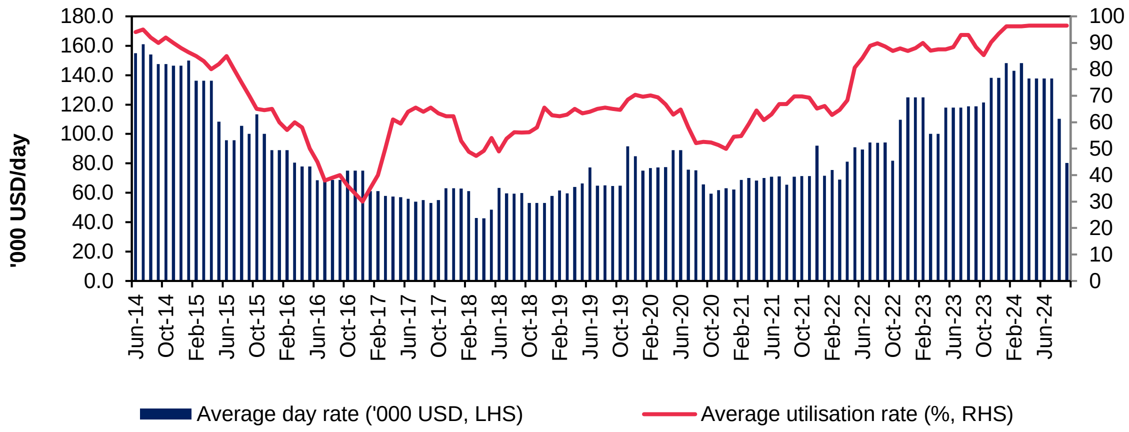
Contract	Contractor	Est. value	Major tasks	2023	2024	2025	2026	2027	2028	2029
EPCI#1	McDermott & PTSC (PVS)	1.1 USD bn	Central technology truss, housing truss and torch tower		LLOA	Full contract				
EPCI#2	PTSC M&C	400 USD mn	04 Hub platforms/ Wellhead Platforms		LLOA	Full contract				
EPCI#3	PTSC & Lilama 18	314 USD mn	Contruction & intallation: Onshore pipelines & stations; Detail design & overall test for entire project		Signed contract					
EPCI#4	n/a	750 USD mn	Contruction & intallation: Offshore pipelines			*Expected contract*				

- *Source: PQPOC, MBS Research's compilation*

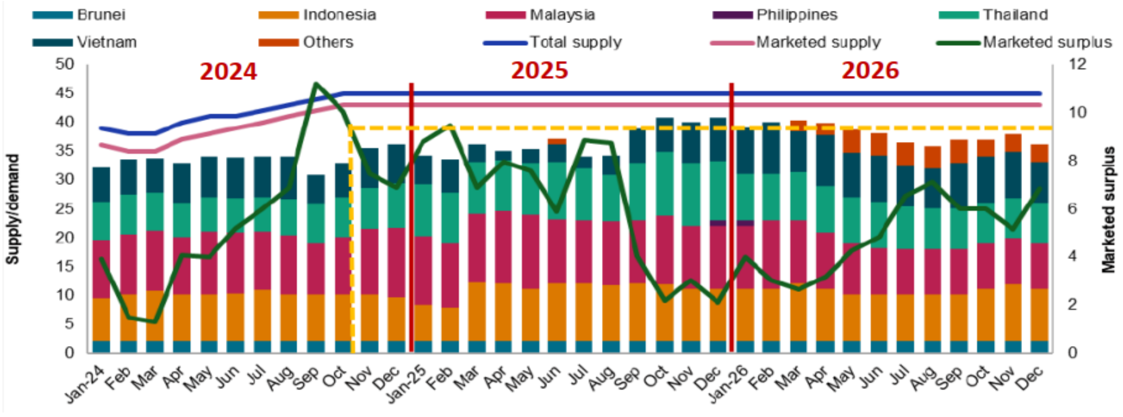
Upstream segment – Drilling: **Slow and steady**

- Recently, the reference Southeast Asia average jack-up rate significantly declined while utilization remains high at nearly 100%. This is attributed to a new contract from a low-cost rig provider. However, this only serves as a benchmark for the regional average and does not affect the day rates of long-term drilling contractors (such as PV Drilling), specifically.
- The global jack-up demand, especially in the Middle East and Southeast Asia, is still forecasted to remain solid in 2025-2026 thanks to contributions from national oil companies (NOCs) and increasing offshore exploration projects and field redevelopment. Meanwhile, jack-up rig supply is growing slowly, as current rigs are aging and new builds are limited due to cost concerns. Therefore, we expect jack-up rig day rates in the region to sustain high.
- However, as Saudi Aramco has postponed their oil capacity expansion plan, driving up the global jack-up rigs supply, the average jack-up day rate in 2025 is expected to be slightly lower than the 2024 average. Drilling companies may struggle to achieve robust growth next year if no new rig is delivered.

Southeast Asia jack-up rig day rate and utilization

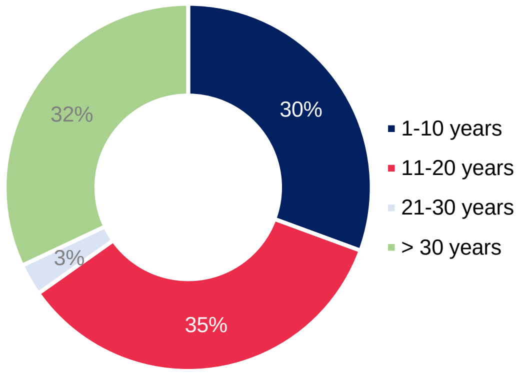


Southeast Asia's jack-up market surplus is expected to decline in the next 2 years



- *Source: S&P Global, MBS Research*

Current rigs are aging, but market surplus does not encourage new builds

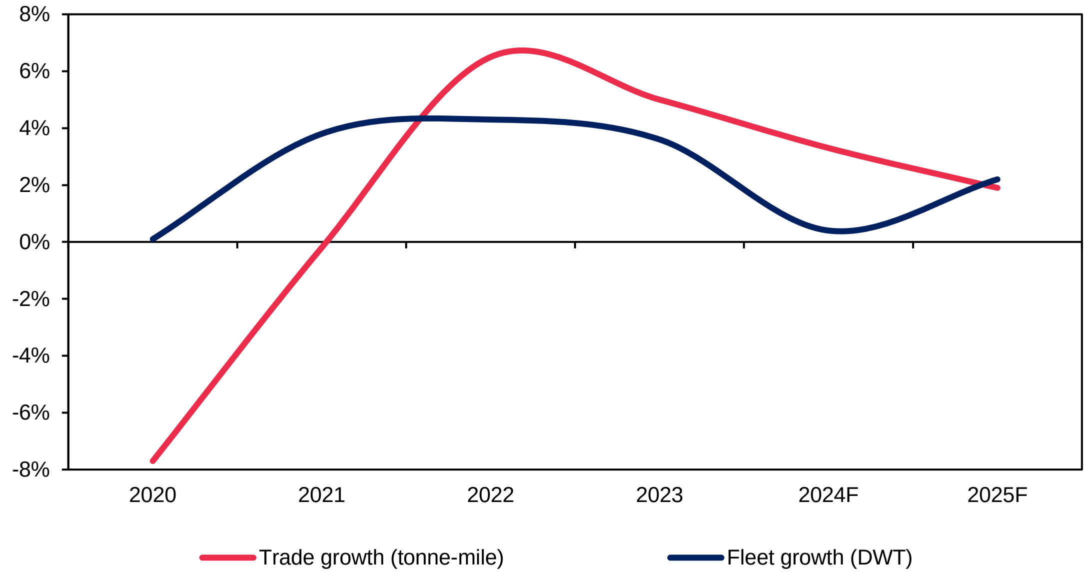


	2014 (peak)	2024E	2025F	2026F
Total marketed supply	453	435	436	444
Total under construction	141	1	8	3
% of new build order book	31.1%	0.2%	1.8%	0.7%

Midstream segment – Oil & gas transportation: Seeking growth catalyst from expansion

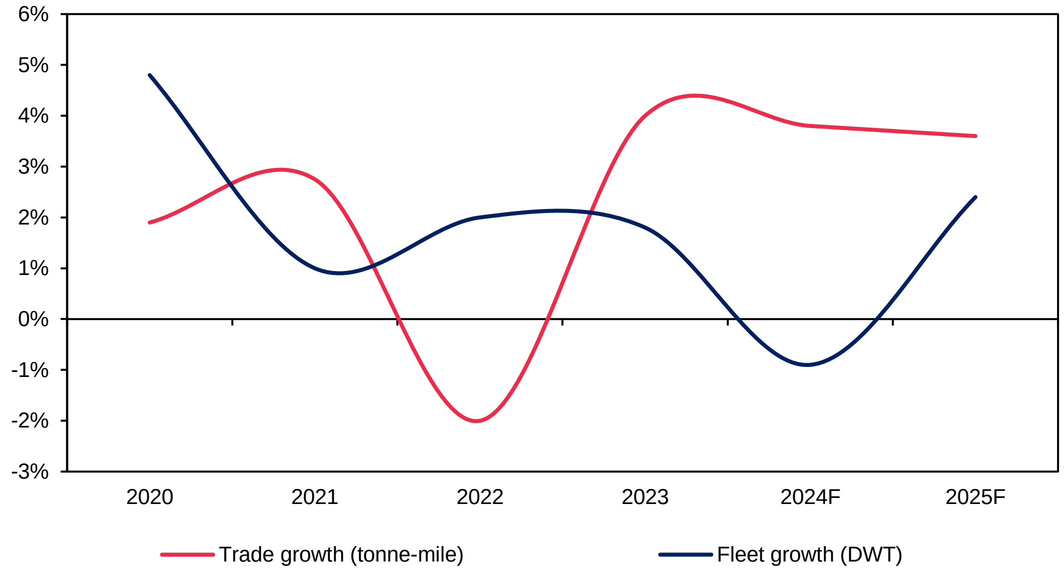
- **Crude tanker - Key supporting factors are here to stay**: As Europe is likely to continue its sanctions on Russia and increase crude imports from the Middle East, tanker demand is supported by growth in increasing long-haul Atlantic-Asia trade and global oil demand. Moreover, as the oil supply is increasing in the Americas while refinery volumes are increasing in Asia, the demand for crude oil transportation may rise accordingly thanks to this imbalance. Our view indicates that time charter rates for crude tankers will remain high in 2025.
- **Oil/ Chemical tanker – Concerns of lower time charter rates**: On the supply side, the strong market of oil/chemical tankers coupled with an aging fleet has encouraged more investments in new buildings. The fleet growth is expected to be more rapid in 2025 thanks to the due-to-delivery date of the current orderbook. On the demand side, we expect the oil/chemical tanker not to benefit from the increasing imbalance between the Atlantic and Pacific in the same way as crude tankers do. Both refinery volumes and final demand are increasing mainly in Asia, which does not create an imbalance that leads to an increase in sailing distances.

Crude tanker supply–demand forecast



- *Source: Clarkson, MBS Research*

Oil/ Chemical tanker supply-demand forecast



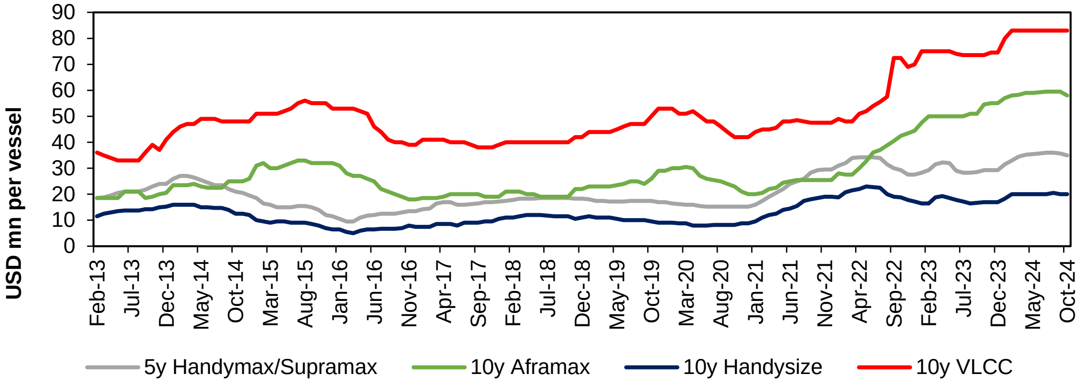
- *Source: Clarkson, MBS Research*

Midstream segment – Oil & gas transportation: Seeking growth catalyst from expansion

High crude tanker prices may prevent expansion in this segment, but there are still opportunities in oil/ chemical tankers and bulk carrier segments

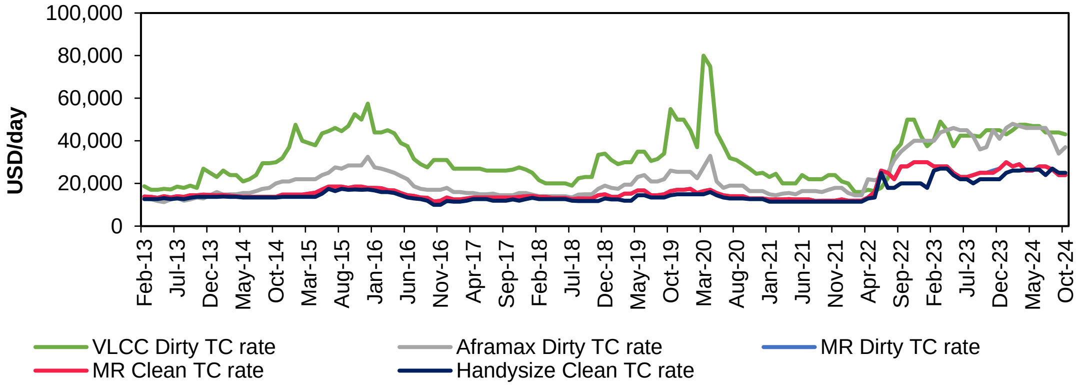
- The price of tanker vessels in almost all types has reached its highest level in 13 years, supported by increasing demand for oil transportation and the slow growth of the global vessel fleet. The price of very large crude carriers – VLCC is now above USD 80 mn for a 10-year-old vessel, and Aframax tanker may cost above USD 55 mn for a 10-year-old vessel.
- The high prices of very large crude carriers and Aframax tankers have prevented some oil transportation companies from expanding their crude tanker fleets as planned before. The price level for crude tankers is likely to remain at a high base in the next 3 years, especially for VLCC, due to the slow speed of building and delivery.
- In the context of stable (or even decreasing) time charter rates of almost all segments but high prices of crude tankers, we expect that oil transportation companies will seek their growth catalyst by adopting more flexible expansion strategies, followed by a gradual shift in the types of vessels to be purchased. The plan could be moving away from VLCC towards Mid-range or Handysize oil/chemical tanker/ LPG carrier.

VLCC & Aframax reached their highest level, while Handysize & Handymax have remained stable at a high base since 2022



- *Source: Bloomberg, MBS Research*

Time charter rates for some types of tankers



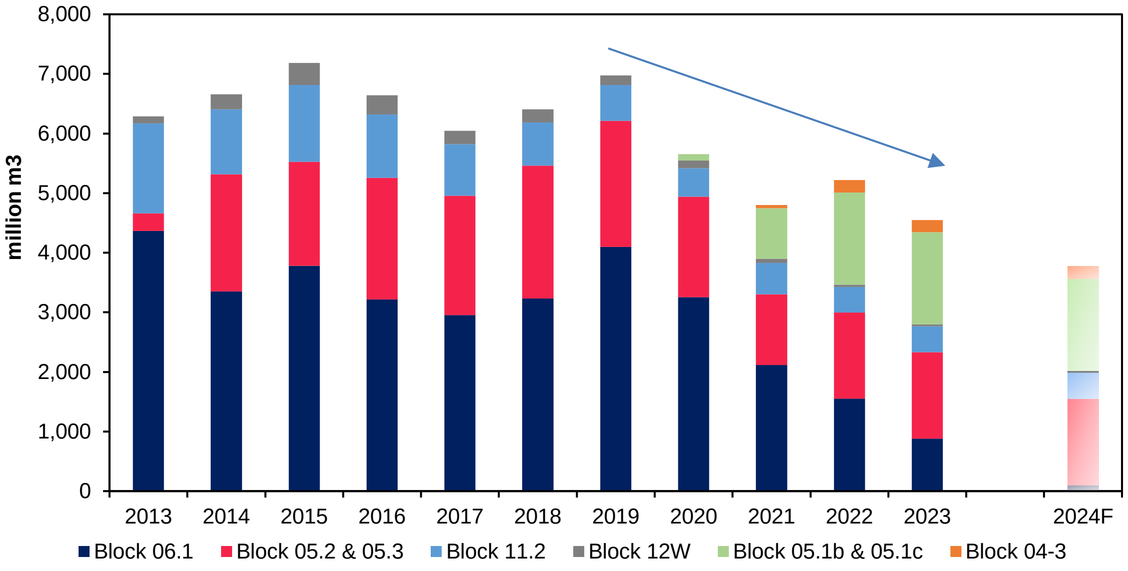
- *Source: Bloomberg, MBS Research*

Downstream segment – Gas distributors: Focus on LNG-to-power transition

Lack of domestic gas as volume from existing fields decline and no new key field comes into operation in 2025F-2026F

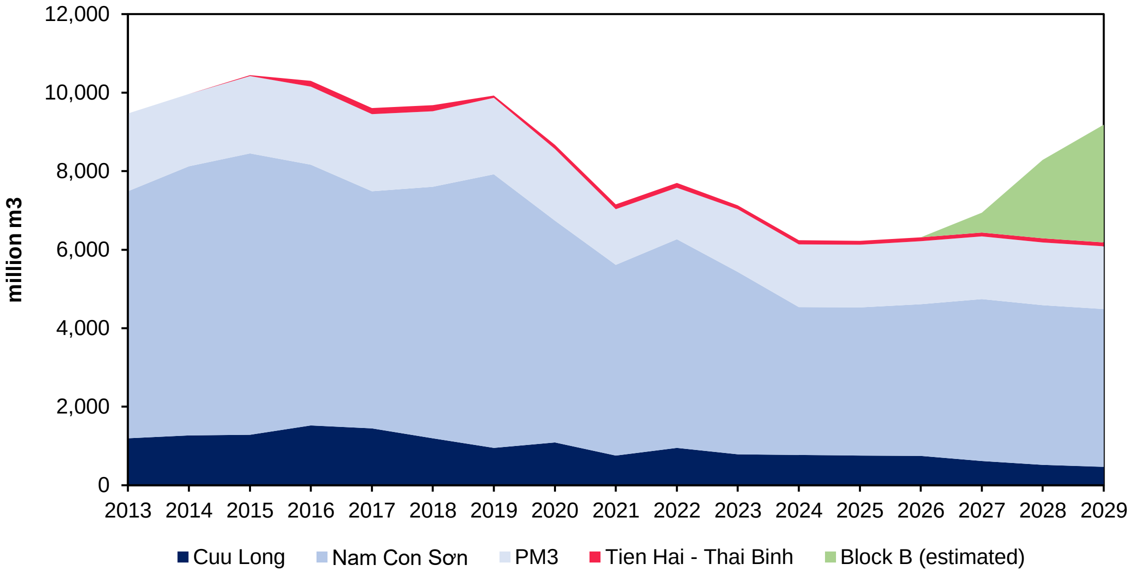
- Gas distributors may have to find gas sources other from domestic fields to fulfill customer's need, given that volume from domestic fields are declining significantly, especially in Nam Con Son Basin (Block 06.1).
- We expect that only when Block B project reach their first gas milestone that domestic gas volume will significantly improve. In the near term (2025-2026 period), some gas & oil fields may achieve their first gas/ first oil, such as Thien Nga – Hai Au (first gas expected: 2026, annual volume expected: 600 million m3); but these fields are not enough to solve the long-term demand of domestic customers.

Gas volume from Nam Con Son basin is declining significantly



- *Source: MBS Research's compilation and estimation*

No new key gas field is expected to come into operation in 25-26F



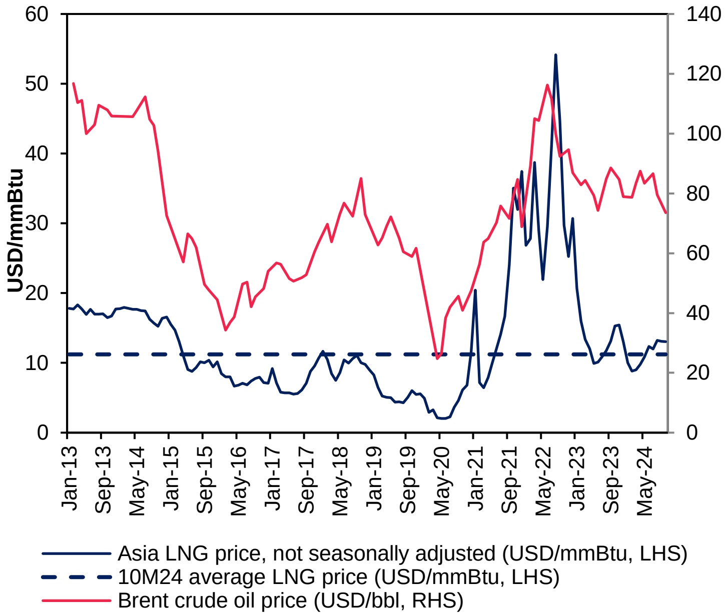
- *Source: MBS Research's compilation and estimation*

Downstream segment – Gas distributors: Focus on LNG-to-power transition

LNG-to-power transition will be the key focus in the middle term

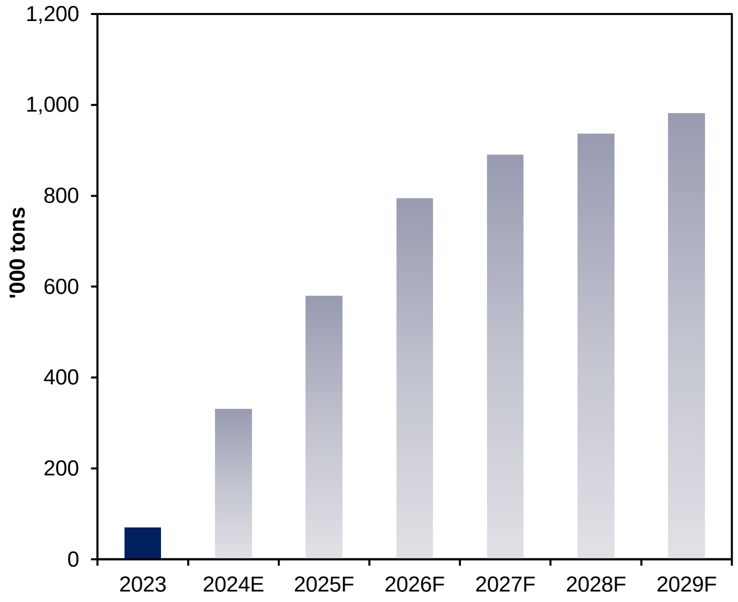
- Total LNG power capacity by 2030 will reach 22,400 MW, equivalent to 14.9% Vietnam's total power capacity, according to Power Development Plant 8 (PDP8). This energy transition progress requires aggressive effort in LNG importation in the middle term. As domestic gas prices are rising as new gas fields are falling behind schedule, while global LNG supply may increase under the second Trump's Presidency (Appendix 2), we believe that LNG prices will be able to compete with domestic gas prices at least until the end of 2026. Imported LNG price in 2025-2026F is forecasted to be around 13 USD/mmBtu.
- LNG distributors with contracts linked to LNG thermal plants will benefit in the medium term thanks to the trend of shifting to LNG power. We expect imported LNG volume to the Thi Vai Terminal to reach 560 tons in 2025F as Nhon Trach 3 and Nhon Trach 4 power plants come into operation.

LNG price remains quite stable after 2022's peak



- *Source: Bloomberg, MBS Research*

Forecasted LNG volume imported to Thi Vai Terminal



- *Source: MBS Research's estimation*

List of some LNG facilities in Vietnam

	Capacity (mn tons/ year)	Investors	Operation time
Thi Vai LNG Terminal phase 1	1.0	GAS	2023
Hai Linh LNG Terminal	3.4	Hai Linh, AG&P	2024
Son My LNG Terminal phase 1	3.6	GAS, AES	2027
Hai Lang LNG Terminal phase 1	1.5	T&T Group, Hanwha, KOGAS	2026
Bac Lieu LNG Terminal	3.0	Delta Offshore Energy	n/a
Hai Phong LNG Terminal	2.0	ExxonMobil	n/a
Long An LNG Terminal phase 1	3.5	Millennium	n/a
Quang Ninh LNG Terminal phase 1	1.5	POW, COLAVI, Tokyo Gas	n/a
Ca Na LNG Terminal phase 1	1.5	Gulf Energy, T&T Group	n/a

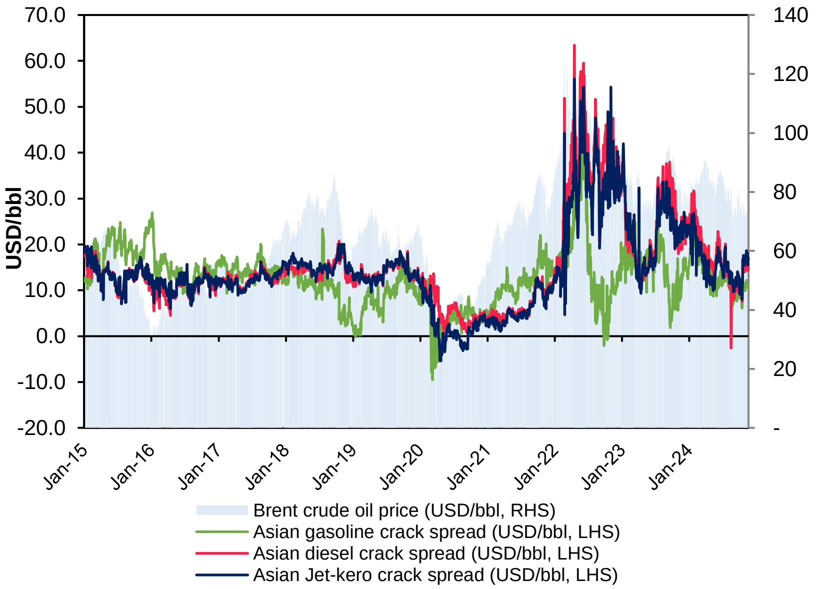
- *Source: MBS Research's compilation*

Downstream segment – Refiners: Gloomy outlook

Refiners lacking growth drivers as capacity remains stable and crack spread may be negatively affected due to weak demand

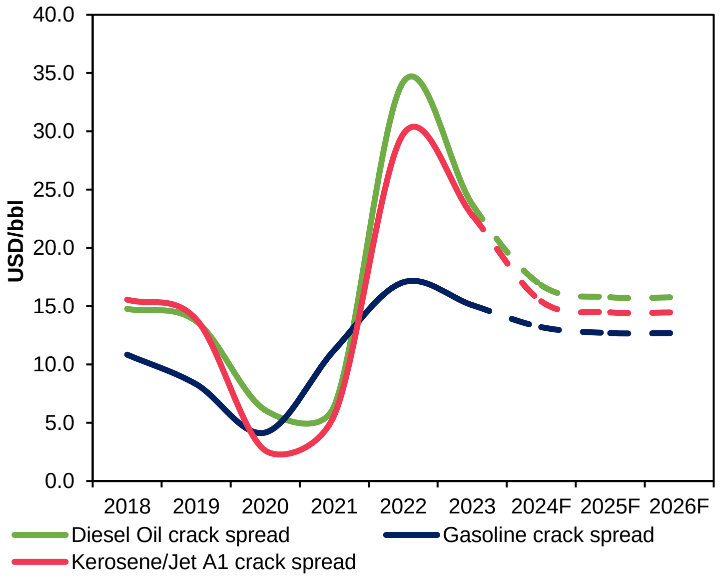
- We do not expect crack spread to increase significantly in the middle-term as the global refining capacity will gradually increase through 2028, with most of the planned refinery production growth driven by China, India and Middle East, which may add to the world petroleum supply. Besides, the ceasefire agreement in the Middle East has alleviated market concerns about the global supply disruption of petroleum products.
- Domestic refining capacity will remain stable in the 2025-2026 period, which provides no growth catalyst for domestic refiners. BSR's upgrade and expansion project, which is expected to come into force in 28Q3, will increase the company's total capacity by 15% and increase the complexity index of the refinery. Following that, BSR's crack spreads are anticipated to reach regional level since 2029 when the expansion project fully completes.

Crack spreads remains gloomy due to weak demand



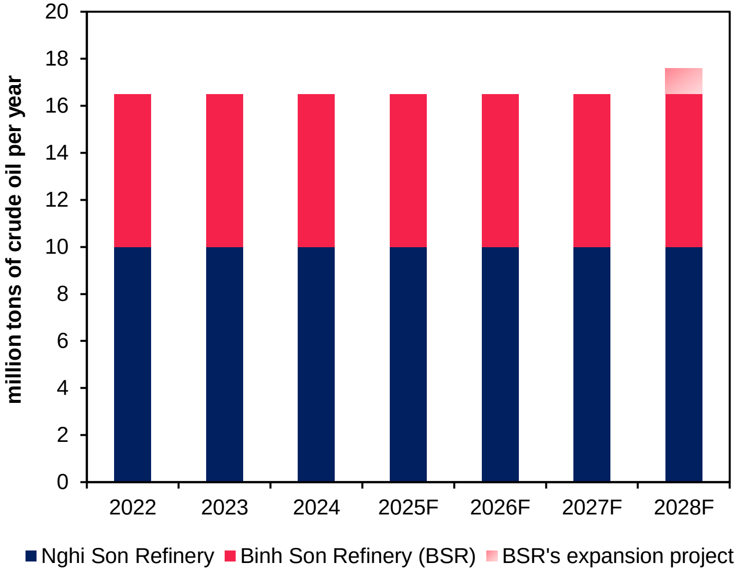
- *Source: Bloomberg, MBS Research*

Our forecast on Asian reference crack spreads



- *Source: MBS Research's projection*

Vietnam's refining capacity to be stable until 2028



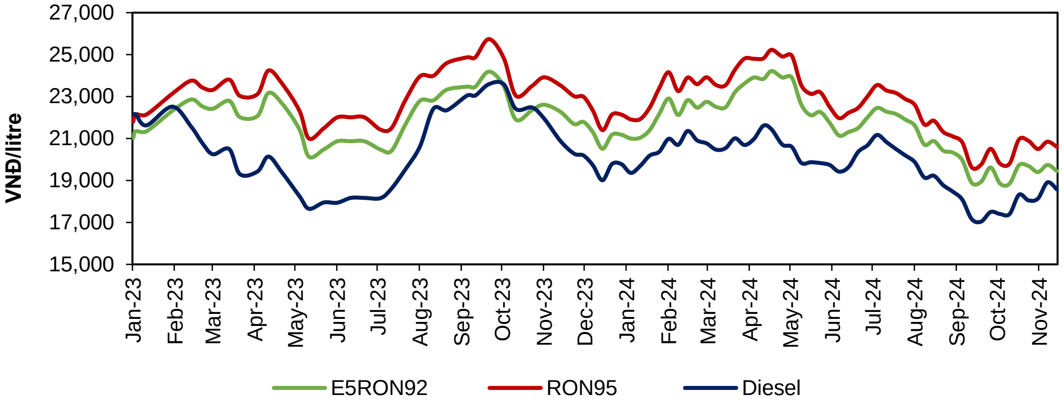
- *Source: MBS Research's compilation*

Downstream segment – Petroleum distributors: Better day thanks to legal support

Oil distributors may take advantage from the new Decree on Petroleum Business

- The new Decree on Petroleum Business is expected to come into force in 2025 with some important changes including: (1) modify the approach to adjusting standard business costs (based on the Consumer Price Index - CPI, reviewed every three years or in case of extraordinary fluctuations), and (2) supporting petroleum business operators in making proactive decisions regarding retail fuel prices, facilitating easy adjustments based on actual incurred costs.
- Standard business costs for petroleum distributors have been modified upward since July 01, 2024. The modification enables domestic petroleum distributors to reflect more accurately their actual business cost into output price, given the frequent fluctuations in these costs. This will support the profits of nearly all oil distributors. Additionally, companies with good facilities and large market shares can benefit more from these changes, as their cost per liter may be lower than others thanks to economies of scale.
- 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.

Oil products price fluctuated in 3Q24 due to crude oil movement



- *Source: MOIT, MBS Research*

Changes in standard business cost for petroleum distributors

STT	Standard business cost (VND/liter)	Since Oct 07, 2022	Since Jun 30, 2023	Since July 01, 2024
1	RON 95	1,050	1,080	1,140
2	Diesel	1,000	1,030	1,170
3	Kerosene	950	950	1,180
4	Mazut oil	544	360	430

- *Source: MBS Research's compilation*

Downstream segment – Petroleum distributors: Better day thanks to legal support

No.	Issue	Current regulations	Draft 2 Content	Draft 3 & 4 Content	Assessment
1	Petroleum Stock for Circulation	Petroleum trading and production wholesalers with an established petroleum distribution system must maintain a stable mandatory minimum petroleum reserve equivalent to **20 days** of supply, calculated based on the average daily domestic consumption volume of the preceding year, including the structure of product types.	Petroleum trading and production wholesalers with an established petroleum distribution system must maintain a circulating petroleum reserve (…) equivalent to a minimum of **30 days** of supply, calculated based on the average daily domestic consumption volume of the preceding year, including the structure of product types.	Petroleum trading wholesalers must maintain the circulating petroleum reserve stipulated in Clause 1, equivalent to a minimum of **20 days** of supply, calculated based on the average daily domestic consumption volume of the wholesaler in the preceding year, including the structure of product types.	Draft 3 retains the minimum reserve level as stipulated in the current regulations, reducing it by 10 days compared to the provisions in Draft 2. If the minimum reserve level remains unchanged, the business cost per unit of output will also remain unchanged, causing no negative impact on petroleum wholesalers (an additional 10 days would result in an estimated cost increase of approximately 100 VND per liter).
2	Principles for Adjusting Petroleum Prices	The base price is determined based on aggregated pricing factors from domestically produced and imported petroleum sources; **serving as the basis for state authorities to establish regulated prices** (...), as the reference for setting domestic retail prices for petroleum products (wholesale prices apply exclusively to mazut).	Petroleum trading wholesalers and petroleum distributors have the authority to set wholesale prices. Based on the actual circumstances of the enterprise, **petroleum trading wholesalers and petroleum distributors determine the retail prices of petroleum products** (wholesale prices apply exclusively to mazut) within their distribution systems, ensuring alignment with the actual costs incurred by the enterprise and not exceeding the maximum regulated petroleum prices.	Wholesale and retail prices of petroleum products, both within and outside the distribution system, are determined by petroleum trading wholesalers and petroleum distributors, ensuring they do not exceed the petroleum prices calculated based on the formula specified in Article 34 of this Decree. (…) **The purchase and sale prices of aviation fuel are negotiated independently by traders and their partners under market mechanisms and are not subject to the provisions in Clauses 1, 2, 3, and 4 of this Article or Articles 32 and 33 of this Decree.**	(1) Enables traders to take greater initiative in deciding retail petroleum prices, allowing easier adjustments in response to actual incurred costs. (2) The "base price" is no longer referenced, granting traders the right to sell petroleum at prices lower than the maximum price calculated under the prescribed formula. (3) Reduces the time and processes required for calculating and periodically disclosing traders' costs. (4) Establishes a separate mechanism for aviation fuel pricing, fully dependent on supply, demand, and negotiations between parties.

Downstream segment – Petroleum distributors: Better day thanks to legal support

No.	Issue	Current regulations	Draft 2 Content	Draft 3 & 4 Content	Assessment
3	Formula for Petroleum Price	Base price = Import source price * Import source proportion + Domestic source price * Domestic source proportion *Where: Import source price = World price + Transportation cost (from foreign port to Vietnam port ± **premium**) + Standard business cost + Price stabilization fund + Standard profit + Other taxes and fees;* *Domestic source price = World price ± premium + Transportation cost (from refinery to port) + Standard business cost + Price stabilization fund + Standard profit + Other taxes and fees."*	Maximum petroleum price = World petroleum price * Exchange rate + Import tax + Special consumption tax + Environmental protection tax + Value-added tax (VAT) + Standard business cost + Standard profit of the enterprise.	Maximum petroleum price = **Source cost** + Standard business cost + Standard profit + Value-added tax (VAT). *Where: Source cost = (World petroleum product price ± premium)* * *exchange rate + transportation, insurance, loss, unloading costs + tax costs (import tax, special consumption tax, environmental protection tax)*.	(1) There is no longer a distinction between the price from imported sources and the price from domestic sources; (2) The price stabilization fund is no longer included in the maximum petroleum price formula. (3) Draft 3 adds premium back into the selling price formula while the formula in Draft 2 can be considered not to be included --> Draft 3 aligns more closely with actual prices since the premium is always positive and relatively high.
4	Standard Operating Costs, Formula for Petroleum Price	Standard petroleum business costs are determined based on the actual cost reports submitted by petroleum trading wholesalers. Annually, before July 1st, the Ministry of Finance announces the standard business costs for the Ministry of Industry and Trade to apply and calculate in the petroleum base price formula.	The business costs and standard profits of enterprises are calculated based on the following maximum levels: (1) Option 1: The business costs and standard profits are defined as absolute values, ranging from 1,800 to 2,500 VND per liter or kilogram of petroleum, depending on the product type. (2) The business costs and standard profits vary as a percentage based on fluctuations in global petroleum prices.	The standard annual business costs are **adjusted according to the actual average Consumer Price Index (CPI) of the previous year**, as announced by the General Statistics Office **Every three years,** the Ministry of Industry and Trade, in collaboration with relevant ministries and agencies, will review and announce the standard business costs used as the basis, ensuring they are aligned with actual conditions for traders to implement.	Helps domestic businesses quickly reflect fluctuations in key operating costs into retail prices, without requiring excessive effort to review all expense items.
5	Adjustment period for related items	Premium: Every 3 months; Standard transportation cost: Every 3 months; Standard business cost: Annually; Petroleum retail price: **Once every 7 days**.	Premium: n/a; Standard transportation cost: n/a; Standard business cost: Option 1: n/a; Option 2: Adjusted once every 7 days; Petroleum retail price: **Once every 7 or 15 days**.	Premium and Standard transportation cost: **Adjusted quarterly**; *(Draft 3: Premium adjusted once every 7 days)* Standard business cost: Adjusted annually; **review and announce the base cost once every 3 years**; Petroleum retail price: **Once every 7 days**.	(1) Retain the price adjustment cycle of once every 7 days, as businesses are familiar with this cycle, and the retail petroleum prices are more aligned with global market prices; (2) Adjust the premium more frequently to better reflect actual costs.

FY24-26F key financial metrics of stock under our coverage

VND billion	**PVS**			**PVD**			**PVT**			**GAS**			**BSR**			**PLX**		
	2024F	**2025F**	**2026F**	**2024F**	**2025F**	**2026F**	**2024F**	**2025F**	**2026F**	**2024F**	**2025F**	**2026F**	**2024F**	**2025F**	**2026F**	**2024F**	**2025F**	**2026F**
Revenue	21,126	32,257	43,026	8,279	7,085	7,697	10,850	11,499	11,921	92,894	92,304	95,561	115,227	124,348	124,829	277,986	262,747	267,737
% yoy	*9.0%*	*52.7%*	*33.4%*	*42.6%*	*-14.4%*	*8.6%*	*13.5%*	*6.0%*	*3.7%*	*3.3%*	*-0.6%*	*3.5%*	*-21.8%*	*7.9%*	*0.4%*	*1.5%*	*-5.5%*	*1.9%*
Gross profit	1,124	1,603	2,097	1,765	1,795	2,015	2,403	2,512	2,539	16,566	16,514	17,022	2,719	3,728	3,779	16,349	16,438	16,472
Gross profit margin (%)	*5.3%*	*5.0%*	*4.9%*	*21.3%*	*25.3%*	*26.2%*	*22.1%*	*21.8%*	*21.3%*	*17.8%*	*17.9%*	*17.8%*	*2.4%*	*3.0%*	*3.0%*	*5.9%*	*6.3%*	*6.2%*
EBITDA	4	377	548	1,926	2,012	2,289	3,627	3,844	4,013	14,847	15,720	16,887	3,669	4,584	4,689	4,996	6,405	6,068
EBITDA margin (%)	*0.0%*	*1.2%*	*1.3%*	*23.3%*	*28.4%*	*29.7%*	*33.4%*	*33.4%*	*33.7%*	*16.0%*	*17.0%*	*17.7%*	*3.2%*	*3.7%*	*3.8%*	*1.8%*	*2.4%*	*2.3%*
Net profit	995	1,375	1,542	612	645	758	1,111	1,165	1,200	10,598	11,202	12,044	1,997	2,911	2,753	3,121	3,673	3,718
% yoy	*-3.1%*	*38.2%*	*12.2%*	*4.7%*	*5.4%*	*17.5%*	*14.3%*	*4.9%*	*3.0%*	*-8.7%*	*5.7%*	*7.5%*	*-76.9%*	*45.8%*	*-5.4%*	*10.1%*	*17.7%*	*1.2%*
EPS (VND/share)	2,081	2,876	3,226	1,101	1,160	1,363	3,433	3,600	3,709	4,614	4,877	5,244	644	939	888	2,412	2,839	2,873
BVPS (VND/share)	27,838	29,261	30,908	27,536	28,783	30,239	24,656	28,179	31,839	26,215	29,051	32,260	18,839	19,455	20,021	21,199	22,152	23,135
Net cash/share (VND/share)	19,010	19,912	22,327	7,997	10,066	10,893	11,488	15,584	20,357	16,339	18,355	19,520	8,667	10,451	8,634	9,966	11,400	12,932
Debt/Equity	14.0%	14.1%	13.7%	19.4%	25.7%	22.8%	58.2%	52.1%	47.5%	12.0%	11.8%	10.9%	8,667	24.1%	25.5%	61.0%	55.4%	50.5%
Dividend yield (%)	2.1%	2.1%	2.1%	0.0%	1.3%	1.3%	2.3%	3.3%	3.3%	2.8%	2.8%	2.8%	1.3%	1.3%	1.3%	2.5%	3.7%	3.7%
ROAE (%)	7.6%	10.1%	10.7%	4.1%	4.1%	4.6%	15.0%	13.6%	12.4%	17.1%	17.7%	17.1%	3.4%	4.9%	4.5%	11.7%	13.1%	12.7%
ROAA (%)	3.7%	4.9%	4.8%	2.7%	2.7%	3.0%	6.0%	5.8%	5.5%	12.2%	12.4%	12.2%	2.3%	3.4%	3.0%	3.9%	4.6%	4.7%

Investment strategy: We prefer PVS and PVT

Ticker	Target price (VND/share)	Recommend	Comments
PVS	**47,300**	ADD	- PVS has been granted full contracts for EPCI#1 and EPCI#2 in the Block B – O Mon project instead of limited contracts, which will accelerate the company's implementation progress and boost the M&C segment's revenue. - The gross profit margin for M&C segment is likely to improve in 2025 thanks to (1) contribution from domestic oil & gas projects like Block B – O Mon or Golden Camel, which the company has relatively strong experience, and (2) improving operating efficiency in offshore wind power projects after gaining experience from previous projects. The projected gross profit margin of M&C segment in 2025 is 2.2%, which is 0.7% pts higher than the projected M&C gross profit margin in 2024. - We expect PVS's net profit in FY25-26F to increase by 38.2% and 12.2%, respectively, thanks to the accelerated progress of Block B and new backlog from offshore wind power EPCI contracts. Delayed FID and limited contracts for Block B has prevented the company from reaching a significant increase in 2024, but as the full contracts were granted, the positive effect will be more evident next year.
PVT	**34,200**	ADD	- Increasing long-haul Atlantic-Asia trade and global oil demand may support the crude tanker time charter rate to remain stable at a firm level in the 2024-2025 period. This may support PVT's gross profit margin for crude tanker segment in 24F-26F to reach 35.2%, 34.9%, and 33.7%, respectively. - Fleet expansion speed is anticipated to be better in 2024-2025 thanks to flexible expansion plan and stable prices of oil/chemical tanker and bulk carrier. If current favorable environment is here to stay, PVT's fleet may expand to 72 vessels in 2029, with main contribution from oil/chemical tanker. - PVT's net profit is expected to increase by 14.3%/ 4.9% and 3.0% in FY24-26F, respectively. Please be noted that PVT has one-off profit from liquidation (VND 153 bn) in 2024, and if we exclude this one, net profit growth of PVT in 2025 is forecasted to be 21.6% yoy. - The stock is currently trading at trailing EV/EBITDA of 4.63x, which are both lower than historical 3-year average (5.16x) and 5-year average (4.99x). Relatively low valuation and firm business outlook in FY24-Y26F may imply a favorable timing to invest in the stock.
PVD	27,000	HOLD	- Regional demand for jack-up rigs in the coming years is solid thanks to NOCs' implementation of upstream oil & gas projects. We expect PVD's average jack-up day rate to remain quite stable at around 96,800/ 94,800/ 94,800 USD/day in FY24-26F, respectively. - The new jack-up rig may start contributing to PVD's business results in 4Q25, which is behind the previous expectation (2Q25) and will contribute modestly to PVD's gross profit next year. The contribution from new jack-up rig may offset the decrease in PVD's gross profit in 2025 due to the stack of PVD 11. Significant growth in well services segment next year is also not expected, as all jack-up rigs are working in foreign markets. - PVD's net profit is expected to increase by 4.7%/ 5.4%/ 17.5% in FY24-26F, and the new jack-up rig is the key driver for growth in 2026. The stock seems to lack strong growth driver in 2025 if the new jack-up rig is delivered at the end of the year. If this new rig starts working sooner (2Q24), we expect PVD's net profit in 2025 to rise by 15.5% yoy.

Investment strategy: We prefer PVS and PVT

Ticker	Target price (VNĐ/share)	Recommend	Comments
GAS	77,500	HOLD	- As gas volume from domestic fields are declining and remaining gas fields have relatively high prices, LNG is necessary in ensuring national energy security. GAS's LNG volume is expected to increase significantly from 2025, particularly with the commissioning of Nhon Trach 3 and 4 power plants. Projections for LNG production in FY25-26F period are estimated to account for 56.0% and 79.4%, respectively, of the total capacity of the Phase 1 LNG storage facility at Thi Vai. - In 9M24, GAS has about VND 1.25 bn provision for non-performing receivables from Mekong Energy, BOT Phu My 3 and Phu My Thermal Plant. This is, in our view, regarding to the Phu My 3 pipeline and the change in gas supply mechanism. We do not expect this provision to be reverted in 2025. - We forecast GAS's net profit growth in FY24F-26F to be -8.7%/ 5.7% and 7.5%, respectively. If there is no provision for non-performing receivables, GAS's net profit growth in 2024 is expected to be 5.1%.
BSR	25,600	HOLD	- In the near term (FY25-26F), we do not expect Asian crack spread to increase significantly as global refining supply is gradually increasing and final demand is still weak. However, BSR still has its own long-term growth driver as the upgrade and expansion project, which is expected to come into force in 28Q3, will increase total capacity by 15% and increase the complexity index of the refinery. BSR’s crack spreads are anticipated to reach regional level since 2029 when the expansion project has fully completed. - The potential listing on HSX (estimated in early 2025) might support BSR to present in some important indexes, giving the stock more attention from domestic and foreign investors as well as higher multiple valuation. - We expect BSR's net profit in 2024 to decline by 76.9% yoy due to significantly low crack spread in 3Q24, but increase by 45.8% yoy in 2025 thanks to better production volume (end of maintenance) and expected more stable oil products price.
PLX	46,100	HOLD	- PLX's sales volume is expected to remain stable at a high level, supported by increased market share from wholesale traders whose licenses have been revoked, despite the fact that overall domestic fuel consumption may not increase significantly if the economic recovery is slower than anticipated. - Legal framework changes are expected to allow petroleum distributors like PLX to have greater control over setting selling prices and reflect more accurately their actual cost on the output prices, thereby supporting to maintain a better profit margin even in the event of significant fluctuations in actual business costs. - The gross profit margin may improve starting in 2025 as standard business costs in the base gasoline price formula increase from July 2024. We expect PLX's gross profit margin for the FY24-26F period to reach 5.9%/ 6.3% and 6.2%, and net profit growth to reach 10.1%/ 17.7% and 1.2%, respectively

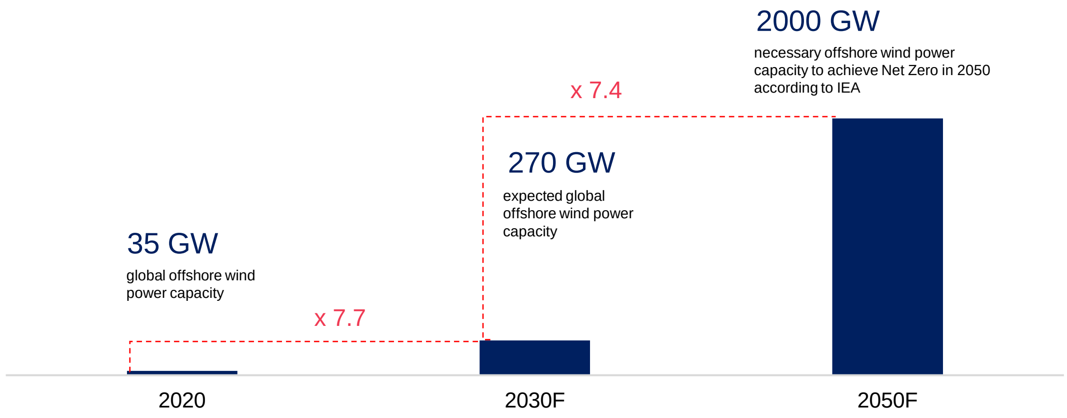
Investment strategy: We prefer PVS and PVT

Base case: 2025 avg. Brent crude oil price = 70 USD/bbl	**Ticker**	**Current price**	**Target price**	**RCM**	**Market cap**	**P/E (x)**		**P/B (x)**		**ROA%**		**ROE (%)**	
Company	**Bloomberg**	**VND/share**	**VND/share**		**VND bn**	**2024F**	**2025F**	**2024F**	**2025F**	**2024F**	**2025F**	**2024F**	**2025F**
PetroVietnam Technical Services Corporation	PVS VN Equity	33,900	47,300	ADD	16,346	16.3	11.8	1.2	1.2	3.7	4.9	7.6	10.1
PetroVietnam Drilling & Well Services Corporation	PVD VN Equity	24,000	27,000	HOLD	13,202	21.8	20.7	0.9	0.8	2.7	2.7	4.1	4.1
PetroVietnam Gas Corporation	GAS VN Equity	69,200	77,500	HOLD	160,941	15.0	14.2	2.6	2.4	12.2	12.4	17.1	17.7
PetroVietnam Transportation Corporation	PVT VN Equity	27,200	34,200	ADD	9,737	7.9	7.6	1.1	1.0	6.0	5.8	15.0	13.6
Binh Son Refining and Petrochemical JSC	BSR VN Equity	24,000	25,600	HOLD	66,040	37.3	25.6	1.3	1.2	2.3	3.4	3.4	4.9
Vietnam National Petroleum Group (Petrolimex)	PLX VN Equity	40,150	46,100	HOLD	50,697	16.8	14.2	1.9	1.8	3.9	4.6	11.7	13.1
Average						19.0	15.7	1.5	1.4	5.2	5.6	9.9	10.5

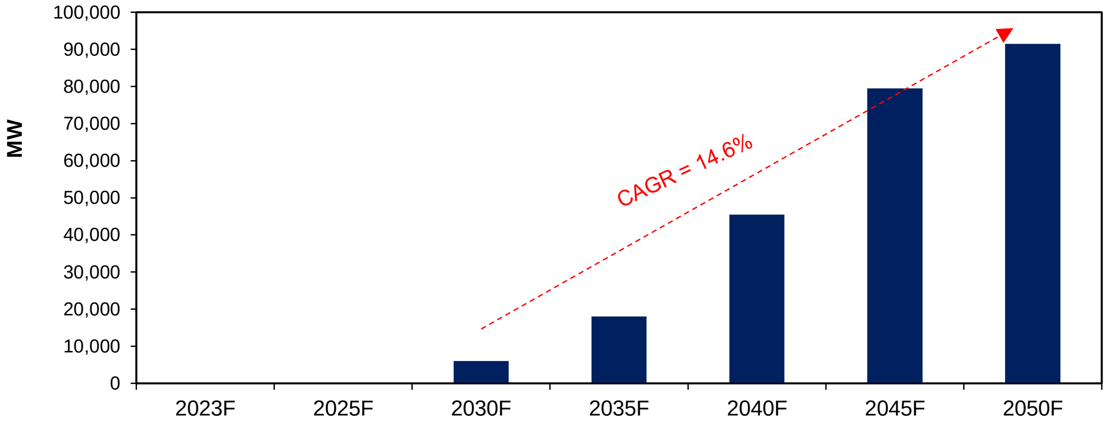
- *Closing price as of Dec 06, 2024. Source: MBS Research's projection*

Appendix 1: Offshore wind power EPCI projects – New opportunities for PVS

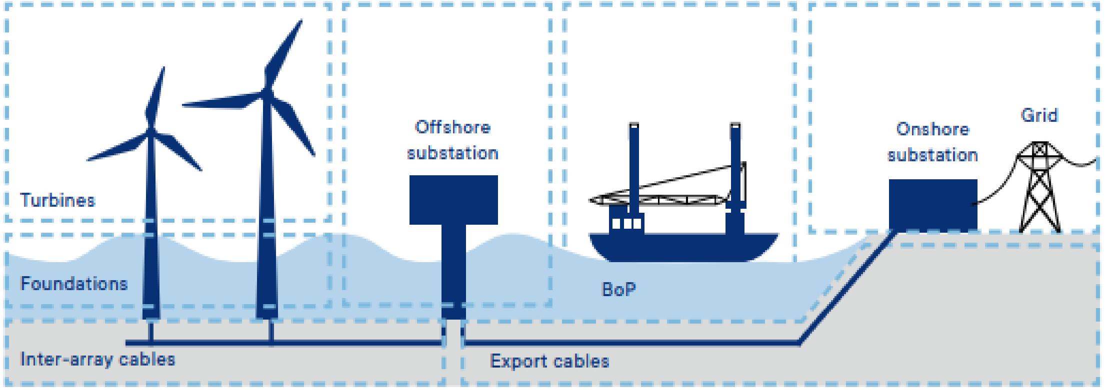
Global offshore wind power capacity to achieve Net Zero



Domestic offshore wind power capacity according to PDP8



Main components of an offshore wind power project



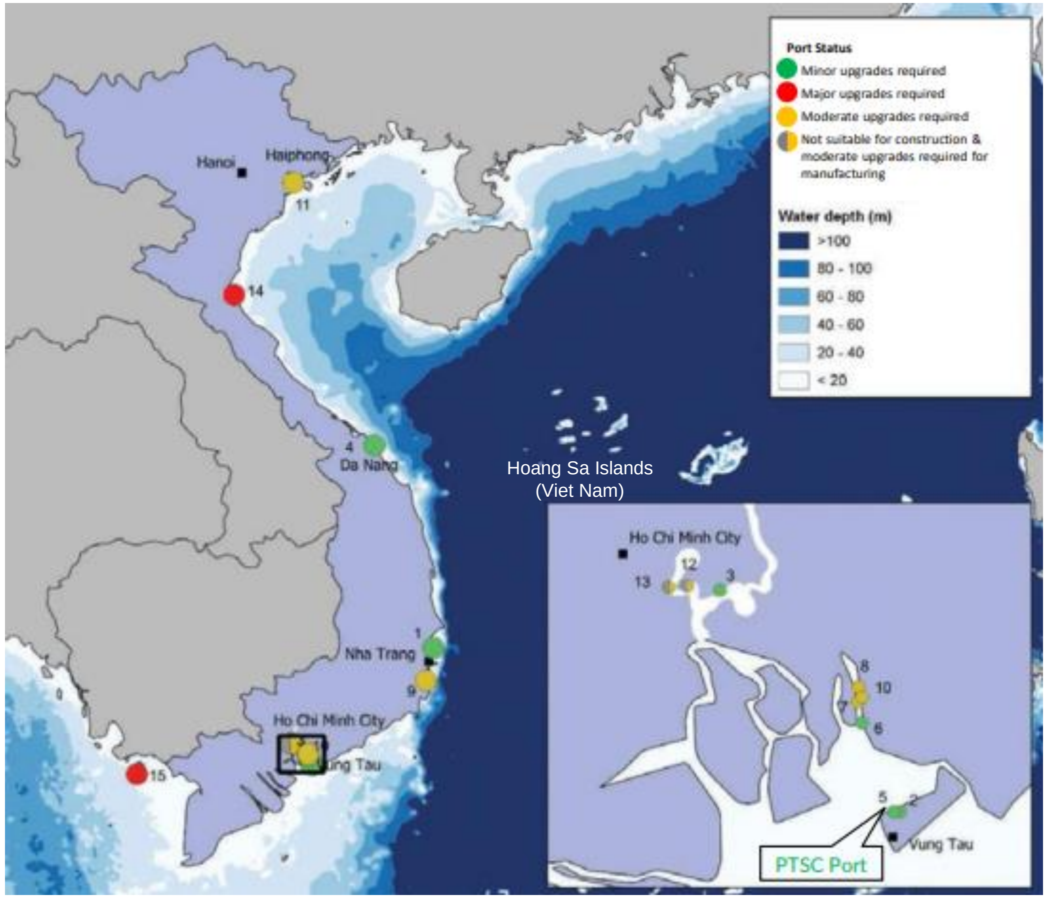
PVS's offshore wind power EPCI contracts

Offshore wind projects	Partner	PVS participation	Estimated value (USD mn)	Estimated timeline
Hai Long	Semco Maritime	EPC for 2 offshore substations	90	2022 - 2024
Greater Changhua 2b & 4	Ørsted	Providing 33 turbine foundation	300	2023 - 2025
Baltica 2	Semco Maritime	EPC for 4 offshore substations	200	2023 - 2026
Fengmiao	Semco Maritime	EPC for offshore substations	200	2024 - 2026

Appendix 1: Offshore wind power EPCI projects – New opportunities for PVS (back)

Vietnam's potential ports for offshore wind power EPCI contracts

No.	Port	Suitable for construction	Suitable for manufacturing
1	Huyndai Vinashin Shipyard (Nam Van Phong)	Suitable with minor upgrades	Suitable with minor upgrades
2	Vietsovpetro Port (Vung Tau)	Suitable with minor upgrades	Suitable with minor upgrades
3	Tan Cang Cat Lai Terminal (HCM)	Suitable with minor upgrades	Suitable with minor upgrades
4	Tien Sa Port (Da Nang)	Suitable with minor upgrades	Suitable with minor upgrades
5	PTSC Port (Vung Tau)	Suitable with minor upgrades	Suitable with minor upgrades
6	Tan Cang - Cai Mep Terminal (Ba Ria)	Suitable with minor upgrades	Suitable with minor upgrades
7	Thi Vai General Port (Phu My)	Suitable with moderate upgrades	Suitable with moderate upgrades
8	SITV (Phu My - Ba Ria Vung Tau)	Suitable with moderate upgrades	Suitable with moderate upgrades
9	Cam Ranh Port (Khanh Hoa)	Suitable with moderate upgrades	Suitable with moderate upgrades
10	PTSC Phu My Port (Phu My - Ba Ria Vung Tau)	Suitable with moderate upgrades	Suitable with moderate upgrades
11	PTSC Dinh Vu (Hai Phong)	Suitable with moderate upgrades	Suitable with moderate upgrades
12	VICT (HCM)	Not suitable for construction	Suitable with moderate upgrades
13	Hiep Phuoc Port (HCM)	Not suitable for construction	Suitable with moderate upgrades
14	Nghe Tinh (Vinh)	Suitable with major upgrades	Suitable with major upgrades
15	Duong Dong (Phu Quoc Island)	Suitable with major upgrades	Suitable with major upgrades



Suitable with minor upgrades: Upgrade costs < USD 5mn

Suitable with moderate upgrades: USD 5mn <= Upgrade costs <= USD 10mn

Suitable with major upgrades: Upgrade costs >= USD 10mn

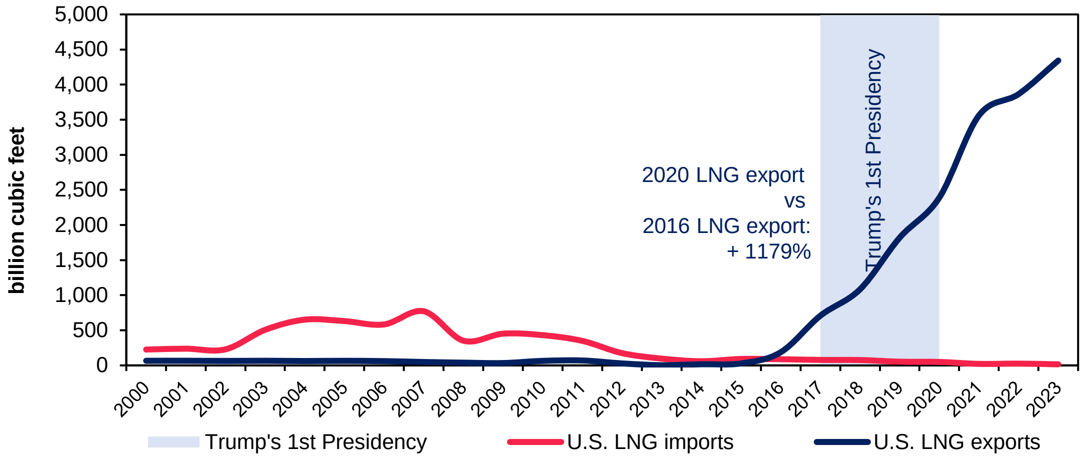
- *Source: PTSC M&C, MBS Research*

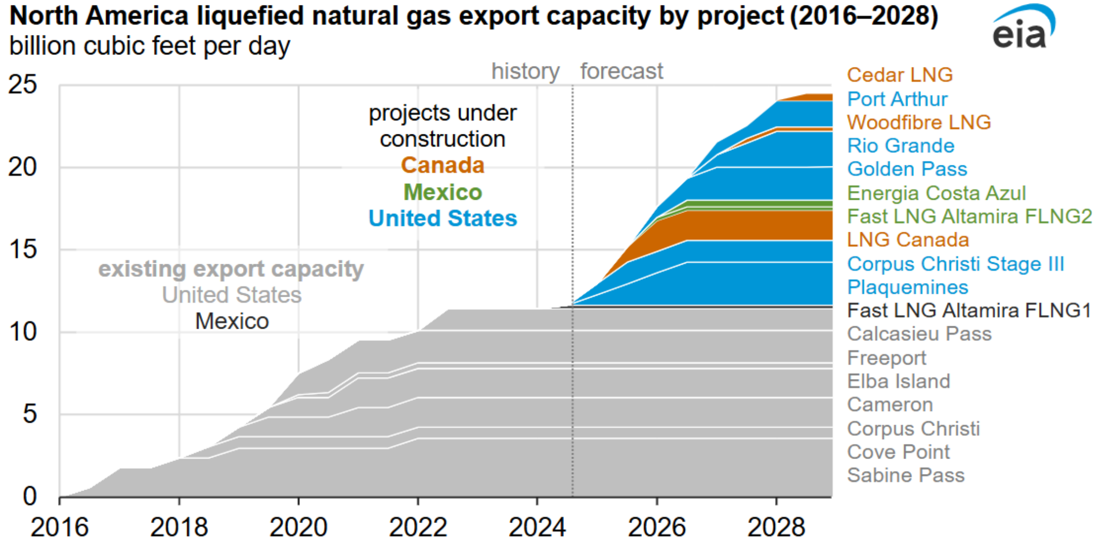
Appendix 2: Trump's second Presidency and the Liquefied Natural Gas (LNG) market (back)

- **U.S. LNG export surged in the 2016-2020 period**: Coming from zero LNG production at the start of 2016, the U.S. LNG exports increased significantly in the 2016-2020 period and now becomes the world's largest exporter. This country is a large cheap-gas source which can be exported to meet global growing needs.
- **A freeze on new LNG export permits under Biden's Presidency**: In January 2024, Biden put a freeze on new LNG export permits to study the environmental impacts. The LNG pause applies to projects that have been proposed but not yet permitted by the Department of Energy (DOE), and projects that plan to export to countries that do not belong to the free-trade agreement. Without the export permits, developers cannot go ahead with multi-year construction plans for new projects.
- **Trump is likely to lift the LNG export permits in his second presidency**: US President-elect Donald Trump's transition team is putting together a wide-ranging energy package, including the lift of Joe Biden's pause on new export permits for LNG and the swift approval of pending permits. This will further increase U.S. LNG export volume in the next 4 years.
- **U.S. LNG is needed for Asia**: According to Wood Mackenzie, if LNG prices are high, countries like Vietnam, Bangladesh, Philippines, Indonesia and Malaysia will not be able to realize their plans toward gas-fired power transition. Following the leading position and expanding capacity of the U.S. in the LNG market, U.S. LNG seems to be a long-term and affordable supply for Asia – Pacific countries.

- *Source: EIA, Wood Mackenzie, MBS Research's compilation*

U.S. LNG exports volume surged under Trump's 1st Presidency




North America liquefied natural gas export capacity by project (2016–2028)
billion cubic feet per day

7

SECTOR OUTLOOK | Retail

Need more time for healing

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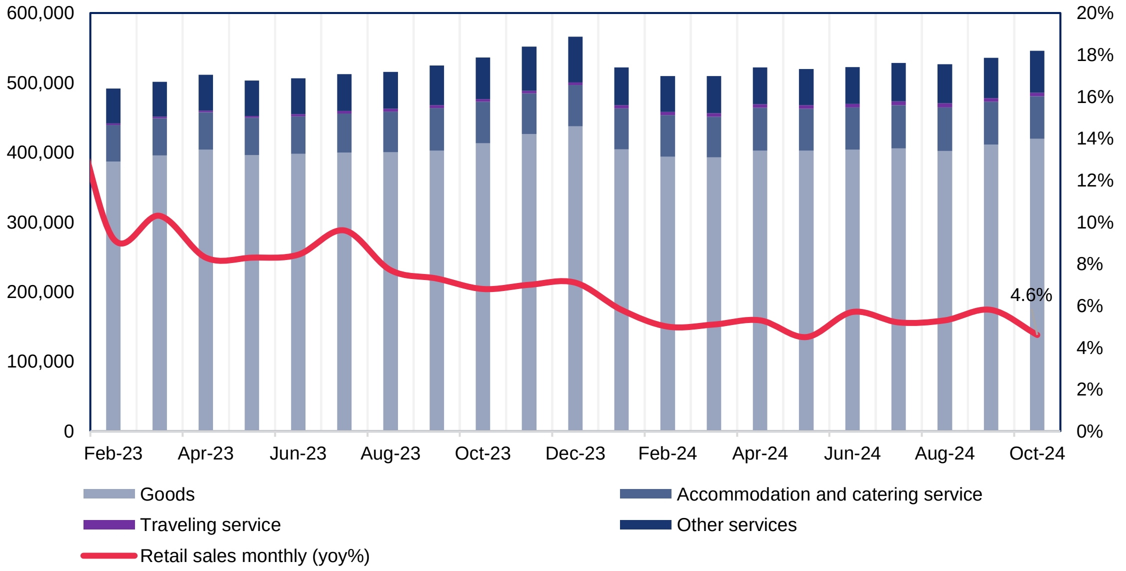
Recap 2024: Consumers still tightened their wallet

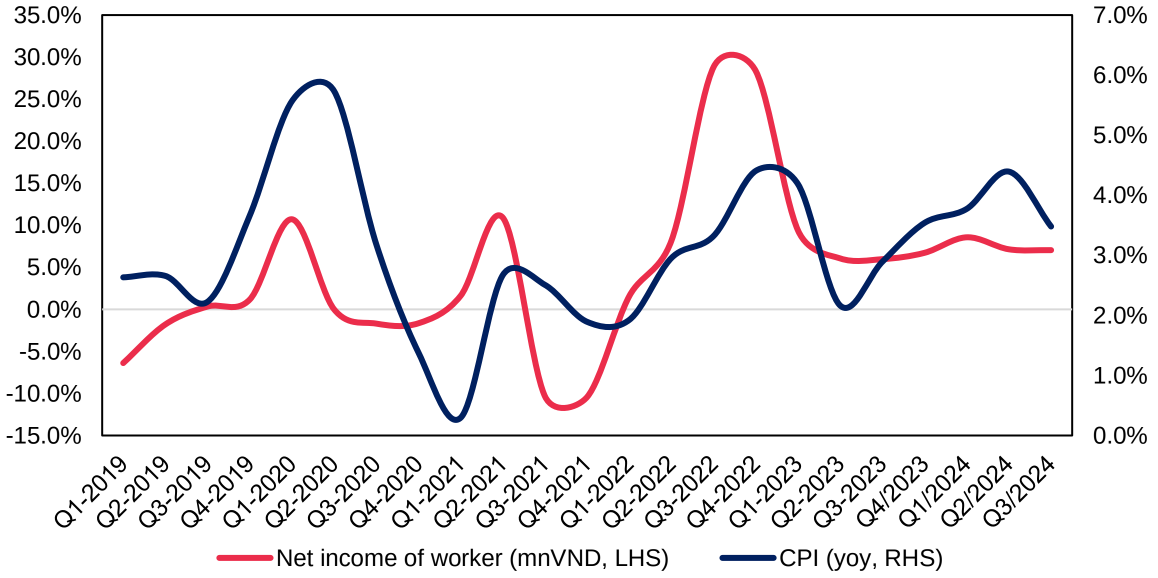
- According to the consumer survey of PwC 2024, Vietnamese consumers are still impacted by the rising prices of food, energy, housing, and other essentials, which have had a significant impact on consumer spending. 64% of respondent said that they still spending the major for grocery, and 48% healthcare. In contrast, 33% of participants said they would reduce spending on luxury items, and around 30% would cut back on non-essential items.
- In 11M24, the growth of total retail sale around 5.8% (excluding inflation), which was slower than the pre-covid19 period (the average is 8-9%) showing that the consumer demand is still in the low base. The overall consumer demand trend is still being affected by weak economy from 2023. The manufacturing sector has only started to recover significantly from 2H24 when the PMI was above 50. We expect the spill-over from manufacturing to be more pronounced starting in 2025, which will help improve retail growth.

The rising of retail sale was still in a low base, just around 5%



- *Source: GSO, MBS Research*

The rising of food is directly affected for consumer demand.

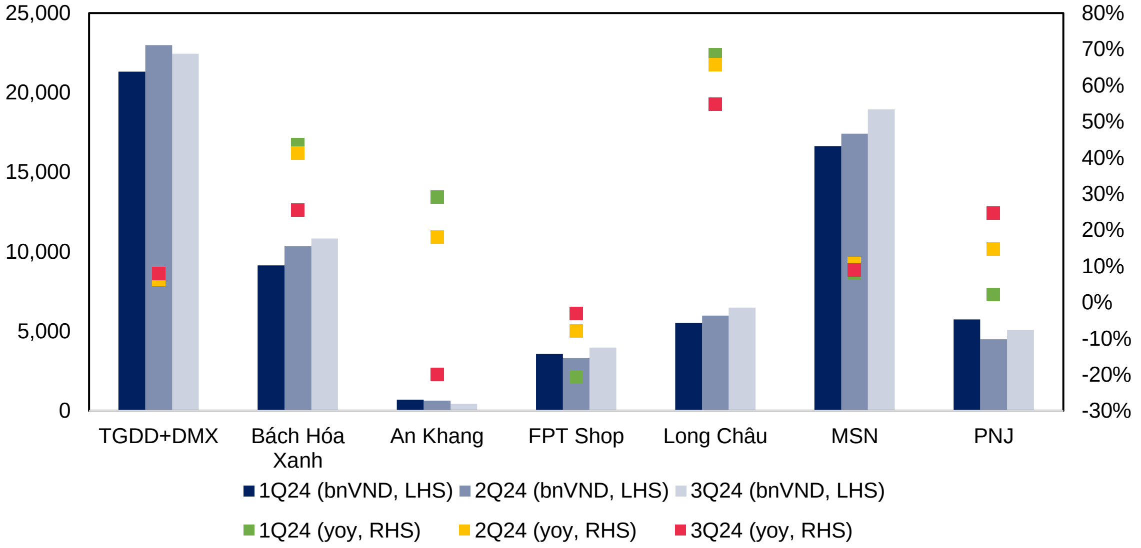


- *Source: GSO, MBS Research*

Recap 2024: The fragmented landscape of retail chains

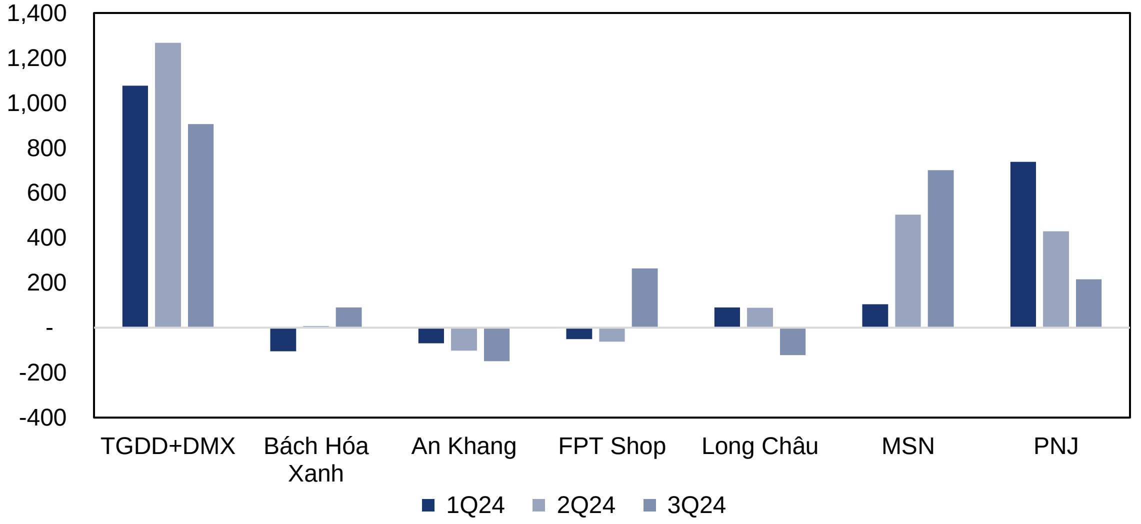
- We see the contrasting landscape between essential and non-essential retails chains in 2024. While electronic consumer retail chains (TGDD,DMX, FPT shop) restructured, closing more stores have the underperforming results, the grocery chains slightly opened stores when both Bach Hoa Xanh and WCM had the net profit in 2Q24. Besides, the grocery chains improved about 15% yoy thanks to the transition of traffic from the traditional. In the pharmaceutical retail industry, we see a contrasting picture: while An Khang is trying to restructure and find opportunities to break even, Long Châu has already established a strong position in the industry.
- The growth prospects for the jewelry, car, and ICT-CE retail sectors are unlikely to be strong in 2025F-26F, as these markets are already quite saturated. Meanwhile, due to the highly fragmented nature of the market, the pharmaceutical sector still holds significant growth potential. The consumption sector, on the other hand, remains stable with continued potential, driven by the shifting consumer behaviors of the new generation.

Almost all of the retail chains rose at least 10% yoy in the revenue, expect for some retail chains trying to restructure to get the better recovery…



- *Source: MWG, FRT, PNJ, MSN, MBS Research*

The profit performance of some key drivers in the retail markets

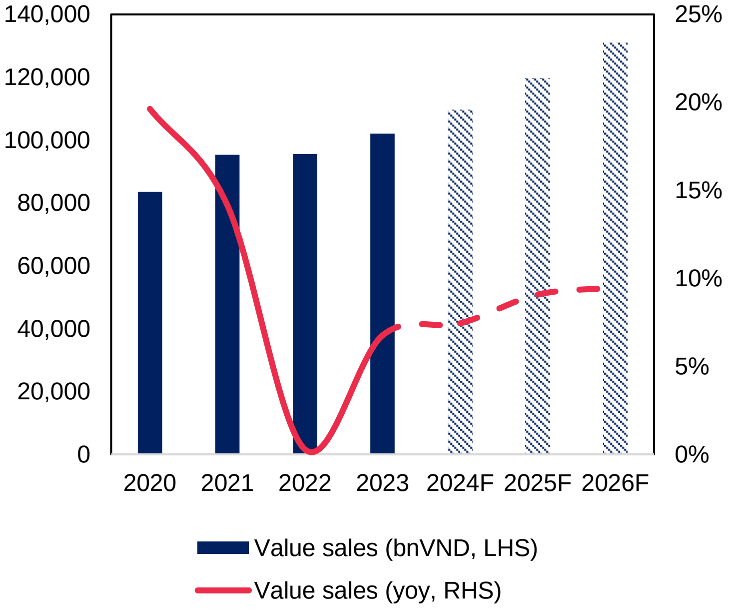


- *Source: MWG, FRT, PNJ, MSN, VAMA, MBS Research*

Grocery retail business: The growth of modern retail chain is a key industry driver

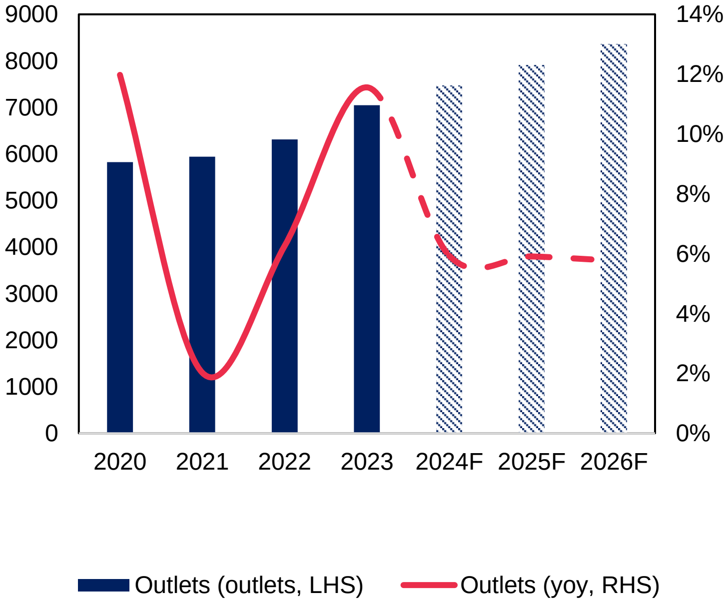
- We may see the retail industry still have a large potential in mid-long term due to (1) the rising disposable incomes, (2) the increasing demand for higher-quality lifestyles. Rapid urbanization will expand access to modern retail models – a development trend in the grocery retail sector. Besides, which approve AI and omni-channel will help retailer unlocking significant potential in this market.
- The consumer income may better than 2024F due to the stronger spillover from the manufacturing sectors, which is expected to boost spending. Additionally, the strength of warehousing and more diversity of product will help modern retail chains (such as Bach Hoa Xanh, WCM) to more easily meet the needs of the new generation of consumers. The recovery in consumption, along with the expansion of modern retail chains in new regions, will help the grocery market achieve an approximately 9% growth during the 2025F-26F

The value of grocery market had 7% CAGR in 18-23 and may have 8% CAGR in FY24-26F…



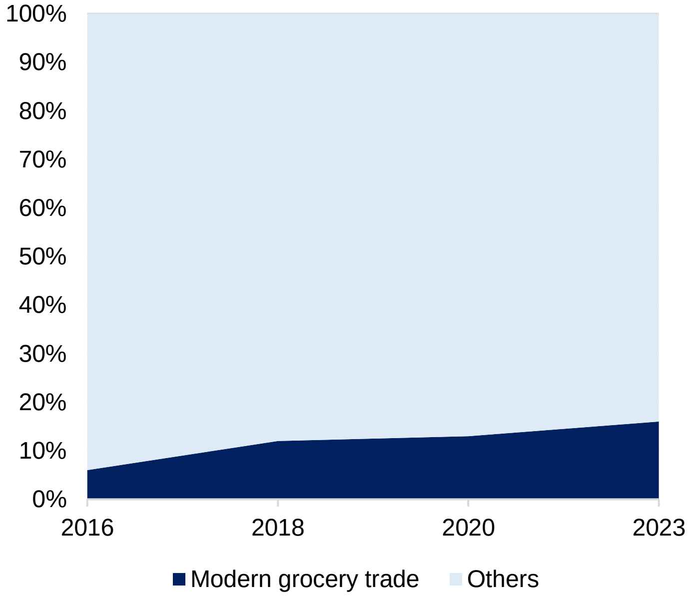
- *Source: Euromonitor, MBS Research*

With the expansion of total outlet may react 4% CAGR in FY24-26F



- *Source: Euromonitor, MBS Research*

..So we expect the growth of the modern grocery retail's penetrition will is the momentum for the grocery market.

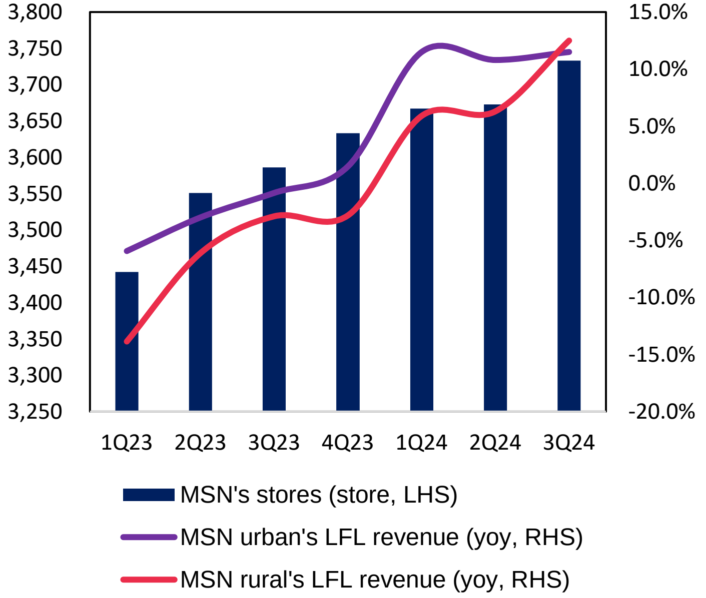


- *Source: Euromonitor, MBS Research*

Grocery retail business: Two key driver had success in 2024F and will be continue…

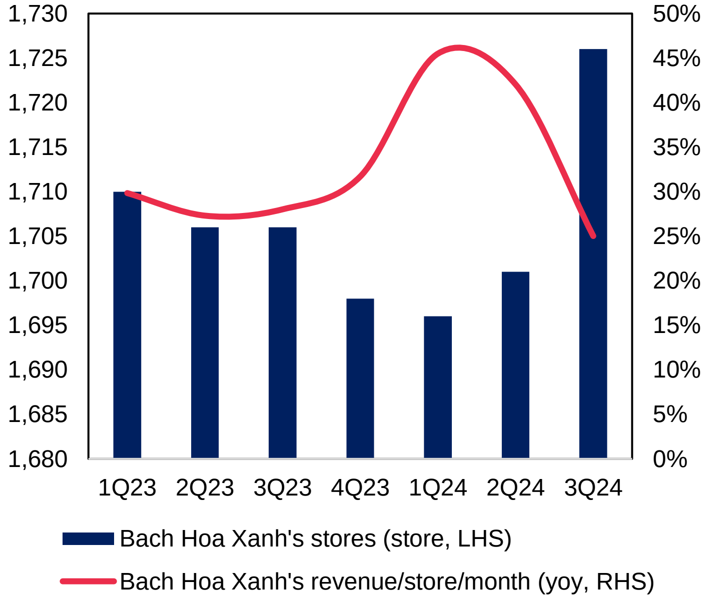
- Both of the LFL's revenue of MSN in urban and rural rose in 2024 thanks to the stronger of consumer in minimart model. which helping WCM had net profit in 1H24. The strategic is Promote products from the Masan Consumer ecosystem in the minimart model, which have the best LFL revenue's growth in 9M24 (compared with the supermarket model)
- In 2024, as consumers continue to prioritize spending on essential products (grocery, healthcare,..), both WinCommerce and Bach Hoa Xanh have implemented effective business campaigns to attract more traffic from traditional channels. For example, BHX increased its offering of fresh produce and adopted a strong pricing strategy to boost daily transactions. As a result, revenue/stores surpassed VND 2 bn/month, supporting them to get net profit in 2Q24.
- Both MSN and BHX are successfully attracting traffic from traditional shopping markets through a tailored product strategy, effectively capitalizing on changes in consumer buying behavior. It is evident that both MSN and BHX have modern grocery retail models that align with the consumer behavior of different regions. With the growth of the industry, MSN and BHX still have the potential to expand their coverage in their current areas and extend into new markets in the near future.

WCM had net profit in 1H24 and continue to recover in 3Q24…



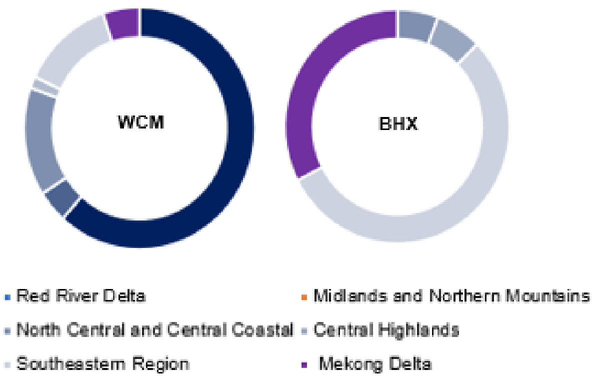
- *Source: MSN, MBS Research*

BHX had net profit in 2Q24 and continue to expand in 4Q24..



- *Source: BHX, MBS Research*

While MSN is stronger in the north, BHX holds an advantage in the south due to its model aligning with consumer behavior.

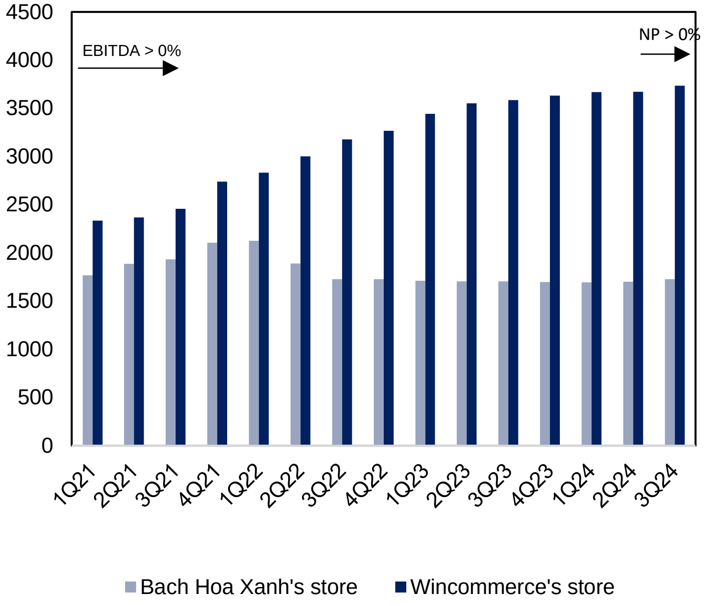


- *Source: MSN, BHX, MBS Research*

Grocery retail business: **Time to expansion!**

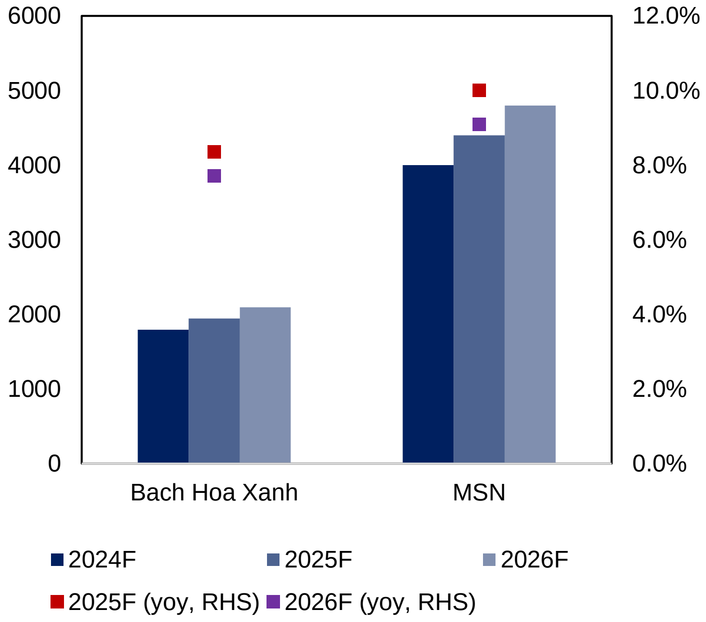
- Recently, the modern retail models of major players (Aeon Mall, Go!) as well as smaller retail models like BHX and WCM+ have been successfully capturing a significant shift from traditional market models due to their competitive and effective sales strategies. We observe that after the profitable period for these two domestic retail chains, 2025 will be the ideal time to scale up store networks and expand the reach of major modern retailers when: (1) the consumer demand may continue to recover, (2) the spread of manufacturing will be stronger than 2024 when the export is expected higher yoy. Moreover, major foreign retailers are also launching several large projects in Vietnam, highlighting the strong appeal of the Vietnamese retail sector. It is expected that in 4Q24-2025, approximately 8 large shopping malls will be operational.

After having net profit, we expect MSN and BHX will continue to expand in 2025F-26F..



- *Source: MWG, MSN, MBS Research*

…With an average store expansion growth rate of about 9% in 2025F-26F.



- *Source: MWG, MSN, MBS Research*

Some large mall will operate in 2025F

Projects	Process
Go! Hà Nam	Commenced construction in 7/23 and has been operational.
Go! Bạc Liêu	Commenced construction in 12/23 and has been operational.
Go! Ninh Thuận	Commenced construction in 12/23 and expected to open on December 24, 2024.
Go! Hưng Yên	Commenced construction on 6/24, expected to be operational in 2025.
Go! Yên Bái	Commenced construction in 10/24 and expected to open in 4Q25
MM Mega Market Đà Nẵng	Commenced construction in 12/24 and expected to open by 4Q25 - the first mallshop of MM Mega Market.
Aeon mall Đồng Nai	Commenced construction in 5/24 and expected to open in 2025.
Aeon mall Hạ Long	Commenced construction in 12/24 and expected to open in early 2026.
Aeon mall Hải Dương	Expected to commence construction in 1Q25 and become operational in 2026.
Aeon mall Thanh Hóa	Expected to commence construction in 12/24 and expected to open in early 2026.

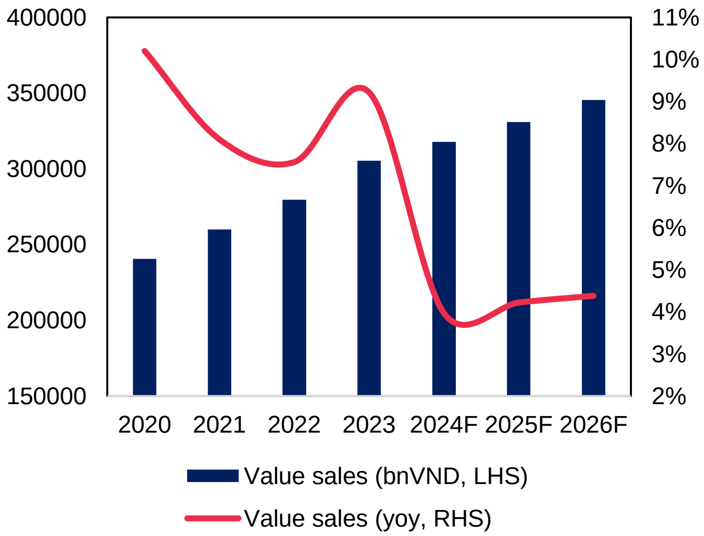
- *Source: Go!, Aeon mall, MBS Research*

Pharmaceutical retail business: The coverage of pharmaceutical retail modern still low

- In 2019-2024F, the beauty and health market is projected to achieve a 7% CAGR, with the pharmaceutical segment expected to grow at around 8% CAGR. In 2020-2024, key players such as Pharmacity, Long Châu, and An Khang began expanding rapidly, collectively opening approximately 2,500 drugstores. Long Châu led this expansion with a remarkable 74% CAGR. This growth significantly increased the coverage of modern pharmaceutical retail, rising from 2% in 2020 to an estimated 8% by 2024. The pharmaceutical retail sector continues to show strong growth as modern pharmacy chains consistently expand their scale. Additionally, in 2023-24, we have seen several pharmaceutical retail chains established or invested in by foreign corporations: Trung Sơn Pharma was acquired by Dongwha Pharma with a 51% stake, and Phượng Hoàng was founded by the former Pharmacity founder. This demonstrates the significant appeal of the current pharmaceutical retail market in Vietnam. This indicates a sustained growth trend in the mid-long term.

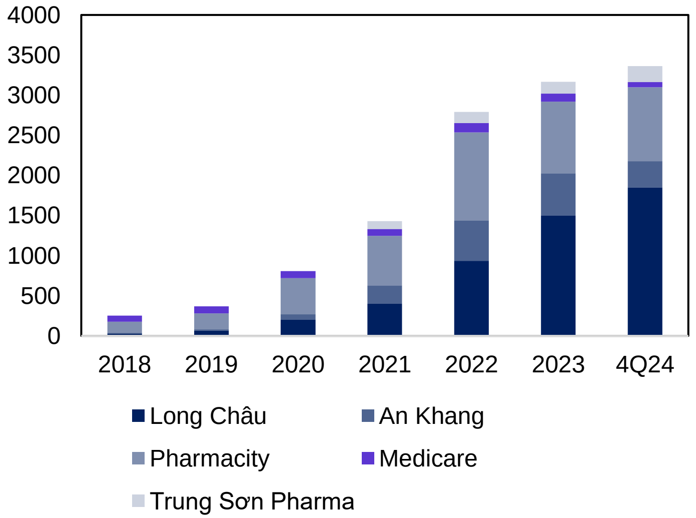
- Vietnam remains a country with significant spending on healthcare, as health-related expenditures continue to increase. The new generation of consumers, Gen Z, is showing a growing interest in health and wellness, actively incorporating dietary supplements such as vitamins and minerals to support their health Expenditure on healthcare has increased 10% in 2019-24 is expected to rise by approximately 10% by 2029, particularly for sports supplements and vitamins.

Forecast value of beauty and health's market



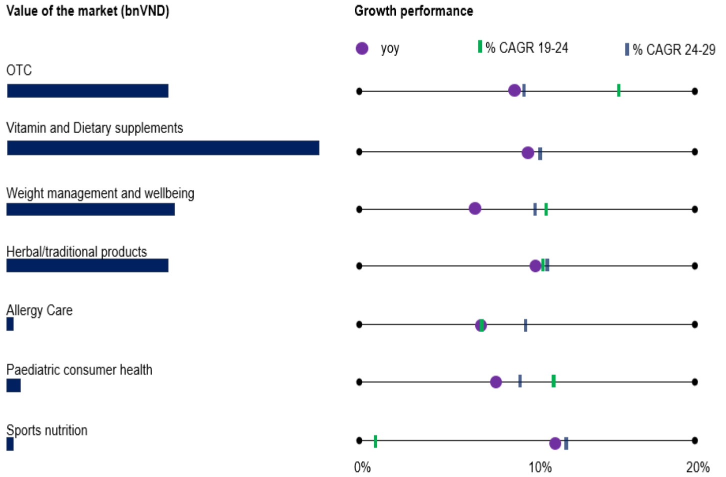
- *Source: Euromonitor, MBS Research*

The pharmacy modern retail chains has the growth of stores reaching 56% CAGR in 2019-24



- *Source: Euromonitor, MBS Research*

The growth performance of the OTC's market

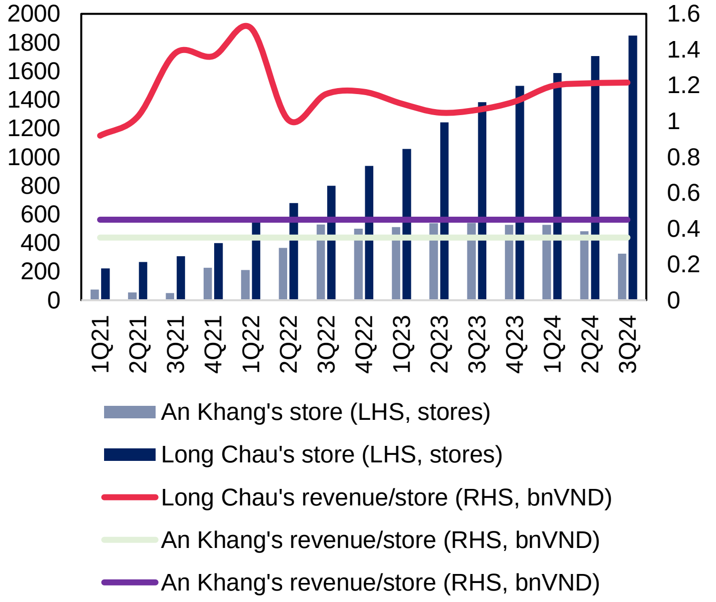


- *Source: Euromonitor, MBS Research*

Pharmaceutical retail business: Long Chau has the key

- Due to (1) the great portfolio product which suitable with consumer’s demand, (2) The strengths of leveraging technology in warehouse management and customer service, Long Châu successfully opened 357 new drugstores in 2024 (as of 12/24), bringing the total number of stores to 1,849, with a revenue/store of bn1.2VND/month. According to the financial statement, Long Châu has contributed approximately bn130VND to FRT in 2024 to offset the losses from the ICT-CE segment. Currently, Long Chau has the best coverage in Vietnam with a fairly widespread presence across the country.
- On the other side, in 2024, An Khang and Pharmacity have reduced the number of stores, implemented restructuring, and changed their product portfolio to move towards the goal of breaking even in 2025F.

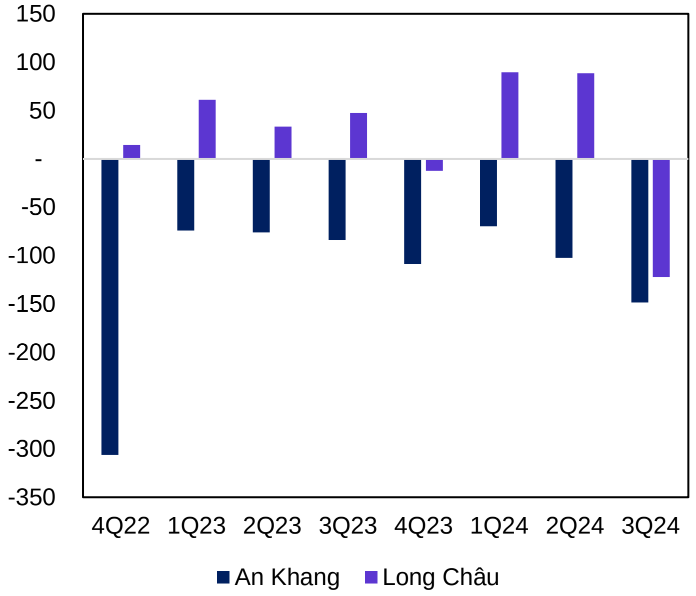
Long Chau is the one of the market which have “the key of expansion”



**Revenue/An Khang’s drugstores based on our estimated*

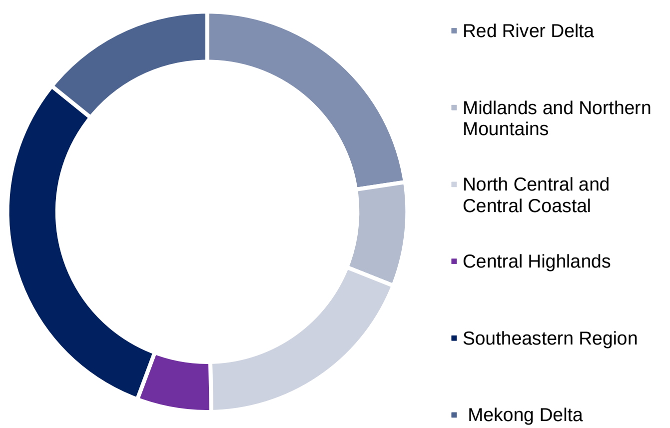
Source: MWG, FRT, MBS Research

Net/loss profit of Long Chau and An Khang



- *Source: MWG, FRT, Euromonitor, Pharmacity, Trung Sơn Pharma, MBS Research*

Long Châu has a fairly widespread presence across the country.

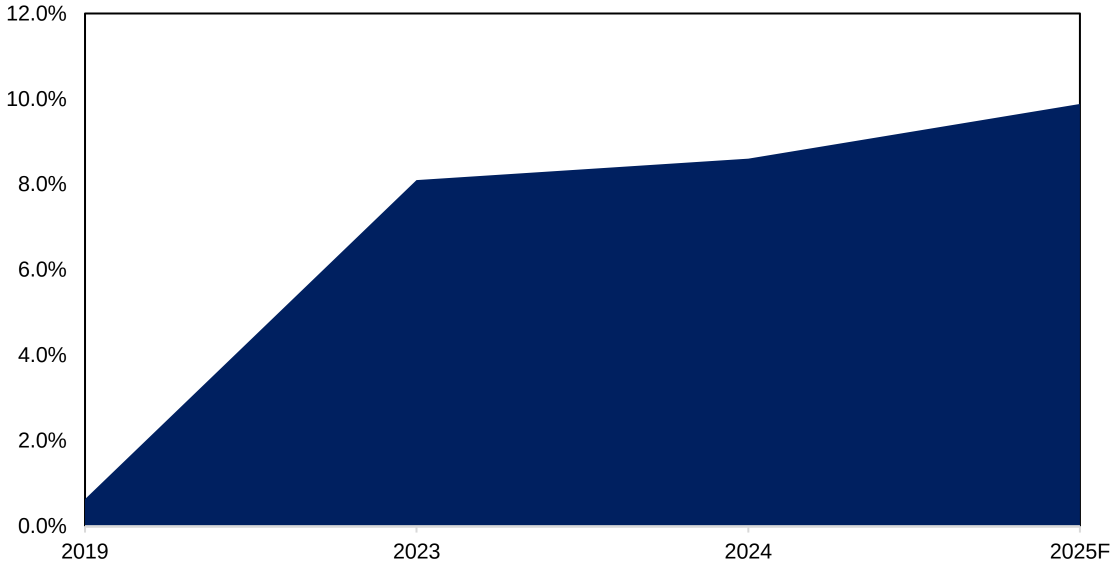


- *Source: MWG, FRT, MBS Research*

Pharmaceutical retail business: The expansion may continue..

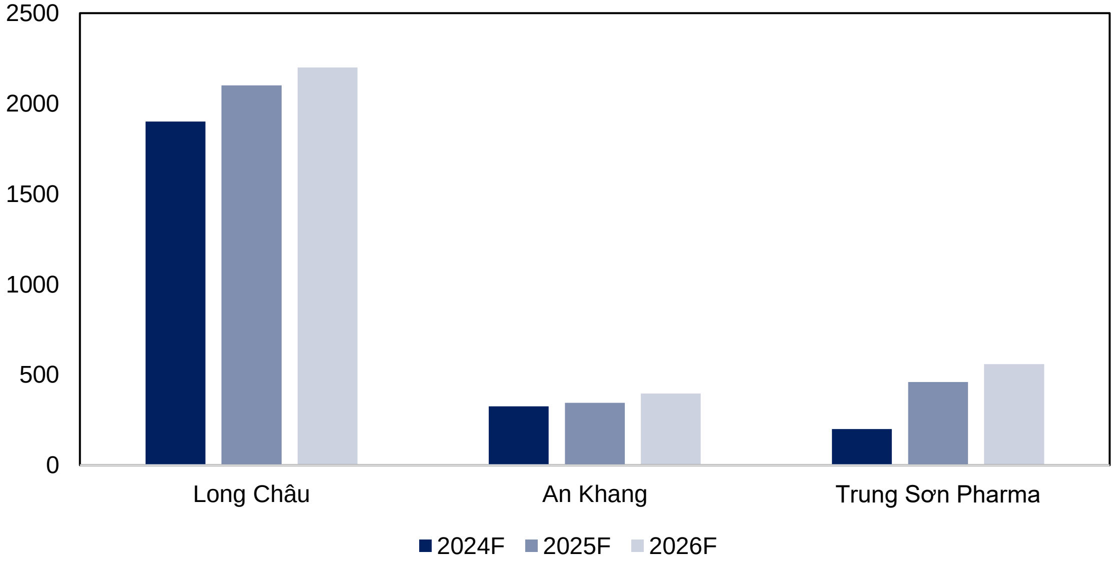
- With the rapid growth of store expansion, the penetration rate of modern pharmacy chains remains relatively low (<10%), indicating significant growth potential. Traditional pharmacies are gradually losing ground to the strengths of modern pharmacy chains, which include (1) a comprehensive product range with more consistent pricing, (2) better product quality control, and (3) professional and systematic customer service. We anticipate that 2025 will continue to be a year of strong expansion for modern pharmacy chains, with Long Châu planning to open up to 3,000 stores and Trung Sơn Pharma aiming for 500 new stores in 2025.
- We observe that Long Chau is gradually establishing a solid position in the industry by (1) leading with 1,896 pharmacies and maintaining revenue/store of VND 1.2 bn/month, (2) having a strong technological advantage and implementing AI in the Long Châu app to assist customers and enhance customer care through prescription information, and (3) leveraging the potential of the healthcare model, increasing customer touchpoints with A-Z care services, offering a new experience.

The modern retail chains still have the low coverage rate, below 10%



- *Source: MWG, FRT, PHARMACITY, TRUNG SƠN PHARMA, MBS Research*

The coverage of Long Chau may over 5% follow by FRT’s plan.

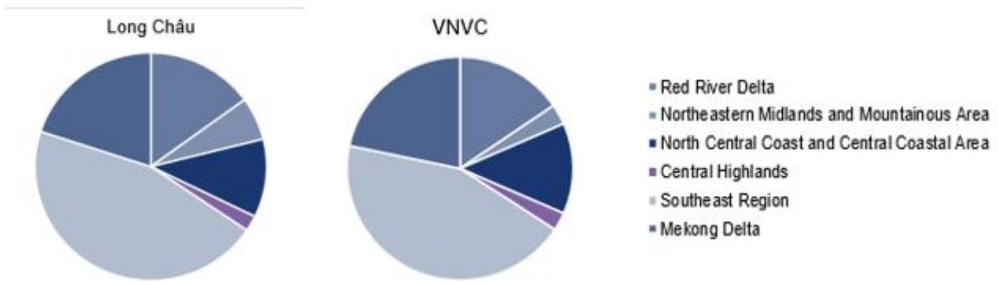


- *Source: EUROMONITOR, MBS Research*

Pharmaceutical retail business: The healthcare will support the pharmaceutical chains get more customer-point-touch.

- Long Châu has leveraged its technological strengths and the strategic location of its pharmacies to rapidly expand its Long Châu vaccination chain – the first link in its "healthcare" system. Within just a year, Long Châu successfully opened 121 new vaccination centers, bringing the total number to 125. During the same period, VNVC opened around 60 new centers, increasing its total to 206. Thanks to the strong network of Long Châu pharmacies, the coverage of its vaccination centers is nearly nationwide, similar to VNVC. In terms of the business model, Long Châu's vaccination centers have a smaller area, which allows for deeper product discounts compared to VNVC.
- We believe that by utilizing its strengths in pharmacy chains and cold storage for vaccines, Long Châu will continue to expand rapidly in 2025-26, potentially attracting more new customer segments and increasing vaccine coverage nationwide (currently around 4%, compared to the regional average of 10-15%).

Thanks to the strength of its pharmaceutical chain, Long Chau's coverage rate became equivalent to VNVC's after just one year.



- *Source: FRT, VNVC, MBS Research*

Some key comparison points between VNVC and Long Châu

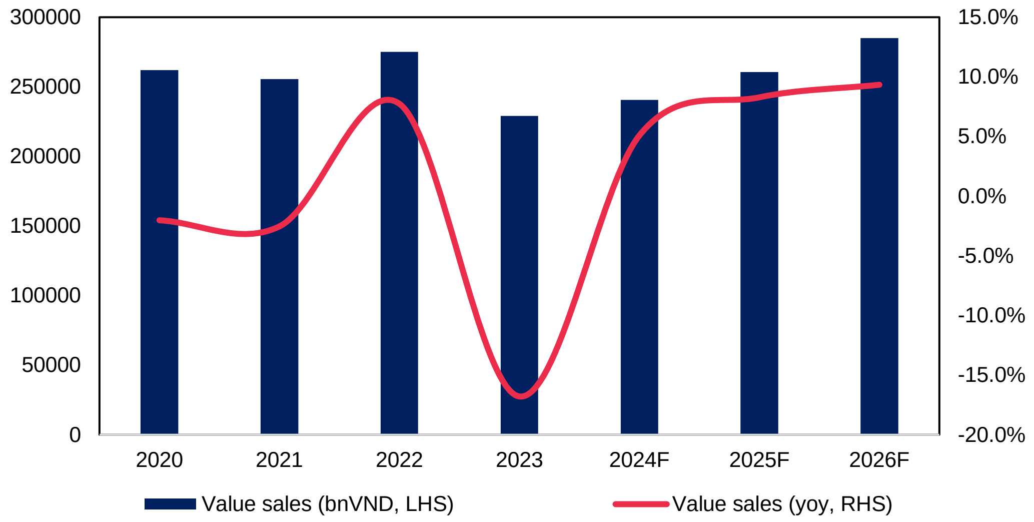
Units		VNVC	Long Châu
Number of vaccination center		206	125
Average area		500-1500m2	200 m2
Injection packages (VND mn)	Children's package from 0-2 years old (22 noses)	24.8	21.0
	School fee package for 3-9 years old	19.8	10.2
	Youth package for 9-18 years old	27.8	19.0
	Pre-pregnancy package for women	16.1	5.7
	Adult package	16.1	7.8
Average discount percentage		6.60%	8.70%
Installment service		Installment payment via credit card	Installment payment via credit card and homepaylater

- *Source: VNVC, FRT, MBS Research*

ICT-CE retail business: The consumer's demand will be better in 2025F

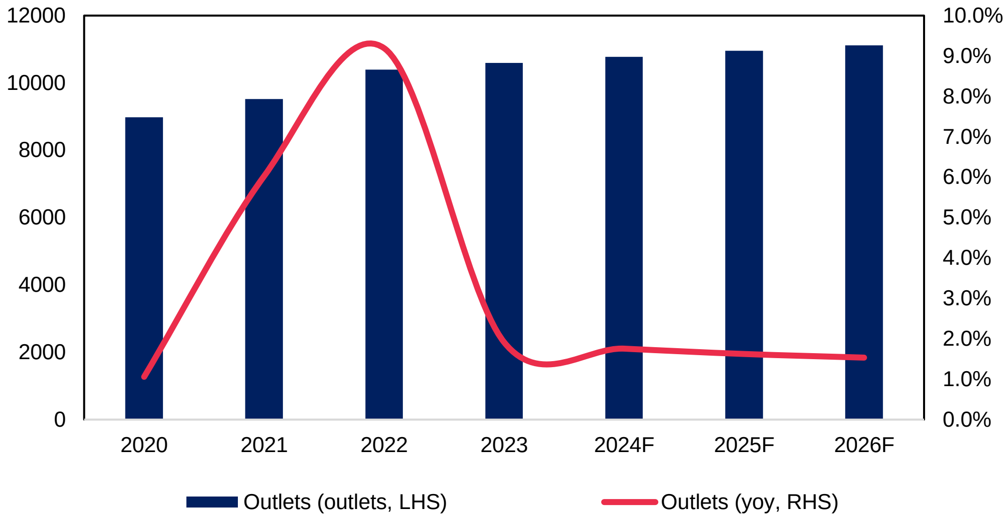
- Based on the low baseline of 2023, most companies reported a strong profit recovery in 2024, mainly due to the increase in selling prices following the intense price war in 2023. In 2024, large businesses continued to restructure and reduce physical stores with poor performance to optimize costs. The price increase, coupled with stable demand in the ICT-CE sector, is expected to drive overall market revenue growth by approximately 5% in 2024.
- We observe that the consumer electronics retail market has reached saturation and is struggling to find new growth drivers. With changing consumer behavior and the rapid development of e-commerce, the scale of physical stores is being reduced to help businesses optimize costs and support profit recovery. This translation conveys the key points about market saturation and the adjustments businesses are making in response to new consumer behavior and e-commerce growth.

The electronic consumer's market may increase 9% mainly thank to the increasing of selling price and consumer's demand.



- *Source: FRT, MWG, MBS RESEARCH*

The growth of total outlets may remain stable at 1% in 24F-29F due to the e-commerce growth

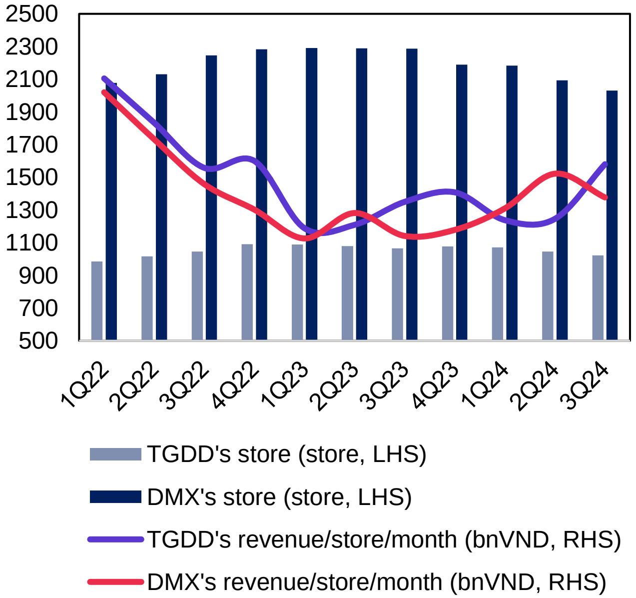


- *Source: EUROMONITOR, MBS RESEARCH*

ICT-CE retail business: End of the restructure, time to gain more demand of consumer

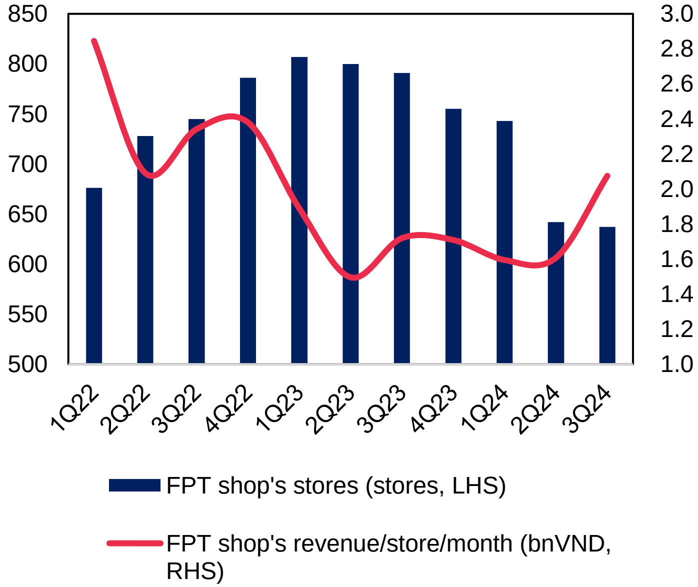
- In 2024, the demand for consumer electronics has not significantly improved, along with changes in consumer shopping behavior, leading consumer electronics retail chains (TGDD&DMX, FPT Shop) to restructure and close most of their underperforming stores. As a result, the total number of stores decreased yoy, but profits improved due to (1) raising product prices above the low baseline, (2) implementing appropriate demand-stimulating shopping policies, and (3) optimizing operating costs. As a result, revenue/store/month slightly up by about 20% compared to 1Q24.
- We anticipate that by 2025, consumer spending will improve further compared to the same period last thanks to the impact of Vietnam's macro.

MWG closed stores with poor business performance…



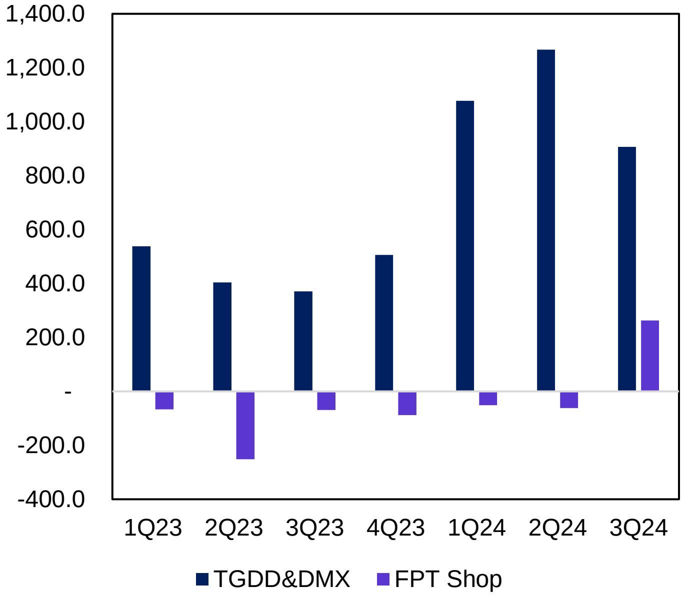
- *Source: MWG, FRT, MBS Research*

FRT did the same, but with a stronger scale of store closures compared to MWG.



- *Source: MWG, FRT, MBS Research*

The recovery of MWG and FRT's net profit.

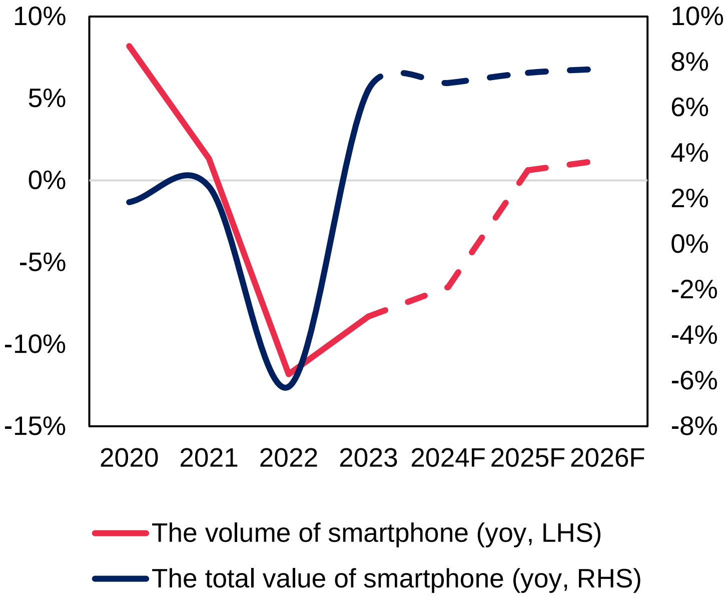


- *Source: MWG, FRT, MBS Research*

ICT-CE retail business: Back to the normal demand of pre-covid 19

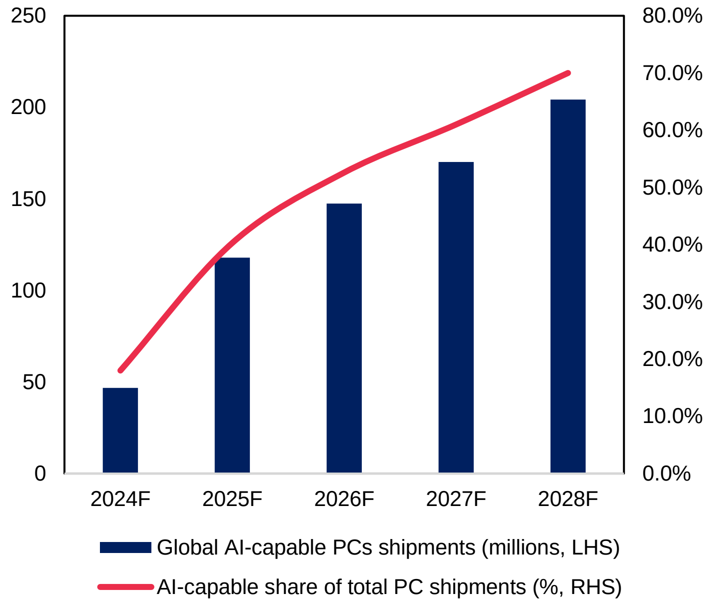
- In 2025-26, the proportion of smartphones supporting AI in the total smartphone export volume is expected to increase by 14% compared to 2024. The price of new smartphones is forecasted to be at least 5% higher than previous models due to the integration of AI in the products, leading to higher costs. With the growing popularity of 5G and AI-enabled smartphones in Vietnam, we expect smartphone demand to experience double-digit growth from a low base, resulting in a 10% yoy increase in total smartphone revenue in FY25-26F.
- Vietnam remains a country with a low IoT connectivity rate per person (0.2 connections per person), and the strong technology adoption trend among the new generation of consumers is a driving force for the growth of the IoT-integrated consumer product market in the next phase. Additionally, the strong penetration of brands with mid-range priced IoT products, such as Xiaomi and Huawei, will align with the affordability and consumption needs of Vietnamese consumers. Therefore, the smart home appliance market is forecast to grow by 11% during the 2024-2026 period.

Forecast of smartphone's market in 2025F-26F



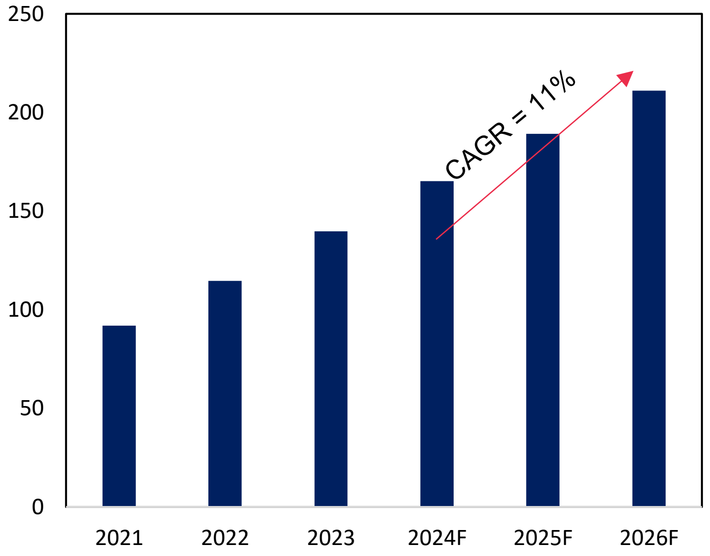
- *Source: EUROMONITOR, MBS RESEARCH*

PC AI-capable may have the 44% CAGR in 2024-28F



- *Source: EUROMONITOR, MBS RESEARCH*

The forecast for the smart home appliance market in Vietnam (in million USD) is driven by the upcoming 5G trend and the growth of mid-range products in Vietnam

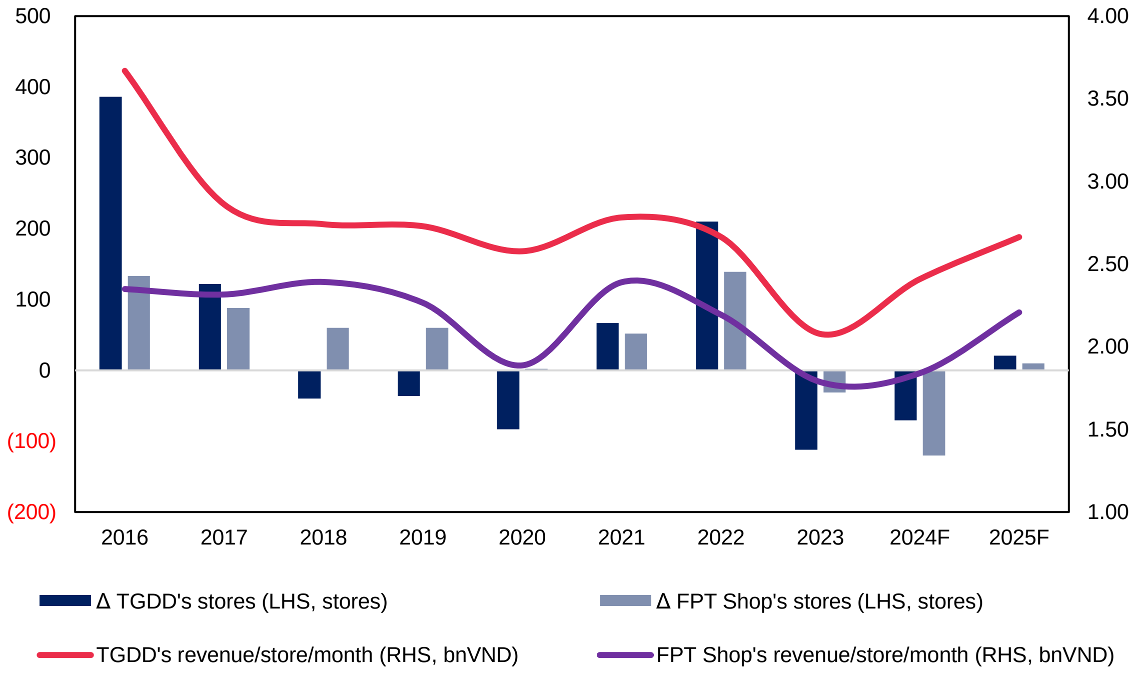


- *Source: BMI, MBS RESEARCH*

ICT-CE retail business: End of the restructure, time to gain more demand of consumer

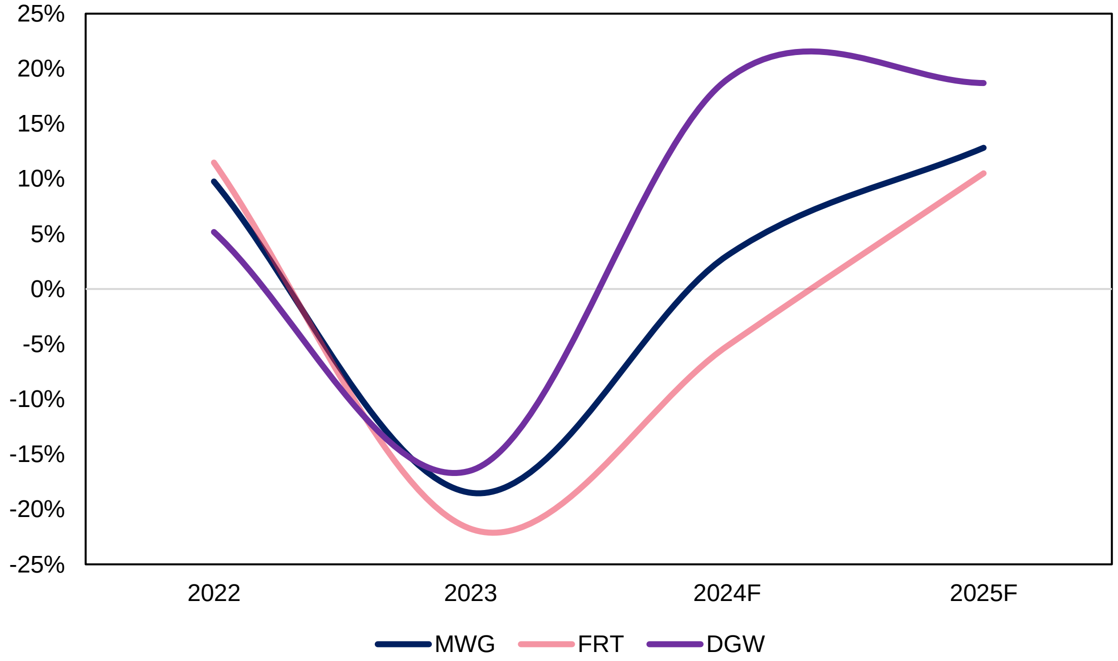
- After a long period of expansion with the advantage of rental price in 2021-22, the number of stores was restructured in 2023-24 and has since stabilized since Q4 2024. We believe that the current number of stores of the ICT-CE chains is appropriate to (1) maintain retail market share, and (2) sustain brand recognition and coverage across provinces. Therefore, in 2025-26, the recovery of the economy, which will positively impact consumer demand, is expected to drive double-digit revenue growth.

We expect the restructuring to be completed in 2024...



- *Source: FRT, MWG, MBS RESEARCH*

…and the revenue growth in 2025 will be better than in 2024 due to the strengthened sales campaigns, as consumers have become more confident in spending on non-essential products.

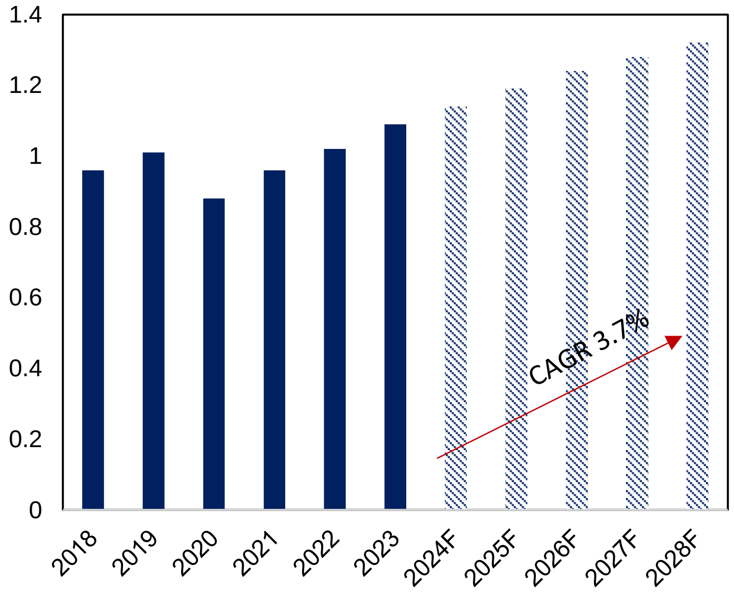


- *Source: FRT, MWG, DGW, MBS RESEARCH*

Jewelry retail business: Focus on the new generation

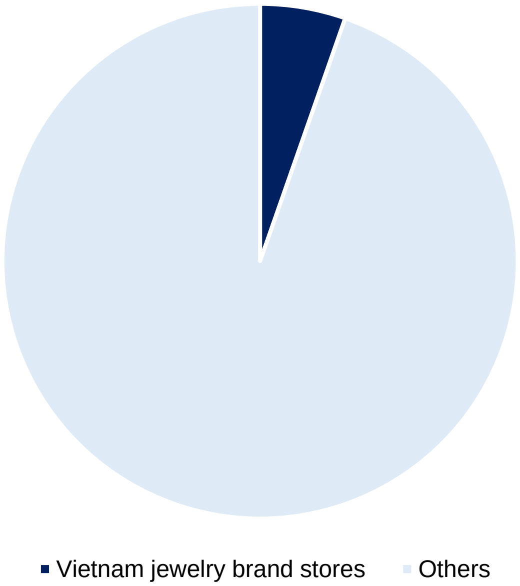
- We observe that jewelry demand in 2024F is less than 2022-23 period due to slow recovery of Vietnam's economy. The demand may improve in the 2025F-26F thanks to higher income when Vietnam manufacturing sector recovers. Overall, the value of jewelry market is expected to grow 4% in 24F-26F.
- According to the General Department of Taxation, there are currently 12,516 businesses involved in the trading and manufacturing of gold (as of 2023). As of May-2024, only 5,835 gold and silver trading stores have implemented electronic invoices generated from cash registers. Based on this data, with Vietnamese jewelry chains accounting for only 5% of the total gold and jewelry market, it highlights the significant expansion potential for modern jewelry chain in mid and long term. We observe that each jewelry and gold chain has its own strengths and customer preferences. A strong focus on jewelry can help a business capture market share and maintain better profit growth. Additionally, businesses targeting new consumer segments (such as Gen Z) that have advantages in production (skilled craftsmanship, diverse designs, modern styles, high-capacity factories) and high-quality raw materials will have a significant advantage in the mid to long term.

The jewelry market is expected to grow 4% in 24F-26F (Unit: USD bn)



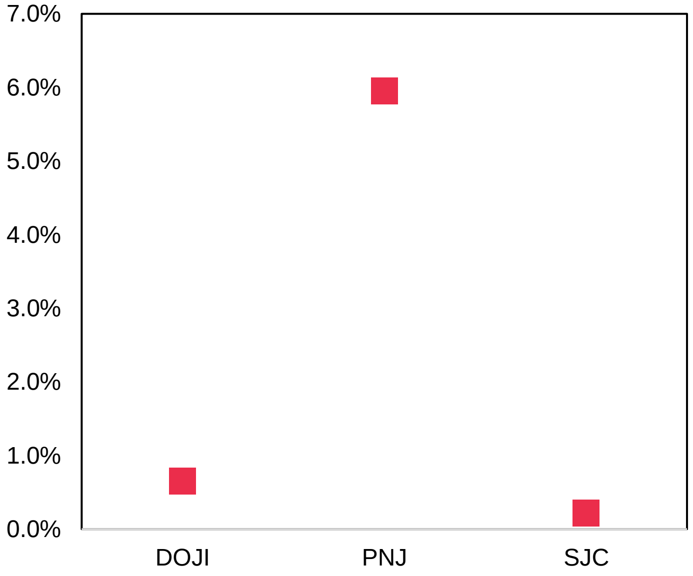
- *Source: Statista, MBS RESEARCH*

The coverage of Vietnam's jewelry brand on number of stores still in a low base.



- *Source: MBS RESEARCH*

Strengths in manufacturing, design, and retail scale help PNJ to achieve exceptional net margins.

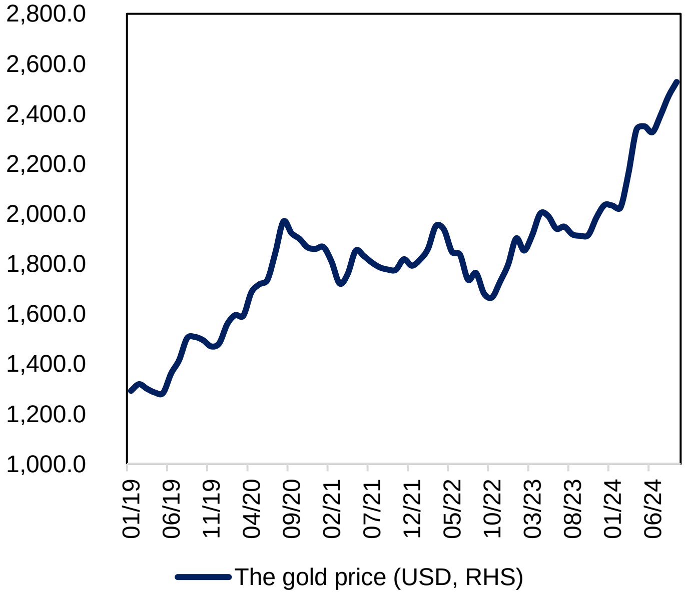


- *Source: DOJI, PNJ, SJC, MBS RESEARCH*

Jewelry retail business: The demand will be better in FY25-26

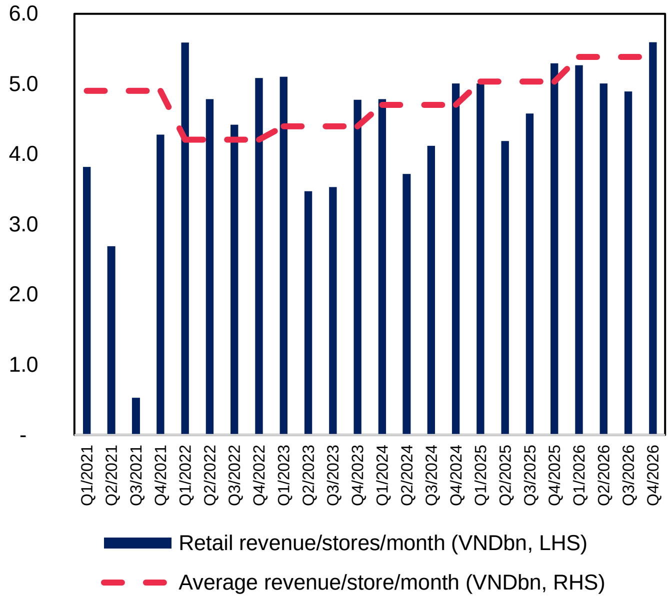
- We note that demand for luxury goods is weaker yoy, reflecting a slow economic recovery and a consumer retail growth rate of only around 5% (below the preCOVID-19 average). Moreover, demand for jewelry has also slowed as recent fluctuations in gold prices have led to a surge in demand for trading in gold bars and gold rings.
- We expect the demand for jewelry to remain stable in the last months of 2024. Additionally, due to difficulties with the cost of raw materials, PNJ may continue to increase product prices by around 5-7% yoy in 2024F. Overall, the average revenue/store 2024F will be VND4.4bn/month (+4.5% yoy). With its marketing strategy, design and production capabilities, we expect PNJ's retail growth rate to outperform that of its industry peers. In 2025F-26F, thanks to the recovery of Vietnam’s economy, we expect that (1) the demand may improve single-digit from the low base of 2024, (2) the selling price may increase only 2%, overall, revenue/store may increase 7%/7% yoy, recording VND4.7bn/VND5.0bn

The gold price fluctuations in recent times



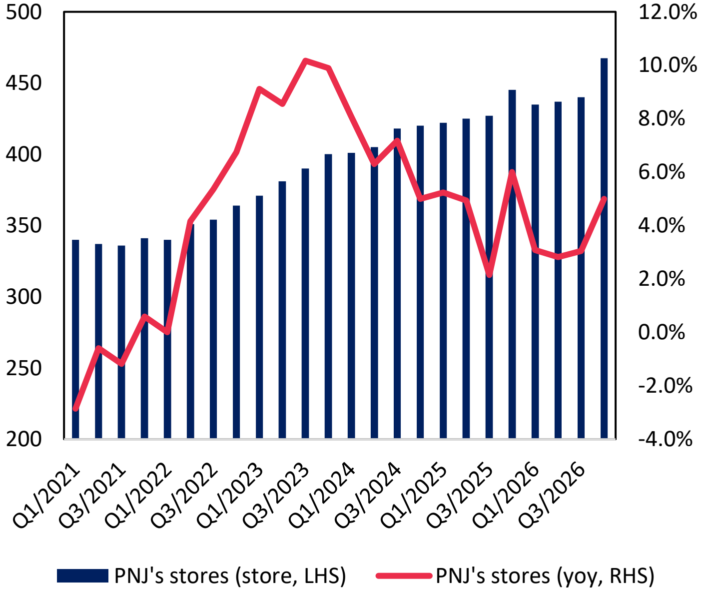
- *Source: FIINXPRO, MBS RESEARCH*

Estimated the revenue/store/month



- *Source:PNJ, MBS RESEARCH*

We expect PNJ to continue expanding at a rate of 5% during FY24-26F, leveraging its manufacturing strengths and the PNJ NEXT store model.



- *Source:PNJ, MBS RESEARCH*

FY24-26F key financial metrics of stock under our coverage

VND billion	**MWG**			**FRT**			**PNJ**			**DGW**		
	2024F	**2025F**	**2026F**	**2024F**	**2025F**	**2026F**	**2024F**	**2025F**	**2026F**	**2024F**	**2025F**	**2026F**
Revenue	134,609	158,803	182,837	40,154	49,704	58,114	39,178	41,638	45,973	22,372	26,618	31,745
% yoy	13.8%	18.0%	15.1%	26.1%	23.8%	16.9%	18.2%	6.3%	10.4%	18.9%	19.0%	19.3%
Gross profit	28,268	35,095	40,956	7,669	9,778	11,637	6,659	7,476	8,416	1,892	2,260	2,723
Gross profit margin (%)	21.0%	22.1%	22.4%	19.1%	19.7%	20.0%	17.0%	18.0%	18.3%	8.5%	8.5%	8.6%
EBITDA	6,471	7,905	9,481	1,268	2,000	2,279	2,828	3,186	3,683	612	727	887
EBITDA margin (%)	4.8%	5.0%	5.2%	3.2%	4.0%	3.9%	7.2%	7.7%	8.0%	2.7%	2.7%	2.8%
Net profit	4,054	5,205	6,740	425	730	1,052	2,161	2,505	2,868	451	578	718
% yoy	2317.8%	28.4%	29.5%	N/A	71.7%	44.0%	9.6%	15.9%	14.5%	27.2%	28.3%	24.1%
EPS (VNĐ/share)	2,770	3,557	4,605	3,060	5,254	7,568	6,392	7,411	8,485	2,075	2,662	3,302
BVPS (VNĐ/share)	18,736	21,793	25,898	15,193	20,679	28,519	33,501	38,689	44,919	16,012	17,727	20,093
Net cash/share (VNĐ/share)	10,265	9,092	13,902	(48,330)	(45,919)	(35,369)	3,146	3,862	6,773	(380)	(1,946)	(3,500)
Debt/Equity	0.79	0.52	0.46	4.93	4.06	3.35	0.04	0.04	0.11	0.67	0.63	0.64
Dividend yield (%)	0.8%	0.8%	0.8%	n/a	n/a	n/a	2.1%	2.1%	2.1%	1.2%	2.4%	2.4%
ROAE (%)	6.6%	8.2%	9.8%	2.6%	3.8%	4.7%	20.5%	20.5%	20.3%	5.6%	6.3%	6.8%
ROAA (%)	16.0%	17.6%	19.3%	20.1%	25.4%	26.5%	15.0%	16.4%	16.0%	14.8%	15.8%	17.5%

Investment strategy: We prefer MWG

Ticker	Target price (VND/share)	Recommend	Comments
MWG	80,500	ADD	▪ MWG is a leading ICT-CE retail corp with more than 3,000 stores, accounting for about 60% ICT market share and 50% CE (consumer eletronic) market share. When the ICT-CE demand started recovering, MWG will get more advantage with their leader position. TGDD&DMX chain store may have a strong recovery from 2024F mainly thanks to the increase of selling price. In 2025F, we expect MWG will stop closing stores, focus on sales strategy when the ICT-CE demand will recover more clearly. ▪ MWG recorded positive net earnings in Q2 and Q3/24 and successfully penetrated the Central market in 4Q24. The company's streamlined minimart format is projected to divert customer traffic from traditional retail outlets, thereby helping BHX's revenue growth by 21%/16% in the FY25-26F. ▪ The net profit may rise 28%/30% in FY25-26F.
FRT	199,000	HOLD	▪ Long Chau is the best growth driver for FRT with the largest retail store coverage nationwide. Given the relatively low penetration of modern drugstore chains, In a context where the coverage of modern drugstore chains is still very low, we expect FRT to open 200/100 additional pharmacies in FY25-26F, leveraging its strengths in (1) applying technology to customer care and inventory management, and (2) its solid position in the industry. ▪ We expect that the completion of FPT Shop's restructuring will eliminate one-time costs in 2025, while the recovery of consumer demand will drive a double-digit increase in FPT Shop's total revenue in FY25-26F. ▪ The net profit may rise 72%/44% in FY25-26F
PNJ	115,400	ADD	▪ PNJ is Vietnam’s leading jewelry brand, with 405 stores across all 58 provinces and cities. Leveraging its strong financial position and substantial brand mvalue, we project a 5%/6%/5% growth rate in new store openings for 2024F-25F, bringing the total number of stores to 420/445/467, respectively. ▪ We estimate that the jewelry market will recover 5% yoy, as demand is expected to improve better in 4Q24. Additionally, cost optimization will help increase net profit by 10% in 2024, reaching VND2,161bn. In 2025F-26F, with the better conditions including (1) the demand is expected to recover more strongly as the economic outlook improves compared to 2024, (2) the opening stores in new cities/provinces will help PNJ attract new potential customers, net profit is expected to grow by 16%/15% yoy, reaching 2,505/2,868 VNDbn. ▪ Net profit may rise 10%/16%/14% yoy in 2024F-26F thanks to the recovery of jewelry demand and PNJ’s potential for opening new stores. ▪ In the mid-long term, we see significant potential for PNJ to expand its stores and boost its jewelry market share, as the market coverage of jewelry brands remains quite low (<10%).
DGW	49,200	ADD	▪ In the ICT-CE wholesale’s market, DGW holds a strong position thanks to its abundant customers (over 6,000 retail stores) and solid financial health. Additionally, DGW has a great advantage which is its ability to develop the market and manage sales channels for new brands entering the Vietnamese market. ▪ Vietnam remains a country with a golden demographic structure and a trong preference for spending on technology products. With the view that the demand of consumer electronic and smartphone, laptop will have the better recovery in 2H24-2026F, we expect that the revenue of smartphones, laptop & tablet may rise 12% yoy in 2024F-26F. Besides, the AI’s trend will help the office equipment’s sector has the great growth, DGW’s net profit may rise 27%/28%/24% in 2024F-26F ▪ We see that DGW has discovered a new growth driver in the field of supplying person protective equipment (PPE).

Peer comparison

	Ticker	**Current price**	**Market cap**	**RCM**	**PE (x)**		**P/B (x)**		**ROE (%)**		**ROA (%)**	
	Bloomberg	VND/share	(USDmn)		**2024**	**2025**	**2024**	**2025**	**2024**	**2025**	**2024**	**2025**
ICT- CE retail corporation												
Mobile World Investment JSC	MWG VN	60,000	3,561	ADD	21.7	16.9	3.2	2.8	16.0%	17.6%	6.6%	8.2%
Digiworld JSC	DGW VN	42,500	399	ADD	20.5	16.0	2.7	2.4	14.8%	16.0%	5.6%	6.3%
Erajaya Swasembada Tbk	ERAA IJ EQUITY	660	424		7.3	6.1	0.8	0.7	11.7%	12.7%	4.6%	5.1%
Average					*16.5*	*13.0*	*2.2*	*2.0*	*14.2%*	*15.4%*	*5.6%*	*6.5%*
Jewelry retail corporation												
Phu Nhuan Jewelry JSC	PNJ VN	96,800	1,279	ADD	15.7	12.9	3.0	2.6	20.5%	20.5%	15.0%	16.4%
Chow Tai Fook Jewellery group	1929 HK EQUITY	22,872	9,005		11.7	10.1	2.6	2.4	22.6%	25.1%	7.3%	8.3%
Chow Sang Sang Holdings Intern	116 HK EQUITY	21,892	585		6.5	5.5	0.4	0.4	5.6%	6.5%	3.6%	4.3%
Average					*11.3*	*9.5*	*2.0*	*1.8*	*16.2%*	*17.4%*	*8.6%*	*9.7%*
Pharmacy retail corporation												
FPT Digital Retail JSC	FRT VN	181,500	942	HOLD	55.9	32.5	10.7	7.8	20.1%	25.4%	3.8%	4.7%
Laobaixing Pharmacy Chain JSC	603883 CH EQUITY	69,135	1,998		15.2	13.0	1.9	1.7	12.8%	13.6%	4.6%	5.1%
Yifeng Pharmacy Chain Co Ltd	603939 CH EQUITY	87,990	4,054		17.6	15.1	2.6	2.3	14.9%	15.7%	6.5%	7.1%
Yixintang Pharma A Equity	002727 CH Equity	51,700	1,180		16.6	12.1	1.1	1.0	7.2%	8.5%	2.6%	3.9%
DaShenLin Pharmaceutical Group Co LTd	603233 CH Equity	56,900	2,344		16.4	13.8	2.4	2.2	15.0%	16.0%	4.5%	4.7%
Average					*16.5*	*13.5*	*2.0*	*1.8*	*12.5%*	*13.5%*	*4.6%*	*5.2%*

- *Closing price as of Dec 06, 2024. Source: Bloomberg, MBS Research*

8

SECTOR OUTLOOK | New industries

Data center

Semiconductor

5G

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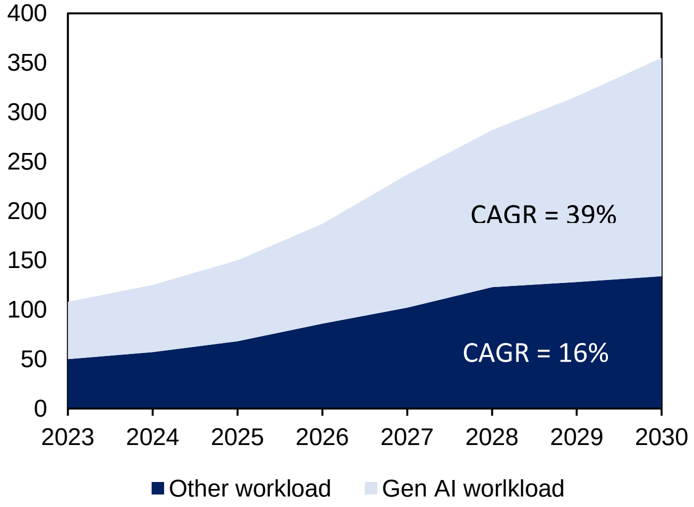
Well-positioned to become the third-largest data center market in ASEAN

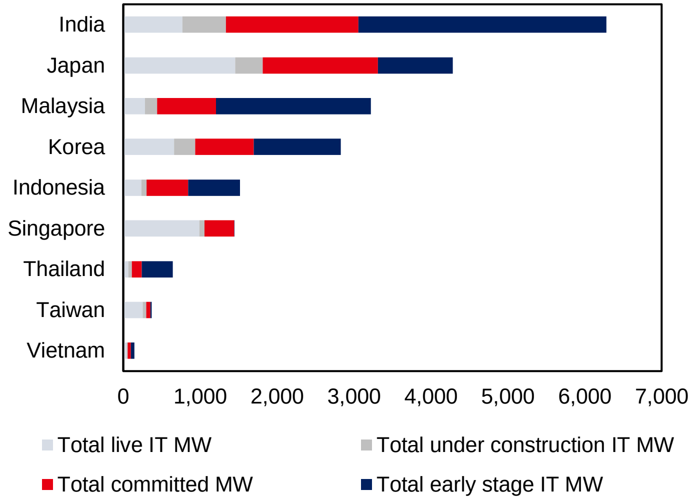
- McKinsey & Company indicates that global demand for data center capacity is projected to grow at an annual rate of 19–22% between 2023 and 2030, potentially reaching 171–219 gigawatts (GW). This marks a stark contrast to the current level of 60 GW, signaling a possible significant shortfall in supply. To meet this projected demand and prevent a deficit, it would require constructing at least double the capacity built since 2000. The Asia-Pacific data center industry is experiencing robust growth, fueled by accelerating digitalization, increased cloud adoption, the expansion of 5G networks, the proliferation of IoT devices, and regulatory mandates for local data storage. The Asia with a more open investment environment and a shift in regional focus from markets like Indonesia and Malaysia, Việt Nam is poised to become a key player in Southeast Asia's data center landscape.
- At 1Q24, Vietnam hosts 33 data centers with capacity of about 80MW, primarily concentrated in Ha Noi and HCMC, which together account for 94% of the supply. Vietnam data center market stood at 557USDm in 2022 and is forecast to grow at a CAGR of over 10.8% until 2029, archiving 1.14USDbn. The data center market in Vietnam is dominated by domestic enterprises, with 60% of the country's data centers controlled by four companies: Viettel, VNPT, FPT, and CMG.

Estimated global data center capacity demand



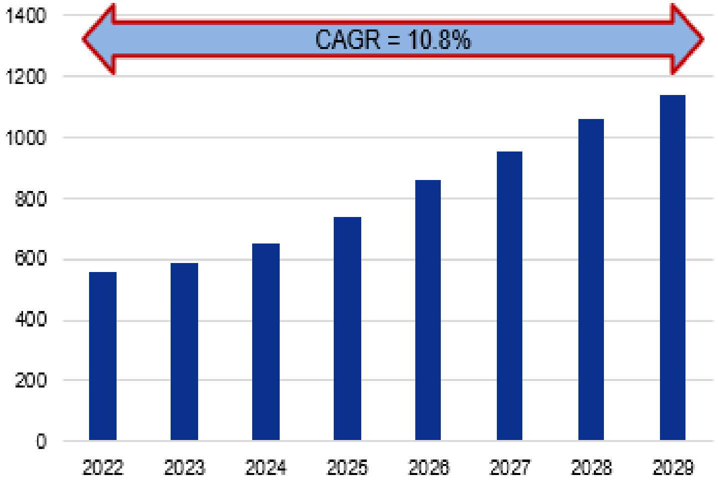
- *Source: McKinsey & Company, MBS Research*

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



- *Source: DC BYTE, MBS Research*

Vietnam's data center market will exceed 1USDbn by 2028

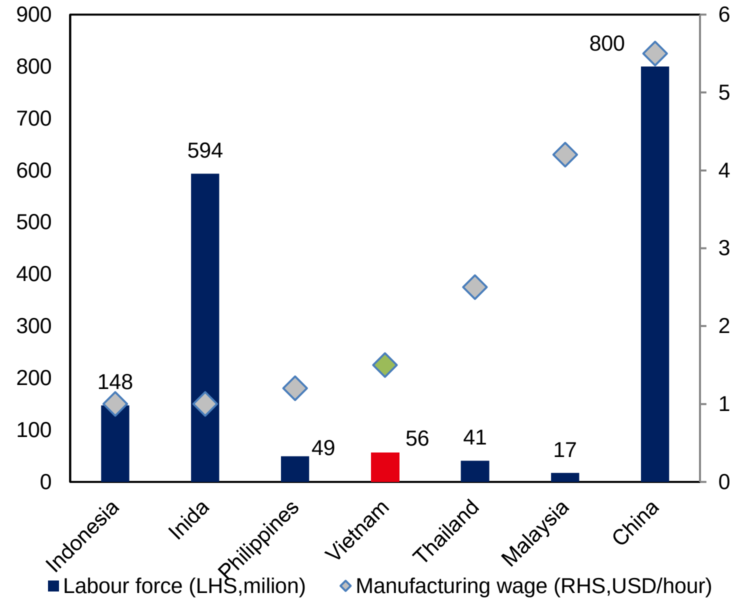


- *Source: Viettel IDC, MBS Research*

Vietnam has the potential to expand data center in 2025-2026

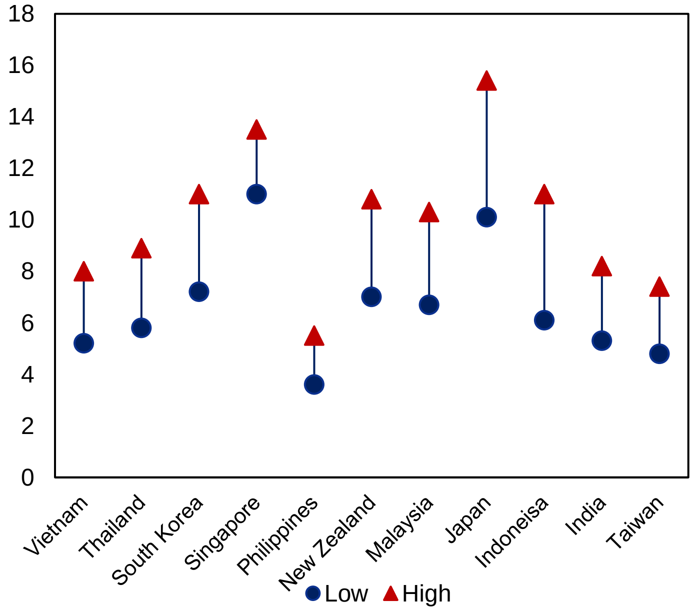
- We expect that Vietnam possesses many growth drivers to boost its data center market, such as an inexpensive labor market, an abundant technology workforce, lower construction costs and rental price.
- The Vietnamese Government's push toward digitization has significantly bolstered the demand for data 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.

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



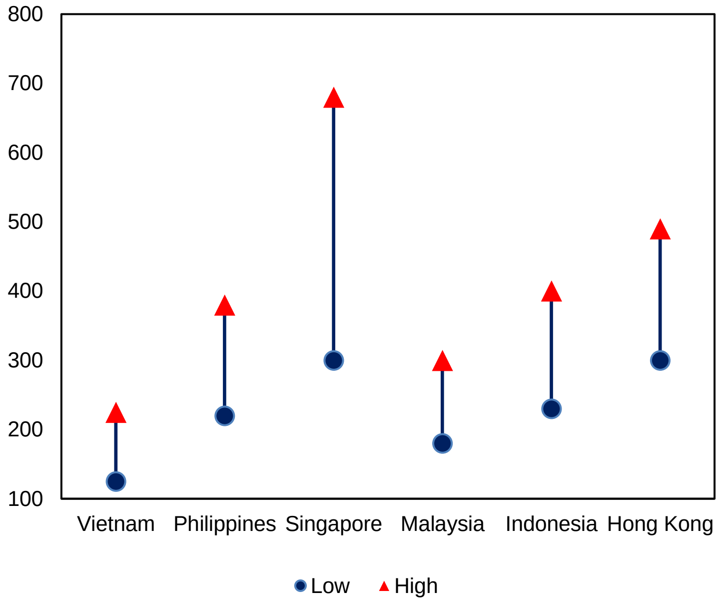
- *Source: JLL research, MBS Research*

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



- *Source: JLL research, MBS Research*

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

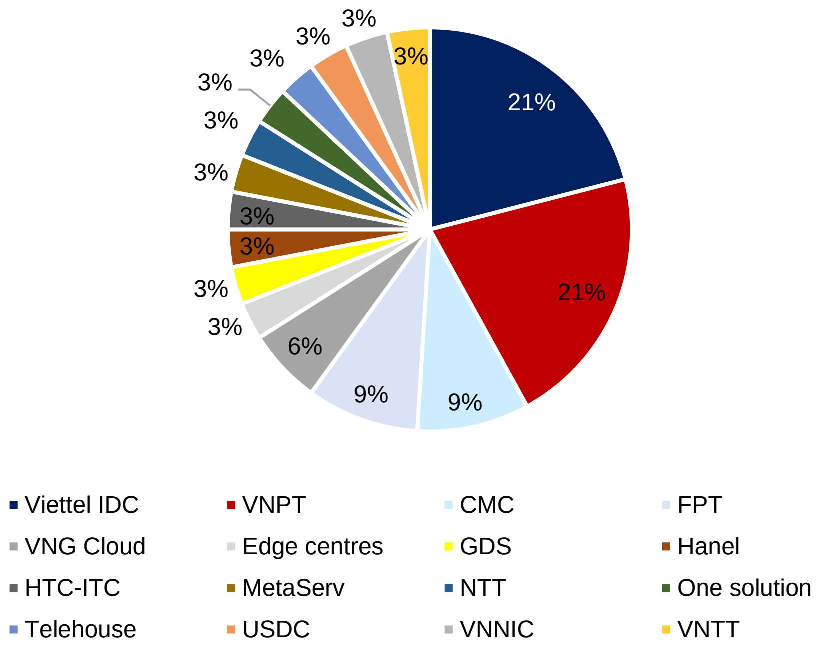


- *Source: JLL research, MBS Research*

Leading telcos 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 2025-26, driven by the inauguration of numerous new data centers from major providers like FPT, Viettel, and VNG.
- The Data Law, enacted by Vietnam's National Assembly in late 2023 and effective from July 1, 2025, paves the way for foreign organizations to invest in and establish data centers within the country. We expect the trend of foreign key players building data centers in Vietnam to grow strongly from 2025.

Vietnam data center distribution by operator 2024



- *Source: Savills , MBS Research*

Plan to expand and upgrade data centers of telecommunications businesses in 2024-26

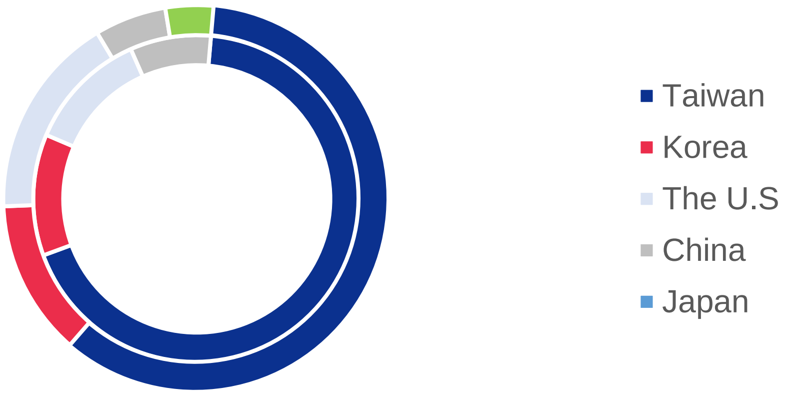
Company	Number of data centers in operation	Total current capacity	Expansion and upgrade plan in 2024-26
FPT	3	17,000 m2/4,000 racks	FPT is building a data center in Ho Chi Minh City. The data center in District 9 - Ho Chi Minh City is expected to be completed in Q4/2025, expected to become one of the largest data centers in Vietnam with a capacity of over 3,000 racks.
Viettel	14	81000m2/11,500 racks	In April 2024, Viettel opened Viettel Hoa Lac Data Center. This is the first data center in Vietnam designed with a capacity twice as high as the average to meet the AI trend. It has become the largest data center in Vietnam today with 60,000 servers; more than 2,400 racks; 21,000m2 of floor space. Viettel is also investing in building a data center in Ho Chi Minh City, with an investment capital of VND14,700bn, expected to be operational from the fourth quarter of 2025..
CMG	3	3,000 racks	Jun-24, CMC Telecom Tan Thuan Data Center became the first unit in Vietnam to achieve Level 4 Information System Security standards. CMC's Data Center system achieved Level 4 certification to ensure serving users of particularly large scale such as financial institutions, banks, and e-commerce
VNG	1	410 racks	Apr-24, VNG and ST Telemedia Global Data Centers (STT GDC) have cooperated to build and operate 2 Data Centers in Ho Chi Minh City. VNG and STT GDC will continue to operate STT VNG Ho Chi Minh City Data Center 1 and build a new STT VNG HCM Data Center 2. VNG expects Data Center 2 to come into operation in the 1H26 with the ability to supply power with a capacity of up to 60MW.

- *Source: MBS Research*

The “China +1” trend will create opportunities for other countries to attract FDI capital flows, specially in semiconductor segment

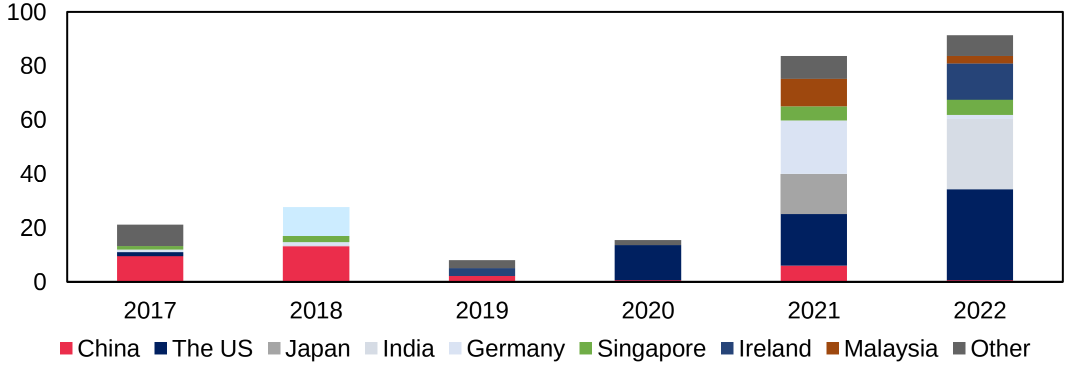
- China is gradually losing its position as "the world's major factory“ driven by 1) the US-China trade war , 2) China's aging population and 3) China's zero covid policy. Thus, we believe that multinational corporations will look for a second choice for their sourcing to reduce their dependence on the Chinese market.
- In just two years, 2021 and 2022, the world witnessed approximately 155USDbn 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.

Advanced Semiconductor Market Share by Country (2023-2027F)



Source: Yole Intelligence, MBS Research

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

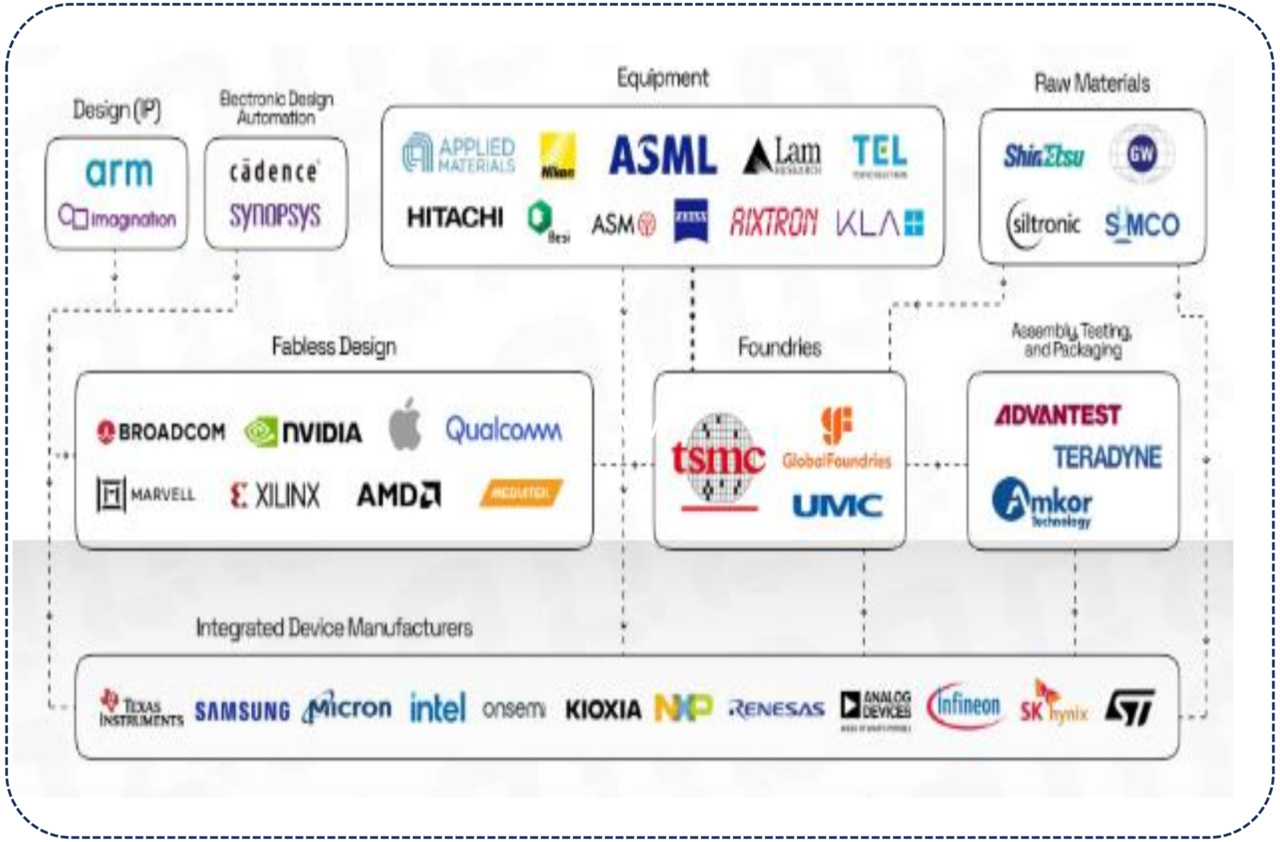


Source: FDI market, MBS Research

Vietnam’s semiconductor manufacturing is currently dominated by foreign-invested companies

- 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



- *Source: CIGP , MBS Research*

Companies involved in chip design by region in vietnam

- *Source: Vietnam Microchip Community , MBS Research*

We believe that Vietnam has the potential to become a world's new semiconductor manufacturing factory in 2024-29

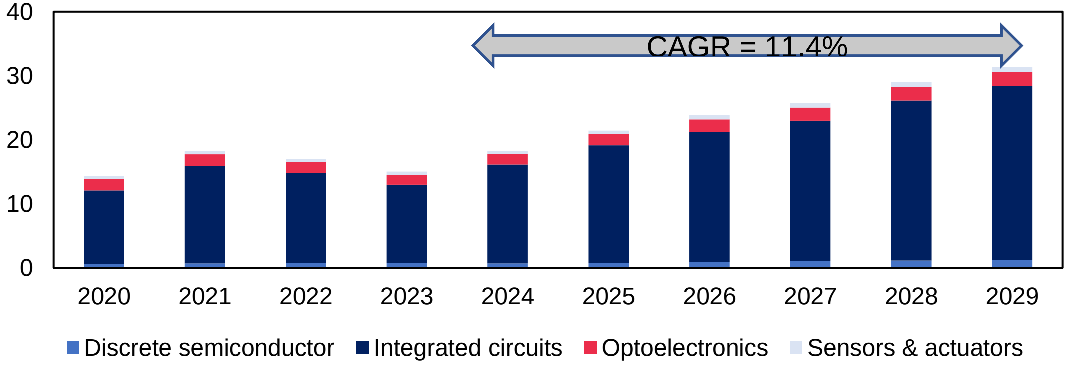
- In Sep-23, the U.S. and Vietnam have signed a Memorandum of Cooperation on semiconductor supply chains, workforce and ecosystem development, which aims to strengthen bilateral sci-tech ties and build a more resilient semiconductor supply chain. And to equip human resources for this pivotal industry, 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 Hana Micron Vina, have pledged substantial investments in Vietnam's semiconductor industry.
- According to the Semiconductor Industry Association and Boston Consulting Group, Vietnam will account for 8-9% of the market share in chip assembly, testing and packaging (ATP) by 2032 from 1% in 2022 thanks largely to investment from foreign companies. 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 11.4% in 2024-29, culminating in a market volume of 31.39USDbn by 2029. In which, integrated circuits - the most substantial segment within the semiconductor industry is projected to be valued at 18.3$bn in 2025 (+19% yoy).

Key semiconductor investors

Company	Nationality	Year estabished	Province
Coherent	US	2024	Dong Nai
Samsung Electronics	Korea	2007	Bac Ninh
Intel	US	2006	HCMC
Qualcomm	US	2003	Ha Noi
Amkor Tech	US	2023	Bac Ninh
Hana Micron	Korea	2023	Bac Giang
Hanmi Semiconductor	Korea	2023	Bac Ninh
Infineon	Germany	2023	Ha Noi
Victory Giang	China	2024	Bac Ninh

- *Source: Savills, MBS Research*

Vietnam semiconductor revenue will achieve CAGR 11.4% in 2024-29



Source: Statista Market Insights, MBS Research

Viettel commercializes 5G network, marking Vietnam's entry into the 5G era from October 15, 2024

- Aligns with the trend of investing in companies connected to the development of the "new economy." The 5G network is a foundation for the development of various intelligent IoT (Internet of Things) solutions, helping enterprises improve production capacity and efficiency, while simultaneously requiring the collection and storage of vast amounts of data. We believe that the commercialization of 5G will be a crucial factor in continuing to attract FDI (foreign direct investment) flows into Vietnam in the coming years, and leading telecom companies will benefit from future revenue growth.

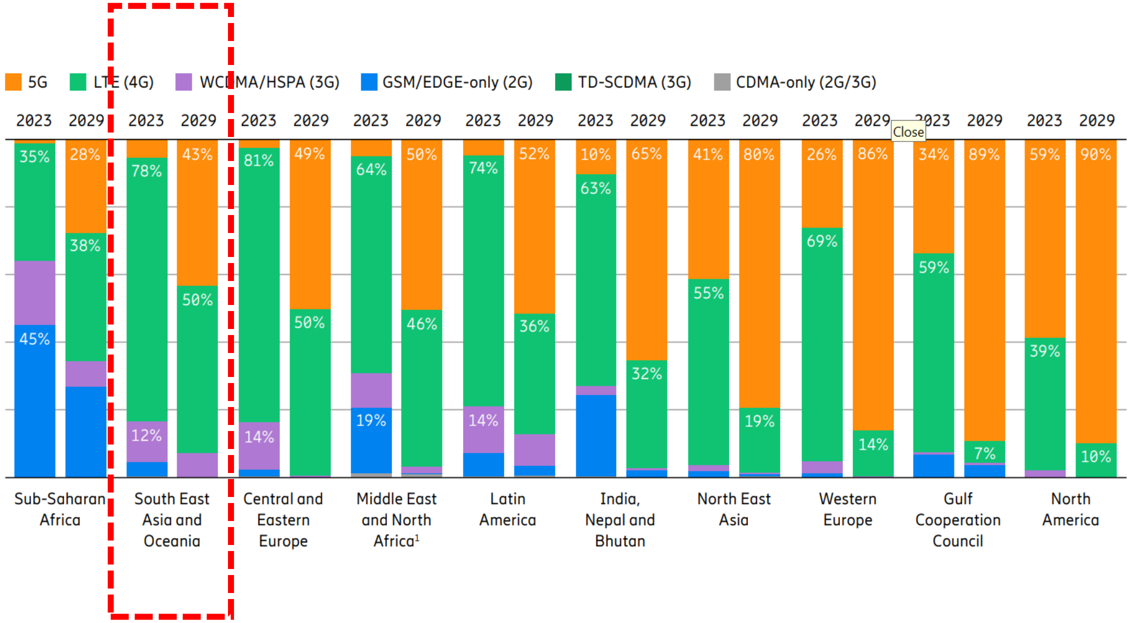
- To prepare for 5G development and commercialization by 2024, several regulations have been introduced to facilitate this transition, including: 1) Directive No. 52/CT-BTTTT (11/11/2019), which requires telecom companies to enhance infrastructure sharing, and Circular 07/2024/TT-BTTTT, outlining mechanisms for determining leasing prices for passive telecom infrastructure; 2) Circulars 03/2024/TT-BTTTT and 04/2024/TT-BTTTT mandate the cessation of 2G services by September 16, 2024, with 3G network shutdowns planned by 2028; 3) The Information and Communications Infrastructure Planning for 2021-2030, Vision to 2050 roadmap was signed on January 11, 2024. This roadmap aims to cover 99% of the population with 5G by 2030, ensuring all users have access to speeds exceeding 1Gbps.

- **Key highlights of 5G networks compared to 4G**

Network technology	4G	5G
Data transmission speed	10-100Mbps	1-10Gbps
Latency	30-50ms	1-10ms
Devices connectivity	Limited devices in a certain area	Many devices at the same time, IoT application
Frequency spectrum	700MHz to 2.6GHz	3GHz to 100GHz
Application	Mainly serving mobile data transmission, video and social networking	Supporting new applications such as smart cities, automated manufacturing and IoT services.

- *Source: MBS Research*

According to Ericsson, while 4G subscriptions will remain dominant, the number of 5G subscriptions is expected to increase sharply from ~5% in 2023 to 43% of total mobile subscriptions by 2029 in Southeast Asia. Vietnam is also expected to follow this trend



- *Source: Ericsson, MBS Research*

Viettel commercializes 5G network, marking Vietnam's entry into the 5G era from October 15, 2024

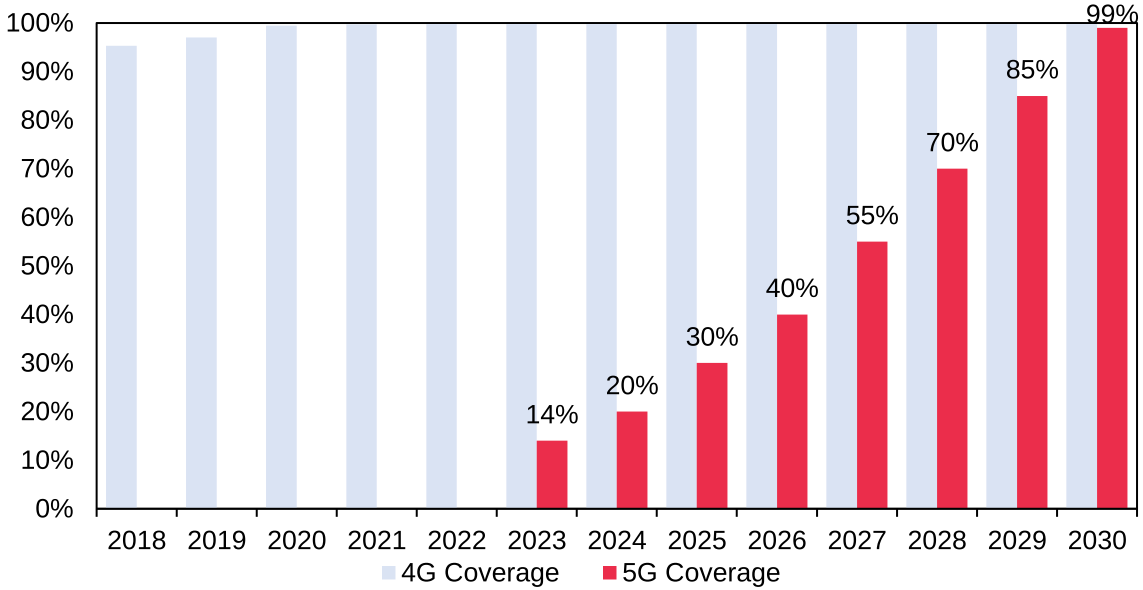
- Frequency bands are a critical factor in 5G deployment. Mid-band frequencies (typically using 2.1 GHz, 2.6 GHz, and 3.5 GHz) are considered ideal for 5G networks. Theoretically, the lower the frequency, the wider the coverage and the better the ability to penetrate obstacles, making it suitable for areas with low population density, though it offers slower data transmission speeds. Conversely, higher frequencies support faster data transmission but with shorter coverage ranges, making them suitable for densely populated urban areas
- With the B1 band (2,500–2,600 MHz) that Viettel successfully acquired, the company holds a significant advantage in expanding 5G infrastructure due to the following factors: 1) The 2,500–2,600 MHz band can be utilized for both 4G and 5G networks; 2) This band optimizes coverage, with a radius 1.3 times larger than the C band; 3) The wide bandwidth (100 MHz) of this frequency ensures high data transmission speeds.

The Viettel B1 band help the company to holds a significant advantage in expanding 5G infrastructure

	2500-2600 MHz (B1)	3700-3800 MHz (C2)	3800-3900 MHz (C3)
Network Operators	Viettel	VNPT VinaPhone	MobiFone
Total investment	VND7,533bn	VND2,581bn	VND2,581bn
Frequency Characteristics	Medium frequency	Higher frequency	Higher frequency
Coverage Area	Wide coverage	Narrower coverage	Narrower coverage
Data Transmission Speed	Moderate speed, suitable for general services	High speed, supporting high-bandwidth applications	High speed, supporting high-bandwidth applications
Main Applications	Broad 5G network expansion in remote areas	High-speed network development in urban areas	High-speed network development in urban areas
Compatibility with Older Devices	Highly compatible with many existing devices	Less common, requiring newer compatible devices	Less common, requiring newer compatible devices
Suitability for IoT	Well-suited for IoT due to wide coverage	Suitable for industrial applications and smart cities	Suitable for industrial applications and smart cities

- *Source: MBS Research*

Viettel's 5G coverage plan for 2024-30, which aim to cover 5 centrally governed cities by 2026-27, with a roadmap to cover 99% of the population nationwide by 2030

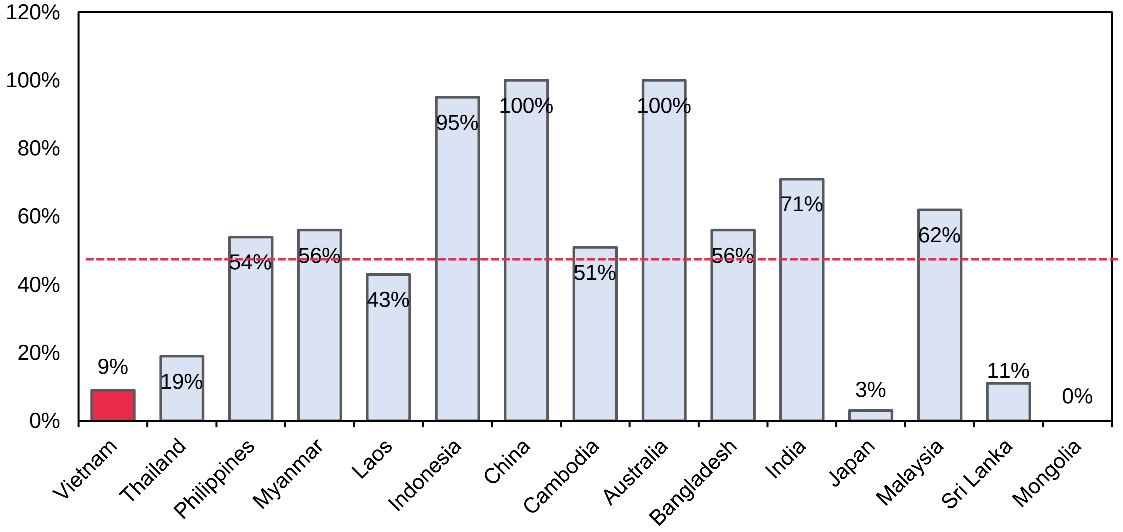


- *Source: MBS Research*

As a subsidiary of Viettel, CTR holds several strategic advantages in strengthening its position as the leading TowerCo in the market

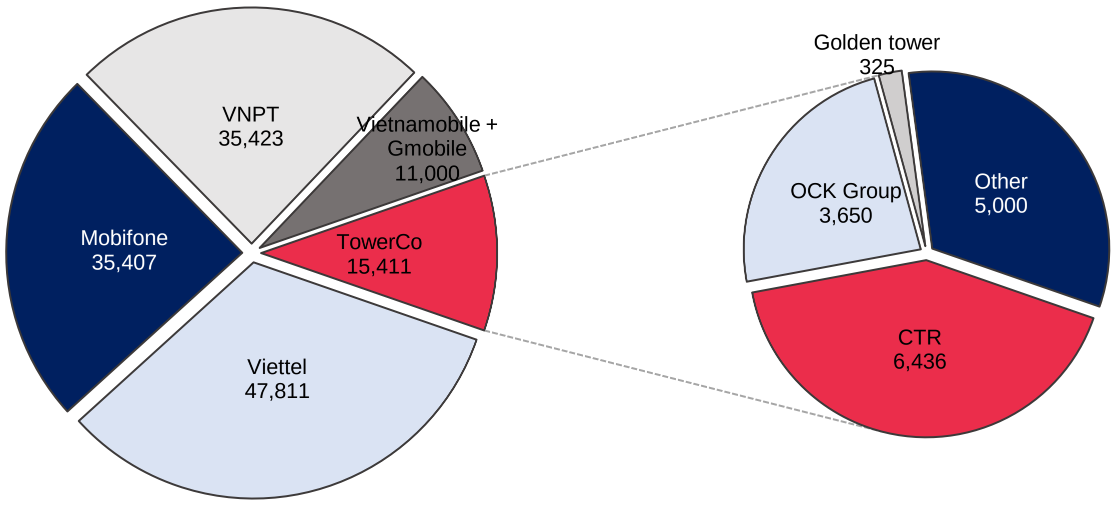
- Current State of TowerCo in Vietnam: The tower leasing market in Vietnam is still in its infancy, with a penetration rate of just 9%, significantly lower than other countries in the region, according to TowerXchange. Currently, 89% of the towers are owned by the four main MNOs—Viettel, VNPT, MobiFone, and Vietnamobile. CTR (Viettel Construction Corporation) has established itself as the leading TowerCo in Vietnam, with 6,436 BTS towers for lease as of the end of 2023, considerably ahead of its closest competitor, OCK Vietnam Tower (an independent TowerCo from Malaysia), which owns approximately 3,650 towers.
- To ensure 5G coverage using the 2,500–2,600 MHz band, a denser network of stations is required, with 1.5 to 2 times more stations than those currently used for 4G coverage. According to CTR, the company aims to increase its BTS station count to a total of 30,000–50,000 stations by 2030, equivalent to the deployment of approximately 3,000–4,000 stations per year. Therefore, we see the 5G era to enhance sharing tower infrastructure in order to minimize operating cost and Capex pressure, thus, helping the TowerCo market to greatly develop from 2025 onward.

The market penetration rate of TowerCo in Vietnam is lower than in the Asia-Pacific region, and we see a potential growth of this market to align with the international trend under 5G expansion progress



- *Source: TowerXchange , MBS Research*

In the TowerCo sector, CTR and OCK are the two main companies operating in the industry, while other competitors own relatively small numbers of towers

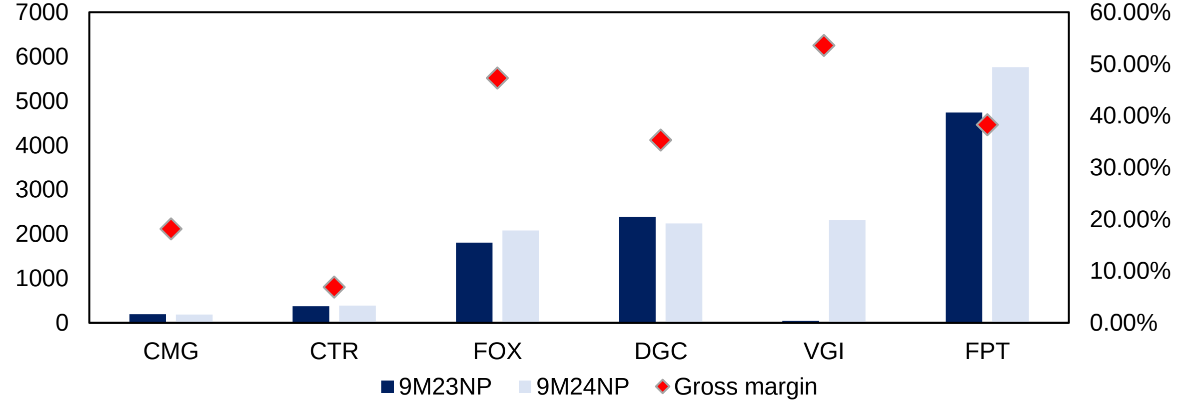


- *Source: CTR , MBS Research*

Investment strategy: 9M24 earnings growth of busninesses under coverage

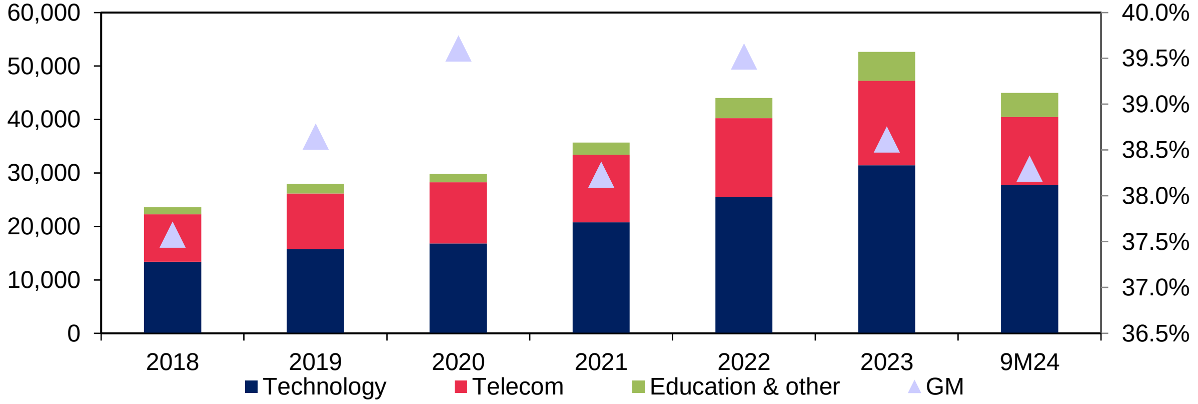
- FPT maintains 20% growth momentum and leading position in revenue scale and net profit in 9M24. While enterprises under Viettel Group (VGI, CTR) also showed positive business results in 9M24, especially VGI. Specifically, VGI's revenue reached VND9,130bn (+25% yoy) thanks to strong growth in Burundi (82%), Lao (24%), Mozambique (80%), Tanzania (45%), Cambodia (16%) markets.
- DGC's GM in 3Q24 edged up 0.3% pts yoy and plunged 4.7% qoq due to 1) repairing a yellow phosphorus furnace increases costs and 2) reducing self-supply of phosphate rock due to impact of typhoon YAGI. Selling expenses increased 43.6% yoy due to higher logistic cost. Thus, DGC's NP in 3Q24 only achieved VND705bn (-16.3% qoq and -7.4% yoy). Overall, 9M24 NP reached VND2,239bn (-7.1% yoy).
- CTR 9M24 revenue growth 12% yoy, backed by TowerCo and residential construction. The company has boost developing new BTS since 2Q24 to support Viettel 5G rollout, pushing TowerCo revenue to rise 44% yoy. However, high capex investment and remained low tenancy rate temporary narrowing profit margin, causing lower NP growth of only 4% yoy.

Net profit growth vary significantly among companies within the industry in 9M24



FiinPro, MBS research

FPT revenue by segment (units: VNDbn)



FPT, MBS research

FY24F - 26F key financial metrics of stock under our coverage

VND bn	**FPT**			**DGC**			**CTR**		
	2024	**2025**	**2026**	**2024**	**2025**	**2026**	**2024**	**2025**	**2026**
Revenue (VND bn)	63,152	77,255	94,374	10,271	12,757	15,666	12,134	13,646	15,531
% growth	*19.5%*	*19.3%*	*20.1%*	*5.4%*	*24.2%*	*22.8%*	*7.4%*	*12.5%*	*13.8%*
Gross profit	24,647	30,158	36,907	3,660	4,933	5,984	992	1,169	1,367
Gross margin (%)	*39.0%*	*38.9%*	*38.7%*	*35.6%*	*38.7%*	*38.2%*	*8.2%*	*8.6%*	*8.8%*
EBITDA	12,825	15,416	18,583	3,923	5,197	6,190	1,085	1,315	1,574
EBITDA margin (%)	*20.3%*	*20.0%*	*19.7%*	*38.2%*	*40.7%*	*39.5%*	*8.9%*	*9.6%*	*10.1%*
Net profit (VNDbn)	8,152	9,872	11,984	3,136	4,151	5,000	546	646	766
% growth	*22.5%*	*21.1%*	*21.4%*	*1.2%*	*32.3%*	*20.5%*	*5.9%*	*18.2%*	*18.6%*
EPS (VND/share)	5,582	6,759	8,205	8,259	10,929	13,164	4,777	5,648	6,696
BVPS (VND/share)	26,038	31,580	38,793	38,768	41,686	50,992	17,633	21,587	26,274
Net cash/share (VND/share)	8,156	9,660	11,657	28,154	24,209	31,003	1,714	3,031	5,091
D/E (x)	0.5	0.4	0.4	0.1	0.1	0.1	0.3	0.3	0.2
Dividend yield (%)	1.3%	1.3%	1.3%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
ROAE (%)	24.0%	23.5%	23.3%	23.5%	25.5%	26.9%	27.5%	28.8%	28.0%
ROAA (%)	12.4%	12.6%	12.7%	20.3%	24.7%	27.2%	13.6%	13.4%	13.4%

- *Source: MBS Research's projection*

Investment strategy: We prefer FPT, DGC and CTR

Ticker	Rating	Target price (VND/share)	Investment thesis
FPT	ADD	170,400	• We forecast technology revenue to increase 24.2%/30.3%/28.2% yoy in FY24/25/26 driven by (1) steady growth in new signed revenue and (2) expected strong growth in global IT spending in 2024 and 3) higher contribution from EU market. We forecast telecom revenue to grow by 11.4%/9.5/9.1% in FY24/25/26F, driven by the expansion of Data Centers and the anticipated rebound in online advertising as businesses restore their marketing budgets. • 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. We forecast FPT's 2024/25/26 net profit to grow 22.5%/21.1%/21.4% yoy.
DGC	ADD	128,800	• We forecast DGC's net profit to soar 30.4% yoy in 2025 as 1) the recovery of P4 price due to higher demand from semiconductor market 2) ethanol revenue is expected to reach VND990bn in FY25F, accounting for 7% DGC revenue and 3) higher contribution from agriculture phosphate segment thanks to stronger demand from India market. We expect the Nghi Son Caustic Soda (CAV) project to start commercial operation in 1Q26 to be the key growth driver for DGC in 2026. We expect CAV project to contribute 12% of DGC's annual revenue from 2026F. • DGC is traded at 10.1 for 2025F P/E, a 24% discount to its 1-year P/E average. We believe DGC remains attractively valued as being an Asia's leading P4 exporter and double-digit NP growth in 2025/26F.
CTR	ADD	153,100	• The accelerating 5G network rollout and commercialization in Vietnam, projected until 2030, will be the main driver of CTR's profit growth in the coming period. Notably, the TowerCo segment is expected to be the primary growth engine, as the trend of infrastructure sharing among telecom operators is forecasted to intensify, aiming to reduce the pressure of investment and operational costs. • From 2019-24, CTR maintained revenue growth at approximately 20% CAGR and net profit at 25.6% CAGR, significantly outpacing capital growth at around 11.0% CAGR. We believe CTR's long-term market capitalization has room for growth to catch up with its net profit growth of ~17% CAGR between 2025-2030. Furthermore, the 2025 EV/EBITDA is expected to reach ~11.0x, ~15% lower than the industry average. Currently, most TowerCo markets in the region have passed the development stage, implying that valuation potential for emerging markets, like Vietnam's TowerCo sector, remains higher compared to more saturated markets
CMG	N/a	N/a	• In 2025, 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 USD250m in 2024-25, focusing on 6 main areas: Chip design, AI, big data, social data, IoT, and blockchain. • 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 in 2025.

Investment strategy: We prefer FPT, DGC and CTR

Company	Sticker	Market cap	P/E(x)		P/BV(x)		ROA		ROE (%)	
	Bloomberg	USD mn	TTM	2025	Current	2025	TTM	2025	TTM	2025
Technology										
INFOSYS LTD	INFO IN	93,795	30.2	26.7	9.7	na	19.1	24.1	33.4	32.2
WIPRO LTD	WPRO IN	30,522	25.2	21.3	3.6	na	9.2	11.0	15.2	15.2
HCL TECH LTD	HCLT IN	56,078	30.5	26.0	7.2	na	17.2	20.1	24.5	26.4
TECH MAHINDRA LT	TECHM IN	18,767	61.6	25.3	5.4	na	5.7	10.9	9.4	20.5
CYIENT LTD	CYL IN	2,533	30.5	22.8	4.9	na	10.1	14.6	17.4	18.2
FPT Corpration	FPT VN	8,670	29.4	22.3	7.4	4.8	11.8	12.6	23.7	23.5
Average			**34.6**	**24.1**	**6.4**		**12.2**	**16.1**	**20.6**	**22.5**
Median			**30.5**	**25.3**	**5.4**		**10.1**	**14.6**	**17.4**	**20.5**
Data center										
FPT telecom	FOX VN	1,862	18	na	4.8	na	12.2	na	28.7	na
CMC Corporation	CMG VN	420	33.9	na	3.9	na	4.4	na	9.5	na
VNG Corporation	VNZ VN	431	na	na	7.9	na	-7.1	na	-25.8	na
Semiconductor material										
Hubei Xingfa Chemical Group	600141 CH	3,278	17.4	12.1	1.1	1.07	5.3	6.5	10.3	11.4
Kunming Chuan Jin Nuo Chemical Co Ltd	300505 CH	578	14.7	na	1.7	na	-2.2	na	-2.5	na
Nickel Asia Corporation	635R1069 PHY	902.1	18.3	11.6	1.45	na	5.4	na	8.2	na
PT Vale Indonesia	1000109309 ID	2509	9.13	16.5	0.98	0.93	9.8	4.9	11.2	5.6
Duc Giang Chemical Group	DGC VN	1721.07	14.9	10.6	3.2	2.8	19.4	24.7	22.9	25.5
Average			**14.9**	**12.7**	**1.7**	**1.6**	**7.5**	**12.0**	**10.0**	**14.2**
Median			**14.9**	**11.9**	**1.5**	**1.1**	**5.4**	**6.5**	**10.3**	**11.4**
Towerco										
Indus Towers	INDUSTOW IN	11,207	12.8	11.7	2.9	2.6	13.6	na	26.3	22.7
Crown Castle	CCI US	43,703	42.3	37.1	8.9	10.7	2.9	3.6	19.5	28.9
CELLNEX	CLNX SM	24,496	na	na	1.7	1.7	-0.5	-0.4	-1.9	0.0
INWIT	INW IM	9,973	24.8	21.9	2.27	2.33	4.4	5	8.79	10.1
China Tower Corp Ltd	788 HK	24,224	16.1	13.3	0.9	0.9	3.3	4.0	5.4	6.4
Viettel Construction JSC	CTR VN	555	26.5	23.08	6.2	5.6	7.5	7.9	26.8	27
Average			**107.7**	**105.8**	**3.7**	**3.7**	**5.3**	**4.9**	**12.7**	**13.5**
Median			**26.6**	**24.6**	**2.8**	**2.6**	**4.5**	**4.7**	**11.0**	**11.8**

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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

MBS RESEARCH TEAM

Director, Head of Research	**Deputy Head of Equity Research**
Tran Thi Khanh Hien	*Nguyen Tien Dzung*

Macro & Market Strategy	**Banking – Financial Services**	**Real Estate**	**Energy - Industrials**	**Consumer – Retail**
Nghiem Phu Cuong	*Dinh Cong Luyen*	*Nguyen Minh Duc*	*Nguyen Ha Duc Tung*	*Nguyen Quynh Ly*
Ngo Quoc Hung	*Nguyen Duc Hao*	*Le Hai Thanh*	*Pham Thi Thanh Huyen*	
Dinh Ha Anh		*Pham Thi Thanh Huong*		***Associate Analyst***
Vo Duc Anh				*Nguyen Phuong Anh*

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MBS Head Office
MB Building, 21 Cat Linh, Dong Da, Hanoi, Vietnam
Tel: +84 24 7304 5688Fax: +84 24 3726 2601
Web: www.mbs.com.vn