Earnings forecast Q2/24: The recovery increasingly becomes apparent

- We forecast aggregate market net profit could increase by 9.5% yoy in Q2/2024, supported by a low base in the same period last year, alongside slight recoveries in production and consumption.
- Banking sector profit growth are forecasted to slow down with a growth rate of 12% yoy (Q1/24: 14% yoy). Sectors achieving notable profit growth include retail (+379% yoy) and basic materials (+63% yoy) from a low base last year.
- Some sectors are estimated to experience declining profit growth, such as Industrial Property (-26% yoy) due to a high base last year, and Oil & Gas (-2% yoy) due to poor results from upstream enterprises.

Banking sector's profit growth rate may slightly decrease

The Net Interest Margin (NIM) will continue to be under downward pressure as lending rates are forecasted to decrease further while deposit rates have slightly increased at most banks. Credit growth in Q2 is expected to be more positive compared to Q1 (estimated at 4.17% as of June 20, 2024, compared to 0.26% at the end of Q1/24), but still lower than the same period last year. Therefore, net interest income is still not likely to see significant growth. Non-interest income remains bleak and has yet to recover, relying mainly on fee-based activities and debt settlement. Foreign exchange and securities trading activities are not expected to see high growth due to increasingly challenging market conditions. Provisions for bad debts will continue to rise as non-performing loans (NPL) show signs of increasing again in Q2. The trend of rising NPL and decreasing Loan Loss Reserve (LLR) is common across the industry. Overall, net profit after tax (NPAT) of banks will not see significant growth, with notable increases in banks with good credit growth such as LPB, VPB, HDB. Some banks will report negative NPAT growth due to high NPAT in the same period last year, such as STB, BID.

Residential property sector is recovering but showing differentiation

The business results of the residential property sector will not see a breakthrough in Q2 due to a lack of projects for handover and little change in the legal status of projects before the enactment of related laws (expected on August 1, 2024). Factors such as lower interest rates and selling costs will somewhat support Q2 profits. The net profit of the entire sector is likely to remain flat, mainly thanks to VHM, as the company has projects being handed over with clear legal status and surrounding infrastructure development. Some other companies may see a 50-70% decrease compared to the same period, such as KDH and DXG, due to a drop in project handover revenue compared to the high base in Q2 2023.

Industrial property sector is experiencing a decline in profits compared to the high base of the same period last year.

Overall, the Q2/24 business results of the industrial real estate sector have declined compared to the same period last year when companies reported high profits (SZC, KBC, IDC, PHR). BCM's profit increased significantly due to a low base in Q2/23. In the first five months of 2024, implemented FDI capital increased by 7.8% yoy, indicating strong growth in demand for industrial land. The supply of land in the southern region is showing more positive signs due to the conversion of rubber land, facilitated by the resolution of legal issues with the passage of the amended Land Law.

Deputy Head of Equity Research

Dzung Nguyen Tien
dung1.nguyentien@mbs.com.vn

Materials sector continues to recover

The materials sector will continue to maintain its recovery momentum in Q2, with a notable highlight from steel companies. The steel group has shown significant profit recovery compared to the same period last year, as the cooling off of raw material prices positively impacts their gross profit margins. The prices of coal and iron ore have decreased by 18% and 20% yoy respectively, while steel prices have only dropped by 7% yoy, helping the gross margin increase to an average of 12% (compared to 5% in 2023). Raw material prices may remain low due to stable supply and a sharp decline in raw material inventory demand in China (due to reduced steel production). Additionally, consumption volume has improved amidst recovering domestic demand. The recovery of demand and domestic consumption volume is expected to remain positive as real estate supply is projected to increase from Q3 onwards.

Upstream segment of O&G sector continues to show a bullish outlook

In Q2/2024, the oil and gas sector may continue to exhibit profit differentiation among companies. Upstream stocks like PVD and PVS could see good profit growth, with increased work volumes. PVS, in particular, benefits from offshore wind turbine pedestal manufacturing activities. PVD's profit may not show significant changes compared to the previous quarter due to stable rental rates for JU rigs and no contributions from new rental rigs yet. Middle-stream stocks like GAS and PVT are expected to maintain similar profits compared to the same period last year. In the downstream sector, profit differentiation is evident with PLX likely to maintain steady profits from a high base compared to the same period last year, while BSR's production and profits may be negatively impacted due to maintenance activities in Q2.

Power sector are promising as regulatory frameworks are being finalized

Gas-fired electricity: Output improved in Q2/24 compared to the low levels of Q1/24. Most plants using Southeastern gas like Nhon Trach 1&2 and the Phu My cluster resumed operations but showed a slight decrease compared to the same period last year. Expected profits for gas-fired electricity companies are forecasted to improve from Q1 due to resumed operations and high market electricity prices around 1800-1900 VND/kWh in Q2. Hydropower: Hydroelectric output saw significant improvement from late May to early June after water accumulation in Q1. Northern and Central hydro reservoirs maintained good water levels, ready for power generation as needed. However, revenue for many large hydroelectric plants may not have correspondingly improved with output due to decreased selling prices, especially for those with lower contract electricity prices. Coal-fired electricity: Coal-fired electricity production trended downward from June. However, it still maintained relatively stable levels compared to the same period. It is anticipated that coal-fired electricity production in Q2/24 can continue to grow due to effective deployment in late Q4 and early Q5/24, supporting profit growth for this sector. In Q2, several policies took effect, such as the new retail electricity pricing mechanism, which laid the groundwork for EVN to increase electricity prices in the latter half of the year. Additionally, this period saw the electricity sector accelerating the completion of important policies related to the pricing mechanism for liquefied natural gas (LNG) electricity and the direct power purchase agreement (DPPA) mechanism for large consumers.

Retail sector is recovering from a low base

(1) ICT-CE Retail: Continues slow growth, highlighted by the electronics sector showing double-digit growth due to intense sunlight increasing demand for air conditioning units. Retailers have raised their base prices, which is expected to improve gross profit margins, thereby significantly enhancing net profits in the ICT-CE segment. (2) Jewelry Retail: Gold prices in Q2/24 fluctuated significantly, rising sharply by 27% yoy and 15% from Q2/24 to Q5/24, boosting demand for gold ring transactions. Consequently, retail jewelry sales are expected to grow by 12% yoy. However, the increased prices of raw materials and the proportion of gold pieces and rings sold will impact the gross profit margins of jewelry retail businesses, with an expected decrease of approximately 3% yoy. (3) Pharmaceutical Retail: The scale of pharmacies is increasing, which will help drive better yoy revenue growth for pharmaceutical retail. Long Chau is expected to open an additional 83 stores, bringing the total number to 1,670, with projected growth of 34% yoy. An Khang will maintain its total number of pharmacies, and overall, pharmaceutical retail revenue is expected to increase by approximately 57% yoy.

Forecasted Q2/24 net profit for companies

No.	Ticker	Sector	Earnings Growth Forecast		Comments
			2024	Q2/2024	
1	LPB	Bank	↑ 46%	↑ 146%	- Net profit is expected to grow by 146% yoy in Q2/24 thanks to 1) the low base from Q2/23, and 2) a 12.8% YTD increase in credit growth driven by continued strong lending to corporate customers. - NIM will slightly decrease by 12 basis points compared to Q1/24 due to the increase in lending to corporate customers with lower interest rates.
2	VPB	Bank	↑ 78%	↑ 62%	Credit growth in Q2/2024 reached 11.5%, NIM remained stable compared to Q1/2024, maintaining a level of 5.8%. Provisions expenses may decrease by 15% in Q2/2024 compared to Q1/2024.
3	HDB	Bank	↑ 31%	↑ 38%	Credit growth is projected to increase by 9% YTD. NIM is expected to have bottomed out in 2023 and is on a path to improvement in 2024.
4	EIB	Bank	↗ 11%	↑ 29%	- Credit Growth continued to improve in Q2/24 (+7% YTD) supported by persistently low lending rates and attractive credit packages throughout Q2/24. - Reduced pressure on NPL in Q2/24 when the ratio of group 2 loans at EIB decreased to 1.2% in Q1/24, a reduction of 21 basis points compared to the previous quarter. - Net profit in Q2/24 may increase by 29% YoY, primarily attributed to the low base from 2023.
5	TCB	Bank	↑ 30%	↑ 26%	Credit growth in Q2/2024 reached approximately 12%, slightly lower than the 7.1% achieved in Q1/2024. NIM slightly decreases to 4.2%. Provision expenses remaines flat compared to Q1/2024.
6	ACB	Bank	↗ 15%	↗ 20%	- Credit Growth is projected to continue increasing in Q2/24 (approx +7% YTD), supported by persistently low lending rates. - Reduced pressure on NPL in Q2/24 - Net profit may increase by 20% YoY in Q2/24, primarily due to the low base in 2023 (Q2/23: -2% YoY)
7	CTG	Bank	↗ 12%	↗ 8%	Credit growth in Q2/2024 reaches 7%, NIM remains stable compared to Q1/2024, maintaining a level of 3%. Provision expenses significantly decreases after a substantial increase in Q1/2024.
8	VCB	Bank	↗ 7%	→ 4%	Net profit is expected to remain flat YoY as credit growth is foreseen to outpace previous quarters, yet the predicted growth rate is lower YoY (Q2/23: +2.7% YTD). Meanwhile, VCB's NIM continues to face pressure as it reduces lending rates to support the economy. However, VCB continues to maintain a low deposit interest rate environment compared to historical levels and other commercial banks, with no signs of returning to higher deposit interest rates. Therefore, the expected funding costs of VCB are anticipated to improve YoY.
9	TPB	Bank	↗ 20%	→ 2%	Net profit is expected to remain flat YoY, despite TPB's NIM improvement and bottom formation. However, TPB's credit growth was negative in Q1/24 and is only anticipated to improve in Q2/24.
10	VIB	Bank	↗ 14%	→ 1%	Credit growth in Q2/2024 reaches 2.5%, NIM remains unchanged from Q1/2024 at 4%. Provision expenses decreases slightly after a significant increase in Q1/2024.
11	OCB	Bank	↗ 18%	→ -2%	Credit growth in Q2/2024 reaches 5.6%, NIM decreases by 30 basis points compared to Q1/2024, reaching 3%. Provision expenses remains stable in Q2/2024 compared to Q1/2024.
12	BID	Bank	↗ 16%	↘ -14%	Net profit is projected to decrease of 14% YoY attributed to (1) 25% YoY increase in credit risk provision expenses, (2) Minimal improvement in NIM as the bank continues its policy of offering low-interest loans compared to the industry average, (3) Q2/23 saw a 5% YoY increase in net profit.
13	STB	Bank	→ 4%	↘ -21%	Credit growth for Q2/2024 achieves 4%, NIM decreases by 20 basis points compared to Q1/2024, reaching 3.5%. Provision expenses decreases by 12% in Q2/2024 compared to Q1/2024.

No.	Ticker	Sector	Earnings Growth Forecast 2024	Earnings Growth Forecast Q2/2024	Comments
14	MWG	Retail & consumer	1930%	2944%	Net profit surges significantly compared to the low base of 2024, driven by (1) Gross profit margin improvement by 2.5 percentage points YoY as the base prices of ICT-CE products all increased by 5-10% YoY. (2) Maintained average revenue per store at 1.9 billion VND per month along with a gross profit margin of approximately 25%, supporting robust growth momentum of net profit in Q2/2024.
15	FRT	Retail & consumer	166%	119%	Gross profit is expected to surge by 119% YoY, driven by (1) the low base effect of Q2/24, (2) improved gross profit margins as base prices of ICT-CE products all increased significantly by 5-10% YoY.
16	DGW	Retail & consumer	53%	58%	In Q2/2024, net profit is forecasted to increase by 58% YoY based on the low base of 2023 due to (1) the conclusion of price wars, allowing DGW to reduce support costs for retail enterprises; (2) DGW enhancing new products with better profit margins in consumer goods and household appliances, thereby improving overall gross profit margins.
17	PNJ	Retail & consumer	19%	13%	In Q2/24, the volume of transactions in gold rings (jewelry gold) experiences a remarkable increase, with forecasted gold bar prices to rise approximately 27% YoY, leading to strong revenue growth. However, due to higher raw material prices, the gross profit margin is expected to decrease by an average of 3.5 percentage points YoY, resulting in a net profit increase of only 13% YoY.
18	DBC	Retail & consumer	1687%	-79%	In Q2/24, DBC no longer records profits from the Parkview apartment project. Nevertheless, its core business segment performed well, with pork prices forecasted to increase by 18% YoY and feed production costs continuing to cool down, benefiting the pig farming sector after a loss-making year in 2023.
19	PVS	Oil & Gas	10%	23%	The limited bidding packages at Block B continue to be fully paid, with no perceived delays in FID. Consolidated revenue and pre-tax profit for the first 5 months of 2024 reached VND 6,815 billion (+10.5% YoY) and VND 573 billion (+50.4% YoY), primarily driven by the recognition of revenue from offshore wind power contracts.
20	PVD	Oil & Gas	67%	18%	Rig rental rates remain high, although there has been no significant change compared to Q1 as the contribution from leased rigs has not been recorded yet. Technical drilling services are expected to grow with the deployment of new domestic oil and gas fields. In Q2/24, PVD's self-lifting rig, PVD Drilling III, successfully drilled the Bunga Aster 1 well with positive oil and gas discoveries. The company has also signed contracts for associated services for the drilling program and completion of development wells at Dai Hung Phase 3, Lot 05-1(a).
21	PVT	Oil & Gas	12%	4%	The freight rates for oil transportation remain high in Q2/24, although they have largely plateaued compared to the previous year. The fleet in Q2/24 (52 ships) has shown growth from Q2/23 (47 ships), with good operational efficiency contributing to increased profits.
22	PLX	Oil & Gas	17%	1%	PLX could potentially increase its market share as some domestic petroleum distribution entities have had their business licenses revoked, while the proportion of imported petroleum products has decreased compared to the same period, potentially improving profit margins. Expected profits are forecasted to stabilize from the high base of the same period as warehouse and import costs increase higher than the previous year.
23	GAS	Oil & Gas	1%	0%	Profit in Q2 is expected to grow compared to the previous quarter due to increased electricity generation during the hot season. However, it is projected to remain stable YoY as output from gas fields declines and is offset by liquefied natural gas (LNG) operations.
24	BSR	Oil & Gas	-25%	-19%	The Dung Quat oil refinery is undergoing its 5th maintenance cycle, primarily scheduled in Q2, which will impact production volumes. Additionally, the crack spread reference in Asia is currently lower YoY, potentially affecting BSR's refining margins for the quarter and negatively impacting net profit.
25	BCM	Industrial Property	-51%	165%	Net profit in Q2/24 grew significantly from the low base of Q2/23.
26	PHR	Industrial Property	-21%	1%	Net profit in Q2/24 remained stable YoY. Accumulated 6M24, net profit decreased by -44% YoY due to no longer recognizing land compensation.
27	SZC	Industrial Property	52%	-16%	Net profit in Q2/24 is expected to decrease slightly by 16% compared to the high profit of the same period last year. Accumulated 6M24, we project net profit to grow by 35% YoY thanks to positive FDI inflows into Vietnam boosting revenue in the industrial real estate sector, while the residential real estate segment faces general challenges.
28	IDC	Industrial Property	1%	-37%	We anticipate a significant decline in industrial zone revenue in Q2/24 as most of the contracted land from last year was handed over in Q1/24. Energy segment revenue decreases due to prolonged dry weather in the recent period. Consequently, net profit in Q2/24 may decrease by 37% YoY.
29	KBC	Industrial Property	-41%	-39%	We forecast that KBC will return to profitability in Q2/24 as the previous quarter did not recognize revenue from the industrial zone segment. For the cumulative first 6M of the year, net profit is expected to decline sharply by 74% compared to the high profit recorded in the same period last year.
30	HDG	Residential Property	37%	319%	- Hydropower production has improved since April, particularly in the Central and Northern regions where reservoirs and hydropower lakes show noticeable improvement, supporting the expected recovery of hydropower segment profits from last year's low and Q1/24. - The Charm Villa GD3 project is expected to remain unsold. - Financial costs continue to decrease as the company negotiates low-interest loans for hydropower projects.
31	NLG	Residential Property	-6%	10%	Revenue may increases by 10% YoY amid the commencement of the Akari and Waterpoint projects. Additionally, these projects achieves higher gross margins compared to Mizuki, driven by substantial increases in condominium prices. Furthermore, reduced borrowing costs contributed to a 20% YoY decrease in financial expenses.
32	DXG	Residential Property	33%	-70%	The completion of the Gem Sky World project and the remaining portion of Opal Skyline contributed to a projected 40% YoY growth in brokerage revenue from last year's low base.
33	KDH	Residential Property	13%	-75%	Continuing progress, 93% of the total 176 low-rise units at Classia were handed over by the end of Q1/24.

No.	Ticker	Sector	Earnings Growth Forecast 2024	Earnings Growth Forecast Q2/2024	Comments
34	HPG	Materials	94%	127%	HPG's sales volume is forecasted to increase by 20% QoQ and 22% YoY due to a favorable construction sector, driving a 28% YoY growth in construction steel consumption. Additionally, the decrease in raw material prices by 15% YoY positively impacts the company's gross profit margin. Financial expenses also decreases slightly amidst lower lending interest rates and exchange rate.
35	PTB	Materials	73%	66%	Net profit surges by 66% YoY in Q2/24, benefiting from a low base in Q2/23 and a strong recovery in export orders for wood products during the quarter. The stone segment continues its growth momentum supported by high demand from the US market.
36	KSB	Materials	173%	54%	Demand for construction stones has strengthened due to increased government disbursements. This has driven consumption, resulting in an 8% YoY increase in production and a slight 3% YoY rise in selling prices amidst growing demand. As a result, the gross margin may improve to 23%, up from 20% in the same period. The anticipated growth in revenue and improved gross margin are expected to positively impact KSB's financial performance.
37	DCM	Materials	56%	53%	Net profit is expected to increase significantly YoY as the Ca Mau urea plant completes depreciation (from Q4/2023), with urea prices slightly rising YoY. Additionally, the merger with Han Viet NPK plant will increase total capacity and provide the company with another strategic position. According to the company's announcement, the newly merged KVF plant has been operational since May 2024 and has been profitable.
38	HSG	Materials	63%	25%	Production and domestic price of galvanized steel are expected to increase by 12% and 15% YoY respectively, driven by a more favorable steel market environment. Furthermore, HSG has strategically accumulated low-priced HRC inventory, which is anticipated to positively impact gross margins in the coming quarters. Profit growth is expected to improve YoY due to recovering gross margins, while transportation costs may decrease by 30% YoY.
39	VCS	Materials	38%	25%	The U.S. market is recovering as domestic furniture inventory reaches its lowest level in two years, positively impacting financial performance.
40	NKG	Materials	374%	12%	Export volume and selling prices of NKG may increase by 8% and 7% YoY respectively, positively affecting NKG's revenue. Additionally, a 6% YoY decrease in HRC raw material prices positively impacts gross margins. Moreover, a 30% YoY reduction in interest expenses due to lower interest rates.
41	DGC	Materials	15%	-5%	Net profit in Q2/24 may decrease slightly by 5% YoY primarily due to the continued low price of phosphorus (~4150 USD/ton) while production only saw a slight improvement of 5% compared to Q1/24.
42	BMP	Materials	-30%	-42%	Plastic pipe prices decreases by 5% YoY, while raw material prices for plastic pellets increases by 10% YoY, negatively impacting the company's gross margin. Additionally, sales volume decreases by 8% YoY. The gross margin declines sharply as the low-price inventory was depleted, resulting in a 42% YoY decrease in net profit for BMP.
43	PC1	Energy	327%	794%	Net profit in Q2/24 is expected to show significant growth YoY from a loss of 13 billion in Q2/23, supported by: - Reduced exchange rate losses compared to Q1/24 along with sharply decreased borrowing costs from the high base of the same period. - Improved hydro power output potentially surpassing last year's low base. - Additional contributions to profit from the nickel sector and the handover of Yen Phong 2A.
44	POW	Energy	10%	210%	Expected gas electricity production in Q2 is anticipated to significantly improve compared to the low levels in Q1/24, supported by a strong national electricity demand. Hydropower production is also expected to improve from Q2/24 to meet peak demand during the hot season. Coal-fired electricity production is optimally mobilized from A0 and Vung Ang 1 operating at full capacity following the completion of repairs on Unit 1.
45	NT2	Energy	-113%	8%	Projected production is expected to remain flat year-over-year, with prices also anchored at high levels due to elevated gas prices. We anticipate a slight YoY increase in net profit, marking a significant improvement from the loss recorded in Q1/24.
46	REE	Energy	5%	4%	Projected hydroelectric production is expected to recover from the low levels of Q2/24; however, hydroelectric prices may decrease by 10-15% due to reduced market mobilization, dampening revenue growth momentum. Other segments are predominantly maintaining stable profits YoY, with stronger growth prospects anticipated from Q3/24 onwards as the E.Town 6 office building commences operations and Thai Binh Light Square is handed over in the latter half of the year.
47	VJC	Industrials	496%	1408%	International passengers are recovering strongly, with fuel prices remaining stable.
48	ACV	Industrials	50%	29%	Total international passenger volume in the first 5 months of 2024 increased by 64.9% compared to the same period in 2023, providing the foundation for ACV's growth momentum in Q2/24.
49	HAH	Industrials	10%	-12%	Profit declines slightly due to the receipt of new vessels, which increased depreciation expenses, and these vessels have not yet achieved efficient operational status. Additionally, recent increases in sea freight rates have not yet reflected in Q2 earnings.
50	GMD	Industrials	-32%	-81%	Profit is forecasted to decline compared to the same period last year due to the extraordinary profit recorded by GMD from the divestment of Nam Hai - Dinh Vu port.
51	FPT	ICT	21%	21%	Net profit maintains a growth trajectory of 21% YoY, supported by steady growth across all business segments. Notably, the overseas IT segment saw a 26% YoY increase, driven by robust growth in the Japanese and APAC markets. The domestic IT services segment recorded revenue of VND 3,015 billion, reflecting a growth rate of 7.0%, fueled by investment demand in technology from the banking and financial sectors.
52	CTR	ICT	10%	7%	In the first five months of the year, Viettel Construction's revenue reaches over VND 4,606 billion, representing a 10% growth compared to the same period in 2023. Pre-tax profit amounts to VND 249.7 billion, reflecting a 5% increase YoY.

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MBS RECOMMENDATION FRAMEWORK

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The total expected return of stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

Sector Ratings

Positive	Stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	Stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Negative	Stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

ABOUT MBS

Founded in May 2000 by the Military Commercial Joint Stock Bank (MB), MB Securities Joint Stock Company (MBS) is one of the first six securities companies in Vietnam. After years of development, MBS has grown into one of the premier brokerage houses in the country. In two consecutive years between 2009 and 2010, MBS leads the brokerage house in terms of market share on both Hanoi Stock Exchange (HNX) and HCMC Stock Exchange (HOSE) and continuously ranked among the Top 5 of market share at both stock exchanges.

Address:
MB Building, 21 Cat Linh, Dong Da Dist., Hanoi
Tel: + 8424 7304 5688 - Fax: +8424 3726 2601
Website: www.mbs.com.vn

MBS RESEARCH TEAM

Director, Head of Research
Hien Tran Thi Khanh

Deputy Head of Equity Research
Dzung Nguyen Tien

Macro & Market Strategy
Hung Ngo Quoc
Cuong Nghiem Phu
Anh Le Minh

Banking – Financial Services
Luyen Dinh Cong
Phuong Do Lan
Hao Nguyen Duc

Real Estate
Duc Nguyen Minh
Tri Nguyen Minh
Thanh Le Hai

Consumer - Retail
Ly Nguyen Quynh

Industrials – Energy
Tung Nguyen Ha Duc
Huyen Pham Thi Thanh