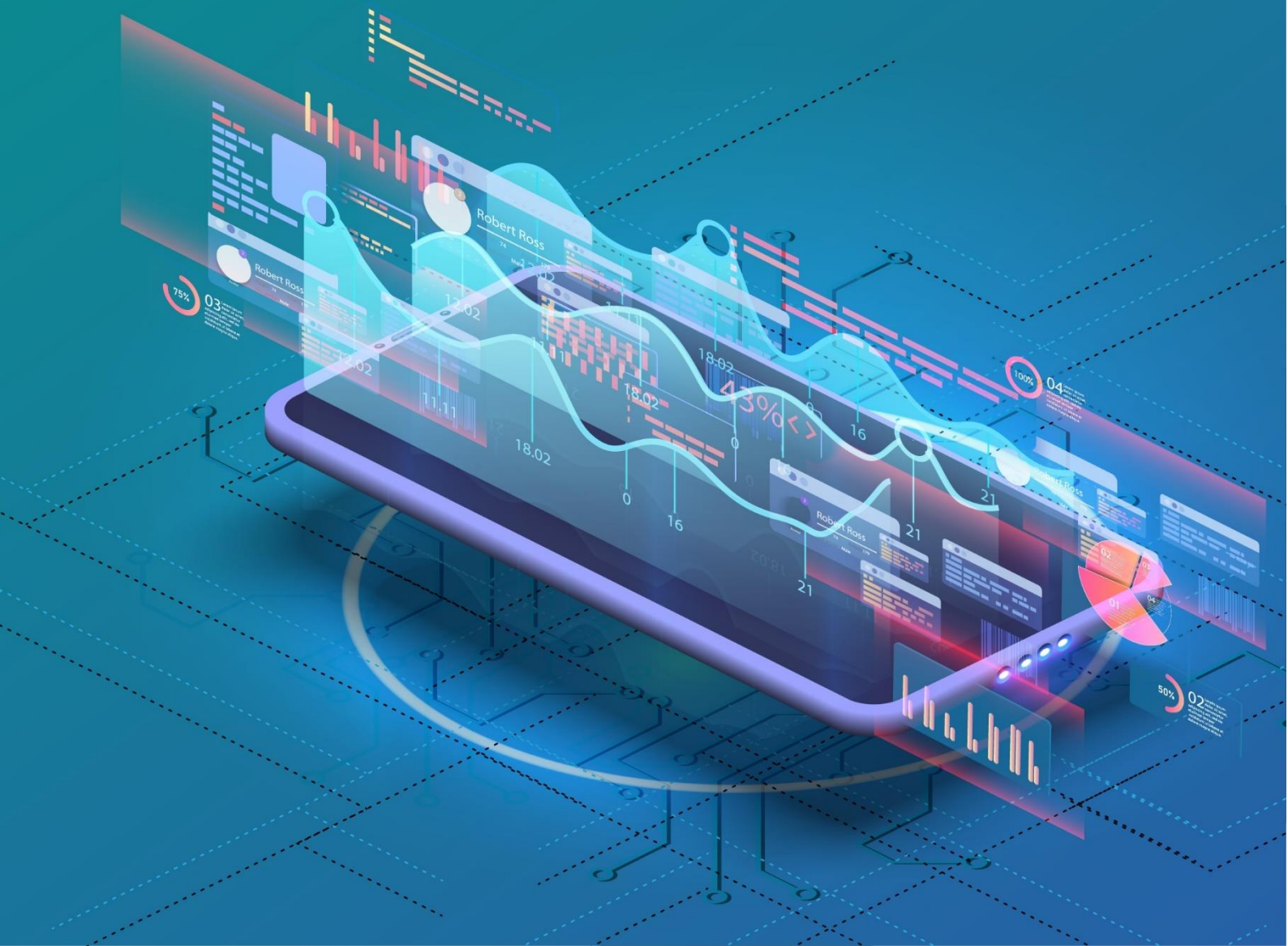
BSC

OUTLOOK Q3/2022

HIDDEN GEM



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I. Market movements Q2/2022

1. Regarding index movements: At the end of Q2/2022, VN-Index and HNX-Index decreased by 19.74% and 38.24% respectively compared to the end of Q1. The downward trend took place from the beginning of April, both indices witnessed particularly strong declines in mid-May, then the index had a slight recovery at the end of the month, but the level was not significant. In June, the market returned to the corrective trend when both indices decreased by 7.36% and 12.06% respectively compared to the previous May.

2. Regarding market movements: The market capitalization reached 6.22 million billion (down 20,575 compared to 31/03/2022). The average transaction value reached 866 million USD/session in Q2 – down 34.67% compared to Q1/2022. June liquidity decreased slightly by 1.54% compared to May as the market returned to a corrective trend, cautious sentiment taking a leading role.

- In Q2/2022, HSX had 39 shares up, 362 shares down and 02 shares unchanged. Top 5 stocks supporting VN-Index include: GAS (contributed 6.26 points), REE (contributed 1.85 points), PNJ (contributed 1.42 points), VSH (contributed 1.19 points), MWG (contributed 1.16 points).

3. Regarding Tier - 1 Sectors: The deep downward correction in April and June caused all Tier 1 Sectors (11/11) to decrease in Q2/2022. The recovery period in May was not enough momentum for Sectors to perform more positively than the rest of the quarter. In the downward trend of the whole market, the group: Community utilities, Information Technology and Consumer is the 03 Sectors with the least decrease, while the group: Materials, Telecommunications, Finance are the 03 Sectors with the most negative movements.

4. Regarding foreign transactions: In the context of the market adjusting downwards, Q2/2022 witnessed a strong return of foreign investors when buying net for all 03 months in the quarter with a total net buying value of VND 9,428 billion – the complete opposite compared to Q1/2022. In the trend of net buying, foreign investors focus on net buying in the following ticker: FUEVFVND, DPM, MWG, in the opposite direction they focus on net selling ticker: HPG, VHM, SSI.

5. Some important macro factors:

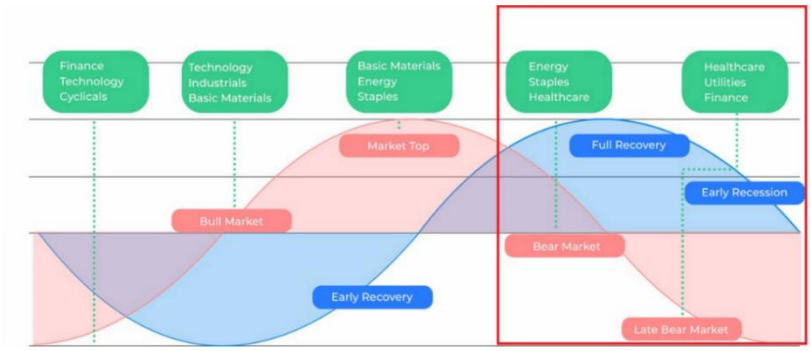
- *Domestic:* **(1)** The economy maintained its recovery momentum when recording impressive growth when the GDP growth rate in Q2 reached 7.72%; **(2)** January 06, 2022, state budget disbursement increased by +10.1% YoY - equal to 35.3% compared to the plan, realized FDI increased by +8.9% YoY, but newly registered FDI decreased by -48.2% YoY; **(3)** The Government promulgates decrees to extend the deadline for paying taxes, land rent, interest rate support for people and businesses and provide solutions to stabilize prices of commodities, especially gasoline/oil prices, etc, and **(4)** The SBV continues to maintain the same labor union to create conditions for customer support, serving business;
- *World*: **(1)** The Fed, ECB and other central banks around the world continue to tighten monetary policy with the goal of curbing inflation as many countries continue to record high inflation levels for many years; **(2)** The situation of controlling the Covid-19 epidemic in China continues to be complicated, directly affecting the global supply chain and its economic growth prospects and **(3)** The geopolitical conflict between Russia and Ukraine continues to develop unpredictably in addition to more aggressive sanctions and retaliation between the West and Russia, causing the world to continue to be in a state of instability, holding back the momentum of world economic growth.

II. Market outlook in 2022 – "The Hidden Gem"

The stock market in Q2/2022 recorded negative developments with a sharp decline from many "black swan" factors both at home and abroad. In the first 6 months of 2022, BSC has published the 2022 strategy report; Sector reports: fisheries, textile, oil and gas Sector reports, macro update reports, oil price fluctuations in crisis, public investment reports (2nd time) and weekly reports assessing the impacts from major events such as the Fed raising interest rates, Russian-Ukrainian war, CPI (inflation), Chinese real estate market – 3 red lines, Vietnam and periods of economic downturn. In 6M/2022, The Vietnamese market witnessed many "important events" such as the Fed's stronger interest rate pressure, the Russia-Ukraine war, the "market purification" event investigating some leaders of some large corporations, especially in which the risk factor of the world economic recession covered the pessimistic sentiment of the world stock markets said in general and Asia in particular.

In the context that the risk factors are still quite uncertain, BSC considers that it is necessary to determine the market and the world economy and in what cycle is Vietnam in? Accumulated by the end of June, 2022, some sectors recorded better performance than VNI-index (-19.7%) such as Utilities (-1.9% YoY), Information Technology (-6.5% YoY), Retail (-7.9% YoY), F&B (-10.9% YoY), Insurance (-13.8% YoY), Oil and Gas (-14.5% YoY), while some industries such as Banking (-21.1% YoY), Real estate (-22.4% YoY), Chemicals (-24.3% YoY), Construction & Construction (-34.9% YoY) and financial services (-40.5% YoY) recorded significantly stronger declines. **This reinforces the perception that Vietnam has entered a strong recovery cycle and moved towards the pre-crisis zone as well as the Vietnamese market has experienced a bear market and is entering the post-growth period, while the ttck moves faster.**

Figure 1: Change in sectoral selection during economic cycles



Source: BSC Research

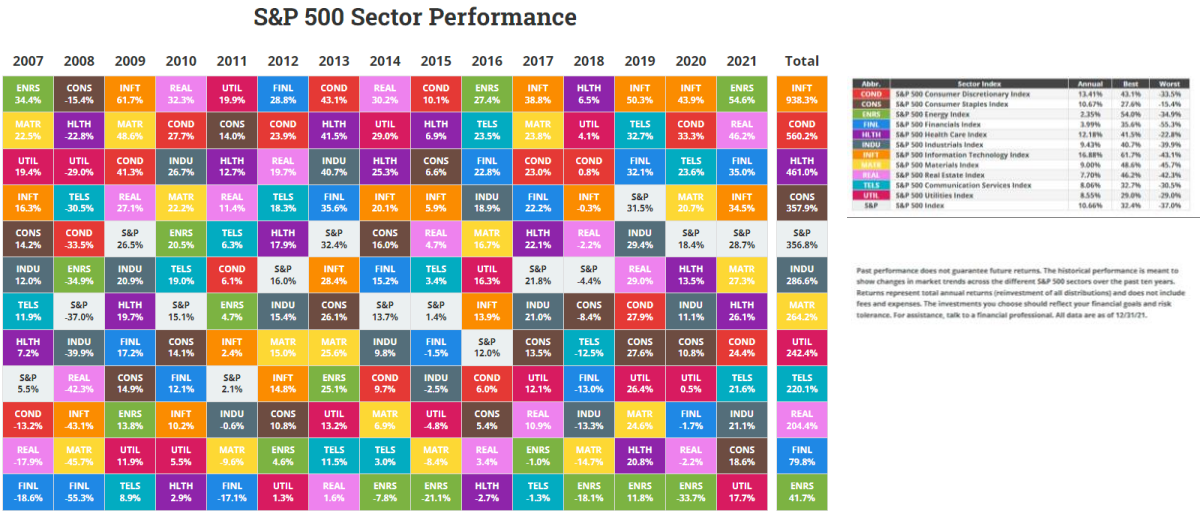
Figure 2: Trading movements of industries from Q1/2017 – Q2/2022

	2017				2018				2019				2020				2021				2022	
Ngành - QoQ (%)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Tiện ích	-5.94%	9.02%	12.71%	29.55%	22.80%	-21.92%	22.33%	-15.91%	11.20%	0.70%	6.31%	-7.45%	-29.06%	19.18%	6.58%	18.93%	3.14%	2.14%	10.49%	6.66%	4.80%	-1.93%
Công nghệ thông tin	4.56%	15.57%	2.45%	15.29%	5.08%	-18.62%	13.36%	-7.58%	7.88%	12.49%	23.31%	-0.22%	-28.25%	28.90%	11.43%	16.44%	27.31%	26.50%	10.69%	5.77%	11.18%	-6.49%
Bán lẻ	7.10%	20.10%	10.86%	23.40%	-11.76%	-1.81%	7.06%	-7.71%	-4.95%	10.33%	30.03%	-9.95%	-43.93%	35.16%	22.79%	19.08%	14.81%	13.17%	26.70%	9.54%	11.38%	-7.85%
F&B	3.60%	5.14%	6.03%	16.84%	6.89%	-14.59%	4.50%	-2.40%	3.84%	-0.08%	-1.47%	-10.72%	-27.11%	23.95%	12.97%	13.87%	-1.72%	2.70%	8.01%	6.50%	-2.25%	-10.86%
Hàng cá nhân & gia dụng	-4.97%	9.90%	-1.11%	6.07%	20.13%	-19.56%	13.12%	-9.04%	8.87%	0.37%	-2.30%	-0.09%	-28.64%	17.40%	5.44%	23.60%	29.88%	4.44%	3.34%	12.59%	7.67%	-11.90%
Bảo hiểm	4.72%	-1.00%	-2.21%	12.19%	31.01%	-14.20%	16.30%	-7.26%	6.14%	-11.24%	-5.55%	-4.53%	-36.31%	16.94%	7.53%	28.90%	-5.49%	6.22%	11.98%	0.49%	10.10%	-13.81%
Dầu khí	0.74%	21.32%	-2.91%	23.87%	5.27%	-26.74%	17.71%	-25.34%	3.11%	1.10%	-6.69%	-10.61%	-35.92%	28.67%	11.74%	21.39%	24.19%	11.12%	-5.06%	11.59%	10.00%	-14.46%
Y tế	21.67%	29.20%	-9.82%	9.48%	-6.03%	-8.66%	1.37%	-10.57%	12.52%	-6.00%	-2.74%	0.16%	-14.18%	15.22%	11.15%	8.29%	4.20%	6.45%	6.93%	8.13%	0.04%	-16.80%
Hàng & Dịch vụ công nghiệp	6.69%	4.63%	16.84%	35.66%	-0.96%	-10.24%	0.85%	1.74%	5.58%	4.17%	-6.37%	-3.32%	-30.81%	22.15%	12.86%	18.82%	-2.53%	10.36%	11.90%	5.74%	9.09%	-17.93%
Du lịch giải trí	-10.97%	-1.91%	10.30%	39.24%	30.55%	-19.39%	12.16%	-16.84%	7.67%	7.78%	-3.20%	1.41%	-34.78%	19.41%	-0.42%	12.41%	7.13%	-7.68%	7.68%	0.55%	7.13%	-18.40%
VNIndex	7.49%	7.50%	3.60%	22.35%	19.33%	-18.19%	5.87%	-12.25%	9.88%	-3.14%	4.91%	-3.57%	-31.06%	24.54%	9.71%	21.95%	7.93%	18.22%	-4.72%	11.64%	-0.41%	-19.65%
Ngân hàng	10.55%	13.29%	-1.61%	34.45%	40.08%	-25.57%	8.98%	-14.38%	11.00%	-5.37%	13.72%	6.13%	-27.22%	25.67%	12.67%	24.11%	12.08%	31.31%	-13.11%	11.23%	2.25%	-21.14%
Bất động sản	9.47%	6.20%	8.18%	24.74%	32.47%	-3.61%	-1.36%	-7.14%	16.85%	-3.45%	6.98%	-2.58%	-30.10%	21.31%	6.19%	23.31%	15.11%	14.95%	-7.92%	22.20%	-6.86%	-22.40%
Hóa chất	4.68%	11.74%	-0.26%	-3.81%	-6.16%	-5.04%	3.61%	10.80%	8.94%	0.01%	4.23%	-15.76%	-16.11%	30.69%	18.35%	76.72%	0.34%	21.21%	13.22%	12.63%	5.53%	-24.36%
Viễn thông	10.56%	-10.69%	-2.86%	5.76%	4.36%	-2.53%	36.58%	-45.57%	53.43%	11.20%	18.83%	-19.89%	-18.88%	37.85%	2.70%	20.68%	19.13%	-9.84%	5.14%	-5.69%	10.47%	-28.83%
Ô tô và phụ tùng	3.89%	7.05%	-15.19%	13.95%	-0.15%	-7.94%	13.46%	-16.64%	14.16%	-6.68%	12.00%	17.68%	-35.00%	24.77%	12.20%	4.79%	13.79%	-0.18%	1.78%	38.09%	-7.16%	-30.92%
Xây dựng & VLXD	18.04%	-11.10%	6.94%	17.55%	-10.86%	-25.42%	4.24%	-5.02%	1.45%	-2.91%	3.51%	-8.71%	-19.34%	18.29%	14.69%	17.86%	13.56%	-0.28%	12.58%	39.72%	4.66%	-34.85%
Tài nguyên cơ bản	6.18%	6.45%	10.08%	13.40%	17.11%	-12.97%	7.72%	-21.32%	5.67%	-5.67%	-2.83%	4.54%	-19.98%	31.44%	15.70%	43.57%	14.87%	37.06%	6.74%	-4.73%	-1.31%	-35.69%
Truyền thông	24.77%	-11.79%	11.86%	-1.00%	-10.98%	-1.11%	-2.94%	10.80%	20.36%	-7.06%	-2.08%	-4.39%	-30.39%	49.58%	-7.25%	-9.26%	39.72%	-5.41%	5.28%	45.06%	2.11%	-40.12%
Dịch vụ tài chính	13.99%	21.60%	2.06%	18.33%	24.95%	-23.19%	12.10%	-21.80%	3.79%	-8.16%	-0.10%	-5.22%	-28.64%	28.76%	16.38%	61.81%	10.26%	54.64%	11.73%	33.18%	-12.15%	-40.45%

Source: BSC Research

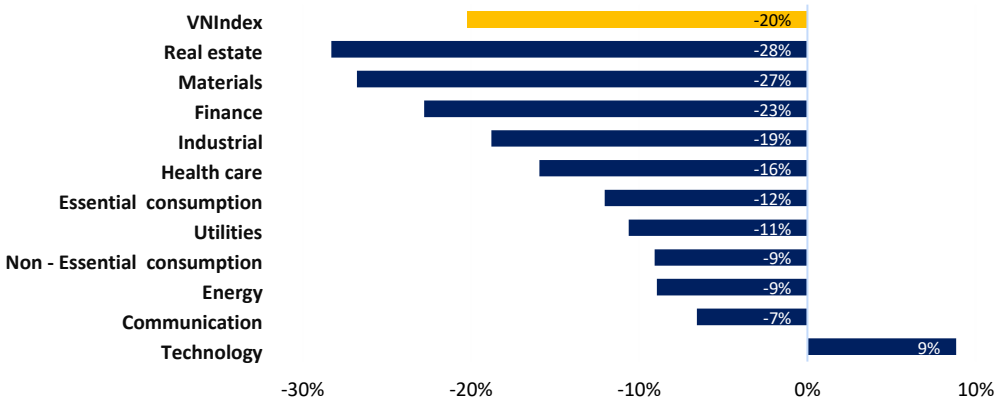
Where is the "storm shelter" during the economic downturn? BSC also has a specialized report on the bear market in Vietnam and economic downturns. Accordingly, central banks around the world are in the race to raise interest rates, which could cause a global recession. However, the BSC believes that thanks to stable macro factors, Vietnam can have enough stamina to withstand the recession. In the event of an economic downturn, the question arises as to which Sectors will be the one best resilient to a recession. Vietnam has experienced 3 global recessions and 1 post-recession period in 2007, but with a nascent stock market, BSC uses data from the S&P 500 to evaluate. **Accordingly, the groups of utilities, essential and non-essential consumption, information technology, pharmaceuticals, services, retail, and energy will be the most resilient Sectors in the crisis period.** This is also quite similar to the Sectors movement of VN-Index in the first half of 2022, when the information technology Sector (+9% compared to the beginning of the year), telecommunications (-7% compared to the beginning of the year), energy (-9% compared to the beginning of the year), utilities (-11% compared to the beginning of the year), essential consumption (-12% compared to the beginning of the year), Non-essential consumption (-9% compared to the beginning of the year) healthcare is the Sectors with better performance than VN-Index (-20% compared to the beginning of the year) and other Sectors.

Figure 3: Which Sectors is the most resilient to the crisis



Source: Novel Investors

Figure 4: Growth performance of accumulated Sectors from the beginning of the year to 18/07/2022

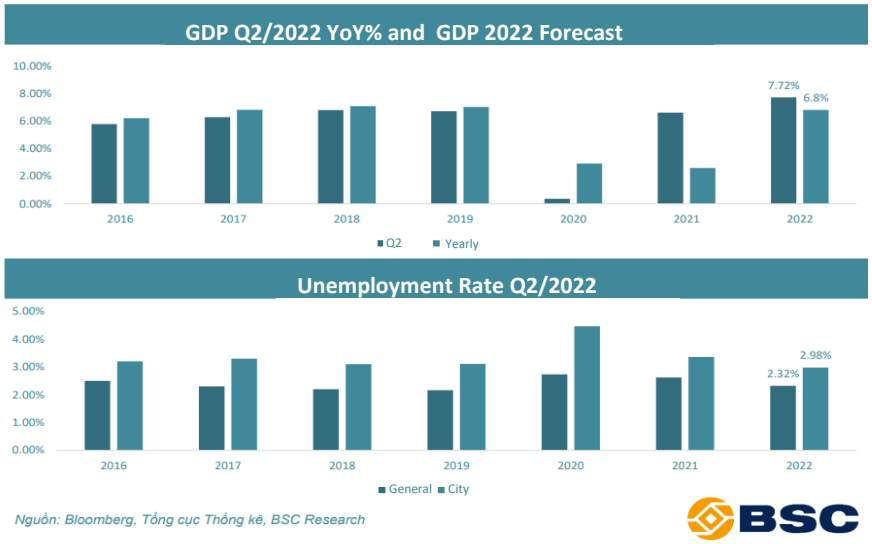


Source: FiinPro

As usual, BSC continues to give key updates on macro and stock markets in Q2/2022.

1. Vietnam's economic growth forecast remains positive. GDP growth rate in Q2/2022 reached 7.7%, higher than the same period in 2021 and 2020 thanks to: **(1)** Expanded production and business activities; **(2)** Trade agreements and **(3)** The recovery of domestic and international consumption. However, given the risk of the global economy falling into recession, these factors may be limited. Investors can refer to more updates on the macro situation in the macro report June 2022: Positive macro – the market returns to the corrective trend.

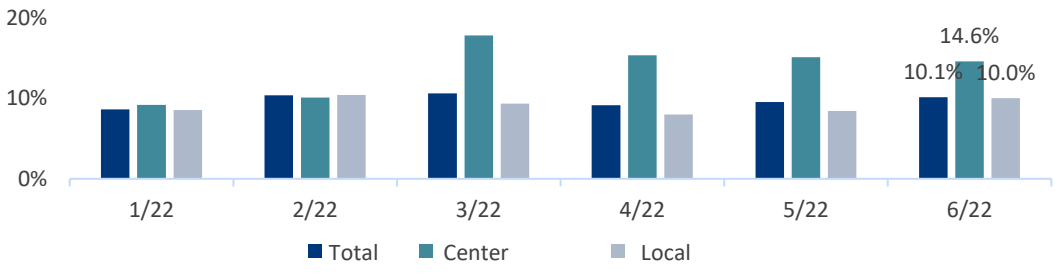
Figure 5: Q1/2022 GDP and estimated GDP 2022



Source: Bloomberg, BSC Research

2. The Government continues to promote the disbursement of public investment. By the end of June 2022, according to GSO data, the total disbursed state budget capital is estimated at 27.9% of the plan, up by 10.1% over the same period. The main reason for the slow disbursement of public investment capital is that **(1)** new start-up projects are in the process of completing bidding procedures and in Q1/2022 ministries and agencies are finalizing plans for public investment capital allocation and operation negotiations and **(2)** The price of construction materials has increased sharply, causing the project construction progress to be slowed down. However, the government also introduced measures to promote such as **(1)** Termination of contracts with contractors who do not complete the contract, do not meet the quality of progress and **(2)** Transfer and cut capital sources of units that are slow to allocate to other units, etc.

Figure 6: Monthly disbursement rate of public investment over the same period (%)



Source: General Statistics Office, BSC Research

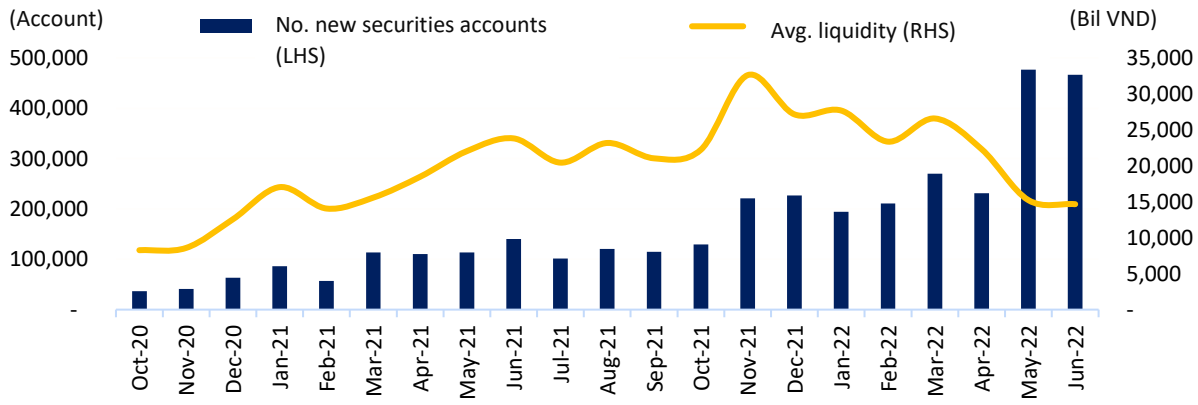
Figure 7: Total value of public investment plan (unit: VND billion)

Total value of public investment plan (billion VND)	2016	2017	2018	2019	2020	2021	2022FC		2023FC	
	274,561	307,661	352,017	383,336	512,037	502,263	533,010		553,477	
% Implementation of the 12-month plan							S1	S2	S1	S2
Total	97.83	94.41	92.3	89.46	91.13	84.3	80	90	90.4	95
Center	95.33	91.13	89.94	85.29	91.42	81.2	80	90	89.4	95
Local		95.38	92.84	90.25	91.06	85.0	80	90	90.6	95
Growth (% YoY)										
Total	15.09	7.23	12.52	5.81	34.45	-8.60	0.7	13.2	4.3	9.6
Center	14.89	3.91	-6.14	-12.03	59.69	-8.25	12	26.3	3	10
Local	15.15	8.21	17.75	9.78	29.95	-8.68	-1.7	10.5	4.5	9.6

Source: BSC Research

3. The total number of accounts as of the end of Q2/2022 continued to record a strong increase, especially in May - June 2022, but liquidity did not record a commensurate increase. Accumulated by the end of Q2/2022, the total number of new accounts reached nearly 1.85 million accounts. Accordingly, the number of securities accounts is estimated at 6.2% of the population assuming everyone owns an account. Although, the number of securities accounts recorded a record increase in May-6, market liquidity did not increase correspondingly, but recorded a sharp decline on average of about 15,000 billion VND/session (compared to the peak of ~30,000 billion VND/session). This may be partly affected by the sharp decline in the market as well as the fact that investment opportunities are more difficult, causing cash flow to be mainly in the waiting period. In the long term, this is still a positive factor showing that the stock market is still an investment channel that attracts great attention from people.

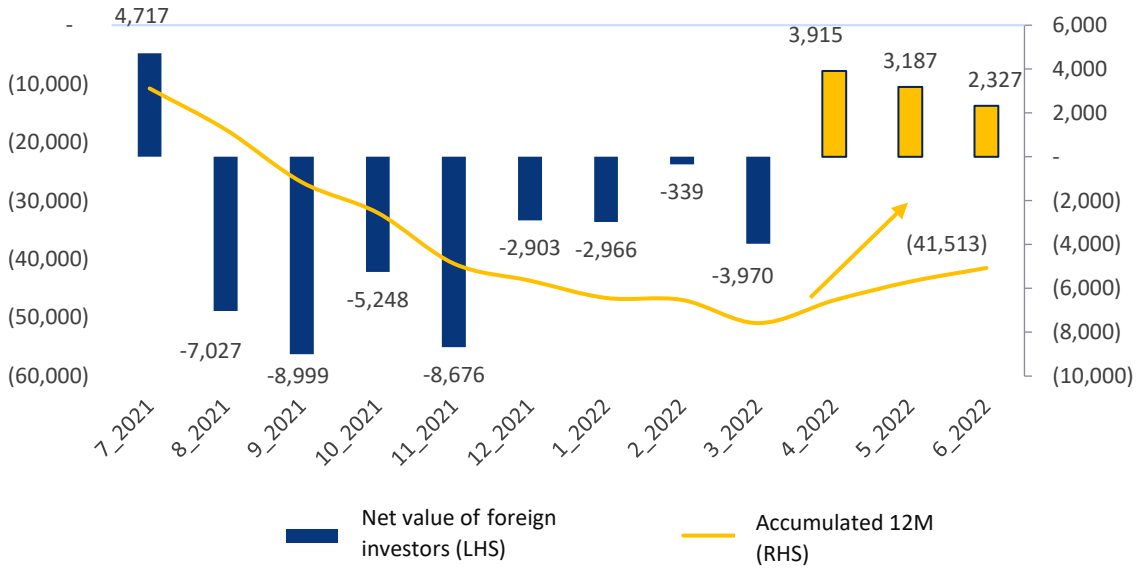
Figure 8: Number of new personal accounts opened



Source: VSD, BSC Research

4. Foreign capital flow improved positively. **(1)** The sharp decrease in the size of net selling and **(2)** the reversal of the net buying status of foreign investors is a rare positive factor in the context of the market recording a sharp correction compared to the beginning of the year. BSC expects this trend to continue in the second half of 2022 and will lead the trend of the market when the market valuation is still at an attractive level compared to history.

Figure 9: Foreign net transaction value



Source: FiinPro, BSC Research

5. Divestment and equitization activities have not yet had positive developments. Accumulated by the end of Q2/2022, corporations have divested capital in enterprises with a value of VND 382 billion, earning VND 2,180 billion, of which: State Capital Investment and Business Corporation (SCIC) has sold capital in 06 enterprises with a book value of VND 69 billion, earned VND 475 billion; Vietnam Post Corporation divested its stake in Post Office Joint Stock Company with a book value of VND 182 billion, earning VND 1,409 billion. In addition, SCIC also announced the list of divestments in 2022, according to which some corporations of previous interest such as FPT, SAB, VGT, NTP are missing, some of the remaining corporations will be interested in the market such as BMP, NTP, QTP, HND will receive more attention of the market. According to BSC's assessment, divestment activities are still relatively slow compared to the set plan, in the second half of 2022 BSC believes that it will be unlikely to have a spike in the implementation of divestment.

Figure 10: List of divestments of some notable listed companies (unit: Billion VND)

STT	Company Name	CP code	Charter Capital	State Capital	Proportion (%)
1	Binh Minh Plastic Joint Stock Company	BMP	818	0.2	0.02%
2	Vietnam Seafood Corporation – JOINT STOCK COMPANY*	SEA	1,250	792	63.4%
3	Vietnam Electronics and Informatics Joint Stock Corporation	VEC	438	385	88%
4	Vinacontrol Group JOINT STOCK COMPANY	VNC	105	31.5	30%
5	Bao Minh Corporation*	BMI	914	463	50.7%
6	Construction Materials Corporation No. 1	FIC	1,270	509	40%
7	Quang Ninh Thermal Power Joint Stock Company	QTP	4,500	514	11%
8	Licogi Corporation	LIC	900	366	41%

Source: SCIC, BSC Research

6. Positive profit growth in 2022 is a supporting factor for the market, BSC adjusts profit after tax growth of BSC enterprises track list from 22% to 28% (Figure 11). In the strategy report at the beginning of 2022F, BSC offers a profitable growth scenario for the BSC Sector (estimated to account for ~70% of the market capitalization). As of Q2/2022, BSC revised up its profit growth forecast to 28% thanks to several sectors adjusted for increase such as Sector (+159% YoY), Seafood (+104% YoY), Utilities (+49% YoY), Banking (+41% YoY), Oil & gas (+78% YoY), Retail (+30% YoY). The growth momentum of the industries comes from several factors such as **(1)** the Russian-Ukrainian war pushed up the price of raw materials; **(2)** the post-Covid-19 recovery of the US, the European Union and **(3)** extraordinary profits came from some industries such as Banking.

Sectors adjusted downwards compared to the beginning of the year include Real estate (+9% YoY), Food and Beverage (-13% YoY), Construction materials (-21% YoY) due to several factors such as **(1)** sharp increase in input commodity prices in the first half of the year and **(2)** tightening on real estate credit capital.

Accordingly, BSC assessed that in 2022, the profit of the Sector and VN-Index still recorded strong growth, thereby supporting the market's valuation continue to remain attractive. ***However, the Sectors that adjusted sharply up were mainly Sectors related to the cyclical factor. In the context that commodity prices are tending to adjust, strong profit growth in 2022 will create a high foundation for 2023, thereby creating pressure for maintaining profit growth in 2023.***

Figure 11: Sector after-tax profit growth (list of BSC stocks recommended and tracked)

Đầu năm 2022

Tăng trưởng LNST theo ngành	2021	2022F
Hàng không	-56%	165%
Tiện ích	-1%	31%
Bán lẻ	35%	29%
Ngân hàng	22%	24%
Xuất khẩu	47%	25%
Cảng biển	118%	24%
Dầu khí	176%	23%
CNTT – Viễn thông	19%	22%
Bất động sản	34%	20%
Thực phẩm & Đồ uống	40%	17%
VLXD	118%	-14%
Tổng cộng (%)	50%	22%

Giữa năm 2022

Top ngành tăng dự báo lợi nhuận

Tăng trưởng LNST theo ngành	2021	2022F	Tỷ trọng danh mục theo dõi / Vốn hóa ngành
Xây Dựng	-153%	274%	20%
Công nghiệp	118%	159%	19%
Thủy sản	20%	104%	91%
Dầu khí	176%	78%	98%
Cảng	197%	53%	37%
Tiện Ích	-1%	49%	69%
Bán lẻ	35%	30%	96%
Ngân hàng	23%	41%	100%
Top ngành giảm dự báo lợi nhuận			
Bất động sản	34%	9%	77%
Thực phẩm và đồ uống	40%	-13%	68%
VLXD	154%	-21%	79%
Top ngành không đổi			
Hàng Không	-28%	150%	93%
Dệt may	72%	29%	41%
Công nghệ thông tin	22%	27%	92%
Viễn Thông	2%	23%	100%
Dược phẩm	16%	12%	36%
Tổng cộng (%)	50%	28%	

Source: BSC Research

2022 may be a difficult year but also opens "great opportunities" in 2023 – Market valuations are already at attractive levels. With the market recording a strong correction from the beginning of April, the market's trailing PE is trading at 12.5 times on 27/07/2022, below the level of -1.5 times the standard deviation (PE = 13 times), equivalent to the time when the VN-index was affected by the Covid epidemic (March 2020). With the outlook for profit growth of many Sectors remaining high, it is expected that at 28% NPAT growth for the BSC stock group to follow, equivalent to eps growth after dilution of about 18% (the dilution rate for the period 2019-2021 is 5%). BSC said that this will be a

"great opportunity" for long-term investment goals 2023-2024 in the condition that Vietnam's economy can withstand the pressure of fed interest rate increases, inflation and continue to maintain growth. Compared to other countries in the PE FWD of Vietnam (9.7 times) still recorded an attractive level compared to the regional average (12.9 times).

Figure 8: VNIndex P/E ratio

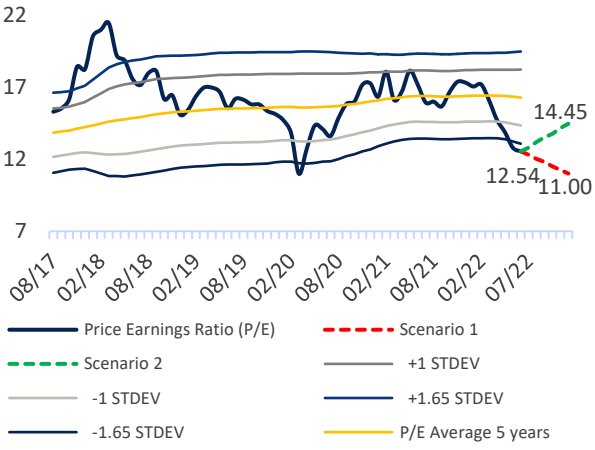
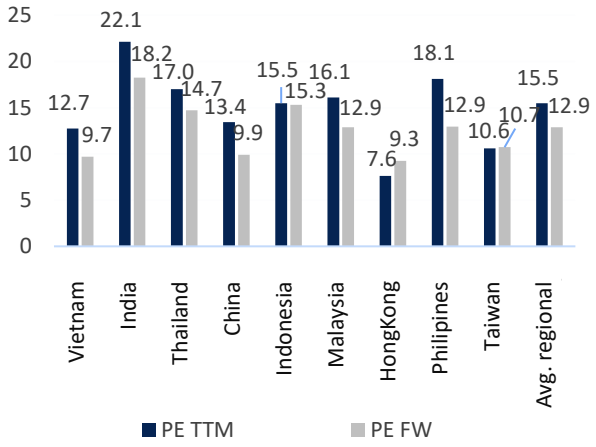


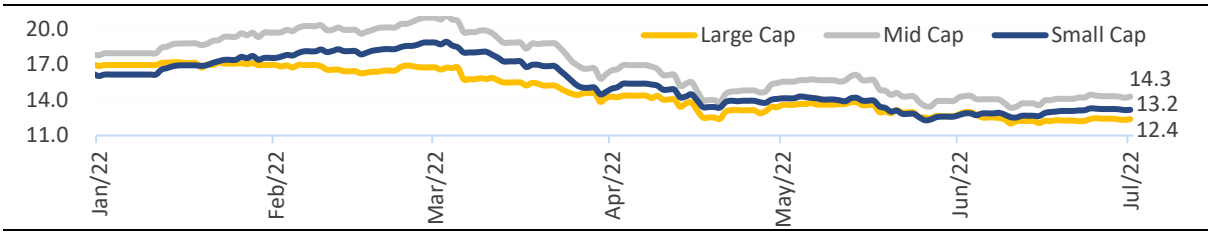
Figure 9: PE TTM and PE FW some markets



Source: FiinPro, BSC Research forecast

According to Bloomberg data and BSC calculations, BSC is divided into 3 groups: large-cap group (>15,000 billion), medium-cap group (3,000 billion to =<15,000 billion), small-cap group (<=3,000 billion). We can see that after a good period of growth in Q1/2022, the capitalization and small-cap groups have also recorded a concurrence in the correction of the market along with large-cap stocks. In terms of valuation, the profit growth of the large-cap group in the second half of 2022 continues to be expected to record double-digit positive levels in the context that the stock price is also at an attractive discount with PE at only 12.4 times, as of 27/7/2022. ***Do that we expect the group of large-cap stocks to be the focus of the market in the second half of 2022.*** For small and medium-sized stocks, cooling commodity prices will be a "headwind" that makes the profit outlook less optimistic while the valuation of small and medium-cap industries is still higher than that of large-cap industries.

Figure 12: PE by Sectors: Large cap, Mid-cap, and Small Cap



Source: Bloomberg, BSC Research

Banks, Real estate, Construction materials, Seaports and Utilities are Sectors with attractive valuations compared to the 5-year average. As mentioned above, these are the Sectors that expect to record good profit growth, accompanied by attractive valuations compared to the 5-year median. Although some sectors still maintain a good profit growth rate in 2022 such as Retail, Seafood, Textiles, Information Technology, the above factor has partly reflected in the price, so this is a group whose valuation is no longer attractive compared to the above group. Therefore, BSC continues to expect the above group to have good performance compared to the rest in the second half of 2022. At the heart of cash flow are businesses with good fundamentals that have their own stories with profitable growth factors and healthy balance sheets.

Figure 13: Valuation of Sectors

Sector	P/E trailing	5-year P/E median	2022 FW P/E (Expected P/E)	% Change
***Real Estate (P/B)**	2.0	2.7	1.4	93%
Construction Materials	3.6	8.4	4.5	87%
Oil & Gas	12.8	16.7	9.0	86%
Sector	9.4	9.3	5.2	79%
Construction	23.1	11.3	6.8	66%
***Banking (P/B)**	**1.4**	**1.6**	**1.2**	**33%**
Seaports	12.2	13.4	10.3	30%
Utilities	11.6	11.5	9.0	28%
Telecommunication	20.0	19.4	16.6	17%
Food & Beverage	13.8	19.9	17.9	11%
Fisheries	11.1	7.7	7.2	7%
Retail	17.6	14.5	14.7	-1%
Textile	8.7	6.1	6.9	-12%
Information Technology	16.1	11.8	13.6	-13%
Aviation	-28.6	19.3	-47.9	-140%

**Change: The difference between the expected P/E and the 5-year P/E median.*

Source: Bloomberg, BSC Research

Figure 14: P/E and P/B comparison of sectors versus regions (Average PP usage not in % capitalization)

	Vietnam		Median		Indonesia		Malaysia		Philippines		Thailand	
	P/E	P/B	**P/E**	**P/B**	P/E	P/B	P/E	P/B	P/E	P/B	P/E	P/B
Finance	10.6	1.30	**13.2**	**0.82**	14.6	0.85	13.7	1.08	11.9	0.72	12.7	0.8
Consumables	10.6	1.25	**14.1**	**1.16**	10.6	1.21	13.7	2.09	19.5	1.01	14.4	1.1
Sector	11.2	1.12	**15.5**	**1.04**	13.7	0.95	17.2	0.97	13.6	1.20	19.7	1.1
Oil & Gas	17.5	1.39	**11.1**	**0.93**	11.7	0.73	50.0	4.19	10.4	0.26	6.4	1.1
Consumer Services	20.5	1.88	**16.2**	**1.32**	18.0	1.37	11.3	1.26	20.6	1.69	14.4	1.1
Materials	8.0	0.75	**8.5**	**1.74**	9.1	1.28	14.2	2.20	5.6	2.28	7.9	0.9
Utilities	10.0	1.89	**13.4**	**0.99**	9.5	1.02	18.0	0.81	13.3	1.24	13.4	1.0
Technology	14.3	2.43	**15.9**	**2.49**	16.4	3.07	N/a	N/a	N/a	N/A	15.4	1.9
Health care	14.0	2.38	**14.6**	**2.53**	14.6	2.02	29.8	2.53	N/a	N/a	12.8	2.8
Telecommunication	18.9	4.79	**22.7**	**2.83**	16.9	2.17	30.0	3.50	22.9	3.50	22.5	1.6

Source: Bloomberg, BSC Research

III. Economic cycle and Sector valuation acceptance

In the first half of 2022, macro instability factors caused by the Covid-19 epidemic such as **(1)** breaking the production chain due to China's Zero Covid campaign; **(2)** stagnant trade, rising commodity prices due to the Russia-Ukraine war, and **(3)** strong inflation in many countries are affecting the identification of economic cycles that pose the risk of a world economic recession. Vietnam with high economic openness is also in the above spiral and has an impact on economic growth, but the internal economic strength is still maintained well through GDP still maintaining high growth. Vietnam's current economic indicators show that we **are in a period of decelerating growth**, typically because most signs such as inflation is starting to rise, deposit rates with long-term trends are starting to rise again, the government is starting to tighten economic policies, the stock price fell after the peak.

Figure 15: Economic cycles and signs

Economic cycle	Inflation	Policy economic	Market signs
Initial restoration (Initial Recovery)	Reducing inflation	Stimulate	Short-term interest rates are low or falling. Long-term interest rates hit the bottom and bond prices peak Stock price begins to rise.
Pre-growth (Early Upswing)	Low inflation Economic grows well	Reduce Stimulation	Short-term interest rates rise. Long-term interest rates bottom out or rise – bond prices start to fall. Stock price rises
Post-growth (Late Upswing)	**Rising inflation**	**Start tightening**	**Short-term and long-term interest rates rise, bond prices fall.** **Stock prices fluctuate around the peak.**
Deceleration (Slowdown)	**Inflation continues to rise**	**Reduce tightening**	**Short and long-term interest rates peak and start to fall with bond prices rising again.** **Stock price fells.**
Economic depression (Recession)	Inflation peaks	Easing	Short- and long-term interest rates fell, and bond prices continued to rise. The stock price shows signs of rebounding towards the end of the Recession cycle.

Source: BSC Research

IV. Policies and events that may affect sector performance 2022

The domestic and international macro events, along with policies amended and supplemented with new regulations will have a mixed impact on many different levels of the stock market in general and businesses. BSC has listed important policies and events worth noting in 2022:

Not affected yet: ✗ In effect: ✓ Affected: ⏻

Figure 16: Notable important policies and events in 2022

No	Policy and Macro Information Disclosures	Day effect	Influence	Level of influence	Status 09/08/2022
International Macro Policy and Economic Events					
	Monetary policy				
1	FED: tightening monetary policy, raising interest rates	26/01/2022	Negative	Very strong	✓
2	PBoC: China's economy slows, RMB falls	Q2/2022	Negative	Very strong	✓
3	ECB: switching to monetary tightening policy, starting to raise interest rates from July 07	27/07/2022	Negative	Strong	✓
4	The price of raw materials and goods peak	05/2022	Mixed	Strong	✓
Regional Macro Policy					
5	US-China trade war	22/03/2018	Mixed	Strong	✓
6	OPEC meeting	03/08/2022	Mixed	Strong	✓
7	G7 Meeting	28/06/2022	Mixed	Medium	✓
Domestic Macro Policy and Economic Events					
	Law Amendment Policy				
1	Economic stimulus package	02/2022	Positive	Strong	✓
2	Public-Private Partnership (PPP) Investment Law	2021	Mixed	Strong	✓
3	Amendments to the Land Law	2023	Mixed	Strong	✗
4	Revised Securities Laws	01/01/2021	Positive	Strong	✓
5	Falling gas prices	01/07/2022	Negative	Medium	✓
6	Vietnam upgrades primary market to FTSE	09/2022	Positive	Strong	✗
7	Easing monetary policy	07/2022	Negative	Medium	✗
8	Promoting equitization and divestment of state-owned enterprises		Mixed	Medium	✓

No	Policy and Macro Information Disclosures	Day effect	Influence	Level of influence	Status 09/08/2022
	Monetary policy				
8	Deposit and interbank interest rates rise, State bank net selling of T-bills	21/06/2022	Negative	Strong	✓
9	The minimum capital adequacy ratio of banks is at 8%	01/01/2020	Mixed	Medium	⏻
	Securities Policy				
10	Allow the sale of securities pending return	2023-2024	Positive	Strong	✗
11	Depository certificates, non-voting depository certificates	2023-2024	Positive	Strong	✗
12	Scheme for grouping listed shares, widening the trading range	2023-2024	Mixed	Strong	✗
13	Listing and raising capital at commercial banks	2023-2024	Positive	Strong	✗
14	Raising public company conditions	2023-2024	Mixed	Medium	✗
15	Implementing T+2 trading, towards T+1.5, applying the KRX stock trading system	End of 08/2022	Positive	Strong	✗
Free Trade Agreements					
1	EVFTA	01/08/2020	Positive	Strong	✓
2	UKVFTA	31/12/2020	Positive	Strong	✓
3	RCEP ASEAN	01/01/2022	Positive	Strong	✓

Source: BSC Research

V. Market Outlook 2022

INVESTMENT TOPICS 2022

Sector groupsuffers best in crisis

Outperform		Neutral
Oil & Gas	GAS, PLX, PVD, PVS, PLC, BSR	
IT – Post and Telecommunications	FPT, CTR, ELC	
Retail - consumption	MSN, MWG, PNJ, DGW, PET, VNM	
Electricity	HND, QTP, POW, NT2, REE	

Sector with Best Pricing

Outperform		Neutral	
Bank	Bank stocks	Commercial Real Estate	VHM, DXG, KDH, NLG, VRE, NVL
Industrial Park	BCM, KBC, LHG, NTC, GVR, IDC, SZC	Steel	HPG, HSG, NKG
Construction stone	CTI, DHA, KSB	Sea transportation	VOS, PVT
Seaports	GMD		

High-growth Sector groups

Outperform		Neutral
Aviation	ACV, SCS	
Fisheries	VHC, ANV	
Breed	DBC	

Other Sector groups

Outperform		Neutral	
Food	LTG	Textile	MSH, TNG
Automobile	VEA	Cement	HT1, BCC
		Non-life insurance	BMI, PVI, MIG
		Construction	CTD, CTI, CII
		Fertilizers – Chemicals	DPM, DCM, DGC, CSV

Sector	View	Highlight	Stock
I/ Sectors that are best able to withstand the crisis			
Oil & Gas	Outperform	• Oil prices fluctuated sharply, and returned to around the $100 per barrel mark; • Supply in the short term has not been able to increase again due to the impact of Russia-Ukraine tensions and the caution of major producers; • Despite concerns about a global economic slowdown, demand for gasoline has remained high; • Business results in the first half of the year of oil and gas enterprises have a clear divisions; • BSC holds **POSITIVE** view on the oil and gas sector group in 2022 assuming the world oil price reaches an average of 100 USD/barrel, and recommends BUY with GAS, BSR, PVT.	GAS, PLX, PVD, PVS, PLC, BSR
IT– Post & Telecommunications	Outperform	• Information technology sector revenue in the first 5 months of 2022 is estimated at VND 1,321 million billion (~USD 57 billion), up 8.5% YoY; • In 2022, BSC believes that the outlook for the Technology and Telecommunications sector is positive due to **(1)** the trend of digital transformation continues and investment in Intelligent Transports System by the Government and **(2)** 5G networks promoting business activities of telecommunications enterprises; • We continue to maintain **POSITIVE** view on the Information Technology – Post and Telecommunications sector in 2022.	FPT, CTR, ELC
Consumer – Retail	Outperform	• Double-digit growth of the retail sector in 6M/2022, due to **(1)** the low background of the same period and **(2)** the selling price of goods continues to increase when fuel prices increase; • Facing the declining purchasing power of the retail consumer sector in the second half of 2022; • COVID-19 accelerates a comprehensive revolution in the retail sector in the medium term; • BSC maintains **POSITIVE** for retail sector in 2022**.**	MSN, MWG, PNJ, DGW, PET, VNM
Electricity	Outperform	• Commercial power output 6T2022 grew by +3.8% YoY. • The La Nina cycle that continues until the end of the year is positive news for hydroelectric power plants. • Power Plan VIII aims to develop LNG thermal power and wind power by 2030. • We changed our position from **NEUTRAL** to **POSITIVE** for the Power sector.	HND, QTP, POW, NT2, REE

Sector	View	Highlight	Stock
II/ Sectors with the best valuation			
Bank	Outperform	• In 2022, BSC expects credit demand to continue at a high level of ~14%, supported by **(1)** continuing to recover the economy after the epidemic and **(2)** estimated support package of ~350,000 billion VND in the next 2-3 years. We expect credit to be reissued in Q3/2022, in the context that by the end of Q2/2022, credit growth of the whole sector has reached 9.35% compared to the beginning of the year; • Asset quality is under control. We believe that banks are now controlling their balance sheets well, thereby limiting risks from economic fluctuations; • Lending and deposit rates tend to increase by an average of 50 bps in the first half of 2022; • Currently, the banking sector is valued at 1.2x P/B F 2022 as of 25/7/2022, we believe that the financial health of banks today deserves a higher valuation than at present time. Therefore, we uphold the **OUTPERFORM** recommendation for the banking sector in 2022.	Bank stocks
Industrial Park	Outperform	• Vietnam remains a potential and attractive destination for overseas industrial manufacturers in the context that FDI activities on an international scale have not recovered yet; • The sector is supported by the "Unlocking" of industrial park land supply in 2021 and the trend of project reallocating to tier 2-3 provinces; • Connected transport infrastructure and social infrastructure will solve the "logistic bottleneck" and human resources, directly supporting the industrial real estate sector; • BSC maintains the **OUTPERFORM** recommendation of the industrial park real estate sector.	BCM, KBC, LHG, NTC, GVR, IDC, SZC
Seaports	Outperform	• In 5M/2022, container output through seaports grew slowly, due to slow export demand, demand for importing raw materials affected by the Covid-19 epidemic in China; • Key port clusters first recorded decelerations. In particular, Hai Phong + 6% YoY while the same period +21% YoY. Cai Mep Thi Vai + 8% YoY while the same period >20% YoY; • In Q3, BSC believes that container volume through Vietnam's seaports will be able to grow slightly again – BSC forecasts at +2% YoY thanks to the peak season before the new school year in Europe and the US. • BSC assesses **POSITIVE** for the Seaport sector.	GMD

Sector	View	Highlight	Stock
II/ Sectors with the best valuation			
Commercial real estate	Neutral	• The high-end segment continues to dominate the market in both Ho Chi Minh and Hanoi markets in the context of limited supply led by a few large projects; • The number of apartments for sale in the second half of 2022 is still very low compared to the general demand, especially the mid-end segment; • Corporate bonds are a hot story in 1H2022 that strongly impacts the real estate market; • The maturity fall point is mainly focused on 2023-2024, in which the maturity scale of bonds of real estate enterprises accounts for about 40-45% of the total issuance value; • The maturity scale of bonds listed by real estate enterprises in 2023 only accounts for about 10% of the total maturity value; • We downgraded our rating from **POSITIVE** to **NEUTRAL** for the real estate sector due to "headwind" factors including: **(1)** a gradually rising interest rate environment; **(2)** tighter credit could affect the purchasing power of the market and **(3)** the effect from bond issuance could create pressure on corporate cash flow.	VHM, DXG, KDH, NLG, VRE NVL
Steel	Neutral	• Consumption volume is forecast to remain low in Q3/2022 but may recover in Q4/2022 due to **(1)** seasonal factors; and **(2)** steel prices have decreased deeply to help reduce construction costs; • Gross profit margin of steel enterprises is forecasted to decrease sharply due to sharply reduced selling prices and fluctuations in raw material prices in the first half of 2022; • Cheap pricing with FWD PE of some large enterprises is only 3.0x – 5.5x; • BSC changed its view from **POSITIVE** to **NEUTRAL** for the Steel sector in the second half of 2022.	HPG, NKG, HSG
Sea transportation	Neutral	• Average spot container freight rates decreased by 25-35% compared to the beginning of the year due to **(1)** slowing down import and export activities from the US and EU and **(2)** ship supply bottlenecks gradually improved. • Spot oil freight rates have increased 2-3 times compared to the beginning of 2022 due to **(1)** disruption of the oil supply chain in Europe and **(2)** low ship supply. • BSC recommends **NEUTRAL** for the Shipping sector due to rate concerns in the downward revision trend in the second half of 2022.	VOS, PVT

Sector	View	Highlight	Stock
III/ High-growth Sectors			
Aviation	Outperform	• Domestic passenger volume recovered by 105% over the same period in 2019 thanks to **(1)** well controlled epidemic; **(2)** demand for tourism revenge after 2 years of epidemic and **(3)** new supply from airlines opening more domestic routes; • International passenger volume recovered by 10% compared to the same period in 2019 thanks to **(1)** entry and exit regulations were gradually lifted and **(2)** Vietnam reopened international routes; • The recovery rate of international transport activities is quite fast due to the suppressed demand for tourism after 2 years of the pandemic. In particular, Asia has a slower recovery than Europe due to the following vaccination rollout; • For the whole of 2022, BSC forecasts domestic/international passenger volume to reach 77 (+160% YoY)/3.4 million passengers (+574% YoY), contributing mainly by the recovery from the Korean and US markets; • Oil price +105% YoY, negatively affecting business activities of air transport group; • BSC evaluates **POSITIVE** for the aviation sector thanks to the strong recovery in travel demand after the epidemic.	ACV, SCS
Fisheries	Outperform	• According to VASEP, in the second quarter of 2022, the country's seafood export turnover was estimated at 3.2 billion USD, up 34% over the same period last year: Shrimp increased by 28% YoY, Pangasius increased by 78% YoY; • In the second half of 2022, BSC believes that the growth rate of the seafood group will be slower than in the first half of the year due to **(1)** Fear of inflation and recession risks in the US causing seafood exports to slow down and **(2)** The Chinese market has not shown any sign of opening. However, the low base level of 2021 (due to the Covid epidemic) makes the growth rate of the same period still guaranteed; • BSC maintains **POSITIVE** outlook on the Fisheries sector in 2022	VHC, ANV
Breed	Outperform	• First half of 2022 - Bottom of business results of enterprises in this sector; • Business results will record a positive recovery from the bottom of the first half of 2022 and is expected to last until 2023; • BSC recommends **POSITIVE** for the Livestock sector in the second half of 2022 -2023.	DBC

Sector	View	Highlight	Stock
IV/ Other Sectors			
Food	Outperform	• Winter-spring crop 2021-2022: reduced cultivation area, but improved yield and quality of exported rice; • The situation of rice exports in the first half of 2022 has a relatively positive signal in terms of quantity; • BSC maintains its recommendation from **POSITIVE** for the export rice sector in 2022.	LTG
Automobile	Outperform	• The automobile market grows strongly in the first half of 2022 (+34% YoY); • Growth in the second half of 2022 was supported by a low comparative base in the third quarter of 2021 and the recovery of auto demand during the high season of the fourth quarter of 2022 • BSC maintains **POSITIVE** view of the auto sector in the second half of 2022.	VEA
Textile	Neutral	• In the second quarter of 2022, textile and garment exports continued to maintain a positive growth with a turnover of USD 11.8 billion, up 18% over the same period: textiles increased by 22% YoY, fibers decreased by 7% YoY • In the last six months of 2022, BSC believes that the prospect of textile and garment enterprises will be more challenging: yarn businesses are affected when yarn prices decline while textile businesses will have a slower growth rate compared to the first six months of 2022. • We lower our view from **POSITIVE** to **NEUTRAL** for the Textile and Garment sector in the second half of 2022.	MSH, TNG
Cement	Neutral	• Domestic consumption is expected to recover to pre-epidemic levels. • Export prospects are less favorable, reducing the operational efficiency of many cement enterprises. • Gross profit margin decreased due to the increase in selling price but still not enough to offset the increase in raw material prices, especially coal prices. • BSC changes our opinion from **POSITIVE** to **NEUTRAL** for the Cement Sector in 2022.	HT1, BCC

Sector	View	Highlight	Stock
IV/ Other Sectors			
Non-life insurance	Neutral	• Non-life insurance premium growth in 2022 is forecast at 10% coming from: **(1)** The health insurance segment recovers as high as before the epidemic, and **(2)** Motor vehicle insurance segment has a slight growth as sales of motorbikes and cars slow down in the second half of 2022; • Combined ratio increases again in 2022, as compensation and other expense ratios increase; • The increase in deposit interest rates helps to increase financial revenue; • Sector valuation has been high (PB = 1.6x) compared to the past and other financial sectors; • BSC remains **NEUTRAL** view on the insurance sector in the second half of 2022.	BMI, PVI, MIG
Construction	Neutral	• The civil construction sector is recovering from the low base. However, the expectation of the new growth cycle faces many challenges; • The peak season for construction and profit is in 2023; • Opportunities in 2023 come from the Infrastructure Construction sector; • BSC maintains **NEUTRAL** view on Construction sector.	CTD, CTI, CII
Fertilizers – Chemicals	Neutral	• The civil construction sector is recovering from the low base. However, the expectation of the new growth cycle faces many challenges; • The peak season for construction and profit is in 2023; • Opportunities in 2023 come from the Infrastructure Construction sector; • BSC maintains **NEUTRAL** view on Construction sector.	DPM, DCM, DGC, CSV

Source: BSC Research

VI. Summary of recommended Stocks 2022

Figure 17: Summary of recommended stocks 2022

Ticker	Rev 2022 (Billion VND)	%YoY	NPATMI 2022 (Billion VND)	%YoY	EPS 2022 (VND/cp)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price 09/08/2022	Target price	Upside
GAS	105,313	32%	13,438	60%	6,605	17.0	3.7	16%	23%	112,000	142,400	27%
PLX	227,946	35%	5,221	62%	2,905	14.5	2.0	5%	15%	42,100	52,300	24%
PVD	4,976	25%	48	30%	61	291	0.7	0%	0%	17,750	19,800	12%
PVS	16,343	15%	718	6%	1,334	18.4	0.9	3%	6%	24,600	28,000	14%
PLC	7,562	10%	202	29%	2,502	11.2	1.5	4%	15%	28,000	30,800	10%
BSR	150,624	49%	14,135	112%	4,513	5.6	1.5	16%	27%	25,120	29,900	19%
FPT	44,068	24%	6,771	26%	4,768	18.1	4.4	17%	26%	86,200	109,000	26%
CTR	8,578	15%	462	23%	4,875	14.3	4.1	11%	30%	69,700	75,800	9%
ELC	1,106	24%	53	10%	970	18.8	1.1	4%	7%	18,200	19,600	8%
MSN	86,075	-4%	7,706	-24%	4,722	22.3	7.5	6%	17%	105,200	147,600	40%
MWG	140,579	14%	6502	33%	8,317	7.6	1.8	10%	25%	63,300	89,900	42%
PNJ	29,705	51%	1,783	73%	6,817	17.1	4.1	15%	24%	116,700	160,300	37%
DGW	25,929	24%	776	18%	4,759	13.4	4.4	10%	37%	63,800	73,200	15%
PET	18,854	7%	253	-4%	2,681	13.8	2.2	12%	3%	37,050	42,900	16%
VNM	63,905	2%	9,985	-6%	4,214	17.1	3.8	18%	28%	72,000	84,140	17%
HND	10,554	17%	870	91%	1790	9.0	1.4	11%	14%	16,174	17,800	10%
QTP	9,095	8%	551	16%	1,224	13.5	1.5	7%	9%	16,493	19,200	16%
POW	27,095	10%	2739	35	1,024	13.7	1.4	5%	9%	14,050	17,100	22%
NT2	9,279	51%	623	17%	2,162	12.3	1.9	9%	15%	26,600	28,500	7%
REE	9,484	63%	2,135	61%	8,423	9.5	2.2	10%	29%	80,400	112,700	40%
BCM	8,447	21%	3,143	124%	2,791	28.1	4.2	6%	17%	78,300	94,300	20%
KBC	12,749	196%	4,068	420%	7,066	5.4	1.1	15%	28%	37,900	43,100	14%
LHG	843	8%	357	21%	6,569	5.3	1.0	12%	21%	34,800	54,800	57%
NTC	483	78%	449	52%	18,134	10.1	4.9	10%	49%	183,980	244,400	33%
GVR	30,856	7%	5,476	8%	1,369	18.4	2.0	8%	12%	25,250	36,000	43%
IDC	6,129	42%	1,364	201%	4,502	13.8	3.1	9%	29%	62,100	N/a	N/a
SZC	1,123	59%	480	53%	4,803	11.1	2.7	7%	24%	53,200	N/a	N/a
GMD	3,730	16%	928	52%	3,078	17.0	1.6	7%	10%	52,400	67,800	29%
VHM	85,991	1%	31,363	-19%	7,203	8.5	1.8	14%	21%	60,900	87,200	43%
DXG	10,736	6%	1,274	10%	2,131	12.7	1.6	4%	12%	27,000	38,300	42%

Ticker	Rev 2022 (Billion VND)	%YoY	NPATMI 2022 (Billion VND)	%YoY	EPS 2022 (VND/cp)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price 09/08/2022	Target price	Upside
KDH	2,211	-41%	1,402	17%	2,181	17.6	1.8	8%	12%	38,350	49,600	29%
NLG	7,434	42%	1,233	15%	3,059	14.1	1.6	4%	12%	43,250	52,200	21%
VRE	9,310	58%	2,541	93%	1,091	26.2	2.0	6%	7%	28,550	34,600	21%
NVL	33,007	80%	6,557	49%	4,458	18.7	3.7	4%	17%	83,300	90,300	8%
HPG	152,594	2%	24,791	-28%	4,255	5.7	1.2	12%	21%	24,100	29,200	21%
NKG	23,900	-4%	1,163	-35%	4,418	4.9	0.8	9%	17%	21,800	N/A	N/A
HSG	52,207	-4%	1,347	-64%	2,729	7.5	0.8	6%	11%	20,550	N/A	N/A
VOS	2,062	41%	523	7%	4,064	4.5	1.7	17%	34%	18,400	20,600	12%
PVT	8,622	16%	1,054	26%	2,685	7.9	0.8	7%	13%	21,150	25,700	22%
SCS	920	10%	640	14%	6,587	13.2	3.3	39%	43%	87,000	100,000	15%
ACV	10,992	131%	5,238	992%	2,406	36.0	4.4	9%	12%	86,708	110,000	27%
VHC	12,378	38%	2,200	101%	11,900	7.1	2.1	27%	34%	84,500	111,000	31%
ANV	6,858	96%	675	X4.2	4,900	10.1	2.1	21%	26%	49,500	55,400	12%
LTG	11,935	17%	300	-28%	3,015	11.8	1.1	10%	3%	35,576	36,200	2%
DBC	13,159	22%	557	-28%	2,176	11.7	0.8	4%	7%	25,500	31,800	25%
VEA	4,421	10%	6,485	13%	4,832	9.5	2.3	25%	25%	46,065	56,000	22%
MSH	5,952	25%	467	6%	6,200	7.6	1.5	13%	26%	47,000	53,000	13%
TNG	6,375	20%	306	31%	3,100	9.2	1.5	7%	20%	28,400	31,400	11%
HT1	9,236	31%	380	3%	995	16.9	1.3	4%	7%	16,800	18,700	11%
BCC	5,026	16%	108	0%	877	18.2	0.9	3%	5%	16,000	N/A	N/A
BMI	3,792	5%	247	-2%	2,253	13.2	1.4	3%	10%	29,650	32,900	11%
PVI	4,655	15%	938	6%	3,821	11.9	1.2	3%	11%	45,400	52,300	15%
MIG	3,327	25%	256	14%	1,559	16.0	2.1	3%	13%	25,000	N/A	N/A
CTD	17,142	89%	293	11x	3,690	17.3	0.6	2%	3%	63,800	84,300	32%
CTI	1,014	33%	98	N/A	1,625	9.5	0.8	2%	8%	15,450	24,600	59%
CII	2,019	-29%	969	N/A	3,662	5.8	0.6	3%	12%	21,100	31,000	47%
DPM	20,182	58%	5,548	78%	14,032	3.5	1.5	33%	43%	48,700	63,100	30%
DCM	14,528	44%	3,102	70%	5,860	5.7	1.8	28%	36%	33,300	40,200	21%
DGC	14,954	64%	6,594	158%	16,900	5.6	3.1	21%	26%	95,200	114,000	20%
CSV	1,805	24%	356	85%	8,000	5.9	1.7	17%	21%	47,400	51,000	8%

Source: BSC Research

VII. Effects of macro factors on Sector

Figure 18: Influence of macro factors on sectors

	Trade war	Russia-Ukraine tensions/ (Oil prices rise)	Fed Raises Interest Rates	European economic difficulties / Brexit / EUR depreciation	Domestic interest rates rise	China's economic growth is slow	CPTPP Agreement	FTAs
Sea transportation	(+/-)			(-)		(-)	(+)	(+)
Real Estate			(-)		(-)			
Construction			(-)		(-)			
Cement					(+)	(-)		
Textile	(+/-)	(-)		(-)	(+)		(+)	(+)
Electricity		(-)		(+)	(+)			
Pharmacy				(+)	(+)			
Plastic		(-)			(+)			
Tire tubes	(+)	(-)				(-)		
Bank	(-)		(-)	(-)		(-)	(+)	(+)
Steel	(-)				(+)	(-)		
Fisheries	(+)			(-)	(+)	(-)		
Petroleum		(+)				(-)		
Fertilizer		(-)			(+)	(+)		
Rubber		(+)				(-)		
Ceramic tiles		(-)			(+)			
Technology		(-)		(-)				(+)
Seaports	(+/-)			(-)			(+)	
Aviation	(+/-)	(-)					(+)	(+)
Automobile							(+)	
Insurance	(-)				(+)			
Retail			(-)		(+)		(+/-)	(+/-)
Food		(-)	(-)		(+)		(-/+)	(+/-)

Source: BSC Research

VIII. Events Calendar

Figure 19: Events Calendar

Month	Day	Vietnam	Day	International
7	16	Maturity of futures contract	1-2	OPEC meeting
	17	ETF VN30 review	22	ECB meets and announces monetary policy and interest rates
	20	Deadline for submission of Q2/2022 financial statements	28	Fed meets and announces monetary policy and interest rates
	30	ETF VFM VN30 changes the proportion of the portfolio		
8	15	Deadline for submission of semi-annual financial statements	11	MSCI Quarterly Index Review
	19	Maturity of futures contract		
	23-27	Ishare MSCI review		
9	06-17	FTSE VN ETF announces portfolio	1	MSCI: The new review list is in effect
	13-17	VNM ETF announces portfolio	9	ECB: monetary policy and interest rate
	16	Maturity of futures contract	22	FED: monetary policy and interest rate
	13-17	ETF VNM, ETF FTSE restructure the portfolio	20-24	FTSE Russell: Annual Market ratings
			15-30	76th session of the United Nations
10	18	ETF VFM VN30 Review	28	ECB: monetary policy
	20	Deadline for submitting Q3/2022 financial statements	31	Brexit deadline
	21	Maturity of futures contract	Oct	IEA annual meeting
	30	ETF VFM VN30 restructure the portfolio		
	Oct	The 2nd Central Conference of the XIII		
11	19	Maturity of futures contract	11	MSCI Semiannual Index Review
	22-26	Ishare MSCI review	3	Fed meets and announces monetary policy and interest rates
	Nov	National Assembly Meeting		
12	04-17	FTSE VN ETF announces portfolio	1	MSCI: The new evaluation list is in effect
	11-17	VNM ETF announces portfolio	15	FED: monetary policy and interest rate
	17	Maturity of futures contract	16	ECB: monetary policy and interest rate
	Dec	ETF VNM, ETF FTSE execute trades		

Source: BSC Research

IX. Sectors Outlook Q2/2022

A. The sector group that is most resilient to the crisis

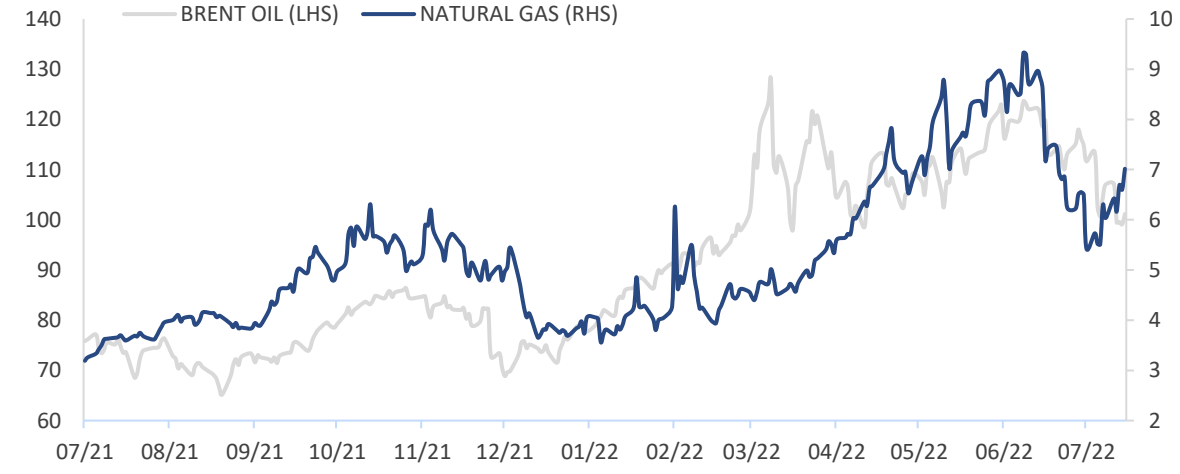
1. Oil and Gas Sector [Positive]

Analyst: Duong Quang Minh *Email: Minhdq@bsc.com.vn*

- Oil prices fluctuated sharply, and returned to around the $100 per barrel mark;
- Supply in the short term has not been able to increase again due to the impact of Russia-Ukraine tensions and the caution of major producers;
- Despite concerns about a global economic slowdown, demand for gasoline has remained high;
- Business results in the first half of the year of oil and gas enterprises have a clear divisions;
- BSC holds **POSITIVE** view on the oil and gas sector group in 2022 assuming the world oil price reaches an average of 100 USD/barrel, and recommends BUY with GAS, BSR, PVT.

The price of oil (Brent) fluctuated sharply and returned close to $100 per barrel. Oil prices, since the beginning of the year, have risen sharply, and have continuously surpassed resistance levels due to expectations of a strong recovery in crude oil demand. However, after approaching the $130 per barrel mark, oil prices witnessed a sharp correction, and returned to the $100 per barrel mark at the end of Q1. The reason for the correction in oil prices mainly comes from concerns about a global economic downturn, causing demand for crude oil and energy in general to fall. Meanwhile, gas prices after the correction period have regained momentum, and have returned to the $7/MMBtu mark as supply from Russia remains fractured from political tensions with Ukraine.

Figure 1. 1: Oil price movements and world gas prices



Source: Bloomberg, BSC Research

However, we think it **will be difficult for oil prices to continue falling soon**, as supply is still tightened. According to EIA statistics, the number of active rigs has not yet been able to return to pre-epidemic levels, and the world is lacking refineries to turn oil into fuel. In addition, OPEC countries are giving fewer positive signals in meeting production targets. In addition, the Russia-Ukraine tension situation is still complicated, making oil supplies from this country continue to be limited soon.

Figure 1. 2: Expected crude oil supply

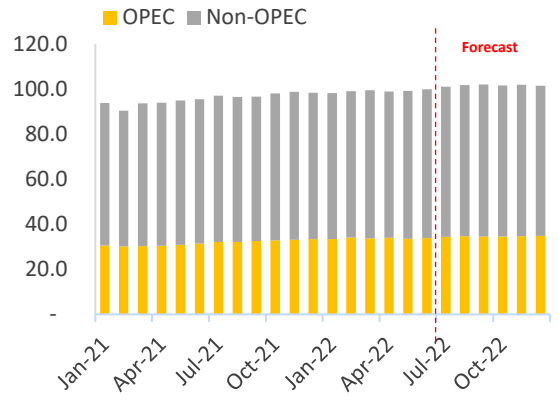
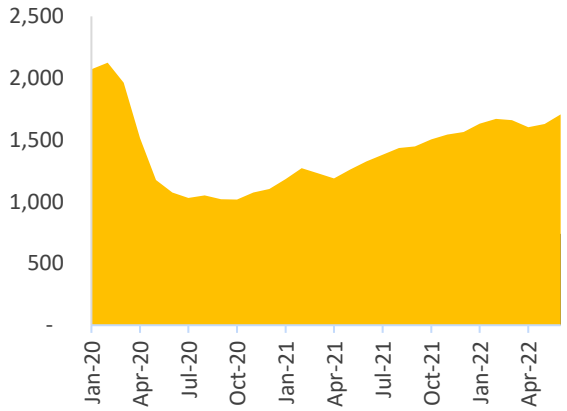


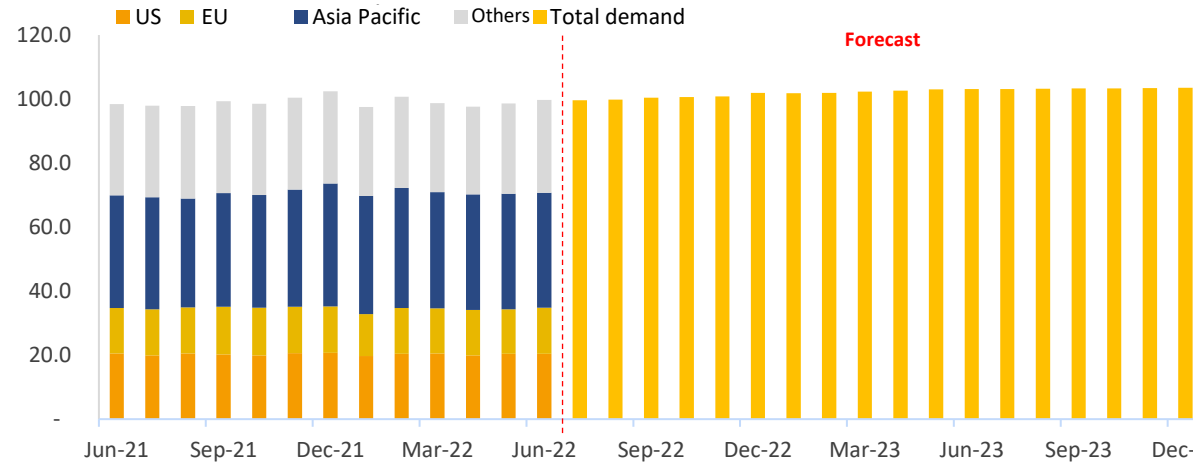
Figure 1. 3: The number of active rigs has not yet been able to return to pre-epidemic levels



Source: IHS, EIA, BSC Research

Meanwhile, **oil demand shows no signs of abating but continues to recover** as economic activity returns. In 6M/2022, total global crude oil consumption has always averaged about 99 million barrels per day, up 3.7% over the same period in 2021. In addition, the limited supply of gas will indirectly push the demand for crude oil to continue to increase. According to the EIA, demand for crude oil is expected to reach about 102 million bpd by the end of 2022 and will continue to grow by 2% in 2023.

Figure 1. 4: World oil and gas price movements



Source: EIA, BSC Research

With the prospect of the economy recovering from the epidemic helping crude oil demand increase again, while the supply growth rate is still relatively slow, along with macro impacts, **BSC raised its forecast for the average oil price for the whole year 2022 to $100 per barrel**, equivalent to the positive scenario in the most recent sector report (details refer to the oil and gas sector outlook report 2022).

Business results in Q2/2022 of oil and gas enterprises have a clear division. BSR, OIL and GAS are enterprises with positive profit growth over the same period, especially BSR with PBT estimated to be more than VND 10,000 billion, an increase of nearly 5 times over the same period. The main reason comes from **(1)** High oil and gas prices helped the semi-finished product prices of these enterprises increase sharply over the same period, and **(2)** Demand for oil and gas recovered positively, when

production, business activities, transportation and industrial electricity use returned after the epidemic. Meanwhile, the business result of PVD (-219% YoY), PVT (-67% YoY) and PVT (-21% YoY) witnessed decline over the same period.

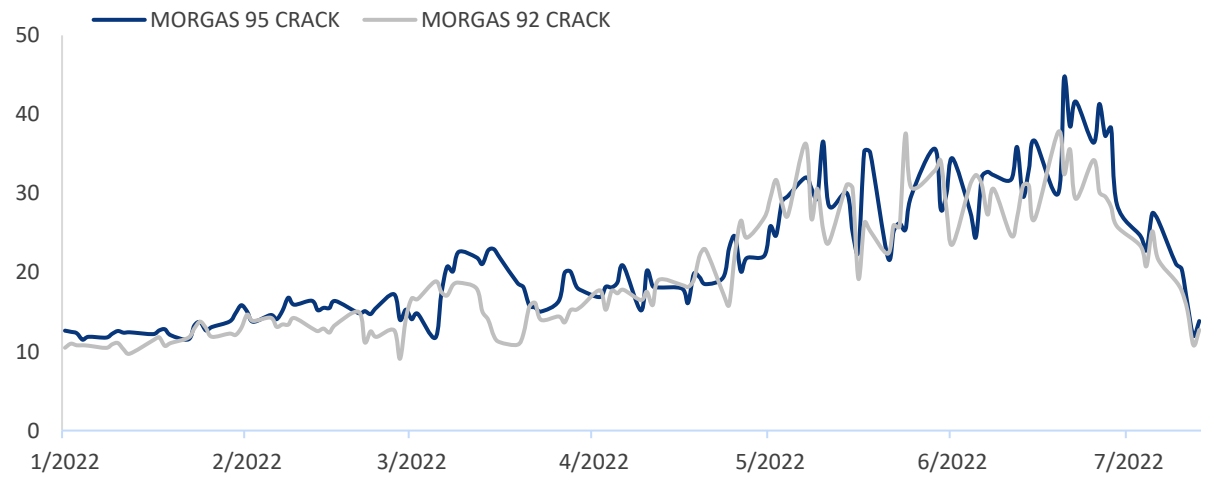
Figure 1. 5: Estimated profit of oil and gas enterprises in the first half of the year

Ticker	Profit Q2/2022 (bil VND)	Profit Q2/2021 (bil VND)	%YoY	Profit 6M/2022 (bil VND)	Profit 6M/2021 (bil VND)	%YoY	Notes
GAS	3,424	2,933	17%	7,805	5,570	40%	NPAT
BSR	10,500	1,758	497%	12,812	3,599	256%	PBT
PVS	69	207	-67%	380	417	-9%	PBT
PVD	-57	48	-219%	-132	-59	124%	PBT
PVT	251	316	-21%	490	568	-14%	PBT
OIL	498	327	52%	851	534	59%	PBT

Source: BSC Research

BSC assesses that **BSR's profit in the second half of the year will not reach the same impressive level as the first half**, due to the constant fluctuation of world oil prices, and crack spreads tend to narrow (expected to reach an average of 15 USD / barrel in the second half of 2022). Meanwhile, some other oil and gas enterprises such as PVT are expected to have more positive business result in the last 6 months of the year, due to benefiting from increased freight rates when re-signing new contracts and recording a sudden profit from the liquidation of old ships.

Figure 1. 6: Crack spreads tend to go down after peaking in June



Source: Bloomberg, BSC Research

INVESTMENT THESIS – POSITIVE

BSC maintains **POSITIVE view on the** Oil and Gas sector in 2022 due to:

- World oil prices continue to remain high, and are forecast to reach the average of $100 per barrel (+37% YoY) in 2022.

- Domestic petroleum consumption is expected to continue to improve, and increase by 4% over the same period in 2021
- Some oil and gas enterprises will have more positive business result in the end of the year.

For the upstream group, BSC offers a neutral view on upstream Tickers such as PVS or PVD in 2022 due to **(1)** the unit price of new signing/renewal services is lower than expected, and **(2)** the progress of new projects this year is likely to be delayed than planned (refer to the PVD updated report).

For the midstream group, we recommend positive for **GAS** with the expectation that profit in the second half of 2022 will continue to grow positively, and the potential from LNG projects in the near future (refer to the GAS update report).

For the downstream group, although crack spreads are trending down sharply recently, BSC still keeps a positive recommendation for **BSR**, as valuations have fallen to attractive levels, and business result in 2022 is forecast to continue to be positive (refer to the BSR update report). In addition, BSC also expects that the divestment of PGBank (Upcom: PGB) at the end of the year will help **PLX** record a significant profit.

Figure 1. 7: Estimated business result of some oil and gas enterprises

Ticker	Net rev 2022 (bil VND)	%YoY	NPAT 2022 (bil VND)	%YoY	EPS 2022 (VND/unit)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 09/08/2022	Target price	Upside
GAS	105,313	32%	13,438	60%	6,605	17.0	3.7	16%	23%	112,000	142,400	27%
PLX	227,946	35%	5,221	62%	2,905	14.5	2.0	5%	15%	42,100	52,300	24%
PVD	4,976	25%	48	30%	61	291	0.7	0%	0%	17,750	19,800	12%
PVS	16,343	15%	718	6%	1,334	18.4	0.9	3%	6%	24,600	28,000	14%
PLC	7,562	10%	202	29%	2,502	11.2	1.5	4%	15%	28,000	30,800	10%
BSR	150,624	49%	14,135	112%	4,513	5.6	1.5	16%	27%	25,120	29,900	19%

Source: BSC Research

2. Information technology – Post and Telecommunications Sector [Positive]

Analyst: Nguyen Cam Tu, CFA *Email: Tuntc@bsc.com.vn*

- Information technology sector revenue in the first 5 months of 2022 is estimated at VND 1,321 million billion (~USD 57 billion), up 8.5% YoY;
- In 2022, BSC believes that the outlook for the Technology and Telecommunications sector is positive due to **(1)** the trend of digital transformation continues and investment in Intelligent Transports System by the Government and **(2)** 5G networks promoting business activities of telecommunications enterprises;
- We continue to maintain **POSITIVE** view on the Information Technology – Post and Telecommunications sector in 2022.

Information technology sector revenue in the first five months of 2022 is estimated at VND 1,321 million billion (~USD 57 billion), up 8.5% YoY. The export value of hardware and electronic products is estimated at nearly 44.8 billion USD, about 30.1% of the country's export value.

In the last 6 months of 2022, BSC believes that the prospects of the Technology and Telecommunications sectors continue to be positive dues to the following factors:

(1) The trend of Digital Transformation and Public Investment in Intelligent Transports System (ITS) will have a positive impact on Technology businesses. Customer digital transformation needs will remain positive while the Vietnamese government promotes government digitization and support for Make in Vietnam products that will help local technology businesses benefit (e.g., FPT, CMG). Another trend is that the demand for public investment in Intelligent Transports System is expected to be boosted in the period of 2022 – 2025. BSC found that two groups **(1)** ITS in 12 routes of the North-South expressway (with a scale of 200-300 billion/pack) and **(2)** inner-city ITS (with an average scale of 100-200 billion/pack) will be the main driving force for businesses (ELC, ITD) to benefit (e.g., ELC, ITD). However, delays in Public Investment will affect the progress of Intelligent Transports System implementation.

(2) The progress of 5G deployment in Vietnam is expected to boost the business activities of telecommunications enterprises. BSC believes that the gradual shift to 5G networks is an inevitable trend in Vietnam, and this deployment will be the driving force for the entire telecommunications sector. The government aims to commercialize 5G in 2022, however, the first 6 months of 2022 have not seen significant progress. Telecommunications infrastructure enterprises (e.g., CTR) will benefit from increasing infrastructure installation workload, system maintenance, and increased infrastructure sharing rate among carriers.

INVESTMENT THESIS – POSITIVE

BSC maintains **POSITIVE** view on Information Technology– Post Telecommunication sector. For the IT field, we expect the trend of Digital Transformation to continue in Vietnam as well as the world even after the epidemic ends (enterprises benefit: FPT). For the Post Telecommunication field BSC expects CTR to benefit from increasing infrastructure installation workload, system maintenance and increased infrastructure sharing rate among carriers.

Figure 2. 1: Estimate of some IT – Telecommunications enterprises' business results

Ticker	Net rev 2022 (bil VND)	%YoY	NPAT 2022 (bil VND)	%YoY	EPS 2022 (VND/unit)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 09/08/2022	Target price	Upside
FPT	44,068	24%	6,771	26%	4,768	18.1	4.4	17%	26%	86,200	109,000	26%
CTR	8,578	15%	462	23%	4,875	14.3	4.1	11%	30%	69,700	75,800	9%
ELC	1,106	24%	53	10%	970	18.8	1.1	4%	7%	18,200	19,600	8%

Source: BSC Research

3. Retail – Consumer Service Sector [Positive]

Analyst: Pham Thi Minh Chau *Email: Chauptm@bsc.com.vn*

- Double-digit growth of the retail sector in 6M/2022, due to **(1)** the low background of the same period and **(2)** the selling price of goods continues to increase when fuel prices increase;
- Facing the declining purchasing power of the retail consumer sector in the second half of 2022;
- COVID-19 accelerates a comprehensive revolution in the retail sector in the medium term;
- BSC **maintains POSITIVE** for retail sector in 2022**.**

Double-digit growth of the retail sector in 6M/2022, due to (1) the low back background of the same period and (2) the selling price of goods continues to increase when fuel prices increase. Total sales of consumer goods and services in 6M/2022 reached VND 2.717 trillion (+11.7% YoY), if excluding the price increase factor of 7.9% (the same period in 2021 increased by 1.9%).

Double-digit growth in all sector groups including **(1)** retail commodity group increased by +11.3% YoY, accounting for 80% of total sales mainly due to last year's low revenue base due to the impact of the Covid-19 epidemic and commodity selling prices continued to increase when fuel prices increased (gasoline price index increased by 51.3% YoY) and **(2)** food and beverage services (+20.9% YoY) and traveling (+94.4% YoY) due to the restart of entertaining and tourism activities after the epidemic.

Figure 3. 1: Total retail sales of goods

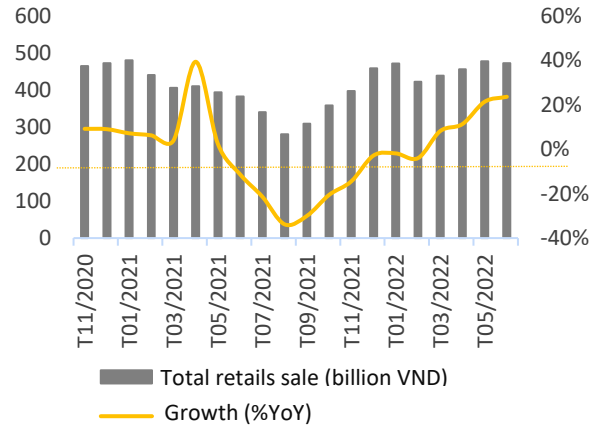
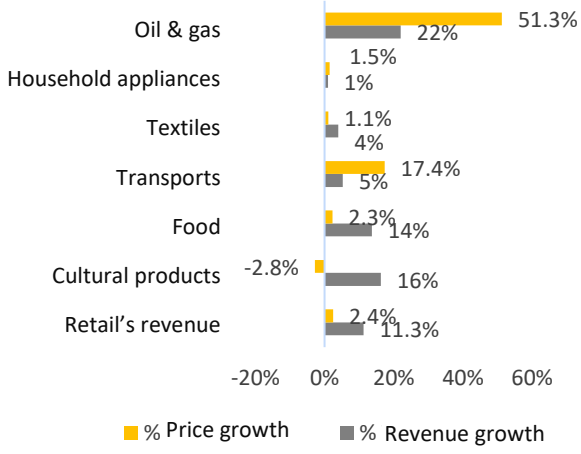


Figure 3. 2: Fluctuations in selling prices and retail sales of goods in the first half of 2022 compared to the first half of 2021



Source: GSO, Kantar

Facing the declining purchasing power of the retail sector in the second half of 2022. We see a slowdown in purchasing power affecting gross profit margin of product business groups with a life cycle of 2-3 years (especially retail phones, laptops, ICT) from the beginning of Q2/2022 compared to previous quarters, due to inventory maintaining at a high level resulting from the gradual reduction of chip shortage, the effects of inflation and people's incomes have not recovered from the epidemic. Therefore, we assess that the Laptop and ICT sector in the second half of 2022 is unlikely to maintain a high growth rate compared to the same period in 2021.

Figure 3. 3: Summary of business results in the first half of 2022 of ICT distribution and retail enterprises.

	Q2/2022		Q1/2022 Growth		Q2/2020 Details
	Net revenue	NPAT	Net revenue	NPAT	
DGW	4,910	137	40%	97%	According to estimates, revenue growth of laptops and phones in Q2/2022 reached -19% YoY and 18% YoY, respectively - Significantly lower than the growth of Q1/2022 of +62.5% YoY and +35.8% YoY.
%YoY	16%	17%			
Pet	3,473	25	14%	37%	According to estimates, revenue growth of laptop and phone in April and May 2022, reached -16% YoY, respectively - Significantly lower than the Q1/2022 growth of +137% YoY and the gross profit margin of 5M/2022 decreased from 5% to 4.8%.
%YoY	2%	-57.8%			
MWG	34,337	1,130	18%	8%	Revenue growth of DMX and TGDD in Q2/2022 reached +12% YoY - Significantly lower than Q1/2022 growth of +16% YoY, respectively.
%YoY	9%	-7%			
FRT	6,213	47	67%	448%	FPT Shop's growth in Q2/2022 reached +22% YoY - Significantly lower than Q1/2022's growth of +38% YoY.
%YoY	43%	56%			

Source: BSC Research

Figure 3. 4: View of retail – consumer service sector in the second half of 2022 – 1H/2023

Categories	View of the second half of 2022 – 1H/2023		Medium term	Notable businesses
Consumer service	Recover from low background	The profit margin of enterprises in the first half of 2021 still decreased compared to the same period in 2021 due to the high price of raw materials from the beginning of 2022. BSC maintains the view that **gross profit margin from 2H/22 gradually improved compared to the first half of 2022** when businesses can transfer price increases to selling prices of 2-10% YoY, benefiting after input material prices and transportation costs tend to decrease, after the climax of geopolitical tensions in the world.	Indifferent (Facing competition and saturated sector)	MCM, QNS VNM, MCH
Retail	Indifferent	**The trend of reverse divergence between sector groups in the second half of 2022**	Satisfactory	
(1) Consumer Staples Sector (meat, fish, shrimp noodles, ...)	Positive	**(1)** Increased demand at shopping centers from the low background in Q3/2021 and **(2)** increased order traffic dues to layout changes, increasing the proportion of fresh food	Modern consumer sector increases market share	MSN (WCM), MWG (BHX) ...

Source: BSC Research

Categories	View of the second half of 2022 – 1H/2023		Medium term	Businesses need attention
(2) Electronics (Phones, laptops, ...)	Indifferent	Short-term risks: the high background level of 2021 and that learning and working return to normal create growth challenges for existing industries.	- Horizontal diversification - Turn off 2G and the trend of premiumization	DGW, PET, MWG, FRT, ...
(3) Jewelry	Positive	**(1) The low background level of 2021** and **(2)** Expanding market share due to capturing the market share of competitors who abandoned the sector (17% of enterprises had to close after the epidemic, according to Sapo) and increasing coverage and flexible sales policies	The growth rate slowed down.	PNJ
Sales channels				
(1) Traditions	Positive	The traditional channel was restarted after the epidemic and professionalized thanks to the accelerated forms of franchising in 2022. Online and modern channels are expected to continue to be prioritized in the post-epidemic period.		MWG, PNJ, MSN, ...
(2) Modern - Online	Positive			

Source: BSC Research

INVESTMENT THESIS – POSITIVE

BSC maintains **POSITIVE** recommendations for retail consumer sectors, thanks to **(1) consumer businesses** being able to improve gross margins after the lows of 2021 and Q1/22 and **(2) Retail businesses in 2022 will grow** thanks to **(1)** chain size expansion; **(2)** Recovering income and purchasing power of consumers will increase again, especially in the push of "Revenge Shopping" and **(3)** Consumer behavior will increase into the modern channel 'MT' because of the convenience, hygiene and digital transformation trends.

Figure 3. 5: Estimated business results of some enterprises in the Retail – Consumer service sector

Ticker	Net rev 2022 (bil VND)	%YoY	NPAT 2022 (bil VND)	%YoY	EPS 2022 (VND/unit)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 09/08/2022	Target price	Upside
MSN	86,075	-4%	7,706	-24%	4,722	22.3	7.5	6%	17%	105,200	147,600	40%
MWG	140,579	14%	6502	33%	8,317	7.6	1.8	10%	25%	63,300	89,900	42%
PNJ	29,705	51%	1,783	73%	6,817	17.1	4.1	15%	24%	116,700	160,300	37%
DGW	25,929	24%	776	18%	4,759	13.4	4.4	10%	37%	63,800	73,200	15%
PET	18,854	7%	253	-4%	2,681	13.8	2.2	12%	3%	37,050	42,900	16%
VNM	63,905	2%	9,985	-6%	4,214	17.1	3.8	18%	28%	72,000	84,140	17%

Source: BSC Research

4. Power Sector [Positive]

Analyst: To Quang Vinh *Email: Vinhtq1@bsc.com.vn*

- Commercial power output 6T2022 grew by +3.8% YoY.
- The La Nina cycle that continues until the end of the year is positive news for hydroelectric power plants.
- Power Plan VIII aims to develop LNG thermal power and wind power by 2030.
- We changed our position from **NEUTRAL** to **POSITIVE** for the Power sector.

ELECTRICITY SUPPLY AND DEMAND – LOAD DEMAND MAINTAINED AT A MODERATE LEVEL

System-wide electricity production in the first half of 2022 +3.8% YoY. Accumulated in the first half of 2022, the electricity production and import of the whole system reached 133.1 billion kWh (+3.8% YoY). Regarding the output structure in the first half of 2022, coal-fired thermal power and hydropower accounted for the largest proportion with 41.8% and 31.2% of total output, respectively.

Figure 4. 1: Electricity output of the whole system by quarter (billion kWh)

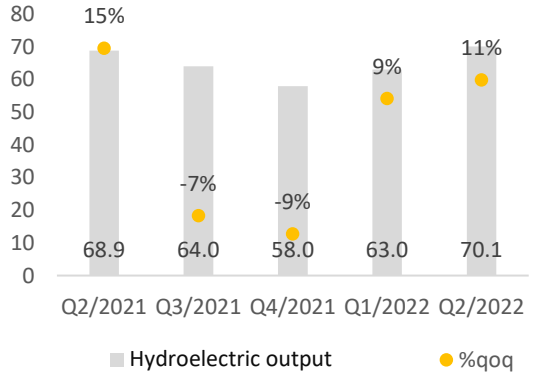
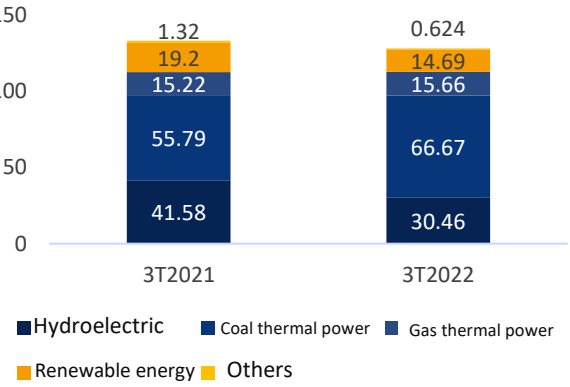


Figure 4. 2: Hydropower & renewable energy is increasingly mobilized compared to the first 6 months of 2021 (billion kWh)



Source: EVN, BSC Research

RENEWABLE ENERGY SEGMENT – POSITIVE LONG-TERM OUTLOOK

Renewable electricity continues to be positive in the first half of 2022. Accumulated 6M/2022, electricity output from renewable energy reached 19.2 billion kWh (+30.7% YoY). The deposit rate from A0 as of the end of 6/2022 reached 14.4% (vs. 11.4%). The increasing installed capacity of wind power is a premise for the high mobilization of renewable electricity in the first half of 2022. With the orientation of green development, the ability of wind and solar power plants to continue to be mobilized highly in 2022, in the condition that capacity meets the demand from A0.

Limited generating capacity causes doubts about the development orientation of the above type of electricity. With wind power, according to A0, in 4-5/2022, the capacity situation at less than 1,000MW / 3,980 MW installed appears a lot. The instability of wind power as well as solar power is also reflected in: **(1)** the best generation time of wind power falls on T11-T2 every year – not the high load period and **(2)** the best generation time of solar power falls on 11h-14h per day – not the time of high load. In the first half of 2022, BSC estimates the efficiency of wind and solar power to reach ≈26.1% and ≈19.8%, respectively.

HYDROPOWER: FAVORABLE HYDROLOGY HELPS POSITIVE PROSPECTS

Accumulated 6M2022, hydropower output reached 41.6 billion kWh (+36.5% YoY). The deposit rate from A0 as of the end of T6/2022 reached 31.2% (vs. 23.7%) mainly thanks to La Nina continuing in the first half of 2022. According to NCHMF, La Nina is still likely to remain until T3/2023. Rainfall in the last months of the year across the region is higher than the average for many years, which is the basis for a positive hydropower outlook until the end of 2022.

GAS THERMAL POWER: POSITIVE PROSPECTS BECAUSE OF ELECTRICITY SELLING PRICES

Accumulated 6M/2022, gas power output reached 15.2 billion kWh (-2.8% YoY). The deposit rate from A0 as of the end of 6/2022 was only 11.4% (vs. 12.2%). Geopolitical tensions in the first period of the year pushed gas prices to fluctuate considerably (on average of 9.2 USD/MMBTU, +33.8% YoY at Phu My Power Plant, and 9.9 USD/MMBTU, +32.8% YoY at Nhon Trach 2 Power Plant), making the amount of electricity sold competitively in gas power plants limited. In addition, EVN also prioritizes mobilizing renewable energy power sources, as well as hydropower in the first half of 2022. However, the sharp increase in **competitive** generation **market** (CGM) contributes to the prospects of gas thermal power in 2022. In the first half of 2022, the average selling price of CGM electricity in the whole sector increased to 1,447.4 VND/kWh (+33.6% YoY).

COAL-FIRED POWER – AN IMPORTANT SOURCE OF ELECTRICITY IN THE SHORT TERM

Accumulated 6M/2022, mobilized coal-fired power output reached 55.8 billion kWh (-16.4% YoY). The mobilization rate from A0 as of the end of T6/2022 was only 41.8% (vs. 51.9%), due to the difficult coal supply situation. According to TKV, the volume of coal supplied to power plants reached 18 million tons down 1% YoY, with the selling price anchored at a high of +63% YoY. Considering the heavy rainfall in the second half of 2022, and the supply is likely to be difficult, the outlook for thermal power is still less positive in the second half of 2022.

POWER PLANNING – ORIENTATION TO BALANCE GOALS

In order to meet the load demand in the period 2021-2030, the installation capacity is estimated to reach 98,394 MW by 2025, and 145,930 MW in 2030 – +26.0% and +86.8% respectively vs. current installed capacity. In particular, significant changes in the structure of contribution of specific power generation sources are:

- Renewable energy (RE): Installing capacity, according to Resolution 55-NQ/TW, is oriented to increase sharply to 23,121 MW for wind power (+460.4% vs. 2022, equal to 15.8% of total capacity). Thus, compared to 2030, the potential for wind power capacity development is still high (18,995 MW), concentrated in the southern provinces. In contrast, the installed capacity, according to Official Letter 3787/BCT-DL, is oriented to decrease slightly to 8,736 MW (-1.9% vs. 2022, equal to 6.0% of the total capacity), for large-scale solar power. Thus, the prospects for wind power development are positive, while solar power only deploys more projects approved for private auction, possibly at most 2,428 MW.
- Gas thermal power: Continues to be oriented to play an important role in the power supply by stability compared to renewable energy, and small emission impact compared to coal power. The installed capacity of electrification is directed to increase sharply to 38,830 MW (+524.9% vs. 2022, equal to 26.6% of the total capacity). Thus, the prospects for the development of electricity and gas, especially LNG, are still quite positive, as price risks may gradually decrease in the medium term.

INVESTMENT THESIS – POSITIVE

We changed our view from POSITIVE to **POSITIVE** for the Electricity sector group for 2021 due to a clear divergence in the outlook of electricity Tickers:

- Hydropower Tickers: With a favorable hydrological situation in the remaining months, BSC has **POSITIVE** view on hydropower Tickers for 2022.
- Gas thermal power Tickers: Input gas prices remained high, which is a risk factor for the mobilized electricity output of gas power (POW, NT2). So, BSC has **NEUTRAL** view on gas thermal power Tickers for 2022.
- Coal-fired power Tickers: Positive hydrology at H2/2022 is likely to reduce the mobilization rate from A0. This can be a negative factor for coal-fired power plants such as QTP and HND. Therefore, BSC has **NEUTRAL** view on coal-fired power Tickers for 2022.
- Electrical installation Tickers: BSC holds **POSITIVE** view based on the high demand for construction and installation with a large backlog for businesses such as PC1 and REE.

Figure 4. 3: Estimated business results some enterprises in the Electricity sector

Ticker	Net rev 2022 (bil VND)	%YoY	NPAT 2022 (bil VND)	%YoY	EPS 2022 (VND/unit)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 09/08/2022	Target price	Upside
HND	10,554	17%	870	91%	1790	9.0	1.4	11%	14%	16,174	17,800	10%
QTP	9,095	8%	551	16%	1,224	13.5	1.5	7%	9%	16,493	19,200	16%
POW	27,095	10%	2739	35	1,024	13.7	1.4	5%	9%	14,050	17,100	22%
NT2	9,279	51%	623	17%	2,162	12.3	1.9	9%	15%	26,600	28,500	7%
REE	9,484	63%	2,135	61%	8,423	9.5	2.2	10%	29%	80,400	112,700	40%

Source: BSC Research

B. Sectors with the best valuation

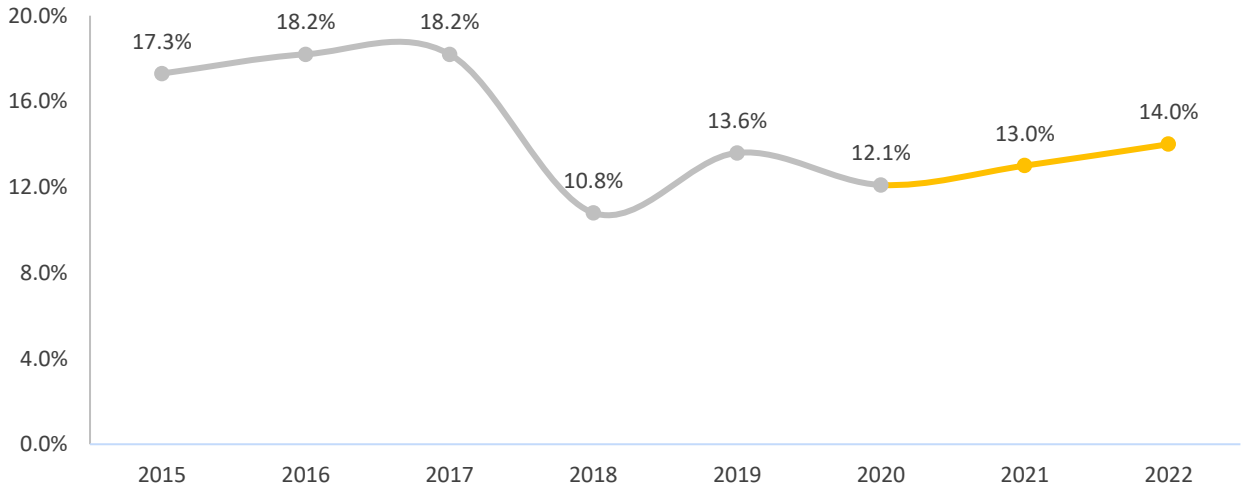
5. Banking Sector [Outperform]

Analyst: Vuong Chi Tam *Email: Tamvc@bsc.com.vn*

- In 2022, BSC expects credit demand to continue at a high level of ~14%, supported by **(1)** continuing to recover the economy after the epidemic and **(2)** estimated support package of ~350,000 billion VND in the next 2-3 years. We expect credit to be reissued in Q3/2022, in the context that by the end of Q2/2022, credit growth of the whole sector has reached 9.35% compared to the beginning of the year;
- Asset quality is under control. We believe that banks are now controlling their balance sheets well, thereby limiting risks from economic fluctuations;
- Lending and deposit rates tend to increase by an average of 50 bps in the first half of 2022;
- Currently, the banking sector is valued at 1.2x P/B F 2022 as of 25/7/2022, we believe that the financial health of banks today deserves a higher valuation than at present time. Therefore, we uphold the OUTPERFORM recommendation for the banking sector in 2022.

Credit growth by the end of Q2/2022 reached 9.35% compared to the beginning of the year. This credit growth was supported by the recovery of production and increased capital demand after the epidemic. This is in line with our view in the 2022 sector outlook report. We think the credit growth target in 2022 at 14.0% is feasible. In Q2/2022, banks have lent out the credit limit granted at the beginning of the year and expect to be granted more space in Q3/2022. In addition, we believe that, thanks to the new policies of the government, credit flows will be spread to production and business lines, thereby helping to grow the market sustainably in the future.

Figure 5. 1: Credit growth forecast in 2022



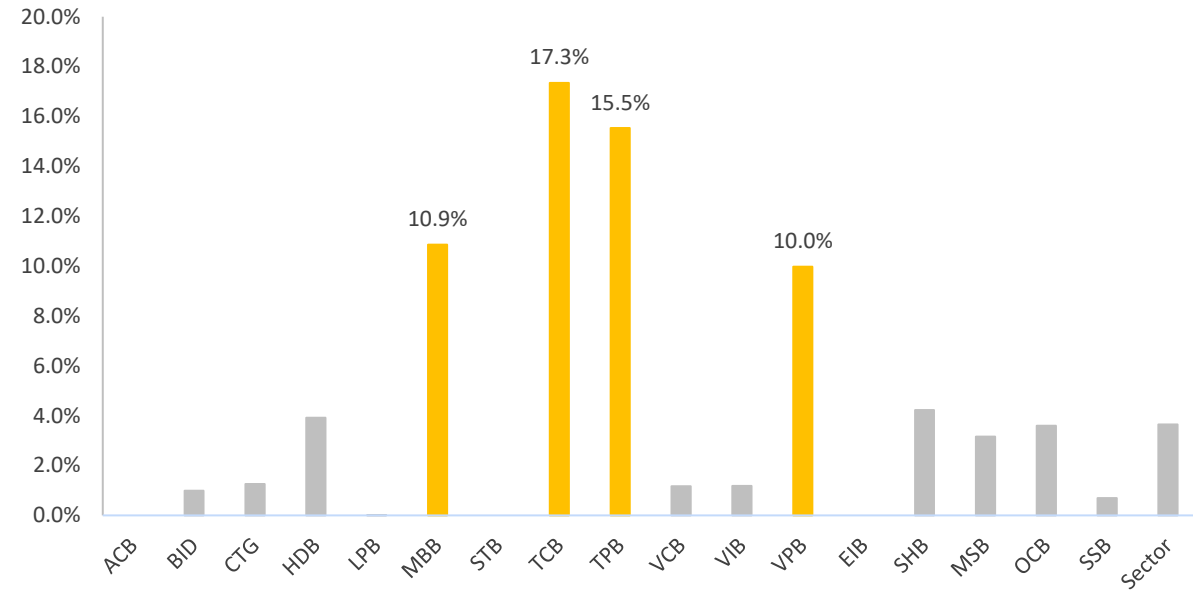
Source: Listed banks, BSC Research

Restoration of retail lending in 2022. BSC believes that the focus on retail development will continue to be the spearhead in 2022 for many banks due to **(1)** Low loan-to-customer size helping banks minimize centralized risk and **(2)** Higher NIM compared to large clients.

The proportion of corporate bonds held in listed enterprises is low, and only focuses on 4 joint stock commercial banks. By the end of Q1/2022, the total outstanding debt of corporate bonds held in the portfolios of listed banks is at ~275,000 billion VND (equivalent to 3.6% of the total credit balance of

statistical enterprises). There are a few banks that are oriented towards corporate bond investment of large enterprises based on: **(1)** interest rates are higher than conventional loans and **(2)** the portfolio is spread across industries that could minimize risk. Currently, The Decree No. 153/2020/ND-SHARE is affecting the cash flow of the real estate group due to the highly leveraged nature and the issuance of many corporate bonds to ensure debt repayment and liquidity. However, we believe that with a portfolio spanning many industries and a small proportion in the lending structure, its impact on the banking sector will not be too large.

Figure 5. 2: The proportion of corporate bonds in the credit structure of listed banks



Source: Listed banks, BSC Research

Focus on RAISING CASA to help reduce capital costs. Mobilization structure to promote CASA growth is a common trend in the coming time for banks. In addition, the continued reduction of deposit rates helps banks reduce capital costs in 2022. Some banks have the advantage of a high CASA of >30%, helping these banks have low capital costs, thereby helping to increase lending efficiency.

Many banks reduce transaction fees to increase CASA in 2022. Therefore, BSC believes that the competition for CASA market share will be relatively fierce when the big players simultaneously reduce service fees.

The trend of increasing deposit interest rates in 2022. Facing pressure of interest rate hikes from central banks around the world, interest rates on the interbank market and Vietnamese government bond rates have increased sharply since the beginning of the year. Therefore, lending and deposit rates of banks also affect an increase of 30-70 bps in the first half of 2022.

BSC retains NIM level in 2022 = 3.7% BSC retains NIM level in 2022 = 3.7% because **(1)** The recovery of the economy helps with high credit growth, especially focusing on SMEs and individuals with high NIM; **(2)** Loan interest rates recover after the support period (estimated by the end of 2021); **(3)** The increase in CASA structure in 2022 which helps reduce the cost of capital; **(4)** Many banks will continue to support interest rates, especially state-owned banks, to help the economy recover strongly and **(5)** Banks may increase output interest rates to partially offset the increased input interest rates.

Figure 5. 3: Average lending interest rate in Q1/2022

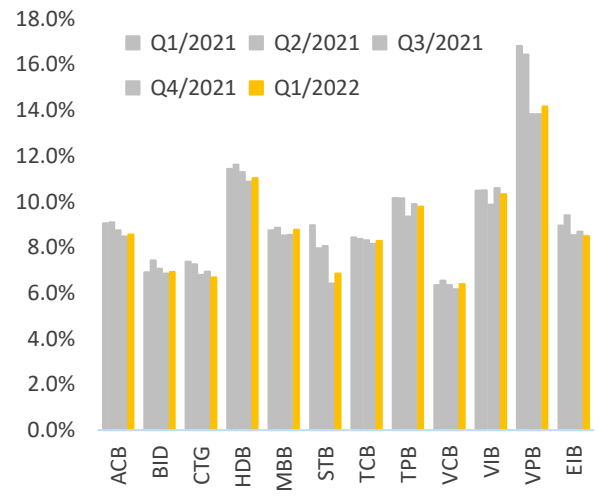
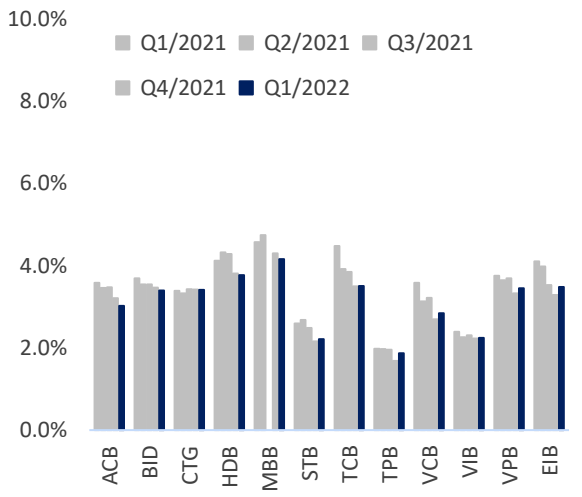
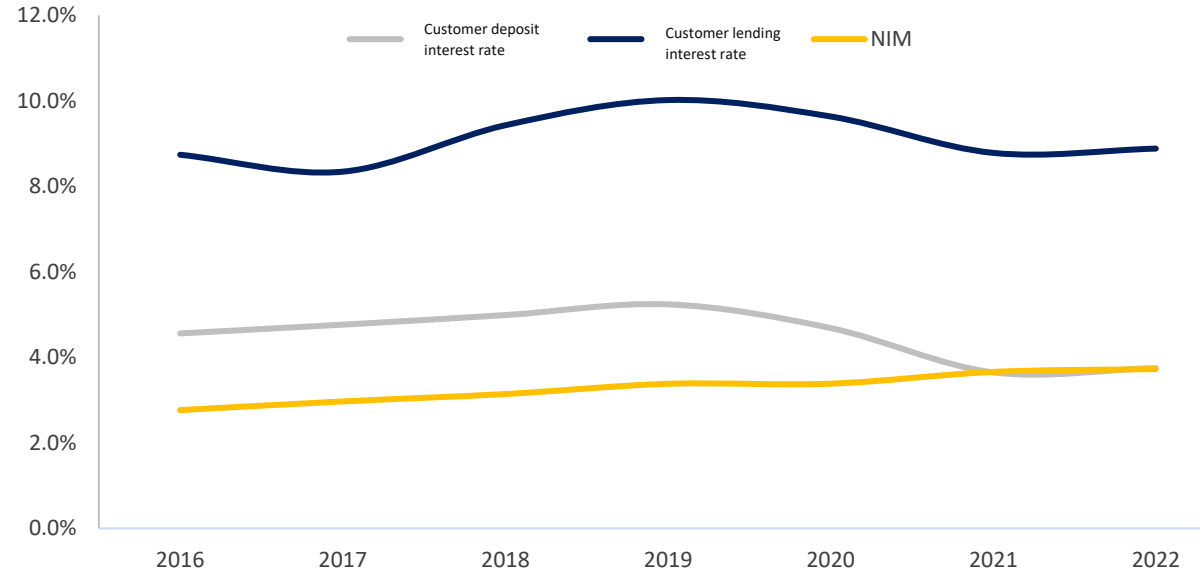


Figure 5. 4: Average deposit interest rate in Q4/2022



Source: Listed banks, SBV, BSC Research

Figure 5. 5: NIM forecast for 2022



Source: Financial statements of Listed banks, BSC Research

ASSET QUALITY – Under control

(1) Non-performing loan ratios and debt coverage continue to improve in line with our forecasts. BSC believes that, despite the impact of reducing asset quality due to the impact of Decree 153 and the end of Circular 14 on debt restructuring affected by COVID-19, banks can manage asset quality well and keep it at the current level (~1.4% - 1.5% NPLs) supported by strict credit censorship policies and high bad debt coverage ratios. Some banks have increased provisioning, and sharply improved non-performing loan coverage ratios. This helps banks have a large reserve buffer, preventing risks due to market fluctuations in the near future.

Figure 5. 6: Non-performing loans are controlled at ~1.6%

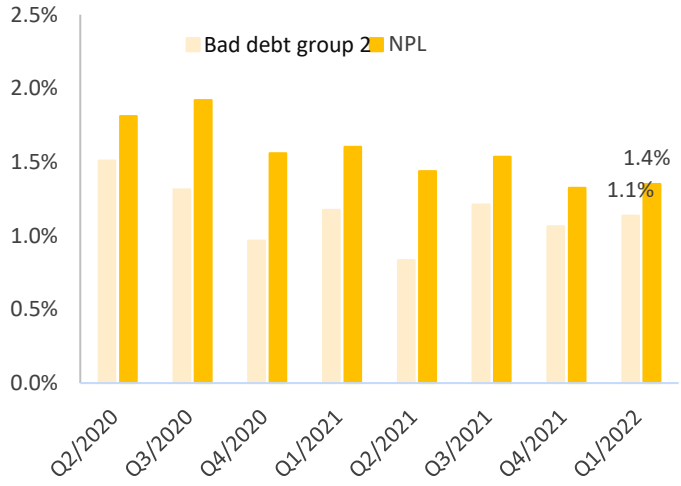
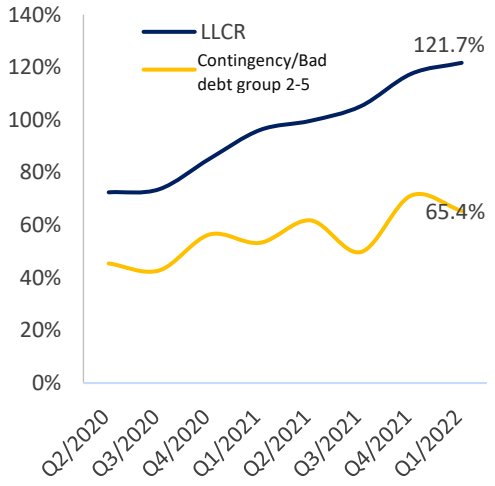


Figure 5. 7: Improved debt coverage ratio



Source: Financial statements of Listed banks, SBV, BSC Research

(2) Debt restructuring decreased sharply, and 80%-90% of enterprises and individuals subject to restructuring have returned to operation. This helps banks not to increase non-performing debts sharply soon due to the possibility of the deterioration of asset quality of these debts. In a baseline scenario, BSC believes that 10% of the restructuring balance will become bad debt, thereby increasing the NPLs of the whole system to ~0.1%. Many banks have already set aside all these debts and will not need to set them up any time soon. Therefore, we believe that the end of Circular 14 will not significantly affect the credit costs and asset quality of the entire sector.

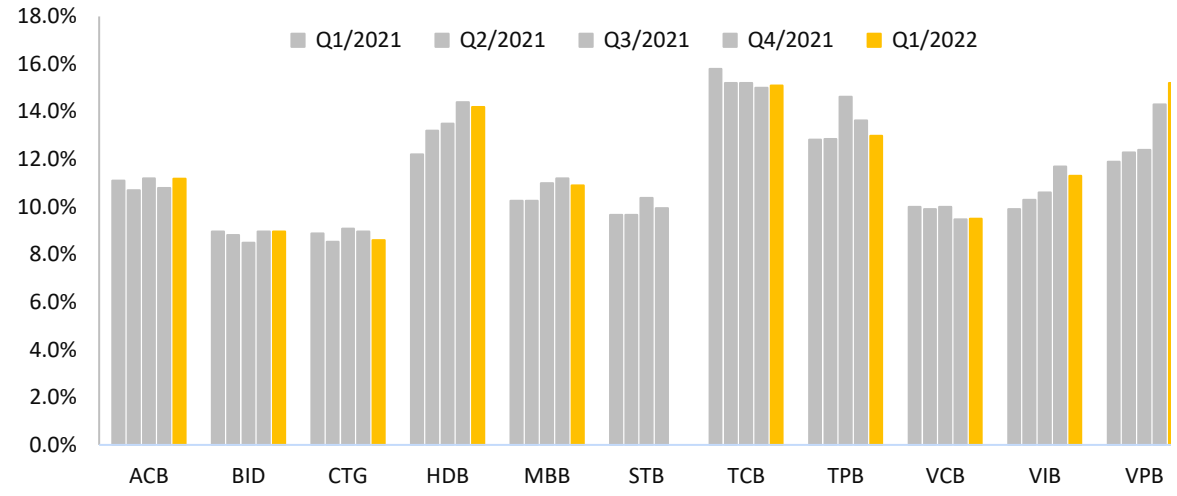
Figure 5. 8: Debt restructuring at some banks

	DEBT RESTRUCTURING (Bil VND)								% TOTAL OUTSTANDING LOANS (%)							
	Q2/20	Q3/20	Q4/20	Q1/21	Q2/21	Q3/21	Q4/21	Q1/22	Q2/20	Q3/20	Q4/20	Q1/21	Q2/21	Q3/21	Q4/21	Q1/22
ACB	9,000	9,200	9,024	8,516	8,195	13,416	17,030	15,000	3.2	3.1	2.9	2.6	2.4	4.0	4.7	3.9
BID	4,000	36,000	28,000	18,000	9,400	25,000	25,082	25,262	0.4	3.1	2.3	1.5	0.7	1.9	1.9	1.8
CTG	8,400	8,400	6,500	4,500	4,160	7,800	10,300	8,400	0.9	0.9	0.6	0.4	0.4	0.7	0.9	0.7
HDB	5,000	7,900	6,100	1,270	992	181	310	296	3.1	4.8	3.4	0.7	0.5	0.1	0.2	0.1
MBB	7,000	5,100	2,700	2,000	2,700	3,000	5,600	5,000	2.7	1.9	0.9	0.6	0.8	0.9	1.5	1.2
STB	7,000	1,000	700	500	1,500	500	1,000	700	2.3	0.3	0.2	0.1	0.4	0.1	0.3	0.2
TCB	500	7,100	7,900	6,700	2,700	2,900	1,900	1,600	0.2	3.1	2.8	2.3	0.9	0.9	0.5	0.4
TPB	1,700	8,000	8,416	1,742	1,268	1,455	1,251	135	1.7	7.3	7.0	1.4	1.0	1.1	0.9	0.1
VCB	11,000	10,400	5,100	3,900	4,100	9,000	9,300	7,600	1.4	1.3	0.6	0.4	0.4	1.0	1.0	0.7
VIB	3,664	3,618	3,201	2,819	2,486	1,800	1,054	840	2.7	2.4	1.9	1.6	1.4	1.0	0.5	0.4
VPB	20,000	27,000	13,600	7,500	6,600	15,900	16,100	12,700	7.4	9.7	4.7	2.5	2.1	5.0	4.5	3.4
Total	**77,264**	**123,718**	**91,241**	**57,447**	**44,101**	**80,952**	**88,927**	**77,533**	**1.7**	**2.6**	**1.8**	**1.1**	**0.8**	**1.5**	**1.5**	**1.2**

Source: Financial statements of Listed banks, SBV, BSC Research

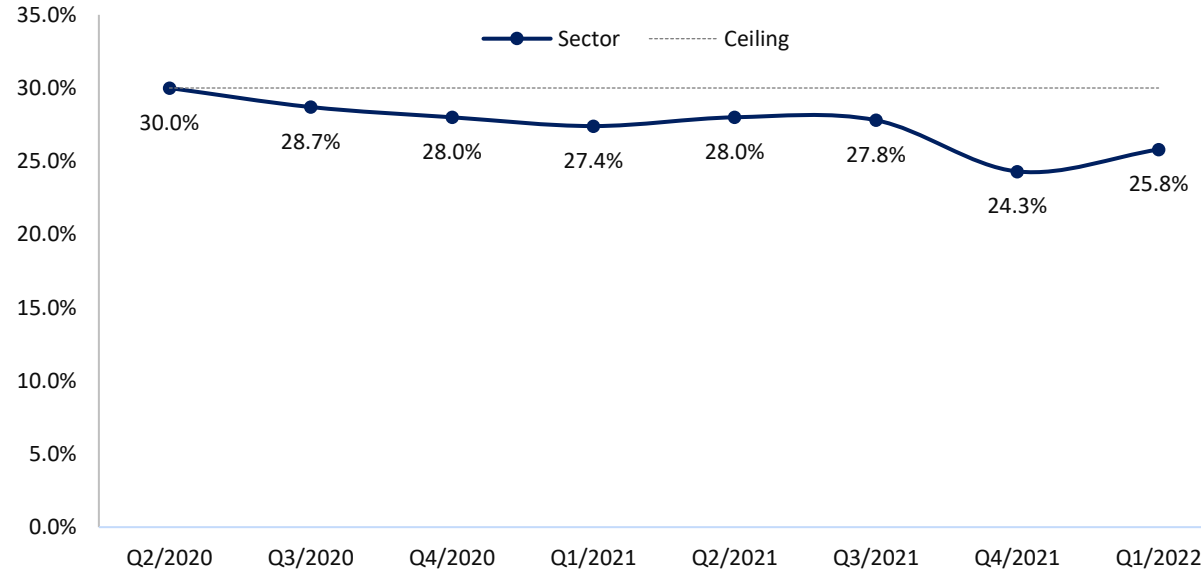
(3) The capital adequacy ratio continues to remain high. The BASEL II CAR ratio continues to remain high, and the ratio of short-term capital to medium-long-term loans remains safe. The ratios all ensure the required ratio of SBV, and BSC expects this to be maintained in the future with capital increase plans, thereby helping to increase the size and profit of banks.

Figure 5. 9: CAR Basel II rate kept at a high level



Source: Financial statements of Listed banks, SBV, BSC Research

Figure 5. 10: The ratio of short-term capital to medium-long-term loans is kept at a safe level



Source: Financial statements of Listed banks, SBV, BSC Research

FORECAST OF BANKING SECTOR IN 2022

In 2022, we revised our sector-wide forecast to 39.4%, mainly due to the one-off profit from VPB recorded in Q1/2022. We believe that the banking sector is having an attractive valuation compared to the growth in profitability, and many catalysts may take place that will help banking stocks grow outperform the overall level of the VN-Index.

Figure 5. 11: Forecast of the whole banking sector

	2017	2018	2019	2020	2021	2022	2023
GROWTH							
% Credit	18.2%	10.8%	13.6%	12.1%	13.7%	14.0%	14.0%
% Asset	20.3%	9.8%	13.2%	11.1%	16.9%	16.1%	11.2%
% Loan	19.9%	13.6%	16.0%	13.5%	15.3%	17.9%	13.5%
% Deposits	15.2%	12.2%	13.9%	12.8%	11.2%	15.4%	8.2%
% Net interest income	25.1%	16.3%	22.5%	12.3%	23.7%	19.2%	17.0%
% Non-interest income	49.3%	28.9%	16.2%	17.2%	22.1%	19.4%	8.1%
% Service charge	51.6%	23.2%	31.4%	22.4%	29.8%	22.1%	24.5%
% Operating Income	29.9%	19.2%	20.9%	13.5%	23.3%	19.3%	14.8%
% Earnings before Provisions	38.4%	23.4%	25.5%	18.2%	32.8%	22.1%	14.8%
% Provision	32.6%	11.0%	18.7%	20.9%	35.3%	-4.3%	-2.1%
% EBT	43.5%	33.6%	30.2%	16.5%	31.2%	39.7%	22.5%
SECTOR TARGETS							
Group 2 Debt	1.6%	1.4%	1.1%	1.0%	1.1%	1.0%	1.0%
NPL	1.6%	1.8%	1.6%	1.6%	1.3%	1.2%	1.0%
Bad debt provision/Total debts	1.2%	1.3%	1.3%	1.3%	1.6%	1.5%	1.6%
LLCR	73.1%	69.4%	78.2%	88.9%	117.5%	126.8%	140.2%
Bad debt provision/Group 2-5	36.8%	41.8%	40.2%	56.4%	71.3%	75.8%	78.6%
Credit expenses	1.5%	1.4%	1.5%	1.6%	1.8%	1.5%	1.3%
LDR	70.8%	74.5%	75.9%	76.5%	78.4%	81.4%	85.0%
CASA	16.7%	16.5%	16.8%	18.8%	21.2%	21.3%	23.4%
Average interest rates	7.5%	7.9%	8.6%	8.1%	7.4%	7.1%	7.1%
Average cost of capital	4.6%	4.8%	4.9%	4.5%	3.5%	3.5%	3.4%
NIM	3.1%	3.3%	3.5%	3.52%	3.67%	3.77%	3.7%
CIR	53.4%	47.4%	40.8%	39.2%	33.7%	32.8%	31.8%
ROAA	0.9%	1.4%	1.6%	1.5%	1.8%	1.9%	2.2%
ROAE	14.3%	18.7%	18.5%	18.2%	21.0%	21.8%	21.7%

Source: Financial statements of Listed banks, BSC Research

6. Industrial Park Real Estate Sector [Outperform]

Analyst: Lam Viet *Email: Vietl@bsc.com.vn*

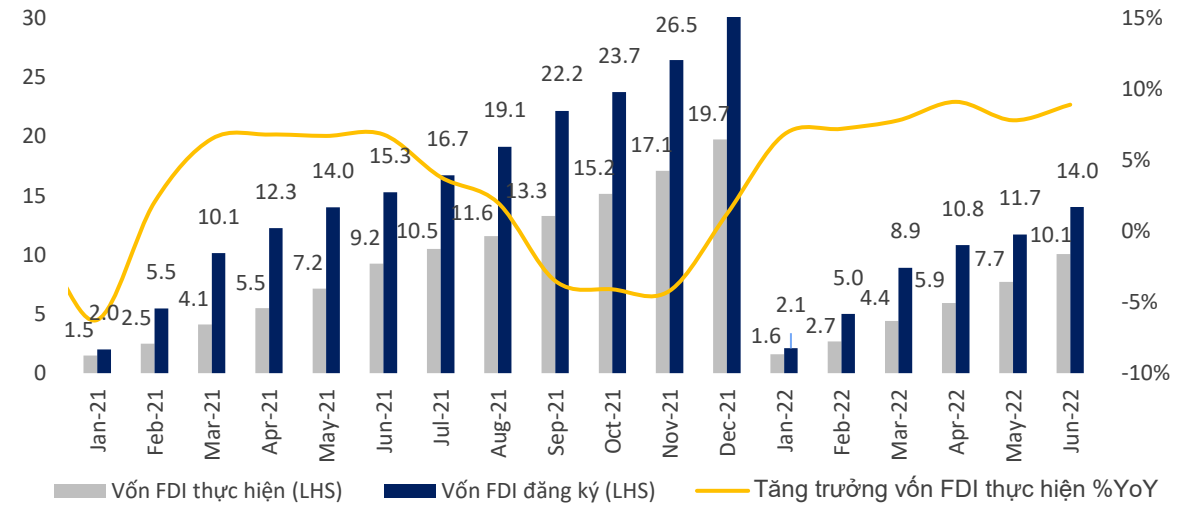
- Vietnam remains a potential and attractive destination for overseas industrial manufacturers in the context that FDI activities on an international scale have not recovered yet;
- The sector is supported by the "Unlocking" of industrial park land supply in 2021 and the trend of project reallocating to tier 2-3 provinces;
- Connected transport infrastructure and social infrastructure will solve the "logistic bottleneck" and human resources, directly supporting the industrial real estate sector;
- BSC maintains the **OUTPERFORM** recommendation of the industrial park real estate sector.

Attracting FDI back to the momentum in 2022

According to the General Statistics Office, in 6M2022, the total registered FDI reached 14.03 billion USD, down -8.1% YoY because in the same period, two newly registered projects were recorded with a sudden capital (3.1 billion USD LNG I&II Power Plant project and 1.31 billion USD O Mon II Power Plant project), while FDI disbursement reached 10.06 billion USD (+8.9% YoY) - the highest 6-month level in the period 2018-2022. However, the growth rate of registered FDI has decreased significantly in the past 2 months due to the risk of global recession and rising inflation.

We believe that with the competitive advantages of cheap labor, abundant labor force, several multilateral free trade agreement in Southeast Asia and the government's policies to attract FDI, Vietnam remains a potential and attractive destination for overseas industrial manufacturers in the context that FDI activities on an international scale have not recovered yet.

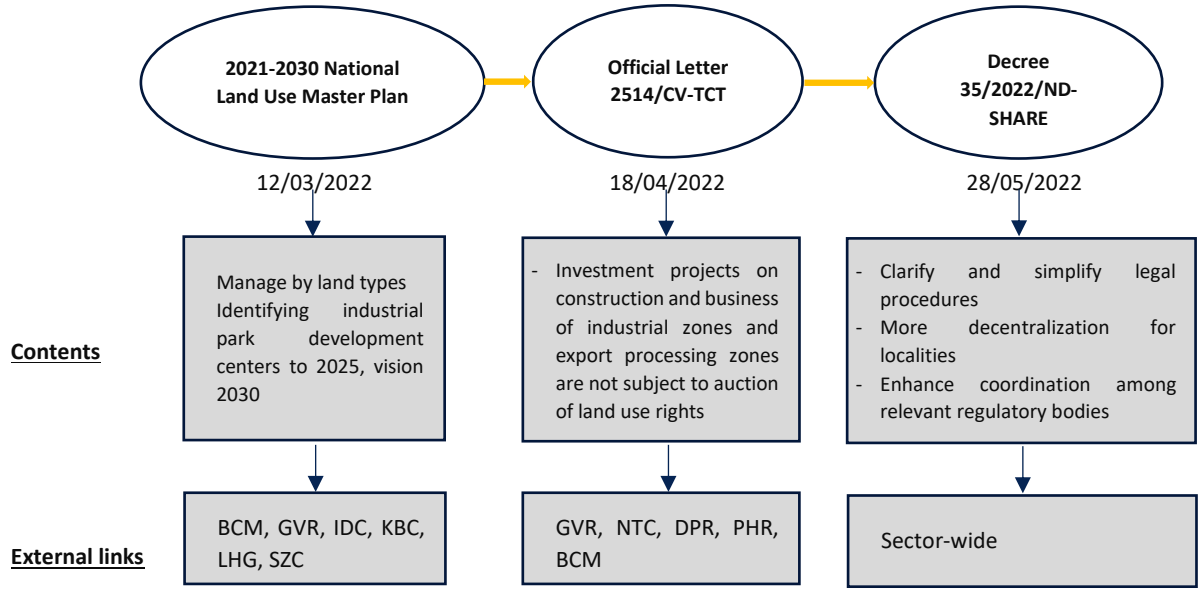
Figure 6. 1: Registered and implemented FDI in Vietnam 2021-2Q2022 (USD billion)



Source: GSO

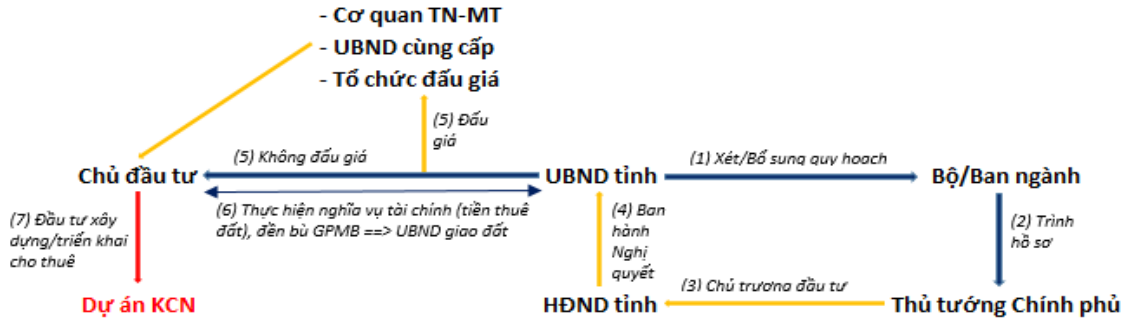
The legal environment is gradually being improved, which is expected to shorten administrative procedures and develop sustainably thanks to the coordination between ministries and departments and the Provincial People's Committee. In the first half of 2022, Vietnam has officially adopted 3 documents directly related to the development of industrial zones including (1) 2021-2030 National Land Use Master Plan, (2) Official Letter 2514/CV-TCT and (3) Decree 35/2022/ND-SHARE.

Figure 6. 2: Improved industrial park investment legal environment



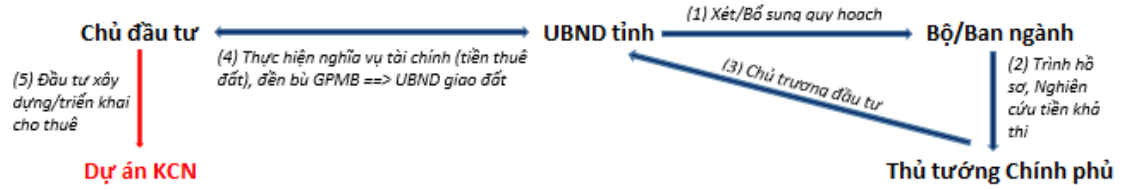
Source: *Chinhphu.vn, BSC Research*

Figure 6. 3: Industrial park infrastructure investment process before 15/07/2022



Source: Land Law 2013, Decree 82/2018/ND-SHARE, BSC Research

Figure 6. 4: Industrial park infrastructure investment process after 15/07/2022



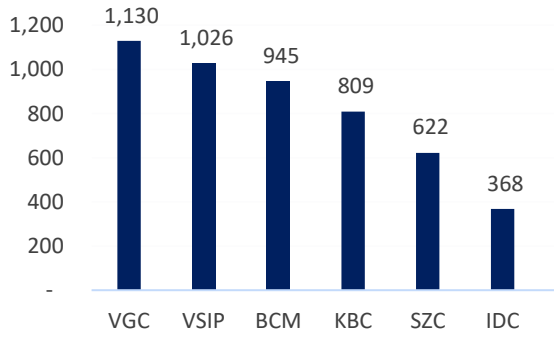
Source: Land Law 2013, Decree 35/2022/ND-SHARE, BSC Research

In addition to simplifying tin-free procedures, Decree 35/2022/ND-SHARE also clarifies the concepts, conditions, and requirements for each step in the process. According to our assessment, the legal bottlenecks gradually resolved will help the industrial park system in Vietnam develop. more synchronous (*because of the close coordination of MPI, Ministry of Construction, Provincial People's Committee*), more efficient (*more rigorous appraisal of experience, financial capacity, technical standards*) and more sustainable *(regulations on works serving workers in the industrial park, conditions for expanding the industrial park).*

The industrial center focuses on the southern region with the trend of expansion in the province/satellite city of Ho Chi Minh City.

In 3/2022, the Deputy Prime Minister has just approved the national land use plan for the period 2021-2030 with the total industrial park area nationwide planned to reach 152.8 thousand hectares by 2025 and 210.9 thousand hectares in 2030 (compared to 122.9 thousand hectares at the end of 9/2021). Accordingly, industrial centers focusing on satellite provinces of big cities including 5 southern provinces (Dong Nai, Binh Duong, Vung Tau, Long An, Binh Phuoc) account for 31.2% of the total industrial park area in 2025 and 6 northern provinces (Hai Phong, Bac Giang, Bac Ninh, Ha Nam, Hung Yen, Quang Ninh) accounts for 17.6% of the total industrial park area in 2025 of the country. We believe that the industrial real estate market in the southern market will continue to be promoted "unlocked" in 2022, especially Binh Duong and Dong Nai when the occupancy rate in this area is over 90% and no more industrial parks have been approved investment policies in the period of 2020-2021.

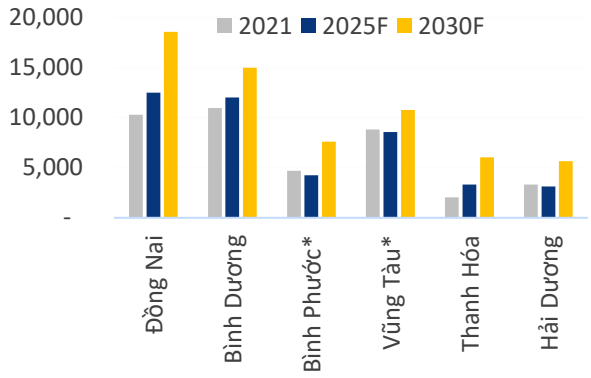
Figure 6. 5: Commercial area ready for rent in 2022-2023 of some outstanding enterprises



Source: BSC Research

Note: Only includes industrial zones that have been legally completed, built or highly likely to be completed in 2022-2023

Figure 6. 6: Industrial park area according to the 5-year national land use plan 2021-2025, with a vision to 2030 in major provinces/cities



Source: MPI, BSC Research

Note: The area of established IPs includes industrial zones that have not been approved for investment policies by the Prime Minister

Connected transport infrastructure and social infrastructure will solve the bottleneck of "logistics" and human resources, directly supporting the industrial park real estate sector.

INVESTMENT THESIS – POSITIVE

We maintain **a POSITIVE** assessment for the Industrial Park Real Estate sector because **(1)** Limited supply and recovering demand are still factors that help industrial park rental prices remain high and **(2)** Production and business activities are no longer interrupted due to the epidemic, **(3)** Legal issues are resolved to help enterprises deploy to meet demand, **(4)** Prospects for transport infrastructure improvement are accelerated in the medium term.

Figure 6. 7: Estimated business results some enterprises in industrial park real estate sector

Ticker	Net rev 2022 (bil VND)	%YoY	NPAT 2022 (bil VND)	%YoY	EPS 2022 (VND/unit)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 09/08/2022	Target price	Upside
BCM	8,447	21%	3,143	124%	2,791	28.1	4.2	6%	17%	78,300	94,300	20%
KBC	12,749	196%	4,068	420%	7,066	5.4	1.1	15%	28%	37,900	43,100	14%
LHG	843	8%	357	21%	6,569	5.3	1.0	12%	21%	34,800	54,800	57%
NTC	483	78%	449	52%	18,134	10.1	4.9	10%	49%	183,980	244,400	33%
GVR	30,856	7%	5,476	8%	1,369	18.4	2.0	8%	12%	25,250	36,000	43%
IDC	6,129	42%	1,364	201%	4,502	13.8	3.1	9%	29%	62,100	N/A	N/A
SZC	1,123	59%	480	53%	4,803	11.1	2.7	7%	24%	53,200	N/A	N/A

Source: BSC Research

7. Seaport Sector [Positive]

Analyst: Pham Quang Minh *Email: Minhpq@bsc.com.vn*

- In 5M/2022, container output through seaports grew slowly, due to slow export demand, demand for importing raw materials affected by the Covid-19 epidemic in China;
- Key port clusters first recorded decelerations. In particular, Hai Phong + 6% YoY while the same period +21% YoY. Cai Mep Thi Vai + 8% YoY while the same period >20% YoY;
- In Q3, BSC believes that container volume through Vietnam's seaports will be able to grow slightly again – BSC forecasts at +2% YoY thanks to the peak season before the new school year in Europe and the US.
- BSC **assesses POSITIVE for the** Seaport sector.

By the end of 5M/2022, container throughput through Vietnam's seaports was +1% YoY – significantly lower than the same period in 2017-2021 of +6-8%. The reason comes from **(1)** the demand for exporting goods to the EU, and the US slowing down due to high inflation and **(2)** the demand for importing raw materials is reduced due to the impact of the Covid-19 epidemic in China.

Figure 7. 1: Container output through Vietnam Seaports (1,000 TEUS)

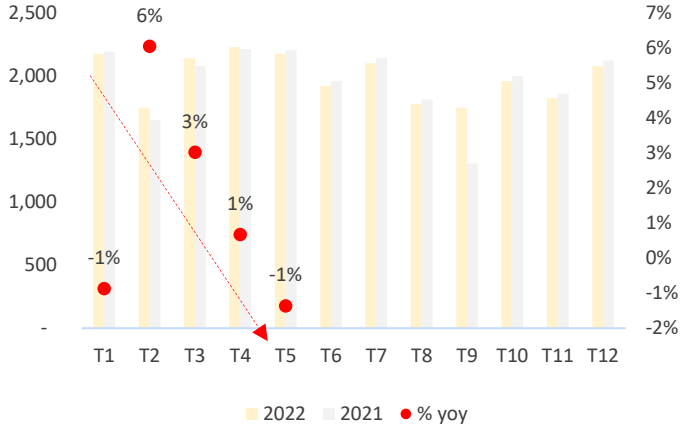
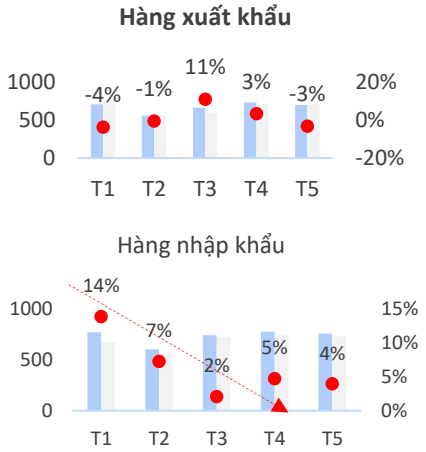


Figure 7. 2: Export/Import Volume (1,000 TEUS)



Source: Vinamarine

Figure 7. 3: Container output through Hai Phong 5M/2022 (1,000 TEUS)

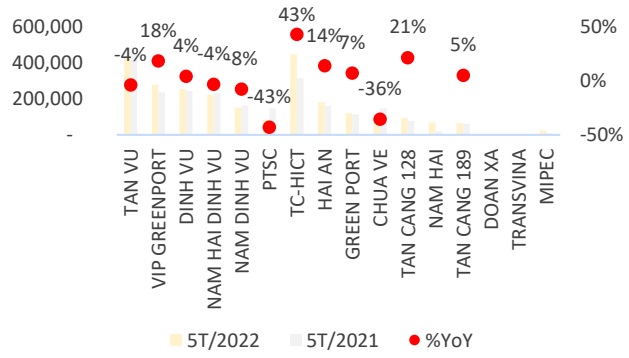
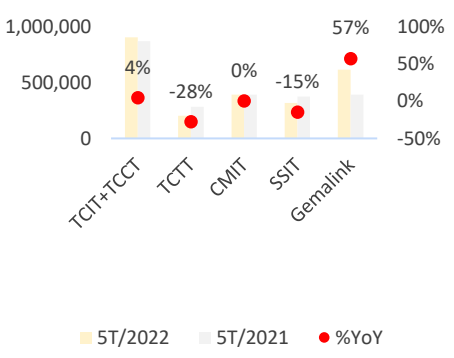


Figure 7. 4: Container output via CMTV 5T/2022 (1,000 TEUS)



Source BSC Research

Major port clusters, including Hai Phong + Cai Mep Thi Vai, all recorded 'deceleration':

1. **In Hai Phong port cluster, container output is +6% YoY - while in the same period in 2021, output is +21% YoY.** At most ports upstream of the Cam River, container production is flat. Particularly, some ports grew strongly due to being routed from ports with the parent company system, such as VIP Green Port (+18% YoY) due to reduced port outsourcing from PTSC and NHDV, Hai An (+14% YoY) due to the exploitation of new service routes from HAH fleet, Nam Hai (+246% YoY) due to inland routes from NDV and TC-HICT (+43% YoY) due to low background in 2021.
2. **In Cai Mep – Thi Vai port cluster, container output is +8% YoY – while in the same period in 2021, output is +20% YoY.** The majority of other ports grew negatively or sideways due to **(1)** slowing import and export activities; **(2)** full capacity or **(3)** lost service routes such as TCTT -28% YoY, SSIT -15% YoY, TCIT +7% YoY, CMIT 0.1%. Except, GML +105% YoY due **to (1)** low 2021 background and **(2)** stable supply from CMA-CGM.

In Q3, BSC believes that container volume through Vietnam's seaports will be able to grow slightly again – BSC forecasts at +2% YoY thanks to the peak season before the new school year in Europe and the US. However, the seaport sector will face a number of risks **(1)** a high level of import inventories from the US and the EU from the second half of 2021 and **(2)** the demand for goods continues to decline in the context of high inflation. Accordingly, BSC adjusted its forecast for container production in 2022 to reach 23.9 million TEUS (+1.4% YoY).

Figure 7. 5: U.S. inventory index

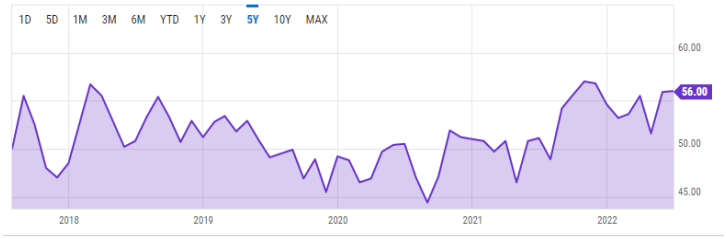
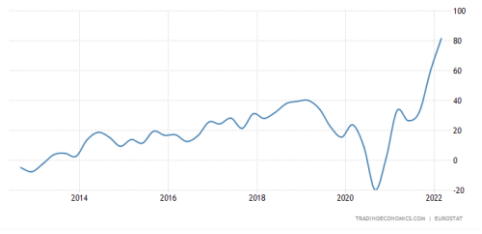


Figure 7. 6: The inventory index in the EU is currently 2 times higher than the average in 2019



Source: Trading Economics

OTHER UPDATES

- **The sedimentation situation at Lach Huyen was resolved at the end of Q1/2022,** helping HICT to receive large-tonnage mother ships. However, this may be a risk to the loss of service routes for river ports in Hai Phong.
- **Port enterprises increase warehousing service fees related to empty containers** because congestion + container shortage has not been completely removed.

INVESTMENT THESIS – POSITIVE

BSC assesses **POSITIVE** for the Seaport sector in 2022 due to concerns about slowing import and export activities in the second half of 2022. **BSC assesses that seaport enterprises will have a divergence in 2022.** For businesses that **(1)** have the advantage of major shareholders being shipping lines and **(2)** beautiful locations (such as GMD), production will be less affected by slowing import and export activities than the rest of the enterprises.

Figure 7. 7: Estimated KDKQ some seaport enterprises

Ticker	Net rev (bil VND)	%YoY	NPAT 2022 (bil VND)	%YoY	EPS 2022 (VND/unit)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 09/08/2022	Target price	Upside
GMD	3,730	16%	928	52%	3,078	17.0	1.6	7%	10%	52,400	67,800	29%

Source: BSC Research

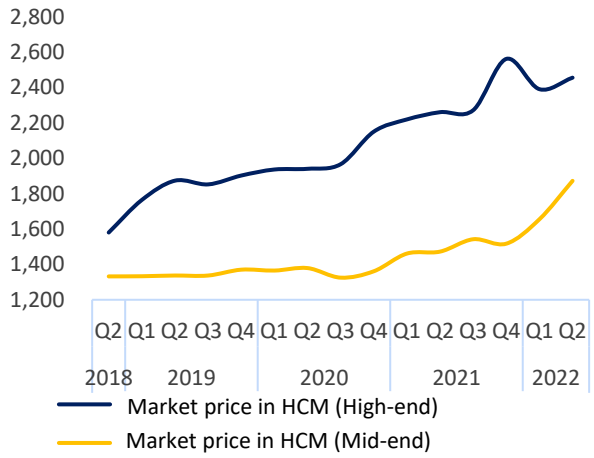
8. Commercial Real Estate Sector [Neutral]

Analyst: Phan Quoc Buu *Email: Buupq@bsc.com.vn*

- The high-end segment continues to dominate the market in both Ho Chi Minh and Hanoi markets in the context of limited supply led by a few large projects;
- The number of apartments for sale in the second half of 2022 is still very low compared to the general demand, especially the mid-end segment;
- Corporate bonds are a hot story in 1H2022 that strongly impacts the real estate market;
- The maturity fall point is mainly focused on 2023-2024, in which the maturity scale of bonds of real estate enterprises accounts for about 40-45% of the total issuance value;
- The maturity scale of bonds listed by real estate enterprises in 2023 only accounts for about 10% of the total maturity value;
- We downgraded our rating from **POSITIVE** to **NEUTRAL** for the real estate sector due to "headwind" factors including: **(1)** a gradually rising interest rate environment; **(2)** tighter credit could affect the purchasing power of the market and **(3)** the effect from bond issuance could create pressure on corporate cash flow.

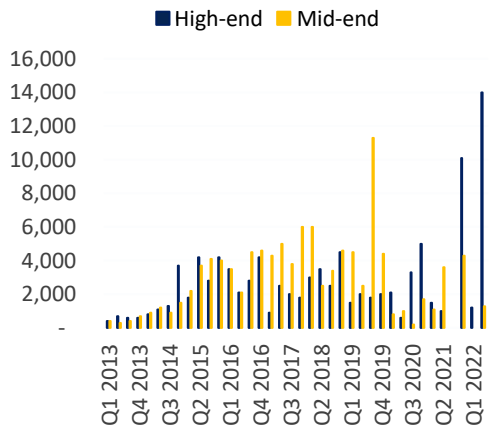
The high-end segment continues to dominate the market in both Ho Chi Minh and Hanoi markets amid limited supply led by a few large projects. The supply of the whole real estate market of Hanoi and Ho Chi Minh City in Q2/2022 recorded strong growth of 4,675 products (+32% YoY) and 14,644 products (x2.68 times), respectively, but the products are mainly concentrated in a few large Vinhomes grand park projects (accounting for 88% of supply in HCM market). The high-end segment continues to lead both the HN and HCM markets, causing the average selling price to continue to inch up to $1,872/m2 (+13.2% QoQ) and $2,455/m2 (+2.7% QoQ), respectively. The average project absorption rate is around 70-80%.

Figure 8. 1: Apartment market price Q1/2022



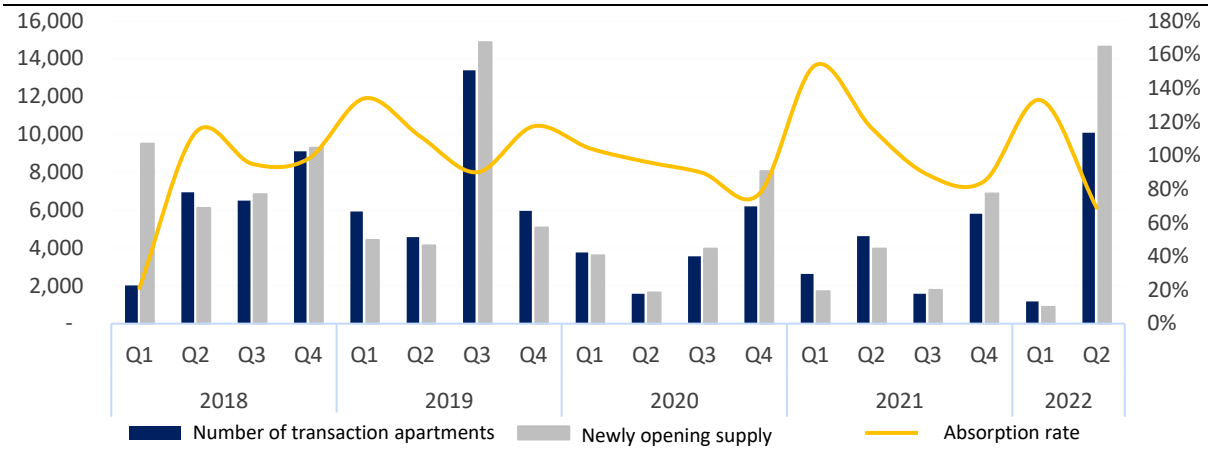
Source: CBRE

Figure 8. 2: Proportion structure between high-end and mid-end segments in Ho Chi Minh market



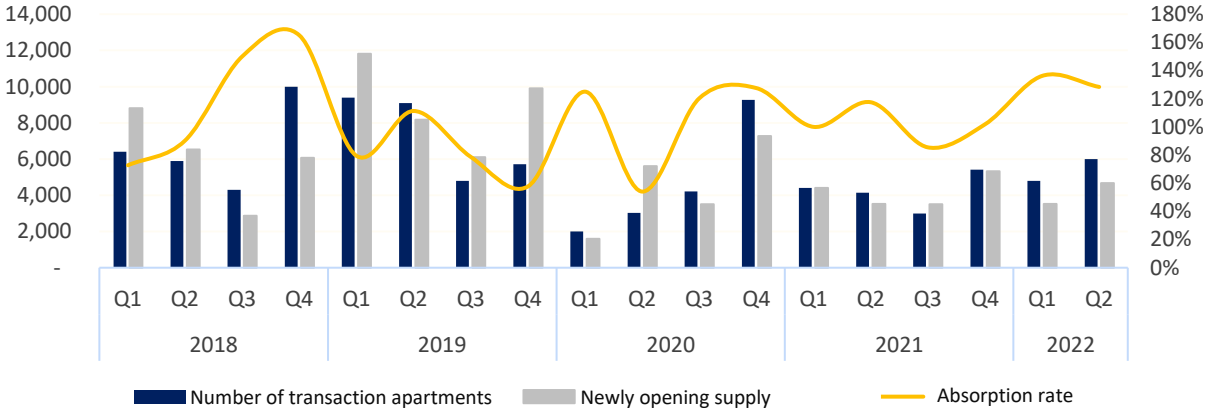
Source: BSC Research

Figure 8. 3: Ho Chi Minh apartment market



Source: CBRE, BSC Research

Figure 8. 4: Hanoi apartment market



Source: CBRE, BSC Research

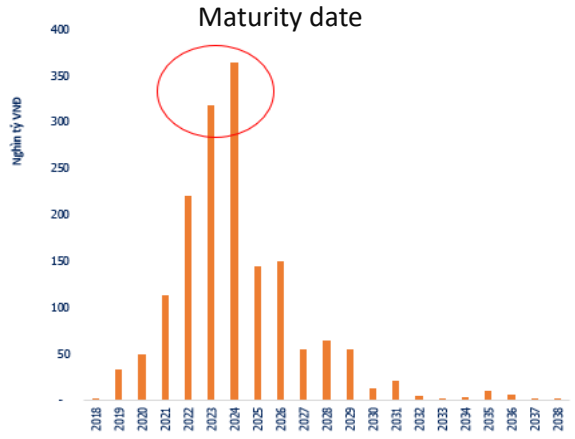
The number of apartments for sale in the second half of 2022 is still very low compared to the general demand, especially the mid-end segment. According to CBRE's forecast, new supply in Ho Chi Minh and Hanoi markets will improve significantly to 22,000 apartments (HCM, +46% YoY) and 20,000 apartments (HN, +25% YoY), respectively. Accumulated by the end of Q2/2022, the number of new supplies expected to open for sale in the second half of 2022 in the two markets of HCM and HN is 6,478 units and 11,800 units respectively, of which the high-end segment and the luxury segment continue to lead, which leads to a phase difference between the actual demand (mid-end segment) compared to the introducing investors segment. in the past few years (high-end and luxury segments).

Corporate bonds are a hot story in 1H2022 that strongly impacts the real estate market. In the first half of 2022, the real estate market received information from **(1)** "market purification" and **(2)** Tan Hoang Minh real estate bonds, according to which bond issuance activities were also relatively quiet in the period of 4-6 months. However, we noticed some positive signals coming from the fact that some listed real estate enterprises with good financial health successfully issued bond packages in May and June such as Novaland (100 million USD), NLG (500 billion VND), VIC (100 million USD), AGG (VND 300 billion).

The maturity fall point is mainly focused on 2023-2024, in which the maturity scale of bonds of real estate enterprises accounts for about 40-45% of the total issuance value**.** According to statistics from BSC, the total value of bond issuance in 2020 and 2021 is VND 458.7 trillion and VND 775.8 trillion,

respectively, of which the real estate sector group accounts for about 40-45% of the total issuance value. The total size of bonds maturing in 2023-2024 is estimated at VND 317.5 trillion and VND 363.4 trillion, respectively, higher than VND 220 trillion in 2022, so this is a relatively large pressure especially for real estate enterprises. BSC expects the revised Decree 153 to be issued and adopted soon in 2023, thereby removing bottlenecks and opening capital mobilization activities through the bond channel.

Figure 8. 5: Hanoi apartment market

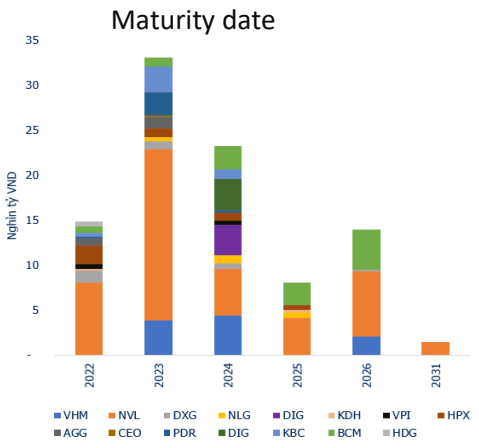


Sector	2017	2018	2019	2020	2021
Real estate	36.9%	35.1%	32.5%	42.3%	46.8%
Banking	29.2%	36.4%	41.2%	28.3%	30.7%
Electricity production, water supply, oil & gas	0.0%	0.0%	5.2%	9.8%	5.1%
Financial service	7.5%	10.2%	3.1%	2.8%	4.0%
Entertainment & Travelling	0.0%	0.0%	4.9%	3.8%	3.6%
Material & Construction	5.3%	4.0%	4.5%	3.4%	3.3%
Food	15.8%	7.4%	0.8%	4.0%	2.3%
Cars & spare parts	0.0%	0.0%	4.6%	0.5%	1.8%
Goods & Industrial service	0.2%	0.6%	1.4%	1.7%	1.0%
Basic materials	0.0%	2.9%	1.2%	1.5%	0.6%
Personal & household appliance	0.3%	0.8%	0.2%	1.6%	0.5%
Information technology	0.0%	0.0%	0.1%	0.1%	0.1%
Chemistry	0.4%	0.8%	0.0%	0.0%	0.1%
Marketing	0.4%	0.0%	0.0%	0.0%	0.1%
Medical	0.1%	1.8%	0.1%	0.0%	0.0%
Retails	4.0%	0.0%	0.0%	0.1%	0.0%
Telecommunication	0.0%	0.0%	0.0%	0.3%	0.0%
Insurance	0.0%	0.0%	0.0%	0.0%	0.0%
Total (Billion VND)	56,921	51,549	282,830	458,778	775,888

Source: CBRE, BSC Research

The maturity scale of bonds listed by real estate enterprises in 2023 only accounts for about 10% of the total maturity value. According to information from the financial statements of listed enterprises, the total maturity scale of bonds of real estate enterprises on the floor in 2023 and 2024 is VND 33,111 billion and VND 23,225 billion, respectively. ***The total maturity value only accounts for about 10.3% and 6.4% of the total maturity value in 2023 and 2024, respectively.*** In which, some enterprises with large maturity in 2023 include NVL (VND 19,109 billion), VHM (VND 3,834 billion), AGG (VND 1,209 billion), PDR (VND 2,546 billion), KBC (VND 2,900 billion). BSC assesses that the total maturity value of businesses on the exchange is only low, the main pressure will be on unlisted real estate companies. In addition, large-scale enterprises such as NVL, VHM all **(1)** Recorded large new open sales value (NVL: 1.2 billion USD in 3T2022, VHM 3.8 billion USD in 6T2022) and **(2)** Ability to raise capital from abroad through bond issuance forms, convertible bonds, so the ability to balance cash flows and repay loans is feasible.

Figure 8. 6: Hanoi apartment market



Bond maturity of real estate businesses in the next 5 years

	2022	2023	2024	2025	2026	2031
VHM	-	3,834	4,383	-	2,057	-
NVL	8,099	19,109	5,211	4,129	7,229	1,438
DXG	1,348	861	587	-	199	-
NLG	-	443	935	649	-	-
DIG	-	-	3,387	-	-	-
KDH	182	-	-	300	-	-
VPI	477	-	423	-	-	-
HPX	2,039	989	930	496	-	-
AGG	830	1,209	-	-	-	-
CEO	-	220	-	-	-	-
PDR	230	2,546	269	-	-	-
DIG	-	-	3,500	-	-	-
KBC	400	2,900	1,000	-	-	-
BCM	731	1,000	2,600	2,500	4,500	-
HDG	493	-	-	-	-	-
Tổng giá trị	14,828	33,111	23,225	8,074	13,985	1,438

Tỷ trọng đáo hạn (%)	2022	2023	2024	2025	2026	2031
VHM	0.00%	11.58%	18.87%	0.00%	14.71%	0.00%
NVL	54.62%	57.71%	22.44%	51.14%	51.69%	100.00%
DXG	9.09%	2.60%	2.53%	0.00%	1.43%	0.00%
NLG	0.00%	1.34%	4.02%	8.04%	0.00%	0.00%
DIG	0.00%	0.00%	14.58%	0.00%	0.00%	0.00%
KDH	1.23%	0.00%	0.00%	3.72%	0.00%	0.00%
VPI	3.21%	0.00%	1.82%	0.00%	0.00%	0.00%
HPX	13.75%	2.99%	4.00%	6.14%	0.00%	0.00%
AGG	5.60%	3.65%	0.00%	0.00%	0.00%	0.00%
CEO	0.00%	0.66%	0.00%	0.00%	0.00%	0.00%
PDR	1.55%	7.69%	1.16%	0.00%	0.00%	0.00%
DIG	0.00%	0.00%	15.07%	0.00%	0.00%	0.00%
KBC	2.70%	8.76%	4.31%	0.00%	0.00%	0.00%
BCM	4.93%	3.02%	11.19%	30.96%	32.18%	0.00%
HDG	3.32%	0.00%	0.00%	0.00%	0.00%	0.00%
Tổng giá trị (tỷ VND)	14,828	33,111	23,225	8,074	13,985	1,438

Source: FiinPro, BSC Research

We lowered our rating from **POSITIVE** to **NEUTRAL** for the real estate sector due to "headwind" factors including: **(1)** rising interest rates; **(2)** tighter credit for the real estate group could affect the purchasing power of the market and **(3)** the impact of bond issuance could create pressure on corporate cash flow. However, we also see a number of positive factors including: **(1)** the projected profitability of real estate businesses maintaining single-digit increases; **(2)** the valuation of the real estate sector is at an attractive level (P/B 2022FW = 1.2 times compared to the 5-year average of 2.3 times) and **(3)** the revised Decree 153 will remove the bottleneck on corporate bond issuance. **BSC recommends BUY with stocks: KDH, NLG, VRE, VHM, DXG.**

Figure 8. 7: Estimate of some commercial real estate enterprises

Ticker	Net rev 2022 (bil VND)	%YoY	NPAT 2022 (bil VND)	%YoY	EPS 2022 (VND/unit)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 09/08/2022	Target price	Upside
VHM	85,991	1%	31,363	-19%	7,203	8.5	1.8	14%	21%	60,900	87,200	43%
DXG	10,736	6%	1,274	10%	2,131	12.7	1.6	4%	12%	27,000	38,300	42%
KDH	2,211	-41%	1,402	17%	2,181	17.6	1.8	8%	12%	38,350	49,600	29%
NLG	7,434	42%	1,233	15%	3,059	14.1	1.6	4%	12%	43,250	49,500	14%
VRE	9,310	58%	2,541	93%	1,091	26.2	2.0	6%	7%	28,550	34,600	21%
NVL	33,007	80%	6,557	49%	4,458	18.7	3.7	4%	17%	83,300	90,300	8%

Source: BSC Research

9. Steel Sector [Neutral]

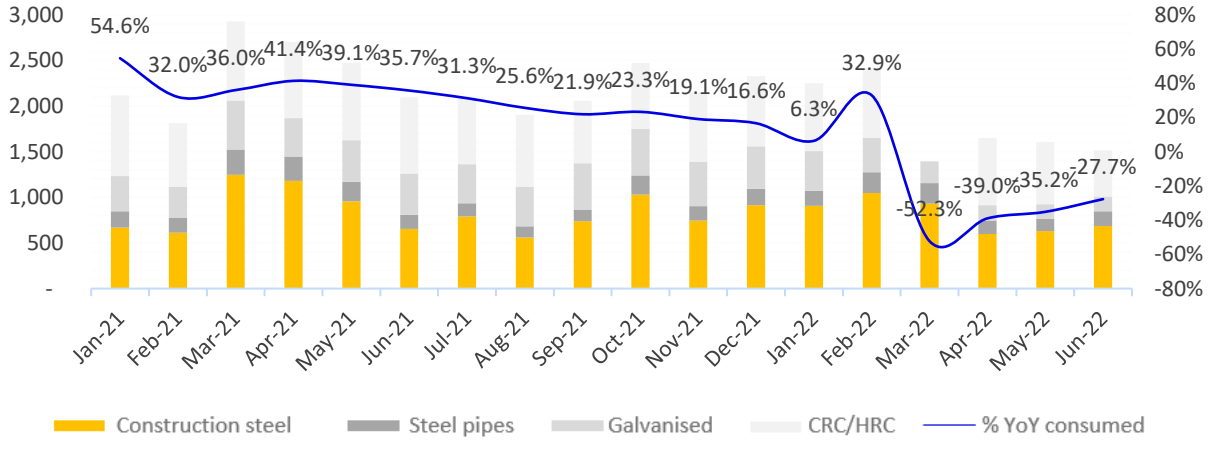
Analyst: Dinh Manh Thang *Email: Thangdm@bsc.com.vn*

- Consumption volume is forecast to remain low in Q3/2022 but may recover in Q4/2022 due **to (1)** seasonal factors; and **(2)** steel prices have decreased deeply to help reduce construction costs;
- Gross profit margin of steel enterprises is forecasted to decrease sharply due to sharply reduced selling prices and fluctuations in raw material prices in the first half of 2022;
- Cheap pricing with FWD PE of some large enterprises is only 3.0x – 5.5x;
- BSC changed its view from **POSITIVE** to **NEUTRAL** for the Steel sector in the second half of 2022.

A sharp drop in demand is the biggest risk to the steel sector. Steel consumption has decreased sharply since March 2022, causing total consumption in the first 6 months of the year to be -7.3% YoY, of which the sharpest decrease is in the group of hot-rolled / cold-rolled coil products (-22.2% YoY) due to the decrease in demand of 2 downstream product groups: galvanized steel (-7.9% YoY), and steel pipes (-8.4% YoY). Construction steel is the only group that still recorded growth in the first 6 months of the year (+6.1% YoY).

Consumption volumes decreased in both domestic and export markets (-9.0% and -2.2% YoY, respectively) due to: **(1)** the domestic real estate market slowed down after the regulator's move to tightly control capital flows into the sector, and **(2)** steel demand in export markets decreased due to China's Zero-covid policy and the Russia-Ukraine war.

Figure 9. 1: Steel consumption volume declines in the first 6 months of 2022

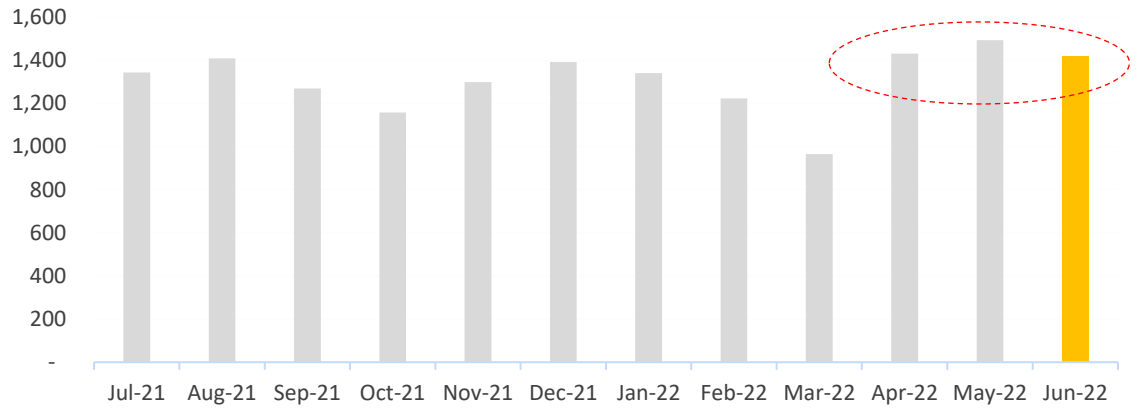


Source: Fiinpro, BSC Research

We expect steel demand to recover gradually from Q4/2022.

Steel consumption in Q3/2022 remains low due to **(1)** the next quarter is the construction low season (rainy season) leading to low demand for steel and **(2)** Production activities at steel mills are moderate due to large inventories. The large amount of inventory in the context of continuously falling steel prices will cause the cost price to be high in Q3/2022.

Figure 9. 2: Steel inventories of enterprises in Vietnam Steel Association are still at high level ('000 tons)



Source: Fiinpro, BSC Research

We expect the consumption situation to be more positive in Q4/2022 thanks to **(1)** construction activity generally accelerating in the last quarter of the year and **(2)** reduced construction costs due to a sharp drop in steel prices.

Figure 9. 3: Steel demand usually increases sharply in the last months of the year due to high construction demand ('000 tons)

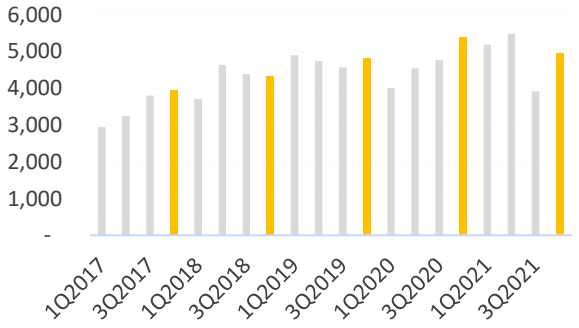
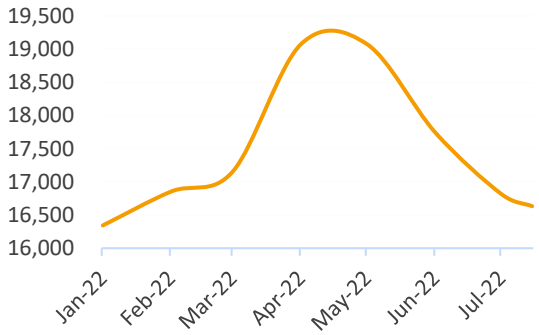


Figure 9.4: Construction steel price (HPG's D10/CB300) has fallen about 15% since the peak (VND/kg)



Source: Fiinpro, Steelonline, BSC Research

The price of input materials has fallen deeply, which is a great support for steel enterprises in the second half of 2022. Iron ore, coking coal and scrap steel prices fell sharply, by -28%, -53% and -45% respectively since the peak. HRC (input materials of galvanized steel sector) also fell sharply, -35% since the peak. Since the steel sector's inventory turnover is usually at 2-3 months, we expect production costs to decrease relatively, helping the profit margins of enterprises in the sector improve in Q4/2022.

Figure 9. 5: Prices of iron ore, coking coal and scrap steel plummeted (USD/ton)

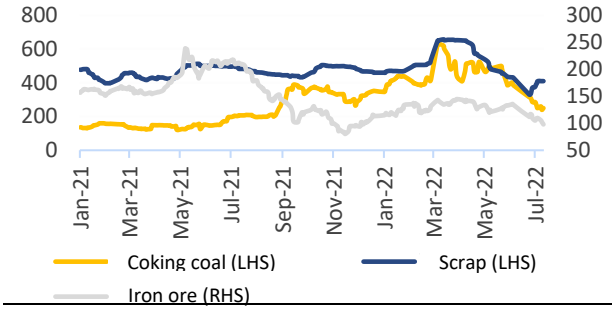
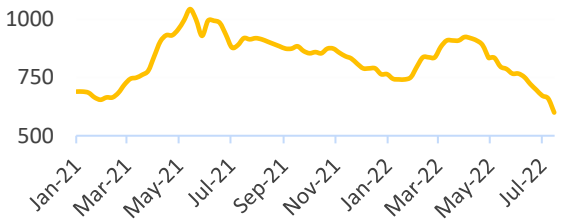


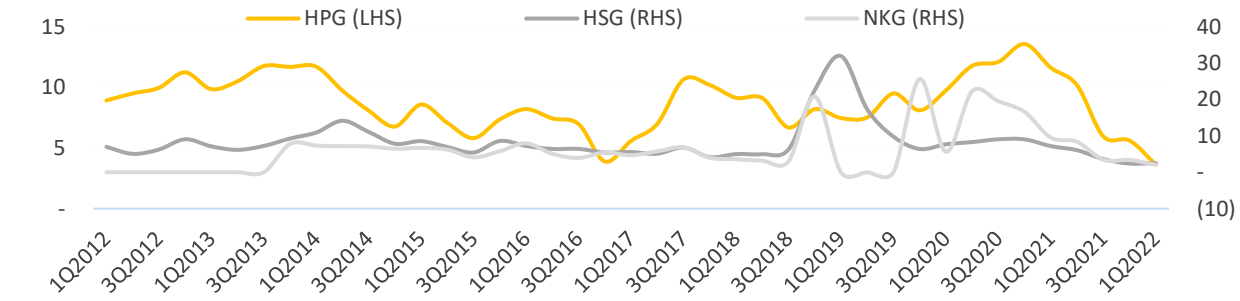
Figure 9. 6: HRC price has -35% from peak in 2022 (USD/ton)



Source: Bloomberg, BSC Research

Many businesses' valuations have fallen to low levels compared to the past. Most steel stocks have deeply discounted with a drop of about 50% from their peak. Although the business outlook of the sector is generally difficult in 2022, we believe that the current valuation is attractive for some of the leading stocks in the sector, and there are prospects for future capacity growth and suitable for cumulative purchases such as HPG, NKG.

Figure 9. 7: Valuations (PE trailing) of steel enterprises have fallen close to historical lows



Source: Fiinpro, BSC Research

INVESTMENT THESIS – NEUTRAL

We changed our view from **POSITIVE** to **NEUTRAL** for the Steel sector in the second half of 2022 due to **(1)** The outlook for consumption of steel products is less positive compared to the 2021 peak and **(2)** The price of raw materials has decreased deeply, helping to reduce production costs and prevent a decrease in profit margins in the second half of 2022.

Figure 9. 8: Estimated business results of some steel enterprises

Ticker	Net rev 2022 (Bil VND)	%YoY	NPAT 2022 (bil VND)	%YoY	EPS 2022 (VND/unit)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 09/08/2022	Target price	Upside
HPG	152,594	2%	24,791	-28%	4,255	5.7	1.2	12%	21%	24,100	29,200	21%
NKG	23,900	-4%	1,163	-35%	4,418	4.9	0.8	9%	17%	21,800	N/a	N/a
HSG	52,207	-4%	1,347	-64%	2,729	7.5	0.8	6%	11%	20,550	N/a	N/a

Source: BSC Research

10. Ocean Shipping Sector [Neutral]

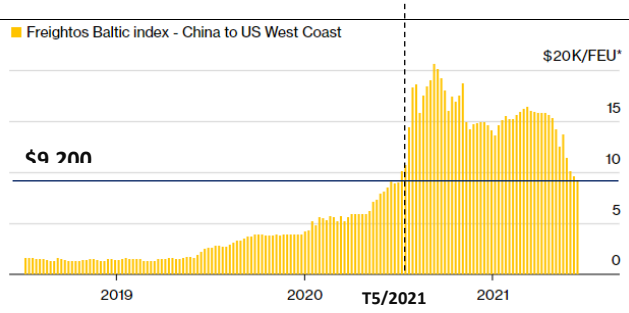
Analyst: Pham Quang Minh *Email: Minhpq@bsc.com.vn*

- Average spot container freight rates decreased by 25-35% compared to the beginning of the year due **to (1)** slowing down import and export activities from the US and EU and **(2)** ship supply bottlenecks gradually improved.
- Spot oil freight rates have increased 2-3 times compared to the beginning of 2022 due **to (1)** disruption of the oil supply chain in Europe and **(2)** low ship supply.
- BSC recommends **NEUTRAL** for the Shipping sector due to rate concerns in the downward revision trend in the second half of 2022.

By the end of 6M/2022, the average spot container freight rate decreased by 25-35% compared to the beginning of the year. Average rental rates were flat due to **(1)** slowing import demand in major countries such as the US and EU amid high inflation and supply chain disruptions in China and **(2)** improved ship supply bottlenecks.

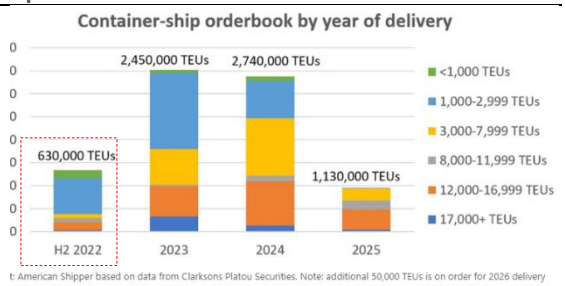
In the second half of 2022, the total global ship capacity is forecast to increase by 630,000 TEUS – accounting for 70% of the total capacity delivered for the whole year. Therefore, BSC believes that spot container freight rates will still be in a slight downward trend at the end of the year due **to (1)** centralized ship handover drop points by the end of 2022 and **(2)** import and export activities continue to decline.

Figure 10. 1: Global Container Rate Index has decreased by -30% compared to the beginning of 2022



Source: Freightos
Note: FEU = forty-foot equivalent unit; gauge includes premium fees

Figure 10. 2: The fleet capacity is forecast at 25.5M TEUs (+3% YoY). The main handover point is in the second half of 2022

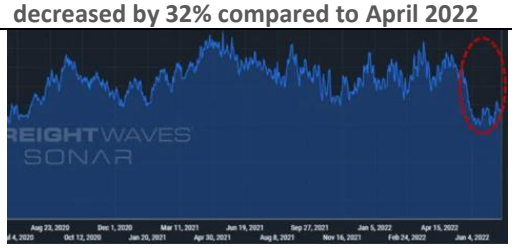


Source: Bloomberg, BIMCO

Figure 10. 3: The price of the main service route from China to the US, EU is reduced by 25-30% YoY

Service route	Rates US$/40 feet			%YoY	% MoM
	Jul 21	Jan 21	Jul 22		
Shanghai - Rotterdam	12,954	13,658	9,182	-29.1%	-32.8%
Shanghai - Los Angeles	9,733	10,520	7,480	-23.1%	-28.9%
Shanghai - Genoa	12,685	12,779	10,829	-14.6%	-15.3%
Shanghai - New York	11,825	13,518	10,164	-14%	-24.8%

Figure 10. 4: The ship bookings in the US has decreased by 32% compared to April 2022



Source: Drewry

Meanwhile, spot oil freight rates have increased 2-3 times compared to the beginning of the year due **to (1)** disruption of oil supply chains in Europe, forcing these countries to find alternative oil supplies in the US and Asia such as India and **(2)** low supply of ships. Specifically, the rate of ship booking accounts for 6-7% of the existing fleet size. In the second half of 2022, BSC believes that it will remain highly anchored due to the limited supply of ships and the disruption of the oil supply chain is still being removed.

Figure 10. 5: Spot oil price index has increased 2-3 times compared to early 2022

Figure 10. 6: Number of new tankers at the lowest level in recent 10 years (6-7% of fleet)

Source: BIMCO, Clarksons

INVESTMENT THESIS – NEUTRAL

BSC evaluates **NEUTRAL** for the Ocean Shipping sector in 2022 due to concerns about container freight rates and oil transport will adjust downwards in the second half of 2022.

Figure 10. 7: Estimated business results some shipping enterprises

Ticker	Net rev 2022 (Bil VND)	%YoY	NPAT 2022 (bil VND)	%YoY	EPS 2022 (VND/unit)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 09/08/2022	Target price	Upside
VOS	2,062	41%	523	7%	4,064	4.5	1.7	17%	34%	18,400	20,600	12%
PVT	8,622	16%	1,054	26%	2,685	7.9	0.8	7%	13%	21,150	25,700	22%

Source: BSC Research

C. High-growth sector groups

11. Aviation Sector [Positive]

Analyst: Pham Quang Minh *Email: Minhpq@bsc.com.vn*

- Domestic passenger volume recovered by 105% over the same period in 2019 thanks to **(1)** well controlled epidemic; **(2)** demand for tourism revenge after 2 years of epidemic and **(3)** new supply from airlines opening more domestic routes;
- International passenger volume recovered by 10% compared to the same period in 2019 thanks to **(1)** entry and exit regulations were gradually lifted and **(2)** Vietnam reopened international routes;
- The recovery rate of international transport activities is quite fast due to the suppressed demand for tourism after 2 years of the pandemic. In particular, Asia has a slower recovery than Europe due to the following vaccination rollout;
- For the whole of 2022, BSC forecasts domestic/international passenger volume to reach 77 (+160% YoY)/3.4 million passengers (+574% YoY), contributing mainly by the recovery from the Korean and US markets;
- Oil price +105% YoY, negatively affecting business activities of air transport group;
- BSC evaluates **POSITIVE** for the aviation sector thanks to the strong recovery in travel demand after the epidemic.

DOMESTIC TRANSPORT – 5M/2022 RECOVERED 105% OVER THE SAME PERIOD IN 2019

By the end of 5M/2022, domestic passenger volume reached 31.4 million passengers (+24.4% YoY) – an increase of +5.6% compared to 2019 thanks to **(1)** the epidemic is well controlled **(2)** the demand for 'revenge travel' after 2 years of the pandemic and **(3)** Besides, domestic airlines actively open more domestic routes, to offset international transport activity that has not fully recovered - helping to create new domestic supply. In the second half of 2022, BSC believes that the recovery trend will continue thanks to **(1) the** epidemic is still well controlled and **(2)** the background level is low in the second half of 2022. Accordingly, BSC forecasts domestic passenger volume to reach 77 million passengers (+160% YoY) in 2022, equivalent to 103% in 2019.

Figure 11. 1: Domestic passenger volume in 2021-2022 (Million passengers)

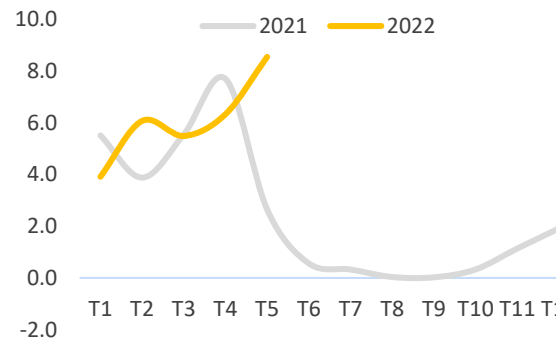
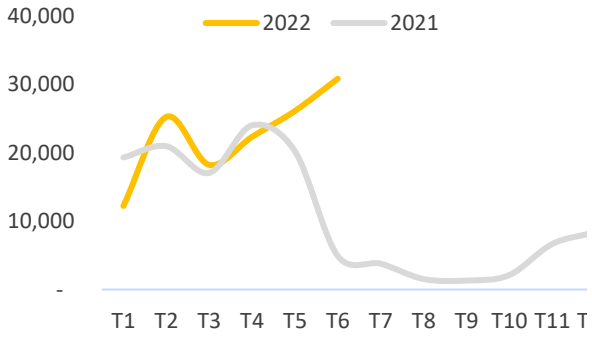


Figure 11. 2: Number of flights of domestic airlines in 2021-2022 (flights)



Source: BSC Research

INTERNATIONAL TRANSPORT – 5M/2022 RECOVERED 10% COMPARED TO 2019

In 5M/2022, international passenger volume reached 1.55 million passengers (+660% YoY) – equivalent to 10% of the same period in 2019 thanks to **(1)** entry and exit regulations were gradually lifted and **(2)** International flight routes are restored when many countries have well controlled the epidemic and reopened.

Figure 11. 3: International passenger volume 2021-2022 (passengers)

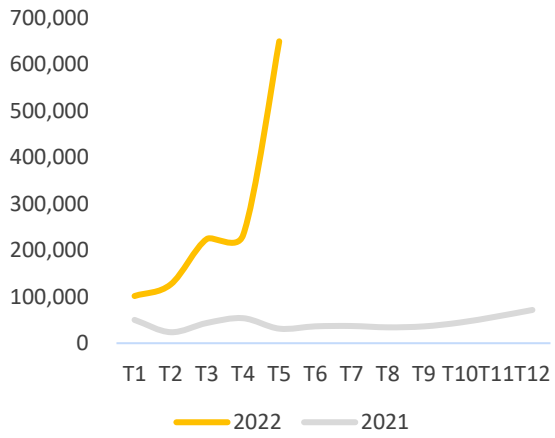


Figure 11. 4: >90% of countries have opened international routes (*)

1 *Source: BSC Research*

**Note: Dark blue – open + no quarantine and testing required; light blue: open + requires only testing; Yellow: Entry only with citizens returning to their home country.*

The recovery rate of international transport activities is very fast due to the suppressed tourism demand after 2 years of the pandemic. After 1 quarter of reopening, international passenger volume to Vietnam was equivalent to 12% over the same period in 2019, while in Q1 it was only 2%. In there,

- **America, Europe recorded a high level of recovery (20-30% over the same period in 2019).**
- **Asia has a slower recovery (10-15% compared to the same period in 2019**) due **to (1)** the letter vaccination program and **(2)** many countries maintaining zero-Covid policies in 2020-Q1/2021. Some of Vietnam's main markets are still affected such as China (2%) due to zero-Covid policy, Russia (3%) due to Russia-Ukraine political tensions.

At the beginning of the third quarter of 2022, Vietnam's key markets continued to loosen entry and exit regulations. Specifically, from May 1, South Korea will recognize rapid test results, besides PCR, for passengers arriving by air. From June 1, Japan has doubled the number of people allowed to enter to 20,000 people/day. From June 15, Taiwan reduced the number of days of home isolation from 7 days to 3 days. **Accordingly, BSC expects the international transport segment to still recover strongly in the second half of 2022** thanks to **(1)** the resumption of international routes with higher frequency and **(2)** the low background in 2021. BSC forecasts that Q3/Q4 passenger volume will be equivalent to 15%/17% in the same period in 2019.

Figure 11. 5: Recovery rate of international arrivals to Vietnam compared to 2019 by quarter

% recovery compared to 2019	2020			2021				2022	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
All countries	1%	1%	1%	1%	1%	1%	1%	2%	12%
- China	4%	1%	1%	1%	1%	1%	1%	1%	2%
- South Korea	0%	1%	1%	1%	1%	0%	1%	1%	10%
- Japan	0%	1%	1%	1%	1%	0%	1%	2%	11%
- Taiwan	0%	1%	1%	2%	1%	1%	1%	4%	7%
- Malaysia	0%	0%	0%	0%	0%	0%	0%	1%	14%
- Thailand	0%	1%	0%	1%	1%	1%	1%	1%	17%
- Singapore	0%	0%	0%	0%	0%	0%	0%	1%	43%
- Philippines	0%	2%	1%	1%	1%	0%	1%	2%	17%
- Cambodia	0%	0%	0%	0%	1%	1%	0%	6%	
- Indonesia	0%	0%	0%	1%	1%	0%	0%	1%	19%
- Laos	3%	33%	22%	12%	7%	7%	15%	18%	70%
- Hong Kong	0%	0%	0%	0%	0%	0%	0%	0%	0%
- Other Asian markets	1%	2%	1%	2%	2%	1%	2%	5%	49%
- India									
- United States	0%	0%	0%	0%	0%	1%	1%	5%	33%
- Canada	0%	1%	0%	0%	0%	0%	0%	3%	22%
- Other American markets	1%	2%	1%	1%	2%	2%	3%	3%	18%
- Russia	1%	0%	0%	0%	0%	0%	0%	3%	3%
- United Kingdom	0%	1%	1%	0%	0%	1%	1%	2%	21%
- France	0%	0%	1%	0%	0%	1%	1%	2%	21%
- Germany	0%	0%	0%	0%	1%	1%	1%	3%	29%
- Netherlands	0%	0%	1%	1%	1%	0%	1%	3%	27%
- Italy	0%	1%	1%	1%	1%	1%	2%	2%	24%
- Sweden	0%	0%	0%	0%	1%	0%	1%	1%	26%
- Spain	0%	0%	1%	1%	1%	0%	1%	2%	18%
- Denmark	1%	1%	1%	1%	1%	1%	1%	2%	27%
- Switzerland	0%	0%	0%	0%	0%	0%	0%	2%	23%
- Finland	0%	1%	1%	0%	1%	1%	1%	1%	29%
- Norway	0%	0%	0%	0%	0%	0%	1%	2%	32%
- Belgium	0%	0%	1%	1%	1%	0%	1%	3%	23%
- Other European markets	1%	2%	2%	2%	3%	3%	3%	4%	24%
- Australia	0%	0%	0%	0%	0%	0%	0%	3%	28%
- New Zealand	0%	0%	0%	0%	0%	0%	0%	1%	12%
- Other Australian markets	1%	1%	0%	1%	0%	0%	2%	6%	11%
- Africa	1%	1%	2%	3%	3%	2%	4%	4%	18%

Source: GSO, BSC Research

For the whole of 2022, BSC forecasts international passenger volume to reach 3.4 million passengers (+574% YoY) – equivalent to 12% compared to 2019, mainly contributed by the recovery from the Korean and US markets, based on the following scenario:

Figure 11. 6: Open-door policy scenario

No.	Country	Q2/2022	Q3/2022	Q4/2022
1	China	0		
2	South Korea	1	3	
3	Japan	1	2	3
4	Taiwan	1	2	3
5	United States	4		
6	Different	3		

Figure 11. 7: Production recovery scenario

No.	Country	Q2	Q3	Q4	2022
1	China	2%	4%	5%	
2	South Korea	10%	17%	20%	
3	Japan	11%	13%	15%	
4	Taiwan	7%	12%	15%	
5	United States	33%	40%	50%	
6	Different	22%	24%	27%	
	SUM	12%	15%	17%	12%

Source: BSC Research

Comment:

0- Not yet open

1- Entry restrictions (restrictions on number + countries, quarantine requirements, testing)

2- Open + test + quarantine/certain restrictions

3- Open + test

4- 100% open

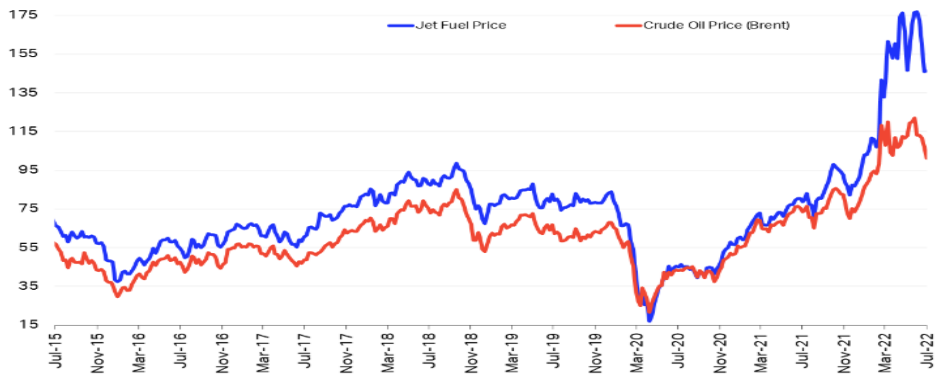
Figure 11. 8: Immigration policy update Top 5 countries in terms of market share of international visitors to Vietnam in 2019

No.	Country	Proportion of international visitors to Vietnam	Entry and exit regulations as of July 2021	BSC notes
1	China	32%	▪ Concentrated isolation for 7 days, then, quarantine for 3 days at home.	Not yet open
2	South Korea	24%	▪ Exemption from isolation for fully vaccinated cases.	Open + request testing
3	Japan	5%	▪ Limit the number of people entering the country to 20,000 per day. ▪ Testing is required for some countries.	Restrict
4	Taiwan	5%	▪ Quarantine at 3 days at home. ▪ Request a test	Open + test required + quarantined
5	United States	4%		Open
	TOTAL	**70%**		

Source: BSC Research

Jet oil price – A1 = 155 USD/bbl (+105% YoY), + 60% compared to the beginning of the year, due **to (1)** strong recovery in oil demand after the pandemic and **(2)** while supply was disrupted from Russia-UK tensions. **The sharp increase in oil prices has negatively affected the business activities of the air transport group** because airlines cannot convert 100% of costs to fares. Currently, fares are capped by a ceiling built on an oil price scenario of $80 per barrel (48% lower than the current price. In the second half of 2022, BSC expects the increase in oil prices to ease due to the removal of supply bottlenecks *(Details see in The oil and gas sector),* helping to improve the contract of the air transport group.

Figure 11. 9: Price movements of Jet oil – A1 and Brent oil



Source: BSC Research

Exchange rate fluctuations will affect the economic growth of some aviation enterprises in Q2/2022 due to the use of foreign currency loans to invest in terminals and aircraft. In particular, the JPY/VND exchange rate fluctuation will have the greatest impact on ACV's economic development due to **(1)** the high proportion of foreign currency loans (accounting for 25% of total asset) and **(2)** the large JPY depreciation (13%). In the first half of 2022, BSC forecasts that the company will record 1,400-1,500 billion from profit due to revaluation of exchange rate differences.

Figure 11. 10: Update foreign currency loan balance of some enterprises

No.	Company	Short & Long-term foreign currency loan balance	Currency	% Total debt	% Total asset	The effect of exchange rate changes on business results
1	ACV	13,477	JPY	100%	25%	Positive
2	VJC	3,787	USD	19%	7%	Trivial
3	HVN*	7,050	USD	35%	11%	Trivial

Source: BSC Research

**Note: Figure s at 31/12/2021*

INVESTMENT THESIS – POSITIVE

BSC evaluates **POSITIVE** for the Aviation sector in 2022 thanks to the strong recovery in travel demand after the epidemic. Inside:

- For aviation service businesses (such as ACV, SCS), BSC evaluates **POSITIVE** due to the direct benefit from the return of passenger/cargo output.
- For air transport enterprises (such as HVN, VJC), BSC evaluates **NEUTRAL** because **(1)** oil prices remain high in the second half of 2022 and **(2)** international passenger transport has not fully recovered.

Figure 11. 11: Estimate of business results some enterprises in the sector

Ticker	Net rev 2022 (Bil VND)	%YoY	NPAT 2022 (bil VND)	%YoY	EPS 2022 (VND/unit)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 09/08/2022	Target price	Upside
SCS	920	10%	640	14%	6,587	13.2	3.3	39%	43%	87,000	100,000	15%
ACV	10,992	131%	5,238	992%	2,406	36.0	4.4	9%	12%	86,708	110,000	27%

Source: BSC Research

12. Fisheries Sector [Positive]

Analyst: Nguyen Cam Tu, CFA *Email: Tuntc@bsc.com.vn*

- According to VASEP, in the second quarter of 2022, the country's seafood export turnover was estimated at 3.2 billion USD, up 34% over the same period last year: Shrimp increased by 28% YoY, Pangasius increased by 78% YoY;
- In the second half of 2022, BSC believes that the growth rate of the seafood group will be slower than in the first half of the year due **to (1)** Fear of inflation and recession risks in the US causing seafood exports to slow down and **(2)** The Chinese market has not shown any sign of opening. However, the low base level of 2021 (due to the Covid epidemic) makes the growth rate of the same period still guaranteed;
- BSC maintains **POSITIVE** outlook on the Fisheries sector in 2022.

According to VASEP, in the second quarter of 2022, the country's seafood export turnover was estimated at 3.2 billion USD, up 34% over the same period last year. In which, shrimp export turnover reached over 1,400 million USD, up 28% over the same period, accounting for 43% of export turnover. Pangasius export turnover was estimated at 773 million USD, up 78% over the same period, accounting for 24% of the export value of the whole seafood sector.

Figure 12. 1: Vietnam's shrimp exports

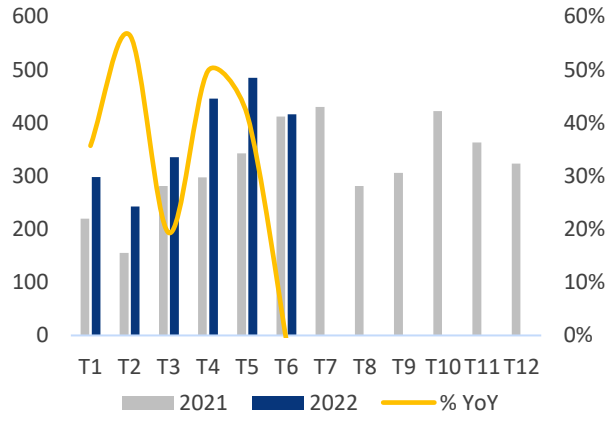
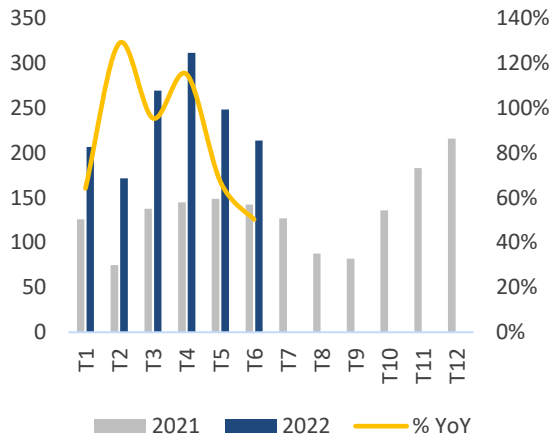


Figure 12. 2: Vietnam's pangasius export



Source: Agromonitor

In the second half of 2022, BSC believes that the growth rate of the seafood group will be slower than in the first half of the year due to (1) Fear of inflation and the risk of recession in the US causing seafood exports to slow down (2) The Chinese market has not shown any signs of opening yet. However, the low base level of 2021 (due to the Covid epidemic) makes the growth rate of the same period still guaranteed.

Pangasius export prices remained high over the same period despite a slight decrease compared to April: The average selling price in Q2 in the US and China reached $4,830/ton (+59% YoY and +6% QoQ) and $2,520/ton (+36% YoY and +0% QoQ), respectively.

In the US market: Inflation and recession risks reduce seafood exports in May and June. BSC said that in the second half of 2022, this risk will still affect Vietnam's seafood exports.

In the Chinese market: BSC said that in the second half of 2022, China has not shown that it will fully open, affecting Vietnam's pangasius demand. However, in the long term, BSC expects China to

gradually move towards reopening, and then, with a market with pangasius consumption on par with the US and pent-up demand during the two years of the epidemic, it will help the sector grow strongly.

Figure 12. 3: US market

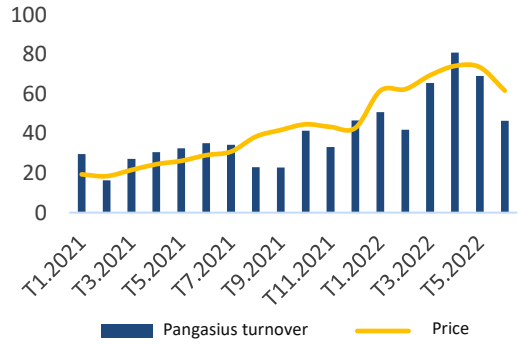
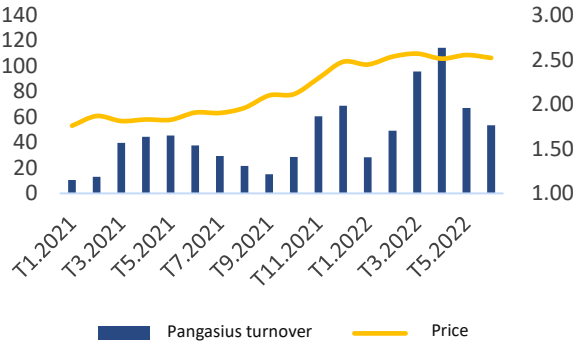


Figure 12. 4: China Market



Source: Agromonitor

A sharp drop in freight rates is expected to reduce costs for seafood businesses. Rates from Southeast Asia to the U.S. averaged July around $6,957 (-59% from peak, -41% YoY). Rates from Southeast Asia to Europe are around $10,219 (-32% from peak, -18% YoY).

Figure 12. 5: Rates from Southeast Asia to the U.S.

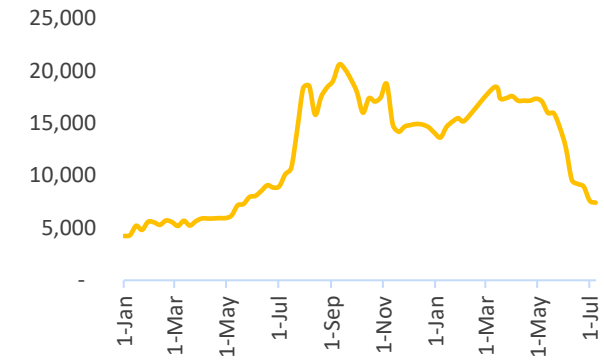
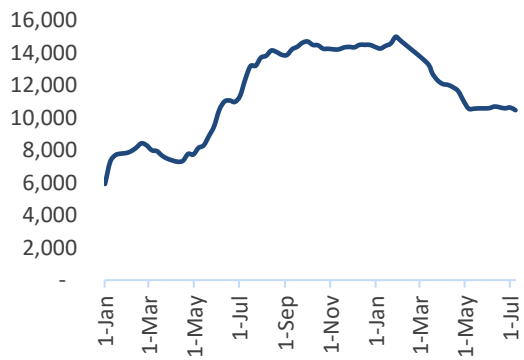


Figure 12. 6: Rates from Southeast Asia to EU



Source: FBX

INVESTMENT THESIS – POSITIVE

We maintain **POSITIVE** outlook on the Fisheries sector in the second half of 2022. Although BSC believes that the growth rate of the seafood group will be slower than in the first half of the year due to **(1)** Fear of inflation and recession risks in the US causing seafood exports to slow down and **(2)** The Chinese market has not shown signs of opening yet, but the low base level of 2021 keeps the growth rate of the same period at a positive level.

Figure 12. 7: Estimated business results of some seafood enterprises

Ticker	Net rev 2022 (Bil VND)	%YoY	NPAT 2022 (bil VND)	%YoY	EPS 2022 (VND/unit)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 09/08/2022	Target price	Upside
VHC	12,378	38%	2,200	101%	11,900	7.1	2.1	27%	34%	84,500	111,000	31%
ANV	6,858	96%	675	X4.2	4,900	10.1	2.1	21%	26%	49,500	55,400	12%

Source: BSC Research

13. Livestock Sector [Positive]

Analyst: Pham Thi Minh Chau *Email: Chauptm@bsc.com.vn*

- First half of 2022 - Bottom of business results of enterprises in this sector;
- Business results will record a positive recovery from the bottom of the first half of 2022 and is expected to last until 2023;
- BSC recommends **POSITIVE** for the Livestock sector in the second half of 2022 -2023.

First half of 2022 - Bottom of business results of livestock enterprises. Gross profit margin from core business in Q1/2022 fell deeply from -2 percentage points to -16 percentage points, respectively, and continued to remain low in Q2/2022. The main reason comes from the opposite impact of the downward trend in hog prices and the increase in feed prices in the first half of 2022.

Figure 13.1: Changes in gross profit margin of livestock enterprises 2019-2022

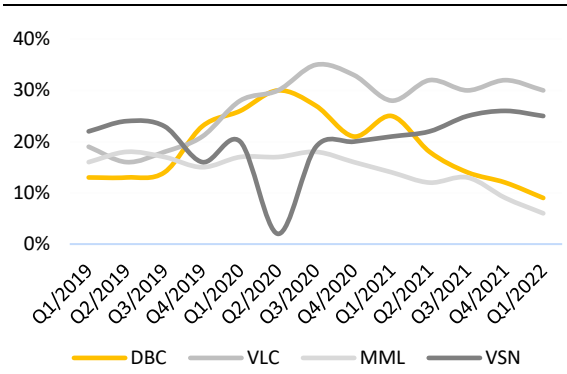
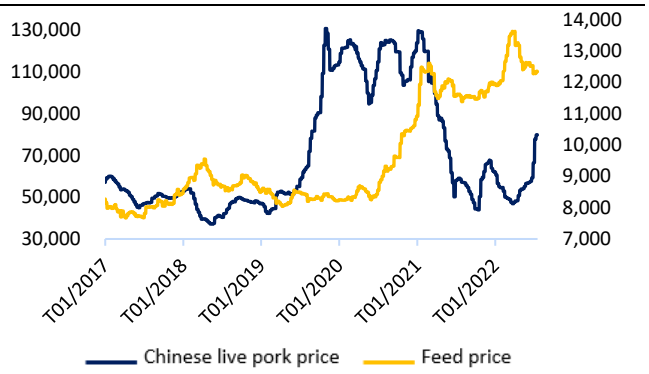


Figure 13.2: China hog price movement and feed price 2017-2022 (VND/KG)



Source: DBC, Bloomberg, BSC summary

(1) National average live hog price recorded a decrease in Q1/2022 and Q2/2022 respectively -31% YoY/-20% YoY- Accumulated in the first half of 2022, down -26% YoY. Because (1.1) according to Ipsos, pork consumption demand per capita in 2022 is expected to reach 23.5kg/person, still not recovering from the pre-Covid and African swine fever levels of 31.4kg/person (2018). and (1.2) Abundant supply in livestock households (accounting for more than 70% of total supply) due to high re-herd rate in 2021 and low supply of pigs (<100kg) due to complicated epidemic situation. disease in 2022.

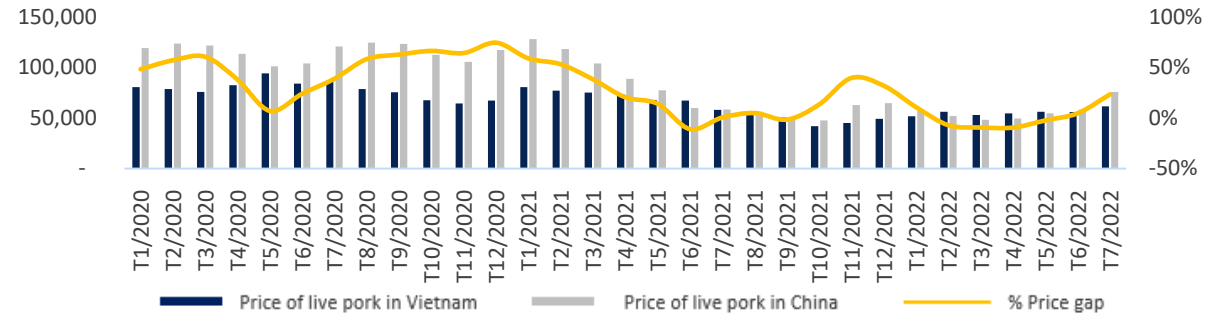
(2) Animal feed prices in Q1/2022 and Q2/2022 increased by +29%/+40% YoY respectively- cumulatively for the first half of 2022, increased by 29%-38% YoY due to (2.1) war between Russia and Ukraine leading to concerns about supply disruptions (2) Complicated weather movements in major exporting countries such as India, Canada, etc. and (3) high transportation costs when China continues to implement the "Zero COVID" policy.

Business results will record a positive recovery from the bottom of the first half of 2022 and is expected to last until 2023, thanks to:

Short term: **The gap between domestic and Chinese hog prices gradually widened from 5% (March 2022) to 23% (June 2022),** leading to some producers not wanting to sell their herds. Pigs are old enough for slaughter because it is not enough to compensate for high input costs and domestic prices have room to increase, causing the price of live pigs in the country for 20 days of July 2022 to increase by an average of 10%-20% compared to June 2022.

The main reason comes from the prospect of reopening the economy, causing demand to increase again to support Chinese hog prices to recov er from the bottom. At the same time, this event helps to solve the problem of high shipping costs starting in 2020.

Figure 13.3: Moving in phase with China and Vietnam hog prices, the price gap is gradually narrowing



Source: BBG, Agromonitor, BSC summary

Medium-term: ***Pig prices will continue to be supported by around 68,000 VND- 70,000 VND for 2023, as supply is expected to decline due to low re-herd activity.***

(2.1) Smallholder farmers (accounting for ~70% of the country's total live hog supply) are under pressure from 15%-20% higher input costs (Including feed costs, high mortality in pigs due to epidemics, raw materials increase with oil prices, etc).

Although, the price of animal feed also tends to cool down because raw materials such as barley, corn, etc. have shown signs of decline at the beginning of Q3/2022 thanks to **(1)** prospect of favorable weather and favorable weather conditions and **(2)** negotiations on letting Ukraine re-export grain, actively supporting the supply, **but the reduction in the price of feed sold to smallholder farmers will have a certain delay of about 2-3 months due to high price inventory at agents at all levels, along with that, regarding activities of small livestock households need from 4 to 5 months.** Therefore, we expect hog supply will not have much positive change until 2H/2023.

(2.2) Professional livestock farms (especially foreign ones) have difficulties in expanding their farm size due to the procedures for applying for a planning permit, building new farms due to differences in determine allocated land use norms and land use norms in each locality (according to Decision 326/QD-TTg on allocation of targets for national land use planning for the period 2021 - 2030) and environmental regulations.

Therefore, we assess that the leading domestic listed companies can make good use of opportunities from the livestock sector thanks to (1) being proactive in the source of raw materials, farming techniques and **(2)** available land fund planned for livestock sector. (DBC, BAF, HAG, ...)

INVESTMENT THESIS – POSITIVE

BSC maintains **POSITIVE** recommendation in the second half of 2022-2023 for livestock groups thanks to improved gross profit margin when **(1)** hog prices are anchored at a high level due to short-term storage demand and Actual total herd is expected to decrease as and when **(2)** the downward trend of feed ingredients.

Figure 13.4: Estimated business results of some livestock enterprises

Ticker	Net rev 2022 (Bil VND)	% YoY	NPAT 2022 (Bil VND)	% YoY	EPS 2022 (VND/unit)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 09/08/2022	Target price	Upside
DBC	13,159	22%	557	-28%	2,176	11.7	0.8	4%	7%	25,500	31,800	25%

Source: BSC Research

D. Other Sectors

14. Food Sector [Positive]

Analyst: Pham Thi Minh Chau *Email: Chauptm@bsc.com.vn*

- Winter-spring crop 2021-2022: reduced cultivation area, but improved yield and quality of exported rice;
- The situation of rice exports in the first half of 2022 has a relatively positive signal in terms of quantity;
- BSC maintains its recommendation from **POSITIVE** for the export rice sector in 2022.

Winter-spring crop 2021-2022: reduced cultivation area, but improved rice yield and quality. The cultivated area of the whole country in the winter-spring crop 2021-2022 decreased slightly, reaching 2,960 thousand hectares (-1% YoY). Due to the implementation of the gap in the months of production and harvesting, the autumn-winter crop was later than expected and some flood waters had not yet receded, resulting in delayed sowing. **However, (1) the yield of the winter-spring crop was improved,** especially in the Mekong Delta, the yield reached 72.51 quintals/ha, an increase of 0.22 quintals/ha. Thanks to favorable weather during the growing period of rice and the effect of mechanization in agricultural production **and (2) the positive shift to high-quality rice varieties that can meet the export demand:** fragrant rice, specialty rice accounted for more than 33% of the cultivated area, an increase of +11.3% compared to the winter-spring crop 2020-2021. While the proportion of average quality and sticky rice varieties accounted for less than 20% of the cultivated area and decreased by -2.3% and -4% respectively compared to the winter-spring crop 2020-2021. According to the Department of Cultivation, this shifting trend will continue to positively support Vietnam's export rice prices in the future.

Figure 14.1: Breeding structure of Winter-Spring crop in the Mekong Delta region - accounted for 90% of the country's rice exports

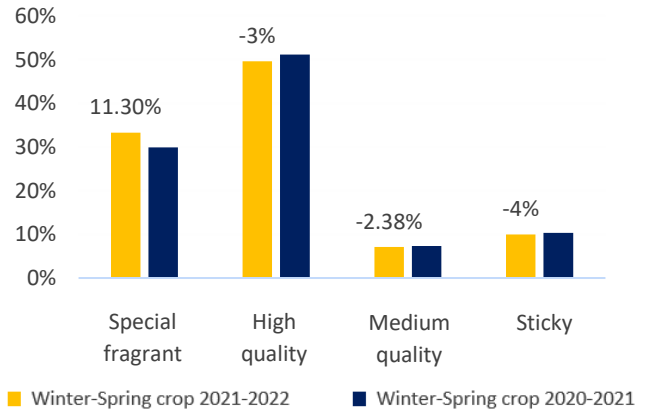
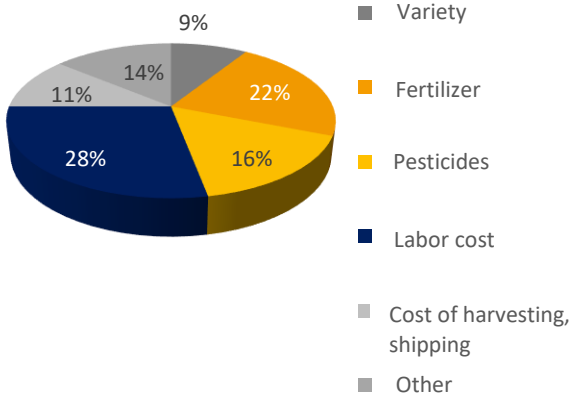


Figure 14.2: Current production cost structure of rice



Source: Cục trồng trọt

The situation of rice exports in 6M/2022 has a relatively positive signal when output increases by 16% YoY, thanks to the need to hoard food due to political instability in the world. BSC assesses that the output of the food sector can be improved. Benefits stem from the following factors: **(1) Interruption of food production (wheat, corn, ..) due to the war situation:** Russia and Ukraine are two wheat exporters (1/ 3 world trade output) and the world's leading corn (Ukraine's corn exports account for 22% of world trade), causing prices for foods such as bread to rise, while people's income be significantly affected resulting in increased demand for lower priced substitutes such as rice and

(2) Non-war countries also increase the need to stockpile food and substitutes for security purposes national food and rice prices in Vietnam are relatively competitive compared to other countries. However, the average export price of rice in the first half of 2022 decreased by -12% YoY. Due to the demand in large traditional markets such as the Philippines and China, there have not been many positive signals in the context of high anchorage costs and the nature of Vietnam's rice exports is competing on price with other countries.

Figure 14.3: Output and value of rice exported through 2018-2022F

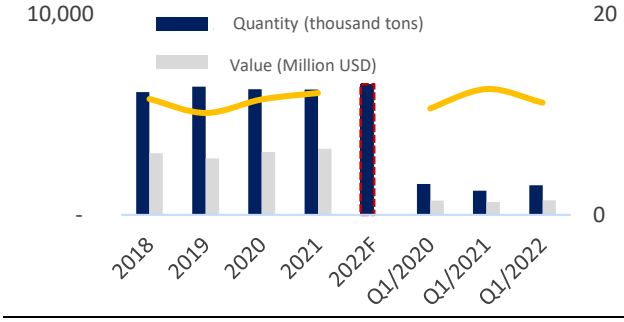
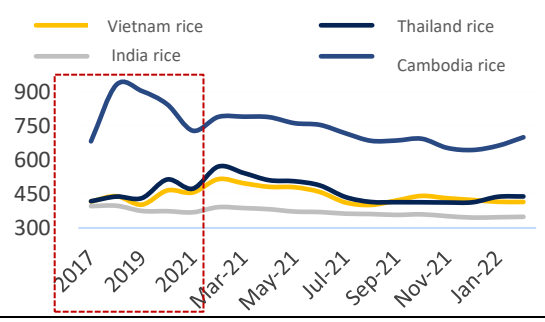


Figure 14.4: Price fluctuations of rice exports by countries



Source: FAO, Customs, USDA

Although **Russia and Ukraine reached an agreement to export grain to ease the global food crisis at the end of July 2022,** grain supply will recover with a certain delay of 2-3 months due to transportation difficulties (requiring many bulk carriers, ensuring safety for crew members, ...) and this event does not affect too much rice output of Vietnam's rice exports. Because the proportion of Vietnam's main rice exports still focuses on two traditional markets, the Philippines and China, which account for ~70% of the total export volume of Vietnam.

Rice export volume is expected to remain positive in 2H/2022 according to USDA's July 2022 report, Vietnam's rice export output is expected to reach 6.6 million tons (+5% YoY) thanks to: **(1) The positive demand for the traditional rice consumption market is the Philippines** (accounting for ~50% of Vietnam's total rice exports) thanks to ***(1.1)*** the event that the Philippine Department of Agriculture officially re-issued the SPS phytosanitary license -IC for rice importers in May 2022 and ***(1.2)*** Philippine government announced, in order to curb inflation, the country has decided to extend the reduction of rice import tax rates for countries outside Southeast Asia at a tax rate of 35% (compared to the previous rate of 40-50%) through 2022.

(2) It is expected that countries after a period of extreme anti-epidemic will reopen and increase imports to ensure national consumption and reserves;

(3) Continuing to exploit the potential EU market when going deeper into the EVFTA free trade agreement, by applying scientific technology in production, promoting the pilot building of material areas meeting the standards. For export, they are granted a planting area code associated with the consumer, such as 50,000 hectares of rice in An Giang and Kien Giang.

INVESTMENT THESIS – POSITIVE

BSC maintains **POSITIVE** recommendation in 2022 for export rice sector groups thanks to improved rice prices as **(1)** the quality of exported rice increases and **(2)** maintains market share in existing markets as well as exploits potential markets such as the EU.

Figure 14.5: Estimated business results of some food enterprises

Ticker	Net rev 2022 (Bil VND)	% YoY	NPAT 2022 (Bil VND)	% YoY	EPS 2022 (VND/unit)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 09/08/2022	Target price	Upside
LTG	11,935	17%	300	-28%	3,015	11.8	1.1	10%	3%	35,576	36,200	2%

Source: BSC Research

15. Automotive Sector [Positive]

Analyst: Luu Thuy Linh *Email: Linhlt2@bsc.com.vn*

- The automobile market grows strongly in the first half of 2022 (+34% YoY);
- Growth in the second half of 2022 was supported by a low comparative base in the third quarter of 2021 and the recovery of auto demand during the high season of the fourth quarter of 2022
- BSC maintains **POSITIVE** view of the auto sector in the second half of 2022.

Car sales in Vietnam in 2021 will grow but not suddenly

In general, total market sales of member units of the Vietnam Automobile Manufacturers Association (VAMA) for the whole year 2021 reached 304,149 vehicles (+3% YoY), of which: passenger cars schedule decreased by 3%, commercial vehicles increased by 17% and specialized vehicles increased by 50%. Also considering vehicle origin, in 2021 VAMA member units sold a total of 168,357 locally assembled vehicles (CKD) (-10% YoY) and 135,792 imported complete units (CBU) vehicles (+24% YoY).

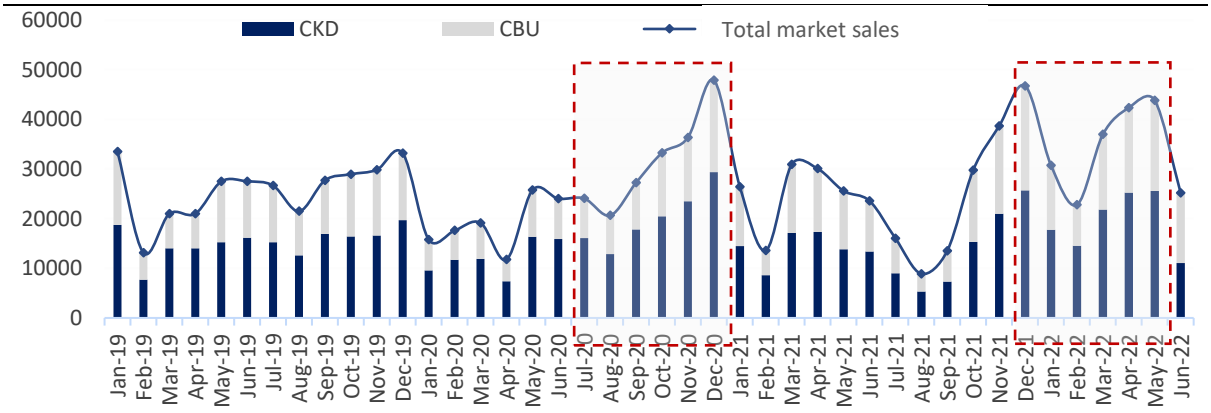
The automobile market has grown strongly since the end of 2021

The auto market has recovered strongly since the end of 2021. According to data from VAMA, in the first 6 months of 2022, member units have sold a total of 201,840 vehicles of all kinds (+34% YoY). Among them, passenger cars increased by 50%; commercial vehicles decreased by 5% and specialized vehicles increased by 12% compared to the same period in 2021. By origin, by the end of June 2022, sales of CKD vehicles reached 116,066 vehicles (+37% YoY) while CBU vehicles sold is 85,774 vehicles (+30% YoY).

Auto market growth decelerates in June

Sales in June decreased sharply compared to the previous month: total market sales reached 25,159 vehicles (-42.6% compared to the previous month). The main reasons are: **(1)** lack of components due to semiconductor crisis and chip shortage and **(2)** policy of 50% reduction in registration fees for domestically manufactured and assembled cars that expire on 31. May 5, 2022, so many customers bought cars in May. This also reduced sales in the past 6 months.

Figure 15.1: Sales of the whole market recovered strongly from the end of 2021 – now, however, there are signs of deceleration in June



Source: VAMA, BSC Research

Growth in the second half of 2022 is supported by a low comparative base in the third quarter of 2021 and Auto demand recovers during peak season in Q4 2022

BSC expects auto sales to gradually improve from the end of Q3 due to: **(1)** parts shortage issues ease thanks to China gradually reopening production activities and **(2)** entering the peak season Car shopping at the end of the year.

At the same time, in the remaining period of 2022, many new models will be launched. And the Vietnam auto show 2022, which will return in October, is expected to create sales push for the Vietnamese auto market. Besides, a low comparative base in Q3/2021 will be a factor supporting the growth of auto sales.

Car manufacturer Vinfast officially withdraws from the gasoline car segment

On July 15, VinFast Trading and Service Company Limited announced to stop selling gasoline cars to focus on electric cars. This has created opportunities for many other automakers to develop and increase their market share *(Vinfast's petrol cars account for nearly 11% of the domestic automobile market share)*. In addition, because Vinfast is one of the companies with high price competitiveness, the departure of this brand from the market can greatly reduce the competitive pressure on other car manufacturers.

INVESTMENT THESIS – POSITIVE

BSC maintains a **POSITIVE** view on Automotive in the second half of 2022 based on **(1)** strong growth in the automotive market in the first half of 2022 (+34% YoY) and **(2)** growth in the second half of 2022 supported by a low comparable base in Q3/2021 and a recovery in auto demand during peak season Q4 2022.

In the long-term, BSC believes that automobile enterprises will grow strongly thanks to the large potential of Vietnam's automobile sector (vehicle ownership rate reaches 2.3% of car-owning households, lower than other countries in the region. region: Brunei – 72.1%, Thailand – 22.5%, Malaysia – 44.3% – according to Seasia).

Figure 15.2: Estimated business results of some automotive enterprises

Ticker	Net rev 2022 (Bil VND)	% YoY	NPAT 2022 (Bil VND)	% YoY	EPS 2022 (VND/unit)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 09/08/2022	Target price	Upside
VEA	4,421	10%	6,485	13%	4,832	9.5	2.3	25%	25%	46,065	56,000	22%

Source: BSC Research

16. Textile Sector [Neutral]

Analyst: Nguyen Cam Tu, CFA *Email: Tuntc@bsc.com.vn*

- In the second quarter of 2022, textile and garment exports continued to maintain a positive growth with a turnover of USD 11.8 billion, up 18% over the same period: textiles increased by 22% YoY, fibers decreased by 7% YoY
- In the last six months of 2022, BSC believes that the prospect of textile and garment enterprises will be more challenging: yarn businesses are affected when yarn prices decline while textile businesses will have a slower growth rate compared to the first six months of 2022.
- We lower our view from **POSITIVE** to **NEUTRAL** for the Textile and Garment sector in the second half of 2022.

In the second quarter of 2022, textile and garment exports continued to maintain a positive growth with a turnover of 11.8 billion USD, up 18% over the same period. In which, textile and garment exports reached 9.9 billion (+22% YoY) thanks to positive traditional orders from the beginning of the year. However, fiber exports reached $1.3 billion (-7% YoY) due to an 18% decrease in output compared to the same period last year.

Figure 16.1: Textile and garment export turnover (billion USD)

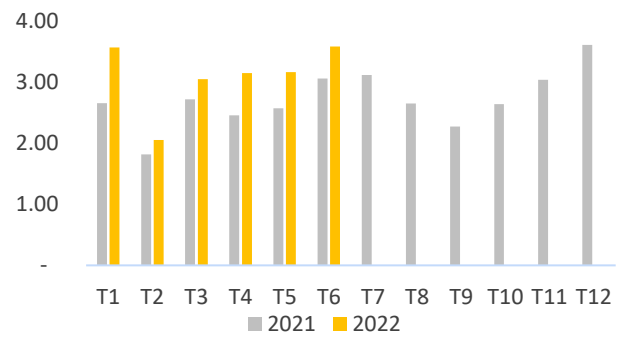
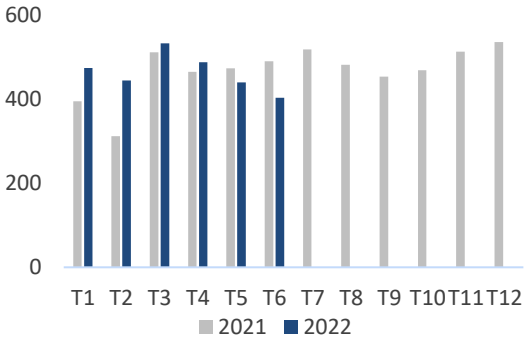


Figure 16.2: Fiber and yarn export turnover (million USD)



Source: TCHC

In the last six months of 2022, BSC believes that the prospect of textile enterprises will be more challenging: businesses with yarn segments will be affected when yarn prices decline while textile businesses will have a faster pace. growth slowed compared to the first six months of 2022.

+ Yarn segment: BSC believes that in the last six months of the year, yarn businesses will face many difficulties in maintaining growth when the price of Chinese yarn (Vietnam's largest yarn export market) decreases strongly from May: -23% from peak, -10% YoY.

Figure 16.3: Vietnam's yarn export price

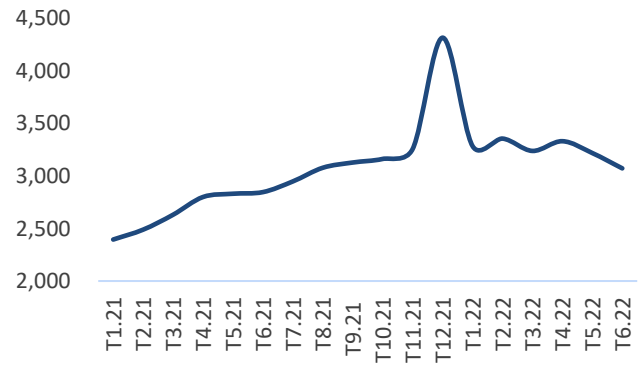
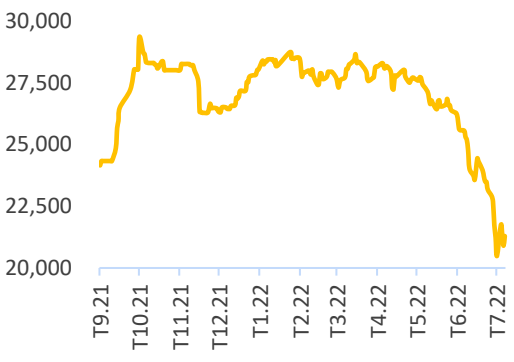


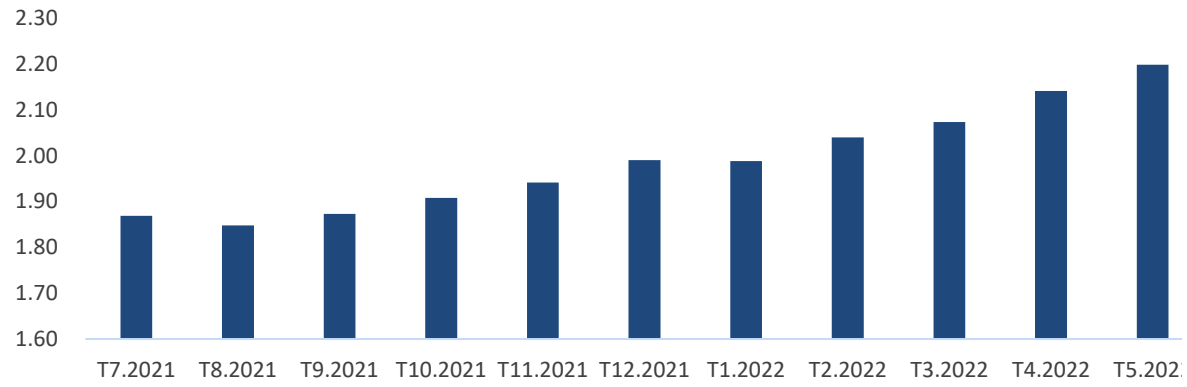
Figure 16.4: Yarn prices in China



Source: TCHQ, Bloomberg

+ Textile segment: BSC believes that the US market with high inventory levels and technical recession will put pressure on orders in the last six months of 2022. BSC believes that factories with customers are Walmart, Target orders will be reduced when retailers are actively handling inventory.

Figure 16.5: Clothing inventory in the US (billion USD)



Source: ychart

BSC believes that China's continued pursuit of the Zero Covid policy will have a certain effect on the source of materials for the textile sector when more than 60% of input materials come from this market. However, this risk has been significantly reduced when in the second quarter, textile enterprises still ensured enough raw materials for orders. In addition, the sharp drop in cotton prices also contributed to cooling down the increase in input material costs compared to the first half of 2022.

INVESTMENT VIEW – POSITIVE

BSC lowers outlook from **POSITIVE** to **NEUTRAL** for the textile and garment sector in the second half of 2022 due to the risk of demand deceleration as consumers tighten spending and high inventory levels affect order volume. Yarn enterprises will face many difficulties in maintaining growth when the price of Chinese yarn (Vietnam's largest yarn export market) plummets from May: -23% from peak, -10% YoY. Textile enterprises face challenges in maintaining jobs due to pressure to cut orders from the US.

Figure 16.6: Estimated results of some enterprises in the textile sector

Ticker	Net rev 2022 Bil VND)	%YoY	NPAT 2022 (Bil VND)	% YoY	EPS 2022 (VND/unit)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 09/08/2022	Target price	Upside
MSH	5,952	25%	467	6%	6,200	7.6	1.5	13%	26%	47,000	53,000	13%
TNG	6,375	20%	306	31%	3,100	9.2	1.5	7%	20%	28,400	31,400	11%

Source: BSC Research

17. Cement Sector [Neutral]

Analyst: Dinh Manh Thang *Email: Thangdm@bsc.com.vn*

- Domestic consumption is expected to recover to pre-epidemic levels.
- Export prospects are less favorable, reducing the operational efficiency of many cement enterprises.
- Gross profit margin decreased due to the increase in selling price but still not enough to offset the increase in raw material prices, especially coal prices.
- BSC changes our opinion from **POSITIVE** to **NEUTRAL** for the Cement Sector in 2022.

Total consumption decreased due to difficulties in export. Domestic cement consumption volume was flat, while cement export volume in the first 6 months fell sharply (-50% YoY). Export output dropped sharply due to: **(1)** The sharp increase in oil prices increases transportation costs and reduces the competitiveness of export cement; **(2)** The demand in the main market of China dropped sharply because of the anti-Covid policies, and **(3)** Other major export markets such as the Philippines and Bangladesh increased protectionist policies for domestic production. A sharp decrease in consumption demand will increase fixed costs per unit of product and reduce operational efficiency.

Figure 17.1: Domestic cement consumption volume is flat over the same period (million tons)

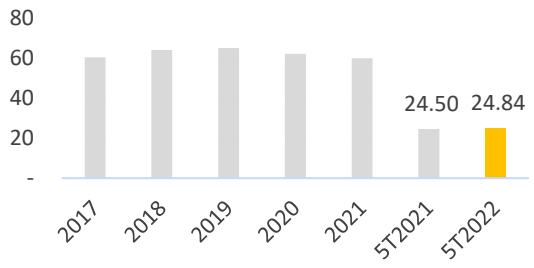
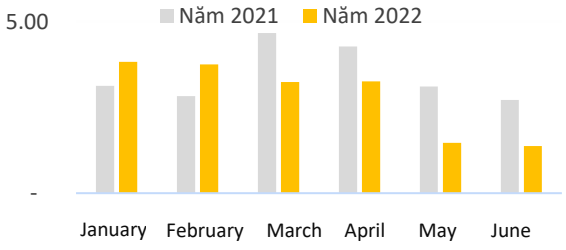


Figure 17.2: Export volume of cement and clinker in 2022 is decreasing sharply over the same period (million tons)



Sources: VNCA, General Department of Customs, BSC Research

Figure 17.3: China, the Philippines and Bangladesh account for most of the cement export market structure

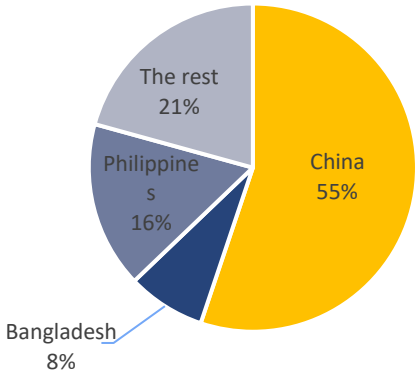
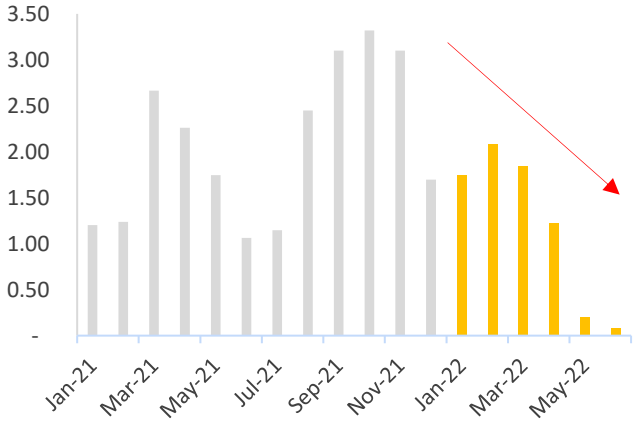


Figure 17.4: Export volume to China dropped sharply because of the country's anti-Covid policy (million tons)



Sources: General Department of Customs, BSC Research

Business results of most cement companies declined over the same period due to fluctuations in raw material prices. Although cement businesses have increased selling prices by 10%-15% compared to the beginning of the year, the coal price (accounting for about 30%-35% of production cost) has doubled since the beginning of the year. It has caused Gross profit margin of most enterprises in the

sector declined sharply. A few cement companies have maintained a high gross profit margin thanks to the benefit of low-priced coal supply, such as CLH (belonging to Vietnam National Coal and Mineral Group).

Figure 17.5: The price of imported coal has doubled since the beginning of the year (USD/ton)

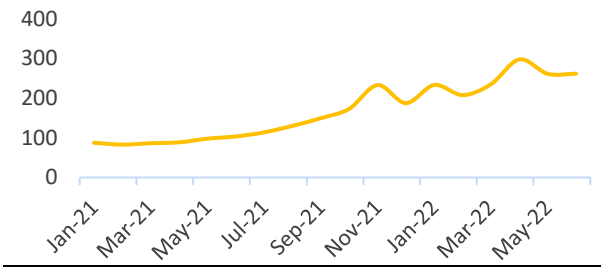
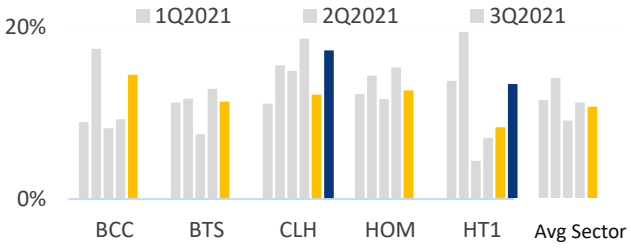


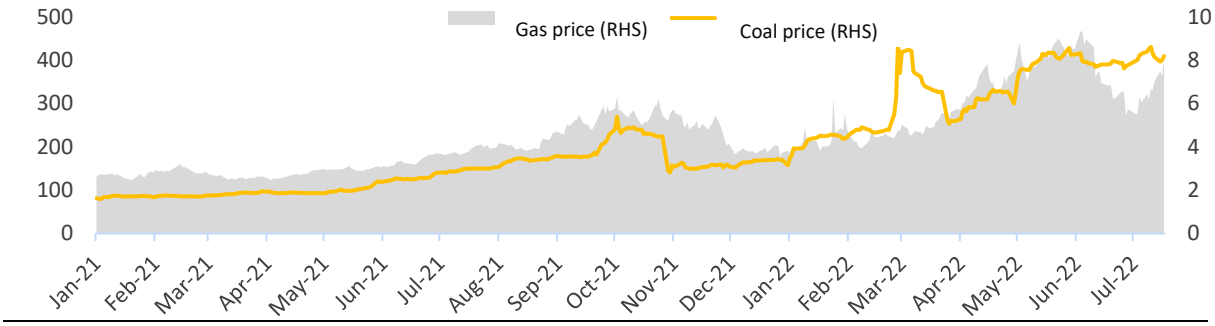
Figure 17.6: Gross profit margin of most cement enterprises declined over the same period



Sources: General Department of Customs, Company financial statements, BSC Research

We forecast imported coal prices will continue to be high until the end of 2022 due to high world demand and shortage of natural gas supply. Coal demand remains high due to: **(1)** Western countries' ban on coal imports from Russia causes the coal prices of other exporting countries to rise; **(2)** China steps up licensing for new thermal power plants to tackle power shortages boost demand for thermal coal, and **(3)** supply of natural gas (fuel to replace coal in power generation) is in short supply when entering winter. Due to 70% of coal supply in the cement sector coming from imports, BSC believes that production costs will increase sharply in the second half of 2022.

Hình 17.7: Correlation of coal price (USD/ton) and natural gas price (USD/mmBTU)



Sources: Bloomberg, BSC Research

INVESTMENT THESIS – NEUTRAL

We change our view from **POSITIVE** to **NEUTRAL** for the Cement sector in the second half of 2022 due to **(1)** Domestic consumption volume recovers to pre-pandemic levels; **(2)** Export prospects are not positive, and **(3)** The increase in selling price is not enough to offset the increase in raw material prices, especially coal prices.

Figure 17.8: Estimated business results of some Cement sector enterprises.

Ticker	Net Rev 2022 (bil VND)	% YoY	NPAT 2022 (Bil VND)	% YoY	EPS 2022 (VND/unit)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 09/08/2022	Target price	Upside
HT1	9,236	31%	380	3%	995	16.9	1.3	4%	7%	16,800	18,700	11%
BCC	5,026	16%	108	0%	877	18.2	0.9	3%	5%	16,000	N/A	N/A

Sources: BSC Research

18. Non-life insurance Sector [Neutral]

Analyst: Dinh Manh Thang *Email: Thangdm@bsc.com.vn*

- Non-life insurance premium growth in 2022 is forecast at 10% coming from: **(1)** The health insurance segment recovers as high as before the epidemic, and **(2)** Motor vehicle insurance segment has a slight growth as sales of motorbikes and cars slow down in the second half of 2022;
- Combined ratio increases again in 2022, as compensation and other expense ratios increase;
- The increase in deposit interest rates helps to increase financial revenue;
- Sector valuation has been high (PB = 1.6x) compared to the past and other financial sectors;
- BSC remains **NEUTRAL** view on the insurance sector in the second half of 2022.

Premium revenue growth at double digits. Total non-life insurance premium revenue in the whole market in the first 4 months of 2022 is estimated at 22,254 billion VND (+13% YoY). – According to Vietnam Insurance Association. Health insurance segment (accounting for 31% of total sector premiums) recorded a rapid growth of +17.9% YoY, motor vehicle insurance segment (28% of total sector premiums) grew at + 8.5% YoY.

Figure 18.1: Insurance premium revenue growth

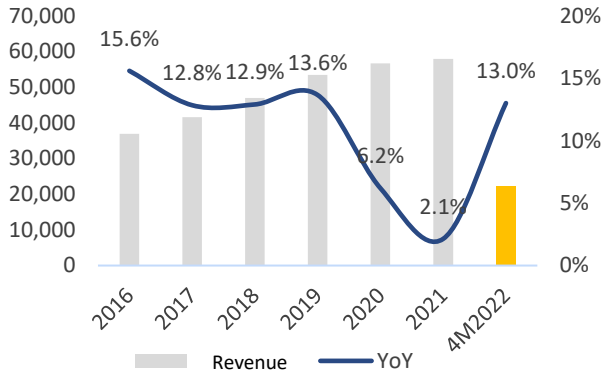
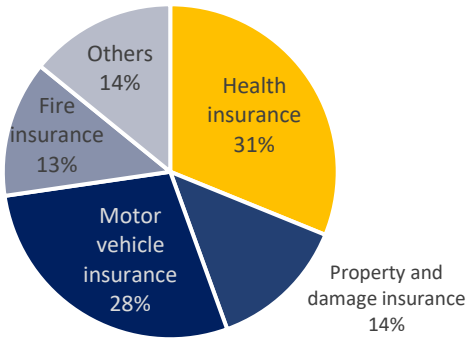


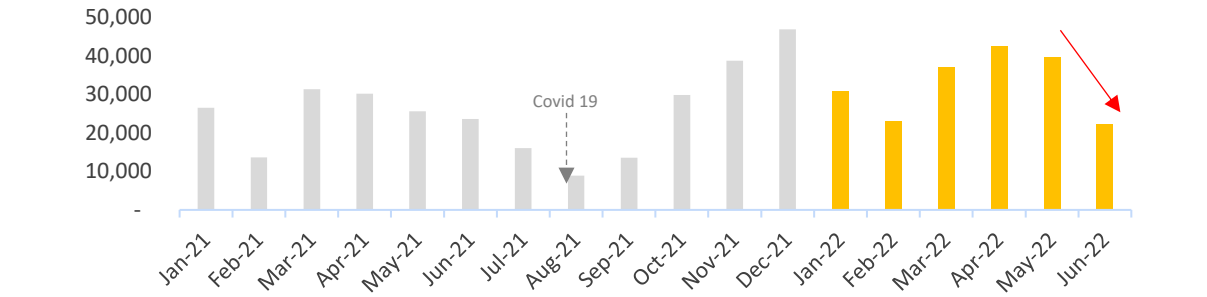
Figure 18.2: Proportion of revenue by insurance segment.



Sources: IAV, BSC Research

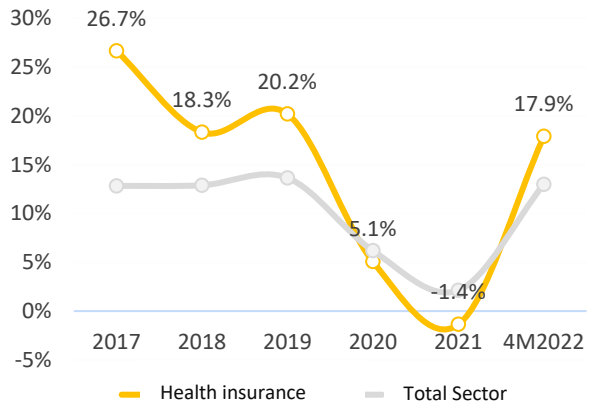
- BSC maintains its forecast that non-life insurance premium revenue growth will be at 10% in 2022, based on: Health insurance premium revenue growth recovered to an average of 20% before the pandemic.
- Motor vehicle premium revenue +6% YoY due to slowing auto sales in the second half of 2022 because of global chip shortage and expiration of 50% registration fee reduction policy extension, while motorcycle sales are saturated in Vietnam.

Figure 18.3: Car sales grew rapidly in 1Q2022 but is currently slowing down

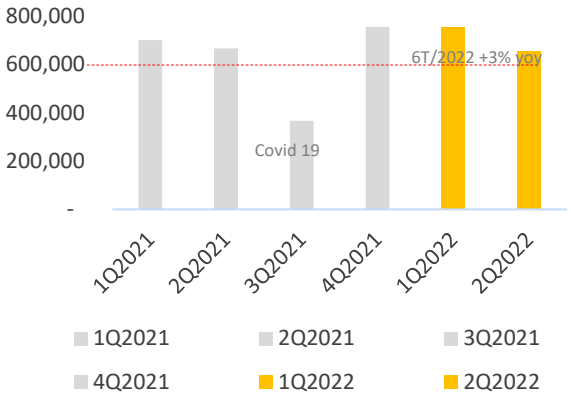


Sources: VAMA, BSC Research

Figure 18.4: Health insurance premium revenue growth is higher than sector average



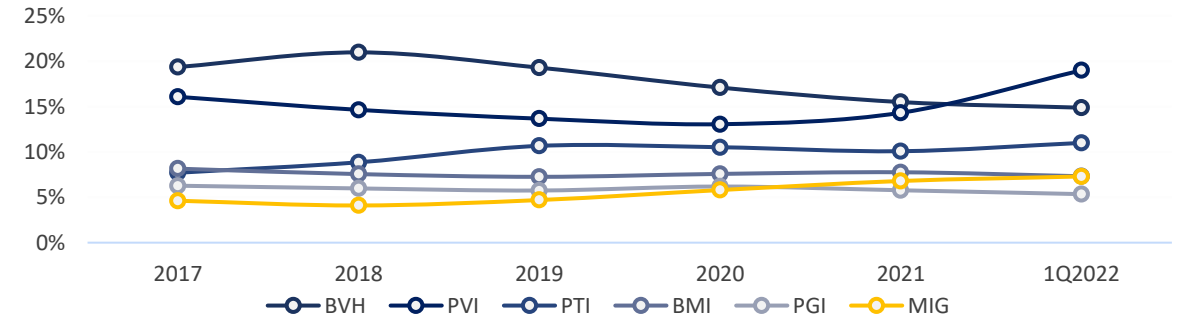
Hình 18.5: Motorcycle sales gradually saturate in Vietnam



Sources: IAV, VAMM, BSC Research

Market share of non-life insurers changed markedly in Q1/2022. PVI (21.4%) surpassed BVH (14.9%) to climb to the top position in market share, followed by PTI (10.0%), BMI (7.1%) and MIG (6.1%). The strategies of the top 5 companies are shaped with BVH reducing expansion to increase operational efficiency, MIG and PVI continue to grow and expand market share, while BMI and PTI stop expanding and maintain current market share, combined to improve operational efficiency.

Figure 18.6: Market share of non-life insurance (according to original premium revenue)

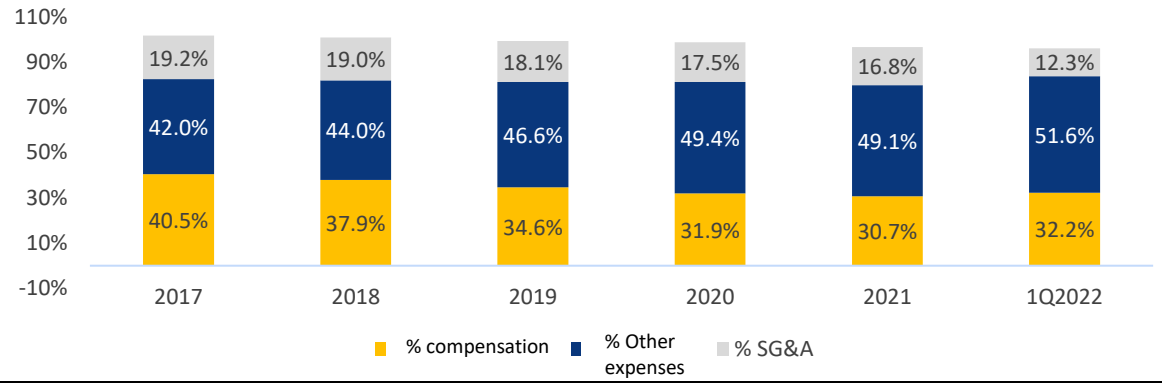


Sources: IAV, Company financial statements, BSC Research

The combined ratio of sector slightly decreased in Q1/2022. The sector's combined rate stands at 96.1% (-50bps compared to full-year 2021), but the effect is usually temporary as the combined rate tends to be low in the first half of the year before rising again in the second half of the year. BSC forecasts that the sector's combined ratio will increase again in 2022 due to:

- The compensation rate tends to increase when economic and social activities return to normal after Covid, increasing the obligation.
- The percentage of other expenses in the insurance business increased due to increased competition in the market and the promotion of the health insurance segment often increased the cost of sales commissions.
- Selling and administrative expenses (SG&A) tend to decrease thanks to the digital transformation trend of the sector in recent years. However, we believe that the reduction will not be as strong as in Q1/2022, because the cost of training activities, conferences and seminars will increase again in 2022.

Figure 18.7: Sector combined ratio slightly decreased in 1Q2022



Sources: Company financial statements, BSC Research

Financial profit of insurance companies is forecasted to increase slightly in 2022 thanks to an increasing trend in deposit interest rates. Most of investment portfolios of insurance companies are bank deposits and corporate bonds (over 80%). Due to inflation and interest rate increase trend of central banks around the world, BSC believes that deposit interest rate will increase slightly by 0.5%-1.0% in 2022, helping to increase financial revenue of insurance companies.

Figure 18.8: Bank deposits account for most of the portfolio structure of non-life insurance companies

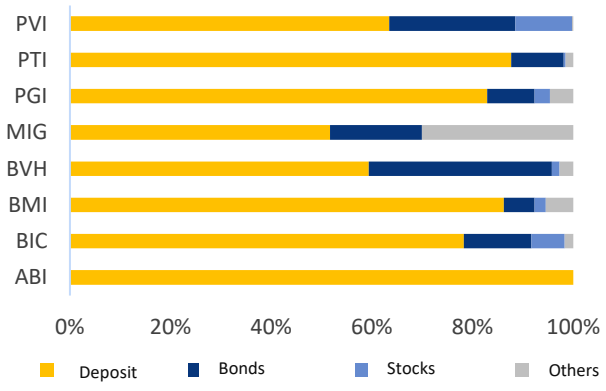
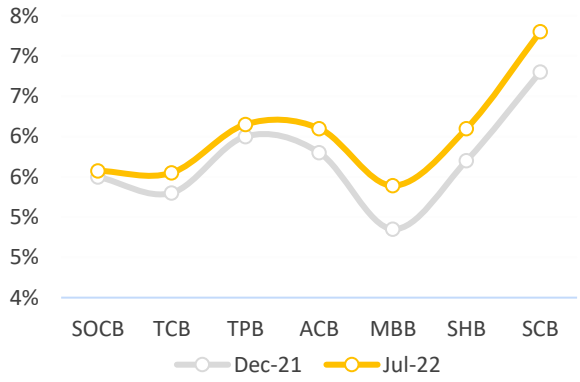


Figure 18.9: Deposit interest rates for 12-month have increased at many banks



Sources: Company financial statements, BSC Research

The sector's valuation has been at a high level despite the low performance growth. Valuation (P/B) of the insurance sector has increased sharply in 2021 when the operational efficiency (in terms of ROE) improves. However, we believe that the ROE growth of the sector is much lower than other financial industries such as banking or securities and will not be maintained in 2022 as it no longer benefits from low compensation rates due to disease.

Figure 18.10: P/B valuation of the insurance sector has increased sharply and is higher than banking and securities at present

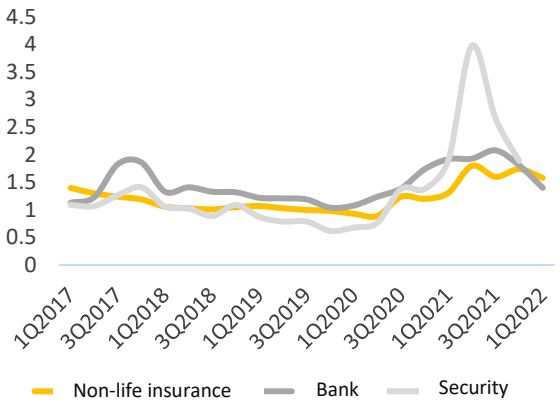
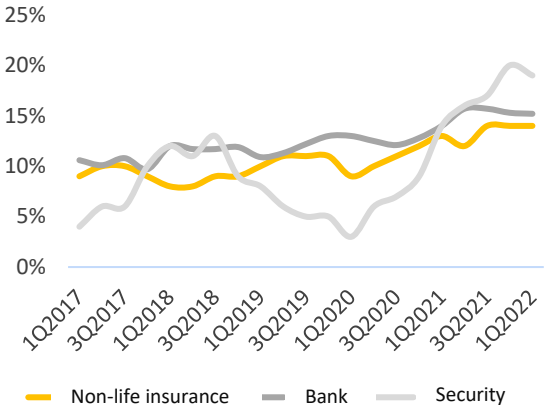


Figure 18.11: The operating efficiency (according to ROE) of the insurance sector is lower than other financial sectors



Sources: Fiinpro, BSC Research

INVESTMENT THESIS – NEUTRAL

We recommend **NEUTRAL** to the non-life insurance sector in 2022 due to **(1)** Original insurance premium revenue grew strongly after the epidemic; **(2)** The combined ratio of the whole sector increases when economic and social activities return to normal; **(3)** Rising interest rates help increase financial revenue and **(4)** Valuations are already high.

Figure 18.12: Estimated business results of some non-life insurance companies

Ticker	Net rev 2022 (Bil VND)	% YoY	NPAT 2022 (Bil VND)	% YoY	EPS 2022 (VND/unit)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 09/08/2022	Target price	Upside
BMI	3,792	5%	247	-2%	2,253	13.2	1.4	3%	10%	29,650	32,900	11%
PVI	4,655	15%	938	6%	3,821	11.9	1.2	3%	11%	45,400	52,300	15%
MIG	3,327	25%	256	14%	1,559	16.0	2.1	3%	13%	25,000	N/A	N/A

Source: BSC Research

19. Construction Sector [Neutral]

Analyst: Lam Viet *Email: Vietl@bsc.com.vn*

- The civil construction sector is recovering from the low base. However, the expectation of the new growth cycle faces many challenges;
- The peak season for construction and profit is in 2023;
- Opportunities in 2023 come from the Infrastructure Construction sector;
- BSC maintains **NEUTRAL** view on Construction sector.

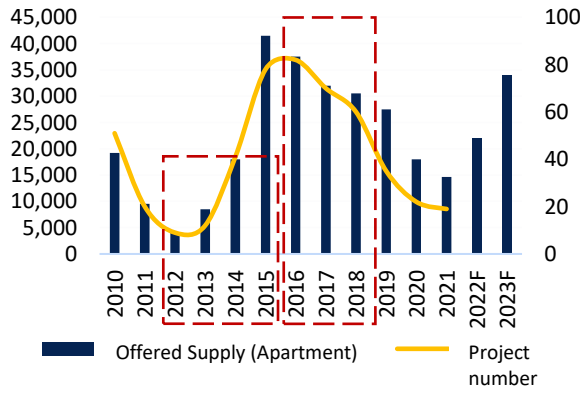
CIVIL CONSTRUCTION SECTOR

The civil construction sector is on the rebound from the low base. However, expectations for the new cycle face many challenges. The growth of the civil construction sector is cyclical and highly correlated with the growth of commercial real estate supply. We believe the construction sector will recover **(1)** from low base, **(2)** The price of construction materials has tended to decrease and **(3)** construction of projects that cannot be implemented in 2020-2021. However, investors are facing many cash flow problems and low project absorption rate, **contractors will face high risks of provisioning for bad debts in 2022.**

Peak season for construction implementation and profit is in 2023. Most of the high backlog value of construction companies comes from contracts signed at the end of 2021. According to our assessment, there is a delay from the time of signing the bidding package and starting construction because of the epidemic in 2020-2021 also disrupts other procedures of real estate projects such as land clearance, legal is interrupted.

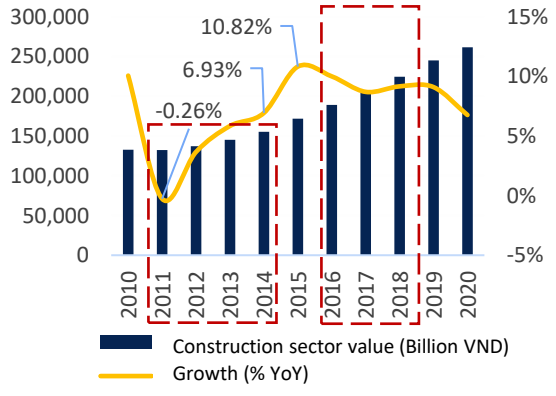
High backlog value of construction companies thanks to **(1)** The value of new contracts signed in 2021 recovers and **(2)** The 2021 pandemic has disrupted construction work and most of the work/contract value will be pushed to 2022. **We also note that the current spike in backlog value is largely due to the accumulation of real estate projects in the period 2020-2021**. Therefore, the progress of signing new contracts still needs to be further monitored in addition to the implementation of projects.

Figure 19.1: Apartment supply in Ho Chi Minh City drops to the lowest level since 2015 and is forecasted to recover strongly from 2022-2023.



Source: CBRE

Figure 19.2: Real value of Construction sector is highly correlated with real estate supply.



Source: GSO

TRANSPORT INFRASTRUCTURE CONSTRUCTION SECTOR

Opportunity in 2022-2023

In early 2022, the Government approved the largest economic development and recovery support package ever with a scale of 347,000 billion VND, focusing on disbursing in two years 2022-2023. There in, nearly 113,850 billion VND (about 1/3 of the package value) will be spent on infrastructure development. Infrastructure construction enterprises will be the direct beneficiaries of this public investment promotion program (See details in the 3rd Public Investment Report). However, the cumulative disbursement of state budget capital of the Ministry of Transport in 6M2022 was relatively slow, reaching VND 17,200 billion (equivalent to 34.2% of the plan assigned by the Government in 2022) mainly because of the source of construction materials in projects, and fluctuations in the price of construction materials and unfavorable weather.

According to the plan of the Ministry of Transport in 2022, 38 projects will be started, and 30 projects will be completed. In 1H2022, there have been 6 projects with 100% of the plan, 6 projects have completed procedures and started construction and have completed the following projects approval procedures for 25/32 projects (including 12 North-South expressway projects).

Figure 19.3: Progress of North-South Expressway projects (phase 1)

North-South Expressway projects (Phase 1)	Progress	Status (accounting to the end of June 2022)	Expected completion
My Thuan Bridge 2	55.7%	Met the plan	December/2023
Phan Thiet - Dau Giay	51.0%	Delayed 0.57%	December/2022
Vinh Hao - Phan Thiet	45.2%	Delayed 0.65%	December/2022
Cam Lam - Vinh Hao	17.9%	Delayed 1.3%	March/2024
Nha Trang - Cam Lam	32.8%	Met the plan	September/2023
Cam Lo - La Son	90.7%	Met the plan	September/2022
Dien Chau - Bai Vot	9.5%	Delayed due to the lack of credit capital, the credit bottleneck has been removed in February 2022	May/2024
Nghi Sơn - Diễn Châu	42.2%	Met the plan	July/2023
QL45 - Nghi Sơn	44.5%	Delayed 1.76%	2023
Mai Sơn - QL45	67.0%	Delayed 2.3%	December/2022
Cao Bồ - Mai Sơn	100.0%	Met the plan	January/2022

Sources: Ministry of Transport, BSC Research summarizes

Figure 19.4: North-South Expressway and notable Construction contractors

Sources: Ministry of Transport, BSC Research summarizes.

Sources: Ministry of Transport, BSC Research summarizes

Figure 19.5: Summary of contractors for North-South Expressway projects and implementation progress

Infrastructure project	Scale	Total Investment (bil VND)	Contractor	Status (accounting to the end of June 2022)
The South				
Trung Luong - My Thuan Expressway	81 km	21,000	CII, Đeo Ca	Completed
Cai Mep Thi Vai inter-port road		2,605		Phase 2-Phuoc An Bridge started construction in Q3/2022
Bien Hoa - Vung Tau Expressway Phase 1	53.7 km	19,600		Approved to provide investment capital of 17,837 billion VND
Extended Long Thanh - Dau Giay Expressway	24 km	11,505		Started in Q3/2022
Ben Luc-Long Thanh Expressway	57.8 km	31,320		The National Assembly approved the charter capital plan, the project was restarted
Metro 1 (Ben Thanh - Tham Luong)		43,757	C4G	The rate of handing over the premises reached more than 83%
Metro 2 (Ben Thanh - Suoi Tien)		47,800		Completed 91% of the total volume, under construction of the electromechanical part
HCM - TDM - Chon Thanh Expressway	68.7 km	24,275		Binh Duong approved the project construction resolution and allocated the site clearance budget (314 billion VND).
The North				
Metro No. 2A - Hanoi (Cat Linh-Ha Dong)		18,000		Launched
Belt 2 - Hanoi		9,400		Completed over 70% of the project volume
Belt 1 - Hanoi		7,700		Complete investment 4.71km/7.21km. The rest is focusing on clearing the ground
Metro No. 3 - Hanoi		6,500		Delayed, the construction volume of the new contractors only reached 74.36%
Tuyen Quang - Phu Tho Expressway		3,271		Completed 98.5% site clearance, paid compensation reached 91.2%, handed over the site of 20,548 km/28,930km.
Vinh Tuy Bridge 2 - Hanoi		2,540		Completed more than 50% of the project volume, ahead of schedule
Thai Binh 2 Thermal Power Plant	600 MW	41,000		Reaching more than 93% of the plan, Group 1 has been put into operation
Long Phu Thermal Power 1	1200 MW	29,500		Delayed
Song Hau Thermal Power 1	2120 MW	72,000		Completion progress 99.66%. Groups 1 and 2 have been put into operation
Belt 4 - Hanoi	110 km	90,400		The investment decision of Component 3 Project (PPP) has been obtained. Total investment 56,536 billion VND

Source: Ministry of Transport, Ministry of Construction, Ministry of Planning and Investment, BSC Research

We realize the determination of the Government and localities in implementing infrastructure investment when **(1)** review and eliminate weak and slow-moving contractors, **(2)** closely monitor the disbursement of public investment in the localities, **(3)** Regularly check the progress to promptly provide solutions.

INVESTMENT THESIS – NEUTRAL

We maintain a **NEUTRAL** rating for the construction sector despite positive growth from a low base, due to **(1)** The risk of setting up provisions for bad debts is high; **(2)** Investors have difficulties affecting the construction progress; **(3)** The cost of construction materials has cooled down but is still high and **(4)** Profit point from 2023.

Figure 19.6: Estimated business results of some construction enterprises

Ticker	Net rev 2022 (Bil VND)	% YoY	NPAT 2022 (Bil VND)	% YoY	EPS 2022 (VND/unit)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 09/08/2022	Target price	Upside
CTD	17,142	89%	293	11x	3,690	17.3	0.6	2%	3%	63,800	84,300	32%
CTI	1,014	33%	98	N/A	1,625	9.5	0.8	2%	8%	15,450	24,600	59%
CII	2,019	-29%	969	N/A	3,662	5.8	0.6	3%	12%	21,100	31,000	47%

Source: BSC Research

20. Fertilizer Sector [Neutral] – Chemicals [Positive]

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- BSC believes that the outlook for the Fertilizer sector in the third quarter of 2022 is positive based on the following expectations: **(1)** The selling price remained at a high level over the same period and **(2)** Consumption volume and Urea price improved compared to the second quarter.
- The Russia-Ukraine war continues and Russia and China continue to apply export restrictions until the end of 2022, supporting the world Urea price to stay at a high level.
- BSC adjusts our view from **POSITIVE** to **NEUTRAL** for the fertilizer sector in the second half of 2022.

Fertilizer prices have cooled down in the second quarter, but still maintain a high level compared to 2021

After peaking in April, Fertilizer prices tended to correct slightly in May and suddenly fell sharply in the second half of June due to: **(1)** China loosens the policy to allow fertilizer exports again when the peak season in China has passed and **(2)** Russia did not impose an export restriction quota in June. At the same time, the country simultaneously promoted exports to India and South America with a selling price lower than 30% of the world price level.

Fertilizer price movements in the international and domestic markets in the second quarter of 2022:

- World: World urea price peaked at the end of March and entered the correction phase. On June 30, 2022, urea price traded around the threshold of USD 515/ton (-12% MoM), corresponding to a decrease of 44% since peak and 34% compared to the beginning of the year.
- Domestic Price: Similarly, domestic urea price maintained a downtrend after peaking in April. Urea traded at the end of June reached 14,650 VND/kg, equivalent to a 20% decrease from the peak, down -9.3% compared to the last month and down 15% compared to the beginning of the year. However, the low price at the end of June is still +22.6% YoY higher than the same period in 2021.

Figure 20.1: Domestic fertilizer price movements (VND/kg)

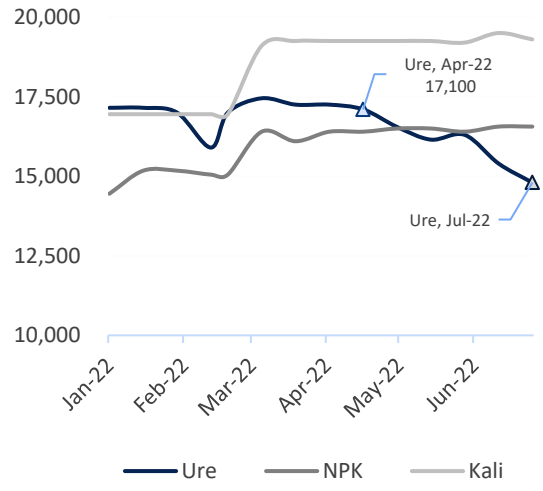
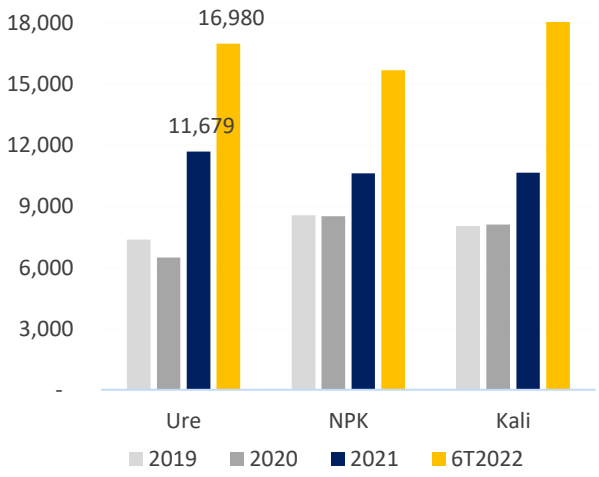


Figure 20.2: Average price of fertilizers from 2019 to 6M/2022 (VND/kg)



Sources: Agromonitor, BSC Research

The average price of fertilizers in the first 6 months of the year remained high compared to 2021. Specifically, the average price of urea in the first half of 2022 reached VND 16,980/kg, 45% higher than the average in 2021.

Domestic demand for Fertilizer dropped in Q2 because people find it difficult to accept high fertilizer prices

Fertilizer demand tended to decrease over the same period in Q2 due to: **(1)** Food prices (rice prices) stayed at a low level compared to the same period last year and recovered slowly and **(2)** peak season of summer-autumn fertilizer application (April - May period) Fertilizer prices maintain high levels, causing farmers to reduce fertilizer use.

Specifically: the price of rice continuously decreased and made bottom in late March and early April, at about 384 USD/ton. Meanwhile, the price of Urea made a peak in April 2022, at about 930 USD/ton. This causes farmers to abandon rice because it is unprofitable to grow rice, especially hired rice growers who have paid land to the field owners.

Fertilizer demand is expected to recover in the third quarter of 2022 – the main crop of the year

Vietnam's 5% broken rice price is currently trading around 412 USD/ton (-5.5% YoY), but has recovered from the bottom in March 2022 (~ 384 USD/ton - equivalent to an increase of 7.2%)) and continued to improve compared to the previous month (+1.3% MoM), while maintaining a higher level than the beginning of the year (+2.3% compared to the beginning of the year).

BSC expects 2H/2022 rice prices to be supported by: **(1)** Due to the conflict with Russia, Ukraine does not export wheat, leading to high prices of grains and food, causing customers to switch to buying rice from Asian countries, including Vietnam and **(2)** The demand for rice stocks in many countries has increased due to the fear of the Russia-Ukraine conflict causing food prices to skyrocket.

With the expectation that rice prices will improve, BSC expects that the recovery of rice prices will boost the planted area of Winter-Spring rice (main crop of the year) and support the demand for Fertilizer, especially Urea.

Fertilizer production costs remain high to support fertilizer prices not fall deeply

The main raw materials for urea production include: coal (China), natural gas (remaining areas) and amonia (NH_3). In particular, the price of natural gas and ammonia tends to continue to increase and the price of coal in China has cooled down, but still remains at a high level compared to the same period in 2021. BSC expects that prices of main fertilizer production materials will remain high, which will support fertilizer prices in the third quarter of 2022.

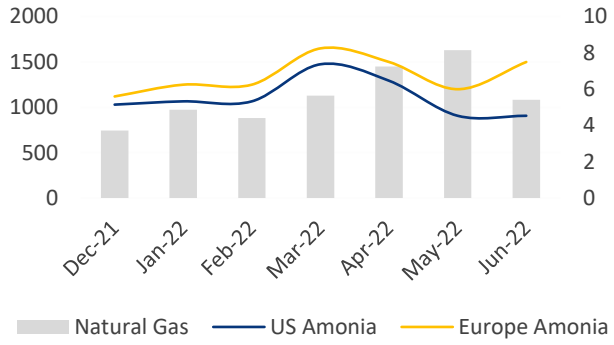
China has implemented policies to lower coal prices in this country, such as: **(1)** reduce coal import tax to 0% from May 2022 to March 2023 and **(2)** strengthen coal reserves by importing coal from Russia at a strongly discounted price compared to the world coal price (due to sanctions on coal, Russia redirects exports to China, India). Currently, coal prices in the Chinese market have corrected about 20% from their peak in mid June - after the country increased imports of Russian coal. However, the current coal price is still +45% higher than the beginning of the year.

The price of natural gas and ammonia increased sharply due to the conflict between Russia and Ukraine. Due to sanctions, Russia drastically reduced the amount of gas supplied to the EU, causing gas prices to increase sharply, especially in the European region. Natural gas prices in Europe have continued to increase by 36% MoM and 379% compared to the beginning of the year and show no signs of stopping as the Russia-Ukraine conflict remains tense.

Figure 20.3: Evolution of Chinese coal prices from January 2022 to present.

Source: Trading Economics

Figure 20.4: Natural gas prices, Ammonia prices in the US and Europe



Source: Bloomberg

BSC expects fertilizer business results in Q3/2022 to remain positive, due to **(1)** The selling price of urea is still high compared to the same period last year; **(2)** Consumption volume and domestic urea price improved compared to the second and third quarters and **(3)** The ongoing Russia-Ukraine war while Russia and China continue to apply measures to limit the export of Fertilizers until the end of 2022 will be the factors supporting world Urea prices.

Factors to monitor: The State is studying to apply VAT on Fertilizer at the rate of 5%, the imposition of the tax will have a positive impact on fertilizer manufacturing enterprises, when tax refunds on input materials are granted.

INVESTMENT THESIS – POSITIVE

BSC adjusts its view from POSITIVE to NEUTRAL for the Fertilizer sector in the second half of 2022 based on expectations **(1)** Urea selling price remained at a high level compared to the same period last year; **(2)** Consumption demand of Fertilizer and Urea price improved compared to Q2 and **(3)** Russia-Ukraine war continues, while Russia and China continue to apply export restrictions until the end of 2022.

Figure 20.5: Estimated business results of some fertilizer enterprises

Ticker	Net rev 2022 (Bil VND)	% YoY	NPAT 2022 (Bil VND)	% YoY	EPS 2022 (VND/unit)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 09/08/2022	Target price	Upside
DPM	20,182	58%	5,548	78%	14,032	3.5	1.5	33%	43%	48,700	63,100	30%
DCM	14,528	44%	3,102	70%	5,860	5.7	1.8	28%	36%	33,300	40,200	21%

Source: BSC Research

Chemicals [Positive]

For the Chemical sector, BSC believes that the growth rate in the second half of 2022 will still be maintained thanks to last year's low base. However, the growth rate is slower than in the first half of 2022 due to the risk of commodity prices being adjusted.

For DGC, BSC believes that in the last six months of 2022, prices of export products are at risk of adjustment compared to the first half of the year due to **(1)** The decrease in world fertilizer prices (Urea, DAP) affects fertilizer products of DGC (DAP, MAP) and **(2)** The price of phosphorus fell because the output of phosphorus as fertilizer is on a downward trend. However, BSC believes that the demand for chips (for 5G equipment) and the trend of electric vehicle production (for batteries) will support the price of Yellow Phosphorus not drop sharply.

For CSV, BSC believes that the second half of 2022 will face the challenge of lower selling prices compared to the first half of the year because the price of Chinese Natri hydroxide has adjusted. However, the decrease in input prices (Sulfur) also has a positive effect on the costs of enterprises.

Figure 20.6: Estimated business results of some enterprises in the chemical sector

Ticker	Net rev2022 (Bil VND)	% YoY	NPAT 2022 (Bil VND)	% YoY	EPS 2022 (VND/unit)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 09/08/2022	Target price	Upside
DGC	14,954	64%	6,594	158%	16,900	5.6	3.1	21%	26%	95,200	114,000	20%
CSV	1,805	24%	356	85%	8,000	5.9	1.7	17%	21%	47,400	51,000	8%

Source: BSC Research

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