

THEMATIC REPORT

CHINA

“REOPENING”

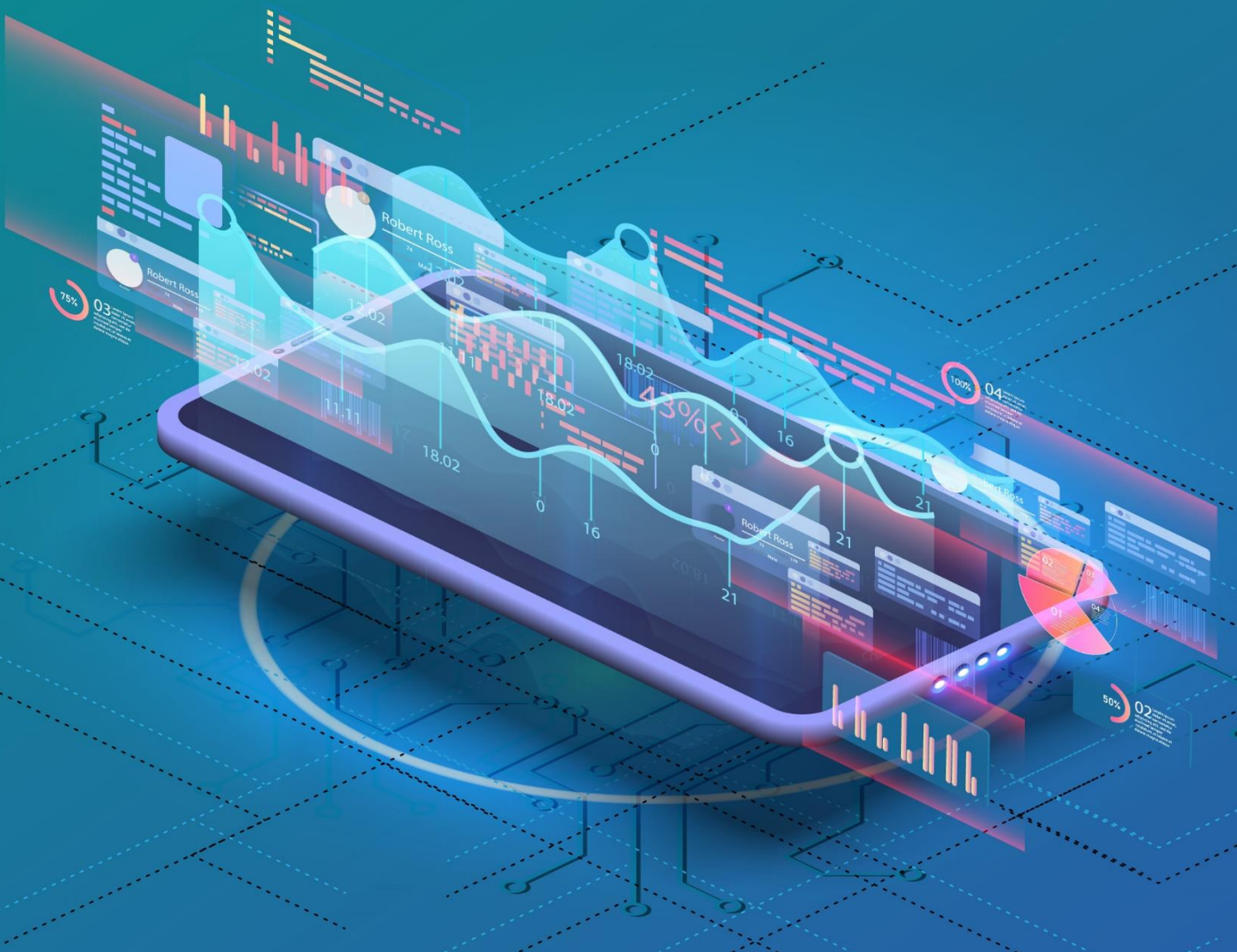


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I. CHINA HAS CHANGED THE POLICY OF CONTROLLING COVID-19, AIMING TO REOPEN.

On 07/12/2022, China published 10 new guidelines on dealing with the Covid-19 pandemic, which follows the adjustments on 11/11 made by Chinese Ministry of Health on the operation against COVID-19, in which there are notable points including:

1. Focus on accurately classifying high-risk areas, limited to apartments or common blocks, limiting the extension of blockade to the entire neighborhood or street. Adjust the risky area classification from High – Medium – Low areas down to High and Low areas.
2. Covid-19 patients who have mild symptoms or no symptoms can isolate for 7 days at home instead of concentrated isolation, or go to a concentration center in a voluntary case. Close contacts should self-isolate at home for 5 days.
3. Reduce the frequency of large-scale testing and reduce the test scale, do not require a negative certificate or a health green code when going to public places except for hospitals, kindergartens and nursing homes. Arrival testing and green code checking are no longer required for domestic travel.
4. The blockade order of high-risk areas will be lifted when there are no new cases for 5 consecutive days.
5. Abolish the suspension of international flights due to detection of infections.
6. Ensure normal operation of necessary social services. For low-risk areas, prohibit controlling movement or suspension of service, labor and manufacturing activities.
7. Pharmacies must operate normally, without restricting people from buying over-the-counter medicines to treat common cough, cold or fever.
8. Accelerate vaccination for the elderly, establish “green areas” and mobile vaccination sites and disseminate these vaccination sites widely, consider measures to promote vaccination.

With the above changes in anti-epidemic policies, we believe that China is likely to gradually open up soon. According to a forecast by Goldman Sachs, China is expected to open from the beginning of Q2/2023, after the peak travel season during the Lunar New Year..

II. IMPORT AND EXPORT STATUS BETWEEN VIETNAM - CHINA

In the 21th weekly report [The impact of the US lowering tariff barriers](#) and in [the report on US-Vietnam trade relations](#), BSC has showed that China is Vietnam's main import partner in the export process to USA. China's reopening after the epidemic may partially improve Vietnam's slowing import and export growth ([October Macro Economy Report](#)).

Considering the period 2017 - 2021, Vietnam maintains a large trade deficit with an increasing value. The average growth rate of import was 17.5% while export grew only by 12.3%. The cause of this phenomenon is the trend of shifting industrial production chains from China to Vietnam. Import growth in the 2020-2021 period is mainly in the groups of electronic components, textile raw materials, fibers, machinery spare parts, materials and steel products. ([Report on movement of heavy industrial goods](#))

Table 1. Annual growth of Vietnam - China import and export

Unit: Bil USD	2017	2018	2019	2020	2021	Average
Export	35.4	41.4	41.5	48.9	55.9	
% Growth		16.8%	0.2%	18.0%	14.4%	12.3%
Import	58.6	65.5	75.5	84.2	110.5	
% Growth		11.8%	15.2%	11.5%	31.3%	17.5%
Trade balance	(23.19)	(24.15)	(34.01)	(35.28)	(54.61)	

Source: General Department of Customs , BSC research

9M2020 and 9M2022 are two periods witnessing a marked decline in the import and export growth rate of China - Vietnam. In 9M2020, exports grew by 15.1%, imports grew by 4.1%. 9M2022, export grew by 6.2%, import grew by 12.1%. The main reason is that China has implemented the zero-COVID policy and has closed its borders in 2 recent years. This policy has limited the amount of goods traded between Vietnam and China in these two years. The reopening of China can make the import-export growth rate of Vietnam - China better in the last 2 months of 2022 and in the year 2023.

Table 2. Annual 9M growth of Vietnam – China import and export

Unit: Bil USD	2017	2018	2019	2020	2021	2022	Trung bình
Export	22.2	28.8	28.3	32.5	38.8	41.2	
% Growth		29.7%	-2.0%	15.1%	19.4%	6.2%	13.7%
Import	41.9	47.3	55.4	57.6	81.3	91.2	
% Growth		12.8%	17.1%	4.1%	41.1%	12.1%	17.4%
Trade balance	(19.68)	(18.42)	(27.10)	(25.07)	(42.47)	(49.94)	

Source: General Department of Customs , BSC research

Commodity groups strongly affected by China's reopening:

Table 3. Top 10 import goods from China

Unit: Bil USD	Value					Growth				
	2017	2018	2019	2020	2021	2018	2019	2020	2021	
Total import value	58.6	65.5	75.5	84.2	110.5	11.8%	15.2%	11.5%	31.3%	
Machines, equipments, tools and other spare parts	10.9	11.6	14.9	17.0	24.9	6.7%	27.9%	14.4%	46.3%	
Computers, electronic products and components	7.1	8.2	12.1	18.5	22.0	16.3%	47.2%	52.3%	19.0%	
Fabrics	6.1	7.1	7.7	7.3	9.1	16.8%	9.0%	-5.9%	24.6%	
Plastic products	1.9	2.1	2.7	3.5	4.1	8.0%	29.3%	29.1%	16.7%	
Steel products	1.3	1.6	1.9	2.5	3.2	24.6%	23.2%	26.5%	30.7%	
Materials for textile, garment, leather, shoes	2.0	2.2	2.5	2.5	3.1	7.4%	11.9%	3.5%	22.7%	
Steel	4.1	4.5	3.3	2.4	4.4	9.6%	-26.7%	-26.2%	81.4%	
Chemical products	1.2	1.4	1.6	1.9	2.7	13.1%	16.2%	20.5%	37.6%	
Plastic raw materials	0.9	1.1	1.3	1.4	2.3	21.0%	17.5%	3.8%	73.4%	

Source: General Department of Customs, BSC research

Table 4. Export goods to China

Unit: Bil USD	Value					Growth				
	2017	2018	2019	2020	2021	2018	2019	2020	2021	
Total export value	35.4	41.4	41.5	48.9	55.9	16.8%	0.2%	18.0%	14.4%	
Mobilephones and accessories	7.2	9.4	8.3	12.3	15.2	31.6%	-11.9%	48.8%	23.0%	
Rubber	1.4	1.4	1.6	1.8	2.3	-5.0%	13.1%	18.1%	24.9%	
Cameras and accessories	2.1	2.8	1.5	1.4	3.0	34.1%	-45.2%	-6.2%	106.5%	
Fibers and textiles	2.0	2.2	2.4	2.1	3.0	8.5%	8.3%	-10.5%	38.8%	
Vegetables and fruits	2.6	2.8	2.5	1.8	1.9	6.2%	-11.9%	-25.7%	3.5%	
Seafood products	1.1	1.0	1.2	1.2	1.0	-7.0%	22.7%	-4.8%	-17.1%	
Wood and wood products	1.1	1.1	1.2	1.2	1.5	0.5%	8.3%	3.2%	24.7%	
Forage and raw materials	0.2	0.2	0.2	0.2	0.4	8.2%	-15.6%	15.7%	79.6%	
Other ores and minerals	0.1	0.1	0.1	0.1	0.1	-15.8%	1.4%	27.4%	-18.0%	

Source: General Department of Customs, BSC research

III. IMPACTS ON TOURISM INDUSTRY

During the period 2015-2021, the Chinese averagely accounted for 29.5% of the annual tourist arrivals to Vietnam. Even in the 2-year period of COVID-19, tourists from China accounted for the majority, 34.1% and 43.5% respectively in the years 2020 and 2021. These figures show that Chinese contribute a quite large part in business activities of tourism and catering in Vietnam.

Table 5. Annual number of tourists

Unit: Thousand tourists	2015	2016	2017	2018	2019	2020	2021
Total	7,944	10,013	12,922	15,498	18,009	3,837	157
% Chinese	22.4%	26.9%	31.0%	32.0%	32.2%	25.0%	36.7%
Asians	5,560	7,263	9,763	12,075	14,386	2,814	133
% Chinese	32.0%	37.1%	41.1%	41.1%	40.4%	34.1%	43.5%
Chinese	1,781	2,697	4,008	4,966	5,806	959	58

Source: GSO, BSC research

Considering the period 9M2022, due to China's border-close policy, the number of tourists weakened and decreased to only 3.0% of the total number of tourists to Vietnam, while the average rate was 29.9% in the period 2015-2021.

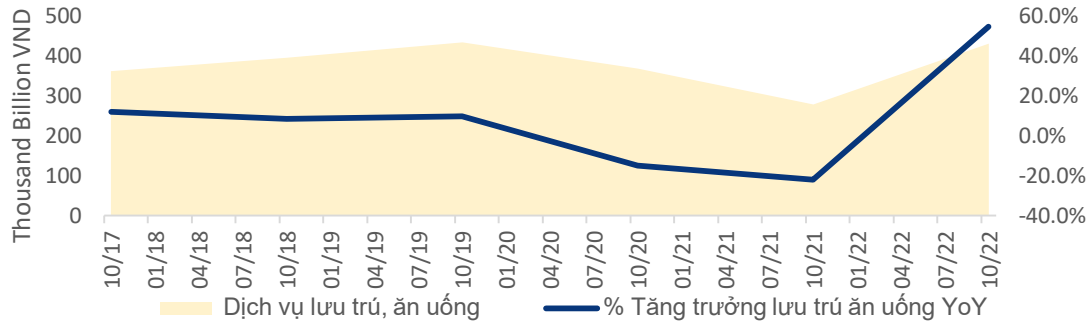
Table 6. 9M2022 number of tourists

Unit: Thousand tourists	2015	2016	2017	2018	2019	2020	2021	2022
Total	7,944	7,265	9,448	11,616	12,871	3,788	115	432
% Chinese	22.4%	27.4%	31.1%	32.8%	30.9%	24.8%	39.9%	3.0%
Asians	5,560	5,264	7,099	9,029	10,156	2,770	98	314
% Chinese	32.0%	37.8%	41.4%	42.2%	39.2%	33.9%	46.5%	4.2%
Chinese	1,781	1,988	2,936	3,809	3,977	938	46	13

Source: GSO, BSC research

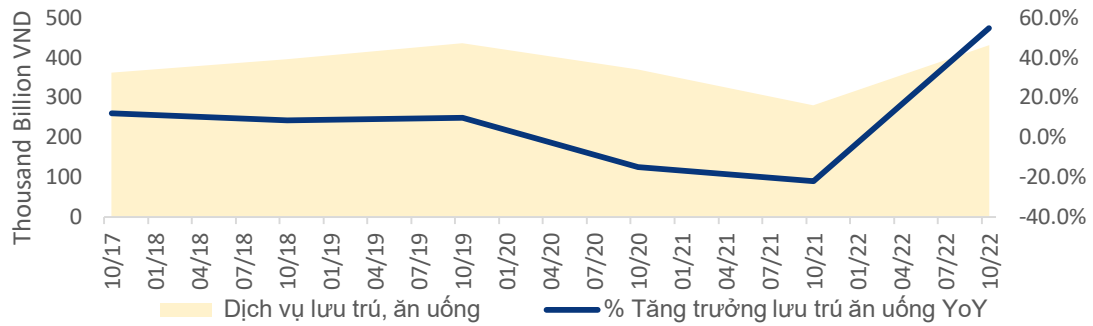
In term of the accumulated value of the service industry, although the value of accommodation and catering services has recovered almost back to the pre-COVID-19 value, the travel service still has a long way off. Accumulated accommodation and food service industry in 9M2022 reached VND 431 trillion (+54.75% YoY), quite close to 2019's figure of VND 435 trillion (+9.65% YoY). However, the accumulated travel service industry in 9M2022 only reached VND 18 trillion (despite a strong growth rate of 295% YoY thanks to last year's low base). This is an impressive growth results but it is still not able to recover back to 2019 level of VND 34 trillion (+12.0 %YoY). BSC expects that the number of Chinese tourists returning to Vietnam will help accelerate the recovery of the travel service industry in 2022 and 2023.

Graph 1. Cumulative annual 9M total value of accommodation and catering services



Source: GSO, BSC Research

Graph 2. Cumulative annual 9M total value of travel service



Source: GSO, BSC Research

IV. IMPACTS ON MARINE PRODUCTS INDUSTRY

During the 2016-2021 period, the Chinese market accounted for an average of 12.6% of Vietnam's annual marine products export share. During the 2-year period of COVID-19, the proportion of the Chinese market was lower than the average due to the social distancing policy of China, which affected marine products consumption. However, China still contributes a large part to Vietnam's marine products export.

Table 7. Annual proportion of Vietnam's marine products export

Unit: Mil USD	2016	2017	2018	2019	2020	2021
Marine products	7,100	8,300	8,800	8,600	8,400	157
% China	10%	13%	14%	14%	14%	11%
Shrimp	3,200	3,900	3,600	3,400	3,700	3,900
% China	14%	18%	14%	16%	14%	11%
Catfish	1,660	1,780	2,264	1,987	1,490	1,605
% China	18%	23%	57%	31%	33%	26%

Source: GSO, BSC research

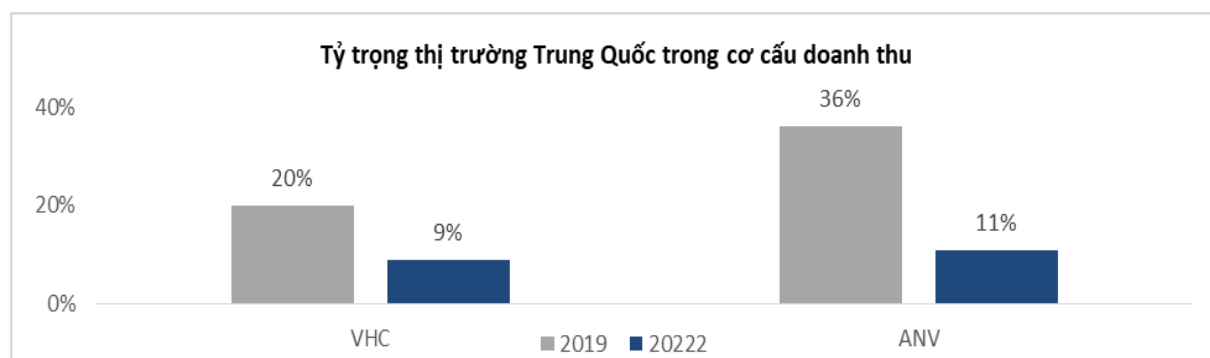
Considering 9M2022, despite China's border-close policy, the share of the Chinese market still reached 12.8%, equivalent to the average rate of 12.6% in the period 2015-2021.

Table 8. Value of marine products export to China 9M2022

Unit: Mil USD	Jan.22	Feb.22	Mar.22	Apr.22	May.22	Jun.22	Jul.22	Aug.2	Sep.22
Marine products	868	633	1,013	1,121	2,054	1,003	943	1,000	862
% China	7%	13%	18%	18%	8%	13%	11%	14%	17%
Shrimp	268	153	334	435	452	377	377	352	256
% China	7%	8%	17%	17%	18%	13%	7%	10%	11%
Catfish	206	171	269	311	248	613	187	195	151
% China	13%	28%	35%	36%	26%	25%	24%	31%	26%

Source: GSO, BSC research

BSC expects that the opening of China's economy after the blockade period to prevent and control the epidemic will stimulate domestic marine products consumption demand, thereby, boosting Vietnam's marine products export. Marine products enterprises that are expected to benefit are those having export activities to the Chinese market such as VHC, ANV, IDI.



V. DETAILED IMPACTS ON INDUSTRIES

1. INDUSTRIAL REAL ESTATE INDUSTRY [OUTPERFORM]

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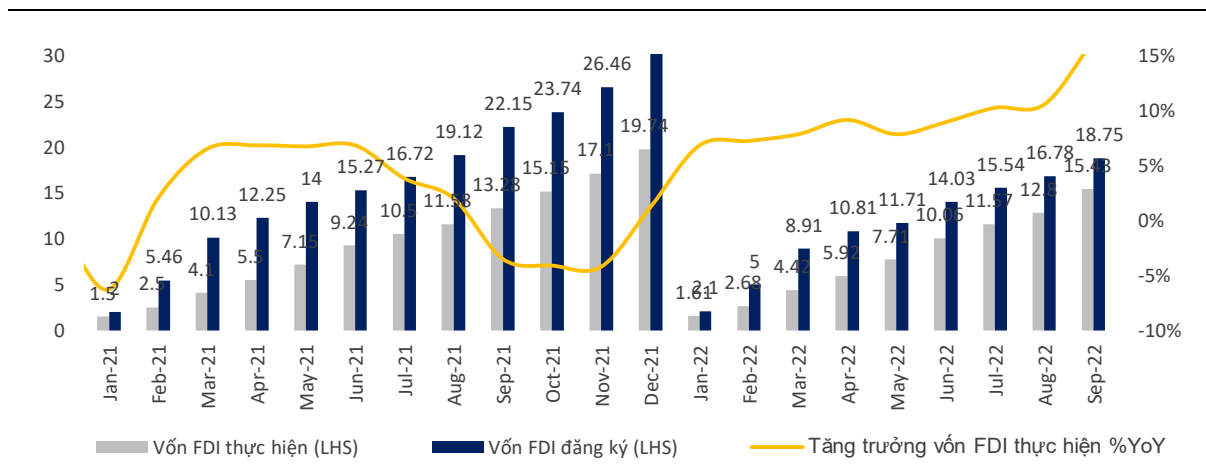
- Vietnam is still a potential and attractive destination for manufacturers in the world in the context that FDI activities on the international scale have not yet recovered;
- The legal environment is gradually becoming clearer and improving. It is expected that administrative procedures will be shortened thanks to the coordination between Ministries/Departments and the Provincial People's Committee;
- The industrial center focuses on the southern region with the tendency to expand in the satellite province/city of Ho Chi Minh City;
- BSC maintains a **OUTPERFORM** view of the Industrial Real Estate industry.

FDI disbursement continued to achieve impressive growth while registered FDI slowed down, putting pressure on the growth of FDI disbursement value in 2023.

According to the General Statistics Office, in 9M2022, the total registered FDI value reached USD 18.75 billion, decreased -15.3% YoY because in the same period, two new registered projects with suddenly high capital were recorded (the LNG I & II power plant project USD 3.1 billion and O Mon II power plant project USD 1.31 billion) while FDI disbursement reached USD 15.43 billion (+16.3% YoY) - the highest 9-month disbursement in the period 2018-2022. We note that the growth rate of newly registered FDI dropped sharply in the last two months of 3Q2022 (in August 2022 decreased -48.3%YoY and in September 2022 decreased -35%YoY), the level of performed FDI in 2022 was at a high base while registered FDI sharply decreased will put pressure on performed FDI growth in the year 2023 in the context of (1) the global macro economy is facing the risk of recession, (2) high inflation rate and (3) China is reopening its economy.

However, we believe that with competitive advantages of stable geopolitics, exchange rate stability as well as advantages of human resources, free trade agreements, Vietnam is still a potential and attractive destination for manufacturers in the world in the context that FDI activities on the international scale have not yet recovered.

Figure 1.1: Performed and Registered FDI capital in Vietnam 2021-3Q2022 (Bil USD)

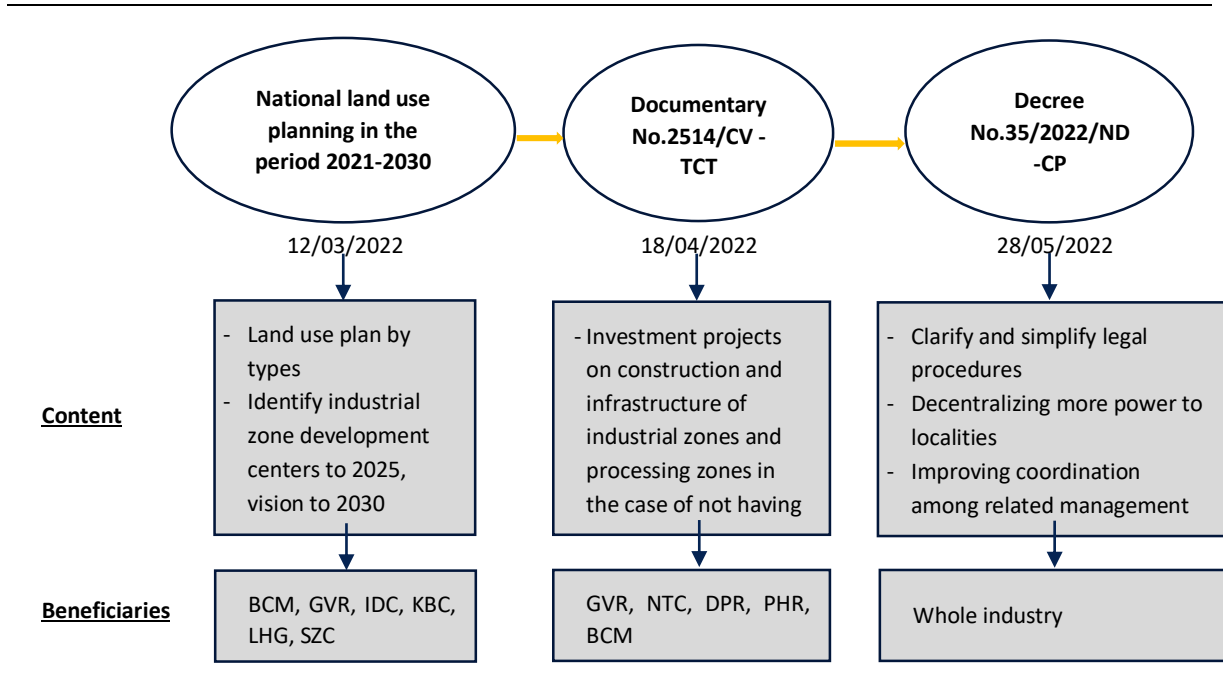


Source: GSO

The legal environment gradually become clear and improved, which is expected to shorten administrative procedures and to develop sustainably thanks to the coordination between Ministries/Departments and the Provincial People's Committee. In 9M2022, Vietnam officially

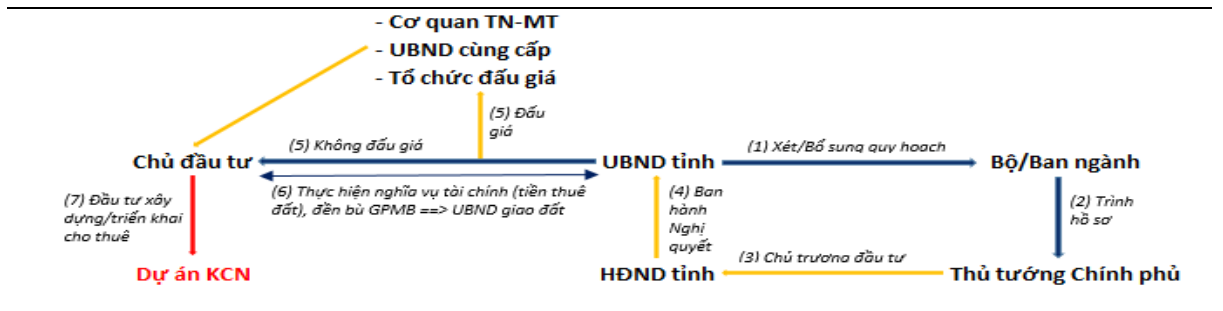
approved 3 documents directly related to the development of industrial zones including (1) National land use planning in the period 2021-2030, (2) Documentary No.2514/CV -TCT, (3) Decree No.35/2022/ND-CP and is aiming to approve (4) Amended Land Law.

Figure 1.2: The legal environment for investment in industrial zones has been improved



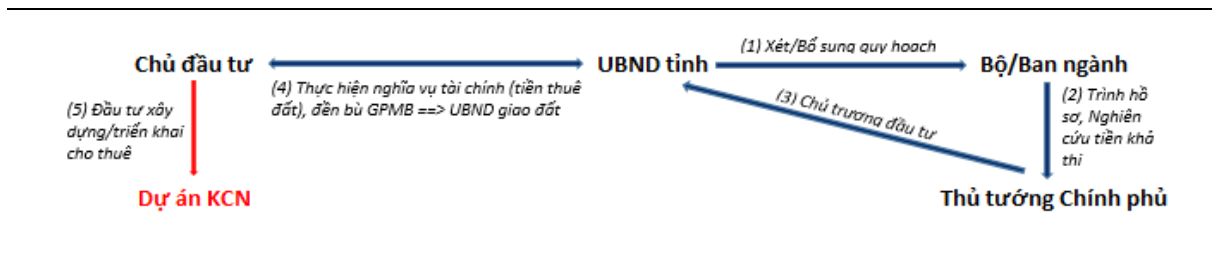
Source: Chinhphu.vn, BSC Research

Figure 1.3: Investment process in industrial infrastructure before 15/07/2022



Source: Land law 2013, Decree No. 82/2018/ND-CP, BSC Research

Hình 1.4: Investment process in industrial infrastructure after 15/07/2022



Source: Land law 2013, Decree No. 82/2018/ND-CP, BSC Research

Besides simplifying unnecessary procedures, Decree 35/2022/ND-CP also clarifies concepts, conditions and required documents for each step in the process. According to our assessment, the legal bottlenecks that are gradually resolved will help the industrial zone system in Vietnam develop more synchronously (thanks to the close coordination among the Ministry of Planning and Investment, the Ministry of Construction, the Provincial People's Committee), more effectively (more rigorous assessment of experience, financial capacity, technical standards) and more sustainably

(regulations on workers' services in the industrial zone, conditions for expansion of the industrial zone).

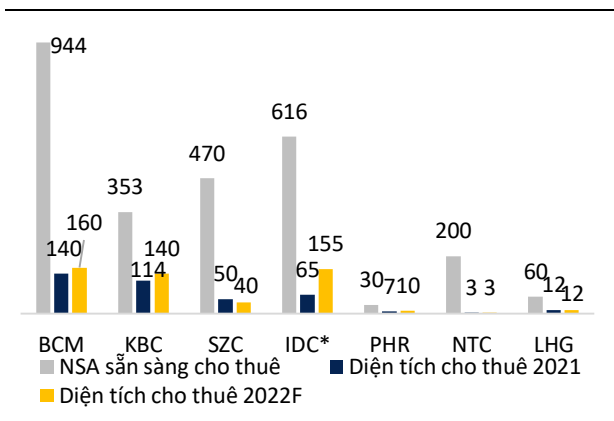
Manufacturing enterprises are expected to expand their production and raise their capacity to take advantage of the increased purchasing power as China opens its economy. Due to the advantage of a favorable geographical position to trade with Chinese market, stable political policies and established value chains over the past 2 years, Vietnam will still be a potential destination for FDI enterprises to target the Chinese market.

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

According to the National land use planning for the period 2021-2030, industrial centers focus 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 zone area in 2025 and 6 northern provinces (Hai Phong, Bac Giang, Bac Ninh, Ha Nam, Hung Yen, Quang Ninh) account for 17.6% of the country's total industrial zone area in 2025. BSC believes that the industrial real estate market in the southern market will continue to be "unlocked" in 2022, especially Binh Duong and Dong Nai when the occupancy rate in this area is over 90% and there are no more industrial zones approved for investment policy in the period of 2020-2021.

We have re-evaluated the land bank available for lease within the next 1 year of leading enterprises, whereby BCM 944 ha (excluding industrial parks of joint venture companies), IDC 616ha, SZC 470ha, KBC 353ha (excluding Trang Due 3 industrial park which has not been completed legally).

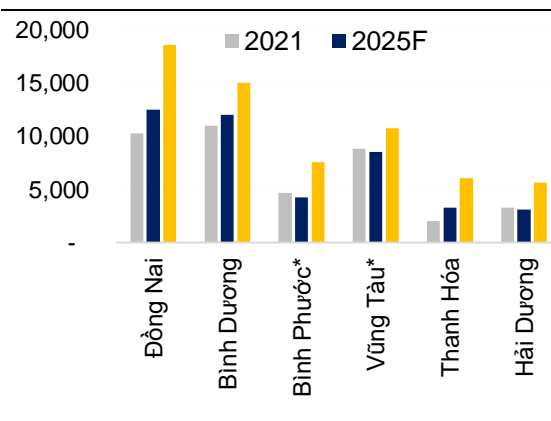
Figure 1.5: Commercial area available for lease in 2022-2023 (ha)



Source: BSC Research

Note: Only includes IPs that have completed legal, site clearance, construction or are highly likely to be completed in 2022-2023.

Figure 1.6: Industrial zone area according to national land use planning in key provinces/cities



Source: MPI, BSC Research

Note: Area of established industrial zones include those that have not been approved by the investment policy of the Prime Minister.

Overview of the financial situation of industrial real estate enterprises.

Figure 1.7: Financial situation of industrial real estate enterprises

Enterprise	Gross Cash/ (Gross Debt)	Debt	Debt/ Total Asset	Bond Debt/Debt	Remained NSA (ha)	Available NSA (ha)	Lessee
Group 1: Enterprises with a high proportion of bond debt							
BCM	(12,742)	(15,848)	32%	67%	944	944	FDI groups – Specialize in import-export and high-tech
KBC	(3,766)	(6,888)	22%	56%	1,053	353	FDI groups - High-tech in the field of chips electronics, assembly
Group 2: Enterprises with a low proportion of bond debt							
SZC	(1,911)	(2,205)	37%	18%	651	470	SME - Assembling, processing, mechanical engineering enterprises

IDC	(971)	(3,343)	21%	12%	1,079	616	FDI groups – Heavy industry (Phu My Industrial Park 2) Logistics enterprise, warehouse (Huu Thanh Industrail Park)
Group 3: Enterprises with no gross debt							
GVR	7,644	(8,502)	11%	0%	N/A	N/A	
SIP	3,607	(1,038)	5%	0%	N/A	N/A	SME – Labor-intensive industries (wood, apparel, footwear)
PHR	1,685	(429)	7%	0%	836	30	
NTC	1,091	(419)	10%	0%	200	200	
LHG	1,098	(163)	5%	0%	270	60	SME - logistic, warehouse

Source: BSC Research

We find that industrial park real estate enterprises have relatively good financial background, especially those of the Vietnam Rubber Group (GVR) because they do not have gross debt, bond debt, most short-term debt is used to supplement working capital and pay dividends. For enterprises with a high bond debt/total loan ratio like BCM and KBC, we find that the Debt/Total Asset ratio is still at a safe level, all loans have collaterals, and the quality of the assets are relatively good and the value of the bond maturing in 2023 is not much (VND 1,000 billion for BCM and VND 2,900 billion for KBC).

INVESTMENT VIEW - OUTPERFORM

We maintain a **OUTPERFORM** rating for the Industrial Park Real Estate industry for those reasons **(1)** Limited supply and recovery demand which are still the factors that keep industrial park rental prices high and **(2)** Production and business activities are no longer interrupted due to the epidemic, **(3)** Legal issues are resolved that help enterprises deploy to meet demand, **(4)** Prospects for improving transport infrastructure accelerate in the medium term.

Figure 1.8: Estimated business results of some industrial real estate enterprises

Securities	Gross Revenue 2022 (Bil VND)	% YoY	Net Income 2022 (Bil VND)	% YoY	EPS 2022 (VND/cp)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price dated 06/12/2022	Target Price	Upside
BCM	8,447	21%	2,597	85%	2,306	32.5	4.1	5%	14%	79,200	94,200	19%
IDC	7,615	77%	2221	389%	6663	5.8	1.7	16%	37%	34,300	43,400	27%
KBC	4,816	13%	3639	365%	6,321	2.4	0.4	11%	19%	22,100	24,600	11%
PHR	1,990	2%	775	62%	5,002	7.6	1.6	12%	26%	45,000	61,300	36%
NTC	483	78%	449	53%	18,134	7.4	3.5	10%	49%	122,800	N/A	N/A
LHG	843	8%	357	20%	6,569	2.6	0.5	12%	21%	20,500	33,400	63%

Source: BSC Research

2. AVIATION INDUSTRY [OUTPERFORM]

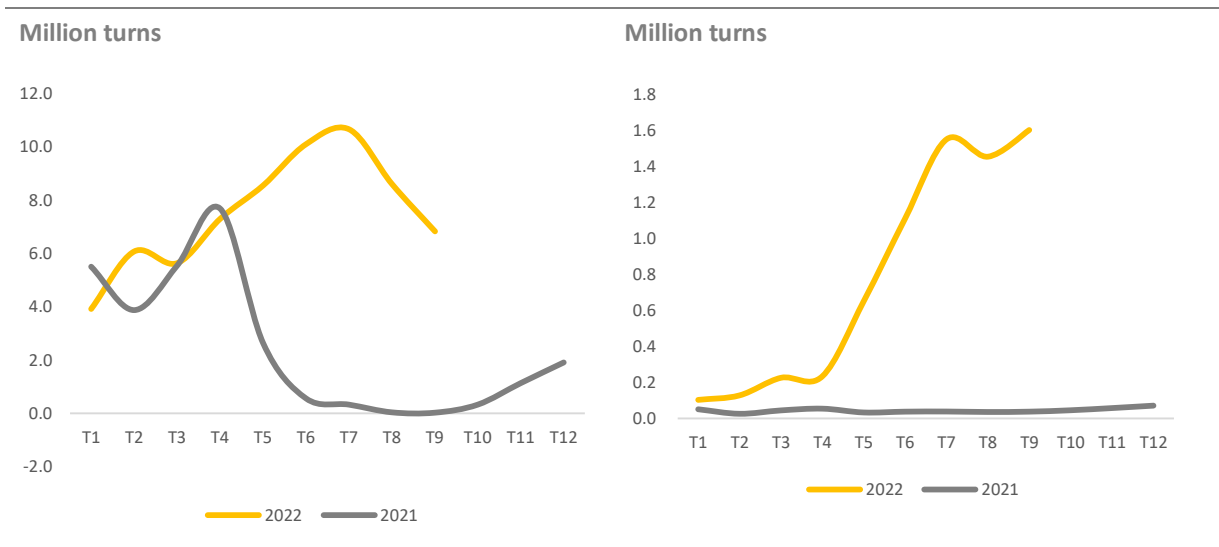
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- By the end of 9M.2022, domestic passenger volume through ACV airport = 68 million turns (+159% yoy), equivalent to ≈120% compared to 2019, due to fully recovered domestic routes
- By the end of 9M.2022, international passenger volume through ACV airport = 7.0 million turns (+1.795% yoy), equivalent to ≈20% compared to 2019 due to the well-controlled epidemic, Vietnam and neighborhood countries are gradually reopening flights.
- BSC has a **OUTPERFORM** view for Aviation Industry in 4Q2022 and 2023 due to the OUTPERFORM recovery of travel demand.

Figure 2.1: Domestic passenger volume + 159.5% yoy

Figure 2.2: International passenger volume +1930% yoy



Source: BSC Research

DOMESTIC PASSENGER TRANSPORTATION – 9M.2022 RECOVER 120% COMPARED TO THE VOLUME BEFORE THE EPIDEMIC

Accumulated 9M.2022 domestic passenger volume = 68 million turns (+159% yoy) because the domestic flights have fully recovered. In Q3, domestic passenger volume tended to decrease gradually (-15% MoM) because the peak season of summer tourism (June-Saturday) was over.

Compared to the previous report, BSC holds the view that the epidemic has been controlled and domestic transport activities have entered the "new normal" phase. However, BSC rise our forecast for domestic arrivals in 2022 from 80 million turns to 91.7 million turns (+211% yoy), equivalent to 123% volume before the epidemic due to OUTPERFORM volume in June-July. In 2023, BSC forecasts domestic passenger volume to remain constant, reach 92 million (+0.3% yoy) due to the high base level in 2022.

INTERNATIONAL PASSENGER TRANSPORTATION – 9M.2022 RECOVER 20% COMPARED TO THE VOLUME BEFORE THE EPIDEMIC

Accumulated 9M.2022, international passenger volume = 7 million (+1.795% yoy) because countries, including Vietnam, have reopened. Compared to Q2, international passenger volume + 107% QoQ, mainly contributed by the recovery of airways to Korea. For example, from the beginning of Q3:

- HVN has resumed flights between Hanoi, Ho Chi Minh City and Busan with a frequency of 3-4 flights/week, increasing 1 flight/week for flights from Hanoi, Ho Chi Minh City - Seoul;
- VJC also opened new flights Da Nang - Busan, Nha Trang – Busan;
- Korean airlines have also actively resumed flights to Vietnam.

Most of the markets such as Japan, the US, . . . , is also recovering very well, except for Russia, due to political tension with Ukraine and for China due to maintaining the Zero-Covid policy. As the outstanding recover of aviation industry, BSC rise our forecast for international arrivals in 2022 from 7.9 million turns to 10.8 million turns (+2,036% yoy) – assuming 4th quarter international arrivals = 4.3 million passengers (+5% QoQ).

Figure 2.3: Recovery level of Top 10 largest markets of tourists to Vietnam - compared to the same period in 2019

Markets	Q1/2022	Q2/2022	Q3/2022
- China	1%	2%	2%
- Korea	1%	10%	36%
- Japan	2%	11%	27%
- Taiwan	4%	7%	17%
- US	5%	33%	62%
- Russia	3%	3%	7%
- Malaysia	1%	14%	40%
- Thailand	1%	17%	61%
- Australia	3%	28%	55%
- UK	2%	21%	44%
- Singapore	1%	43%	77%
- Other	3%	29%	67%

Source: BSC Research

In 2023, BSC holds the expectation that the Chinese market will return, besides the markets of Korea, Japan, and the US. . . continue to recover. Entering the beginning of Q4. 2022, BSC continues to see some OUTPERFORM signals of resuming flights to China in the near future. Specifically:

- **China: From 11/11, the Chinese Government applies 20 new regulations to ease the Zero-Covid policy, in which:**
 - Continue to shorten the quarantine period from 7 days to 5 days for offshore arrivals;
 - Remove regulations on airline fines, and on international flights suspension in case passengers are infected with Covid-19.
 - Allow domestic tour operators to provide services to passengers who are negative with Covid-19.
- **From the Vietnamese side, airlines have also started to resume regular flights to China.** In particular, from 9/12, Vietnam Airlines reopened flights from Hanoi, Ho Chi Minh City - Shanghai, Guangzhou (1-2 flights/week). From 6/12, Bamboo Airways opens another route from Hanoi to Tianjin (1 flight/week).

As the result of the maintenance of closed-economy policy for 3 consecutive years, China's production and business activities have been severely affected. **BSC believes that economic pressure will be the driving force for China to continue to ease the Zero-Covid policy further in 2023.** Accordingly, BSC holds the expectation that international flights to China will start to reopen strongly from Q1 - Q2, 2023.

Compared to the previous report, BSC rises the forecast of international passenger volume in 2023 from 15.5 million to 17 million (+61% yoy), equivalent to 62% before the epidemic due to (1) the markets of Korea, Japan, the US recover more than expected in 2022, (2) the risen of the forecast for the level of recovery of the Chinese market with the above OUTPERFORM factors.

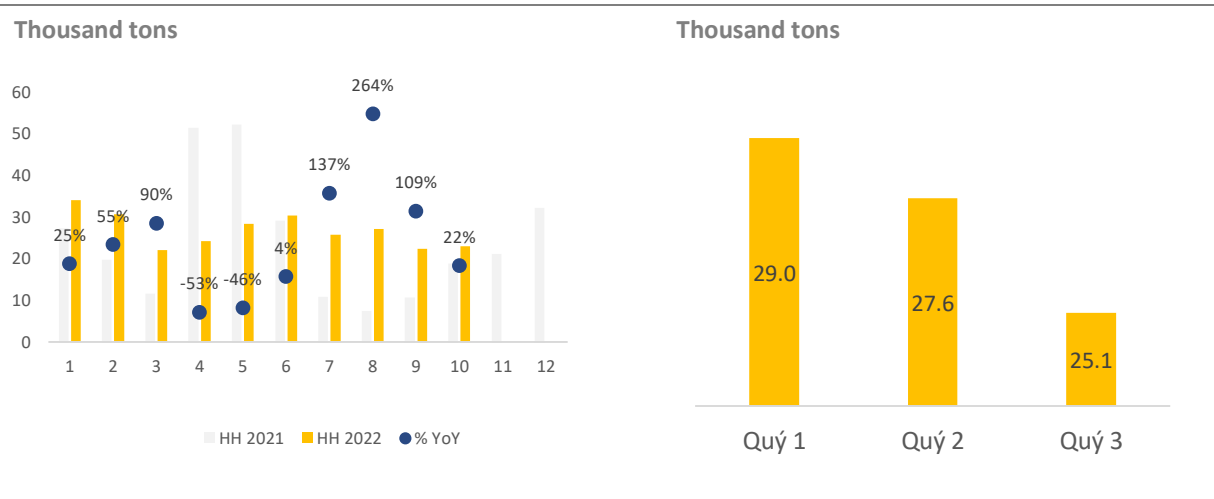
TT	Countries	2022				2023			
		Q1	Q2	Q3	Q4F	Q1F	Q2F	Q3F	Q4F
1	China	1%	2%	2%	4%	10%	15%	25%	40%
2	Korea	1%	10%	36%	45%	60%	70%	80%	90%
3	Japan	2%	11%	27%	35%	40%	50%	60%	75%

4	Taiwan	4%	7%	17%	25%	30%	40%	50%	60%
5	US	5%	33%	62%	75%	80%	90%	100%	100%
6	Other	3%	22%	55%	70%	80%	85%	90%	95%
TOTAL		0%	12%	29%	38%	51%	56%	62%	72%

AIRWAY CARGO

Figure 2.4: Airway cargo volume + 11% YoY

Figure 2.5: Average monthly airway cargo volume



Source: GSO

In the end of 9M.2022, airway cargo volume +11% yoy, mainly due to the low base in 2021. Average monthly cargo volume in Q3 decreased by -13% compared to the beginning of the year for those reasons (1) China maintains the Zero Covid policy, affecting the domestic supply chain (North - South), (2) global transport demand slows down in general, (3) seasonal factors. In 2023, although BSC expects the reopening of China will help domestic output recover, BSC believes that gross merchandise volume will still grow slowly (+1-2% yoy) due to the slowing global economy.

Highly fluctuated exchange rates continue to affect the business activities of airway service enterprises, due to the use of foreign currency loans to invest in terminals and aircraft. In which, the depreciation of JPY will have a OUTPERFORM impact on ACV's business results. BSC estimates that for every % depreciation of JPY, ACV will record 120-130 billion profit from exchange rate difference. **On the contrary, the appreciation of USD will negatively affect the business results of HVN.** BSC estimates that for every % increase in USD value, HVN will record 200-220 billion loss from exchange rate difference.

Figure 2.6: Exchange rate fluctuations affect the business activities of airway service enterprises

STT	Enterprise	Foreign currency loan (bil VND)	Currency	% Total debt	% Total asset	Foreign currency trend against VND	Effect on business result
1	ACV	12,007	JPY	100%	22%	Depreciation	OUTPERFORM
2	HVN	20,620	USD	56%	31%	Appreciation	Negative
3	VJC	3,372	USD	18%	5%	Appreciation	Negative but not much

Source: BSC Research

Oil price remains at a high level, which negatively affects the business results of the aviation industry. By the end of October 2022, the price of Jet A1 oil was at \$140/bbl (+45% ytd). Compared to Q2, the price of Jet A1 oil remained stable due to shortage supply caused by Russia-Ukraine tension. This negatively affects the business activities of the aviation industry because it is not possible for

them to convert 100% of fuel costs to domestic ticket fares. In the upcoming period, BSC believes that **oil price will remain at a high level** because the supply is still tight, affecting the aviation industry. (For details see Oil and Gas Industry)

INVESTMENT VIEW– OUTPERFORM

BSC's views :

- **For aviation enterprises relating to passenger (such as ACV),** BSC has a positive assessment because it directly benefits from the recovery of passenger volume.
- **For air transport enterprises (such as HVN, VJC),** BSC's assessment is less positive. Although demand is recovering, remaining high oil price in the second half of 2022 and 2023 will affect air transport businesses. Therefore, business result will still face difficulties.

Figure 2.7: Estimated business results of some aviation enterprises

Securities	Gross Revenue 2022 (Bil VND)	% YoY	Net Income 2022 (Bil VND)	% YoY	EPS 2022 (VND/cp)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price dated 06/12/2022	Target Price	Upside
ACV	14,831	212%	6,925	1343%	3,181	26.7	4.1	12%	16%	84,905	100,000	18%
SCS	927	10%	643	14%	6,619	11.2	4.8	39%	43%	74,000	76,000	3%

Source: BSC Research

3. LIVESTOCK INDUSTRY [OUTPERFORM]

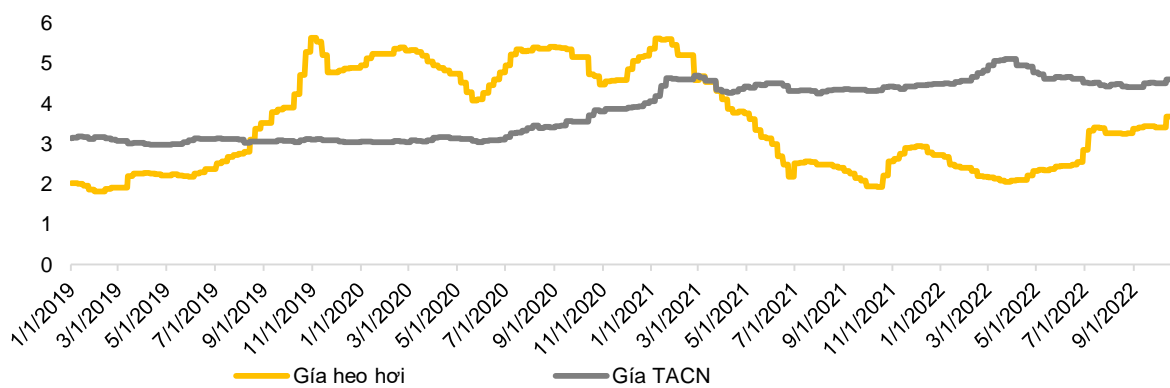
Analyst: Phạm Thị Minh Châu

Email: Chauptm@bsc.com.vn

- Domestic live hog prices rebounded from the beginning of July due to supply problems and the influence of the “domino” effect from live hog price in the Chinese market;
- Expectations of business results in Q4/2022 of livestock enterprises have not improved significantly, due to (1) pressure from lower-than-expected live hog price and (2) lower import input costs compared to the previous peak level peak but is affected by the exchange rate;
- The livestock industry's 2023 business results are expected to recover due to the low base level of 2022;
- BSC recommends **OUTPERFORM** for the livestock industry in 2023.

Domestic live hog price rebounded from the beginning of July 2022 due to supply problems and the influence of the "domino" effect from live hog price in the Chinese market. Average live hog price in Q3/2022 increased by +18% YoY, equivalent to an increase of +17% compared to 1H/2022, mainly due to (1) demand for pork meat continued to grow above the low base in 2021 and (2) real supply declines in short term as many livestock farmers wait for prices to rise, the pressure from feeding costs in 9M/2022 still increases (+28%YoY), African swine fever is still complicated in 20 localities,...), causing small-scale livestock farmers (accounting for 70% of domestic meat supply) to have difficulty in re-herding;

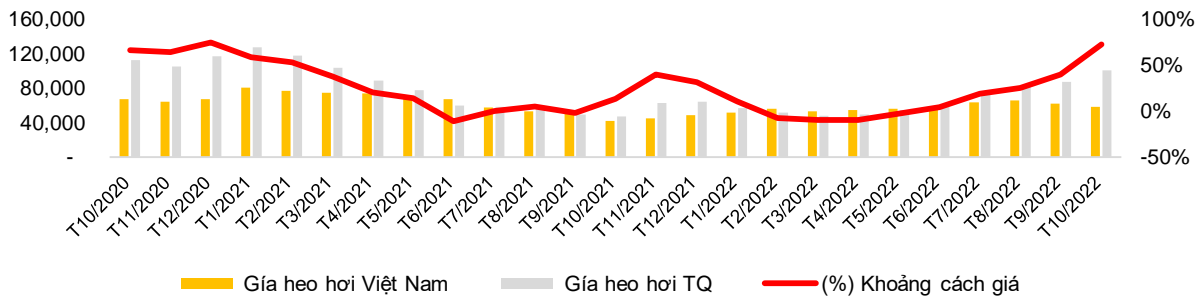
Figure 3.1: Live hog price and Livestock feed price during 2017-2022 (USD/KG)



Source: DBC, Bloomberg, BSC

In addition, the upward trend in Vietnamese live hog price is also actively supported by Chinese live hog price from the end of June 2022, through small-scale export channels. China hog price in Q3/2022 recorded an increase of more than +53% compared to 6M/2022 and has not tended to cool down after the National Day, because (1) supply is tight due to complicated weather changes and the epidemic, the psychology of keeping pigs to wait for higher prices of many breeding units, based on the expectation of reopening of the "Zero-covid" country; while (2) demand gradually recovered due to the psychology of hoarding meat for winter and preparing for Tet holiday.

Figure 3.2: Fluctuations in phase of China and Vietnam live hog prices, price gap has widened since September 2022



Source: BBG, Agromonitor, BSC

Expectations of business results in Q4/2022 of livestock enterprises have not improved significantly, due to (1) pressure from lower-than-expected live hog price and (2) lower import input costs compared to the previous peak level peak but is affected by the exchange rate.

Specifically, (1) the price gap between Vietnam and China live hog prices has widened since September 2022 because the demand for meat consumption was tighter than expected in the last months of the year, under the pressure of declining income, while the supply for Tet holiday was maintained more stable than expected due to the increase in herd production of professional farms, supply from small livestock units increased due to year-end payment pressure and small-scale export volume was reduced due to the outbreak of the disease, which made China's border control stricter than in the previous period.

(2) Input costs cooled down from -5% to -18% compared to the peak in Q2/2022, but still faced increasing exchange rate pressure ~6.5% at 1h/2022.

Although, the livestock industry faces many difficulties in 2022, but **BSC still maintains the expectation that the business results of livestock enterprises in 2023 will recover positively** for those reasons:

(1) Live hog price in 2023 might fluctuate at a high level around 60,000-70,000 VND/Kg due to (1.1) **OUTPERFORM** support from China's reopening, freeing the small-scale supply and (1.2) supply expected to be tightened in 2023 because of pressure from input costs, the epidemic and the delay in restocking activities of small farmers, while enterprises face environmental challenges and new livestock license; (1.3) Meat consumption demand is expected to recover after the economy enters a stable phase in 2H/2023

(2) Feed material and feed costs, transportation costs tend to cool down after the peak of geopolitical instability in 6M/2022, bringing advantages to businesses that are proactive in value chains (DBC, BAF, HAG ...). However, we also concern the risk of exchange rate affecting the import of feed materials and the trend of rising interest rates which may affect the cost of capital of these enterprises.

INVESTMENT VIEW – OUTPERFORM

BSC maintains **OUTPERFORM** view in 2023 for the business results of the livestock industry due to (1) the low base level in 2022 and (2) the expected improvement in gross profit margin. In addition, the reopening of China's economy also supports domestic hog price through small-scale export channels.

Figure 3.3: Estimated business result of some livestock enterprises

Securities	Gross Revenue 2022 (Bil VND)	% YoY	Net Income 2022 (Bil VND)	% YoY	EPS 2022 (VND/cp)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price dated 07/12/2022	Target Price	Upside
DBC	12,496	16%	352	-57%	1,310	12	0.7	4%	8%	15,100	19,500	29%

4. FISHERY INDUSTRY [OUTPERFORM]

Analyst: Nguyễn Cẩm Tú, CFA

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- In the first 9 months of 2022, fishery export turnover is estimated at USD 8.5 billion, 38% higher than the data in the same period last year: shrimp +23% YoY, pangasius +82% YoY;
- Business outlook for the year 2023: For shrimp industry: The fact that the main consuming markets (US, EU) are expected to face many difficulties will negatively affect the demand for Vietnamese shrimp;
- In term of pangasius industry: BSC expects that the reopening of China will lead to an increase in demand for pangasius after being suppressed for a long time, helping the whole pangasius industry grow;
- BSC maintains a **OUTPERFORM** view on the Fishery Industry in 2023.

In the first nine months of 2022, fishery export turnover is estimated at US\$8.5 billion, 38% higher than the data in the same period last year. In which, shrimp export turnover reached nearly USD 3.4 billion, 23% up over the same period, accounting for 40% of total export turnover. Pangasius export turnover is estimated at USD 2 billion, 82% up over the same period, accounting for 24% of the export value of the whole fishery industry. The growth rate of pangasius group decelerated when the US market reduced its import level (compared to Q2) when inventories at ports were high.

Figure 4.1: Shrimp export in Vietnam

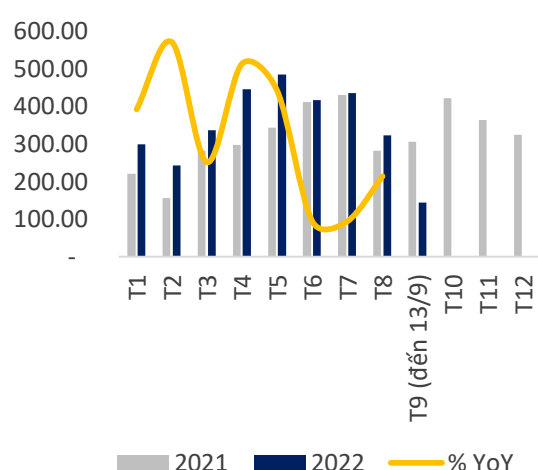
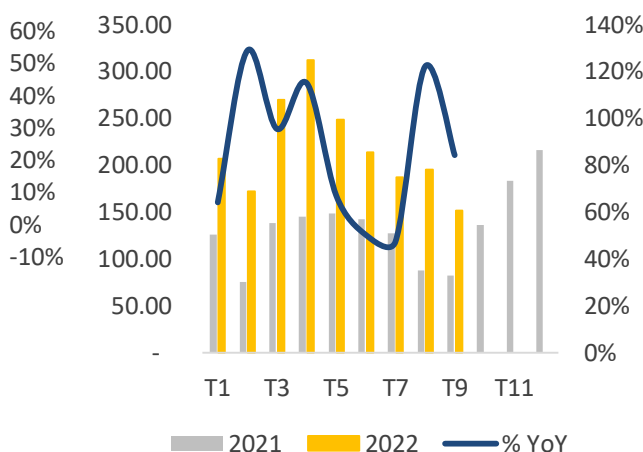


Figure 4.2: Pangasius export in Vietnam



Source: Agromonitor

Business Outlook in 2023:

+ For the shrimp industry: BSC believes that the main consuming markets (USA, EU) are forecasted to face many difficulties in 2023. This will negatively affect shrimp consumption demand when (i) shrimp is a high-priced fishery item (ii) Vietnamese shrimp costs 10-15% more than shrimp from rival countries.

+ For the pangasius industry: BSC believes that the industry's growth will depend on China's reopening after a long time pursuing the Zero-Covid campaign. BSC expects that the reopening of China will lead to an increase in demand for pangasius after being suppressed for a long time, helping the whole pangasius industry to grow. For the US market, BSC expects export turnover to be OUTPERFORM again when the inventory at the port is completely consumed.

Figure 4.3: U.S Market

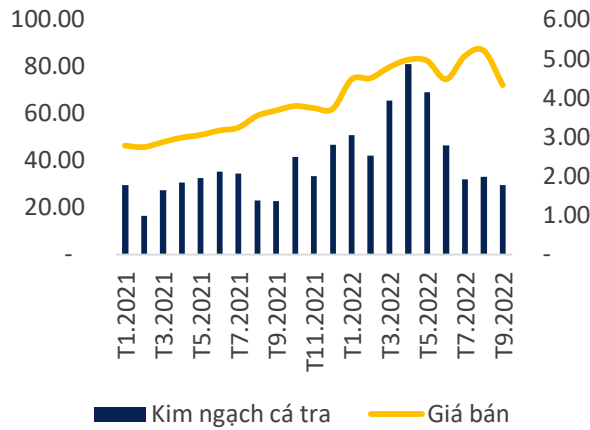
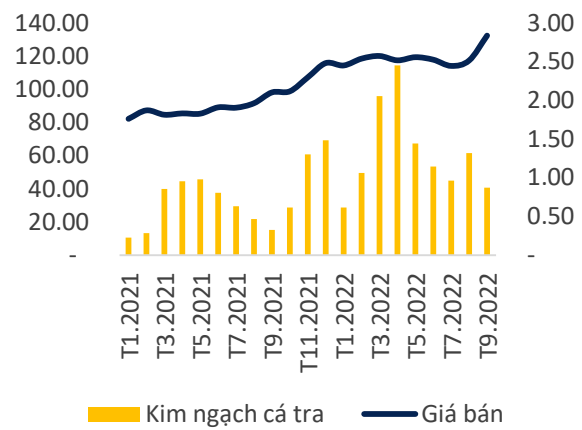


Figure 4.4: China Market



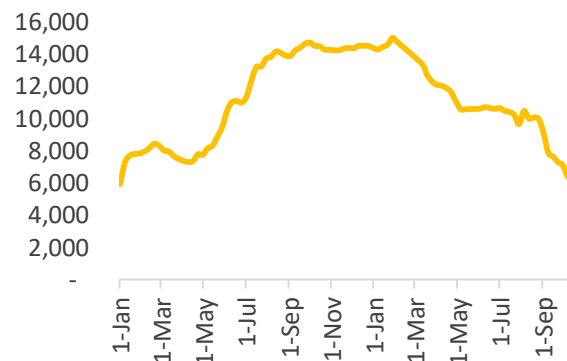
Source: Agromonitor

Freight rates continued to decrease sharply, are gradually approaching the freight rates before the Covid epidemic. Freight rates from Southeast Asia to the US averaged around \$3,417 in September (-81% from peak, -83% YoY). Rates from Southeast Asia to Europe were around \$7,241 (-51% from peak, -49% YoY). In the third quarter, the transportation costs of VHC and ANV both recorded a decrease compared to the second quarter of 2023 when the freight rates cooled down: VHC (-61% QoQ, -14% YoY); ANV (-11% QoQ, +40% YoY).

Figure 4.5: Freight rate from Southeast Asia to the U.S



Figure 4.6: Freight rate from Southeast Asia to EU



Source: FBX

INVESTMENT VIEW – OUTPERFORM

We maintain a OUTPERFORM view of the fishery industry in 2023. BSC believes that the industry's growth will depend on China's reopening after a long time pursuing the Zero-Covid campaign. BSC expects that the reopening of China will lead to an increase in demand for pangasius after being suppressed for a long time, helping the whole pangasius industry to grow.

Figure 4.7: Estimated business result of some fishery enterprises

Securities	Gross Revenue 2022 (Bil VND)	% YoY	Net Income 2022 (Bil VND)	% YoY	EPS 2022 (VND/cp)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price dated 07/12/2022	Target Price	Upside
VHC	12,378	37%	2,200	100%	11,900	6.2	1.8	27%	34%	72,000	86,000	20%
ANV	6,858	96%	798	520%	4,900	5.0	1.0	21%	26%	24,500	29,000	18%

Source: BSC Research

5. FERTILIZER INDUSTRY [NEUTRAL] – CHEMICALS INDUSTRY [OUTPERFORM]

Analyst: Lưu Thuỳ Linh

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- Business results in the third quarter of 2022 of nitrogen gas producers were OUTPERFORM due to: **(1)** Urea consumption increased by 20% over the same period and **(2)** average selling price of urea increased by 32% compared to the same period last year.
- Business outlook:

Business activities in Q4 of 2022 is expected to remain positively due to: **(1)** output and selling prices continue to recover and **(2)** decrease in input gas prices following the downward trend of world oil prices.

2023: BSC expects Urea price to correct down and put pressure on growth due to the high base level.
- BSC maintains an **OUTPERFORM** view on the Fertilizer industry **in the fourth quarter of 2022** and **NEUTRAL view in 2023**.

Business results in the third quarter of nitrogenous gas producers were positive due to: **(1)** Urea consumption increased by +20% YoY and **(2)** selling price maintained at a high level of +32% YoY. BSC estimates that Q3 net revenue and profit after tax of gas companies will grow +55% and 73%, respectively, compared to the same period in 2021.

BSC expects the fourth quarter of 2022 business results of fertilizer companies to continue to be positive due to:

(1) Output and selling price continue to recover

BSC expects domestic urea consumption to improve for those reasons:

- Rising rice price boost fertilizer demand during peak season - Winter-Spring crop;
- The supply of imported urea to Vietnam is forecasted to decrease due to the narrowing of the domestic/imported urea price difference and the increase in USD/VND exchange rate, causing traders to reduce their urea imports.

Domestic urea prices are recovering ~10% from the 2022 bottom and we expect this rally to continue in Q4 for those reasons:

- Domestic demand improves and;
- World urea price is anchored at a high level due to high coal price in China and because fertilizer plants in Europe are continuing to close/operate at low capacity as they concerns that gas prices may climb high in winter.

Figure 5.1: Urea in world markets recovers 20-30% from the bottom of 2022

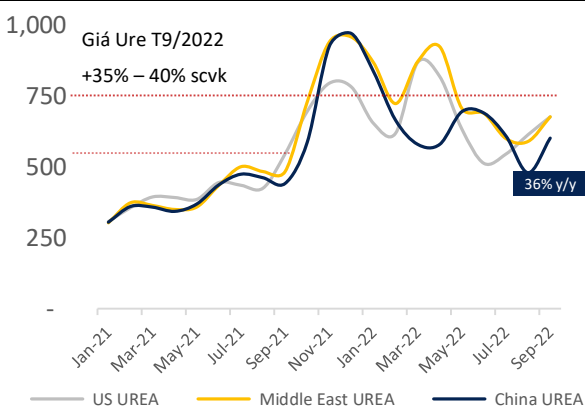
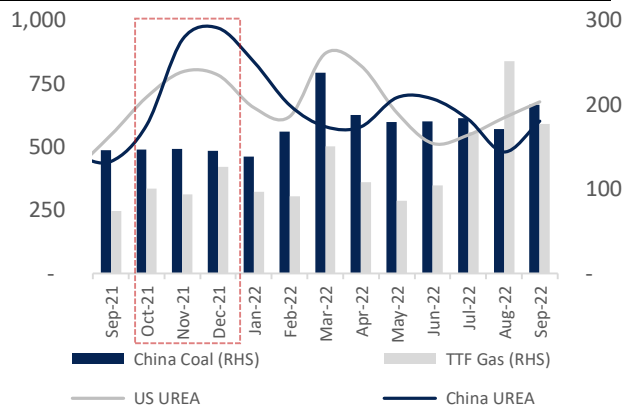


Figure 5.2: The main production materials (coal, natural gas) anchored at high levels supporting the recovery of Urea price



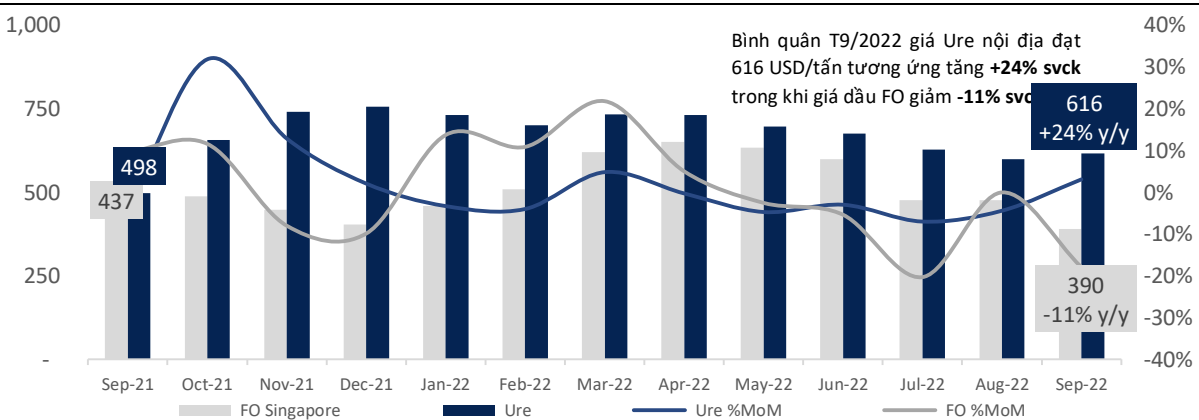
Source: Bloomberg, BSC Research

(2) Besides, we believe that the gas price of domestic nitrogenous gas enterprises (followed by Singapore FO oil) will continue to decrease according to the world oil price, thereby positively supporting the gross profit margin of these enterprises.

However, BSC also noted that in the event that China loosens its epidemic prevention and control measures and reopens, it will negatively affect our positive view because China is the best fertilizer exporter in the world.

BSC maintains a neutral view on the fertilizer industry in 2023 due to the expectation that urea price will correct down and put pressure on growth in 2023 because of the high base level in 2022. We believe that there is currently no clear motivation to help the domestic urea price surpass the peak set in 1H/2022 and the urea price will adjust down in 2023 because: **(1)** the world urea price is expected to decrease due to the cooling of the price of key production materials; **(2)** fertilizer export restrictions of Russia and China are due on December 31, 2022.

Figure 5.3: Movement of domestic urea price and FO oil price from September 2021 to present (USD/ton)



Source: Agromonitor, Bloomberg, BSC Research

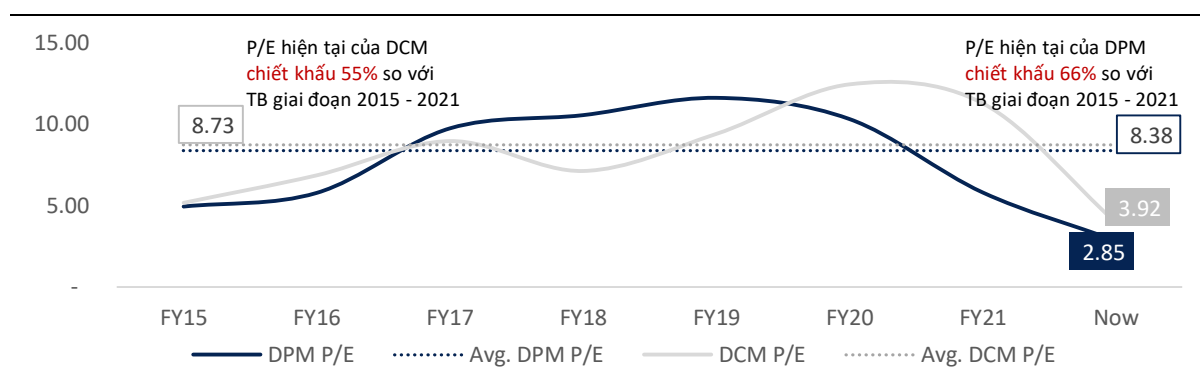
INVESTMENT VIEW – OUTPERFORM

BSC maintains an **OUTPERFORM** view on the Fertilizer industry in the fourth quarter of 2022 and **NEUTRAL** view in 2023:

- Business activities in Q4 of 2022 is expected to remain positively due to: **(1)** output and selling prices continue to recover and **(2)** decrease in input gas prices following the downward trend of world oil prices.
- 2023: BSC expects Urea price to correct down and put pressure on growth due to the high base level. In terms of valuation, DPM and DCM stocks are currently trading at a low PE

relative to their 8-year average (DPM, DCM are trading at a P/E discount of 66% and 55% to historical averages, respectively).

Figure 5.4: P/E movements of DPM and DCM for the period 2015 - present



Source: Agromonitor, Bloomberg, BSC Research

Figure 5.5: Estimated business result of some fertilized enterprises

Securities	Gross Revenue 2022 (Bil VND)	% YoY	Net Income 2022 (Bil VND)	% YoY	EPS 2022 (VND/cp)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price dated 07/12/2022	Target Price	Upside
DPM	19,700	54%	5,671	82%	14,638	2.9	1.3	23%	18%	42,500	48,000	13%
DCM	15,730	59%	3,876	113%	5,860	5.0	1.7	28%	36%	29,100	34,000	17%

Source: BSC Research

CHEMICALS INDUSTRY [OUTPERFORM]

BSC maintains an **OUTPERFORM** view in the **fourth quarter of 2022** due to the fact that the selling price is still high compared to the price in same period last year, although the business results may decrease compared to the results in the first 6 months of the year.

BSC realizes that the business prospect of chemicals enterprises depends a lot on the fluctuation of commodity prices in the coming time. Although commodities have all undergone an adjustment period, BSC believes that most chemicals have established a new high price level and will be difficult to decrease further in time, especially as the fourth quarter of the year is the main consumption season. At the same time, **(i)** the Russian-Ukrainian war and **(ii)** China's continued implementation of the Zero-Covid policy are still two uncertain factors that continue to tighten supply.

BSC holds a **NEUTRAL** view on the chemicals industry in **2023** due to the high price base of 2022. In the context that chemical prices have no clear motivation to surpass the peak price of 2022, the driving force growth will come from:

- (i)** cutting production costs (vertical development) or;
- (ii)** expansion of investment in traditional and new products (horizontal development).

However, BSC realizes that private chemicals enterprises will have more advantages than state-owned enterprises in expanding development and investment.

- In term of DGC, BSC expects that in 2023, DGC will continue to benefit because export commodity prices continue to stay at a high level compared to the price before the epidemic (however, the growth rate of selling prices in 2023 will be low). In addition, the fact that DGC continues to intend to buy a new mine also supports the management of input costs. At the

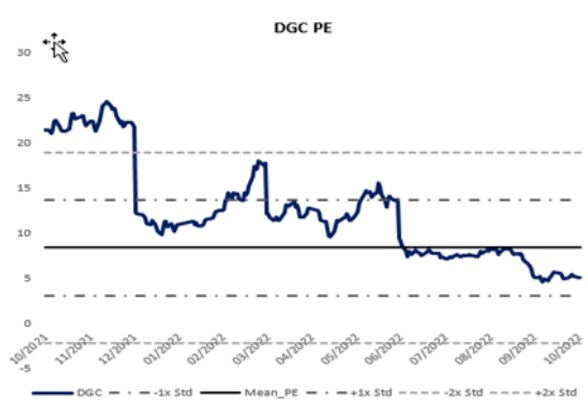
same time, the Duc Giang - Nghi Son project will accelerate its implementation in 2023. In terms of valuation, DGC stock is currently trading at a low PE in the last 8 years (4.85 vs. 8.05).

- In term of CSV, BSC believes that in 2023, CSV will benefit because the price of caustic soda is still high compared to the price before the epidemic. In terms of valuation, CSV stock is currently trading at a low PE for the last 8 years (4.46 vs. 6.51).

Figure 5.6: Historical P/E of CSV



Figure 5.7: Historical P/E of DGC



Nguồn: Bloomberg, BSC Research

Figure 5.8: Estimated business result of some chemicals enterprises

Securities	Gross Revenue 2022 (Bil VND)	% YoY	Net Income 2022 (Bil VND)	% YoY	EPS 2022 (VND/cp)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price dated 07/12/2022	Target Price	Upside
DGC	14,954	57%	6,340	165%	16,900	4.2	2.3	21%	26%	62,700	74,000	18%
CSV	2,091	33%	475	127%	9,200	3.5	1.1	17%	21%	33,500	30,000	-11%

Source: BSC Research

6. SEAPORT INDUSTRY [NEUTRAL]

Analyst: Phạm Quang Minh

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- **By the end of 8M.2022, number of containers going through Vietnam's seaports increased by +5% yoy.** In 2023, BSC believes that container volume will still grow slowly due to the slowing global economy.
- **Competition will return in 2023** as Hai Phong ports still have 20-25% capacity remaining.
- BSC recommends **NEUTRAL** for seaport industry in 4Q2022 and 2023 as we concern about slowing import and export activities.

By the end of 9M.2022, number of containers going through Vietnam's seaports increased by +7% yoy. The growth rate was +5% yoy, mainly coming from the low base level in 3Q2021. If we remove the low base in 2021, BSC estimates that the container volume in 9M will increase by only 2-3% yoy for those reasons (1) slowing down of import and export activities and (2) China maintains the Zero Covid policy. **In 2023, BSC believes that container volume will still grow slowly due to the slowing global economy.**

Figure 6.1: Number of containers going through Vietnam's seaports + 7% yoy in 8M.2022

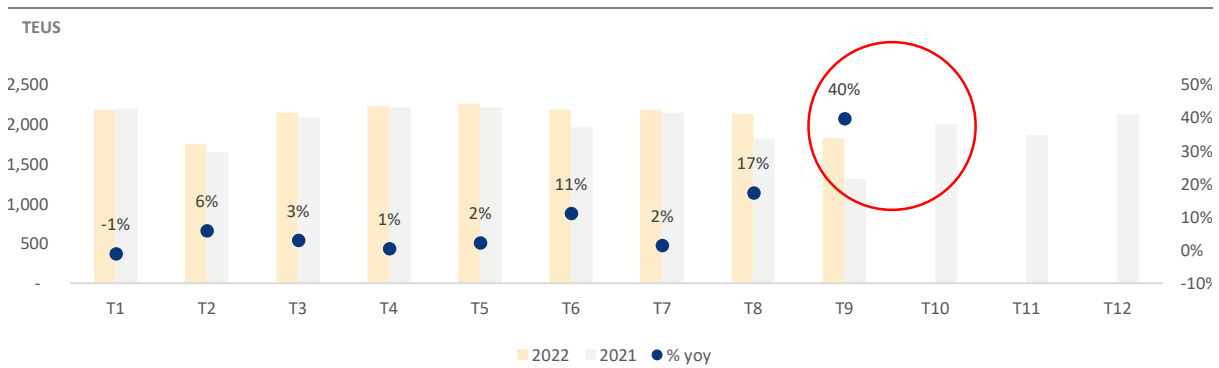


Figure 6.2: Container volume in Hai Phong in 9M.2022

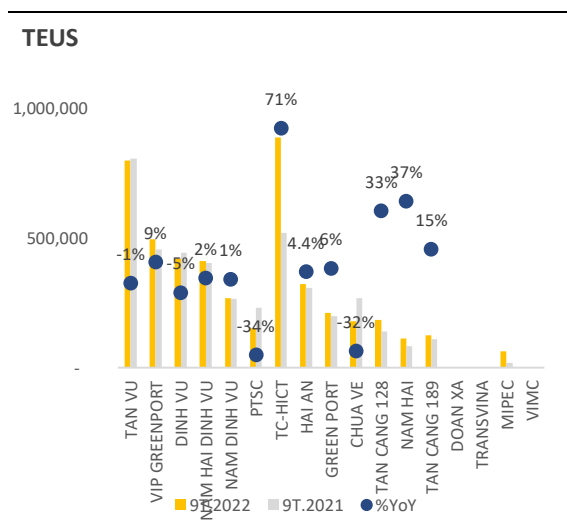
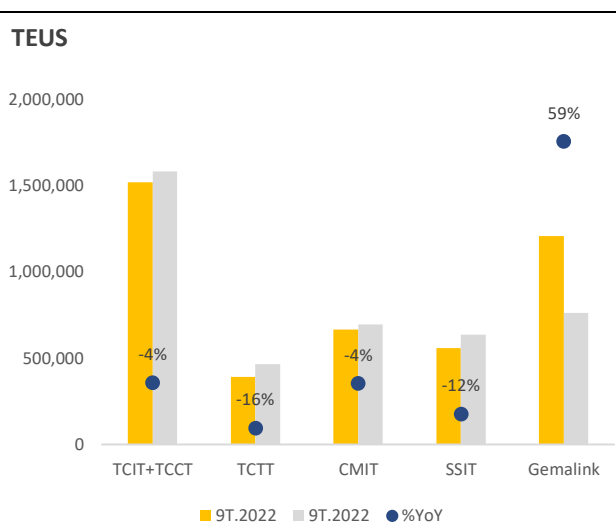


Figure 6.3: Container volume in CMTV in 8M.2022



Source: BSC Research

Most major ports are still slowing down:

1. Hai Phong ports :

- **Output of Song Cam ports, excluding Lach Huyen +0.8% yoy.** Most ports have flat output due to slowing import and export activities. Except, Tan Cang 128/189 + 33%/+ 15% yoy, VIP Green & Green 9%/+6% yoy due to receiving routes from PTSC and NHDV, Nam Hai +37% yoy due to receiving routes from Nam Dinh Vu.
- **Output of Lach Huyen port + 71% yoy, mainly coming from low base level in 2021** due to alluvial deposition of this port. Since Q2.2022, Lach Huyen's alluvial situation has been resolved, so there is the possibility of receiving mother ships, helping to increase output sharply in 9M.2022.

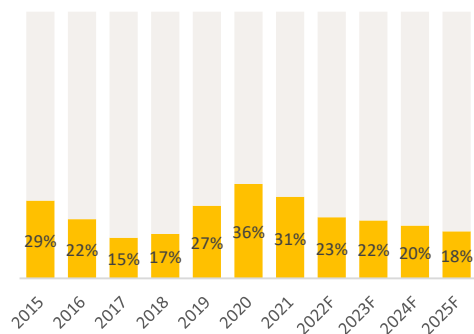
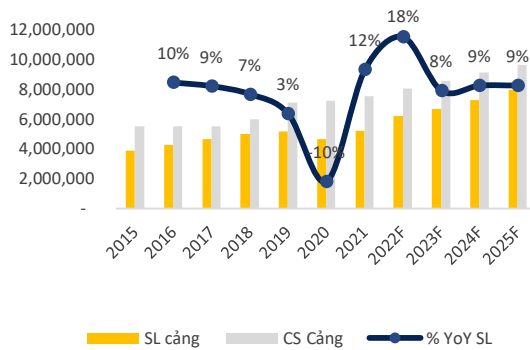
2. Cai Mep - Thi Vai ports: Output of CMTV ports + 5% yoy. Most of the ports’ growth are negative, except for GML + 59% yoy as it received services from other ports.

Competition will return in 2023 as Hai Phong ports still have 20-25% excess capacity. In the next period from 2022-2025, BSC forecasts that Hai Phong will continue to have a capacity surplus of 20%-25% (+5-10 percentage points compared to 2017-2018). Except VIP Green Port has the advantage to be shareholder EverGreen, the other ports are competing with each other mainly on price. So, with the global economy slowing down, BSC thinks that GMD, VSC, PHP, . . .will be under great competitive pressure in 2023.

Figure 6.4: Forecast of output/capacity of Hai Phong ports

Figure 6.5: 20-25% oversupply during 2022-2025F

TEUS



Source: BSC Research

Tracking factor: As of 3Q2022, China is still maintaining the Zero Covid policy. However, BSC expects China to gradually loosen regulations and to reopen in 2023. In the event that China starts to reopen, the supply chain disruption may be improved, which helps restore output.

INVESTMENT VIEW – NEUTRAL

BSC recommends **NEUTRAL** for seaport industry as we concern about the risk that import and export activities will slow down as the global economy might slow down in 2023.

Figure 6.6: Estimated business result of some seaport enterprises

Securities	Gross Revenue 2022 (Bil VND)	% YoY	Net Income 2022 (Bil VND)	EPS 2022 (VND/cp)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price dated 07/12/2022	Target Price	Upside	
GMD	3,758	17%	953	56%	3,161	15.4	1.5	7%	10%	48,600	53,500	10%

Source: BSC Research

7. TEXTILE INDUSTRY [NEUTRAL]

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- In the third quarter of 2022, textile exports reached a turnover of 10.4 billion USD (+29% YoY and 28% QoQ). Fiber exports continued to record a strong decline with a turnover of USD 1 billion (-31% YoY, -25% QoQ) due to a 31% decrease in volume over the same period.
- 11 textile enterprises announced revenue of 14,082 billion (+21% YoY) and net income of 799 billion (+58% YoY).
- Textile industry's prospects in 2023: BSC believes that in the fourth quarter of 2022 and in 2023, textile enterprises will continue to face many challenges: garment enterprises face many difficulties in signing orders when customers continue to handle high inventories in the context of economic difficulties.
- We keep a **NEUTRAL** view on the Textile industry in 2023.

In the third quarter of 2022, textile exports reached a turnover of 10.4 billion USD (+29% YoY and 28% QoQ). The positive growth came from the low base of the same period when the export activities of the third quarter of 2021 were affected by the blockade order to prevent the epidemic. However, fiber exports continued to record a sharp decline with a turnover of USD 1 billion (-31% YoY, -25% QoQ) due to a 31% decrease in output compared to the same period last year when cotton prices dropped (-22% YTD) and a drop in textile demand due to high inventories. BSC believes that the downtrend will continue in the fourth quarter and fiber prices will stabilize at low levels in 2023.

Figure 7.1: Textile export turnover – Billion USD

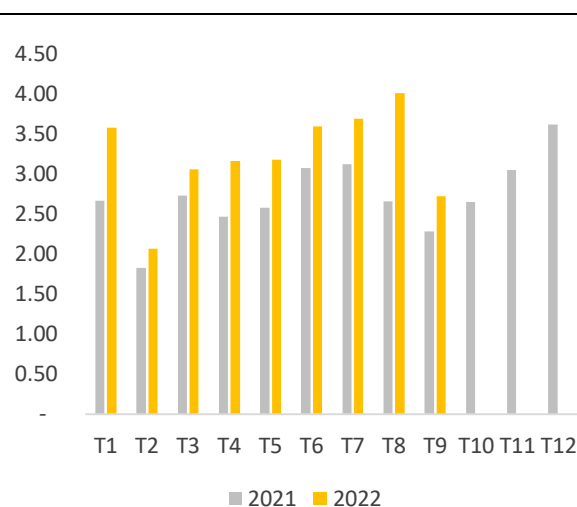
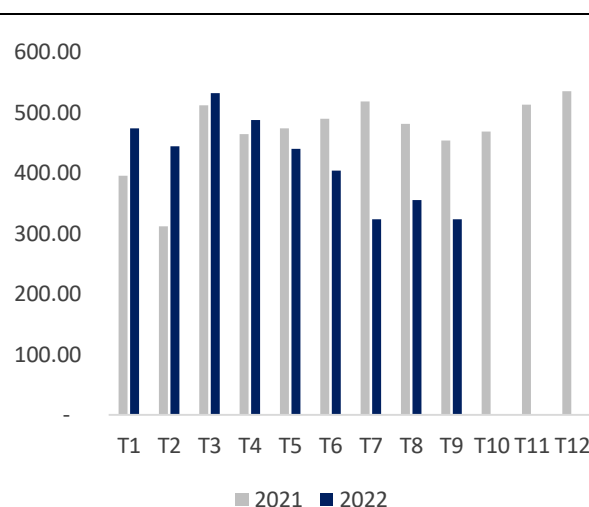


Figure 7.2: Fiber export turnover (Million USD)



Source: TCHQ

Up to now, 11/12 textile enterprises have announced 3rd quarter business results with revenue of VND 14,082 billion (+21% YoY) and VND 799 billion (+58% YoY). High growth rate due to (i) Low base level of last year when some southern enterprises production is affected due to social distancing orders (PPH, TCM, VGG) and (ii) Orders were still exported due to customers have not conducted order reduction in the third quarter.

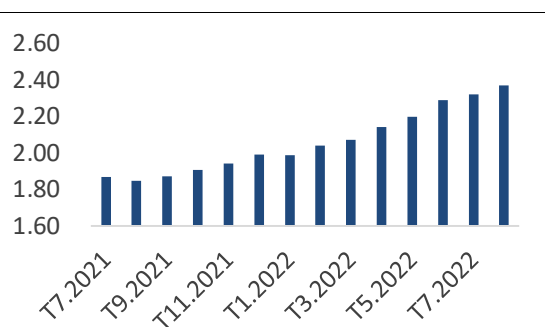
Textile Industry outlook in 2023: BSC believes that in the fourth quarter of 2022 and 2023, textile enterprises will continue to face many challenges: garment enterprises face many difficulties in signing orders when customers continue to receive orders. handling high inventories in the context of economic difficulties.

+ Traditional garment: BSC believes that the US market with high inventory levels and recession risks will continue to reduce the value of new orders in 2023. The EU market with the economy is expected to face more difficulties, the US market will also face pressure to cut new orders for next year.

Figure 7.3: Proportion of export markets

Enterprise	Proportion of US market	Proportion of EU market
MSH	60%	40%
TNG	42%	33%
TCM	24%	4%

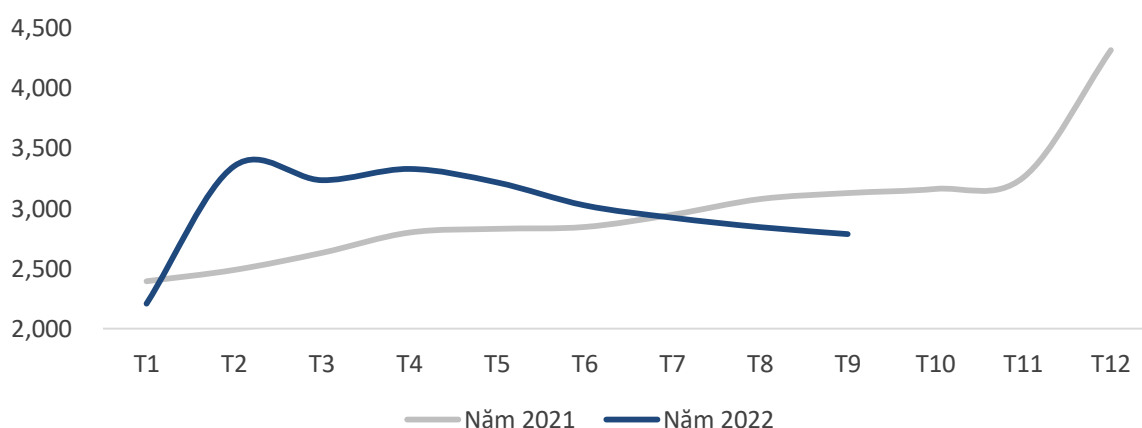
Figure 7.4: US clothing inventory (Billion USD)



Source: Ychartt

+ **Fiber:** After a difficult year due to the decline in fiber prices, BSC believes that in 2023, fiber price will continue to trade around a low base when the demand for traditional sewing declines due to high inventories and decreasing shopping demand when the world economy is in recession.

Figure 7.5: Fiber export price in Vietnam



Source: TCHQ

INVESTMENT VIEW – NEUTRAL

BSC giữ quan điểm **TRUNG LẬP** đối với ngành dệt may trong năm 2023 do rủi ro nhu cầu giảm tốc khi người tiêu dùng thắt chặt chi tiêu và mức tồn kho cao ảnh hưởng đến sản lượng đơn hàng. Các doanh nghiệp sợi gặp nhiều thách thức khi giá sợi kỳ vọng tiếp tục giao dịch quanh mức nền thấp.

Figure 7.6: Estimated business result of some textile enterprises

Securities	Gross Revenue 2022 (Bil VND)	% YoY	Net Income 2022 (Bil VND)	% EPS 2022 YoY (VND/cp)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price dated 07/12/2022	Target Price	Upside	
MSH	5,952	25%	361	-18%	6,200	5.8	1.1	13%	26%	36,400	39,000	7%
TNG	6,375	17%	320	38%	3,100	4.5	0.7	7%	20%	15,000	14,000	-7%

Source: BSC Research

Disclosure

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