

REPORT SECTOR OUTLOOK 2023



TABLE OF CONTENTS

Content	Page
1. MARKET OUTLOOK FOR 2023	3
2. SECTOR OUTLOOK IN 2023	8
3. SUMMARY OF RECOMMENDED STOCKS	15
4. IMPACTS OF MACRO FACTORS ON INDUSTRY GROUPS	17
5. EVENT TIMELINE (APPENDIX 1)	18
6. POLICIES THAT AFFECT SECTORS IN 2023	19
7. SECTOR OUTLOOK FOR 2023	21
7.1. SECTORS THAT BENEFIT IF INTEREST RATES COOL DOWN AND POLICIES REVERSE	21
BANKING SECTOR [POSITIVE]	21
INDUSTRIAL PARK SECTOR [POSITIVE]	29
COMMERCIAL REAL ESTATES SECTOR [NEGATIVE]	34
7.2. PUBLIC INVESTMENTS	41
SEAPORT SECTOR [NEUTRAL]	41
STEEL SECTOR [NEUTRAL]	44
7.3. CHINA REOPENING	47
CONSUMER – RETAIL SECTOR [POSITIVE]	47
AVIATION SERVICES SECTOR [POSITIVE] – AVIATION TRANSPORTATION SECTOR [NEUTRAL]	50
OIL TRANSPORT SECTOR [POSITIVE] - CONTAINER TRANSPORTATION SECTOR [NEGATIVE]	55
AUTOMOTIVE SECTOR [NEUTRAL]	57
FISHERIES SECTOR [NEUTRAL]	60
TIRES SECTOR [POSITIVE]	62
BREEDING SECTOR [NEUTRAL]	65
FERTILIZERS SECTOR [NEUTRAL]	67
CHEMICALS SECTOR [NEUTRAL]	69
7.4. OTHER SECTORS	70
OIL AND GAS SECTOR [POSITIVE]	70
TECHNOLOGY – TELECOMMUNICATION SECTOR [POSITIVE]	74
NON-LIFE INSURANCE SECTOR [NEUTRAL]	75
ELECTRICITY SECTOR [NEUTRAL]	77
TEXTILES SECTOR [NEGATIVE]	80
APPENDIX	83
DISCLAIMER	88

1. MARKET OUTLOOK FOR 2023

Over the years, BSC often provides investment topics and general assessment of possible opportunities, helping investors have more options throughout the year. The year 2022 was filled with different emotions caused by headwinds both at domestic and international level. Some of the main factors affecting the investment environment in 2022 include:

1. Severe impacts of geopolitical risks between Russia and Ukraine and China's Zero-Covid policy on production and export activities, indirectly causing global inflation to surge.
2. The shift in interest rate environment following the trend of tightening monetary policy of central banks around the world in response to inflation. Typically, the Fed has raised interest rates 7 times, from 0%-0.25% to 4.25%-4.5% in 2022, leading to the race to increase rates of many other central banks.
3. Some incidents related to price manipulation activities in the real estate and stock markets, as well as mistakes in the issuance of corporate bonds, causing detrimental impacts on market sentiment and stock market index.

Accordingly, the year 2023 is expected to face many difficulties with the global economic growth being forecast to slow down. Although having recorded quite positive results in 2022 such as (1) GDP growth at 8.2%, (2) Import-export value reaching USD 730.2 billion, (3) Macro factors like inflation and exchange rate being under control, Vietnam's economy in 2023 is expected to suffer more or less indirect impacts.

2023: ["In danger lies opportunity" \(Details in Macro report 2023\)](#). BSC provides some key points and macro data forecasts to in 2023, including:

- GDP in 2023 is estimated to grow at 6.2% in Negative scenario (S1) and 6.7% in Positive scenario (S2).
- The USD/VND exchange rate maintains a stable level when domestic inflation was under pressure to increase in the second half of 2022.
- Import and export growth weakens due to deceleration in global economic growth.

Table: Macro indicators over the years and forecast for 2023

Indicators /years	2018	2019	2020	2021	2022	2023	
						S1	S2
GDP YoY (%)	7.08	7.02	2.91	2.58	8.02	6.2	6.7
Inflation YoY (%)	2.98	5.3	0.2	1.81	4.55	5.1	3.5
Export (USD billion)	243.5	263.45	281.5	336.25	371.5	393.4	402.6
Import (USD billion)	236.7	253.51	262.4	332.25	360.3	380.1	387.4
Trade balance (USD billion)	6.8	9.9	19.1	4.0	11.2	13.3	15.2
Exchange rate (VND/USD)	23,355	23,229	23,229	22,920	23,480	24,400	23,900
Public debt/GDP (%)	58.4	57.4	56.8	43.7		-	
Government debt/GDP (%)	50	49.9	50.8	39.5		-	
Public investment	324,906	342,948	466,597	423,647	511,562		
Credit growth (%)	14	13	12	13	13	8%	14%
FDI registered (USD billion)	25.57	22.5	21.1	24.3	22.5	-	
FDI disbursed (USD billion)	19.1	20.4	20	19.9	22.4	24.8	27.0

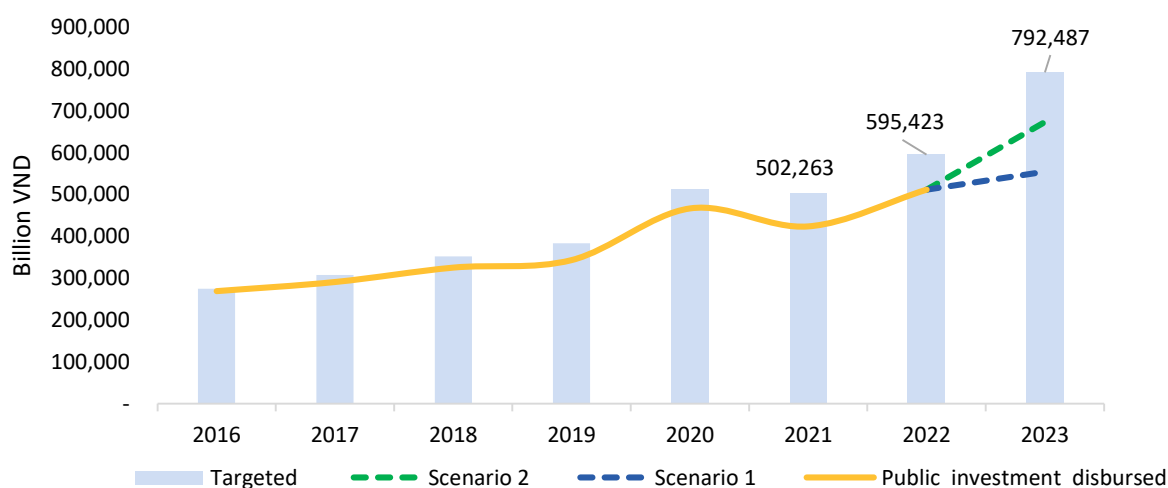
Source: Bloomberg, BSC Research

For 2023, BSC opines that the market will operate with a strong **"DIVERGENCE"** between each group of stocks. Therefore, the ability of stock picking and principles of risk management will be the "Guideline" that we want to send to investors, so that we can overcome the waves in 2023. As mentioned repeatedly in [2022 strategic reports](#), [Q2](#), [Q3](#) and [Q4](#) industry update reports, the investment topics/theses raised by BSC will be the key

investment topics throughout the period of 2023-2025 ([Report on public investment](#), [China reopening](#), ...). Accordingly, BSC continues to propose groups of issues that will have great influence and lead the market in 2023, including:

1. **The expansionary fiscal policy with the public investment stimulus package will be the supporting factor for the economic recovery and growth plan for the period of 2023-2025.** In 2022, budget disbursement was estimated at VND 511,562 billion (+18.8% YoY), equivalent to 85.2% of the initial plan. Although the level of plan completion is almost similar to 2021 (84%), the growth rate in absolute value still shows the Government's efforts in promoting public investment. However, we recognize some key factors that slowing down public investment – including (1) the excessive increase in funding for some large projects and (2) the slow planning procedures – have been removed. Specifically, on January 1, 2023, 12 North-South expressway component projects (with total capital of VND 146,990 billion) were initiated and are expected to be completed in 2025. In the context of deteriorating business environment caused by rising inflation and interest, public investment is considered the "golden key" to open the door to economic growth. Therefore, BSC expects that industries related directly (Infrastructure construction, Construction materials, ...) and indirectly (Commercial Real Estate, Industrial Park, and Seaport) will see benefits.

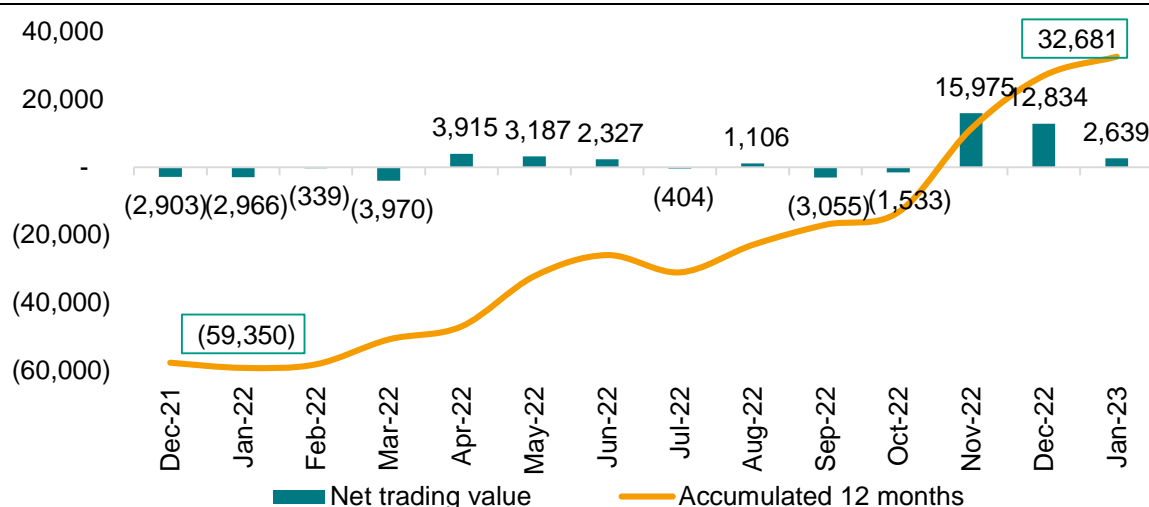
Figure: Disbursement of State budget capital (2016-2023)



Source: FiinPro

2. **China's opening will help to promote economic growth to some extent.** China as the world's second largest economy has taken an important step in changing its Covid-19 pandemic prevention policy with the official opening from January 8, 2023. China is Vietnam's largest importer and also one of Vietnam's largest exporters. The reopening will support Vietnam in two factors: (1) Resuming supply chains that are currently disrupted, reducing production costs for domestic enterprises that are importing raw materials, (2) Positive impact from the recovery of the travel and tourism sector. (Details in [China's reopening](#)).
3. **Foreign investors supported the market in Q4/2022 and are expected to continue in 2023.** In Q4/2022, foreign investors returned strongly, thereby helping VN-Index recover positively and boosting sentiment for the market in 2023. Accumulating 12 months to January 2023, the total net buying value reached VND 32,681 billion compared to the accumulated net selling value over the same period 1 year ago of VND 59,350 billion, in which the main buying force focused on November and December 2022 after VN-Index recorded a sharp correction to the lowest valuation within 5 years.

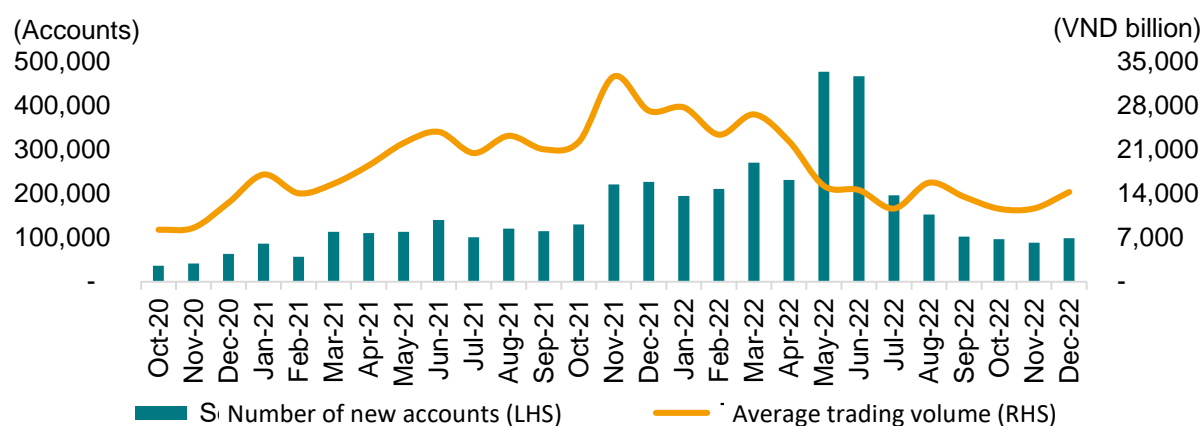
Figure: Net trading value of foreign investors by month and accumulated 12 months (VND billion)



Source: Fiinpro

4. **6.8 million domestic individual accounts are the driving force for market development in the next phase, of which 4.1 million new securities accounts were opened during the 2021-2022 period.** The total number of new accounts opened in the 2021-2022 period is equivalent to 2.5 times the number of securities accounts accumulated over 20 years (2000-2020). BSC believes that in the gradually stabilizing macro context, along with the government's move to promote the securities channel to become an important capital channel for businesses, capital inflows from individual investors will be the main driving force that can push the stock market to set new records.

Figure: New account opening and average liquidity



Source: Fiinpro

5. **Enterprises' earnings growth faced difficulties due to a high base in 2022, but still maintained a slight positive growth (+4% YoY under the positive scenario)** according to BSC's forecast. Based on the portfolio of stocks under BSC's coverage (~70 stocks), the earnings growth in 2023 is estimated to increase by 6.8% compared to 2022. In which, BSC further divides into three groups, including:
- Stocks that are defensive / less affected by the economic cycle will continue to maintain stable double-digit growth including: Electricity, Information Technology, Telecommunications.
 - Stocks with poor business results in 2022 that were subject to many "headwinds" relating to cyclical factors such as (1) commodity prices' plummet in the second half of 2022, (2) interest rates spike in the second half of 2022, (3) sharp increase in material prices in 2022 will have a significant recovery in 2023: Construction materials, Aviation, Retail, F&B.

- Stocks with strong business results in 2022 that are under pressure to grow earnings in 2023 include: Banking, Fisheries, Textile, Oil and Gas (GAS and BSR), Real estate, Seaports and Industry (Chemicals).

Table: Summary of industries' earnings growth in 2022 -2023F

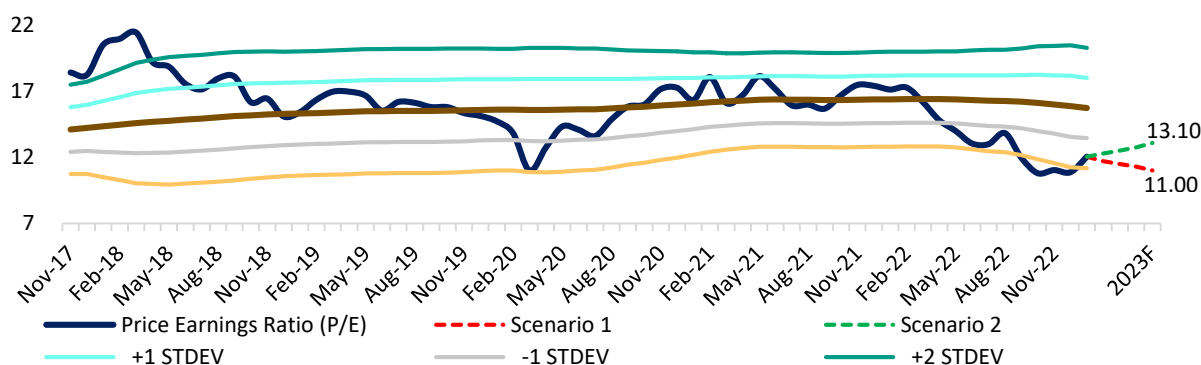
Industry	2022 Growth	2023 Growth
O&G	71%	-21%
Industry	147%	-20%
Textile	-2%	-9%
Real estate	-8%	-7%
Fisheries	128%	-3%
F&B	-36%	7%
Electricity	18%	9%
Banking	27%	11%
Retail	-1%	14%
Technology	21%	23%
Telecommunication	5%	30%
Seaport	72%	33%
Construction materials	-79%	44%
Aviation services	72%	292%

Source: BSC Research

6. Market valuation is now at an attractive level, which is not often seen in recent years (P/E FW 2023 = 11.5x), opening up opportunities to accumulate stocks in the long term at a reasonable valuation.

As of January 20, 2023, VN-Index is trading at P/E = 12.0x, approaching the standard deviation of -2 times which is equivalent to the lowest valuation in 2020 due to the Covid-19 pandemic. Although low earnings growth in 2023 will somewhat limit the VN-Index's ability to be valued at a higher level, BSC believes that Vietnam's economy will continue to maintain a strong growth in the long term (GDP 2023 is estimated to increase by 6.2%-6.7%), under which earnings growth of enterprises will gradually recover and return to a positive growth trajectory. BSC believes that this is a "golden time" that opens up great opportunities to accumulate great stocks in the long term.

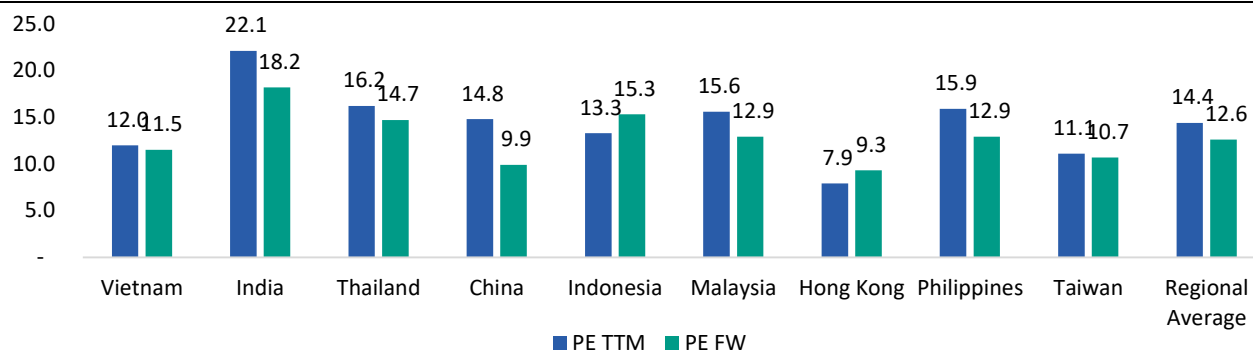
Figure: P/E ratio of VN-Index



Source: BSC Research, Bloomberg

Compared with the region, Vietnam's current market valuation is still 12.4 times lower than the regional average 2023 forecast. Meanwhile, factors such as (1) Large growth potential, (2) Young population structure, (3) Stable political structure, (4) Business performance measured by ROE & ROA among the highest and (5) The potential to be upgraded to Emerging market will continue to be the "catalyst" for the market to go up in the long term.

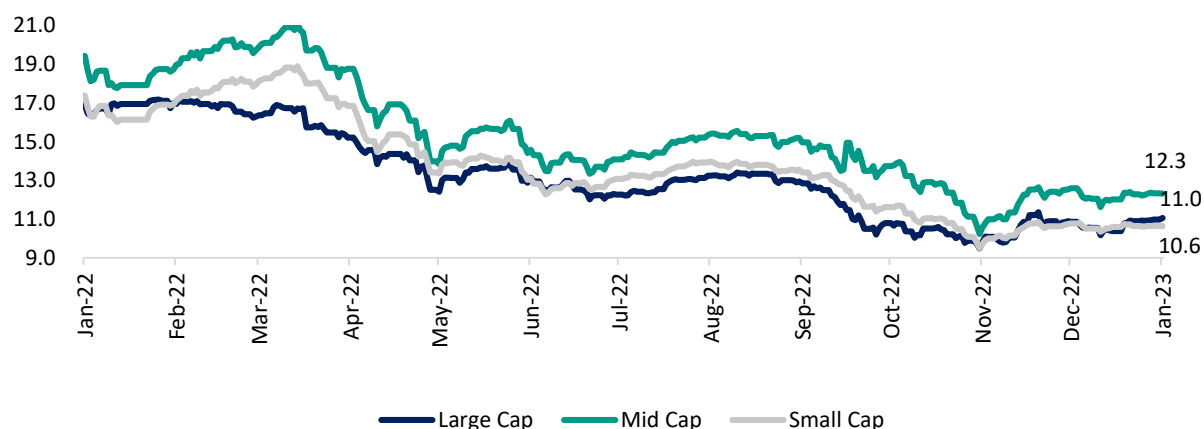
Figure: P/E TTM and P/E FW of certain markets



Source: BSC Research, Bloomberg

Large-cap stocks will be the focus of the market in 2023. Small- and mid-cap stocks maintained relatively positive performance in 2020-2021, especially in Q1/2022, however the valuation gap between small- and mid-cap stocks compared to large-cap stocks narrowed significantly in the second half of 2022. In addition, during the market recovery period in Q4/2022, the performance of large-cap stocks recorded a significantly better level than the other two groups. In addition, large-cap stocks are expected to continue to maintain positive earnings growth in 2023 such as Banking, IT, Steel, O&G (excluding BSR and GAS), Retail - F&B will bring in better return than small- and mid-cap stocks that are expected to record declining earnings such as Fisheries, Textiles, and Chemicals. Accumulated to January 20, 2022, the group of large-cap stocks is being traded at P/E = 11x.

Figure: Valuation (P/E) of each of group of stock



Source: BSC Research, Bloomberg

Table: Comparison of P/E and P/B of each industry versus the region (using weighted average method)

Nation	Vietnam		Median		Indonesia		Malaysia		Phillipines		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	10.5	1.0	12.4	0.8	12.6	0.8	12.2	1.1	9.8	0.9	12.9	0.8
Consumer goods	8.0	1.0	13.0	1.2	11.3	1.1	11.9	1.9	15.6	1.0	14.2	1.2
Industry	10.0	0.8	12.7	1.0	12.2	1.0	19.0	0.9	13.2	1.3	12.2	1.0
O&G	14.8	1.3	7.8	0.7	6.5	0.7	29.5	3.9	9.0	0.2	6.5	0.7
Consumer services	10.4	1.3	15.8	1.5	13.6	1.5	176.7	1.3	17.9	1.9	13.6	1.5
Basic materials	8.1	0.7	5.3	1.4	5.3	1.1	12.0	2.0	4.3	1.7	5.3	1.1
Utilities	8.3	1.8	9.6	1.0	7.7	1.0	15.5	1.0	11.5	1.1	7.7	1.0
Technology	10.8	2.0	13.1	2.2	13.1	2.2	n/a	n/a	n/a	n/a	13.1	2.2
Healthcare	13.5	1.3	12.6	1.7	12.6	1.7	30.1	2.0	n/a	n/a	12.2	1.0
Telecommunication	17.6	4.4	18.8	2.6	15.7	1.6	21.9	3.6	21.9	3.6	15.7	1.6

Source: BSC Research, Bloomberg

2. SECTOR OUTLOOK IN 2023

Economic cycle and sector valuation acceptance

In 2023, the headwinds include (1) Increase in inflationary pressure, (2) Decline in import and export activities, (3) High interest rate environment, (4) Risks from corporate bond and real estate markets will create challenges for the completion of the economic growth plan. However, we still see some intertwined tailwinds that can offset the above headwinds such as (1) stabilization of exchange rate, (2) China's reopening, and (3) promotion of disbursement of public investment. Therefore, BSC believes that Vietnam's current economic indicators show that we are still in the **DECELERATION** phase, characterized by most of the signs such as rising inflation, rising deposit rates that remains at a high level, and stock prices still being in the correction phase. Therefore, the move toward the recovery phase will need some additional important factors including (1) The peak of deposit and lending interest rates, (2) The peak of inflation, followed by a decline, and (3) The formation of a sustainable uptrend in stock price.

Economic cycle	Inflation	Economic policy	Market signals
Initial Recovery	Reducing inflation	Expansionary	Short-term interest rates are low or falling. Long-term interest rates hit the bottom and bond prices peak. Stock prices begin to rise.
Early Upswing	Low inflation Strong economic growth	Expansionary but weaker	Short-term interest rates rise. Long-term interest rates bottom out or rise and bond prices start falling. Stock prices rise.
Late Upswing	Rising inflation	Contractionary	Short- and long-term interest rates rise and bond prices fall. Stock prices fluctuate around the peak.
Slowdown	Rising inflation	Contractionary but weaker	Short- and long-term interest rates peak and begin to fall with bond prices rising again. Stock prices fall.
Recession	Peaking inflation	Expansionary	Short- and long-term interest rates fall and bond prices continue to rise. Stock prices show signs of rising again at the end of the Recession phase.

Table: Summary of sector outlook

Industry	Outlook
Banking	Positive
Consumer - Retail	Positive
Aviation services	Positive
Oil transport	Positive
Oil and Gas	Positive
Industrial park	Positive
Technology	Positive
Seaport	Neutral
Steel	Neutral
Aviation transportation	Neutral
Automobile	Neutral
Fisheries	Neutral
Tires	Neutral
Breeding	Neutral
Fertilizers	Neutral
Chemicals	Neutral
Electricity	Neutral
Non-life insurance	Neutral
Commercial real estates	Negative
Container transportation	Negative
Textiles	Negative

Positive factors:

1. Acceleration of disbursement of public investment and fiscal policies
2. Amendment to Decree 65 relating to regulations on corporate bond issuance, supporting real estate market.
3. China's reopening.
4. Trend of interest rate cooling down from 2024.

Negative factors:

1. Risk of recession in the US and EU.
2. Risk of "high base" effect of cyclical stocks, accompanied by a sharp drop in commodity prices.
3. Deceleration of Vietnam's economic growth.

Industry	Outlook	Assessments	Stock pick
<u>Banking</u>	POSITIVE	<ul style="list-style-type: none"> • Credit growth in 2023 is forecasted to slow down to 12%. • The proportion of corporate bonds in total credit varies between banks, and is concentrated in only 4 main players. • Cost of funds is no longer cheap when deposit rates increase due to system liquidity stress. • The industry's CASA ratio may still face headwinds going forward in the context of rising interest rate. • BSC forecasts that NIM of the industry will decrease slightly in 2023 although there will be divergence among banks. • Currently, the banking industry is valued at an average TTM P/B = 1.3x (excluding VCB, BID, SSB) by the end of January 27, 2023. This is a relatively big discount compared to the historical period, while the financial health of banks has now been greatly improved. Therefore, BSC believes that the banking industry deserves a higher valuation, and holds a POSITIVE view for the banking industry's outlook. However, the industry may face some headwinds in 2023 such as (1) the deceleration of credit growth, (2) the increase in cost of funds and decrease in CASA ratio causing NIM to shrink, (3) the deterioration in asset quality causing credit costs and provisions to increase, thereby limiting earnings growth. 	-
<u>Commercial real estates</u>	NEGATIVE	<ul style="list-style-type: none"> • Vietnam is still a potential and attractive destination for manufacturers around the world, given the situation that FDI activities on an international scale have not recovered. • China Reopening its economy brings expectations that production to be moved out of China faster • The legal environment is gradually clear and complete, which is expected to shorten administrative procedures and develop sustainably thanks to the coordination between ministries/departments and provincial People's Committees. • Lack of supply in industrial center locations is still a difficulty for the sector and also a factor that maintains high rental prices when rental demand is high. • BSC makes POSITIVE recommendations for the Industrial Park Real Estate Sector in 2023 	VRE
<u>Industrial park</u>	POSITIVE	<ul style="list-style-type: none"> • Real demand has not been met as new supply in the mid-end and affordable segments has almost disappeared in the markets of Ho Chi Minh City and Hanoi. • The "cheap money" period has ended, real estate businesses are experiencing a period of liquidity shortage when capital mobilization sources are having problematic issues: (1) Sales are meeting difficulties because of the negative sentiment of the market. Products have not met real demand as well as both businesses and homebuyers are dependent on loans while (2) Credit to the real estate sector remains strictly controlled, (3) Other capital mobilization channels such as bonds/stocks remain unfavorable, (4) High interest rates and (5) Bonds mature period focusing on 2023-2024. • Restructuring to survive and wait for bottlenecks to be removed is the optimal approach to overcome the gloomy period of the highly cyclical real estate market. 	KBC, IDC, BCM, LHG

Industry	Outlook	Assessments	Stock pick
		<ul style="list-style-type: none"> Although there are many challenges ahead, there is an opportunity to increase land bank with attractive costs for businesses with healthy financial background, suitable product portfolio and good corporate governance. The outlook in the long term is positive when the real demand for housing is still high and the supply is gradually "untied" thanks to (1) the progress of legal completion is accelerated, the market aims at transparency, stability, increasing efficiency through Amended Decree 65/2022/ND-CP and Amended Land Law and Decision No.1435/QĐ-TTg, (2) Synchronously developed connectivity infrastructure will gradually pull real demand to suburban areas, reducing pressure on large cities where the remaining land fund is very limited. BSC makes NEGATIVE recommendations for the commercial real estate industry in the medium term. 	
<u>Seaport</u>	NEUTRAL	<ul style="list-style-type: none"> Container production grew slowly in 2022. By the end of 11M.2022, container volume of the whole industry equals to 23 million TEUS (+5% yoy). In 2023, BSC believes that container production will still grow slowly by +3-4% yoy due to the slowing global economy. Competition will return in 2023 as Hai Phong ports still have 20-25% capacity surplus. The position of seaport enterprises in Hai Phong will change significantly in 2023. BSC maintains a NEUTRAL recommendation for the Seaports group in 2023. 	GMD, VSC
<u>Steel</u>	NEUTRAL	<ul style="list-style-type: none"> Consumption output in 2022 is less positive in both domestic and export markets. By the end of 2022, steel consumption of the whole industry is -10.8% yoy, of which, domestic -7% yoy, export -21% yoy. In 2023, BSC expects steel consumption to recover thanks to the removal of the real estate policy. However, the recovery rate of steel output will be slow due to (1) the domestic real estate market slows down, it takes time for businesses to restructure projects, (2) major economies are forecast to continue to decline, leading to reduced demand. Accordingly, BSC forecasts total steel consumption of +3-5% yoy. Profit margins of steel enterprises will improve in Q1.2023. BSC recommends NEUTRAL for Steel industry in Q1.2023 due to high price inventories that have been recorded in 2H.2022 	HPG, HSG
<u>Consumer - Retail</u>	POSITIVE	<ul style="list-style-type: none"> The retail industry in 2022 recorded growth on the low level of 2021 2023- An unpredictable year: when difficulties from weakening demand and high inventories are expected to continue to put pressure on the business results of the retail consumer sector in the first half of 2023. However, we still expect a more positive situation by the end of 2023. BSC makes POSITIVE recommendations for the retail consumer sector in the second half of 2023 	MWG, VNM, MSN, PNJ, DG, FRT
<u>Aviation services</u>	POSITIVE	<ul style="list-style-type: none"> By the end of 2022, domestic passenger volume through ACV's ports = 87 million (+195% yoy), equivalent with 117% compared to before the pandemic, thanks to the full recovery of domestic flights. We believe that Fertilizer businesses will face negative growth pressure in 2023 due In 2022, the revenue of the ICT industry is estimated at 148 billion USD (+8.7% YoY), 	ACV, SCS, HVN, VIC

Industry	Outlook	Assessments	Stock pick
		<p>the revenue of the telecommunications service industry is estimated at 138 trillion VND (+1.6% YoY).</p> <p>•For 2023, BSC estimates domestic volume will stay flat at 92 million (+0.3% yoy) due to the high base in 2022.</p> <p>•By the end of 2022, international passenger volume through ACV's ports = 12 million (+2,300% yoy), thanks to (1) international reopen, (2) new flights to India which increases the total demand.</p> <p>•BSC holds POSITIVE view with Aviation Services such as ACV thanks to the recover of international passenger volume in 2023 because of (1) China reopen, (2) the Airlines focus on India market</p>	
<u>Aviation transportation</u>	NEUTRAL	<p>•BSC raises the outlook for 2023 from NEGATIVE to NEUTRAL for Aviation Transportation mainly because of the reopen of China market – the largest airline market of Vietnam. However, high oil price will bring negative impact on this sector.</p>	HVN, VJC
<u>Oil transport</u>	POSITIVE	<p>•At the end of 2022, oil transportation freight rates increased sharply due to (1) disruption of the oil supply chain in Europe, (2) low supply of tankers.</p> <p>•BSC believes that the adjustment of freight rates in January is temporary and the oil price level will still remain high in 2023 due to the limited supply of oil ship.</p> <p>•In 2023, BSC holds a POSITIVE view of the Oil Transportation group as the freight rates remain high.</p>	PVT
<u>Container transportation</u>	NEGATIVE	<p>•By the end of 2022, the container transportation price indexes dropped sharply. In 2023, BSC maintains the view that container freight rates will decrease by 65% yoy due to (1) strong increase in supply, (2) slow growth of import and export activities.</p> <p>•BSC maintains its NEGATIVE recommendation for Container Transportation due to the Container freight rates will continue to decrease in the near future.</p>	HAH
<u>Automobile</u>	NEUTRAL	<p>•In 2022, the total car sales volume reached 404,635 units, up 33% over the same period.</p> <p>•BSC maintains a NEUTRAL view on the auto industry in 2023 due to: (1) auto sales is expected to decelerate due to a high base in 2022, inflation and interest rates remain at high baselines however (2) The profit margin of automobile manufacturers is expected to improve thanks to the cooling of key production materials.</p>	VEA
<u>Fisheries</u>	NEUTRAL	<p>•In 2022, the country's seafood export turnover is estimated at 10.9 billion USD, up 23% over the same period last year: shrimp +11% yoy, pangasius +59% yoy</p> <p>•Business outlook in 2023: For the Shrimp industry: The main consuming markets (US, EU) are expected to face many economic difficulties which negatively impacts on the shrimp demand.</p> <p>•For the pangasius industry: BSC expects that the opening of China will lead to an increase in demand for pangasius after a long time of being suppressed, helping the whole pangasius industry grow.</p> <p>•BSC holds a NEUTRAL view for Fisheries sector outlook in 2023.</p>	VHC, ANV
<u>Tires</u>	POSITIVE	<p>•We believe that in 2023, the business activities of tire companies will maintain positive growth thanks to: (1) revenue growth is driven by domestic</p>	DRC

Industry	Outlook	Assessments	Stock pick
		demand and the export markets. and (2) improved operational efficiency by cutting material costs and logistics costs. •BSC maintains a POSITIVE view of the tire industry in 2023.	
<u>Breeding</u>	NEUTRAL	•The average domestic hog price had strongly fluctuated in 2022 due to abundant domestic supply and the domino effect of China's hog price. •In 1H2023, the Livestock sector is likely to face many challenges as the demand is low and hog price is lack of improvement factors. •However, gross profit margin is expected to improve in the last months of 2023 thanks to (1) reducing supply pressure (2) China's reopen is expected to support the demand (3) feed material costs is cool down. •BSC gives NEUTRAL recommendation for livestock industry in 2023.	DBC
<u>Fertilizers</u>	NEUTRAL	•We believe that Fertilizer businesses will face negative growth pressure in 2023 due to: (1) High base level in 2022; (2) Selling price is expected to decrease due to China's increase in export volume and decrease in import demand of India and (3) It is difficult for profit margin to maintain a high base level due to the expectation that selling price will fall more sharply than input gas price. •BSC maintains NEUTRAL view on Fertilizer industry in 2023.	DPM, DCM
<u>Chemicals</u>	NEUTRAL	•BSC downgrades its view to NEUTRAL on the Chemicals sector in 2023 as expected profit declines from the high base of 2022.	DGC, CSV
<u>Textiles</u>	NEGATIVE	•In 2022, the export of textiles and garments will reach 37.57 billion USD (+14.7% YoY and 28% QoQ). The growth rate for the whole year of 2022 was positive but slowed down in the fourth quarter (-5% YoY) due to high inflation and tight spending in the US. •Textile and garment industry prospects in 2023: BSC believes that in 2023, textile and garment enterprises will continue to face many challenges: garment enterprises will face many difficulties in signing orders when customers continue to process goods. high inventories in the context of economic difficulties. •We lower our view of the Textile sector to NEGATIVE in 2023	MSH, TNG
<u>Oil and gas</u>	POSITIVE	•Oil price fluctuated strongly, and returned to around 90 USD/barrel. •Demand for petroleum remains stable, while supply is tight in the short term due to OPEC's production cut. •The decline in output from Vietnam's long-standing oil and gas fields will prompt new projects to be launched soon. •The LNG trend continues to be strengthened in the long term. •BSC holds a POSITIVE view of the oil and gas industry, and recommends BUY for stocks of GAS, BSR, and PVD.	GAS PVD PVS PLC BSR PVT
<u>Technology</u>	POSITIVE	•In 2022, the revenue of the ICT industry is estimated at 148 billion USD (+8.7% YoY), the revenue of the telecommunications service industry is estimated at 138 trillion VND (+1.6% YoY). •In 2023, BSC believes that the prospects of the Technology and Telecommunication industry are positive due to (i) the continued Digital Transformation trend and the Government's Investment in Smart Transport (ii) the revised Telecommunications Law has an impact Positive for business •We continue to maintain a POSITIVE view of the Technology – Telecommunication sector in 2023.	FPT, CTR

Industry	Outlook	Assessments	Stock pick
<u>Electricity</u>	NEUTRAL	<ul style="list-style-type: none"> Commercial power output in 2022 grows +5.3% YoY. El Nino cycle is expected to return soon, which is a positive signal for thermal power plants. The new electricity generation price framework will slow down investment in wind and solar power plants. We maintain a NEUTRAL stance on the Power sector in 2023. 	HND, QTP, POW, NT2, REE
<u>Non-life insurance</u>	NEUTRAL	<ul style="list-style-type: none"> The growth of insurance premium revenue grew positively, but the increase in insurance business expenses caused the profit from insurance business to decline in many enterprises; Financial revenue is forecasted to increase in 2023 thanks to an increasing interest rate; BSC holds a NEUTRAL view on the insurance industry in 2023. 	BVH, PVI, MIG

3. SUMMARY OF RECOMMENDED STOCKS

Figure: Summary of recommended stocks for 2023

Ticker	Net Rev 2023 (VND bil)	%YoY	NPAT 2023 (VND bil)	%YoY	EPS 2023	P/E fw	P/B fw	ROA 2023	ROE 2023	Price as of 09/02/2023	Target price	Upside (%)
LHG	777	24%	316	56%	5,810	3.8	0.6	10%	18%	22,100	31,500	43%
KBC	4,735	395%	1,823	18%	3,166	7.4	0.6	6%	10%	23,400	29,800	27%
BCM	8,447	30%	2,920	73%	2,593	32.6	4.1	6%	17%	84,500	94,200	11%
GVR	27,803	10%	3,510	-8%	1,217	12.1	1.0	6%	8%	14,750	19,100	29%
IDC	9,750	18%	2,926	27%	8,439	4.4	1.3	19%	34%	37,400	52,000	39%
PHR	2,095	23%	967	9%	6,238	6.7	1.5	16%	35%	41,550	61,300	48%
VHM	66,656	7%	22,369	-22%	5,137	8.9	1.2	10%	14%	46,600	n.a	n.a
VRE	9,491	30%	3,673	34%	1,576	18.1	1.8	9%	10%	28,500	31,800	12%
DXG	4,497	-19%	234	57%	1,304	9.6	0.5	2%	4%	12,500	n.a	n.a
NLG	5,364	24%	796	43%	2,602	10.6	1.0	19%	34%	27,000	n.a	n.a
KDH	3,162	9%	1,217	10%	1,614	15.8	1.5	6%	9%	27,000	n.a	n.a
GMD	3,997	2%	2,127	114%	7,059	7.4	1.7	15%	23%	52,100	57,000	9%
HPG	118,630	-16%	11,142	31%	1,916	10.9	1.2	4%	10%	20,850	21,500	3%
HSG	38,764	-22%	1,304	420%	2,181	6.6	1.3	8%	11%	14,450	16,500	14%
MWG	128,461	-4%	4,815	17%	3,289	13.5	1.6	7%	18%	44,500	54,600	23%
VNM	61,883	3%	9,282	9%	4,214	18.0	1.6	19%	27%	75,800	82,200	8%
MSN	84,146	10%	3,710	4%	2,605	35.9	1.6	3%	13%	93,500	96,000	3%
PNJ	35,454	5%	1,968	9%	7,475	11.1	1.6	15%	26%	82,900	95,000	15%
DGW	31,282	42%	766	12%	5,334	7.8	1.6	9%	26%	41,700	45,000	8%
FRT	33,307	10%	418	7%	2,965	25.4	1.6	4%	21%	75,300	77,100	2%
ACV	20,168	46%	8,833	24%	4,058	20.8	3.5	12%	17%	84,538	100,000	18%
SCS	902	6%	674	4%	6,934	10.6	4.3	39%	41%	73,500	76,000	3%
HVN	89,895	27%	-4,329	-59%	(1,955)	(6.4)	(2.1)	-7%	33%	12,600	n.a	n.a
VJC	52,551	34%	552	-125%	1,019	106.0	3.2	1%	3%	108,000	n.a	n.a
HAH	2,694	-16%	374	-55%	5,473	6.9	1.0	7%	11%	37,900	40,000	6%
PVT	10,597	17%	948	10%	2,929	6.5	0.7	8%	15%	19,100	24,300	27%
VEA	4,988	5%	7,805	3%	5,721	7.0	1.6	29%	31%	40,065	45,000	12%
VHC	14,372	341%	1,959	-8%	12,800	5.1	1.6	20%	27%	65,400	67,500	3%

Ticker	Net Rev 2023 (VND bil)	%YoY	NPAT 2023 (VND bil)	%YoY	EPS 2023	P/E fw	P/B fw	ROA 2023	ROE 2023	Price as of 09/02/2023	Target price	Upside (%)
ANV	5,346	9%	762	13%	6,900	4.5	1.0	10%	19%	30,900	30,000	-3%
DRC	5,328	9%	338	10%	2,597	8.6	1.6	10%	18%	22,350	23,500	5%
DBC	13,206	8%	159	6%	690	20.8	1.6	1%	3%	14,350	16,400	14%
DPM	15,195	-18%	2,947	-47%	14,174	3.0	1.2	40%	30%	43,200	48,000	11%
DCM	13,035	-18%	2,256	-47%	8,076	3.3	1.4	20%	14%	26,300	30,000	14%
DGC	12,124	-16%	4,322	-22%	10,844	5.1	1.5	21%	33%	55,000	71,300	30%
CSV	2,071	-2%	323	-9%	7,300	4.1	1.0	15%	20%	29,800	30,000	1%
MSH	5,437	-2%	291	-14%	5,800	5.7	0.9	9%	18%	33,000	38,000	15%
TNG	6,375	-6%	274	-6%	2,900	5.2	1.6	6%	15%	15,200	14,750	-3%
GAS	104,090	3%	13,819	-7%	6,793	15.8	3.2	16%	22%	107,300	122,300	14%
PVD	6,771	25%	250	-354%	266	73.3	0.7	2%	3%	19,500	24,600	26%
PVS	20,222	23%	956	24%	1,340	17.6	0.8	3%	6%	23,600	28,900	22%
PLC	9,527	11%	210	58%	2,149	11.9	1.4	3%	12%	25,600	32,500	27%
BSR	118,509	-29%	7,178	-50%	2,292	7.0	0.9	8%	12%	16,083	18,400	14%
PVT	10,597	17%	948	10%	2,929	6.5	0.7	8%	15%	19,100	24,300	27%
FPT	51,669	17%	7,991	23%	5,901	13.8	4.1	11%	27%	81,200	91,900	13%
CTR	9,894	6%	571	29%	6,000	10.2	1.6	11%	28%	61,300	70,000	14%
MIG	3,460	30%	146	-8%	885	17.6	1.2	2%	8%	15,100	16,000	6%
BMI	4,145	9%	244	-17%	2,228	10.8	1.1	3%	9%	25,200	24,500	-3%
PVI	5,470	15%	938	12%	3,821	13.3	1.4	3%	11%	49,900	45,900	-8%
HND	11,119	6%	822	44%	1,562	9.0	0.9	10%	12%	13,988	17,200	23%
QTP	11,349	9%	958	24%	2,129	7.0	0.9	11%	16%	14,889	21,300	43%
POW	29,967	6%	2,128	12%	993	12.3	0.8	5%	8%	12,250	13,000	6%
NT2	8,931	2%	790	8%	2,737	10.3	1.8	11%	19%	28,100	28,000	0%
REE	9,034	-4%	2,736	2%	7,698	9.5	1.2	10%	19%	73,500	85,000	16%

Source: BSC Research

4. IMPACTS OF MACRO FACTORS ON INDUSTRY GROUPS

Figure: Impacts of macro factors on industry groups

	Trade war	Russia – Ukraine tension / (Oil price increase)	High interest rate by the Fed	Weak EU's economic / Brexit / EUR depreciation	High domestic interest rate	China's reopening	CPTPP	Other FTAs
Sea transport	(+/-)	(-)		(-)		(-)	(+)	(+)
Real estate			(-)		(-)			
Construction			(-)		(-)			
Cement					(+)	(-)		
Textiles	(+/-)	(-)		(-)	(+)		(+)	(+)
Electricity		(-)		(+)	(+)			
Pharmaceuticals				(+)	(+)			
Plastic		(-)			(+)			
Tires	(+)	(-)				(-)		
Banking	(-)		(-)	(-)	(+) (-)	(-)	(+)	(+)
Steel	(-)				(+)	(-)		
Fisheries	(+)			(-)	(+)	(-)		
O&G		(+)				(-)		
Fertilizers		(-)			(+)	(+)		
Rubber		(+)				(-)		
Ceramic tiles		(-)			(+)			
Technology		(-)		(-)				(+)
Seaport	(+/-)			(-)			(+)	
Aviation	(+/-)	(-)					(+)	(+)
Automobile							(+)	
Insurance	(-)				(+)			
Retail			(-)		(+)		(+/-)	(+/-)
Consumer		(-)	(-)		(+)		(-/+)	(+/-)

Source: BSC Research

5. EVENT TIMELINE (APPENDIX 1)

Figure: Timeline of events in 2023

Month	Date	Vietnam	Date	International
1	16	ETF: Finlead, VN30, Midcap, VN100 announced	31	FED: Meeting
1	19	VN30 Future: Maturity		
1	20	Enterprises: Deadline for submitting Q4 financial statements		
2	6	ETF: Finlead, VN30, Midcap, VN100 structure	1	FED: Meeting
2	14	ETF: iShares Announced	2	ECB: Meeting
2	16	Future VN30: Maturity		
2	28	ETF: iShares structure		
3	10	ETF: FTSE VN announced	16	ECB: Meeting
3	16	Future VN30: Maturity	21-22	FED: Meeting
3	17	ETF: VNM announced	30-31	FTSE: Market review
3	24	ETF: VNM, FTSE VN structure		
4	17	ETF: VN-Diamond announced		
		Enterprises: Deadline for submitting Q1 financial statements		
4	20			
4	13	Future VN30: Maturity		
5	2	ETF: VN-Diamond structure	2-3	FED: Meeting
5	17	ETF: iShares Announced	4	ECB: Meeting
5	18	Future VN30: Maturity		
5	31	ETF: iShares structure		
5	Sew	VN: 07th Party Central Conference		
6	9	ETF: FTSE VN announced	13-14	FED: Meeting
6	15	Future VN30: Maturity	15	ECB: Meeting
6	16	ETF: VNM announced	22	MSCI: Market Review
6	23	ETF: VNM, FTSE VN structure	28-30	IEA: Economic Seminars
6	Jun	VN: National Assembly meeting		
7	17	ETF: Finlead, VN30, Midcap, VN100 announced	25-26	FED: Meeting
7	20	DN: Deadline for Q2 financial statements	27	ECB: Meeting
7	13	Future VN30: Maturity		
8	7	ETF: Finlead, VN30, Midcap, VN100 structure		
8	17	VN30 Futures: Maturity, ETF: iShares announced		
8	31	ETF: iShares structure		
9	1	ETF: FTSE VN announced	09-10	G-20: Meeting
9	8	ETF: VNM announced	14	ECB: Meeting
9	14	Future VN30: Maturity	19-20	FED: Meeting
9	15	ETF: VNM, FTSE VN structure	28	FTSE: Market Review
10	16	ETF: VN-Diamond announced	26	ECB: Meeting
10	20	DN: Deadline for Q3 financial statements	31	FED: Meeting
10	19	Future VN30: Maturity		
10	Oct	VN: 08th Party Central Conference		
11	6	ETF: VN-Diamond structure	1	FED: Meeting
11	16	VN30 Futures: Maturity, ETF: iShares announced		
11	30	ETF: iShares structure		
11	Nov	VN: National Assembly meeting		
12	1	ETF: FTSE VN announced	12-13	FED: Meeting
12	8	ETF: VNM announced	14	ECB: Meeting
12	14	Future VN30: Maturity		
12	15	ETF: VNM, FTSE VN structure		

Source: BSC Research

6. POLICIES THAT AFFECT SECTORS IN 2023

Macro information at both domestic and international level, along with policies to amend and supplement new regulations, will have a mixed impact to different levels on the stock market in general and businesses in particular. BSC has listed important policies and events worth noting in 2023:

Not affected yet: ✕

Affecting: ✓

Already affected: ⚡

Figure: Policies that affect sectors in 2023

No.	Policy and Macro Information Disclosure	Date of effect	Impact	Level	Status 31/01/2023
International Macro and Economic Policy					
Monetary policy					
1	Fed: tightening monetary policy, raising interest rates	26/01/2022	Negative	Very strong	✓
2	PBoC: China's economy slows, RMB falls; keeps policy rates low and offers real estate rescue packages	Q2/2022	Negative	Very strong	✓
3	ECB: maintaining to tightening monetary policy, aiming for 2%	27/07/2022	Negative	Strong	✓
4	Prices of commodity materials create a peak	06/2022	Mixed	Strong	✓
Regional Macro Policy					
1	China's reopening	08/01/2023	Mixed	Strong	✓
2	OPEC meeting	04/06/2023	Mixed	Strong	✓
Domestic Macro and Economic Policy					
Law Amendment Policy					
1	Implementation of the economic stimulus package	02/2022	Positive	Strong	✓
2	Law on Public-Private Partnership (PPP) Investment	2021	Mixed	Strong	✓
3	Amendments to the Land Law	2023	Mixed	Strong	✕
4	Revised Securities Act	01/01/2021	Positive	Strong	✓
5	Promulgating Decree No. 65/2022/ND-CP amending and supplementing a number of articles of Decree No. 153/2020/ND-CP regulating the offering and trading of individual corporate bonds in the domestic market and offering corporate bonds to the international market	16/09/2022	Positive	Strong	✓
6	Decision 1435/QĐ-TTg 2022 Establishing the Prime Minister's Working Group on reviewing, urging and guiding the removal of difficulties	17/11/2022	Positive	Average	✕

No.	Policy and Macro Information Disclosure	Date of effect	Impact	Level	Status 31/01/2023
	and obstacles in the implementation of real estate projects for localities and enterprises				
7	Falling gas prices	01/07/2022	Mixed	Average	✓
Monetary Policy					
1	Raising policy rate	23/09/2022	Negative	Strong	✓
2	Liquidity management via OMO	21/06/2022	Mixed	Strong	✓
3	Raising the exchange rate range from $\pm 3\%$ to $\pm 5\%$	17/10/2022	Positive	Average	✓
4	The minimum capital adequacy ratio of banks is at 8%	01/01/2020	Mixed	Average	⏻
Securities Policy					
1	Depository certificate, non-voting depository certificate	2023-2024	Positive	Strong	✗
2	The scheme of grouping listed stocks, widening the margin	2023-2024	Mixed	Strong	✗
3	Listing and raising capital at commercial banks	2023-2024	Positive	Strong	✗
4	Raising standards for public companies	2023-2024	Mixed	Average	✗
5	Research on the revision of some indicators of the VN30-Index	2023	Positive	Strong	✓
6	Using the KRX stock trading system and gradually moving towards T+0 trading	2023-2024	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	✓
4	Vietnam – ETFTA and Vietnam – Israel Agreement	In negotiation	Positive	Strong	✓

Source: BSC Research

7. SECTOR OUTLOOK FOR 2023

7.1. Sectors that benefit if interest rates cool down and policies reverse

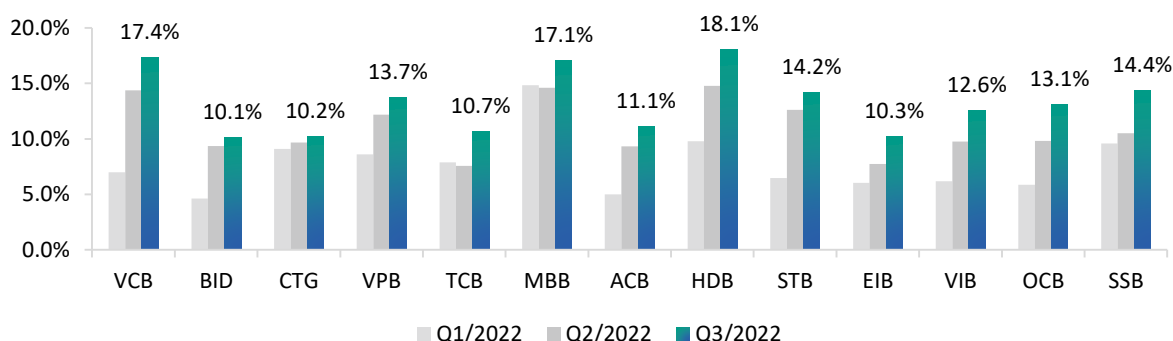
BANKING SECTOR [POSITIVE]

Analyst: Phan Quoc Buu

Email: buupq@bsc.com.vn

- Credit growth in 2023 is forecasted to slow down to 12%.
- The proportion of corporate bonds in total credit varies between banks, and is concentrated in only 4 main players.
- Cost of funds is no longer cheap when deposit rates increase due to system liquidity stress.
- The industry's CASA ratio may still face headwinds going forward in the context of rising interest rate.
- BSC forecasts that NIM of the industry will decrease slightly in 2023 although there will be divergence among banks.
- Currently, the banking industry is valued at an average TTM P/B = 1.3x (excluding VCB, BID, SSB) by the end of January 27, 2023. This is a relatively big discount compared to the historical period, while the financial health of banks has now been greatly improved. Therefore, BSC believes that the banking industry deserves a higher valuation, and **holds a POSITIVE view for the banking industry's outlook.**
- However, the industry may face some headwinds in 2023 such as **(1)** the deceleration of credit growth, **(2)** the increase in cost of funds and decrease in CASA ratio causing NIM to shrink, **(3)** the deterioration in asset quality causing credit costs and provisions to increase, thereby limiting earnings growth.
- Vietnam's total credit growth in 2022 is estimated at 14.5%. After the final adjustment in December 2022, the credit growth quota for 2022 was extended to 15.5-16.0%. However, total credit grew only about 14.5% for the whole year. The credit picture in 2022 was divided into two distinct colors with a bright picture in the first half of 2022 and a quiet picture in the second half of 2022 when macroeconomic factors such as system liquidity and exchange rate were not favorable.
- The SBV's objectives in 2023 are to focus on (1) implementing a stable, proactive and flexible monetary policy to control inflation, and (2) ensuring reasonable credit growth, directing capital into the field of production – business, and strictly controlling capital into potential areas of high risk.

Figure: Banks' credit growth after 9M2022



Source: Banks' financial statements, BSC Research

- Growth momentum from retail lending is expected to continue. With the main driver from a young population structure, retail loan amount is estimated to record a CAGR of 23% from 2015 to 2021, much faster than the 14% of system-wide credit. Retail lending not only gives higher yields than wholesale lending but also helps commercial banks reduce concentration risk when the loan size per customer is typically small. Besides banks participating in restructuring weak credit institutions, we see that the SBV is giving more credit room to banks with a high proportion of retail loans in their loan books. Therefore, retail lending is expected to be an enduring trend in the coming years.

- Credit growth for 2023 is forecast to decelerate to 12.0%. Given our view that controlling inflation and stabilizing the macroeconomy remain the top priorities of the Government, we forecast that system-wide credit growth in 2023 will cool down to about 12.0%. The reason is that economic growth is expected to decelerate due to slowing exports when the global economy faces recession risk, while consumer demand weakens under the rising pressure of inflation. System liquidity is also a major issue when the growth of money supply is weak, corporate bond market has setbacks, and disbursement of public investment is still slow.

Figure: Retail lending is estimated to grow faster than total credit

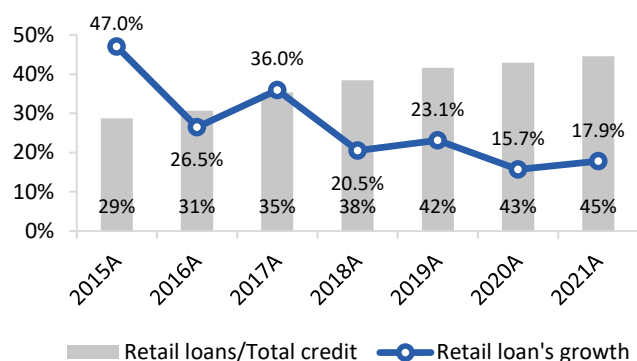
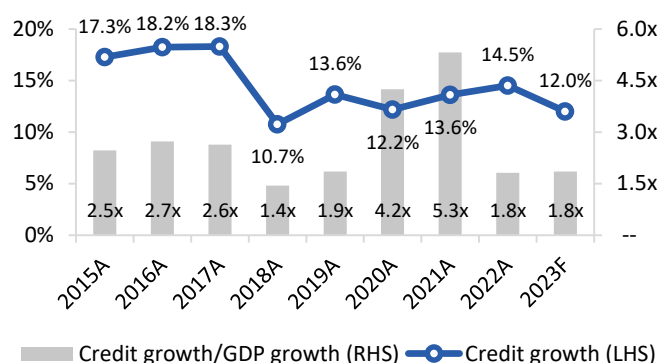


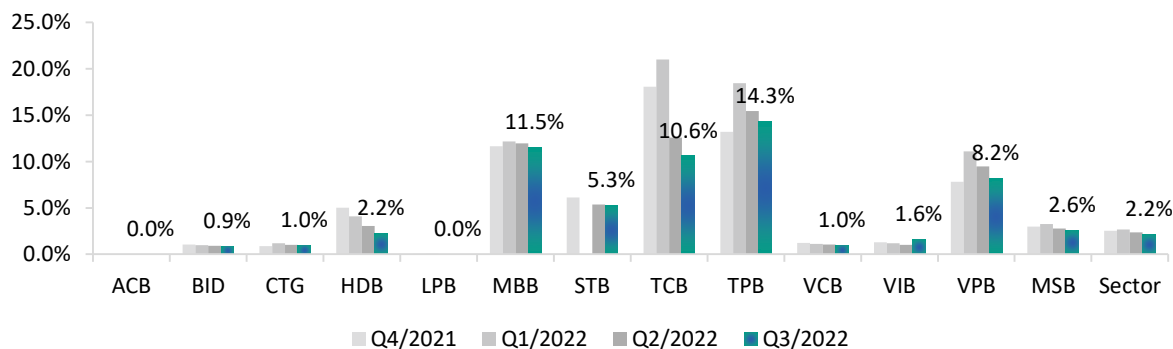
Figure: System-wide credit growth is forecasted to slow down in 2023



Source: SBV, BSC Research

- The proportion of corporate bonds in total credit varies between banks and mainly focuses on 4 banks. By the end of Q3/2022, the total amount of corporate bonds held by large listed banks was about VND 218,221 billion (equivalent to 2.2% of the total loans, down 6% compared to Q2/2022 in terms of scale). There are a few banks that are oriented towards investing in bonds of large enterprises as (1) yields of bonds are higher than that of conventional loans and (2) a broad portfolio of industries helps to reduce risks. Currently, Decree 153 is affecting the cash flow of the real estate industry due to its nature of high leverage and the issuance of many corporate bonds to ensure debt repayment and solvency. We believe that with a portfolio spreading across many industries and a small proportion of real estate loan in the loan book, the impact on the safety of banking system may not be large. However, the risk of provisioning for these loans will put pressure on earnings growth of some banks in Q4/2022 and 2023.

Figure: The proportion of corporate bonds in total credit of banks in Q3/2022 tended to decrease



Source: Banks' financial statements, BSC Research

Figure: Value of corp. bonds to mature (VND billion) in 2023

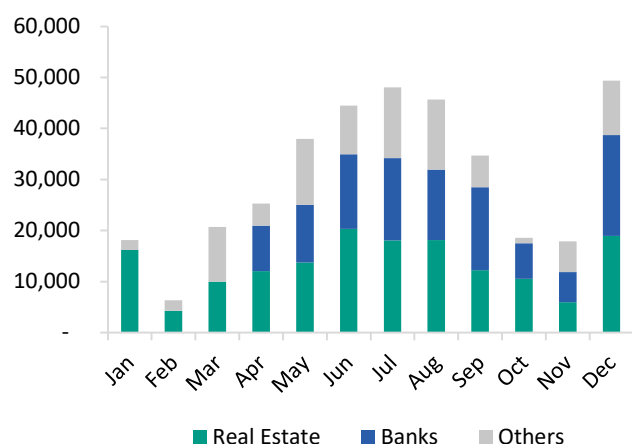
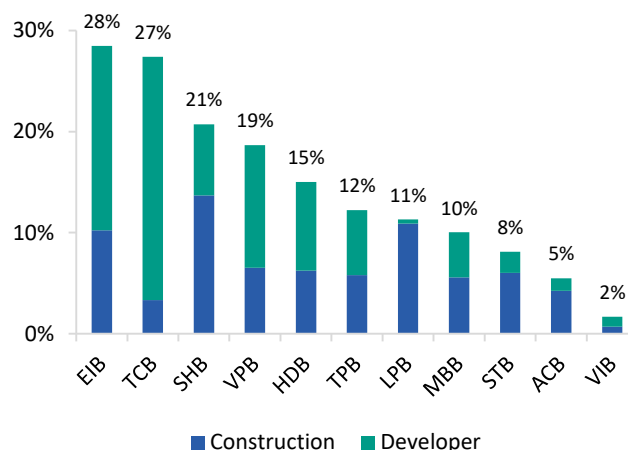


Figure: Proportion of loans to real estate as of Q2/2022



Source: Banks' financial statements, Fiinpro, BSC Research

- Liquidity and cost of funds are key factors to watch. The pressure to raise interest rates has gradually become apparent since the first half of 2022 when the tension in the USD/VND exchange rate shows no signs of abating. The fact that the Fed continuously raised its interest rate, causing the USD to appreciate, has put pressure on the exchange rate and forced the SBV to finally raise its policy rate since Q3/2022 after continuously net selling USD (causing foreign exchange reserves to fall sharply, from the historic peak of about USD 110 billion in January 2022 to USD 87 billion by the end of September 2022, equivalent to 2.7 months of imports) and raising the ceiling - floor exchange rate band from 3% to 5%. Within just about 1 month, the SBV has raised its policy rate by 2 times with a total increase of 200bps, causing the overnight interbank rate of VND to increase and creating a quite gap with the USD overnight rate.
- Interest rate scenarios for 2023: Refer to our report on Macro Outlook 2023

Figure: Overnight interbank rate of VND increased sharply

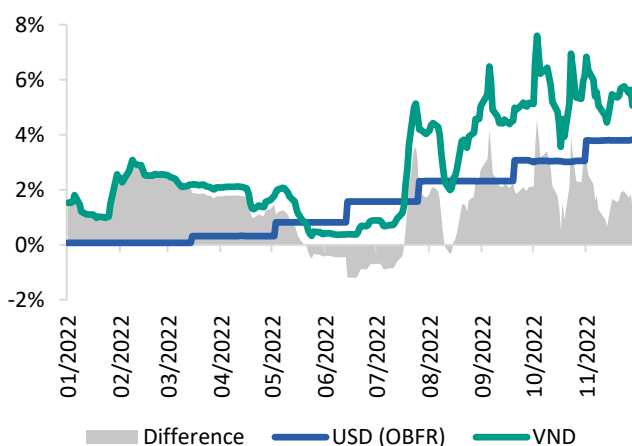
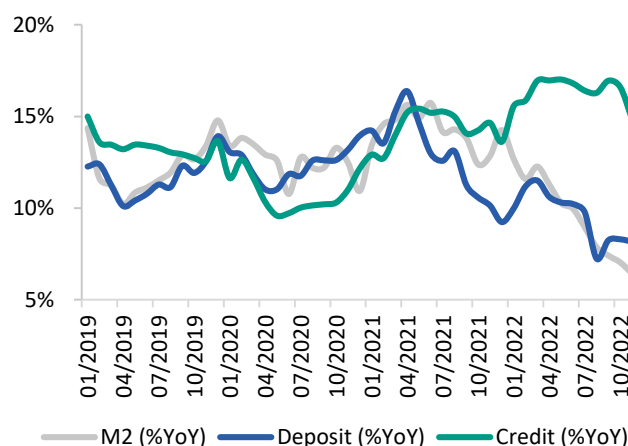


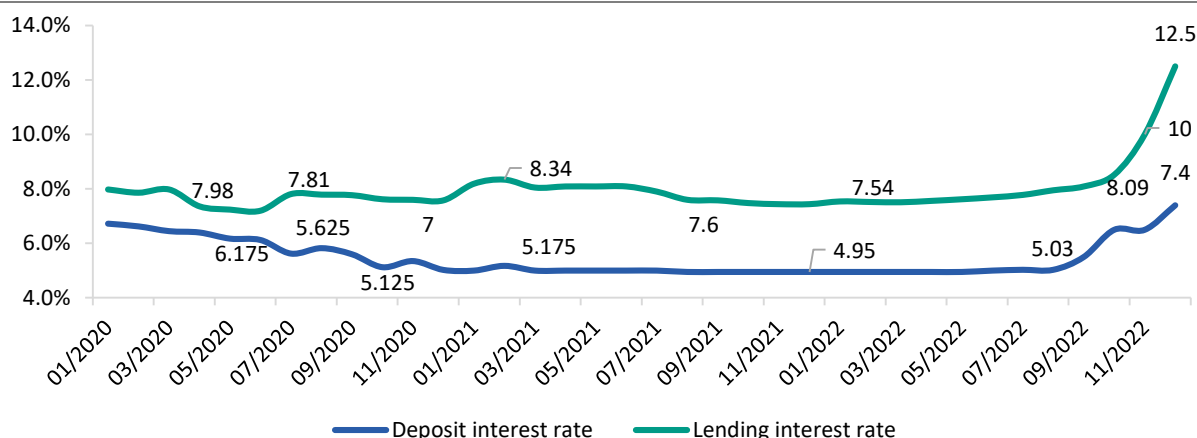
Figure: Deposit growth is still out of phase with credit growth



Source: SBV, NewYork Fred, BSC Research

- Liquidity also weakened as deposit growth is still far out of phase with credit growth. This gap combined with the weak growth of M2 money supply are the factors driving deposit interest rates to increase. In fact, as soon as the SBV raised its policy rate, the race to increase deposit interest rates has also taken place among commercial banks.

Figure: Lending and deposit interest rates of 4 state-owned banks



Source: Fiinpro, BSC Research

- The weak growth in deposits caused the liquidity of the banking system to decline. This is reflected in the fact that the industry's LDR is increasing to a new high.

Figure: Comparison of pure LDR among banks

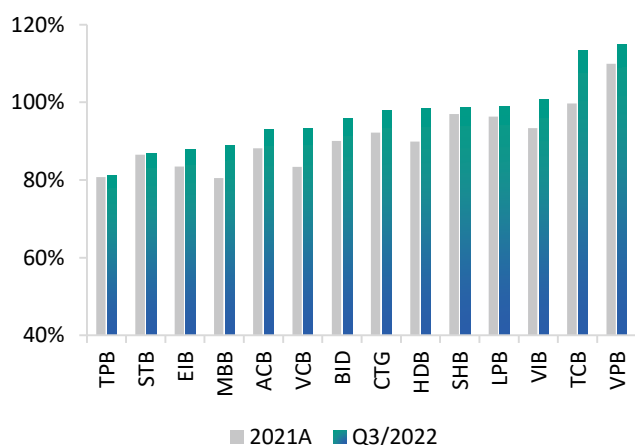
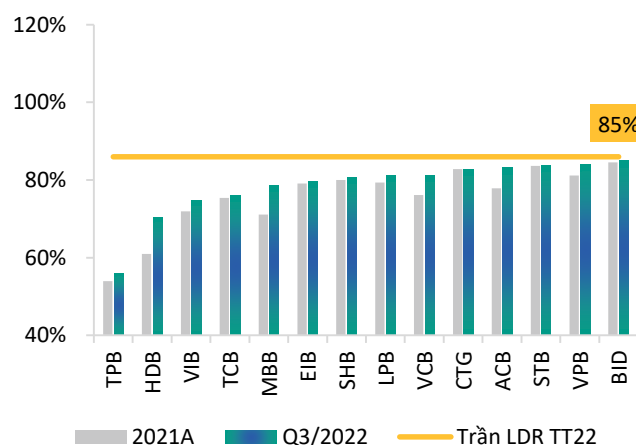


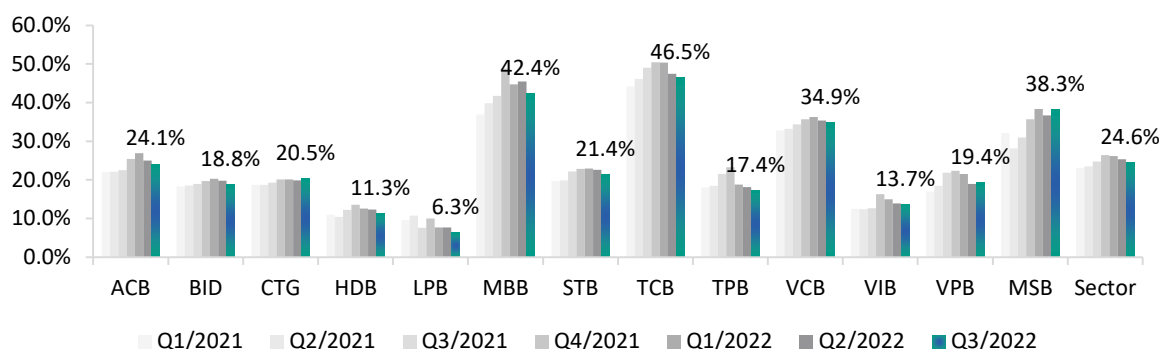
Figure: Comparison of estimated LDR according to Circular 22



Source: Banks' financial statements, BSC Research

- Notably, the SBV has just announced Circular 26/2022/TT-NHNN amending Circular 22/2022/TT-NHNN on how to calculate the new LDR. Accordingly, BSC assesses that only the group of state-owned banks will be able to reduce LDR pressure when the deposit of the State Treasury is no longer completely removed from the denominator immediately, thereby creating more room for credit growth. In contrast, the group of private commercial banks did not benefit much when this new Circular did not include the shareholders' equity in the calculation of LDR as in the previous draft.
- The CASA ratio is likely to remain under pressure in the near term. CASA ratio in Q3/2022 continued to record a downtrend. Contrary to the situation of interest rates falling in the 2 years of the pandemic when CASA of the whole industry grew quite positively, the current interest rate increase is putting pressure on the CASA ratio when people tend to allocate to longer term deposits or withdraw idle money to serve business activities when access to credit is limited due to the high interest rate environment. Therefore, the downward trend in CASA is likely to continue into 2023. Some banks with the advantage of high CASA ratios (>30%) and low LDR will have the most opportunity to maintain low cost of funds, thereby protecting NIM against the trend of increasing deposit costs.

Figure: CASA ratios of banks as of Q3/2022



Source: Banks' financial statements, BSC Research

- BSC expects that NIM of the industry will decrease slightly in 2023, although there will be divergence among banks. The main reason comes from (1) the SBV may need to maintain a high interest rate environment for a period of time to deal with inflation; (2) Lending interest rates may not keep up with deposit interest rates due to maturity mismatch; and (3) CASA is under pressure, which will have a negative impact on banks' cost of funds. However, the impact on NIM of each bank will be different, depending on factors such as CASA ratio, LDR, the proportion of loans to real estate sector and corporate bonds, the proportion of borrowings from interbank market, ...

Figure: Average deposit interest rates

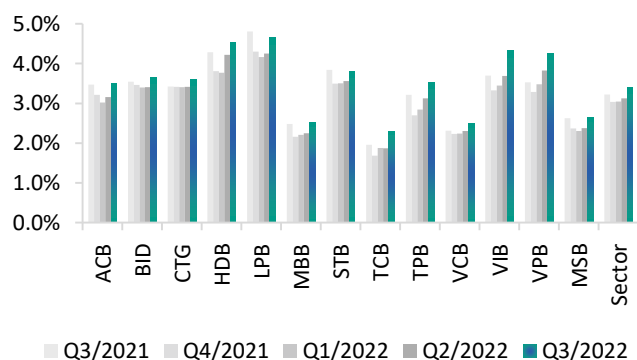
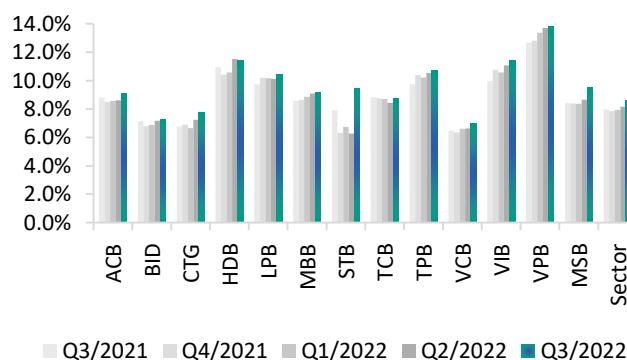
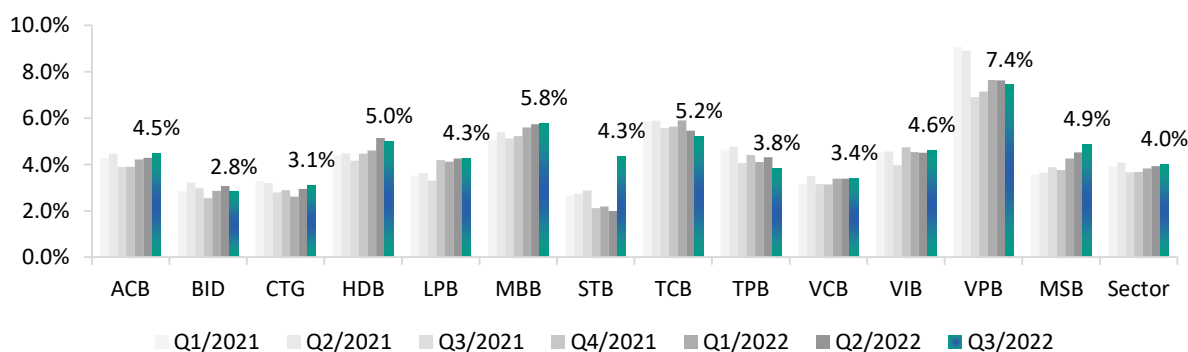


Figure: Average lending interest rates



Source: Banks' financial statements, BSC Research

Figure: Comparison of NIM between banks



Source: Banks' financial statements, BSC Research

- Asset quality of the industry is still under control, but there is a risk of deterioration due to the impacts of the real estate and corporate bond markets. NPL ratio of the whole industry tends to increase in 2022 when Circular 41/2021/TT-NHNN expires from Q2/2022. Accordingly, most banks have also actively strengthened provisioning in the past 2 years and brought the industry average LLCR ratio to a record level, creating a large enough buffer in a business environment facing many headwinds. With the risk of debt restructuring and cash flow generation of real estate developers, we believe that the NPL ratio of banking industry is likely to continue to increase in Q4/2022.
- Notably, due to cash flow pressure that bond issuers are facing, the Ministry of Finance has just submitted to the Government a draft amendment to Decree 65 in early December 2022. Accordingly, many regulations (about determining professional investor status, time of bond distribution, credit rating, ...) will be moved to January 1, 2024. Moreover, if the draft is approved, the bond principal payments can be deferred for another 2 years. Thus, this new draft is expected to reduce liquidity pressures in the short term by buying more time for undue debts. However, the ability to balance cash flows of some major companies and investors' confidence are still open issues.
- Therefore, BSC forecasts that credit costs will increase in 2023 and banks may have to return to building up their provisioning buffers. However, we note that the current system structure and health of the banking industry is much better than it was in the previous period as corporate loans are being heavily assessed and risk-controlled. We expect that banks with a large buffer and NPL coverage ratio will be under less pressure than the rest.

Figure: The industry's bad debt is being controlled at 1.4%

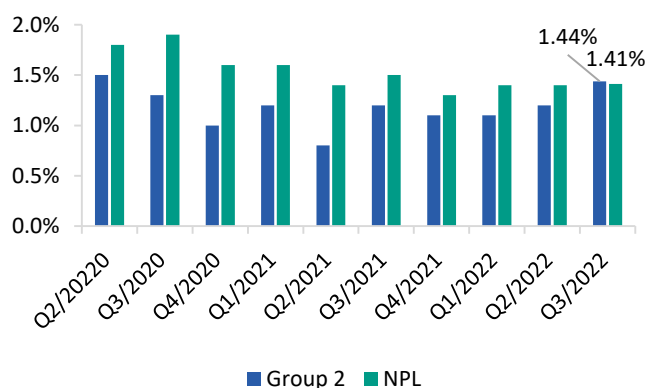
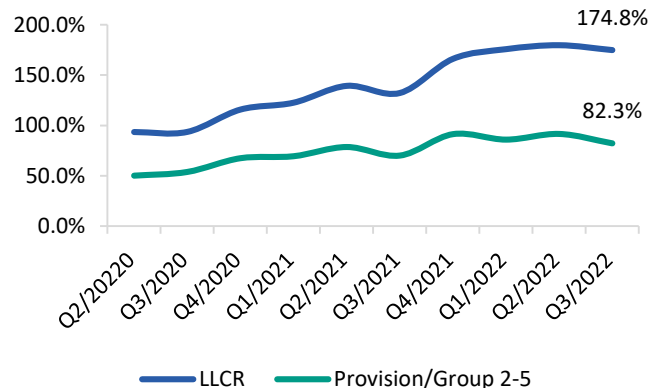


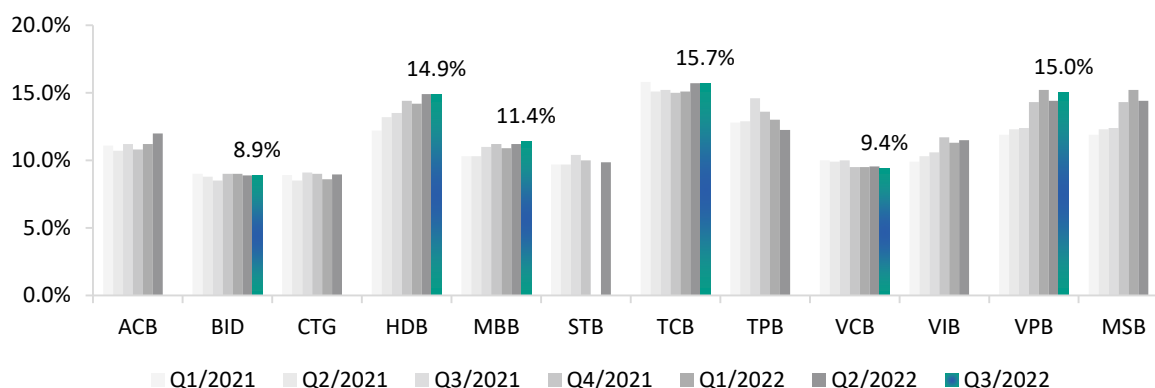
Figure: Coverage ratios are also maintained at a record high



Source: Banks' financial statements, BSC Research

- Capital adequacy ratio improved. The Basel II CAR ratio continues to be kept at a high level, and the ratio of short-term funds for medium and long-term loans is also kept at a safe level. The ratios are well met the requirements of the SBV, and BSC expects this to be maintained in the future with banks' plans to increase capital, thereby helping to increase the size, credit and profits of banks.

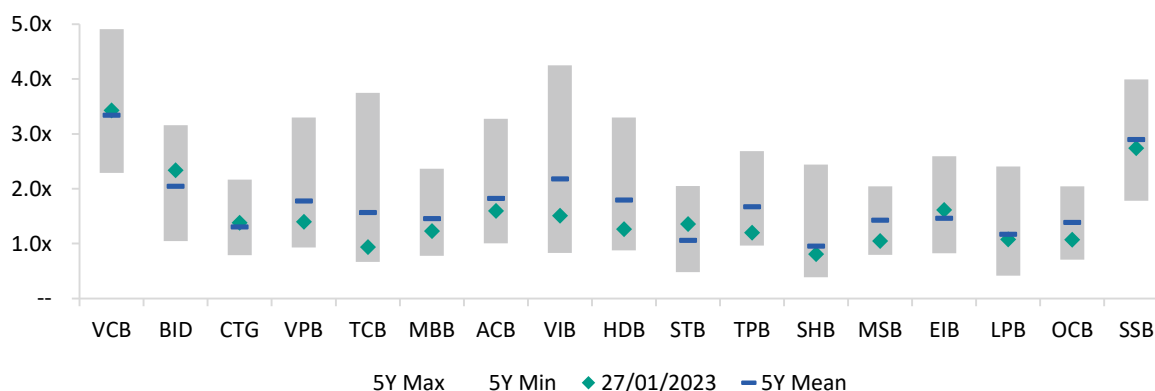
Figure: CAR Basel II ratio of the industry is improving



Source: Banks' financial statements, BSC Research

- On average, commercial banks listed on HOSE are being valued at P/B TTM = 1.3x by the end of January 27, 2023 (excluding outliers such as VCB, BID, SSB). Banks are being negatively affected by both domestic factors (mistakes by large corporations related to corporate bond issuance, risks from frozen real estate market) and foreign factors (risks of tightening monetary policy and macro volatility of major economies such as the US). However, BSC believes that industry risks are already reflected in valuations and that the current banks' financial health may be worthy of a higher valuation when the difficulty fades away.

Figure: Valuation buffer when the banking stocks already have a big discount



Source: Bloomberg, BSC Research

- In summary, it can be seen that the banking industry is facing many risks of slowing growth in 2023, including (1) slowing credit growth, (2) increasing deposit interest rates, decreasing CASA ratio leading to narrowing NIM, (3) risk of bad debt increasing higher than forecast due to the impact of the real estate and corporate bond markets.
- However, we also see many positives for the industry, including (1) these risks are almost already reflected in the valuations of banks and the industry is currently at a relatively cheap valuation compared to history, (2) the asset structure of banks has been greatly improved along with the promotion of retail lending to help reduce concentration risk, (3) the bad debt coverage ratio has been brought to a record high, creating a relatively solid buffer.
- Going forward, which bank is best positioned in this context? In the period of a difficult environment, BSC believes that the banking industry will need to prioritize asset quality control over earnings growth

in the coming period and perhaps, the period of building up provision buffer will return. Facing the risks of increasing cost of fund, narrowing NIM, and increasing NPL ratio, we believe that banks which are given priority in terms of credit room, maintain a prudent loan portfolio, and have a high CASA ratio will have the best chance to overcome this short-term difficulty. These will probably be the banks that can afford to maintain the dual goal of growth and asset quality.

Figure: Q4/2022 results of listed banks monitored by BSC

VND billion	ACB	BID	CTG	HDB	LPB	MBB	STB	TCB	TPB	VCB	VIB	VPB	MSB
SCALE													
Charter capital	34,046	66,204	57,868	25,426	17,291	47,597	20,602	36,205	18,379	53,130	21,078	66,551	19,892
Equity	58,439	104,206	108,305	38,995	24,055	79,613	38,627	113,425	32,239	137,988	32,651	103,517	26,654
Total assets	607,875	2,120,528	1,809,189	416,273	327,746	728,532	591,994	699,033	328,634	1,814,188	343,069	631,074	213,394
Equity/Total assets	9.6%	4.9%	6.0%	9.4%	7.3%	10.9%	6.5%	16.2%	9.8%	7.6%	9.5%	16.4%	12.5%
GROWTH													
% Credit	14.3%	12.1%	12.1%	25.6%	12.7%	24.8%	18.6%	12.5%	14.3%	18.8%	14.5%	25.0%	17.8%
% Total assets	15.2%	20.4%	18.1%	11.1%	13.3%	20.0%	13.6%	22.9%	12.2%	28.2%	10.8%	15.2%	4.8%
% Deposits	9.0%	6.8%	7.5%	17.7%	19.8%	15.3%	6.4%	13.9%	39.7%	9.5%	15.3%	25.4%	23.8%
% TOI	22.2%	12.0%	21.5%	31.1%	78.5%	23.4%	47.7%	10.3%	15.5%	20.1%	21.3%	30.5%	1.0%
% PPOP	12.1%	9.9%	25.9%	28.5%	127.7%	25.3%	90.0%	6.2%	8.1%	19.7%	23.4%	30.1%	-5.9%
% PBT	42.6%	69.3%	20.0%	27.2%	105.6%	37.5%	44.1%	10.0%	29.6%	36.5%	32.1%	45.5%	13.7%
ASSET QUALITY													
Group 2	0.6%	1.7%	2.3%	2.8%	1.5%	1.7%	1.2%	2.1%	1.9%	0.4%	4.4%	5.4%	1.4%
NPL	0.7%	1.2%	1.2%	1.7%	1.5%	1.1%	1.0%	0.9%	0.8%	0.7%	2.5%	5.7%	1.7%
LLCR	1.2%	2.5%	2.3%	1.2%	2.1%	2.6%	1.3%	1.1%	1.1%	2.2%	1.3%	3.1%	1.2%
Provision/Group 2-5	90.0%	88.4%	65.1%	26.3%	69.6%	93.3%	57.6%	38.0%	41.2%	208.4%	19.3%	27.9%	38.7%
Credit cost	0.2%	1.3%	1.8%	1.5%	2.3%	3.2%	3.1%	0.7%	0.3%	0.6%	0.6%	7.0%	0.2%
LIQUIDITY AND CAPITAL ADEQUACY													
LDR Cir22	78.3%	84.5%	82.0%	75.5%	81.0%	74.8%	86.0%	73.9%	55.3%	75.3%	76.5%	85.8%	66.7%
Leverage	10.4	20.3	16.7	10.7	13.6	9.2	15.3	6.2	10.2	13.1	10.5	6.1	8.0
CAR Basel II	12.0%	8.9%	9.0%	14.9%	0.0%	11.2%	9.9%	15.7%	12.3%	9.6%	11.5%	14.4%	14.4%
OPERATIONAL EFFICIENCY													
TOI	28,790	69,607	64,580	21,967	17,943	45,593	26,141	40,913	15,617	68,083	18,058	57,797	10,694
PBT	17,114	23,138	21,113	10,268	7,483	22,729	6,339	25,568	7,828	37,359	10,581	21,220	5,787
NII/TOI	81.7%	80.6%	74.2%	82.0%	83.3%	79.0%	65.6%	74.0%	72.9%	78.2%	82.9%	71.0%	77.8%
CASA ratio	22.3%	18.9%	20.0%	10.6%	8.8%	40.6%	19.2%	37.0%	18.0%	33.9%	13.8%	17.7%	31.2%
Average gross yield	8.4%	6.6%	7.1%	10.6%	8.6%	9.2%	8.8%	8.1%	8.2%	6.0%	9.4%	11.7%	7.8%
Average cost of fund	4.3%	4.0%	4.3%	5.4%	5.5%	3.9%	4.7%	3.9%	4.6%	2.8%	5.1%	5.2%	3.6%
NIM	4.5%	2.8%	3.0%	5.3%	3.5%	5.8%	4.4%	4.5%	3.8%	3.5%	4.7%	7.2%	4.5%
Provision expense/PPOP	6.5%	46.7%	50.8%	29.6%	60.1%	44.1%	63.4%	12.7%	5.7%	11.9%	11.3%	84.1%	6.7%
CIR	51.3%	42.9%	36.9%	45.5%	40.9%	30.9%	33.8%	42.3%	44.9%	24.5%	33.4%	31.8%	61.3%
ROAA	2.0%	0.8%	1.0%	1.8%	0.8%	2.1%	1.2%	2.1%	1.9%	2.3%	2.6%	0.7%	1.5%
ROAE	20.1%	16.3%	15.9%	18.2%	11.3%	17.7%	18.5%	12.7%	19.3%	29.8%	28.1%	8.8%	11.8%
VALUATION													
EPS (VND)	4,106	3,656	3,222	3,072	2,707	4,013	2,291	5,885	3,917	5,308	3,867	15,351	13,423
BVPS (VND)	17,303	20,600	22,536	15,503	13,912	17,559	20,489	31,619	20,382	29,158	15,492	15,351	13,423
P/B TTM (08/02/23)	1.4x	2.2x	1.3x	1.2x	1.0x	1.0x	1.2x	0.9x	1.2x	3.2x	1.4x	1.2x	0.9x

Source: BCTC các NHTM, BSC Research

INDUSTRIAL PARK SECTOR [POSITIVE]

Analyst: Lam Viet

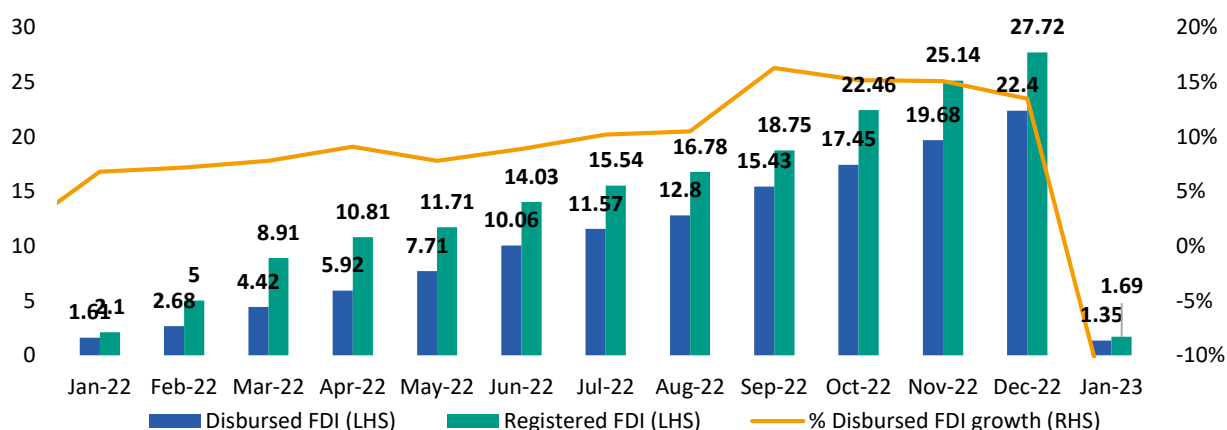
Email: vietl@bsc.com.vn

- Vietnam is still a potential and attractive destination for manufacturers around the world, given the situation that FDI activities on an international scale have not recovered.
- China Reopening its economy brings expectations that production to be moved out of China faster
- The legal environment is gradually clear and complete, which is expected to shorten administrative procedures and develop sustainably thanks to the coordination between ministries/departments and provincial People's Committees.
- Lack of supply in industrial center locations is still a difficulty for the sector and also a factor that maintains high rental prices when rental demand is high.
- BSC makes **POSITIVE** recommendations for the Industrial Park Real Estate Sector in 2023

FDI disbursement in 2022 achieved impressive growth while registered FDI slowed down because the same period recorded projects with an outstanding level of registered capital.

According to the General Statistics Office, in 2022, the total registered FDI reached 27.72 billion USD (down -11% YoY) because the same period recorded two newly registered projects with a sudden capital (LNG I&II Power Plant Project with 3.1 billion USD and O Mon II Power Plant Project with 1.31 billion USD) while FDI disbursement reached 22.4 billion USD (up +13.5% YoY) - the highest level since the past 5 years. Relating to January 2023, the number of newly registered FDI projects in Vietnam reached 153 projects (up +48.5% YoY), with the amount of newly registered capital 3.1 times higher than the same period in 2022.

Figure 0. 1: FDI registered and implemented in Vietnam 2022-1M.2023 (USD billion)



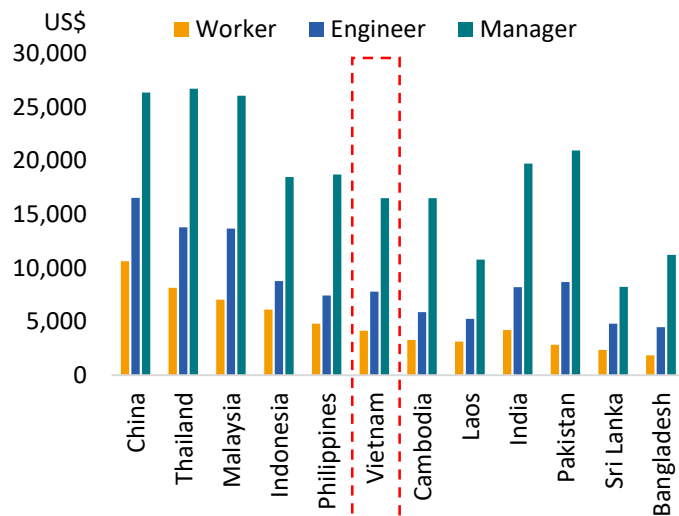
Source: GSO

China Reopening its economy brings expectations that the global supply chain rebalancing process will take place faster. In 2022, unexpected geopolitical events such as China's strict disease control policy have negatively affected the global supply chain. Manufacturing enterprises have seen the importance of diversifying their value chains, not relying too much on one country for the whole supply chain. Apple and Foxconn have moved part of its production to India while Dell has asked its component suppliers to have production capacity ready in countries outside of China, namely Vietnam. We believe that this trend will continue to be accelerated in the near future and Vietnam still has a lot of room to benefit from its competitive advantage.

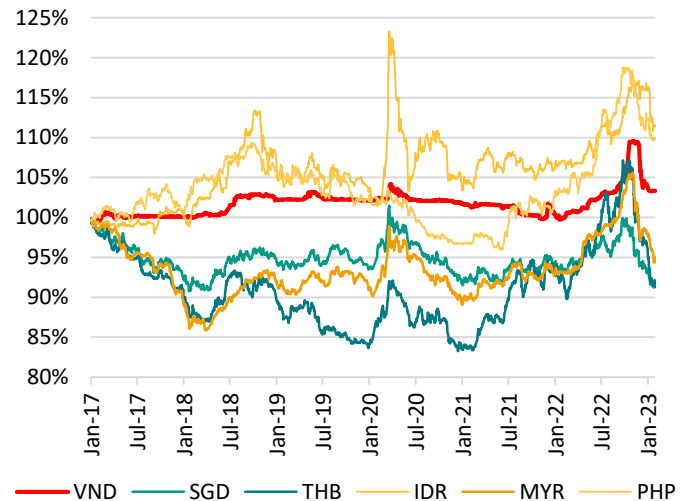
Besides cheap labor costs, stable macro environment and favorable geographical location are the main competitive advantages of Vietnam to attract FDI enterprises. According to the Japan Trade Promotion Organization (JETRO), labor costs in Vietnam are forecast to remain stable with an increase of 4.8%, lower than the regional average, especially India with an increase of 8.4% and Indonesia with an increase of 5.3%. In addition, another important factor is that China has been building its manufacturing ecosystem for more

than 40 years and it is not easy for a country to replace. Therefore, we believe that a small part of production shifted from China will be enough for Vietnam to absorb well and the prospects of the industrial sector are positive in the long term.

Labor costs in Vietnam and some countries in the region



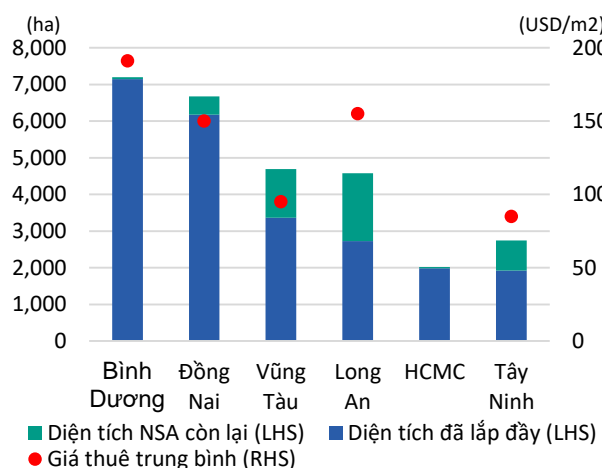
USD/VND exchange rate is maintained stable



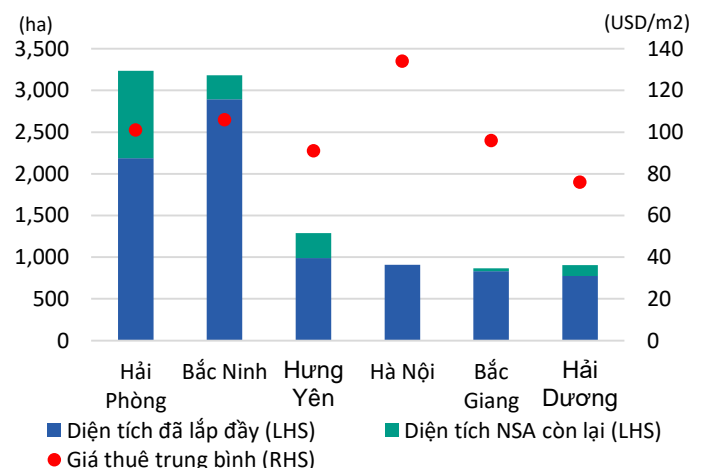
Source: JETRO, Bloomberg, BSC Research.

Lack of supply in industrial center locations remains a difficulty for the industry, which is also a leading factor in maintaining high rental prices in the situation of strong rental demand. After the period of 2021-1H.2022 representing a booming supply with a series of industrial zones approved for investment policies, the industrial park market has almost no new projects in 2H.2022. According to the Housing and Real Estate Market Administration (Ministry of Construction), the filling rate of industrial zones across the country tends to increase, reaching over 80%, of which in the Southern region reaches about 85%. The rental price of factories and industrial real estate increased by about 10% YoY, reaching an average of 100-120 USD/m2/lease term and tended to continue to increase, especially in the southern market due to limited supply.

Supply and filling rate of industrial zones in the South



Supply and filling rate of industrial zones in the North

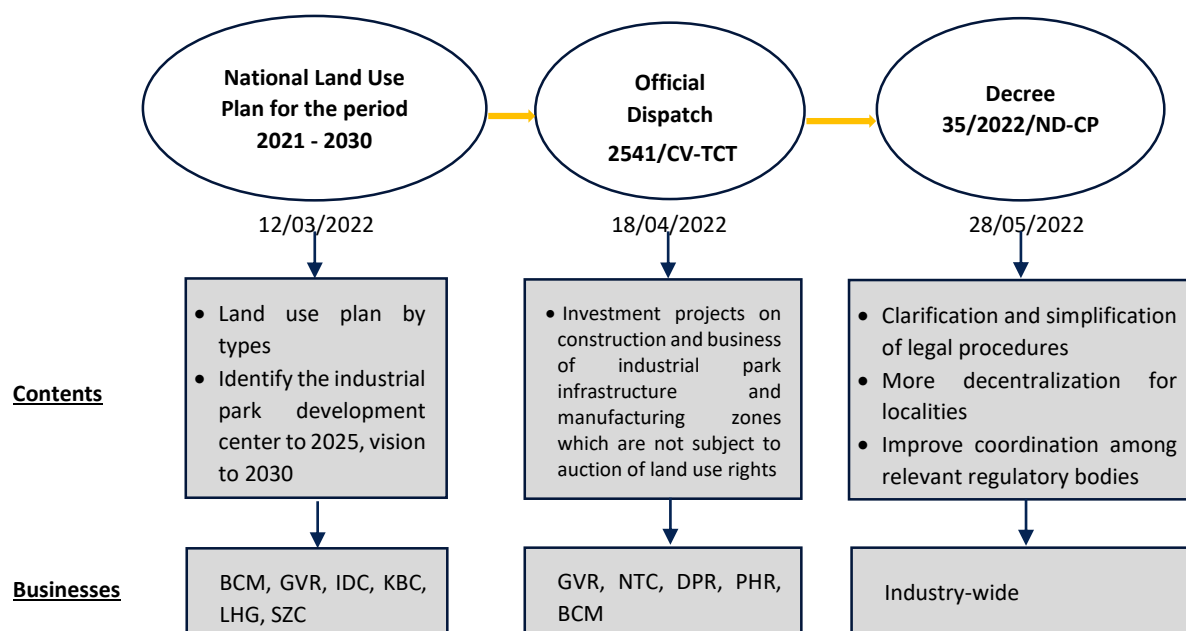


Source: Savills

The legal environment is gradually clear and complete, which is expected to shorten administrative procedures and develop sustainably thanks to the coordination between ministries/departments and provincial People's Committees. In 2022, Vietnam has officially adopted 3 documents directly related to the development of industrial zones including (1) National Land Use Plan for the period 2021-2030, (2)

Official Dispatch 2514/CV-TCT, (3) Decree 35/2022/ND-CP and is aiming to adopt **(4)** the Amended Land Law ([Prospect Report 4Q.2022 - Industrial Real Estate Industry](#)). However, in the short term, the work of "untangling supply" will continue to be slow due to the change of senior leadership in the southern provinces and the general planning of localities is in the adjustment period for synchronous development in the future.

Figure0. 2: Improved industrial park investment legal environment



Source: Chinhphu.vn, BSC Research

The industrial center focuses on the Southern Region with the trend of expanding in the satellite provinces/cities of Ho Chi Minh City. 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 filling rate in this area is over 90% and no more IPs will be approved for investment policies in the period 2020-2021 ([Outlook Report 4Q2022 - industrial real estate industry](#)).

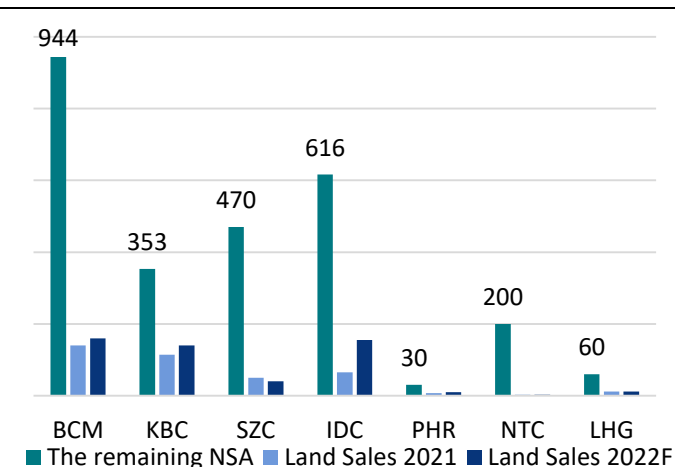
Connected transport infrastructure will be promoted from 2023, which will solve the bottleneck of "logistics" to directly support the industrial real estate industry. Logistics costs in Vietnam account for about 16.8% of the value of goods while this cost in the world is only about 10.6%. Logistics costs have been a "minus point" of Vietnam in attracting manufacturing enterprises in the world. Accordingly, a number of factors that make infrastructure costs high include (1) weak infrastructure quality, especially road and rail transport infrastructure and (2) limited infrastructure connection system, lack of synchronization.

Most industrial real estate enterprises have a healthy financial foundation, especially those belonging to Vietnam Rubber Group (GVR) when there is no net debt, no bond debt, most of the short-term loans are used to supplement working capital and pay dividends. For enterprises with high bond debt/total debt ratio such as BCM and KBC, We realize that the debt/total assets ratio is still at a safe level, all debts have collaterals. Moreover, the asset quality is relatively good while the bond maturity value in 2023 is not much (VND 1,000 billion for BCM and VND 2,900 billion for KBC).

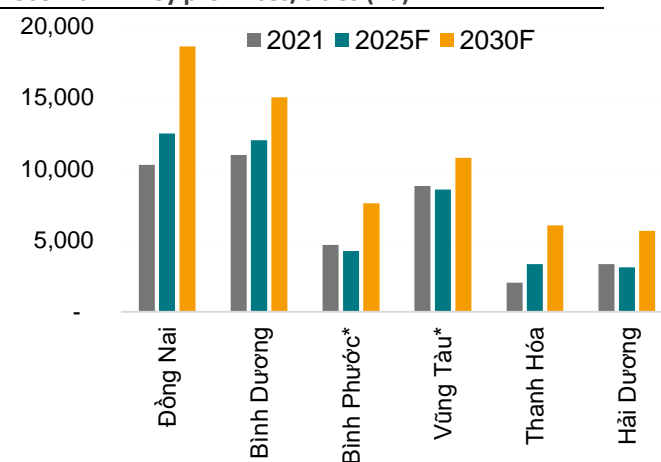
Business	Net Cash/ (Net Debt)	Outstanding loan	Debt/Total Assets	Bond debt/Loan debt	Remaining NSA (ha)	NSA ready (ha)	Tenant groups
Group 1: Enterprises with a high proportion of bond debt							
BCM	(14,381)	(15,886)	33%	67%	944	944	FDI Group - specializing in import and export and high technology
KBC	(3,514)	(7,638)	22%	56%	1,053	353	FDI Group - high technology in the field of chips, electronics, assembly
Group 2: Enterprises with a low proportion of bond debt							
SZC	(2,330)	(2,635)	42%	18%	651	470	SME - Assembling, Processing, Mechanical Engineering
IDC	(1,338)	(3,468)	21%	12%	1,079	616	FDI-heavy industry group (Phu My 2 Industrial Park) Logistics enterprises, warehouses (Huu Thanh Industrial Park)
Group 3: Enterprises without net debt							
GVR	8,070	(7,412)	9.5%	0%	N/A	N/A	SME - labor-intensive industry (wood, garment, footwear)
SIP	3,524	(689)	3.6%	0%	N/A	N/A	
PHR	2,135	(264)	4.2%	0%	836	30	
NTC	1,053	(72)	1.8%	0%	200	200	
LHG	1,082	(142)	4.7%	0%	270	60	SME - logistics, warehousing

Source: BSC Research

Commercial area ready for lease in 2023 (ha)



Area of industrial zones according to National Land Use Plan in key provinces/cities (ha)



Source: BSC Research

INVESTMENT PERSPECTIVE – POSITIVE

BSC makes **POSITIVE** recommendations for industrial real estate industry groups in 2023 thanks to (1) limited supply and high demand is still a factor to help industrial park rental prices remain high, (2) expect the global supply chain rebalancing process to be accelerated when China Reopening its economy, (3) the regulatory environment is gradually improved to help businesses expand supply to meet demand, (4) the prospects for transport infrastructure are accelerated to improve in the medium term.

Figure: Estimated business results of some industrial real estate enterprises

Ticker	Net revenue 2023 (Bil VND)	% YoY	NPAT 2023 (bil VND)	% YoY	EPS 2023	P/E fw	P/B fw	ROA 2023	ROE 2023	Closing price 09/02/2023	Target price	Upside (%)
LHG	777	24%	316	56%	5,810	3.9	0.6	10%	18%	22,850	31,500	38%
KBC	4,735	395%	1,823	18%	3,166	7.4	0.9	6%	10%	24,300	29.8 00	24%
BCM	8,447	30%	2,920	73%	2,593	32.4	4.1	6%	17%	84,000	94,200	12%
GVR	27,803	2%	3,510	-8%	874	17.8	1.0	6%	8%	15,550	19,100	23%
IDC	9,750	18%	2,926	27%	8,439	4.7	1.4	19%	34%	39,100	52,000	33%
PHR	2,095	23%	967	9%	6,238	7.0	1.6	13%	29%	43,600	61,300	41%

Source: BSC Research

COMMERCIAL REAL ESTATES SECTOR [NEGATIVE]

Analyst: Lam Viet

Email: vietl@bsc.com.vn

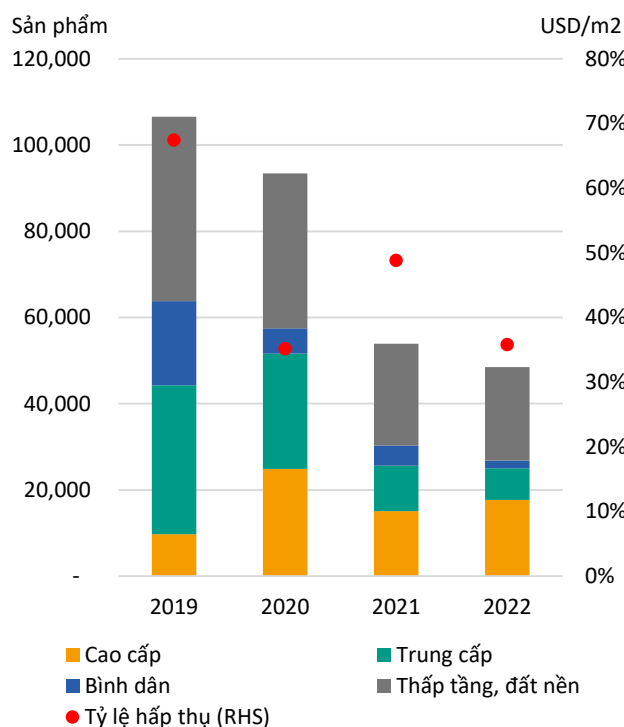
- Real demand has not been met as new supply in the mid-end and affordable segments has almost disappeared in the markets of Ho Chi Minh City and Hanoi.
- **The "cheap money" period has ended, real estate businesses are experiencing a period of liquidity shortage when capital mobilization sources are having problematic issues:** (1) Sales are meeting difficulties because of the negative sentiment of the market. Products have not met real demand as well as both businesses and homebuyers are dependent on loans while (2) Credit to the real estate sector remains strictly controlled, (3) Other capital mobilization channels such as bonds/stocks remain unfavorable, (4) High interest rates and (5) Bonds mature period focusing on 2023-2024.
- **Restructuring to survive and wait for** bottlenecks to be removed is the optimal approach to overcome the gloomy period of the highly cyclical real estate market.
- Although there are many challenges ahead, there is an opportunity to increase land bank with attractive costs for businesses with healthy financial background, suitable product portfolio and good corporate governance.
- **The outlook in the long term is positive** when the real demand for housing is still high and the supply is gradually "untied" thanks to (1) **the progress of legal completion is accelerated**, the market aims at transparency, stability, increasing efficiency through Amended Decree 65/2022/ND-CP and Amended Land Law and Decision No.1435/QĐ-TTg, (2) **Synchronously developed connectivity infrastructure** will gradually pull real demand to suburban areas, reducing pressure on large cities where the remaining land fund is very limited.
- BSC makes **NEGATIVE** recommendations for the commercial real estate industry in the medium term.

LOOKING BACK AT THE REAL ESTATE CYCLE 2018-2022 – THE STORY OF THE LEGAL ASPECT OF THE PROJECT

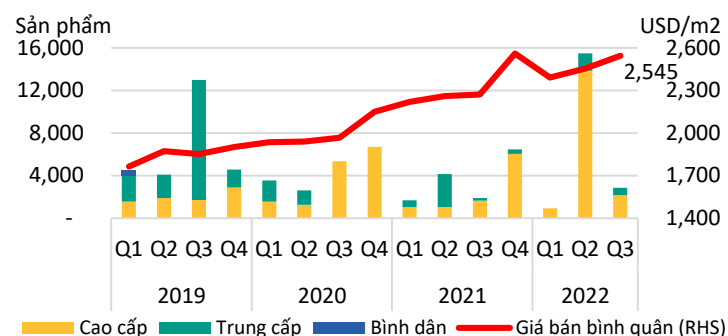
New supply has not met real demand as the mid-end and affordable segments gradually disappear in major markets. Since 2018, the structure of the product portfolio has gradually shifted to the high-end segment mainly because (1) the licensing of new projects has slowed down due to changes in regulations and laws but there are no clear instructions on administrative procedures, (2) real estate enterprises aim to develop more advanced projects to maintain profits or switch to major city neighborhood markets. According to data from the Vietnam Association of Realtors, the total supply to the market in 2022 will reach about 48,500 products (down 10% YoY), the supply of high-end apartments increased by 17% YoY while the supply of mid-end and affordable apartments decreased by -30% YoY and -60% YoY, respectively.

The average selling price of apartments continues to increase (+12% YoY in HCMC and +23% YoY in Hanoi) led by the high-end segment, but the low number of transactions shows that the market is relatively quiet. In 1H.2022, the absorption rate always reaches 60-70% despite more than 16,000 new products in HCM and 8,000 new products in Hanoi. However, entering 2H.2022, the absorption rate only reaches 35% in Q3/2022 and 18-21% in Q4/2022 although the total number of new products in the last 6 months of the year decreased by -75% compared to 1H.2022 in Ho Chi Minh City and decreased by -61% compared to 1H.2022 in Hanoi.

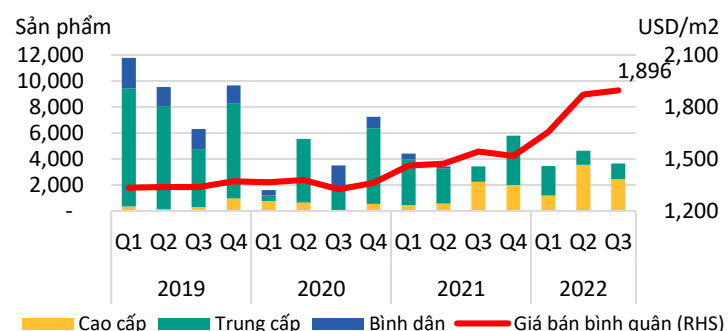
Supply structure of the whole commercial real estate market



HCMC apartment market



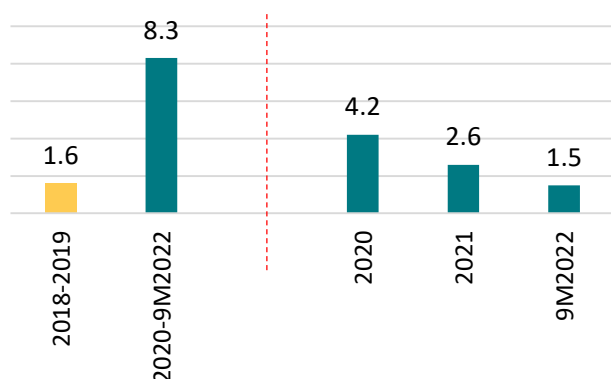
Hanoi apartment market



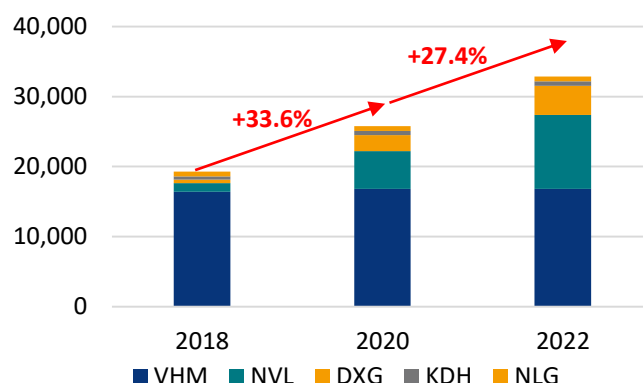
Source: VARS, CBRE, BSC Research

Businesses take full advantage of financial leverage to expand their land bank and scale during the "cheap money" period. Giving the situation of applying for investment policies, licensing new projects facing many difficulties, mergers and acquisitions of real estate projects have been continuously boomed, helping the real estate industry rise to the leading position in terms of merger and acquisition value. The total value of mergers and acquisitions in the real estate industry in the period of 2020-9M2022 reached 8.3 billion USD (5.2 times higher than the period 2018-2019).

Total M&A value of real estate industry (billion USD)



Land bank of top 5 listed enterprises in real estate industry (ha)



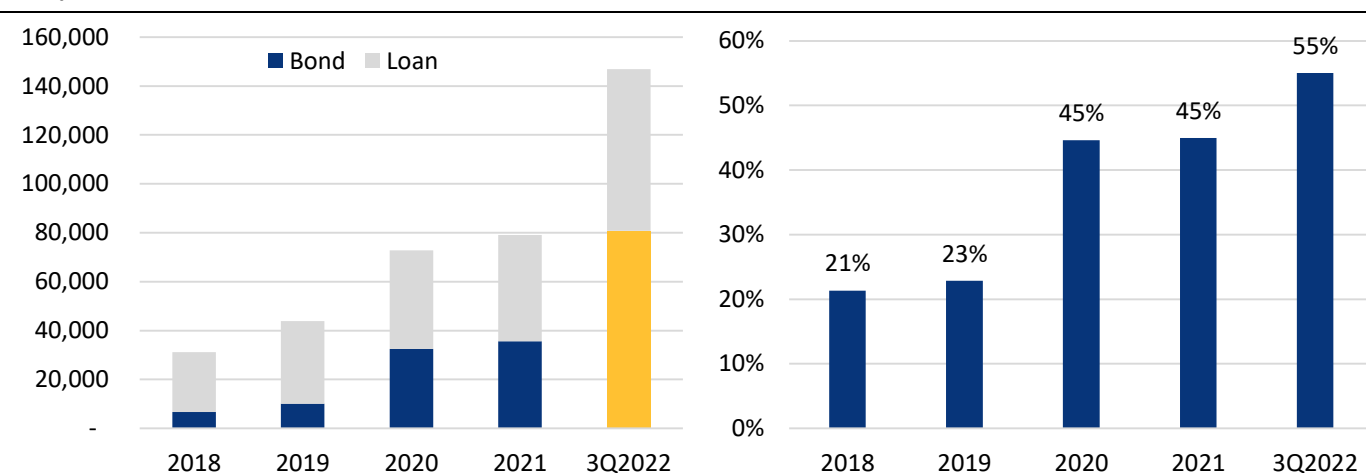
Source: Savills, Cushman & Wakefield, BSC Research

The trend of acquired land bank is to *shift the supply and land fund from the inner city (tier 1) with the remaining land fund is very limited to suburban areas (tier 1.5) and neighboring provinces (tier 2) with a large land fund*, expecting the connection infrastructure to develop soon.

Leverage is the main tool in financing projects, especially corporate bonds, thereby potentially risking real estate business liquidity problems. In our opinion, in addition to the "cheap money" factor and the high

investment demand of individuals, the debt structure shifted to corporate bonds because the projects did not meet the legal conditions, making it difficult for businesses to access bank loans.

Loan structure of top 10 listed real estate enterprises (billion VND) Proportion of corporate bonds to total debt



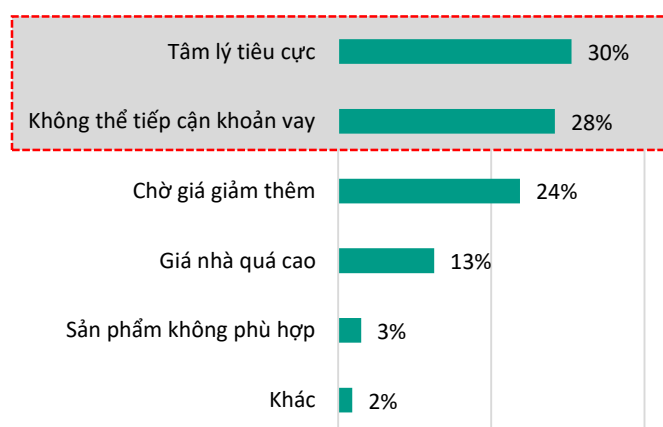
Source: Financial statements of real estate enterprises, BSC Research synthesized

CURRENT CHALLENGES – A CONSEQUENCE OF "SUPPLY AND DEMAND PHASE DEVIATION" AND EXCESSIVE LEVERAGE

The "cheap money" period has ended, real estate businesses are experiencing a period of liquidity shortage when capital mobilization sources are more or less problematic: (1) Sales are difficult because of the negative sentiment of the market, products have not met real demand, both businesses and homebuyers are dependent on loans while (2) Credit to the real estate sector remains strictly controlled, (3) Other capital mobilization channels such as bonds/stocks remain unfavorable, (4) High interest rates and (5) Bond mature period focusing on 2023-2024.

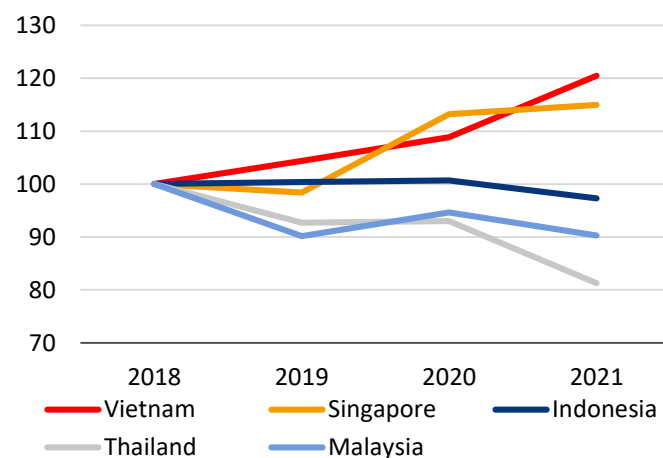
It is difficult for real estate businesses to raise capital from customers because the confidence of home buyers decreases, real demand is not met, investment demand decreases sharply and there are limited access to loans.

Difficulties when closing real estate purchase and sale transactions (*)



(*) Survey based on 442 professional real estate brokers

House prices in Vietnam increase hot due to new supply focusing on the high-end segment

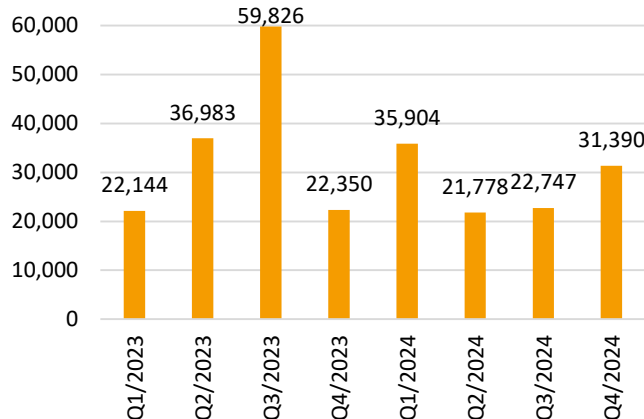
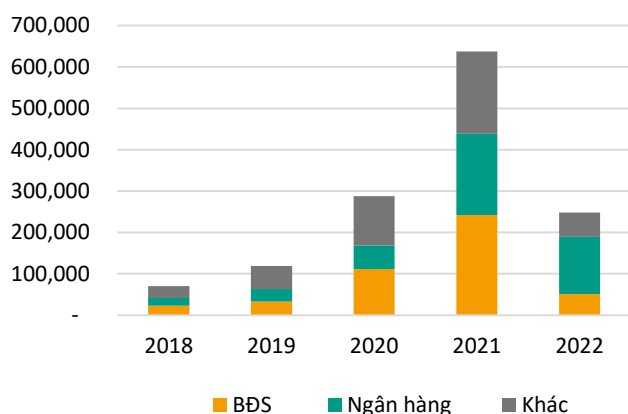


Source: VRES 2022, batdongsan.com.vn

Other capital mobilization channels such as bonds and stocks face many "headwinds". In 2022, the real estate market receives information from (1) "purging the market" and (2) mistakes in bond issuance by leading real estate corporations, making bond issuance activities relatively quiet. In 2022, real estate corporate bond issuance reached VND 50,427 billion (down -79.1% YoY), of which Q4/2022 only reached VND 280 billion (down -99.7% YoY).

The value of real estate corporate bonds issued in 2022 will reach VND 50,427 billion (-79% YoY)

Real estate corporate bond maturity value in 2023-2024 (VND billion)



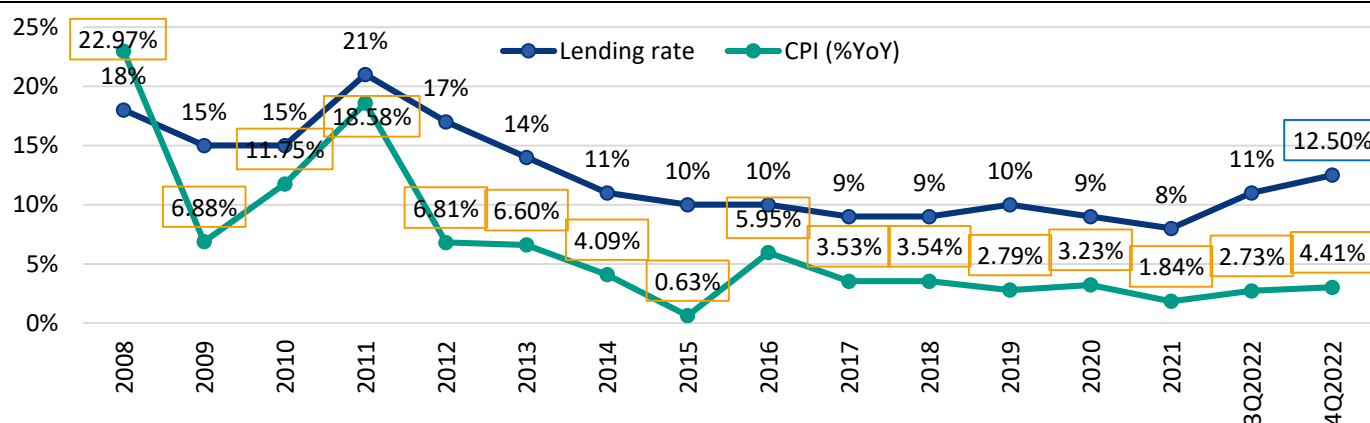
Source: HNX, FiinPro, BSC Research

Liquidity pressure is huge because the bond maturity drop point is concentrated in 2023-2024. The scale of corporate bond maturity of real estate enterprises in 2023 will increase by nearly 80% compared to 2022 and account for 49% of the total maturity value of the whole market. Although corporate bond buybacks are positive in 2022, the pressure to mature corporate bonds in the next 2 years is still very large, especially in Q2-Q3/2023 and Q1/2024.

The high interest rate environment will negatively affect both real estate developers and home buyers. Average lending rates have increased sharply in the second half of 2022 from 8%-9%/year to 12.5%/year in 2022 and are expected to continue to maintain high levels in 2023 in the situation of monetary policy of many countries tightening in the fight against inflation crisis. The rising interest rate environment is particularly negative for both real estate customers and businesses.

- For homebuyers: assuming (1) the term of a home loan is 25 years, the interest and principal is paid equally every month, (2) the interest rate at the beginning of 2022 is 9%/year and (3) the interest rate at the end of 2022 is 12.5%/year, we estimate that the monthly amount payable may increase by over 29.9%. Meanwhile, banks usually only accept home loans for cases where the average monthly contribution to average monthly income ratio is less than 50%. This reduces homebuyers' access to loans.
- For real estate businesses: besides the number of transactions decreasing when homebuyers are affected, interest costs will increase by about 38.9% and businesses must apply discount programs to stimulate demand.

Average interest rate and Vietnam CPI in the period 2008-2022



Source: GSO, BSC Research

RESTRUCTURING TO SURVIVE DIFFICULT TIMES AND WAIT FOR KNOTS TO BE UNTANGLED

The period 2023-2024 is extremely challenging for the real estate market, based on our view, businesses will have to carry out a comprehensive restructuring including (1) debt restructuring, (2) product portfolio restructuring and mainly (3) waiting to remove legal bottlenecks, especially through the Amended Decree 65/2022/ND-CP.

- **Debt restructuring:** including divesting some projects or finding a strategic partner with good financial background and management capacity, optimizing operating costs (cutting personnel, abandoning inefficient business segments). In particular, *the revised Decree 65/2022/ND-CP is expected to bring solutions to reduce pressure on bonds maturity includes debt relief/asset swaps through negotiated negotiations.*
- **Restructuring the product portfolio:** promoting the implementation of projects that meet real housing needs, implementing appropriate discount programs or selling assets at the project/share level at project investor enterprises at **reasonable prices**. The improper positioning of the product segment, focusing too much on the high-end segment, the investment segment greatly affects the business performance of the business.

We believe that the trend of declining new opening value will continue in the future when the current projects are mostly high-end segments that have not met real demand, the ability of enterprises to implement new projects faces many difficulties, the situation of credit tightening and macroeconomic instability. However, **this is also an opportunity for businesses with a healthy financial foundation and good corporate governance to increase the land bank at an attractive cost.**

Business	Debt/Total Assets	Bond Maturity 2023	Presales 2021	Presales 6T2022	Presales 9T2022	CFO 2022	CFI 2022	CFF 2022
NVL	25%	19,109	84,900	55,536	73,500	(3,262)	(7,458)	2,071
VHM	10%	3,834	78,900	92,500	110,200	42,118	(38,559)	2,628
DXG	19%	416	4,352	2,300	2,600	(3,873)	235	1,820
NLG	19%	443	8,800	6,500	9,922	(225)	(547)	1,434
KDH	31%	-	N/A	N/A	N/A	(1,824)	(20)	3,230
AGG	14%	1,209	N/A	N/A	N/A	2,937	(1,573)	(1,039)

Source: GSO, BSC Research

POSITIVE PROSPECTS IN THE LONG TERM

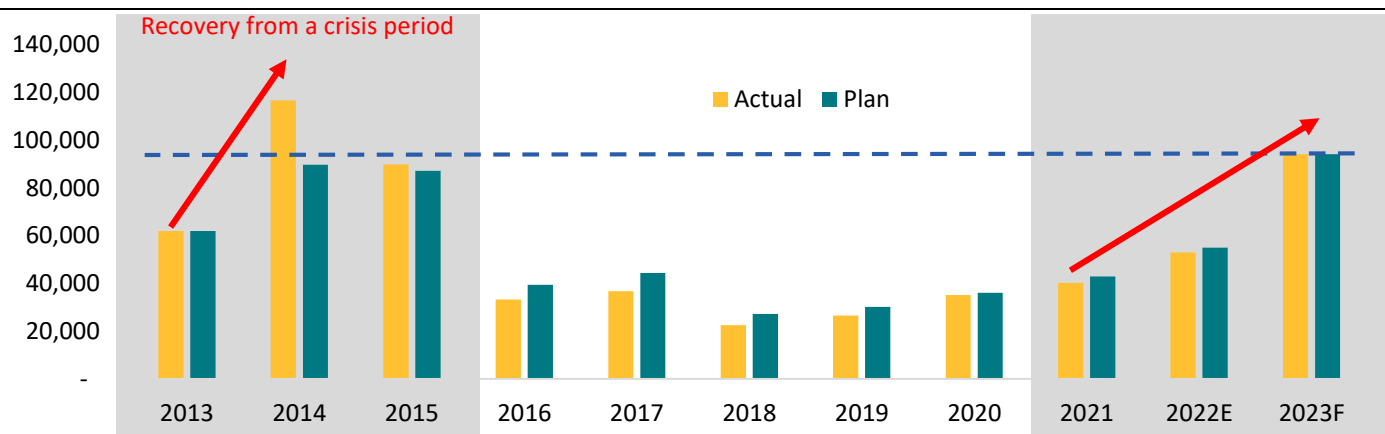
The residential real estate market is very difficult, unhealthy, unstable and unsustainable development, reflected in the "supply and demand discrepancy", "market segment difference" and "credit divergence in the high-end housing segment" which in our opinion is derived from a significant part of the law mechanism, as well as from the unclear legal procedure as stated above. BSC believes that the **real estate industry is entering a period of temporary gloom, a period of comprehensive restructuring to be ready for the next cycle of the industry**. Positive long-term prospects when real housing demand remains high and supply is gradually "untied" thanks to (1) **the progress of legal completion is promoted**, the market aims at transparency, health, increasing sustainability through the Amended Decree 65/2022/ND-CP, the Amended Land Law and Decision No. 1435/QĐ-TTg, (2) **Synchronously developed connectivity infrastructure** will gradually pull real demand to suburban areas, reducing pressure on large cities where the remaining land bank is very limited.

(1) Positive signs have appeared at the end of 2022, suggesting expectations of support policies for the sustainable real estate market:

- **The Draft Amendment to Decree 65/2022/ND-CP** creates room for development, allowing issuers, especially real estate enterprises, more time to handle bond issues.
- **The Revised Draft Land Law** has new points that, in our opinion, will improve the efficiency of project implementation and make the real estate market healthier and more transparent when (1) removing the land price bracket (every 5 years), instead, building an annual land price list and publicly announcing it and (2) supplementing financial collections from land to projects that are behind schedule, not put into use.
- **Decision 1435/QĐ-TTg establishes a Working Group to remove difficulties and obstacles in the implementation of real estate projects:** The target working group reviews the legal bottlenecks of the project, guides localities to solve administrative procedures quickly and promptly present recommendations to the Government.

(2) **Accelerate the disbursement of infrastructure investment in 2023, which is expected to help the real estate market recover faster and supply and demand are gradually balanced.** According to the operating target, the Government aims to promote the disbursement of public investment in 2023, the total capital is over VND 700,000 billion, an increase of about 25% compared to the plan in 2022 and an increase of about 57.5% compared to the 2021 plan. In addition, the projects also began to transition to the construction stage after more than a year of preparing documents, bidding and land clearance. The price of construction materials has also cooled down at the present time, creating favorable conditions for the implementation of the project. **We expect the synchronously developed connectivity infrastructure will gradually pull real demand from the inner city (tier 1) to the suburban areas (tier 1.5) and neighboring provinces/cities (tier 2), reducing the pressure on big cities where the remaining land fund is very limited, thereby narrowing the level of "discrepancy" between supply and demand.**

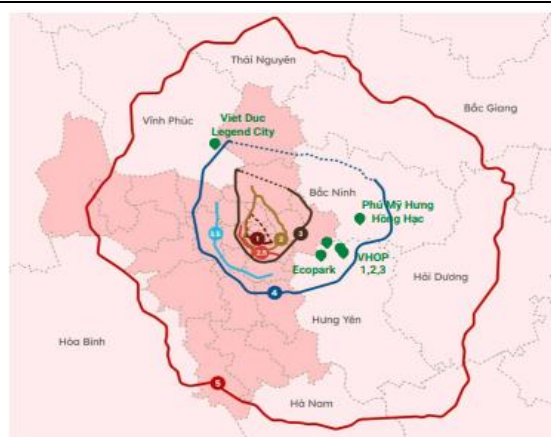
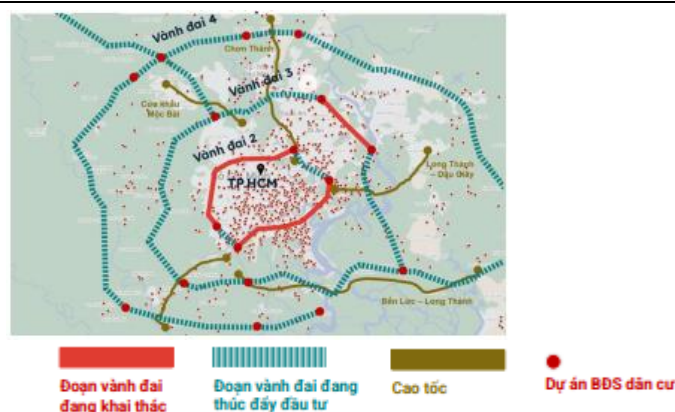
Public investment plan for infrastructure in 2023



Source: Ministry of Transport, BSC Research

Ho Chi Minh City infrastructure map – development target to Belt 4 by the end of 2025

Hanoi infrastructure map – Ring Road 4 development goals by 2027



INVESTMENT PERSPECTIVE – NEGATIVE

BSC maintains a **NEGATIVE** view on the real estate industry in 2023 due to "headwinds" including (1) "supply-demand discrepancy", (2) large cash flow pressure while all capital channels are clogged. The period 2023-2024 is the time when businesses need to carry out a comprehensive restructuring to "survive" and wait for legal and credit bottlenecks to be opened. However, we also see a number of positive factors at the end of 2022, suggesting expectations of policies to support the sustainable real estate market including (1) **The proposed Amendment of Decree 65/2022/ND-CP**, (2) **the Revised Draft Land Law**, (3) **Decision 1435/QĐ-TTg** and (4) **Promoting infrastructure** investment. will gradually pull real demand to suburban areas, thereby narrowing the "phase difference" between supply and demand.

Ticker	Net revenue 2023 (Bil VND)	% YoY	NPAT 2023 (bil VND)	% YoY	EPS 2023	P/E fw	P/B fw	ROA 2023	ROE 2023	Closing price 09/02/2023	Target price	Upside (%)
VHM	66,656	7%	22,369	-22%	5,137	8.9	1.2	10%	14%	46,600	N/A	N/A
VRE	9,491	30%	3,673	34%	1,576	18.1	1.8	9%	10%	28,500	31,800	12%
DXG	4,497	-19%	234	57%	1,304	9.6	0.5	2%	4%	12,500	N/A	N/A
NLG	5,364	24%	796	43%	2,602	10.6	1.0	19%	34%	27,000	N/A	N/A
KDH	3,162	9%	1,217	10%	1,614	15.8	1.5	6%	9%	27,000	N/A	N/A

7.2. Public investments

SEAPORT SECTOR [NEUTRAL]

Analyst: Pham Quang Minh

Email: minhpg@bsc.com.vn

- **Container production grew slowly in 2022.** By the end of 11M.2022, container volume of the whole industry equals to 23 million TEUS (+5% yoy). In 2023, BSC believes that container production will still grow slowly by +3-4% yoy due to the slowing global economy.
- **Competition will return in 2023** as Hai Phong ports still have 20-25% capacity surplus.
- **The position of seaport enterprises in Hai Phong will change significantly in 2023.**
- BSC maintains a **NEUTRAL** recommendation for the Seaports group in 2023.

Container production grew slowly in 2022. By the end of 11M.2022, container volume of the whole industry equals to 23 million TEUS (+5% yoy). If the low level in Aug-Sep is removed, container production is only +2-3% yoy due to (1) major economies such as the EU, the US recession, and (2) China maintains a Zero Covid policy. Inside:

- **In Cai Mep Thi Vai area:** Except for GML + 43% yoy due to the low base level to come into operation in 2021, the majority of ports decreased by 3-5% yoy due to slowing orders to the EU and the US. In particular, some less favorable locations such as SSIT have had to receive a large number of empty containers in the context of difficult import and export.
- **In Hai Phong area:** Except for TC-HICT + 71% yoy due to low base level in 2021, the remaining ports in Cam River are only + 1% yoy.

In 2023, BSC believes that container production of the whole industry will still grow weakly at +3-4% yoy due to major economies such as the US, EU, Japan, ... is forecast to continue to decelerate, leading to import and export still slowing down in the near future. (Details at Macro Report 2023)

Figure: Container volume through Vietnam + 5% yoy in 11M.2022

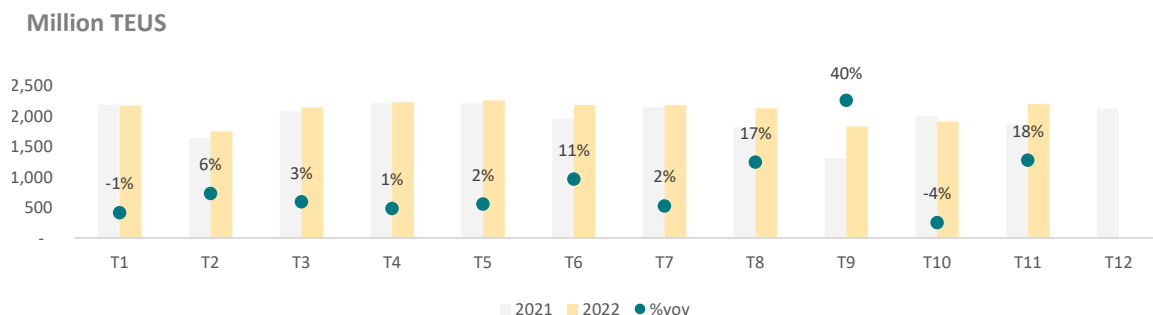
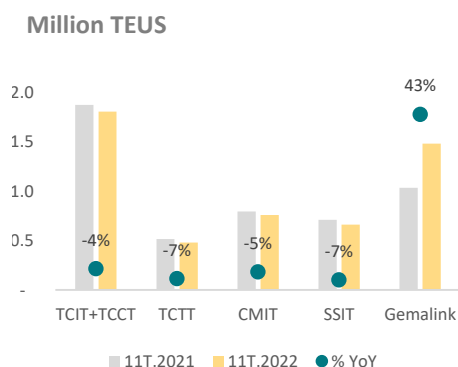
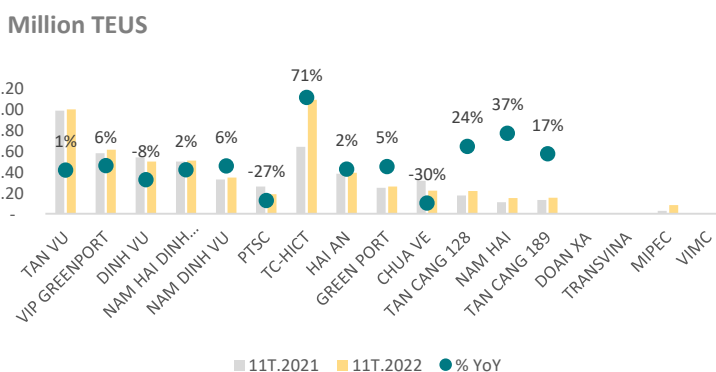


Figure: Container output via CMTV 11T.2022



Hinh: Container output via HP 11T.2022



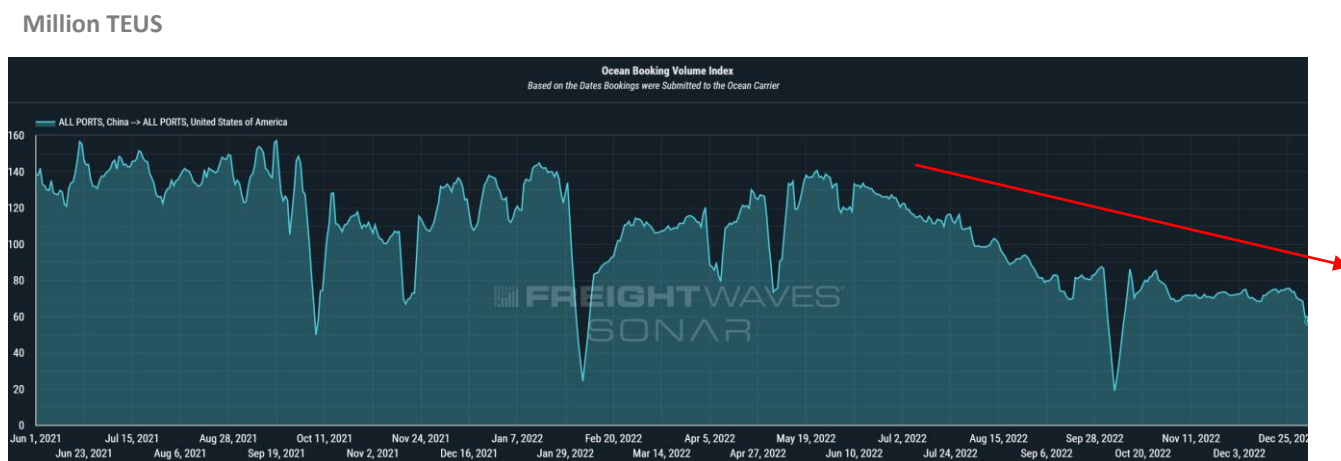
Source: BSC General

Tracking factors from China Reopening: China has opened its borders since January 1st, 2023. BSC believes that the impact on container production in the whole sector of Vietnam is not too large due to the nature of the end demand in the US and EU is very weak. As of Dec-2022, BSC has not seen any sign of recovery in demand from the US and EU markets, specifically:

- The number of US orders in China was decreasing by 30-40% yoy in December 2022.
- Container production from China to the US is still in a downward trend since May 2022.

Therefore, the BSC takes a cautious view, and considers that the magnitude of the impact of this event is not great.

Figure: Container output from China to the US tends to decrease from T5.2022



The position of seaport enterprises in Hai Phong will change significantly in 2023. Specifically, GMD plans to divest its capital at Nam Hai Dinh Vu port. At 31/12/2022, GMD received a deposit = VND 1,000 billion. BSC believes that (1) the buying partner is VSC, (2) expects the deal to be completed in Q1 2023. If the deal is successful:

1. **VSC will become the largest port enterprise in Hai Phong region in 2023**, with the total capacity of VSC equals to 2.6 million TEUS (+36% yoy), accounting for 30% market share.
2. **On the contrary, GMD will not have too much room for growth in Hai Phong after the deal**, because the basic ports have been filled. BSC forecasts that the total capacity of GMD = 1.2 million TEUS (-15% yoy), accounting for 14% market share – including the Nam Dinh Vu project phase 2 comes into operation.

Image: Total capacity of seaport enterprises in Hai Phong

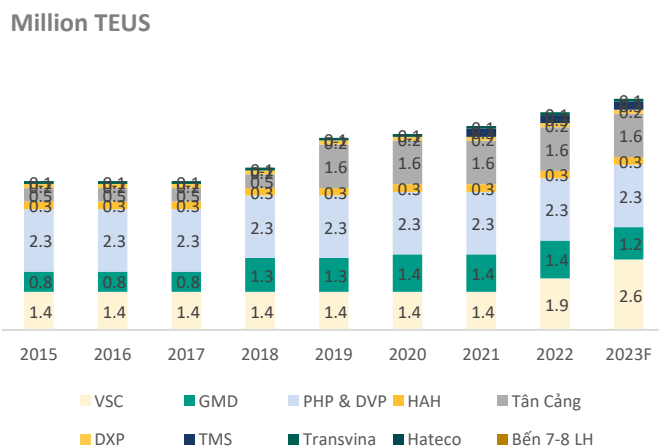
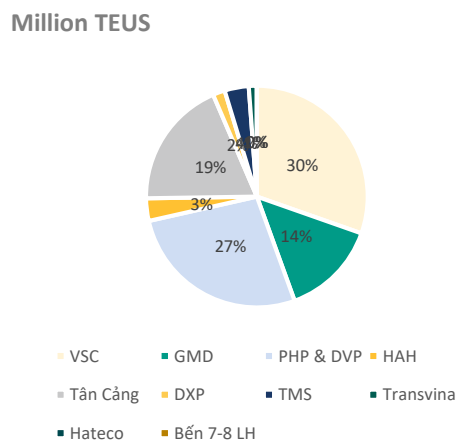


Image: Market share of seaport enterprises in Hai Phong



Source: BSC General

INVESTMENT PERSPECTIVE – NEUTRAL

Compared to the previous Report, BSC maintains a **NEUTRAL** view of the seaport industry based on the following factors:

- The growth rate of the whole industry will slow down in the near future.
- However, in the long term, BSC assesses that (1) seaport enterprises still own valuable assets, (2) Vietnam's seaport industry still maintains long-term growth of 7-10% yoy thanks to the trend of shifting production from China to neighboring countries such as Vietnam.

Therefore, BSC maintains a neutral view towards the seaport industry in 2023.

Figure: Estimated business results of some seaport enterprises

Ticker	Net revenue 2023 (Bil VND)	% YoY	NPAT 2023 (bil VND)	% YoY	EPS 2023	P/E fw	P/B fw	ROA 2023	ROE 2023	Closing price 09/02/2023	Target price	Upside (%)
GMD	3,997	2%	2,127	114%	7,059	7.4	1.7	15%	23%	52,100	57,000	9%

Source: BSC Research

STEEL SECTOR [NEUTRAL]

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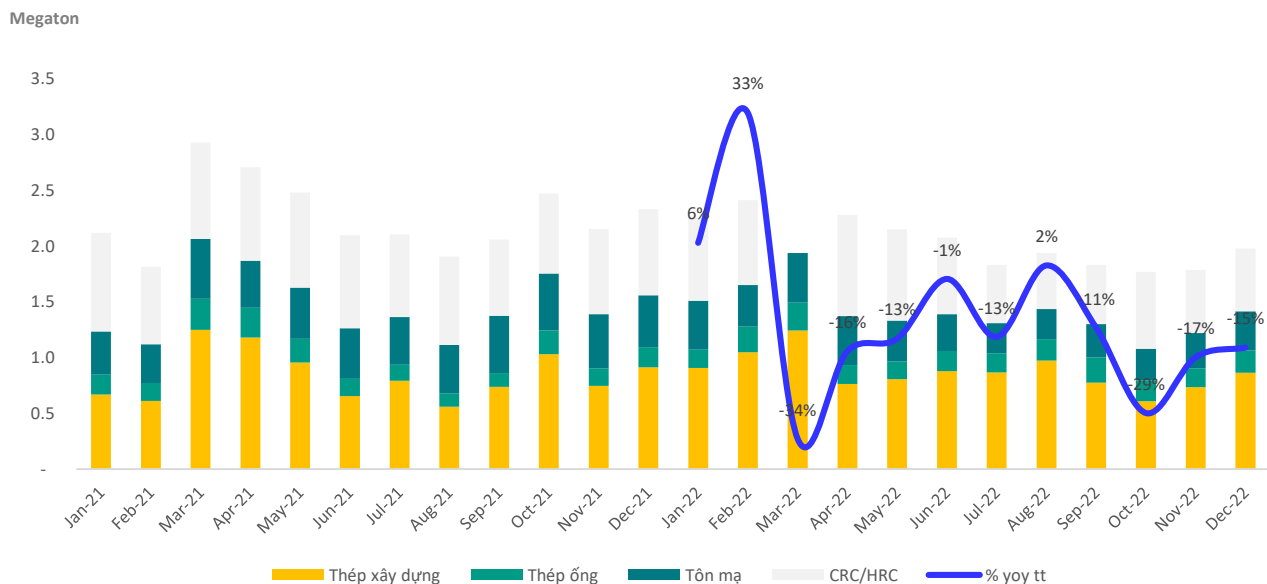
- **Consumption output in 2022 is less positive in both domestic and export markets.** By the end of 2022, steel consumption of the whole industry is -10.8% yoy, of which, domestic -7% yoy, export -21% yoy.
- **In 2023, BSC expects steel consumption to recover** thanks to the removal of the real estate policy. **However, the recovery rate of steel output will be slow** due to (1) the domestic real estate market slows down, it takes time for businesses to restructure projects, (2) major economies are forecast to continue to decline, leading to reduced demand. Accordingly, BSC forecasts total steel consumption of +3-5% yoy.
- **Profit margins of steel enterprises will improve in Q1.2023.**
- BSC recommends **NEUTRAL** for Steel industry in Q1.2023 due to high price inventories that have been recorded in 2H.2022

Consumption output in 2022 is less positive in both domestic and export markets. By the end of 2022, the steel consumption volume of the whole industry -10.8% yoy, of which:

- Domestic -7% yoy due to "frozen" real estate projects;
- Exports -21% yoy. In particular, galvanized steel exports fell sharply (-39% yoy) due to a decrease in demand from major economies. At the same time, the world steel price fell deeply, making galvanized steel manufacturers in Vietnam no longer have a competitive advantage in price as in 2021.

In 2023, BSC expects steel consumption to recover thanks to the removal of the real estate policy. **However, the recovery rate of steel output will be slow** due to (1) the domestic real estate market slowing down when real estate businesses need time to restructure projects, (2) major economies are forecast to continue to decline, leading to reduced demand. Accordingly, BSC forecasts total steel consumption of +3-5% yoy.

Figure: Steel consumption volume of the whole industry -10.8% yoy in 2022



Source: BSC Research

Figure: Domestic consumption -7% yoy in 2022

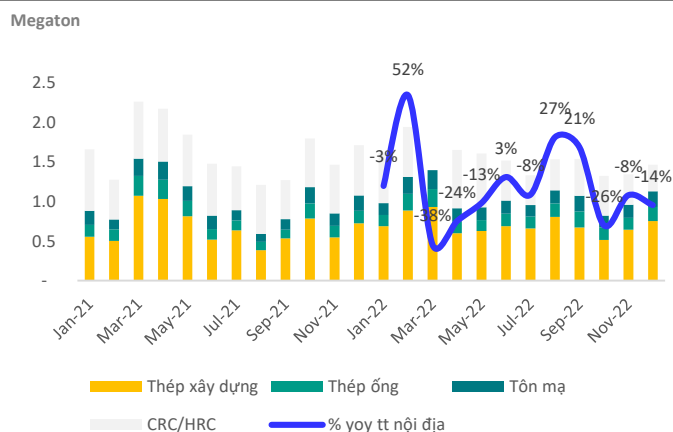
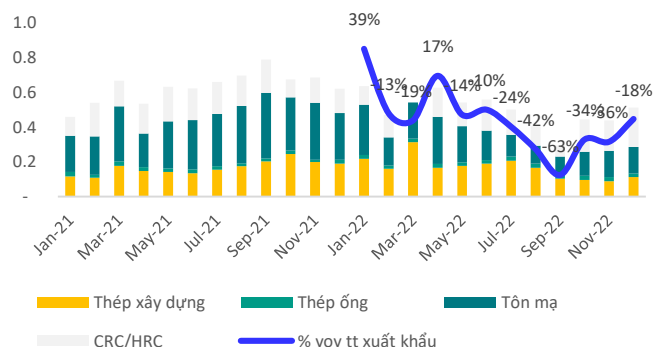


Figure 1: Export volume -21% yoy in 2022



Source: BSC Research

Steel prices are in a downward trend in 2022 due to weak demand (as analyzed above). In particular, the steel price at the construction plant is -11% ytd, the steel pipe price is -20% ytd, the galvanized steel price is -10% ytd. Retail steel prices may have a greater degree of decline as mills increase dealer discounts. By the end of 2022, with (1) steel enterprises raising prices again, (2) inventories at distributors to come back to low levels, BSC thinks that the temporary steel market has balanced. **In 2023,**

- **In Q1, BSC expects the overall steel price level to recover 2-3% QoQ** due to (1) seasonality, (2) world steel prices recovering when China Reopening takes place.
- **In Q2-Q3, steel price movements will depend on the level of recovery from steel demand.** With (1) the view that the pace of recovery in demand is still slow in 2023 (as analyzed above) (2) steel supply may increase again when China opens up, BSC thinks that steel prices may adjust downwards again.

Figure: HPG's construction steel price movement

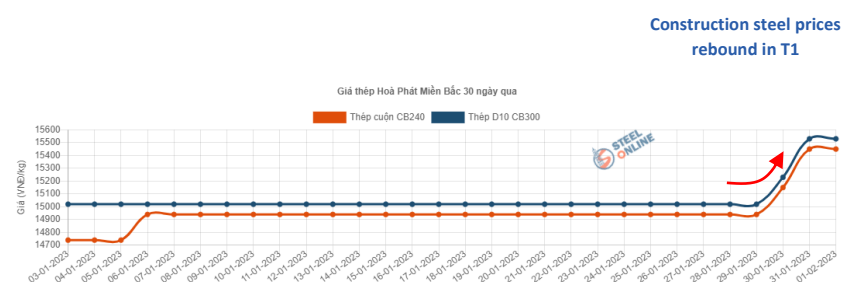


Image: HRC price movement in 2022 – T1.2023



Source: BSC Research

Profit margins of steel enterprises will improve in Q1.2023 thanks to:

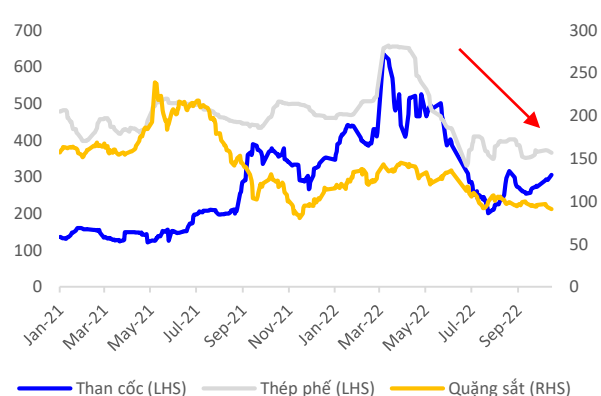
- **BSC believes that high-priced inventories have mostly been liquidated in 2H.2022,** based on the following two factors: Firstly, (1) steel enterprises usually maintain a sufficient amount of raw materials for 3 months of sales, and have continuously cut capacity since July, even furnaces closing such as HPG (Nov), POM (Oct). Secondly, (2) the industry's steel inventories have reached

the lowest level in 5 quarters. By the end of December 2022, steel inventories of all kinds had decreased to 990,000 tons (-29% yoy). In which, construction inventory -28% yoy, galvanized steel -16% yoy, HRC/CRC -46% yoy.

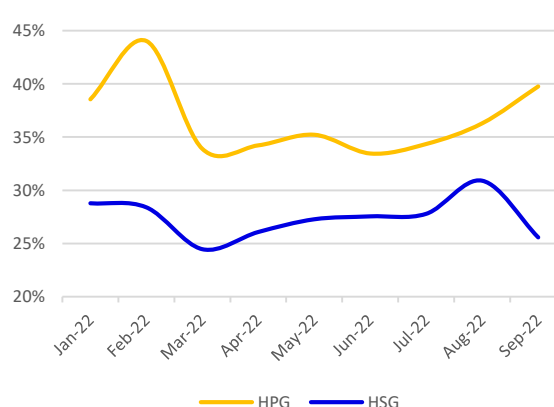
- In addition, the price of raw materials has remained low from Jul-2022, helping to reduce the cost of inventory in the near future.

Therefore, BSC believes that corporate profit in the steel industry will improve in Q1.2023. In particular, HPG and HSG will have a better level of improvement than the rest of the enterprises thanks to (1) focusing on the domestic market, so they have the ability to consume faster, (2) early reduced steel production capacity (HPG: Nov-2022, HSG: Apr-2022).

Prices of iron ore, coking coal and scrap steel fell sharply (USD/ton)



HPG, HSG still maintain the domestic market share in construction steel and galvanized steel products



Source: Bloomberg, Fiinpro, BSC Research

INVESTMENT PERSPECTIVE – NEUTRAL

We raised our recommendation from **LESS POSITIVE** to **NEUTRAL** for the Steel industry in Q1.2023 mainly due to the high price inventory that was recorded in 2H.2022. However, BSC noted that the poor consumption outlook will last into 2023.

Figure: Estimated business results of some steel enterprises

Ticker	Net revenue 2023 (Bil VND)	% YoY	NPAT 2023 (bil VND)	% YoY	EPS 2023	P/E fw	P/B fw	ROA 2023	ROE 2023	Closing price 09/02/2023	Target price	Upside (%)
HPG	118,630	-16%	11,142	31%	1,916	11.0	1.1	6%	10%	21,100	21,500	2%
HSG	38,764	-22%	1,304	419%	2,181	6.7	1.3	8%	11%	14,650	16,500	13%

-BSC Research

7.3. China Reopening

CONSUMER – RETAIL SECTOR [POSITIVE]

Analyst: Pham Thi Minh Chau

Email: Chauptm@bsc.com.vn

- The retail industry in 2022 recorded growth on the low level of 2021
- 2023- An unpredictable year: when difficulties from weakening demand and high inventories are expected to continue to put pressure on the business results of the retail consumer sector in the first half of 2023.
- However, we still expect a more positive situation by the end of 2023.
- BSC makes **POSITIVE** recommendations for the retail consumer sector in the second half of 2023

Accumulated for the whole year 2022, the total retail sales of consumer goods and services is estimated at VND 5,679.9 trillion (+19.8%YoY), if excluding the price increase factor of +15.6%YoY compared to the decrease of -6.7%YoY of 2021 thanks to (1) the strong recovery of all sectors on the low level of 2021 and (2) The price increase of ~+4% YoY mainly comes from:

- fuel prices increased including gasoline prices increased by +28.01%YoY and Gas prices increased by +11.49%YoY due to geopolitical instability in the world,
- housing and construction materials prices increased by 3.11% YoY due to the increase in cement, iron, steel and sand prices according to the price of input materials,
- food prices (up from +1.22% to +1.62%YoY) due to the increase in domestic rice prices according to export rice prices, the pressure of NVL prices increased and the demand for eating out increased again after the epidemic (+4.4%YoY).

In addition, the factor contributing to curbing the overall price increase of the economy in 2022 is thanks to a decrease in pork prices of -10.68% YoY due to the abundant supply of pigs thanks to the controlled African swine fever and the disruption of China's sub-quota exports as the country maintains strict disease prevention measures;

Figure: Total retail sales of goods recovered after the epidemic

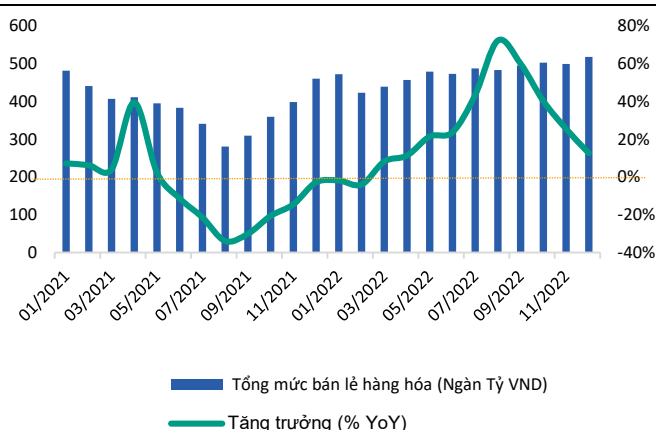
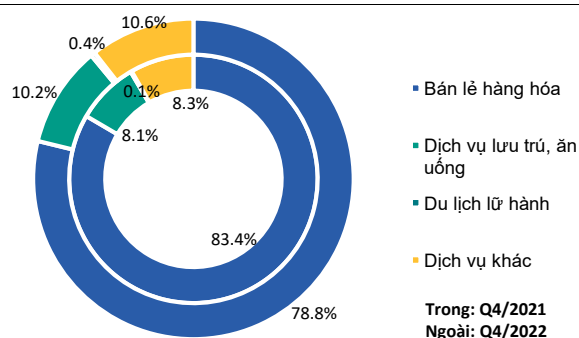


Figure: Change in the contribution of components in total retail sales of consumers goods and services in 2021 and 2022



Source: GSO, General BSC.

However, according to our comments in the previous report ([link](#)), consumer demand has shown signs of slowing down from the end of Q3/2022 and the decline in the late Q4/2022 period has been reflected in the business results of most businesses, due to (1) the high level of the same period in 2021 after the revenge consumption effect along with pressure from high inventories in Vietnam and many countries around the world; While (2) according to the consolidated report from the [Labor Union](#), many businesses have difficulty implementing work hours cuts and staff cuts, causing people's incomes to decline along with pressure on high consumer costs and rising interest rates.

Subsector	Ticker	Actual numbers	
		Net Profit 9M22	Net Profit 2022
Consumer Discretionary	MWG	3,481	4,100
	%YoY	4%	-16%
	PNJ	1,340	1,807
	%YoY	133%	76%
	FRT	296	390
	%YoY	173%	-12%
	DGW	528	684
	%YoY	60%	4%
	DHC	296	378
	%YoY	-24%	-21%
	PET	135	125
	%YoY	-13%	-53%

Subsector	Ticker	Actual numbers	
		Net Profit 9M22	Net Profit 2022
Consumer Staples	DBC	229	150
	%YoY	-68%	-82%
	SAB	4,181	5,224
	%YoY	77%	42%
	VNM	6,647	8,516
	%YoY	-20%	-19%
	MSN	3,120	3,567
	%YoY	47%	-58%

In particular: SAB and PNJ had a low level over the same period, and DGW recorded an unusual profit from joint ventures and associates, but still had a slower growth rate than 9M.22

Source:Fiinpro

2023- An unpredictable year: when difficulties from weakening demand and high inventories are expected to continue to put pressure on the business results of the retail consumer sector in the first half of 2023. However, we still expect a more positive situation by the end of 2023 thanks to (1) the normalization of economic activities in China, (2) the expectation that the inflation situation of the power nations is handled and the pressure on high inventories is reduced, and (3) the world geopolitical tension continues to cool down.

Figure: Factors affecting the operations of enterprises in 2022

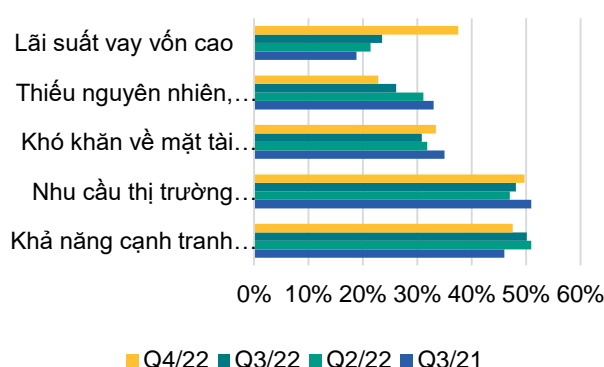
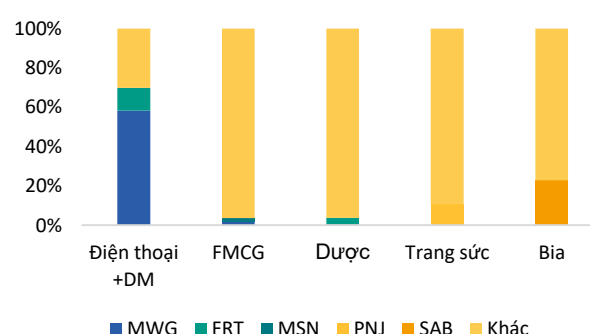


Figure: Market share estimate on the value of large enterprises in the retail sector in 2021



Source: GSO, VIRA, MWG, BSC

- **For the retail sector group - The high level of 2022 along with pressure from interest rates and declining purchasing power:** making the competitiveness in the industry fierce, has posed a common growth challenge for this industry group in 2023 (especially for the cellphone and electronics subsector, which already has a very high background in 2022). However, BSC expects large enterprises possessing

financial strength, pursuing modern consumption trends to continue to grow higher than the industry average in 2023, but the increase may be lower than the high background of 2022, due to:

- (1) Gain more market share by scaling up, (PNJ, TGDD & DMX of MWG) and conduct M&A
- (2) Comprehensive restructuring (MWG's BHX), digitization and optimization of the operating model of the business (SAB, TLG, PNJ).
- **For consumer sectors (VNM, QNS, ...) – Growth from the low level of 2022 but still facing declining purchasing power pressure:** The gross profit margin of the industry improved thanks to (1) Revenue growth comes from stable demand due to the adaptation to higher price levels in 1H/2022 (2) the downward trend of material prices and transportation costs after the climax of geopolitical tensions in the world. In addition, the event expects China to open up to solve the problem of goods circulation and support the export revenue of many current enterprises.

Figure: the downward trend of the price of milk powder imported from New Zealand (USD/Ton)

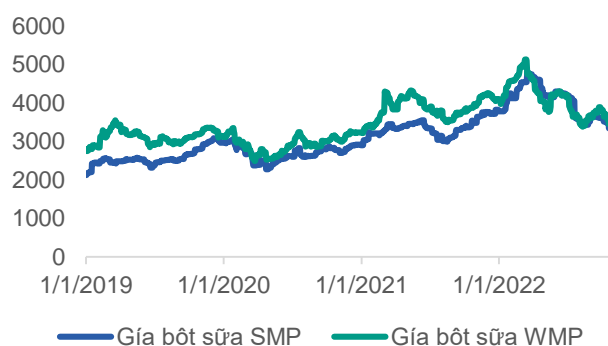
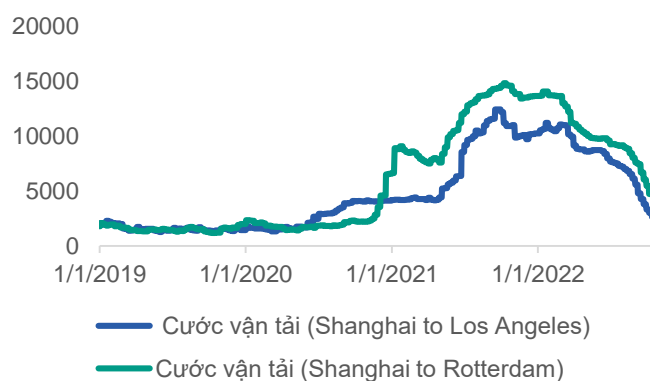


Image: Deep drop in freight rates after the climax of world war tensions (USD)



Source: DBC, Bloomberg, BSC

INVESTMENT PERSPECTIVE – POSITIVE

BSC makes **POSITIVE** recommendations for retail consumer sectors **in the second half of 2023**.

Although, difficulties from weakening demand and high inventories are expected to continue to put pressure on the business results of the retail consumer sector in the first half of 2023. **However, we still expect a more positive situation by the end of 2023**, when (1) the normalization of economic activities in China, (2) expect the inflation situation of the world powers to be contained and reduce the pressure on high inventories, and (3) the world geopolitical tension continues to cool down.

Figure: Estimated business results of some consumer – retail enterprises

Ticker	Net revenue 2023 (Bil VND)	% YoY	NPAT 2023 (bil VND)	% YoY	EPS 2023	P/E fw	P/B fw	ROA 2023	ROE 2023	Closing price 09/02/2023	Target price	Upside (%)
MWG	128,461	-4%	4,815	17%	3,289	13.5	1.6	7%	18%	44,500	54,600	23%
VNM	61,883	3%	9,282	9%	4,214	18.0	1.6	19%	27%	75,800	82,200	8%
MSN	84,146	10%	3,710	4%	2,605	35.9	1.6	3%	13%	93,500	96,000	3%
PNJ	35,454	5%	1,968	9%	7,475	11.1	1.6	15%	26%	82,900	95,000	15%
DGW	31,282	42%	766	12%	5,334	7.8	1.6	9%	26%	41,700	45,000	8%
FRT	33,307	10%	418	7%	2,965	25.4	1.6	4%	21%	75,300	77.1 00	2%

AVIATION SERVICES SECTOR [POSITIVE] – AVIATION TRANSPORTATION SECTOR [NEUTRAL]

Analyst: Pham Quang Minh

Email: minhphq@bsc.com.vn

- By the end of 2022, domestic passenger volume through ACV's ports = 87 million (+195% yoy), equivalent with 117% compared to before the pandemic, thanks to the full recovery of domestic flights. For 2023, BSC estimates domestic volume will stay flat at 92 million (+0.3% yoy) due to the high base in 2022.
- By the end of 2022, international passenger volume through ACV's ports = 12 million (+2,300% yoy), thanks to (1) international reopen, (2) new flights to India which increases the total demand.
- BSC holds **POSITIVE** view with Aviation Services such as ACV thanks to the recover of international passenger volume in 2023 because of (1) China reopen, (2) the Airlines focus on India market
- BSC raises the outlook for 2023 from **NEGATIVE** to **NEUTRAL** for Aviation Transportation mainly because of the reopen of China market – the largest airline market of Vietnam. However, high oil price will bring negative impact on this sector.

DOMESTIC TRANSPORTATION – RECOVERED BY 117% IN COMPARISON WITH BEFORE THE PANDEMIC

By the end of 2022, domestic passenger volume through ACV's ports = 87 million (+195% yoy), equivalent to 117% before the pandemic, thank to the fully recover of domestic flights. [In comparison with the previous report](#), BSC maintains the view that: the Covid-19 is totally under controlled and the domestic transportation has moved into a "new normal stage". For 2023, BSC estimates domestic volume will stay flat at 92 million (+0.3% yoy) due to the high base in 2022.

Figure: Domestic passenger volume in 2022 +195% yoy

Triệu lượt

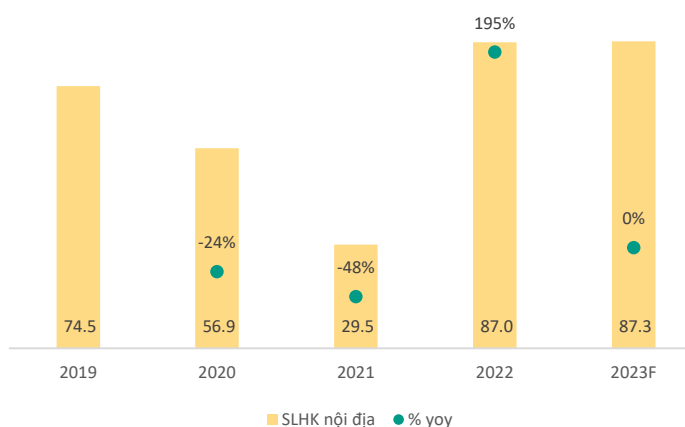


Figure: % recover of VJC, HVN domestic flight

Hãng	Tần suất chuyến/tuần	T11. 2022	% so với 2019
Vietjet Air			
HAN – SGN	315	403	128%
HAN – DAD	227	77	34%
HAN – CXR	87	68	78%
SGN – DAD	243	116	48%
SGN – PQC	88	115	131%
SGN – HPH	104	118	113%
Vietnam Airlines			
HAN – SGN	474	525	111%
HAN – DAD	169	211	125%
HAN – CXR	56	83	148%
SGN – DAD	237	250	105%
SGN – PQC	140	249	178%
SGN – HPH	84	108	128%

Nguồn: BSC Research tổng hợp

INTERNATIONAL TRANSPORTATION – RECOVERED BY 43% IN COMPARISON WITH BEFORE THE PANDEMIC

By the end of 2022, international passengers volume through ACV's port = 12 million (+2,300% yoy), equivalent to 43% before the pandemic, because of :

- The international and Vietnam reopen.** By the of Q4.2022, apart from Russia which has geopolitical tension with Ukraine, Vietnam has reopened flights to some major market such as Korea, Japan and Taiwan.
- Besides, the airlines have actively opened more flight to India, which increases the total flight demand.** To be specific, in 2022, VJC had opened 7-9 new flight, for HVN was 2 flights to India.

Moreover, some Indian airline such as SpiceJet, Indigo ... also pushed new straight flights. It increased the Indian passenger volume by 80% in comparison with the before-pandemic period.

Figure: International passenger in 2022
+2,300% yoy

Triệu lượt

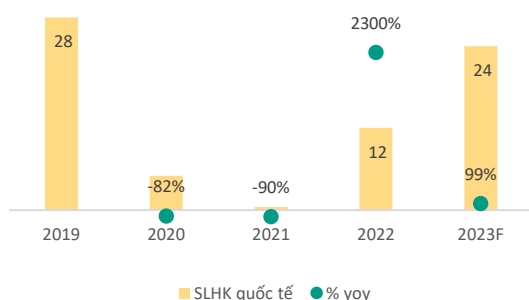


Figure: % recover of VJC, HVN international flights

Airline	Frequency/week		% change with 2019
	2019	T11. 2022	
Vietjet Air			
Korea	190	156	82%
Taiwan	182	38	21%
Japan	106	126	119%
Thailand	88	118	134%
Singapore	56	66	118%
Vietnam Airlines			
Japan	166	74	45%
Korea	126	98	78%
Taiwan	98	106	108%
China	80	2	3%
Singapore	70	52	74%

Source: BSC Research

Figure: the volume of passenger coming to Vietnam

Thousand

	Q1.22	Q2.22	Q3.22	Q4.22	2022
- China	15	27	36	47	125
- Korea	15	93	382	476	965
- Japan	5	24	68	78	175
- Taiwan	8	16	42	60	126
- US	10	58	109	142	318
- Russia	5	4	8	22	40
- Malaysia	1	21	54	94	171
- Thailand	1	21	61	119	202
- Australia	3	25	50	66	145
- UK	2	16	32	45	94
- Singapore	1	33	54	91	179
- India	0	18	43	76	137
- Others	25	121	331	473	951
Passenger vol	91	477	1,271	1,788	3,627

Figure: Tourist volume comparison between 2022 and 2019

%

	Q1.22	Q2.22	Q3.22	Q4.22	2022	% contribution of the recover in 2022*
	(1)	(2)	(3)	(4)	(5)	(6)=(5)x proportion of 2019
- China	1%	2%	2%	3%	2%	0.70%
- Korea	1%	10%	36%	41%	22%	5.40%
- Japan	2%	11%	27%	33%	18%	1.00%
- Taiwan	4%	7%	17%	24%	14%	0.70%
- US	5%	33%	62%	80%	43%	1.80%
- Russia	3%	3%	7%	13%	6%	0.20%
- Malaysia	1%	14%	40%	54%	28%	1.00%
- Thailand	1%	17%	61%	73%	40%	1.10%
- Australia	3%	28%	55%	47%	38%	0.80%
- Anh	2%	21%	44%	57%	30%	0.50%
- Singapore	1%	43%	77%	97%	58%	1.00%
- India	0%	46%	108%	148%	46%	6.30%
- Others	4%	25%	63%	71%		
Total						20.40%

Source:GSO, BSC Research

For 2023:

- BSC maintains the view that China market will rapidly recover.** By the end of 1.2023, there are strong signal of the China reopen.
 - From 11/11, Chinese government applied 20 new regulations to ease Zero-covid policy. Besides, China has also reopened their border since the end of 12.2022.
 - From Vietnam side, the airlines had started to explore flights to China. To be specific, from 9/12, Vietnam Airlines had opened flights from Hanoi, Ho Chi Minh to Shanghai, Quanzhou (1-2 flights/week). From 6/12, Bamboo Airways opened new flights from Hanoi to Tianjin (1 flight/week).

As China had maintained closing border policy for 3 years, the Chinese economy was seriously influence. **BSC suggested that the economic forces will the motivation for Chinese government to further easing Zero-covid policy and completely open in 2023.** Therefore, BSC expects that international flights to China will strongly recover in Q1 and Q2.2023

Figure: China's GDP, industry, retail are dropped due to zero-covid policy

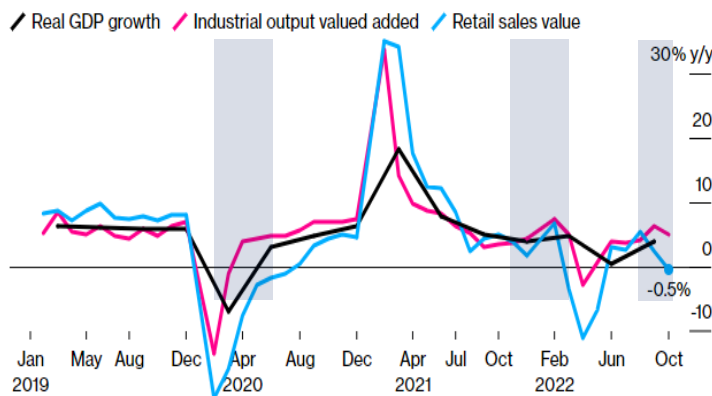
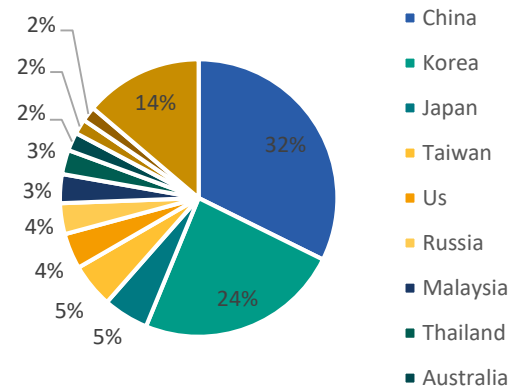


Figure: China takes account of 30% passenger volume to Vietnam



Soucre: BSC Research

2. **BSC expects Korean, Japanese, US market will continue to recover**, thanks to the reopen in 2022.
3. **BSC expects Indian market will growth +20% QoQ in 2023 because of** (1) new flights in Q4.2022, (2) large scale and high population of Indian market. BSC expect that India will be one of the 5 largest airline market of Vietnam

BSC update the forecast of total passenger volume to Vietnam = 24 million (+99% yoy), equivalent to 85% of the before pandemic based on the following assumption:

Figure: % recover of tourists to Vietnam comparing with 2019

No	Nation	2022				2023				2023F
		Q1	Q2	Q3	Q4	Q1F	Q2F	Q3F	Q4F	
1	China	1%	2%	2%	3%	15%	35%	60%	85%	53%
2	Korea	1%	10%	36%	41%	60%	80%	100%	100%	85%
3	Japan	2%	11%	27%	33%	50%	70%	90%	100%	78%
4	Taiwan	4%	7%	17%	24%	35%	50%	80%	100%	68%
5	US	5%	33%	62%	80%	90%	100%	100%	100%	97%
	India	0%	46%	108%	148%	233%	280%	327%	308%	289%
6	Others	3%	21%	53%	61%	80%	95%	100%	100%	93%
	Total	0%	12%	29%	34%	55%	71%	87%	97%	78%

Source: BSC Research estimates

Figure: International passenger volume's forecast based on tourist volume to Vietnam

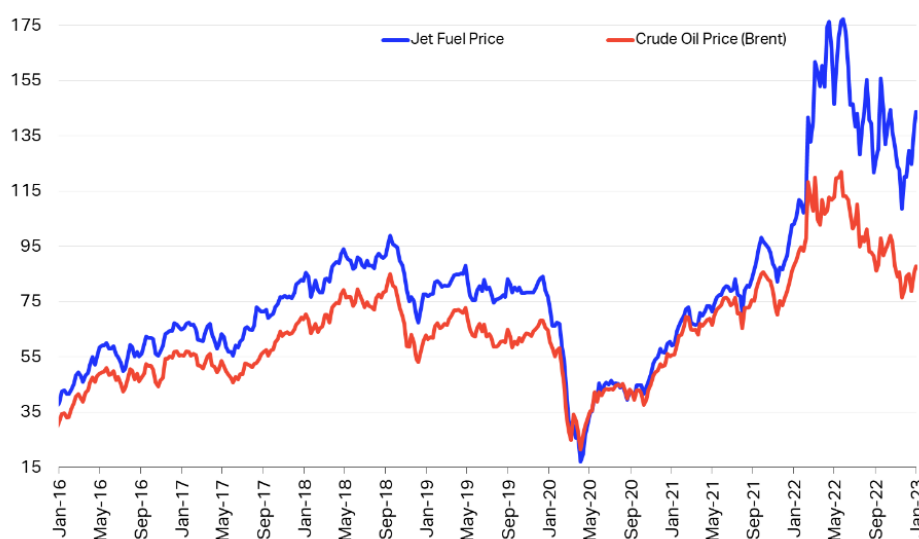
	Q1.22	Q2.22	Q3.22	Q4.22	Q1.23	Q2.23	Q3.23	Q4.23	2023F
- China	15	27	36	47	192	421	896	1555	3064
- Korea	15	93	382	476	665	777	1062	1150	3654
- Japan	5	24	68	78	117	156	231	239	743
- Taiwan	8	16	42	60	72	112	195	252	632
- US	10	58	109	142	198	173	176	177	724
- India	0	18	43	76	91	109	131	157	488

- Others	38	241	591	910	1,130	1,092	1,117	1,488	4826
Tourist vol QT (thousand)	105	597	1,531	2,225	2,464	2,839	3,808	5,019	14130
Passenger vol through ACV (thousand)									24,022

Source: BSC Research forecasts

Oil prices remained at a high level, negatively affecting the business results of the AVIATION TRANSPORTATION group. At the end of 2022, Jet A1 oil price fluctuated at 140 USD/bbl (+40-45% ytd). In Quarter 4, 2022, the price of Jet oil tended to decrease to 100 USD/bbl. Entering January, 2023, oil prices rebounded as demand recovered when China reopened. In the coming time, BSC believes that oil prices will remain high due to tight oil supply. For the whole year of 2023, BSC forecasts Jet A1 oil price = 135 USD/bbl. Therefore, the business activities of the AVIATION TRANSPORTATION group are still negatively affected because they cannot convert 100% of fuel costs to domestic fares.

Figure: Jet A1 oil price in 2022



Source: S&P Global, Refinitiv Eikon

Source: BSC Research

INVESTMENT THESIS

In comparison with Q4/2022, BSC :

- 1 Maintain **POSITIVE** view with Aviation Service group such as ACV thanks to the recover of passenger volume in 2023.
- 2 Raises the view from **NEGATIVE** to **NEUTRAL** for the AVIATION TRANSPORTATION group, it mainly comes from the reopening of China - Vietnam's largest aviation market. However, BSC noted that high oil prices will still negatively affect AVIATION TRANSPORTATION .

Figure: Business result's estimation of some airline company

Ticker	Net revenue 2023 (Bil VND)	% YoY	NPAT 2023 (bil VND)	% YoY	EPS 2023	P/E fw	P/B fw	ROA 2023	ROE 2023	Closing price 09/02/2023	Target price	Upside (%)
ACV	20,168	46%	8,833	24%	4,058	20.8	3.5	12%	17%	84,538	100,000	18%
SCS	902	6%	674	4%	6,934	10.6	4.3	39%	41%	73,500	76,000	3%
HVN	89,895	27%	-4,329	-59%	(1,955)	(6.4)	(2.1)	-7%	33%	12,600	n.a	n.a
VJC	52,551	34%	552	-125%	1,019	106.0	3.2	1%	3%	108,000	n.a	n.a

OIL TRANSPORT SECTOR [POSITIVE] - CONTAINER TRANSPORTATION SECTOR [NEGATIVE]

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Container transportation

- By the end of 2022, the container transportation price indexes dropped sharply. In 2023, BSC maintains the view that container freight rates will decrease by 65% yoy due to (1) strong increase in supply, (2) slow growth of import and export activities.
- BSC maintains its **NEGATIVE** recommendation for Container Transportation due to the Container freight rates will continue to decrease in the near future.

Oil transport

- At the end of 2022, oil transportation freight rates increased sharply due to (1) disruption of the oil supply chain in Europe, (2) low supply of tankers.
- BSC believes that the adjustment of freight rates in January is temporary and the oil price level will still remain high in 2023 due to the limited supply of oil ship.
- In 2023, BSC holds a **POSITIVE** view of the Oil Transportation group as the freight rates remain high.

CONTAINER TRANSPORTATION – NEGATIVE

By the end of 2022, the container transportation freight rate had dropped sharply. In detailed :

- The Global Spot freight rates reduced by 75% ytd. In particular, the main routes such as China to the US reduced by 85% YTD, China to Europe decreased by 80% YTD. Compared to Q3, global freight rates in Q4 decreased by 50% QoQ. Whereas, compared to before the epidemic, the price level of spot rate is still 30-40% higher.
- The fixed rates have also been reduced by 60-65% Ytd (depending on ship size). In comparison to Q3, the fixed rate in Q4 decreased by 50% QoQ. While, compared to before the pandemic, the fixed fee is 40% higher.

The reason for the drop in freight rates comes from (1) slowing down of the global economy, (2) improving ship supply bottlenecks.

Figure: The freights rate from China to US, EU decreased by 80% - 85% ytd in 2022

USD

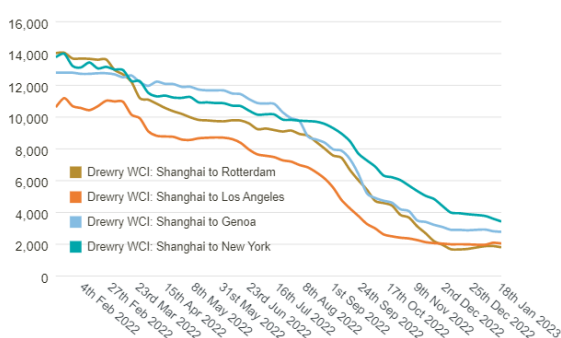
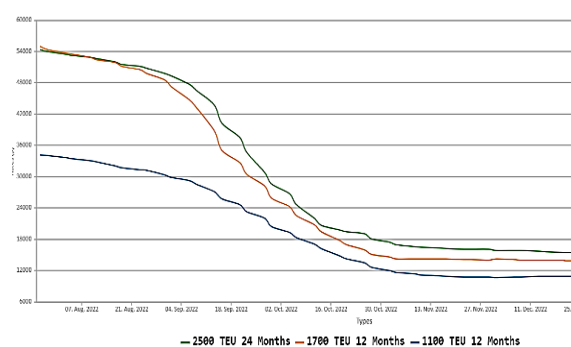


Figure: The fixed rates is dropped by 60% in 2022



Source: Bloomberg, Clarksons Research

In 2023, BSC maintains the view that freight rates is still in a downward trend due to (1) the drop-off point of ship delivery from 2023-2024, (2) import and export activities continue to grow slowly. BSC forecasts that freight rates will decrease by 65% yoy in 2023 which is 15%-20% higher than the period before the pandemic.

Figure: The fleet size grows by 10% yoy in 2023-2024

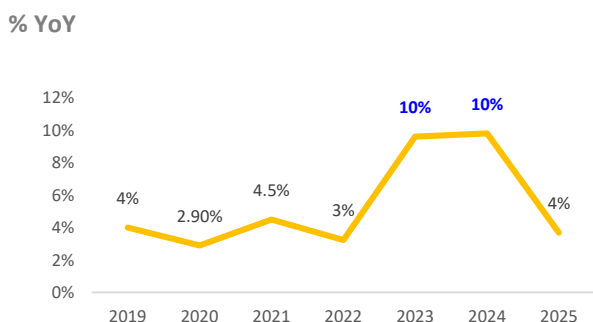
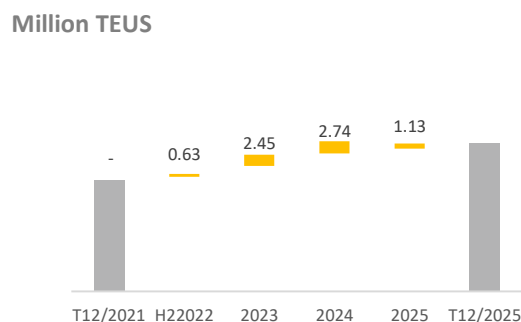


Figure: Drop-off point of ship handover in 2023-2024



Nguồn: BIMCO

OIL TRANSPORTATION – POSITIVE

At the end of 2022, oil transportation freight rates increased sharply due to (1) disruption of the oil supply chain in Europe, (2) low supply of tankers. In which, the BDTI + 109% ytd, BCTI + 73% ytd.

Entering January, the freight rates witnessed a sharp decline of 40-60% compared to the peak set in November 2022. The main reason comes from the sell-off of oil inventories before the ban from Russia to India and China has cooled down. **BSC believes that the adjustment of freight rates in January is only for technical reasons and the oil price level will still be high in 2023 due to the limited supply of ships.**

Figure: BDTI + 109% ytd, BCTI + 73% ytd in 2022

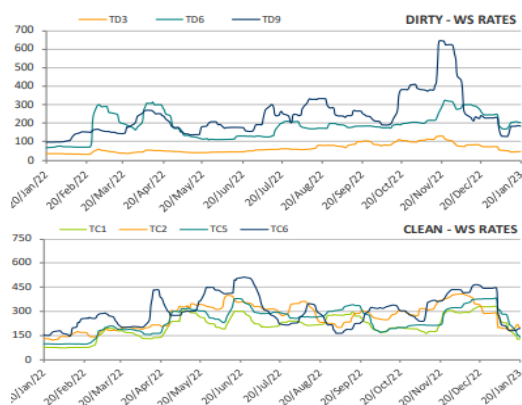
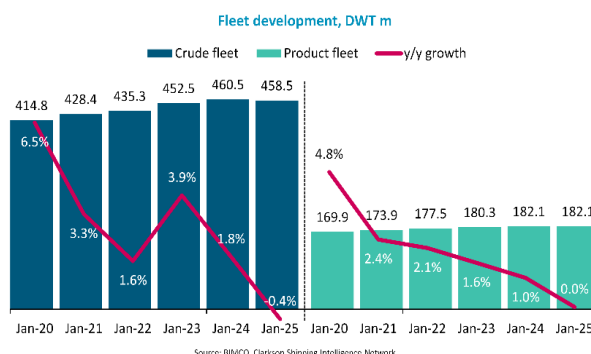


Figure: Crude fleet/product fleet +1.8%/1% in 2023



Source: BIMCO

INVESTMENT THESIS

Comparing to the last report, BSC maintains a POSITIVE view for the Oil Transport group due to its still high freight rates, and a NEGATIVE view for the Container Transport group due to the reduction in freight rates in 2023.

Figure: Sea Transportation company's business results transportation.

Ticker	Net revenue 2023 (Bil VND)	% YoY	NPAT 2023 (bil VND)	% YoY	EPS 2023	P/E fw	P/B fw	ROA 2023	ROE 2023	Closing price 09/02/2023	Target price	Upside (%)
HAH	2,694	16%	374	55%	5,473	6.9	1.0	7%	11%	37,900	40,000	6%
PVT	10,597	17%	948	10%	2,929	6.5	0.7	8%	15%	19,100	24,300	27%

Source: BSC Research

AUTOMOTIVE SECTOR [NEUTRAL]

Analyst: Luu Thuy Linh

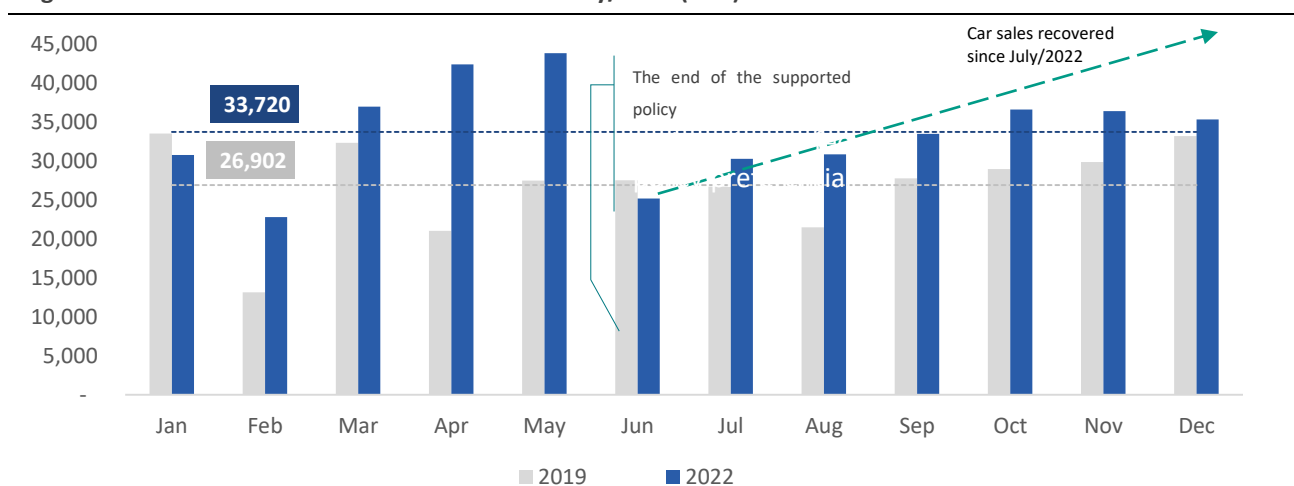
Email: Linhl2@bsc.com.vn

- In 2022, the total car sales volume reached 404,635 units, up 33% over the same period.
- BSC maintains a **NEUTRAL** view on the auto industry in 2023 due to: (1) auto sales is expected to decelerate due to a high base in 2022, inflation and interest rates remain at high baselines however (2) The profit margin of automobile manufacturers is expected to improve thanks to the cooling of key production materials.

According to the Vietnam Automobile Manufacturers Association (VAMA), accumulated in 2022, auto sales reached 404,635 units (+33% YoY, +25% compared to the pre-pandemic level), of which, the fourth quarter of 2022 sales was 108,232 units (-6% YoY, +18% compared to the pre-pandemic level).

Q4/2022 auto sales decreased by 6% YoY due to the high base level in the same period of 2021 (Q4/2021 sales boomed because of pent-up demand after the pandemic and the supported preferential registration fee policy). However, for the whole year of 2022, the average monthly sales of 33,720 vehicles have surpassed the pre-pandemic level, and the average sales in 2021 and 2019 are 25,321 vehicles and 26,902 vehicles, respectively.

Figure: The number of car sold had recover since July/2022 (unit)



Source: VAMA, BSC Research

BSC holds a NEUTRAL view on Automotive sector in 2023, we believe that the sector revenue will:

- (1) **Declare due to (1.1) high base in 2022; (1.2) reduction in consumer purchasing power and the high interest rates environment (1.4) the supported policies are over.**
- (2) **However, car sales will remain positive growth thanks to:**
 - (2.1) **Material supply is improved.** BSC expects that car sales will continue to grow as the material supply is improved when China eases their zero-covid policy, so that reducing customer's waiting time and "price difference" at the agency.
 - (2.2) **Low car ownership rate and the improvement of average income are expected to be the driving force of Vietnam Automotive sector in long-term.**
 - Vietnam has a low rate of owning car than the countries which has the same average income, such as Philippines, Indonesia. Owning car rate per 1000 civilian in Vietnam, Philippines và Indonesia are: 44, 108 and 479 cars/1,000 civilian.
 - Rapidly growing in GDP per capita and the middle class boosts the demand for car ownership because the middle class tends to spend more on houses and vehicles. According to World

Data Lab, Vietnam ranks 7th globally in terms of growth rate of the middle class and in the next 10 years Vietnam will have 23.2 million new people joining the middle class.

Figure: Owning car rate (car/1000 civilian – horizontal) and GDP per capita (USD/person – vertical) in 2020

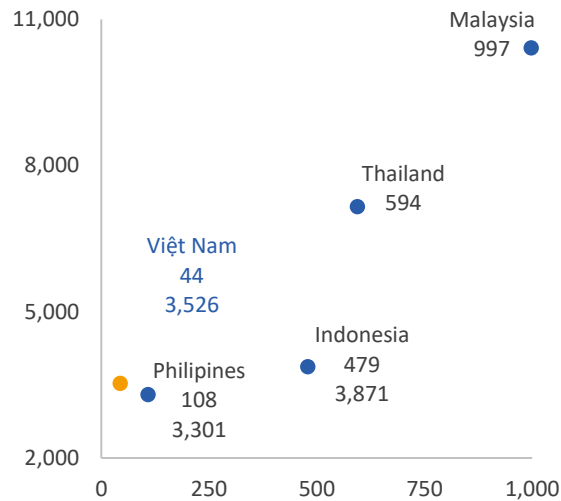
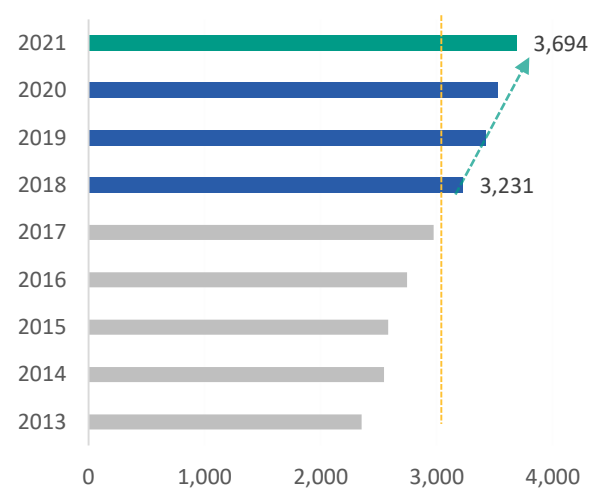


Figure: Vietnam GDP per capita from 2013 – 2021 (USD/person)

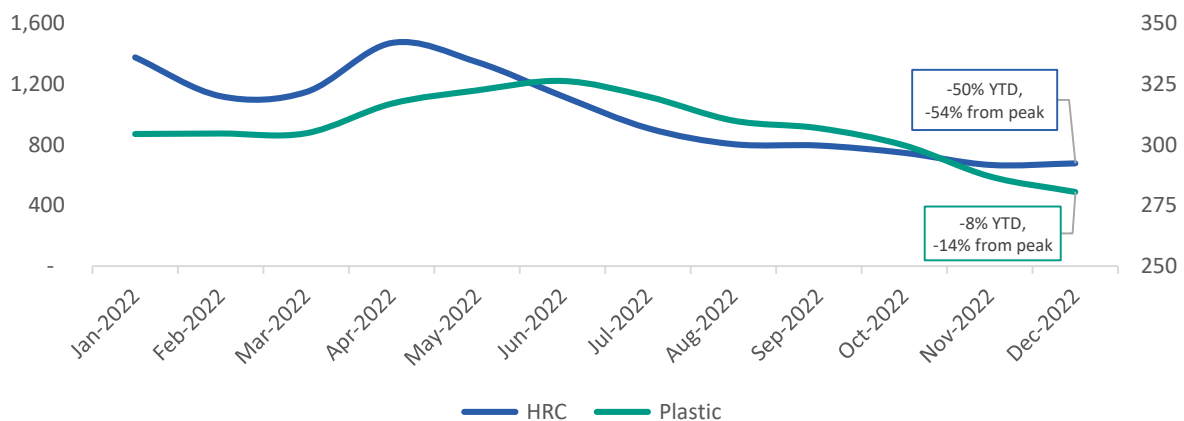


Nguồn: BSC Research

(3) Car manufacturer's profit margin is improved thank to the reduction in material.

The main materials to produce car such as steel, plastic and semiconductor had already cooled so that we expect that the profit margin of car manufacturer will be improved in 2023.

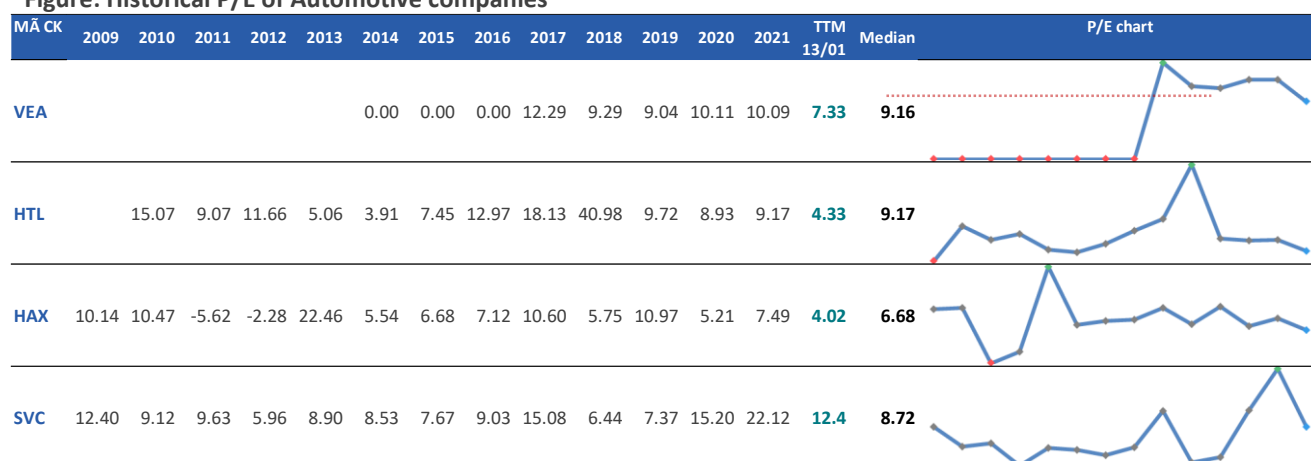
Figure: Steel price and plastic price



Source: BSC Research

Automotive businesses maintain steady cash dividend payments and are currently trading at a discounted P/E relative to historical averages, where we favor VEA with its large cash position in the environment. interest rates remain high and dividend yield is attractive (12–14%).

Figure: Historical P/E of Automotive companies



Source: FiinPro, BSC Research

INVESTMENT THESIS – POSITIVE

BSC maintains a NEUTRAL view on the auto industry in 2023 with the expectation that: (1) auto sales will decelerate but still maintain growth and (2) profit margin of automobile manufacturers is improved thanks to cooling of key production materials.

Figure: Business results estimation of Automobile company in 2023

Ticker	Net revenue 2023 (Bil VND)	% YoY	NPAT 2023 (bil VND)	% YoY	EPS 2023	P/E fw	P/B fw	ROA 2023	ROE 2023	Closing price 09/02/2023	Target price	Upside (%)
VEA	4,988	5%	7,805	3%	5,721	7.0	1.6	29%	31%	40,065	45,000	12%

Source: BSC Research

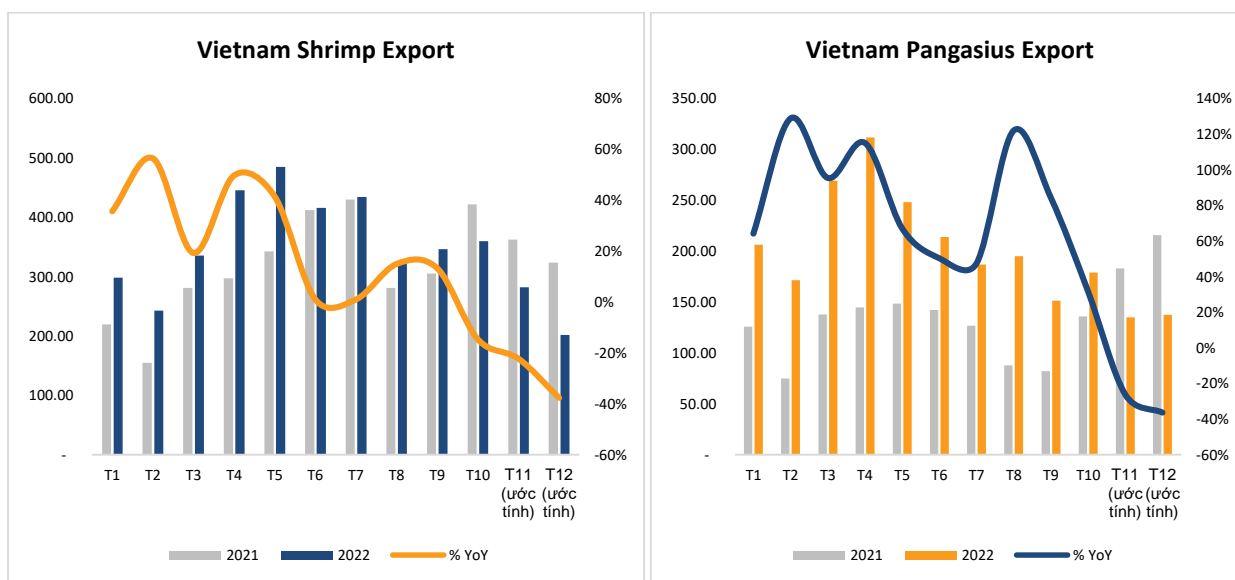
FISHERIES SECTOR [NEUTRAL]

Analyst: Nguyen Cam Tu, CFA

Email: tuntc@bsc.com.vn

- In 2022, the country's seafood export turnover is estimated at 10.9 billion USD, up 23% over the same period last year: shrimp +11% yoy, pangasius +59% yoy
- Business outlook in 2023: For the Shrimp industry: The main consuming markets (US, EU) are expected to face many economic difficulties which negatively impacts on the shrimp demand.
- For the pangasius industry: BSC expects that the opening of China will lead to an increase in demand for pangasius after a long time of being suppressed, helping the whole pangasius industry grow.
- BSC holds a NEUTRAL view for Fisheries sector outlook in 2023.

In 2022, the country's seafood export turnover is estimated at 10.9 billion USD, up 23% over the same period last year. In which, shrimp export turnover reached nearly 4.3 billion USD, up 11% over the same period, accounting for 39% of export turnover. Pangasius export turnover is estimated at 2.4 billion USD, up 59% over the same period, accounting for 22% of export value of the whole seafood industry. The growth rate is positive in the whole year of 2022 but gradually decreasing in the last 6 months when the demand in export markets (USA and EU) was lower due to inflation and risks of economic recession.



Source: Agromonitor

Business outlook for 2023:

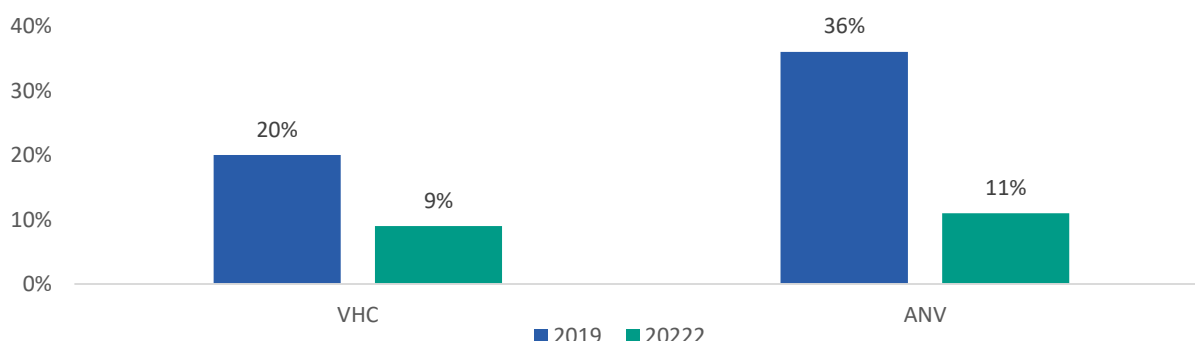
+ Shrimp industry: The BSC believes that the economies of the main consuming markets (US, EU) are likely to face many difficulties in 2023, which will negatively affect shrimp consumption demand when (i) shrimp is a high-priced seafood products (ii) Vietnamese shrimps are priced 10-15% higher than rival countries.

+ Pangasius industry: BSC believes that the driving force for Pangasius export is not much in EU and the US market, however it will be depended on China's recovery after the opening period. BSC expects that the opening of China will increase the demand for pangasius after a long time of being suppressed, which allows the industry to grow. Considering the period 9M2022, despite China's border closing policy, the proportion of China's market still reached 12.8%. Seafood enterprises that are expected to benefit are those that export to the Chinese market: VHC, ANV, IDI. Report Impact of China's opening up: [Link](#)

	T1.22	T2.22	T3.22	T4.22	T5.22	T6.22	T7.22	T8.22	T9.22
Fishery	868	633	1,013	1,121	2,054	1,003	943	1,000	862
% Proportion of China	7%	13%	18%	18%	8%	13%	11%	14%	17%
Shrimp	268	153	334	435	452	377	377	352	256
% Proportion of China	7%	8%	17%	17%	18%	13%	7%	10%	11%
Panagasius	206	171	269	311	248	613	187	195	151
% Proportion of China	13%	28%	35%	36%	26%	25%	24%	31%	26%

Nguồn: GSO, BSC research

Proportion of Chinese market in companies's revenue



INVESTMENT THESIS – NEUTRAL

We give a **NEUTRAL** view on the seafood industry in 2023. BSC believes that (i) the high base level of 2022 (ii) the decline in demand of the US market will be a challenge for the seafood industry.. On the other hand, the opening of China after a long time pursuing the Zero-Covid policy is expected to lead to an increase in demand for pangasius after being suppressed for a long time, which allows the industry to grow.

Ticker	Net revenue 2023 (Bil VND)	% YoY	NPAT 2023 (bil VND)	% YoY	EPS 2023	P/E fw	P/B fw	ROA 2023	ROE 2023	Closing price 09/02/2023	Target price	Upside (%)
VHC	14,372	341%	1,959	-8%	12,800	5.1	1.6	20%	27%	65,400	67,500	3%
ANV	5,346	9%	762	13%	6,900	4.5	1.0	10%	19%	30,900	30,000	-3%

Source: BSC Research

TIRES SECTOR [POSITIVE]

Analyst: Luu Thuy Linh

Email: Linhl2@bsc.com.vn

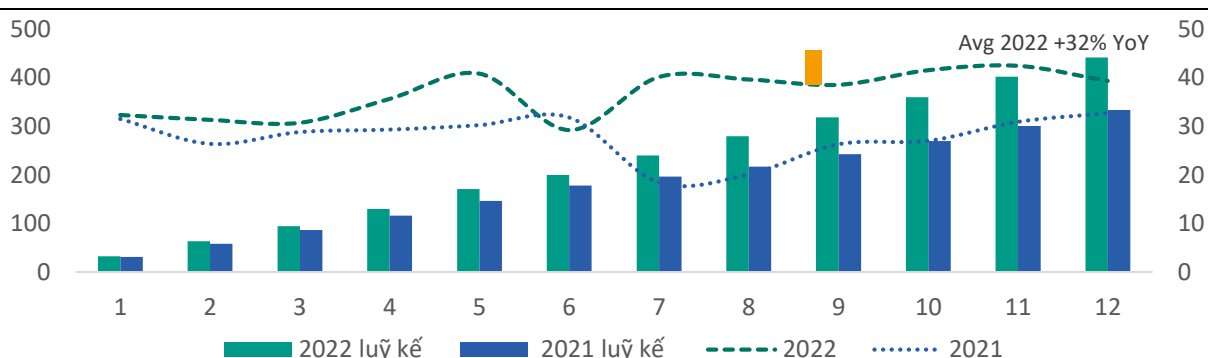
- We believe that in 2023, the business activities of tire companies will maintain positive growth thanks to: **(1)** revenue growth is driven by domestic demand and the export markets. and **(2)** improved operational efficiency by cutting material costs and logistics costs.
- BSC maintains a **POSITIVE** view of the tire industry in 2023.

Business outlook for 2023:

(1) BSC expects that revenue growth will be driven by the following factors:

(1.1) Domestic transportation activities remained at a good level, thereby promoting domestic demand for tires. Domestic cargo volume continued to be positive in Q4/2022, increasing by +4.2% QoQ and +36% YoY.

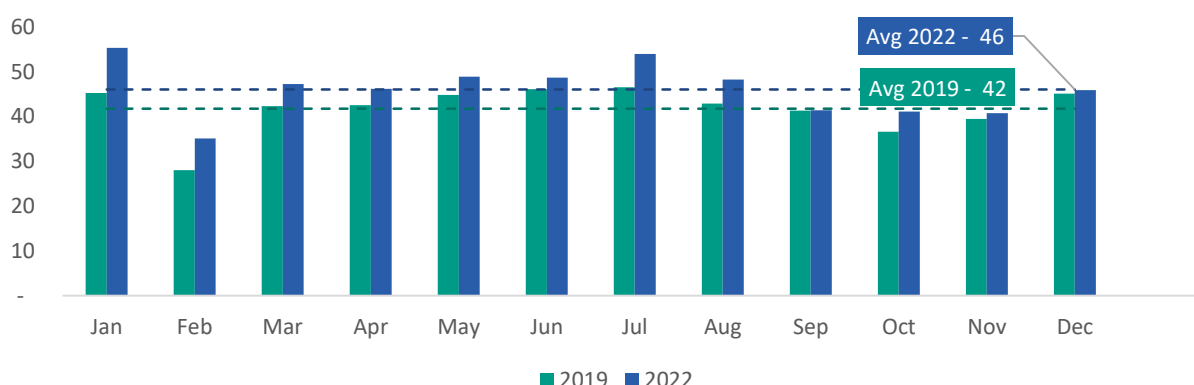
Figure: Cargo volume (Million ton.km)



Nguồn: GSO, BSC Research

(1.2) Competitive pressure with exported tire from China is lower when China opens. We expect that the opening of China will promote freight activities, hence increasing the demand for tire products, and releasing inventory pressure in Chinese domestic market. As a result, the exported tire of China will reduce (on average, China exports 10% more tires in 2022 than the pre-pandemic level).

Figure: Chinese Tire Export monthly (million)

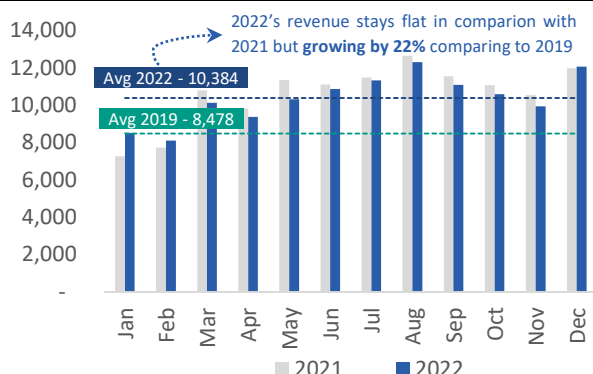


Source: Bloomberg, BSC Research

(1.3) Tire demand in the main export markets remain positive, BSC expects the growth momentum to continue in 2023 but at a slower pace.

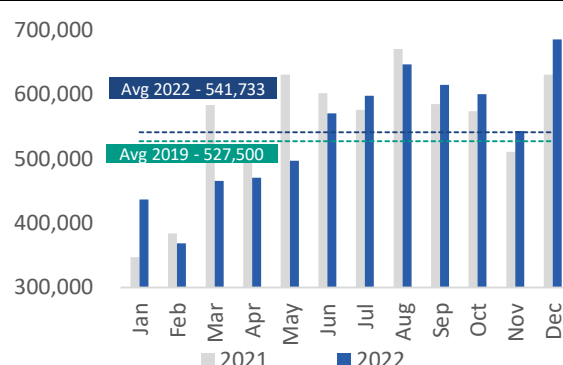
The truck sales data shows that the demand for tires in the main export markets remains at a high level. We expect tire export revenue in 2023 to maintain positive growth, however, the growth rate is likely to be slower than 2022 due to: (1) high base level in 2022 and (2) impact of inflation on other economies.

Figure: Heavy Truck sales in Brazil (unit)



Source: GSO, BSC Research

Figure: Heavy Truck sales in US (unit)



Source: Bloomberg, BSC Research

(2) At the same time, we expect operational efficiency to be improved, thanks to: (2.1) reduction in material costs and (2.2) cooling of logistics costs.

(2.1) Downward trend in material cost

Main production materials such as rubber, chemicals, steel had been adjusted in the context of global commodity cooling. In which, natural rubber (accounting for 30% - 35% of raw materials) had decreased by 20% in comparison with the beginning of the year; coal (accounting for 10% - 15% of raw materials) was also decreased which follow the downward trend of global energy prices, specifically the price of Indonesian coal in the fourth quarter decreased -4% QoQ, corresponding to an adjustment of -14% compared to the previous peak level in 2022.

BSC expects that, following the decline of crude oil, the price of key production materials will continue to adjust in 2023, thereby helping to improve the gross profit margin of tire companies.

Figure: Rubber price had sharply decrease (USD/kg)

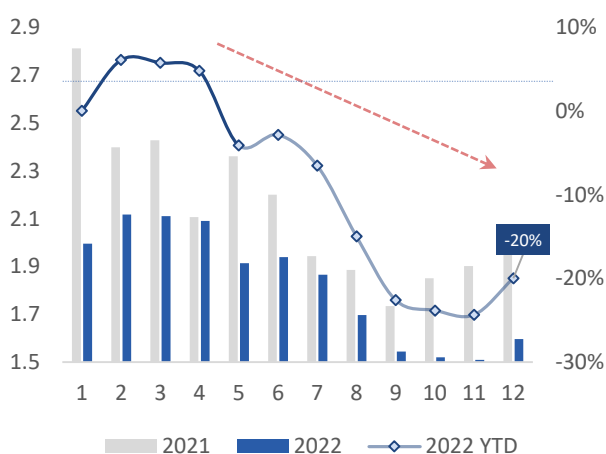
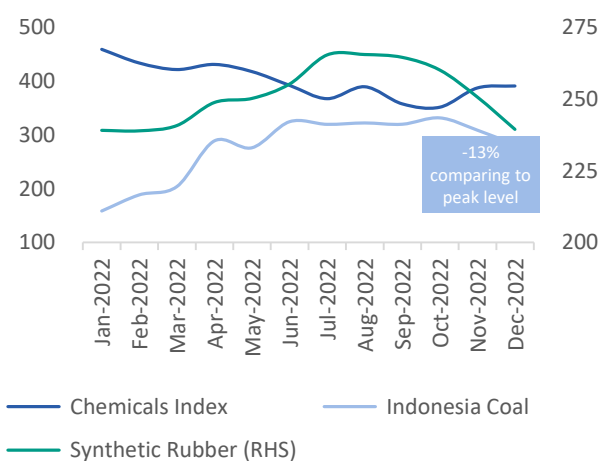


Figure: Synthetic rubber, Chemical, Coal price



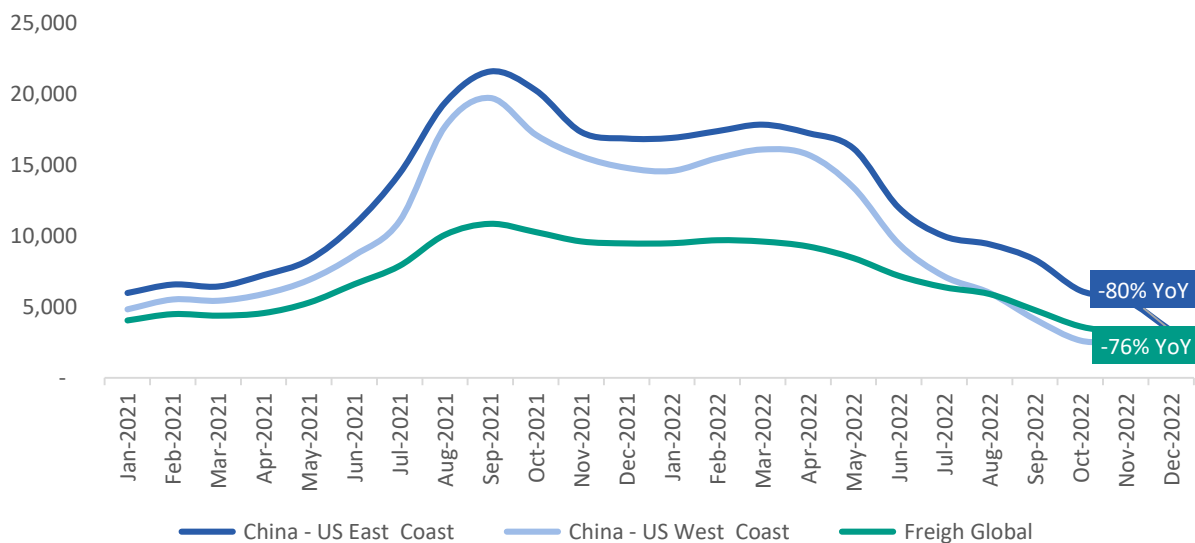
Source: Bloomberg, BSC Research

(2.1) Logistics costs cool down

The global sea transport freight rates had decreased by 76% over the same period in 2021, along with this adjustment trend, sea freight rates from China to the East - West coast of the US had also dropped by about 80% over the same period (but still higher. about 15-20% compared to the 2019 average).

We expect the freight rates will continue to decrease in the upcoming period thanks to the increasement in the supply, thereby helping tire businesses reduce selling costs and improve operational efficiency.

Figure: The sea transport freight rates is cooling sharply



Source: Bloomberg, BSC Research

INVESTMENT THESIS – POSITIVE

BSC maintains a **POSITIVE** view for the tire industry in 2023 based on **(1)** revenue growth driven by domestic demand and the main export markets remaining positive while competitive pressure from China is lower and **(2)** operational efficiency is improved as raw material costs and logistics costs continue to decrease.

Figure: Business result's estimation of Tire companies

Ticker	Net revenue 2023 (Bil VND)	% YoY	NPAT 2023 (bil VND)	% YoY	EPS 2023	P/E fw	P/B fw	ROA 2023	ROE 2023	Closing price 09/02/2023	Target price	Upside (%)
DRC	5,328	9%	338	10%	2,597	8.6	1.6	10%	18%	22,350	23,500	5%

Source: BSC Research

BREEDING SECTOR [NEUTRAL]

Analyst: Pham Thi Minh Chau

Email: Chauptm@bsc.com.vn

- The average domestic hog price had strongly fluctuated in 2022 due to abundant domestic supply and the domino effect of China's hog price.
- In 1H2023, the Livestock sector is likely to face many challenges as the demand is low and hog price is lack of improvement factors.
- However, gross profit margin is expected to improve in the last months of 2023 thanks to (1) reducing supply pressure (2) China's reopen is expected to support the demand (3) feed material costs is cool down.
- BSC gives **NEUTRAL** recommendation for livestock industry in 2023.

In 2022, the average domestic hog price fluctuated greatly from 52000 Vietnamese dong to 70000 Vietnamese dong (- 10.68%), mainly due to sufficient domestic supply and the "domino" effect of hog price in the Chinese market. Especially in the fourth quarter of 2022, although the Lunar New Year is coming, the average hog price was only VND 55000, an increase of +21% year on year, but 13% lower compared with the third quarter of 2022 because (1) the supply is relatively sufficient while the demand is low as many industrial parks forced their labor to leave in advance which directly affects the labor income and closes many industrial parks. In addition, (2) the border trade to China is disrupted due to the closing border policy since the last of Q3/2022 – Q4/2022

Figure: Hog price's gap between Vietnam and China (VND)

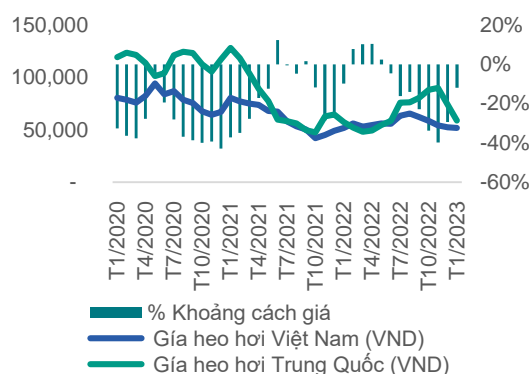
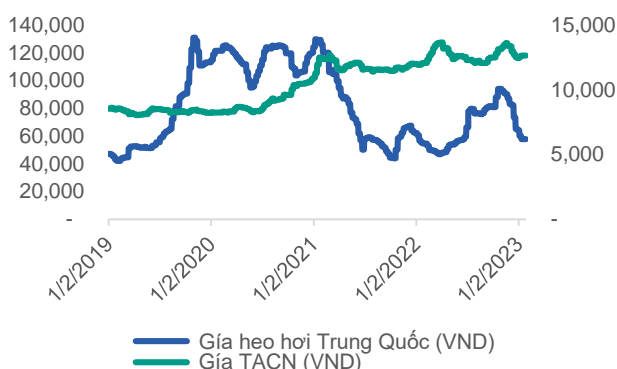


Figure: Chinese Hog price and feed materials 2017-2022 (USD/KG)



Source: DBC, Bloomberg, BSC tổng hợp

Even though, Chinese government had already open apart of their economy since the beginning of 2023, hog price was constantly decrease 16 CNY (= 57,000 VND), the lowest level since the middle of Q2/2022 especially when lunar new year is near. The main reasons are (1) the demand recovery was not as expected while (2) supply was relatively sufficient: (2.1) total amount of pig in the end of 11/2022 recorded 2.1%YoY growth (7% larger than normal productivity estimation – according to Chinese Agricultural ministry); (2.2) the secondary pig supply is strongly increase in Q3/2022 when the hog price reached the peak level and the manufacturer prepared for Lunar new years; (2.3) the imported pig was also improved while CNY recovered by 5-7% comparing to USD.

We expect China's economic activities to gradually return to normal in early 3Q2023, when industrial catering services are resumed and demand is recovered as people's incomes increase which positively supports hog prices in late 2023.

For the livestock sector, it is likely that there will still many difficulties in 1H2023, due to low consumer demand that makes live hog prices not to have much motivation to be improved. However, we maintain our expectation that the gross profit margin of these businesses will recover positively 2H2023 thanks to:

1. Hog price is expected to increase by +10% to 15% in 2H 2023 compared to the same period of 2022 due to (1.1) pressure from input costs, financial costs and covid-19 is still negatively impacting operation of smallholder farmers, while businesses face environmental problems which is hardly to apply for new livestock licenses; (1.2) The demand for hog consumption is expected to grow steadily and China's reopening will also positively support domestic hog prices in 2H2023.
2. Companies which have the value chain from farm to fork (DBC, BAF, HAG, ..) will benefit when the cost of feed raw materials, transportation costs tend to cool down after the peak of geopolitical tensions in 6M/2022,...

INVESTMENT THESIS – NEUTRAL

BSC gives NEUTRAL recommendation in 2023 for Livestock sector, which still faces many challenges of low consumer demand and lack of hog price driving force. However, gross profit margin is expected to improve in the last months of 2023 thanks to (1) reducing pressure on supply (2) demand is supported as China gradually normalizes economic activities and (3)) The cost of feed materials is cool down.

Figure: Business result's estimation of Livestock companies

Ticker	Net revenue 2023 (Bil VND)	% YoY	NPAT 2023 (bil VND)	% YoY	EPS 2023	P/E fw	P/B fw	ROA 2023	ROE 2023	Closing price 09/02/2023	Target price	Upside (%)
DBC	13,206	8%	159	6%	590	26.5	1.6	1%	3%	14,350	16,400*	14%

*Targeted P/B method =1 (20% discount due to lack of information) Source: BSC Research

FERTILIZERS SECTOR [NEUTRAL]

Analyst: Luu Thuy Linh

Email: Linhl2@bsc.com.vn

- We believe that Fertilizer businesses will face negative growth pressure in 2023 due to: **(1)** High base level in 2022; **(2)** Selling price is expected to decrease due to China's increase in export volume and decrease in import demand of India and **(3)** It is difficult for profit margin to maintain a high base level due to the expectation that selling price will fall more sharply than input gas price.
- BSC maintains **NEUTRAL** view on Fertilizer industry in 2023.

We believe that Urea prices in 2023 will be under downward pressure due to:

(1) Urea supply in 2023 is expected to increase due to China loosening exports

China's urea exports in 2022 will reach 2.84 million tons (-46% YoY), respectively 1H down -69%YoY and 2H down -27% YoY, showing that China has eased restrictive measures in 2H/ 2022. China announced that it will continue to apply measures to limit Urea exports. until the end of May 2023 (clearance time from 15 to 90 days), but these measures have been less stringent than 1H/2022 because So we think China will increase the amount of Urea exports in 2023.

(2) Demand for Urea imports from India decreased as the country increased domestic urea production.

India is making efforts to increase domestic urea production and reduce dependence on imports. In 2022, the amount of urea produced in India will decrease by -12% YoY, leading to a decrease in imported urea by -17% YoY. We expect India to continue to increase domestic supply of Urea, which will lead to a decrease in Urea import demand in 2023.

Figure: Cumulative monthly export of Chinese urea ('000 tons)

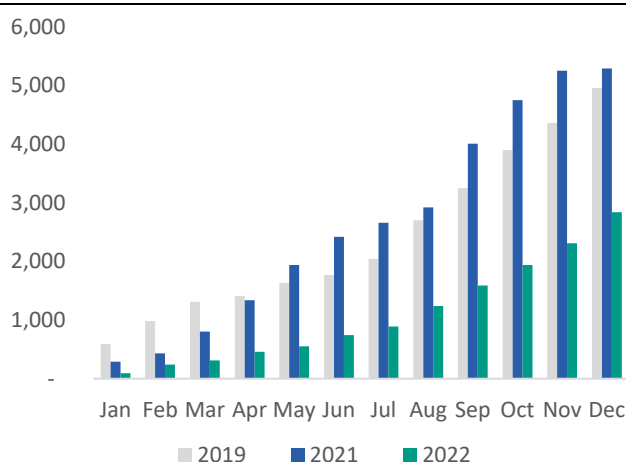
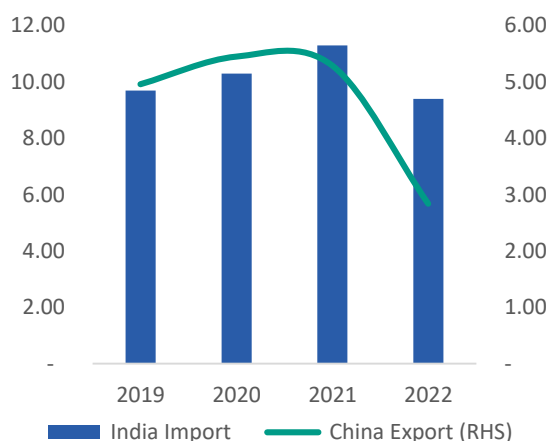


Figure: The amount of urea India imports and China exports in the period of 2019 - 2022 (Million tons)



Source: Bloomberg, BSC Research

BSC expects the profit margin of fertilizer manufacturers will narrow compared to the high base level in 2022. Urea prices in all regions of the world are currently down 35 - 50% compared to the level at the beginning of 2022, while, The price of main raw materials decreased by 18 - 30% (except for gas in Europe and coal) showing the trend that the price of urea is falling faster than the price of raw materials, which leads to a decrease in profit margin of the company. urea production enterprises.

Figure: The main production materials cooled down following the decline in world energy prices

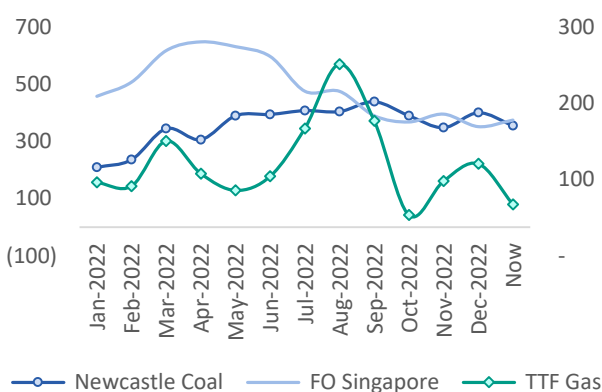
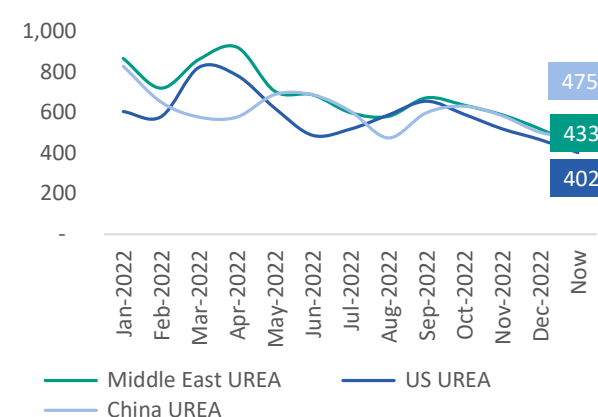


Figure: Urea prices in some regions in the world (USD/ton)



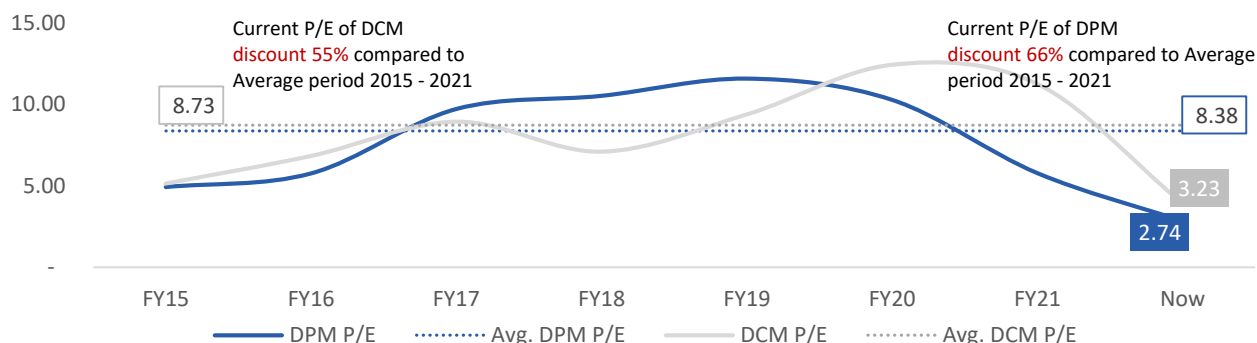
Source: Bloomberg, BSC Research

INVESTMENT THESIS – NEUTRAL

BSC maintains **NEUTRAL** position in 2023 for the Fertilizer industry

- 2023: We expect urea price to correct down and put pressure on the growth of fertilizer businesses due to the high base level in 2022. In terms of valuation, DPM and DCM shares are currently trading at PE. below the 8-year average (DPM, DCM are trading at 66% and 55% discounted P/E to historical averages, respectively).

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



Source: Bloomberg, BSC Research

Figure: Estimated business results of some fertilizer enterprises

Ticker	Net revenue 2023 (Bil VND)	% YoY	NPAT 2023 (bil VND)	% YoY	EPS 2023	P/E fw	P/B fw	ROA 2023	ROE 2023	Closing price 09/02/2023	Target price	Upside (%)
DPM	15,195	-18%	2,947	-47%	14,174	3.0	1.2	40%	30%	43,200	48,000	11%
DCM	13,035	-18%	2,256	-47%	8,076	3.3	1.4	20%	14%	26,300	30,000	14%

Source: BSC Research

CHEMICALS SECTOR [NEUTRAL]

BSC downgrades its view to **NEUTRAL** on the Chemicals sector in 2023 as expected profit declines from the high base of 2022. However, Chemical stocks are currently trading in undervalued territory for many years. In the context that chemical prices have no clear motivation to surpass the peak price range of 2022, the growth momentum will come from (i) cutting production costs (vertical development) or (ii) expanding investment in traditional and new products (horizontal development). However, BSC realizes that private chemical enterprises will have more advantages than state-owned enterprises in expanding development investment.

- For DGC, BSC believes that the high base level of 2022 is a big challenge for DGC when export commodity prices have not had the motivation to surpass the peak of 2022. However, the large amount of cash and cheap valuation (stocks being traded at low PE in the last 8 years (5.46 vs 8.05) are attractive factors for DGC stock.
- For CSV, BSC believes that the high base level of 2022 is a big challenge for CSV, especially when China opens up, it will improve the export of Chinese soda to Vietnam and increase the competitiveness for CSV. domestic products. In terms of valuation, CSV stock is currently trading at a low PE for the last 8 years (4.49 vs. 6.51).

Ticker	Net revenue 2023 (Bil VND)	% YoY	NPAT 2023 (bil VND)	% YoY	EPS 2023	P/E fw	P/B fw	ROA 2023	ROE 2023	Closing price 09/02/2023	Target price	Upside (%)
DGC	12,124	-16%	4,322	-22%	10,844	5.1	1.5	21%	33%	55,000	71,300	30%
CSV	2,071	-2%	323	-9%	7,300	4.1	1.0	15%	20%	29,800	30,000	1%

Source: BSC Research

7.4. Other Sectors

OIL AND GAS SECTOR [POSITIVE]

Analyst: Duong Quang Minh

Email: Minhmq@bsc.com.vn

- Oil price fluctuated strongly, and returned to around 90 USD/barrel.
- Demand for petroleum remains stable, while supply is tight in the short term due to OPEC's production cut.
- The decline in output from Vietnam's long-standing oil and gas fields will prompt new projects to be launched soon.
- The LNG trend continues to be strengthened in the long term.
- BSC holds a **POSITIVE** view of the oil and gas industry, and recommends BUY for stocks of GAS, BSR, and PVD.

World: Tight supply may make it difficult for oil prices to fall deeply.

Oil price (Brent) continued correcting trend and retreated to around 90 USD/barrel. After peaking around \$130/barrel in the middle of the year, crude oil prices witnessed a strong correction, and returned to below \$90/barrel at the end of the fourth quarter. Besides, gas prices also dropped sharply from the peak, and is trading around 4 USD/mmbtu. The reason for the correction in oil and gas prices was mainly due to concerns about a global economic recession, which reduced demand for crude oil and energy in general.

Figure: World crude oil price (USD/barrel)

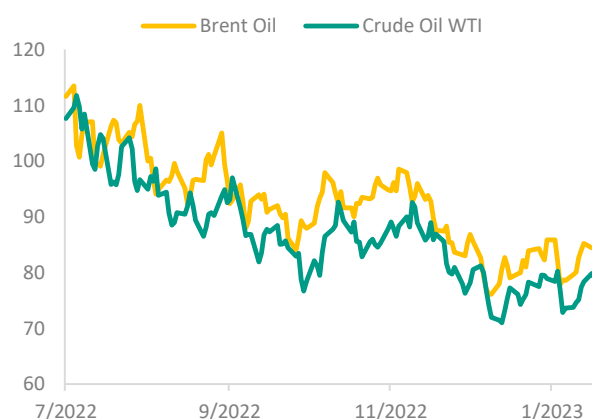


Figure: World price of natural gas (USD/mmbtu)



Source: Bloomberg, BSC Research

Global oil demand is expected to reach over 100 million barrels per day. China's reopening will be key to world oil demand growth. In 2022, the total global crude oil demand, although recovering, will only average about 99 million barrels per day (+3.6% YoY). The main reason is that the zero Covid policy has reduced China's crude oil consumption in the past period. Therefore, the reopening of China will be the main driver of world oil demand in 2023. EIA forecasts China will add about 0.8 million bpd to total global oil demand in 2023.

Figure: Forecast of global crude oil production and consumption

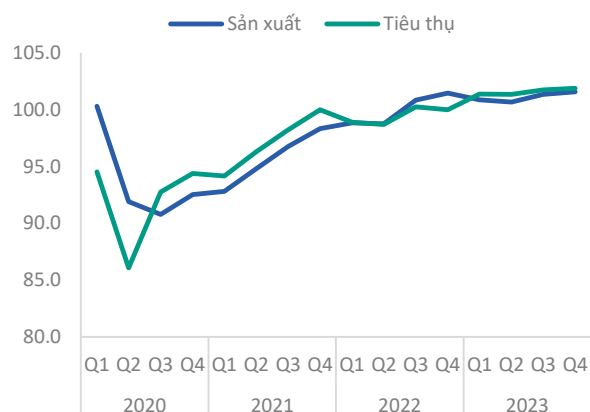
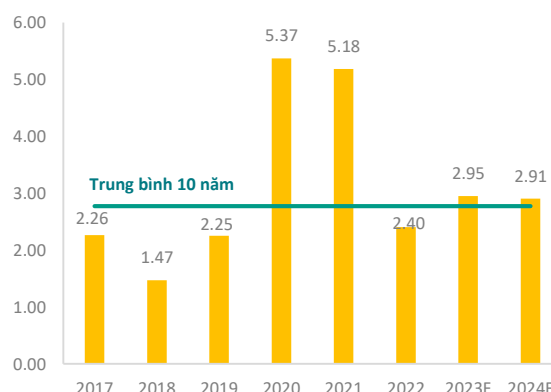


Figure: OPEC crude oil production capacity surplus



Source: EIA, BSC Research

We think oil price will **maintain around 90 USD/barrel in the near future**, as supply is still tight. According to the IEA, Russia's oil production is expected to drop by 1.4 million bpd in 2023 after the EU embargo on Russian crude takes effect. Besides, OPEC's crude oil production capacity surplus is also forecasted to return to the 10-year average in the period 2023 - 2024. Therefore, BSC forecasts that oil prices will be difficult to fall deeply, and most likely capacity will remain around 90 USD/barrel in 2023.

Figure: Average Brent Oil Price Forecast in 2023

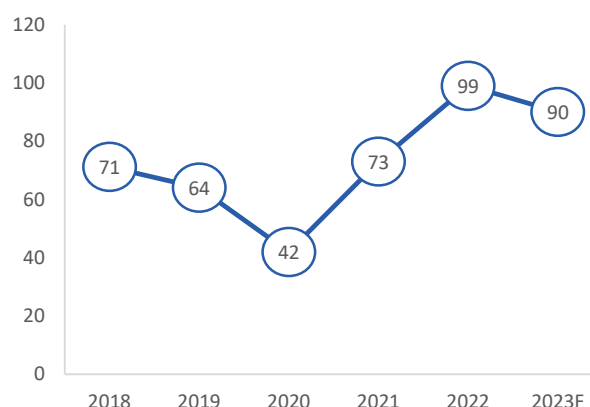


Figure: 2023 oil price forecast of some organizations

Tổ chức	Dự báo
Intesa Sanpaolo SpA	87.0
Goldman Sachs Group Inc	110.0
Capital Economics Ltd	92.9
Citigroup Inc	88.0
Rabobank International	99.3
Fitch Solutions	95.0
Banco Santander SA	82.0
Westpac Banking Corp	87.4
Landesbank Baden-Wuerttemberg	87.5
Deutsche Bank AG	96.3
Medium	94.2

Source: EIA, BSC Research

Vietnam: Expectations for new projects

Vietnam's large oil and gas fields are decreasing their output by 8-10%/year. According to statistics from 2015 to now, domestic oil production has continuously declined, from 16.9 million tons in 2015 to 9.1 million tons in 2021. According to PVN, most oil fields The gas being exploited in Vietnam has been exploited for 15 - 36 years, and is in the final stage of exploitation of the mine's life. Therefore, oil and gas production from existing fields is forecasted to continue to decline by 5-8% in the following years. Meanwhile, power plants

are expected to mobilize up to 16 billion cubic meters of gas by 2025, and 30 billion cubic meters by 2030, according to the draft National Energy Development Plan. Therefore, the development of new oil and gas projects is extremely necessary, to meet the energy demand in the medium and long term.

Figure: Domestic crude oil production declines by 8-10% per year

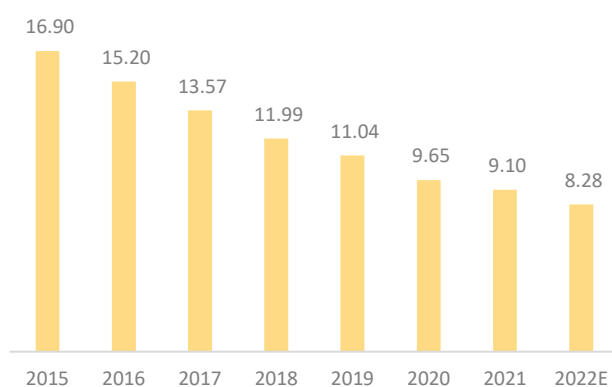
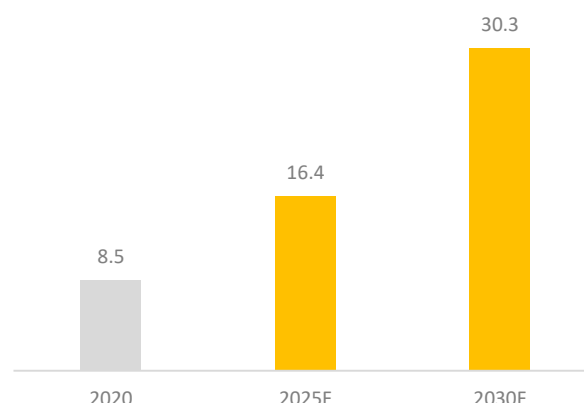


Figure: Vietnam's gas demand by power plants



Source: PVN, Draft National Energy Development Plan 2021-2030, BSC Research

The revised petroleum law is expected to attract investment in upstream oil and gas activities. The recently passed revised oil and gas law focuses on investment incentive mechanisms, through tax incentives and clearer detailed regulations on the rights and obligations of related parties (see details). table below). We hope that the positive changes in the oil and gas law will help attract more investment for upstream activities, thereby speeding up the progress of projects in the coming time.

Table: Key changes in the revised petroleum law

Main content	Main content
Supplement and complete the contents related to oil and gas contract	Supplement and complete the contents related to oil and gas contract
Regulations on the implementation of oil and gas projects in series	Regulations on the implementation of oil and gas projects in series
Regulations to encourage oil and gas investment through tax policy	Regulations to encourage oil and gas investment through tax policy
Prescribing steps for project implementation in oil and gas activities	Prescribing steps for project implementation in oil and gas activities
Regulations on accounting, settlement and audit in oil and gas activities	Regulations on accounting, settlement and audit in oil and gas activities
Add provision to allow third parties to access existing infrastructure of the oil and gas industry	Add provision to allow third parties to access existing infrastructure of the oil and gas industry

The Block B - O Mon project is expected to start construction in the near future. Recently, the Government issued a Decree to pave the way for O Mon III power plant to receive ODA capital. The project operator is expected to start implementation in early 2023. Block B - O Mon is one of the largest gas exploitation projects in Vietnam up to now, with a total investment of about 10 billion USD from upstream to downstream.

We expect that the Block B - O Mon project to be implemented in the near future will bring a great source of jobs to upstream and midstream oil and gas enterprises in the coming period. Specifically:

- The first phase: Drilling and exploration activities, construction and installation of rigs create a large
- INVESTMENT THESIS – POSITIVE**

BSC maintains a **POSITIVE** view on the Oil and Gas industry due to:

- World oil price continues to remain high, and is forecasted to average 90 USD/barrel in 2023;
- The unit prices of products/services of oil and gas enterprises in 2023 will be improved;
- Some oil and gas projects will soon have investment decisions in the near future, helping to improve the work source for some upstream enterprises.

For the upstream group, BSC has a positive view on stocks in the upstream oil and gas industry such as PVS or PVD due to (1) new/renewed rig service prices and improved performance (refer to PVD's updated report), and (2) potential from new projects in the near future will bring a great source of work for PVS.

For the midstream group, we recommend positive for **PVT**, with the expectation that profit from core business will improve in the near future, thanks to the increase in new freight rates (refer to the report PVT update).

For the downstream group, BSC has a positive recommendation for petroleum distributors like PLX, due to the low base level of 2022, along with the expectation that world oil price fluctuations in 2023 will be somewhat more stable. , and improved supply from domestic refineries will help improve PLX's profit margin.

Ticker	Net revenue 2023 (Bil VND)	% YoY	NPAT 2023 (bil VND)	% YoY	EPS 2023	P/E fw	P/B fw	ROA 2023	ROE 2023	Closing price 09/02/2023	Target price	Upside (%)
GAS	104,090	3%	13,819	-7%	6,793	15.8	3.2	16%	22%	107,300	122,300	14%
PVD	6,771	25%	250	-354%	266	73.3	0.7	2%	3%	19,500	24,600	26%
PVS	20,222	23%	956	24%	1,340	17.6	0.8	3%	6%	23,600	28,900	22%
PLC	9,527	11%	210	58%	2,149	11.9	1.4	3%	12%	25,600	32,500	27%
BSR	118,509	-29%	7,178	-50%	2,292	7.0	0.9	8%	12%	16,083	18,400	14%
PVT	10,597	17%	948	10%	2,929	6.5	0.7	8%	15%	19,100	24,300	27%
Source: BSC Research												

TECHNOLOGY – TELECOMMUNICATION SECTOR [POSITIVE]

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- In 2022, the revenue of the ICT industry is estimated at 148 billion USD (+8.7% YoY), the revenue of the telecommunications service industry is estimated at 138 trillion VND (+1.6% YoY).
- In 2023, BSC believes that the prospects of the Technology and Telecommunication industry are positive due to (i) the continued Digital Transformation trend and the Government's Investment in Smart Transport (ii) the revised Telecommunications Law has an impact Positive for business
- We continue to maintain a **POSITIVE** view of the Technology – Telecommunication sector in 2023.

According to the Ministry of Information and Communications, for the ICT industry, the industry's revenue is estimated at 148 billion USD (+8.7% YoY), in which, revenue in foreign markets of software and IT enterprises is estimated at 2.2 billion USD. Telecommunications service revenue in 2022 is estimated at VND 138 trillion (+1.6% YoY). Profit after tax of the whole industry is estimated at 44.5 trillion dong (+3.8% YoY). The growth rate decelerated due to the saturated telecommunications market (SIM usage rate reached 134%, fiber usage rate reached 75%) making the competition between the 3 major carriers (accounting for more than 90% market share) become more difficult. acrimonious.

For the outlook for 2023, BSC believes that the prospects for the Technology and Telecommunications sectors will continue to be positive thanks to the following factors:

- **Digital Transformation Trends and Public Investment in Intelligent Transport (ITS) will have a positive impact on Technology businesses.** Demand for Digital Transformation in Vietnam remains positive in the Vietnamese government promoting government digitization and supporting Make in Vietnam products (Benefits: FPT, CMG). In the world market, the demand for Digital Transformation (eg Blockchain, ...) will slow down when the wave of layoffs of technology employees is quite strong. Another trend is that the demand for public investment in Smart Transport is expected to be accelerated in the period of 2022 - 2025. BSC found two groups (i) ITS in 12 routes on the North-South expressway (with scale of the North-South expressway). 200-300 billion/pack) (ii) Inner city ITS (with average size of 100-200 billion/pack) will be the main driving force for businesses (ELC, ITD) to benefit (eg: ELC, ITD) . However, the delay in Public Investment will affect the progress of Smart Transport implementation.
- **The revised Law on Telecommunications (expected to be submitted to the National Assembly for approval in October 2023) will have a great impact on telecommunications businesses.** The revised Telecommunications Law is expected to have many new contents: 5G, Cloud Computing, Cross-border Platforms, etc., some of which will directly affect business activities of enterprises: eg: Wholesale Management (CTR), Data Center and Cloud (FPT, CMG),...

INVESTMENT THESIS – POSITIVE

We continue to maintain our **OPERATE** view on IT - Telecommunications stocks. For IT stocks, we expect the Digital Transformation trend to continue in Vietnam as well as the world even after the pandemic ends (beneficiary: FPT). For the telecommunications industry, BSC expects CTR to benefit from an increase in the workload of infrastructure installation and system maintenance, and an increase in the rate of sharing infrastructure between carriers.

Ticker	Net revenue 2023 (Bil VND)	% YoY	NPAT 2023 (bil VND)	% YoY	EPS 2023	P/E fw	P/B fw	ROA 2023	ROE 2023	Closing price 09/02/2023	Target price	Upside (%)
FPT	51,669	17%	7,991	23%	5,901	13.8	4.1	11%	27%	81,200	91,900	13%
CTR	9,894	6%	571	29%	6,000	10.2	1.6	11%	28%	61,300	70,000	14%

Source: BSC Research

NON-LIFE INSURANCE SECTOR [NEUTRAL]

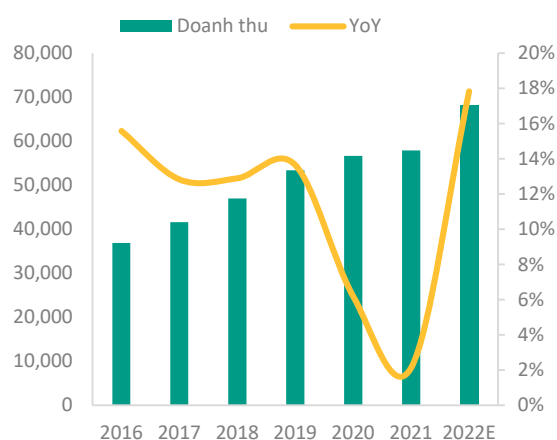
Analyst: Duong Quang Minh

Email: Minhhdq@bsc.com.vn

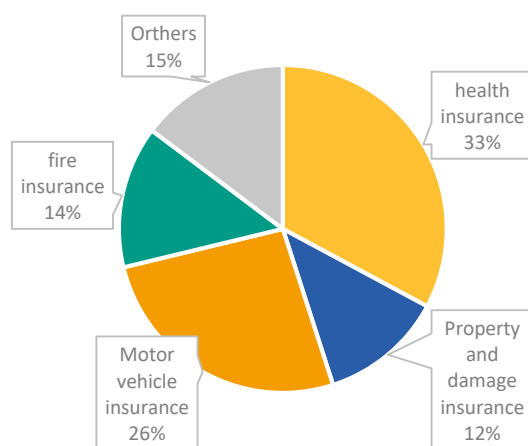
- The growth of insurance premium revenue grew positively, but the increase in insurance business expenses caused the **profit from insurance business to decline in many enterprises**;
- Financial revenue is forecasted to increase in 2023 thanks to an increasing interest rate;
- BSC holds a **NEUTRAL** view on the insurance industry in 2023.

Total insurance premium revenue of the whole market in 2022 is estimated at 251,306 billion VND (+15% YoY), of which life insurance premium revenue is estimated at 183,105 billion VND (+22.1% yoy). collection of non-life insurance premiums is estimated at VND 68,201 billion (+1.78% yoy). Health insurance segment (accounting for 32.8% of total industry premiums) recorded a rapid growth of +29.5% yoy, motor vehicle insurance segment (accounting for 26.2% of total industry premiums) grew at +17.2% yoy.

Insurance premium revenue growth



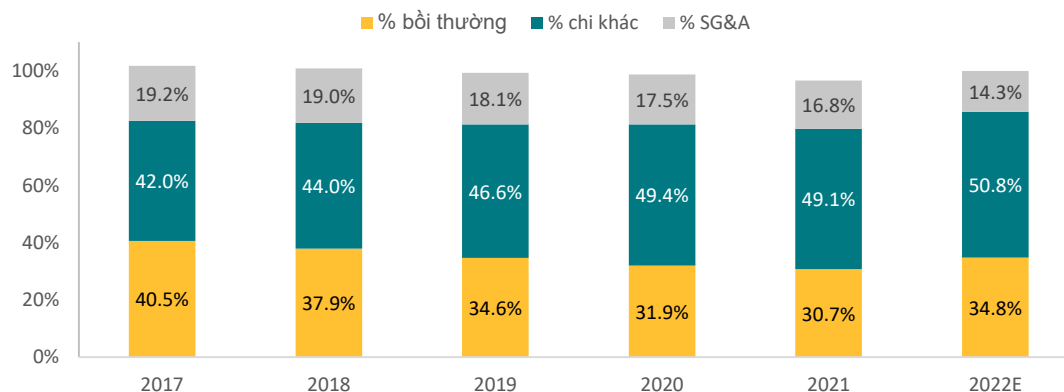
Proportion of revenue by insurance business



Source: IAV, BSC Research

The combined ratio of the whole industry will increase sharply in 2022. The ratio of claims and other expenses will tend to increase in 2022, accounting for 34.8% and 50.8% of total insurance revenue. In which, the insurance industry with a high rate of original insurance claims is: motor vehicle insurance (47%), hull insurance and shipowner's liability (37.1%), health insurance (31%). We expect the compensation ratio and the combined ratio to remain high in the first half of 2023 due to the low base of the late 2021 - early 2022 period.

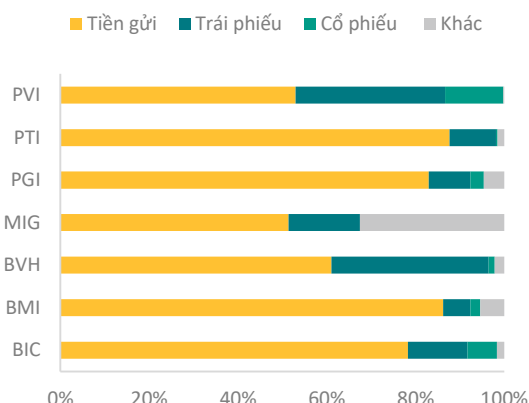
Compensation spending rate of the whole industry increases again in 2022



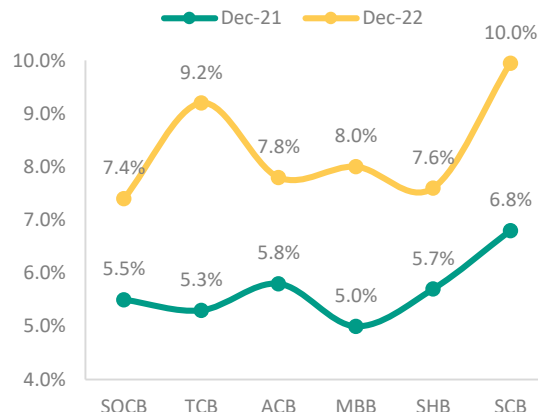
Source: Company financial statements, BSC Research

Financial profits of insurance companies are expected to increase in 2023 thanks to the increase in deposit interest rates. Since most of the investment portfolio is in deposits, insurers will benefit when deposit rates tend to increase in the near future due to increasing liquidity pressure in recent quarters. However, we note that in the coming time, liquidity risk to the corporate bond market is still present, so it is necessary to closely monitor the portfolio of insurance companies with a high proportion of investments in the corporate bond market. large corporate bonds such as PVI or MIG.

Bank deposits make up the majority of the investment portfolio of life insurance companies



Deposit interest rates (12-month term) increase sharply at all banks in 2022



Source: FR company, BSC Research

INVESTMENT THESIS – NEUTRAL

We recommend **NEUTRAL** for the non-life insurance industry in 2023 as (1) Premium revenue is expected to grow by 12%, (2) Increased claim costs reduce profit from insurance business. Insurance, (3) Rising interest rates help increase financial revenue in 2023. Besides, the valuation of insurance companies in Vietnam is about 1.3 times PB on average, less attractive than that of insurance companies. the average of Southeast Asia is 1.1 times, and higher than some other industries in the financial sector such as banking or securities. Therefore, we continue to maintain a neutral stance on the insurance industry for 2023.

Some stocks that are of interest to us due to the prospect of divestment of state capital and which have been heavily discounted recently:

Ticker	Net revenue 2023 (Bil VND)	% YoY	NPAT 2023 (bil VND)	% YoY	EPS 2023	P/E fw	P/B fw	ROA 2023	ROE 2023	Closing price 09/02/2023	Target price	Upside (%)
MIG	3,460	30%	146	-8%	885	17.6	1.2	2%	8%	15,100	16,000	6%
BMI	4,145	9%	244	-17%	2,228	10.8	1.1	3%	9%	25,200	24,500	-3%
PVI	5,470	15%	938	12%	3,821	13.3	1.4	3%	11%	49,900	45,900	-8%

Source: BSC Research

ELECTRICITY SECTOR [NEUTRAL]

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Email: Minhhdq@bsc.com.vn

- Commercial power output in 2022 grows +5.3% YoY.
- El Nino cycle is expected to return soon, which is a positive signal for thermal power plants.
- The new electricity generation price framework will slow down investment in wind and solar power plants.
- We maintain a **NEUTRAL** stance on the Power sector in 2023.

Power output of the whole system 2022 +5.3% YoY. In 2022, electricity production and import of the whole system will reach 268.4 billion kWh (+5.3% YoY). In which, coal-fired power and hydroelectricity accounted for the largest proportion with 39.1% and 35.4% of total output, respectively. Regarding the scale of the power system, by the end of 2022, the total power capacity of the whole system will reach about 77,800 MW (+1.8% YoY). In which, the total capacity of renewable energy sources (wind power, solar power) is 20,165 MW - accounting for 26.4%, and contributing to 12.8% of the total system output.

Figure: Power output of the whole system by source

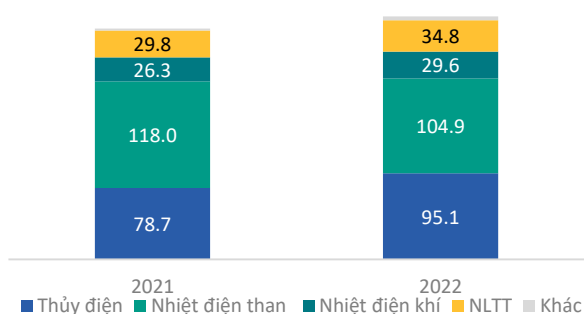
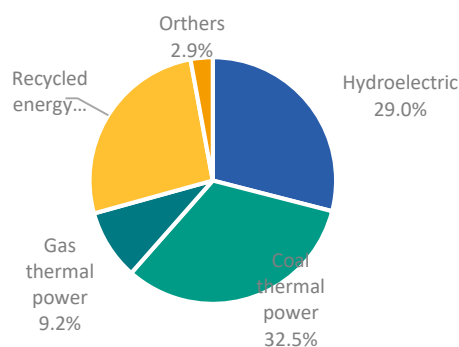


Figure: Renewable energy accounts for a quarter of total power capacity



Source: EVN, BSC Research

Thermal power is expected to benefit in the near future due to the return of the El Nino cycle. The La Nina cycle began at the end of 2020, and has lasted until the present. According to our observations, this hydrometeorological cycle usually lasts about 2 years, then it will reverse to the opposite phenomenon. Besides, according to the forecast from IRI, the La Nina cycle has passed its peak, and El Nino is forecast to return soon from next year. Therefore, BSC expects thermal power plants to mobilize more output in the coming period.

Figure: Electricity prices in the competitive market increased higher than the same period last year (VND/kWh)

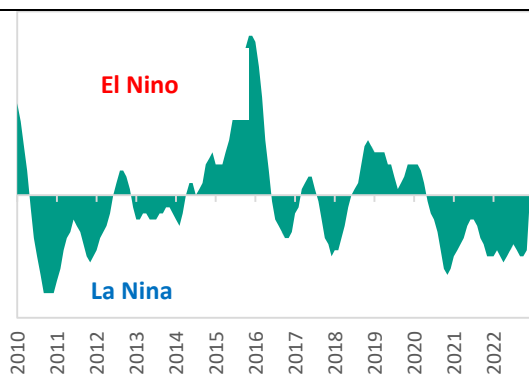
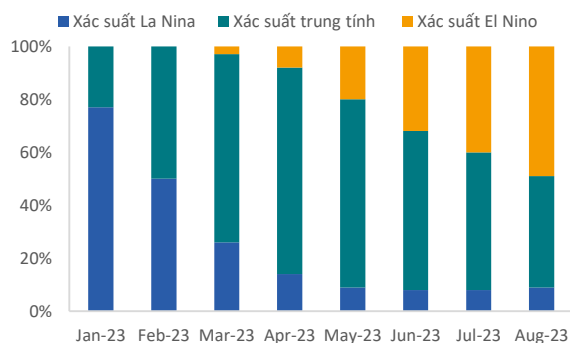


Figure: El Nino is forecast to return from 2023



Source: NOAA, IRI, BSC Research

The new regulation will affect the investment speed of solar and wind power projects. Recently, the Ministry of Industry and Trade has issued a decision on the price bracket for solar and wind power generation for transition projects. Accordingly, the ceiling price for power generation types is reduced by about 20% compared to the previous FIT price. **According to BSC, this new price policy will have a less positive impact on businesses that have solar/wind power projects that have not yet signed electricity prices on time, due to** (1) Lowering profit margins. of renewable energy projects, prolonging the payback period, making it more difficult to attract investors, (2) The new generation price is set in VND instead of Cent, while some businesses borrow in foreign currencies may be affected by exchange rate risk. However, in the long term, the trend of implementing new solar and wind power projects will become more sustainable thanks to a new, higher market price mechanism.

In addition, by the end of last year, the total capacity of rooftop and ground solar PV projects has reached more than 16,000 MW, surpassing the plan in Power Plan VIII. Therefore, **BSC believes that solar power projects will be restricted from new investments in the near future.**

Figure: Electricity price in the competitive market increased higher than the same period last year (VND/kWh)

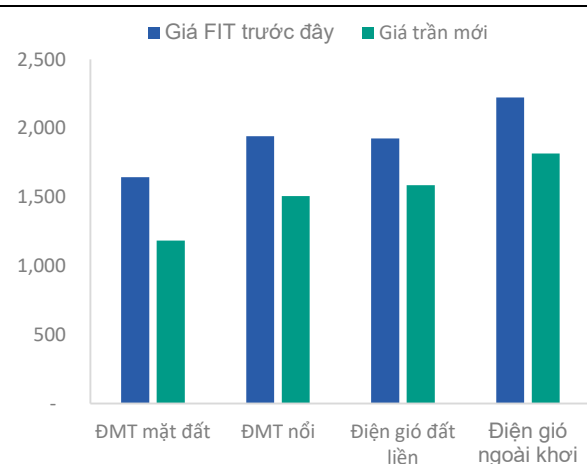
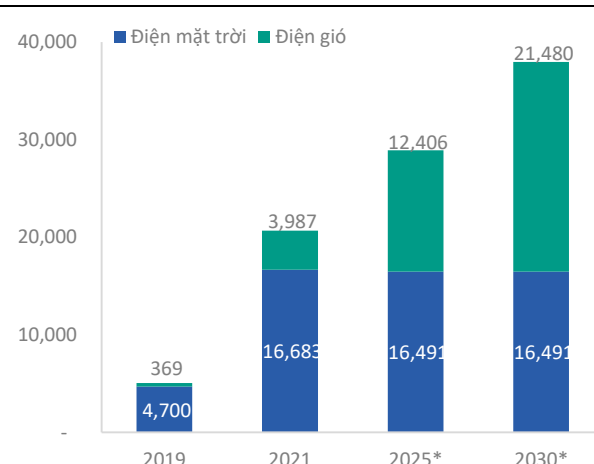


Figure: Total expected capacity of solar and wind power according to PDP8



Source: EVN, Quy hoạch điện VIII

INVESTMENT THESIS – NEUTRAL

We give a **NEUTRAL** view on the Power sector for 2023, however, there is still a divergence on the outlook for each group of power stocks:

- Hydropower stocks: BSC has a **NEUTRAL** view on hydropower stocks for 2023, as the La Nina cycle is about to end, which will make it difficult for hydropower plants' output to maintain as high as in the previous period. period 2021-2022.
- Thermal power stocks: Gas and coal input prices tend to cool down, which will help improve profits of thermal power plants, in addition, the electricity output mobilized from A0 of this group will be improved compared to that of thermal power plants. with the previous year thanks to the El Nino cycle returning. Therefore, BSC has a **POSITIVE** view on thermal power stocks like POW, QTP and HND.
- Electrical construction stocks: BSC gives a **POSITIVE** of PC1, thanks to the expectation of benefiting from construction investment policy from Power Plan VIII.

Ticker	Net revenue 2023 (Bil VND)	% YoY	NPAT 2023 (bil VND)	% YoY	EPS 2023	P/E fw	P/B fw	ROA 2023	ROE 2023	Closing price 09/02/2023	Target price	Upside (%)
HND	11,119	6%	822	44%	1,562	9.0	0.9	10%	12%	13,988	17,200	23%
QTP	11,349	9%	958	24%	2,129	7.0	0.9	11%	16%	14,889	21,300	43%
POW	29,967	6%	2,128	12%	993	12.3	0.8	5%	8%	12,250	13,000	6%
NT2	8,931	2%	790	8%	2,737	10.3	1.8	11%	19%	28,100	28,000	0%
REE	9,034	-4%	2,736	2%	7,698	9.5	1.2	10%	19%	73,500	85,000	16%

Source: BSC Research

TEXTILES SECTOR [NEGATIVE]

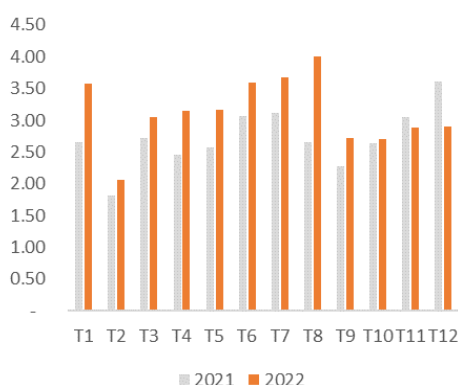
Analyst: Nguyen Cam Tu, CFA

Email: Tuntc@bsc.com.vn

- In 2022, the export of textiles and garments will reach 37.57 billion USD (+14.7% YoY and 28% QoQ). The growth rate for the whole year of 2022 was positive but slowed down in the fourth quarter (-5% YoY) due to high inflation and tight spending in the US.
- Textile and garment industry prospects in 2023: BSC believes that in 2023, textile and garment enterprises will continue to face many challenges: garment enterprises will face many difficulties in signing orders when customers continue to process goods. high inventories in the context of economic difficulties.
- We lower our view of the Textile sector to **NEGATIVE** in 2023

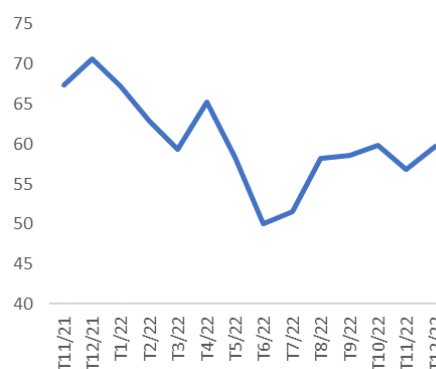
In 2022, textile and garment exports will reach 37.57 billion USD (+14.7 % YoY), of which the US is still the main partner with 17.36 billion USD (+ 7.9% YoY) accounting for 46.2% of the total export value of textiles and garments. of Vietnam. Despite the positive growth rate for the whole year, in the fourth quarter of 2022, textile and garment export turnover only reached 8.49 billion USD (-5% YoY and -18.4% QoQ). The decline reflects strong inflationary pressure and tight consumer spending, especially in the US market (-22.2% YoY and -22.8% QoQ).

Figure: Textile and garment exports 2022 (billion USD)



Source: TCHQ

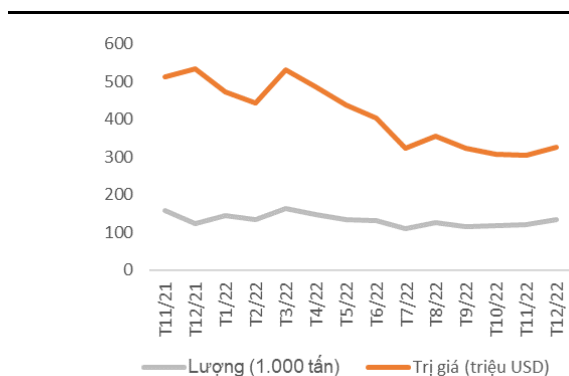
Figure: US Consumer Confidence Index



Source: Trading Economics

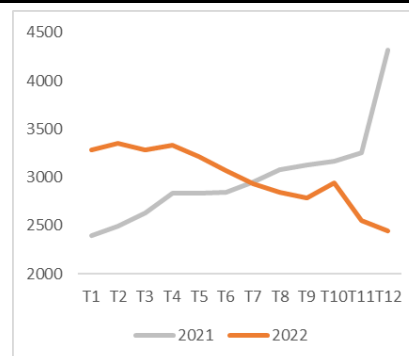
In 2022, Vietnam's fiber and textile exports will reach 1,573 million tons (-18.4% YoY), with a turnover of \$4.713 billion (-16% YoY). The reason for the decline came from (1) high input material prices (cotton price increased by 50%, fiber price increased by 10.5% according to VCOSA) (2) export unit price dropped sharply compared to the same period in 2021 when in December, the unit price decreased by -4.1% MoM and -43.3% YoY, December was also the 8th consecutive month that recorded a decrease in export unit prices.

Figure: Export of textile fibers and yarns in 2022



Source: TCHQ

Figure: Average export price of textile fibers and yarns



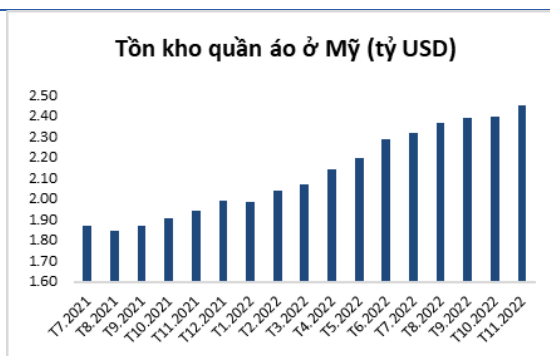
Source: VCOSA

The fourth quarter business results of 12 textile and garment enterprises showed a sharp decline. Total revenue of 12 enterprises reached 12,910 billion (-9% YoY, -9% QoQ) and profit after tax reached 365 billion (-68% YoY, -58% QoQ). The decline came from (i) Decreased orders, lost orders (MSH, GIL) while (ii) High costs caused some businesses to lose money (GMC, VGT), which made Q4 business results of enterprises textiles declined sharply.

Textile and Garment Industry Outlook in 2023: BSC believes that in 2023, textile enterprises will continue to face many challenges: garment enterprises will face many difficulties in signing orders as customers continue to handle inventory. high inventories when the economic context faces many difficulties.

+ Traditional garment segment: 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 many difficulties. The US market will also face pressure to cut new orders for next year.

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



Source: ychart

+ Yarn: After a year of many difficulties due to the decline in yarn prices, BSC believes that in 2023, yarn prices will continue to trade around a low base when the demand for traditional sewing declines due to high inventories and buying demand. Shopping declines when the world economy is in recession.

INVESTMENT THESIS – NEGATIVE

BSC **downgrades** its outlook to the textile and garment industry in 2023 due to the risk of decelerating demand as consumers tighten their spending and high inventory levels affect order volume. Yarn businesses face many challenges when yarn prices are expected to continue to trade around low levels.

Ticker	Net revenue 2023 (Bil VND)	% YoY	NPAT 2023 (bil VND)	% YoY	EPS 2023	P/E fw	P/B fw	ROA 2023	ROE 2023	Closing price 09/02/2023	Target price	Upside (%)
MSH	5,437	-2%	291	-14%	5,800	5.7	0.9	9%	18%	33,000	38,000	15%
TNG	6,375	-6%	274	-6%	2,900	5.2	1.6	6%	15%	15,200	14,750	-3%

Source: BSC Research

APPENDIX

January, 2023

2nd	3rd	4th	5th	6th	7th	Sunday
26	27	28	29	30	31	01
02	03	04	05	06	07	08
09	10	11	12	13	14	15
16 ETF: Finlead, VN30, Midcap, VN100 announced	17	18	19 Future VN30: Maturity	20 Enterprises: Deadline for submitting Q4 financial statements	21	22
23	24	25	26	27	28	29
30	31 FED: Meeting	Notes:				

February, 2023

2nd	3rd	4th	5th	6th	7th	Sunday
30	31 FED: Meeting	01 FED: Meeting	02 ECB: Meeting	03	04	05
06 ETF: Finlead, VN30, Midcap, VN100 structure	07	08	09	10	11	12
13	14 ETF: iShares Announced	15	16 Future VN30: Maturity	17	18	19
20	21	22	23	24	25	26
27	28 ETF: iShares structure	01	02	03	04	05
06	07	Notes:				

March, 2023

2nd	3rd	4th	5th	6th	7th	Sunday
27	28 ETF: iShares	01	02	03	04	05
06	07	08	09	10 ETF: FTSE VN c.com	11	12
13	14	15	16 Future VN30: e.limited	17 ETF: VNM announced	18	19
20	21	22	23	24 ETF: VNM, FTSE VN structure	25	26
27	28	29	30	31	01	02

03	04	Notes:
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April, 2023

2nd	3rd	4th	5th	6th	7th	Sunday
27	28	29	30	31	01	02
03	04	05	06	07	08	09
10	11	12	13 Future VN30: e/term	14	15	16
17 ETF: VN-Diamond announced	18	19	20 Enterprises: Deadline for submitting Q1 financial statements	21	22	23
24	25	26	27	28	29	30
01	02 ETF: VN-Diamond structure	Notes:				

May, 2023

2nd	3rd	4th	5th	6th	7th	Sunday
01	02 ETF: VN-Diamond structure	03	04 ECB: Meeting	05	06	07
08	09	10	11	12	13	14
15	16	17 ETF: iShares Announced	18 Future VN30: Maturity	19	20	21
22	23	24	25	26	27	28
29	30	31 ETF: iShares structure	01	02	03	04
05	06	Notes: VN: 07th Party Central Conference				

June, 2023

2nd	3rd	4th	5th	6th	7th	Sunday
29	30	31 ETF: iShares structure	01	02	03	04
05	06	07	08	09 ETF: FTSE VN announced	10	11
12	13	14	15 Future VN30: Maturity	16 ETF: VNM announced	17	18
19	20	21	22 MSCI: Market Review	23 ETF: VNM, FTSE VN structure	24	25
26	27	28	29	30	01	02

03	04	Notes:
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July, 2023

2nd	3rd	4th	5th	6th	7th	Sunday
26	27	28	29	30	01	02
03	04	05	06	07	08	09
10	11	12	13 Future VN30: Maturity	14	15	16
17 ETF: Finlead, VN30, Midcap, VN100 announced	18	19	20 DN: Deadline for Q2 financial statements	21	22	23
24	25	26	27 ECB: Meeting	28	29	30
31	01	Notes: VN: National Assembly meeting				

August, 2023

2nd	3rd	4th	5th	6th	7th	Sunday
31	01	02	03	04	05	06
07 ETF: Finlead, VN30, Midcap, VN100 structure	08	09	10	11	12	13
14	15	16	17 VN30 Futures: Maturity, ETF: iShares announced	18	19	20
21	22	23	24	25	26	27
28	29	30	31 ETF: iShares c/Structure	01 ETF: FTSE VN c.com	02	03
04	05	Notes:				

September, 2023

2nd	3rd	4th	5th	6th	7th	Sunday
28	29	30	31 ETF: iShares c/Structure	01 ETF: FTSE VN announced	02	03
04	05	06	07	08 ETF: VNM c/c	09	10
11	12	13	14 Future VN30: Maturity	15 ETF: VNM, FTSE VN structure	16	17
18	19	20	21	22	23	24
25	26	27	28 FTSE: Market Review	29	30	01
02	03	Notes:				

October, 2023

2nd	3rd	4th	5th	6th	7th	Sunday
25	26	27	28 FTSE: Market Review	29	30	01
02	03	04	05	06	07	08
09	10	11	12	13	14	15
16 ETF: VN-Diamond announced	17	18	19 Future VN30: Maturity	20 DN: Deadline for Q3 financial statements	21	22
23	24	25	26 ECB: Meeting	27	28	29
30	31 FED: Meeting	Notes: VN: 08th Party Central Conference				

November, 2023

2nd	3rd	4th	5th	6th	7th	Sunday
30	31 FED: Meeting	01 FED: Meeting	02	03	04	05
06 ETF: VN-Diamond structure	07	08	09	10	11	12
13	14	15	16 VN30 Futures: Maturity, ETF: iShares announced	17	18	19
20	21	22	23	24	25	26
27	28	29	30 ETF: iShares structure	01 ETF: FTSE VN announced	02	03
04	05	Notes: VN: National Assembly meeting				

December, 2023

2nd	3rd	4th	5th	6th	7th	Sunday
27	28	29	30 ETF: iShares structure	01 ETF: FTSE VN announced	02	03
04	05	06	07	08 ETF: VNM c/c	09	10
11	12	13	14 Future VN30: Maturity	15 ETF: VNM, FTSE VN structure	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31
01	02	Notes:				

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