

REPORT SECTOR OUTLOOK

Q2/2023



MỤC LỤC

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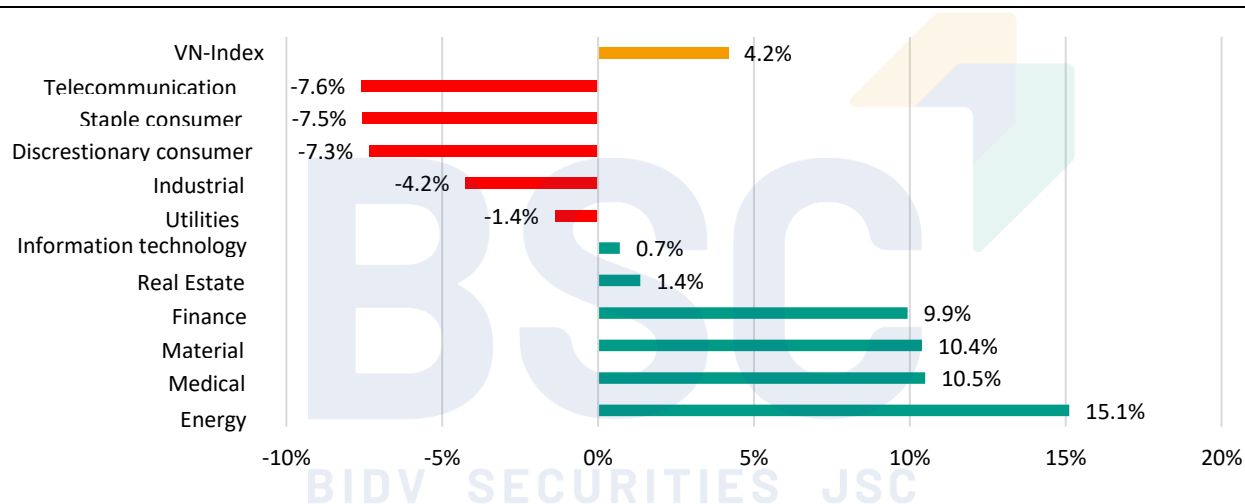
1. MARKET OUTLOOK FOR THE REMAINING 9M2023

Market movements in Q1/2023. The market in Q1/2023 was similar to the "investment guideline" in BSC's strategy report when the "Diversification" event took place deeply in many industry groups. BSC published the 2023 strategy report, [the Electricity sector report](#), and [the fourth Public investment report](#) with the update on the topics of 1) Public investment, 2) Power development plan 8, and 3) [Forecast lists VN30 index, VN-Finleand ad, Diamond](#). Additionally, BSC updated the monthly macro report, and weekly report on:

- [Monetary policy including the decrease in interest – Update the global monetary policy.](#)
- [The impact of removing legal obstacles in the Restate market \(adjusting Circular 16/2021\), Evaluating Circular 02/2023/TT-NHNN.](#)
- [The status of indirect foreign investment flow in Vietnam.](#)

These are the main topics that catch investors' eyes in Q1/2023, indicating a more positive increase in Finance sector (+9.9% YTD), Material sector (+10.4% YTD), and Electricity sector (+15.1% YTD) compared to the VN-index.

Return on sectors from 01/01/2023 – 04/28/2023

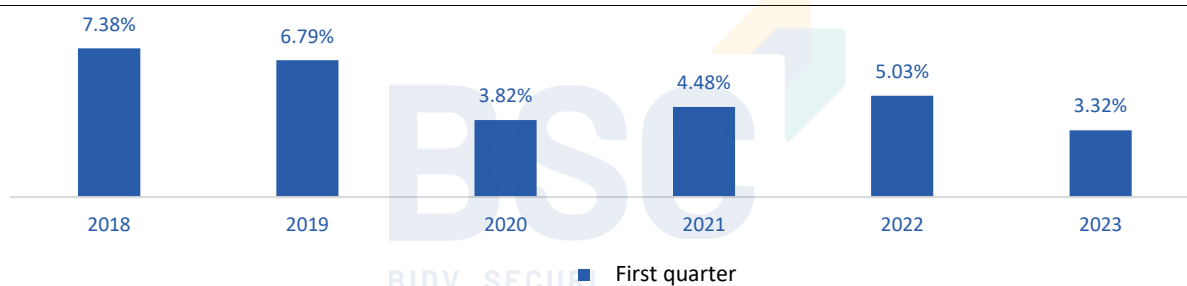


Source: FiinPro

1. Decrease the GDP growth forecast to 5.8% in the optimistic case and the pessimistic case to 5.4% from the old forecast of 6.7% in optimistic GDP growth at the beginning of 2023. As mentioned in the strategy report, the year 2023 was projected to face headwinds with the slowdown of global economic growth, and the risk of recession in the EU and the USA. Moreover, Vietnam's GDP growth in Q1/2023 only reached 3.32% YoY, and the PMI index in April recorded a second consecutive month of decline to 46.7 points, showing signs of weakening manufacturing activity, in the context of the real estate sector still facing many difficulties. Additionally, import and export value also recorded a declining growth momentum, accumulated in 4M2023, exports decreased by -11.8% YoY, while imports decreased by -15.4% YoY.

However, the macro data is showing several positive signs including (1) the stable inflation rate with a small increase of 2.84% YoY in April's CPI (accumulated 4M2023 was 3.84%), (2) a stable exchange rate and (3) an improvement in FDI capital (the registered FDI capital shows a positive growth). Many factors facilitate the SBV to cool down the interest rate for supporting the economy and more information in Macro reports in March and April.

Figure: GDP growth in the first quarter of every year.

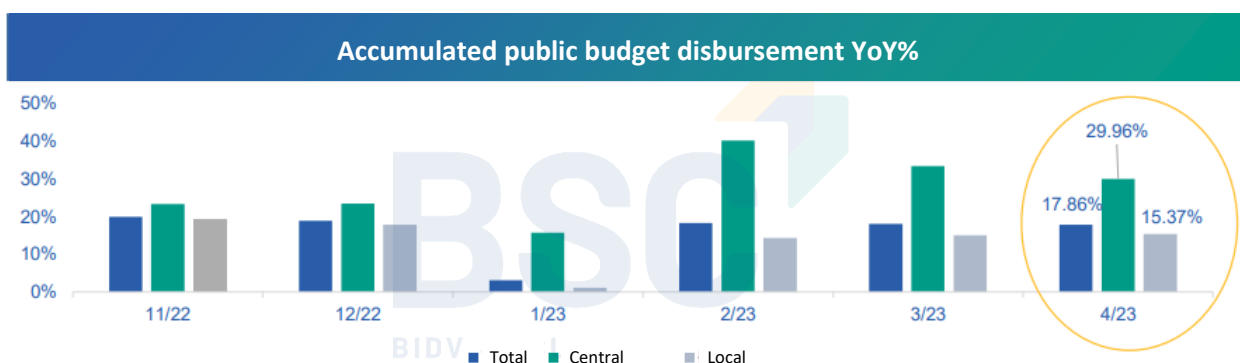


Source: GSO, MPI

2. Promoting the state capital disbursement and public investment in 2H2023 will play an important role in recovering and growing the economy from 2023 to 2025. Accumulated 4M2023, state capital disbursement was 131.2 trillion VND (+17.9% YoY), equivalent to 19% of the 2023 plan.

Several negative factors are delaying public investment including (1) difficult procedures, (2) the significantly high value of the 2023 plan (+22.4% YoY) whereas the monetary policy has not affected the economy, and (3) the severe fluctuation of commodities price. After all, the Government is making a serious effort in disbursing state capital. On 30/04/2023, the Dau Giay – Phan Thiet and Mai Son – 45 highway expressways officially opened to traffic, these projects were in line with the plan and promoted other projects to meet their deadline. In conclusion, BSC expects directly relative sectors (Building infrastructure, Building material, etc.) and indirect sectors (Commercial and Industrial Real Estate and Sea Port) will strongly benefit.

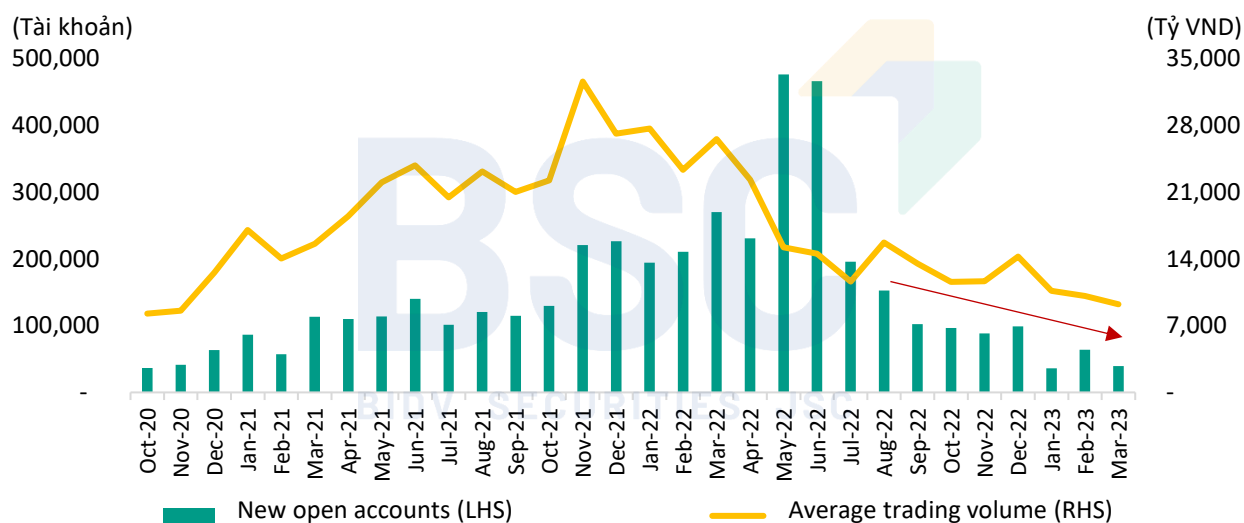
Figure: State capital disbursement (2016-2023)



Source: GSO, MPI

3. The number of new open accounts plunged sharply. The poor performance of the securities market and the interest hike put pressure on the securities channel in Q1/2023 leading to a significant drop in new open accounts and trading volume in the market. At the same time, we expect the investors will be more active as (1) the interest rate is cooling down thanks to monetary policy, (2) the market valuation remains below its historical average, and (3) the firms' profit is expected to recover in 2H2023.

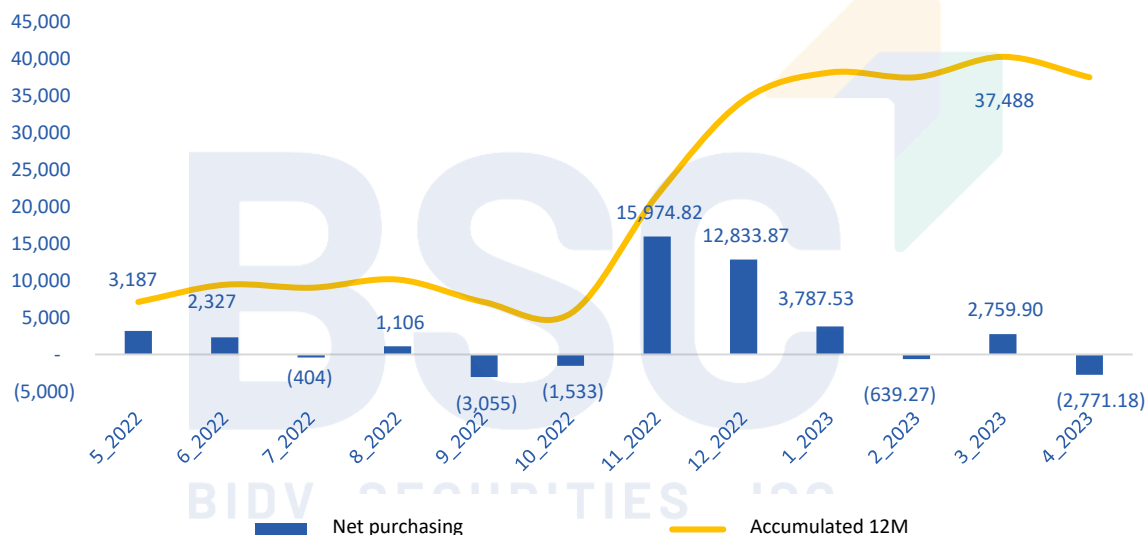
Figure: The total of new open accounts in Q1/2023 is only equal to 54% of the total new open accounts in Q1/2021.



Source: VSD, Fiinpro

4. Foreign investors still maintained a cumulative net buying in 4M/2023, but the momentum has a sign of decelerating. Accumulated in 4M2023, the total net buying value of foreign investors remains positive at 3,317 billion VND. Nevertheless, the momentum of these actions gradually slowed down, notably in April 2023 (net selling of 2,771 billion VND), as compared to how much the market has recovered since its Q3/2022 bottom. We expect foreign investors will maintain the net buying status in the second half of 2023 as (1) the firms' profit gradually improves, (2) the economy absorbs the monetary and fiscal policy and recovers, (3) the legal obstacle in the Real Estate and the Bond Market will be solved gradually. As the Vietnamese market continues to get some extra capital inflows such as the Fubon ETF and China Trust fund, foreign investors continue to show a significant amount of interest in it over the long term.

Figure: The value of net purchasing of foreign investors by month and accumulated 12 months (billion VND)

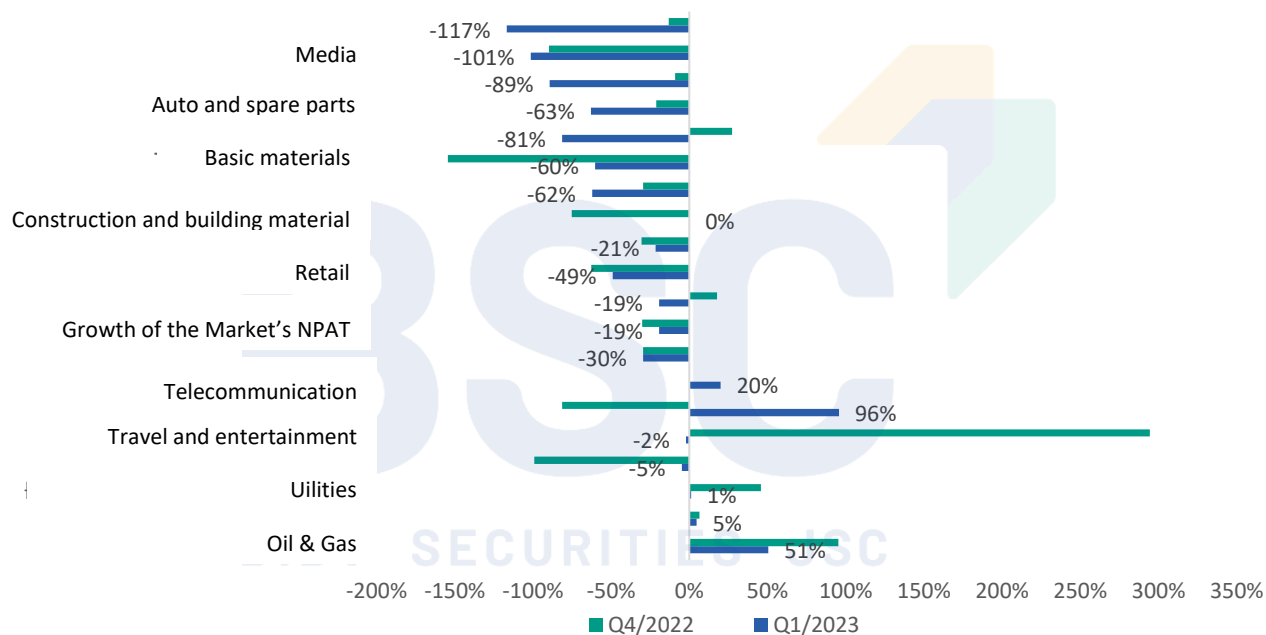


Source: Fiinpro

5. Profit growth in Q1/2023 saw a notable dip, dropping by -19.6% over the same time, and it is anticipated that profits in the following quarters will progressively increase in comparison to Q1/2023. About VND 89,692 billion was the total profit for VN-Index businesses in Q1/2023 (-19.2% YoY and +32% QoQ). Following are some sectors where a high percentage was noted:

- Decreases such as Banking (down 48% YoY), Food and beverage (down 4.4% YoY), Chemicals (down 3% YoY), Financial services (down 1.7% YoY), and Retail (down 0.2% YoY). There were various causes for the fall, including (1) A high-profit base and sudden profit in Q1/2022, (2) A decline in commodity prices, (3) Weak consumer spending power, and a sluggish economy, etc.
- Industries that recorded positive highlights: Oil and Gas Industry (accounting for 0.8%, up 95.8%), Real Estate Industry (accounting for 17.5%, up 50.6%, primarily due to high profits made by VHM, VRE, and VIC), and Other Industries (accounting for 0.8%, up 95.8%). Healthcare (+0.8%, up 29.5%), Electricity (+7.4%, up 1%), Tourism and entertainment (+0.4%, up 116.8%), and Electricity-Water-Petroleum-Gas (+0.8%, up 1%).

Figure: Earnings growth bt sectors in Q4/2022 and Q1/2023 keeps recording a decrease YoY



Source: BSC Research, Finpro, FS of listed companies

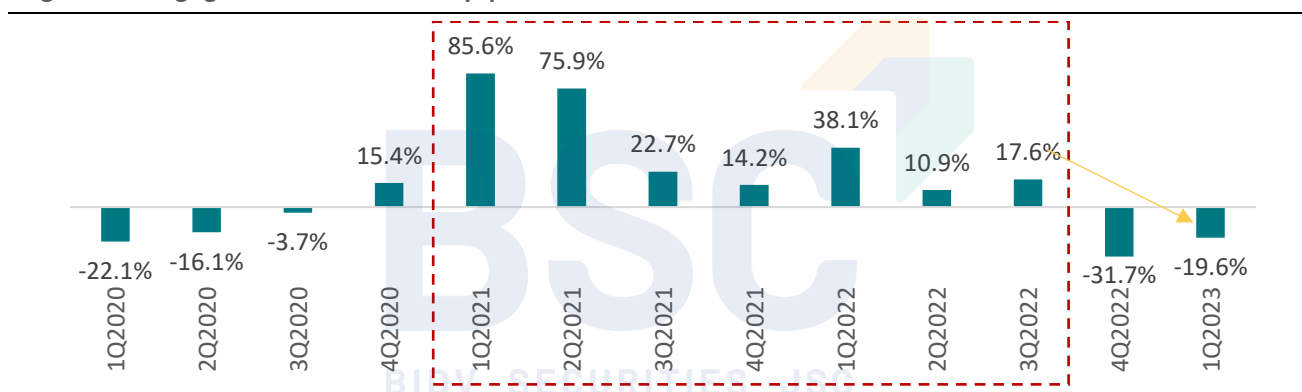
Billion VND	1Q2022	2Q2022	3Q2022	4Q2022	1Q2023	Proportion
Total NPAT of VN-Index (5/5/2023)	111,017	93,143	91,756	65,910	89,692	
Banking	52,781	48,493	47,097	41,490	50,250	48.0%
Finance services	3,996	1,478	1,072	36	1,513	1.7%
Insurance	785	549	619	625	822	0.9%
Real estate	10,396	7,265	21,385	10,085	15,657	17.5%
Oil & Gas	367	(207)	138	1,468	719	0.8%
Food & Beverage	7,755	7,865	6,750	2,288	3,958	4.4%
Retail	1,913	1,375	1,276	913	206	0.2%
Information technology	1,857	1,828	1,893	1,701	1,880	2.1%
Electricity and Petroleum and Gas	6,761	7,771	5,769	6,679	6,621	7.4%
Tourism	(2,190)	(2,330)	(2,231)	(4,729)	367	0.4%
Aviation and industrial services	3,537	3,527	3,334	3,052	2,492	2.8%
Household and personal goods	1,487	1,282	985	956	1,167	1.3%
Chemicals	7,232	6,001	4,780	4,880	2,686	3.0%
Automotive and spare parts	354	484	410	422	141	0.2%

Basic materials	10,021	4,942	(3,763)	(5,032)	(143)	-0.2%
Media	6	33	29	31	8	0.0%
Telecommunication	-	-	-	-	-	0.0%
Construction and materials	3,410	2,154	1,556	371	639	0.7%
Medical	548	631	657	674	710	0.8%

Source: BSC Research, Fiinpro, FS of listed companies

Beginning in Q4 2022, profit growth started to slow down; however, it is expected that in Q1/2023, profits will bottom out and begin to slowly increase again in Q2/2023. Consequently, we discover that even though Q1/2023 continues to show a decline of -19.6%, comparing the absolute value with the income of Q4/2022 still reveals an improvement in some industries, such as banking, food and beverage, financial services, information technology, and basic materials. In light of the government's above-mentioned goals for stimulating economic growth and reducing trade barriers, and more especially in the examination of sectors with a poor profit base in the second half of 2023, we expect that the profit after taxes for 9M2023 will gradually increase.

Figure: Earnings growth of the market by quarter from 2020-2023



Source: BSC Research, Fiinpro, FS of listed companies

6. As a result, under a favorable scenario, the profit growth for the entire market, as predicted by BSC, can reach 2.8% growth. Based on the 80 stocks that make up around 80% of the portfolio of equities that BSC is tracking, the stocks' profit growth improved by 2.8% in comparison to the same period in 2022. In which, BSC divided into three group includes:

- The group of stocks that are defensive / less affected by the economic cycle will continue to maintain stable double-digit growth including Electricity, Information Technology, and Telecommunications.
- Stocks with low business results in 2022 are subject to many cyclical "headwinds" such as (1) commodity prices plummeting in the second half of 2022, (2) interest rates rising in the second half of 2022, (3) material prices increase sharply in 2022, there will be a significant recovery in 2023: Building Materials, Aviation, F&B.
- Stocks with high business results in 2022 that are under pressure to grow profits in 2023 include Banking, Fisheries, Textile, Oil, and Gas (GAS and BSR), Real Estate, Seaports, Retail, and the Chemical industry.

Table: Industries' earnings growth from 2022-2023F

Industry	2022 growth	2023F growth
Aviation services	72%	171%
Seaport	72%	41%
Telecommunication	5%	30%

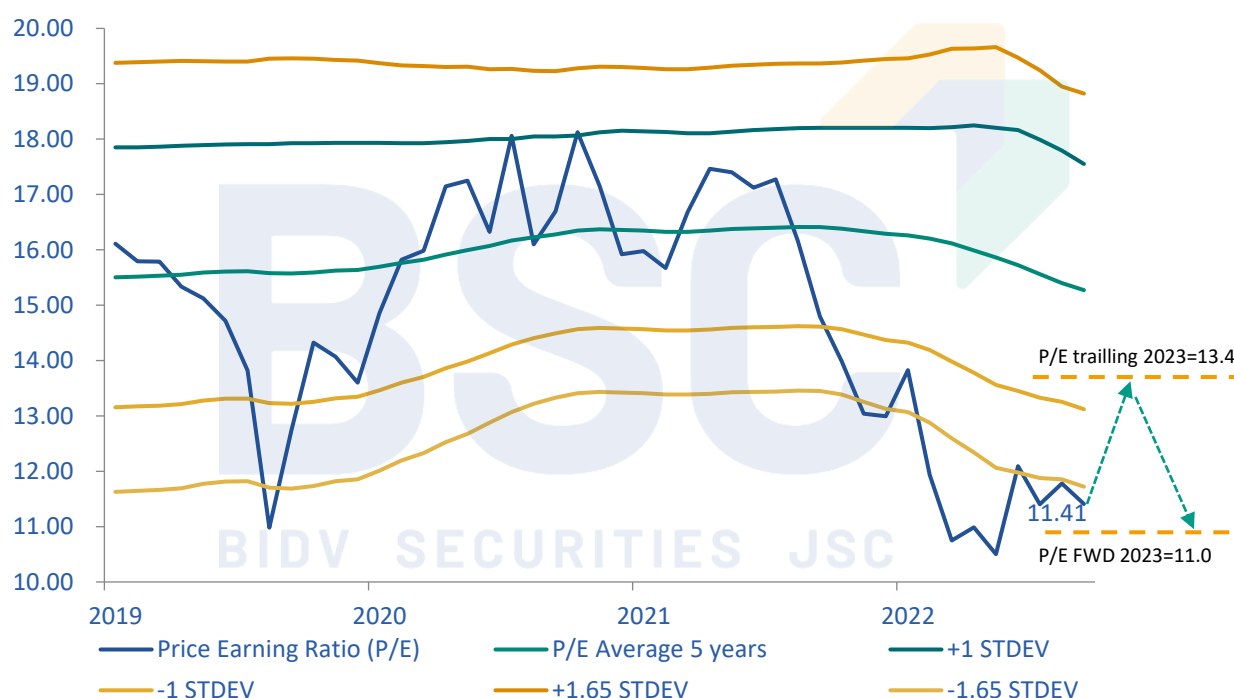
Industry	2022 growth	2023F growth
Technology	21%	23%
Real estate	-8%	10%
Building materials	-79%	9%
Banking	27%	8%
F&B	-36%	3%
Electricity	18%	1%
Textile	-2%	-16%
Retail	-1%	-20%
Industrial	147%	-26%
Oil & Gas (*)	71%	-27%
Fisheries	128%	-32%

(*) GAS and BSR's earnings are surprisingly high affecting the earnings growth of the whole Oil & Gas industry in 2023

Source: BSC Research

7. Market valuation becomes less desirable in Q1/2023 due to declining earnings growth. VN-Index is trading at P/E Of 11.4 times as of April 30, 2022, which is close to the standard variation of -1.65 times. The market's P/E valuation has adjusted above -1 standard deviation following Q1/2023 business results, which is comparable to PE trailing Of 13.4 times. Because of this, short-term market value is less appealing. However, as previously stated, market valuation will progressively be adjusted to a more attractive level in the medium term with predicted profits recovery gradually in the remaining quarters of the year (assuming the market score is fixed at the price as of April 30, 2022).

Figure: Market valuation is less appealing after the earnings flash in Q1/2023



Source: BSC Research

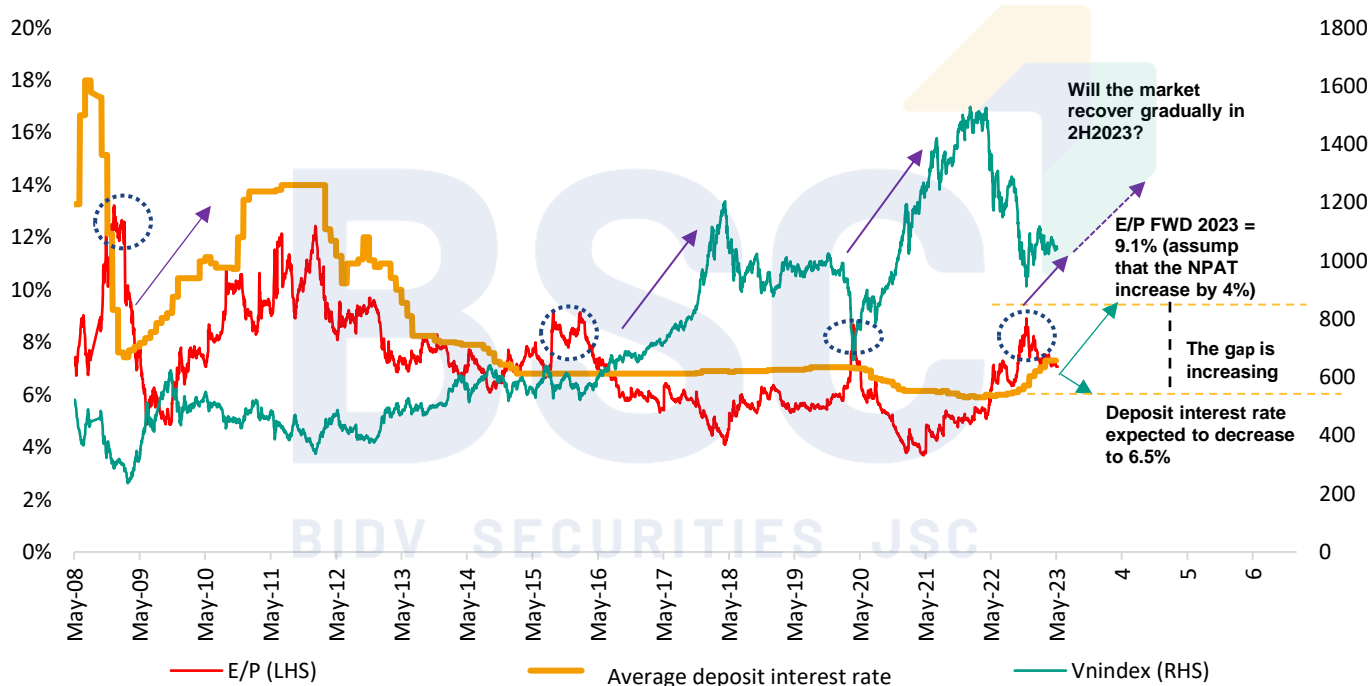
Is the market's valuation attractive in the medium and long term – any opportunities for the VN-Index?

The current value, in BSC's opinion, is not appealing in the near term, but on the bright side, the market is creating excellent long- and medium-term chances. We are aware that in the second half of 2023, two factors require attention, including (based on the supposition that the Vn-Index score is set on 30 April 2023).

1. After business performance rebounds in 2H2023, the E/P ratio will steadily improve. Based on the anticipated profit growth after taxes in 2023 of 2.8%, E/P FWD in 2023 is projected to be 9.0% (excluding dividend yield).
2. As previously stated, the trend of lower deposit interest rates, combined with low inflation, will create conditions for the SBV to ease monetary policy. As a result, it is projected that the State Bank would continue to cut the operating interest rate by 0.5% in Q2/2023, allowing the average deposit rate to reach around 6.5% in the second half of 2023.

Our historical experience indicates that the securities channel will eventually become more attractive than the deposit channel when the E/P ratio is higher than the deposit rate leading to a bullish rally in the upcoming period. Due to (1) declining earnings in Q4/2022 and Q1/2023 and (2) the stock market's strong rebound from the Q3/2022 trough, the difference between E/P and deposit interest rates in Q1/2023 has significantly shrunk when compared to Q2 and Q3/2022. However, based on the study above, **we believe the difference between the two ratios will progressively grow, opening a hint that the market will gradually recover in the second half of 2023 and the following year 2024.**

Figure: Q2/2023 could be a chance for medium- and long-term investment



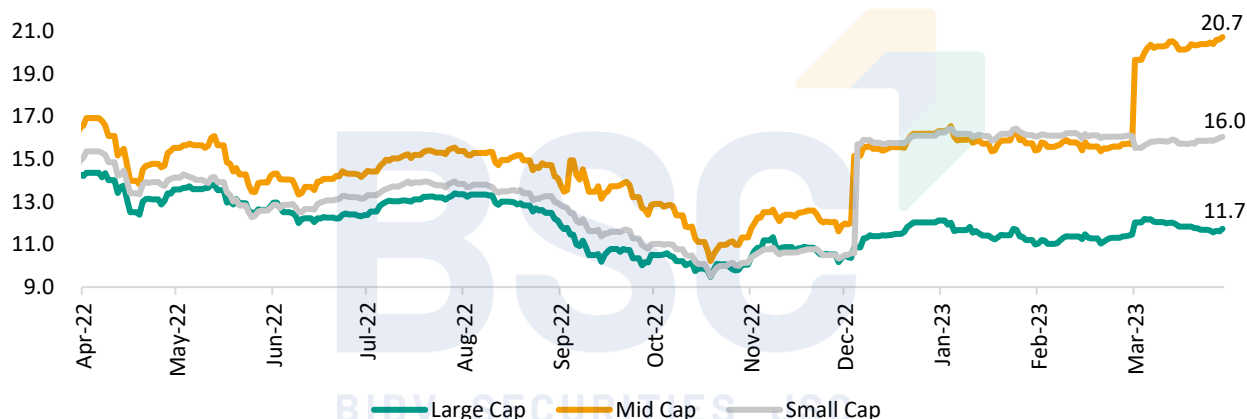
Source: BSC Research

Small and medium-cap stock valuations are no longer low, especially in light of the Q1-2019 earnings results.

Early in 2023, the small and medium-cap groups continued to perform rather well. This is because they are appealing to a wide range of investors due to declining cash flow. However, given the relatively strong performance in 4M2023, together with the steep decline in business results for this group of companies in Q1/2023 compared to the same period last year, the valuation of these two groups is no longer appealing. Although there may be a chance for a profit rebound in the second half of 2023 for small and medium-cap stocks, we expect the cash flow will gradually shift to large-cap stocks with advantages of (1) Industry leader,

(2) strong financial position, and (3) the potential to increase market share as a result of the scale advantage associated with value are all discounted tremendously compared to the market.

Figure: Valuation of small and medium cap



Source: BSC Research, Bloomberg

Industry	PE TTM	PE 5 years median	2023FW PE	% change (*)
* Real Estate (P/B)	1.2	2.5	1.3	92%
Industrial	3.8	8.6	4.9	76%
Fisheries	6.6	7.7	5.2	48%
Oil & Gas	8.0	16.5	11.9	39%
* Banking (P/B)	1.2	1.6	1.2	33%
Retail	13.7	14.7	11.5	28%
Information Technology	16.1	12.6	11.2	13%
Utilities	12.3	11.6	10.6	9%
Consumer Staples	19.5	19.5	19.1	2%
Textile	7.1	6.4	7.6	-16%
Basic material	19.2	8.4	12.0	-30%
Seaport	11.7	12.6	32.6	-61%
Aviation Services	-45.3	-24.7	46.3	-153%

Source: BSC Research

In terms of industry valuation, we compare PE FWD 2023 and the median PE of 5 years. Some industries, such as Banking, Real estate, Industrial, Fisheries, Petroleum, and Retail, offer more attractive valuations than in the past. Some industrial groups have greater valuations than in the past, particularly those in sectors including Textiles, Basic materials, Seaports, and Aviation services, which are expected to have poor profit prospects in 2023. **We emphasize that whether or not the outlook for the aforementioned group improves will primarily rely on how quickly the economy recovers in the second half of 2023.**

Table: PE, PB valuation on sectors in countries.

Country	Vietnam		Median		Indonesia		Malaysia		Philippines		Thailand	
	P/E	P/B	P/E	P/B	P/E	P/B	P/E	P/B	P/E	P/B	P/E	P/B
Valuation												
Finance	12.3	1.0	10.8	0.8	11.2	0.7	10.4	1.0	8.0	0.8	12.5	0.7
Consumer goods	10.2	0.9	12.8	1.0	12.0	1.0	11.5	1.9	13.7	1.1	14.4	1.0
Industrial	11.4	0.9	11.8	0.9	10.6	0.9	17.6	0.9	13.0	1.2	10.6	0.9
Oil & Gas	14.0	1.2	17.7	0.6	6.3	0.6	29.0	3.9	224.1	0.3	6.3	0.6
Consumer services	12.2	1.2	12.9	1.5	11.9	1.5	13.9	1.2	16.5	1.7	11.9	1.5
Basic materials	8.4	0.7	5.8	1.3	5.8	1.1	10.9	1.5	3.1	1.5	5.8	1.1
Utilities	7.6	1.8	9.5	0.9	7.8	0.9	14.7	0.9	11.3	1.1	7.8	0.9
Technology	15.4	1.9	13.0	1.6	13.0	1.6	N/A	N/A			13.0	1.6
Healthcare	12.2	1.2	11.7	1.5	11.7	1.5	33.7	1.9			10.6	0.9
Telecommunication	15.3	3.8	20.1	2.8	17.4	1.7	22.8	3.9	22.8	3.9	17.4	1.7

Source: BSC Research, Bloomberg

2. SECTORS OUTLOOK IN 2023

Economic cycle and sector valuation acceptance

In 2023, the headwinds include (1) an increase in inflationary pressure, (2) a Decline in import and export activities, (3) a 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 the 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 sectors outlook

Sector	Perspective
Banking	POSITIVE
Consumer - Retail	POSITIVE
Aviation services	POSITIVE
Oil transport	POSITIVE
Oil and Gas	POSITIVE
Industrial park	POSITIVE
Technology	NEUTRAL
Seaport	NEUTRAL
Steel	NEUTRAL
Aviation transportation	NEUTRAL
Automobile	NEUTRAL
Fisheries	NEUTRAL
Tires	NEUTRAL
Breeding	NEUTRAL
Fertilizers	NEUTRAL
Chemicals	NEUTRAL
Electricity	NEUTRAL
Non-life insurance	NEGATIVE
Commercial real estate	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 the real estate market.
3. China’s reopening.
4. Trend of interest rate cooling down from 2023.

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>Industrial park</u>	POSITIVE	<ul style="list-style-type: none"> Registered FDI capital in 1Q.2023 dropped sharply -38.8% yoy mainly due to the decline of additional registered FDI capital (-70.3% yoy), while newly registered FDI capital decreased only slightly -5.9% yoy. Given that FDI activities are anticipated to fall in 2023 as a result of the global economic slowdown, Vietnam remains a feasible and attractive location for manufacturers worldwide. In addition to being a contributing element in maintaining high rental prices in the face of increasing rental demand, the lack of supply in industrial centers continues to be a challenge for the sector. The legal environment is gradually becoming more transparent and effective. The coordination between Ministries/Departments and the Provincial People's Committee is anticipated to result in streamlined administrative processes and sustainable development. BSC makes a POSITIVE recommendation for the Industrial Park Real Estate industry in 2023. 	KBC, BCM, GVR, IDC, PHR
<u>Banking</u>	POSITIVE	<ul style="list-style-type: none"> After several stimulus measures, credit growth slowed in the first quarter of 2023 but is predicted to pick up in the second. Although there is no longer a concern about the banking system's liquidity, funding pressure is still there. As the industry's NIM outlook continues to face many challenges, expect the divergence to become more and more obvious. After the SBV issues Circular 02, banks will have time to increase their reserve buffers, and the asset quality is anticipated to remain more stable for the remainder of 2023. The results of 1Q2023 are not surprising, reflecting the caution from the business plan of 2023, however, the supportive policies that have been continuously issued over the past time may be a factor that changes the industry landscape. The valuation still appears to be attractive (industry average P/B TTM = 1.1x vs. 5-year average = 1.5x excluding VCB, BID, SSB) in comparison to risks that have gradually surfaced like (1) sluggish earnings growth or (2) asset quality concerns. The share price, in BSC's opinion, has partially reflected these factors, and as a result, BSC has a POSITIVE outlook for the rest of 2023 for the banking industry. 	-
<u>Commercial real estate</u>	NEGATIVE	<ul style="list-style-type: none"> Due to the low number of new developments in Ho Chi Minh City and Hanoi, even though the absorption capacity is low, the average selling price keeps rising. The government's initiatives to stabilize the real estate market and restructure the enterprises' product portfolio led to a steep decline in the number of land transactions and a recovery in the number of apartment and single-family home transactions. Despite the massive corporate bonds maturing in the final nine months of 2023, the liquidity pressure is no longer as "pessimistic" as it was at the beginning of the year. Several policies that addressed the two biggest "bottlenecks" of the real estate market—legal and capital—were what caused the expectation of a "reversal" to emerge. 	VRE, VHM, DXG, NLG, KDH

Industry	Outlook	Assessments	Stock pick
		<ul style="list-style-type: none"> The government's determination to revive the economy in general and the real estate market, in particular, is demonstrated by necessary and timely policies. However, it takes time for the market to "absorb" these policies and for homebuyers to regain their confidence. BSC remains the NEGATIVE view of the Commercial Real estate market in 2023. 	
<u>Seaport</u>	NEUTRAL	<ul style="list-style-type: none"> The number of containers passing through ports fell sharply in Q1/22023, totaling only 5,177 million TEUs (-15% YoY). BSC expects the container throughput will be NEGATIVE in 2023 due to the negative trend of imports and exports. After Nam Hai Dinh Vu has been transferred, the position of seaport firms in Hai Phong will significantly change in 2023. We maintain the NEUTRAL recommendation for the Seaport industry. 	GMD, VSC
<u>Steel</u>	NEUTRAL	<ul style="list-style-type: none"> Consumption volume in Q1.2023 remained weak in both domestic and export markets with total steel consumption -16% yoy, of which, domestic consumption -21% yoy, and export -7% yoy. Steel prices increased by 6-10% YTD due to rising coal and iron ore costs. With steel prices back to the beginning of the year, BSC expects steel prices to move sideways in the second half of Q2.2023. To 2H.2023, steel price movements will depend on the level of recovery from steel demand. Gross profit margin of steel companies improved in Q1.2023 because (1) high-priced inventories were mostly cleared up, (2) steel companies reverse the provisions for inventories. Although, in our perspective, the worst period of this industry has passed, BSC keeps a NEUTRAL view of in Steel industry in Q2.2023 due to the weak demand. 	HPG, HSG
<u>Construction</u>	NEUTRAL	<ul style="list-style-type: none"> The number of newly licensed real estate projects is still low, which is an indicator of the decline in the construction volume of civil construction enterprises. Profit margin of construction enterprises is forecasted to be negatively affected in 2023. The level of competition between contractors, which was already very fierce, is now becoming more intense due to (1) the lack of construction demand, reputable investors, and guaranteed cash flow as well as (2) pressure to sign new contracts to maintain operations. The implementation of government policies to support the real estate market is expected to alleviate difficulties for contractors indirectly because businesses will be able to collect debts from investors. Accelerating the disbursement of public investment is expected to generate a large number of jobs for infrastructure construction companies. BSC comes up with a NEUTRAL recommendation for the Construction industry in 2023. 	CTD, HHV, C4G, LCG
<u>Oil transportation</u>	POSITIVE	<ul style="list-style-type: none"> At the end of Q1.2023, oil freight rates increased sharply due to (1) disruption of the oil supply chain in Europe, and (2) low supply of tankers. 	PVT

Industry	Outlook	Assessments	Stock pick
<u>Container transportation</u>	NEGATIVE	<ul style="list-style-type: none"> In 2023, BSC holds a POSITIVE view of the Oil transportation industry because freight rates are still high due to the limited supply of ships. The container price indexes remained at a low level after Q1.2023. BSC expects container freight rates to fall by 65% YoY in 2023, owing to (1) a large rise in supply and (2) moderate development in import and export activities. BSC maintains the NEGATIVE recommendation for the Container transportation industry because it believes that Container freight rates will continue to decrease soon. 	HAH
<u>Aviation Services</u>	POSITIVE	<ul style="list-style-type: none"> By the end of Q1.2023, the volume of domestic passengers passing through the airport was estimated to be 25.9 million (+67% yoy), equivalent to 120-130% over the same period in 2019 due to (i) fully recovered domestic routes once the epidemic is under control, and (ii) the first quarter being the peak tourist season. Given the high base level in 2022, BSC maintains the prediction from the previous report that the domestic passenger traffic in 2023 will be 92 million (+0.3% YoY). By the end of Q1.2023, international passenger volume through the airport reached 7.1 million (+1,470% yoy), equivalent to 68% over the same period in 2019, thanks to countries including Vietnam that have reopened. BSC increased the forecast of international passenger volume in 2023 from 24 million (+99% yoy) in the previous report, to 28 million (+133% yoy), equivalent to 100% compared to pre-pandemic due to the number of markets recovered better than previously forecast. By the end of Q1.2023, the volume of goods transported by air reached 80,000 tons (-7% yoy) due to a decrease in global demand. BSC expects output to recover in 2H.2023. Because of a favorable recovery in passenger volume in 2023, BSC retains a POSITIVE perspective of terminal services such as ACV. BSC holds a NEUTRAL view of the air transport industry, which mainly comes from the reopening of the Chinese market - Vietnam's largest aviation market. However, BSC notes that high anchor oil prices and strong fluctuations will still negatively affect the air transport industry. BSC has a NEGATIVE view of Aviation services like SCS due to reduced output. 	ACV, SCS
<u>Aviation transportation</u>	NEUTRAL	<ul style="list-style-type: none"> Q1/2023 earnings results bottomed out as (1) hog prices recorded their lowest level within a year and (2) feed input costs remained at a high base level due to inventory pressure. Expected gross profit margin in the remaining quarters to grow above the low base of Q1/2023 thanks to the recovery of pig prices and a decline in feed prices compared to the beginning of 2023. BSC maintains a NEUTRAL recommendation for the livestock sector in 2023. 	HVN, VJC
<u>Breeding</u>	NEUTRAL	<ul style="list-style-type: none"> BSC maintains a NEUTRAL view on the Chemical industry in 2023 as expected profits drop from the high base of 2022. However, stocks in this industry are currently trading at an undervalued level for many years. 	DBC
<u>Chemicals</u>	NEUTRAL	<ul style="list-style-type: none"> Accumulated in the first quarter of 2023, automobile sales volume in the whole market reached 70,212 units, down 29% over the same period. BSC maintains a NEUTRAL view of the auto industry in 2023 because auto sales are expected to decelerate as a high base in 2022, and inflation and interest rates remain high. 	DGC, CSV
<u>Automobile</u>	NEUTRAL		VEA

Industry	Outlook	Assessments	Stock pick
<u>Fertilizers</u>	NEUTRAL	<ul style="list-style-type: none"> Fertilizer businesses will face negative growth pressure in the second quarter and the rest of 2023 due to: (1) a High base level in 2022; (2) Profit margin decreased from a high base level due to the expectation that the selling price would decrease more than input gas price and (3) Selling price decreased over the same period but slowed down compared to Q1/2023. BSC maintains the NEUTRAL view of the Fertilizer industry in 2023. 	DPM, DCM
<u>Tires</u>	NEUTRAL	<ul style="list-style-type: none"> We anticipate that in 2023, tire businesses will differentiate from one another based on their ability to: (1) compete on the domestic market, (2) promote exports, and (3) lower material and logistics costs. BSC lowered the old view from POSITIVE to NEUTRAL of the tire industry in 2023. 	DRC
<u>Consumer - Retail</u>	NEUTRAL	<ul style="list-style-type: none"> Retail consumer stocks in 4M2023 were under pressure from high base levels, declining demand, and higher input costs than in the same period last year. 2023- Expecting a difficult year for growth: when difficulties from high base level and large inventories. With a discounted valuation, there is a long-term investment opportunity in sector leaders. BSC downgrades the previous recommendation from POSITIVE to NEUTRAL for consumer retail business results in 2023. 	MWG, VNM, MSN, PNJ, DGW, FRT
<u>Fisheries</u>	NEGATIVE	<ul style="list-style-type: none"> In 1Q2023, Vietnam's seafood export value was estimated at 1.8 billion USD, down 27% YoY: shrimp -37% YoY, pangasius -35% YoY Outlook in Q2.2023: <ul style="list-style-type: none"> For the Shrimp market: The main markets for consumption (the US and EU) are predicted to face many challenges, which will hurt the demand for Vietnam's shrimp. For the Pangasius market: Pangasius exports may encounter difficulties in Q2.2023 as the Chinese market is showing signs of slowing down while the US and EU markets are not showing signs of improvement. BSC gives a NEGATIVE view on the Fisheries sector in Q2.2023 	VHC, ANV
<u>Information & Technology</u>	POSITIVE	<ul style="list-style-type: none"> In Q1.2023, Information & Technology (IT) industry revenue = 32.8 billion USD (-3% yoy), hardware - software export turnover = 26.6 billion USD (-9.5% yoy). In 2023, BSC believes that the prospect of listed companies in the POSITIVE Technology and Telecommunication industry is due to (i) Software export growth in Japan and APAC offset slowing growth in the US (ii) Digital Transformation Trends and Public Investment in Smart Transport (ITS) will have a positive impact on technology firms (iii) The revised Law on Telecommunications has a positive impact on businesses. We continue to maintain the POSITIVE perspective on the Information Technology – Posts and Telecommunications industry in 2023. 	FPT, CTR
<u>Oil & Gas</u>	POSITIVE	<ul style="list-style-type: none"> Oil prices have fallen sharply since the beginning of the year, and are close to the 70 USD/barrel mark. 	PVD, PVS, GAS, BSR,

Industry	Outlook	Assessments	Stock pick
		<ul style="list-style-type: none"> Oil price trend continues to fluctuate unpredictably, due to the influence of the tight supply policy of major suppliers. The first quarter business results of oil and gas enterprises are relatively POSITIVE. BSC holds a POSITIVE view of the oil and gas industry and recommends BUY for PVS, PVT, and PVD stocks. 	PLC, PLX, PVT
<u>Electricity</u>	NEUTRAL	<ul style="list-style-type: none"> Commercial power output in the first quarter of 2023 decreased slightly year-on-year to 61.83 billion kWh (-1.6% YoY) The El Nino cycle is expected to return soon, which is a positive signal for thermal power plants, especially gas thermal power plants. We maintain a NEUTRAL view of the Power sector in 2023. 	HND, QTP, POW, NT2, REE, PC1
<u>Textiles</u>	NEGATIVE	<ul style="list-style-type: none"> In 1Q2023, textile and garment exports reached a turnover of USD 7.17 billion (-17% YoY), a decline reflecting high inflationary pressure and tightening consumer spending. Textile and Garment Industry Outlook in 2023: BSC believes that textile enterprises will continue to face many challenges due to (1) high inventory levels in the US market, the European market is forecasted to face difficulties in the rest of the year 2023 (2) difficulties in finding and signing new orders. We maintain a NEGATIVE view of the Textile industry in 2023 	MSH, TNG

3. SUMMARY OF RECOMMENDED STOCKS

Figure: Summary of recommended stocks for 2023

Ticker	Net Rev 2023 (tỷ VND)	% YoY	NPAT 2023 (tỷ VND)	% YoY	EPS 2023 (VND/cp)	P/E fw	P/B fw	ROA 2023	ROE 2023	Price as of 17/05/2023	Target price	Upside
KBC	4,735	398%	1,823	19%	3,166	8.3	0.7	6%	10%	26,350	29,800	13%
BCM	7,032	8%	1,913	14%	1,698	45.6	3.8	6%	17%	77,500	94,200	22%
GVR	27,803	9%	3,510	-9%	1,211	13.1	1.0	6%	8%	15,850	19,100	21%
IDC	9,167	22%	2,046	16%	8,439	4.6	1.4	19%	34%	38,500	52,000	35%
PHR	2,095	23%	1,027	16%	6,238	6.7	1.5	13%	39%	41,800	52,200	25%
VHM	87,014	39%	31,951	11%	7,414	6.8	1.3	10%	14%	50,500	68,300	35%
VRE	9,102	24%	3,642	31%	1,564	17.8	1.8	9%	10%	27,900	36,200	30%
DXG	4,524	-18%	179	-17%	292	47.8	0.6	1%	3%	13,950	16,900	21%
NLG	4,735	9%	658	18%	1,692	13.5	1.3	4%	8%	31,650	38,200	20%
KDH	3,162	9%	1,217	10%	1,710	16.7	1.5	6%	9%	28,500	37,700	32%
GMD	3,632	-7%	1,985	100%	6,587	7.6	1.6	14%	21%	49,900	57,000	14%
HPG	125,903	-11%	8,284	-2%	1,425	14.6	1.2	5%	8%	21,800	25,000	15%
MWVG	126,099	-5%	3,100	-24%	2,118	18.0	2.4	6%	12%	38,150	46,300	21%
VNM	61,883	3%	8,942	5%	4,059	17.0	4.6	19%	27%	69,000	75,000	9%
MSN	83,120	9%	3,395	-5%	2,384	30.7	4.0	3%	12%	73,100	87,000	19%
PNJ	34,778	3%	1,923	6%	7,537	9.9	2.7	13%	20%	74,600	90,100	21%
DGW	18,443	-16%	424	-38%	2,597	12.7	2.3	7%	17%	32,900	40,500	23%
FRT	34,831	15%	151	-61%	1,105	56.1	3.8	1%	7%	62,000	74,700	20%
ACV	21,219	54%	7,795	10%	3,580	22.0	3.3	10%	15%	78,776	100,000	27%
SCS	780	-8%	588	-9%	6,048	10.9	2.1	14%	21%	65,700	76,000	16%
HVN	89,895	27%	(4,329)	-59%	(1,955)	(6.4)	(2.1)	-7%	33%	12,500	N/A	N/A
HAH	2,694	-16%	450	-45%	5,473	7.4	1.0	7%	11%	40,350	40,000	-1%
PVT	10,485	16%	870	1%	2,560	7.9	0.8	7%	13%	20,200	25,000	24%
VEA	4,260	-10%	7,105	-6%	5,716	6.7	2.3	26%	28%	38,448	42,000	9%
VHC	10,069	-24%	1,207	-43%	12,800	4.5	1.5	11%	16%	57,800	65,000	12%
ANV	5,310	8%	687	2%	6,900	4.8	0.7	10%	19%	33,300	33,300	0%
DRC	4,825	-2%	280	-9%	2,586	8.1	1.2	10%	15%	21,050	24,000	14%
DBC	12,613	9%	43	728%	159	107.2	0.9	0%	1%	17,050	21,300	25%
DPM	14,150	-24%	2,260	-59%	5,735	5.8	1.0	14%	18%	33,000	38,000	15%
DCM	12,050	-24%	1,850	-57%	3,495	6.8	1.2	13%	17%	23,900	27,000	13%
DGC	11,524	-20%	4,023	-28%	10,593	4.8	1.7	30%	36%	50,800	60,500	19%
CSV	1,831	-13%	291	-18%	6,584	4.5	0.9	15%	20%	29,850	32,000	7%
MSH	4,591	-17%	212	-43%	2,830	11.7	0.9	6%	11%	33,000	33,300	1%
TNG	7,698	14%	336	15%	2,970	6.4	1.6	7%	17%	19,000	21,700	14%
GAS	104,090	3%	13,819	-7%	6,793	13.5	2.8	16%	22%	91,900	108,700	18%
PVD	6,848	26%	275	-367%	360	61.0	0.8	1%	2%	21,950	26,000	18%
PVS	18,262	12%	977	11%	2,044	12.9	1.0	2%	4%	26,400	33,000	25%
PLC	9,527	11%	210	80%	2,149	15.7	1.9	3%	12%	33,800	36,500	8%
BSR	118,577	-29%	6,990	-53%	2,232	7.3	0.9	11%	12%	16,350	18,400	13%
PVT	10,485	16%	870	1%	2,560	7.9	0.8	7%	13%	20,200	25,000	24%
FPT	53,948	23%	6,384	20%	5,901	13.8	4.2	14%	30%	81,500	90,100	11%
CTR	9,894	6%	571	29%	6,000	11.0	1.6	11%	28%	66,000	70,000	6%
ELC	1,273	47%	72	95%	1,000	13.9	10.0	6%	7%	13,850	18,700	35%
REE	8,424	-10%	2,181	-19%	7,698	8.7	1.1	6%	11%	66,700	77,000	15%
NT2	7,516	-14%	712	-19%	2,737	11.2	1.9	8%	16%	30,650	31,500	3%
POW	31,274	11%	2,615	27%	993	13.4	0.9	5%	8%	13,300	14,500	9%
PC1	9,814	18%	639	42%	2,464	11.6	1.0	3%	9%	28,650	31,500	10%
HND	11,119	6%	774	42%	1,471	10.2	1.0	10%	12%	15,003	16,200	8%
QTP	11,349	9%	852	11%	1,894	8.1	1.0	11%	16%	15,431	18,900	22%
CTD	15,600	7%	171	726%	2,170	29.5	0.6	1%	2%	64,000	60,800	-5%

Ticker	Net Rev 2023 (tỷ VND)	% YoY	NPAT 2023 (tỷ VND)	% YoY	EPS 2023 (VND/cp)	P/E fw	P/B fw	ROA 2023	ROE 2023	Price as of 17/05/2023	Target price	Upside
HHV	3,600	72%	427	62%	1,390	9.4	0.8	1%	5%	13,100	15,400	18%
C4G	3,500	28%	180	18%	820	15.6	1.1	2%	7%	12,779	14,800	16%
LCG	2,970	195%	233	21%	1,210	9.8	0.7	5%	9%	11,800	16,000	36%

Source: BSC Research

4. THE IMPACT OF MACRO FACTORS ON INDUSTRY GROUPS

Figure: The impact of macro factors on industry groups

	Trade war	Russia – Ukraine tension / (Oil price increase)	High-interest rate by the Fed	Weak EU’s economic	High domestic interest rate	China’s reopening	CPTPP	Other Domestic policies
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		(-)	(-)		(-)			(+)

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		
4	20	Enterprises: Deadline for submitting Q1 financial statements		
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 levels, along with policies to amend and supplement new regulations, will have a mixed impact on different levels of the stock market in general and businesses in particular. BSC has listed important policies and events worth noting in 2023:

Not affected yet: ✘ Affecting: ✔ Affected already: ⏻

Figure: Policies that affect sectors in 2023

No.	Policy and Macro Information Disclosure	Date of effect	Impact	Level	Status 15/05/2023
International Macro and Economic Policy					
Monetary policy					
1	Fed: tightening monetary policy, raising interest rates	03/05/2023	Negative	Very Strong	✔
2	PBoC: The monetary policy is loosened with many support packages, but China's economic recovery is uneven.	Q2/2022	Positive	Weak	✔
3	ECB: maintain tight monetary policy and fight inflation.	04/05/2023	Negative	Strong	✔
4	ECB: maintain tight monetary policy and fight inflation.	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	Resolution No. 30/2022/UBTVQH15: Reducing environmental protection tax on gasoline, oil, and grease.	2023	Positive	Strong	✔
2	Decree 08/2023/ND-CP: Amending, supplementing, and suspending the effect of several articles in the Decrees regulating the offering and trading of individual corporate bonds in the domestic market and offering for sale corporate bonds to the international market.	05/03/2023	Positive	Strong	✔
3	Decree No. 10/2023/ND-CP: Supplementing Decrees guiding the Land Law.	20/05/2023	Mixed	Strong	✘
4	Promulgating Decree No. 65/2022/ND-CP amending and supplementing several articles of Decree No. 153/2020/ND-CP stipulating the private offering and trading of corporate bonds in the domestic market and offering corporate bonds to the international market.	16/09/2022	Mixed	Strong	✔
5	Decision 1435/QĐ-TTg 2022 Establishing a working group of the Prime Minister on	17/11/2022	Positive	Average	✔

No.	Policy and Macro Information Disclosure	Date of effect	Impact	Level	Status 15/05/2023
	reviewing, urging, and guiding to remove difficulties and obstacles in implementing real estate projects for localities and businesses.				
Monetary policy					
1	Continue to reduce operating interest rates	Q2/2023	Positive	Strong	✓
2	Circular 02/2023-TT-NHNN on restructuring the repayment period and keeping the debt group unchanged.	Q2/2023	Positive	Strong	
3	The National Assembly passed amendments to the Law on Credit Institutions.	Q2/2023	Mixed	Average	
4	The State Bank is expected to continue to increase foreign exchange reserves and stabilize system liquidity.	Q2-Q3/2023	Positive	Strong	✓
5	Credit package of 120 trillion VND for real estate and policy to facilitate the real estate market in the bond market.	2023	Positive	Strong	✓
6	Decision No. 377/QĐ-EVN on increasing the average electricity price.	24/04/2023	Negative	Average	✓
Securities policy					
1	Depository certificates, depository certificates without voting rights.	2023-2024	Positive	Strong	✓
2	The scheme of listing listed stocks widens the band.	2023-2024	Mixed	Strong	✗
3	Listing and raising capital at joint stock commercial banks.	2023-2024	Positive	Strong	✗
4	Raising conditions for public companies.	2023-2024	Mixed	Average	✗
5	Research to amend some indicators of the VN30 index.	2023	Positive	Strong	✓
6	Apply the KRX securities trading system and step-by-step move towards T+0 transactions.	Q3-Q4/2023	Positive	Strong	✓
7	Putting the individual corporate bond trading system into operation.	06/2023	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

6.1. SECTOR OUTLOOK 2023

6.2. Sectors will benefit from a lower interest rate.

INDUSTRIAL REAL ESTATE [POSITIVE]

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- Registered FDI capital in 1Q.2023 decreased strongly -38.8% over the same period due to the decline in increased registered FDI capital flows (-70.3% yoy), while newly registered FDI capital only decreased slightly -5.9% yoy.
- Vietnam is still a potential and attractive destination for manufacturers around the world in the context that FDI activities are likely to decline in 2023 due to the global economic recession.
- Lack of supply in industrial centers remains a problem for the industry, which is also a driving factor in maintaining high rental rates amid strong rental demand.
- The legal environment is gradually clearer and more complete, with the expectation of shortening administrative procedures and sustainable development thanks to the coordination between Ministries/Departments and the Provincial People's Committee.
- BSC give **POSITIVE** recommendations for the Industrial Park Real Estate industry in 2023

Registered FDI in 1Q.2023 decreased Strong -38.8% YoY Weak due to the decline of additional registered FDI capital (-70.3% yoy), while newly registered FDI capital decreased slightly - 5.9% yoy. According to the General Statistics Office, in 1Q.2023, the total registered FDI reached 5.45 billion USD (-38.8% yoy) because (1) The same period recorded the LEGO factory project with a sudden registered capital of 1.32 billion USD (accounting for 41% of the total newly registered capital in 1Q.2022) and (2) The additional registered capital in 1Q.2023 only reached 1.2 billion USD, down more than two thirds over the same period due to the number of projects adjusting capital. large (over 50 million USD) fell Strong. However, the total newly registered capital still reached more than 3 billion USD, only slightly down 5.9% compared to the same period in 2022 with the number of projects being 522 projects (up +62.1% yoy). Realized FDI capital decreased slightly -2.2% to 4.3 billion USD. BSC believes that the source of additional registered FDI capital in 2023 is likely to decline due to the general weakness of the economy, however, new investment capital is likely to grow because Vietnam still attracts investors. Foreign investment.

BSC assesses that IPs in Vietnam will still be an attractive destination for foreign businesses thanks to:

(1) The trend of moving production outside of China is still continuing. With a weak geographical position, and cultural and political similarities, BSC believes that Vietnam will become the choice of large-scale global businesses.

(2) Vietnam has many competitive advantages compared to countries in the ASEAN region. Specifically, in terms of land rental rates for industrial zones, Vietnam is 30-36% lower than Indonesia, Malaysia and Thailand; on par with the Philippines; Regarding exchange rates, USD/VND fluctuations are quite stable when compared to other countries, which will help investing businesses minimize losses.

(3) The transport infrastructure construction projects that Strong will deploy from 2023 will solve the "logistic" bottleneck 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%. Currently, the government is making efforts to improve transport infrastructure with a series of public investment projects such as the North-South Expressway to help connect traffic nationwide, or Ring Road 4 in Hanoi

and Ring Road 3 in Ho Chi Minh City. Ho Chi Minh helps to shift production to non-central provinces and seaport and airport projects are being planned and implemented.

Figure: FDI capital registered and implemented in Vietnam 2022-1Q2023 (billion USD)

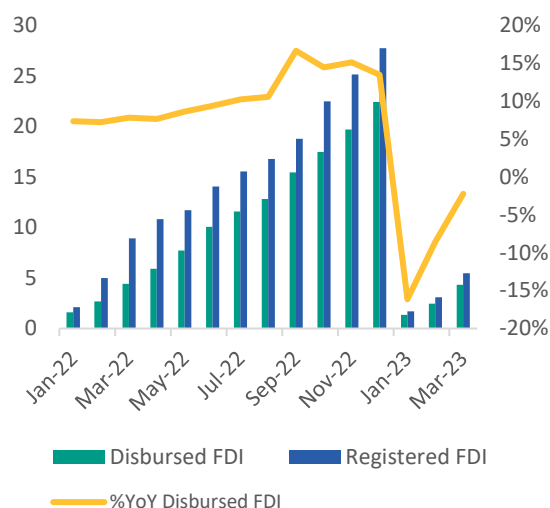
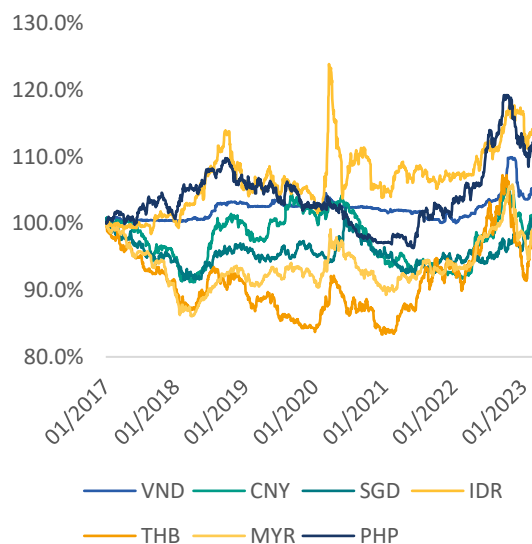


Figure: Vietnam's exchange rate remains stable compared to other countries in the region



Source: GSO, Bloomberg, BSC Research tổng hợp

However, the development of industrial park real estate will still face some difficulties such as:

(1) Lack of supply in industrial center locations, rental prices remain high in the context of strong rental demand. After the period of 2021-1H2022, the supply boom with a series of industrial parks approved for investment policies, the industrial park market has almost no new projects in 2H2022. According to CBRE, in Q1.2023, the country will have a total of 5 new industrial parks in operation with a total land area of 1,874 hectares, providing about 3.2% more supply to the market. The occupancy rate of industrial parks in the southern region remained at 85%, while the northern region decreased to 80.6% due to the increased area of 528 hectares from new industrial parks in Bac Ninh, Hai Duong and Thai Binh. Land rental prices in industrial parks continue to increase, averaging 172.8 USD/m²/lease term (+4% qoq) for the Southern region and 122.9 USD/m²/lease term (+2% qoq) for the Northern region.

(2) The application of the global minimum tax policy of 15% may affect the attraction of foreign investment in Vietnam. Currently, foreign businesses in Vietnam are enjoying tax incentives at levels ranging from 5% - 10% in case they meet the conditions in priority areas, priority fields or scale. big investment. These incentives will no longer be effective when the global minimum tax policy is applied due to additional taxes payable, causing great disadvantage to production and business activities in Vietnam.

(3) Cheap labor costs are no longer a huge competitive advantage for Vietnam compared to other countries as in the previous period. According to JETRO research, in 2013-2014, the average worker salary in Vietnam was 162 USD/month, equal to 75% of that in India; 69% compared to Indonesia and 44% compared to Thailand. Meanwhile, by 2022, the average worker salary in Vietnam has increased to 277 USD/month, equal to 84% of that in India; 74% compared to Indonesia and 72% compared to Thailand. Vietnam's expected salary increase rate in 2023 reaches 5.9%, leading Southeast Asia, and only behind India (8.7%), while the labor productivity of Vietnamese workers has not increased as much as businesses. desired career. BSC assesses that the advantage in labor costs will gradually no longer be a strong point for Vietnam if the government does not take measures to expand vocational training and promote industrialization in rural areas.

Figure: Supply and occupancy rates in the Southern region

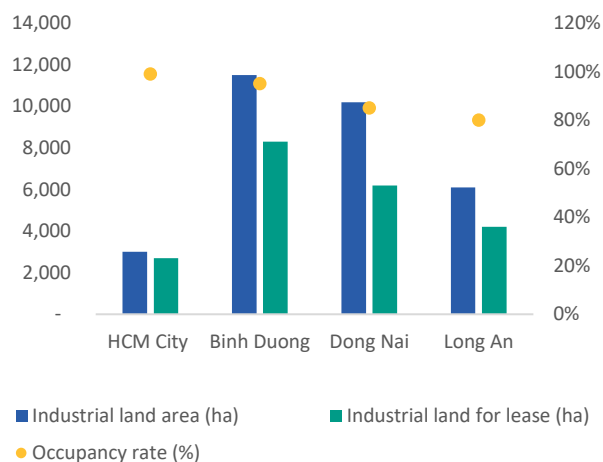
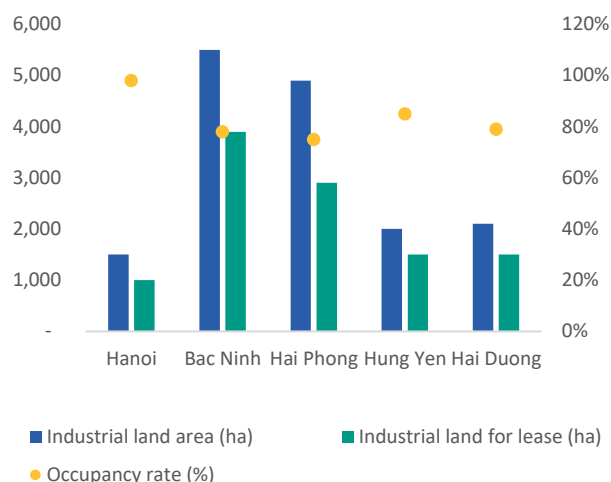


Figure: Supply and occupancy rates in the North region



Source: CBRE, BSC Research

Figure: Average price industrial land for rent in the Northern and Southern regions (USD/m²/lease term)

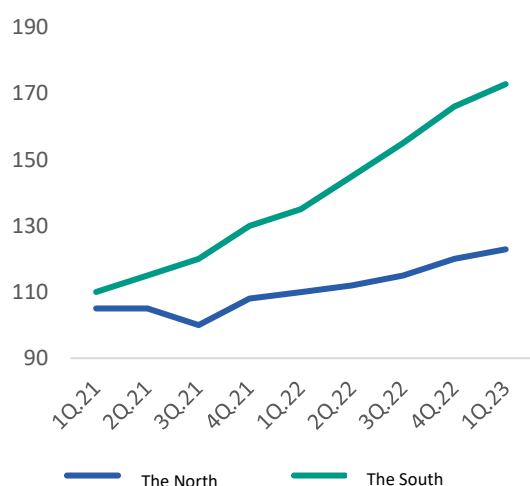
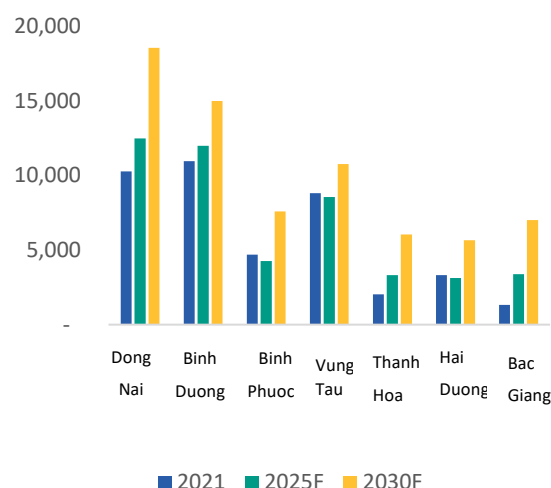


Figure: Industrial park area according to national land use plan in key provinces/cities (ha)



Source: CBRE, BSC Research tổng hợp

The legal environment is gradually clearer and more complete, with the expectation of shortening administrative procedures and sustainable development thanks to the coordination between Ministries/Departments and the Provincial People's Committee. In 2022, Vietnam has officially passed 3 documents directly related to the situation of industrial park development (Outlook report 1Q2023 - Real estate industry). On April 3, 2023, the Government issued Decree No. 10/2023/ND-CP amending and supplementing Decrees guiding the Land Law. Accordingly, some contents directly related to industrial park real estate development include (1) Regulations on auction of land use rights, (2) Regulations on conditions and criteria for changing the purpose of projects with cultivated land, rice, afforestation, (3) Remove obstacles in bidding and auction regulations for projects with only one investor and (4) Agree on land price approval time of localities, avoiding the Provincial People's Committee Extend land application approval time. However, in the short term, BSC believes that the supply source of industrial parks is still limited due to difficulties in site clearance and slow planning progress in localities.

The trend of moving industrial parks to satellite provinces/cities of Hanoi and Ho Chi Minh City continues. According to CBRE, the occupancy rate of industrial parks in key economic regions in the North and the South has both reached over 85%, of which Hanoi and Ho Chi Minh City have almost run out of space; Along with the strong promotion of transport infrastructure, it has led to a shift of industrial park land to locations in secondary markets such as Thai Binh and Quang Ninh in the North and Binh Thuan and Ba Ria - Vung Tau in the South.

Most industrial park real estate businesses have a good financial health, especially businesses under the Vietnam Rubber Group (GVR) with no net debt, no bond debt, and most of the debt is short-term. to supplement working capital and pay dividends. For businesses with high bond/total debt ratios such as BCM and KBC, we find that the Debt/Total Assets ratio is still at a safe level, all loans have collateral assets, and the asset quality is relatively good. good while the bond maturity value in 2023 is not much (1,000 billion VND for BCM and 2,900 billion VND for KBC).

Table: Loan balance of some industrial park real estate businesses

Ticker	Net Cash/ (Net Debt)	Loan Balance	Debt/Tot al Assets	Bond debt/Loa n debt	Remai ning NSA (ha)	Remainin g NSA (ha) NSA available (ha)	Set of tenant
Nhóm 1: Enterprises have a high proportion of bond debt							
BCM	(14,381)	(15,886)	33%	67%	944	944	FDI - specializes in import-export and high technology
KBC	(3,514)	(7,638)	22%	56%	1,053	353	FDI- High technology in the fields of chips, electronics, and assembly
Nhóm 2: Enterprises have a low proportion of bond debt							
SZC	(2,330)	(2,635)	42%	18%	651	470	SME - Assembly, processing, and mechanical enterprises
IDC	(1,338)	(3,468)	21%	12%	1,079	616	FDI- Heavy industry (Phu My 2 Industrial Park) Logistics and warehouse enterprises (Huu Thanh Industrial Park)
Nhóm 3: The enterprise has no net debt							
GVR	8,070	(7,412)	9.5%	0%	N/A	N/A	SME – Labor-intensive industries (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

Q1.2023 business results of industrial park real estate businesses mostly declined over the same period. Except for KBC, which has impressive growth thanks to a low base in 2022 and recovery in land leasing activities, the remaining industrial park real estate businesses all witnessed a double-digit decline in recorded revenue. once rental contracts decreased over the same period. Business plans for 2023 are

divided between businesses, while KBC and BCM are optimistic with three-digit growth plans, the remaining businesses are more cautious with low growth and even a decrease compared to same period.

Bảng: Update financial results in Q1.2023 and 2023.

Ticker	Net Revenue Q1.2023 (billion VND)	% YoY	NPAT Q1.2023 (billion VND)	% YoY	Revenue Growth Plan 2023	% YoY	NPAT Plan 2023	% YoY
KBC	2,223	221%	1,056	102%	9,000	544%	4,000	154%
BCM	792	-45%	74	-81%	9,460	119%	2,263	132%
GVR	4,135	-15%	706	-46%	27,527	8%	4,855	2%
IDC	1,147	-31.4%	148	-42%	8,276	-2%	2,525	-14%
PHR	326	-11%	234	-22%	N/A	N/A	N/A	N/A
VGC	2,775	-28%	152	-80%	15,750	108%	1,210	-48%

Source: BSC Research

INVESTMENT THESIS – POSITIVE

BSC gives **POSITIVE** recommendations for industrial park real estate industry groups in 2023 thanks to (1) Industrial parks in Vietnam will still be an attractive destination for foreign businesses, (2) Limited supply Regulations and high demand are still weak factors that help industrial park rental prices maintain high levels, (3) the legal environment is gradually being improved to help businesses expand supply sources to meet demand, (4) prospects Transport infrastructure will be accelerated and improved in the medium term. In 2023, BSC makes recommendations to businesses with large land areas available for lease such as KBC thanks to expectations from signed high-value rental contracts and IDC thanks to site clearance compensation costs. low and stable cash flow from power and BOT projects.

Bảng: Estimated profit and loss of some companies

Tick er	Net Revenue 2023 (billion VND)	% YoY	NPAT 2023 (billion VND)	% YoY	EPS 2023	P/E fw	P/B fw	ROA 2023	ROE 2023	Price as of 17/05/2023	Target price	Upside (%)
KBC	4,735	398%	1,823	19%	3,166	8.2	0.7	6%	10%	26,350	29,800	13%
BCM	7,032	8%	1,913	14%	1,698	45.9	3.8	6%	17%	77,500	94,200	22%
GVR	27,803	9%	3,510	-9%	1,211	12.8	1.0	6%	8%	15,850	19,100	21%
IDC	9,750	30%	2,078	18%	8,439	4.6	1.4	19%	34%	38,500	52,000	35%
PHR	2,095	23%	1,027	16%	6,238	6.6	1.5	13%	39%	41,800	52,200	25%

Source: BSC Research

BANKING SECTOR [POSITIVE]

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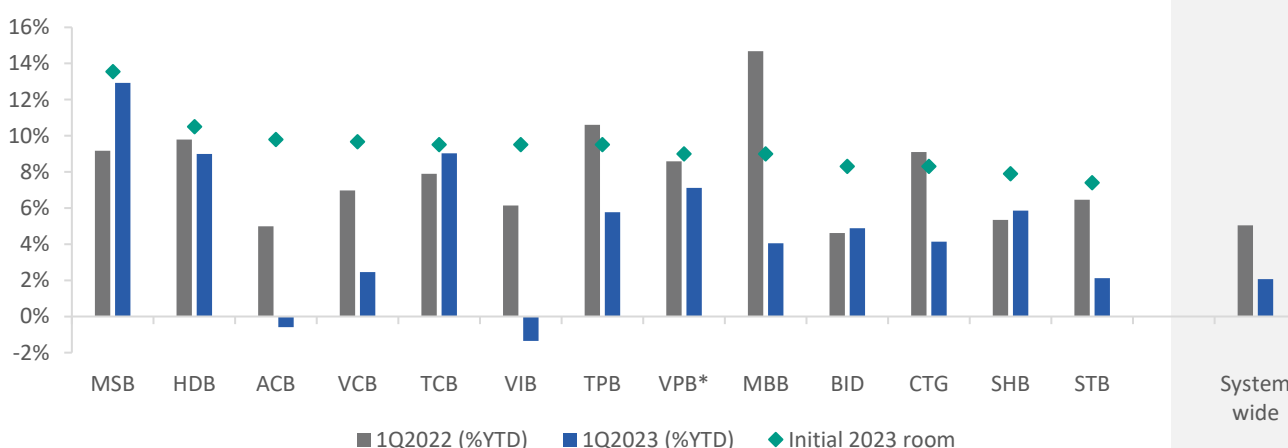
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- Credit growth was disappointing in 1Q2023, but several stimulus policies enacted recently lay the foundation for acceleration in 2Q2023.
- System-wide liquidity is no longer a big threat. Yet, we stay cautious as the pressure of fund mobilization still presents.
- NIM outlook is still facing headwinds. Greater divergence between players is expected within 2023 horizon.
- We expect asset quality to regain its stability in the rest of 2023 following the issuance of Circular 02 by the SBV, and thus, banks are granted with more time to build up provision buffer.
- 1Q2023 humble results came as no surprise, reflecting the conservatism in 2023 guidance that we saw in most of the banks. However, plenty of favorable policies just implemented recently may be the game-changing factor.
- Valuation still shows lucrative upsides (industry average P/B TTM = 1.1x compared to historical 5-year average = 1.5x, excluding outliers VCB, BID, SSB). With risk factors such as (1) weakened earnings profile or (2) deteriorating asset quality already factored in stock price performance to some extent, BSC hold a **POSITIVE** view for the outlook of banking sector in the rest of 2023.

Credit growth reached only 2.1% in 1Q2023, but there are signals for improvement in following quarters.

After the elevated credit growth in 2022, the SBV has been more cautious in granting the 2023 credit room to the sector (the initial room fluctuates between 9% and 10% in most banks). This is attributed to (1) the rising interest rate environment since 4Q2022 and (2) the weakening of the economy's credit absorption capacity as corporates generally limit their business expansion due to lack of orders and gloom consumption. BSC noticed that banks with a concentrated loan portfolio for retail customers and SMEs such as ACB, VIB, STB are delivering lower credit growth than the industry average. In addition to the manufacturing sector, the deceleration of credit flowing into the real estate sector (+3.51% YTD as of April 25, 2023), particularly the declining demand for home loans, was also the reason for weak credit growth in 1Q2023. Accordingly, the system's credit increased by 2.06% YTD in 1Q2023 and by 2.75% YTD as of April 25, 2023, compared to the whole year guidance of 14-15% which is still being kept by the SBV.

Figure: Credit growth in 1Q2023 of the whole system weakened



Source: SBV, BSC Research compiled

However, we believe that credit demand may improve from 2Q2023 after the SBV gave a signal of loosening monetary policy through 2 rounds of cutting policy rates in less than 1 month as well as announcing strong

policies aimed at stimulating the economy. In general, BSC maintains our credit growth forecast of the whole system in 2023 at 12% in the base scenario, lower than the SBV's early year guidance.

Figure: Comparison on YTD credit growth over the years

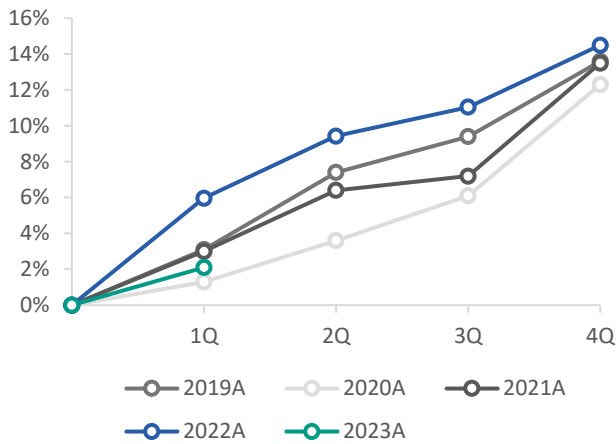
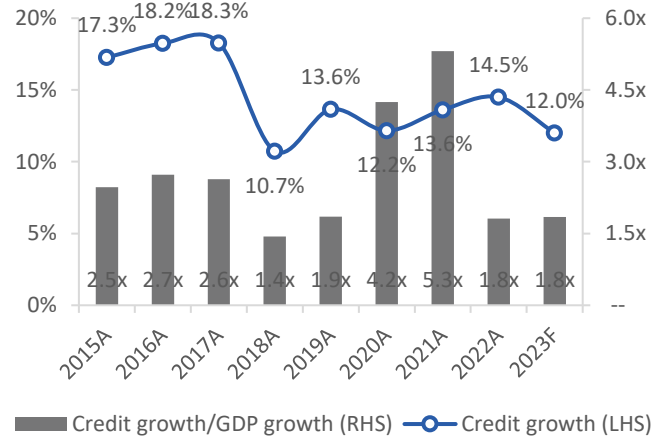


Figure: We keep our forecast of 12% credit growth for 2023



Source: SBV, BSC Research

System-wide liquidity is no longer a big threat.

Contrary to the liquidity squeeze during 4Q2022, the liquidity issue will probably no longer be the main theme of the banking sector this year. With Circular 26 issued at the end of 2022 amending Circular 22 on the calculation of LDR, the SBV allow banks to use an additional 50% of the State Treasury's deposits to finance loans in 2023. This helps support system liquidity and SOCBs are main beneficiaries, offsetting the fact that state-owned banks are taking the lead in cutting lending rates to support the economy.

In addition, the weakening of USD/VND exchange rate has helped the SBV continuously buy USD from the beginning of 2023 (approximately USD 5.8 billion up to April 2023), making up for the amount of FX reserves that have decreased dramatically throughout 2022. This has also made room for the SBV to cut policy rates two times in less than a month, in contrast to the general tightening situation that still occurs around the world. Accordingly, the SBV has stopped its reverse repo facility (through the T-bill channel) and the overnight interbank interest rate even dropped to nearly 0% at some point.

Figure: Interbank rates have been showing a downward trend so far

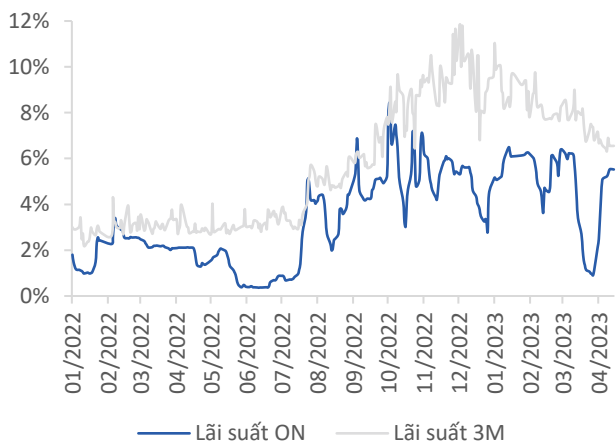
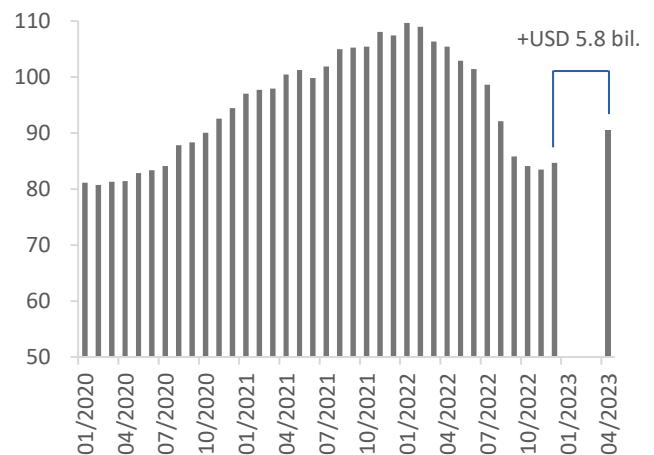


Figure: FX reserve is estimated to reach USD 90.5 billion as of April 2023



Source: SBV, BSC Research compiled

However, the mobilization situation is not yet too positive, especially deposits from the corporate side. BSC believes this comes from **(1)** the poor economic outlook causing businesses to face liquidity pressure and to prioritize cash flows for operating activities, **(2)** the consequence of the sharp increase in US rates and USD/VND exchange rate in 2022, causing exporters to keep their deposits abroad and **(3)** the disbursement of public investment in 2023, though improved, is still lower than expected. Therefore, we believe that it is quite difficult to expect a strong improvement in the system’s deposit growth in the short run when these bottlenecks have not been solved. Promoting disbursement of public investment continues to be the main focus in the coming quarters.

Contrary to the corporate side, deposits from individuals have improved from 4Q2022 when interest rates were on the rise. However, we noticed a tendency of customers to switch to term deposits to benefit from the high interest rate environment. This, combined with the fact that corporates are prioritizing cash flows to finance operation, is negatively affecting the CASA ratio of the banking sector. Although interest rates are cooling down recently, we believe that CASA flow may not be able to return to the system in the short term.

Figure: Still a big gap between credit and M2 growth

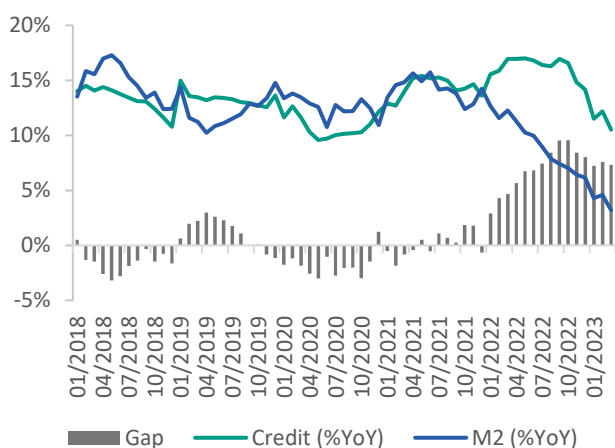
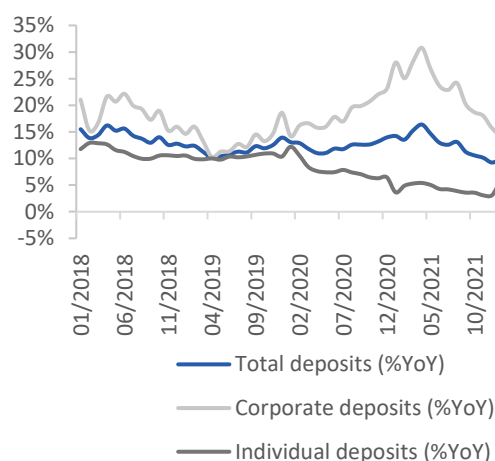


Figure: Deposit growth from corporate side is lackluster

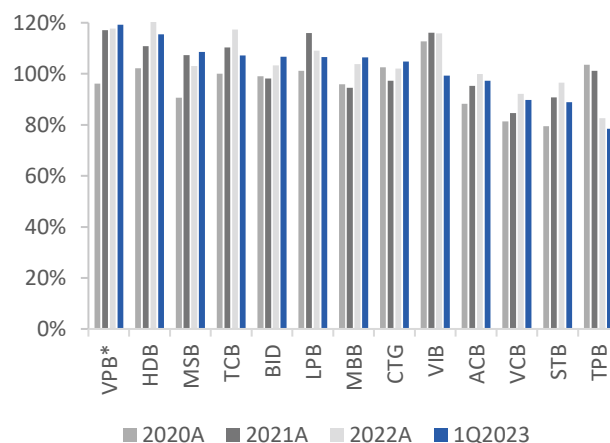
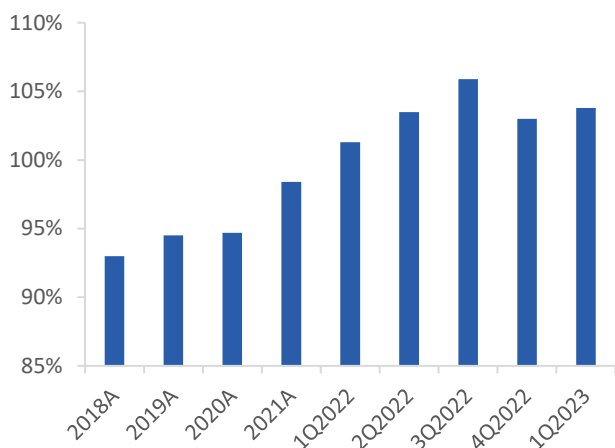


Source: SBV, BSC Research

The decrease in deposit rates of the banking system recently after the SBV lowered the rate ceiling caused the pure LDR of the whole sector to rise again to 104% in 1Q2023 compared to 103% in 4Q2022, especially in the group of SOCBs that are the main beneficiaries of Circular 26. Although the peak period of liquidity crisis has been passed, BSC maintains a cautious view that until the pure LDR is brought back to a more sustainable level, the pressure from competition for deposit mobilization among banks (especially among small-scale banks) still presents, particularly when credit demand recovers, which we expect in the following quarters.

Figure: Sector’s pure LDR rose again in 1Q2023

Figure: Pure LDR of most banks surged over the last 2 years



Source: Banks' financial statements, BSC Research

Sector's NIM continues to be under downward pressure.

The banking sector enters 2023 with a not-so-good NIM outlook, and NIM of the whole system narrows to 3.6% in 1Q2023 from 3.8% in 4Q2022. The reasons for this include **(1)** the increase in funding costs when the industry-wide CASA ratio declines and **(2)** the slowdown in the real estate and corporate bond markets may also make it difficult for the banking sector to improve gross yields. However, we see that this level of NIM contraction is not surprising compared to previous expectations. This generally comes from weak credit demand compared to 2022 and the fact that the sector's LDR has been pushed to an unsustainably high level, causing deposit rates to increase faster than lending rates. The recent downward trend of interest rates may be a supporting factor for NIM as funding costs typically go down first (compared to gross yields) due to asset – liability mismatch. Yet, we believe that further monitoring is needed when the system's CASA ratio has not showed any positive sign.

NIM divergence is likely to become clearer this year as banks with loan portfolios that are diversified and retail-oriented are expected to have a more resilient NIM as the CASA source from retail group tends to be stickier than corporate group. The group of banks with a large credit exposure to real estate and corporate bond markets continues to be expected to narrow NIM in 2023. The group of SOCBs, which is leading in cutting interest rates to support economic growth, may see their lending rates fall faster than deposit rates, and thus, may also see their NIM thinner.

Figure: Sector's NIM in 1Q2023 weakened as expected

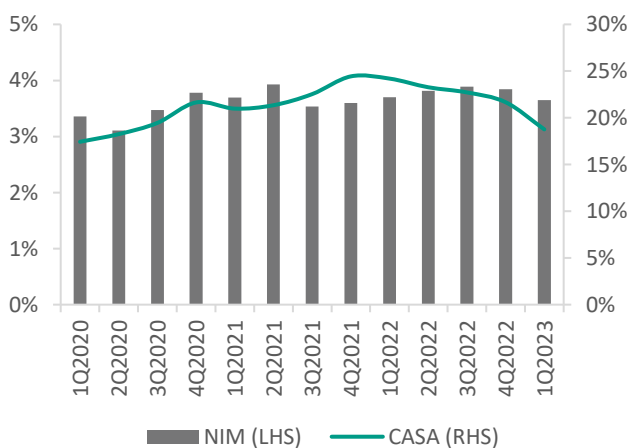
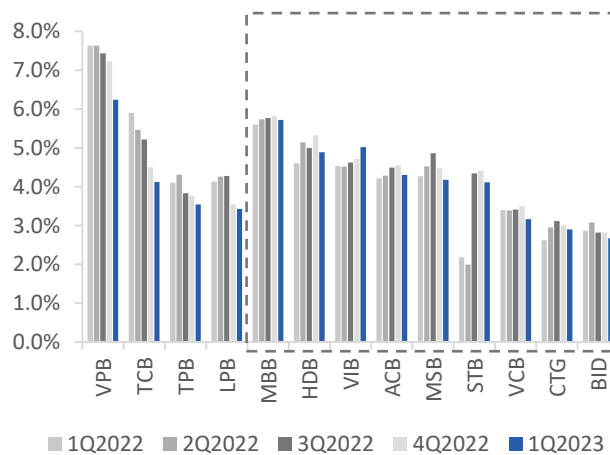


Figure: Divergence in NIMs across banks since 2022 year end



*NIM is TTM figure

Source: Banks' financial statements, BSC Research

The pressure on asset quality and provisioning was eased following the issuance of Circular 02 by the SBV.

In 1Q2023, the whole sector's ratio of NPL and group 2 loan increased sharply, by 32bps and 68bps compared to the beginning of the year, respectively. Bad debts rising faster than provisioning has caused the industry's LLCR to fall steeply from 123% in 4Q2022 to 106% in 1Q2023, equivalent to the level witnessed in late 2020 and early 2021.

However, Circular 02 issued on April 23, 2023 by the SBV may be a game changer as banks are allowed to **(1)** retain the loan group classification for loans that are qualified for restructuring and **(2)** extend the period of provisioning for restructured loans up to 2 years. This circular is quite similar to Circular 01 issued at the end of 1Q2020 during the COVID-19 epidemic. Therefore, BSC expects the sector's asset quality to regain stability in the following quarters. The pressure on credit costs will also be eased this year, and the industry will have more time to strengthen the provision buffer as banks still have to make provision for restructuring loans, though these group 1 loans are not being reclassified to lower groups immediately.

Figure: We expect the sector's asset quality to stabilize in next quarters

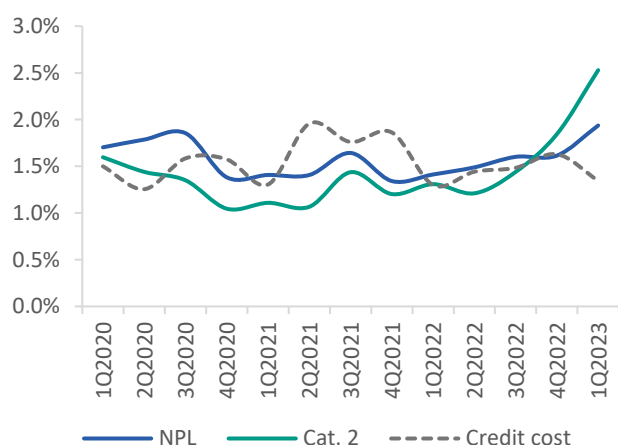
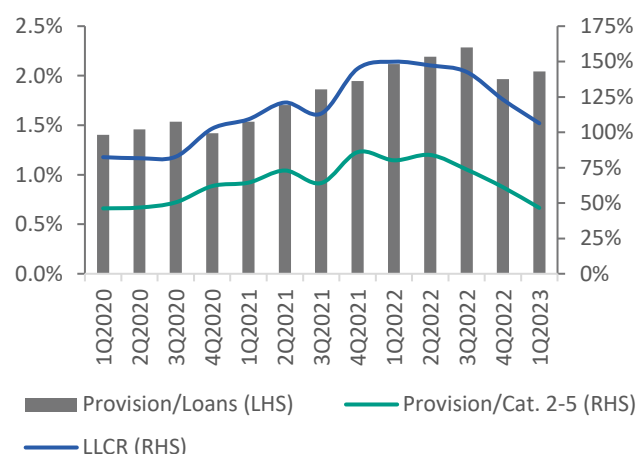


Figure: Provision buffer of the sector is also expected to be reinforced in 2023



Source: Banks' financial statements, BSC Research

The conservatism from banks' 2023 guidance is reflected in the results of 1Q2023 – PBT of the whole sector decreased by 3.4% YoY.

The gloomy tone from headwinds in 2022 continues to haunt the outlook for the banking sector in 2023. In the context of uncertainties, most banks set their plans for 2023 profit growth much lower than 2022, in which TCB is the most conservative bank when setting a negative growth plan (*note that the overall banking sector still sets a target of double-digit growth in PBT this year, +15% YoY on average*). The prudence in setting business plans is reflected in the results of 1Q2023 when most banks recorded PBT on schedule and there is little to no earnings surprise.

We estimated that the total PBT of the whole sector in 1Q2023 decreased by 3.4% YoY, mainly due to VPB (-77% YoY) when the bank recorded an one-off profit from AIA's upfront fee in 1Q2022. The group of banks with the most impressive PBT growth in 1Q2023 include BID (+53.3% YoY) thanks to a reduction in provisioning expenses after successfully handling legacy assets from the previous cycle and STB (+32.7% YoY) thanks to a strong increase in net interest income when the restructuring program is coming to an end. In addition, we find that banks that focus on lending to households, SMEs with diversified portfolios such as ACB (+25.3% YoY) and VIB (+18.2% YoY) also saw a PBT growth higher than the industry average thanks to NIM resilience. The

group with moderate PBT growth include VCB (+12.8% YoY), HDB (+10.4% YoY), MBB (+10.2% YoY), TPB (+8.7% YoY) with the main driver coming from net interest income growth or provision expense reduction or a combination of both. With a series of supportive policies issued at the end of Q1 and beginning of Q2, BSC believes that there is plenty of room for surprise within the banking sector for the rest of the year.

Figure: 1Q2023 PBT growth of major names and their 2023 guidance

	2023 PBT guidance	%YoY	1Q2023 PBT	%YoY	% guidance
VCB	42,973	15%	11,221	13%	26%
BID	26,500	15%	6,920	53%	26%
MBB	26,100	15%	6,512	10%	25%
CTG	24,500	15%	5,980	3%	24%
VPB	24,003	13%	2,550	-77%	11%
TCB	22,000	-14%	5,623	-17%	26%
ACB	20,058	17%	5,157	25%	26%
HDB	13,197	29%	2,743	9%	21%
VIB	12,200	15%	2,694	18%	22%
SHB	10,626	10%	3,620	12%	34%
STB	9,500	50%	2,383	50%	25%
TPB	9,000	11%	1,765	9%	20%
LPB	6,500	5%	1,566	-13%	24%
MSB	6,300	9%	1,526	2%	24%

Source: BSC Research tổng hợp

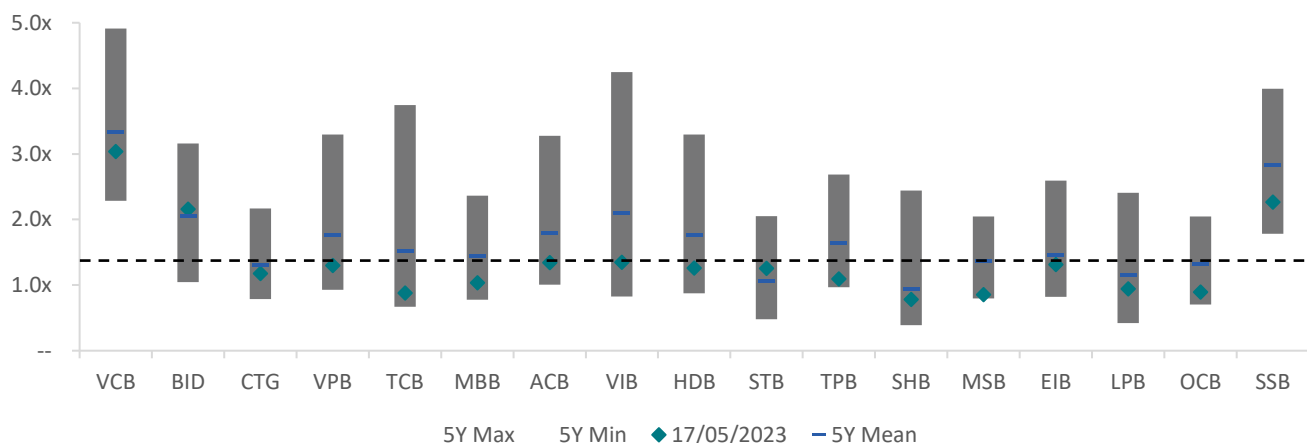
The year 2023 – the year of policies.

The highlight in 1H2023 is probably the many policies that are continuously implemented by the governing bodies to support the economy, the banking system, as well as the real estate and corporate bond markets. In addition to Circular 26 and Circular 02 (mentioned above), policies that directly affect the banking sector include Circular 03 which is expected to help stabilize bondholders' sentiment and offer a solution to accelerate credit growth by repurchasing bonds, although banks may have to accept rising credit risk. The SBV is also considering a draft amendment to Circular 41 on reducing the risk factor for loans to real estate industrial zones and social housing, according to which, if approved, SOCBs will likely benefit the most.

Valuation – attractiveness is still there.

With the risks of the sector gradually showing up such as **(1)** slowing earnings growth or **(2)** deteriorating asset quality, BSC believes that these factors have already been reflected in the stock price performance to some extent. The current valuation of the sector still offers lucrative upsides, in our view (industry-average P/B TTM of banks listed on HSX excluding VCB, BID, SSB is 1.1x compared to historical 5-year average of 1.5x). BSC assesses that the sector's outlook in 2H2023 will continue to revolve around **(1)** the trend of lowering interest rates to support the economy, **(2)** a stronger promotion of the disbursement of public investment and **(3)** policies to address legal bottlenecks for the real estate market which is expected to help stabilize asset quality and improve credit growth. Therefore, we maintain a **POSITIVE** view for the banking sector in the rest of 2023.

Figure: Industry-average P/B TTM (banks listed on HSX) = 1.3x as of 17/05/2023, compared to historical 5-year average = 1.7x



Source: Bloomberg, BSC Research

Figure: 1Q2023 key ratios of major names

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	20,034
Equity	62,530	109,848	112,945	40,828	25,298	84,767	40,558	117,965	33,662	144,658	32,570	105,098	27,997
Total assets	611,224	2,106,865	1,823,962	458,803	337,197	760,761	596,694	723,518	343,522	1,846,431	357,247	677,624	235,473
Equity/Total assets	10.2%	5.2%	6.2%	8.9%	7.5%	11.1%	6.8%	16.3%	9.8%	7.8%	9.1%	15.5%	11.9%
GROWTH													
% Credit (YTD)	-0.6%	4.9%	4.1%	9.0%	2.7%	4.1%	2.1%	9.0%	5.8%	2.5%	-1.3%	4.9%	12.9%
% Total assets (YTD)	0.6%	-0.6%	0.8%	10.2%	2.9%	4.4%	0.8%	3.5%	4.5%	1.8%	4.1%	7.4%	10.3%
% Deposits (YTD)	2.1%	1.6%	1.9%	15.8%	5.3%	2.0%	5.3%	8.1%	3.1%	3.1%	-0.4%	9.2%	7.6%
% TOI (YoY)	15.6%	6.5%	21.0%	10.4%	-3.9%	2.6%	32.7%	-8.0%	1.2%	10.7%	19.2%	-32.4%	19.2%
% PPOP (YoY)	31.7%	4.6%	24.0%	15.7%	-15.1%	4.1%	47.6%	-12.1%	-12.5%	8.3%	25.6%	-41.5%	15.9%
% PBT (YoY)	25.3%	53.3%	2.7%	8.5%	-12.8%	10.2%	49.9%	-17.1%	8.7%	12.8%	18.2%	-77.1%	2.1%
ASSET QUALITY													
Group 2	0.9%	2.3%	2.7%	3.2%	2.0%	3.5%	0.9%	1.9%	4.0%	0.6%	5.4%	8.2%	3.2%
NPL	1.0%	1.5%	1.3%	1.8%	1.5%	1.8%	1.2%	0.8%	1.4%	0.8%	3.6%	6.2%	2.0%
LLCR	1.1%	2.7%	2.2%	1.1%	1.6%	2.4%	1.2%	1.1%	1.2%	2.7%	1.4%	2.9%	1.3%
Provision/Group 2-5	61.2%	68.6%	55.969.7%	22.6%	46.8%	46.5%	58.0%	40.9%	22.2%	182.4%	15.3%	19.9%	25.4%
Credit cost	0.2%	1.4%	2.1%	1.4%	0.4%	1.6%	0.9%	0.5%	0.8%	0.7%	1.2%	5.7%	1.3%
LIQUIDITY AND CAPITAL ADEQUACY													
LDR Cir22	78.0%	88.5%	85.5%	72.1%	80.9%	74.7%	84.5%	78.7%	56.6%	74.0%	71.9%	83.4%	67.6%
Leverage	9.8	19.2	16.1	11.2	13.3	9.0	14.7	6.1	10.2	12.8	11.0	6.4	8.4
CAR Basel II	12.8%	9.3%	9.0%	13.4%	12.3%	12.3%	11.4%	9.5%	15.2%	12.7%	9.9%	12.8%	14.9%
OPERATIONAL EFFICIENCY													
TOI	7,920	17,278	17,018	5,657	3,134	11,930	6,800	9,300	3,659	18,517	4,930	12,359	2,869
PBT	5,156	6,920	5,980	2,743	1,566	6,512	2,383	5,623	1,765	11,221	2,694	2,550	1,526
NII/TOI	78.5%	80.7%	74.4%	85.6%	88.5%	85.7%	85.8%	70.2%	74.8%	76.7%	87.3%	77.1%	75.2%
CASA ratio	20.2%	16.2%	17.537.3%	7.8%	5.3%	35.5%	17.4%	32.0%	14.2%	30.4%	12.9%	14.2%	22.6%
Average gross yield	8.9%	7.2%	7.5%	11.1%	9.4%	9.7%	9.8%	8.7%	8.7%	6.2%	10.6%	11.8%	8.8%
Average cost of fund	5.3%	4.8%	4.8%	6.4%	6.5%	4.6%	6.2%	5.0%	5.4%	3.4%	6.2%	6.4%	5.0%
NIM	4.2%	2.7%	2.9%	4.9%	3.4%	5.7%	4.1%	4.1%	3.5%	3.2%	5.0%	6.2%	4.2%
Provision expense/PPOP	4.7%	44.4%	52.9%	25.8%	12.5%	22.1%	29.6%	8.7%	15.1%	15.3%	19.9%	71.5%	20.9%
CIR	31.7%	28.0%	25.3%	34.6%	42.9%	29.9%	50.2%	33.8%	43.2%	28.5%	31.8%	27.7%	32.7%
ROAA	2.7%	1.1%	1.1%	2.0%	1.5%	2.8%	1.3%	2.6%	1.7%	2.0%	2.5%	1.0%	2.2%
ROAE	27.3%	20.4%	17.4%	20.9%	20.2%	24.4%	19.2%	15.5%	17.2%	25.4%	26.4%	9.7%	17.8%
VALUATION													
BVPS (VND)	18,514	21,716	23,502	16,232	14,631	18,696	21,514	32,885	21,282	30,567	15,453	15,585	13,998
P/B TTM (05/05/23)	1.3x	2.1x	1.2x	1.2x	0.9x	1.0x	1.2x	0.9x	1.1x	2.9x	1.3x	1.3x	0.9x

Source: Financial statements, BSC Research

COMMERCIAL REAL ESTATE SECTOR [NEGATIVE]

Analyst: Lam Viet

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- Although there is a poor absorption capacity, average selling prices continue to trend upward due to a limited supply source of new projects in Ho Chi Minh City and Hanoi.
- The number of land transactions has sharply declined, while transactions for apartments and individual houses have shown signs of recovery, indicating progress toward the government's goal of stabilizing the real estate market and restructuring business product portfolios.
- The remaining value of land-use rights (TPDN) for the next 9 months of 2023 is still significant; however, liquidity pressure is no longer as pessimistic as it was in the early part of the year.
- Expectations of a "turnaround" are emerging due to a series of policies focused on addressing the two biggest market challenges: (1) legal issues and (2) capital sources.
- These necessary policies demonstrate the government's commitment to reviving the economy in general and the real estate sector in particular. However, it will take time for the market to fully absorb these policies and for homebuyers to regain trust.
- BSC maintains a NEGATIVE outlook for the commercial real estate industry in 2023.

New supply remains limited, and the absorption capacity is weak. However, the mid-range segment in HCMC is making a comeback.

According to CBRE, in Q1 2023, the Ho Chi Minh City apartment market showed strong recovery compared to the previous quarter, with 2,900 units (+220% YoY and +122% QoQ), nearly half of the supply came from the Vinhomes Grand Park project, but contributions from other projects remain very limited, with only 3 projects on sale. The Hanoi apartment market witnessed a strong decline in supply with only 2,000 units (-44% YoY and -43% QoQ), but the mid-range segment still dominates about 55% of the total new supply. Product absorption capacity remains challenging with a decrease of -17% QoQ and -54% QoQ in HCMC and Hanoi, respectively. Overall, market sentiment has not fully recovered, and investors are more cautious when choosing projects following the negative events in 2022, while interest rates remain high, only starting to decline from late Q1/2023.

The average selling prices of primary apartments continue to trend upward due to a higher proportion of premium segments within the total supply source available in the market. Specifically, the average selling price for apartments is \$2,634 per square meter (+10.2% YoY, +2% QoQ) in Ho Chi Minh City and \$1,992 per square meter (+20% YoY, +3% QoQ) in Hanoi. Overall, well-facilitated and high-quality residential apartments in Hanoi and Ho Chi Minh City still attract the interest of homebuyers. However, the market continues to observe price fluctuations in certain projects, notably Home City (-5.6% YTD), South Tower (-6.1% YTD), Eco Dream (-5.3% YTD) in Hanoi, and The Grand Manhattan (-4.4% YTD), Satra Eximland (-4.3% YTD), Western Capital (-3.8% YTD) in Ho Chi Minh City.

Figure: The apartment market in Ho Chi Minh City

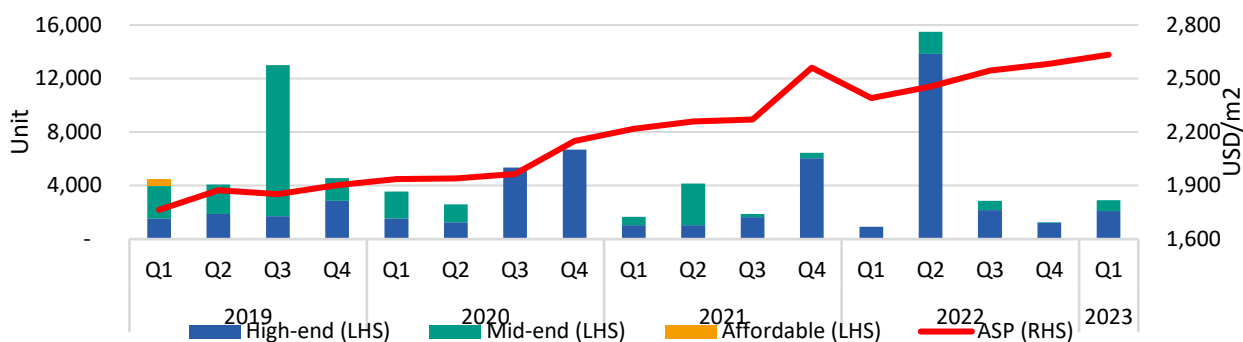
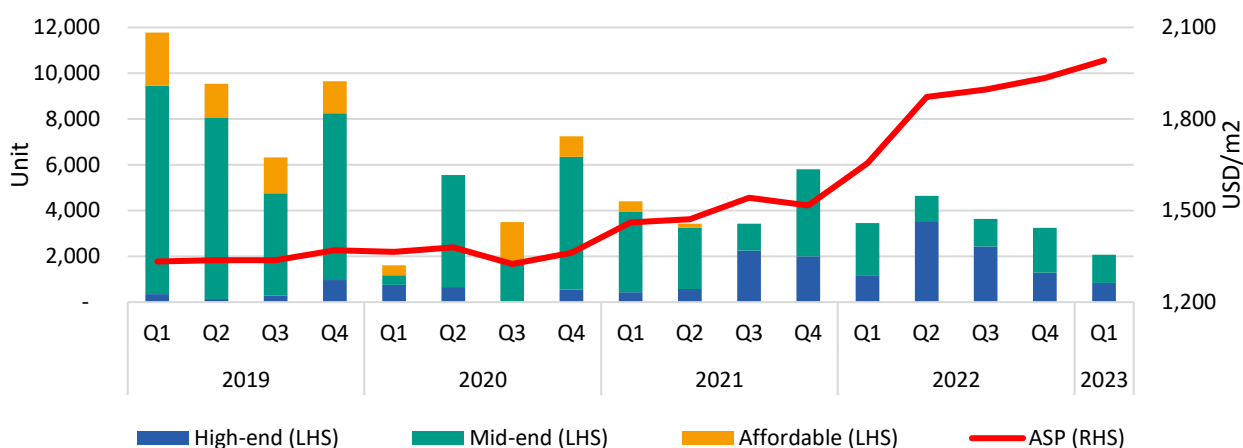


Figure: The apartment market in Ha Noi

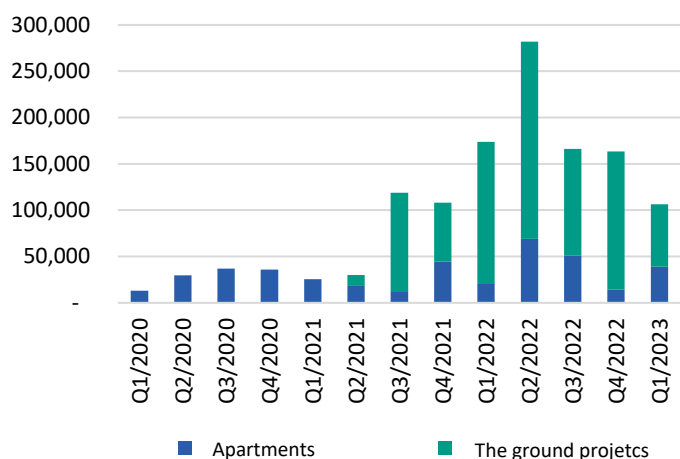


Source: CBRE

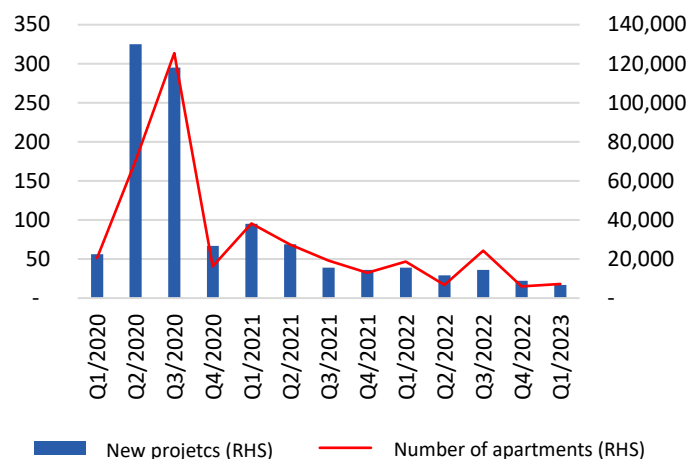
Vietnam's Real Estate Market, the industry is still in the process of comprehensive legal review and refinement. This is the reason why the supply source has not been "unlocked" yet. This is evident in the number of newly permitted projects, which only reached 17 projects (-56% YoY, -20% QoQ) with 7,187 units (-61% YoY, +20% QoQ). It's noting that real estate transactions in Q1/2023 decreased by -38.8% YoY and -34.9% QoQ, with a focus on the land segment (-56% YoY, -55% QoQ). However, transactions for apartments and individual houses increased by +192.5% YoY and +272.7% QoQ. **The sharp decline in land transactions and the recovery in apartment and individual house transactions indicate that the government's goal of stabilizing the real estate market and the process of restructuring the product portfolio of companies have taken some initial steps.**

Figure: The number of real estate transactions has shown a recovery in the apartment/individual house segment and a strong decrease in the land segment

Figure: The number of newly permitted projects remains extremely limited



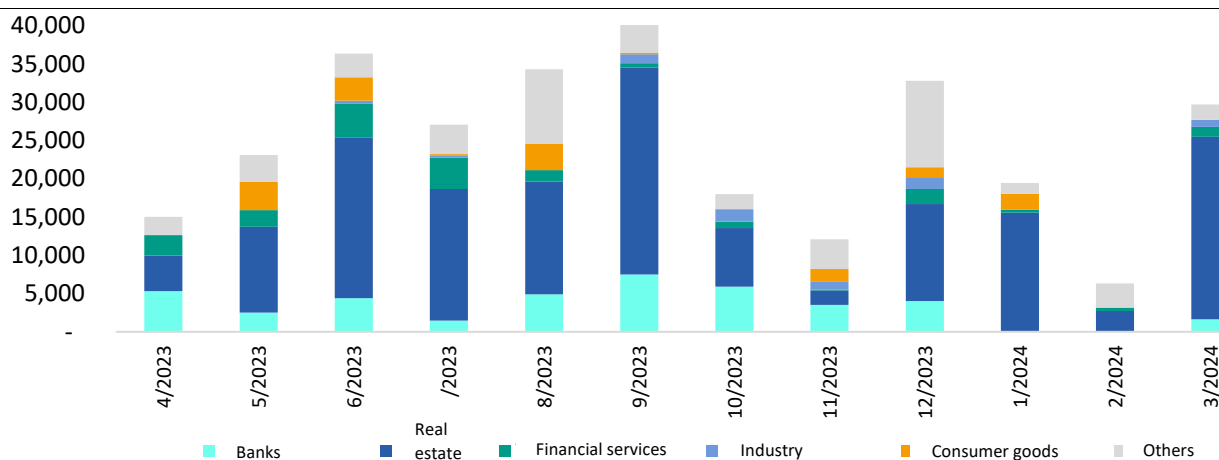
Source: Construction ministry, BSC Research



Source: Construction ministry, BSC Research

Bond maturity are concentrated in Q2-Q3/2023. According to statistics from Fiiirating and HNX, the total value of individual real estate corporate bonds maturing in the remaining 9 months of 2023 is approximately 93.2 trillion VND (accounting for 42.2% of the total bond debt due for the entire market in 2023), with most of the maturities occurring in the last month of each quarter. This represents a significant financial challenge for real estate companies at the current time.

Figure: Schedule of bond maturity



Source: HNX, Fiiirating, BSC Research

However, liquidity pressure has been greatly reduced compared to the beginning of 2023 thanks to a series of bond and credit policies to stimulate economic growth of the Government. As of April 17, the market has recorded 89 issuers delaying the implementation of corporate bond debt obligations with a total value of 113.14 trillion VND since Decree 08/2023/ND-CP took effect. BSC recognizes the Government's efforts in the journey to restore the economy in general and promote the real estate market in particular through a series of circulars and decrees issued from the end of March 2023.

Table: Some policies is published in the below

Policies	Date	Key points
LEGAL		

Resolution 33/NQ-CP	11/03/2023	Solve and support the real estate market to develop safely, healthily and sustainably
Documentary 178/TTg-CN	27/03/2023	Solve real estate market
Public electricity 194/CĐ-TTg	01/04/2023	Focus on problems of land and construction materials to implement investment projects to build expressways and real estate.
Decree 10/2023/NĐ-CP	03/04/2023	Bổ sung các Nghị định hướng dẫn Luật đất đai
CAPITAL		
Decree 08/NĐ-CP	05/03/2023	Amending, supplementing and suspending the implementation of articles in the Decrees which related to private corporate bond
Resolution 31/NQ-CP	07/03/2023	Resolve difficulties and obstacles in credit, corporate bond and real estate markets
Resolution 33/NQ-CP	11/03/2023	Solve and support the real estate market to develop safely, healthily and sustainably
Decision 313/QĐ-NHNN	14/03/2023	The rediscount interest rate from 4.5% to 3.5%
Decision 574/QĐ-NHNN	31/03/2023	The rediscount of supplying capital interest rate from 6% to 5.5%
Văn bản số 2308/NHNN-TD	01/04/2023	Focus on loans for social housing, worker housing, renovation and reconstruction of old apartments according to Resolution 33/NQ-CP
Resolution 50/NQ-CP	08/04/2023	Exempt, reduce, extend, defer and delay taxes, fees, charges, land rent and land use fees for 2023
Circular 02/2023/TT-NHNN	23/04/2023	Rescheduling of Principal Debt Debt restructuring and Allowance For Bad Debt within 2 years

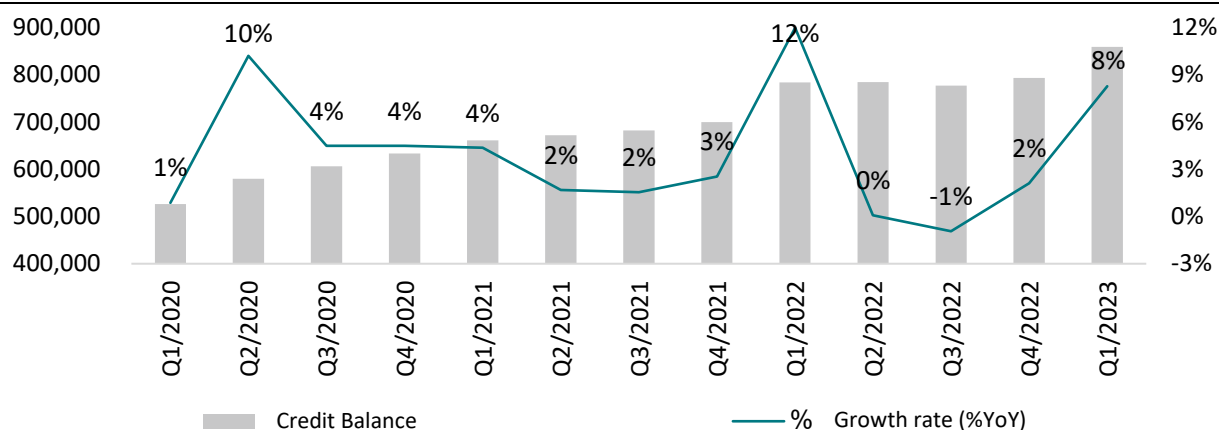
Source: BSC Research

The Positive signal is due to the synergy of government policies and monetary financial measures, focusing on resolving the two biggest bottlenecks in the current real estate market: (1) legal issues and (2) capital sourcing.

- Regarding to legal: Alongside timely issuance and amendments to policy documents, local authorities are required to conduct comprehensive reviews, pinpoint obstacles, identify suitable solutions, and report within specific deadlines. A special government task force has worked with various localities, reviewing 180 projects in Ho Chi Minh City, 170 projects in Hanoi, 75 projects in Da Nang, 65 projects in Hai Phong, and 79 projects in Can Tho. Additionally, they have received, filtered, and sent relevant information to local authorities regarding 71 documents proposing solutions to difficulties faced by businesses in connection with 121 real estate projects.

- When it comes to capital sourcing: Decree 08/NĐ-CP and Circular No. 02/2023/TT-NHNN address issues such as principal debt rescheduling, interest rate reductions, debt group restructuring, and the facilitation of loans for eligible projects. The overall interest rate landscape also shows signs of cooling down.

Figure: Credit balance for real estate's business



Source: SBV, Construction ministry

Infrastructure improvement. In Q1/2023, the Ministry of Transport disbursed around 17,000 billion VND (an increase of +14% YoY and reaching 18% of the annual plan). As mentioned in the 2023 industry outlook report, we expect that transportation infrastructure will support demand from urban areas (tier 1) to suburban areas (tier 1.5) and neighboring provinces/cities (tier 2). This is one of the factors that reducing pressure on major cities where land availability remains limited.

However, the market still needs time to accept policies and regain the trust of homebuyers. The recovery timeline largely depends on various weaknesses, particularly related to the approval of draft laws and decrees. Specific implementation guidelines from policy-making entities and local management agencies are necessary to "unlock" the supply source. The companies is still awaiting the legal documents, including the Housing Law, Real Estate Business Law, Land Law, Price Law, and Procurement Law.

Ticker	Revenue	%YoY	NPATMI	%YoY	Debt/Total Assets	CFO	CFI	CFF
VHM	29,299	228%	11,923	152%	11%	(5,398)	(6,991)	3,462
NVL	604	-69%	(377)	N/A	24%	(1,412)	346	(2,170)
KDH	426	198%	200	-33%	31%	(1,017)	44	(303)
DXG	416	-77%	(95)	N/A	20%	(204)	(292)	193
NLG	235	-60%	7	980%	21%	(752)	(10)	415
DIG	198	-63%	79	24%	20%	(75)	1,143	(1,108)

The financial statements show that total revenue climb to +51% YoY, 15,657 bil VND. VHM and VRE's contribution to total profit is up to 82%. There are 24/59 bussiness companies reporting positive growth, and 35 out of 59 companies showing negative growth. The cash flow from operating activities of real estate businesses is mostly less than positive. New launch value continues its strong downward trend from Q3/2022.

The opportunities still exist for companies that can survive in the current environment and benefit from future public investments due to strong financial health, appropriate deployment strategies, and the ability to expansion landbank with reasonable costs. This includes companies such as VHM, NLG, and KDH. **It is believed that the decline of new sales values will slow down and start to pick up in late 2023 when (1) the legal environment becomes clearer, (2) the supply-demand gap narrows due to the comprehensive restructuring of companies, and (3) buyer sentiment becomes more positive.**

INVESTMENT THESIS – NEGATIVE

We maintain a **NEGATIVE** view on the real estate industry in 2023 due to "headwinds" factors including (1) industry cycle, (2) Issues in Macroeconomics which affect the purchasing power of the market, (3) a certain policy "lag". However, we believe that some signs of reversal coming from the Government's efforts in removing the two biggest legal "bottlenecks" (1) through issued circulars and decrees, (2) Sources of credit capital and interest rates are more "loose", (3) the gap between supply and demand is narrow, thanks to improve transportation infrastructure.

Bảng: Estimated Business Performance for Some Commercial Real Estate Companies

Ticker	Net sales 2023 (tỷ VND)	% YoY	NPAT 2023 (tỷ VND)	% YoY	EPS 2023	P/E fw	P/B fw	ROA 2023	ROE 2023	Price as of 17/05/2023	Target price	Upside (%)
VRE	9,102	24%	3,642	31%	1,564	17.4	1.7	9%	10%	27,900	36,200	30%
VHM	87,014	39%	31,951	11%	7,414	6.8	1.3	10%	14%	50,500	68,300	35%
DXG	4,524	-18%	179	-17%	292	45.2	0.6	1%	3%	13,950	16,900	21%
NLG	4,735	9%	658	18%	1,692	14.6	1.4	4%	8%	31,650	38,200	20%
KDH	3,162	9%	1,217	10%	1,710	17.7	1.6	6%	9%	28,500	37,700	32%

Source: BSC Research

7.2. Industry groups would benefit from public investment

SEAPORT SECTOR [NEUTRAL]

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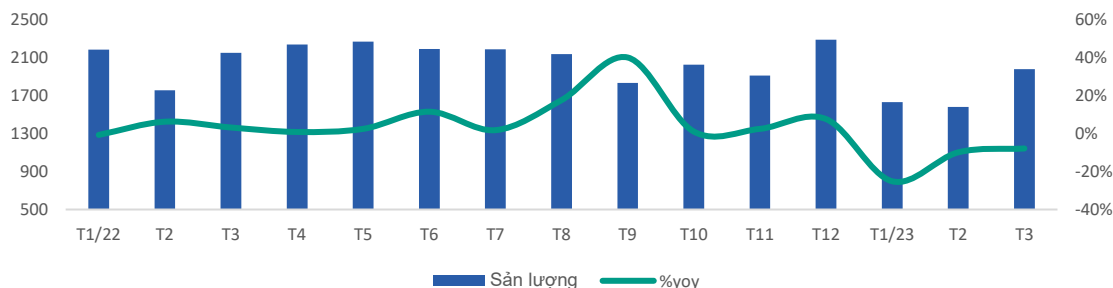
- **Container volume declined in Q1.2023.** Ending Q1.2023, container volume of the whole industry = 5.177 million TEUs (-15% yoy). In 2023, BSC believes that Container volume will be NEGATIVE due to the slowing import and export trend.
- **The position of seaport businesses in Hai Phong will change significantly in 2023** thanks to the divestment of all shares in Nam Hai Dinh Vu Port.
- We maintain our NEUTRAL recommendation for the Port industry in 2023.

Container throughput = 5.177 million TEUs down 15% yoy in 1Q2023 due to global recession.

- **Hai Phong ports:** Most remaining ports in the Song Cam area recorded a decline from 11-50% yoy., except for Nam Dinh Vu port +36% yoy of GMD due to output shifting from Nam Hai Dinh Vu port.
- **Cai Mep Thi Vai ports:** Most ports recorded a decrease of 31-50% yoy due to the decline of orders to EU and US, except for TCTT port +69% yoy due to the low base of 2022 when TCTT receives many empty containers.

In the 2H2023, tracking import and export orders of a number of listed businesses, BSC has not seen any Weak improvements up to now. However, when looking at the business results of e-commerce businesses, retail in the US still maintains positive growth like Amazon (+9% yoy) and the inventory level is expected to decrease to a low level in 2H.2023, which will be a support point. for the recovery of Vietnam's import and export and to improve output at seaports in 2H.2023. **Therefore, we think that port output can recover from mid to late Q3.2023, but in general, output growth in 2023 will still be NEGATIVE compared to 2022.**

Figure: Container output in Q1.2023



Source: BSC Research

Figure: Container throughput in Cai Mep Thi Vai Q1.2023

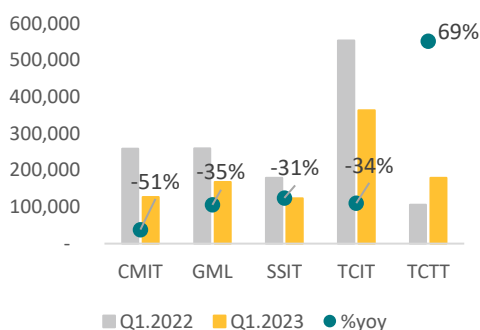
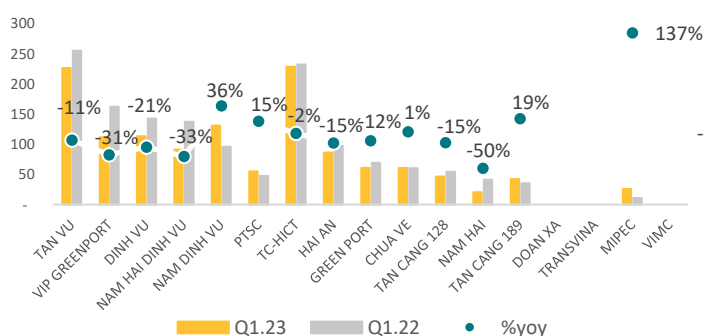


Figure: Container throughput Hai Phong Q1.2023



Source: BSC Research tổng hợp

Figure: Financial performance in Q1.2023

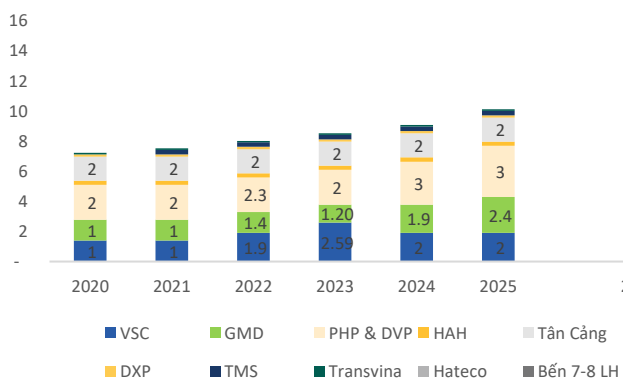
	Net sales	NPATMI	Comments
GMD	901 bil (+2.6% yoy)	202 nil (-26% yoy)	(1) DTT grew slightly thanks to revenue from logistics activities, office leasing grew = 246.7 billion (+71% yoy), while port revenue = 655 billion (-11% yoy) due to reduced volume -11 % yoy. (2) NPAT decreased sharply due to recording losses at securities companies such as GML = -38.7 billion when operating below breakeven capacity in Q1.2023.
VSC	467 bil (-0.4% yoy)	28.8 bil (-68% yoy)	NPATMI decreased sharply due to (1) interest expenses increased sharply from the 700 billion loan to buy back NHDV (2) SG&A/DTT ratio = 12% increased 2.2% over the same period

Source: GMD, VSC, BSC Research

The market shares of seaport enterprises will change in Hai Phong port area in 2023. Specifically, the transfer of Nam Hai Dinh Vu port between GMD and VSC has officially been signed and is expected to be completed in 1H. 2023. After the deal is completed, the position of the businesses will have a big change:

- VSC will become the largest port operator in Hai Phong in 2023**, with total capacity = 2.6 million TEUs (+36% yoy), accounting for 24% market share.
- GMD's growth potential in Hai Phong port area will not be higher**, GMD's market share will decrease by 3 percentage points to 14% in 2023 with total capacity = 1.2 million TEUs (-14% yoy). However, the proceeds from selling NHDV port will help GMD have more resources to increase its position in deep-water ports in the South through the GML phase 2 project.

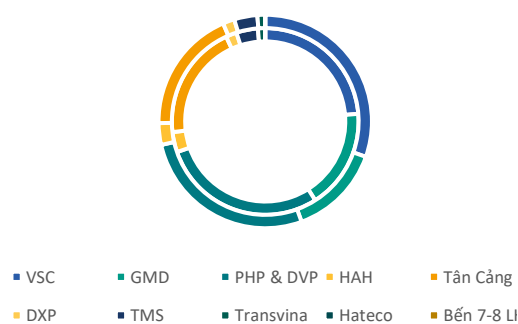
Figure: Capacity in Hai Phong ports



Source: BSC Research tổng hợp

Figure: GMD's market shares in Hai Phong port

*Vòng trong 2022, vòng ngoài 2023F



Source: BSC Research tổng hợp

INVESTMENT THESIS – NEUTRAL

BSC maintains the NEUTRAL recommendation for the port industry based on the following factors:

- (i) **The outlook for output growth for the whole year 2023 is difficult due to slow import and export in 1H.2023. However, in 2H.2023, import and export are likely to recover** as according to BSC's observations, sales of retail businesses and e-commerce in the US are still growing positively and inventories are expected to decrease to low levels due to the government's inventory reduction in the US from 1Q2023. Therefore, we believe

that port output can recover from mid to late Q3.2023 along with import and export activities.

(ii) However, in the long term, BSC assesses that listed port enterprises still have a lot of growth potential thanks to 1) valuable assets invested in difficult times of the industry such as NHDV (VSC) or GML 2 (GMD) (2) the trend of shifting production from China to neighboring countries like Vietnam.

Table: Estimated financial results of some businesses in the seaport industry

Ticker	Net sales 2023 (tỷ VND)	% YoY	NPAT 2023 (tỷ VND)	% YoY	EPS 2023	P/E fw	P/B fw	ROA 2023	ROE 2023	Price as of 17/05/2023	Target price	Upside (%)
GMD	3,632	-7%	2,110	+112%	6,587	7.6	1.7	14%	21%	49,900	57,000	14%
VSC	1,971	-2%	164	-48%	2,923	9.7	0.7	4%	5%	27,450	29,000	6%

Source: BSC Research

STEEL SECTOR [NEUTRAL]

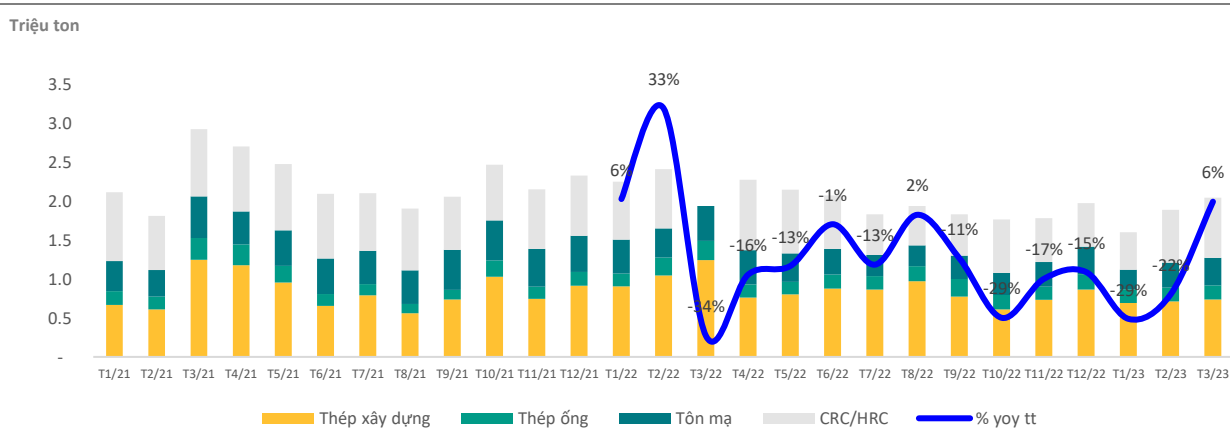
Analyst: Phạm Quang Minh

Email: minhpg@bsc.com.vn

- **Consumption output in the first quarter of 2023 is still weak in both domestic and export markets.** By the end of Q1.2023, the entire industry's steel consumption output was -16% yoy, of which, domestic -21% yoy, export -7% yoy.
- **Steel prices increased by 6-10% ytd due to increased coal and iron ore costs.** With steel prices returning to the level at the beginning of the year, BSC expects steel prices to move sideways in the second half of Quarter 2, 2023. By 2H.2023, steel price movements will depend on the level of recovery from steel demand.
- **Gross profit margin of steel enterprises improved in the first quarter of 2023** because (1) high-priced inventory was largely processed, (2) steel enterprises reversed inventory provisions.
- We believe that the worst time for the steel industry is over. Compared to the previous Report, BSC maintains a **NEUTRAL** view on the Steel industry in Q2.2023 because steel demand is still Weak..

At the end of Quarter 1.2023, consumption output is still negative. Industry output reached 5.5 million tons (-16% yoy, +0.2% qoq).

Figure: Industry-wide steel consumption -16% YoY in Q1.2023



Source: BSC Research

In there:

- **Domestic consumption reached 3.9 million tons (-21% yoy, -5% qoq) because the real estate market is still "frozen".** Compared to Q4.2022, consumption has returned, only in the short term. The reason comes from the fact that high-priced inventory has basically been processed. Therefore, agents must re-import goods after the Lunar New Year to prepare for the second quarter. However, overall import capacity is still weak because the real estate market is still facing difficulties.
Entering April, even though it was the peak season for construction, BSC noticed that figure sales from dealers were still slow. BSC believes that sales volume will still be poor in the second quarter of 2023. Accordingly, BSC forecasts domestic output to reach 4.1 million tons (+4% yoy). BSC expects demand to recover from 2H.2023 thanks to (1) cooling interest rates, and (2) loosening policies for the real estate industry.
- **Export consumption reached 1.6 million tons (-7% yoy, -12% qoq) due to recession in major economies such as the US and EU, leading to reduced demand.** Similar to the domestic market, HRC import orders in the EU improved slightly after the Lunar New Year (February-March). BSC believes that the reason is due to seasonal factors and short-term factors from car manufacturers. In May 2023, through discussions with agents, orders to Europe and the US were relatively slow, which could affect Q3 consumption.

Figure: Domestic consumption output -21% yoy in Q1.2023

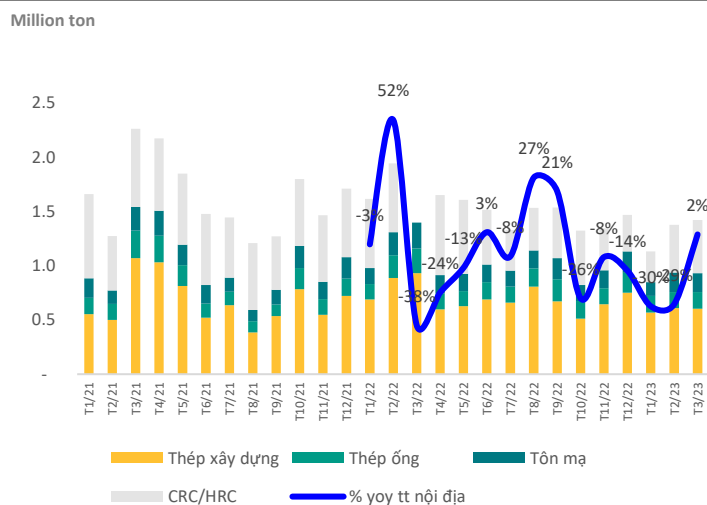
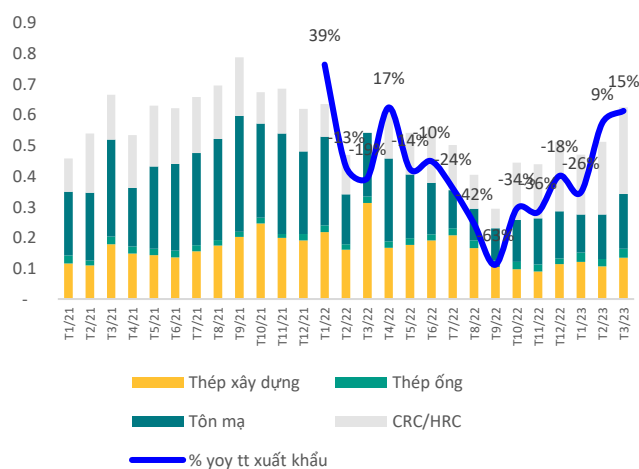


Figure: Export output -7% yoy in Q1.2023



Source: BSC Research

In Q1.2023, steel prices increased by +6-10% ytd due to increased coal and iron ore costs. As of the end of March, retail prices of construction steel, steel pipes, galvanized steel sheets, and HRC were +6%/+6%/+6%/+11% ytd. Entering April, steel prices adjusted downward, returning to the level at the beginning of the year. The reason is that (i) demand is still weak, and (ii) iron ore and coal prices decreased after China introduced price control policies and limited speculation. With the current demand for Weak steel and iron ore and coal prices forecast to continue to cool down, BSC believes that steel prices will be under pressure to adjust in the near future.

Figure: Construction steel price -1% ytd – as of May 2023

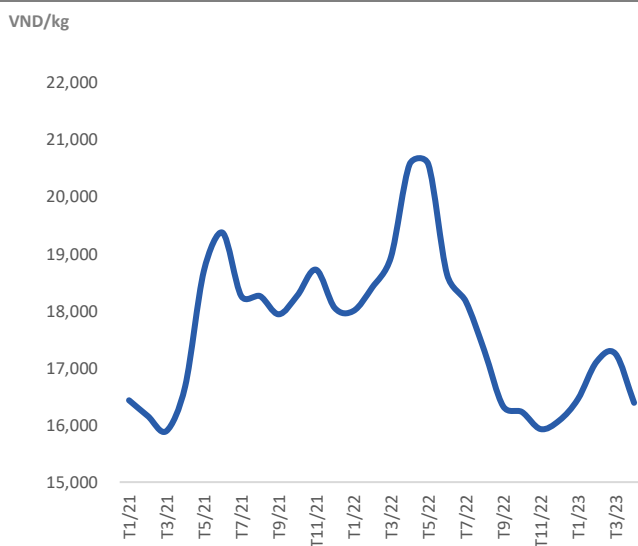


Figure: Steel pipe price +2% ytd – as of May 2023

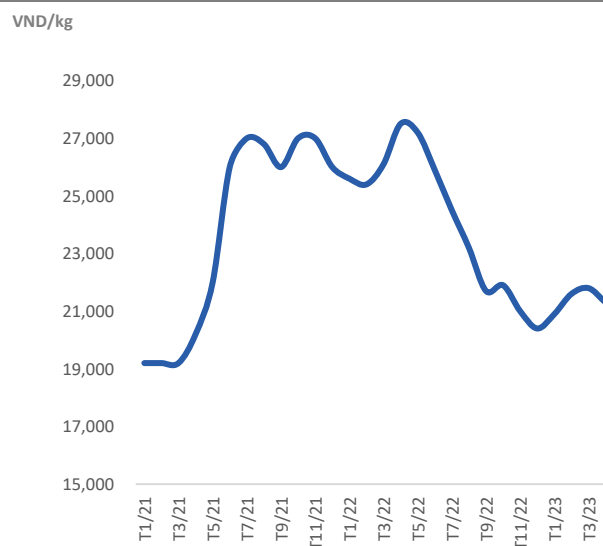


Figure: HRC CFR VIETNAM price +0% ytd as of May 2023



Figure: Iron ore price -2.7% ytd as of May 2023



Figure: Steel scrap price -1.7% ytd in May 2023

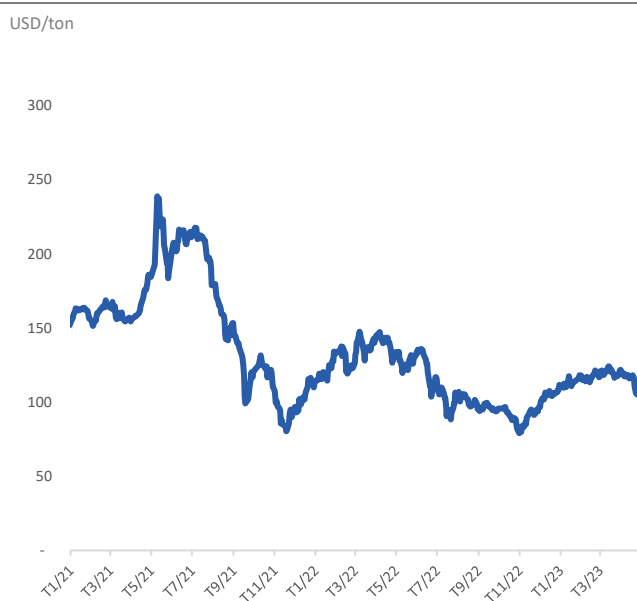
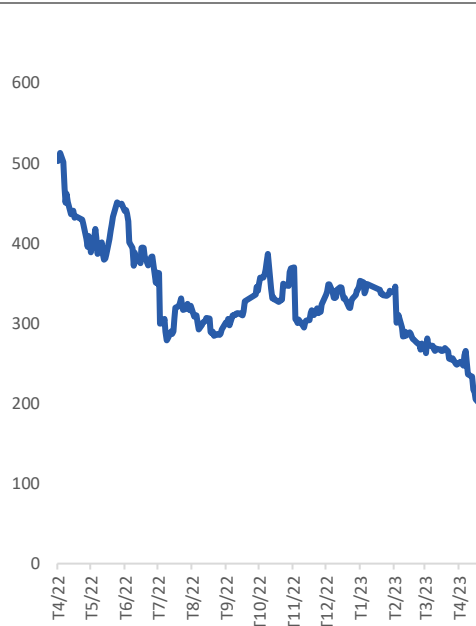


Figure: Coal price in May 2023



Source: Bloomberg, BSC Research

Gross profit margins of steel enterprises improved in the first quarter of 2023 because (1) high-priced inventories were largely processed, (2) steel enterprises reversed inventory provisions. In the second quarter of 2023, BSC believes that:

- In the first half of Q2, gross profit margin will be POSITIVE thanks to benefiting from (1) rising steel prices (especially HRC) in February - March, (2) good HRC export orders.
- Second half of Quarter 2 - Quarter 3, 2023: Gross profit margin will be affected by falling steel prices and increasing electricity prices in April. BSC estimates that electricity selling price +3% from April 5, 2023 will reduce profits by 15%. Profits of steel manufacturing enterprises in cases where 100% of

costs cannot be transferred to selling prices. As for HPG, the level of impact will be small because HPG is self-sufficient in about 75% of electricity production in Dung Quat and Hai Duong.

Figure: BSC's assumptions about the impact of a 3% increase in electricity prices on steel businesses

Assumption details	Data based on median value of listed steel enterprises in the period 2016 - 2022
Gross profit margin	7%
Net profit margin	3%
Proportion of electricity costs in COGS	15%

Source: BSC Research

Updated policies affecting Vietnam's steel industry - No extension of anti-avoidance tax on steel billets:

On March 21, 2023, the Ministry of Industry and Trade issued Decision No. 691/QĐ-BCT. Accordingly, Vietnam will:

- (i) **Continue to extend** the application of anti-circumvention measures for **imported long steel**.
- (ii) **Do not extend** the deadline for applying anti-circumvention measures on **imported steel billet**.

BSC assesses that Vietnamese businesses will face greater competitive pressure from cheap Chinese steel billet.

Figure: New anti-evasion tax rate according to Decision 918/QĐ-BCT on long steel

Old		New	
Effective date	Anti-evasion tax according to Decision 691/QĐ-BCT	Effective date	Anti-evasion tax according to Decision 918/QĐ-BCT
22/3/2020 – 21/3/2021	9.4%	22/3/2023 – 21/3/2024	6.3%
22/3/2021-21/3/2022	7.9%	22/3/2024-21/3/2025	6.2%
22/3/2022-21/3/2023	6.4%	22/3/2025-21/3/2026	6.1%
Từ 22/3/2023 trở đi	0%	Từ 22/3/2026 trở đi	0%

Source: BSC Research

Compared to the same period in 2022, **Q1.2023 business results of steel enterprises all declined strongly** due to reduced selling prices and output. In 2023, steel trading groups such as HSG, NKG, and SMC mostly plan for improved profits due to the expectation that raw material prices will fluctuate less harshly. HPG sets its revenue/profit target to be almost flat with the expectation that output will increase thanks to reopening the furnace.

Figure: Updated business results for the first quarter of 2023

Ticker	Rev Q1.2023	% YoY	NPAT	% YoY	Rev plan	%YoY	NPAT plan	%YoY
	(bn VND)		Q1.2023		2023		2023	
SMC	3,887	-41%	-515	-745%	20,350	-12%	150	-
HPG	26,865	-39%	-1992	-124%	150,000	5%	8,000	-5%
NKG	4,380	-39%	-356	-170%	20,000	14%	320	-
HSG	7,082	-44%	-680	-391%	36,000	-29%	300	20%

Source: BSC Research

INVESTMENT PERSPECTIVE – NEUTRAL

We believe that the worst time for the steel industry is over. Compared to the [previous report](#), BSC maintains a **NEUTRAL** view on the Steel industry in Q2.2023 because steel demand is still weak.

Table: Estimated profit and loss of some steel industry enterprises

Ticker	Rev 2023	% YoY	NPAT	% YoY	EPS	P/E	P/B	ROA	ROE	Price as of	Target	Upside
	(tỷ VND)		2023		2023	fw	fw	2023	2023	17/05/2023	price	(%)

	(bn. VND)											
HPG	125,903	-11%	8,284	-2%	1,425	14.6	1.2	5%	8%	21,800	25,000	15%

Source: BSC Research

CONSTRUCTION SECTOR [NEUTRAL]

Analyst: Vu Xuan Truong

Email: truongvx@bsc.com.vn

- The number of newly licensed housing and real estate projects remains low, an indicator of the decline in construction volume of civil construction enterprises;
- Profit margins of construction businesses are forecast to still be negatively affected in 2023;
- The level of competition between contractors, which is already very fierce, is now becoming even more fierce due to (1) the lack of construction demand, reputable investors, cash flow assurance as well as (2) pressure to sign new contracts to maintain operations;
- The government's promulgation of policies to support the real estate market is expected to indirectly reduce difficulties for contractors because businesses will be able to recover debts from investors;
- Expectation that accelerating the disbursement of public investment will create an abundant amount of work for infrastructure construction enterprises;
- BSC issues **NEUTRAL** recommendations for the Construction industry in 2023

CIVIL CONSTRUCTION INDUSTRY – WAITING FOR THE INFLUENCE FROM REAL ESTATE SUPPORT POLICIES

The number of newly licensed housing and real estate projects remains low, an indicator of the decline in construction volume of civil construction enterprises. According to the Ministry of Construction, in Q1.2023, the number of new licensed projects for all types of real estate figures decreased compared to the same period ([for details, see Report Q2.2023 commercial real estate industry](#)). The slowdown in new licensing comes from (1) Concerns about liability when many land violations are handled vigorously while the new legal document system has not yet been promulgated, (2) The market Real estate is in a freezing period due to the impact of tightened monetary policy and cash flow difficulties for investors.

Although raw material costs have tended to stabilize in Q1.2023, profit margins of construction businesses are forecast to still be negatively affected in 2023 due to (1) Pressure from provisioning receivables due to many investors having cash flow difficulties leading to slow payments to contractors and (2) Pressure from loan interest in the context of high interest rates and the majority of contractors having to use debt to finance construction activities.

Figure: Ratio of Customer Receivables/Total Assets of some civil construction enterprises

Figure: Ratio of Debt/Total Assets of some civil construction enterprises



Source: Company reports, BSC Research

The level of competition between contractors, which is already very fierce, is now becoming even more fierce due to (1) the lack of construction demand, reputable investors, cash flow assurance as well as (2) pressure to sign new contracts to maintain operations. In that context, a number of civil construction enterprises have proactively shifted to industrial construction such as CTD with a LEGO factory project worth VND 11,000 billion; HBC with the Want Want factory project worth VND 1,450 billion; VCG with the Mappletree Logistics Park factory project or Ricons with the Foxconn Bac Giang factory. BSC highly appreciates CTD with a strong financial foundation, abundant cash and a project portfolio of good investors that is expected to have better differentiation and growth than the remaining group of businesses.

The government's promulgation of policies to support the real estate market is expected to indirectly reduce difficulties for contractors because businesses will be able to recover debts from investors. Some outstanding policies issued in Q1.2023 include (1) Decree 08/2023/ND-CP on amending Decrees on bond transactions; (2) Decision No. 313 and 574/QD-NHNN on lowering rediscount interest rates and refinancing interest rates; (3) Decree No. 10/2023/ND-CP supplementing the Decree guiding the Land Law and (4) Circular No. 02/2023/TT-NHNN on debt rescheduling and debt review.

INFRASTRUCTURE CONSTRUCTION INDUSTRY – EXPECTATIONS ON THE ACCELERATION OF PUBLIC INVESTMENT CAPITAL DISBURSEMENT PROGRESS

The public investment capital disbursement plan in 2023 is 792,487 billion VND, an increase of 22% over the same period. By the end of Q1.2023, the disbursed capital was 73,192 billion VND (+18.94% yoy), completing 9.69% of the year's plan, due to the influence of the Lunar New Year and many new projects only started construction at the beginning of the year. . BSC hopes that with the close direction of the Government along with policies to remove obstacles in infrastructure development such as (1) price fluctuations, (2) lack of supply of construction materials, (3) difficulties in compensation and site clearance will help the disbursement rate of public investment in 2023 reach about 80-90% of the plan, an increase of 10-20% over the same period, thereby creating an abundant amount of jobs. abundant for infrastructure construction businesses.

Table: Updated progress of key public investment projects by the end of Q1.2023

TT	Projects	Distance (km)		Source funding
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			total investment (bn VND)	Source from State budget	Public investment plan 2021-2025	Recovery Package 2022-2023	Update progress to Q1.2023
A	Expressway project		273,973	262,969	74,251	92,634	
1	North - South Expressway Phase 2	729	146,990	146,990	47,169	72,476	
2	Bien Hoa - Vung Tau Expressway		18,635	18,635	5,740	3,500	Appointed contractor, plan to start construction on April 28, 2023
3	An Huu - Cao Lanh expressway		6,054	6,054	1,864	1,204	No contractor yet, the plan will start construction on April 30, 2023
4	Chau Doc - Can Tho - Soc Trang - Tran De		49,745	49,745	14,247	3,800	Considering the appointment of contractors, the customer will start construction on June 30, 2023
5	Khanh Hoa - Buon Ma Thuot Expressway		17,435	17,435	5,231	2,320	Appointed contractor, plan to start construction on June 1, 2023
6	Tuyen Quang - Ha Giang Expressway		6,264	4,800	-	3,584	Appointed contractors for 10 packages, plan to start construction in Q1/2023
7	Hoa Binh - Moc Chau Expressway		9,770	9,770	-	4,650	No contractor yet, the plan will start construction on April 28, 2023
8	Ninh Binh - ND - TB - Hai Phong Expressway		19,080	9,540	-	1,100	N/A
B	Project connecting regions, industrial parks, and seaports		18,554	15,786	2,412	10,530	
1	Dai Ngai Bridge - Highway 60		8,040	8,040	2,412	4,130	Construction is expected to start in the first quarter of 2023
2	National Highway 1A - Cau Gie - National Highway 21A - National Highway 21B, Hanoi-HP		4,950	3,000	-	2,500	N/A
3	Provincial route DT.295C, DT.285B, DT.277B connecting Bac Ninh, Ha Bac, RR 4		1,495	1,000	-	900	N/A
4	National Highway 12C connects Fomosa Ha Tinh Complex		669	500	-	500	N/A
5	Upgrade National Highway 4B		3,400	3,246	-	2,500	N/A

Source: BSC Research

Table: Statistics of bidding packages of the North-South expressway project phase 2

TT	Expressway	Value (bn VND)	Update contractors until Q1.2023
1	Bai Vot – Ham Nghi		
	XL-11	5,232	VCG -TCT 319
2	Ham Nghi – Vung Ang		
	XL-11	3,776	Xuan Truong Construction JSC - 471 JSC - Tu Lap Construction Ltd
	XL-12	3,304	Xuan Truong Construction JSC – 368 JSC

3	Vung Ang – Bung		
	XL-1	5,300	Son Hai – VCG – 368-484-479 JSC
	XL-2	5,400	Phuong Thanh Traffic Construction Investment JSC – LCG
4	Bung - Van Ninh		
	XL-1	3,939	C4G - Corporation 36 - Truong Son Construction Investment JSC
	XL-2	3,501	Truong Son Construction - Trung Chinh Construction Ltd - Truong Son Construction Investment JSC
5	Van Ninh - Cam Lo		
	XL-1	3,361	Truong Thinh Group JSC - Truong Son Construction - 368 Construction JSC
	XL-2	3,480	Truong Thinh Group JSC - Traffic Construction 1 JSC - Railway Corporation JSC
6	Quang Ngai - Hoai Nhon		
	XL-1	3,862	Deo Ca Group JSC - HHV - Dacinco Construction Investment Ltd
	XL-2	4,500	Deo Ca Group JSC - HHV
	XL-3	6,400	Deo Ca Group JSC - HHV - Deo Ca Construction JSC
7	Hoai Nhon - Quy Nhon		
	XL-11	3,028	Truong Son Construction
	XL-12	6,141	Son Hai - Phuc Loc - Cienco 8 - Truong Thanh – 471 JSC
8	Quy Nhon - Chi Thanh		
	XL-11	3,690	CC1 - Railway Construction Corporation - SDT - Tan Hoang Long - Thuan An
	XL-12	3,055	VCG - Trung Nam 18 E&C - Thuan An - JSC 68 - Hai Dang JSC
	XL-13	6,241	TTL - Trung Nam 18 E&C - 168 Vietnam Construction & Import Export JSC - Cuong Thinh Thi - Khang Nguyen
9	Chi Thanh - Van Phong		
	XL-1	4,393	HHV - Phuc Loc TTL - Lung Lo - 68 Construction JSC
	XL-2	4,440	Trung Nam 18 E&C - CC1 - Tu Lap Construction JSC- Hai Dang JSC
10	Van Phong - Nha Trang		
	XL-1	5,365	LCG - Phuong Thanh - VNCN E&C - Hai Dang JSC
	XL-2	3,549	Son Hai - Tân Nam construction JSC - Hai Dang JSC
11	Can Tho - Hau Giang		
	XL-1	7,966	Truong Son Construction - G36 - CC1 - VNCN E&C Construction Investment JSC – Tan Nam construction JSC
	XL-2	3,835	VNCN E&C Construction Investment JSC - 620 Investment & Development JSC - Hai Dang JSC - Thi Son Ltd
12	Hau Giang - Ca Mau		
	XL-1	7,256	Trung Nam E&C - Trung Nam 18 E&C - C4G - Hai Dang JSC - Thi Son Ltd
	XL-3	3,354	CC1 - Hai Dang - Van Cuong - Construction and Investment 492 JSC

Source: BSC Research

Revenue in Q1.2023 of most construction enterprises increased over the same period while NPAT Q1.2023 had a decline due to increased raw material costs and interest costs. Regarding business plans, most construction businesses plan to grow revenue thanks to the value of transitional contracts from 2022 and the government's push for public investment, while being cautious with their plans. NPAT plan. Except for CTD and C4G, which are planning NPAT growth thanks to a low base in 2022, most of the remaining businesses have low growth rates and even decreases over the same period.

Table: Updated Q1.2023 business results and 2023 business plans of some civil construction enterprises

Ticker	Rev Q1.2023 (bn VND)	% YoY	NPAT Q1.2023 (bn VND)	% YoY	Rev plan 2023	%YoY	NPAT plan 2023	%YoY
CTD	3,130	64%	22	-24%	16,249	12%	233	1100%
HBC	1,194	-60%	(445)	N/A	12,500	-11%	125	N/A

Table: Updated Q1.2023 operating results and 2023 business plans for some enterprises in the infrastructure construction industry

Ticker	Rev Q1.2023 (bn VND)	% YoY	NPAT Q1.2023 (bn VND)	% YoY	Rev plan 2023	%YoY	NPAT plan 2023	%YoY
HHV	539	25%	82	3.8%	2,478	18%	338	14%
VCG	1,965	-76%	19	-98%	16,430	70%	860	-8%
C4G	460	8%	41	28%	4,500	60%	330	117%
LCG	242	34%	10	-80%	2,850	183%	150	-23%

Source: BSC Research

INVESTMENT PERSPECTIVE – NEUTRAL

BSC recommends **NEUTRAL** for construction industry groups in 2023 due to (1) Risks of provisioning and loan interest burden still exist, (2) Level of competition among construction contractors The already fierce situation is becoming even more difficult and (3) The promulgation of policies to support the real estate market and the push to disburse public investment are expected to improve business operations of enterprises. construction industry.

Table: Estimated profit and loss of some construction industry enterprises

Ticker	Rev 2023 (bn VND)	% YoY	NPAT 2023 (bn VND)	% YoY	EPS 2023	P/E fw	P/B fw	ROA 2023	ROE 2023	Price as of 17/05/2023	Target price	Upside (%)
CTD	15,600	7%	171	726%	2,170	27.5	0.6	1%	2%	64,000	60,800	-5%
HHV	3,600	72%	427	62%	1,390	9.3	0.8	1%	5%	13,100	15,400	18%
C4G	3,500	28%	180	18%	820	14.8	1.1	2%	7%	12,779	14,800	16%
LCG	2,970	195%	233	21%	1,210	10.0	0.7	5%	9%	11,800	16,000	36%

Source: BSC Research

6.3. Sector groups influenced by China's opening up

OIL TRANSPORTATION [POSITIVE] – CONTAINER TRANSPORTATION [NEGATIVE]

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Container Transport

- By the end of Q1.2023, Container freight price indexes continued to stay at a low level. In 2023, BSC maintains the view that Container freight rates will decrease by 65% yoy due to (1) Strong supply increase, (2) Import-export activities continue to grow slowly.
- BSC maintains its **NEGATIVE** recommendation for the Container Transport group because it believes that Container freight rates will continue to decrease in the near future.

Oil transportation

- By the end of Q1.2023, oil transport prices increased sharply due to (1) oil supply chain disruption in Europe, (2) Oil tanker supply source was low.
- In 2023, BSC maintains a **POSITIVE** view on the Oil Transport group because freight rates are still high due to limited ship supply sources.

CONTAINER TRANSPORT – NEGATIVE

At the end of Q1.2023, Container freight price indexes continued to stay at low levels compared to the same period. Specifically:

1. **Global spot container freight rates decreased by 70% ytd.** In particular, main maritime routes such as China to the US west coast decreased by 69.5% ytd, China to Europe decreased by 78% ytd. Compared to Q4.2022, global freight rates decreased by 20% QoQ. Compared to the time before the epidemic, the fare level is still 20-25% higher than average.
2. **Fixed-term rental rates have not improved.** After reducing QoQ by 50% in Q4.2022, freight rates in Q1.2023 have generally not seen a significant improvement.

The reason why freight rates continue to stay low is (1) the global economy is slowing down, (2) the bottleneck in ship supply has improved.

Figure: Container freight rates from China to the US and EU continue to stay at a low level.

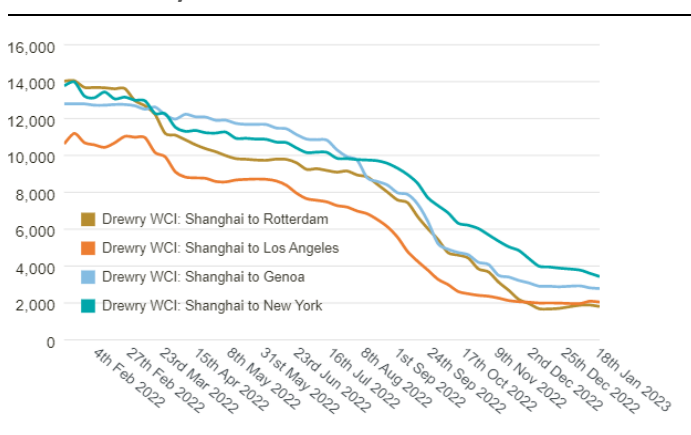
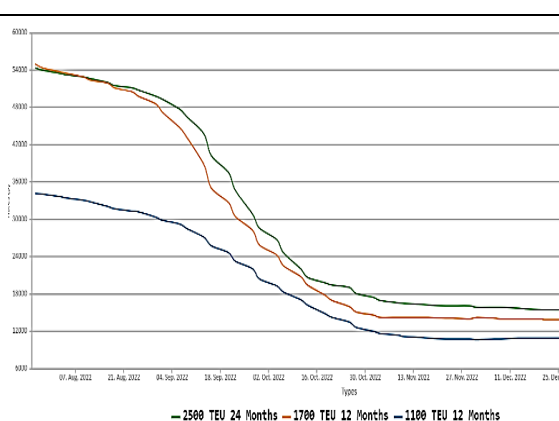


Figure: Fixed fares have not improved



Source: BSC Research

In 2023, BSC maintains the view that Container freight rates will still be in a downward trend due to (1) the drop point for ship handovers from 2023-2024, (2) import-export activities continue to grow slowly. BSC forecasts that freight rates will decrease by 65% yoy in 2023 - to a level 15% -20% higher than before the epidemic.

Figure: Fleet size increases by 10% yoy in 2023 - 2024

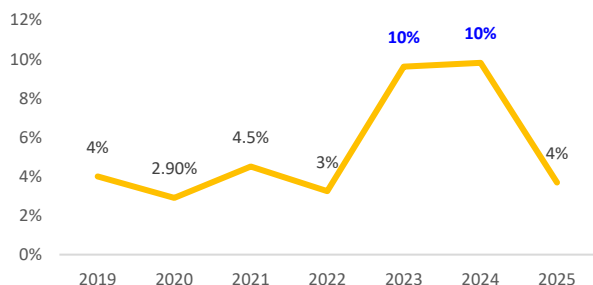
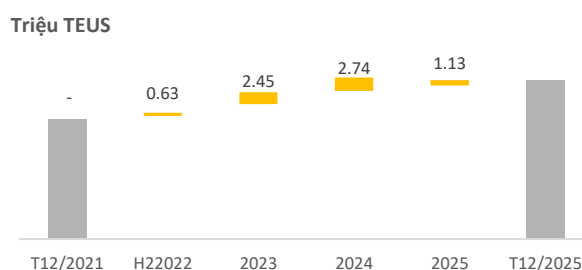


Figure: Fleet handover time focuses on 2023 - 2024



Source: BIMCO

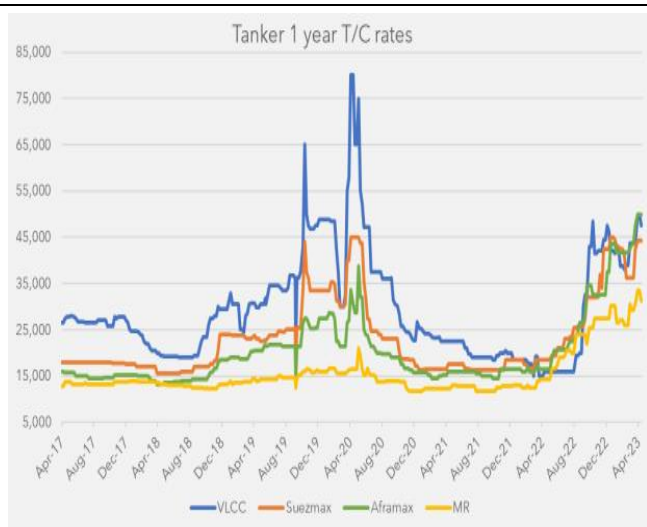
OIL TRANSPORTATION – POSITIVE

At the end of Q1.2023, oil transportation rates remained high due to (1) supply chain disruptions in the EU following the ban on importing Russian refined petroleum products from February 5, 2023 (2) Supply shortage of oil tankers. Specifically, VLCC ship fare = 42,500 USD/day (+102.38% yoy), Suezmax ship = 42,500 USD/day (+112.5% yoy) or MR ship = 31,000 USD/day (+113.79% yoy).

As for the outlook for the rest of 2023, BSC believes that the Oil Transport group will continue to benefit from high crude oil/fuel freight rates thanks to:

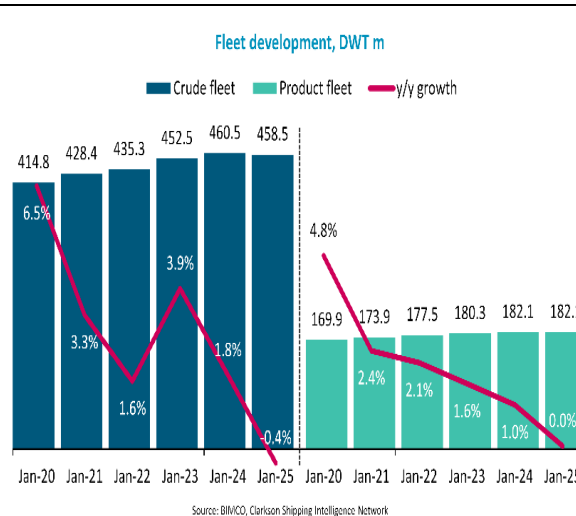
- (1) **Ship supply source cannot improve in the short term.** According to Clarksons, in 2023, the total supply of global crude oil ships is forecast to grow only about 2% yoy due to the slow recovery of new shipbuilding orders. Meanwhile, it takes Average at least 2 years to build a complete fuel tanker, so it will take at least until 2025 for the supply of tankers to be improved.
- (2) **Export shifting trend of Russian oil.** In response to EU sanctions, Russia tends to export oil to Asian customers such as China, India,... making trips longer and farther, thereby increasing freight prices.

Figure: Oil tanker freight rates continue to be high in April 2023



Source: StarAsia

Figure: Oil tanker supply source remains low in 2023



Source: BIMCO, Clarkson Shipping Intelligence Network

Source: BIMCO

Compared to the previous report, BSC maintains a **POSITIVE** view on the **oil transportation** group thanks to the expectation that freight rates will continue to be high in 2023 because the source of ship supply is still limited.

Figure : Q1.2023 business results of Positive Oil Transport group – Ocean Transport group declined

		REVENUE	NPATMI	NOTES
Oil transportation	PVT	2,043 bn (+1% yoy)	182 bn (+19% yoy)	(1) Revenue from transportation services = 1,666 billion (+13% yoy) due to increased charter rates, however revenue from trade = 23 billion (-90.5% yoy) so total revenue only increased by 1% yoy. (2) In addition, interest from deposits = 75.6 bn (+160% yoy) supporting NPATMI increase of 19% yoy
	VOS	519 bn (+29% yoy)	73 bn (+33% yoy)	Revenue and NPATMI increased due to high anchor freight rates in Q1.2023
Container Transport	HAH	655.1 bn (+0.4% yoy)	119 bn (- 40.5% yoy)	NPATMI decreased strongly due to strong decrease in ocean freight rates

Source: GMD, VSC, BSC

INVESTMENT PERSPECTIVE

For the rest of 2023, BSC maintains a **POSITIVE** view on the **Oil Transportation** group because freight rates are still high thanks to (1) The supply of oil tankers cannot improve in the short term (2) The export shift trend Russian oil exports, **NEGATIVE** view for the **Container Transport** group due to the decrease in freight rates due to (1) ship delivery point from 2023-2024, (2) import-export activities continue to grow slowly.

Table: Estimated profit and loss of some businesses in the shipping industry

Ticker	Revenue 2023 (tỷ VND)	% YoY	NPAT 2023 (tỷ VND)	% YoY	EPS 2023	P/E fw	P/B fw	ROA 2023	ROE 2023	Price as of 17/05/2023	Target price	Upside (%)
HAH	2,694	-16%	450	-45%	6,589	6.2	1.0	8%	13%	40,350	40,000	-1%
PVT	10,485	16%	870	1%	2,560	7.9	0.8	7%	13%	20,200	25,000	24%

Source: BSC Research

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

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- **By the end of Q1.2023, the number of domestic passenger through the airport is estimated to reach 25.9 million (+67%yoy), equivalent to 120-130% compared to the same period in 2019** thanks to (1) domestic flights were fully recovered due to the pandemic was kept under control, in addition, (2) the first quarter is the peak touris season. Compared to the previous report, BSC maintains our forecast of 92 million domestic passenger trips in 2023 (+0.3% yoy) do to high base in 2022.
- **By the end of Q1.2023, the number of international passeger through airports reached 7.1 million (+1470% yoy), equivalent to 68% of the same period in 2019**, thanks to the reoping of countries including Vietnam. Compared to the previous report, BSC increases our forecast for internation passenger traffic in 2023 from 24 million (+99% yoy) in the previous report to 28 million (+133%), equivalent to 100% of pre-pandemic level, as the majority of countries have recovered better than expected.
- **By the end of Q1.2023, air freight traffic volume reached 80.000 tons (-7% yoy)** due to declining global demand. BSC expects this figure will recover in H2.2023..
- BSC maintains our **POSITIVE** outlook on the airport services sector, such as ACV, thanks to the positive recovery of passenger traffic in 2023.
- BSC holds a **NEUTRAL** outlook on the aviation sector due to Chinese – the largest partner of Vietnam – were reopened. Hoever, BSC notes that high and volatile of oil prices will affect negatively to this sector.
- BSC holds a **NEGATIVE** outlook on the freight services sector, such as SCS, due to the declining freight volume.

DOMESTIC TRANSPORTATION – EQUIVALENT TO 120-130% OF PRE-PANDEMIC LEVELS

By the end of Q1.2023, the number of domestic passenger through the airport is estimated to reach 25.9 million (+67%yoy), equivalent to 120-130% compared to the same period in 2019 thanks to (1) domestic flights were fully recovered due to the pandemic was kept under control, in addition, (2) the first quarter is the peak touris season. Compared to the previous report, BSC maintains our forecast of 92 million domestic passenger trips in 2023 (+0.3% yoy) do to high base in 2022.

Figure: Domestic passenger volume +67% yoy in Q1.2023

Millions of times

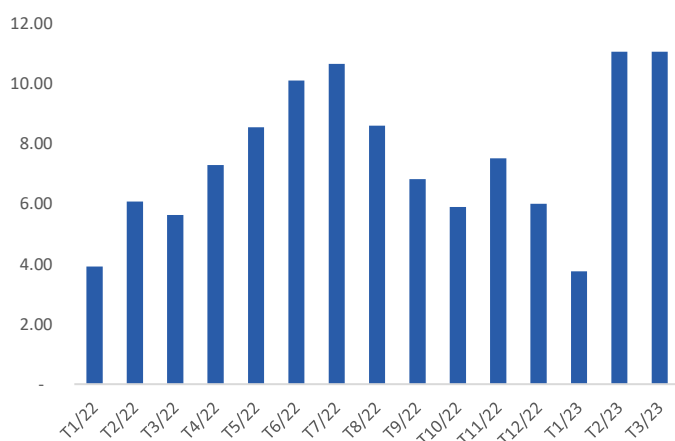
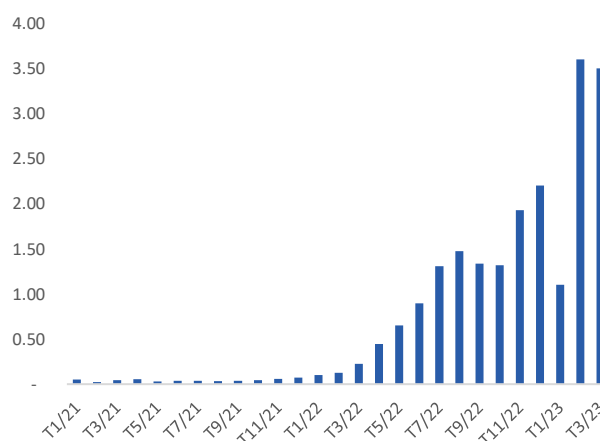


Figure: International passenger volume +1,470% yoy in Q1.2023



Source: BSC Research

INTERNATIONAL TRANSPORTATION – EQUIVALENT TO 68% OF PRE-PANDEMIC LEVELS.

By the end of Q1.2023, the number of international passeger through airports reached 7.1 million (+1470% yoy), equivalent to 68% of the same period in 2019, thanks to the reoping of countries including Vietnam. Till the end of Q1.2023, most of Vietnam’s major markets have recovered 70-100% from pre-pandemic levels. Only Russia and China have recovered slowly (only 10-15% from pre-pandemic levels). The reasons are due to

the political tension between Russia and Ukraine, and China's resumption of international routes after the Lunar New Year.

Figure: International tourist output

Thousand of times

Nation	Q1.22	Q2.22	Q3.22	Q4.22	Q1.23
- China	15	27	36	47	140
- Korea	15	93	382	476	811
- Japan	5	24	68	78	117
- Taiwan	8	16	42	60	132
- USA	10	58	109	142	207
- Russia	5	4	8	22	35
- Malaysia	1	21	54	94	115
- Thailand	1	21	61	119	145
- Australia	3	25	50	66	97
- England	2	16	32	45	67
- Singapore	1	33	54	91	76
- India	0	18	43	76	100
- Others	38	241	591	910	1,192
Total	105	597	1,531	2,225	3,236

Figure: Comparison of international tourists in Q1.2023 with the same period in 2019 (%)

%

Quốc gia	Q1.22	Q2.22	Q3.22	Q4.22	Q1.23	% contribute to the level of recovery in Q1.2023
	(1)	(2)	(3)	(4)	(5)	(6)=(5)x proportion of 2019
- China	1%	2%	2%	3%	11%	4%
- Korea	1%	10%	36%	41%	73%	17%
- Japan	2%	11%	27%	33%	50%	3%
- Taiwan	4%	7%	17%	24%	64%	3%
- USA	5%	33%	62%	80%	94%	4%
- Russia	3%	3%	7%	13%	16%	1%
- Malaysia	1%	14%	40%	54%	80%	3%
- Thailand	1%	17%	61%	73%	116%	3%
- Australia	3%	28%	55%	47%	89%	2%
- England	2%	21%	44%	57%	75%	1%
- Singapore	1%	43%	77%	97%	112%	2%
- India	0%	46%	108%	148%	256%	2%
- Others	4%	25%	63%	71%	99%	6%
Total						49%

Source: GSO, BSC Research

Compared to the previous report, BSC adjust outlook and forecast as following:

1. BSC holds our outlook:

- i. **China will recover quickly in 2023** due to pent-up demand after reopening.
- ii. **BSC holds expectation that markets such as South Korea, Japna, the United States, etc... will continue to recover**, thanks to having reopened in 2022.
- iii. **BSC expects India to continue to grow well (20% QoQ) in 2023** thanks to (1) the expansion of new routes since Q4.2023, (2) the size of Indian market is very lage, take population as an example. BSC expects India to be among the top 5 largerst customers of Vietnam.

2. Compared to the previous report, BSC increases our forecast for internation passenger traffic in 2023 from 24 million (+99% yoy) in the previous report to 28 million (+133%), equivalent to 100% of pre-pandemic level, as the majority of countries have recovered better than expected. Details of our assumptions are below::

Figure: Forecast % recovery of tourists to Vietnam compared to the same period in 2019

TT	Nation	2022				2023				2023F
		Q1	Q2	Q3	Q4	Q1	Q2F	Q3F	Q4F	
1	China	1%	2%	2%	3%	11%	35%	60%	90%	53%
2	Korea	1%	10%	36%	41%	73%	90%	105%	105%	93%
3	Japan	2%	11%	27%	33%	50%	70%	90%	100%	78%
4	Taiwan	4%	7%	17%	24%	64%	80%	90%	100%	84%
5	USA	5%	33%	62%	80%	94%	105%	107%	110%	103%
6	India	0%	46%	108%	148%	256%	308%	360%	339%	318%
	Others	3%	21%	53%	61%	84%	95%	105%	110%	99%
	TOTAL	0%	12%	29%	34%	60%	76%	90%	103%	83%

Source: BSC Research

Figure: Forecast of international tourist output through ACV based on tourist output to Vietnam

Nation	Q1.22	Q2.22	Q3.22	Q4.22	Q1.23	Q2.23	Q3.23	Q4.23	2023F
China	15	27	36	47	140	421	896	1,646	3,104

Korea	15	93	382	476	811	874	1,115	1,208	4,007
Japan	5	24	68	78	117	156	231	239	743
Taiwan	8	16	42	60	132	179	220	252	782
USA	10	58	109	142	207	182	188	195	772
India	-	18	43	76	100	120	144	173	537
Others	38	241	591	910	1,192	1,092	1,172	1,637	5,094
Total tourist output	105	597	1,531	2,225	3,236	3,023	3,967	5,350	15,576
Total international tourist output via ACV									28,037

Source: BSC Research

In Q1.2023, Jet oil prices adjusted downward due to concerns about an economic recession, causing demand for crude oil and energy in general to decrease. In April 2023, Jet A1 oil price was at 93 USD/bbl (-35% ytd), still 24% higher than the oil price scenario built in the 2019 aviation service price framework.

In the coming time, BSC believes that oil prices will still fluctuate strongly due to the influence of political tensions (Details in Oil and Gas Industry). Therefore, the air transport group's business activities are still under pressure because they cannot transfer 100% of raw material costs to selling prices. Compared to the previous Report, BSC adjusted the Jet A1 oil price forecast from 135 USD/bbl (+10% yoy) to 110 USD/bbl (-20% yoy) corresponding to the oil price scenario = 80 USD /bbl.

Figure: Jet A1 oil price developments in the first quarter of 2023



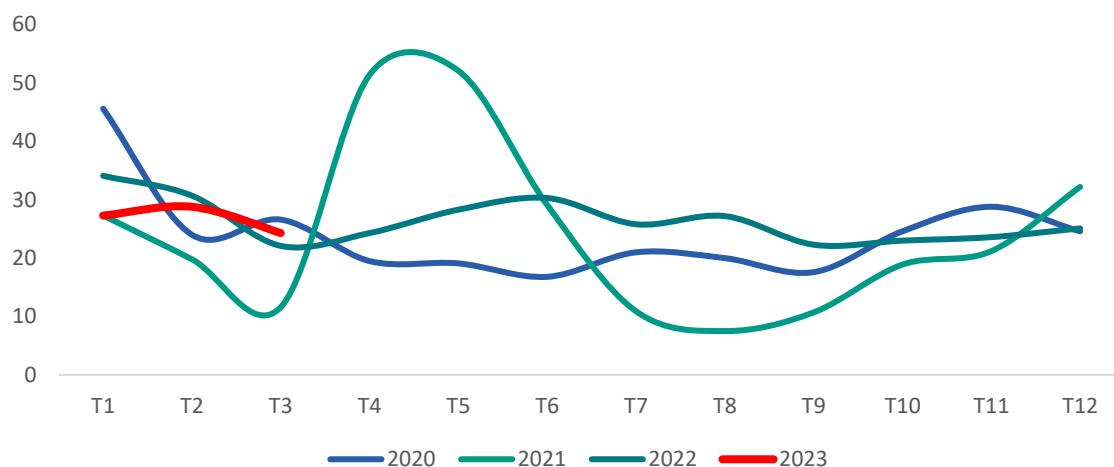
Source: S&P Global, Macrobond

Source: BSC Research

GOODS TRANSPORTATION – DECREASED 7% DUE TO Recession

By the end of Q1.2023, air freight traffic volume reached 80.000 tons (-7% yoy) due to declining global demand. Although most of countries reopened, the output just slightly increased. BSC expects this figure will recover in H2.2023..

Figure: Air cargo output



Source: BSC Research

Other updates

- Long Thanh airport project, Tan Son Nhat T3 station, Dien Bien expansion project is behind schedule

TT	Projects	Total investment (bn VND)	Period	Investment progress until April 2023	Notes
1	Long Thành Phase 1	110,000	2021-2026	<ul style="list-style-type: none"> Land clearance: Land clearance will be completed in April-May 2023 Leveling: Completed 71.9/110 million m3 (62.5%) Pile foundation: 100% of station piles have been completed Plan: Postpone the plan to select a contractor to construct the station to June 2023 	Behind schedule. BSC believes that the earliest station construction package will start in Q3.2023, 1 year later than the original plan.
2	Tân Sơn Nhất T3	10,990	2022-2024	<ul style="list-style-type: none"> Site clearance: Legal problems have been resolved, handover progress has been 14.7/16.05 hectares (92%) Pile foundation: Reached 42% Plan: Postpone the construction start plan from December 2022 to March 2023 	Behind schedule, the construction contractor has not yet been selected
3	Nội Bài T2 extension	4,983	2023-2024	<ul style="list-style-type: none"> Preparing Investment Work - Approved site documents and Technical Report 	N/A
4	Phú Bài T2	2,249	2019-2022	<ul style="list-style-type: none"> Put into operation in April 2023 	N/A
5	Điện Biên extension	1,467	2022-2024	Construction of fences and runways is underway	2-4 months behind schedule
6	Cát Bi T2	2,405	-	Prepare investment work - Approve investment policy	N/A
7	Others	-	-	Proposal to upgrade Vinh T2 project, Cam Ranh, Lien Khuong, Da Nang	N/A

Source: BSC Research

- It is expected that the airfare ceiling will be increased by +3.75% from the current ceiling in Q2-Q3.2023 due to the high fuel costs. BSC thinks that it will reduce some of the cost pressure on air carriers.

INVESTMENT PERSPECTIVE

Compared to the previous report:

- 1 BSC maintains our **POSITIVE** outlook on the airport services sector, such as ACV, thanks to the positive recovery of passenger traffic in 2023.
- 2 BSC holds a **NEUTRAL** outlook on the aviation sector due to Chinese weak demand – the largest partner of Vietnam – were reopened. However, BSC notes that high and volatile of oil prices will affect negatively to this sector.
- 3 BSC holds a **NEGATIVE** outlook on the freight services sector, such as SCS, due to the declining freight volume.

Table: Estimated profit and loss of some enterprises in the Aviation industry

Tick er	Revenue 2023 (tỷ VND)	% YoY	NPAT 2023 (tỷ VND)	% YoY	EPS 2023	P/E fw	P/B fw	ROA 2023	ROE 2023	Price as of 17/05/2023	Target price	Upside (%)
ACV	21,219	54%	7,795	10%	3,580	21.3	3.2	10%	15%	76,776	100,000	27%
SCS	780	-8%	588	-9%	6,048	10.8	2.1	14%	21%	65,700	76,000	16%
HVN	89,895	27%	(4,329)	-59%	(1,955)	(6.5)	(2.2)	-7%	33%	12,700	N/A	N/A

Source: BSC Research

BREEDING SECTOR [NEUTRAL]

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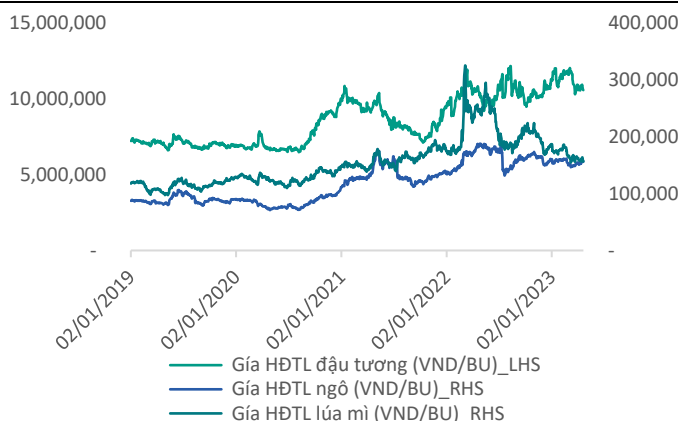
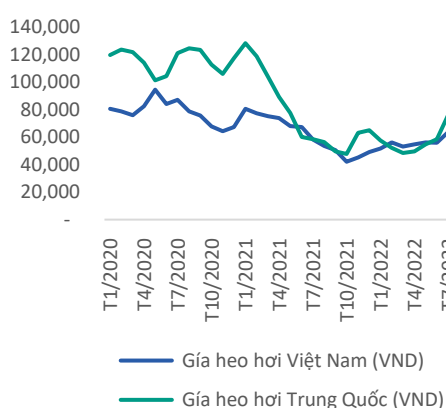
- The Q1/2023 business results hit a bottom due to (1) the lowest live hog prices in a year and (2) the price of feed input remains high as a result of inventory pressure.
- The expected gross profit margin of the remaining quarters will grow above the low base level of Q1.2023 due to the recovery of hog prices and the decline in feed costs compared to the beginning of 2023.
- BSC keeps **NEUTRAL** outlook for this industry in 2023

The Q1/2023 operating results hit a bottom due to (1) the lowest live hog prices in a year and (2) the price of feed input remains high as a result of inventory pressure.

- (1) **The average live hog prices in the whole country decreased** (-7% YoY) due to the pressure from quickly weakening demand from Q4.2023 and the abundant supply in preparation for Tet's holiday and China's reopening.
- (2) **The cost of sale stat elevated** (from +12% to +15% YoY), due to (2.1) the average feeding input prices remain high from +11.5% to +15% YoY as the main imported raw material prices such as corn, wheat, soybean meal, etc... still maintained at a high level; (2.2) the ratio of post-death pig costs to total costs due to the complicated epidemic situation remained the same as in 2022, up from 5% (2021) to 7% (Q1.2023).

Figure1: Pressure from both supply and demand impacts on domestic and Chinese hog prices in Q1/2023

Figure2: Fluctuations in animal feed raw material prices in 2022



Source: Bloomberg, Agromonitor

Business results of livestock enterprises in Q1/2023

Ticker	Revenue_Q1/23	%YOY	%QOQ	NPAT_Q1/23	%YOY	%QOQ
DBC	2,314	-18%	-21%	-321	NA	NA
HAG	1,697	111%	5%	291	16%	1%
MML	1,600	72%	3%	-121	NA	NA
VSN	895	-5%	-13%	35	-4%	-13%
BAF	817	-47%	-62%	4	-96%	-42%

Source: Fiiipro

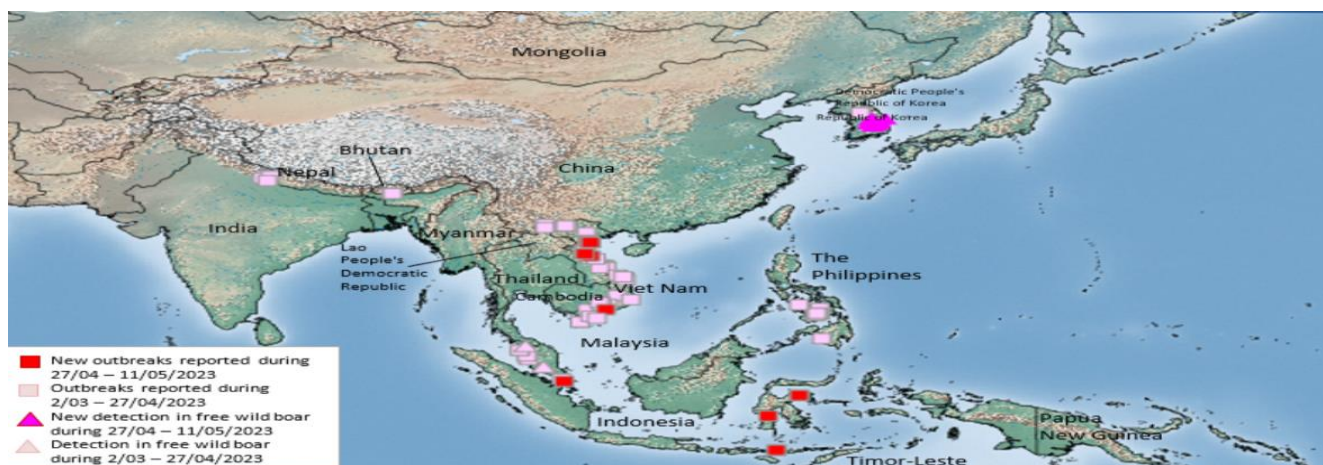
The business results of the remaining quarters expect recover given the low base level of Q1.2023 due to:

- The movement of live hog prices:** expected to recover from the bottom of March 2023 from VND 48,900 to VND 53,000 by early May 2023 and is expected to continue to increase to over VND 60,000 in the last quarter of the year but is unlikely to exceed VND 70,000, because:

- The supply expects to weaken due to (1) small-scale farmers reduce restocking because of losses and (2) the re-emergence of African swine fever variants in many provinces in Vietnam.
 - Demand is stable and gradually improve compared to the beginning of the previous year due to expectation of the economy will grow based on low base level of Q4.2022.
 - **However, the difference between Vietnamese and Chinese live hog price is attractive enough (>15%-20%).** In case that the supply of Chinese live hog is still expected to be stable (*), it is estimated that a certain amount of supply will be smuggled from China to Vietnam, helping to curb the increase in domestic live hog prices at only around VND 60,000- below VND 70,000
- (ii) **Feed prices are also expected to decline in the second half of the year** following the trend of declining feed raw material prices due to the easing of geopolitical tensions in the world and China no longer hoarding food after reopening in early 2023.

For the above reasons, we expects the business results will grow positively in Q4.2023 given a low base level of Q4.2022 and the net profit margin is expected to be supported by both increasing in output prices and decreasing in input prices.

Figure 3: Vietnam is one of the Asian countries with the earliest ASF outbreak in Asia (African swine fever (ASF) is a viral disease that causes pigs and wild boars with a mortality rate of up to 100%)



Source: Ministry of Agriculture, FAO, BSC

(*) - Disease situation nationwide: Accumulated in Q4/2023, the whole country has detected 104 outbreaks of African swine fever (ASF) in 26 provinces and cities reported with a scale of over 4,073 pigs infected, dead and destroyed - Compared with the scale of the disease in Q4/2023, it is equivalent to 20.4% of the number of ASF outbreaks detected and 18.9% of the number of pigs infected and destroyed for the whole year of 2022, and Vietnam is one of the countries in the region where the disease broke out early and most strongly in Asia.

- We assess that the ASF epidemic still has a high risk of outbreak in this context:

- (1) Prolonged humid weather
- (2) The African swine fever vaccine has not yet been widely used nationwide, mainly for supervised vaccination
- (3) Many variants of African swine fever have been discovered;

Therefore, the ability to fight epidemics in areas with a large number of farming households (without ensuring facilities and veterinary safety) will continue to face difficulties in detecting and controlling epidemics;

According to the Chinese Ministry of Agriculture, as of the end of March 2023, China's sow herd reached over 43.04 million (-1.6%MoM), but still ensured that the sow herd reached the safety threshold according to the "pig production capacity control implementation program" (within 95%41 million to 105%41 million) in the context of the disease still being controlled. On the other hand, we also note that large-scale farms and households in China are currently making net losses of -8% to -13% from the beginning of 2023; This could reduce restocking and secondary breeding activities in the following quarters of 2023. If this impact is large enough on supply, then pork prices could be more positive than our current expectations.

INVESTMENT PERSPECTIVE – NEUTRAL

BSC maintains **NEUTRAL** recommendation in 2023 for Livestock industry groups, when facing many challenges of low consumer demand and live pig prices falling stronger than cost prices in Q1/2023. However, gross profit margin is expected to improve in the last months of 2023 thanks to (1) reduced pressure on Supply (2) Cooling down of feed raw material costs.

Table: Estimated profit and loss of some enterprises in the Livestock industry

Ticker	Revenue 2023 (tỷ VND)	% YoY	NPAT 2023 (tỷ VND)	% YoY	EPS 2023	P/E fw	P/B fw	ROA 2023	ROE 2023	Price as of 17/05/2023	Target price	Upside (%)
DBC	12,613	9%	43	723%	159	99	0.8	0.3%	1%	17,050	21.300	25%

* Using the P/B=1x thanks to DBC's leading position and scale in the industry

Source: BSC Research

CHEMICALS SECTOR [NEUTRAL]

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BSC holds **NEUTRAL** outlook for this industry in 2023 because of expected income decreased from a high base level of 2022. However, the stocks in this industry are currently trading at low valuations for many years.

In the context where chemical prices do not have a clear momentum to exceed the peak price of 2022, growth drivers will come from (i) cutting production costs (vertical development) or (ii) expanding investment in traditional and new products (horizontal development). However, BSC believes that private chemical enterprises will have more advantages than state-owned enterprises in expanding investment and development.

For the increase in the average retail electricity price: The Ministry of Industry and Trade approved the maximum increase in the average retail electricity price of 3%, causing production costs of enterprises to increase. BSC estimates that with a 3% increase, the gross profit margin of chemical enterprises will decrease by 0.5% - 0.6% in 2023.

In case of DGC, BSC thinks that the high base of 2022 will be a challenge for DGC when phosphorus prices likely decline due to:

(1) Weakening demand of P4: refer to research firm Gartner (USA), global semiconductor sales in 2023 will decrease -3.6% YoY due to the slow down globally and the consumer demand for electronic products will stagnate.

(2) The supply of P4 from China increases:

Several Chinese enterprises which produce P4 expect to resume their operating activities in 2023, simultaneously, China has a plan to boost their capacity of producing yellow P4 by +8.6% in 2023, equivalent to 1.57 million tons.

However, having a large cash on hand and low valuation (stock is currently trading at PE fw 2023 = 4.8 the lowest level in 8 years (PE median = 7.8x)) are appealing factors for DGC.

In case of CSV, BSC thinks that the high base of 2022 is a major challenge for CSV, especially when China reopens, which will improve the export of Chinese caustic soda to Vietnam and increase competition for domestic products.

BSC expects that, in addition to Natri Hydroxide, the prices of other chemicals will continue to decline in 2023 due to: (1) reduced energy costs and (2) reduced demand for chemical products due to economic recession and high inventory levels.

In terms of valuation, CSV stock is currently trading at PE fw 2023 = 4.5x, the lowest level in 8 years (Median PE = 6.4).

Table: Estimated profit and loss of some enterprises in the Chemical industry

Ticker	Revenue 2023 (tỷ VND)	% YoY	NPAT 2023 (tỷ VND)	% YoY	EPS 2023	P/E fw	P/B fw	ROA 2023	ROE 2023	Price as of 17/05/2023	Target price	Upside (%)
DGC	11,524	-20%	4,023	-28%	10,593	4.9	1.8	30%	36%	50,800	60,500	19%
CSV	1,831	-13%	291	-18%	6,584	4.5	0.9	15%	20%	29,850	32,000	7%

Source: BSC Research

AUTOMOTIVE SECTOR [NEUTRAL]

Analyst: *Luu Thuy Linh*

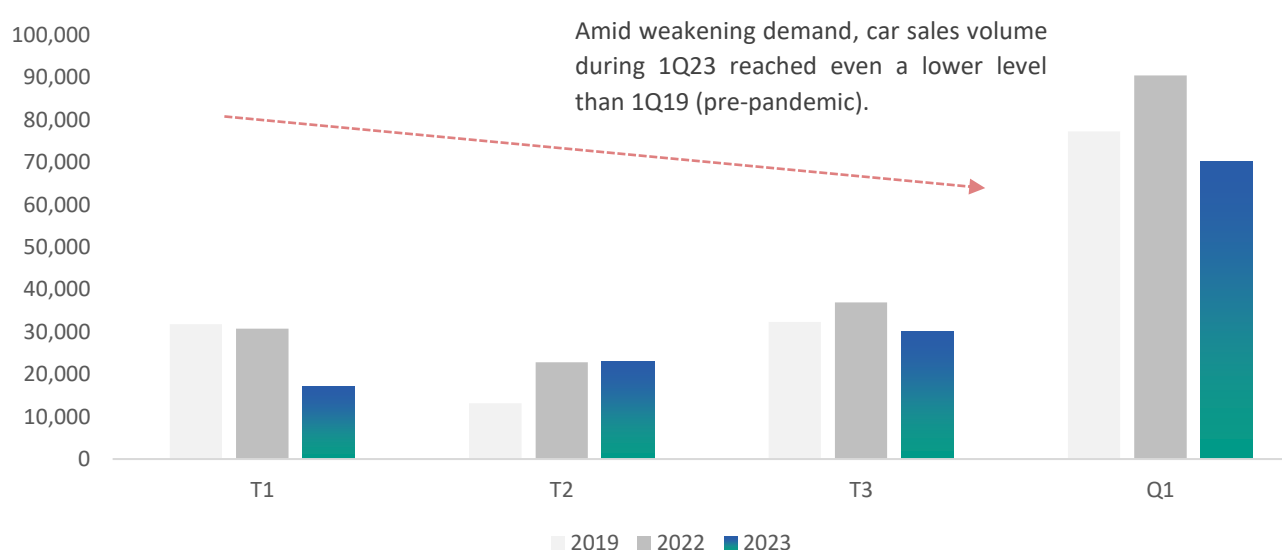
Email: *Linhlt2@bsc.com.vn*

- Cumulatively after 1Q23, total car sales volume reached 70,212 units, down 29% over the same period..
- BSC maintains a NEUTRAL view on the auto sector in 2023 due to: (1) auto sales is expected to decelerate due to a high base in 2022 and (2) inflation and interest rates remain at high baselines.

Automobile sales dropped sharply in 1Q23, down 29% over the same period. According to the Vietnam Automobile Manufacturers Association (VAMA), cumulatively after 1Q23, total car sales volume reached 70,212 units (-29% YoY, -9% compared to pre-epidemic level).

1Q23 auto sales decreased by 29% YoY due to the high base in the same period of 2022 (1Q22 sales reached a high level due to demand boosted by preferential registration fee policies). Sales in 1Q23 decreased by 9% compared to 2019 (pre-epidemic level), showing weak demand in the auto market.

Figure: The number of cars sold in the first quarter of 2019, 2022, 2023 (units)



Source: VAMA, BSC Research

BSC maintains 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; and (1.3) the supported policies are over.

(2) The growth of car sales is likely to turn negative:

Compared to the most recent updated report: "Industry Outlook 2023", we downgraded our view on the growth of total car sales from "decelerating but still maintaining positive growth" to "slightly negative growth".

The basis for our opinion is derived from:

(2.1) Domestic consumer demand remains weak, although agents have applied preferential policies, discounts, and registration fee support to stimulate demand and;

(2.2) Tighter credit conditions and more difficulties in applying for installment car loans also reduce the accessibility of certain parts of consumers.

We note that the pressure on growth will be particularly strong in 2Q23 due to the high comparative base level over the same period.

However, companies in the Automotive sector typically have a history of paying regular cash dividends and are currently trading at a P/E range that is at a discount to their historical average. With that in mind, we favor VEA for its large net cash position in an environment where interest rates remain high and dividend yields seem attractive (12– 14%).

Figure: Historical P/E ratios of auto companies



Source: FiinPro, BSC Research

INVESTMENT THESIS – NEUTRAL

BSC maintains a **NEUTRAL** view on the auto sector in 2023 with the expectation that auto sales is likely to decelerate and grow negatively compared to 2022.

Figure: Business results estimate of Automobile companies in 2023

Ticker	Net revenue 2023 (VND bn)	% YoY	NPAT 2023 (VND bn)	% YoY	EPS 2023	P/E fw	P/B fw	ROA 2023	ROE 2023	Closing price 17/05/2023	Target price	Upside (%)
VEA	4,260	-10%	7,105	-6%	5,716	6.5	1.6	26%	28%	38,448	42,000	9%

Source: BSC Research

FERTILIZERS SECTOR [NEUTRAL]

Analyst: Luu Thuy Linh

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- Fertilizer companies are expected to see negative growth in Q2 and the rest of 2023 due to: **(1)** A high base level in 2022; **(2)** The contraction of profit margin from a high base as selling prices are expected to decrease more than input gas prices and; **(3)** The decline in selling prices compared to the same period last year despite a slower rate of decline compared to 1Q23.
- BSC maintains a NEUTRAL view on Fertilizers sector in 2023.

World urea prices under pressure to decline as China increases urea exports and India reduces imports in 1Q23.

China increased urea exports over the same period, but export momentum showed signs of slowing down.

In 1Q23, the total amount of urea exported by China reached 526,900 tons (+82.47% YoY) with the average export price of 479 USD/ton (-15.82% YoY), of which India is the main importer. The amount of urea China exports to India in 1Q23 increased by 51% YoY. Domestic Urea prices in China are higher than export prices, causing China's Urea export momentum to show signs of slowing down from March 2023.

Figure: China's Urea exports in 1Q23 increased by 83% YoY (tons)

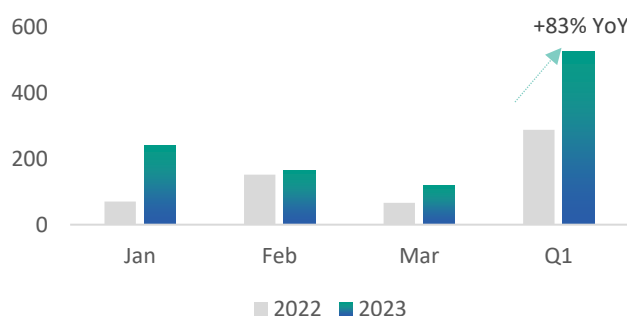
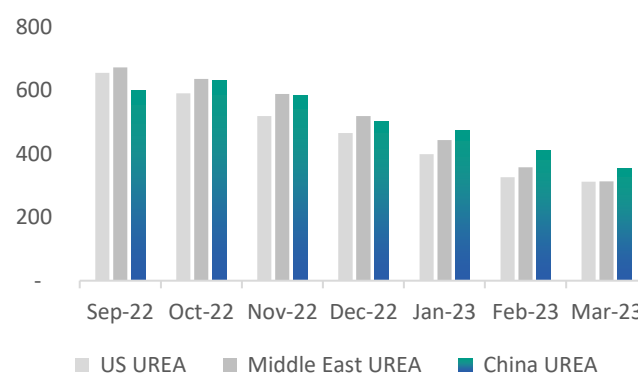


Figure: Urea imports by India are expected to recover from now to the end of 2023



Source: Government of India, BSC Research

India reduces Urea imports in 1Q23, and recovery is expected from now till year-end.

During 2022, India has operated 3 more Urea projects with a total output of 1.27 million tons/year, equivalent to an addition of 2.5% capacity. With the expectation of lowering prices, India's bid openings took longer and actual imports decreased in 1Q23. Currently, world Urea prices have decreased by 60% from the peak in 2022 and down 20% compared to the end of 2022. This price is more attractive than the price of Urea produced in India, so BSC expects Urea import activities of India to recover from now till year-end.

Figure: India reduced Urea imports in 1Q23 (tons)

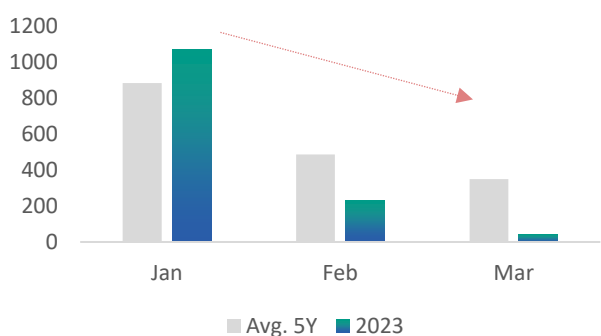
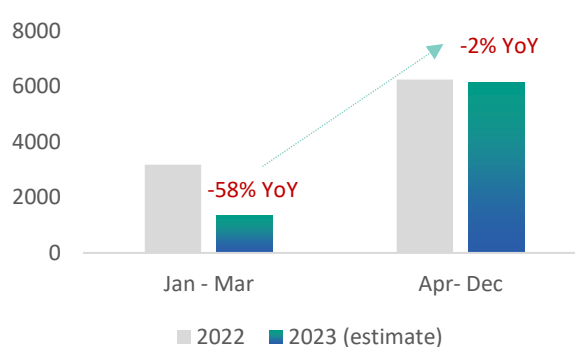


Figure: Recovery in India's Urea imports is expected from now till year-end (tons)



Source: Government of India, BSC Research

Figure: Domestic Urea price decreased in accordance with world Urea price (USD/ton)

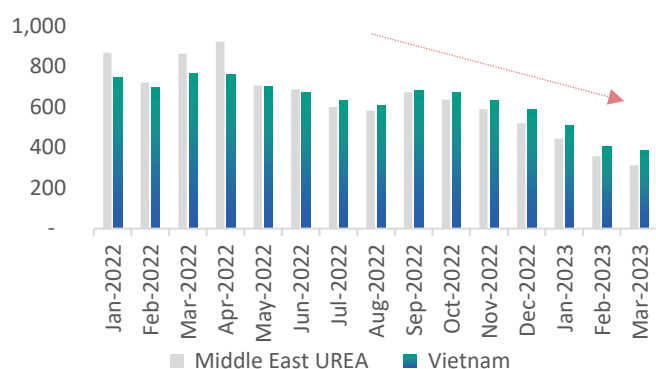


Figure: 1Q23 Urea imports of Vietnam increased by 18% YoY (thousand tons)

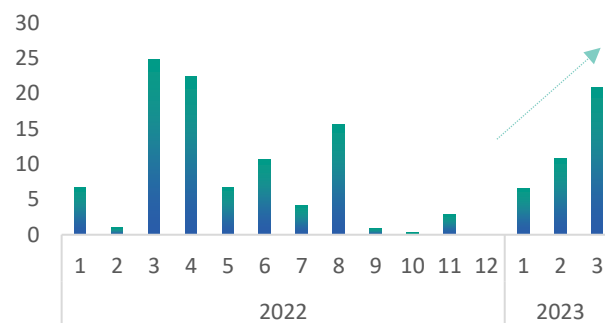


Figure: Agromonitor, BSC Research

Source: TCHQ, BSC Research

Outlook for 2Q23 and FY23: BSC maintains the same view as the 2023 Outlook Report, but now we expect the decline in domestic Urea prices to slow down and domestic demand to pick up in the rest of 2023 thanks to:

- (3) *The decline has slowed down due to expectations that China will decrease Urea exports and India will increase Urea imports.*
- (4) *Demand is expected to improve thanks to rice prices anchoring at a high level and fertilizer prices adjusting to a low level.*

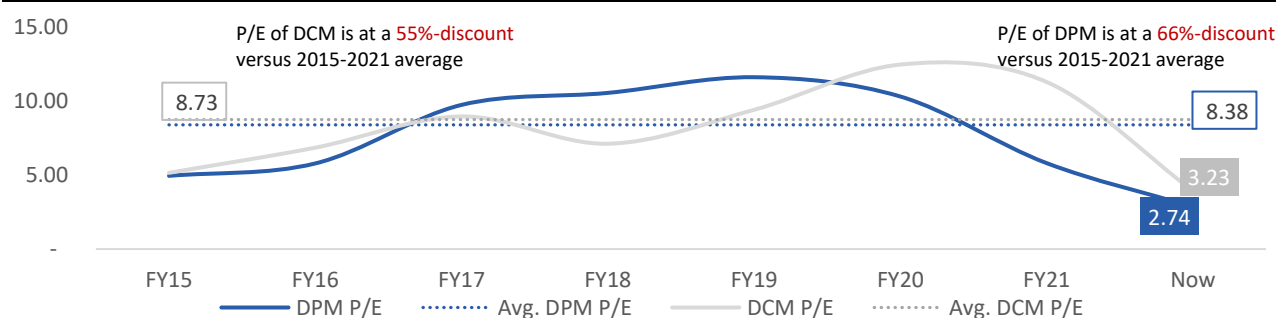
The average export price of rice in 1Q23 reached 531 USD/ton, up 9.2% over the same period in 2022 and also the highest level during the past 10 years. BSC expects high rice prices and low fertilizer prices to improve domestic fertilizer demand.

INVESTMENT THESIS – NEUTRAL

BSC maintains a NEUTRAL view on Fertilizers sector in 2023.

We expect Urea prices to decrease compared to 2022, causing fertilizer companies to see negative growth this year. Regarding valuation, DPM and DCM are currently trading at a low PE compared to their 8-year averages (DPM, DCM are trading at a P/E discount of 66% and 55% respectively compared to their historical averages).

Figure: P/E ratios of DPM and DCM from 2015 to date



Source: Bloomberg, BSC Research

Figure: Business results estimate of some Fertilizer companies

Ticker	Revenue 2023 (VND bn)	% YoY	NPAT 2023 (tỷ VND)	% YoY	EPS 2023	P/E fw	P/B fw	ROA 2023	ROE 2023	Closing price 17/05/2023	Target price	Upside (%)
DPM	14,150	-24%	2,260	-59%	5,735	5.7	1.0	14%	18%	33,000	38,000	15%
DCM	12,050	-24%	1,850	-57%	3,495	6.6	1.1	13%	17%	23,900	27,000	13%

Source: BSC Research

TIRES SECTOR [NEUTRAL]

Analyst: Lưu Thùy Linh

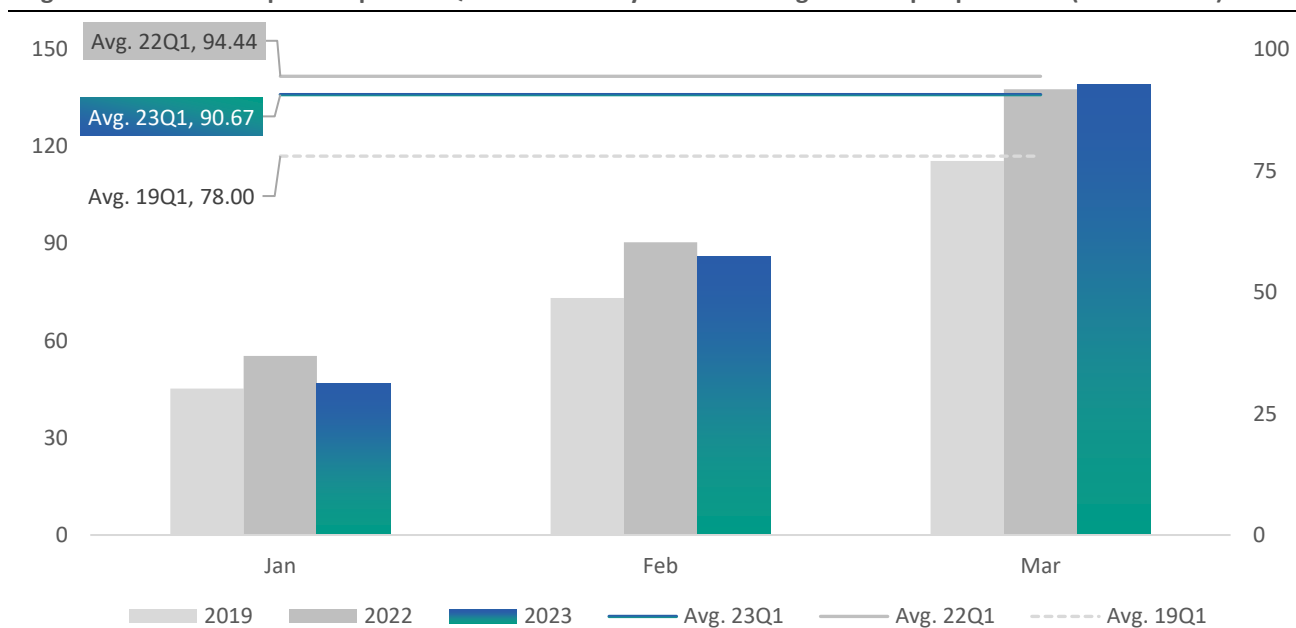
Email: Linhlt2@bsc.com.vn

- We believe that in 2023, the business activities of tire companies will see divergence which depends on: **(1)** the competitiveness in the domestic market and the ability to promote export markets and **(2)** the ability to cut material costs and logistics costs.
- BSC downgrade our POSITIVE view to a **NEUTRAL** view on Tires sector in 2023.

Business outlook for 2023:

(1) China reduces tire exports, but competitive pressure remains high.

Figure: Chinese tire export output in 1Q23 decreased by 4% but still higher than pre-pandemic (million units)



Source: Bloomberg, BSC Research

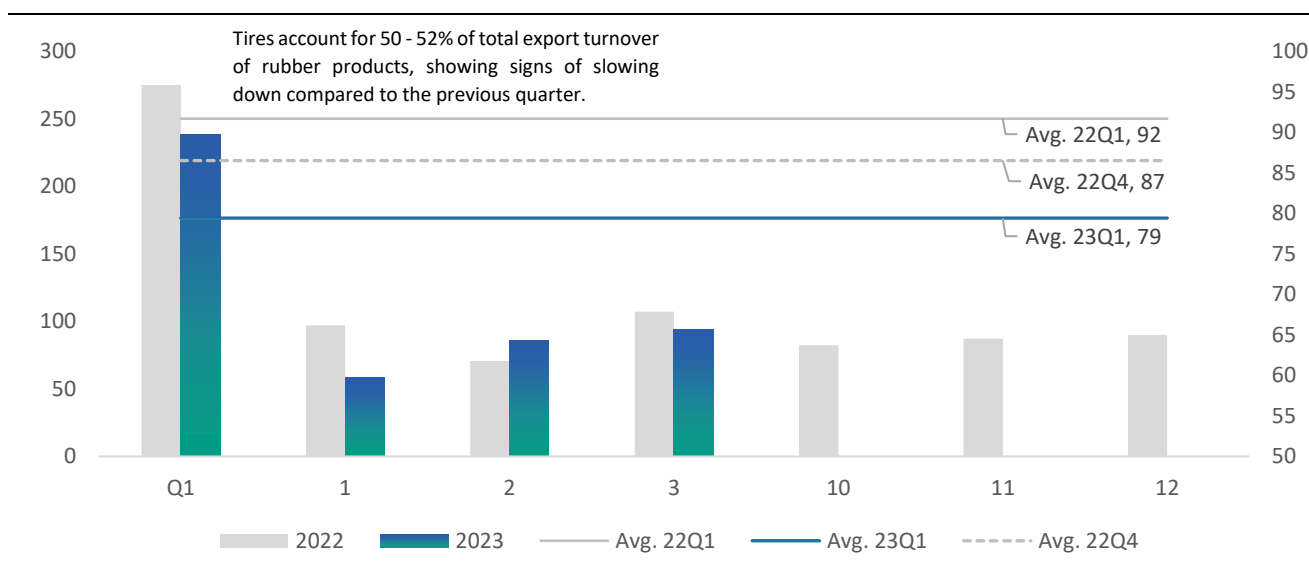
The volume of Chinese tires exported in 1Q23 decreased slightly by 4% compared to the same period in 2022 thanks to improved tire demand in the Chinese market when restrictive measures were eased. However, competitive pressure from Chinese tires is still high as, according to Bloomberg, tire export output excluding China in 1Q23 still increased by more than 13% compared to pre-pandemic levels (1Q19).

BSC expects that the demand for tires in the Chinese market will continue to improve, thereby reducing pressure on tire exports. Data show that the average monthly operating rate of all-steel tires in China is 68.17% (+11.72% MoM/ +10.73% YoY) and that the average monthly operating rate of semi-steel tires is 73.47% (+11.75% MoM/ +3.82% YoY).

(2) Signs of decrease in tire exports

BSC estimates that the entire market's tire export turnover in 1Q23 decreased by 10 - 13% YoY due to difficulties in main export markets. BSC noted that the export capacity of tire companies is differentiated as in there were still companies recording strong growth in export companies compared to the previous quarter as well as the same period last year's high base (HSX: DRC).

Figure: Export turnover of rubber products in 1Q23 decreased over the same period and decreased compared to 4Q22 (million USD)



Source: Customs, BSC Research

(3) At the same time, BSC expects operating efficiency to be supported by: (3.1) cutting raw material costs and (3.2) cooling logistics costs

Selling and administrative expenses of tire companies decreased from -28% to -37% QoQ, and from -27% to -40% YoY in 1Q23.

The prices of main raw materials such as rubber, coal, and chemicals continues to decrease, also contributing to the reduction of cost of goods sold, however, there will be different impacts on gross profit margin depending on the ability of each tire company to set selling prices with customers.

INVESTMENT THESIS – POSITIVE

BSC downgrades our POSITIVE view to a **NEUTRAL** for the Tires sector in 2023 and the business results of companies will see divergence which depend on: **(1)** the competitiveness in the domestic market and the ability to promote export markets and **(2)** the ability to cut material costs and logistics costs.

Figure: Business results estimate of some tire companies

Ticker	Revenue		NPAT		EPS 2023	P/E fw	P/B fw	ROA 2023	ROE 2023	Closing price 17/05/2023	Target price	Upside (%)
	2023 (tỷ VND)	% YoY	2023 (tỷ VND)	% YoY								
DRC	4,825	-2%	280	-9%	2,586	8.1	1.6	10%	15%	21,050	24,000	14%

Source: BSC Research

RETAIL – CONSUMER SECTOR [NEUTRAL]

Analyst: Pham Thi Minh Chau

Email: Chauptm@bsc.com.vn

- Listed retail consumer companies in 4M23 are under pressure from high base effect, declining demand, and higher input costs over the same period.
- 2023 - Expect a year of sluggish growth: difficulties from high base levels and large inventories.
- Long-term investment opportunities in industry-leading companies thanks to discounted pricing.
- BSC downgrades our recommendation from POSITIVE to **NEUTRAL** for retail - consumer sector in 2023.

In the context of macroeconomic weakness, retail sales of goods in 4M23 grew positively but did not represent the business results of the listed retail consumer companies.

- Retail sales of goods grew by 10.5% YoY (excluding price factor, which increased by 6.4%YoY), but were still lower than the CAGR of the pre-COVID period 2016-2019 (+11.8%YoY); Led by consumer stables which grow on a low base during the 3 years of COVID, supported by a 19.5 times increase YoY in international arrivals and local arrivals in some localities.**
- On the other hand, many groups recorded a stronger decline than expected in 1Q23 sector report, especially for**
 - ICT retail: weak demand and competition in pricing caused profit margin to shrink in 1Q23 stronger than expected;*
 - Consumer stables: still under pressure from higher input prices over the same period and declining demand due to the economic context.*

Figure: In 4M23, sales of some non-discretionary groups grow on a low base amid difficult macro context

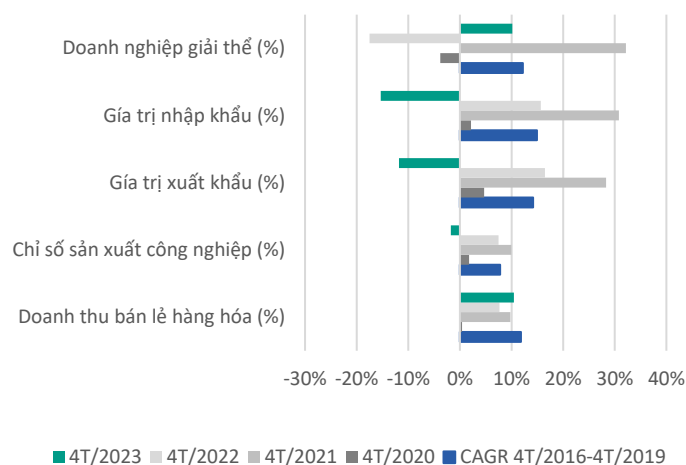
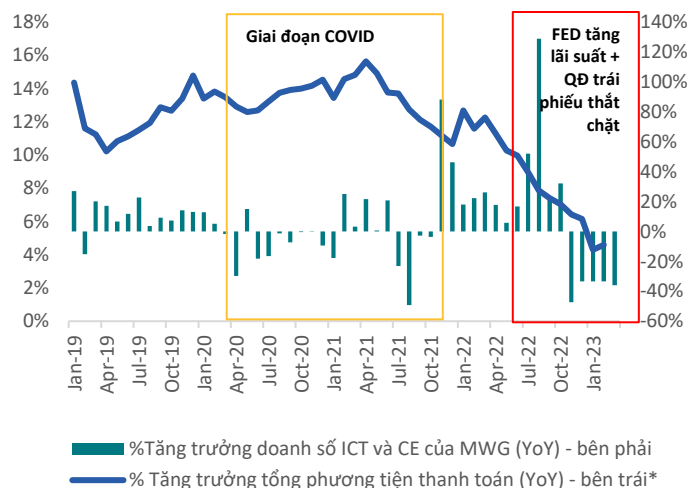


Figure: M2 growth decelerated in 4M23, correspondent with the decline in sales of discretionary groups (ICT + CE) which have a low base in 2022



Note: Consumer stables include food (+14.5%YoY); apparel (+9.8%YoY), ...

*M2 – money supply

Source: GSO, BSC Research, SBV, MWG

Figure: 1Q23 results recap

No.	Ticker	Revenue Q1/23	%YoY	%QoQ	NPAT Q1/23	%YoY	%QoQ	% Difference btw forecast and actual	Comments
Consumer discretionary	MWG	27,106	-26%	-11%	21	-99%	-97%	-95%	(1) High inventory pressure and price competition in the ICT+ CE segment are higher than expected, (2) Rising interest rate pressure
	FRT	7,753	0%	-8%	2	-99%	-98%	-95%	
	DGW	3,960	-43%	-3%	82	-61%	-47%	5%	
	PET	4,246	-12%	-12%	40	-55%	5250%	32%	Revenue from the catering and high-margin real estate segments grow stronger than expected
	PNJ	9,796	-3%	18%	749	4%	60%	4%	
Consumer staples and others	VNM	13,954	1%	-7%	1,906	-17%	2%	-7%	
	MSN	18,706	3%	-9%	439	-77%	-45%	2%	
	DBC	2,314	-18%	-21%	-321	-3826%	305%	N/A	Weak demand causes pig prices to fall below cost while raw material input prices are higher than expected.
	SAB	6,214	-15%	-38%	1,004	-19%	-7%	-9%	
	DHC	848	-18%	-10%	86	-27%	5%	-2%	
	QNS	2,130	17%	9%	317	80%	-26%	6%	
	BAF	817	-47%	-62%	4	-96%	-42%	3%	

Source: FiinPro, BSC Research

Growth challenges for 2023 remain, but pressures from high base levels and large inventories are expected to be alleviated in 2H23 compared to 1H23 thanks to

(1) Macro outlook is improving compared to 1H23 as (1.1) many decisions are being made to stimulate the economy such as [lowering policy rates](#), [VAT reduction drafts to stimulate consumption](#), [easing bottlenecks from corporate bonds of commercial real estate sector](#), (1.2) exports are expected to improve compared to the beginning of 2023 thanks to pressure from declining inventory, ...

(2) The low base level of business results in 4Q22 and reducing pressure from highly-priced inventory compared to the same period last year.

In general, 2023 business results of companies in the retail – consumer sector are still rated NEGATIVE, but the valuation has been heavily discounted compared to the same period. Therefore, we evaluate this as a long-term investment opportunity in industry-leading companies that possess long-term growth potential.

No.	Ticker	% Performance			P/E TTM	Median P/E	Outlook for heavily discounted stocks
		1M	3M	1Y			
Consumer Discretionary	MWG	1%	-21%	-47%	20.7	13.9	- Increase market share of ICT+CE segment - BHX is approaching break-even point as demand recovers - Expected PE fw in 2024 = 10 times - lower than the median
	FRT	4%	-10%	-39%	34.4	28.9	- FPT shop grows strongly thanks to industry recovery and increasing contribution from household appliance segment - Long Chau continues to increase market share - Expected PE fw in 2024 = 22 times - lower than the median
	DGW	15%	-15%	-55%	9.9	10.5	- The ICT industry recovers on a low base - Increase the scale of high-margin and effective M&A businesses - Expected PE fw in 2024 = 9 times - lower than the median
	PET	19%	19%	-45%	24.8	5.4	- The industry recovers and exploits the business segment with healthy profit margins - Potential from commercial real estate segment
	PNJ	0%	-10%	-4%	14.2	15.2	- Capture market share from small and medium enterprises, exploit new customer groups - Expected PE fw in 2024 = 9.3 times – lower than the median

	Ticker	2023	2024	2025	2023	2024	Notes
Consumer Stables and Other	VNM	-6%	-9%	-1%	17.7	17.8	
	MSN	-5%	-24%	-37%	45.9	28.4	- Potential from consumer and retail segment recovery - Expected PE fw 2024 = 23.4 times - lower than the median
	DBC	5%	-1%	-51%	P/B=0.8	0.8	- Profit margins from livestock growth on a low base - Leading scale in the livestock industry in terms of total herds and ownership of large-scale agricultural and commercial land
	SAB	-5%	-8%	8%	21.3	25.0	
	DHC	0%	9%	-38%	9.2	10.8	- Potential from e-commerce and consumer recovery - Prospects of Giao Long 3 factory
	QNS	10%	19%	1%	11.7	12.3	
	BAF	1%	11%	-35%	14.9	15.5	- Recovery of profit margin - Herd size increases thanks to the increase in the number of farms

INVESTMENT THESIS – NEUTRAL

BSC downgraded our recommendation from POSITIVE to **NEUTRAL** for consumer-retail sector in 2023 due to difficulties from high base levels and inventory pressure in 1H23. However, we still maintain our expectation that business results in 2H23 will improve compared to 1H23, and the already discounted stock prices show an opportunity for long-term investments in companies with great competitive advantages and long-term growth potential such as Consumer Discretionary: MWG, FRT, DGW, PNJ, ... and Consumer Stables: MSN, DBC, ...

Figure: Business results estimate of some retail - consumer companies

Ticker	Revenue 2023 (VND bn)	% YoY	NPAT 2023 (VND bn)	% YoY	EPS 2023	P/E fw	P/B fw	ROA 2023	ROE 2023	Closing price 17/05/2023	Target price 2023/2024	Upside (%)
MWG	126,099	-5%	3,100	-24%	2,118	17.85	2.37	6%	12%	38,150	46,300	21%
VNM	61,883	3%	8,942	5%	4,059	17.0	4.6	19%	27%	69,000	75,000	9%
MSN	83,120	9%	3,395	-5%	2,384	30.6	4.0	3%	12%	73,100	87,000	19%
PNJ	34,778	3%	1,923	6%	7,537	10.1	2.7	13%	20%	74,600	90,100	21%
DGW	18,443	-16%	424	-38%	2,597	12.9	2.28	7%	17%	32,900	40,500	23%
FRT	34,831	15%	151	-61%	1,105	57.9	3.8	1%	7%	62,000	74,700*	20%
SAB	38,100	9%	5,598	7%	8,555	19.35	4.38	14%	20%	162,500	188,200	16%

Source: BSC Research

(*) Target price for 2024

FISHERIES SECTOR [NEGATIVE]

Analyst: Tran Lam Tung, Email: tuntl@bsc.com.vn

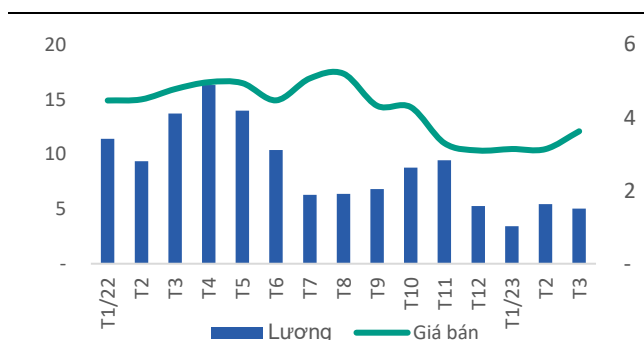
- In Q1.2023, the country's seafood export turnover is estimated to reach 1.8 billion USD, down 27% over the same period last year: shrimp -37% YoY, pangasius -35% YoY
- Business outlook Q2.2023: For the shrimp industry: It is expected that the main consuming markets (US, EU) will face many economic difficulties, which will negatively affect the demand for Vietnamese shrimp.
- For the pangasius industry: BSC sees that the Chinese market is showing signs of slowing down while the US and EU markets have not shown signs of improvement. Pangasius exports may face difficulties in Q2.2023.
- BSC gives a **NEGATIVE** view on the Fisheries industry in Q2.2023.

In Q1.2023, export turnover reached 1.8 billion USD, down 27% over the same period due to the impact of declining demand in main export markets such as the US and EU. Of these, two key exported seafood products (pangasius and shrimp) both recorded strong decreases.

For the pangasius industry, Q1.2023 export turnover reached 422 million USD (-35% yoy) due to:

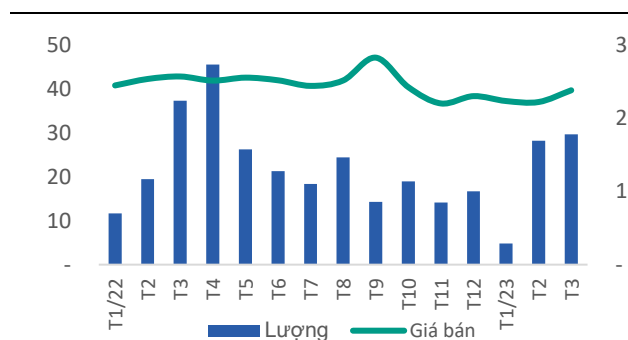
- (1) **The US market has not shown signs of improvement.** Average pangasius export price Q1.2023 = 3.3 USD/kg (-27% yoy), export output = 13.9 thousand tons (-59% yoy).
- (2) **The Chinese market recovered slowly after reopening.** As mentioned in the previous report, the outlook for the pangasius industry in 2023 will depend on the level of recovery of the Chinese market due to pent-up demand and an increase in pangasius export output (+30.6%) in 2022. Despite the applicable border closure policy (link). However, in Q1.2023, demand in this market has not recovered as expected, export output = 62.65 thousand tons (-8% yoy), Average export price = 2.28 USD/kg (-9.5 % yoy)

Figure: Pangasius exports to the US have not shown signs of improvement



Source: BSC Research

Figure: The Chinese market's recovery is not as expected



Source: BSC Research

Figure: Declining business results in Q1.2023 at pangasius exporting enterprises

	Revenue	NPATMI	Notes
ANV	1,155 bn (-5.2% yoy)	92.4 bn (-55% yoy)	(1) Export revenue = 891 billion (+2% yoy) due to price decrease -11% yoy and output increase +13% yoy, domestic pangasius finished product revenue = 264 billion (-23.5% yoy). (2) Gross margin = 17.5%, down 11.8 percentage points due to pangasius price -11% yoy and high animal feed price (+15% yoy)
VHC	2238.5 bn (-31.1% yoy)	218.9 bn (-61% yoy)	DTT and NPATMI decreased strongly due to: (1) Pangasius price and output exported to the US market decreased strongly

(2) gross margin = 16.8%, down 7 percentage points due to reduced pangasius export prices and increased feed prices (+15% yoy).

Source: FS of ANV, VHC

In Q2.2023, the business results prospects of pangasius enterprises will likely continue to be **NEGATIVE** due to:

(1) BSC sees that China's demand for pangasius imports continues to slow down in late March and early April due to:

- Pangasius exports to China have recorded a decrease for 4 consecutive weeks with an average decrease in volume -7.2% compared to the previous week, pangasius export price = 2.2 - 2.3 USD/kg, down 15% compared to March. .
- Fish companies going to China to focus on catching fish in ponds and reducing outside purchases in April also shows that pangasius demand is relatively weak in the short term.
- High inventory level in the Chinese market after massive imports in T2 (1000 containers).

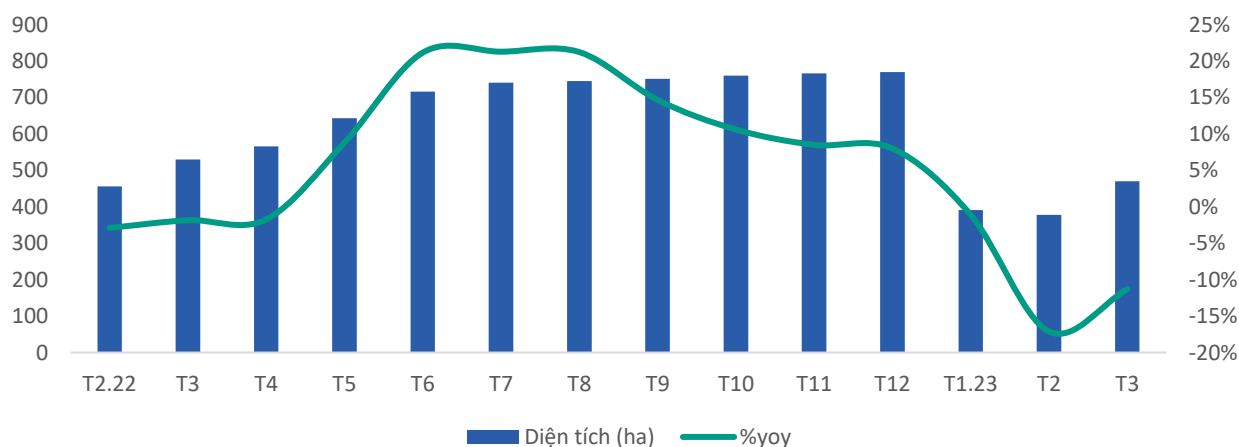
(2) The US and European markets have not shown signs of improvement and the high base of the pangasius cycle is going up in 1H.2022.

(3) Animal feed price = 15,000 VND (+15% yoy) will affect the gross profit margin of pangasius businesses.

However, in 2H.2023, BSC believes that the pangasius industry will improve by 1H.2023 thanks to:

(1) Pangasius export prices may be supported when the supply source gradually shrinks. By the end of Q1.2023, the area of pangasius farming tends to decrease in Can Tho area = 477 hectares (-10% yoy), Vinh Long = 310 hectares (+0.9% yoy) due to high animal feed prices while the price of animal feed increases. Pangasius raw materials decreased, causing losses for people.

Figure: Pangasius farming area in Can Tho decreased in Q1.2023



Source: Agrimonitor

(2) Import demand in China recovers faster in 2H.2023 as inventory is consumed in Q2.2023 and the opening effect becomes more obvious.

INVESTMENT PERSPECTIVE – NEGATIVE

Compared to the previous report, BSC lowered its investment opinion from **NEUTRAL** to **NEGATIVE** in Q2.2023 based on Weak factors (1) Pangasius import demand has slowed down in the Chinese market while the US and

European markets have not yet There are signs of improvement (2) High animal feed prices over the same period (+15% yoy) will have a negative impact on the gross profit margin of businesses.

However, in 2H.2023, BSC believes that the pangasius industry may have an improvement compared to 1H.2023 thanks to (1) pangasius prices being supported when supply gradually shrinks, (2) import demand. Exports in China recover faster in 2H.2023.

Table: Estimated profit and loss of some enterprises in the Fisheries industry

Ticker	Revenue 2023 (tỷ VND)	% YoY	NPAT 2023 (tỷ VND)	% YoY	EPS 2023	P/E fw	P/B fw	ROA 2023	ROE 2023	Price as of 17/05/2023	Target price	Upside (%)
ANV	5,310	8%	687	2%	6,900	4.8	0.7	12%	21%	33,300	33,300	0%
VHC	10,069	-24%	1,207	-43%	12,800	4.8	1.5	11%	16%	57,800	65,000	12%

Source: BSC Research

6.4. Other sectors

IT – TELECOMMUNICATION SECTOR [POSITIVE]

Analyst: Trần Lâm Tùng, Email: tungtl@bsc.com.vn

- Q1.2023, IT industry revenue = 32.8 billion US dollars (-3% yoy) and hardware and electronics exports = 26.6 billion US dollars (-9.5% yoy)
- In 2023, BSC believes that the outlook of IT – Telecommunication will remain POSITIVE as (i) the robust growth of Japan and APAC offsets the slowdown of US (ii) Digital transformation and ITS investment trend (iii) the revised telecommunication law.
- We hold a **POSITIVE** view on IT and Telecommunication sector for 2023 .

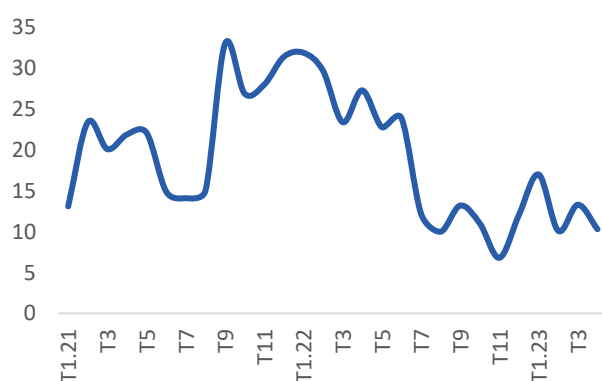
According to data from the Ministry of Information and Communications, in the first quarter of 2023, IT industry revenue = 32.8 billion US dollars (-3% yoy) and hardware and electronics exports = 26.6 billion US dollars (-9.5% yoy) due to the slowdown in Vietnam and the global economy. On the other hand, the revenue from digital economic activities = 13.7 billion US dollars (+13.6% yoy) has maintained good growth.

For 2023 outlook, BSC maintains a POSITIVE view on the Technology and Telecommunications sector as the decline in Q1 mainly coming from the slowdown of domestic IT activities and exports, hardware outsourcing, whereas most of the revenue of listed companies comes from software export (FPT), intelligent transportation (ELC, ITD) will still maintain growth thanks to the following factors:

(i) The robust growth of Japan, APAC export orders are off-set the slowdown of the US market.

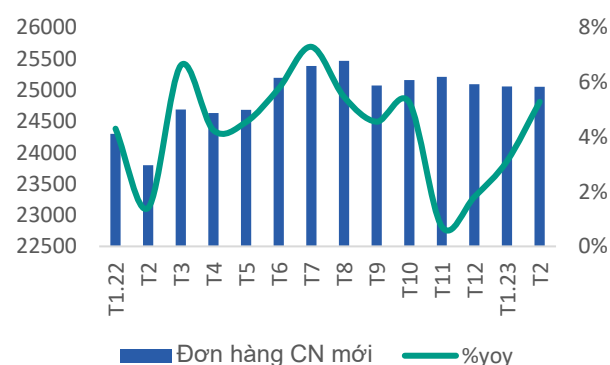
- **The slowdown of US market.** BSC finds that the spending of US IT market has tended to slow down in 2023 as **(1)** US IT spending index = 10.3 in April which is the lowest level since 2021 **(2)** the number of IT sector orders will only increase by 5.3% compared to the low base in the same period in 2022 **(3)** the wave of layoffs of technology workers in the US continues in Q1.2023.

Figure: US IT spending index



Source: Fred

Figure: US IT new orders



Source: Fred

- **The Japan and APAC market are remaining robust in 2023.** Through discussion with FPT, the growth trend of software exports in Japan and APAC will still be maintained and offset the slowing trend of the US market thanks to (1) cost-effective IT solutions (FPT maintenance costs are 50% less than self-maintaining businesses) (2) Strong digital transformation trend in the APAC region with a forecast rate of 13.52% CAGR/year until 2027.

Figure: FPT's business result grows with high double digits

	Net revenue	NPAT	Comment
FPT	11,681 billion (+20.1% yoy)	1,810 billion (+17.6% yoy)	The growth is mainly driven by:

- (1) Foreign IT market = 5,435 billion (+32.2% yoy) thanks to Japan market +31.2% yoy, APAC market +65.7% yoy which off-st the slowdown of US market +18% yoy and EU +10% yoy
(2) Telecommunication = 3,695 billion (+11.3% yoy), Education = 1,412 billion (+47% yoy)

Source: FPT

(ii) Digital transformations and ITS investments trend will benefit technology firm.

- The government are pushing the national digital transformations and supporting for “made in Vietnam” IT product (benefited firm: FPT, CMG)
- ITS investment is expected to robust in 2022 – 2025 period thanks to (i) ITS investment in 12 North-South highway projects (200 – 300 billion per package) (ii) City ITS investment (100 - 200 billion per package) will be the main driven force for firms such as ELC, ITD,...

(iii) The revised Telecommunications Law (expected to be submitted to the National Assembly for approval in October 2023) will have a major impact on Telecommunications businesses. The revised Telecommunications Law is expected to have many new contents: 5G, Cloud Computing, Cross-border Platforms,... of which some contents will directly affect the business activities of enterprises: for example: Wholesale management (CTR), Data center and cloud (FPT, CMG),...

INVESTMENT THESIS – POSITIVE

We maintain a **POSITIVE** view on IT and telecommunication sectors. For IT stock, BSC expects that they will benefit from digital transformation trend. Whereas the telecommunications industry, BSC expects CTR to benefit from an increase in infrastructure installation and system maintenance workload, as well as an increase in infrastructure sharing rates among operators.

Figure: IT firms busines result estimates

Ticker	Net revenue 2023 (billion VND)	% YoY	NPAT 2023 (billion VND)	% YoY	EPS 2023	P/E fw	P/B fw	ROA 2023	ROE 2023	Price as of 17/05/2023	Target price	Upside (%)
FPT	53,948	23%	7,963	23%	5,901	13.3	4.1	11%	27%	81,500	90,100	11%
CTR	9,894	6%	571	29%	6,000	10.7	1.6	11%	28%	66,000	70,000	6%

Source: BSC Research

OIL&GAS SECTORS [POSITIVE]

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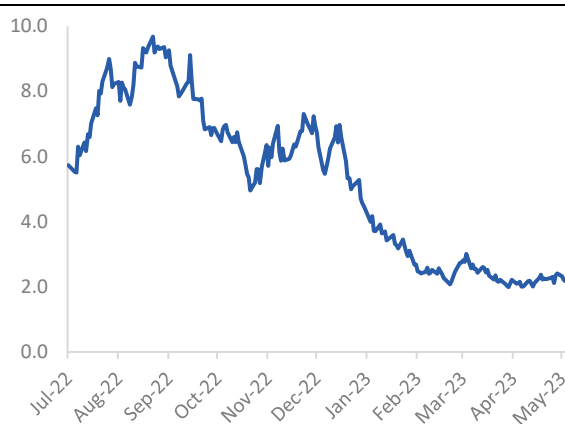
- Oil price is in a downward trend and closes to 70 USD/barrel
- Unstable trend price, due to the production policy of major suppliers.
- In Q1.2023, business result of O&G is remaining positive.
- BSC hold **POSITIVE** for O&G sectors, BUY recommendation for PVS, PVT, PVD.

Oil prices (Brent) is in a downward trend and retreat to around 70 USD/barrel. Since the beginning of 2023, oil prices have witnessed quite a strong struggle, and at times dropped to close to 70 USD/barrel. Besides, gas prices have also continued their downward trend since the end of last year, been traded around 2 USD/mmbtu. The reason oil and gas prices are adjusted mainly comes from concerns about an economic recession, causing weaken demand of oil and energy

Figure: Oil prices (USD/barrel)



Figure: LNG prices (USD/mmbtu)



Source: Bloomberg, BSC Research

However, the oil price trend will still fluctuate strongly and unpredictably, due to the supply tightening policy of major suppliers. Recently, the OPEC+ group announced that it would cut production by more than 1 million barrels of crude oil per day, starting in May and lasting until the end of this year. In addition, Russia also announced that it would extend the current production cut of 500,000 barrels/day until the end of the year. This is a retaliation move against the US and Western countries, in the context that oil prices, if maintained at 70-80 USD or more, will cause inflation to continue to increase, and directly damaged to the economies of the countries. this country. Despite the decreasing trend in crude oil demand and the continued decline in US oil inventories, supply-tightening policies may continue to cause unpredictable fluctuations in oil prices in the near future.

Figure: Crude oil exploitation costs of some countries

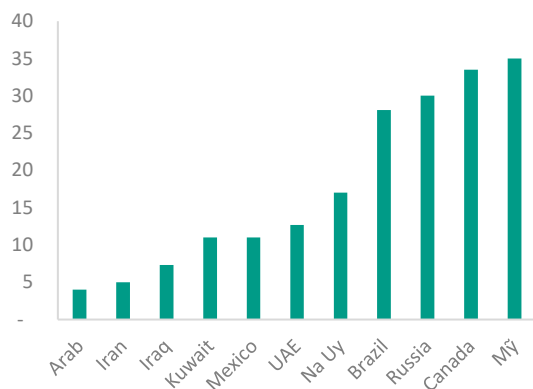
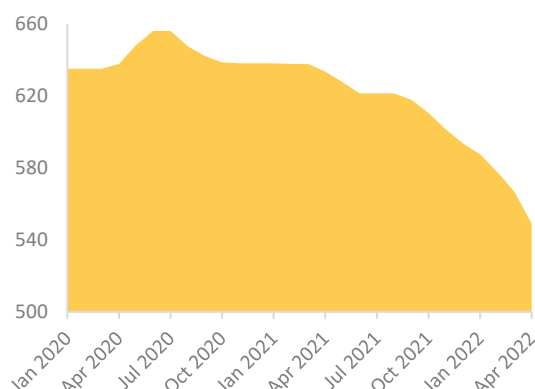


Figure: Crude oil inventories in the US continues to decline sharply



Source: EIA, BSC Research

Therefore, BSC believes that **oil prices will hardly fall deeply, and maintain above 70 USD/barrel in the near future**. According to the IEA, Russian oil production is expected to decrease by 1.4 million barrels per day in 2023 after the EU embargo on Russian crude oil takes effect. In addition, OPEC's crude oil exploitation capacity surplus is also forecast to return to the 10-year average in the period 2023 - 2024. Major organizations have also made adjustments in oil price forecasts, with an average forecast of about 85 USD/barrel.

Figure: Some institutions have lowered their predictions for oil prices in 2023 compared to the beginning of the year.

Institutions	Old forecast	Newest forecast
Intesa Sanpaolo SpA	87.0	86
Goldman Sachs Group Inc	110.0	90
Capital Economics Ltd	92.9	88
Citigroup Inc	88.0	85
Rabobank International	99.3	81
Fitch Solutions	95.0	85
Banco Santander SA	82.0	79
Westpac Banking Corp	87.4	83
Landesbank Baden-Wuerttemberg	87.5	85
Deutsche Bank AG	96.3	80
Average	94.2	85.0

Source: EIA, Bloomberg, BSC Research

In Q1.2023, Business result of O&G firms remain positive. The majority of O&G firms have recorded revenue and profit growth over the same period, especially some firms with a low base in 2022 such as PVD or PLX. On the contrary, GAS, PVS and PLC have recorded a decline in profits over the same period. Notably, most oil and gas enterprises have set relatively conservative business plans for 2023.

Ticker	Doanh thu Q1 2023	% YoY	NPAT Q1 2023	% YoY	Business plan 2023	% complete	Profit plan 2023	% complete
GAS	21,214	-20.5%	3,417	-2.2%	76,441	28%	6,539	52%
PVD	1,226	+7.0%	52	+169.6%	5,400	23%	120	43%
PVS	3,704	-1.7%	228	-9.1%	13,000	28%	780	29%
PLC	1,968	-6.0%	33	-19.5%	8,904	22%	160	21%
PLX	67,432	+0.6%	667	+50.7%	N/A	N/A	N/A	N/A
PVT	2,043	+1.1%	240	+23.7%	6,800	30%	544	44%

Source: BSC Research

INVESTMENT THESIS – POSITIVE

BSC holds positives view on O&G sector:

- World oil prices maintained above 70 USD/barrel will ensure upstream oil and gas exploitation activities;
- Unit prices of products/services of oil and gas firms are expected to improve in 2023;
- Some oil and gas projects will soon have investment decisions in the near future, helping to improve work for some upstream businesses.

For upstream O&G firms, BSC holds POSITIVE view on the upstream O&G stocks such as PVS and PVD thanks to (1) new signed/renewing drilling rig service and capacity improvement (PVD update report) (2) potential from new projects in the near future will bring a large source of work for PVS (PVS update report)

For middlestream O&G firms, BSC recommends POSITIVE for PVT as the increasing of new sign freight rate price will improve their core business profit in the upcoming period.

For lowstream O&G firms, BSC recommends POSITIVE for petroleum distribution businesses such as PLX, due to the low base level in 2022, and recording sudden profits from divestment activities at PGBank.

Figure: O&G firms business result estimates

Ticker	DTT 2023 (tỷ VND)	% YoY	NPAT 2023 (tỷ VND)	% YoY	EPS 2023	P/E fw	P/B fw	ROA 2023	ROE 2023	Price as of 17/05/2023	Target price	Upside (%)
PVD	6,848	26%	275	N/M	360	57.1	0.8	1%	2%	21,950	26,000	18%
PVS	18,262	12%	977	11%	2,044	12.3	0.9	2%	4%	26,400	33,000	25%
GAS	104,090	3%	13,819	-7%	6,793	13.5	2.8	16%	22%	91,900	108,700	18%
BSR	118,577	-29%	6,990	-53%	2,232	7.1	0.8	11%	12%	16,350	18,400	13%
PLC	9,527	11%	210	80%	2,149	14.9	1.8	3%	12%	33,800	36,500	8%
PLX	281,415	-7%	3,716	156%	2,699	14.0	1.6	5%	13%	37,500	44,000	17%
PVT	10,485	16%	870	1%	2,560	7.9	0.8	7%	13%	20,200	25,000	24%

Source: BSC Research

UTILITIES SECTOR [NEUTRAL]

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Email: Linhlt2@bsc.com.vn

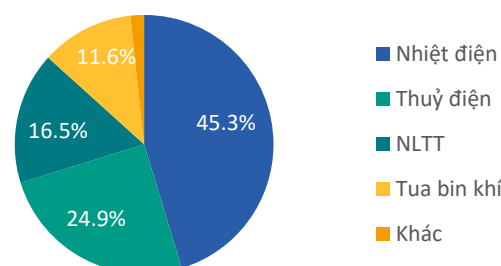
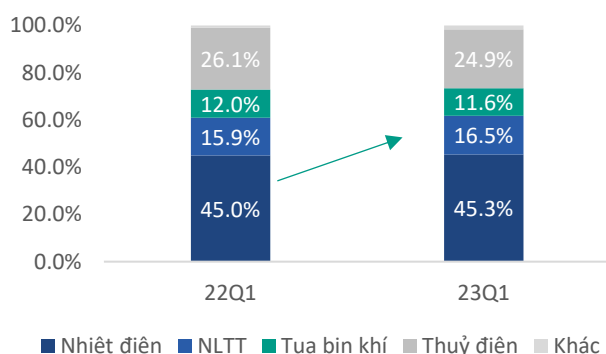
- National electricity output decreased by 1.6%
- The return of El-nino cycle will benefit coal thermal stocks
- BSC hold a NEUTRAL view on Utilities sector in 2023

In Q1.2023, Commercial electricity output decreased slightly, coal thermal power and renewable energy were mobilized. National electricity output decreased by 1.6%, reaching 61.83 billion kWh in Q1/2023 due to reduced industrial electricity demand. Vietnam's Industrial Production Index (IIP) recorded a negative growth rate of -6.3% YoY, in which many electricity-intensive industry groups such as steel (-2.4% YoY) and cement (-9.6% YoY), amid a decline in construction activity.

In terms of mobilization structure, the share of coal-fired power mobilization has improved from the low point at the end of 2022, while the share of hydropower mobilization has decreased. In the field of renewable energy, due to the favorable wind season, the proportion of wind power generation has increased.

Figure: Coal-fire power is offsetting hydropower

Figure: Coal-thermal power takes over 45% of the output



Source: EVN, BSC Research

Figure: With the increasing mobilization of thermoelectric resources, FMP prices (VND/kWh) is anchored high in the fiercely competitive electricity market



Source: EVN, GENCO3

QHD8 will quickly be approved which will increase the average retail price to support power firms (see "2023 Power Industry Outlook Report" for details).

BSC forecasts that PDP VIII will soon be approved in the second quarter - third quarter of 2023. PDP VIII is the basis for implementing Source and power grid projects. Construction enterprises and businesses with capacity expansion plans will directly benefit from the approval of PDP VIII. In addition, increasing the average retail

price of electricity by 3% will indirectly support the improvement of cash flow for businesses in the electricity industry.

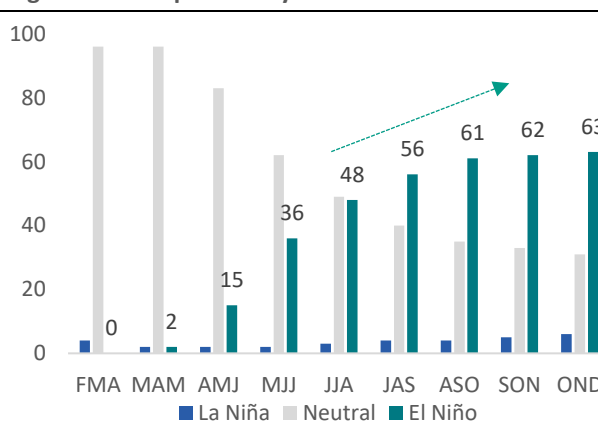
The new FIT price mechanism for transitional power projects helps businesses to overcome difficulties (details in the 2023 Electricity Industry Outlook Report) which support transition projects to have revenue and profits, thereby reducing cash flow pressure and clearly determining the capital recovery route. However, not every project is effective. On the other hands, by applying a new price frame lower than the previous FIT price will reduce the profits of projects and prolong the payback period compared to the original estimate..

Thermal power is expected to benefit thanks to the return of the El Nino cycle. The La Nina cycle began at the end of 2020, and lasted until mid-Q1/2023. According to BSC's observations, this hydrometeorological cycle usually lasts about 2 years, then reverses. Besides, according to forecasts from IRI, the La Nina cycle has passed its peak phase, and El Nino is forecast to return soon from Q2/2023. Therefore, BSC expects thermal power plants to mobilize more output in the remainder of 2023.

Figure: La-nina/El-nino cycle from 2010 - 2022



Figure: El-nino probability



Source: NOAA, IRI, BSC Research

INVESTMENT THESIS – NEUTRAL

BSC recommend NEUTRAL view on the Electricity industry group for 2023, however there is still differentiation in the prospects of each electricity industry stock group:

- Hydropower stocks: BSC hold **NEUTRAL** for hydropower stock due to un-supported hydrology.
- Thermal power stocks: Gas and coal input price tends to cool down, which will help improve the margin of thermal power plants, in addition to the electricity output mobilized from A0 of this group will be improved compared to last year thanks to the return of the El Nino cycle. Therefore, BSC has a **POSITIVE** view on thermal power stocks such as POW, QTP and HND.
- Electrical construction stocks group: BSC gives a **POSITIVE** view on PC1, thanks to the expectation of benefiting from the construction investment policy from Power Planning VIII.

Figure: Power stock busines results estimate

Ticker	Net revenue 2023 (bil VND)	% YoY	NPAT 2023 (bil VND)	% YoY	EPS 2023	P/E fw	P/B fw	ROA 2023	ROE 2023	Price as of 17/05/2023	Target price	Upside (%)
REE	8,424	-10%	2,181	-19%	7,698	8.6	1.1	6%	11%	66,700	77,000	15%
NT2	7,516	-14%	712	-19%	2,737	11.4	2.0	8%	16%	30,650	31,500	3%
POW	31,274	11%	2,615	27%	993	13.1	0.9	5%	8%	13,300	14,500	9%
PC1	9,814	18%	639	42%	2,464	11.4	1.0	3%	9%	28,650	31,500	10%
HND	11,119	6%	774	42%	1,471	9.9	1.0	10%	12%	15,003	16,200	8%
QTP	11,349	9%	852	11%	1,894	8.1	1.0	11%	16%	15,431	18,900	22%

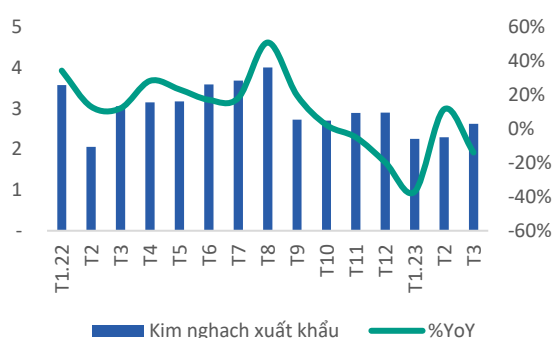
TEXTILES [NEGATIVE]

Analyst: Trần Lâm Tùng, Email: tunqt@bsc.com.vn

- In Q1.2023, textiles export value recorded 7.17 billion USD (-17% yoy) reflects lower consumer demand across all the main export market
- BSC believes that textile firms will face many challenges in 2023 as (1) consumer demand is weakened across all of the main export market (2) brand focus on control their inventory
- BSC hold a negative view on Textile sector in 2023.

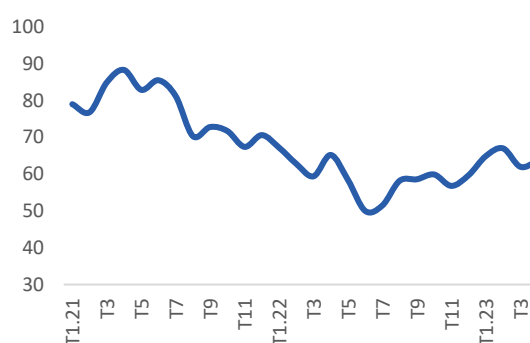
In Q1.2023, textiles export value recorded 7.17 billion USD (-17% yoy), the US is still the main partner with the export value of 3.05 billion USD accounting for 43% of the total export value. In addition, some main export partners in the EU market also recorded a decrease in export value, France = 88.5 million USD (-34.6% yoy), Germany = 178.8 million USD (-19.6% yoy), Netherlands = 177 million USD (-11.5% yoy),... The decline reflects the tightening of consumer spending, especially in the US and EU markets in the context of (1) high inflationary pressure in the US (2) energy prices increased in Europe.

Figure: Monthly textile export (billion USD)



Source: TCHQ

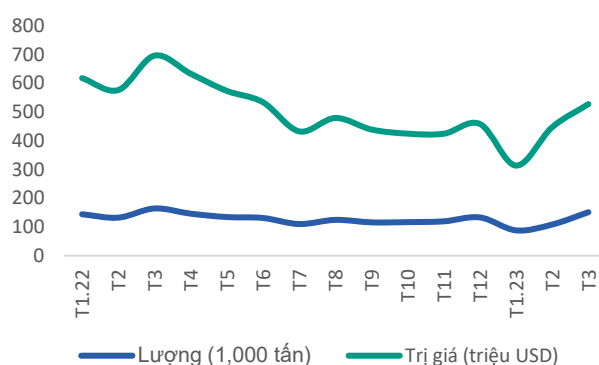
Figure: US Consumer confidence index



Source: Trading Economics

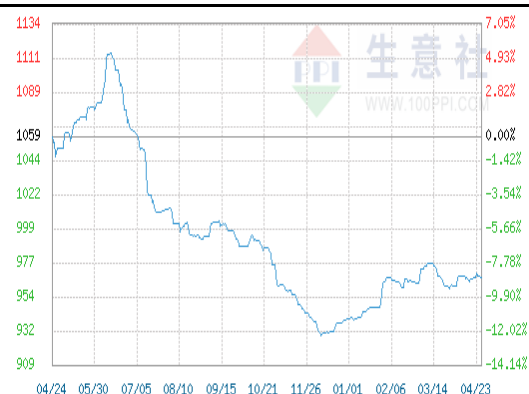
Vietnam's textile fiber and yarn exports reached 373.8 thousand tons (-15.1% YoY), 940.8 million USD (-35% YoY) in export value. The cause of the decline comes from (1) China's textile and garment industry (which accounts for 1/3 of export output) has not shown any signs of recovery after reopening (2) unit prices have declined sharply compared to the same period, in March 2023 unit prices recorded a decrease of -20% mom and -24.3% yoy.

Figure: Monthly textile fiber and yarn export



Source: TCHQ

Figure: China textile recorded a negative growth



Source: Texnet

Q1.2023 business results of 12 Textile and Garment enterprises recored a significant decline. Total revenue, NPAT of 12 businesses reached 13.6 trillion (-22% yoy) and 383 billion (-69% yoy). The decrease reflects (1) decreasing in orders or loss of orders (MSH, STK, GIL) (2) increasing costs caused loss (GMC, HSM).

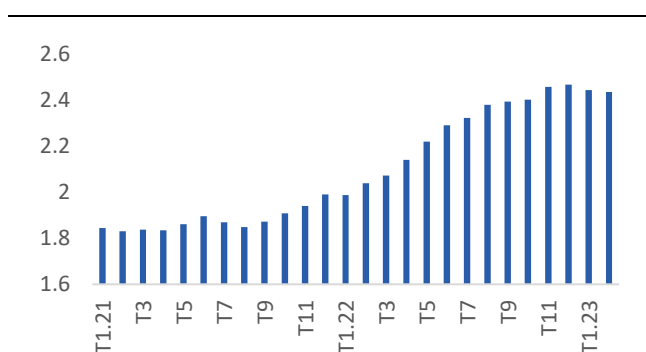
In 2023, textile and garment firms may continue to face many challenges in both traditional sewing and yarn segments due to: garment enterprises encounter many difficulties in signing orders when customers continue to handle high inventories in the context of economic weakening. The order outlook is only expected to recover in Q4.2023 when inventory has been reduced and brands prepare for the spring-summer 2024 crop.

Figure: Firm revenue proportion by markets

Firm	US	EU
MSH	60%	40%
TNG	47%	30%

Source: BSC tổng hợp

Figure: US clothes inventories



Source: FRED

Figure: Apart from TNG, others textile firms face many difficulties to seek for new orders

Firm	Orders fulfilment	Q1.2023 business result	
		Net revenue	NPAT
CTCP Đầu tư và Thương Mại TNG (TNG)	90% order fulfillment for Q2, and 80% for Q3	1335 tỷ (+6% yoy)	40.26 tỷ (+5% yoy)
CTCP May Sông Hồng (MSH)	Lack of order in Q2 and Q3	637.3 tỷ (-51% yoy)	27.3 tỷ (-67% yoy)
CTCP Sợi Thế Kỷ (STK)	Lack of order in Q2 and Q3	287.8 tỷ (-55% yoy)	1.6 tỷ (-97.8% yoy)

Source: BSC Research

INVESTMENT THESIS – NEGATIVE

Compared to the previous report, BSC maintains a **NEGATIVE** view on the textile and garment industry in 2023 due to the risk of decelerating demand as consumers tighten spending and high inventory levels.

Figure: Textiles business results estimates

Ticker	Net revenue 2023 (tỷ VND)	% YoY	NPAT 2023 (tỷ VND)	% YoY	EPS 2023	P/E fw	P/B fw	ROA 2023	ROE 2023	Price as of 17/05/2023	Target price	Upside (%)
TNG	7,698	14%	336	15%	2,970	6.4	0.9	7%	17%	19,000	21,700	14%
MSH	4,591	-17%	212	-43%	4,296	7.7	1.4	6%	11%	33,000	33,300	1%

Source: BSC Research

APPENDIX

2023: January

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	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 announcement	17	18	19 Future VN30: Expired date	20 Companies: Financial statements	21	22
23	24	25	26	27	28	29
30	31 FED: Meeting	Notes:				

2023: February

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
30	31 FED: Meeting	01 FED: Meeting	02 ECB: Meeting	03	04	05
06 ETF: Finlead, VN30, Midcap, VN100 review	07	08	09	10	11	12
13	14 ETF: iShares announcement	15	16 Future VN30: Expired date	17	18	19
20	21	22	23	24	25	26
27	28 ETF: iShares review	01	02	03	04	05
06	07	Notes:				

2023: March

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
27	28 ETF: iShares review	01	02	03	04	05
06	07	08	09	10 ETF: FTSE VN announcement	11	12
13	14	15	16 Future VN30: expired date	17 ETF: VNM announcement	18	19
20	21	22	23	24 ETF: VNM, FTSE VN review	25	26
27	28	29	30	31	01	02
03	04	Notes:				

2023: April

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
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27	28	29	30	31	01	02
03	04	05	06	07	08	09
10	11	12	13 Future VN30: expired date	14	15	16
17 ETF: Vn-Diamond announcement	18	19	20 Companies: Financial statements	21	22	23
24	25	26	27	28	29	30
01	02 ETF: Vn-Diamond review	Notes:				

2023: May

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
01	02 ETF: Vn-Diamond review	03	04 ECB: Meeting	05	06	07
08	09	10	11	12	13	14
15	16	17 ETF: iShares announcement	18 Future VN30: Expired date	19	20	21
22	23	24	25	26	27	28
29	30	31 ETF: iShares review	01	02	03	04
05	06	Notes: Party Central Committee 07 conference				

2023: June

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
29	30	31 ETF: iShares review	01	02	03	04
05	06	07	08	09 ETF: FTSE VN announcement	10	11
12	13	14	15 Future VN30: Expired date	16 ETF: VNM announcement	17	18
19	20	21	22 MSCI: Market Review	23 ETF: VNM, FTSE VN review	24	25
26	27	28	29	30	01	02
03	04	Notes:				

2023: July

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
26	27	28	29	30	01	02

03	04	05	06	07	08	09
10	11	12	13 Future VN30: Expired date	14	15	16
17 ETF: Finlead, VN30, Midcap, VN100 announcement	18	19	20 Companies: Financial statements	21	22	23
24	25	26	27 ECB: Meeting	28	29	30
31	01	Notes: National Assembly meeting				

2023: August

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
31	01	02	03	04	05	06
07 ETF: Finlead, VN30, Midcap, VN100 review	08	09	10	11	12	13
14	15	16	17 Future VN30: Expired date, ETF: iShares announcement	18	19	20
21	22	23	24	25	26	27
28	29	30	31 ETF: iShares review	01 ETF: FTSE VN announcement	02	03
04	05	Notes:				

2023: September

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
28	29	30	31 ETF: iShares review	01 ETF: FTSE VN announcement	02	03
04	05	06	07	08 ETF: VNM announcement	09	10
11	12	13	14 Future VN30: Expired date	15 ETF: VNM, FTSE VN review	16	17
18	19	20	21	22	23	24
25	26	27	28 FTSE: Market Review	29	30	01
02	03	Notes:				

2023: October

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
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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 announcement	17	18	19 Future VN30: Expired date	20 Companies: Financial statements	21	22
23	24	25	26 ECB: Meeting	27	28	29
30	31 FED: Meeting	Notes: Party Central Committee 08 conference				

2023: November

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
30	31 FED: Meeting	01 FED: Meeting	02	03	04	05
06 ETF: Vn-Diamond review	07	08	09	10	11	12
13	14	15	16 Future VN30: Expired date, ETF: iShares announcement	17	18	19
20	21	22	23	24	25	26
27	28	29	30 ETF: iShares review	01 ETF: FTSE VN announcement	02	03
04	05	Notes: National Assembly meeting				

2023: December

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
27	28	29	30 ETF: iShares review	01 ETF: FTSE VN announcement	02	03
04	05	06	07	08 ETF: VNM announcement	09	10
11	12	13	14 Future VN30: Expired date	15 ETF: VNM, FTSE VN review	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31
01	02	Notes:				

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