

REPORT SECTORS OUTLOOK

2024

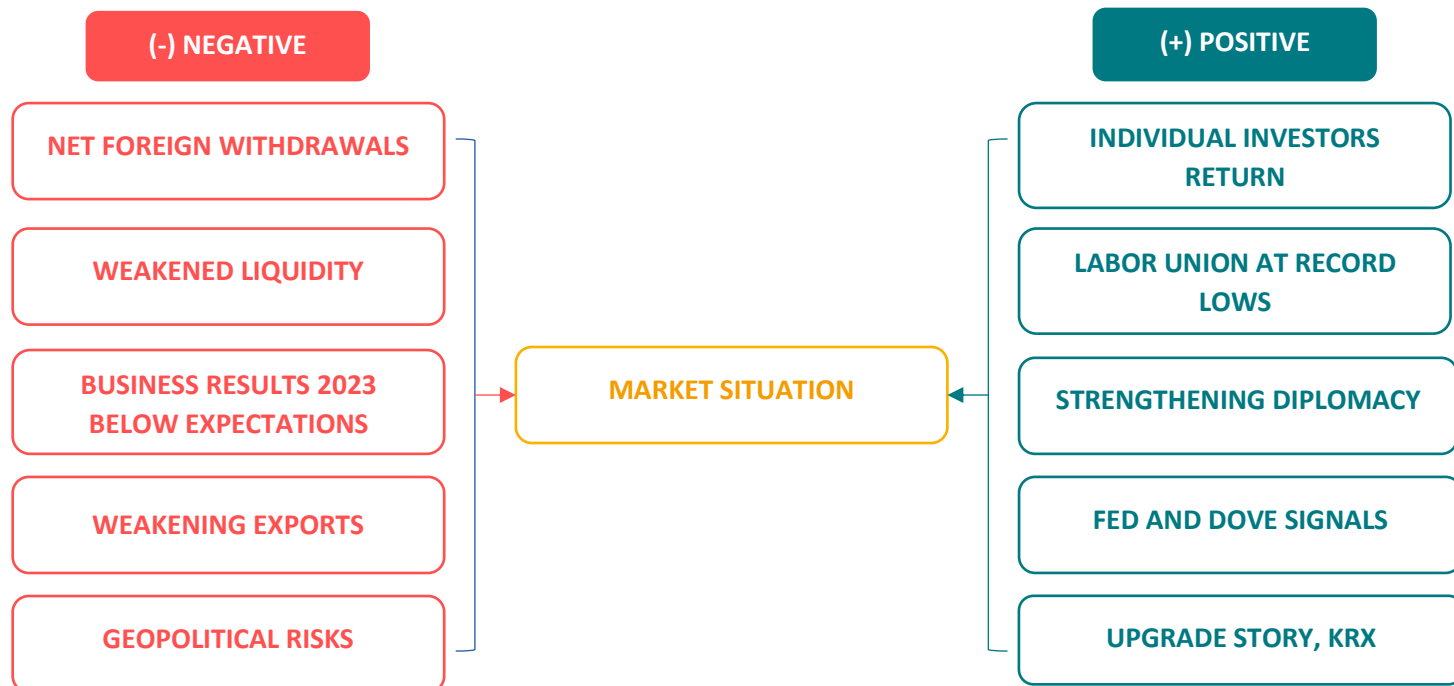


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BSC – 2024: A NEW CYCLE IS COMING?

The year 2023 is summarized by BSC according to several themes as follows:



2024 is forecast by BSC to be a precursor year in a new cycle of both economics and securities to come. BSC thinks 2024 will be the year that shows more opportunities than the relatively difficult year of 2023.

2024: "[Opportunities to rise to the challenge](#)" (2024 macro report details). BSC provides main highlights and macroeconomic forecasts to take note of in 2024, including:

- GDP for 2024 is estimated to achieve a growth rate of 5.8% in the less optimistic scenario (KB1) and 6.3% in the optimistic scenario (KB2) .
- The USD/VND exchange rate has maintained stability and a cooling trend when (1) the Fed continued to ease information technology, (2) Abundant FDI inflows tended to gradually return, (3) The recovery of the tourism sector.
- Import and export growth recovers with expectations of growth of +5.5% to 11% YoY

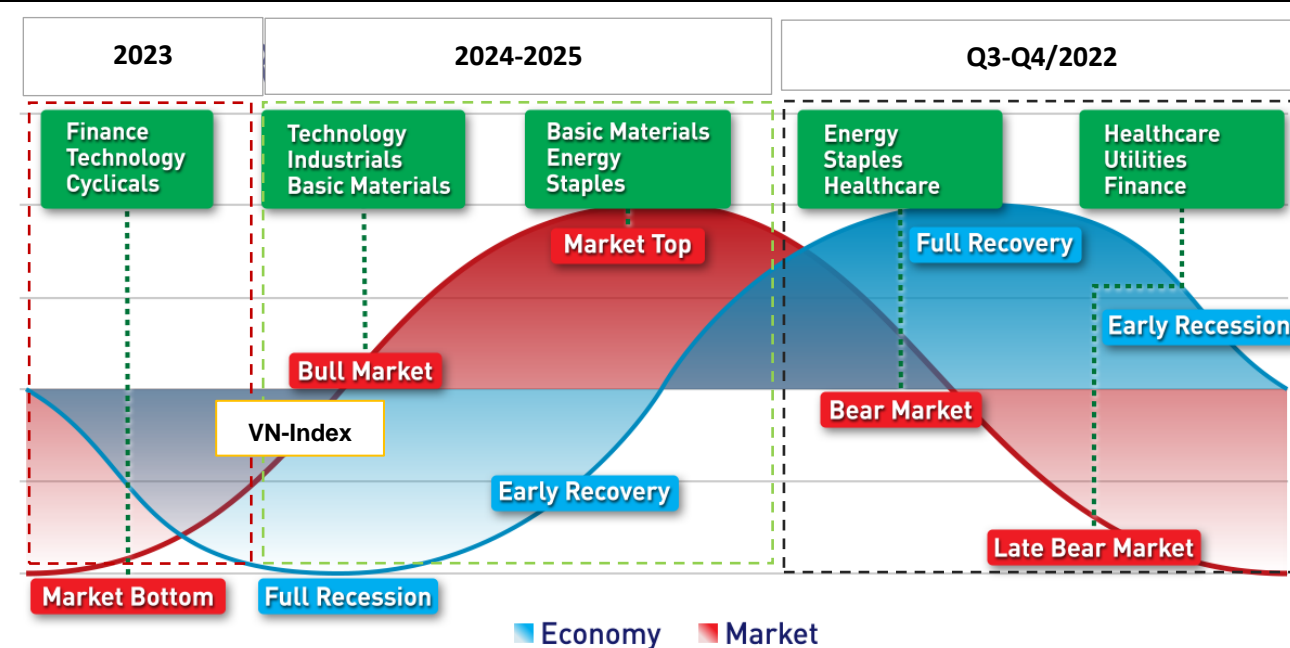
Table: Macro indicators over the years and forecasts for 2024

Tiêu chí/năm	2019	2020	2021	2022	2023	2024	
						KB1	KB2
GDP YoY (%)	7.02	2.91	2.58	8.02	5.05	5.8	6.3
Lạm phát trung bình YoY (%)	5.3	0.2	1.81	4.55	3.26	3.5	3.02
Xuất khẩu (tỷ USD)	263.45	281.5	336.25	371.5	355.5	375.1	394.6
Nhập khẩu (tỷ USD)	253.51	262.4	332.25	360.3	327.5	352.1	376.6
Cán cân thương mại (tỷ USD)	9.9	19.1	4.0	11.2	28.0	23.0	18.0
Tỷ giá trung bình (VND/USD)	23,231	23,223	22,934	23,429	23,839	23,832	23,577
Nợ công/GDP (%)	57.4	56.8	43.7	43-44	37		
Nợ Chính phủ/GDP (%)	49.9	50.8	39.5	40-41	34		
Giải ngân vốn ngân sách	342,948	466,597	423,647	511,562	625,319		
Tăng trưởng tín dụng (%)	13	12	13	13	11.09	13	15
FDI đăng ký (tỷ USD)	22.5	21.1	24.3	22.5	28.07		
FDI giải ngân (tỷ USD)	20.4	20	19.9	22.4	23.18	24.8	25.9

Nguồn: Bloomberg, BSC research

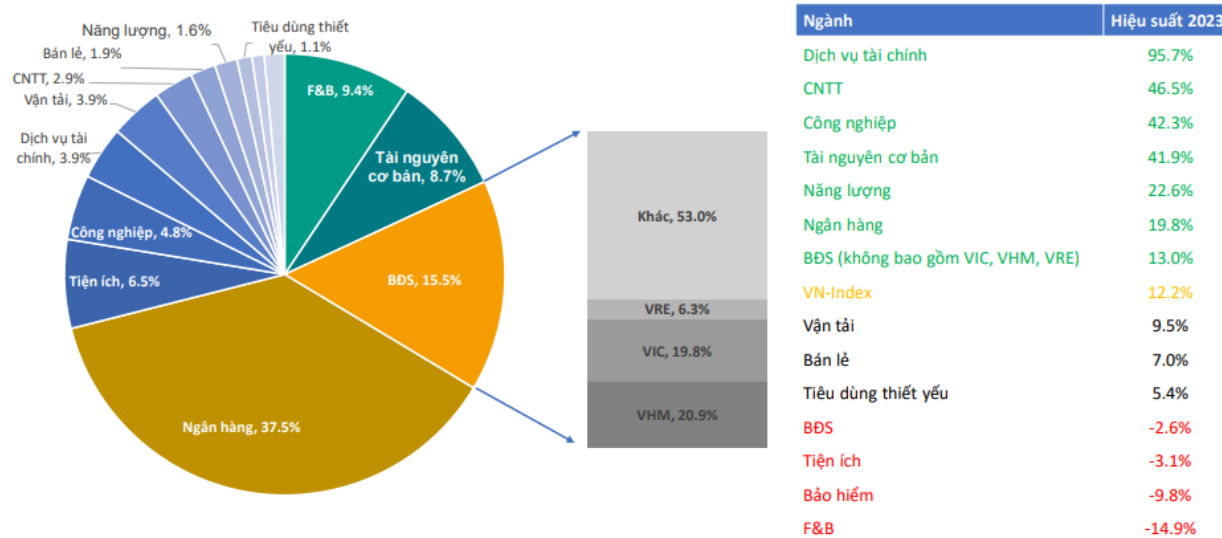
The investment shift of the Sector group will take place more clearly in 2024. As our industry trend observations throughout the sector reports in 2023, certain sectors continue to outperform the VN-Index. These sectors include: Financial Services (+91% YTD), Technology (+42% YTD), Industrial (+40% YTD), Building Materials (+38% YTD). With the expectation of gradual economic recovery during the 2024-2025 period, we anticipate that the VN-Index will re-enter the “bull market” and initiate a new cycle. Accordingly, BSC expects cash flows to gradually shift to industries related to Sector – Manufacturing, Basic Materials, Export, Energy, Retail – Consumer, Banking. The narrowing of the valuation gap will be the main driver of the above trend based on two main factors (1) These are Sectors with poor performance in 2023, but (2) Record positive expected earnings growth in 2024.

The trend shift towards cyclical industries of the economy



Source: FiinPro

Sectors performance in 2023



Source: BSC Research, FiinPro

For 2024, BSC offers a view that the market will operate at a **"POSITIVE"** level for many stock Sectors.

Table: Summary of Sector group prospects

Sector	Attitude
IT – Telecommunications	Positive
Industrial parks	Positive
Bank	Positive
Airline services	Positive
Fisheries	Positive
F&B – Retail	Positive
Basic resources	Positive
Textile	Positive
What does it do?	Positive
Transportation & Seaports	Indifferent
Petroleum	Indifferent
Build	Indifferent
Chemicals & Fertilizers	Indifferent
Tire tubes	Indifferent
Automobile	Indifferent
Real estate	Indifferent

Accordingly, BSC forecasts that profit growth in 2024 is expected to recover by 17% compared to 2023. Some industry sectors are anticipated to experience strong profit recovery from the low base of 2023, including: Materials (+103%), Fisheries (+81%), Utilities (+48%), Retail & F&B (+45%), Textiles and Garments (+44%), Fertilizers & Chemicals (+39%), Banking (+20%). Compared to the most recent reports, we revised down our 2023 growth forecast to -5%. Therefore, we believe that with the economic recovery scenario, VN-Index's profit growth in 2024 will record positive growth, thereby supporting the trend of moving back to the "bull market".

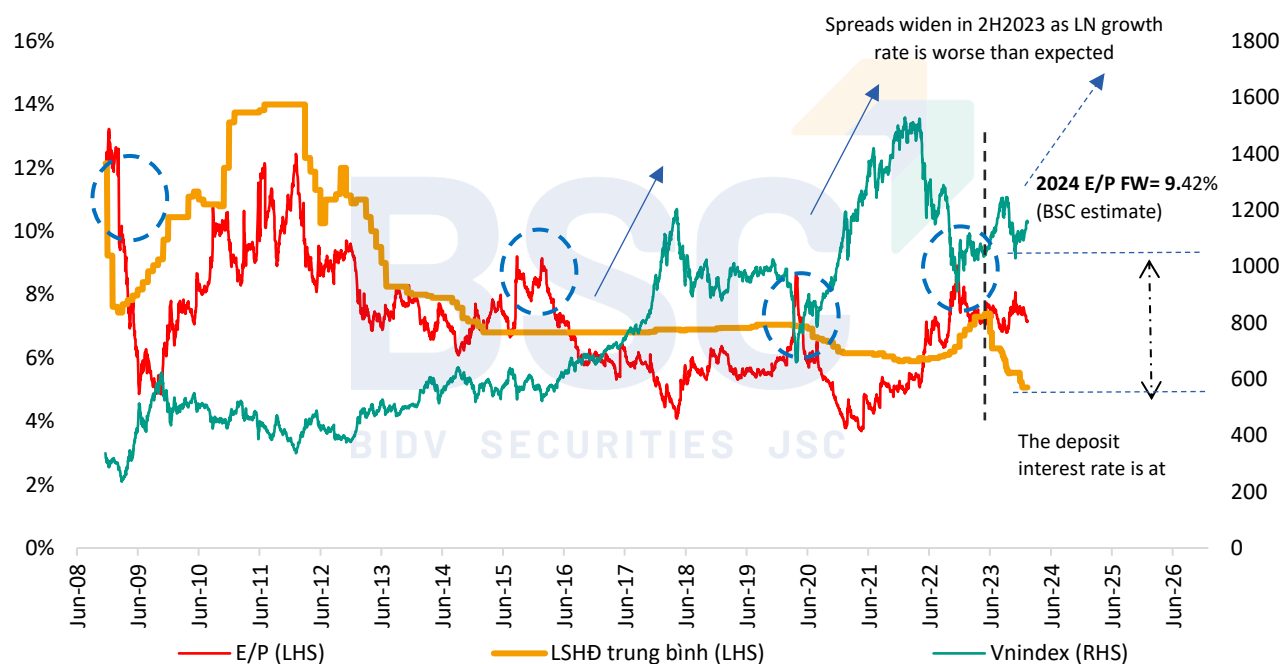
Table: Sector Growth Statistics 2022 -2023F

% LNST growth by Sector	2022	2023F	2024F	% Sector capitalization/total VN-Index capitalization
Basic resources	-80%	-28%	103%	6%
Fisheries	116%	-60%	81%	1%
What does it do?	28%	-21%	48%	3%
F&B, Retail	-20%	-30%	45%	13%
Textile	-1%	-34%	44%	0%
Chemicals & Fertilizers	110%	-65%	39%	2%
Tire tubes	6%	-20%	34%	0%
Build	2%	48%	30%	1%
Industrial parks	27%	-6%	27%	5%
Information Technology	21%	20%	21%	4%
Bank	37%	4%	20%	45%
Petroleum	66%	-22%	2%	10%
Automobile	32%	-6%	-5%	1%
Real Estate (*)	-28%	25%	-20%	8%
Transportation & Seaports	40%	39%	-32%	1%
Total NPAT growth (%)		-5%	17%	100%

(*) VHM's high 2023 background level affects the profit growth of the entire Real Estate Sector in 2024

The profit growth rate of the VN-Index in 2024 will determine the index's point increase. The profit growth shortfall in the latter half of 2023, which led to market adjustments, has reinforced BSC's view that EPS growth is a sufficient condition for the VN-Index to enter a medium-term upward cycle. As mentioned in BSC's forecast, we believe that (1) the market will continue to maintain low interest rates, and (2) the potential profit recovery from the low base of 2023 will be the two core factors supporting market expectations for growth in the medium and long term, similar to the periods of 2016-2018 and 2020-2022.

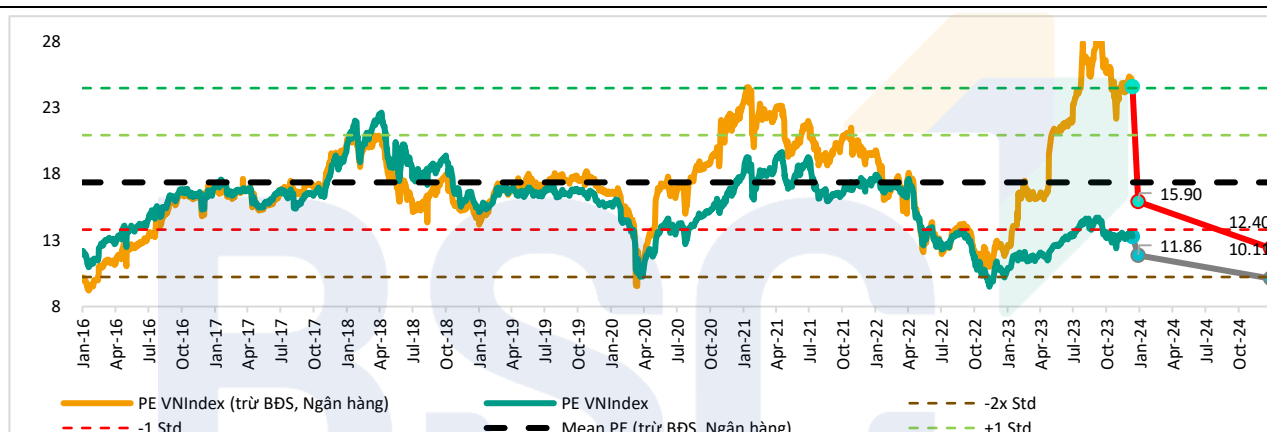
Figure: The spread between market E/P 2024 and deposit rates will gradually narrow in the early part of 2024



Source: Bloomberg, Fiinpro, BSC Research

Market valuation for certain stock groups is currently at a reasonable level for accumulation at the start of a new cycle, especially for large-cap companies (such as Banks and Retail). Based on BSC's profit growth projections for 2024, the forward P/E ratio for the mid and small-cap group (excluding Banks and Real Estate) will be adjusted to approximately 12.4 times, less than 1x the standard deviation, thereby creating attractive investment opportunities in the medium to long term. Meanwhile, the forward P/E ratio for VN-Index 2024 is currently trading at approximately 10.1 times, the lowest in the average historical range over the past five years.

Figure: P/E FWD excluding banking and real estate in 2024 is expected to adjust to more than 12.6 times more attractive than 1 time standard deviation



Source: BSC Research

The approach to selecting stocks for investments will be based on the foundation of the P/B method, coupled with monitoring the profit growth prospects during the 2024-2025 period. From a P/B perspective, BSC observes that several industry sectors are currently trading at lower-than-average P/B ratios over a 5-year median. However, when considering valuation based on P/E, they are not necessarily cheap. This discrepancy reflects the unique characteristics of stocks as they enter a new cycle. Given that profit recovery follows a U-shaped trajectory rather than a sharp V-shaped rebound, it will take time to improve gradually year by year. Therefore, relying solely on the P/E method can introduce certain biases. Consequently, valuations based on book value (which are currently lower compared to historical levels) serve as a reference point for selecting stocks in both the medium and long term.

However, we note that in the current cycle, closely monitoring the pace of earnings recovery will be a prerequisite for investors to avoid falling into a "value trap" when stocks seem cheap but do not record recovery & growth.

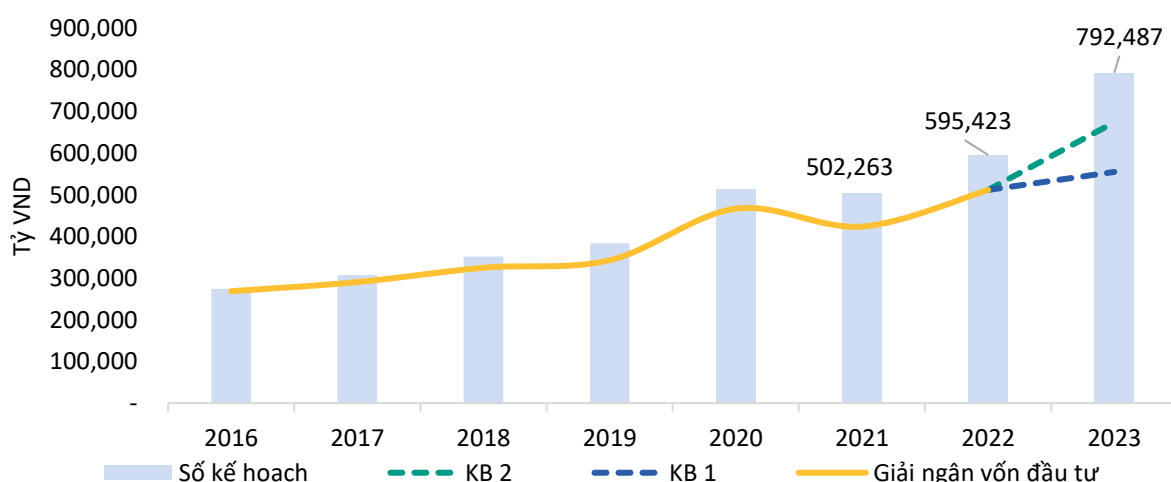
Sector	P/E trailing	P/E Median 5 YRS	P/E FWD 2023	P/E FWD 2024	Upside 2024 FW/Median (%)
* Real Estate (P/B)	1.4	2.4	1.5	1.4	77%
* Bank (P/B)	1.3	1.6	1.1	0.9	72%
O&G	12.5	16.4	13.1	12.4	32%
F&B	21.8	20	21.1	17.1	17%
Utilities	16.3	11.6	8.8	10.7	8%
Industrial	8.2	8.3	16.3	8.1	2%
Retail	40.4	15.2	45.8	17.2	-12%
Fishery	14.8	8	17.3	9.2	-13%
Textile	11.1	6.4	11.5	7.8	-18%
Port	19.9	12.8	10.6	15.8	-19%
Technology	10.9	12.7	19.0	17.2	-26%
Construction	65.0	8.2	23.1	12.4	-34%
Materials	32.7	11.5	26.4	17.7	-35%

Sector	P/B trailing	P/B Median 5 YRS	P/B FWD 2023	P/B FWD 2024	Upside 2024 FWD/Median (%)
* Real Estate	1.4	2.4	1.5	1.4	77%
* Bank	1.3	1.6	1.0	0.9	72%
Retail	3.4	3.7	3.0	2.7	38%
F&B	3.0	4.4	3.6	3.4	29%
O&G	1.8	2.0	1.7	1.5	31%
Materials	1.6	1.7	1.5	1.4	25%
Fishery	1.0	1.1	1.1	1.0	13%
Utilities	1.5	1.5	1.5	1.3	13%
Industrial	1.7	1.8	1.7	1.7	7%
Construction	0.8	0.7	0.7	0.7	-1%
Textile	1.3	1.1	1.4	1.3	-17%
Technology	4.2	2.2	3.7	3.1	-28%
Port	1.9	1.5	2.4	2.2	-32%

Therefore, the ability to choose stocks and risk management principles will be the "guideline" that we want to send to investors who can ride the waves in 2023. As mentioned many times in the [2022 strategy reports](#), Q2, Q3 and Q4 [Sector update reports](#), the investment themes/thesis outlined by BSC will be key investment themes throughout the period 2023-2025. (Public Investment Report, As mentioned several times in the [2022 strategy report](#), Q2, Q3 and Q4 [Sector update reports](#), investment topics/thesis put forward by BSC will be key investment themes throughout the period 2023-2025. (Public Investment Report, [China Opens](#),...)). Accordingly, BSC continues to highlight several key issues that will significantly impact and guide the market in 2023:

- 1. The expansionary fiscal policy with the public investment stimulus package will serve as the supporting framework for the economic recovery and growth plan during the 2023-2025 period.** In 2022, the disbursement of the budget reached 511,562 billion (an 18.8% YoY increase), equivalent to 85.2% of the planned amount. Although the completion rate is nearly similar to 2021 (at 84%), the absolute value growth rate still reflects the government's efforts in promoting public investment. However, we recognize that some of the main difficult factors causing the slowdown of public investment include (1) Investment capital infused in some large projects, (2) Slow planning procedures that have shown signs of being removed. For instance, on January 1, 2023, 12 components of the North-South expressway (with a total investment of 146,990 billion) were initiated, aiming for completion by 2025. Given the challenging business environment for enterprises, characterized by inflationary pressures and high interest rates, public investment is considered the "golden key" to unlocking economic growth. Therefore, BSC expects directly related industries (Infrastructure construction, construction materials, etc.) and indirectly (Commercial Real Estate, Industrial Parks and Seaports) to benefit positively.

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

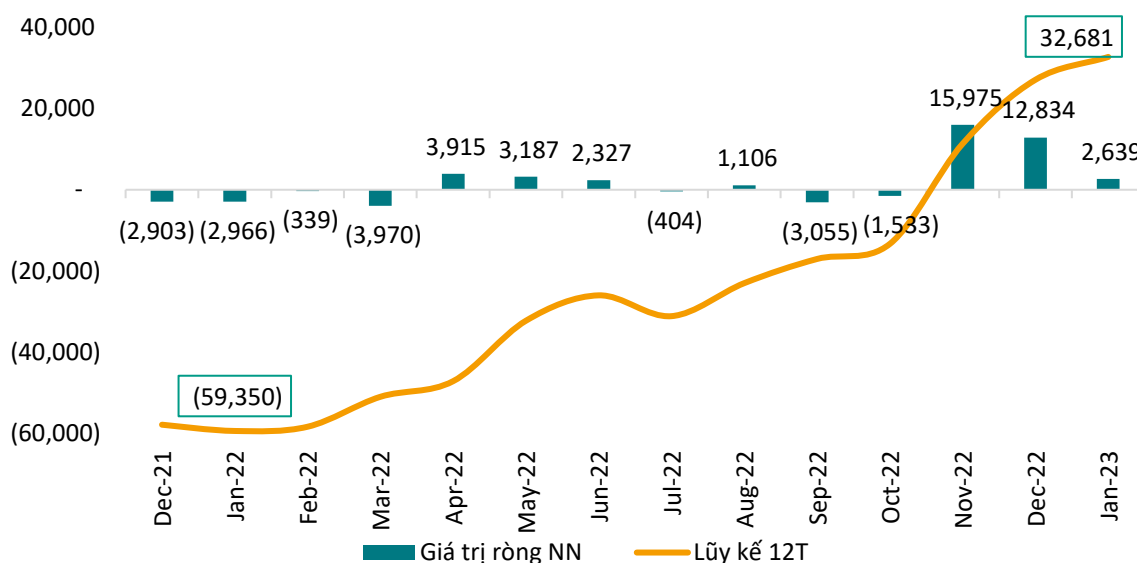


Source: FiinPro

- 2. China's reopening will contribute to boosting economic growth.** As the world's second-largest economy, China took a significant step in altering its Covid-19 containment policies by officially reopening on January 8, 2023. China is Vietnam's largest import partner and one of its major export destinations. The reopening is expected to support Vietnam in two key ways : (1) Resuming broken supply chains, reducing production costs of domestic enterprises importing raw materials, (2) Clear positive impacts from the recovery of the travel tourism sector. (Report details [China opens up](#)).
- 3. The foreign sector was the platform for the market in Q4/2022 and is expected to continue to be an important support factor in 2023.** In Q4/2022, foreign investors have come back strongly, thereby helping the VN-Index recover positively and create positive psychological momentum for the market in 2023. Accumulated in the 12 months to T1/2023, the total net buying value reached VND 32,681

billion compared to the accumulated net selling in the same period of T1/2022 of VND 59,350 billion, of which the main buying force focused on T11 and T12/2022 after VN-Index recorded a sharp adjustment and recorded the lowest valuation in 5 years.

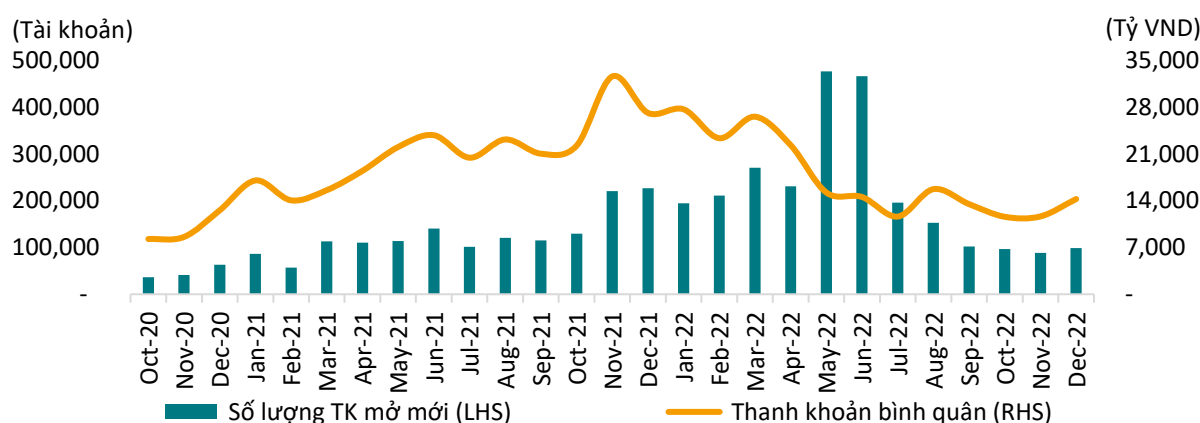
Figure: Net transaction value of foreign investors by month and accumulated for 12 months (billion dong)



Source: Fiinpro

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

Figure: New opened account and average liquidity



Source: Fiinpro

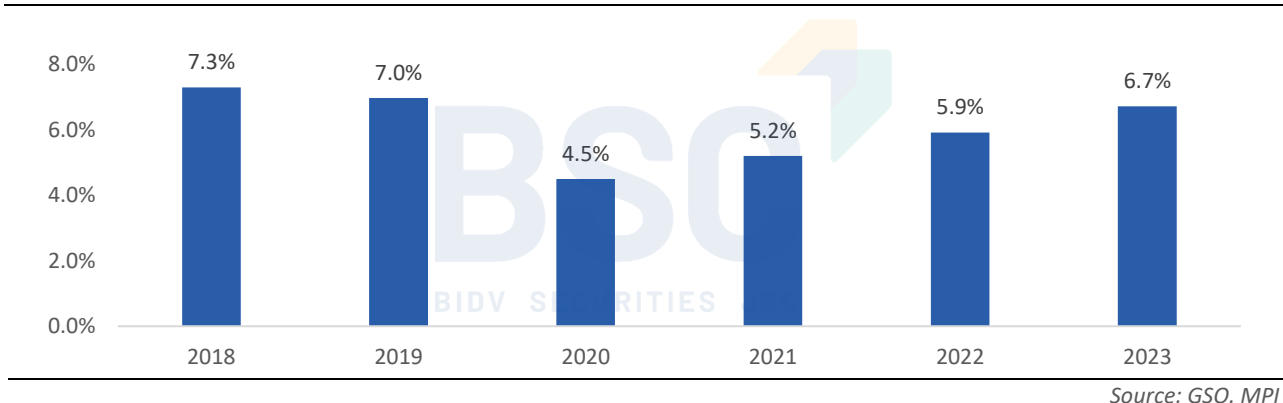
- 1. GDP growth rate, FDI inflows and public investment disbursement in Q3/2023 have shown positive signs compared to the previous quarter.** Vietnam's Q3/2023 GDP growth showed signs of recovery with a growth rate of 5.33%, the September PMI reached 49.7 points, up from 46.2 points in June 2023, showing signs that manufacturing activity is still weak but has improved compared to the Q2/2023 period.

In addition, import and export value also recorded a decline in growth momentum, import and export growth in Q3/2023 decreased by -8.24% YoY and -13.8% YoY, respectively. However, similar to PMI, the import and export decline has shown signs of slowing down.

In addition, a notable positive factor is that (1) FDI inflows recorded growth again. Specifically, realized FDI increased by +2.2% YoY, newly registered FDI +46.3% YoY. (2) Accumulated in 9M/2023, state budget disbursement is estimated to increase by 23.47% YoY (equivalent to VND 415.8 trillion, equal to 57.4% compared to the plan in 2023. We note that the completion rate of the 9T plan in 2023 is much higher than the levels compared to 46.7% in 2022 and 47.38% in 2021, which shows the efforts and determination of the government in disbursing state budget funds.

However, the macro situation also shows a few headwinds that need attention in the end of 2023 including (1) Exchange Rate Pressure – VND and USD interest rate differentials remain negative, (2) Resurgence of Inflation (September CPI increased by 3.66% YoY) poses challenges to Vietnam's State Treasury and similar pressures are observed in other countries, or (3) Rising Geopolitical Risks (Israel – Hamas), [refer to the October 2023 macro report](#).

Figure: Q3 annual GDP growth

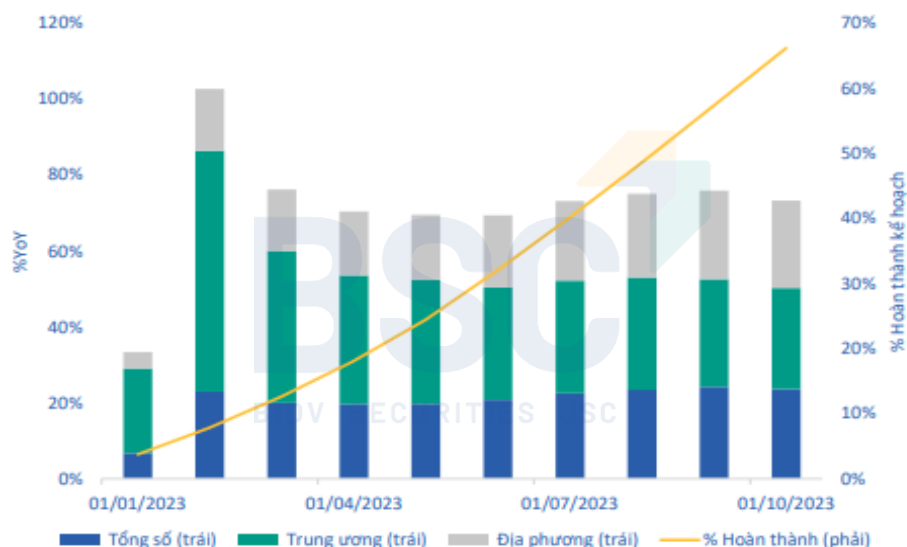


2. Efforts to promote the disbursement of state budget capital and accelerate the disbursement of public investment in the second half of the year will support the economic recovery and growth plan for the period 2024-2025. Accumulated 10M2023, budget capital disbursement is estimated at VND 479.3 trillion (+22.6% over the same period), equal to 65.8% of the plan in 2023, the completion rate of 10M2023 is significantly higher than the level compared to 46.4% in 2022 and 46.4% in 2021, Some of the main difficult factors causing the slowdown of public investment mainly come from problems in legal procedures.

However, the government is showing significant efforts in boosting public investment through high growth from state budget disbursements. In Q3/2023, some positive signals come from key investment projects including, [adding 8 new expressways to the list of national important projects](#), [investing in the 500kV Circuit 3 Quang Trach – Pho Noi transmission line with a scale of VND 23,000 trillion](#), [Long Thanh Airport breaks ground on August 31, 2023](#). It is expected that by the end of 2023, 4 more expressways will be completed (123km), bringing the total number of expressways to 1,852km.

Therefore, BSC expects directly related industries (Construction, construction materials, etc.) and indirectly (Commercial Real Estate, Industrial Parks and Seaports) to benefit positively.

Figure: State budget capital disbursement (03/2023 – 08/2023)

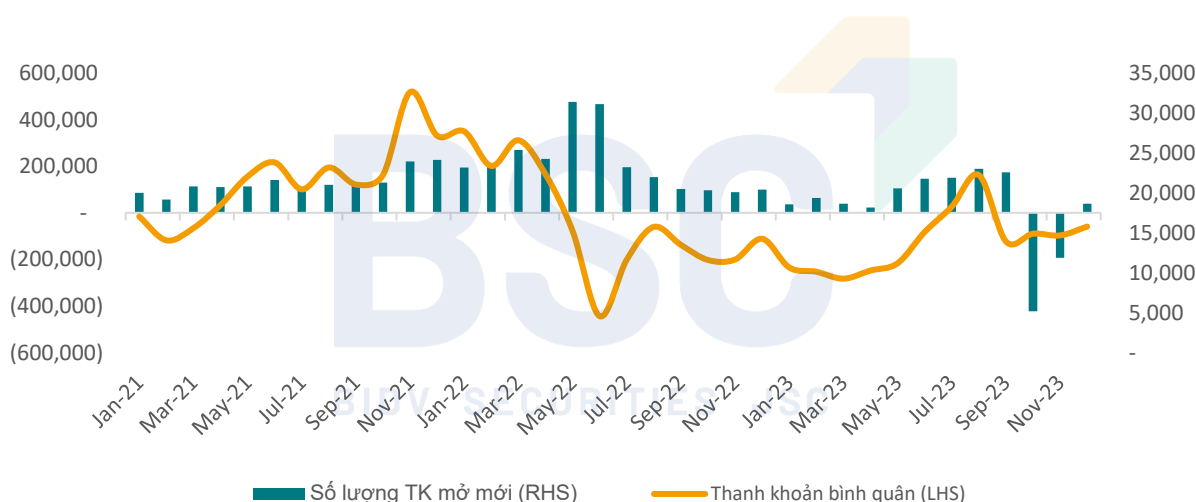


Ghi chú: Số liệu lũy kế so với cùng kỳ (%YoY)

Source: GSO, MPI

3. The number of newly opened Q3/2023 accounts recovered sharply compared to Q1-Q2/2023, to the highest level in the last 11 months. As our forecast in the Q1-Q2/2023 report, investors have shown signs of renewed interest in the stock market through (1) The number of new accounts opened in August and September reached an average of ~180 thousand accounts, (2) The average trading liquidity of VNI-Index at times increased to about 21-23 trillion VND/session then adjusted about an average of about 15-16 trillion VND/session, compared to 10-12 trillion VND/session in Q1-Q2/2023.

Figure: Total new accounts opened and average monthly accounts



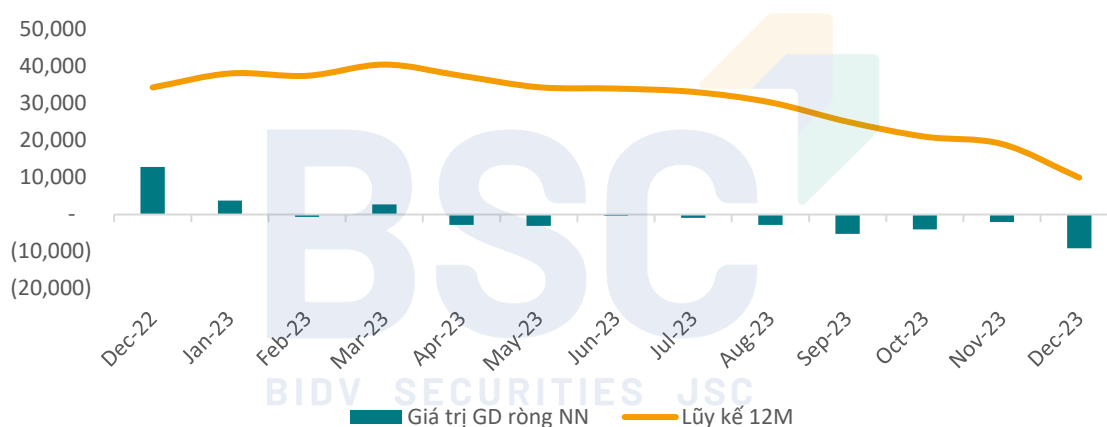
Source: VSD, Fiinpro

The spread between market E/P in 2024 and deposit rates compared to the end of Q2 2023 widened after the correction at the end of Q3 2023, continuing to remain at relatively attractive levels in the long term. As analyzed in the Q3 2023 analysis report, the market has recorded a good performance in the Q3 2023 period thanks to the cash flow movement of several investment channels. However, we revised down our 2024 FWD

E/P as Q3 2023 results were lower than our forecasts, indicating that the economic recovery remains relatively slow. As a result, we revise down our 2023 and 2024 market EPS growth forecasts. However, we maintain an optimistic outlook in the medium term with earnings growth in Q4 2023 and 2024 will be the driving force for the market to narrow this gap by attracting cash flows from the savings channel.

4. Foreign investors increased their net selling activity in the period ending Q3/2023 after the market recorded a positive recovery. Accumulated in 9M/2023, the total net transaction value of foreign investors recorded a strong net selling of VND 9,227 billion. After a period of net selling at the beginning of Q2 2023, the net selling momentum began to accelerate again amid uncertainty over the state of world macro and geopolitical tensions. The strong concentrated net selling momentum in T9/2023 is similar to the correction rhythm of VN-Index, specifically in September, foreign countries recorded a net selling value of VND 5,237 billion. We maintain our view that (1) the current low-interest rate environment and (2) the continued economic recovery will still be a big fulcrum for the market with momentum coming from individual investors as previously reported.

Figure: Individual investor inflows remain the main driver of the market upward amid strong foreign net selling

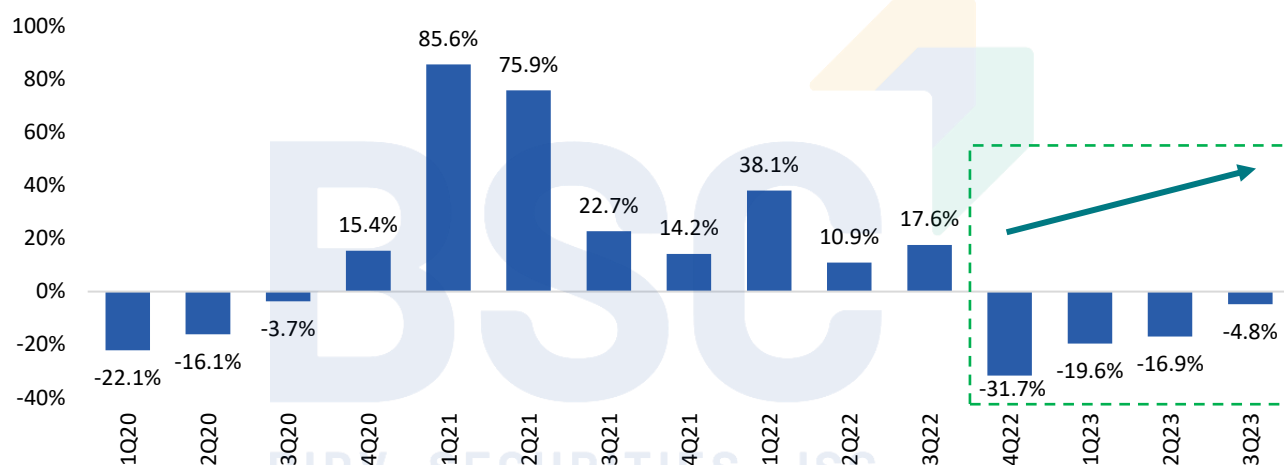


Source: Fiiipro

5. Profitability has bottomed out in the first half of 2023, which is gradually improving in Q3 2023 however the pace of improvement is slower than our previous expectations. According to BSC's statistics as of 03/11/2023, there have been 1340/1,616 enterprises announcing Q3/2023 profit, with total profit after tax across all 3 exchanges including VN-Index, HNX and Upcom recording a decrease of -4.75% YoY, of which VN-Index alone recorded a decrease of -8.78%. Accordingly, against the backdrop of (1) weakening credit growth, slow improvement in earnings growth, (2) Geopolitical risks, (3) Real estate market, (4) forecast market profit growth in Q3 and Q4 2023 lower than our previous expectations, this is also the main reason for the adjustment cadence of VN-Index in the period at the end of Q3/2023. In particular, the pressure on monetary policy in the context of international interest rates (US) remains high and lasts longer.

Specifically, BSC revised down 2023 profit growth to -0.7% from 2.6% previously (Excluding aviation). Based on the portfolio of stocks BSC is tracking (~80 stocks, representing about 80% of capitalization), earnings growth for the group of stocks excluding the aviation sector is expected to decline by 0.7% from the same period in 2022, down from +2.6% previously forecast. In addition, we note that the economic performance in Q4 2022 recorded at a low baseline. (Q4 2022 recorded a profit decline of -31.7% compared to the same period in 2021). Therefore, we expect Q4/2023 profit growth to be better than the first 9 months of the year in the context of (1) Low economic performance in Q4/2022, (2) Policies to support and promote economic growth as mentioned above, (3) The recovery of import-export enterprises, (4) The level of deposit interest rates remained low, cooling down compared to Q2 and Q3/2023.

Figure: Profit growth of the whole market (including VNI-Index, HNX and UPcom) by quarter in the period 2020-2023

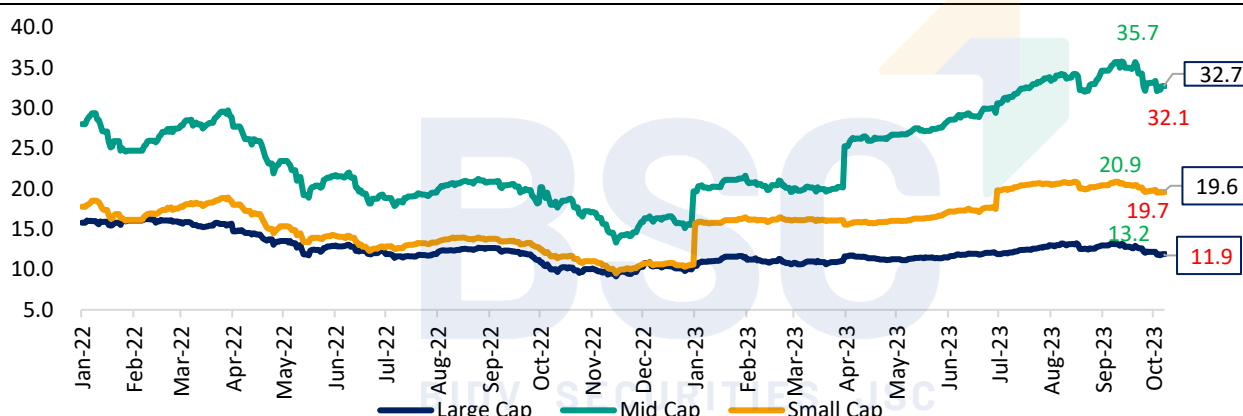


Source: BSC Research, Fiinpro, financial statements of listed companies

7. VN-Index corrected sharply in Q3/2023, providing great investment opportunities in the medium term with PE FWD 2024 equivalent at the bottom of Covid (4/2020) and the end of October 2022. As of October 9, 2023, after a major correction at the end of September 2023, VN-Index is trading at P/E trailing = 12.82x, lower than the 5-year average, based on earnings growth expectations for 2023 (-3.3% YoY) and 2024 (+23% YoY), VN-Index's PE FWD at the end of 2023 and 2024 is 11.7x and 9.49x, respectively.

The divergence will be evident in Q4 2023 and the period of 1H2024. After a positive recovery period of the stock market in Q2 and Q3/2023, the group of small and medium-sized stocks recorded a sharp correction accompanied by complicated factors coming from geopolitical risks and fluctuations in the world macro situation. Accompanying that, The decrease in market liquidity will make investment opportunities more distilled, from which the divergence will take place strongly between groups of medium, small and large cap stocks. We prioritize businesses ([stock recommendation table pp. 17-18](#)) that have improved business results and recovered well in Q4 2023 and 2024.

The valuation of P/E TTM as of October 30, 2023 shows that the large-cap group is currently trading at attractive levels compared to history



Source: BSC Research gathering, Bloomberg

Compared to our forecast in the Q3 2023 Sector report (page 10), some of the sectors we recommend such as Real Estate, Oil & Gas, Industrials, all recorded strong growth in Q3 2023 before recording a correction

at the end of the quarter. **As of November 2, 2023, some of the current sectors that still maintain more attractive valuations in 2024 than in the past include Banking, Real Estate, Oil & Gas, F&B, Utilities.** Some Sectors with higher valuations than the past are mainly stocks that are strongly affected by the 2023 profit outlook such as textiles, materials, construction, industrials and retail. We emphasize that whether the outlook of the above sectors improve or not will depend heavily on the pace of economic recovery in Q4 2023 and 2024.

Sector	Cumulative PE 4 quarters	Median PE 5 years	2023FW PE	2024FW PE	% Spread (*)
*Real Estate (P/B)	1.4	2.4	1.5	1.4	77%
* Banking (P/B)	1.3	1.6	1.0	0.9	72%
Petroleum	12.5	16.4	12.6	12.4	32%
Food	21.8	20	22.0	18.0	11%
Utilities	16.3	11.6	15.9	10.7	8%
Sector	8.2	8.3	9.0	8.1	2%
Retail	40.4	15.2	46.4	17.2	-12%
Fisheries	14.8	8	17.1	9.2	-13%
Textile	11.1	6.4	11.3	7.8	-18%
Technology	19.9	12.8	19.1	15.8	-19%
Seaport	10.9	12.7	25.3	17.8	-29%
Ingredients	65.0	8.2	26.1	12.4	-34%
Build	32.7	11.5	23.4	17.7	-35%

Source: BSC Research

SECTOR OUTLOOK IN 2023

Economic cycles and the level of acceptance of sector valuations

In 2023, headwinds include (1) Rising inflationary pressures, (2) Slowing import and export activity, (3) High interest rate environment, (4) Risks from corporate bond and real estate markets will create challenges to the goal of fulfilling economic growth plans. However, we still see some intertwined positive factors that can offset these adverse factors such as (1) Exchange rate maintaining stability, (2) China opening up, and (3) Boosting public investment disbursement. Therefore, BSC believes that Vietnam's current economic indicators show that we are still in the **INITIAL RECOVERY phase**, typically by the majority of signs such as (1) Deposit interest rates start to trend down, (2) Inflation peaks and is controlled, (3) Long-term interest rates hit the bottom and peak of bond prices and (4) Stock prices form an uptrend. However, some risks investors need to pay attention to in terms of rising inflation indexes, as well as tightening of economic conditions in major countries for a longer period of time accompanied by recession risks are "headwinds" that could affect the market recovery.

Economic cycle	Inflation	Economic policy	Market signs
Initial restoration (Initial Recovery)	Reduce inflation	Excite	Low or falling short-term interest rates Long-term interest rates hit the bottom and peak of bond prices The stock price began to rise
Pre-Growth (Early Upswing)	Low inflation Good economic growth	Reduced Irritation	Short-term interest rates rise Long-term interest rates bottom out or rise & bond prices start to fall Rising stock prices

Post-growth (Late Upswing)	Rising inflation	Start of tightening	Short-term and long-term interest rates rise, bond prices fall Stock prices fluctuate around the top
Deceleration (Slowdown)	Inflation continues to rise	Reduce tightening	Short- and long-term interest rates peaked and began to fall with bond prices rising again Falling stock prices
Recession (Recession)	Inflation peaks	Loosen	Short- and long-term interest rates fell and bond prices continued to rise Stock prices show signs of rising again at the end of the Recession cycle

Table: Summary of Sector group prospects

Sector	Q4 2023 Outlook	Outlook 2024
Technology - Telecommunications	Positive	Positive
Industrial parks	Positive	Positive
Aviation Services	Positive	Positive
Petroleum	Positive	Positive
Seaports & logistics	Positive	Positive
Retail & Food & Beverage	Indifferent	Positive
Bank	Indifferent	Positive
Basic resources	Indifferent	Positive
Fisheries	Indifferent	Positive
Chemicals and fertilizers	Indifferent	Positive
Textile	Indifferent	Positive
What does it do?	Indifferent	Positive
Build	Indifferent	Indifferent
Tire tubes	Indifferent	Indifferent
Automobile	Indifferent	Indifferent
Real estate	Indifferent	Indifferent

Active supporting factors:

1. Rapid disbursement of public investment packages (infrastructure, energy and oil and gas)
2. Decree 08/ND-CP amends, supplements and invalidates a number of articles in the Decrees regulating private corporate bond offering and trading, supporting market liquidity bottlenecks in general and the real estate Sector in particular.
3. Interest rates remain low
4. Low NPAT background level in 2023 for cyclical, export, consumer sectors..

Difficult risk factors:

1. Recession risks in the US and EU.
2. Vietnam's economy recovers slowly or corporate profits weaken.
3. The risk of a monetary policy reversal under pressure from world central banks continues to maintain tightening policies for a long time.
4. Geopolitical risks.

Sector	View	Judge	Stock notes
<u>Industrial Park Real Estate</u>	Positive	<ul style="list-style-type: none"> • FDI inflows returned to growth momentum in Q3 2023. Accumulated in 9M.2023, registered FDI reached 20.2 billion USD (+7.8% yoy), realized FDI has started to increase over the same period, reaching 15.9 billion USD (+3.1% yoy). • The shortage of supply caused the industrial park occupancy rate in the South and the North to increase to 90% (up +3 percentage points qoq) and 82% (up 2 percentage points qoq) respectively and the rental price of industrial park land increased to 187 USD/m2/lease term (+8% qoq) and 127 USD/m2/lease term (+3% qoq) for the South and North respectively. • The trend of moving industrial zones to satellite provinces/cities of Hanoi and Ho Chi Minh City continues to continue; • Outlook Q4.2023-2024: (1) The demand for industrial park land is forecasted to continue to be positive thanks to Vietnam signing many documents on economic and trade cooperation and upgrading relations with the world's leading economies, (2) The room to establish new industrial parks by 2025 is still quite large, (3) Accelerated transport infrastructure projects will solve the bottleneck of "logistics" to directly support the industrial real estate Sector • Challenges: (1) Limited new supply causes industrial park rents to continue to rise, (2) The application of the global minimum tax policy may affect the attraction of foreign investment in Vietnam, (3) The level of competition to attract FDI is increasing among countries in the region. • BSC makes POSITIVE recommendations for the Industrial Park Real Estate Sector in Q4.2023 and 2024. 	KBC, IDC, SZC
<u>Seaport</u>	Positive	<ul style="list-style-type: none"> • In Q3 2023, the Sector's container volume is estimated at 6,108 million TEUs (-1% YoY, -2% QoQ). Compared to Q2 2023, the Sector's container volume is -2% QoQ due to the gloomy global economy, aggregate consumer demand has not recovered. • Compared to the previous report, BSC maintains its POSITIVE recommendation for the seaport Sector thanks to the recovery of demand in major economies in 2H2023. 	GMD, VSC
<u>Oil transport</u>	Positive	<ul style="list-style-type: none"> • At the end of Q3 2023, oil freight rates remain anchored at high levels due to (1) disruptions in the oil supply chain in Europe, (2) low supply of oil tankers. However, in 2H.2023, the oil transport group may not record strong growth over the same period due to the high background of ship prices in 2H.2022. • In 2023, BSC holds a POSITIVE view for the Oil Transport Group (PVT) as freight rates remain high due to vessel supply constraints. 	PVT
<u>Chemical</u>	Positive	<ul style="list-style-type: none"> • Some chemical prices rebound in Q3 2023 driven by: (1) improved demand and (2) rising energy prices • BSC maintains a POSITIVE view on the chemical Sector for the rest of 2023 and 2024 due to expectations that prices of chemicals will continue to recover in late 2023 and 2024. 	DGC, CSV
<u>Information Technology</u>	Positive	<ul style="list-style-type: none"> • 9M.2023, IT Sector revenue = VND 2.3 million billion (-2% yoy), the decline comes from declining electronics hardware exports. Meanwhile, the software export segment maintained positive results, as FPT recorded 	FPT, CTR

		<p>revenue in overseas markets 8M.2023 +30.4% yoy thanks to positive results in the Japanese market +41% yoy.</p> <ul style="list-style-type: none"> Looking for Q4 2023 and 2024, BSC said that the outlook of listed companies in the Technology and Telecommunications Sector is positive thanks to (i) high IT demand in Japan, APAC and recovery in the US (ii) the trend of investment in intelligent transportation systems (ITS) at highways and (iii) the development of 4G networks, 5G. We continue to maintain a POSITIVE view on the Information Technology – Post and Telecommunications Sector Q4.2023 and 2024. 	
<u>Petroleum</u>	Positive	<ul style="list-style-type: none"> Oil prices tend to bounce back and hover around \$90 per barrel, due to the trend of tightening supply and escalating tensions between countries. The ongoing trend of tightening supply may be the driving force for oil prices to remain high in the near future. The Block B – O Mon project series will soon be implemented in the near future. The successful trial of Thi Vai LNG terminal will open up the trend of LNG investment in the medium and long term BSC holds a POSITIVE view on the oil and gas Sector group. 	PVD, PVS, GAS, BSR, PLX
<u>Airline services</u>	Positive	<ul style="list-style-type: none"> Total passenger volume through airports and air freight recorded signs of recovery in Q3/2023. 	ACV, SCS
<u>Air transport</u>	Neutral	<ul style="list-style-type: none"> Business performance in Q3 2023 is expected to recover compared to the previous quarter. However, it is difficult for the air transport Sector group to maintain a positive trend until the end of 2023. BSC maintains its POSITIVE recommendation for the air services group and NEUTRAL for the air transport group in 2023. 	HVN, VJC
<u>Bank</u>	Neutral	<ul style="list-style-type: none"> System-wide credit may accelerate in the last months of the year. BSC maintained its 2023F credit growth forecast of around 12% and improved to 13-14% in 2024F. Asset quality gradually improved thanks to increased appropriation and strong debt settlement. The peak cost of capital helps ease pressure on NIM, but output rates are also under downward pressure to stimulate credit demand. Sector-wide earnings are only expected to get better from 4Q23, supported by a low base over the same period. BSC forecasts NPAT tracking banks to grow only 4% YoY in 2023F but 21% YoY growth in 2024F. BSC lowered its recommendation to NEUTRAL for the banking sector for the rest of 2023, however gave a POSITIVE view when looking at the 2024 outlook based on key theses: (1) enhancing provisions and handling bad debts in 2023 will alleviate credit cost pressures in 2024 and potentially unlock profit recognition from debt recovery, (2) the low interest rate environment is expected to remain in 2024 creating room for NIM to recover, thereby helping (3) business results to create a bottom after 2023, profit growth in 2024 becomes more positive, while (4) the Sector's valuation is still at a suitable level for accumulation. Besides, we expect the growth of KQKD in 4Q23 over the same period to improve market sentiment. 	BID, MBB, TCB, STB
<u>Commercial Real Estate</u>	Neutral	<ul style="list-style-type: none"> New supply is still limited, focusing on high-rise products, mid-end segments in inner city areas combined with stimulus programs applied by most investors. Thereby, absorption capacity continues to maintain an improvement trend from 2Q2023. 	VRE, VHM, DXG, NLG,

- The maturing corporate bond value focuses on T12/2023 -T3/2024, but liquidity pressure is no longer so "pessimistic" as in the early 2023 period thanks to Decree 08/ND-CP. KDH, IJC
- However, Decree 08/ND-CP and Circular 02/2023/TT-NHNN are only temporary solutions. The key to overcoming challenges must come from (1) the core business foundation of the business and (2) the Government's support in promptly completing the legal corridor, creating a transparent and healthy environment for the real estate sector.
- The expectation of a "reversal" is clearer in 2024 when the legal corridor is finalized by the Housing Law (amended) and the Land Law (amended).
- Capital sources are gradually opened thanks to (1) an attractive interest rate environment, along with smooth project legislation to help (2) the implementation and sales recovery and (3) the bond capital raising channel has a signal of "restart"
- BSC maintains a NEUTRAL stance on the Commercial Real Estate Sector in 2024 as the two biggest bottlenecks are removed (1) project legal and (2) funding.

<u>Steel</u>	Neutral	<ul style="list-style-type: none"> • In Q3 2023, total steel consumption is estimated at 6 million tonnes (+6% YoY, +0% QoQ). In Q4, BSC assumed that (1) export volume has peaked and gradually decreased in Q4, (2) domestic output is still less satisfactory. • Steel prices have remained in a downtrend since April due to (1) weak domestic purchasing power, (2) competition from Chinese steel. In Q4 2023, BSC believes that domestic steel prices will still be under slight downward pressure due to (1) domestic demand is still weak, while (2) export channels are weakening towards the end of the year, (3) Vietnamese steel is still subject to competition from China. • Gross profit margin of steel enterprises continued to improve in Q3 2023 due to low input material prices. • Risks: (1) Great competition with Chinese steel, (2) countries adopt anti-dumping policies. 	HPG, HSG
Construction	Neutral	<ul style="list-style-type: none"> • Disbursement of public investment capital in 9M.2023 reached VND 388,559 billion – the highest level in history; • The construction progress of the North-South expressway project phase 1 & 2 is still ensured; • Long Thanh Airport will be a growth engine for construction and installation enterprises in the period of 2024-2026; • Large backlog volume ensures revenue sources for infrastructure construction businesses in the period of 2024-2026; • The profit margin of infrastructure construction enterprises is forecasted to improve in the coming period; • The need for government infrastructure investment until 2025 is still very large; • The number of newly licensed and ongoing real estate projects remains low, which is an indicator of a decline in the construction volume of civil construction enterprises; • The real estate market expects recovery in Q4 2023-2024 to minimize difficulties for construction contractors; • BSC makes POSITIVE recommendations for the Infrastructure Construction Sector and NEUTRAL for the Civil Construction Sector in Q3.2023-2024. 	HHV, CTD, LCG

<u>Breed</u>	Neutral	<ul style="list-style-type: none"> Q3/2023 earnings estimate records recovery momentum after 1H/2023 profit bottom Q4/2023 business performance continues to face challenges from weak demand despite seasonal characteristics, so there will be a divergence in business results for each business due to the background level of business performance in the same period. BSC maintains its NEUTRAL recommendation for the livestock Sector in 2023. 	DBC
<u>Automobile</u>	Neutral	<ul style="list-style-type: none"> In the first 9 months of 2023, automobile sales volume of the whole market reached 190,098 units, down -28% over the same period. Net profit of automobile enterprises decreased sharply over the same period due to: (1) Reduced market demand and (2) Interest rates remained high; BSC maintains a NEUTRAL stance on the Automotive Sector in 2023 due to: automobile sales are expected to decelerate due to high background levels in 2022. 	VEA
<u>Fertilizer</u>	Neutral	<ul style="list-style-type: none"> Domestic production and average selling price of Urea recover in Q3/2023; China restricts urea exports and India increases imports as the driving force for Urea to continue to anchor prices in the current region and continue to increase as it enters the peak season; BSC maintains a NEUTRAL stance towards the Fertilizer Sector for the remainder of 2023 and 2024. 	DPM, DCM
<u>Tyre</u>	Neutral	<ul style="list-style-type: none"> BSC believes that in 2023, tire business activities will be differentiated by: (1) competitiveness in the domestic market and the ability to promote export markets; (2) the ability to cut SG&A costs and (3) the ability to maintain operational efficiencies amid a resurgence in prices of some manufacturing materials. BSC maintains a NEUTRAL stance on the Tyre Sector in 2023. 	DRC
<u>Consumer - Retail</u>	Neutral	<ul style="list-style-type: none"> Consumer demand has not recorded a clear signal of recovery in Q3/2023: KQKD recorded better signals in Q3/2023 compared to the previous quarter, and the positive recovery trend from Q4/23, which was reflected in the share price movement. The potential to raise the valuation of listed retail enterprises in the medium term comes from the expectation of selling capital/M&A trends of business segments. BSC maintains its NEUTRAL recommendation for consumer retail results in 2023 and a more positive expectation for FMCG in 2024F. 	MWG, VNM, MSN, PNJ, DGW, FRT
<u>Fisheries</u>	Neutral	<ul style="list-style-type: none"> Accumulated 8M.2023, pangasius export turnover = 1.192 billion USD (-34% yoy), however, in T8 pangasius export output has had a positive recovery with the main motivation coming from the Chinese market, meanwhile, the US market declined due to a sharp drop in pangasius prices. Compared to the previous report, BSC maintains a NEUTRAL stance towards the pangasius Sector due to (1) pangasius export prices to the US have not clearly recovered, (2) prospects for recovery in Q4.2023 and 2024 (i) seasonal factors and (ii) improved consumption demand in China and the US. 	VHC, ANV
<u>Electricity</u>	Neutral	<ul style="list-style-type: none"> The Sector's commercial electricity output in Q3 2023 increased by +8.7% y-o-y, reaching 74.62 billion kWh. 	HND QTP, POW NT2,

		<ul style="list-style-type: none"> The El Niño cycle is the dominant weather phenomenon in 2023 and can be maintained into 2024, which is a positive signal for thermal power plants, especially gas-fired power plants. We maintain a NEUTRAL stance on the Power sector in 2023. 	REE, PC1
<u>Textile</u>	Neutral	<ul style="list-style-type: none"> In Q3.2023, textiles and garments reached a turnover of 9.3 billion USD (-11% yoy), the decline rate of textile and garment exports continued to narrow, thanks to improved order volumes compared to 1H.2023 when consumer demand is trending up again in the US market. Looking ahead to Q4 2023 and 2024, BSC expects textile and apparel order volumes to continue to improve thanks to (1) reduced inventory pressure, (2) the recovery of the US clothing retail market. We maintain a NEUTRAL stance on the textile Sector based on (1) continued narrowing of the decline and (2) the prospect of recovery in Q4 2023 and 2024. 	MSH, TNG
<u>Container Transport</u>	Poor	<ul style="list-style-type: none"> By the end of Q3 2023, Container freight rate indices continued to anchor at low levels. For Q4 2023, BSC maintains its view that container freight rates are forecast to decline by 71% yoy due to (1) excess ship supply and (2) low shipping demand. BSC maintains a POOR recommendation for Containe Shipping Group (HAH, PHP) due to (1) excess supply of vessels (2) low shipping demand (3) high-priced charter contracts end and shipping lines fail to sign new ones due to unimproved demand. 	HAH

SUMMARY OF RECOMMENDED STOCKS

Figure: Summary of recommended stocks 2023

CK Code	DTT 2023 (billion VND)	% YoY	LNST 2023 (billion VND)	% YoY	EPS 2023 (VND/sha re)	P/E fw	P/B fw	ROA 2023	ROE 2023	Day Price 03/11/ 2023	Target price	Up-side
FCN	3,833	26%	110	178%	676	18.5	0.7	1%	3%	12,900	19,000	47%
HHV	2,824	35%	300	14%	911	15.9	0.6	1%	3%	14,500	19,000	31%
LCG	3,240	222%	167	-13%	871	12.7	0.8	2%	6%	11,150	15,500	39%
CTD	18,335	26%	135	552%	1,711	42.3	0.5	1%	2%	57,500	73,700	28%
KBC	8,425	787%	2,693	76%	3,508	8.1	1.1	6%	11%	28,450	40,000	41%
GVR	22,825	-10%	2,783	-28%	696	26.6	1.4	3%	5%	18,500	25,000	35%
IDC	8,490	13%	2,004	13%	6,073	7.4	2.6	11%	29%	45,100	55,500	23%
PHR	1,571	-8%	494	-44%	3,648	12.3	1.7	8%	13%	44,800	62,000	38%
SZC	1,124	31%	375	90%	3,121	11.0	2.2	5%	20%	34,250	48,300	41%
HPG	111,115	-21%	5,626	-34%	968	25.9	1.4	3%	6%	25,100	26,000	4%
NKG	17,740	-23%	116	-193%	442	43.6	0.9	1%	2%	19,250	22,500	17%
HT1	7,051	-21%	9	-97%	23	506.6	0.9	0%	0%	11,750	14,000	19%
HSG	31,651	-36%	23	-91%	38	521.5	1.1	0%	0%	19,450	25,000	29%
IJC	1,941	-1%	491	-4%	1,477	6.5	0.5	7%	7%	12,650	21,700	72%
DXG	4,524	-18%	133	-38%	217	82.8	0.8	1%	1%	18,050	22,700	26%
NLG	4,965	14%	660	19%	1,699	18.6	1.3	3%	3%	32,000	46,100	44%
KDH	2,421	-17%	846	-23%	978	27.6	1.7	3%	3%	29,200	40,700	39%
VRE	8,972	22%	3,886	40%	1,506	14.3	1.5	8%	8%	24,400	36,200	48%
VHM	110,466	77%	33,445	16%	7,678	5.3	1.0	8%	8%	40,500	79,900	97%
VEA	4,350	-8%	7,105	-6%	5,347	7.0	1.8	25%	23%	37,400	45,000	20%
DGC	11,309	-22%	3,259	-41%	8,576	10.0	2.4	22%	24%	85,800	100,000	17%
CSV	1,482	-30%	272	-23%	6,154	5.9	1.1	17%	19%	36,450	48,000	32%
DPM	12,635	-32%	1,098	-80%	2,805	11.3	1.0	7%	10%	31,600	42,000	33%
DCM	12,047	-24%	1,039	-76%	1,916	14.9	1.4	7%	10%	29,300	36,000	23%
GAS	90,877	-10%	12,701	-14%	6,636	14.3	2.2	14%	19%	79,100	104,400	32%
PVD	5,844	8%	537	-622%	672	26.7	1.0	3%	4%	25,750	32,000	24%
PVS	19,684	20%	877	-1%	1,329	19.1	1.3	4%	7%	35,000	44,500	27%
PLC	8,228	-4%	185	58%	2,293	12.5	1.8	4%	14%	28,600	38,400	34%
PLX	283,117	-7%	4,152	186%	3,388	10.1	1.3	7%	16%	33,100	46,000	39%
BSR	145,795	-13%	7,567	-49%	2,440	7.6	1.0	9%	13%	18,600	24,600	32%

CK Code	DTT 2023 (billion VND)	% YoY	LNST 2023 (billion VND)	% YoY	EPS 2023 (VND/share)	P/E fw	P/B fw	ROA 2023	ROE 2023	Day Price 03/11/2023	Target price	Up-side
DRC	4,946	1%	244	-21%	2,007	10.9	1.4	9%	13%	22,400	28,600	28%
QTP	12,352	19%	612	-20%	1,360	10.1	1.0	8%	10%	13,800	17,000	23%
NT2	7,458	-15%	404	-54%	1,403	16.7	1.5	5%	9%	23,450	25,000	7%
HND	11,892	13%	488	-11%	976	14.1	1.1	7%	8%	13,800	16,000	16%
POW	30,482	8%	1,563	-24%	667	16.6	0.8	4%	7%	11,100	14,000	26%
PC1	8,689	4%	328	-29%	1,213	21.8	0.9	2%	6%	26,500	36,200	37%
REE	8,458	-10%	2,469	-8%	6,041	8.8	1.0	9%	16%	53,000	72,700	37%
SCS	671	-21%	486	-25%	5,008	12.2	0.6	29%	31%	63,000	72,030	14%
VHC	10,216	-23%	1,281	-35%	6,987	9.9	1.4	11%	15%	69,000	87,000	26%
ANV	4,604	-6%	76	-89%	590	48.0	1.2	1%	3%	27,400		
HAH	2,660	-17%	344	-58%	3,276	9.5	1.2	6%	10%	30,900	39,272	27%
VSC	1,777	-11%	143	-54%	1,073	22.9	1.0	2%	4%	24,600	28,500	16%
GMD	3,645	-6%	2,475	149%	2,860	8.0	2.1	7%	10%	65,000	75,800	17%
PVT	9,987	10%	1,043	22%	3,069	7.4	0.9	8%	14%	23,800	31,700	33%
PNJ	31,950	-6%	1,850	2%	5,142	13.1	2.6	13%	19%	73,800	95,600	30%
MWG	122,025	-9%	371	-91%	254	153.5	2.3	2%	5%	38,950	55,700	43%
DBC	12,875	11%	58	1017%	240	81.4	1.0	1%	3%	19,500	24,500	26%
MSN	82,876	9%	567	-84%	396	161.3	2.5	2%	7%	63,900	76,400	20%
VNM	61,441	2%	8,684	2%	3,740	16.8	4.5	18%	27%	70,000	84,900	21%
DGW	18,676	-15%	412	-40%	2,524	19.0	2.7	6%	15%	46,800	60,400	29%
QNS	10,193	23%	2,068	61%	5,561	8.0	2.0	16%	23%	46,600	58,300	25%
FPT	53,029	20%	6,404	21%	4,950	17.3	3.4	12%	21%	87,000	108,000	24%
CTR	10,913	16%	507	14%	4,501	17.5	4.3	8%	25%	77,500	95,000	23%
ELC	1,136	32%	104	232%	1,687	13.0	1.4	8%	10%	23,000	21,000	-9%
MSH	4,948	-10%	299	-20%	3,543	9.1	1.6	9%	16%	36,200	45,000	24%
TNG	6,945	3%	245	-16%	2,178	8.5	1.2	4%	14%	18,400	21,700	26%

Source: BSC Research

INFLUENCE OF MACRO FACTORS ON SECTORS

Figure: Influence of macro factors on Sectors

	Trade wars	Hamas-Israel tensions (Rising oil prices)	Fed Interest Rate Policy	EU recession	China stimulates the economy	CPTPP Agreement	CSs supporting the economy in the country
Ocean freight	(+/-)	(+/-)		(-)	(-)	(+)	
Real estate			(-)				(+)
Build			(-)				(+)
Cement					(-)		(+)
Textile	(+/-)	(-)		(-)		(+)	
Electricity		(-)					(+)
Resin		(-)					
Tire tubes	(+)				(-)		
Bank	(-)		(-)	(-)	(-)	(+)	(+)
Steel	(-)				(-)		(+)
Fisheries	(+)			(-)	(+)		
Petroleum		(+)			(+)		
Fertilizer		(-)			(-)		
Rubber		(+)			(-)		
Ceramic tiles		(-)					
Technology		(-)		(-)			
Seaport	(+/-)			(-)		(+)	
Aviation	(+/-)	(-)				(+)	
Automobile						(+)	(+)
Insurance	(-)						
Retail			(-)				(+)
Expend		(-)	(-)				(+)

Source: BSC Research

2023 EVENT CALENDAR (APPENDIX 1)

Figure: 2023 timeline events

Month	Day	Vietnam	Day	International
10	16	ETF: VN-Diamond announced	26	ECB: Meeting
10	20	DN: Deadline for Q3 financial statements box	31	FED: Meeting
10	19	Future VN30: Maturity		
10	March 10	VN: Central Party Conference 08		
11	6	ETF: Vn-Diamond structure	1	FED: Meeting
11	16	Future VN30: Maturity, ETF: iShares announced		
11	30	ETF: iShares structure		
11	March 11	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

POLICIES AFFECTING THE SECTOR IN 2023

Domestic and foreign macro information, as well as policies amended and supplemented with new regulations will have conflicting effects with many different degrees on the stock market in general and businesses in particular. BSC has listed important policies and events worth noting in 2022:













Unaffected:  Influencing:  Influenced: 

Figure: Important policies and events worth noting in 2023

STT	Policy and Macro Information Disclosures	Day effect	Influence	Impact	Status 10/25/2023
International Economic and Macro Policy					
Monetary policy					
1	Fed: tighten monetary policy, raise interest rates	03/05/2023	Negative	Very strong	
2	PBoC: CSTT eased with many support packages, but China's economy recovered unevenly.	Q2 2022	Positive	Weak	
3	ECB: maintain monetary tightening and fight inflation.	04/05/2023	Negative	Strong	
Regional Macro Policy					
1	OPEC cuts production several times a year to protect oil prices	2023	Interweaving	Strong	
Domestic Macro and Economic Policy					
Macro policy					
1	Promulgate Decree No. 65/2022/ND-CP amending and supplementing regulations on offering and trading individual corporate bonds in domestic and international markets.	16/09/2022	Interweaving	Strong	
2	Decision 1435/QĐ-TTg 2022 Establishing the Prime Minister's Working Group on reviewing, urging and guiding the removal of difficulties and obstacles in the implementation of real estate projects for localities and enterprises	17/11/2022	Positive	Average	
3	Resolution No. 30/2022/UBTVQH15: Reduction of environmental protection tax on gasoline, oil and lubricants	01/01/2023	Positive	Strong	
4	Decree 08/2023/ND-CP: Amending, supplementing and suspending the effect of a number of articles in Decrees regulating the offering and trading of individual corporate bonds in the domestic market and the offering of corporate bonds to the international market.	05/03/2023	Positive	Strong	
5	Resolution No. 33/NQ-CP on a number of solutions to dismantle and promote the safe, healthy and sustainable development of the real estate market	11/03/2023	Positive	Average	
6	Decree No. 10/2023/ND-CP: Supplementing Decrees guiding the Land Law	20/05/2023	Interweaving	Strong	

STT	Policy and Macro Information Disclosures	Day effect	Influence	Impact	Status 10/25/2023
7	Decree No. 44/2023/ND-CP stipulating the policy of reducing value-added tax according to Resolution No. 101/2023/QH15 dated June 24, 6, 2023 of the National Assembly	01/07/2023	Positive	Strong	✓
8	Decree 41/2023/ND-CP stipulates the rate of collection of registration fees for cars, trailers or semi-trailers towed by automobiles and vehicles similar to domestically manufactured and assembled cars	01/07/2023	Positive	Average	✓
9	Decree 24/2023/ND-CP stipulates base salaries for cadres, civil servants, public employees and the armed forces	01/07/2023	Positive	Average	✓
10	Circular 10/2023/TT-NHNN postponing the implementation of some provisions in Circular 06/2023/TT-NHNN regulations on lending purposes	01/09/2023	Positive	Strong	✓
11	Decision No. 377/QĐ-EVN v/v to increase the average electricity price	24/04/2023	Negative	Average	✓
Monetary policy					
1	Continue striving to reduce executive interest rates	2023	Positive	Strong	✓
2	SBV issues bills on OMOs to regulate exchange rates	Q3 2023	Interweaving	Strong	✓
3	Circular 02/2023-TT-NHNN v/v restructuring the debt repayment period and keeping the debt group intact	Q2 2023	Positive	Strong	✓
4	VND 120 trillion credit package for real estate and dismantling policies to facilitate the real estate market in the bond market	2023	Positive	Weak	✓
Securities Policy					
1	The regulator's efforts and the FTSE's evaluation process on upgrading Vietnam's stock market to a Secondary Emerging Market	2024-2025	Positive	Strong	✓
2	Apply the KRX stock trading system and step by step towards making T+0 trades	Q4/2023-Q1/2024	Positive	Strong	✓
3	The process of completing the central clearing system (CCP) and immediate solutions of regulators and market participants for Pre-Funding requirements	2024-2025	Positive	Strong	✓
4	Consider supplementing regulations on depository certificates, non-voting depository certificates (NVDR)	2024-2025	Positive	Strong	✓
5	Coordination between regulatory agencies in regulations on foreign ownership ratio limits	2024-2025	Positive	Strong	✓
6	Research to revise some indicators of VN30 index, deploy VN100 index contract products	2024-2025	Positive	Strong	✓

STT	Policy and Macro Information Disclosures	Day effect	Influence	Impact	Status 10/25/2023
7	Putting the individual corporate bond trading system into operation and mechanisms for supervision and sanctions	T06/2023	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	Are negotiate	Positive	Strong	✓

Source: BSC Research General

SECTOR OUTLOOK 2023

Sector group benefits amid cooling interest rates and policy reversal

INDUSTRIAL PARK ECTOR [POSITIVE]

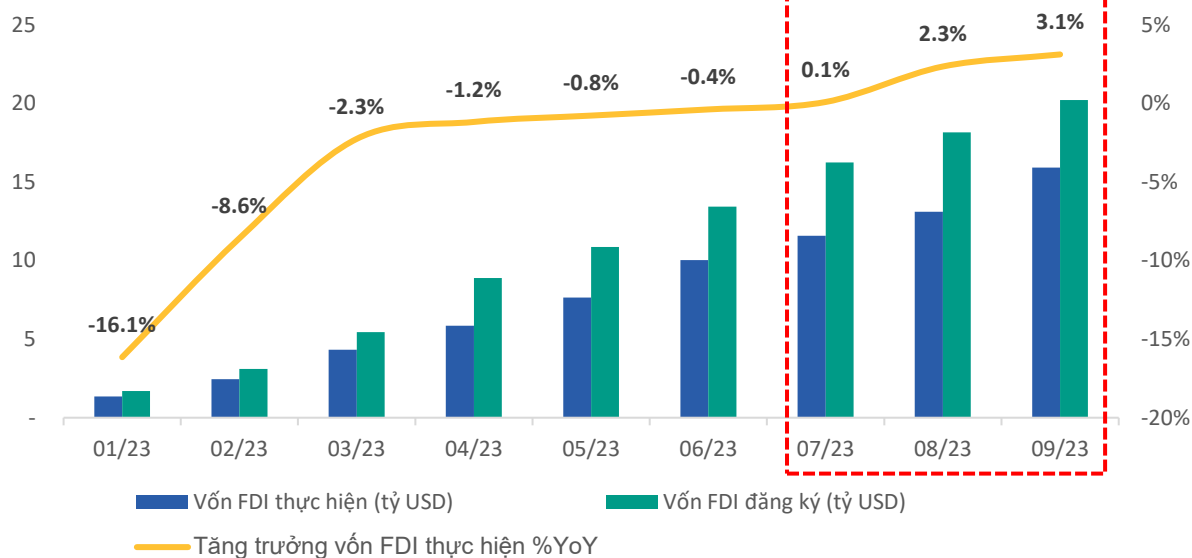
Analyst: Vu Xuan Truong

Email: truongvx@bsc.com.vn

- FDI inflows returned to growth momentum in Q3 2023. Accumulated in 9M.2023, registered FDI reached USD 20.2 billion (+7.8% yoy), realized FDI capital has started to increase over the same period, reaching USD 15.9 billion (+3.1% yoy);
- The shortage of supply caused the industrial park occupancy rate in the South and the North to increase to 90% (up +3 percentage points qoq) and 82% (up 2 percentage points qoq) respectively and the rental price of industrial park land increased to 187 USD/m²/lease term (+8% qoq) and 127 USD/m²/lease term (+3% qoq) for the South and North respectively;
- The trend of moving industrial zones to satellite provinces/cities of Hanoi and Ho Chi Minh City continues to continue;
- Outlook Q4.2023-2024: **(1)** The demand for industrial park land is forecasted to continue to be positive thanks to Vietnam signing many documents on economic and trade cooperation and upgrading relations with the world's leading economies, **(2)** The room to establish new industrial parks by 2025 is still quite large, **(3)** Accelerated transport infrastructure projects will solve the bottleneck of "logistics" to directly support the industrial real estate Sector
- Challenges: **(1)** Limited new supply causes industrial park rents to continue to rise, **(2)** The application of the global minimum tax policy may affect the attraction of foreign investment in Vietnam, **(3)** The level of competition to attract FDI is increasing among countries in the region.
- BSC makes **POSITIVE recommendations** for the Industrial Park Real Estate Sector in Q4.2023 and 2024.

FDI inflows returned to growth momentum in Q3 2023. According to the General Statistics Office, cumulatively in 9M.2023, total registered FDI reached USD 20.2 billion (+7.8% yoy), of which newly registered FDI increased by +43.6% yoy, share purchase contributed capital increased by +47% yoy, and registered FDI capital was adjusted down by -37.3% yoy. Besides, realized FDI has started to increase over the same period, reaching 15.9 billion USD (+3.1% yoy). This shows that the Government's policies to support the economy have gradually brought efficiency, helping foreign enterprises to disburse investment capital.

Form. FDI realized in Q3 2023 will start to increase over the same period



Source: GSO, Bloomberg, BSC Research synthesis.

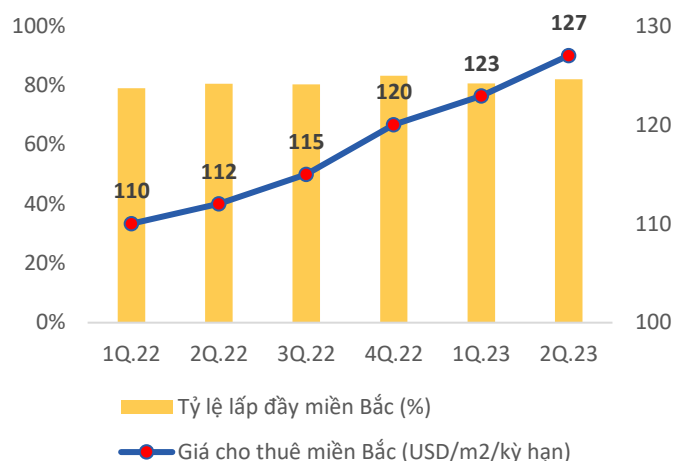
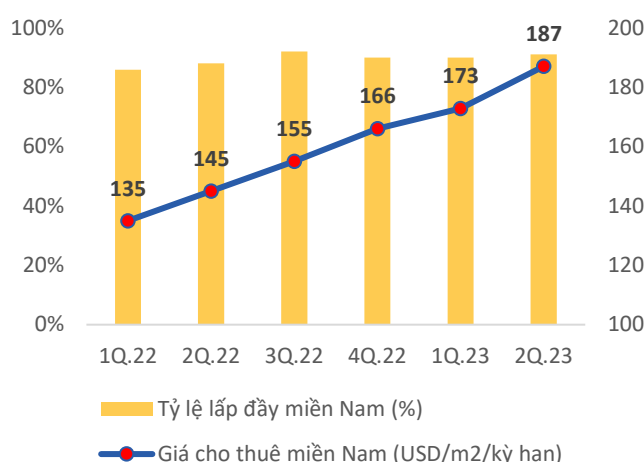
The shortage of supply makes rents and occupancy rates of industrial zones continue to increase. According to JLL, the total supply of industrial park land by the end of Q2.2023 will only increase by 0.53% ytd, reaching 36,400 hectares. This caused the industrial park occupancy rate in the South and North to increase to 90% (up +3 percentage points qoq) and 82% (up 2 percentage points qoq) respectively. The average rental price for industrial park land is 187 USD/m²/lease term (+8% qoq) for the South and 127 USD/m²/lease term (+3% qoq) for the Northern region.

The demand for industrial parks in the North grew more positively than in the South. According to CBRE, in 1H.2023, the absorbed area in the North will reach 386 hectares (+60% yoy, up +64% compared to the 5-year average), while the absorbed area in the South will reach 397 hectares (+20% yoy, down -14% compared to the 5-year average). BSC believes that the reason comes from **(1)** Limited supply and high rental prices in the South, **(2)** Northern Industrial Parks benefit from the trend of shifting production outside China thanks to its favorable geopolitical location, **(3)** Demand for land lease of electronics Sector, which is the strength of industrial zones in the North, continues to increase strongly since the end of 2022.

The trend of moving industrial zones to satellite provinces/cities of Hanoi and Ho Chi Minh City. Ho Chi Minh City continues to continue thanks to **(1)** Improved transport infrastructure helps reduce travel time between key economic regions and tier 2 market areas, **(2)** Land leasing costs as well as labor costs in tier 2 markets are not too high, **(3)** Abundant land fund provides more choices for tenants. BSC believes that this trend will bring benefits to businesses that have been developing projects in these secondary markets such as SIP with Tay Ninh Industrial Park (Tay Ninh), IDC with Cau Thousand Industrial Park (Thai Binh) or SZC with Chau Duc Industrial Park (Ba Ria – Vung Tau).

Industrial park supply is in short supply and rents are rising in the South

... making the demand for renting Northern Industrial Park grow more positively



Source: CBRE, BSC Research synthesis.

BSC maintains an optimistic outlook for the industrial real estate Sector in Q4.2023-2024 thanks to:

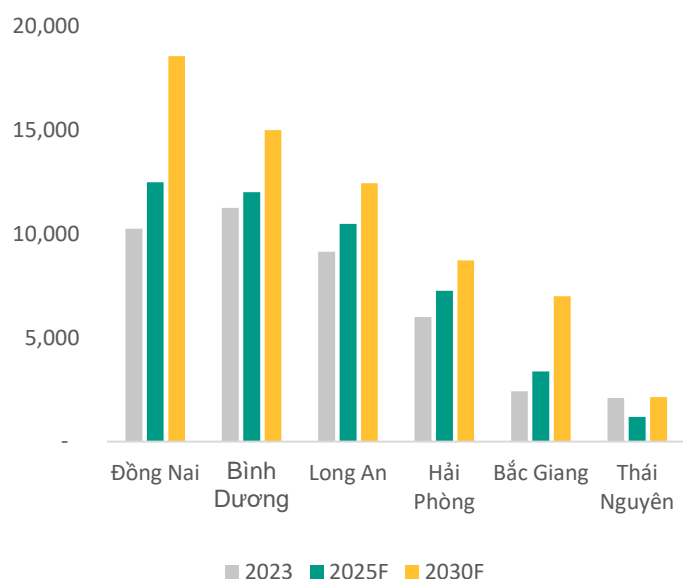
The demand for industrial park land is forecasted to continue to be positive thanks to Vietnam having (1) signed many documents on economic and trade cooperation and (2) Upgrading relations with the world's leading economies. Specifically, 17 bilateral cooperation documents were signed during the visit of the President of South Korea or in early September 2023, Vietnam and the US upgraded their relations to a comprehensive strategic partnership. Besides, according to BSC's updates, the fact that Japan and Vietnam are expected to raise their relations to a comprehensive strategic partnership and the Chinese prime minister's preparation to visit Vietnam in T11.2023, will continue to be catalysts to attract more FDI into Vietnam.

The room to establish a new industrial park until 2025 is still quite large. According to the Government's national land use plan in Decision 326/QĐ-TTg, the room for developing new industrial parks until 2025 in the North and South is about over 5,000 hectares. In particular, the provinces that are focused on expanding include Hai Phong, Bac Giang, Thai Nguyen in the North and Dong Nai, Long An and Binh Duong in the South.

Accelerated transport infrastructure projects will solve the "logistics" bottleneck to directly support the industrial real estate Sector. 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 in improving transport infrastructure with a series of public investment projects to help connect inter-provincial transport and shift production to non-central provinces such as North-South Expressway, 4th Ring Road - Hanoi, 3rd Ring Road - Ho Chi Minh City. Ho Chi Minh City, and seaport and airport projects are being planned and implemented.

Industrial park area according to national land use plans in some key provinces/cities (ha)

The North-South Expressway, one of many key traffic projects, is being accelerated



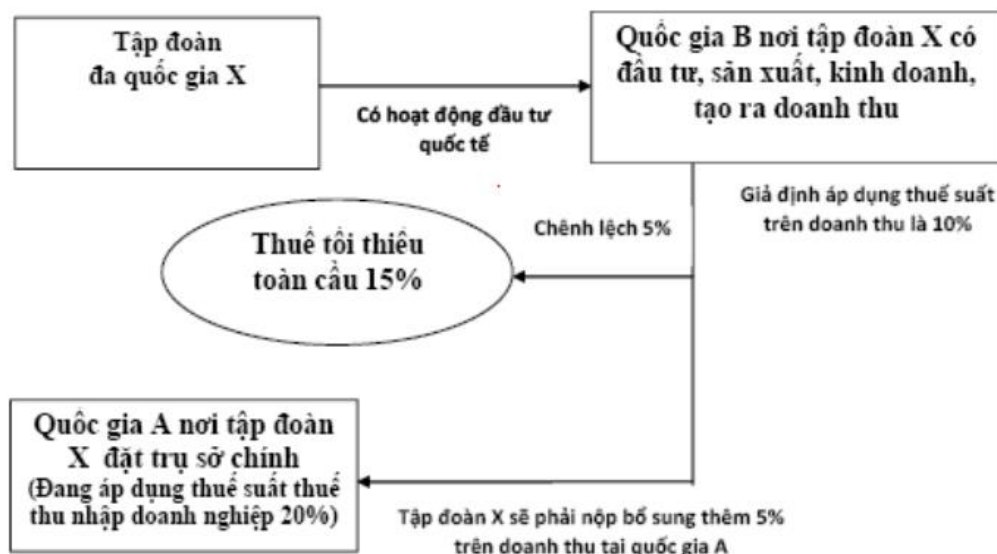
Source: QĐ 326/QĐ-TTg, BSC Research synthesis.

In addition to the positive outlook, some of the challenges that the industrial real estate Sector will need to handle in the near future include:

Limited new supply makes industrial park rents continue to increase. BSC believes that the shortage of industrial park supply comes from **(1)** The process of implementing new IPs is delayed due to overlapping legal procedures, **(2)** GPMB still has many obstacles, **(3)** The mechanism of conversion to industrial park land of each type of land is different, causing difficulties in implementation. Therefore, the average industrial park rental price in 2024 is estimated to continue to increase by 7-8% yoy. However, BSC assesses that this is an opportunity for enterprises owning large land banks ready for lease such as IDC or KBC.

The application of the global minimum tax policy may affect the attraction of foreign investment in Vietnam. From 2024, countries in the Organization for Economic Co-operation and Development (OECD), including Vietnam, will impose a minimum tax rate of 15% on companies with a revenue of EUR 750 million or more. Meanwhile, foreign enterprises are currently enjoying tax incentives at the rates of 5%-10%, in case they meet the conditions in priority areas, priority areas or large investment scale. Therefore, BSC assesses that this tax policy will be able to affect the attraction of FDI, but the impact will not be much because **(1)** Tax incentives are not the leading factor in choosing investment locations of FDI enterprises, **(2)** The Government is researching other incentives to deduct from the tax obligations of enterprises such as "Support the cost of training human resources"; "Develop a plan for the implementation of monetary grants".

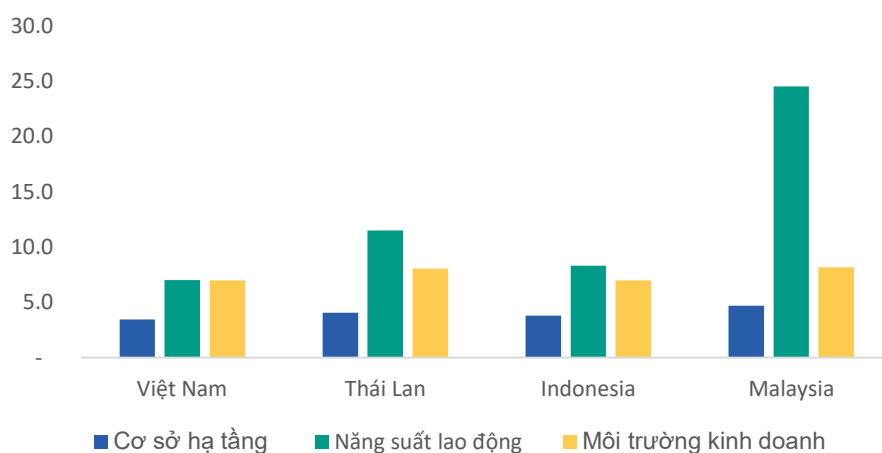
Form. How the global minimum tax works



Source: BSC Research synthesis.

The level of competition to attract FDI is increasing among countries in the region. In the context that ASEAN is emerging as an attractive destination for manufacturers of electronic components and semiconductors, Vietnam also needs to improve its attractiveness to compete with other competitors in the region. According to JLL, Vietnam is underperforming Thailand, Indonesia or Malaysia in indicators of infrastructure, labor productivity and business environment. However, FDI inflows into Vietnam still rank first in the ASEAN region.

Compare some factors attracting FDI on JLL's scale



Source: JLL, BSC Research synthesis.

INVESTMENT PERSPECTIVE – POSITIVE

BSC continues to maintain its **POSITIVE** recommendation for industrial park real estate Sectors in Q4.2023 - 2024 thanks to **(1)** IPs in Vietnam will still be an attractive destination for foreign businesses, **(2) Limited** supply and high demand are still factors that help industrial park rental prices remain high, **(3)** Improved transport infrastructure makes industrial zones far from the central economic region more accessible to FDI inflows. BSC makes **BUY recommendation** for industrial park enterprises with a large commercial land fund

ready for lease, rental prices are forecasted to remain high, and a healthy financial foundation including: **KBC, IDC, SZC**.

Estimated business results of some enterprises in the industrial park sector

Ticker	Net revenue 2023	% YoY	NPATMI 2023	% YoY	EPS 2023	P/E fwd	P/B fwd	ROA 2023	ROE 2023	Price 03/11/2023	Target price	Upside (%)
KBC	8,425	787%	2,693	76%	3,508	8.1	1.1	6%	11%	28,450	40,000	41%
GVR	22,825	-10%	2,783	-28%	696	26.6	1.4	3%	5%	18,500	23,000	24%
IDC	8,490	13%	2,004	13%	6,073	7.4	2.6	11%	29%	45,100	55,500	23%
PHR	1,571	-8%	494	-44%	3,648	12.3	1.7	8%	13%	44,800	62,000	38%
SZC	1,124	31%	375	90%	3,121	11.0	2.2	5%	20%	34,250	48,300	41%

Source: BSC Research

BANKING SECTOR [NEUTRAL]

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- System-wide credit may accelerate in the last months of the year. BSC maintains 2023F credit growth forecast of around 12% and improved to 13-14% in 2024F.
- Asset quality gradually improved thanks to increased provisioning and strong debt settlement. The peak cost of capital helps ease pressure on NIM, but output interest rates are also under downward pressure to stimulate credit demand.
- Accordingly, the sector-wide profit is only expected to be better from 4Q23, supported by the low base of the same period. BSC forecasts that NPAT of banks tracked will only grow 4% YoY in 2023F but will grow 21% YoY in 2024F.
- BSC lowers recommendation to **NEUTRAL** for the banking sector for the rest of 2023, however gives a **POSITIVE view** when looking at the outlook for 2024 based on key theses: **(1)** Strengthen provisioning and handling of bad debts in 2023, reduce pressure on credit costs in 2024 as well as open up the possibility of recording profits from debt recovery, **(2)** the low interest rate environment is expected to remain in 2024 creating room for NIM to recover, thereby helping **(3)** business results to create a bottom after 2023, while **(4)** the sector's valuation is still at a level suitable for accumulation. Besides, we expect the growth of business result in 4Q23 over the same period of the banking sector to improve market sentiment.

Credit demand is generally quite weak, but may gradually improve in the last months of the year.

Compared to the beginning of the year, credit growth of the whole system by the end of September 2023 will reach 6.9% YTD, up 1.6 percentage points compared to the end of August 2023 compared to the average increase of 0.7 percentage points in previous months, but still far from the SBV's target of about 13-14%. Looking back at history, we see credit cycles typically accelerating in the final months of the year, so this could be an early signal that credit growth will continue to accelerate in the remaining months of 2023. We also observed better signs of health in key sectors, which we expect credit demand to improve in the near future. Regarding the residential real estate market, according to data from VARS, the number of transactions in Q2/23 increased by more than 30% compared to Q1/23, showing the initial impact from the SBV's loosening monetary policy to help the lending interest rate gradually cool down. We have noticed that first-year preferential interest rates on home loans of large banks have started to fall faster in recent months, despite the lag compared to deposit rates (currently the 12-month deposit rate of the state-owned banks has returned below the bottom of the COVID-19 epidemic). This is expected to continue to bring positive impacts on the number of transactions in the real estate market in 2H23 and into 2024.

Figure: The absorption rate in the residential real estate market recovered slightly in Q2, showing a positive signal

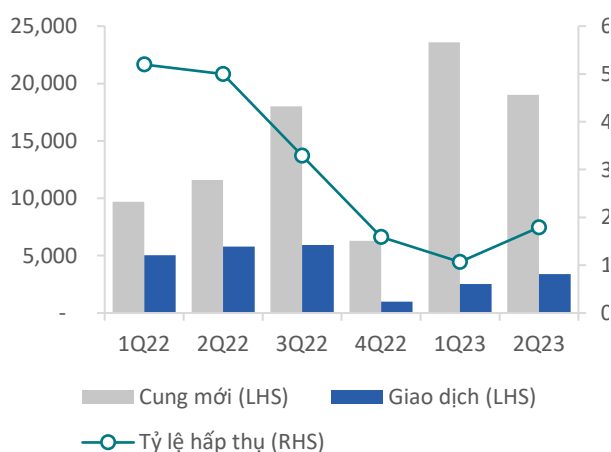
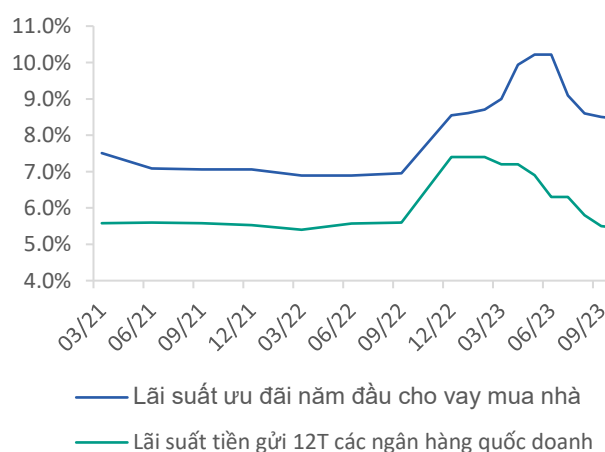


Figure: Preferential interest rates for the first year of home loans (on average for listed large banks) began to cool down faster



Source: VARS, batdongsan.com.vn, BSC Research

In addition, we expect year-end growth momentum to mainly come from the acceleration of fiscal policy through public disbursement, as monetary policy has been a strong tool used throughout the year. It is estimated that the total cumulative disbursement of 9M23 reached more than 363 trillion (+43.5% YoY) and completed more than 51% of the plan assigned by the Prime Minister. Vietnam's bond maturity pressure in the upcoming period of 2023-2029 is relatively moderate while capital costs are low (10-year bond yield has returned to 3%, down ~2 percentage points compared to the beginning of the year), so the Government will have more room to further promote public investment disbursement in Q4/23 and 2024. In the baseline scenario, we assume the 2023 public disbursement results will complete about 75% of the assigned plan, equivalent to a disbursement of nearly 530 trillion (+22% YoY).

Figure: The amount of corporate bonds maturing in the period of 2023-2029 is not too large (unit: trillion dong) ...

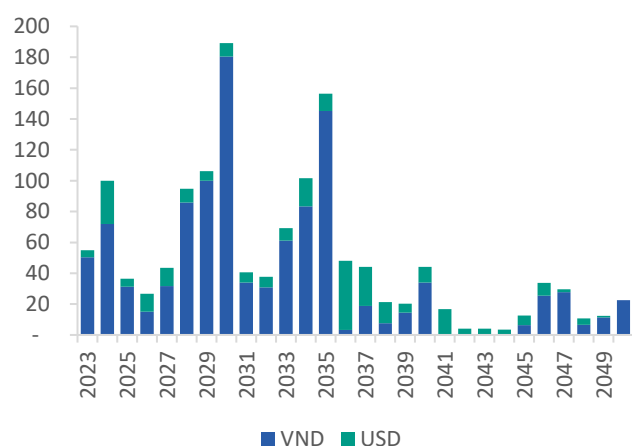
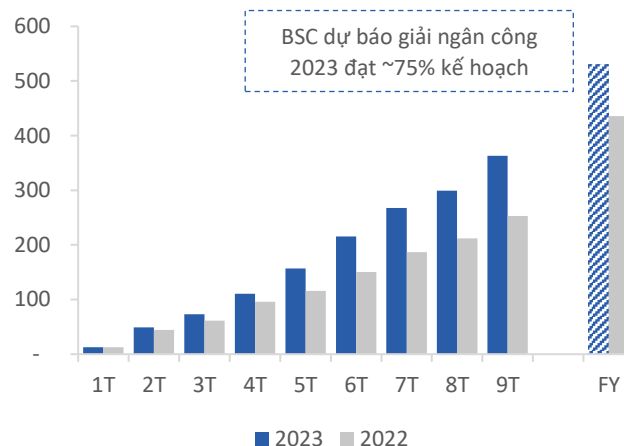


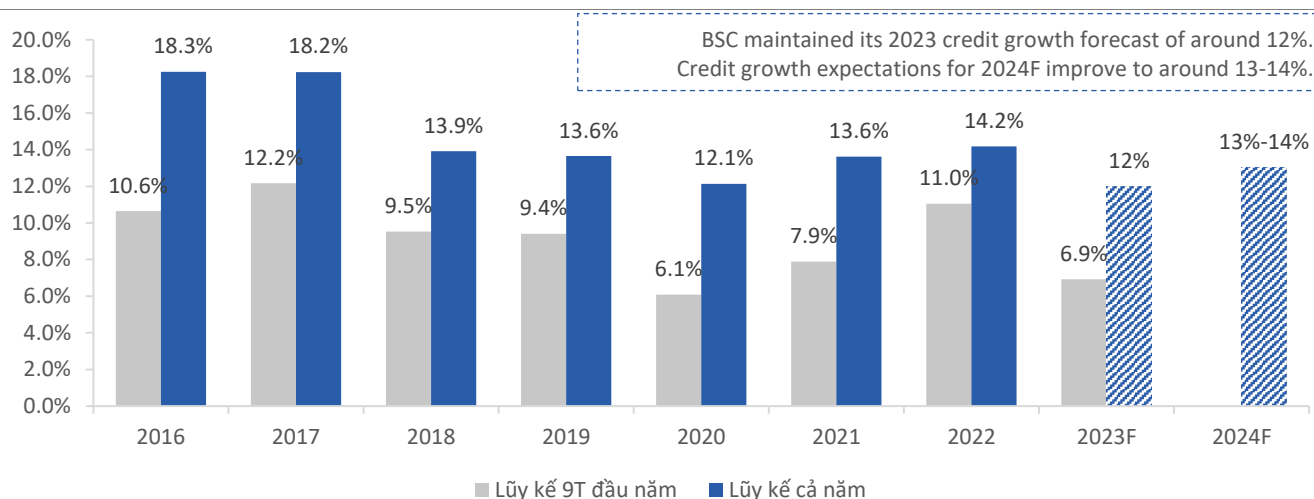
Figure: ... create room to promote fiscal policy more strongly in the last months of 2023 (unit: trillion dong)



Source: VBMA, MoF, BSC Research

Looking back at the history from 2016 to present (after the Banking Sector started to have more specific regulations on risk management such as Circular 41 amending Circular 36 of the SBV), we see that the weak credit growth trend in the first months of the year is often followed by a strong acceleration at the end of the year.

Figure: History shows that weak credit growth at the beginning of the year is often followed by a strong acceleration in the end of the year



Source: SBV, BSC Research

With the expectation that the outlook of the economy gradually becomes better by the end of the year, BSC continues to maintain credit growth forecast for the whole year 2023 of about 12%, equivalent to a growth of 4.8% compared to the credit balance at the end of September 2023, which is currently growing about 6.9% compared to the beginning of the year. **Looking ahead to 2024, we expect credit growth of the whole economy to improve about 13-14%** with the expectation that (1) loose monetary policy will continue to be maintained, (2) the scale of public investment disbursement will increase thanks to the relatively low cost of capital and maturity pressure of Vietnam's government debt, and (3) the real estate market gradually warms. The main risks affecting our forecast include: (1) increasing inflation risks from gasoline prices, public service prices and (2) exchange rate pressure limits the room to maintain loose monetary policy, (3) risks of a slower-than-expected economic recovery due to weakness in international markets and other countries. geopolitical instability, (3) slower than expected disbursement of public investment.

In addition, the outstanding restructuring debt under Circular 02 as of the end of July 2023 is only about VND 96.0 trillion (only 0.8% of the credit balance of the whole system), so we believe that the pressure on asset quality and credit costs of the Banking Sector from restructured debts will not be too significant in the coming period when the Circular 02 expires on June 30, 2024. Overall, we expect the improving trend of asset quality in 4Q23 and to maintain into 2024 when the health of the business gradually recovers.

NIM is expected to recover slowly in 2023 as output interest rates come under downward pressure despite the peak in capital costs.

With the downward trend of deposit interest rates (especially 12T deposits of state-owned banks currently have an average of 5.3%, equivalent to the bottom of the COVID-19 epidemic period), banks' mobilization costs are forecast to continue to decline in the last months of 2023. We also expect the sector-wide CASA ratio to remain on a recovery trend compared to the previous quarter.

However, we believe that NIM of the whole sector is unlikely to bounce back strongly at the end of 2023 when (1) credit demand in the economy is still quite weak, from which (2) banks are under pressure to reduce output interest rates to stimulate growth. Data from the SBV shows that the average lending interest rate of banks has decreased by about 1.5-2.0 percentage points YTD compared to the beginning of the year, and has completed the reduction level expected by the SBV for the whole year.

Besides, we see that the entire banking sector tends to increase the issuance of valuable papers (usually medium and long-term bonds) in 9M23, thereby slowing down the decline in capital costs. We believe that this is an action of the SBV to improve the ratio of short-term capital sources for medium and long-term loans when the regulatory ceiling is adjusted from 34% to 30% from October 1, 2023 according to SBV's Circular 08/2020. According to data from the SBV by the end of August 2023, the ratio of short-term capital sources for medium and long-term loans of state-owned banks is at 24.7% while private banks are up to 39.1%. Therefore, BSC believes that private banks are under pressure to increase medium-long-term capital to meet the new regulation, which in turn also causes NIM to recover slowly.

Overall, we see that the pressure on the banking sector's NIM in 2H23 is not as great as in 1H23, although we expect NIM across the sector to have a clearer recovery in 2024 as low interest rates remain in place and the economy shows signs of recovery.

Figure: The value of bonds issued (unit: billion dong) from the beginning of the year until now is concentrated mainly in the banking sector ...

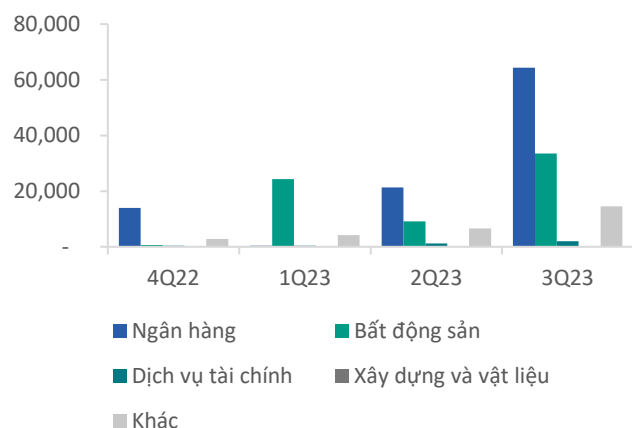
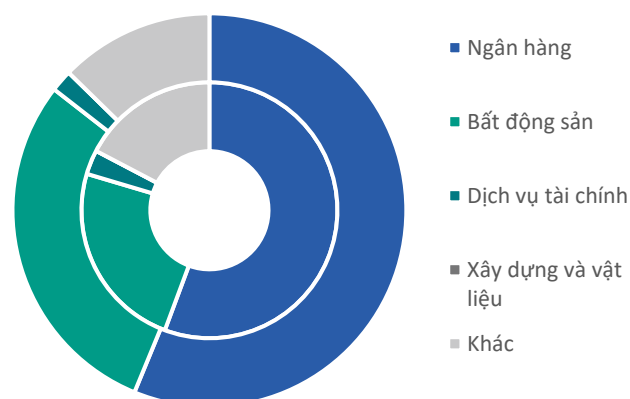


Figure: especially in 2Q23 and 3Q23 when the banking sector accounted for 56% of the total issuance value



Inner ring: 2Q23 – Outer ring: 3Q23

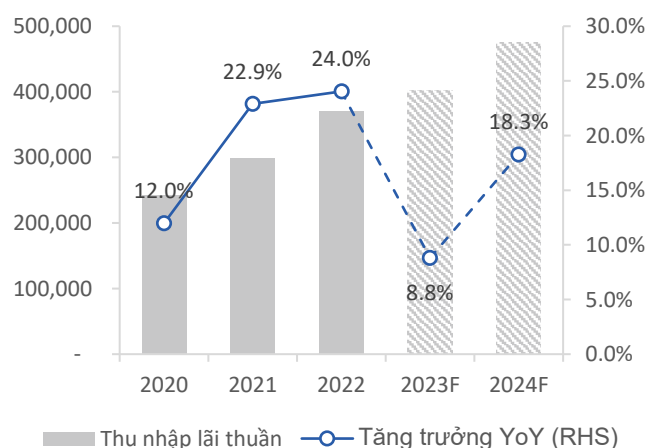
Source: Fiinpro, BSC Research

Sector-wide profits are expected to be better from Q4/23 and into 2024, supported by the same period low base.

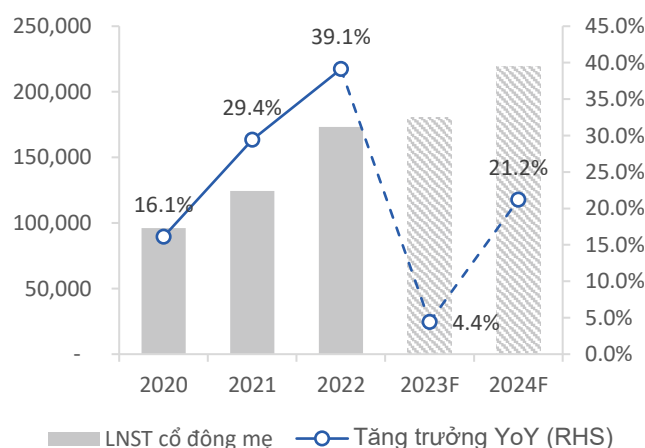
BSC estimates that 3Q23 EBT of tracking banks tends to decrease slightly compared to the previous quarter (-2.1% QoQ) but increase slightly compared to the same period last year (+2.3% YoY). The results have not improve as quickly as we expected mainly due to (1) credit growth was low and NIM has not improved too much, (2) non-interest income continued to grow weakly, and (3) most banks strengthened their buffers.

Looking ahead to Q4/23, we expect net interest income to be the main growth driver with expectations of improved NIM and cyclical acceleration of credit. However, we believe that credit cost pressures will not cool down in the short term, holding back the pace of profit recovery in 2023. Note that Q4/22 is the lowest base of the entire industry in the past 2 years, so we expect that growth in Q4/23 compared to the low base of the same period will help improve market sentiment. Looking ahead to 2024, we expect the banking sector to witness a strong profit recovery as the business environment becomes more favorable. **In the list we track, BSC forecasts banks NPAT to grow only ~4% YoY in 2023 but will grow ~21% YoY in 2024.**

Figure: Net interest income forecast 2024F with strong growth...



Form... creating momentum for NPAT 2024F recovery (unit: billion)



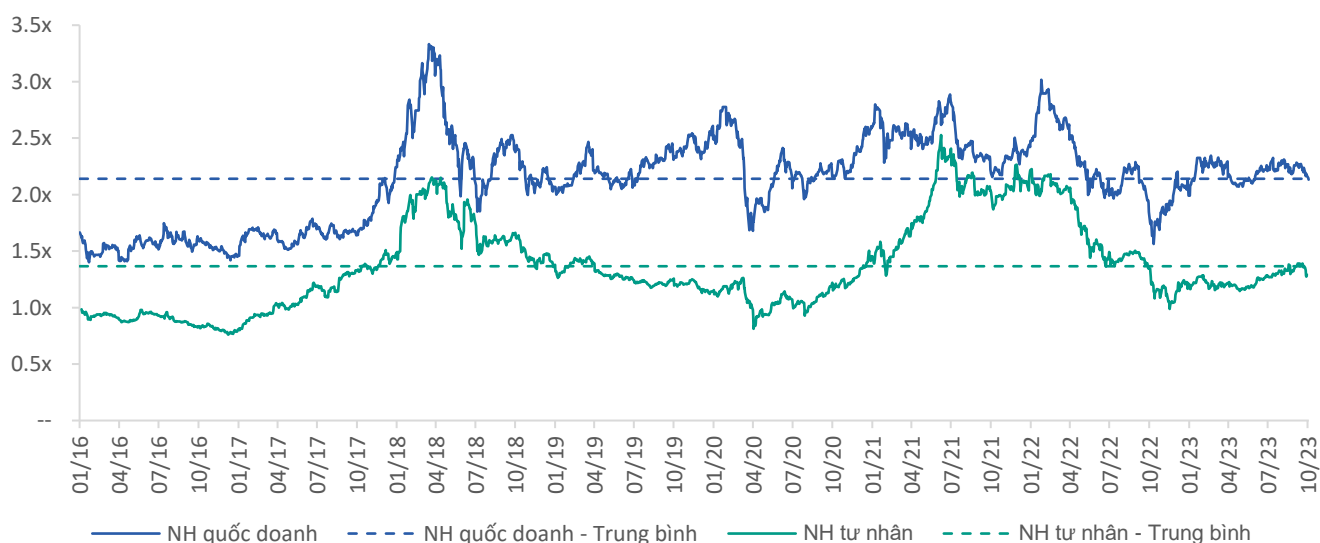
Source: BSC Research (based on banks we track)

Valuations remain at reasonable levels to accumulate for the next growth cycle.

The banking stocks on our watch list have seen an average price increase of about 18% as of October 20, 2023 (with the state-owned banks seeing an average price increase of 8% compared to 20% for the private group). This is still not a significant recovery compared to 2022 as concerns about credit growth and asset quality are still present. The sector's valuation has remained around the average since 2016, with an average P/B = 1.3x for the private group and 2.1x for the state-owned group. We think this is still the right level to consolidate with the prospect of earnings bottoming out after 2023 and recovering from 2024.

Therefore, BSC temporarily lowers recommendation to **NEUTRAL** on banking stocks considering the outlook for the rest of 2023, and gives a **POSITIVE** when looking at the outlook for 2024 based on: (1) strengthening provisioning and handling of bad debts in 2023 reduces credit cost pressure in 2024 as well as opening up the possibility of recording profits from debt recovery, (2) the low interest rate environment is expected to remain in 2024, creating room for NIM to recover, thereby helping (3) profit growth in 2024 become more positive, while (4) the sector's valuation is still at a level suitable for accumulation. In addition, we expect the growth of business results in 4Q23 over the same period of the banking sector to improve market sentiment.

Figure: Valuations of banks are still suitable for accumulation



Source: Bloomberg, BSC Research

COMMERCIAL REAL ESTATE SECTOR [NEUTRAL]

Analyst: Lam Viet

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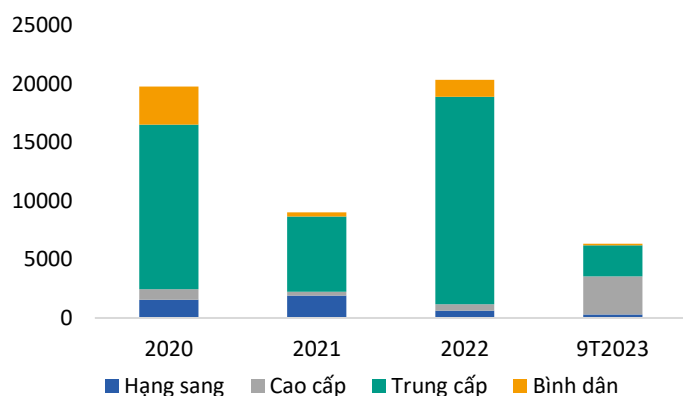
- New supply is still limited, focusing on high-rise products, mid-end segments in inner city areas combined with stimulus programs applied by most investors. Thereby, absorption capacity continues to maintain an improvement trend from 2Q2023.
- The maturing corporate bond value focuses on T12/2023 -T3/2024, but liquidity pressure is no longer so "pessimistic" as in the early 2023 period thanks to Decree 08/ND-CP.
- However, Decree 08/ND-CP and Circular 02/2023/TT-NHNN are only temporary solutions. The key to overcoming challenges must come from (1) the core business foundation of the business and (2) the Government's support in promptly completing the legal corridor, creating a transparent and healthy environment for the real estate sector.
- The expectation of a "reversal" is clearer in 2024 when the legal corridor is finalized by the Housing Law (amended) and the Land Law (amended).
- Capital resources are gradually being released thanks to (1) an attractive interest rate environment, along with smooth project legalities, helping (2) implementation and sales recover and (3) bond capital mobilization channel shows signs of "restarting"
- BSC maintains a **NEUTRAL** stance on the Commercial Real Estate Sector in 2024 as the two biggest bottlenecks are removed (1) project legal and (2) funding.

New supply is still limited but absorption continues to maintain an improvement trend thanks to (1) new products focusing on the high-rise segment in urban areas and (2) accelerated stimulus programs.

According to Cushman & Wakefield, HCMC market recorded new supply of 3,790 apartment products (+291% QoQ, -24% YoY), the bright spot is the return of the mid-end segment, accounting for 84% of total supply, mainly from The Glory Height, Akari... the absorption rate reached 42% with the selling price remaining stable. For the townhouse market, no new supply was recorded to be offered to the market, but the average primary selling price still maintained an upward trend (+8% QoQ, +19% YoY) due to (1) limited land fund, (2) existing products focusing on the high-end segment.

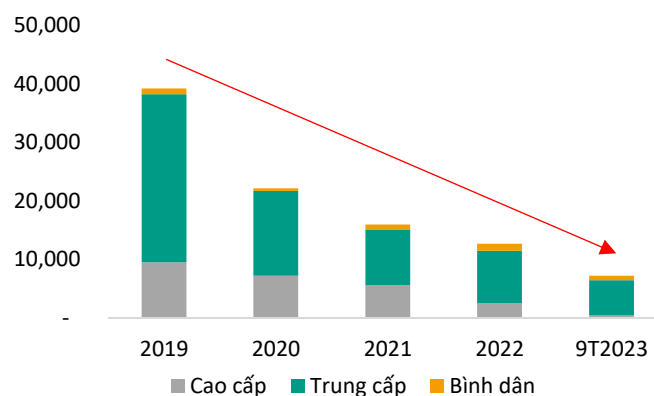
In Hanoi market, according to Savills, new supply reached 1,891 apartment products (-47% QoQ, -65% YoY), of which the mid-end segment accounted for 92% of the total supply but absorption was still weak (-16% QoQ, -42% YoY) and the average selling price reached 54 million VND/m² (+2% QoQ, +13% YoY). Similar to the HCMC market, Hanoi has no supply of new townhouses in 3Q2023.

Figure: Apartment supply in Ho Chi Minh City



Source: Cushman & Wakefield

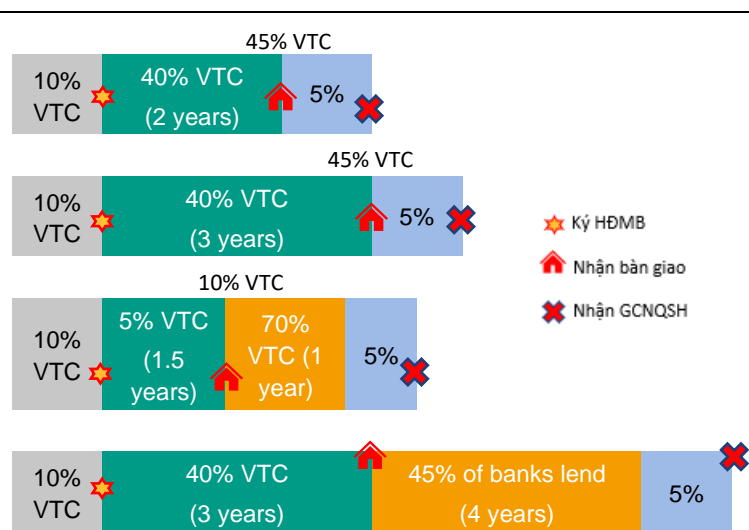
Figure: Apartment supply in Hanoi



Source: Savills

From mid-3Q2023, many investors make efforts to sell, fierce competition on policies and ways of selling such as extended payment period, schedule extension, the longest interest rate support policy up to 8 years (5 years after the handover date), the longest principal grace period up to 4 years. **We believe that the trend of applying preferential sales programs and open sale products to meet real demand will continue in the near future** in the context of home buyer sentiment is still cautious. New supply to the market will gradually be "untied" thanks to (1) demand recovery, (2) a clearer regulatory environment, especially in the Ho Chi Minh City area thanks to Resolution 98/2023/QH15.

Figure: The "stimulus" payment policy may affect profit margins in the short term but ensure absorption and cash flow



Source: Sales policy at Glory Heights and Vinhomes Sky Park

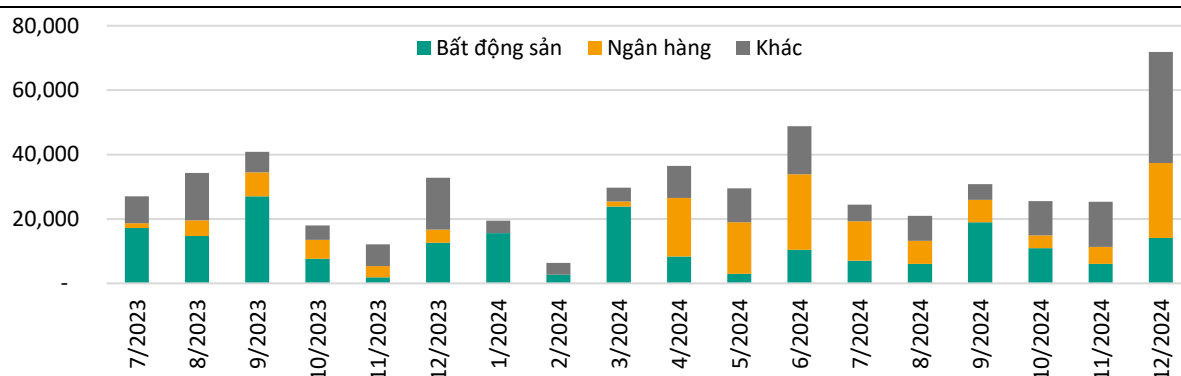
Figure: Preferential interest rates for commercial housing loans at banks range from 7.2-11.8%/year, at the end of the preferential period, interest rates fall between 10.5-15.5%/year.

Bank	Interest rate incentives	% Maximum Loan Rate	Maximum tenor	Amplitude
BIDV	7.8%	100	30 years	4.5%
Agribank	8.0%	100	5 years	3.0%
Vietinbank	8.2%	80	20 years	3.5%
Vietcombank	8.2%	70	20 years	3.5%
Sacombank	8.0%	100	30 years	3.5%
OCB	9.5%	100	30 years	4.4%
SHB	7.5%	75	25 years	N/A
HDBank	8.2%	85	25 years	4.5%
Techcombank	10.5%	70	35 years	3.0%
MSB	9.0%	90	35 years	3.5%
PVComBank	9.0%	85	20 years	4.3%
TPBank	8.5%	100	30 years	2.5%
VPBank	11.8%	75	25 years	3.0%

Source: batdongsan.com.vn

The maturing corporate bond value is focused on T12/2023-T3/2024, but liquidity pressure is no longer so "pessimistic" as in the early 2023 period thanks to Decree 08/ND-CP. According to statistics from Fiinrating and HNX, the total value of individual corporate bonds of the Real estate sector maturing in the rest of 2023 is at VND 22.2 trillion (accounting for more than 1/3 of the total outstanding bonds maturing in the whole market), the maturity fall point focuses on T12/2023-T3/2024. Payment extension/postponement negotiations between issuers and bondholders are still active in 3Q20. As of October 3, more than 50 organizations have reached agreements to extend bond maturities (VND 95,200 billion), 69 enterprises have delayed payment obligations (VND 176,100 billion).

Figure: Bond maturity pressure in the rest of 2023 and 2024, in which, the corporate bond maturity point of the Real estate sector is T12/2023 – T3/2024 (*)

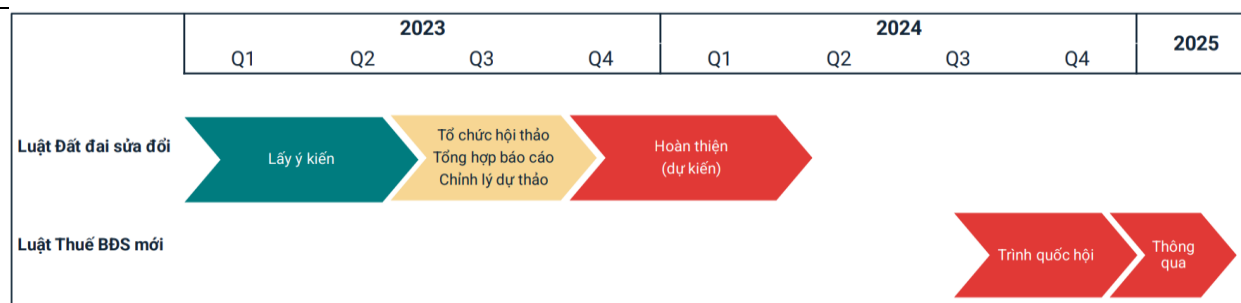


(*) Data updated to September 30, 2023, does not include bond values extended, postponed or late payment

Source: HNX, FiiRating, BSC Research

However, Decree 08/ND-CP and Circular 02/2023/TT-NHNN are only situational solutions. The policy temporarily eases difficulties of major loan maturity pressures in 2023-2024 but will return in 2025-2026 after the maximum 24 months allowed for debt rescheduling. Therefore, businesses must rely on deployment and sales capacity to relieve maturity pressure themselves. It should be noted that enterprises need about 1 year to complete the legal project since the legal environment is smooth, the procedures are clear. **Looking at the efforts of the Government in recent years, we believe that the legal corridor will soon be completed in 1H2024 and there may be more policies and circulars guiding in the near future.**

Figure: Law on Land, Law on Housing and Law on Real Estate Business are expected to be adjusted & completed in the near future



Source: Batdongsan.com, BSC Research

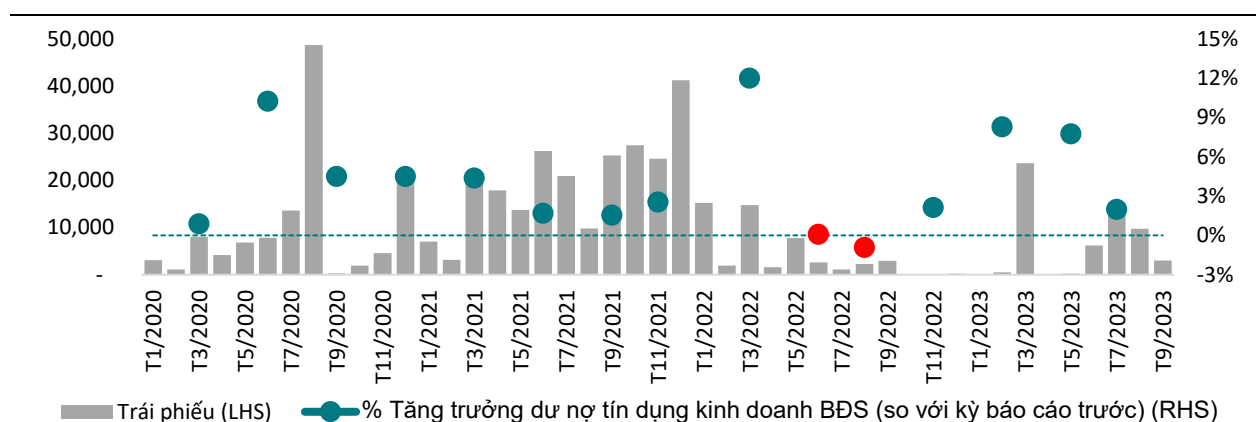
On October 13, 2023, the Prime Minister has just signed Public Power No. 965/CĐ-TTg to remove obstacles in the implementation of land management, use, land allocation and especially land valuation. Accordingly, the Prime Minister requested:

- The Ministry of Natural Resources and Environment urgently submits to the Government to consider promulgating a Decree amending and supplementing Decree No. 44/2014/ND-CP **related to land price determination** before October 25, 2023 and guides localities to implement the work.
- People's Committees of provinces and provincial cities focus on **directing land valuation and land price determination** under the direction of the Government in Resolution No. 73/NQ-CP.
- Relevant ministries and departments shall closely coordinate **and promptly guide localities to remove difficulties and obstacles related to the management, land use, land valuation, issuance of certificates to receive land use rights, ownership of houses and assets attached to land.**

We believe that this is an optimistic signal for real estate supply because according to the Ministry of Construction, problems in real estate projects with more than 50% come from inadequacies in determining land prices according to the market price method. Up to now, the surplus method in determining land prices is being prioritized and overcoming limitations, ensuring harmony between the State - budget revenues and enterprises - clear and transparent procedures. The overall profit margin of the sector tends to shrink in the near future, partly helping the market stabilize and avoid fever.

After the legal framework is completed, we believe that the capital to implement the project will be a vital factor for businesses. Capital sources are gradually opened thanks to (1) an attractive interest rate environment, along with smooth project legislation to help (2) the implementation and sales recovery and (3) the bond capital raising channel has a signal of "restart"

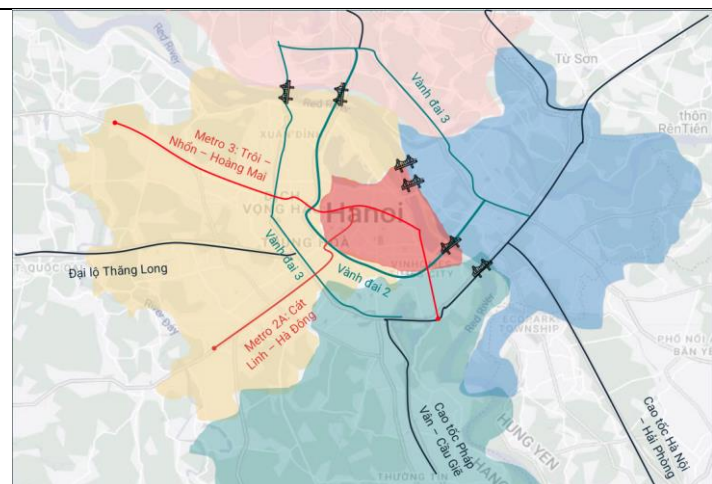
Figure: Capital mobilization through corporate bond and credit channels in the Real estate sector has a signal of "restart"



Source: HNX, VBMA, BSC Research

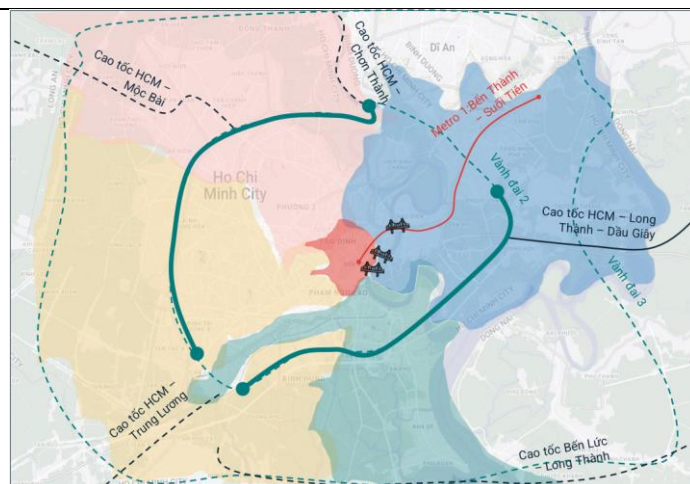
Connectivity infrastructure continues to be focused. In 9M2023, the Ministry of Transport has disbursed about VND 58,000 billion (2.15 times higher than the 2022 and reaching 61% of the year plan). As mentioned in [the Sector Outlook Report in early 2023](#), we expect synchronous development of transport connectivity to gradually pull real demand from inner cities (tier 1) to suburban areas (tier 1.5) and neighboring provinces/cities (tier 2), reducing pressure on big cities where the remaining land fund is very limited, thereby narrowing the "phase difference" between supply and demand.

Figure: Transport infrastructure will support the trend of population expansion in urban areas, thereby narrowing the supply-demand phase difference in Hanoi



Source: Batdongsan.com.vn

Figure: Transport infrastructure will support the trend of population expansion in urban areas, thereby narrowing the supply-demand phase difference in Ho Chi Minh City



Source: Batdongsan.com.vn

Opportunities still exist for businesses that can "survive" in the current context, will benefit from future public investment thanks to a sound financial foundation, appropriate implementation strategies and the ability to expand land banks at reasonable capital prices including VHM, NLG and KDH. **We believe that the supply of new launches will start to accelerate from the end of 2023 to early 2024 when (1) the regulatory environment is clear, (2) narrowing the "supply-demand" phase difference thanks to public investment and comprehensive restructuring of businesses as well as (3) more positive homebuyer sentiment.**

INVESTMENT PERSPECTIVE – NEUTRAL

We maintain a **NEUTRAL** for the real estate sector in 4Q2023-2024 when the sector has passed the most difficult period although supply cannot be "untied" immediately because there exists a certain policy "lag". We see some reversal signals coming from the Government's efforts to remove the two biggest "bottlenecks" (1) legal: the expectation that 4Q2023 and 1H2024 will be the policy implementation period after a series of amended laws, circulars and decrees are issued, (2) credit capital, bonds, interest rates are "loosened" as well as (3) the supply-demand phase difference is narrowed thanks to improved transport infrastructure.

Table: Estimation of some commercial real estate enterprises

CK 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 03/11/2023	Target price	Upside (%)
IJC	1,941	-1%	491	-4%	1,477	8.6	0.5	7%	7%	12,650	21,700	72%
DXG	4,524	-18%	133	-38%	217	83.2	0.8	1%	1%	18,050	22,700	26%
NLG	4,965	14%	660	19%	1,699	18.8	1.3	3%	3%	32,000	46,100	44%
KDH	2,421	-17%	846	-23%	978	29.9	1.7	3%	3%	29,200	40,700	39%
VRE	8,972	22%	3,886	40%	1,506	16.2	1.5	8%	8%	24,400	36,200	48%

VHM	110,466	77%	33,445	16%	7,678	5.3	1.0	8%	8%	40,500	97%
79,900											

Source: BSC Research

Sectors benefiting from public investment

STEEL [NEUTRAL]

Analyst: Pham Quang Minh

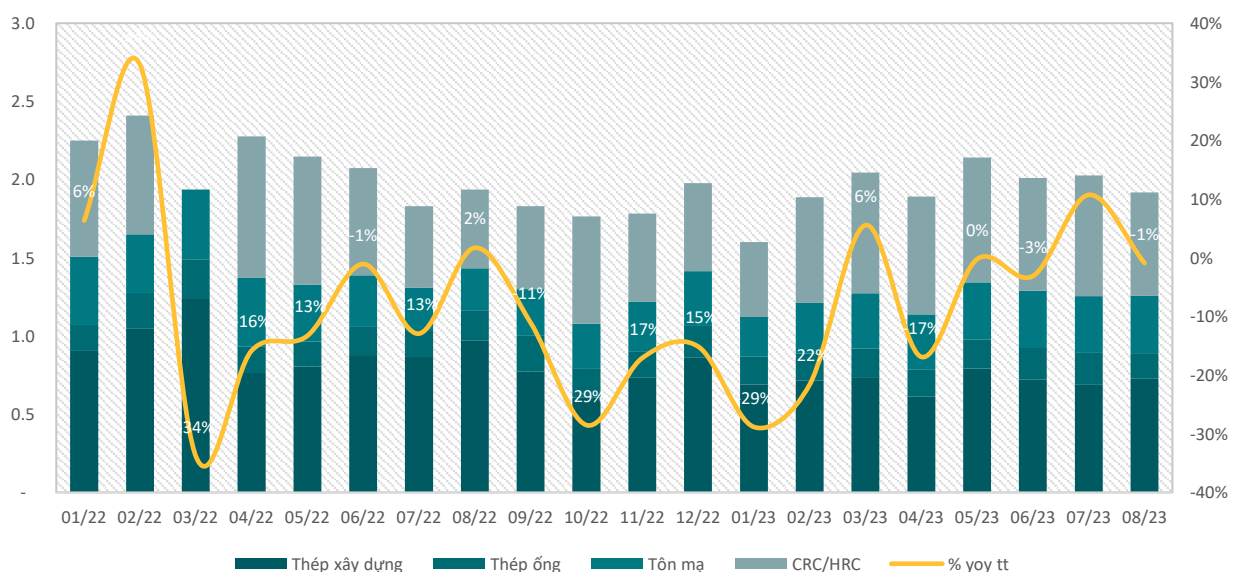
Email: minhphq@bsc.com.vn

- **In the third quarter of 2023, total steel consumption is estimated to reach 6 million tons (+6% YoY, +0% QoQ).** In the fourth quarter, BSC believes that (1) export output has peaked and gradually decreased in the fourth quarter, (2) domestic output is still low.
- **Steel prices have remained in a downward trend since April** due to (1) weak domestic purchasing power, (2) competition from Chinese steel. In the fourth quarter of 2023, BSC believes that domestic steel prices will still be under slight downward pressure because (1) domestic demand is still weak, while (2) export channels are gradually weakening towards the end of the year, (3) Vietnamese steel is still subject to competition from China.
- **Gross profit margins of steel enterprises continued to improve in the third quarter of 2023** due to low input material prices.
- **Risks:** (1) Big competition with Chinese steel, (2) countries applying anti-dumping policies.

In the third quarter of 2023, total steel consumption is estimated to reach 6 million tons (+6% YoY, +0% QoQ). Compared to the same period in 2022, steel output increases by + 6% yoy due to (1) low base level in 2022, (2) steel exports recover + 73% yoy. In the 4th quarter, BSC believes:

- **Export output peaked in July - August and will gradually decrease in the fourth quarter of 2023.** As mentioned in the previous report, BSC believes that the steel shortage situation in the EU and US is seasonal. With consumer demand still weak, the trend of re-importing goods from the EU and US will gradually decrease towards the end of the year.
- **Domestic output remains weak.** In September, there was still no sign of recovery in the steel sector. This is shown by (1) Factories are still forced to push steel export channels to compensate for domestic demand, (2) Steel enterprises have very limited ability to increase steel prices, even though production costs have decreased. Therefore, BSC believes that domestic demand will remain weak in Q4.

Figure: Steel consumption +6% YoY in Quarter 3.2023 due to export recovery and low base level in the same period



Source: BSC Research

Figure: Domestic steel consumption

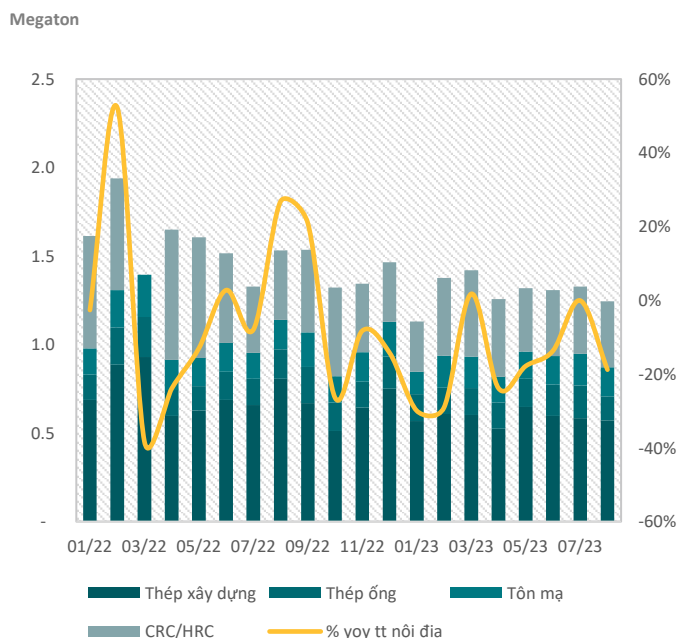
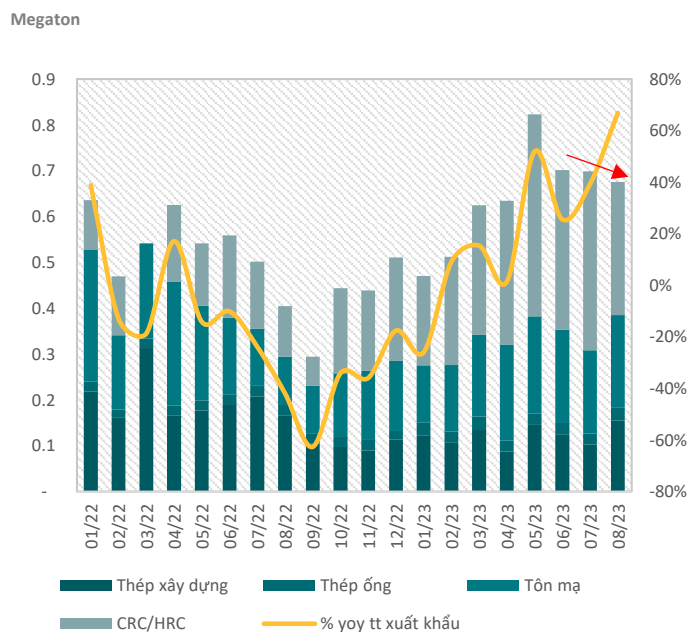


Figure: Steel export output



Source: BSC Research

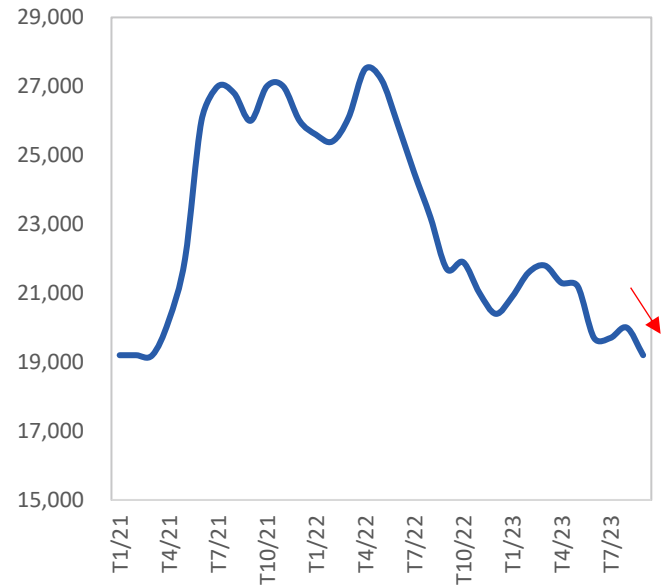
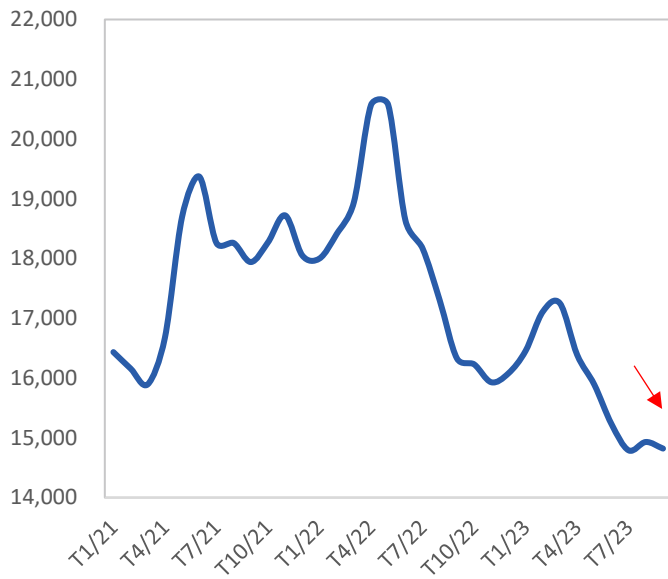
Steel prices have remained in a downward trend since April due to (1) weak domestic purchasing power, (2) competition from Chinese steel. In the fourth quarter of 2023, BSC believes that world steel prices will go sideways because steel prices have returned to the supply-demand balance zone. Meanwhile, domestic steel prices will still be under slight downward pressure because (1) domestic demand is still weak, while (2) export channels are weakening towards the end of the year, (3) Vietnamese steel is still subject to competition from China.

Figure: Construction steel price -6% QoQ/ -14% yoy in Quarter 3.2023

VND/kg

Figure: Steel pipe price -5% QoQ/-15% yoy in Quarter 3.2023

VND/kg



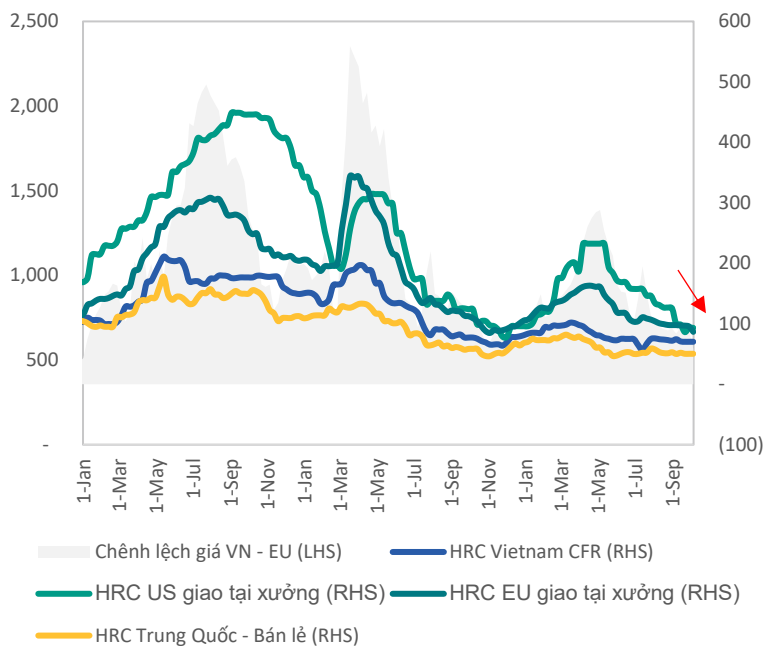
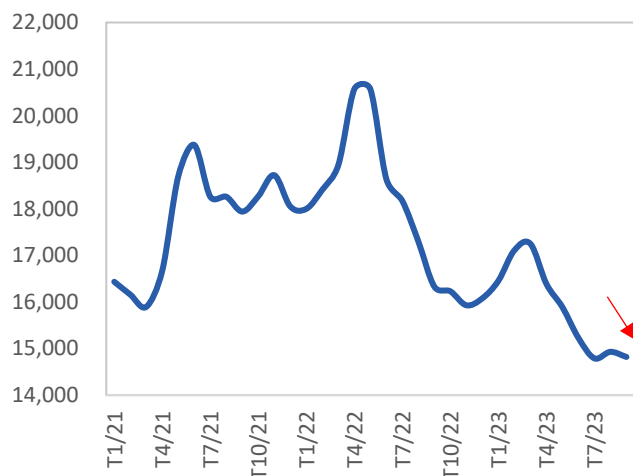
Source: BSC Research

Figure: Galvanized steel price -6% QoQ/ -13% YoY in Quarter 3.2023

VND/kg

Figure: HRC price – 8% QoQ/-12% YoY in Q3.2023

USD/ton

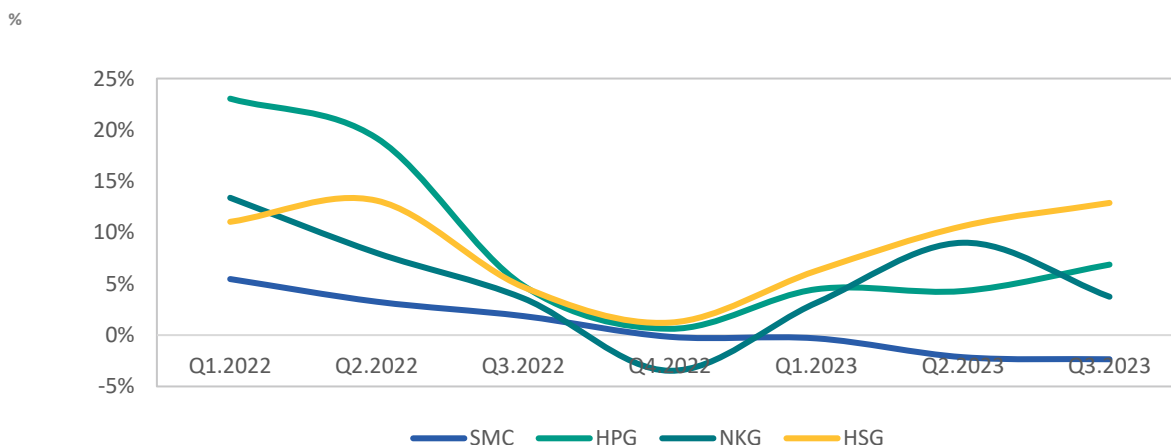


Source: BSC Research

Gross profit margins of steel enterprises are differentiated in the third quarter of 2023. The gross profit margin of HSG and HPG increased by 2.3-2.5 percentage points compared to the previous quarter due to the sharp decrease in input material prices at the end of Quarter 2. This is the basis for steel companies like HPG, HSG to have better cost of goods, while export volume remains at a high level. However, NKG's gross profit margin decreased by 5 percentage points mainly due to reduced export prices.

In the fourth quarter, BSC believes that the gross profit margin of steel enterprises will decrease due to high input costs, while domestic consumption has not improved.

Figure: Steel group gross profit margin continued to improve in Q3



Source: BSC Research

Risks: In Quarter 4 - Quarter 1, 2024, BSC believes that the steel sector will face 2 main risks:

- **High competition risk with Chinese steel.** In Q3, Vietnam increased imports of Chinese steel by +52% yoy due to cheaper prices. In case the Chinese economy recovers slowly, Chinese steel mills will still tend to push steel exports to neighboring markets, including Vietnam.

- **Risk of anti-dumping tax being imposed.** In 8M.2023, steel output of China and Vietnam +24% = 28% - among the largest steel exporting countries in the world. Currently, BSC sees some countries such as India, Malaysia. . . has launched a defense against its domestic steel. Therefore, there are similar risks for Vietnamese steel in the near future.

Figure: Steel import value from China to Vietnam + 52% yoy in Quarter 3.2023

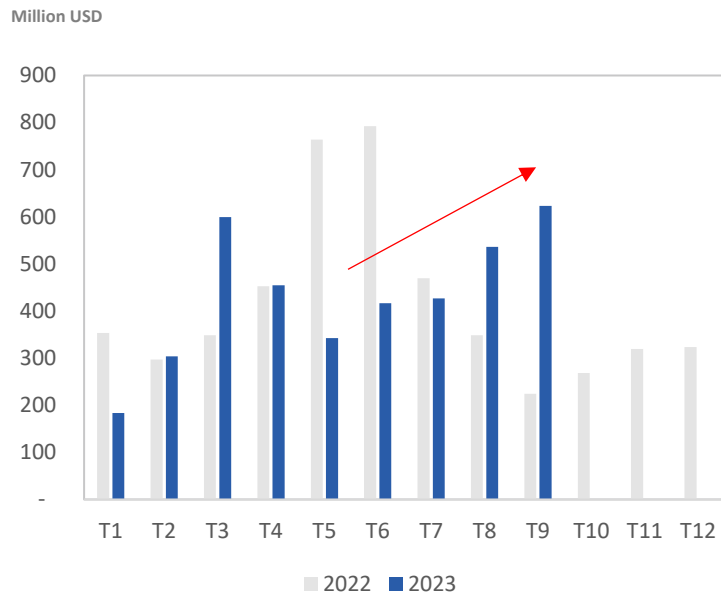
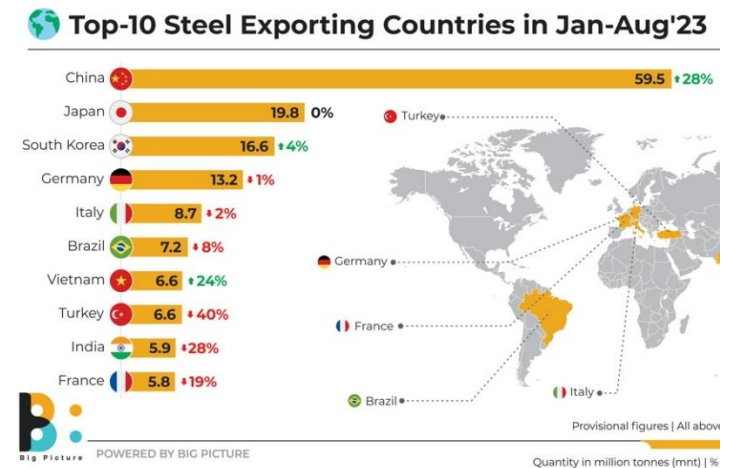


Figure: Vietnam and China steel exports + 24% - 28% yoy in 8M.2023



Source: BSC Research

INVESTMENT THESIS – NEUTRAL

Compared to the previous report, BSC maintains a **NEUTRAL** view on the Steel Sector in Quarter 4.2023 because domestic demand has not recovered.

Table: Estimated profit and loss of some steel sector enterprises

Ticker	Rev 2023 (Bn VND)	% YoY	NPATMI 2023 (Bn VND)	% YoY	EPS 2023	P/E fw	P/B fw	ROA 2023	ROE 2023	Closing Price 3/11/2023	Target price	Upside (%)
HPG	111,115	-21%	5,626	-34%	968	25.9	1.4	3%	6%	25,100	26,000	4%
NKG	17,740	-23%	116	-193%	442	43.6	0.9	1%	2%	19,250	22,500	17%
HSG	31,651	-36%	23	-91%	38	521.5	1.1	0%	0%	19,450	25,000	29%

Source: BSC Research

CEMENT [NEUTRAL]

Analyst: Pham Quang Minh

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- **In 8M.2023, domestic cement consumption is estimated to reach 37 million tons (-10% yoy)** because demand for construction materials is still weak. BSC believes that domestic cement demand will still be low in the fourth quarter. In 2023, BSC forecasts domestic cement output to reach 56 - 57 million tons (-10% yoy).
- **In 8M.2023, cement export output is estimated to reach 23.5 million tons (-3% yoy)** because import demand from China is still weak. In October, BSC did not see signs of recovery in the Chinese market. Therefore, BSC believes that export output is still unsatisfactory in the fourth quarter.
- **Gross profit margin decreased in Q3.2023 due to poor output.** In the fourth quarter, BSC believes that gross profit margin is under downward pressure due to high coal costs, while output is still weak.

DOMESTIC – LOW CONSUMPTION

In 8M.2023, domestic cement consumption is estimated to reach 37 million tons (-10% yoy) because demand for construction materials in general is still weak. In the third quarter alone, output decreased -10-12% QoQ due to seasonal factors. As analyzed above, the Construction Materials Sector has yet to show signs of recovery. The evidence is that cement businesses like HT1 are unable to increase prices to compensate for electricity costs. Therefore, BSC believes that domestic cement demand will still be poor in the fourth quarter. In 2023, BSC forecasts domestic cement output to reach 56 - 57 million tons (-10% yoy).

Figure: Domestic cement consumption – 10% yoy in 8M.2023

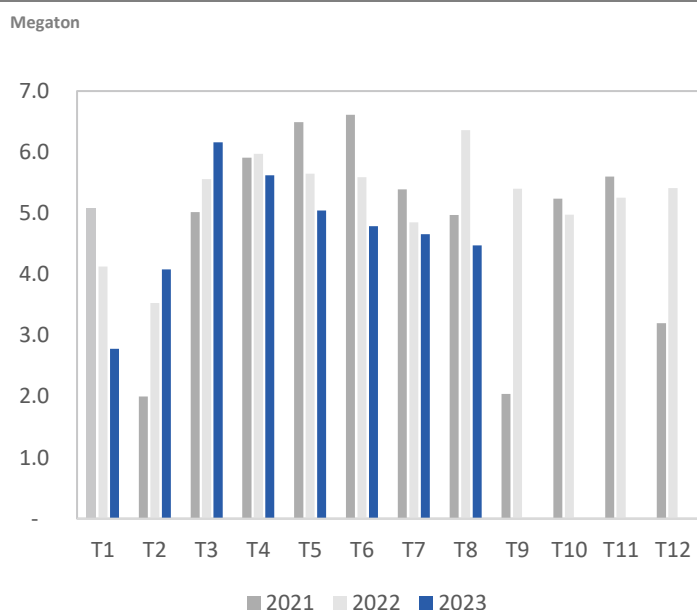
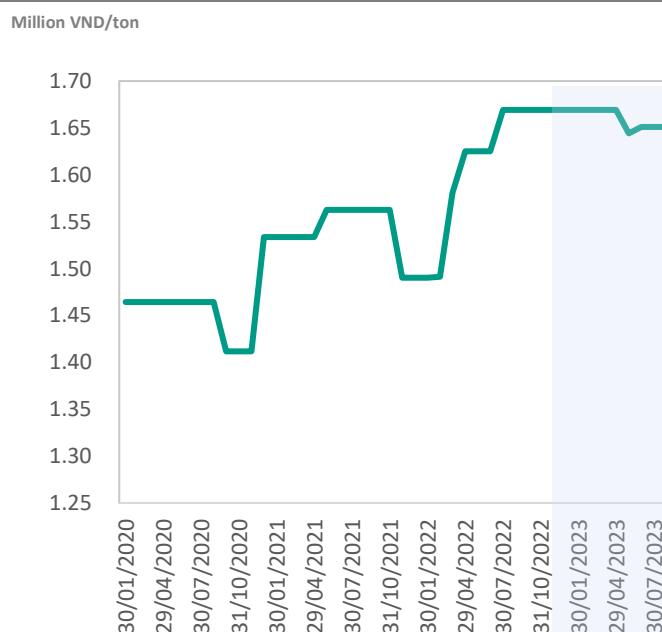


Figure: Cement price + 0% ytd (1.7 million VND/ton)



Source: BSC Research

EXPORT – WEAK CONSUMPTION BECAUSE THE CHINESE MARKET HAS NOT RECOVERED

In 9M.2023, cement export output is estimated to reach 23.5 million tons (-3% yoy) because import demand from China is still weak. Export price + 0% ytd. Compared to Q2, export prices decreased -3-4% QoQ due to a decrease in cement prices in domestic China when coal prices decreased. In October, Chinese market still showed no signs of recovery. Therefore, BSC believes that export output is still negative in Q4.

Figure: Export cement consumption -3% yoy in 9M.2023

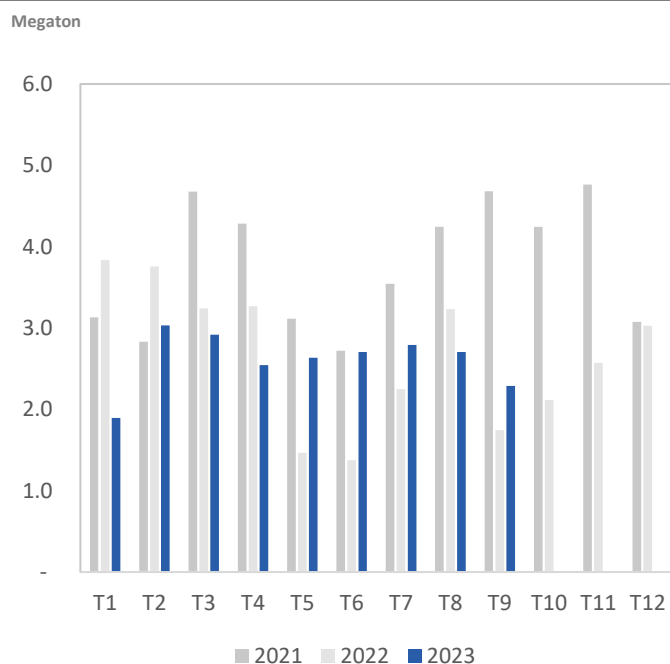


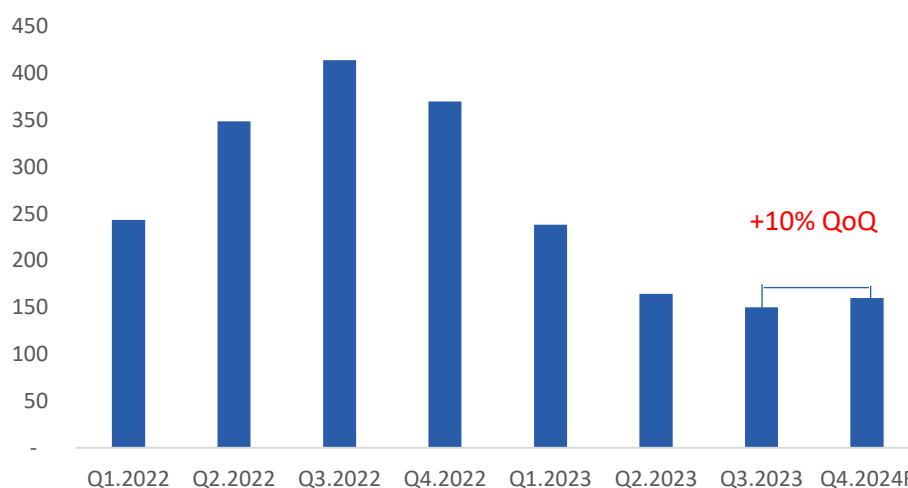
Figure: Cement and Clinker export prices + 0% ytd



Source: BSC Research

Gross profit margin decreased in Q3.2023 due to poor output due to seasonal factors. In Q4, BSC believes that coal prices will increase due to (1) increasing production in China before the emission reduction policy at the end of the year (2) The context of El-Niño. Therefore, BSC believes that Q4 gross profit margin will decrease slightly by 0.5% - 1% compared to Q3 due to increased coal costs, while output remains low.

Figure: Average coal price Q1.2022 – Q4.2024



Source: BSC Research

INVESTMENT THESIS – NEUTRAL

Compared to the previous Report, BSC maintains a **NEUTRAL** view on the Cement sector in Quarter 4.2023 because domestic demand has not recovered.

Table: Estimated profit and loss of some cement Sector enterprises

CK Code	DTT 2023 (billion VND)	% YoY	LNST 2023 (billion VND)	% YoY	EPS 2023	P/E fw	P/B fw	ROA 2023	ROE 2023	Price 3 /11/2023	Target price	Upside (%)
HT1	7,051	-21%	9	-97%	23	523.8	0.9	0%	0%	12,150	14,000	15%

Source: BSC Research

INFRASTRUCTURE CONSTRUCTION [POSITIVE]; CIVIL CONSTRUCTION [NEUTRAL]

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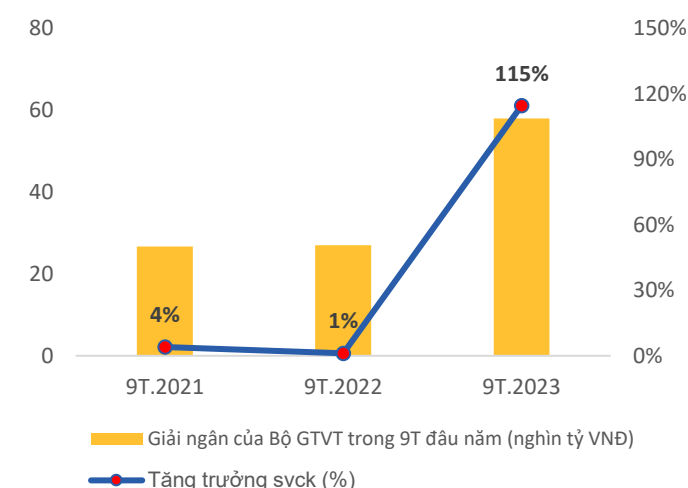
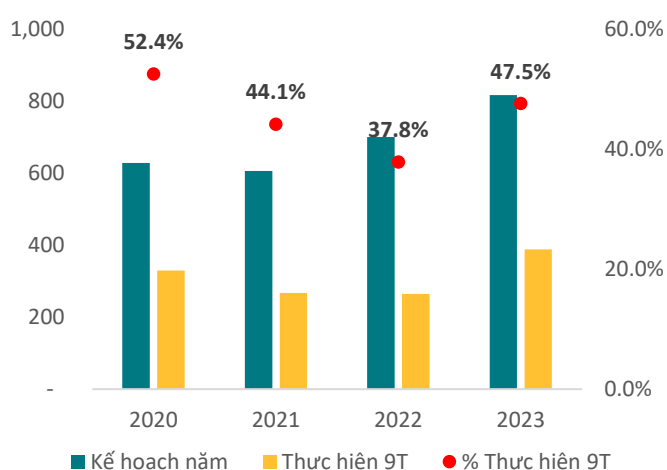
- **Disbursement of public investment capital in 9M.2023 reached VND 388,559 billion** - the highest level in history;
- Construction progress of bidding packages under the North - South expressway project phase 1 & 2 is under the plan;
- Long Thanh Airport will be a growth driver for construction businesses in the period 2024-2026;
- Large backlog volume ensures a source of revenue for infrastructure construction businesses in the 2024-2026 period;
- Profit margins of infrastructure construction enterprises are forecast to improve in the coming period;
- The Government's need for infrastructure investment until 2025 is still very large;
- The number of newly licensed and ongoing real estate projects remains low, an indicator of the decline in construction volume of civil construction enterprises;
- The real estate market is expected to recover in Q4.2023-2024, which will minimize difficulties for construction contractors;
- BSC gives **POSITIVE** recommendations for the Infrastructure Construction Sector and **NEUTRAL** for the Civil Construction Sector in Q3.2023-2024.

INFRASTRUCTURE CONSTRUCTION SECTOR – BRIGHT PROSPECTS FROM PROMOTING PUBLIC INVESTMENT CAPITAL DISBURSEMENT

Disbursement of public investment capital in 9M.2023 reached 388,559 billion VND - the highest level in history, corresponding to a growth rate of +46.9% yoy, completing 47.5% of the annual plan. However, to complete the goals of (1) GDP growth reaching 6% in 2023 and (2) Public investment disbursement reaches at least 95%, the Government will need to take measures to continue to promote further public investment disbursement in Q4.2023. Accordingly, BSC forecasts that the public investment disbursement rate in 2023 will reach about 85% of the plan, thereby creating an abundant amount of work for infrastructure construction enterprises.

Public investment disbursement in 9M.2023 reached the highest level in history

Public investment disbursement of the Ministry of Transport also increased more than twice over the same period in 2022 thanks to the implementation of highway and road projects.



Source: Ministry of Finance, BSC Research.

Construction progress of bidding packages of the North-South expressway project phase 1&2 is under the plan.

Update bidding progress under the North-South Expressway project phase 1&2

Full	Project	Length (km)	Investment Outlay (Bn VND)	Update
1	North-South Expressway phase 1	645	102,513	Completed 8/11 projects. The remaining projects are expected to be completed no later than 1H.2024
2	North-South Expressway phase 2	729	146,990	The level of completion reaches 5%-20%.

Source: BSC Research

Long Thanh Airport will be a growth driver for construction businesses in the period 2024-2026. As of the end of July 2023, the entire area of 2,532 hectares of Long Thanh airport project phase 1 has completed clearance. Also in Q3.2023, a number of large bidding packages of component 3 projects have found construction contractors. Notably, (1) Package 5.10 - Construction and installation of passenger terminals, worth 35.233 billion VND, (2) Package 6.12 - Construction of connecting roads, worth 2.630 billion VND and (3) Package 4.6 – Construction of take-off and landing runways and airport taxiways, worth 8,100 billion VND. BSC assesses that the construction of these bidding packages will not only bring in huge revenue in the period 2023-2026, but also strengthen the capacity profile and increase the reputation of participating businesses.

Component projects of Long Thanh Airport

No	Components	Investor	Total investment	Total construction cost	Total cost of equipment
1	Works of headquarters of state management agencies	State-owned companies involved/PPP	293	175	32
2	Works for flight management	Vietnam Air Traffic Management Corporation	3,435	1,239	1,159
3	Essential works in airports	ACV	99,019	52,500	19,454
4	Other works	Ministry of Transport selects investors	6,363	2,358	2,236
	Total		109,111	56,271	22,882

Source: Decision 1777/TTCP, BSC Research

Summary of major bidding packages under the component 3 projects of Long Thanh airport

No	Procurement package	Value (billion VND)	Execution time	Winning joint venture
1	3.4 – Construction of foundation leveling and drainage	4,435	2022-2025	Civil engineering construction corporation – Phuc Loc Group Joint Stock Company – Traffic Construction Joint Stock Company 8 – Truong Son Consulting Joint Stock Company – Vietnam Import and Export Joint Stock Company
2	6.12 – Construction of connecting roads	2,630	2023-2025	Deo Ca Group (HHV) – Thang Long Corporation – Khang Nguyen Infrastructure Construction Joint Stock Company – Hoang Long Trading and Construction Joint Stock Company – 368 Construction Joint Stock Company – Hoang Long Construction Consulting JSC
3	5.10 – Construction and installation of passenger terminal equipment	35,233	2023-2026	IC Ictas Construction and Trading Group – Ricons Construction Joint Stock Company – Newtecons

4	4.6 – Construction of airport runway, landing and taxiways	8,100	2023-2026	Construction Joint Stock Company – SOL E&C Construction Joint Stock Company – Construction Joint Stock Company No. 1 (CC1) – ATAD Steel Structure Joint Stock Company – Vietnam Construction and Import Export Joint Stock Company (VCG) – Phuc Hung Holdings Construction Joint Stock Company (PHC) – Hawee M&E Joint Stock Company – Hanoi Construction Corporation (HAN)
				ACC Aviation Construction Joint Stock Company – Truong Son Construction Joint Stock Company – Vietnam Import and Export Construction Joint Stock Company (VCG) – Vietnam CD Investment Development Joint Stock Company – CIENCO4 Group Joint Stock Company (C4G) – 647 Aviation Construction Joint Stock Company

Source: BSC Research

The large volume of backlog ensures a revenue source for infrastructure construction businesses in the period of 2024-2026. With the appointment of bidders at component projects of the North-South expressway phase 2, many infrastructure construction enterprises have owned a large backlog, 3-6 times higher than construction and installation revenue in the period of 2021-2022, ensuring a continuous workload in the next 2-3 years. BSC forecasts **that the revenue and profit drop point of infrastructure construction enterprises will fall in Q4.2023 and 2024** thanks to a series of large construction and installation projects that have been started in the second half of 2023.

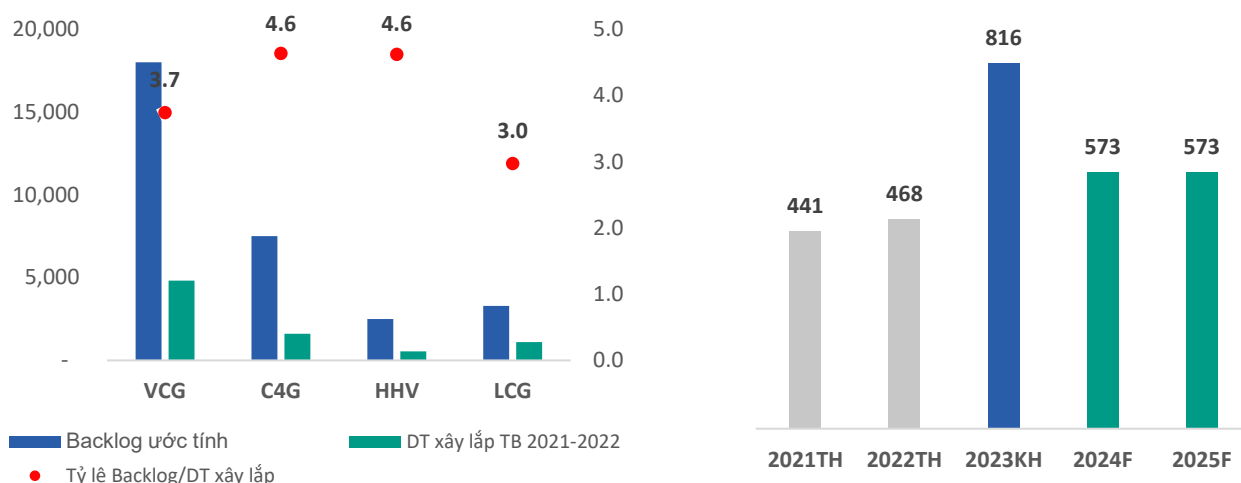
The profit margin of infrastructure construction and installation enterprises is forecasted to improve in the coming period thanks to **(1)** Many projects are appointed for bidding, especially packages under the North-South expressway project phase 2, helping contractors reduce pressure on price competition, ensure revenue, **(2)** Stable raw material prices, ready supply to reduce capital costs for construction and installation enterprises.

The need for government infrastructure investment until 2025 is still very large. The expected disbursement plan for the period of 2021-2025 will reach VND 2.87 million billion with the goal of building more than 3,000 km of expressways by 2025 and many projects to build ring roads, airports, seaports and other infrastructure. Therefore, BSC expects the winning backlog value of construction enterprises to continue to grow in the following years, thereby creating an abundant source of work for this group of businesses.

BSC assesses that enterprises that are likely to win more bids for infrastructure construction projects will be those with **(1)** Strong financial potential and safe financial structure, **(2)** Experience in participating in projects with large investments, as well as having won / been appointed to bid in public investment projects in the past. Therefore, BSC expects leading enterprises in the construction sector such as **VCG, HHV, LCG** will continue to benefit from the government's promotion of public investment in the coming period.

The estimated backlog value of infrastructure construction enterprises is 3-5 times higher than the average construction and installation revenue in 2021-2022

Estimated public investment disbursement plan to 2025 (trillion VND)



Source: Ministry of Sector and Trade, BSC Research.

INVESTMENT THESIS– POSITIVE

BSC makes **POSITIVE recommendations** for infrastructure construction Sectors in Q4.2023 - 2024 thanks to **(1)** Public investment is promoted to create great growth room for infrastructure construction and installation enterprises, **(2)** Large backlog volume to ensure revenue for infrastructure construction enterprises in the period of 2023-2026, **(3)** Profit margin is forecast to improve further in the coming period. BSC recommends **BUY** for construction and installation enterprises with abundant backlog, proven good construction quality and healthy financial foundation including: **VCG, HHV, LCG**.

Estimation of business results of some enterprises in infrastructure construction sector

Ticker	Net revenue 2023	% YoY	NPATMI 2023	% YoY	EPS 2023	P/E fwd	P/B fwd	ROA 2023	ROE 2023	Price 03/11/2023	Target price	Upside (%)
HHV	2,824	35%	300	14%	911	15.9	0.6	1%	3%	14,500	19,000	31%
FCN	3,833	26%	110	178%	676	19.1	0.7	1%	3%	12,900	17,900	39%
LCG	3,240	222%	167	-13%	871	12.8	0.8	2%	6%	11,150	15,500	39%

Source: BSC Research

CIVIL CONSTRUCTION SECTOR – EXPECTATIONS FROM THE GRADUAL RECOVERY OF THE REAL ESTATE MARKET

The number of newly licensed and ongoing real estate projects remains low, which is an indicator of a decline in the construction volume of civil construction enterprises. According to the Ministry of Construction, in 1H.2023, the number of newly licensed and ongoing projects for commercial, resort and social housing types will decrease by over 50% over the same period. The slowdown in new licensing comes from **(1)** Fear of liability when many land violations are dealt with harshly while the new legal system has not yet been promulgated, **(2)** The new real estate market is in the early stages of recovery, the absorption level is not as good as the previous period.

The real estate market expects a recovery in Q4 2023-2024 that will minimize difficulties for construction contractors. BSC assesses that the real estate sector has gone through the most difficult period, although

the supply cannot recover immediately thanks to **(1)** Q4.2023-2024 will be the period of policy implementation after a series of amended laws, circulars and decrees are issued, **(2)** Credit capital, bonds, interest rates are looser ([Details see in Commercial Real Estate Sector Report Q4.2023](#)). However, from policy to practice, it takes time for the market to absorb, BSC still believes that the real estate market will gradually recover in Q4.2023-2024, thereby bringing more workload to civil construction businesses.

INVESTMENT THESIS– NEUTRAL

BSC makes a **NEUTRAL recommendation** for civil construction sectors in Q4.2023 - 2024 because **(1)** The real estate market will need time to absorb supportive policies and truly recover, **(2)** The risks of provisioning and interest burden are still present.

Estimation of business results of some civil construction enterprises

Ticker	Net Revenue 2023	% YoY	NPATMI 2023	% YoY	EPS 2023	P/E fwd	P/B fwd	ROA 2023	ROE 2023	Price 03/11/2023	Target price	Upside (%)
CTD	18,335	26%	135	552%	1,711	33.6	0.5	1%	2%	57,500	73,700	28%

Source: BSC Research

SEAPORT SECTOR [POSITIVE]

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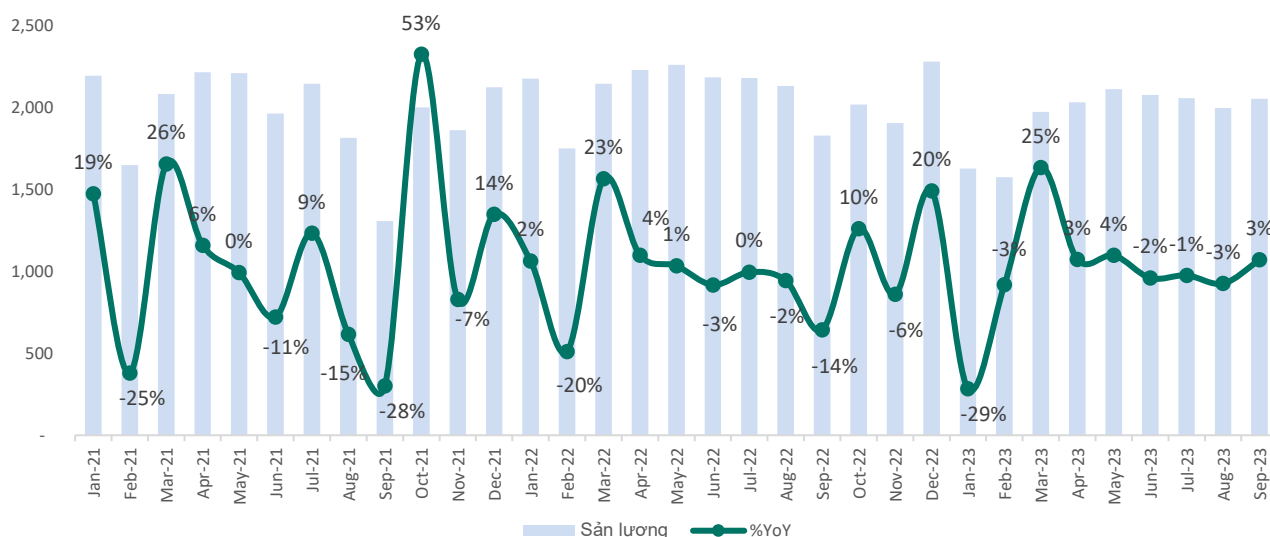
- In Q3 2023, the sector's container volume is estimated at 6,232 million TEUs (+0.2%QoQ, +1.5%YoY). Compared to Q2 2023, the sector's container volume is -2% QoQ due to the gloomy global economy, aggregate consumer demand has not recovered.
- Compared to the previous report, BSC maintains **POSITIVE recommendation** for the seaport sector thanks to the recovery of demand in major economies in 2H2023.

In Q3 2023, the whole sector's container volume is estimated at 6.232 million TEUs (+0.2% QoQ, +1.5% YoY). In general, the container volume of the whole sector in Q3/2023 has not improved much over the same period due to the gloomy global economy, total consumer demand has not recovered. However, container output is sharply diverged in some key areas as follows:

- **In Hai Phong area:** Nam Dinh Vu port continued to record the 2nd highest growth rate in a row +272%YoY thanks to the shift of output from Nam Hai Dinh Vu port. Most of the remaining ports in the Cam River region recorded a decrease of 3-60% YoY. Compared to Q2 2023, nearly all ports grew positively at 3-90% QoQ due to (1) the low background of Q2 (2) China exiting deflation, consumer demand began to recover again.
- **In Cai Mep Thi Vai area:** Most ports recorded an average increase of 11% YoY thanks to the recovery of consumer demand in the EU and the US. Similar to Hai Phong, compared to Q2.2023, CMTV ports all grew by an average of +22%QoQ. In particular, GML leads the way in terms of growth thanks to (1) good location, support from CMA CGM, (2) receiving 2 new service routes in Q3.2023.

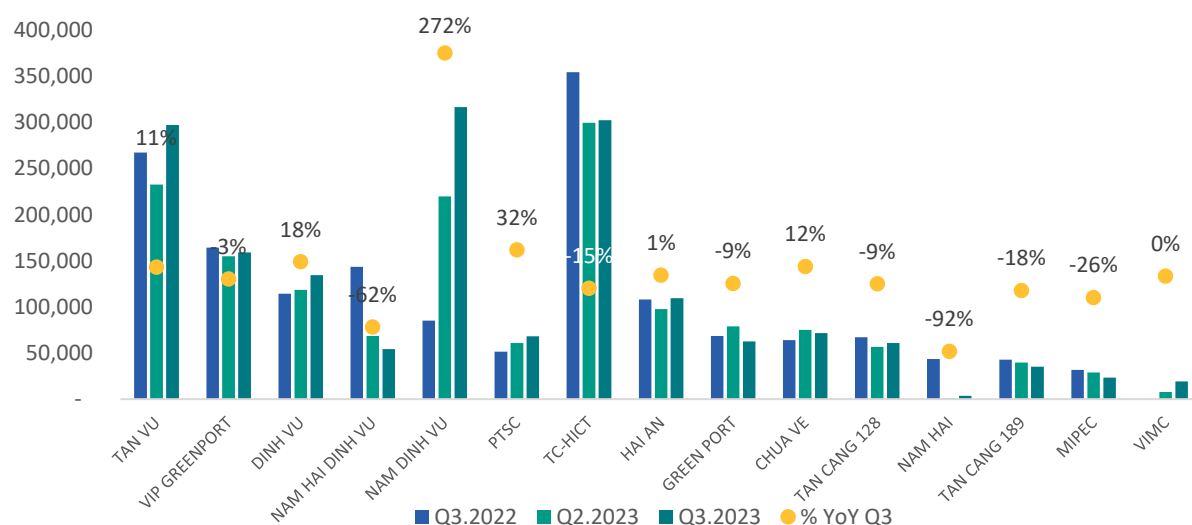
By 2H.2023, BSC expects port output to continue to recover thanks to (1) the return of order demand in major countries such as the US and EU thanks to year-end holidays (Details in the Textile and Garment Sector). (2) China comes out of deflation, consumer demand rebounds.

Figure: Volume of containers through Vietnam seaports



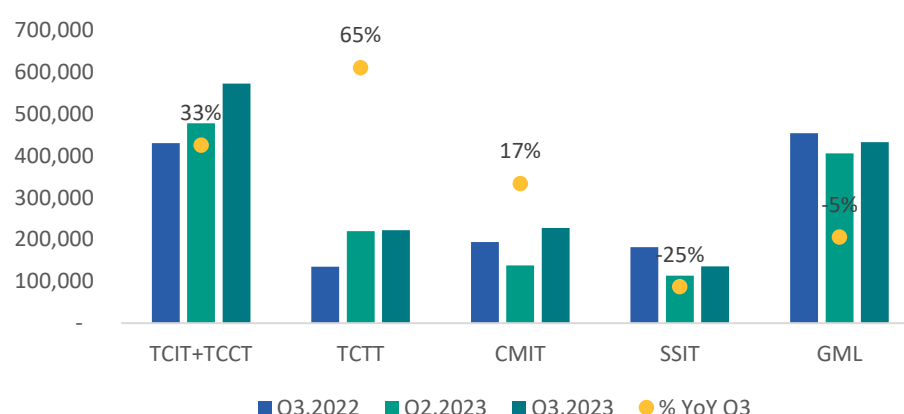
Source: BSC Research

Figure: Volume of containers through Song Cam port area (Hai Phong)



Source: BSC Research

Figure: Container output through Cai Mep Thi Vai area



Source: BSC Research

Table: Share price movements reflect expectations for business results recovery in 2023 thanks to the recovery of major economies.

Sector	Ticker	Net Revenue Q2/2023		NPAT Q2/2023		Stock Price Movement		
		%YoY	%QoQ	%YoY	%QoQ	Q1.23/Q4.22	Q2.23/Q1.23	YTD
Seaport	GMD	-7%	1%	-28%	-5%	13%	1%	32%
Seaport	VSC	4%	15%	-70%	-20%	-3%	21%	3%
VNINDEX		4%	-25%	4%	-25%	11%	-5%	3%

In our view, the positive performance of the seaport group's share price in Q2/2023 outperformed the market, reflecting: Expecting economic performance in 2H2023 to improve thanks to increased output to meet consumer demand during the year-end holidays.

INVESTMENT THESIS– POSITIVE

Compared to the previous report, BSC maintains **POSITIVE recommendation** for the seaport sector because it expects the sector's container volume to continue to recover in 2H.2023 thanks to (1) The demand for orders from major countries such as the US and EU will recover and (2) China's economy will come out of deflation.

Table: Estimation of business result of some enterprises in the seaport sector

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 3/11/2023	Target price	Upside (%)
GMD	3,645	-7%	3,010	130%	8,092	7.9	2.0	16%	8%	65,000	75,800	17%
VSC	2,042	2%	159	-60%	761	14.0	1.0	2.0%	3.3%	24,600	27,300	11%

Source: BSC Research

Sectors affected by China's economic recovery

OIL TRANSPORTATION SECTOR [POSITIVE] – CONTAINER TRANSPORT [LESS POSITIVE]

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Container Transport

- By the end of Q3 2023, container freight rate indices continued to anchor at low levels. For Q4 2023, BSC maintains view that container freight rates are forecast to decline by 71% yoy due to (1) excess ship supply and (2) low shipping demand.
- BSC maintains a **LESS POSITIVE** recommendation for Containe Shipping Group (HAH, PHP) due to (1) excess supply of ships (2) low shipping demand (3) high-priced charter contracts end and shipping lines fail to sign new ones due to unimproved demand.

Oil transport

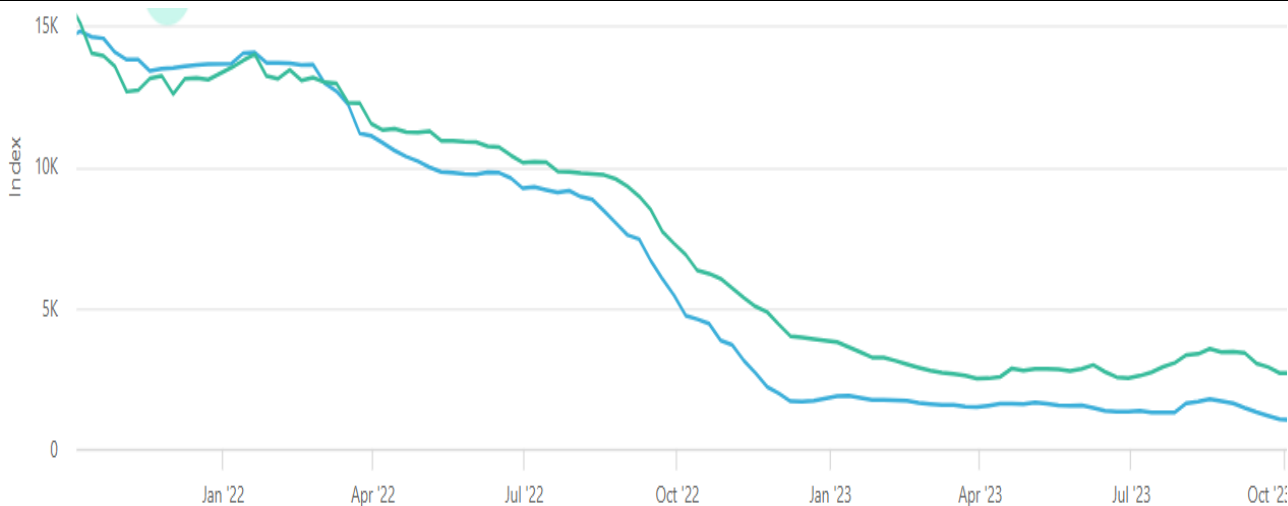
- At the end of Q3 2023, oil freight rates remain being anchored at high levels due to (1) disruptions in the oil supply chain in Europe, (2) low supply of oil tankers. However, in 2H.2023, the oil transport group may not record strong growth over the same period due to the high background of ship prices in 2H.2022.
- In 2023, BSC holds a **POSITIVE view** for the Oil Transport Group (PVT) as freight rates remain high due to vessel supply constraints.

CONTAINER TRANSPORT – LESS POSITIVE

By the end of Q3.2023, container freight indices have not improved markedly. In particular:

1. **September global spot rates = \$1,176 per day (-23% MoM, -71% YoY).** In particular, the main maritime routes such as China to the US = 1,499 (-11%MoM, -32% YoY), China to Europe = 917 (-10%MoM, -, -17 YoY). The reason for the continued low freight rates comes from (1) excess supply of ships, (2) low demand for transportation.

Figure: Container freight rates from China to the US, EU continue to anchor at low levels

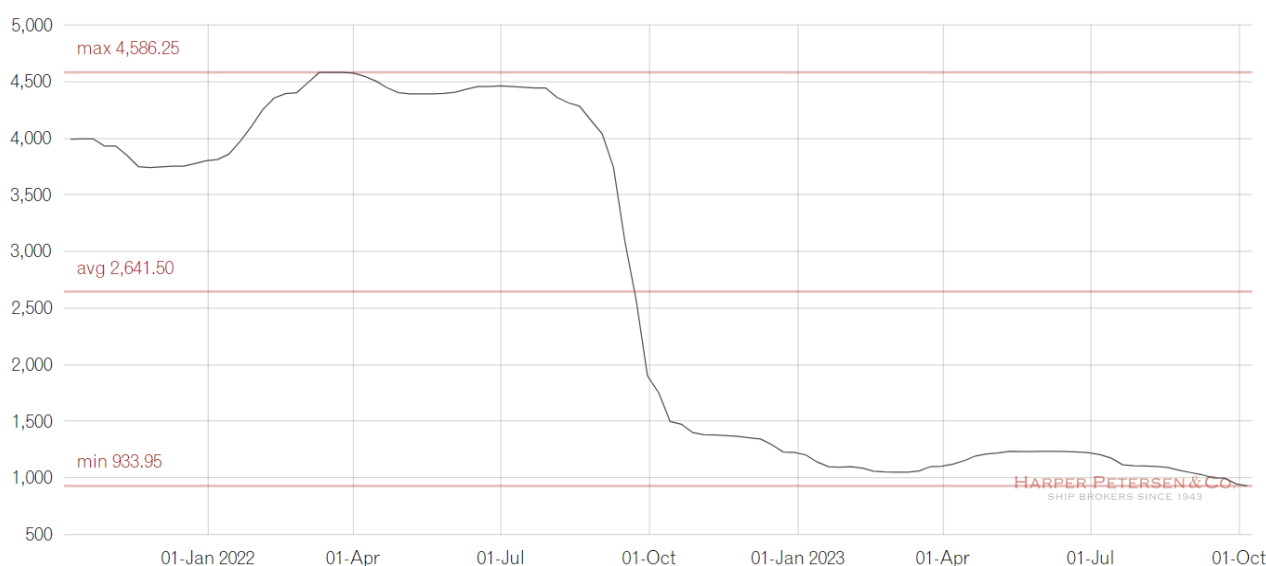


Source: WCI

2. **Fixed-term rental rates have not improved:** The Harper-Pertersen Charter Index fell from the 4,500 region to 1,000 – almost at the bottom. In Q3 2023, fixed-term charter rates have not improved compared to Q2 2023, while still hovering around an average of \$15,000 per day (-50% YoY). BSC believes that limited rental rates will continue to maintain a downward trend when high-priced

charter contracts end, shipping lines are more cautious in signing new ones when shipping demand has not improved.

Figure: The Harper-Pertersen Index shows that fixed-term rents are close to bottoming out in 1H2023.



Source: Harper Petersen & Co

In 2H.2023, BSC maintains a **LESS POSITIVE** view on the container shipping group (HAH, PHP stock groups) due to **(1)** the previous year's high-priced charter contracts end, and shipping lines do not re-sign due to unrecovered demand **(2)** the oversupply of ships has not improved as the ship delivery drop point will fall in 2023 and 2024.

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

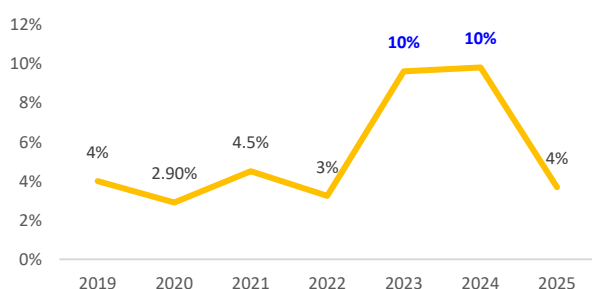
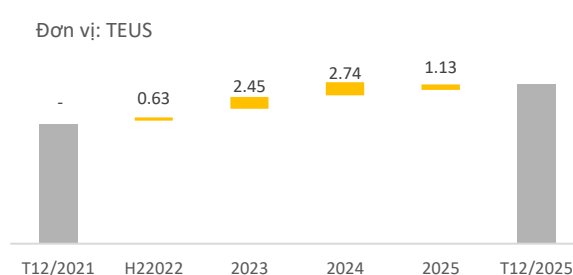


Figure: Ship delivery drop point in 2023 - 2024



Source: BIMCO

OIL TRANSPORT – POSITIVE

By the end of Q3 2023, oil freight rates continue to remain high. Specifically, VLCC train fares = \$37,500/day (+3% qoq, +7% yoy), Suezmax trains = \$36,500/day (-6% qoq, +12% yoy) and Aframax trains = \$37,500/day (-17% qoq, +10% yoy). This is due to **(1)** supply chain disruptions in the EU following a ban on imports of Russian refined petroleum products from February 5, 2023 **(2)** a shortage of tanker supplies.

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

- (1) Ship supply is unlikely to improve in the short term.** According to Clarksons, in 2023, total global crude vessel supply is forecast to grow by only about 2% yoy due to the slow recovery of new

shipbuilding orders. Meanwhile, on average, it takes at least two years to build a fuel tanker, so it will take at least 2025 for tanker supply to be improved.

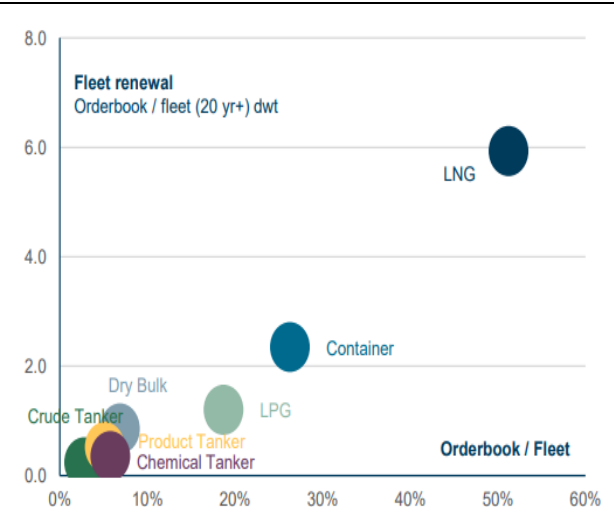
- (2) **Long transportation distance:** Due to the trend of shifting exports of Russian oil in response to EU sanctions, Russia tends to export oil to Asian customers such as China and India,... making longer, farther trips, thereby increasing fares.
- (3) **Geopolitical conflict:** Oil transportation costs have increased by more than +50%MoM since the war in Hamas-Israel broke out due to concerns about production cuts. BSC believes that freight rates will maintain an upward trend when the risk of war may spread to neighboring countries – where there is a large oil supply of the world such as Saudi Arabia, Iran...

Figure: Tanker freight rates continue to remain high in September 2023.



Source: Fearnleys

Figure: The ratio of new orders per fleet for the tanker group is at a low level in 2023.



Source: BIMCO

Compared to the previous report, BSC maintains a **POSITIVE** view for the **oil transporting group** thanks to expectations of continued high freight rates in 2023 as ship supply is still constrained.

Table: The container shipping group's share price movement reflects ahead of expectations for 2H2023.

Sector	Ticker	Net revenue Q2/2023		NPAT Q2/2023		Stock Price Movement		
		%YoY	%QoQ	%YoY	%QoQ	Q1.23/Q4.22	Q2.23/Q1.23	YTD
Container transport	HAH	-34%	-7%	-75%	-37%	6%	32%	79%
Oil transport	PVT	-6%	4%	51%	63%	-6%	12%	47%
VNINDEX		4%	-25%	4%	-25%	11%	-5%	3%

We believe that the share price movement reflects expectations for financial performance in 2023. Contrary to the positive performance of the share price, we maintain our view that the shipping group business in 2023 has not improved as container freight rates remain in a downward trend and charter contracts remain anchored at low levels.

INVESTMENT THESIS

Compared to the previous Report, BSC maintains a **POSITIVE** view for the Oil Transport group due to high freight rates, a **LESS POSITIVE view** for the Container Shipping group due to the decrease in freight rates in 2023.

Figure: Estimation of business results of some enterprises in the shipping sector

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 3/11/2023	Target price	Upside (%)
HAH	4,524	41%	425	63%	3,276	6.8	1.2	6%	10%	34,100	39,272	15%
PVT	9,987	10%	1,043	22%	3,069	8.5	1.1	8%	14%	27,500	31,700	15%

Source: BSC Research

AIR SERVICES SECTOR [POSITIVE] – AIR TRANSPORT [NEUTRAL]

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- Total passenger volume through airports and air freight recorded signs of recovery in Q3/2023.
- Business performance in Q3 2023 is expected to recover compared to the previous quarter. However, it is difficult for the air transport Sector group to maintain a positive trend until the end of 2023.
- BSC maintains its **POSITIVE** recommendation for the air services group and **NEUTRAL** for the air transport group in 2023.

AVIATION SERVICES – SHOWING SIGNS OF RECOVERY COMPARED TO BEFORE THE EPIDEMIC

BSC estimates that 9M2023 is equivalent to 101% of 2019 (including domestic and international passengers). In which, Q3 2023 is estimated at 32 million visits (+1%YoY, +5%QoQ). Compared to the previous report, BSC raised its forecast for total domestic and international passenger volume through Vietnam's airports in the whole year 2023 to reach 117 million (+19% YoY) thanks to seasonal factors.

Figure: Domestic passenger output -5% YoY in 9M2023

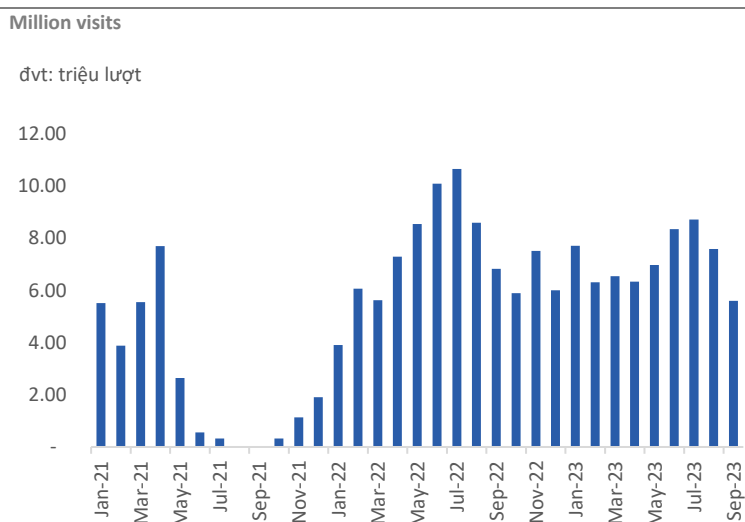
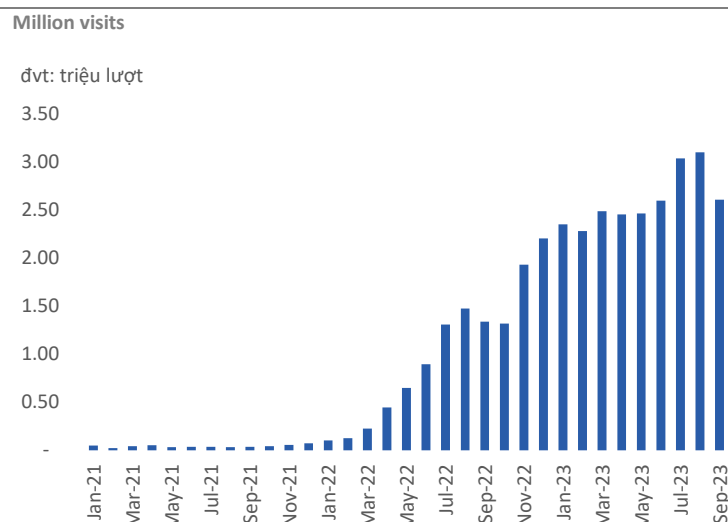


Figure: International passenger volume +256% YoY in 9M2023



Source: BSC Research General

- **Domestic arrivals through airports:** In Q3/2023, it is estimated to reach 21.9 million (+1%QoQ, -16%YoY). Output of -16%YoY was due to the high base level in 2022 when the demand for travel compressed during the epidemic was relieved. BSC attributed the decline in demand in Q4 compared to Q3 to (1) in 1H2023 holidays are longer than usual, resort demand is also at high level, (2) the time of admission in the school year so families limit travel in the second half of the year.

As a result, we lowered our forecast for domestic passenger volume in Q4 2023 of 20.2 million (-8%QoQ, +4%YoY) and for the full year of 2023 of 84.3 million (-3.1%YoY).

- **International visitors through airports:** Have recovered compared to 2019 (pre-epidemic time) but there is a divergence. Specifically:

- **The group of customer markets recovered well after the epidemic:** Europe (except Russia), America, Southeast Asia have almost recovered nearly 100% compared to pre-epidemic levels due to early opening. Only Russia has recovered slowly (only 17% compared to before the epidemic) due to Russia-Ukraine political tensions.
- **The group of customer markets recovered slowly after the epidemic:** China only recovered 28% compared to pre-epidemic levels as people tightened their spending due to the economic slowdown. South Korea and Japan rebounded slowly at 50-70 percent, BSC supposes China-Taiwan political tensions, coupled with major economies' slowdowns, has affected their tourism demand.

Compared to the previous report, BSC raised forecast for international airport passenger in Q4/2023 to 8.9 million (+1%QoQ, +63%YoY), and for the full year to 32.2 million (+168%YoY) thanks to (1) The trend of increasing leisure tourism activities and avoiding crowds of international visitors in the last 3 months of the year, (2) The policy allowing the issuance of e-visas with a validity of 90 days (an increase of 30 days compared to previously) takes effect from mid-Q3/2023.

Figure: Full-year 2023 international tourist arrivals (estimated)

Thousand turns									
Quốc gia	Q1.22	Q2.22	Q3.22	Q4.22	Q1.23	Q2.23	Q3.23	Q4.23	2023F
- Trung Quốc	15	27	36	47	140	417	565	512	1,635
- Hàn Quốc	15	93	382	476	811	791	983	805	3,390
- Nhật Bản	5	24	68	78	117	124	173	174	588
- Đài Loan	8	16	42	60	132	191	253	271	846
- Hoa Kỳ	10	58	109	142	207	167	175	177	726
- Nga	5	4	8	22	35	27	26	20	108
- Malaysia	1	21	54	94	115	117	101	118	451
- Thái Lan	1	21	61	119	145	121	85	123	475
- Úc	3	25	50	66	97	88	98	70	353
- Vương quốc Anh	2	16	32	45	67	62	58	62	249
- Singapore	1	33	54	91	76	78	74	77	306
- Ấn Độ	0	18	43	76	76	80	80	81	317
- Khác	38	241	591	910	1,292	1,186	1,161	1,190	4,830
Tổng sản lượng khách	105	597	1,531	2,225	3,311	3,448	3,833	3,680	14,273

Figure: Comparison of international tourists compared to the same period in 2019 (%)

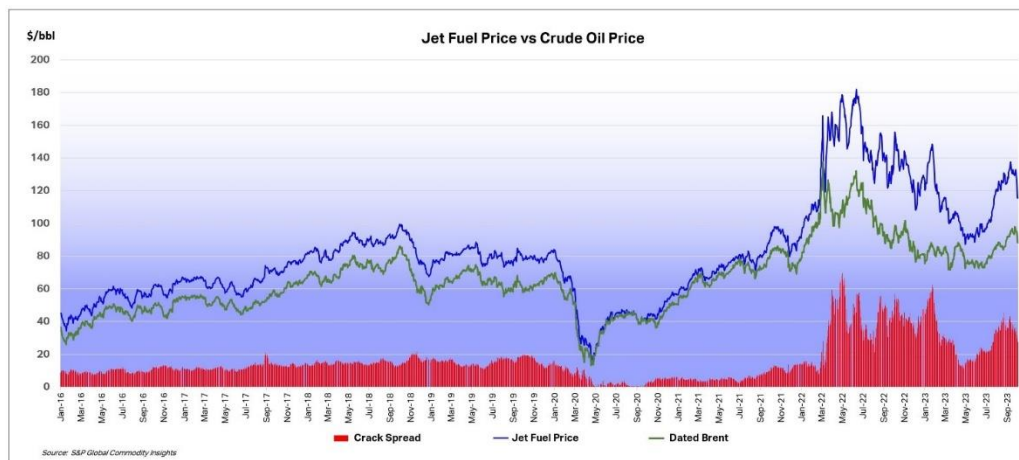
Quốc gia	Q1.22	Q2.22	Q3.22	Q4.22	Q1.23	Q2.23	Q3.23	Tỷ trọng năm 2019	% Đóng góp vào mức độ phục hồi Q3.2023
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(8)=(6)×(7)
- Trung Quốc	1%	2%	2%	3%	11%	35%	38%	32%	12%
- Hàn Quốc	1%	10%	36%	41%	73%	82%	78%	24%	19%
- Nhật Bản	2%	11%	27%	33%	50%	56%	44%	5%	2%
- Đài Loan	4%	7%	17%	24%	64%	85%	90%	5%	5%
- Hoa Kỳ	5%	33%	62%	80%	94%	96%	99%	4%	4%
- Nga	3%	3%	7%	13%	16%	19%	21%	4%	1%
- Malaysia	1%	14%	40%	54%	80%	75%	68%	3%	2%
- Thái Lan	1%	17%	61%	73%	116%	100%	102%	3%	3%
- Úc	3%	28%	55%	47%	89%	96%	114%	2%	2%
- Vương quốc Anh	2%	21%	44%	57%	75%	83%	76%	2%	1%
- Singapore	1%	43%	77%	97%	112%	103%	104%	2%	2%
- Ấn Độ	0%	46%	108%	148%	194%	205%	200%	-	-
- Khác	4%	25%	63%	71%	114%	142%	127%	14%	17%
Tổng								100%	71%

Source: GSO, BSC Research

At the end of Q3, Jet A1 oil prices rebounded putting pressure on airline profit margins, following the upward momentum of Brent oil prices. The main cause is mainly due to continued supply tightening by the OPEC+ group, and production shutdowns in some countries. In September 2023, Jet A1 oil price is at 118 USD/bbl (+48% ytd), 1.5 times higher than the oil price scenario built in the 2019 aviation service price frame (80 USD/bbl).

Compared to the previous report, BSC revised up its Jet A1 price forecast from \$110/bbl (+57% yoy) to 120 (+69% yoy) based on the view that oil prices will still fluctuate strongly due to political tensions and OPEC+ maintains production cuts to keep oil prices high ([Details in Oil and Gas Sector](#)). As a result, the air transport group's business contract continues to be under pressure due to its inability to transfer 100% of raw material costs to selling prices.

Figure: Jet A1 oil price movement in Q3 2023

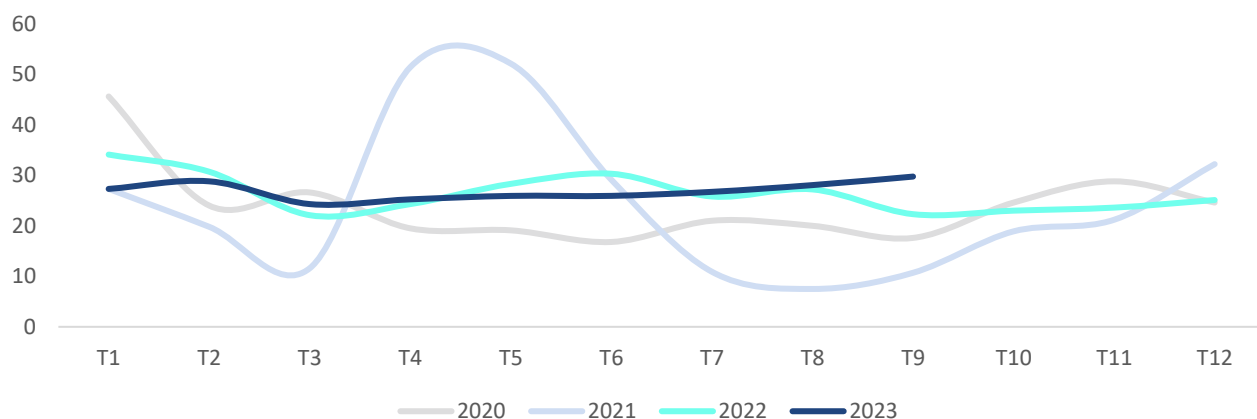


Source: BSC Research

FREIGHT – DOWN 7% DUE TO RECESSION

By the end of Q3 2023, air cargo volume reached 157 thousand tons (+10%QoQ, +12% YoY), freight demand increased again thanks to increased demand for goods during the year-end Tet holidays. BSC expects commodity output to recover in 2H.2023 when (1) The economy in Vietnam's major export regions recovers, (2) the demand for goods increases thanks to the year-end holidays.

Figure: Air cargo volume



Source: BSC Research

INVESTMENT THESIS

Compared to the previous report

- 1 Maintain a **POSITIVE** view for the passenger terminal services (ACV) group as passenger volume recovers in 2023 due to seasonal factors.
- 2 Maintaining a **NEUTRAL** stance towards the air transport group mainly comes from the fact that the Chinese market – Vietnam's largest aviation market has reopened. However, BSC said that high anchor oil prices and high volatility will still negatively affect the air transport group.

- 3 Raising the view from **LESS POSITIVE** to **NEUTRAL** for the cargo terminal services group (SCS) due to the recovery in output due to seasonality.

AGRICULTURE SECTOR [NEUTRAL]

Analyst: Pham Thi Minh Chau

Email: Chauptm@bsc.com.vn

- Estimated Q3/2023 business results record recovery momentum after the bottom of profits in 1H/2023
- Q4/2023 business performance continues to face challenges from weak demand despite seasonal characteristics, so there will be a divergence in business results for each business due to the background level of business performance base in the same period.
- BSC maintains its **NEUTRAL recommendation** for the livestock sector in 2023.

Estimated Q3/2023 business results record recovery momentum after the bottom of profits in 1H/2023: (1) the selling price of agricultural products (+9%QoQ) and livestock products (+11%QoQ) showed signs of cooling but remained at a high base from the bottom due to the Elnino impact on world food supply expectations (rice, sugar,...) and risks from disease developments in the livestock sector and (2) the cooling trend of imported grain prices (wheat, corn, soybean) decreased from 14%YoY to 24%YoY due to weak demand.

Figure 1: The trend of prices of agricultural products and livestock products remains at a high base level

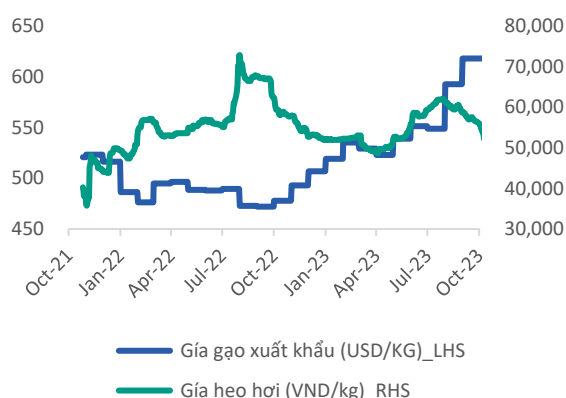
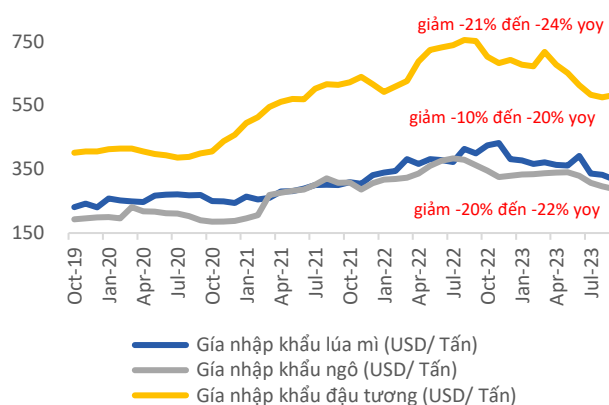


Figure 2: Cooling down food materials



Source: GSO, Agromonitor

Q4/2023 business result continues to face challenges from weak demand despite seasonal characteristics, so there will be a divergence in business results for each business due to the background level of business performance base in the same period, in which:

1. **Rice sector:** expects the high background of selling prices due to food security issues and cooling input material price trends will be the driving force to improve gross profit margin in Q4/23. However, complicated developments from the weather and high interest costs (especially for rice enterprises) will put pressure on the profit margin of these enterprises.
2. **Sugar Sector:** Gross profit margin is estimated to continue to perform positively thanks to high selling prices in the context of expectations of reduced sugar supply due to extreme weather events and the trend of switching to Ethanol production when oil prices are anchored high.
3. **Livestock Sector:** Facing pressure from an average decline in hog prices of -9.8% compared to Q3/2023 (equivalent to Q2 hog prices), fluctuations in phase with Chinese hog prices due to low demand and disease control. However, in the context of cooling feeding materials (-14%-24%YoY) and low business performance base in Q4/2022, it is expected that enterprises owning the value chain of the livestock sector such as DBC, BAF,... will record a better performance than the sector average.

In addition, we maintain the view as mentioned in our [Q3/23 Sector report](#) that the current share price of the agriculture sector reflects expectations of recovering business results in Q3/2023.

However, the characteristics of stock price fluctuations are positively correlated with the trend of fluctuations in prices of agricultural products and livestock products, so there will be rapid fluctuations and reflect the development of business performance, according to factors affecting the sector.

INVESTMENT THESIS– NEUTRAL

BSC maintains **NEUTRAL recommendation** for the 2023 business results for agricultural sector groups, due to the impact of low base in Q4 2022 and 1H/2023.

Investment perspectives: (1) short-term: positive thanks to fluctuations in prices of Elnino-themed agricultural and livestock products; (2) Medium-term: Select stocks.

Table: Estimation of some livestock enterprises

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 3/11/2023	Target price	Upside (%)
DBC	12,875	11%	58	1017%	240	81.4	1.0	1%	3%	19,500	24,500	26%
QNS	10,193	23%	2,068	61%	5,561	8.0	2.0	16%	23%	46,600	58,300	25%

*Use P/B = 1x method thanks to DBC's leading position and scale in the sector

Source: BSC Research

AUTOMOBILE SECTOR [NEUTRAL]

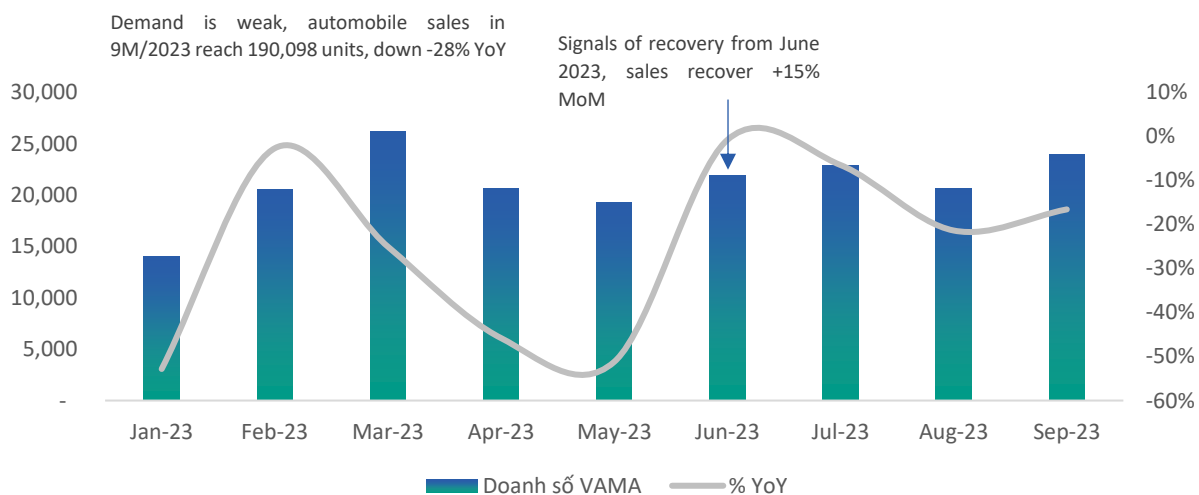
Analyst: Nguyen Dan Truong

Email: Truongnd@bsc.com.vn

- In the first 9 months of 2023, automobile sales volume of the whole market reached 190,098 units, down -28% over the same period.
- Net profit of automobile enterprises decreased sharply over the same period due to: (1) Reduced market demand and (2) Interest rates remained high;
- BSC maintains a **NEUTRAL** stance on the Automobile Sector in 2023 due to: automobile sales are expected to decelerate due to high base in 2022.

Auto sales declined sharply in 9M/2023, down 28% over the same period due to: (1) weak market demand and (2) The base level is high compared to the same period (1H2022 will see a 50% reduction in registration fees while registration fees in 2023 will be reduced by 50% from July). According to the Vietnam Automobile Manufacturers Association (VAMA), in the first 9 months of 2023, automobile sales in the whole market reached 190,098 units (-28% YoY).

Figure: Negative growth in 9M/2023 automobile sales (units)



Source: VAMA, BSC Research

Net profit of Automotive distribution businesses Q3/2023 decreased by -16% to -94% YoY due to: (1) Weak demand causes dealers to increase commissions for salespeople, increases discounts for customers, and (2) Interest rates remained high.

Table: Summary of business result of automotive enterprises Q3/2023 (VND billion)

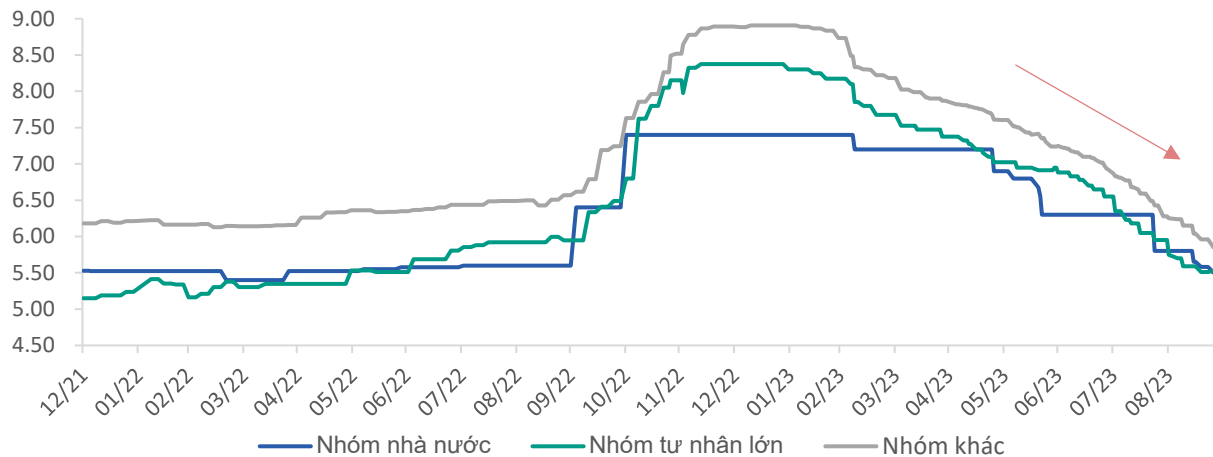
	Net revenue						Net profit						Change in Gross Margin over the period (bsp)	
	Q3/22	Q3/23	% YoY	9T22	9T23	% YoY	Q3/22	Q3/23	% YoY	9T22	9T23	% YoY	Q3/23	9T23
VEA	1,233	885	-28%	3,486	2,871	-18%	1,919	1,607	-16%	5,276	4,902	-7%	+2%	+1%
HAX	233	146	-37%	811	371	-54%	10	3	-70%	27	9	-67%	-1%	+1%
CTF	1,970	1,115	-43%	5,177	2,905	-44%	58	8	-86%	193	15	-92%	0%	0%
SVC	5,029	5,035	0%	14,448	14,283	-1%	160	9	-94%	417	34	-92%	-2%	-1%

Source: Fiinpro, BSC Research

Expect 2H2023 auto sales to recover compared to 1H2023 thanks to:

- (1) The 50% reduction in registration fees applicable from July 1, 2023 to December 31, 2023 is the main driver for the recovery in 2H/2023. In Q3, the policy improved auto sales to 67,506 units, down -15% YoY, less than Q2's 38% YoY decline.
- (2) The decrease in average deposit interest rates is an important premise for reducing lending rates in the future and increasing the access to cars of a segment of consumers.

Figure: Deposit interest rates continue their downward trend (%)

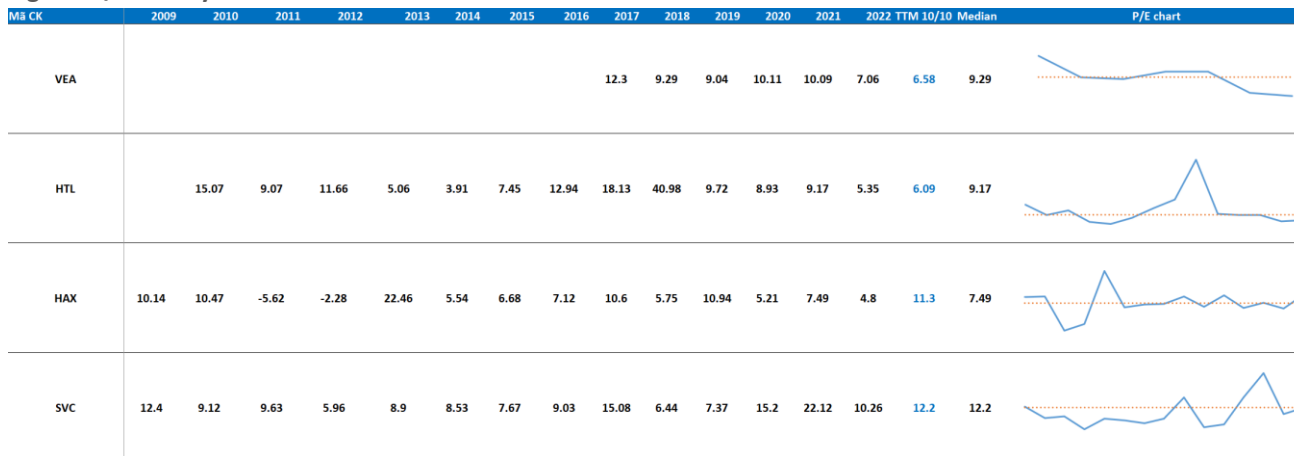


Source: Fiinpro, BSC Research

BSC believes that full-year 2023 automobile sales will not surpass record levels in 2022 and **will still grow negatively** so we **maintain a NEUTRAL on the Automobile Sector in 2023**.

We prefer VEA because: (1) has a history of paying regular cash dividends with attractive dividend yields (12-14%).

Figure: P/E history of automobile businesses



Source: FiinPro, BSC Research

INVESTMENT THESIS– NEUTRAL

BSC maintains a **NEUTRAL** towards the Automotive Sector in 2023 due to expectations: automobile sales will grow negatively in 2023.

Table: Estimated business results of some automobile enterprises

Ticker	Net revenue 2023	% YoY	NPAT 2023 (billion VND)	% YoY	EPS 2023	P/E fw	P/B fw	ROA 2023	ROE 2023	Price 3 /11/2023	Target price	Upside (%)

	(billion VND)											
VEA	4,350	-8%	7,105	-6%	5,347	6.9	1.8	25%	23%	36,700	45,000	23%

Source: BSC Research

CHEMICAL SECTOR [POSITIVE]

Analyst: Luu Thuy Linh

Email: Linhlt2@bsc.com.vn

- Some chemical prices rebound in Q3/2023 driven by: **(1)** improved demand and **(2)** rising energy prices
- BSC maintains a **NEUTRAL** recommendation on the Chemicals Sector in 2023 due to its high comparative background and **POSITIVE** in 2024 due to expectations that prices of chemicals will continue to recover in late 2023 and 2024.

Improved demand pushes prices of some chemicals to increase again in Q3/2023

Figure: Yellow phosphorus prices recover from July 2023 (CNY/ton)

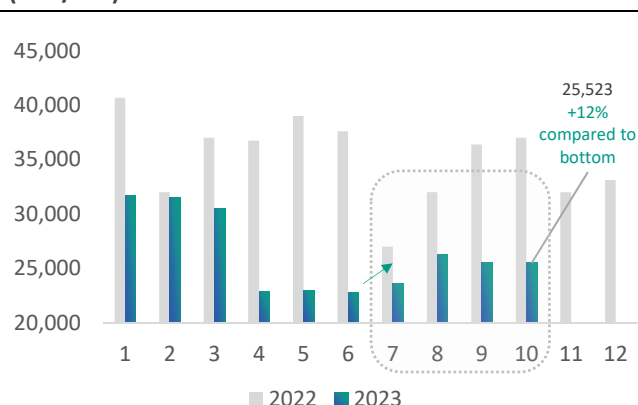
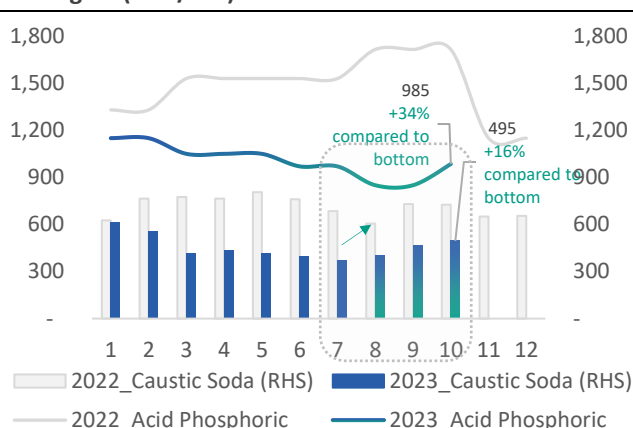


Figure: Phosphoric acid and caustic soda (RHS) prices rise again (USD/ton)



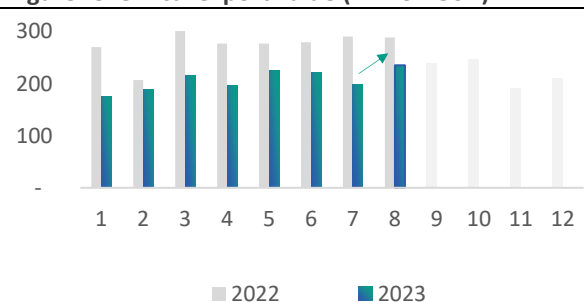
Source: Sunsirs, BSC Research

Source: Bloomberg, BSC Research

The recovery in demand for basic chemicals helped chemical prices rebound after bottoming out in July 2023. The decrease in inventories to low levels and increased demand for chemicals has helped the market to be more active, driving up chemical prices. Specifically, the price of yellow phosphorus in China in October 2023 reached about 25,500 CNY/ton (-31% YoY, up +12% from the bottom); phosphoric acid prices and caustic soda prices in October 2023 reached \$988/ton (-43% YoY, up +34% from the bottom) and \$495/ton (-32% YoY, up +16% from the bottom), respectively.

Chemical exports recover, reaching year-to-date high in August 2023

Figure: Chemical export value (Million USD)



Source: Customs, BSC Research

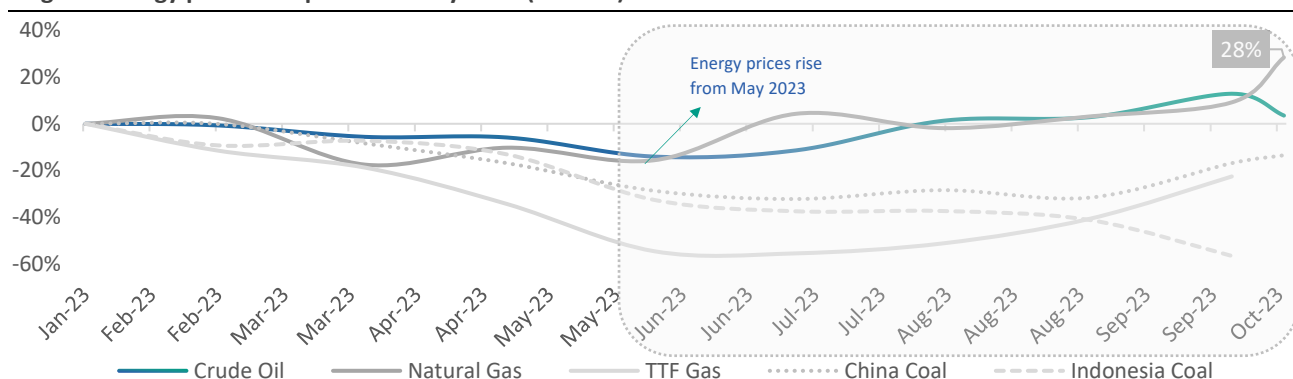
- Accumulated 8M/2023, Vietnam's chemical export value reached 1,654 million USD (-25% YoY), recovering from a decrease of -35% YoY in January 2023;
- In merely August 2023, Vietnam exports 235 million USD (+19% MoM, -18% YoY) reaching the highest level so far this year;

BSC expects chemical demand to continue to improve in Q4/2023 as it enters the peak season

BSC expects that demand for chemicals will continue to improve for the rest of 2023 and 2024F, thereby driving chemical prices to continue to recover.

A rebound in energy prices will be a driving force for commodity prices to continue rising

Figure: Energy prices compared to early 2023 (+% YTD)



Source: Bloomberg, BSC Research

Prices of major energy commodities have risen from June 2023, leading to an increase in production costs, boosting the recovery of chemical prices. Energy prices bottomed out in May and rebounded in June, as of October 2023, prices of major energy commodities, although still lower than before, have increased sharply compared to the bottom level. Brent oil and coal prices are up about 20% from the bottom, gas prices in the EU and the US are up 70% and 50%, respectively from the bottom.

We expect energy prices bottomed out in May and could continue to rise in late 2023 and 2024 if political conflicts intensify or incidents in energy exporting powerhouses. And rising energy prices will be a supportive driver of chemical price increases.

BSC expects chemical prices to continue to recover in late 2023 and 2024 thanks to:

(1) Chemical prices have fallen deeply, there is not much room for price reduction and manufacturers tend to keep prices down, and (2) Supply is tighter due to energy issues and;

We believe that the supply of chemicals is becoming more difficult due to energy-related issues (*lack of electricity, rising coal prices, lack of gas, ...*) tends to become more pronounced in the second half of 2023, especially in China. Tighter supply coupled with a deep drop in chemical prices is the main driver of the recovery in chemical product prices.

BSC maintains a NEUTRAL stance on the Chemicals Sector in 2023 and POSITIVE in 2024

Despite the expectation of recovery, BSC believes that there is no clear motivation for chemicals to overcome the peak price zone of 2022, so in 2023 chemical businesses will grow negatively before a clearer recovery in 2024.

INVESTMENT THESIS – NEUTRAL

BSC maintains a NEUTRAL on the Chemicals sector in 2023 and POSITIVE in 2024.

We prefer DGC because: DGC is a leading chemical enterprise in Vietnam with a large amount of cash with a healthy balance sheet and future growth potential from: (1) expanding the capacity of yellow phosphorus segment thanks to M&A of other factories and (2) operating the Nghi Son – Duc Giang project.

Table: Estimation of business results of some chemical enterprises

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 3/11/2023	Target price	Upside (%)
DGC	11,309	-22%	3,259	-41%	8,576	10.2	2.5	22%	24%	87,500	100,000	14%
CSV	1,482	-30%	272	-23%	6,154	6.3	1.2	17%	19%	39,000	48,000	23%

Source: BSC Research

FERTILIZER SECTOR [NEUTRAL]

Analyst: Luu Thuy Linh

Email: Linhlt2@bsc.com.vn

- Domestic production and average selling price of Urea recovery in Q3/2023;
- China restricts urea exports and India increases imports as the driving force for Urea to continue to anchor prices in the current region and continue to increase as it enters the peak season;
- BSC maintains a **NEUTRAL** recommendation on the Fertilizer Sector in 2023 and **POSITIVE** in 2024

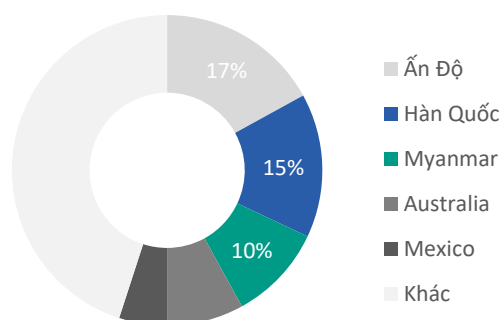
China reducing export restrictions and India increasing imports are good signals supporting the increase in Urea prices

China restricts urea exports from September 2023

Rising urea prices and export restrictions being lifted in early 2023 have caused China to boost urea exports in the first 8 months of 2023 and as a result, urea inventories in China have fallen to record lows. To ensure fertilizer – food security, China has reduced its export momentum from August 2023 and officially restricted exports in September 2023.

China's main urea export markets are: India (17%), South Korea (15%) and Myanmar (10%), of which South Korea and Myanmar are also two major fertilizer export markets of Vietnam. As a major fertilizer producer and exporter in the world, BSC expects China's restriction on urea exports will: **(1)** support the increase in world and domestic urea prices and **(2)** Vietnam can increase competition in the world market in exporting urea.

Figure: China reduced exports from August 2023 before formally restricting exports in September 2023



Source: China Customs, BSC Research

India imports lower urea than previous period in 7M/2023, BSC expects India to increase urea imports in late 2023 as it enters the main crop season of the year

Figure: It is expected that India's urea imports will recover from now to the end of 2023 (tonnes)

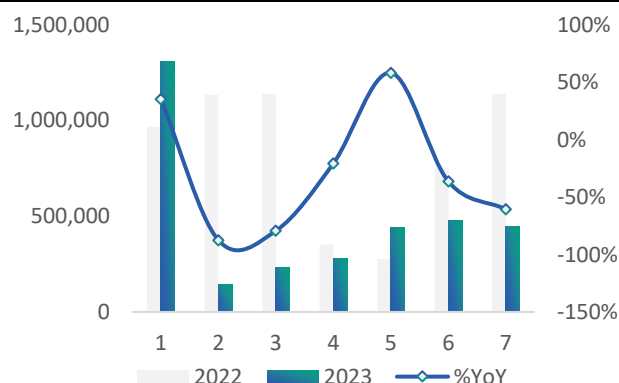


Figure: India reduces urea imports from Vietnam in 7M/2023 (tonnes)



Source: India Customs, BSC Research

Accumulated in 7M/2023, India imported 3.3 million tonnes of Urea (-42% YoY) of which, India imported 30 thousand tonnes (-89% YoY) from Vietnam, down more than India's imports as China boosted Urea exports in 7M/2023. BSC expects India to increase imports in late 2023 due to: **(1)** India entering its main crop season of the year and **(2)** pressure to compensate for low Urea inventory when Urea prices rise again.

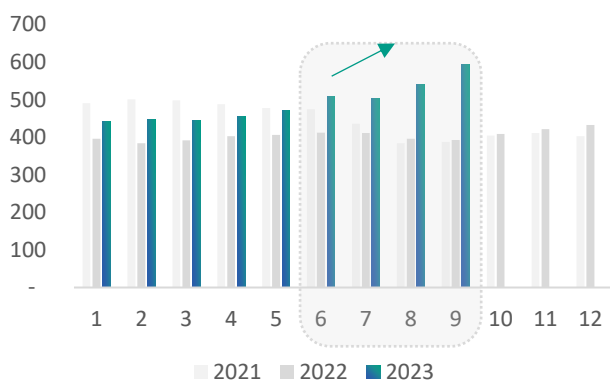
Q4/2023 and 2024 Outlook: BSC maintains the same view as its Q3/2023 Outlook Report, BSC expects **urea prices to recover in 2H/2023** and **domestic demand to improve** for the rest of 2023 thanks to:

(2) The decline slowed down due to expectations of reduced export pressure from China and India increased urea imports

(3) Demand improved thanks to high anchored rice prices and fertilizer prices corrected to low levels

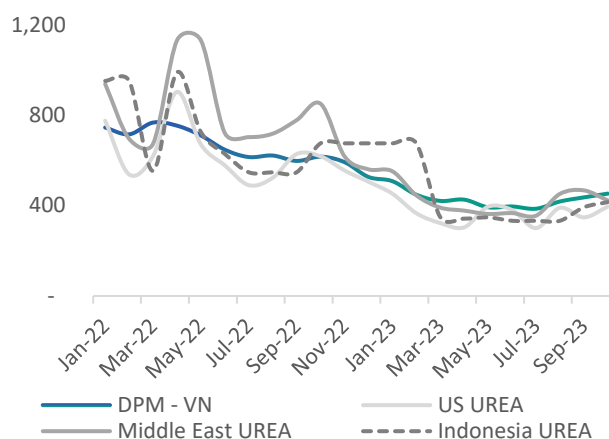
Vietnam's average rice export price in Q3/2023 remained high, reaching 546 USD/ton, up +34% over the same period in 2022 and up +14% compared to Q2. BSC expects higher rice prices and low fertilizer prices to improve domestic demand for fertilizer.

Figure: Average export price of Vietnamese rice (USD/ton)



Source: Bloomberg, BSC Research

Figure: Domestic urea price and world urea price (USD/ton)



Source: India Customs, BSC Research

INVESTMENT THESIS – NEUTRAL

Due to lower urea prices in 2023 compared to 2022, which exert downward pressure on growth, BSC maintains a **NEUTRAL recommendation for the fertilizer business in 2023, and a POSITIVE view for 2024.**

Figure: Estimated business results for a few businesses in the fertilizer sector.

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 3/11/2023	Target price	Upside (%)
DPM	12,635	-32%	1,098	-80%	2,805	12.6	1.1	7%	10%	35,250	42,000	19%
DCM	12,047	-24%	1,039	-76%	1,916	16.7	1.6	7%	10%	32,750	36,000	10%

Source: BSC Research

TYRE SECTOR [NEUTRAL]

Analyst: Luu Thuy Linh

Email: Linhl2@bsc.com.vn

- As per BSC's analysis, in 2023, tyre business activities will be divided based on three critical factors: (1) their ability to compete and expand in domestic and export markets, (2) their ability to cut down on SG&A expenses, and (3) their ability to maintain operational efficiency despite the increasing costs of production materials.
- BSC maintains a NEUTRAL perspective on the Tyre Sector in 2023.

Signal of recovery from the export market

In the first nine months of 2023, Vietnam's export of rubber products amounted to 638 million USD, showing a 16% YoY decline. However, in Q3/2023 and September 2023 alone, the export value of rubber products reached 222 million USD (-12% YoY, but +11%/+3% compared to Q1 and Q2) and 72 million USD (-11% YoY). It is expected that the tyre export market will continue to recover in Q4/2023, as it is usually the peak season for tyre consumption and export.

Figure: Export value of rubber products in the first 9 months of the year (USD million)

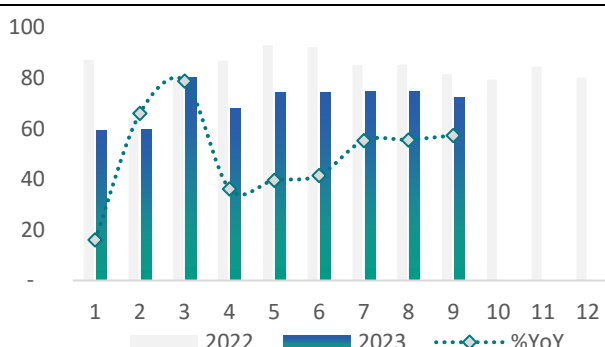
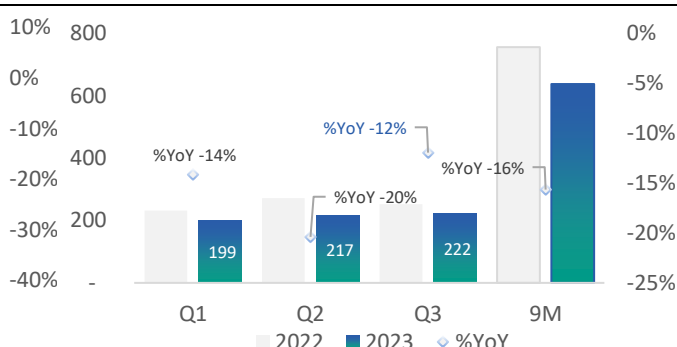


Figure: Export value of rubber products to recover in Q3/2023 (USD million)



*Tyres account for 50% of exported products

Source: Customs, BSC Research

However, competitive pressure remains high as China boosts tyre exports

Higher tyre export profits have prompted Chinese tyre manufacturers to adjust their target markets and boost tyre exports. Chinese tyre products are more competitively priced in foreign markets due to their self-sufficient input materials and large factory capacity.

Accumulated 8M/2023, China exported 41.1 million tires, which is a 7% increase from the same period last year. In August 2023, China exported 5.5 million tires (+13% YoY).

Figure: China's tire exports from Jan – Aug in 2022 and 2023 ('0,000 units)

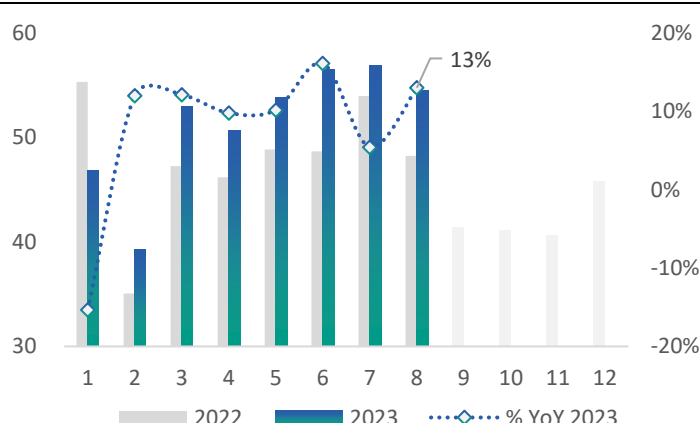
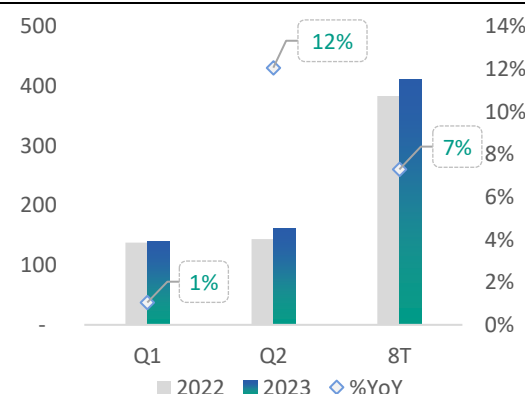


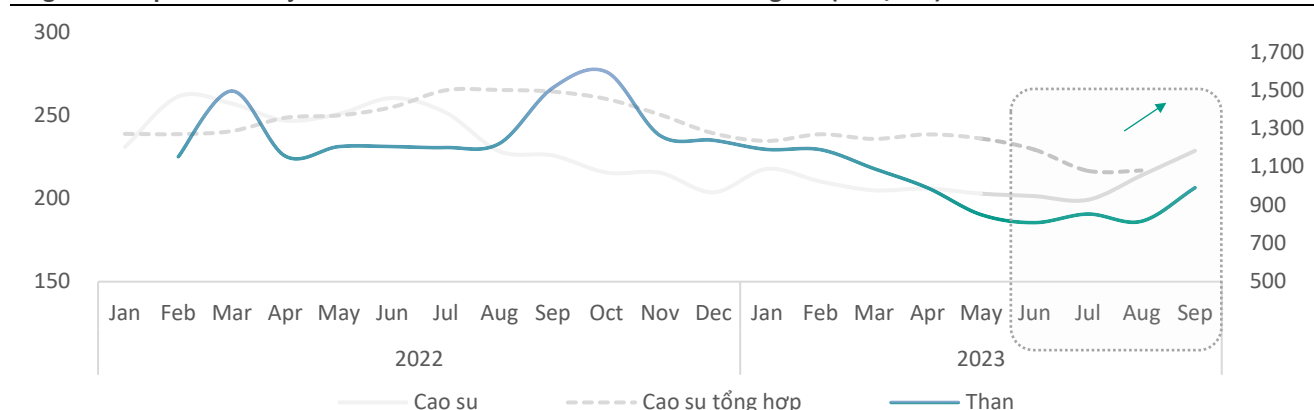
Figure: China ramps up tire exports in Q2/2023 (0,000 units)



Source: Bloomberg, BSC Research

Some materials tend to increase

Figure: The prices of major raw materials have started to increase again. (USD/ton)



Source: Bloomberg, BSC Research

The prices of main raw materials such as rubber, coal, and chemicals are increasing once again, posing a risk to operational efficiency. At the end of Q3/2023, rubber and coal prices reached \$229/ton and \$990/ton, respectively, marking a 14% and 23% increase compared to the end of Q2/2023. This hike in raw material prices will inevitably reduce the operating efficiency of tire businesses. However, the impact on gross profit margins will vary depending on the ability of each tire business to set prices with customers.

In return, BSC expects operational efficiency to be supported by reducing sales and business management costs

Selling and administrative expenses for tyre businesses decreased by 28-37% QoQ and 27-40% YoY in Q2/2023.

INVESTMENT PERSPECTIVE – NEUTRAL

In the year 2023, BSC will maintain a **NEUTRAL** perspective toward the tire sector. The company's performance will be divided based on: **(1)** its capacity to compete in the local market and expand its export markets; **(2)** its ability to reduce SG&A costs; and **(3)** its capability to maintain operational efficiencies despite the possible rise in the price of some manufacturing materials.

Figure: Estimated financial performance of some tire sector businesses

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 3/11/2023	Target price	Upside (%)
DRC	4,946	1%	244	-21%	2,007	11.1	1.4	9%	13%	22,750	28,600	26%

Source: BSC Research

CONSUMER – RETAIL SECTOR [NEUTRAL]

Analyst: Pham Thi Minh Chau

Email: Chauptm@bsc.com.vn

- Consumer demand has not recorded a clear signal of recovery in Q3/2023:
- Business results in Q3/2023 have shown improvement compared to Q2/2023, with a positive trend for Q4/2023 and reflected in stock prices.
- The potential to raise the valuation of listed retail enterprises in the medium term comes from the expectation of selling capital/M&A trends of business segments.
- BSC maintains its **NEUTRAL** recommendation for consumer retail results in 2023 and a more positive expectation for FMCG in 2024F.

Consumer demand has not recorded a clear signal of recovery Q3/2023: Retail sales of goods and services in Q3/2023 grew at a slower pace (+7.3% YoY) compared to Q2/2023 (+8.7%YoY), which was lower than the CAGR of 11.8% from 2016 to 2019. The instability of the world economy and geopolitical tensions have impacted the Vietnamese economy indirectly, resulting in a decline in people's disposable income and reducing the growth momentum of the category that had recorded high growth in 1H/2023 (due to the low base level during the same period).

Figure 1: Consumer demand continues to slow down in Q3 2023

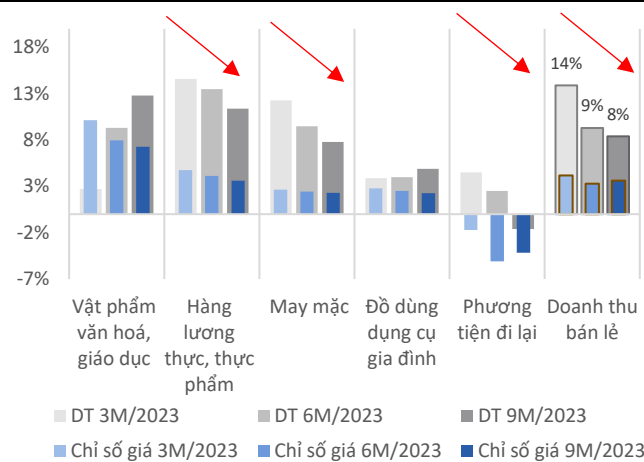
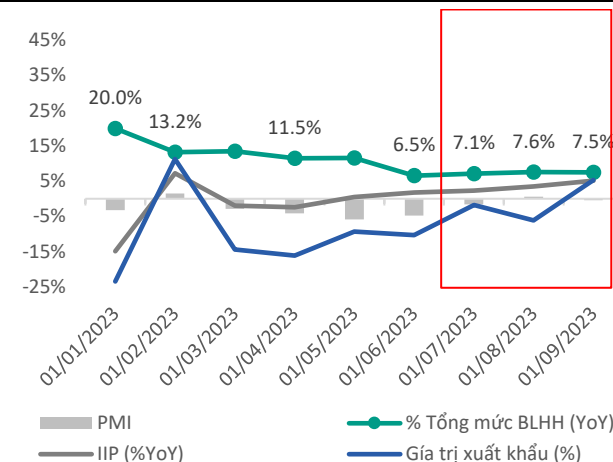


Figure 2: The macroeconomy for Q3/2023 has not shown many clear signs of recovery.



Source: GSO, BSC Synthesis, Fiinpro.

Figure 1: An overview of expected Q3 and 9M 2023 business outcomes and stock price changes.

	Lợi nhuận sau thuế (ước tính)				Diễn biến giá CP so với index			
	Q3.2023		YTD		YTD		Beta	
	% QoQ	% YoY	Trước TT điều chỉnh (1/11/2023)	Sau TT điều chỉnh (23/10/2023)				
MWG	<div><div></div></div> (1.0)	<div><div></div></div> 123%	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	
PNJ	<div><div></div></div> 0%	<div><div></div></div> -25%	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	
DGW	<div><div></div></div> 43%	<div><div></div></div> 23%	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	
MSN	<div><div></div></div> (0.9)	<div><div></div></div> -54%	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	
VNM	<div><div></div></div> 8%	<div><div></div></div> 13%	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	
QNS	<div><div></div></div> 60%	<div><div></div></div> -29%	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	
DBC	<div><div></div></div> 94%	<div><div></div></div> -96%	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	
BAF	<div><div></div></div> (0.8)	<div><div></div></div> 367%	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	
SAB	<div><div></div></div> 22%	<div><div></div></div> -10%	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	

Source: BSC Synthesis.

Accordingly, from a business situation perspective: Q3/2023 business performance (estimated in figure 1) of the consumer retail sector is estimated to continue to decline over the same period due to the decline in aggregate demand. **However, we still maintain our view in the [Q3/23 Sector report](#): business results have recorded more**

positive signals in Q3/2023 compared to the previous quarter, and the recovery momentum continues to be extended until 1H/2024.

This view is further supported by factors:

- (1) The pressure to liquidate high-priced inventories will decline from Q2/2023 and
- (2) The positive impact of expansionary monetary policy and the government's consumption support became gradually effective;
- (3) expectations from capital sales and M&A trends in business segments, in order to support operating cash flow for long-term growth goals and expectations of business revaluation.

Figure 3: The retail industry has consistently increased the quantity and value of M&A deals, particularly during and after economic fluctuations.

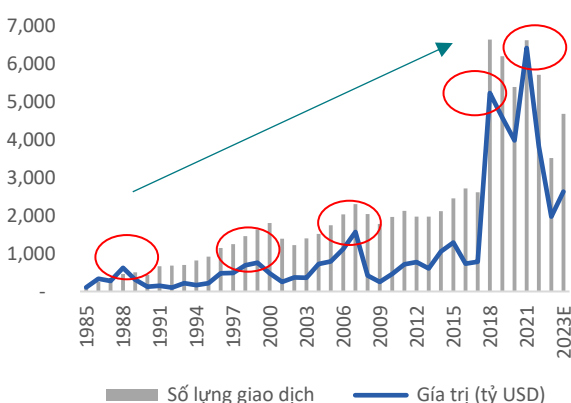
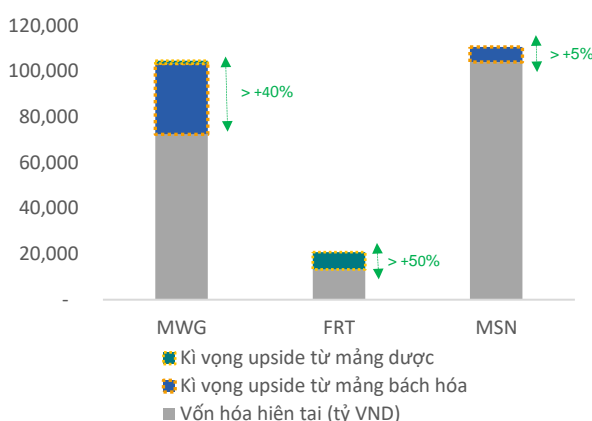


Figure 4: Possibility of increasing the valuation of listed retail companies using the median PE comparison method (refer to Figure 2). (VND billion)



Source: imaa-institute.org, BSC synthesis and estimation.

Figure 2: An overview of capital sales and M&A transactions for Asian retail companies from 2013 to 2023

Form	Period	Incurred transactions	Value (billion USD)	Estimated target P/S (times)	Quantity of shops/super markets	Businesses with similar models	Attitude
Department stores/convenience stores	2013	CP All acquires Siam Makro	6.6	1.8	57	BHX (MWG) owns more than CH 1,700	Feasible
	2016	CRC has acquired Big C chain from Casino Group (France)	1.1	1.8	73		
	2020	CP Group has acquired an 86.9% stake in the Tesco chain in Thailand	10.6	0.8	2,000	WCM (MSN) Owns more than CH 3,300	Track
	2020-2022	Estimating WCM value, through TCX's capital sales	2.5-3.0	1.9-2.3	2,538 -3,268		
Pharmacy retail chain	2023	Dongwha Pharm Group (South Korea) signed an agreement to acquire 51% shares in Trung Son Pharma	0.06	1.1	140	An Khang (MWG) owns more than 500 CH	Track
						Longzhou (FRT) owns more	Track

*Based on information of published businesses.

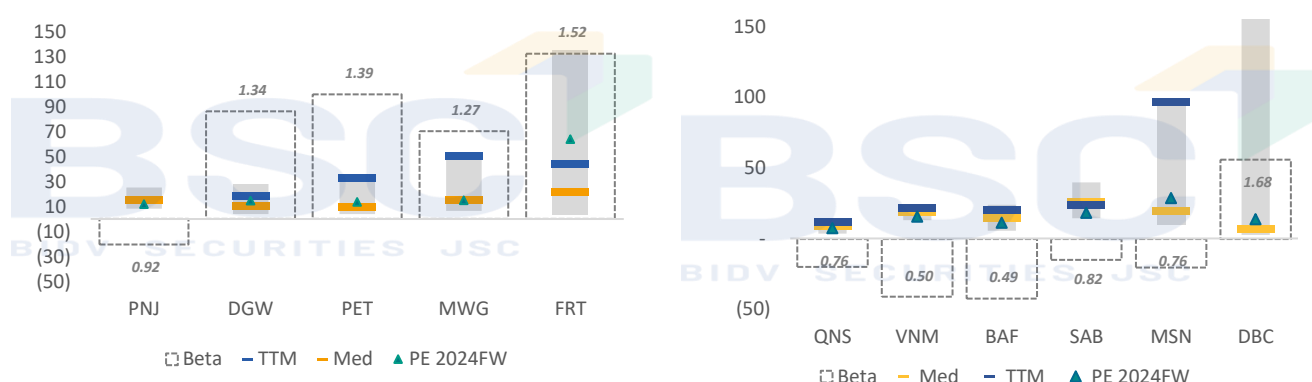
Source: BSC Research collection and estimation

In addition, we maintain our view that the retail-consumer sector has performed better than the overall market for this group of stocks.;

- (1) expect business results to improve in Q4/2023 and 2024
- (2) There is a growth story in the medium term.

Therefore, after the period when the market has been discounted from 10%-15% compare to the previous peak, it will provide attractive investment opportunities in the sector especially for those stocks (MWG, PNJ, MSN,..) that are heavily discounted due to market influences as mentioned in Figure 1.

Figure 5: The price movement of consumer retail shares is discounted in comparison to the median



Source: BSC Research collection and estimation

INVESTMENT PERSPECTIVE – NEUTRAL

BSC maintains its NEUTRAL recommendation on the consumer-retail sector's results in 2023 due to weakening demand challenges and a more positive outlook in 2024.

Figure: Estimated business results of some businesses in the Consumer - Retail sector

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 3/11/2023	Target price 2023/2024	Upside (%)
MSN	82,876	9%	567	-84%	396	161.3	2.5	2%	7%	63,900	76,400	20%
DGW	18,676	-15%	412	-40%	2,524	19.0	2.7	6%	15%	46,800	60,400	29%
MWG	122,025	-9%	371	-91%	254	153.5	2.3	2%	5%	38,950	55,700	43%
VNM	61,441	2%	8,684	2%	3,740	16.8	4.5	18%	27%	70,000	84,900	21%
PNJ	31,950	-6%	1,850	2%	5,142	13.1	2.6	13%	19%	73,800	95,600	30%

Source: BSC Research

FISHERY SECTOR [NEUTRAL]

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

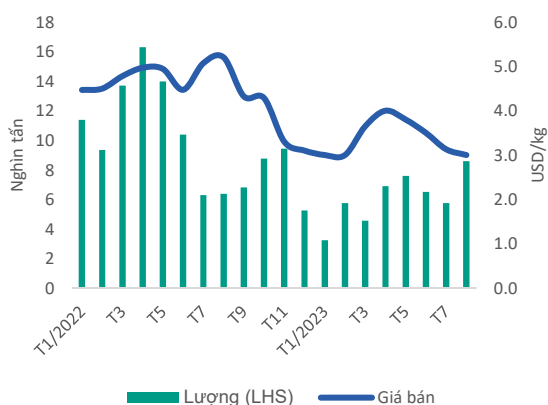
- Accumulated 9M.2023, pangasius export turnover = 1.359 billion USD (-44% yoy), however, in Q3.2023, pangasius export production has had a positive recovery with the main motivation coming from the Chinese market, meanwhile, the production in the US market has decreased due to a drop in the prices of pangasius.
- BSC holds a neutral stance towards the pangasius sector as compared to our previous report. This is due to two reasons: first, pangasius export prices to the US have not shown clear signs of recovery; second, prospects for recovery are expected in Q4 2023 and 2024 due to seasonal factors and an anticipated increase in consumption demand in China and the US.

Accumulated 9M.2023, pangasius export turnover = 1.359 billion USD (-44% yoy), however, in Q3.2023, pangasius export production has had a positive recovery with the main motivation coming from the Chinese market, while the US market tends to decline due to the decrease in pangasius prices. Concrete:

- Fish prices to the US in Q3.2023 are 14% lower than BSC's expectations because pangasius demand has not improved obviously.** Exports of pangasius to the US decreased to 3.0 USD/kg (-16.2% qoq, -38% yoy), but production increased to 22.6 thousand tons (+7.4% qoq, +16% yoy). recorded a recovery.
- Production of pangasius to China recovered in Q3.2023.** Pangasius export production was 68.28 thousand tons (+18% qoq, +20% yoy), and the export price to China was 2.18 (-3% qoq, -16% yoy).

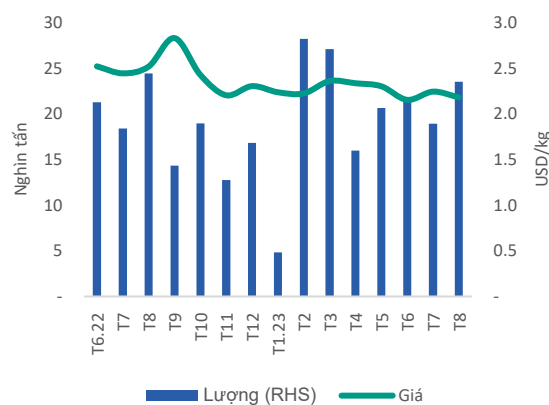
According to BSC, two factors contributed primarily to the rebound in fish export production to the US and China: (1) buyers stockpiling inventory for the end of the year; and (2) low pangasius stocks in the US and China.

Figure: Pangasius production to the US recovered while pangasius prices decreased sharply



Source: BSC General

Figure: Pangasius production to China recovers



Source: BSC General

In Q4.2023 and 2024, BSC expects a recovery in Vietnam's pangasius export production as a result of progressively increasing demand in its two primary export markets (the US and China).

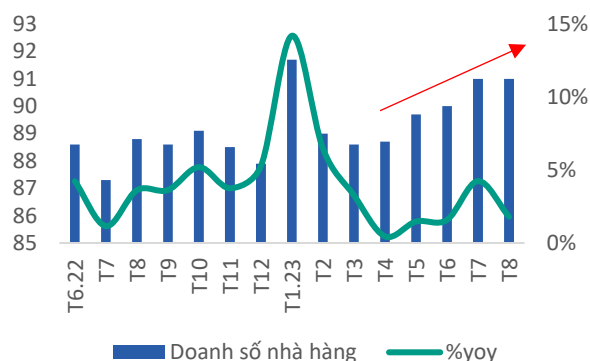
For the US market:

BSC expects pangasius exports to the US to recover in Q4.2023 and last into 2024 as a result of three factors: (1) an improvement in demand; (2) low pangasius inventory levels when keeping the same level as M7.2021 (the first phase of the previous pangasius cycle); and (3) low anti-dumping duties that are maintained.

- Pangasius demand gradually improved in the US market** because of two reasons: (i) restaurant sales recovering M8 = USD 90.8 billion (+1.8% yoy), (ii) due to seasonal factors during holidays in Q4 2023.

- (2) **Pangasius inventory levels are low in the US market.** According to the US Department of Agriculture (USDA), catfish stocks (pangasius size) M7 = 32.2 thousand tons decreased by 20% compared to the beginning of the year and are equivalent to M7.2021 (the first phase of the previous pangasius cycle).
- (3) In September 2023, shortly after the US upgraded its comprehensive strategy with Vietnam, anti-dumping duties on frozen pangasius fillet were announced. Accordingly, VHC continues to enjoy tax of 0.0 USD/kg, ANV and IDI is 0.14 USD / kg.

Figure: US restaurant revenues increased by 1.8% yoy in August.



Source: U.S. Bureau of Statistics

Figure: Anti-selling tax rates applied to some Vietnamese enterprises

Company Name	Applicable tax rates
Vinh Hoan Joint Stock Company (VHC)	USD 0.0/kg
East Sea Fisheries Company Limited	USD 0.0/kg
Nam Viet Joint Stock Company (ANV)	USD 0.14/kg
I.D.I Multinational Investment and Development Joint Stock Company (IDI)	USD 0.14/kg

Source: BSC General

For China market:

BSC believes that there will be a recovery in exports to China in Q4.2023 and Q4.2024 due to two causes:

(1) improved pangasius consumption as a result of increased consumption and food demand, (2) increased production in Q4.2023 based on seasonal factors.

- (1) **Pangasius consumption improved as a result of increased consumption and food demand in Q4 2023 and 2024.** In August 2023, BSC observes a rise in food spending and consumption in the Chinese market following the implementation of several measures to boost domestic demand, specifically:

- Retail sales increased by 4.6% yoy, exceeding the growth rate recorded in July by 2.1 percentage points.
- Restaurant sales increased by 12.4% yoy, exceeding the growth rate recorded in July by 1.5 percentage points.

Therefore, we expect pangasius consumption in China to improve in the rest of 2023 and 2024, as China continues to maintain and further promote stimulus policies to revive the Chinese economy.

- (2) **Production will increase in Q4 2023 due to seasonal factors.** At the end of the year, the import volume of pangasius into China usually tends to increase compared to Q3 because buyers accumulate inventories to serve the increased consumption demand on festive occasions/New Year.

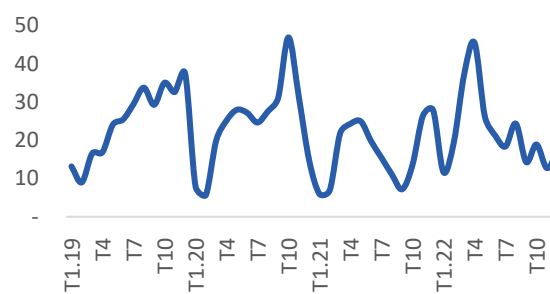
However, for the prospect of pangasius prices exported to China, BSC said that it would be difficult to increase sharply in Q4.2023 and 2024 because (1) the supply of pangasius and other alternative products (tilapia,...) is not too short (2) the negotiating advantage of low prices due to the relatively fragmented export market to China.

Figure: Restaurant and F&B services maintain recovery trend from Q2.2023



Source: Bloomberg

Figure: Pangasius export volume to China usually tends to increase in Q4.



Source: BSC compiled

INVESTMENT PERSPECTIVE – NEUTRAL

Compared to the previous report, BSC maintains a NEUTRAL investment stance in Q4.2023 and 2024 due to:

- (1) The price of pangasius exported to the US has not recovered clearly.
- (2) The outlook for recovery in Q4.2023 and 2024 is due to (i) seasonal factors, (ii) production recovery as a result of improving demand in the US and China in Q4.2023 and 2024; (iii) low pangasius stocks in the US market.

Stock symbol	Net revenue 202 (billion VND)	% YoY	NPAT 2023 (billion VND)	% YoY	EPS 2023	P/E fw	P/B fw	ROA 2023	ROE 2023	Price 3/11/2023	Target price	Upside (%)
ANV	4,604	-6%	76	-89%	590	58.0	1.5	1%	3%	33,100	N/a	N/a
VHC	10,216	-23%	1,281	-35%	6,987	10.3	1.5	11%	15%	72,200	87,000	20%

Source: BSC Research

Other Sectors

INFORMATION TECHNOLOGY SECTOR – POST AND TELECOMMUNICATIONS [POSITIVE]

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

- In 9M.2023, the IT Sector revenue reached VND 2.3 trillion (-2% yoy). This decrease was primarily due to declining exports of electronics hardware. However, the software export segment continued to perform well. Specifically, FPT achieved +30.4% yoy revenue growth in foreign markets for 8M.2023, because of positive results in the Japanese market (+41% yoy).
- For Q4.2023 and 2024, BSC said that the outlook of listed companies in the Technology and Telecommunications Sector is positive because of (i) high IT demand in Japan, APAC and signs of recovery in the US market (ii) the trend of investment in intelligent transportation systems (ITS) for highways and (iii) 4G and 5G Network Development.
- We continue to maintain a **POSITIVE view** on the Information Technology – Post and Telecommunications Sector in Q4.2023 and 2024.

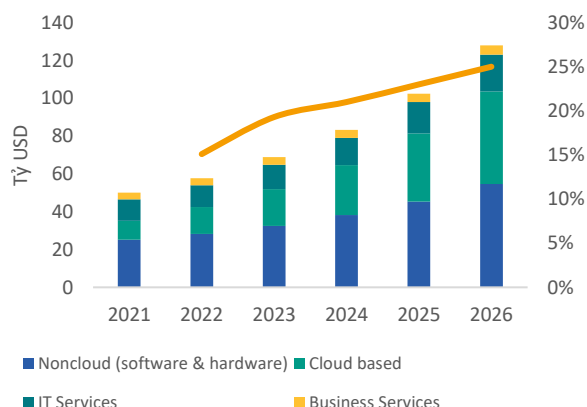
According to the Ministry of Information and Communications, the IT Sector revenue for 9M.2023 amounted to VND 2.3 trillion (-2% yoy). This decrease was primarily due to declining exports of computers and components (-4.2% yoy) and phones (-8.7% yoy). However, the software export segment maintained positive results. Specifically, FPT recorded a +30.4% yoy revenue growth in overseas markets for 8M.2023, driven by positive results in the Japanese market (+41% yoy). FPT's software exports account for approximately 70% of Vietnam's software export structure.

For the outlook of Q4.2023 and 2024, BSC maintains a **POSITIVE view** for listed IT businesses primarily engaged in export and outsourcing. This optimism is predicted by the following factors:

(i) The demand for IT services remains high in Japan, APAC and has positive signals of recovery in the US market, specifically:

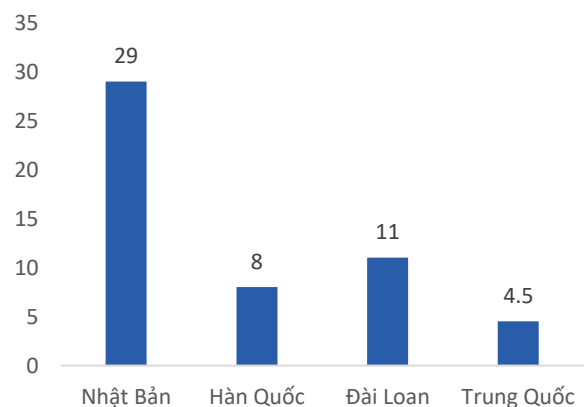
- The demand for digital transformation investment remains high in Japan and APAC because (1) Japanese businesses focus on digital transformation in 2023 – 2024 to save labor costs, reduce carbon emissions and catch up with countries in Asia and G7 (2) the need to transform big data from physical to cloud in APAC is prevalent because cloud computing applications expected to grow at an average of 30% CAGR between now and 2026.

Figure: Tech spending growth expected to reach 20.8% CAGR in APAC (2022 – 2026)



Source: IDC

Figure: Japan ranks 29/64 in digital transformation, which is lower than other nations.

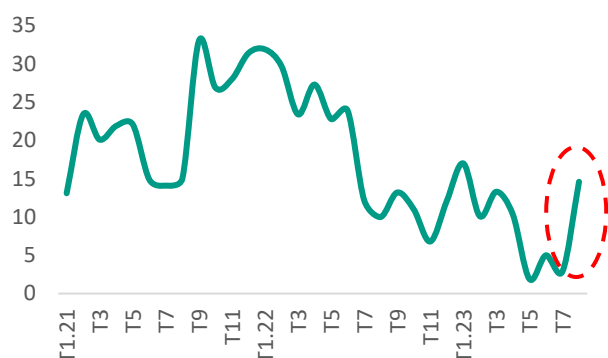


Source: IMD

- IT demand in the US market tends to recover, which is reflected in (1) IT spending index M8 reached 14.6, increased by 11.7 points compared to M7, in addition, in M8 the value of new orders signed by

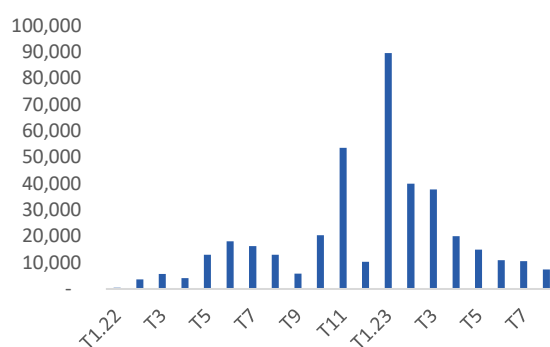
FPT reached VND 2,407 billion (+42% yoy) **(2)** the wave of IT layoffs ended in the US, total number of IT staff laid off in M8 = 7,462 people (-30% mom, -42% yoy).

Figure: August IT Index bounces back with a value of 14.6



Source: FRED

Figure: Number of IT personnel laid off in the US



Source: Layoff.fyi

(ii) The investment trend in Smart Transport (ITS) in highways creates a growth engine for the ITS (ELC, ITD) group in the period from now until 2025. In the period of 2022 – 2025, the government aims to install the ITS system on 100% of highway recruitments, so the ITS group will directly benefit from **(1)** the scale of high-speed ITS projects is usually worth from 200-300 billion VND/package, the inner city is 100-200 billion VND/package **(2)** the number of ITS contractors is limited in Vietnam (only 3 experienced contractors Execution – ELC, ITD, Tri Nam).

(iii) The trend of 4G and 5G network development in 2024. BSC expects that after phasing out 2G networks, along with the trend toward smart cities and the increasing demand for online platforms and cloud computing, there will be a positive impact on businesses that operate in Wholesale Management (CTR) and Data Center and Cloud (FPT, CMG),...

INVESTMENT PERSPECTIVE – POSITIVE

We continue to maintain a **POSITIVE** view on IT – Telecom stocks due to **(i)** high demand for technology spending in Japan, APAC and recovery in the US market **(ii)** The trend of ITS investment in highways creates growth motivation for the ITS group (ELC, ITD) in the period from now to 2025 **(iii)** the development trend of 4G and 5G networks will have a positive impact on the business activities of Wholesale Management (CTR), data center, cloud (FPT, CMG).

Stock symbol	Net revenue 2023 (billion VND)	% YoY	NPAT 2023 (billion VND)	% YoY	EPS 2023	P/E fw	P/B fw	ROA 2023	ROE 2023	Price 3/11/2023	Target price	Upside (%)
FPT	53,029	20%	7,829	21%	4,950	17.8	3.1	12%	28%	92,900	108,000	16%
CTR	10,803	15%	501	13%	4,449	18	4.2	8%	25%	76,000	95,000	26%

Source: BSC Research

OIL & GAS SECTOR [POSITIVE]

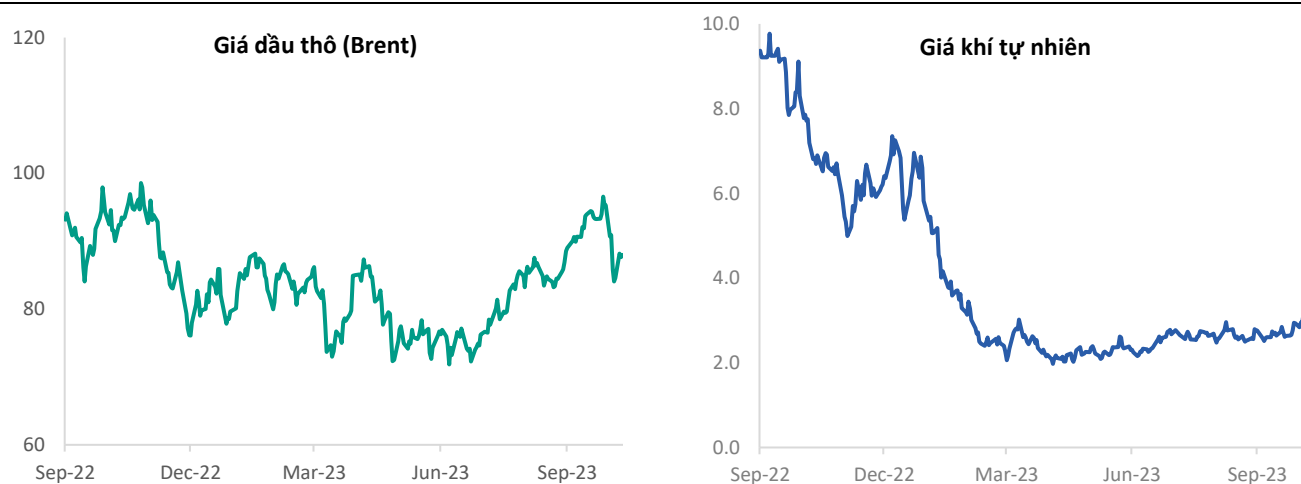
Analyst: Duong Quang Minh

Email: Minhhdq@bsc.com.vn

- Oil prices tend to recover and fluctuate around \$90 per barrel, due to the trend of tightening supply and escalating tensions between countries.
- The ongoing trend of tightening supply may catalyze maintaining high oil prices in the near future.
- The Block B – O Mon project series will soon be implemented in the near future.
- The successful testing of the Thi Vai LNG port warehouse will open up investment trends in LNG for the medium and long term
- BSC maintains a **POSITIVE view** of the oil and gas sector group.

Oil prices (Brent) bounced back and remained high in Q3.2023. Since July, oil prices have seen a fairly strong uptrend, and at times approached the \$100 per barrel mark. Gas prices also rose nearly 30% in the third quarter, and are trading around \$3.40 per mmbtu. The reasons for the recovery of oil and gas prices are as follows: (1) Supply continues to be tightened by the OPEC+ group, which is expected to persist until the end of 2023; and (2) Geopolitical conflicts between certain countries are escalating, further raising concerns about the impact on crude oil production in the near future. In this context of heightened tensions and complex geopolitical situations, it is highly likely that the policy of tightening supply by major crude oil-producing nations will be maintained. Therefore, BSC maintains that oil prices will continue to remain high, and fluctuate around \$90 per barrel in the period ending 2023.

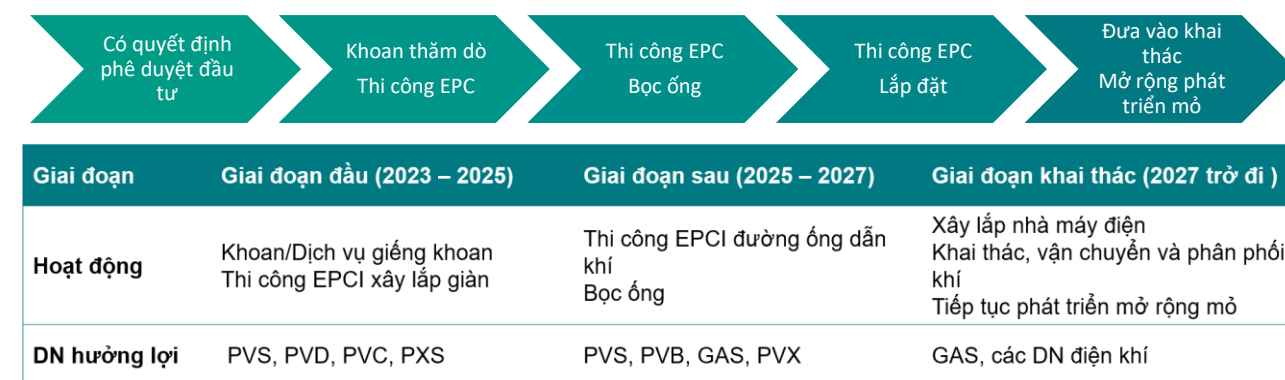
Figure: World crude oil and natural gas prices are trending towards bottoming out and recovering



Source: Bloomberg, BSC Research

The Block B – O Mon project series will soon be implemented in the near future. Recently, PVN has agreed on terms to implement the joint agreement with MOECO & PTTEP, to ensure that the Block B project chain operates as planned (expected to be completed in Q4.2026), without waiting for approval of the Final Investment Decision (FID). Accordingly, in the coming time, PVN will appoint a limited winning bidder (LLOA) for the EPCI contract phase 1, with a total investment value of 1.0 billion USD, expected to start disbursing from 2024. In particular, PVS expects to be carried out nearly 60% of the total workload, equivalent to 600 million USD. Therefore, BSC expects that the implemented project chain will soon help oil and gas enterprises benefit, especially the oil and gas upstream group, through EPC contracts and exploration drilling campaigns.

Figure: Phases of Block B – O Mon project (planned)



Source: BSC Research

The successful testing of the Thi Vai LNG port warehouse will open up investment trends in LNG for the medium and long term. In July 2023, Thi Vai LNG port warehouse successfully commissioned and welcomed the first LNG import ship to Vietnam, with an output of 70,000 tons of LNG. According to the orientation of Vietnam's National Energy Development Strategy, investment in technical infrastructure for LNG import and consumption will be prioritized for development, aiming to have enough LNG import capacity of about 8 billion m3 by 2030 and 15 billion m3 by 2045. Furthermore, in the officially approved document, the 8th Electricity Development Plan has determined that by 2030, 13 new LNG power plants will be constructed, with a total capacity of 22,400MW. As of the current moment, out of the 13 LNG power projects that have received investment approval, 5 projects are already in progress. Therefore, BSC believes that this will serve as a foundation for accelerating investments in LNG projects in the coming years, creating opportunities for midstream oil and gas companies such as GAS, CNG, and PVT.

Figure 1: List of LNG thermal power plants

STT	Project	Capacity(MW)	Period	LNG Terminal	Capacity (ton)
1	Quang Ninh LNG	1,500	2021-2030	Quang Ninh LNG	2 million tons
2	Pacific LNG	1,500	2021-2030	N/A	N/A
3	Nghi Son LNG	1,500	2021-2030	Nam Nghi Son	1 million tons
4	Quang Trach II LNG	1,500	2021-2030	N/A	N/A
5	Quynh Lap/Nghi Son LNG	1,500	2021-2030	Nam Nghi Son	100,000 m3
6	Hai Lang LNG phase 1	1,500	2021-2030	Hai Lang	1.5 million tons
7	Ca Na LNG	1,500	2021-2030	Ca Na LNG	5 million tons
8	Son My I and Son My II power plants	4,500	2021-2030	Son My LNG	6 million tons
9	Long Son LNG	1,500	2031-2035	N/A	3.5-4.4 million tons
10	Nhon Trach 3 and Nhon Trach 4 power plants	1,624	2021-2030	LNG Thi Vai	3 million tons
11	Hiep Phuoc LNG Phase I	1,200	2021-2030	N/A	N/A
12	LNG Long An I and Long An II	3,000	2021-2035	N/A	N/A
13	Bac Lieu LNG	3,200	2021-2030	N/A	N/A

Source: 8th Electricity Development Plan, BSC Research

INVESTMENT PERSPECTIVE – POSITIVE

BSC continues to maintain a **POSITIVE view** on the Oil and Gas Sector, in which:

For the upstream group, BSC expects oil and gas projects to have investment decisions soon in the near future, and enterprises providing drilling services, rig construction, floating warehouses such as **PVS** and **PVD** are expected to have more sources of jobs with higher value.

For the midstream group, complicated developments from the global geopolitical situation will make the unit price of oil and gas transport high, so businesses like **PVT** will benefit. In addition, the demand for LNG imports will continue to promote the construction of storage systems, and **GAS** as the owner of potential Thi Vai phase 2 and Son My phase 1 LNG projects in the near future.

For the downstream group, BSC recommends positive for **PLX shares** due to the expectation of oil production recovery and increasing prices, and recording a sudden profit from divestment activities at PGBank. Besides, BSR will also record a recovery in profit thanks to the positive recovery of oil prices and crackspread in the second half of the year, along with the prospect of listing on the HOSE exchange in the near future.

Figure: Estimated financial performance of some enterprises in the oil and gas sector

Stock symbol	Net revenue 2023 (billion VND)	% YoY	NPAT 2023 (billion VND)	% YoY	EPS 2023	P/E fw	P/B fw	ROA 2023	ROE 2023	Price 3 /11/2023	Target price	Upside (%)
GAS	90,877	-10%	12,701	-14%	6,636	14.6	2.2	14%	19%	80,600	104,400	30%
PVD	5,844	8%	537	-622%	672	28.9	1.1	3%	4%	27,900	32,000	15%
PVS	19,684	20%	877	-1%	1,329	20.8	1.4	4%	7%	38,200	44,500	16%
PLC	8,228	-4%	185	58%	2,293	13.4	1.9	4%	14%	30,600	38,400	25%
BSR	145,795	-13%	7,567	-49%	2,440	8.3	1.1	9%	13%	20,300	24,600	21%
PLX	283,117	-7%	4,152	186%	3,388	10.8	1.4	7%	16%	35,350	46,000	30%

Source: BSC Research

ELECTRICAL SECTOR [NEUTRAL]

Analyst: Nguyen Dan Truong

Email: Truongnd@bsc.com.vn

- Commercial electricity production in Q3.2023 increased by 8.7% compared to the same period, reaching 74.62 billion kWh.
- The El Nino cycle is the dominant weather phenomenon in 2023 and can be maintained into 2024, which is a positive signal for thermal power plants, especially gas-fired power plants.
- We maintain a NEUTRAL stance on the power sector in 2023.

Gas and renewable electricity output declined and promoted the mobilization of hydropower and coal-fired thermal power.

In the first 9 months of 2023, electricity production of the whole system reached 206.73 billion kWh (+1 % YoY). The increase in electricity consumption compared to the same period is due to the high demand for electricity on hot days, especially in the Northern region. In which, coal-fired thermal power contributed the largest with 96.8 billion kWh (+11.1% YoY), accounting for 46.8% of total production, followed by hydropower with an output of 60.29 billion kWh (-1.8% YoY).

Figure: Structure of power generation sources: coal-fired thermal power and hydropower offset the decline from electrification and renewable energy

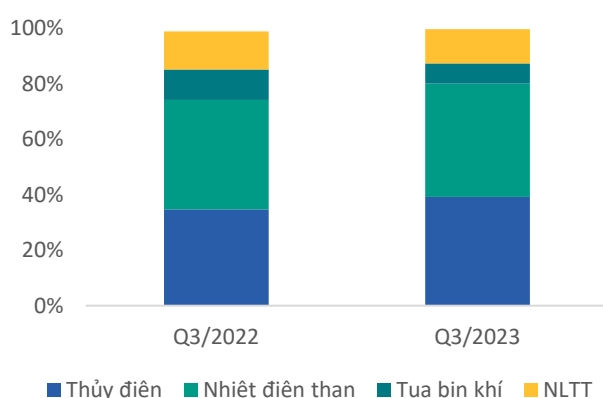
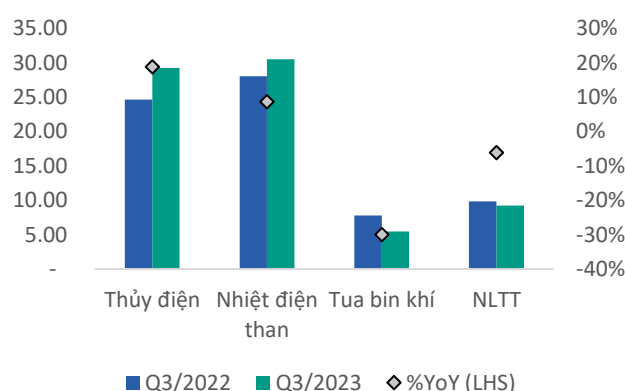


Figure: Q3 production: coal-fired thermal power increased sharply, gas turbines and wind power increased slightly (Billion Kwh)

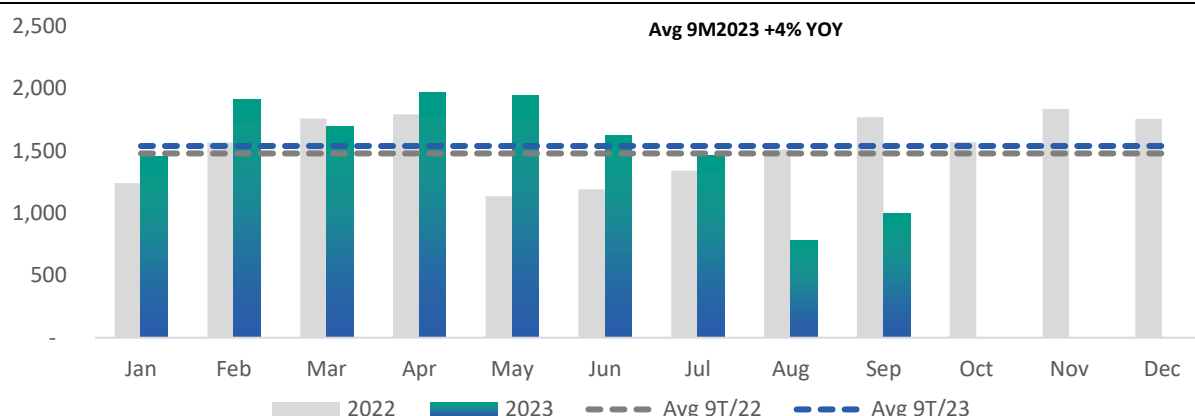


Source: EVN, BSC Research

Thermal power is expected to benefit in the near future due to the return of the El Nino cycle.

Continuing to maintain the view from the previous quarter's sector report (refer [to the report link](#)), BSC said that after the rainy season (June - October) passes, the impact of the El Nino cycle will become more and more pronounced, causing the amount of water to hydropower reservoirs to continue to decline, and the selling price of electricity in the competitive market increases. Therefore, thermal power plants will be the main beneficiaries in Q4.2023, while the hydropower group will be increasingly affected by the decline in output.

Figure: The FMP price (VND/kWh) in the competitive electricity market is high due to increased utilization of thermal power sources



Source: EVN, GENCO3

For businesses with Q3/2023 financial results, the thermal power group has a significant decline in profit. The reason comes from low FMP electricity prices, especially in August and September of 2023, total electricity prices will reach 783 and 998 VND/kwh, down -48% YoY and -47% YoY due to 1) stalled industrial production activities and 2) increased mobilization from hydropower. In addition, NT2 lost VND 124 billion in Q3 because 1) in September and October, the enterprise had to carry out an overhaul of the plant and 2) gas supply was gradually depleted. For HND, the business is expected to delay recording maintenance costs, so Q3 profit grew positively by 368% YoY.

Some electrical enterprises have Q3/2023 business results

Stock symbol	Net revenue Q3.2023	% YoY	NPAT Q3.2023	% YoY	Net revenue 9M2023	% YoY	NPAT 9T 2023	% YoY
NT2	816	-62%	-124	-162%	5,182	-24%	254	-65%
HND	2,884	-6%	192	368%	8,821	-7%	383	-34%
QTP	2,507	-92%	12	-92%	9,210	13%	404	-46%
VSH	382	-41%	26	-88%	1,931	-9%	765	-13%

Source: BSC Research

Power installation enterprises are expected to improve profits in 2024 because of EVN's new projects. In October 2023, the Ministry of Industry and Trade is carrying out bidding for the 500 kV transmission line project of circuit 3 Quang Trach - Pho Noi worth nearly VND 23,000 billion. This is the first signal that large power projects will speed up the progress and help businesses that operate in the field of electrical installation will benefit after a long period of delayed power projects

Waiting for clear legal information for renewable energy projects (wind power, solar power) is the reason why enterprises specializing in developing renewable power sources delay investing in new capacity, only stopping at feasibility studies of potential projects.

INVESTMENT PERSPECTIVE – NEUTRAL

We maintain a NEUTRAL stance on the Electrical sector for 2023:

- Hydropower stocks: BSC has a NEUTRAL stance on hydropower stocks for 2023, due to less favorable hydrology.

- Thermal power stocks: Expectations of a clearer El Nino in 1H2024 are likely to boost the utilization and profit growth of the thermal power group compared to the low base in 2023 (many thermal power plants undergoing maintenance). Therefore, we take a **NEUTRAL** view of thermal power stocks such as POW, QTP, HND.
- Group of electrical installation stocks: BSC gave a **POSITIVE** view of PC1, TV2, benefiting from investment policies related to construction outlined in the 8th Electricity Development Plan.

Figure: Estimated financial performance of some enterprises in the electricity sector

Stock symbol	Net revenue 2023 (billion VND)	% YoY	NPAT 2023 (billion VND)	% YoY	EPS 2023	P/E fw	P/B fw	ROA 2023	ROE 2023	Price 3/11/2023	Target price	Upside (%)
QTP	12,352	19%	612	-20%	1,360	10.4	1.0	8%	10%	14,100	17,000	21%
NT2	7,458	-15%	404	-54%	1,403	16.3	1.4	5%	9%	22,850	25,000	9%
POW	30,482	8%	1,563	-24%	667	16.6	0.8	4%	7%	11,050	14,000	27%
PC1	8,689	4%	328	-29%	1,213	22.3	1.0	2%	6%	27,000	36,200	34%
HND	11,892	13%	488	-11%	976	14.3	1.1	7%	8%	14,000	16,000	14%
REE	8,458	-10%	2,469	-8%	6,041	9.8	1.1	9%	16%	59,200	72,700	23%

Source: BSC Research

TEXTILE SECTOR [NEUTRAL]

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

- In Q3.2023, textile goods achieved a total export value of 9.3 billion USD (-11% yoy), the decline rate of export textile products continued to narrow due to improved order volumes compared to 1H.2023 as consumer demand in the US market trends towards recovery.
- For Q4.2023 and 2024, BSC expects that textile orders will continue to improve, because of (1) reduced inventory pressure and (2) the recovery of the US retail clothing market.
- We maintain a NEUTRAL stance on the textile sector based on (1) continued narrowing of the decline and (2) the prospect of recovery in Q4.2023 and 2024.

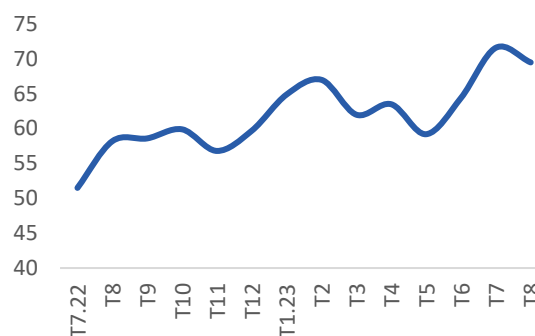
Textile export turnover in Q3 2023 was 9.3 billion USD (-11% yoy). Of this, 46% of the export structure went to the US, which continues to be the leading partner with a turnover of 4.1 billion USD (-11% yoy). BSC determined that consumer demand tends to increase again in the US market, so the decline in exports has continued to narrow in Q3.2023, owing to the recovery in order volume compared to 1H.2023.

Figure: The decline rate of textile export turnover is narrowed

Figure: The US consumer confidence index for August is 69.5, nearly the highest level in the past year.



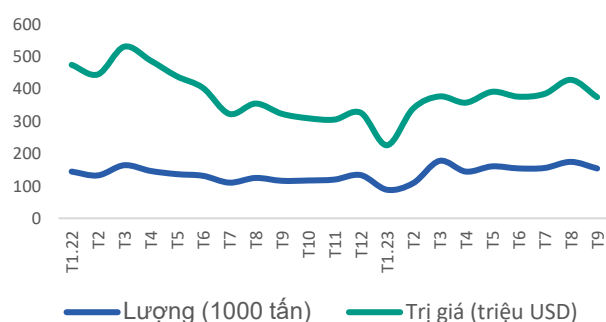
Source: General Department of Customs



Source: Trading Economics

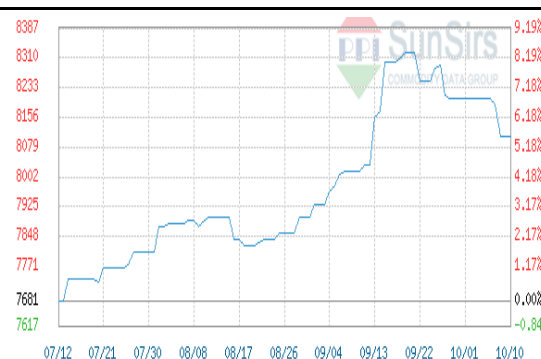
Vietnam's fiber and textile fiber exports reached 483 thousand tons (+17% qoq, +8% YoY), with a total export value of 1.185 trillion USD (+8% qoq, +19% YoY). This continued recovery is attributed to (1) imported goods to prepare for the autumn-winter season of 2023, (2) a low base in Q3.2023. However, the price of fibers is showing a slight decline of -3% mom in September 2023, primarily due to reduced input material costs (Axit terephthalic -3% mom).

Figure: Exports of fiber, textile fibers gradually recover in Q2.2023



Source: General Department of Customs

Figure: The price of Chinese POY yarn at the end of September tends to decrease slightly

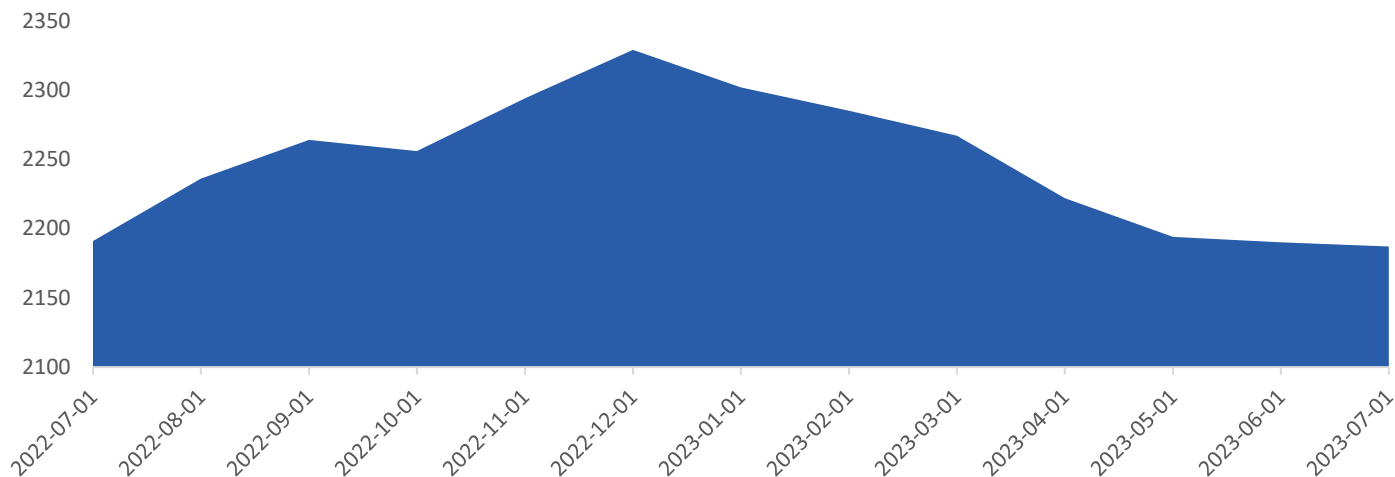


Source: SunSirs

In Q4.2023 and 2024, BSC expects the order outlook of textile enterprises to recover:

- (1) Inventory pressure decreased in the US market.** BSC found that clothing inventories in the US market have significantly cooled down due to (i) brands focusing on processing, pushing up inventories in 1H.2023, (ii) the value of US clothing inventories recorded the 7th consecutive month of decline, with clothing inventory in the US for July totaling 2.187 trillion USD (-0.1% mom, -0.2% yoy).

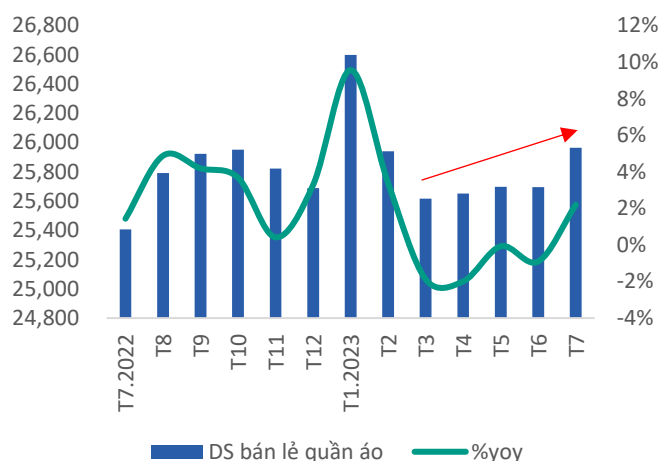
Figure: Clothing inventories in the US market for July totaling \$ 2.187 billion recorded the 7th consecutive month of decline.



Source: Fred

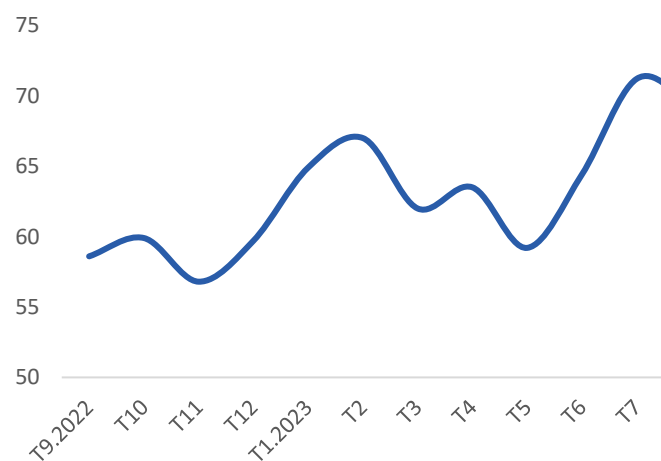
(2) In the US retail market, clothing sales in July increased by 2.2% yoy, signaling a recovery. The sales of clothing retail stores in the US for July totaled 25.96 billion USD (+2.2% yoy, +1% mom), rebounding after four months of negative growth compared to the same period. The US consumer confidence index for August is nearly the highest level in the past year, standing at 69.5.

Figure: US clothing retail sales in July increased by 2.2% yoy



Source: Fred

Figure: The US consumer confidence index for August is 69.5



Source: Trading Economics

(3) In addition, BSC observes that certain factors indicate a tendency for order prospects to recover in Q4.2023 and Q1.2024 such as (i) textile QC (quality checking) units have been fully booked in Q4.2023, (ii) some textile enterprises have started recruiting garment workers again (MSH,...)

INVESTMENT PERSPECTIVE – NEUTRAL

Compared to the previous report, BSC maintains a NEUTRAL view on the textile group as **(1)** export textile orders have improved compared to 1H.2023 **(2)** the outlook for recovery in the period ending 2023 and 2024 as a result of (i) declining clothing inventories and (ii) the recovery of the US retail market.

Stock symbol	Net revenue 2023 (billion VND)	% YoY	NPAT 2023 (billion VND)	% YoY	EPS 2023	P/E fw	P/B fw	ROA 2023	ROE 2023	Price 3/11/2023	Target price	Upside (%)
MSH	4,948	-10%	299	-20%	3,543	9.8	1.8	9%	16%	39,050	45,000	15%
TNG	6,945	3%	227	-23%	2,013	8.7	1.2	4%	14%	18,800	21,700	23%

Source: BSC Research

INSURANCE SECTOR [LESS POSITIVE]

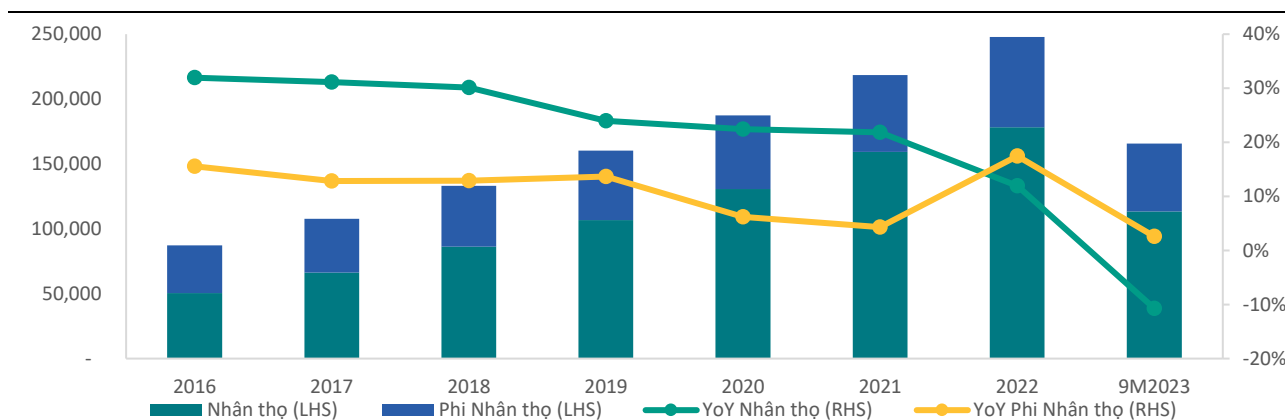
Analyst: Duong Quang Minh

Email: minhhdq@bsc.com.vn

- Premium revenue growth is forecast to slow, due to the decline in insurance sales through banks;
- The compensation rate increased, while financial profits were predicted to be less satisfactory due to low interest rates, which will affect the profitability of insurance businesses;
- BSC gave a **LESS POSITIVE** view for the insurance sector group in 2023.

Premium revenue growth was negative compared to the same period, mainly due to life insurance. In Q3.2023, total premium revenue is estimated at VND 52,900 billion (-10% YoY). This is also the 2nd consecutive quarter that the insurance sector recorded negative growth compared to the same period. Accumulated in 9 months of 2023, total premium revenue is estimated at VND 165,600 billion (-7% YoY), of which the life insurance segment reached VND 113,400 billion (-11% YoY) and the non-life segment reached VND 52,200 billion (+2.6% YoY).

Figure: For the first time in ten years, premium revenue growth is negative.



Source: General Statistics Office, BSC Research

The poor performance of the insurance Sector mainly comes from (1) The general impact of the global economic recession; and especially (2) The slowdown in bancassurance sales. After a series of complaints from people, along with the move to step up inspection by the Ministry of Finance, there have been signs of wrongdoing of insurance companies in consulting insurance products. In addition, the policy abandonment rate is also high, ranging from 30%-70% depending on each bank, indicating that the insurance products sold are not suitable for customer needs. Therefore, BSC assesses that the growth of insurance fees will slow down in the period 2023-2025, but will move in a healthier and more sustainable direction.

Figure: Premium revenue of insurance companies is increasingly dependent on bancassurance

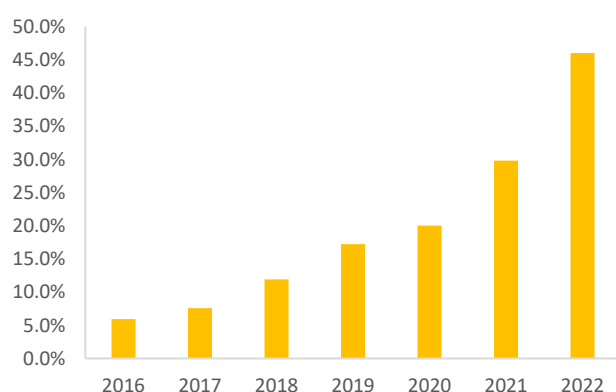
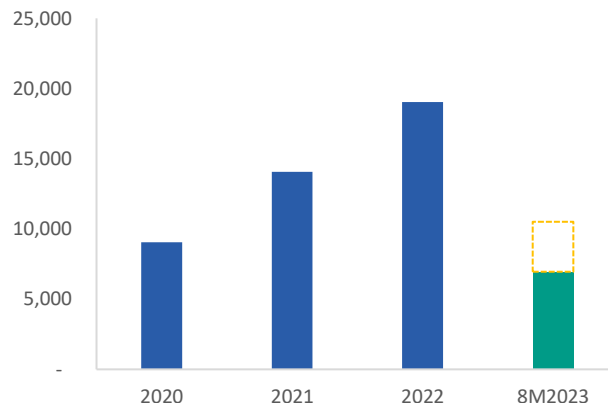


Figure: The annual premium equivalent (APE) for new insurance policies sold by banks has steeply declined



Source: AVI, BSC Research

The insurance sector still faces many difficulties, with compensation rates rising while financial returns are expected to be less positive. The total amount of compensation payments in 9M2023 is estimated at VND 57.1 trillion (+30.2%), corresponding to a compensation rate of 34.5%. This is also the highest level in years. In addition, since the start of the year, interest rates on deposits—which make up the majority of an insurance company's investment portfolio—have been continuously lowered for all durations of maturity. We think the low interest rate could negatively impact insurance companies' profitability in late 2023 and early 2024.

Figure: The industry-wide claims payout amount has increased significantly in the first 8 months of 2023

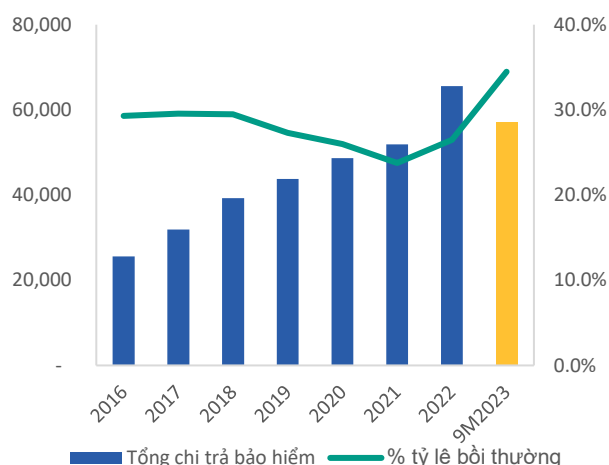
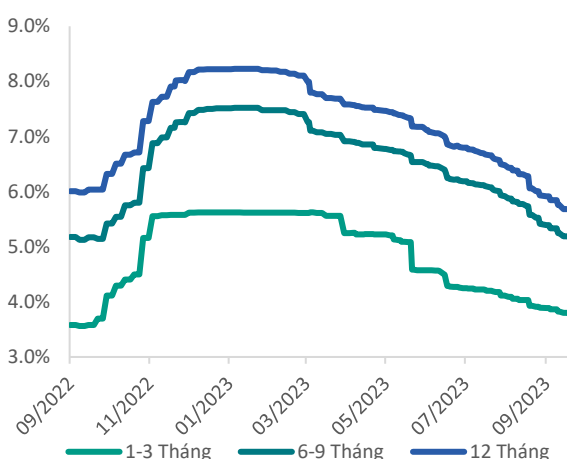


Figure: Interest rates on term deposits tend to decrease sharply



Source: AVI, BSC Research

INVESTMENT PERSPECTIVE – LESS POSITIVE

We recommend **LESS POSITIVE** for the insurance sector in 2023 due to (1) Expected slowdown in premium revenue, (2) Rising compensation costs, which reduce profitability from insurance business operations, (3) Persistently low-interest rates, which may impact the financial income of insurance companies in the near future.

APPENDIX

2023: January

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

2023: February

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

2023: March

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

2023: April

2nd	3rd	4th	5th	6th	7th	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: Maturity	14	15	16
17 ETF: VN-Diamond announced	18	19	20 DN: Deadline for submitting Q1 financial statements	21	22	23
24	25	26	27	28	29	30
01	02 ETF: VN-Diamond structure	Notes:				

2023: May

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

2023: June

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

2023: July

2nd	3rd	4th	5th	6th	7th	Sunday
26	27	28	29	30	01	02

03	04	05	06	07	08	09
10	11	12	13 Future VN30: Maturity	14	15	16
17 ETFs: Finlead, VN30, Midcap, VN100 announced	18	19	20 DN: Q2 financial statement box deadline	21	22	23
24	25	26	27 ECB: Meeting	28	29	30
31	01	Notes: VN: National Assembly session				

2023: August

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

2023: September

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

2023: October

2nd	3rd	4th	5th	6th	7th	Sunday
25	26	27	28 FTSE: Market Review	29	30	01
02	03	04	05	06	07	08
09	10	11	12	13	14	15
16 ETF: VN-Diamond announced	17	18	19 Future VN30: Maturity	20 DN: Deadline for Q3 financial statements	21	22
23	24	25	26 ECB: Meeting	27	28	29
30	31 FED: Meeting	Notes: VN: The 8th Central Committee Plenum				

2023: November

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

2023: December

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

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