

Wed, June 22, 2016

# Vietnam Daily Review

Keep calm and wait

## BSC's Forecast on the stock market

|                     | Negative | Neutral | Positive |
|---------------------|----------|---------|----------|
| Day 23/6/2016       | •        |         |          |
| Week 20/6-24/6/2016 |          | •       |          |
| Month 6/2016        |          | •       |          |

## Highlight

The polls provided by Bloomberg and the Financial Times indicated the odds for and against Brexit were quite equal and since last weekend number of remain supporters has gone up and help lower the risk aversion in the market, supporting the recovery of risky assets over the world. However, in Vietnam, selling, as the market reached 630 point threshold, made most of BCs were corrected or traded around the reference. VN-Index closed slightly lower mainly due to the impact of VIC. In the other hand, HNX was up along with higher liquidity while on Upcom, exciting trades of VLC attracted the most of attention today.

## Recommendation

The market experienced a mixed session when the VN-Index dropped slightly, the HNX-Index and UPCom-Index gained, trading volume is somewhat declined. The technical indicators of the market haven't yet given a clear signal about the possibility to keep rising and reach the peak of many years. VN-Index continuously weakened whenever it approached 630 in recent times, so BSC continues to maintain a cautious view of the current situation and considers 630 is the selling point to reduce stock weights, in particular, when the timing of the referendum on the Proposed referendum on United Kingdom membership of the European Union is coming very close. A cautious view was also spread across world markets when overall trading volumes are falling. Investors are recommended to hold the stock weights in portfolio at a safe level. Investors interested in oil price fluctuations can refer to our technical views on WTI oil price on page 2.

### Company Updates PVS - PetroVietNam Technical Services Corp. (HNX)

### Company Updates CSM - Southern Rubber Industry Jsc. (HOSE)

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**VN-INDEX** **626.41**  
Value: 1752.85 bil **-1.59 (-0.25%)**  
Foreigners (net): VND 35.746 bil

**HNX-INDEX** **84.81**  
Value: 649.24 bil **0.31 (0.37%)**  
Foreigners (net): -VND 22.956 bil

**UPCOM-INDEX** **58.17**  
Value 305.09 bil **-0.2 (-0.34%)**  
Foreigners (net): VND 6.914 bil

### Macro indicators

|                        | Value  | % Chg |
|------------------------|--------|-------|
| Crude oil              | 50.3   | 0.9%  |
| Gold                   | 1,267  | -0.1% |
| USDVND                 | 22,290 | 0.0%  |
| EURVND                 | 25,162 | 0.1%  |
| JPYVND                 | 21,345 | 0.3%  |
| 1-month Interbank rate | 2.6%   | -     |
| 5yr VN Treasury Yield  | 6.3%   | -     |

Source: Bloomberg, BSC Research

### Content

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This report must be read with the Disclosure, located at the end of this report.

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## Market highlights

Selling pressure appeared when approaching the resistance level of 630 points led market fluctuate around reference before closing lower. Major impact on the market was the fall of VIC during a session without significant changes in the other BCs. Market liquidity fell slightly. Noteworthy sectors included construction with CTI, CTD, PXS as well as VCG on the HNX; rubber with CSM, DRC and especially SRC up to ceiling; medical - pharmaceutical with DCL, DHG, DMC; besides, sugar could be highlighted as not all of group gained, SBT and BHS accounted for a significant portion of market transaction value today. Besides, put-through transactions in MWG at the ceiling price with a total value of VND 95 billion were also noteworthy.

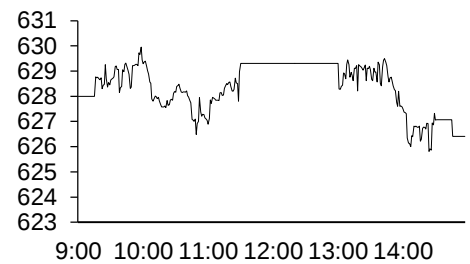
Meanwhile, on HNX, VCG has strong gain and lifted the market from the fall in the morning to end the session slightly higher. The liquidity improved significantly with notably value of SCR transactions. The market breadth continued to narrow, remained positive on HOSE with 114 advancers / 91 decliners and turned to negative on HNX with 97 advancers / 101 decliners. Foreign investors were net buyers on HOSE while reducing its position on HNX.

On Upcom, declines of large-caps led the index fell in late afternoon despite of remaining green during session. Trading value kept high due to exciting trades of VLC.

## Recommendations

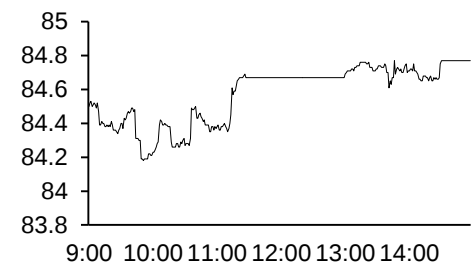
WTI oil price is showing signs of falling off the medium-term rising channel to enter the short-term downtrend channel. If oil price can not rise higher than the upper bound of the short-term downtrend channel corresponding to the threshold of 50.2, the price of WTI oil will enter the short-term downtrend channel with support at 49.3 and 47.4. RSI and ADX signals weaken further, strengthening the possibility that medium-term rising channel is weakened, in addition, MACD already formed negative divergence. Investors are trading on oil and gas stocks are recommended to reduce the weight of oil and gas stocks as their prices are strongly correlated with world oil prices and the possibility that WTI oil prices will enter short-term bearish reversal is increasing. If oil price falls into short-term downtrend, VN-Index will lose a leading stock group, thus, possibility to test old peak will also fall. On the other hand, if it keeps moving in medium-term rising channel, possibility to test 54 will open.

Exhibit 1



Source: Bloomberg, BSC Research

Exhibit 2



Source: Bloomberg, BSC Research

Exhibit 3

### Top 5 volume leaders

| Ticker | Volume | Price | % Chg |
|--------|--------|-------|-------|
| SBT    | 10.82  | 32.8  | -1.2  |
| FLC    | 4.15   | 6.1   | -1.61 |
| BHS    | 3.68   | 18.9  | 2.16  |
| DLG    | 3.31   | 7     | 0     |
| BGM    | 3.29   | 2.1   | -4.55 |

Source: Bloomberg, BSC Research



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## Company updates

### PVS - PetroVietNam Technical Services Corp. (HNX)

**The M&C and FSO/FPSO sectors still witnessed positive business**

**performance:**

- **Mechanical Fabrication and Construction services (M&C):** this segment contributed 37 percent of total revenue in the first 5 months of 2016 and accomplished 50% of year plan. In the first quarter of 2016 only, M&C's revenue and gross profit increased by 43% and 32% respectively. In the first 5 months, the company has completed some large project such as Ghana, Daman, White Lion and still in the process of other project prolonging until 2017 such as Nghi son, B2, NPK/NH3, GPP Cam au, Long Phu. In the long term, Company expect to put into process some big project such as Ca Rong Do, Lo B- O Mon, Ca Voi Xanh and Nhon Trach Thermal Power expansion
- **The FSO/FPSO :** The FSO/FPSO witnessed slight increase in revenue of 2% and 10% in gross profit in first quarter 2016. In the context of low oil price, the FSO/FPSO is under pressure of lowering rent price but this will not easy to put in real because the 3 party contract involved cash flow of some financial institutions. With Operating and Maintenance Service for FSO/FPSO, the service price has decreased but has low revenue and gross profit contribution.
- **Seismic Survey, GEO Survey and Subsea Service:** The Binh Minh 2D Survey has been put into operation since middle of March 2016 and the Amadeus 3D Survey has been in action since April 2016. Therefore, the business performance is expected to recover in the second quarter 2016. In the worst case, the company estimates to record a loss of VND 200 bil in this sector.

**Other sectors witnessed dramatically decreased:**

- **Marine:** In the first 5 months of 2016, revenue from this segment contributed 9% of total revenue. Nowadays, PVS supplies 17 fleets with ownership and other 4 fleets rent. The working hour of fleets with ownership has decreased 15% yoy. In the first quarter only, this sector has decreased by 685 in revenue and 64% in gross profit. The company expects that when the Nghi Son oil refinery being put into operation, this sector will be recovered despite the fact that oil price will remain at low level.

- **Supply Base, Ports And Logistics Services:** PVS recorded VND 650 billion in revenue for this segment in the first 5 months of 2016, completing about 40% of the annual plan. In quarter 1/2016, PVS recorded VND 329 billion in revenue and VND 178 billion gross profit for the segment. However, gross profit decreased by 60% yoy, with main cause is the decline of 70% yoy of gross profits in oil and gas service. Currently PVS is doing feasibility study (FS) for investment projects on Phu Quoc port construction, and prepare for Mon Lot B project with a total investment of about VND 1,000 billion for the period 2016-2018.
- **Operation & maintenance (O&M) segment:** In the first quarter of 2016, this service segment recorded 83% growth in revenue, but gross profit decreased slightly by 2%. In the second quarter, this segment will experience a sharp decline due to the reduced workload. Currently PVS is providing O & M services for the Dung Quat and some construction projects in Thailand and the Middle East. The company expects to provide partial O & M services for the Nghi Son plant when it goes into operation

#### **Investment views:**

*We recommend to BUY PVS with the target price of VND22,700/share, upside 20%. In our forecast for 2016, PVS will reach VND21,060 bil. of revenue and VND1,108 bil. of NPAT. On 20/06/2016, PVS is trading at P/E FW=8.68 and P/B FW=0.72. We expect the M&C segment and FSO/FPSO segment will remain positive performance in 2016 and the ROV segment will recover since 2Q2016.*

*Business result is more optimistic than expectation: in 5M2016, PVS estimated to record VND7,500 bil. of revenue and VND500 bil. of NPBT (in1Q2016, the revenue is VND4,442 bil. and the NPBT is VND315 bil.) reaching 34% planned revenue and 42% planned NPBT. This result is relatively optimistic in the difficult context of Vietnam oil& gas sector due to low oil price and cut down in demand and price of oil& gas services.*

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## Company updates

### CSM - Southern Rubber Industry Jsc. (HOSE)

**\*Forecasting business performance in 2016\***. 2016 results may decline due to (1) selling price in 5T2016 fell 8-10% on average in comparison with that at the beginning of 2015, (2) output was under expectation; (3) raw rubber prices was very close to bottom and is unlikely to drop anymore. Notably, increase of raw rubber prices by 74.3% ytd until April 2016 will negatively affect CSM's business results in 2Q2016. According to our estimation, net revenue of CSM will be VND 3,195 billion (-12% yoy due to no revenue from real estate, and -1% yoy when comparing revenue from tires). Gross margin will be 23%, 2% lower than that in 2015; net income in 2016 is projected to be VND 251 billion, equivalent to EPS of VND 3,084 per share.

**\*Radial output grew slowly, CSM continued to recognize loss from Radial factory\***. 5T2016, average output of radial tires was 9,000 tires per month, higher than 2015 average (5,800 tires per month). However, this was still lower than planned output (125,000 tires per year) and much lower than the break-even output of the period 1 radial factory (250,000 tires). Output of bias tires for heavy trucks decreased due to tire radialization trend. Positive point is the 15% yoy increase of semi-steel tires output for light trucks, thanks to vehicle weight restriction.

**\*New investment plan\***. September 2016, production capacity for semi-steel radial tires is planned to rise from 1 to 1.3 million, to meet current increasing demand (+15% yoy, current factory is unable to meet). Also, based on the plant area of the radial factory, which has investment cost of VND 400 billion, CSM invested VND 200 billion to improve capacity by 0.5 million, raising the aggregate capacity to 1.8 million semi-steel radial tires per year. As expected, output of the factory will be commercialized since 1Q2017 and wholly consumed by American partner (Tireco). New semi-steel radial tire factory will exploit the unused invested capital of the company and is expected to generate VND 200 billion of revenue for CSM per year.

*On June 22, 2016, CSM was traded at VND 37,100 per share, equal to P/E and P/B of 12.02x and 1.95x, respectively. CSM attracts short-term investors thanks to high dividend payout ratio (20% cash and 40% stock bonus), though in medium-term, investors should pay attention to consumption of tires, evolution of company's projects and the movement of raw rubber prices.*

## Stock recommendations

### Short-term portfolio

| No.            | Ticker | Date      | Buy price | Current price | Unrealized gain/ loss | Cutlosses | Target |
|----------------|--------|-----------|-----------|---------------|-----------------------|-----------|--------|
| 1              | CVT    | 3/6/2016  | 26.8      | 31.3          | 16.8%                 | 24.9      | 30.0   |
| 2              | HHG    | 3/6/2016  | 8.9       | 10.6          | 19.1%                 | 8.3       | 10.0   |
| 3              | GTN    | 21/3/2016 | 15.8      | 22.7          | 43.7%                 | 14.7      | 17.7   |
| 4              | TMS    | 9/5/2016  | 66.5      | 66            | -0.8%                 | 61.8      | 74.5   |
| 5              | NCT    | 9/5/2016  | 112       | 113           | 0.9%                  | 104.2     | 125.4  |
| 6              | CTI    | 27/5/2016 | 24.3      | 29.6          | 21.8%                 | 22.6      | 31.8   |
| 7              | S55    | 13/6/2016 | 45.5      | 45.7          | 0.4%                  | 42.3      | 51.0   |
| 8              | HVG    | 13/6/2016 | 10.4      | 10.2          | -1.9%                 | 9.7       | 11.6   |
| 9              | HTL    | 17/6/2016 | 94.0      | 97.5          | 3.7%                  | 83        | 105    |
| <b>Average</b> |        |           |           |               | <b>11.5%</b>          |           |        |

Source: BSC Research

### CANSLIM portfolio

| No.            | Ticker | Date       | Buy price | Current price | Unrealized gain/ loss | Cutlosses | Target |
|----------------|--------|------------|-----------|---------------|-----------------------|-----------|--------|
| 1              | MBB    | 27/4/2015  | 13        | 15            | 15.4%                 | 13        | 15.6   |
| 2              | CMG    | 16/10/2015 | 14.6      | 14.5          | -0.7%                 | 17        | 17.5   |
| 3              | DAG    | 10/6/2016  | 12.2      | 12.3          | 0.8%                  | 11        | 15.0   |
| 4              | CTD    | 29/4/2016  | 168.5     | 198           | 17.5%                 | 157       | 202    |
| 5              | TTC    | 27/5/2016  | 21.7      | 25.7          | 18.4%                 | 20        | 26.0   |
| 6              | BIC    | 17/6/2016  | 22.1      | 22.5          |                       | 21        | 27     |
| <b>Average</b> |        |            |           |               | <b>10.3%</b>          |           |        |

Source: BSC Research

## Market statistics

### Top 5 leaders on the HSX

| Ticker | Price | % Chg | Index pt | Volume  |
|--------|-------|-------|----------|---------|
| HPG    | 39.6  | 1.02  | 0.148    | 2.29MLN |
| PAN    | 41.4  | 6.98  | 0.137    | 302980  |
| PNJ    | 72.5  | 2.11  | 0.074    | 42810   |
| PVD    | 32.4  | 1.25  | 0.07     | 1.60MLN |
| Ticker | Price | % Chg | Index pt | Volume  |
| VIC    | 52.5  | -2.78 | -1.465   | 464600  |
| VCB    | 46.8  | -0.43 | -0.268   | 483280  |
| CTG    | 16.9  | -0.59 | -0.187   | 513610  |
| BID    | 17.9  | -0.56 | -0.172   | 371290  |
| BVH    | 60    | -0.83 | -0.171   | 211900  |

### Top 5 gainers on the HSX

| Ticker | Price | % Chg | Index pt | Volume |
|--------|-------|-------|----------|--------|
| TDW    | 32.1  | 7     | 0.009    | 560    |
| PAN    | 41.4  | 6.98  | 0.137    | 302980 |
| DHA    | 30.7  | 6.97  | 0.015    | 173150 |
| SII    | 24.6  | 6.96  | 0.047    | 30     |
| VMD    | 37.1  | 6.92  | 0.01     | 7480   |

### Top 5 losers on the HSX

| Ticker | Price | % Chg | Index pt | Volume |
|--------|-------|-------|----------|--------|
| VNH    | 0.9   | -10   | 0        | 9870   |
| BTT    | 35.6  | -6.32 | -0.013   | 13980  |
| D2D    | 30.6  | -5.26 | -0.009   | 2760   |
| VPS    | 19.8  | -4.81 | -0.009   | 50     |
| VOS    | 2.1   | -4.55 | -0.007   | 10470  |

Source: Bloomberg, BSC Research

### Top 5 leaders on HNX

| Ticker | Price | % Chg | Index pt | Volume  |
|--------|-------|-------|----------|---------|
| PVR    | 3.4   | 9.68  | 0.07     | 100     |
| KKC    | 14.5  | 5.84  | 0.069    | 5800    |
| AAA    | 24.1  | 7.11  | 0.041    | 1.12MLN |
| VBC    | 70.5  | 5.22  | 0.036    | 2400    |
| Ticker | Price | % Chg | Index pt | Volume  |
|        | 3.8   | -2.56 | -0.049   | 206800  |
| TV2    | 92.1  | -0.97 | -0.02    | 1700    |
| NTP    | 58.8  | -0.17 | -0.016   | 6100    |
| PVG    | 7.7   | -1.28 | -0.012   | 26600   |
| L14    | 79    | -4.7  | -0.011   | 800     |

### Top 5 gainers on the HNX

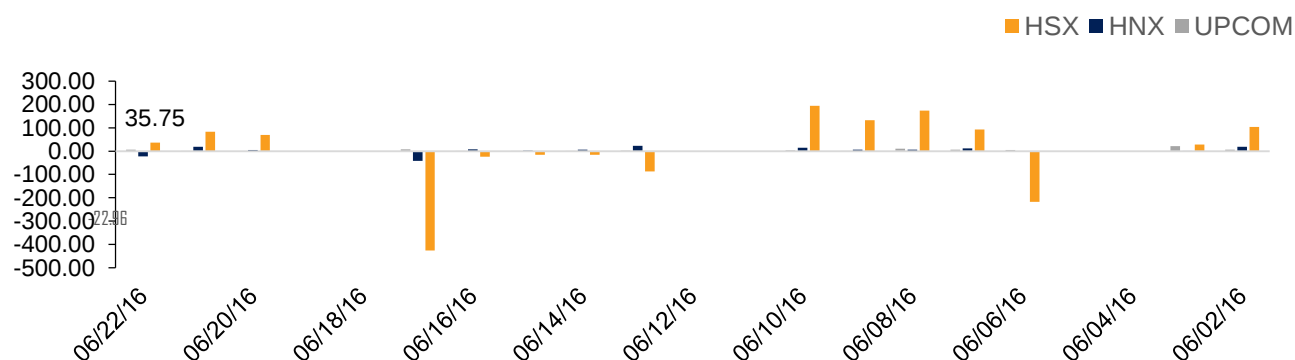
| Ticker | Price | % Chg | Index pt | Volume |
|--------|-------|-------|----------|--------|
| SIC    | 12.2  | 9.91  | 0.004    | 2500   |
| TV3    | 54.4  | 9.9   | 0.018    | 200    |
| PEN    | 9     | 9.76  | 0.021    | 2900   |
| PVR    | 3.4   | 9.68  | 0.07     | 100    |
| TFC    | 22.7  | 9.66  | 0.014    | 23900  |

### Top 5 losers on the HNX

| Ticker | Price | % Chg | Index pt | Volume |
|--------|-------|-------|----------|--------|
| GMX    | 21    | -9.87 | -0.005   | 3200   |
| ONE    | 9.1   | -9.9  | -0.003   | 31100  |
| DID    | 4.6   | -9.8  | -0.002   | 10100  |
| NHA    | 9.3   | -9.71 | -0.005   | 100    |
| KMT    | 5.8   | -9.38 | -0.004   | 500    |

Exhibit 3

### Foreign transaction



Source: HSX, HNX, BSC Research

## Disclosure

*The information, statements, forecasts and projections contained herein, including any expression of opinion, are based upon sources believed to be reliable but their accuracy completeness or correctness are not guaranteed. Expressions of opinion herein were arrived at after due and careful consideration and they were based upon the best information then known to us, and in our opinion are fair and reasonable in the circumstances prevailing at the time. Expressions of opinion contained herein are subject to change without notice. This document is not, and should not be construed as, an offer or the solicitation of an offer to buy or sell any securities. BSC and other companies in the BSC and/or their officers, directors and employees may have positions and may affect transactions in securities of companies mentioned herein and may also perform or seek to perform investment banking services for these companies. This document is for private circulation only and is not for publication in the press or elsewhere. BSC accepts no liability whatsoever for any direct or consequential loss arising from any use of this or its content. The use of any information, statements forecasts and projections contained herein shall be at the sole discretion and risk of the user. No part of this material may be (i) copied, photocopied or duplicated in any form by any mean or (ii) redistributed without the prior written consent of BIDV Securities Company (BSC).*

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