



VIETNAM

SECTOR OUTLOOK

2017



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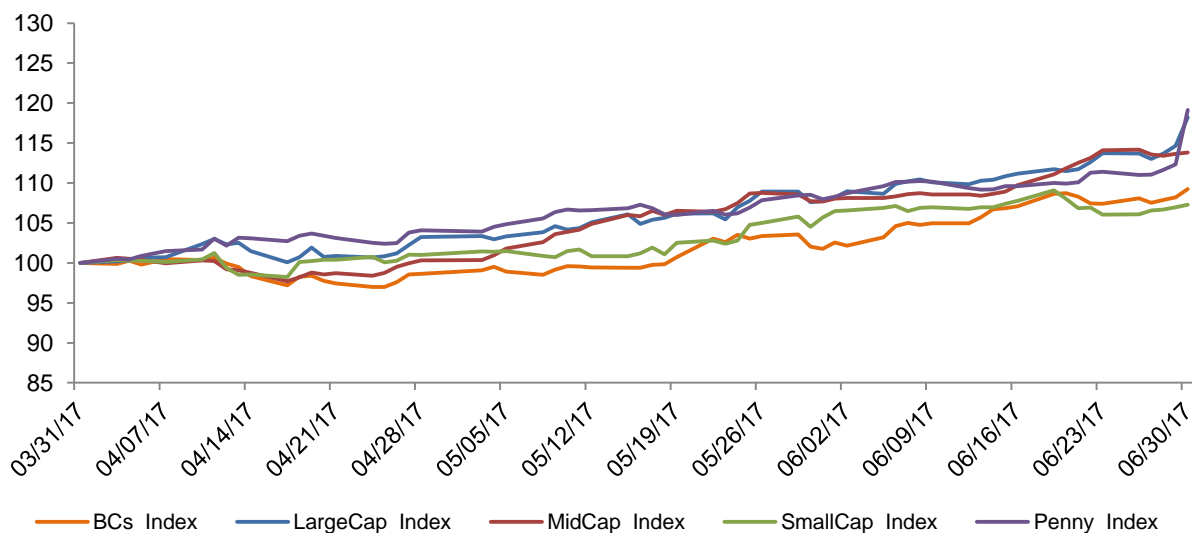
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Stock market review 2Q2017

Stock market development in the second quarter was quite consistent with our forecast mentioned in our 2017 macro outlook report. Strong growth sectors such as Construction and construction materials, real estate, banking, and health care were all mentioned in our 2017 sector outlook report:

(1) Stock market development. The market indices of both exchanges were in an uptrend in June, continued conquering new short- term resistance levels. As of 30/06/2017, VN-Index officially rose by 38.65 points compared to last trading session of previous month, and 54.16 points compared to last trading session of previous quarter, up by respectively 5.24% and 7.5%. HNX-Index increased by 5.23 points compared the end of May and rose by 8.22 points compared to the end of the previous quarter, up by 5.56% and 9.04% respectively.

Although indices continued rising in points in June and maintaining the increasing momentum from the year beginning, market liquidity decreased compared to May. The strong growth of index heavily depended on several Blue Chips and banking stocks. Notably, SAB, VNM, PLX and GAS contributed about 17.8 point increase to the index, banking sector including VCB, BID, MBB and CTG contributed about 11 points to market index. On the other hand, ROS reduced 7.82 points from the index.



Source: BSC Research

Note – classified by market capitalization: BCs: Over VND 5000 billion; LargeCap: VND 3000 - 5000 billion; MidCap: VND 1000 - 3000 billion; SmallCap: VND 500 - 1000 billion; Pennies: Under VND 500 billion

(2) Development of stock groups by market cap in 2Q/2017. All groups grew in second quarter, in which Large-Cap stocks and Pennies stocks had the best performance, respectively 18.2% and 19.1% compared to the end of first quarter. Mid-Cap stocks and BCs were also in an upside

momentum, respectively 13.8% and 9.2%, created the base for the upside momentum of the market. Small-Cap stocks had the lowest growth compared to others, reaching 7.3% compared to the end of the first quarter.

Total market cap of 2 exchanges reached VND 2,089.69 trillion, equivalent to \$92.06 billion, up by 6.28% MoM. From June 2017 there were 5,337 million of additional listed shares, outweigh 273 million delisted shares, and 11.3 million of additional ETF listed. 380 stocks listed on the HSX with listed value over VND 549 trillion, of which VDS, AAA and TDG newly listed/ changed the stock exchange contributed VND 4.09 trillion. These factors contributed to the increase of market capitalization in June.

Top stocks in 1H2017

TOP 5 UP TREND MOVERS OF VN - INDEX

Stock	30/06/2017	%Chg	Index point
VNM	157,600	28.93%	21.87
PLX	69,000	41.10%	10.78
CTG	20,250	46.14%	10.48
BID	20,400	43.66%	9.03
MBB	22,300	73.18%	6.75

TOP 5 DOWN TREND MOVERS OF VN – INDEX

Stock	30/06/2017	%Chg	Index point
BHN	78,000	-42.22%	-5.70
ROS	88,500	-22.84%	-4.25
PVD	13,850	-33.09%	-1.09
HID	4,060	-86.99%	-0.38
SII	21,050	-39.34%	-0.34

TOP 5 LEADERS OF VN-INDEX

(Price > 10,000 VND. Avg vol >70,000 share/session)

Stock	3/1/2017	30/6/2017	%Chg
QCG	3,800	27,000	610.53%
KAC	4,280	27,400	540.19%
DTA	2,630	7,500	185.17%
LDG	4,750	13,350	181.05%
ANV	4,396	11,950	171.84%

TOP 5 LAGGERS OF VN-INDEX

(Price > 10,000 VND. Avg vol >70,000 shares/session)

Stock	3/1/2017	30/6/2017	%Chg
HID	31,200	4,060	-86.99%
CDO	9,040	3,460	-61.73%
VNA	1,680	960	-42.86%
BHN	135,000	78,000	-42.22%
SII	34,700	21,050	-39.34%

TOP 5 VOLUME LEADERS OF VN-INDEX

Stock	Avg Vol/ session (share)
FLC	16,270,402
HQC	10,520,184
ITA	6,913,917
HAG	6,710,687
HPG	5,056,342

TOP 5 UP TREND MOVERS OF HNX - INDEX

Stock	30/06/2017	%Chg	Index point
ACB	25,900	47.16%	7.24
SHB	7,600	65.22%	2.91
VCS	183,400	44.39%	1.15
SHS	14,300	258.63%	1.04
VCG	21,400	58.52%	0.98

TOP 5 DOWN TREND MOVERS OF HNX - INDEX

Stock	30/06/2017	%Chg	Index point
DBC	28,400	-15.57%	-0.32
DST	28,100	-19.48%	-0.25
DGC	32,400	-21.93%	-0.21
SIC	12,100	-63.33%	-0.19
SHN	10,100	-12.93%	-0.19

TOP 5 LEADERS OF HNX- INDEX

(Giá > 10,000 đồng. KLTB >20,000 cổ phiếu/phiên)

Stock	3/1/2017	30/6/2017	%Chg
NDF	2,400	18,800	683.33%
PIV	8,100	34,000	319.75%
KST	4,236	17,300	308.38%
SHS	3,987	14,300	258.63%
API	10,000	35,000	250.00%

TOP 5 LAGGERS OF HNX- INDEX

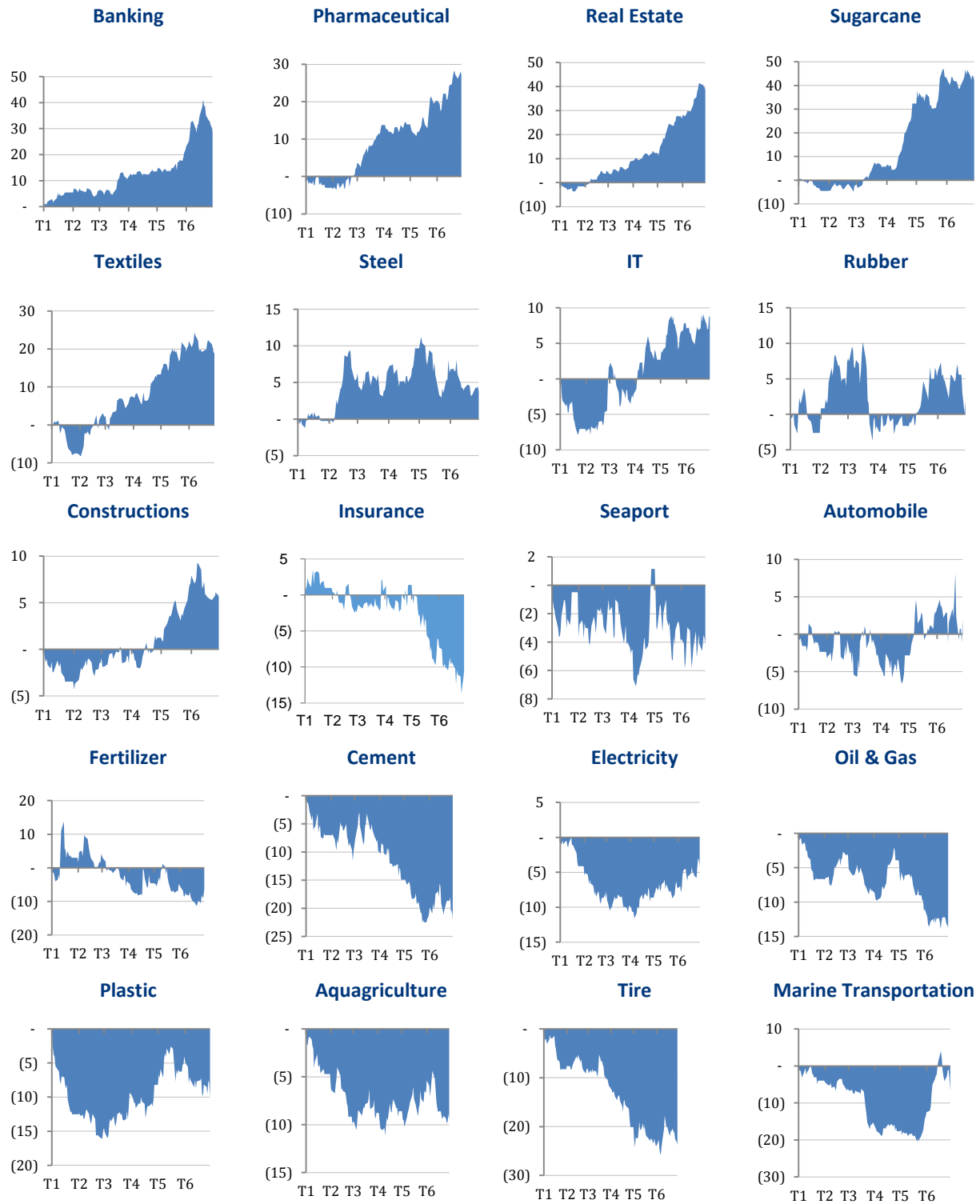
(Price > 10,000 VND. Avg vol >20,000 shares/session)

Stock	3/1/2017	30/06/2017	%Chg
SIC	37,900	9,000	-76.25%
KDM	13,900	4,600	-66.91%
C92	33,000	12,100	-63.33%
BSC	6,800	2,900	-57.35%
VFR	25,900	12,100	-53.28%

TOP 5 VOLUME LEADERS OF HNX- INDEX

Stock	Avg Vol/ session (share)
SHB	10,234,490
KLF	3,157,066
ACB	2,894,396
VCG	2,194,086
HKB	1,846,838

Performance by sectors vs. VN Index 1H2017



Source: BSC Research

In retrospect, BSC had provided quite accurate outlook of the banking sector for 2Q2017; credit yielded the highest growth rate since 2012. 1Q business report and 2Q's expected results are quite positive, recommended stocks reached our targeted prices (MBB, ACB, VCB). However, our forecast of the Oil & Gas sector was incorrect due to significant oil price fluctuation, and currently, it is traded a lower level compared to our original forecast.

In 2Q2017, only 8 over 15 monitored sectors had outperformed VN-index, namely banking, real estate, sugar cane, textile, steel, pharmaceutical, construction and information technology sectors. These sectors benefited from supportive information such as lifting foreign ownership limit of banking and pharmaceutical; strong profit for real estate, construction and sugar cane sector; and anti trust tax for steel along with the rebound of textile sector.

Sectors that had the same movement as VN-index in 2Q/2017 are Automobile and Rubber sector. In which, Rubber sector had rebounded thanks to positive business results of leading companies, along with the rubber price rebound.

Of the remaining sectors, most underperformed: Seaport, Fertilizer, Cement, Electricity, Gas and Oil, Aquaculture, Tire and Marine transportation sector. **Some sectors are among BSC's bottom fishing list, and can be considered as investment opportunities in 2017 including Oil & Gas sector and Fertilizer sector.** These sectors had many fluctuations in quarter 1 and quarter 2, but not equivalent to BSC's expectation.

Investment strategy for 3Q2017

Policy rates reduced, boosting economic growth. From July 10, 2017, the State Bank of Vietnam will reduce policy rates. Accordingly, refinancing interest rates, rediscount rates, overnight lending rates in interbank electronic payment and loans to cover shortfall of capital in clearing payment by the SBV to banks decreased by 0.25% pa. This move will considerably reduce costs for credit institutions, thereby reducing interest rates on loans and supporting businesses.

In addition, the State Bank of Vietnam also reduced the maximum short-term lending interest rate in VND by 0.5% pa for credit institutions in some economic sectors. This decision will reduce lending costs for related business groups.

Notable investment topics in Q3.

Investment topics related to "listing OTC stocks" (Viettel Post, Viettel Global, Viettel Construction, KDF, VCI, HD Bank, May Viet Thang, Phong Phu Garment ...), and "Equitized state-owned enterprise" (Binh Son refinery) will continue to be the story of market attention, and will become stronger as the equitizing and listing process accelerates in the end of Q3 and beginning of Q4 2017.

Investment topics related to "divesting or no room stocks" are FPT, NTP, BMP, DIG, SAB, PVI, DHG, DMC. Though the timing has yet determined but stocks prices would have many changes when the related information gradually published. From what happened to pharmaceutical industry, we should not underestimate the demand from foreign investors in attractive sectors when the foreign ownership room was loosened.

The topic of "basic stocks, leading stocks, high dividends", when 2Q business results are gradually released, the stocks with strong growth will continue to raise. Leading stocks such as lightning bulb (RAL), radiation (APC), Insurance (PVI), pharmaceutical (DHG), jewelry (PNJ), beverage (VNM) and so on are expected to have good growth thanks to strong demand in the domestic market.

Investment theme "Free Trade Agreements", although the TPP agreement was not passed, what happened in textile stocks showed the influence of foreigners investments and strong demand growth from export markets will have a strong impact on related sectors (such as fruit). Except for textiles stocks prices that have risen sharply, stocks related to free trade agreements, such as Seaports, Infrastructures – Industrial zones, and Logistic, could be considered in 2H2017.

Notable risks

Risks of commodity price movements will continue to affect the entire market (Oil & Gas, Rubber, Iron Ore, Plastic Seeds, and so on). Regarding oil and gas, nonparticipating countries in OPEC's production cut program are projected to increase output, thereby neutralizing OPEC's cuts. Accordingly, financial institutions have also lowered the forecast for oil prices.

Important elections in the third quarter of 2017 are the German Federal Election and the Chinese Communist Party Congress, which are main factors affecting global economic and global politics.

2H2017 sector outlook

- We maintain **Outperform** assessment for **Real Estate, Construction, Technology, Port, Power, Rubber, Fertilizer, Insurance and Banking...**
- We assess **NEUTRAL** at sectors: **Steel, Beverage, Cement, Tiles, Plastics, Sugar, Tires, Pharmaceuticals, Textiles, Shipping**. We lowered the prospects for the **Oil & Gas** sector from Outperform to Neutral due to the unfavorable movements in oil prices. Among the neutral sectors we expect the transition will come from **Tiles**. The overall prospects of this group are mixed well and badly, so the opportunity, if any, will not come to the whole of the stock in this sector.
- Regarding to **UNDERPERFORM** sector, we believe that the **Fisheries** sector will still face many difficulties in 2017. We are not pessimistic but think that investors who are interested in this industry should probably wait patiently and we will update the view when new signals appear.

#	Sector	3Q outlook	Mid and Long term recommendation	Tracking
1	Real estate	Outperform	KBC, DIG	VIC, KDH, DXG
2	Construction	Outperform	HUT, FCN, PC1, CTI	CTD, HBC,VCG, LCG, VNE
3	IT	Outperform	FPT, CMG	ITD,ELC
4	Seaport	Outperform	VSC, PHP, HAH	CDN
5	Electricity	Outperform	NT2, CHP; VSH	SJD, PPC
6	Rubber	Outperform	TRC, DPR, DRI	PHR
7	Fertilizer	Outperform	SFG	DPM, BFC, LAS
8	Banking	Outperform	VCB, ACB	MBB, CTG
9	Insurance	Outperform	PVI, BMI	VNR, PGI
10	Oil & Gas	Neutral	PVS, GAS	CNG, PGS
11	Steel	Neutral	HSG, HPG, NKG	SMC, VIS
12	Beverage	Neutral	VNM, QNS	SAB, GTN
13	Cement	Neutral	HT1, BCC	BTS
14	Ceramic	Neutral	CVT, VGC	
15	Plastic	Neutral	NTP, BMP	AAA
16	Sugarcane	Neutral		SBT, BHS
17	Tire	Neutral	CSM	DRC
18	Pharmaceutical	Neutral		DHG, IMP, DMC
19	Textile	Neutral	VGG, VGT	TCM, EVE,TCM
20	Marine	Neutral	VTO, PVT	GSP, SKG, VIP
21	Aquagriculture	Underperform		VHC

Source: BSC Research

Influential policies and economic factors in 2017

In 2017, the BSC believes that the following information and policies will have a big impact on business results as well as investment opportunities in sectors:

Policies and macroeconomic factors		Effective Date	Impact	Degree	As of 30/6/2017
International economy and policies					
1	FED raise interest rate, USD appreciation		Negative	Very strong	Not yet
2	Brexit – GBP depreciation		Negative	Strong	Affected
3	ECB loose monetary policies, (EUR		Positive	Strong	Affected
4	Abe-economics policy of Japan (JPY depreciation)		Positive	Strong	Affected
5	Chinese economy slow down (CNY depreciation)		Negative	Very strong	Affecting
6	Low material price (low oil price)		Diverged	Very strong	Affecting
7	Trump's policies		N/A	Very strong	Affecting
8	Netherlands' election	15/03/2017	N/A	Average	Affected
9	Brexit negotiations	31/03/2017	N/A	Strong	Affected
10	French president's policy	07/05/2017	N/A	Very strong	Affected
11	Germany' election	Mùa thu	N/A	Very strong	Not yet
12	Chinese communist congress	Mùa thu	N/A	Very strong	Not yet
Vietnam macroeconomy and policies					
1	Circular No. 06/2016/TT-NHNN	1/7/2016	Negative	Strong	Affecting
2	Deploying Basel II Capital Agreement	2017	Negative	Strong	Not yet
3	Corporate income tax rate reduced from 22% to	1/1/2016	Positive	Average	Affecting
4	Increase tax rate on Nature Resources	1/1/2016	Negative	Average	Affecting
5	Derivative Market (futures)	2017	Positive	Average	Not yet
6	Interest rate in VND decrease	2017	Positive	Strong	Affecting
7	USD appreciate to VND		Negative	Very strong	Not yet
8	Increasing public investment in infrastructure		Positive	Strong	Affecting
9	Increasing privatization of state-owned		Neutral	Average	Affecting
10	Divesting Sate-owned enterprises (SCIC,		Positive	Very strong	Affecting
11	Increasing GDP, FDI, PMI, ODA, remittances, credit		Positive	Average	Affecting
12	Decree 145/2016/NĐ-CP	15/12/2016	Positive	Strong	Affecting
13	Circular 180/2015/TT-BTC	01/01/2016	Positive	Very strong	Affecting
14	Circular 115/2016/TT-BTC	01/11/2016	Positive	Very strong	Affecting
15	Bad debt resolution	15/08/2017	Positive	Very strong	Affecting
Free Trade Agreements					
1	ACFTA – Circular No. 166/2014/TT-BTC	1/1/2015		Strong	Affected
2	Vietnam-Korea FTA	20/12/2015	Positive	Strong	Affecting
3	Vietnam – Eurasian Economic Union FTA	2016	Positive	Average	Affecting
4	TPP (*)	2018		Strong	Not yet
5	Vietnam – EU FTA	2018	Positive	Strong	Not yet
6	RCEP ASEAN + 6	Đang ĐP	Positive	Strong	Not yet
7	ASEAN Economic Community (AEC)	31/12/2015	Positive	Average	Affecting

Source: BSC Research, (*)TPP continues under negotiation without US

Global economic impact on sectors

Factors	Oil recovery	FED raise interest rate	USD appreciation	Eu economy slow down / Brexit / EUR depreciation	JPY appreciation	Domestic interest rate increase	Chinese economy slow down	Presidential election result from US	TPP, ACFTA FTA VN - EU
Marine transportation	(-)		(-)			(-)	(-)	(-)	
Real estate						(-)			
Construction	(-)					(-)			
Cement	(-)			(+)					
Textile	(-)	(+)	(+)	(-)	(+)		(-)	(-)	(+)
Electricity	(-)		(-)	(+)	(-)				
Pharmaceutical			(-)						(-)
Plastic	(-)		(+)	(-)	(+)				(+)
Tires	(-)		(-)				(-)		(+)
Banking						(+)			
Steel	(-)					(-)	(-)		(-)
Aquaculture		(+)	(+)	(-)	(+)	(-)		(-)	(+)
Sugar									(-)
Oil & gas	(+)	(-)	(-)				(-)		
Fertilizer	(-)		(+)				(-)		(-)
Natural rubber	(+)						(-)		(-)
Ceramic Tiles	(-)						(-)		(+)
IT	(-)								(+)
Seaport	(-)						(-)		(+)
Automobile	(-)								(+)
Insurance									(+)
Beverage	(+)								(-)

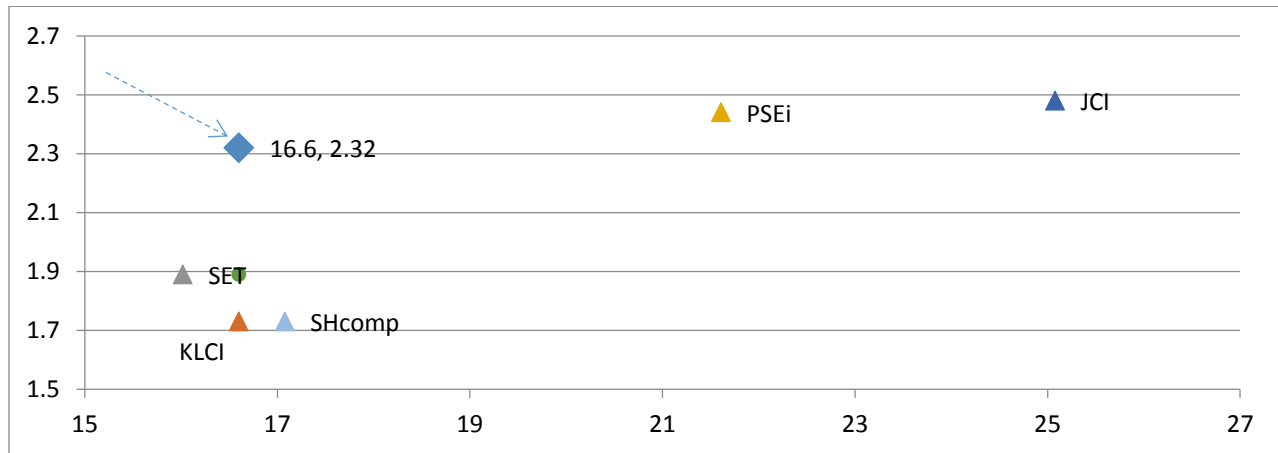
Source: BSC Research

Comparison with regional stock market

In the scope of regional emerging stock markets (ASEAN and China), at June 30th, 2017, Vietnam had quite higher P/B and lower P/E compared to the average. Good growth in the second quarter moved valuation of VN-Index closer to the regional average.

For each sectors, the discount levels vary.

Comparison of PE and PB between Vietnam and regional markets



Source: Bloomberg, BSC Research

Compared to Asia Emerging stock markets, such as Thailand, Malaysia, Indonesia, Philippines and China, sectors of Vietnam are generally valued at quite attractive price. Some sectors which have much better discount than the region are Industrial, Services, Healthcare and Communication. Financial services (Real estate, Securities, Banks and Insurances) are valued at quite higher price than the region average.

	Vietnam	Median	Indonesia	Trung Quoc	Phillipines	Thailand
Financial	23.87	24.19	33.60	13.66	24.19	19.51
Consumer goods	24.47	54.87	36.09	179.51	54.87	24.33
Industrials	24.94	19.89	28.72	45.97	19.89	33.80
Oil & Gas	14.91	11.48	23.86	51.96	11.48	11.55
Consumer Service	16.07	32.89	26.84	50.21	32.89	24.50
Materials	13.78	14.6	33.31	38.85	14.6	13.55
Utilities	12.46	14.25	86.85	26.78	14.25	36.08
IT	17.06		49.54	51.57		18.82
Healthcare	24.32		13.43	145.59		37.66
Telecom	11.90	20.14	45.71	535.87	20.14	13.50

Source: Bloomberg, BSC Research

Performance of recommended portfolio

In 1H2017, our recommended portfolio had 73/82 stocks gained or retaining, with an average 29% gain over the gain of VN-index and the HN-index are 16% and 22% respectively. Of which, the strongest gainers were Construction (HBC, FCN, LCG), Textile (TCM), Tiles (CVT); Sugar (SLS). In addition, the Fisheries sector, which was underperformed, experienced a sharp decline such as HVG (-22%).

Sector	Ticker	Rev 2017E	PAT 2017E	EPS	P/E	P/B	ROE 2017	Price as of 31/12/2016	Price as of 30/6/2017	% +/-	Target price
Real Estate	VIC	80,000	3000	1,137	37	4.2	7%	42,000	42,700	2%	45,000
	DXG	2,300	700	2,456	7.2	1.32	19.40%	10,831	17,300	60%	20,800
	SCR	2,500	205	903	13.9	0.9	6.30%	8,600	12,250	42%	11,600
	DIG	1,406	128	504	28.5	1.3	4.30%	7,650	15,600	104%	19,000
	KBC	2,400	850	1,416	12	1	9%	13,850	16,850	22%	20,000
	KDH	3,200	500	2,136	13.34	1.9	11.70%	20,000	27,850	39%	25,100
Construction	<u>CTD</u>	27,000	1,750	22,712	9.6	2.6	27.00%	182,500	216,500	19%	250,000
	<u>HBC</u>	16,000	828	6,426	7.3	2.6	42%	22,176	51,300	131%	56,000
	<u>FCN</u>	2,800	210	4,242	6.2	1.2	16.30%	18,357	27,800	51%	28,100
	<u>HUT</u>	3,309	466	2,447	5.15	0.5	17.40%	9,944	12,300	24%	14,700
	<u>CTI</u>	1,396	140.9	2,309	12.8	1.6	16.20%	25,056	30,400	21%	31,800
	PC1	3,585	307	3,137	11	1.3	14.50%	27,692	36,000	30%	43,000
	VCG	10,222	585	1,324	15.5	1.5	7.80%	13,500	21,400	59%	N/A
	LCG	1,500	70	917	10.8	0.7	6.50%	3,970	9,620	142%	N/A
	VNE	1,113	111	1,228	8.7	1	11.30%	7,500	10,100	35%	N/A
Ceramics	<u>CVT</u>	1,300	189	6,452	6.6	3.36	N/A	27,130	46,600	72%	58,000
	<u>VIT</u>	994.9	80	4,266	6.8	1.88	N/A		28,700		N/A
	<u>TTC</u>	348.2	20	3,367	5.6	1.1	N/A	18,404	18,900	3%	N/A
	<u>VHL</u>	1,971.80	166.9	10,431	7.2	2.2	N/A	57,400	77,000	34%	N/A
	VGC	8,538	783	1,714	11.2	1.5	N/A	15,300	19,500	27%	23,700
	TLT	515	45	6,438	2.7	3.0	N/A	16,000	17,100	7%	N/A
IT-Telecom	<u>FPT</u>	46,619	3,058	4,025	11.64	2.09	19.88%	37,482	46,850	25%	54,342
	<u>CMG</u>	5,042	198	2,237	6.79	0.95	10.18%	15,000	16,500	10%	20,359
Seaport	<u>GMD</u>	4,354	579	2,774	16.33	2.06	11%	27,000	43,000	59%	N/A
	<u>PHP</u>	2,529	504	1,432	10.4	1.39	11%	16,556	15,400	-7%	22,980
	<u>VSC</u>	1,187	290	6,036	10.67	2.11	20%	56,000	63,200	13%	72,400
	<u>HAH</u>	520	130	3,578	6.53	0.91	16%	25,867	23,200	-10%	30,640
	CDN	640	147	1,634	13.77	1.98	16%	23,987	21,800	-9%	18,800
Textile	<u>TNG</u>	2,200	115	3,382	3.6	0.8	21.40%	10,250	11,800	15%	15,500
	<u>TCM</u>	3,315	181.7	3,324	9.8	1.7	23%	13,595	29,800	119%	32,000
	VGT	15,640	310	620	18	0.9	4%	11,300	11,400	0.1%	13,600

	<u>VGG</u>	8,097	403.8	9,156	6.6	2	30%	60,951	61,100	0%	70,333
	EVE	1,100	150	3,571	5.6	0.99	15%	22,836	19,950	-13%	N/A
Electricity	<u>NT2</u>	7,161	884	3,104	9.43	1.62	23%	25,837	28,550	11%	36,000
	<u>PPC</u>	6,567	600	1,712	11.92	1.18	10.60%	15,688	20,500	31%	19,300
	<u>SJD</u>	468	225	3,261	7.36	1.01	17%	17,000	24,900	46%	N/A
	<u>CHP</u>	667	298	2,366	11.16	1.8	22%	19,303	27,150	41%	23,200
	VSH	643	381	1,846	9.15	1.18	12%	14,537	17,100	18%	20,530
Beverage	<u>VNM</u>	52,945	11,220	7,733	19.8	8.94	50%	123,906	157,600	27%	190,000
	QNS	7,400	1,480	6,090	13.7	5	37%	72,114	84,900	18%	98,000
	VLC	2,800	115	1,822	9	1.16	17.10%	16,122	16,500	2%	N/A
	GTN	3,950	70	280	60.7	1.5	3%	16,600	17,700	7%	N/A
	SAB	34,495	4,703	7,051	29.3	10.5	36.10%	197,700	208,300	5%	168,600
Fertilizer	<u>BFC</u>	6,500	324	5,108	8.12	2.5	25%	28,794	41,500	44%	N/A
	SFG	2,591	99	1,916	7.05	1.1	17%	11,180	13,500	21%	14,500
	DPM	7,748	946	2,120	10.75	1.08	11%	21,407	23,500	10%	22,800
	DDV	2,041	1.2	8	969	1.18	0.12%	7,000	7,600	9%	N/A
	LAS	4,361	151	1,617	8.6	1.18	12%	12,522	13,900	11%	14,000
Cement	<u>HT1</u>	9,225	797	2,089	10.82	1.44	13.30%	20,500	22,600	10%	26,406
	<u>BCC</u>	4,066	220	1,799	9.17	0.84	10.18%	15,000	15,100	1%	19,447
	<u>BTS</u>	3,348	130	1,076	8.27	0.65	8.78%	9,800			11,902
Insurance	BMI	3,681	150.8	1,774	15.3	0.82	6.10%	23,242	28,100	21%	31,800
	VNR	1,788	248.8	1,900	12.6	1.2	10%	20,174	24,000	19%	26,500
	PVI	7,263	412	1,758	18.9	1.1	5.80%	25,000	33,700	35%	40,000
Plastics	<u>BMP</u>	3,828	484	5,913	16.74	1.88	27%	104,958	99,000	-6%	119,400
	<u>NTP</u>	4,663	442	4,621	14.5	2.59	22%		67,000		80,300
	<u>AAA</u>	2,900	200	3,468	9.96	2.03	22%	22,519	34,550	53%	N/A
Steel	<u>HPG</u>	36,897	7,001	4,612	6.94	1.91	27.36%	26,932	32,000	19%	39,200
	<u>HSG</u>	22,367	1,919	5,482	5.91	1.99	33.67%	28,484	32,400	14%	37,279
	<u>NKG</u>	12,093	711	7,179	4.61	1.69	36.64%	23,333	33,100	42%	42,992
Sihar	BHS	5,305	351	1,176	21.2	1.71	10.50%	10,697	23,500	120%	N/A
	SBT	3,942	325.3	1,283	28	3.02	9.90%	24,500	35,050	43%	N/A
	<u>LSS</u>	1,697	74.6	1,066	13.8	0.73	4.50%	11,750	14,450	23%	N/A
	SLS	741	118	17,410	10.1	2.86	41.40%	87,400	175,000	100%	N/A
Tire	<u>DRC</u>	3,919	292	2,191	14.63	2.3	23.00%	30,766	32,050	4%	33,800
	<u>CSM</u>	3,575	197	1,701	10.9	1.41	23.00%	18,944	18,550	-2%	21,600
Banking	<u>VCB</u>		8,607	2,062	17.1	2.72	16.90%	35,450	38,500	9%	41,100
	ACB		1,632	1,605	15.39	1.57	12.50%	17,600	25,900	47%	30,242
	<u>MBB</u>		3,655	2,033	7.65	1.03	12.00%	13,427	22,300	66%	23,084
	CTG		6,805	1,505	12.19	1.08	11.00%	14,441	20,250	40%	21,499
	VIB								22,500		21,901
Pharmaceutic	<u>DHG</u>	4,250	780	7,835	15.86	3.57	27%	63,751	124,300	95%	N/A

al	<u>IMP</u>	1,260	128	3,282	19.34	1.82	13%	50,161	63,500	27%	N/A
	<u>DBD</u>	1,500	144	2,474	16.85	2.82	18.30%		42,200		41,300
	DP3	250	26	3,823	10.46	1.92	18.50%	30,426	40,000	31%	n/a
Rubber	TRC	444.3	86.9	2,319	12.2	0.53	5%	25,451	28,700	13%	33,000
	PHR	1,472	314	3,152	10.9	1.13	10.40%	23,909	34,900	46%	36,800
	DRI	610.5	101	1,311	9.76	1.2	12.20%		12,100		15,700
	DPR	680	201.5	3,523	11.6	0.75	6.50%	35,409	43,500	23%	49,000
Oil & Gas	PVS	18,165	833.7	1,876	9.6x	0.7x	7.60%	16,400	16,800	2%	20,500
	GAS	68,771	8,111	4,239	13.8	2.7	19.80%	58,816	58,300	-1%	72,000
Aquagricultur e	<u>HVG</u>	N/A	N/A	N/A	N/A	N/A	N/A	8,810	6,900	-22%	N/A
	<u>VHC</u>	8,610	692	6,700	8.73	2.17	27.80%	57,800	59,000	2%	72,900
	FMC	2800	83	3.5	4.8	1.11	17.50%	14,903	16,750	12%	N/A
Marine transport	<u>PVT</u>	6,426	410	1,303	11.09	1	14%	10,786	14,950	39%	19,000
	<u>GSP</u>	1,286	69	2,300	5.6	0.99	18%	9,773	13,100	34%	15,200
	SKG	497	258	5,377	9.3	2.29	27%	52,254	51,800	-1%	N/a
	<u>VTO</u>	1,312	120	1,521	4.83	0.51	8%	7,217	7,310	1%	N/A
	<u>VIP</u>	655	110	1,606	4.76	0.47	7.50%	7,109	7,550	6%	N/A

Source: BSC Research, *: diluted EPS

Sector outlook 3rd Quarter of 2017

Real estate sector [Outperform]

Q2 FY2017

- Apartment market maintains the strong liquidity; total traded units in HCMC were 8,800 apartments, increased by 39% YoY.
- Number of new apartments for sale decreased in HCMC while increasing significantly in Hanoi.
- Business result continued to diverge between listed corporations.
- Business result is expected to continue growing in 2018.
- We maintain outperform assessment for Real estate sector.

Apartment market maintains the strong liquidity: Total traded units in 1Q2017 in HCMC were 8,800 apartments, increased by +39% YoY; mainly concentrating in the Western side which included District 6th, 8th, Tan Phu and Binh Tan, which is mainly C-rank apartments. In Hanoi, total trading units were 6,520 apartments, increased by 16% YoY, focused on B-rank segments, in Ha Dong, Hoang Mai, Tu Liem and Thanh Xuan.

Number of new apartments for sale decreased in HCMC while increasing significantly in Hanoi. According to 1Q2017 market report of Savills, new apartments for sale at HCMC was 5,200 apartments (-31.5% YoY), leads to 13.6% increase in the primary supply source in comparison to 82% growth 1Q2016. Moreover, the new apartments for sale in Hanoi were 9,220 apartments, increased by +39% YoY; total primary supply source in Hanoi was 24,160 apartments (+49% YoY).

Business results continue to diverge: In accordance with the listed market, total revenue in 1Q2017 of all listed real estate corporations was VND 22,8 billion (+11.4% YoY), PAT was expected to be VND 1,99 thousand billion (+33.1% YoY) which indicated the positive outlook of real estate sector. However, only 35/62 corporation have improving business results over same period last year. Only corporations with high quality product, creditability and good construction speed can grow in the context of abundant primary supply source.

Stock	Revenue 1Q2016	Revenue 1Q2017	% Growth	PAT 1Q2016	PAT 1Q2017	% Growth	Inventory	Receivable	Receivable/ Inventory
VIC	14,700	15,800	7%	779	915	17%	50,800	53,135	105%
DXG	315	586	86%	29	152	417%	885	528	60%
KDH	569	641	13%	94	110	18%	4,510	988	22%
SCR	26	276	957%	6	6	10%	3,692	2,629	71%
DIG	290	249	-14%	10	-16	-266%	3,031	665	22%
ITC	20	78	291%	-2	9	n/a	2,703	288	11%
NVL	2,195	1,910	-13%	155	408	163%	16,764	6,470	39%
KBC	446	435	-2%	95	177	87%	8,037	802	10%

NLG	374.7	255.8	-31.7%	41.6	21.1	-49.3%	3,824	884	23.1%
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Source: Corporations' financial report, BSC Research

Business result is expected to continue growing in 2018: Due to the lag of revenue and profit recognition, many corporations despite of good sale speed, cannot record in their Q2 report. Thus, we expect that the business result of those would continue their growth in 2018 at hand-over timeline such as VIC, DXG, CEO, and SCR.

Industrial real estate sector maintains its positive outlook due to significant growth of FDI capital. Total registered FDI (FDI) in Vietnam accumulating until April/2017 was USD 23.3 billion, increased sharply by 54.8% YoY in comparison to 2016. More notably, manufacturing and process industry attracted total capital of USD 17.5 billion, accounting for 75% total registered capital. This factor is expected to create a large demand for IZ leasing. Listed corporations that had high land fund amount and areas for expansion are KBC, LHG and VGC.

Investment Outlook

We maintain our OUTPERFORM outlook for real estate stocks due to the high liquidity, especially in the B and C ranking segments. The progress of collecting cash from customers is quite good, which helps the cash flow situation as well as reduce the dependency on banks' lending capitals that are being restricted in accordance with Circular TT36. In the 2017-2018 period, business results of Real estate corporations are expected to continue improving thanks to seasonal revenue recognition. We maintain the **outperform** outlook for companies with high quality product and good sale progress such as VIC, KDH, SCR and DXG. We noted KBC (record revenue at hand-over) and DIG (expectation of Construction Ministry's divestment).

KBC – Target price of 20,000 VND/share – upside 17%

KBC is the leading corporation in industrial zone sector thanks to its large land fund which accounted for 8% of nation's industrial zone along with cheap clearance fees. The company had just informed its successful deal to divest the investment in Hoa Sen Hotel Development Co., at book value of VND 1,500 billion and record approximately VND 280 billion profit. We expect the PAT of KBC's parent company to be approximately VND 900 billion, 2017 EPS= 1,891 VND/share, corresponding to P/E forward = 9x.

In long term, we recommend BUY for KBC thanks to strong growth of FDI to Vietnam, in which: (1) main revenue originates from Quang Chau Industrial Zone (Bac Giang) and Phuc Ninh City (Bac Ninh) and (2) Phase 3 of Trang Due Industrial Zone (Hai Phong) and Nam Son Hap Linh Industrial Zone (Bac Ninh) are certain to contribute to KBC's revenue after 2018.

DIG – Target price of 19,000 VND/share – upside 21.7%

DIG currently owns a large clean land fund with low capital expense, total area of 933ha mainly located in Ba Ria – Vung Tau, Dong Nai and Vinh Yen, Vinh Phuc. High profit is expected to be recognize after the divestment of Construction Ministry (currently owning 49.65%). According to the Ministry's roadmap, government ownership will be reduced to 25% in 2017 and 0% in 2018. However, the Ministry of Construction also considered the possibility of divesting all capital if it can find a buyer with reasonable price.

In short-term, business result of the corporation is expected to improve significantly: 2017 Revenue is planned to be approximately VND 1,406 billion(+26% YoY), PAT to be VND 128 billion (+94% YoY) thanks to (1) Hand-over of Dai Phuoc Lotus project with a revenue of nearly VND 575 billion, PAT to be in the range VND 100-120 billion, and (2) revenue recognition from Nam Vinh Yen project (VND 85 billion), Phoenix (VND 210 billion), Hiep Phuoc (VND 114 billion)...

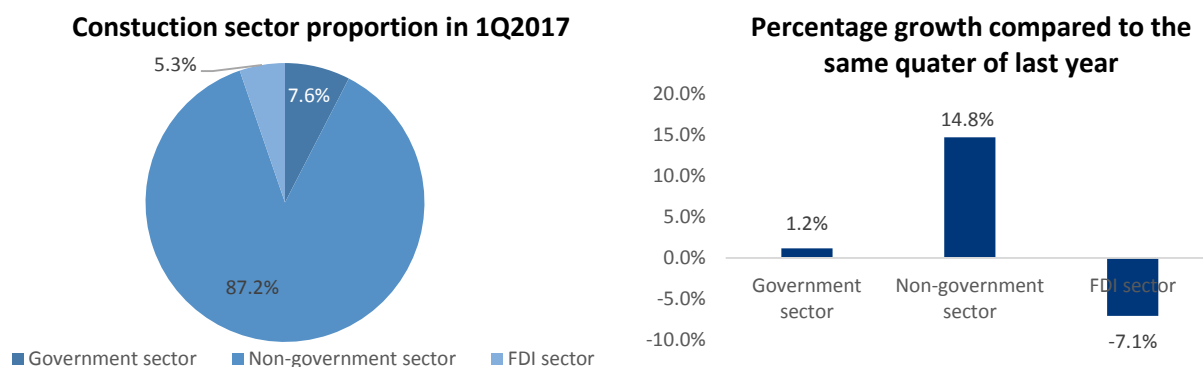
Stock	2017 Revenue(V ND bil)	2017 PAT(VND bil)	2017 EPS	P/E FW	P/B	ROE 2017	2017 Dividends	Closing price at 23/06/2017	Target Price
VIC	80,000	3000	1,137	37	4.2	7%	n/a	42,050	45,000
DXG	2,300	700	2,456	7.2	1.32	19.4%	20%	17,750	20,800
KDH	3,200	500	2,136	13.34	1.9	11.7%	10% tiền	28,500	25,100
SCR	2,500	205	903	13.9	0.9	6.3%	n/a	12,550	11,600
KBC	2,400	850	1,416	12	1	9%	n/a	17,100	20,000
DIG	1,406	128	504	28.5	1.3	4.3%	6% - 8%	14,250	19,000

Source: BSC Research

Construction Sector [Outperform]

- Construction production value grew stably reaching VND 225.8 thousand billion, increased by 6.1% yoy.
- Business result of construction sector increase significantly in 1Q2017, nevertheless, strong differentiation occurred among listed corporation: 52/108 corporations grew compared to same quarter of 2015.
- BSC maintains its positive outlook for construction sector in the second half of 2017.

Construction sector grew stably: In quarter I/2017, construction production value according to the current market price was estimated to be VND 225.8 thousand billion (+6.1% YoY); main contribution of this value came from non-government construction sector with a construction value of VND 196.8 billion(+14.8% YoY). While the government sector records a slight increase of 1.2% YoY, FDI sector decreased by 7.1% YoY.



Source: GSO, BSC incorporated

Business result of construction sector increase significantly in 1Q2017, nevertheless, strong differentiation occurred among listed corporation. In 1Q2017, total revenue of listed construction corporation was VND 20,120 billion (+8% YoY), with total PAT increased significantly to VND 2,312 billion (+183% YoY). However, this strong growth of PAT is thanks to CII's extraordinary profit of VND 1,227 billion, in which financial activities contributed by 97%. The sector growth narrowed with only 52/108 corporations recording PBT growth in comparison to the same quarter of last year, in which leading corporations continued recognizing significant growth: CTD (PAT +25% YOY), HBC (PAT +257% YoY). Positive market liquidity at real estate market had indirectly created cash flow and demand for construction.

As of 20/4/2017, total inventory of real estate continued to move down to VND 28,369 billion, decreased by 8.55% in comparison to that at 31/12/2016.

1Q/2017	Revenue (billion VND)	% yoy	PAT (billion VND)	%yoy	2016's Dividend	Gross profit margin 1Q/2017	Gross profit margin 1Q/2016
CTD	4,361	39%	301	25%	50% cash	8.8%	10.2%

HBC	3,032	87%	181	257%	10% cash& 35%share	10.6%	8.3%
VCG	2,041	65%	114	49%	8% cash	14.2%	19.7%
PC1	567	-13%	58	-46%	30% share	19.5%	25.1%
FCN	296	4%	19	-13%	10% cash	16.2%	16.2%
HUT	627	8%	131	55%	7% cash& 8% share	35.7%	27.9%
CTI	248	-5%	30	9%	10% cash	45.4%	31.2%
LCG	224	67%	13	33%	7% cash	19.0%	8.2%
VNE	137	-22%	4	n/a	0%	17.2%	2.0%

Investment Outlook

BSC maintains its positive outlook for construction sector in the second half of 2017. With the main supporting factors from: (1) Backlog of leading civil construction continues creating new peaks: CTD (VND 31,000 billion, +15% YoY), HBC (VND 20,000 billion, +17.6 % YoY) and (2) Promising potential for industrial construction thanks to FDI capital inflow continuing to flow into Vietnam in Q1/2017: total newly registered FDI, added FDI and FDI's share purchase was USD 7.71 billion, increased by 77.6% YoY, total disbursed FDI was USD 3.62 billion (+3.4% YoY). Among Construction stocks, price of leading civil construction stocks such as CTD, HBC had reflected a part of this sector promising potential. We note that industrial construction stocks and infrastructure construction stocks had many growing opportunities.

HUT– Target price of 14,700 VND/share– upside 27.2%

HUT is the king in the North of transportation infrastructure construction. However, in the last 2 years, the company started moving in real estate sector and transportation infrastructure investment. In 2017, HUT is certain to record the remaining VND 800 billion from Foresa Xuan Phuong project and started booking the revenue from Xuan Phuong Residence project (Total revenue ~VND 1,500 billion). Growth factor also originates from: **(1)** BOT stations starting to collect fees: QL39 BOT (VND 50 billion/year), Quan Toan BOT (VND 300 billion/year, began collecting fees since April/2017) and QL32 BOT (80 billion/year, HUT owned 30%); **(2)** ETC projects started extracting BOT's revenue fees from HUT stations that are utilizing continuous fees collection technology.

PC1 – Target price of 43,000 VND/share– upside 19.51%

PC1 is the leading corporation in construction and transmission of electricity sector (40% market share). PC1 also participates in middle-class Real estate segment and owning hydroelectricity portfolio with a total capacity of 162 MW. In 2017, activities of construction and transmission of electricity and steel structure production are expected to recover thanks to large signed contract: 3 circular of 500 kV project in Vung Ang – Doc Soi– Pleiku with total investment of approximately VND 6,418 billion and export contract of 40,000 steel ton that was signed with AG Ajikawa (Japan).

In addition to that, in 2018, the company expects to record extraordinary revenue of VND 1,000 billion from My Dinh Plaza 2 (Nam Tu Liem, Ha Noi). In long term, large scale hydroelectricity investment is expected to contribute annual revenue of VND 650-700 billion to PC1 after all projects start operating after 2019.

CTI – Target price of 31,800 VND/share– upside 7.8%.

We maintain our Buy recommendation for CTI with a target price of 31.800 VND/share. As of 23/06/2017, CTI was traded at 29,500 VND/share, corresponding to a P/E FW of 12.8x and a P/B of 1.6x. As we had mentioned in our [previous analysis reports and update reports](#), CTI is our favorite stock thanks to (1) BOT's fee collection operation is generating a stable cash flow with high profit margin in the range 62-88% in 2016 and possessing low risk; (2) long-term business potential from stimulating mining quarries excavation and industrial sector operation.

LCG & VNE – Recover from crisis – Follow.

LCG was a leading corporation in industrial construction sectors before the crisis period of 2012-2013 due to low effective investment activities in real estate sector. However, LCG recently recognized positive changes thanks to success in handing over Nam An projects (VND 54.5 billion), Phu Hoi (above VND 300 billion) and good liquidity at Hiep Thanh project (in 2017 recording approximately VND 300 billion). Strong cash flow from freeze project in previous years had helped the company to restructure its capital and addition supported force for core construction operations. In 2017, LCG construction revenue is expected to increase to VND 1,200 billion (+67% YoY).

VNE is the leading electricity construction in Vietnam with more than 20 years of experience in this sector, especially power line and 500 kV substations. However, the company's internal conflict was considered to be the main reason that caused its 2016's revenue to decrease by 26% YoY and parent's PAT to decrease by 90% YoY. The recovery expectation originated from the fact that Khai Toan Group divested from VNE, and thus, helped the company to solve its internal conflict and to focus on the development of its core business operation.

Aside from the recovery of its construction segment, VNE also expected to recognize extraordinary revenue from handing over of real estate projects: VNECO PLAZA central at Son Tra, Da Nang (above VND 200 billion) and Xanh Hue Hotel (above VND 250 billion).

VCG – Divestment from membership companies – Follow.

VCG was the largest construction corporation in the stock market in term of both revenue and market capitalization before its slow growth period and allow newer corporation such as CTD or HBC to surpass it in recent years.

However, the company started having positive changes in recent time since after its strategic development in the 2017-2022 period. This strategic plan was passed in its 2017's General Shareholder Meeting. Accordingly, VCG will divest from membership companies and restructure in a more effective and simplify structure. Recently, it had passed the complete divestment plan (51.4%) from Vimenco (VMC). According to some sources, it will hand over 51% share of Vinaconex Clean Water (VCW).

We note that VCG currently own gold land funds including many deploying projects and expect to start booking revenue from these projects after the end of 2017 including: 97 Lang Ha Project, 93 Lang Ha Project, Project Vinata Tower, 25 Nguyen Huy Tuong Project.

Stock	2017F Revenue (VND billion)	2017F Profit (VND billion)	2017F EPS	2017F P/E	2017F P/B	2017F ROE	2017 Dividends	Closing price of 23/6/2017	Target price
CTD	27,000	1,750	22,712	9.6	2.6	27%	30% cash	218,500	250,000
HBC	16,000	828	6,426	7.3	2.6	42%	15% cash	47,050	56,000
VCG	10,222	585	1,324	15.5	1.5	7.8%	10% cash	20,600	n/a
FCN	2,800	210	4,242	6.2	1.2	16.3%	10% cash	26,100	28,100
HUT	3,309	466	2,447	5.15	0.5	17.4%	15% cash	12,600	14,700
CTI	1,396	140.9	2,309	12.8	1.6	16.2%	17% cash	29,500	31,800
PC1	3,585	307	3,137	11	1.3	14.5%	20% cash	34,600	43,000
LCG	1,500	70	917	10,8	0.7	6.5%	7% cash	9,870	n/a
VNE	1,113	111	1,228	8.7	1	11.3%	10% cash	10,650	n/a

Source: BSC Research

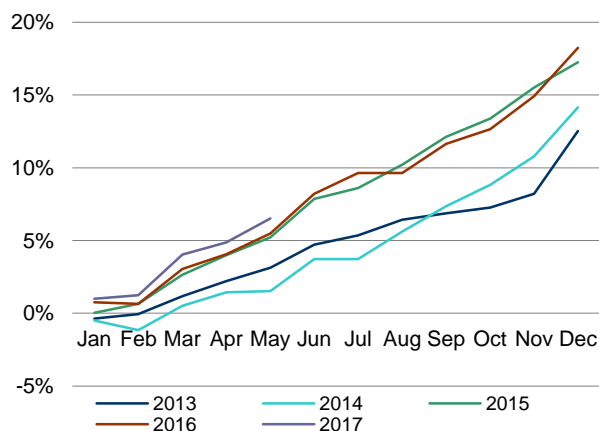
Banking Sector [Outperform]

- Credit grew by 6.53%, capital mobilization increased by 4.5% in 5M2017
- Some banks increase their long-term deposit rate.
- Bad debt resolution was officially passed by Congress and planned to be effective from 15/08/2017 for a 5-year period to bad debt clearing progress and collateral assets of credit institutions.
- Commercial Bank planned to raise their chartered capital in order to increase risk “cushion”, expand business operation and qualify Basel II requirements.
- Many banks are expected to conduct IPO in 2017
- Core business results of many banks increased sharply

Q2 FY2017

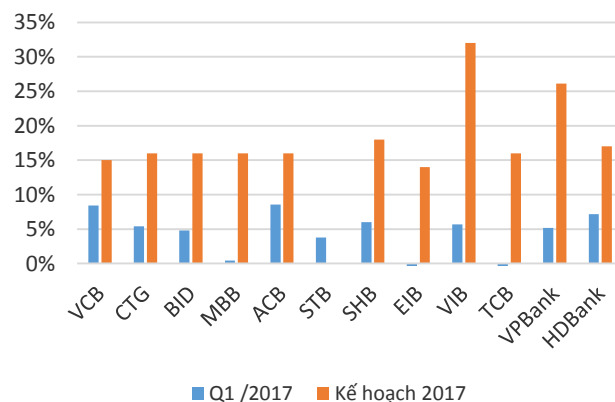
Credit growth increased by 6.53% in 5M2017¹(SBV). This is the highest growth rate since 2012. Positive credit growth stimulated the rise of banks' income before of banks. Until quarter 1/2017, many banks had achieved half of the 2017's targeted credit growth rate such as LienVietPostBank (+11%), KienLongBank (+10.3%), SCB (+9%), HDBank (7.17%), ACB (+8.56%), VCB (+8.42%).

Credit growth of VN commercial banks



Source: SBV

Credit growth of major banks in Q1/2017



Source: Commercial Banks

Some bank raised its long-term deposit rate. In quarter 2/2016, EIB had increased by 0.1-0.2% for some terms, deposit rate reached the highest level of 8%/year with maximum term of 24 months and 36 months. BacA Bank increased by 0.1-0.15%/year and interest rate from 6 to 36 months, and thus, raised its deposit interest rate of this bank up to 7.75%/year National Citizen Bank (NCB) raised its deposit

¹ <http://bizlive.vn/ngan-hang/tang-truong-tin-dung-5-thang-dau-nam-da-len-toi-653-2837399.html>

interest rate by 0,6%/year for its 9 months-interest rate, up to 7,3%/year. Sacombank raised its deposit rate for all terms between 15 months and 36 months, increased by 0,1-0,2%/year, depending on term.

The draft of bad debt resolution creates equalize mechanism, stimulates bad debt solving process, collateral assets if credit institutions. On 21/06/2017, Congress had passed Bad debt resolution draft (86% favorable). The resolution draft is a regulated document of high authority in term of solving bad debts and collateral assets, which is planned to be officially executed in 15/08/2017 and extended for 5 years. All bad debts prior to 15/8/2017 are under the regulation of this draft. We positively evaluate the regulations on the draft, especially the hand over and reaffirmed the collectable right of credit institutions. In addition, the Resolution also allow credit institution to apply simplify procedure in the handle of dispute relating to collateral assets, allowing institutions, people who do not register as business units to purchase a bad debt; allowing to trade bad debt, collateral assets in accordance with the market price; distribution of interest income or loss when selling bad debts of credit institutions ... [\(for reference\)](#)

Commercial banks' plan of increasing chartered capital. In the season of 2017's General Shareholders Meeting, many banks planned to raise its chartered capital in order to expand their business operations along with risk "cushion" and qualify Basel II requirement. Considering only 14 banks (including BIDV, Vietcombank, MBB, OCB, NCB, VPBank, Techcombank, ACB, SCB, HDBank, LienVietPostBank, SHB, VIB and Nam A Bank), total chartered capital had reached VND 32 thousand billion. In which, some banks such as BIDV, VCB, had individual private placement for strategic shareholders. Many banks such as CTG, VCB, ABBank, SCB ...proposed expanding foreign ownership limit. In the Prime Minister trip to Hong Kong, China, he had mentioned that the foreign ownership limit of domestic banks could be expanded to above 30%. SCB proposed private placement 50% for some foreign partners. Moreover, 2 bank acquired by 0 VND are Oceanbank and GPBank are expected to sell capital to foreign investors.²

Many banks are expected to be listed in 2017, including: Techcombank, TPbank, LienVietpostbank, KienlongBank, OCB, Vpbank, ABBbank. In which, 300 million share of KienLongBank had been listed on Upcom (first trading date was 29/06/2017), LienVietPostBank is expected to be listed in Q3/2017. This is a necessary requirement to qualify the transparent pillar of Basel II. These activities strongly increase the market capitalization of banking sectors and more investment choices for investors.

Business results of quarter 1/2017. At the end of quarter 1/2017, total operating income before provisions of 12 researched banks was VND 24 thousand billion, increased by 24% yoy, indicating that the core business operations of banks are growing rapidly. The banks' profitability, at the moment, is depending on assets quality, bad debt solution and credit loss provision expenses. Many banks recorded high growth PAT including: EIB (+469%), TCB (+126%), VPB (+77%), ACB (+54%), STB (+30%), MBB (+26%) and VCB (+20%).

² <http://vietstock.vn/2017/06/ocean-bank-da-duoc-ban-cho-mot-doi-tac-nuoc-ngoai-trong-khu-vuc-chau-a-757-542953.htm>

Forecasted Business results in Q2/2017. We expect the business results of many banks to be positive in Q2/2017 driven from credit growth, operating income growth and provision expenses reduction at high assets quality banks (including VCB, MBB, ACB,...). Some banks announced its business result estimation for the first half of this year. Separated PBT for 6M2017 of MBB is estimated to be VND 2,386 billion, increased by 32% yoy; of STB to be VND 428 billion, (+70.4% yoy, credit increases by 9.7%ytd in 6M2017), of BID to be VND 4,200 billion, of ACB to be VND 1,250 billion (+ 51% yoy), of TPBank to be VND 500 billion (credit growth reaches 10%). LienVietPostBank's PBT is estimated to be VND 730 billion in 5M2017 and VND 900 billion in 2Q2017.

Business results of some banks in quarter 1/2017

	VCB	CTG	BID	MBB	ACB	STB	SHB	EIB	NVB	VIB	TCB	VPB
Scale												
Chartered capital (VND bil)	35,978	37,234	34,187	17,127	10,273	18,852	11,197	12,355	3,010	5,644	8,878	9,181
Equity (VND bil)	50,166	58,196	44,119	25,061	14,556	23,113	13,457	13,597	3,237	8,868	20,653	18,679
Total asset (VND bil)	794,279	987,383	1,026,252	250,066	251,537	344,409	247,910	132,826	68,140	105,982	232,522	229,847
Equity/TA	6.32%	5.89%	4.30%	10.02%	5.79%	6.71%	5.43%	10.24%	4.75%	8.37%	8.88%	8.13%
Growth (ytd)												
Asset growth	0.81%	4.08%	1.97%	-2.42%	7.64%	3.33%	5.97%	3.12%	-1.26%	1.40%	-1.21%	0.47%
Loans growth	8.42%	5.40%	4.81%	0.43%	8.58%	3.79%	5.98%	-0.53%	3.43%	5.70%	-3.41%	5.17%
Customer deposit growth	3.19%	1.72%	5.01%	-6.37%	6.86%	4.01%	5.66%	7.75%	3.49%	2.61%	2.98%	4.61%
Loan/deposit of customer	81.99%	104.71%	99.49%	82.99%	80.19%	68.11%	97.77%	78.37%	60.62%	104.60%	77.12%	117.49%
Asset quality												
Bad debt rate	1.48%	1.13%	2.14%	1.33%	1.08%	4.89%	1.92%	3.00%	1.80%	2.19%	1.89%	3.50%
Bad debt rate including debt that were sold to VAMC	1.48%	2.05%	4.01%	4.17%	1.67%	19.06%	5.56%	8.92%	19.60%	4.99%	2.18%	5.63%
Bad debt provision/ total debt	1.90%	1.06%	1.53%	1.34%	1.30%	1.17%	1.12%	1.39%	1.11%	1.52%	1.14%	1.72%
Bad debt provision/ total bad debt	128.93%	93.68%	71.31%	100.55%	121.06%	24.01%	58.56%	46.49%	61.39%	69.65%	60.42%	49.24%
Actual income/ interest income (accumulated)	102.03%	99.22%	98.41%	106.80%	111.12%	106.30%	87.51%	89.60%	87.52%	113.78%	89.84%	102.48%
Interest, fee receivable/Total loan	1.11%	2.06%	1.25%	1.73%	1.54%	12.60%	4.86%	1.25%	12.31%	1.64%	3.22%	2.62%
Doubt asset	25,677	54,350	79,762	20,106	13,056	94,131	29,232	12,656	17,810	5,967	16,490	32,274
% Total asset	3.23%	5.50%	7.77%	8.04%	5.19%	27.33%	11.79%	9.53%	26.14%	5.63%	7.09%	14.04%
% Equity	51.18%	93.39%	180.79%	80.23%	89.69%	407.27%	217.22%	93.08%	550.11%	67.29%	79.84%	172.78%
Business effectiveness (accumulated)												
% Net interest income	72.40%	79.83%	86.29%	82.94%	71.31%	62.36%	87.86%	82.36%	95.57%	82.28%	59.84%	89.33%
Profit before loss provision (VND bil)	4,138	4,609	4,625	1,691	1,202	308	499	303	12	303	2,595	3,609
% yoy	14.79%	19.83%	13.69%	50.76%	93.05%	24.08%	5.38%	-17.46%	4.23%	0.82%	18.97%	53.17%
Credit loss provision (VND bil)	(1,401)	(2,065)	(2,348)	(579)	(607)	1	(192)	(133)	-	(146)	(1,270)	(1,685)
% vs Profit before provision	33.85%	44.80%	50.77%	34.25%	50.52%	-0.31%	38.42%	43.84%	0.00%	48.11%	48.95%	46.69%
PAT (VND bil)	2,206	2,032	1,824	890	478	211	245	136	9	126	1,059	1,537
% yoy	20.11%	5.84%	9.91%	26.16%	54.11%	30.00%	0.28%	469.25%	6.58%	13.35%	122.66%	76.92%

NIM (TTM)	2.67%	2.65%	2.65%	3.71%	3.28%	1.83%	2.07%	2.46%	1.95%	2.90%	4.07%	8.24%
CIR (TTM)	43.22%	40.32%	41.36%	41.73%	55.08%	81.72%	52.65%	63.62%	94.98%	64.02%	28.96%	33.24%
ROA (TTM)	0.96%	0.75%	0.65%	1.23%	0.64%	0.13%	0.41%	0.33%	0.02%	0.60%	1.67%	2.19%
ROE (TTM)	14.75%	11.47%	14.51%	12.23%	10.72%	1.84%	7.37%	3.14%	0.43%	6.69%	19.69%	28.62%
EPS (VND/share) (TTM)	2,000	1,858	1,850	1,770	1,514	233	888	343	46	1,024	4,255	5,157
Book value (VND/share)	13,944	15,630	12,905	14,632	14,764	12,814	12,024	11,060	10,876	15,712	23,262	20,345

Source: Banks's Financial reports, BSC research

Investment outlook – Outperform.

We maintain our **Positive** outlook for banking stocks ([referred report](#)). Business results of many banks are expected to raise the growth rate expectation thanks to the growth of economic and credit and stimulation of non-interest operations. Bad debt resolution had been passed, expecting to speed up the process of solving bad debt, collateral asset, improving capital inflow circulation and create profitability for banks.

MBB – Hold – Target price of 23,000 VND/share

MBB shares had increased by 42% compared to the price at the date we recommend buying ([report link](#)). MBB is our favorite stock with good assets quality; positively changed itself in operating segments; business result is expected to increase significantly since 2017. Strict credit risk management. Total doubtful assets in accordance with our calculation was VND 20 thousand billion, corresponding to 80% of its equity. High profitability with listed banks, NIM was 3.71%, CIR was 41.73% and ROE was 12.23. The bank set its targeted ROE rate up to 15% in the next 3 years through stimulation of interest business and non-interest business, cross selling product,... BSC forecasted PAT of the bank to be VND 3,654 billion in 2017, corresponding to an EPS of 2,033 VND/share (excluding bonus and welfare fund).

ACB – Buy – Target price of 30,200 VND/share

ACB shares had increased by 8% in comparison to the published date of our [report](#). Core business activities grew positively. Lending rate is estimated to be 8.58%, net income before provisions of the bank increased by 93% in Q1/2017. If excluding profit/loss from investment stock trading (mainly due to debts provision of G6 group), income before the bank provision increased by 55% yoy. The bank strictly manages credit risk, good assets quality. More notably, ACB had expedited provisions and risk handling of G6's debt, expecting to completed 1 year earlier, and ended in 2017. Total remaining debt of G6 group after deducting provisions fund was VND 1,537 billion. Total collectable assets of ACB was VND 4,462 billion, in which, total collateral assets that had high collectable chance was VND 1,440 billion (other bank guarantees letter, third party deposit of G6 group), indicating that financial pressure if solving other debts is not high. Business result is expected to improve significantly; ACB set its targeted 2017's PAT to be VND 2,205 billion (+32%). BSC forecasted PAT of ACB to be VND 1,616 billion in 2017 (+22% yoy) and VND 3,623 billion in 2018 (+124% yoy).

CTG – Hold – Target price of 21,500 VND/share, upside 7.5%

CTG increased by 10% over the price at the published date of our [report](#). CTG is one of the largest banks in the system (in term of networking, lending scale, deposit scale), which is evaluated quite cheap, with an adjusted P/B of 1.3x. The bank set a PBT of VND 8,800 billion, increased by 3% yoy, corresponding to

an EPS 2017 of 1,568 VND/share. Notably, CTG intended to repurchase all bad debts that had been sold to VAMC in 2017 (remaining debt is VND 6,541 billion). We noted that with large scale doubtful assets (VND 54,350 billion), many concentrated lending, large collateral value asset (average rate is 179% lending rate), CTG would enjoy benefits after the Bad Debt Resolution is in effect, and thus, improved its assets quality and income of the banks.

VCB – BUY – Target price of 41,100 VND/share, upside 8%

VCB is our favorite stock with high quality assets, tight risk provisioning, high profitability and strong expectation to continue improving in the upcoming time. In the end of Q1/2017, credit growth was 8.42%, corresponding to ½ of the year plan. PAT increased by 20% reaching VND 2,206 billion, high growth for both credit and services segments. The bank continuously facilitated its retail segment, with high profitability and low bad debt rate, and thus, improve its business result. Covered bad debt rate of VCB always are the highest among all listed banks, reaching 129% in Q1/2017. VCB had completed the repurchase and provisioning all special bonds in 2016. Therefore, credit risk provision expense is expected to decrease significant in 2017, which is forecasted to decrease by 31% in 2017, down to VND 4,406 billion. We forecasted FY2017 PAT of the bank to be VND 8,643 billion, equivalent to 2017 EPS (excluding bonus and welfare fund) of 2,073 VND/share.

	EPS 2017F	BV	Adjusted BV	ROA	ROE	CAR	P/B	Adjusted P/B	Price at 30/06/2017	Valuation Price	Link
MBB	2,033	14,632	10,099	1.23%	12.23%	12.50%	1.52	2.21	22,300	26,000	Link
ACB	1,588	14,764	10,987	0.64%	10.72%	13.19%	1.75	2.36	25,900	30,242	Link
CTG	1,597	15,630	9,406	0.75%	11.47%	10.40%	1.30	2.15	20,250	21,499	Link
VCB	2,073	13,944	12,719	0.96%	14.75%	11.13%	2.76	3.03	38,500	41,100	Link
VIB	N/A	15,712	9,581	0.60%	6.69%	13.30%	1.42	2.33	22,360	21,901	

Source: BSC research

Non-life insurance sector [Outperform]

- Growth of gross insurance premiums slowed down in 1Q2017 (+8.7% yoy), growth in retail segments was at 15 - 18%.
- The compensation rate was 31.3%, higher than 29% of the same period last year
- Business results of listed companies in 1Q2017 improved with an average revenue growth of 12.7% and their combined ratio decreased by 2.7%.
- The positive outlook for 2017 is due to improved deposit rates and expectations from divestments.

Gross insurance premiums slowed down in 1Q2017. According to official data from the Bureau of Insurance Supervision, the whole sector earned VND 9,622 billion of gross insurance premium (+ 8.7% yoy). This growth rate is significantly lower in comparison to 14% in 2016 and 13.5% CAGR in 2010-2016. For each product segment, only retail segments maintained its high growth rates: 15% for motor vehicles and 18.3% for health insurance, while other segments experienced significant slowdowns and even declination.

Total compensation value in 2016 is estimated to be VND 3,014 billion, corresponding to the actual claim rate of 31.3%, it was higher than the same period in last year of 29%, but significantly lower than the average of the 2005-2016 period which was 37%.

Business results in 1Q2017 outperform, with total sales growth of 13.1% and PBT increased by 4.0%. The combined ratio was 98.9% on average, 2.7% lower than the same period in last year, indicating an improvement in corporate profitability. The investment rate in Q1/2017 reached an average of 6.6%, up from the 5.91% average rate in 2016. Most companies recorded profit growth, except for PTI and BIC, of which business grew significantly in the previous years and insurance revenue slowed down in Q1/2017.

Q1 2017 (VND billion)	BVH (*)	PVI	VNR	BMI	PTI	PGI	BIC
Fee revenue	1,834	1,680	452	838	755	593	427
% yoy	+17%	-9%	3%	13%	4%	2%	5%
% Compensation (1)	39.2%	50%	50%	38%	52%	57%	46%
Gain/loss over same quarter	+1.3%	2%	1%	0%	-15%	9%	7%
Combined ratio (2)	99.7%	104%	104%	100%	98%	98%	99%
Gain/loss over 2015	+4%	0%	0%	-4%	-4%	-3%	-5%
Investment operation							
Investment Money	65,812	8,069	3,402	2,605	3,269	2,172	3,139
% yoy	19%	-7%	7%	-4%	12%	17%	8%
Investment rate	6.2%	7.9%	6.0%	8.1%	5.7%	6.2%	6.1%
2016 PBT	486	135	71	52	41	40	52
% yoy	1.3%	11.8%	18.0%	14.1%	-30.0%	30.7%	-3.5%

¹ The compensation rate is calculated as total compensation (including allowance) / net premium income

² Combined ratio calculated by the BSC = (total insurance cost + corporate management costs) / net revenue from insurance contract

Investment Outlook – Outperform

Insurance stocks are trading at a medium P/E of 14.35x and a median P/B of 1.2x which is significantly higher than the regional level of 11.9x and 0.99x. Nevertheless, BSC maintains the **Outperform** assessment for the insurance industry due to (1) this is the only sector that is benefiting from upward trend of interest rates and (2) Expectations from government divestments. BSC noted that the SBV's decision to lower interest rates recently only affected lending rates without affecting deposit rates. Interest rate of 1H2017 still slightly increased compared to the same period of 2016.

PVI – target price of 40,000 – upside 20.1%

We believe that PVI is an attractive investment opportunity in the insurance sector, thanks to (1) new oil and gas sector investment projects that will improve PVI revenue - which fell sharply by 60% in 2016 (2) PVI's focus on the retail segment in recent years will continue to be promoted. (3) Increased investment provision in 2015 and 2016, when there was extraordinary profit from sale of life insurance business. (4) The new investment capital from the divestment helps to increase total investment. BSC expects PVI to book VND 7,263 billion in revenue (+ 11.6% yoy) and VND 438 billion in PAT, equivalent to EPS of 1,758 VND/share and BVPS of 29,995 VND/share. Catalysts included (1) officially lift foreign ownership limit to 100% in the last AGM and (2) expectation of divestment from PVI Tower - estimated profit of VND 350 billion.

BMI – target price of 31,000 – upside 13.5%

In 2016, BMI had completed the restructuring of its portfolio, dealing with ineffective investments, and recording profits from a number of long-term investments. Restructuring activities have helped the company to record extraordinary growth of investment income in 2016, and thereby enabling the company to increase its provision for compensation, which helped to reduce the burden of provisioning in the upcoming years. In the coming years, we expect changes in SCIC's divestment would help Bao Minh make changes in its business strategy. We expect the company to book a revenue of VND 3,681 billion (+ 9.8% yoy) and a net profit of VND 150.8 billion (-11% y / y). As a result, EPS is expected to be 1,774 VND/share and 2017 BV of 29,100 VND, equivalent to forward P/E of 13.4 and P/B forward of 0.82x, which is relatively low compared to Vietnam market level. Thus, BSC recommend BUY to BMI with a 1-year target price of 31,800 ([report](#)). BSC noted that SCIC's divestment of BMI is expected in 2018 would be one of the most important highlights for BMI.

Stock	2017 E Revenue (VND bil)	2017 E PAT	2017 EPS (VND/cp)	2017 P/E F	2017 P/B F	ROE (2016)	2016 Dividend	Closing price 30/06/2017	Target Price
BMI	3,681	150.8	1,774	15.3	0.82	6.1%	10%	28,000	31,800
PVI	7,263	412	1,758	18.9	1.1	5.8%	20%	33,300	40,000
VNR	1,788	248.8	1,900	12.6	1.2	10%	15%	24,000	26,500

Technology Sector [Outperform]

Deploying 4G network in Vietnam brings the development of the whole society. Vietnam currently has 4 operators having 4G licenses including VNPT, Viettel, Mobifone and Gtel, of which the three largest operators have officially launched 4G trade nationwide since early 2017. We believe that 4G commercialization not only brings social development at an estimated 10% increase in broadband penetration leading to 1% GDP growth, but 4G services will also drive growth of the standardized 4G supporting mobile retail industry as it happened in China in early 2016. Vietnam currently has 136 million mobile subscribers, of which 37 million subscribers registered to use the service 3G, and only 5% of them own a 4G-enabled mobile device, thus contributing to the growth of the mobile retail industry.

Updated Q1 2017 and 2016/2017 business results

FPT's Q1 FY2010 result was quite impressive with a technology segment's profit before tax (PBT) of 348 billion VND (+ 31% yoy, mainly contributed by software exports) and telecommunication segment's PBT of 526 billion VND (+21% Yoy, mainly contributed by a 24% yoy increase in telecommunication services as the cost of photochemical materials of the Hanoi and Ho Chi Minh City projects were not recorded).

Ticker	Net Rev			PAT attributed to FPT's shareholders			EPS		
	5M2017	5M2016	yoy	5M2017	5M2016	yoy	5M2017	5M2016	yoy
FPT	16,366	14,633	12%	745	677	10.00%	1,620	1,502	8%

Source: FPT, BSC Research

CMG and ITD companies with the fiscal year ending March 31st have announced financial statements for 2016/2017, ITD reported an increase in earnings by 36%yoy from the projects Hanoi-Hai Phong and Long Thanh-Dau Giay. For CMG, the growth was largely contributed by the telecommunication segment, with a revenue of VND 1,261bn (+ 27% YoY) in 2016, PBT of VND 127bn (+ 22.1% YoY), of which 88% was from over 1,000 corporate customers.

Ticker	Net Rev			Gross margin			PAT			EPS		
	2016	2015	yoy	2016	2015	2016	2015	yoy	2016	2015	yoy	
CMG	4,384	3,694	18.69%	13.50%	14.42%	156.71	136.73	14.61%	1,625	1,518	7.05%	
ITD	918	628	46.29%	23.17%	26.78%	87.68	64.27	36.43%	3,371	2,447	37.76%	

Source: Corporation' Financial Reports

Investment outlook – Outperform

We have assessed the IT-Telecom sector as positive as in previous BSC reports. We maintain our medium and long-term buying recommendation with two leading tickers including FPT and CMG, as their business will continue to grow steadily and sustainably.

FPT - Buy - Target price of 54,342 VND/share

The 5M2017 results were good: Net revenue of 5M2017 was at VND16,366 billion (+ 12% yoy), PBT was at VND 977 billion (+ 10% yoy), EPS of 5M2017 was VND1,620 (+ 8% yoy). As mentioned above, the good results was because of a continued positive growth in the software outsourcing sector and the

completion of costs allocation of materials (last mile and modem) that were related to the fiber optic swap project in Hanoi and HCMC.

The Distribution sector continued to show a -28% yoy growth with a pretax profit in 5M2017 of VND114 billion, while retail sales posted impressive growth of VND108 billion (+ 44% yoy). Currently, there is no plan to divest these two businesses. BSC temporarily eliminate possibly extraordinary profits from this deal, as well as forecasting FY2017 EAT and EPS of FPT to reach VND3,058 billion and VND4,025 respectively.

CMG - Buy - Target price 20,359 of VND/share

According to the CMG's recent annual shareholder meeting, the company expected its 2017 net consolidated revenue to reach VND 4,425 billion (+ 0.9% yoy), and 2017 PBT to reach VND 237.8 billion (+ 12% yoy). The APG Sea-going fiber cable line has operated since early 2017, promising to meet the demand for high-speed Internet usage in future, and to reduce the incidents by over 54 Tbps speed compared to the current two routes including AAG (2 Tbps) and IA (3.84 Tbps). Only 3 Vietnamese investors participated in the project and shared bandwidth based on their contribution rate including Viettel (\$25 million), FPT (\$10 million) and CMG (\$5 million). In addition, the North-South backbone project (VND 200 billion) owned by CMG is expected to be completed in July, leading to a significant decrease in the cost of leasing the current transmission line (about VND100 billion per year) to the depreciation level of VND20 billion per year.

Due to better prospects from the telecom segment after CMG exploits its APG fiber cable line, BSC expects the 2017 revenue, EAT, and EPS of CMG to reach VND5,042 billion (+ 15% yoy), VND198 billion, and VND2,237 respectively.

Ticker	Revenue 2017	EAT 2017	EPS 2017	PE 2017	PB 2017	ROE 2017	Div 2017	Closing price 30/06/2017	Target Price
FPT	46,619	3,058	4,025	11.64	2.09	19.88%	20%tm	46,850	54,342
CMG	5,042	198	2,237	6.79	0.95	10.18%	N/A	15,200	20,359

Source: BSC's Forecast, CMG's Forecast of the financial year 2017 (01/04/2017-31/03/2018)

Seaport Sector [Outperform]

- 3M2017 container throughput grew by 5%
- For Q1/2017 business results, seaport loading companies reduced, companies providing storage services kept high growth momentum.
- Nam Dinh Vu increases competition among ports in Hai Phong.

Total container throughput increased by 5% yoy. By 3M2017, the total cargo throughput of seaports was over 121,7 million tons, up 3% over the same period of 2016, of which: Exports reached over 31,2 million tons (+17% yoy), Imports reached more than 32,3 million tons (-5% yoy), domestic goods reached nearly 41 million tons, down 7% over the same period in 2016.

Container cargo through the seaport in 3M2017 was more than 3.1 million TEUs (+ 5% yoy), of which: exports reached more than 1,26 million TEUs (+ 12%), imports reached 1,19 million TEUs (+5% yoy), domestic goods reached 670,000 TEUs (-5% yoy)

Asia-Europe container shipping rates rebounded. The long-term contract price for Asia-Europe service on average in the first three months of Q2 FY2017 doubled compared to the same period last year, and the rates in the second quarter were also 10% higher than the first quarter, according to data by the market research company Xeneta.

Q1/2017 business results. Most of the ports, which provide loading and unloading services, recorded negative business growth, indicating the difficulties of the shipping industry in the world and in the region. Some of the companies providing warehouse services, DC such as GMD or TMS, still recorded high growth thanks to the growth of domestic demand with this service.

Consolidated results of business for Q1/2017.

Ticker	Revenue	YoY	EAT	YoY	P/E	P/B
GMD	859.9	1.40%	95.83	40%	20.17	0.94
PHP	563.2	3.80%	106.81	-15%	10.96	1.64
VSC	269.6	19.80%	45.37	-3%	11.55	1.89
TMS	177.8	33.70%	50.6	27%	10.96	1.53
DVP	159.2	12.10%	65.97	5%	9.76	3.15
CDN	146.7	-4.80%	33.63	11%	11.74	1.97
HAH	129.3	6.60%	31.07	-14%	6.66	1.56
PDN	112.9	30.60%	18.28	31%	13.74	1.93
CLL	67.6	-10.80%	19.21	-15%	11.73	1.55
DXP	14.9	-63.20%	3.31	-75%	10.94	1.43
VGP	9.2	-19.40%	1.19	-53%	16.7	1.5
Average					12.26	1.74

Source: Corporation's Financial Reports

Increased competition from Nam Dinh Vu Port. In November 2016, GMD started a construction of Nam Dinh Vu Port. Phase 1 of the project has a total investment of 1.700 billion VND, financed with a loan of 1.000 billion VND, including 2 berths with the total capacity of 500,000 TEUs/year. This phase is

expected to come into operation in January 2018. However, according to the sharing from the leaders of some ports in the region, at least until October 2018 phase 1 will be put into use.

Investment outlook

In the long term, ports in Hai Phong will face strong competition from a number of newly built ports such as Nam Dinh Vu and Lach Huyen. At the moment, ports on the peninsula of Dinh Vu will continue to benefit. Regarding the southern logistics businesses, we believe that promoting the exploitation of the Cai Mep Thi Vai Terminal will benefit the storage, ICD and DC businesses in the vicinity of the city, such as STG, SWC, TMS, GMD.

GMD- Tracking.

Prior to the shareholder meeting, GMD's share price increased sharply thanks to the plan to sell some of its assets, focus on core businesses and the participation of Korean shareholders. However, at present, we think that GMD has reflected the growth potential of 1 year. Some noteworthy points about GMD's business operations are: (1) A record of VND100 billion from the transfer of 15% of Gemadept Tower in the second quarter of 2017. (2) Port revenue growth is likely to be flat in 2017, but logistic growth is positive because of an operation of Mekong Logistics. (3) SCSC's strong growth is forecasted at around 30%, contributing about VND84 billion into profit from associated ventures, up 67% over the same period of 2016.

VSC- Buy- Target price of 72,400

Since the beginning of the year, the Vip Green port has attracted two more ships of Maserk lines into operation, bringing the weekly total trips to 8. Currently, 10ha of land has been purchased since the beginning of the year and 5ha was expected to be put into operation on June 25 to meet the demand of Vip-green port. In addition, VSC invested EUR 2.9 million to buy a tyre crane for large loading capacity of Maserk Lines. Service prices decreased by 5-7% over the same period of 2016, but thanks to high occupancy at the new port, we believe VSC will maintain a high growth momentum.

HAH- Buy- Target price of 30,640.

Some recent investors' concerns about the impact of Bach Dang Bridge on HAH's business have made stock prices fall to attractive levels. Declining import and export containers will make it difficult for HAH to achieve the same results as in the previous three years. However, we think that HAH still has a stable core business thanks to: (1) completed logistic chain of seller – sea carriage - loading and unloading wharf - buyer improving service quality and facilitating partners. (2) Containers from sea carriage offsetting some of the drop in container exports due to the negative impact of Bach Dang bridge construction. (3) Take advantage of domestic container sea carriage.

Ticker	Revenue 2017(billion)	PBT 2017(billion)	EPS F 2017	P/E F 2017	P/B F 2017	ROE F 2017	Price 24/03/ 2017	Target price
GMD	4,354	579	2,774	16.33	2.06	11%	45.300	N/A
PHP	2,529	504	1,432	10.40	1.39	11%	14.900	22,980
VSC	1,187	290	6,036	10.67	2.11	20%	64.400	72,400
HAH	520	130	3,578	6.53	0.91	16%	23.400	30,640
CDN	640	147	1,634	13.77	1.98	16%	22.500	18,800

Electricity sector [Outperform]

- The commercial output of 5M2017 reached 67.27 billion kWh (+ 8.5% yoy).
- Q1 business performance increased sharply in hydroelectricity and electrolytic division by exchange rate
- In Q3, hydropower business continues to be positive
- EVN proposes restructuring plan for 2017-2020, a series of equitized enterprises.

In 5M2017, commercial electricity output reached 67.27 billion kWh (+8.5% yoy), of which domestic commercial electricity production increased by 8.81%. In the first five months of 2017, total production and import of electricity reached 77.4 billion kWh (+6.9% yoy). Consequently, the electricity produced still meets domestic demand.

The market price of electricity maintains at a high level due to increased mobilization of supplies from thermal power plants and combined cycle gas turbines. Specifically, the average electricity purchase price of the power plants at the point of purchase was VND1.26 / kWh in the fourth week of March. The main reason is that the rate of electrical mobilization from high price sources remains at the high level. The proportion of thermal and gas turbines was over 74%, the remaining 24% was hydropower and about 2% is imported.

Q1/2017 business results. Thanks to favorable rain fall in the end of 2016 and the first 3 months of 2017, hydropower companies recorded remarkable growth over the same period of 2016 (the time of El Nino). On the thermal side, most notably PPC recorded EAT 142 billion (while the same period of 2016 showed the loss of 156 billion) as a result of a favorable JPY/VND exchange rate.

Consolidated results for Q1/2017

Ticker	Location	Revenue Q1/2017	YoY	EAT Q1/2017	YoY	P/E	P/B
NT2	Dong Nai	1,769.30	28%	266.36	-16%	8.41	1.74
PPC	Hai Duong	1,475.70	-13%	142.16	NA	7.88	0.99
KHP	Khanh Hoa	741.6	5%	-35.96	NA	12.45	0.73
CHP	Hue	244.5	158%	139.12	1485%	8.85	1.56
VSH	Binh Dinh	192.6	83%	126.05	100%	10.98	1.13
BTP	Vung Tau	168.7	-57%	-45.81	NA	9	0.74
NBP	Ninh Binh	158.7	-12%	1.37	-87%	15.93	0.74
TMP	Binh Phuoc	133.1	124%	46.4	-2898%	13.84	1.95
SBA	Da Nang	83	268%	36.1	-1546%	8.68	0.99
TBC	Yen Bai	74.4	19%	38.22	27%	13.84	1.89
SJD	Binh Phuoc	66	39%	24.79	65%	10.61	1.1
HJS	Ha Giang	35.5	0%	6.82	13%	13.65	1.36
DRL	Đak Lak	21.3	162%	15.42	305%	8.78	2.69
Average						10.99	1.36

Source: Corporation's Financial Reports

In Q3, the hydropower plants from the central to the back continued to be favorable. According to the central hydro-meteorology, rainfall in Q3 in the Central was about the same as the mean annual rainfall level, while in the Central Highlands and in the South it could end early with the prevailing rainfall above about 30% compared to the mean annual rainfall level. However, investors note, starting from around October, rainfall in this area may reduce about 15-30% compared to the mean annual rainfall due to a warning that El Nino could return..

Restructuring EVN Group for the 2017-2020 period. Accordingly, EVN continues to be a 100% state-owned one member limited liability company. The companies that EVN owns more than 50% are Electricity Construction Consulting Joint Stock Company No. 1 and Electricity Construction Consulting Joint Stock Company 2. The Equitization of power generating Corporations 1,2,3 (EVN holds at least 51% of charter capital until the end of 2019, the company will continue to consider withdrawing capital to below the control level. Specifically, all capital from the following companies: Electricity Finance Joint Stock Company, Thu Duc Mechanical Electric Joint Stock Company Dong Anh Power Equipment - Joint Stock Company, Thuan Binh Wind Power Joint Stock Company, Electricity Construction Consultant Joint Stock Company 3, Power Engineering Consultant Joint Stock Company 4, will be withdrawn.

Investment Outlook

Similar to the Q1 report, we still believe that the power sector shares are highly defensive, consistent with the view of investment safety, risk aversion. In the first quarter, hydropower shares' price movements reflected quite well with our view such as VSH, CHP. In the third quarter, these companies' earnings are expected to remain positive, but this potential growth is believed to be already reflected in their current stock prices. We maintain a positive recommendation for the power sector and give our opinion on the following tickers:

NT2- Hold- Target price of VND 36,000

In the period from September 1 to October 14, NT2 will overhaul two units, making the production plan in 2017 only 4.5 million kWh. However, this short-term factor in our opinion does not significantly affect the company's sustainable internal factors. An important factor that may affect NT2 is the exchange rate. As at 31/12/2016, NT2 had outstanding foreign currency debt of over 123 million and 112 million euros. So that, for every 1% increase in USD and EUR, NT2 will record a loss of VND50 billion.

PPC- Hold- Target price of VND 19,300

The fact that PPC has been implementing a debt restructuring plan in JPY to reduce the risk of exchange rate fluctuations, making us change our view of valuation with PPC. By the end of 2016, PPC has outstanding loans of about 21.35 billion JPY. In February, PPC made a prepayment of 8 billion JPY at a calculated exchange rate of 204 VND / JPY, funded by the idle capital of the company. In May 2017, PPC continued to pay 8 billion JPY, reducing JPY outstanding balance to about 6 billion JPY. Some risks investors should consider: (1). The PL1 plant was fully depreciated so the efficiency was rather low, making it difficult for PPC to apply for Qc for this plant. (2) for 817 billion dong invested in QTP, 409 billion was set aside as provision in 2015 and 85 billion was reversal in 2016. However, QTP's business situation in 2017 is expected to be quite difficult due to exchange rate differences.

VSH- Buy- Target price of VND 20,530

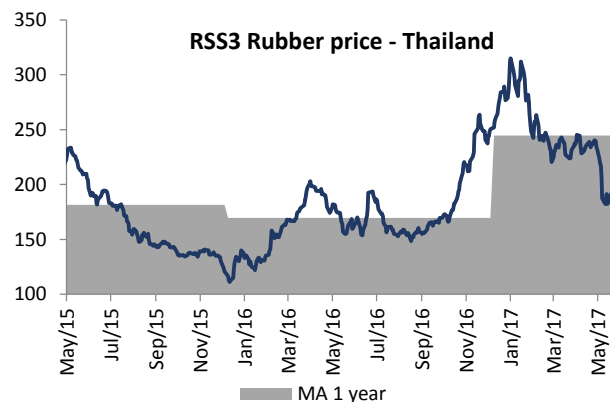
In the first quarter and second quarter of 2017, because of the heavy rainfall in the area, VSH's business results grew sharply over the same period of 2016. We expect VSH's performance to continue to be positive in Q3. However, the performance in Q4, when VSH's reservoirs to accumulate water for production in the first quarter of 2018, may be affected by the forecast of El Nino returning. However, we think this is a temporary effect. In one year vision, we recommend BUY with a target price of VND 20,530. This recommendation does not reflect the long-term potential of the Kon Tum project which has the capacity of 220 MW and is expected to operate in 3/2019.

Ticker	Revenue 2017	EAT 2017	EPS 2017	P/E fw	P/B	ROE 2017	Closing Price 23/06/2017	Target Price
NT2	7,161	884	3,104	9.43	1.62	23%	29.300	36,000
PPC	6,567	600	1,712	11.92	1.18	10.6%	20.400	19.300
SJD	468	225	3,261	7.36	1.01	17%	24,000	NA
CHP	667	298	2,366	11.16	1.80	22%	26,400	23,200
VSH	643	381	1,846	9.15	1.18	12%	16,900	20.530

Rubber Sector [Outperform]

- Rubber price continues to fall sharply, currently only 6% higher than the 2016 average price
- 1Q2017 business results of listed companies was positive (Revenue + 103% and profit + 155%)
- Maintain Outperform assessment - Recommend DRI, DPR, TRC

Rubber price continues the sharp fall: Rubber price continuously fell by 50% since the peak in January 2017, and currently at 180 JPY/ton, only 6% higher than the 2016 average price,. The domestic rubber price follow similar trend from over VND60 million / tonne in the first months of the year and is currently traded at VND37-38 million/ton, reducing by about 40 %.



Business Result for 1Q2017 (Unit: Billion VND)

	Revenue	% yoy	EAT	%yoy
HRC	17.5	+27%	1.7	-41%
TNC	9.9	-31.7%	2.4	+100%
TRC	85.8	+64.4%	34.4	+300%
DPR	243.9	+105%	91	+225%
PHR	412.3	130%	65.8	+83%

These companies had positive rubber business results in 1Q2017. The domestic rubber price doubled compared to the same period in the first quarter, helping the total revenue of the rubber business to grow at 103% and profit surged 155%.

Q2/2017 business results is expected to remain positive. The average selling price of Q2/2017 increased about 25% over the same period. This helped them to improve their earnings although not as high as the first quarter. Note that 2H2017 rubber price will contribute more to the business results all year due to cyclicity.

Investment Recommendation: Outperform

Rubber stocks are largely dependent movements of global rubber price. According to the ANRPC forecast, the demand for rubber will exceed supply in 2017. However, global rubber prices are more dependent on market factors such as oil prices and exchange rates, so there may be contrary movement in rubber price despite the supply shortage.

Assuming rubber price remains at the current level for 2H2017, the average rubber price for the whole year will be about VND38 million/ton, up 23% over the 2016 price. We maintain a Outperform assessment for rubber stocks

DRI - Target Price 15,700 - Upside 29.7%

DRI is a newly listed stock with good fundamentals such as (1) The second largest scale of the whole sector in terms of area (7.775 hectares) and chartered capital (732 billion dong) - just behind PHR (2) Young trees - average age of 5 years, and high yield (1.99 tons / hectare); productivity will continue to improve in the coming years. (3) The advantage of growing trees in Laos brings lower labor costs and lower social insurance requirements than in Vietnam. The short term catalyst of DRI is that the parent company - Dakruco will divest from DRI, reducing its ownership from 66% to 51%, expected to be completed in 3Q2017. Then, the business is expected to move from UPCOM to HOSE in the next year. BSC forecasts that DRI might reach VND 610 bn in revenue (+ 52% oy) and VND 110 bn in net profit (+ 359% yoy), equivalent to EPS of 1.311 VND/share.

TRC - Target Price 33,000 - Upside 20.2%

In the full TRC report, and the updated rubber sector report, the BSC emphasized that TRC would be the most beneficiary of rubber rebounds in the rubber sector, as the company has good fundamentals with no outside activities causing an unusual business results. Therefore, with the price of rubber increasing significantly over the same period, TRC will yield strong growth in 2017.

We expect more favorable weather in 2017 to help TRC's harvest productivity recover to 2 tonnes per hectare, leading to a 9,230 tonnes output (+ 1.9% yoy). Given the average selling price of VND38mil / ton, we expect TRC's earnings from rubber production will increase sharply by 55% to VND49.3bn. Accordingly, we expect EBT will reach VND120.3bn (+ 46.7% yoy), equivalent to EPS of VND2,823 / share in 2017 (after deducting the expected welfare bonus of around 20%). Accordingly, we recommend BUY with TRC shares at a recommended price of 33.000 VND / share (upside of 20.2%).

DPR - recommended price 49,200 VND / share (upside 12.6%)

With the average rubber price of VND38 million per ton, BSC expects profit from rubber activities to be around VND96 billion (+ 100% yoy), and parent company 2017's EAT is estimated to be at VND201.5 billion (+ 26.7 %), equivalent to an estimated EPS of 2017 at 3,523 VND / share (after deducting bonus and welfare fund of 50 billion VND - the provision amount of 2016). Accordingly, DPR shares are being traded at forward P / E of 12.6x. BSC recommends BUY for DPR at 49.200 (upside of 12.6%).

Ticker	2017 E Revenue (Bil VND)	2017 EAT	EPS 2017 VND/share	P/E F 2017	P/B F 2017	ROE (2017)	Dividend 2017	Closing Price 30/06/2017	Target Price
TRC	444.3	86.9	2,319	12.2	0.53	5%	15%	28,400	33,000
PHR	1,472	314	3,152	10.9	1.13	10.4%	18%	34,500	36,800
DPR	680	201.5	3,523	11.6	0.75	6.5%	20%	43,500	49,000
DRI	610.5	101	1,311	9.76	1.2	12.2%	7%	12,100	15,700

Fertilizer sector [Outperform]

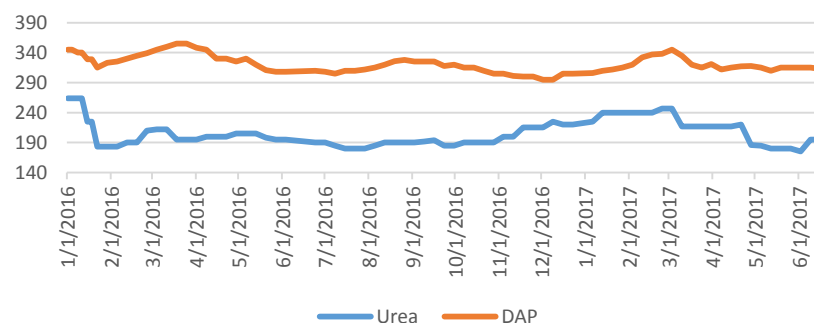
- By 15th June, 2017, fertilizer imports increased by 29% yoy in volume. China is Vietnam's largest exporter (38% of output)
- In May 2017, the Ministry of Industry and Trade promulgated an investigating decision on imported DAP fertilizers into Vietnam.
- Total revenue of listed companies increased by 4.01%, EAT up by 2.22% in 1Q 2017
- Some companies recorded strong business results in 1Q2017 are DCM, BFC, LAS, SFG, PSE, and PSW.

Q2 FY2017

Fertilizer imports increased by 29% yoy in volume by June 15, 2017. Total import volume of fertilizer at 15/06/2017 is 2.2 million tons (General Department of Vietnam Customs). Of which, NPK grew by 80% yoy, following, Kali rose by 52% yoy, DAP surged by 14% yoy, SA gained by 13% yoy and Urea up 5.2% yoy. China is still the largest exporters, accounting for 38% of total imports in 5T2017.

Fertilizer prices fell again in Q2 FY2017. NPK price decreased by 9,000-10,000 VND / sack compared to 2 months ago (equivalent to 1.5% -2.3%). As we mentioned in 2Q2017 sector outlook, 30-50% output of Urea and DAP cut by China push fertilizer prices went up from the end of 2016 to early March 2017. However, due to global surpluses (According to CF Industries, total global urea supply is expected to increase by 22 million MT in 2015 and 2016, and by 10.6 million MT in 2017-2021), fertilizer prices have fallen back from March 2017. Global fertilizer prices including prices of Urea, phosphate, kali are forecasted to remain low due to surpluses.

Urea and DAP fertilizer price movements:



Source: Bloomberg

Investigating decision on fertilizers imported into Vietnam was promulgated by the Ministry of Industry and Trade in May 2017. Subject to investigation as fertilizers inorganic compound or mixture, in which Nitrogen accounts for at least 7% and P2O5 at least 30%. Thus, the target subjects of the investigation are DAP fertilizer. As stipulated in Article 18 of the Safeguards Ordinance, the investigation time limit will not exceeding 6 months from the date the Minister of Trade and Industry investigation decision. In

case of necessity, the investigation time limit may be extended once for no more than 2 subsequent months. In addition, the soonest is 2-3 months after the date of the investigation decision, temporary sanctions will be imposed. It means that the Ministry of Industry and Trade may impose temporary trade remedies in July or August, the trade remedies, if passed, is expected to be imposed after November, 2017, supporting domestic DAP manufacturing.

1Q2017 business performance. Ending Q1 FY2017, total net sales and after tax profit of listed companies increased by 4.01% to VND 9,727 billion and 2.31% to VND 568 billion respectively. DCM, BFC, SFG, and NFC observing improved in operating profit margin while others declined. Some companies recorded promising business results such as DCM (revenue up by 30%, EAT 146%), BFC (revenue up by 18%, EAT up 67%), LAS (revenue up 12%, EAT up 44%), SFG (revenue up 3%, EAT up 22% YTD), PSE (EAT up 34%) and PSW (EAT up 32% yoy). We note that Q1 2017 business result of DCM is temporary based on estimated input price, 2017 profit before tax will be 12% of equity.

Business results of listed companies in the first quarter of 2017

Unit: VND billion

Stock	Main product	Revenue (VND bil)	% yoy	GP margin	Net operating margin	EAT (VND bil)	(VND bil)	% yoy
DPM	Urea	1,978	-1%	27.75%	14.78%	223		-45%
DCM	Urea	1,211	30%	31.70%	15.62%	284		146%
LAS	Phosphate	1,014	12%	18.11%	4.60%	44		44%
VAF	Phosphate	419	6%	24.40%	5.82%	20		0%
NFC	Phosphate	174	11%	17.38%	4.23%	7		6%
SFG	Phosphate, NPK	443	3%	10.66%	4.60%	22		22%
BFC	NPK	1,173	18%	15.59%	7.37%	57		67%
DDV	DAP	522	358%	-15.84%	-28.20%	(38)		1%
QBS	Commerce	861	-39%	4.25%	0.26%	17		-32%
PCE	Commerce	479	-6%	4.73%	1.70%	7		34%
PSE	Commerce	442	-10%	4.42%	1.25%	3		1%
PSW	Commerce	533	11%	3.83%	1.59%	6		32%
PMB	Commerce	467	2%	5.65%	1.68%	7		-29%
PCN	Commerce	10	-85%	2.85%	-3.19%	(3)		-11304%

Source: Companies financial reporting, BSC research

Q3 FY2017 business results forecast. Q3 is usually the low consumption season for fertilizer, so business results are forecasted to be lower than Q2, especially given the fall in prices of fertilizers.

Investment outlook – Outperform

We maintain our assessment **outperform** outlook rating on fertilizer stocks industry. Prices of fertilizer stocks are recovering positively as we expect in the 2017 sector outlook. Prices of many fertilizer stocks increased sharply in the first two quarters of 2017, such as QBS up 86% ytd, DCM (+ 38% ytd) , BFC (+ 22% ytd). Expectations of a change in VAT policy on fertilizer products, if passed, will strongly improve business results for single fertilizer producers such as DPM and LAS. This is also a group of companies

with high dividend payout ratios. However, we note that expectations for a change in VAT policy may not be effective in 2017.

BFC – Tracking

Being the best fertilizer business with the "Dau Trau" brand. Revenue and after-tax profit Q1 FY2017 were VND 1,173 billion (+ 18% yoy) and VND 57 billion (+ 67% yoy) respectively because of higher sales volume and contribution from Binh Dien Ninh Binh subsidiary (reducing transportation costs and tax expenses). We expect 2017 earnings to remain promising prospect due to (1) increase in demand; (2) increase in agricultural prices. BSC forecasts net sales and after-tax profit of VND 6,629 billion and VND 324 billion respectively, equivalent to 2017 EPS (after deduction of bonus and welfare fund) of VND 5,108 per share.

SFG – Buy – Target price VND 14,500 /share, upside 9%

We expect the company's profit growth trend continues to improve in the near future due to better consumption growth after the price of many industrial plants (the main users of the plant) are recovering, the weather is more favorable. 20th March 2017, SFG shares traded at a price, equivalent to FW P/E 6.92x, relatively attractive compared to other companies in the same industry. BSC forecasts net sales and after-tax profit of VND 2,591 billion and VND 99 billion respectively, equivalent to 2017 EPS of VND 1,916 per share.

DPM – Tracking– target price VND 22,800 /share

DPM takes interest from investors due to the recovery of fertilizer prices and the expected change in VAT policy as mentioned above. We assume that consumption in 2017 will reach 830 thousand tons, urea price will increase by 1%, average price will be about VND 6,200 / kg, average price of gas will increase to 4.16 USD / MMBTU. Hence, DPM's net sales and after tax profit are forecasted at VND 7,748 billion and VND 946 billion respectively, equivalent to EPS of VND 2,120 per share. If VAT for fertilizer becomes 0%, profit before tax of the company is estimated to increase over VND 200 billion. We are concerned about the risk that GAS will change its gas pricing policy for DPM and that the payment made on behalf of PVTEX in 2017. Investors should take into account the progress of the implementation and consumption of new projects including: UFC 85 and NH3 consumption, especially when the nitrogenous plants of Ha Bac and Ninh Binh operate at low capacity; High quality NPK project with a total capacity of 400,000 tons, investment capital of VND 5,000 billion and weather, urea price and input gas price.

LAS – Observing – target price VND 14,000 / share

The stock has been forgotten by many investors due to 2016 disappointed performance. In 2017, because of the favorable weather, agricultural results were better and fertilizer prices rebound, LAS output has improved. In addition, the VAT policy, if changed, LAS earnings will improve. We forecast that net revenue and earnings after tax in 2017 will reach VND 4,361 billion and VND 151 billion respectively, equivalent to EPS of 2017 at VND 1,617 / share.

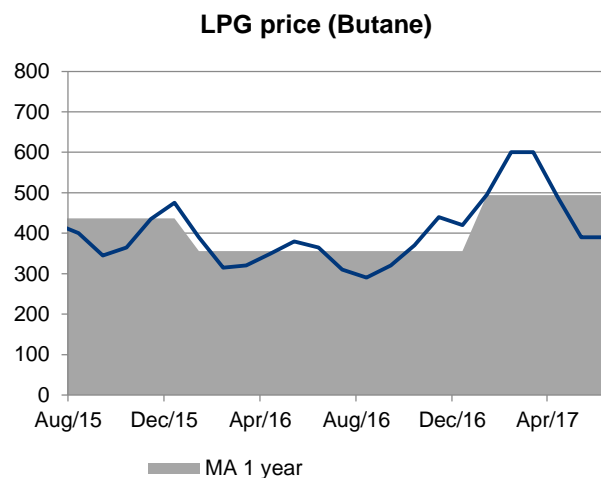
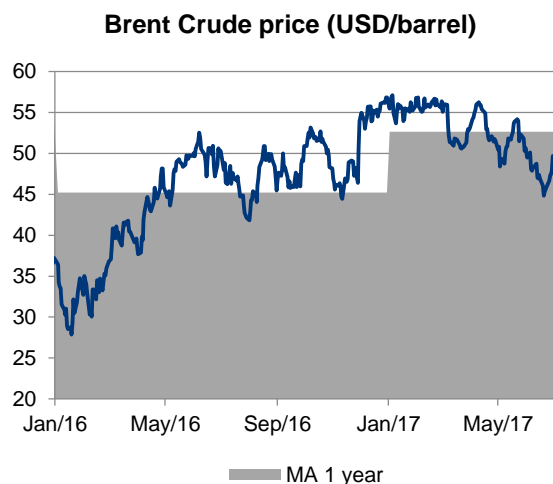
Stock	Earning 2017E	EAT 2017E	EPS 2017	P/E FW	P/B	ROE 2017	Dividend 2016	Price at 30/06/2017	Target price	Research link
BFC	6,500	324	5,108	8.12	2.50	25%	50% Cash* 20% share 21% cash	41,500	N/A	Link
SFG	2,591	99	1,916	7.05	1.10	17%	10% share	13,500	14,500	Link
DPM	7,748	946	2,120	10.75	1.08	11%	35% cash 20% cash 45% share	23,500	N/A	Link
LAS	4,361	151	1,617	8.60	1.18	12%	dividend	13,900	14,000	Link
DDV	2,041	1.2	8	969	1.18	0.12%	N/A	7,750		

Source: BSC research

Oil and Gas industry [Neutral]

- The average Brent crude oil price was US\$50.9 in 2nd quarter, up 7.8 percent from the same period last year, which is well below the 56 percent growth in 1Q2017.
- Business results of oil and gas enterprises in Q1 2017 were strongly diverged
- We degrade Oil & Gas sector to **Neutral** outlook - investment recommendations PVS, GAS

Brent crude rebounded to US\$ 49.7 after a sharp drop from US\$ 54 on May 23 to \$ 44.8 on June 21, Brent crude oil average price US\$50.9 in the second quarter, up 7.8% from the same period last year, well below the strong 56% rise in 1Q2017. The price movement of LPG is the same, dropping sharply in Q2 from US\$600 to US\$390. Accordingly, the LPG average price in 2Q2017 reached US\$423, up 15.9% over the same period.



On 25th May 2017, OPEC agreed to extend production cut for an additional nine months, until March 2018. Oil supplies, however, are still increasing due to increase in productions of US, Iranian, Nigerian and Libyan. In 2Q particularly, the number of rigs in the US shale industry continued to increase by 94 rigs, about 15% of the total rigs in the United States.

For the first 6 months 2017, Vietnam has drilled more than 7.89 million tons of crude oil, reaching 55.6% of the plan for 2017 of 14.2 million tons. By the end of April 2017, the government had asked PVN to drill 1 million ton crude oil in extra compared to its 2017 plan to ensure target GDP growth.

Business results of oil and gas enterprises in Q1 FY2017 were sharply diverged, in which the transportation/ gas distribution companies generally had better business results thanks to rising oil prices. The upstream businesses continue to face difficulties due to major projects/ exploration activities are suspended. Some of the companies that provide specialized service for oil and gas exploitation are in the most difficult times, such as PVD, PVC, and PVB. In 1Q2017, the total revenue of listed companies increased by 6.2% yoy and total profit increased by 11.1% yoy.

	Revenue Q1 FY2017	%yoy	EAT Q1 FY2017	%yoy
GAS	16,316.0	16.2%	2,215.7	49.8%
PVS	3,374.6	-24.0%	275.4	12.5%
PVD	503.0	-68.1%	(214.3)	N/A
PGS	1,710.0	33.0%	24.7	-87.1%
PGD	1,479.2	66.3%	30.6	-62.8%
PVC	565.6	19.9%	(17.5)	N/A
PVG	896.7	49.2%	3.1	-40.8%
PGC	734.0	24.9%	31.2	41.8%
PXS	343.6	-45.1%	20.2	-40.7%
PVB	47.0	3115.6%	(5.6)	-69.4%
CNG	291.1	40.9%	22.3	7.6%

Investment outlook – Neutral

The global crude oil supplies are still under increasing pressure. Although OPEC has extended production cuts, this effort does not seem to be enough to balance the supply sources increased. According to the EIA, US shale oil production has been rising steadily, reaching 5.5 million barrels per day in July, up 22% from the previous year's level. Along with that, countries which are not participating in the production cut will also increase output, thereby neutralizing OPEC supply cut. Accordingly, large institutions are concerned about the oil price. Goldman Sachs lowered its oil price forecasted for the next three months from \$55 USD previously to an average of \$47.5 USD a barrel for WTI. Along with that, JP Morgan forecasted oil prices will fall in 2018 to an average of \$42 USD.

We believe that the oil and gas sector is currently at a bottom and offers opportunities for long-term investors. The shortage of electricity supplies in the Southern region puts pressure on major gas projects such as the Ca Voi Xanh or Lot B O Mon. In 2017, PV GAS invests more than \$2.7 billion in projects such as Nam Con Son Phase 2, Ca Rong Do , or Thi Vai LNG, despite the volatile outlook of oil prices, showing an expediting on deployment to ensure electricity supply and economic growth in general. For Vietnam oil and gas stocks, BSC downgraded oil and gas prospects to **neutral** due to lower oil price expectations compared to earlier this year (average \$47.5 compared to \$55 previously expected). Gas stocks are favorable in the short term, when FO prices or LPG prices are still high over the same period, but longer-term prospects will be more difficult if oil prices continue to fall in 2018. In contrast, upstream stocks have poor prospects in the short term, but promising prospects in long term if large projects come in. Oil and gas sector shares were underperforming the market in the first half of 2017.

In short term, projects such as Ca Rong Do, Sao Vang Dai Nguyet will be the growth driver for upstream companies (PVS PVB PVD PXS). The timeline varies between companies due to service specifications. Some drilling companies will continue to experience difficulties in the second half of the year, such as PVD and PVC – at the earliest; Ca Rong Do will contribute to businesses profitability from May 2019.

GAS – Target price 72,000 VND/share – Upside 23.4%

GAS business results heavily depend on fuel oil prices movement, since most of input costs were fixed by contract, while 70% of the output is anchored at 46% of FO price. We expect 3Q2017 business result will yield decent growth over the same period last year since in 3Q2016 the company has performed 5 – year major maintenance. In addition, by the end of 2017, PV Gas may record a refund of transportation charges for the Cuu Long pipeline in the period 2014-2016, estimated at VND 1,000 billion profit. With positive of oil price movements, expected at \$292 USD/mtu, 30.9% higher than the average for 2016, together with the abnormal profit, BSC estimated in 2017 GAS can reach VND 8,111 billion (+ 15.5% yoy), equivalent to EPS of 4,239 VND /share. Accordingly, GAS is trading at a forward P/E of 13.8x, significantly lower than the market, especially with the size and impact of GAS on the VN index.

PVS – Target price 20,500 VND/share – Upside 22.7%

PVS is the earliest company benefiting from large projects such as Ca Rong Do and Sao Vang Dai Nguyet. The company has won the EPC contract for Ca Rong Do, value at VND 8,500 billion. The EPC work will begin in October 2017 with the main work in 2018 - 2019. The commencement of the project will also entail demand for other services of the company. BSC estimates that PVS may record revenue of VND 18,165 billion (-2% yoy) and EAT VND 833.9 billion (-8% yoy), equivalent to EPS of 1,886 VND / share. In 2018, we expect EPS to increase sharply to VND 2,200 per share, because of the contribution of more than VND 4,000 billion from Ca Rong Do. In time to come, PVS may receive a compensation for the Lam Son FPSO terminated prematurely.

Stock	Revenue 2017	EAT 2017E	EPS 2017	FW P/E	P/B	ROE 2017	Dividend 2017	Price 30/6/2017	at Target price
PVS	18,165	833.7	1,876	9.6x	0.7x	7.6%	7%	16,700	20,500
GAS	68,771	8,111	4,239	13.8	2.7	19.8%	17% cash	58,300	72,000

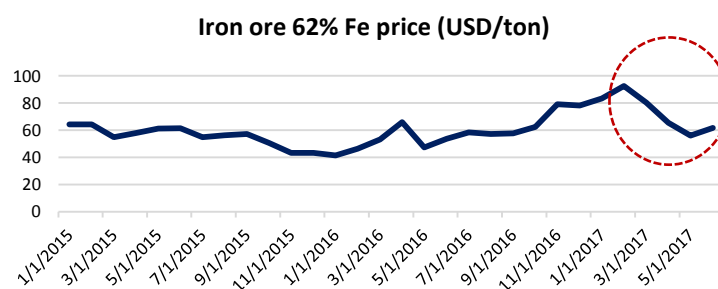
Steel sector [Neutral]

- Iron ore prices have begun to rebound since late June 2017 but momentum might not be sustainable
- For the first 2 months of Q2 FY2017, domestic consumption was not promising since construction steel output increased 4.79%, steel pipe output increased 8.85%. Galvanized sheet maintained a high growth rate of 29.96% yoy.
- Officially imposed the antidumping duty with imported color galvanized sheets, off-quota tariffs of 19%

Q2 FY2017

World iron ore prices rebounded from the end of June 2017 but forecast remains downward trend. In the beginning of 2017, demand for infrastructure and real estate investment in China (which accounts for 65% of total global iron ore imports) increased sharply lead to iron ore prices soared \$ 92.46 per ton in February 2017. Chinese steel production in April recorded a growth peak, and offered iron ore imports from Australia and North Korea. However, banking activity related to finance the real estate contracts in China is under more stringent supervision, M2 money supply decrease 9.6% yoy in May 2017, market makers must also strengthen leverage ratio and sell ore in stock, iron ore prices plummet, and make bottom 56.07 USD on 31st May 2017.

Currently, iron ore inventories at 45 major ports in China have hit a record level of more than 140 million tons, and ore prices have recovered to US\$ 61.61 per ton (June 30, 2017). However, the recovery may not be sustainable as China's efforts to curb construction are expected to spread to rural areas in the near future. According to Bloomberg data, iron ore 62% Fe prices are forecasted to fall in Q3 and Q4 FY2017 at US\$ 58.83 and US\$ 56.45 per ton respectively. The average price in 2018 drops to about US\$ 51.25 per ton.



Source: Bloomberg, BSC Research

Steel consumption observed strong growth in galvanized sheet. According to statistics of the Vietnam Steel Association, in the first two months of Q2 FY2017 (April and May), construction steel consumption reached 1.39 million tons only rise 4.79% yoy and steel pipe consumption reached 358,779 tons, only rise 8.85% yoy, relatively low compared to April and May 2016 with 9.91% yoy and 28.74% yoy respectively. In contrast, galvanized sheet products still maintained a high growth rate of 29.96% yoy in

the first two months of Q2, reaching 594,503 tons, of which galvanized sheet exports totaled 280,393 tons, up 39.59% yoy. The main export markets are ASEAN countries.

Officially imposed antidumping duty with imported color galvanized sheet. On 31st May 2017, the Ministry of Industry and Trade passed an application decision to safeguard measures against imported color galvanized sheets. Accordingly, if the quota is exceeded, the off-quota tariff will be at 19%. The total non-tariff quota is 380,679 tons (from 15/06/2017 to 14/06/2018) to 460,622 tons by 2020. Therefore, Vietnamese enterprises will benefit when the output within the quota which is relatively low compared to aggregate demand. In 2016, the total imports of color galvanized sheets into Vietnam are about 1.85 million tons (of which over 60% from China).

Q1 FY2017 earnings update: steel sector continued to show good growth in Q1 2017 due to the rising trend in ore prices from 2016 to the end of February 2017 and positive consumption growth. Regarding to HSG, interest expenses have increased sharply (increasing short-term loans to finance increased material inventories) leading to unprofitable profitability over the same period of 2016.

Stock	Net revenue			Gross profit margin		Profit after tax		
	01/01 – 31/03/2017	01/01 – 31/03/2016	yoy	Q1 2017	Q1 2016	01/01 – 31/03/2017	01/01 – 31/03/2016	yoy
HPG	10,265	7,142	43.72%	23.99%	20.03%	1,935	1,020	89.71%
HSG	6,213	4,384	41.74%	18.61%	25.03%	415	418	-0.76%
NKG	2,392	1,799	33.01%	12.83%	7.75%	156	66	136.65%

Source: BSC Research

Investment outlook – Neutral

We maintain our **Neutral** outlook on the steel sector as mentioned in the Q2 FY2017 Sector Outlook as concerns over unfavorable steel price developments over the same period of 2016 and domestic steel consumption growth has yet shown breakout signals. For large steel companies with good growth in consumption such as HPG, HSG, NKG, BSC maintained the medium-term and long-term BUY recommendations.

HPG – BUY – Target price VND 39,200

Although sales volume continued to grow well in April and May 2017 with sales of 340,421 tons (19.65% yoy) and steel output of 92,500 tons (+ 14.2% yoy). It is unlikely to increase steel consumption in the 2H 2017. The reason is that Phase 3 – Steel Integrated Complex production line went into operation in Q2 FY2016 and right after running several months the project has run 100% designed capacity. HPG's steel consumption in 2016 reached 1.8 million tons while the design capacity of the entire group was 2 million tons / year (maximum can reach 2.1 - 2.2 million tons of steel). BSC forecasts the company's FY 2017 after-tax profit is estimated at over VND 7,000 billion, EPS 2017 = VND 4,621.

HSG – Buy – Target price VND 37,279

Galvanized steel sheet consumption continued to show good growth in April and May 2017, reached 213,350 tons (+ 64.44% yoy), while steel pipe production fell 18.68% yoy, reaching only 61,585 tons.

According to HSG's 1H finance report for 2017, inventories increased sharply compared to the beginning of the fiscal year (VND 1,211 billion increased to VND 5,199 billion), although input increased to accommodate the increased capacity. The cold rolling mill of 400,000 tons / year went into operation in June 2017 (the previous capacity was 980,000 tons / year), but with the slump in the price of ore in March and June, BSC expects Q3 results (01/04 - 30/06) of HSG will be affected negatively.

NKG – Buy – Target price VND 42,992

Consumption output continued to grow well in April and May with total galvanized steel sheet consumption at 97,033 tons (+ 42.07% yoy) and steel pipes at 18,095 tons (+ 20.23% yoy). Expected sales volume will continue to increase sharply in Q3 when June 2017, NKG went into operation NOF galvanized capacity of 150,000 tons / year and color galvanized line capacity of 120,000 tons / year. In addition, in September 2017, NKG will put into operation a cold rolling mill capacity of 200,000 tons per year (NKG's current cold rolling capacity of 800,000 tons per year) to improve gross profit margin.

In Q3, NKG will hold an extraordinary shareholder meeting to vote on individual issuance to strategic partners, increase capital for business expansion, expected issuance volume 30 million shares.

Stock	Revenue 2017	EAT 2017	EPS 2017	PE 2017	PB 2017	ROE 2017	Div 2017	Closed price at 30/06/2017	Target price
HPG	36,897	7,001	4,612	6.94	1.91	27.36%	30%	32,000	39,200
HSG	22,367	1,919	5,482	5.91	1.99	33.67%	N/A	32,400	37,279
NKG	12,093	711	7,179	4.61	1.69	36.64%	N/A	33,100	42,992

Source: BSC dự báo

Tiles sector [Neutral]

- Q1 FY2017 business results of ceramic tile businesses continued to maintain good growth driven from cost savings
- Expect strong growth in Q3 FY2017 because the drop in profitability of the real estate group

Q2 FY2017

Q1 FY2017 business results of ceramic tile businesses continued to maintain good growth driven from cost savings. Although sales of most ceramic tiles companies recorded reduction except CVT, VHL and VGC, most ceramic tiles companies released promising Q1 FY2017 net profit growths except CYC, TCR and TTC is mainly driven by saving on cost of sales and management fees. The total sales of the ceramic tiles industry in Q1 FY2017 reached VND 3282 billion (+ 2.7% yoy), gross profit was VND 702.5 billion (+ 3.2% yoy). After-tax profit is VND 236.8 billion (+ 51.7% yoy) mainly driven from the contribution of VGC.

Company	Revenue (bil)		Gross profit		After-tax profit (bil)		P/E	P/B
	Q1/2017	%yoy	Q1/2017	%yoy	Q1/2017	%yoy		
CVT	189	16%	46.5	+8.6%	29	17%	8.3	3.3
CYC	51	29%	5.1	-25%	(1)	-257%	-	0.4
TCR	274	-26%	27.3	-67%	(31)	-388%	-	0.3
TTC	80	-11%	10.8	-29.6%	5	-24%	6.1	1.0
VHL	480	17%	81.8	-3.2%	30	22%	10.6	2.2
VIT	179	-9%	26.0	+39.8%	6.8	84%	7.2	1.9
VGC	2,029	5%	505	+16.4%	198	92%	10.5	1.5
Average							8.5	1.5

Source: company financial reports

Expect strong growth in Q3 FY2017 driven from the drop in profitability of the real estate industry. Thanks to the expansion of capacity in order to meet the current demand for ceramic tiles and the completion time of the real estate project often focus on Q3 and Q4. We expect the sales and profits prospect of the ceramic tiles industry to continue to be promising. .

Investment outlook -Neutral

We maintain a **Neutral** outlook with ceramic tiles. BSC expect that with profit dropping focused on Q3 and Q4, we expect the results of some companies with efficient business operations such as CVT and VGC will continue to be optimistic. We continue to recommend observing for VGC, VIT and BUY in the medium to long term with CVT. The tile stocks are currently traded at a forward P/E of 7.05 and a median P/B of 1.89.

Company	Revenue 2017	EBT 2017	EPS 2017	FW PE 2017	P/B F2017	Dividend 2017	Closed price at 24/03/2017	Target price
	VND bil	VND bil	VND/share	X	X	%		
CVT	1,300	189	6,452	6.6	3.36	30% 35%	- 45,300	58,000
TCR	N/A	N/A	N/A	N/A	N/A	N/A	3,970	N/A
TTC	348.2	20	3,367	5.6	1.1	15%	18,800	N/A

VHL	1,971.8	166.9	10,431	7.2	2.2	N/A	76,000	N/A
VIT	994.9	80	4,266	6.8	1.88	15%	29,200	N/A
VGC	8,538	783	1,714	11.2	1.5	N/A	19,300	23,700
TLT	515	45	6,438	2.7	3,0	N/A	17,000	N/A

CVT – BUY – Target price VND 58,000 /share. CVT's Q1 FY2017 net revenue and after tax profit continued to maintain good growth of VND 189 billion (+ 16% yoy) and VND 29 billion (+ 17% yoy) respectively contributed from the CMC2 plant which was put into stable operation. BSC believe that CVT is a well-established enterprise, a rational segmentation strategy (medium and high-end segment), and a highly efficient sales agent system, and expansion of the CMC2 plant in Q2 FY2017 will contribute to boosting revenue and profit growth for FY2018. BSC forecasts that CVT after tax profit will reach VND 182 billion by 2017, equivalent to EPS of VND 6,450 per share.

VGC– BUY – Target price VND 23,700 /share, (Upside +22.8%)

VGC has gained 10.8% against the price at the date of the buy recommendation in our report (link reported). VGC is our leading construction material stock and is entering a period of strong restructuring to improve performance and valuation indicators are still more attractive compared to industry average. Occupying 45% of the nationwide glass construction market: VGC's total glass production capacity is 66,000 QTC sqm / year, representing 45% of the national market share, contributing 20% to the gross profit structure of VGC in 2016. VGC is also leading the North on industrial zones and real estate business: owned 3,580ha of industrial zone land in the North, and 368ha of land for real estate development. Business results have improved continuously, especially after equitization: Gross profit margin improved from 17.6% in FY2012 to 24.6% in FY2016. The after tax profit increased by 30% in average from FY2012 to 2016. BSC forecasts VGC's after-tax profit will reach VND 733 billion by 2017, equivalent to EPS of VND 1,714 per share.

Textile and garment sector [Neutral]

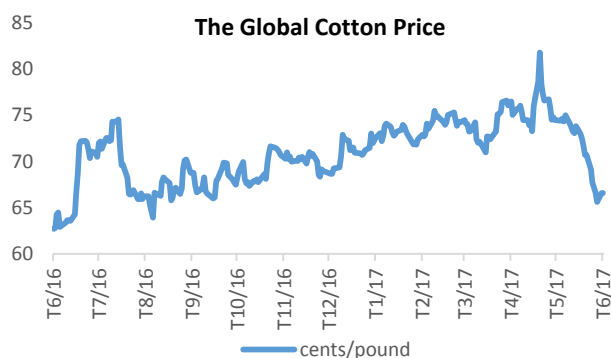
- Textile & garment export reached the value of USD 9.39 billion, increasing 9.1% yoy in 5M2017
- The global cotton price plunged after reaching a new pick in May, staying the same as last year's
- Operating results in 1Q2017 varied greatly among textile & garment companies
- Our view on textile & garment industry outlook in the second half of 2017 remains Neutral.

Q1 FY2017

Textile & garment export grew well in the first 5 months of 2017 by 9.1% yoy. According to General Department of Vietnam Customs, the textile & garment export value reached USD 9.39 billion, increased 9.1% compared with 6.1% in 1Q2017. Of which, the export value to big markets recorded a stable growth: the United States (USD 4.58 billion, +6.9% yoy), Europe (USD 1.3 billion, +4.9% yoy), Japan (USD 1.14 billion, +10.3% yoy)... According to representatives of Vietnam Textile & Garment Association (VITAS), promising performance in condition of TPP has not been passed is driven from increasing competitiveness based on quality and creative designs instead of depending only on low cost labor from recent years.

Cotton price declined dramatically after reaching peak in May. The price of cotton decreased to 66 cents per pound (approximate the same period of last year) after reaching a peak of 81.76 cents per pound in middle of May. The reason for this is that the global cotton output for 2017-2018 is expected to increase by 7% yoy while consumption is forecasted to increase only 2.3% yoy.

Source: Bloomberg & BSC Research



Business results in 1Q2017 varied among textile & garment companies. Consolidating business results of seven biggest textile & garment companies in the market, total revenue growth was 3% yoy while net income growth was 10% yoy, but the business results were relatively differentiated. Companies which recorded impressive earnings growth rate were TCM (+115.8%) since Vinh Long factory reached the break even, STK (+762%) because of sales growth in Korea market (+54% yoy) and rising of average selling price (+10.7% yoy). Meanwhile, some other companies recorded small or even negative growth rate over the same period due to severe competition lead to lower unit price or higher other operating expenses.

1Q/2017	DT (USD bil)	% yoy	EAT (USD bil)	%yoy	Dividend 2016	GPM 1Q/2017	GPM 1Q/2016
VGT	3,898	+18.5%	75.4	-24.6%	5%	9.7%	10.6%

VGG	1,514.6	+0.0%	80.2	+4.5%	30% cash	14.1%	13.1%
TCM	776	+4.8%	47.7	+168%	10% cash	16.8%	11.9%
TNG	402	+12.3%	14.5	+2.8%	16% cash	18.1%	17.0%
STK	448	+71.0%	25	+762.1%	3% cash	11.4%	5.3%
GMC	314	+8.3%	12.9	+31.4%	15% cash	15.4%	19.6%
EVE	150	-0.7%	9	-36.6%	20% cash	34.2%	33.6%
Total	6,802	+3%	264.7	+10%			

Source: Financial Statement & BSC Research

Investment outlook -Neutral

We maintain Neutral outlook on the Textile & Garment sector for the 2H2017 due to following factors:

(1) promising purchase ordered in 2017 and according to Mr Le Tien Truong, General Manager of Vinatex, the textile & garment sector is likely to grow by 10% this year; however, (2) stable foreign exchange rate might cause difficulty to other country businesses like China, India, Bangladesh, Pakistan who devalue their currencies consistently to protect their market share; (3) increasing pressure in raising labor cost to compete with FDI enterprises in attracting skilled employees (in 1Q2017, FDI granted go up 77.6% to USD 7.71 billion). Therefore, we recommend investors to keep track of textile & garment stocks in recovery.

VGG – Target price: 70,333 VND/share upside 15.6%

VGG is the second largest textile & garment company on Vietnam stock exchange (following VGT) in terms of market capital (2,562 billion) and revenue (7,530 billion). Different to other processing textile exporters, VGG has its own brand (Viet Tien office garment) which is highly value in domestic market and contributes 20% of VGG's total revenue. Hence, VGG would have more flexible business strategies in condition textile & garment export faces difficulties. Based on these factors, we expect VGG to grow consistently in 2017.

Another positive factor of VGG is its strong financial condition with no long-term and its short term loans is roughly at 1/10 equity. We forecast VGG's total revenue in FY2017 is VND 8,097 billion (+13% yoy), EAT of parent company is estimated at VND 403,8 billion, equivalent to EPS of VND 9,615, forward P/E is 6.64x- which is quite attractive.

VGT – Target price: 13,619 VND/ upside 19.5%

Vinatex is the leading company in Vietnam Textile & Garment Sector. The business model of VGT is Holdings, owning many strong enterprises in textile sector such as 8/3 Textile, Hue Textile, Hoa Tho Textile, Viet Tien...Many of them recorded are valued at much higher book value of initial investment.

Vinatex takes the first place in localization rate (52%), pioneering in operating by method of FOB, ODM. With big business scale, long operating history in textile industry, Vinatext would be the most favorable company from sector growth and sector mobility trend. We forecast that VGT's total of sales will be VND 15,640 billion (+1% yoy), EAT of VND 310 billion, equivalent to EPS of VND 620, P/B = 0.9x

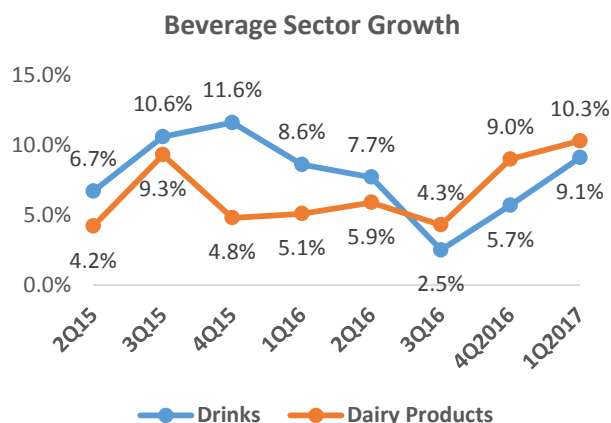
Ticket	Net Revenue 2017F (bn VND)	EAT 2017F (bn VND)	EPS 2017F	P/E 2017F	P/B 2017F	ROE 2017F	Dividend 2017	Closing Price 23/06/2017	Target Price
VGT	15,640	310	620	18	0.9	4%	6% cash	11,200	13,619
VGG	8,097	403.8	9,156	6.6	2	30%	30% cash	60,800	70,333
TCM	3,315	181.7	3,324	9.8	1.7	23%	10% cash	32,500	32,000
TNG	2,200	115	3,382	3.6	0.8	21.4%	16%cash/ 10% share	12,080	15,500
EVE	1,100	150	3,571	5.6	0.99	15%	10% cash	20,100	n/a

Source: BSC Research

Beverage sector [Neutral]

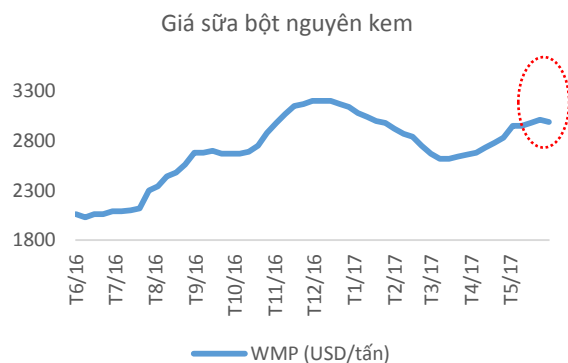
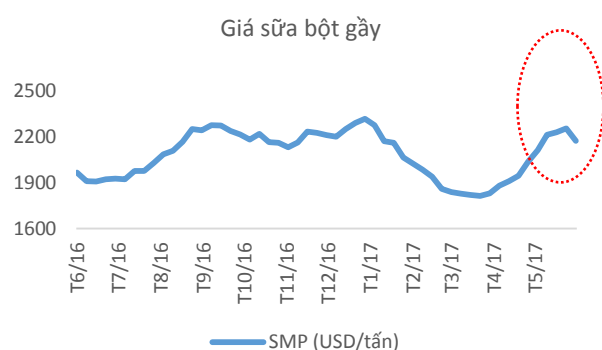
- Beverage consumption continued to post significant growth in 1Q2017
- Milk powder price climbed again in 2Q2017
- 1Q2017 Operating results: Beverage firms had positive results
- We maintain Neutral rating on beverage stocks

Beverage consumption continued to post significant growth in 1Q2017. Both drinks and dairy products experienced a rise of 9.1% and 10.3% respectively. Let alone the first month in lunar year, growth was impressive at rate of 18.7%. Rural area continued to be the key driver with growth rate of 12.4%, contributing 51% into the overall industry consumption. At the same time, consumption growth in urban area only stood at 6.5% yoy.



Source: Market Pulse 4Q2016 Report, Nielsen

Milk powder price climbed again in 2Q2017. To be specific, skim milk powder price rose by 19.3% from USD 1,820 per ton (5 Apr, 2017) to USD 2,173 per ton (21 Jun, 2017), whole milk powder price also increased 14% from USD 2,620 per ton (5 Apr, 2017) to USD 2,990 per ton (21 Jun, 2017). According to Reuters, the reason for this was due to rising demand for fatty products (cheese, +11.2% yoy), especially in Asia thanks to change in appetite into gâteau and cream. Moreover, as a result of low profitability of China dairy industry, the rate of expansion is becoming lower, having negatively affected on the supply



in China.

Operating Results in 1Q2017: There were substantial growths in beverage enterprises. The consolidated revenue of the five biggest beverage companies posted a rise of 11% yoy while the total net income grew up by 29% yoy. The two leader in beer sector (SAB and BHN) witnessed enormous recovery in gross profit margin. Regarding Vinamilk, despite slightly lower gross profit margin compared to 2016 due to rising milk powder price, VNM's earning rose exponentially thanks to effective cost management.

1Q/2017	Revenue (billion VND)	% yoy	Net income (billion VND)	%yoy	Div 2016	Gross profit margin 1Q/2017	Gross profit margin 1Q/2016
VNM	12,049	+17%	2,935	36%	40% in cash 20% in stock	48%	49%
QNS	1,838	+8%	222	+3%	30% in stock	23%	27%
SAB	7,478	+5%	1,127	+19%	30% in cash	34%	27%
BHN	1,275	+0%	123	+51%	10% in cash	29%	23%
SMB	173	-6%	9	-52%	25% in cash	17%	23%
WSB	244	+24%	35	+60%	20% in cash	20%	18%
Total	23,057	11%	4,450	29%			

Source: Financial Statement & BSC research.

Investment outlook -Neutral

We maintain Neutral rating on Beverage industry based on some following reasons:

(1)Regarding Beer Sector: Although gross profit margin has been positively improved, beer stocks have been traded at relative high price due to industry's potential was reflected. Specifically, SAB is now traded at P/E of 29.3x and P/B of 10.5x, BHN is traded at 23x and 3.1x respectively, which are higher or approximate the regional average (27.3x & 3.3x).

(2) As regard to dairy sector: We have optimistic outlook on VNM and QNS

VNM – Target price: 190,000 VND/share- upside: 19.6%

Thanks to making transaction for 2H2017 at the time of low milk price (around USD 2,450 per ton in comparison with USD 3,000 in 1H2017), the annual milk price for 2017 is estimated to be 25-30% higher than that for 2016. However, gross profit margin would be maintained at high level of 48% for some reasons: (1) organic dairy products have higher selling price; (2) effective cost management thanks to increasing proactivity with domestic milk supply. Especially, VNM has recently became the first dairy company in Vietnam that signed the memorandum to supply milk to China market with value of USD 30 billion. If VNM is officially accepted to export milk to China, two-digit growth rate will be maintained in long term.

We forecasted 2017 revenue of VNM to be VND52,945 billion (+ 12.7% YoY), EAT to be 11,220 billion (+ 20% YoY), equivalent to 2017 EPS = 7,773 VND, forward P/E of 201.8.

QNS – Target price: 98,000 VND/share - upside: 15.43%

Phase 1 of Vinasoy Factory in Binh Duong Province went in operation from the end of 2016 raised the capacity of soya milk of QNS from 300 million litre per year to 390 million litre per year. This is expected to help Vinasoy expand activities in the south market, which is now highly competitive due to businesses producing package soya milk like Nutifood and Vinamilk. Northern provinces are still the mainstream market of Vinasoy with 40% revenue, followed by the Central Region and the South with 25% and 35% respectively.

Additionally, the increasing projected volume of sugar canes in 2016-2017 thanks to significant level of rain and the completion of An Khe factory at the end of the previous year might enable QNS to produce 170,000 ton sugar, comprising 10% of the total supply.

We forecast 2017's sales to be VND 7,400 billion (+ 5.5% YoY), EAT to be VND 1,409 billion (+ 5% YoY), equivalent to 2017's EPS = VND 6,090, \2017 P/E forward = 13.7x. Compared to the general level of the industry.

GTN – Tracking

We have to note that GTN Foods JSC. (HOSE: GTN) currently holds 51% of Moc Chau Milks through its subsidiary Vilico (HOSE: VLC). In 2016, net sales and earnings after tax of Moc Chau Milk were VND 2,300 billion (+7% yoy) and VND 210 billion (+9.5%) respectively.

GTN is a new company which was established in 2012, but it has impressive size growth rate (charter capital: VND 2,500 million) thanks to merger & acquisition strategy with state-owned enterprise in agricultural, beverage and foods sector: Vilico (65%), Vinatea (95%)...AS a consequence of applying modern business model and focusing on output market, GTN has quickly improved the operational efficiency of acquired businesses. We highly appreciate the potential of GTN but we think that GTN needs more time to realize its efforts into significant profits.

Ticker	Revenue 2017	Net income 2017(million	EPS 2017	P/E FW	P/B	ROE 2017	Dividend 2017	Closing Price on	Target Price
SAB	34,495	4,703	7,051	29.3	10.5	36.1%	35% in cash	206,900	168,600
VNM	52,945	11,220	7,733	19.8	8.94	50%	>50% EAT	153,000	190,000
QNS	7,400	1,480	6,090	13.7	5	37%	>15% in cash	83,200	98,000
GTN	3,950	70	280	60.7	1.5	3%	n/a	17,000	n/a
VLC	2,800	115	1,822	9	1.16	17.1%	6.5-8% in cash	16,500	n/a

Source: BSC Research

Cement Sector [Neutral]

- Domestic consumption in 5M2017 decreased by 0.17% compared to the same period of 2016
- Export tax rate of 5% limits exportation, raising competition in domestic market
- Industry performance in 1Q2017 was less optimistic due to poor sales growth, increasing coal price and output price not being adjusted.

Q2 FY2017

Cement consumption in 5M2017 was not positive as expected. In domestic market, consumption of 5M2017 was estimated at 24.09 million tons, slightly declined from 24.13 million tons of the same period of 2016. Specifically, cement consumption in 5M2017 in the North, the Central region, and the South were 9.85 million tons (- 2.05% yoy), 5.45 million tons (-3.04% yoy) and 8.79 million tons (+ 4.06% yoy) respectively. Regarding exportation, cement and clinker exports in 5 months reached 8.25 million tons (+ 16.6% yoy), equivalent to 288 million USD (+10.9% yoy).

Cement exportation continues to be affected by tax regulations: In 2016, the government issued some regulations relating to cement industry, including Decree No. 100/2016/ND-CP (exportation of goods processed from natural resources and minerals was not allowed to deduct input VAT) and Decree No. 122/2016/ND-CP (materials, raw materials, semi-finished products having the value of mineral resources and energy equal to or more than 51% of cost will be subject to export tax of 5%). These two policies have had a negative impact on cement export output, leading to fiercer domestic competition. The General Department of Vietnam Customs has exchanged with the representatives of Vietnam Cement Association and the enterprises to find a more reasonable solution.

Operating Results in 1Q2017. Overall, revenue and earning somewhat reflected fierce competition among northern cement firms (BCC and BTS). In the South, HT1 was still the dominating enterprise with 31% market share; however, due to increasing outsourcing to maintain the market share, gross profit margin of HT1 declined enormously compared to the same period of 2016.

Ticker	Net sales (million VND)			Gross profit		EBITDA (million VND)		
	Q1 2017	Q1 2016	Yoy	Q1 2017	Q1 2016	Q1 2017	Q1 2016	yoy
HT1	1,896.67	1,743.67	8.77%	15.89%	21.11%	404.58	441.44	-8.35%
BCC	929.60	1,076.32	-13.63%	14.28%	18.33%	108.66	143.10	-24.07%
BTS	694.27	736.81	-5.77%	14.75%	16.23%	127.20	138.38	-8.08%

Source: BSC Research

Investment outlook -Neutral

We maintain Neutral rating on the Cement industry as revealed in Market Outlook 2017 due to moderate consumption growth, hindrance in exportation and Vicem's IPO schedule being delayed to 2018. In long term, the two leading companies HT1 and BCC are still in our tracking list with the valuation being lower than the average market.

HT1 – Buy – Target Price: 26,406 VND/share

In 1Q2017, HT1 attained revenue growth rate of 8.77%, but gross profit margin declined significantly from 21.11% in 1Q2016 to 15.89% as HT1 increased volume of outsourcing (Ha Long Cement) to maintain market share after Thu Duc grinding station being closed. Regarding land at Thu Duc grinding station, the 1/500 plan has been available but the business schedule in the area of 10.6 ha has not been finally decided yet. In long term, BSC maintains the positive view on this leading company of cement industry

BCC – Buy – Target Price: 19,447 VND/share

Cement consumption of BCC in 6M2017 was not positive due to severe competition. In addition, in April and May, BCC's maintenance and overhaul of the clinker production line greatly affected on clinker production and sale, reducing the consumption and profit. BSC believes that there would be opportunities to invest in in the 4th quarter when the company successfully pay down debts in EUR, and when it is the main cement consumption season as well as coming up the 2018 Vicem's IPO.

Ticker	Net sales 2017	EAT 2017	EPS 2017	PE 2017	PB 2017	ROE 2017	Div 2017	Closing price 30/06/2017	Target price
HT1	9,225	797	2,089	10.82	1.44	13.30%	N/A	22,600	26,406
BCC	4,066	220	1,799	9.17	0.84	10.18%	5-10%	16,500	19,447
BTS	3,348	130	1,076	8.27	0.65	8.78%	6%	8,900	11,902

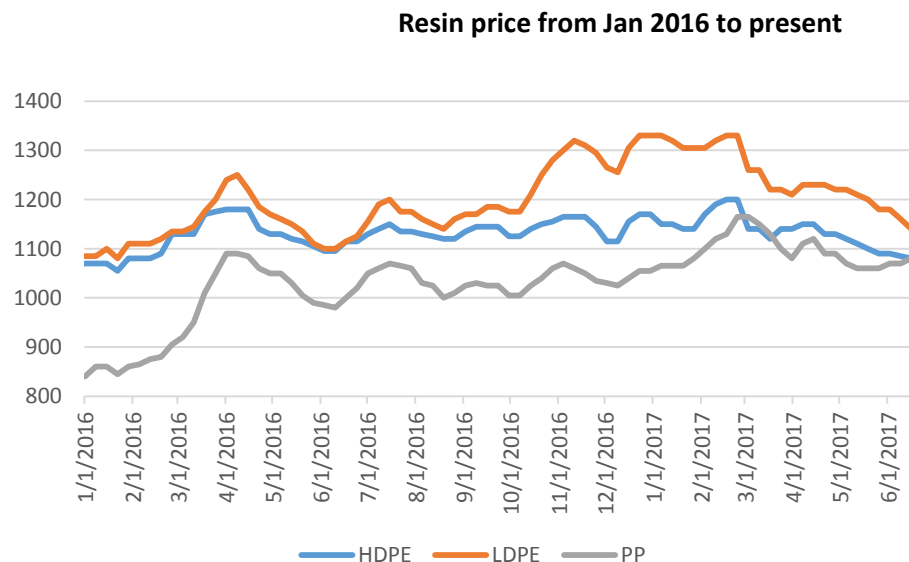
Source: BSC dự báo

Plastic sector [Neutral]

- Resin price declined slightly in 2Q2017. Compared to 1Q2017, HDPE, LDPE, PP and PVC resin price decreased by 4%, 7%, 3% and 5% yoy respectively.
- SCIC expects to divest from BMP, NTP. At the same time, the shareholder's meeting of BMP and NTP approved the plan of raising foreign ownership limits (FOL)
- Performance in 1Q2017 varied greatly. Some enterprises attained high earning growth rate such as TPC (+282% yoy), AAA (+136% yoy), SPP (+41% yoy), DAG (+19% yoy) và NTP (+12% yoy).

Q2 FY2017

Resin price declined slightly in 2Q2017. Compared to 1Q2017, the price of HDPE, LDPE, PP and PVC resin decreased by 4%, 7%, 3% and 5% respectively. However, prices of most resin types were higher than those in 2016. Except for HDPE resin, which has 2% lower price in comparison with that in 2016, other types including LDPE, PP and PVC experienced an increase in price with a rise of 4% yoy, 5% yoy and 10% yoy respectively. Therefore, we expect gross profit margin of construction plastic enterprises to be better in the coming quarters.



Source: Bloomberg

Changes in ownership structure with rising FOL in plastic companies. According to our view presented in previous Sector Outlook, SCIC is likely to divest from BMP and NTP, the two leading enterprises in plastic industry. At the present, SCIC is the principal shareholder holding 29.52% in BMP and 37.1% in NTP. The divestment of SCIC is expected to bring positive changes in management and efficiency, especially in NTP. At the same time, shareholders of BMP and also NTP agreed to raise FOL to 100% and over 49% respectively.

Performance in 1Q2017 varied greatly. Volume and sales of almost plastic companies listed surged significantly in 1Q2017. The total net revenue of listed firms in this industry increased by 19% to 4,065 million VND. However, as reported in 2Q2017 Sector Outlook, higher resin price lowered gross profit margin of firms, especially construction plastic enterprises such as BMP and DNP. The former's gross profit margin declined from 25% to 20% while the latter's witnessed the decline from 7% to 6%. Hence, operating results of firms had significant differences. Whereas TPC, AAA, SPP, DAG and NTP recorded higher net income, DPC, DNP, RDP, TPP, BMP and VBC posted enormous decline in earning.

Ticker	Main product	Net sales Q1/2017	% yoy	Net profit margin Q1 2017	Operating profit Q1 2017	ROA	ROE	Net income Q1/2017	% yoy	Notes
BMP	Plastic pipe	758	8%	29%	33%	19%	23%	100	-50%	Resin price increased
NTP	Plastic pipe	1,028	27%	36%	36%	12%	22%	94	12%	
DNP	Plastic pipe & hygiene water	306	7%	23%	20%	3%	14%	4	-81%	Depreciation and financial expense rose ..
DPC	Plastic pipe	12	-17%	20%	17%	6%	6%	(0)	-126%	
DAG	Plastic door & profile bar	354	20%	9%	8%	5%	12%	13	19%	Increasing consumption
AAA	Packaging	729	72%	14%	13%	7%	19%	67	136%	Increasing consumption
RDP	Packaging	220	-13%	12%	14%	4%	11%	5	-69%	Decrease in consumption and efficiency
TPP	Packaging	104	-22%	17%	14%	4%	14%	1	-90%	
SPP	Packaging	241	31%	13%	13%	2%	9%	2	41%	
VBC	Packaging	172	0%	11%	11%	6%	25%	5	-36%	
TPC	Packaging	141	-7%	9%	7%	5%	8%	7	282%	

Source: Financial Statement & BSC research

Investment outlook – Neutral

NTP – Buy – Target price: 80,300 VND/ upside 23%.

As the largest plastic pipe manufacturer in Vietnam, the design capacity of NTP is up to 120,000 tons per year, NTP supplies mainly in the North market with more than 60% of market share. The company has benefited directly from the recovery of real estate market and tax incentives for the NTP plant in Central region. Consumption continues to increase, rising 21% in 2014, 20% in 2015 and continuing to increase 22% in 2016, reaching 87 thousand tons. In 2016, NTP shortened the average useful life of fixed assets

resulting in a rise of 52 billion VND depreciation expense (equivalent to 12% of earning before taxes). As disclosed in our previous reports, discount rate for distributors of NTP is always higher than that of BMP. Consequently, operating profit margin of NTP is often lower than that of BMP with NTP's margin standing at 11% while the figure of BMP being 24%. We expected this gap to be shortened due to higher efficiency after SCIC's divestment and firm's restructuring. We post two scenarios about earning of NTP. The first one is that NTP will remain the same discount policy for distributors, so projected earnings for 2017 and 2018 are 442 million VND and 490 million VND respectively. In the second scenario, after SCIC's divestment, benefits of NTP and distributors are expected to be more harmony. Assuming that the ratio of expense for distributors over net sales will be the same in 2017 and then decline to 6% in 2018, the total expense for distributors in 2018 is estimated to be 446 billion VND, 557 billion VND for NTP as net income and 5,867 VND relative EPS.

BMP – Buy – Target price: 119,400 VND/ Upside: 17%.

BMP is still our prefer stock thanks to positive operating results as a consequence of growing consumption (growth rate was 21% in 2016), low resin price, prominent business efficiency, strong financial position, high dividend, and transparent management. Moreover, BMP also attracts investors due to its plan to raise FOL to maximum 100% and SCIC's divestment schedule in 2017. Its dividend is especially high with 40% cash dividend and 80% in stock dividend. With the assumption that resin price increases by 10% in 2017, BSC projects net sales and net income of BMP to be 4,193 billion VND and 542 billion VND respectively, equivalent to EPS of 6,633 VND per share. In addition, investors have to strictly track price of PVC resin and competition in plastic price.

AAA – Tracking

After successfully doubling plastic bag capacity to 8000 tons per month in 2017 by putting factories No. 6 & 7 into operation, the volume exported to Japan and USA soared, boosting revenue and earnings of AAA. At the end of 1Q2017, AAA recorded impressive operating results with 7,882 tons plastic bag consumed, 729 billion VND revenue (+72%) and 67 billion VND net income (+136%). AAA has planned to increase projected net sales and net income to 3,300 billion and 220 billion VND from relatively 2,900 billion and 200 billion VND approved. Hence, EPS for 2017 would be 2,656 VND.

According to AAA's plan, all the shares held by board of managers (approximately 40%) will be transmitted to An Phat Holdings. Up to the end of June 2017, An Phat Holdings owned 11.91% of AAA. Additionally, AAA completed cut down the ownership portion in HII to 35.92% and listed HII on HOSE.

At the beginning of 2017, 5 million converted stocks in 2016 was listed, causing AAA to be diluted by 10%. We also warn that conversion of more than 300 billion bond (with price of 11,500 VND per share) might cause EPS to be more diluted.

Ticker	Revenue 2017E (million VND)	Profit 2017E (million VND)	EPS 2017 (VND)	P/E 2017	P/B 2017	ROE (2017)	Dividend 2016	Closing price 30/06/2017	Target price	Link
NTP	4,663	442	4,621	14.50	2.59	22%	35% cash div. 20% bonus share	67,000	89,000	Link
BMP	3,828	484	5,913	16.74	1.88	27%	45% cash div	99,000	119,400	Link
AAA	2,900	200	3,468	9.96	2.03	22%	7% cash div	34,550	N/A	Link

Sugarcane and Sugar sector [Neutral]

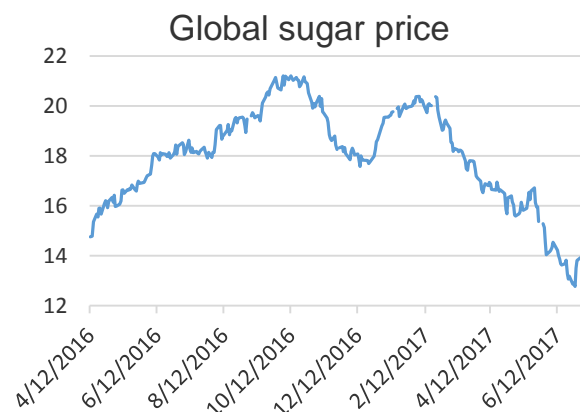
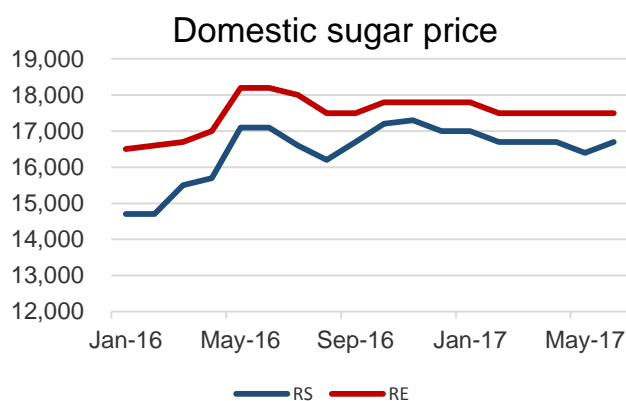
- 5M/2017 sugar inventories rose sharply, up by 46% compared to the beginning of the season
- Domestic sugar consumption was in trouble, due to lower-price pressure of smuggled sugar
- Business results of 9M of 2016/2017 had high growth rate

Q2 FY2017

5M/2017 sugar inventories rose sharply, up by 46% compared to the beginning of the season. According to the Vietnam Sugarcane and Sugar Association (VSSA), the total sugar production, by May 19th, was about 1.36 million tons and the sugar consumption was about 1.09 million tons, while sugar inventories were about 479,000 tons. The sugar inventories rose sharply due to (1) Impacts of weather to production time making some factories get late to come into operation, (2) China reduced the import quota for Vietnam's sugar and change to import Thailand's sugar, (3) Smuggled sugar's volume rose significantly.

Domestic sugar consumption faced difficulties due to pressure from cheap smuggled sugar. Currently, the gap between prices of domestic sugar and smuggled sugar is loosening. As of early May, this gap has been loosened from VND 500 - VND 1,000/kg to VND 600-VND 1400/kg.

Domestic sugar prices continue to remain at high level. As of 15/6/2017, the average domestic wholesale sugar price remained at VND 16.700/kg (-1.8% YTD) of RS sugar, VND 17.5 000/kg (-1.7% YTD) of RE sugar, up by 7.7% and 4.8% respectively over the same period of 2015/2016. We believe that the reason why domestic sugar prices still remain at high level is that the production cost of sugar in Vietnam is still high. Therefore, it is so difficult to reduce the selling price to compete with smuggled.



The business results of first 9 month of 2016/2017 grew well due to: (1) Sugar price rose strongly over the same period, (2) The ratio of SGA expense/Revenue of all company decreased. Total revenues of Sugar sector reached VND 8,514 billion (+3% yoy), gross profit reach VND 1,572 billion (+32% yoy). Total net income of the sector was VND 886.5 billion (+ 62% yoy).

Ticker	Rev 9M 16/17	% yoy	GPM 9T 16/17	GPM 9T 15/16	Net income	% yoy	EPS trailing 12M	P / E	P / B
SBT	3,235.5	+7.2%	13.1%	14.5%	257.91	+ 19.7%	1,111	31.8x	3.0x
BHS	3,859.1	+19.6%	13.0%	13.5%	202.5	+ 21.3%	1,464	16.2x	1.3x
SLS	393	- 9.2%	37.3	22.5%	125	+ 59.6%	16,000	10.9x	3.75x
LSS	1,703.4	+36.6%	15.9%	13.5%	118	+ 124.8%	2,133	6.8x	0.6x
KTS	220.4	-2.8%	20.7%	17%	40.4	+ 25.9%	9.850	5.1x	1.8x
Average								14.1X	2.0x

Investment outlook – Neutral

We maintain Neutral with the sugarcane sector. BSC believes that the sugarcane industry is still facing many difficulties due to the massive smuggling of sugar. Currently, the M&A case of BHS and SBT, which we noted in our previous quarterly report, is almost complete. We recommend observing BHS-SBT and SLS.

BHS - SBT: Tracking

Through the merge between BHS and SBT, SBT 's market share will account 32% of domestic sugarcane's share. The total sugarcane area of BHS and SBT is about 46,000 ha, equivalent to 16.9% of Vietnam's total sugarcane area (Including 20,400 ha of BHS and 25,500 ha of SBT).

We forecast that revenue 16/17 of BHS will be VND 5,305 billion (+21.51%yoy), net income will reach VND,351 billion (+41.29%yoy), parent company's net income will be VND 350 billion, EPS 16/17 = VND 1.176.

Revenue 16/17 of SBT will reach VND 3,942 billion (-6.1% yoy), net income will be VND 325.3 billion(+8.5%yoy), EPS 16/17 = VND1,283.

Ticker	Rev 2017 (VND billion)	NI 2017 (VND billion)	EPS 2017 (VND)	P/E F 2017	P/B F 2017	ROE 2017	Dividend 2016	Closing price 23/06/2017	Target price	Link to report
BHS	5.305	351	1,176	21.2	1.71	10.5%	5% cash div	24,900	n / a	
SBT	3,942	325.3	1,283	28.0	3:02	9.9%	7% cash div	35.900	n / a	
LSS	1,697	74.6	1,066	13.8	0.73	4.5%	1.5% cash	17,100	n / a	
SLS	741	118	17.41	10.1	2.86	41.4%	65% cash	177.5	n / a	

Tire and tube Sector [Neutral]

- Car sales fell down by 1% in 5M2017
- Domestic price of tires increased by an average of 10% in comparison to early 2016
- Rubber price decreased by 18% in the second quarter of 2017, compared to the first quarter. Nevertheless, it was still higher 25% compared to the same quarter in 2016.
- Gross profit margin (GPM) of tire – manufacturing companies can be lower
- Unsatisfactory business results

Q2 FY2017

Car sales fell down by 1% in 5M2017, reached the number 109,903. In particular, domestically assembled car production fell by 7%, imported cars increased by 16% yoy. However, we do not think this has much impact on the demand for tires in 2017.

Price increased by 10% compared to the beginning of 2016. As mentioned in the industry prospect report for the 2nd quarter 2017, since early 2016, DRC and CSM, the two largest tire manufacturers in Vietnam have increased the selling price by 10% for car tires and 2-5% for bicycle tires.

Rubber price fell 18% in the 2nd quarter of 2017 compared with the 1st quarter. Average RSSS of rubber price for the 2nd quarter of 2017 was \$208/ton, which was 18% lower than the 1st quarter of 2017, but still 25% higher than the same period in 2016. Rubber prices are forecast to remain high compared to 2016 due to (1) rubber stocks in Shanghai decreased; (2) rising demand for rubber in Japan; (3) Large rubber producing countries including Thailand, Malaysia and Indonesia are considering limiting exports and stabilizing rubber prices. This will negatively affect the GPM of the tire business.

Update the pace of consumption of the new plant. Radial consumption of DRC reached 77,000 units in the 1st quarter of 2017, equivalent to 100% capacity of Radial plant. However, due to high competition, lower selling prices than expected, especially export prices, the company continued to record losses for its Radial tire production (GPM was -9% in 1st quarter/ 2017). DRC has moved the construction pace of phase 2 of the Radial plant to the 4th quarter. Meanwhile, CSM has completed the construction of its workshop with a capacity of 500,000 steel radial, using assets and land funds from the current Radial plant (about 400 billion VND), thereby reducing the depreciation pressure on the Radial plant (about 15 billion VND). Representatives of the company said in April 1974, CSM exported 6,300 tires and received 100,000 more orders from Tireco. The company's 2017 target is to export 274 thousand tons of steel radial tires. GPM is estimated at 12-14%, net margin is about 5%. Thus, if the plan is reached, the steel radial tire will bring about 15-20 billion VND profit for CSM in 2017.

GPM of tire manufacturers may continue to fall. Rubber accounts for about 50% of the input costs of tire and tube enterprises, and the inventory period normally lasts for one quarter. Therefore, with the average input price of rubber in 1st quarter of 2017 being 78% yoy higher, while the selling price did not increase much, we think that GPM of tire and tube business continues to decline in the 2nd quarter in 2017. GPM may improve slightly in the 3rd quarter of 2017 when price of rubber in the 2nd quarter dropped 18% from the 1st quarter. However, as analyzed above, the average rubber price in 2017 is expected to be higher than that of 2016 and will still put pressure on GPM of tire and tube businesses.

Unsatisfactory business results. In the last of 1st quarter of 2017, total revenue and EAT of 3 listed companies reached 1,860 billion VND (+ 14% yoy) and 122 billion VND (-32% yoy) respectively. The increases in selling prices are not enough to offset the rise in input costs. We believe that business results of 2nd quarter continue to be weak, as the average price of rubber in the 1st quarter increased by 78% yoy, while the estimated selling price was only by 5- 10% higher by than the same period.

Ticker	Rev 1Q/2017	% yoy	GPM 1Q/2017	PM business activities 1Q/2017	NI 1Q/2017	% yoy
DRC	900	21%	19.28%	12.97%	71	-20%
CSM	748	9%	18.37%	8.84%	29	-53%
SRC	211	6%	19.64%	8.40%	13	-27%

Source: BSC research

Investment outlook – Neutral

For those reasons above, we believe that 2017 will continue to be a difficult year for tire and tube businesses. We maintain a **Neutral** recommendation for tire and tube industry stocks, which may consider investment opportunities as stock prices fall sharply. Tire stocks usually have high annual dividend payments, which are currently trading at a P/E of (8-11x), much lower than the P/E of regional tire firms (19x).

CSM – Buy – Target price 21,600 VND/share, upside 12%

On 30/06/2017, CSM shares were traded at VND 21,600 VND per share, equivalent to P/E of 10.9x, which is relatively cheap compared to P/E of tire and tube companies in Asia - Pacific Ocean (18.92x). Together with DRC, CSM is one of the two largest tire manufacturers in the Vietnamese market having advantages in the segment of motorcycle tires and automobile tires. The company's expected growth forecast for 2017 comes from the exports of Radial tires to the United States. As we mentioned in the previous business and industry update reports, Tirex US partner received 500,000 sold steel radial tires from CSM. In 2017, CSM aims to sell 274,000 tires to US partners, bringing in about 15-20 billion VND of EBT. BSC forecasts net sales and net profit will come to 3,575 billion VND (+ 9% yoy) and 197 billion VND (-24% yoy) respectively. Healthy finance, high dividend rates (30% cash and 40% bonus shares in 2016).

DRC – Buy – Target price 36,500 VND/share, upside 14%.

On 30/06/2017, DRC shares were traded at 32,050 VND per share, equivalent to a P/E of 14.63x, which is relatively low compared to P/E of tire and tube stocks in the Asia – Pacific region. DRC is a leading tire and tube manufacturer with good sales potential. The company has many customer organizations that are automobile assemblers in the country. Domestically automobile assembly output is expected to increase with high demand for cars. High dividend payout ratio, the company paid 45% of cash and 30% of bonus shares in 2016. BSC forecasts net revenue and after-tax profit will be 3,910 billion VND (+16% yoy) and 292 billion VND (-26% yoy). It is notified that DRC has postponed the plan to complete phase 2 of Radial plant to the 4th quarter of 2018. Investors interested in DRC stocks should pay attention to the price movements of input and output tires.

Stock	Rev 2017E (billion)	NI 2017E (billion)	EPS 2017 (VND/sha re)	P/E 2017	P/B	ROE (2017)	Dividend (2016)	Closing price 30/06/2017	Target price	Link
DRC	3,910	292	2,191	14.63	2.30	23%	45% cash 30% share	32,050	36,500	link
CSM	3,575	197	1,701	10.90	1.41	23%	30% cash 40% share	18,550	21,600	link

Source: BSC research

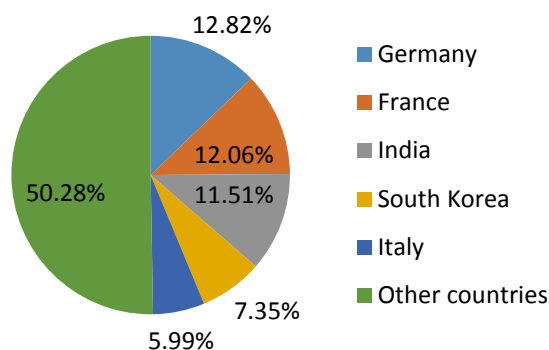
Pharmaceutical Sector [Neutral]

- Pharmaceutical import in early 5 months of 2017 grew by 4.15% over the same period last year.
- Increase foreign ownership limit of some pharmaceutical companies: DMC, DHG
- Business results of 1Q/2017 are quite positive compared to Q1 / 2016

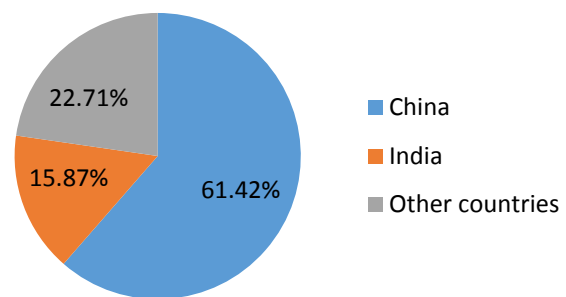
Q2 FY2017

Pharmaceutical imports grew steadily. According to preliminary statistics of the General Department of Vietnam Customs, by the end of May 2017, Vietnam had imported \$ 997.3 million of pharmaceuticals, up by 4.15% over the same period in 2016. Germany had the largest proportion with an import value of \$ 127.8 million (+36.69%), accounting for 12.82% of total import value. Import of pharmaceutical raw materials grew by 9.05%. China remained to be largest exporter, accounting for 61.42% of total value and reaching \$92.5 million (+ 1.94% yoy).

Market structure of pharmaceutical imports in 5M 2017



Market structure of pharmaceutical material imports in 5M 2017



Source: General Department of Vietnam Customs

Lifting foreign ownership limit of some companies. DMC is the first company in the Pharmaceutical to open room for foreigners, soon after, strategic shareholder CFR also completed raising its ownership proportion up to 52%. DHG is requesting shareholders' written approval for raising the foreign ownership limit to 100% in July 2017.

Positive 1Q/2017 business results. According to the Vietnam economic update report of World Bank (WB), 2017 is the beginning year of Vietnam 's population aging period. This phenomenon will lead to an increase in the number of consumers and stimulate the growth of the pharmaceutical market for this year and upcoming ones. By the end of Q1/2017, total revenue of listed companies reached VND 3,437 billion (+6%), net income was 419 billion dong (+11% yoy). Some companies recorded sharply growth of net income, including DHT (+61% yoy), DMC (+36% yoy), IMP (+22% yoy), DP3 (+17% yoy). For the first 5

months of 2017, IMP recorded revenue and EBT of VND 400.7 billion (+17% yoy) and VND 55.5 billion (+42.3% yoy), respectively.

	Rev 1Q/2017	% yoy	GPM 1Q/2017	NPM 1Q/2017	NI 1Q/2017	% yoy
DHG	882	8%	45%	20%	173	14%
TRA	402	-19%	52%	15%	41	-18%
DBD	343	-1%	37%	14%	39	28%
DHT	330	21%	16%	6%	13	61%
OPC	282	40%	43%	12%	24	14%
DMC	279	0%	39%	18%	48	36%
IMP	224	16%	41%	13%	26	22%
DBT	180	39%	24%	4%	5	-17%
DCL	154	-13%	33%	14%	14	-29%
LDP	128	5%	16%	4%	5	1%
PMC	112	11%	43%	22%	18	3%
DP3	86	24%	53%	11%	11	17%
PPP	35	17%	19%	7%	1	-44%

Source: Financial Statements of companies

Investment outlook – Neutral

We maintain **Neutral** outlook for pharmaceutical stocks. These stocks have increased sharply since the beginning of 2016, DHT (+198%), DHG (+91%), DMC (+94%), TRA (+32%), IMP (+31%), OPC (+39%), PMC (+33%) and DP3 (+38%). Many pharmaceutical stocks are trading at high P/E and P/B such as DHG (P/E and P/B are 22x and 3.5x, respectively), DMC (25x and 4.85x), TRA (25.6x and 4.7x X), IMP (20.22x and 1.82x) and OPC (16.54x and 2.68x). Pharmaceutical stocks are defensive stocks, which is suitable for medium and long term investment. Investors who care about these stocks should track information about foreigner room availability, strategic investor ownership changes and new plant construction plans.

Stock	Rev2017E (VND billion)	NI2017E (VND billion)	EPS2017 (VND/share)	P/E 2017	P/B 2017	ROE (2017)	Dividend 2016	Closing price 30/06/2017	Target price	Link
DHG	4,250	780	7,835	15.86	3.57	27%	35% cash	124,300	N/A	
IMP	1,260	128	3,282	19.34	1.82	13%	18% cash	63,500	N/A	
DP3	250	26	3,823	10.46	1.92	18.5%	20% cash	40,000	N/A	
DBD	1,500	144	2,474	16.85	2.82	18.3%	15% cash	41,690	41,300	Link

Source: BSC research

Marine transportation sector [Neutral]

- BDI closed at 903 points and was down sharply compared to early 2017
- Domestic shipments volume increased by 9.7% in 5M 2017.
- 1Q/2017 results: bulk transportation faced difficulties, liquid transportation differentiated.

BDI recovered strongly over the same period in 2016, but declined sharply compared to the beginning of the year. As of 28/06/2017, the BDI closed at 903 points, increasing sharply over the same period of 2015 (only at 627 points), but decreasing by 19% compared to 3T/2017. The BDI maintained at the level below the breakeven point of the shipping companies, showing that Shipping in general and Vietnamese shipping in particular are still in a very difficult phase.

In first 5 months of 2017, the transported volume of Vietnam's ships reached 28.1 million tons (+9.7% yoy). The import-export market of Vietnam's ships mainly includes of Middle East, Asean Asia, and a small number of Vietnamese ships exported to Eastern European countries, especially after the open of transportation to Kazakhstan. In term of dry-bulk import and export transportation, Vietnam's ships occupied about 12% market share. There are currently direct ships to Eastern Europe, Middle East and Southern America but in small quantities

Liquid cargo transportation differentiated, bulk transportation continued to faced difficulties. Similar to our view at the beginning of the year and in the 1Q report, bulk shipping continued to be in trouble, typically VOS. Regarding liquid transportation, PVT continued to maintain a high and stable growth momentum due to its monopoly in crude oil transportation and the FSO/FPSO segment with high localization and GPM. Interm of VIP and VTO, imports of finished products decreased compared to the same period in 2016 because the difference of import and export tax decreased transportation demand.

Business results of 1Q/2017.

Stock	Revenue	YoY	Net income	YoY	P/E	P/B
PVT	1,652	8%	106.97	44%	10.4	0.91
VOS	365	-1%	-83.75	79%	NA	0.23
VTO	338	14%	21.21	-32%	7.51	0.57
GSP	297	20%	13.39	-11%	8.21	0.86
VIP	178	38%	14.31	-8%	6.05	0.49
PJT	117	19%	8.77	23%	4.41	0.95
VFR	59	-5%	25.61	NA	20.76	1.16
TJC	45	5%	0.03	-99%	8.8	0.6
HTV	43	-7%	4.79	-23%	9.94	0.66
TCO	39	10%	3.98	-1%	7.83	0.9
Average					9.32	0.73

Source: Financial Statements of Companies.

Marine transportation is supported by the government. Accordingly, the demand for transportation of state-owned conglomerates and corporations with imported coal sea transport contracts will be bidden domestically and Vietnamese goods owners will give the opportunity for Vietnamese ships to carrt export goods.

Freight price hit the bottom, making Vietnamese fleet to decrease by 24% from 2015. In 2015, the Vietnamese cargo fleet had 1,849 ships, not including 38 ships with foreign nationality owned by Vietnamese companies, with total gross ton of 7.3 million DWT. By May 8, 1977, according to data from Vietnam Register, Vietnam had only 1,406 ships, including ships with foreign nationality of Vietnamese companies.

Investment outlook – Neutral

Remaining the view stated in 1Q report, we believe that bulk carriers such as VOS and NOS are unlikely to recover in the later quarters of the year. For liquid carriers, revenue and profit growth will generally be difficult to maintain at the high level as in the same period last year. So we maintain negative recommendation for the sea transportation sector. For stocks, we recommend PVT due to its stable business platform and being a leading company in liquid cargo.

PVT- Buy- Target price VND 19.000.

Business results in 2Q and 3Q of 2017 will be largely influenced by that Dung Quat oil refinery go into 52 days of repair. PVT also said that business results of the first two quarters may be about 198 billion (-18% yoy). However, we recognize that this is a temporary difficulty of PVT, the business platform is still stable due to its monopoly of crude oil transportation for Dung Quat. In the second quarter, PVT also invested about \$ 12 million to buy finished oil tankers. From 2018, PVT will account for about 25% of Nghi Son crude oil demand (capacity of about 10 million tons of crude oil per year). The divestment from PVN to invest in a VLCC vessel may be delayed, PVT will lease vessels to satisfy additional demand from Nghi Son. In term of FSO / FPSO, the leasing price of FSO Dai Hung in 2017 decreased by 10%, but in the price discounting agreement, it was stated that if the oil price is at \$ 55/barrel stabilized within 3 months, leasing price will return to the old rates. Investors can find details in [PVT update report](#).

Stock	Rev 2017(VND bil)	NI 2017(VND bil)	EPS F 2017	P/E F 2017	P/B F 2017	ROE F 2017	Closing price 23/06/2017	Target price
PVT	6,426	410	1,303	11.09	1.00	14%	14.450	19.000
GSP	1,286	69	2,300	5.60	0.99	18%	12.900	15,200
SKG	497	258	5,377	9.30	2.29	27%	50,000	N/A
VTO	1,312	120	1,521	4.83	0.51	8%	7,340	N/A
VIP	655	110	1,606	4.76	0.47	7.5%	7,650	N/A

Source: BSC forecast

Aquaculture [Underperform]

- Seafood export in the first 5 months of 2017 is estimated at \$ 2.85 billion, up by 13.8% over the same period in 2016.
- Pangasius prices continued to fluctuate due to supply shortage
- China overtook the U.S as the largest importer of Vietnamese pangasius fish
- Q1/2017 business results

Q2 FY2017

Seafood export in the first 5 months of 2017 is estimated at 2.85 billion USD, up by 13.8% over the same period in 2016. US, Japan, China and Korea are the top 4 importing markets for seafood Vietnam in the first 5 months of 2017, accounting for 54.6% of total seafood export value. Some market which have a significant rise in seafood export value were China (+38.1% yoy), Japan (+32.2% yoy) and South Korea (+28.6% yoy). Meanwhile, export value to US market was slow down (-6.9% yoy).

Pangasius prices continued to fluctuate due to supply shortage. By the end of June 2017, the price of raw material pangasius type 1 was about VND 28,000/kg (up by 16% YTD). BSC believes that this supply shortage is due to (1) lack of raw material for production and (2) The erratic weather in the Mekong Delta.

China overtook the U.S as the largest importer of Vietnamese pangasius fish. According to a report of Vasep, in 1Q/2017, total export value of pangasius reached \$ 371.3 million (+1.6% yoy). BSC observed a clear shift in pangasius export market structure, from the US (-24.3% yoy), EU (-21.5% yoy) to new markets as China, Brazil (+70.4% yoy), Mexico (+38.8%yoy) and Arab Saudi (+13.8%yoy). In the first 3 months of this year, pangasius export value to China was \$ 69.7 million, up by 56.8% over the same period last year. China overtook the U.S as the largest importer of Vietnamese pangasius fish

1Q/2017 business results. The business results of the whole sector in 1Q/2017 fell sharply, mainly due to: (1) a sharp increase in input material prices and (2) a dramatic decrease in aquaculture production due to insufficient seed supply. Total revenue reached VND 7.385 billion (-23% yoy), gross profit was VND 836 billion (-3.3% yoy), and NPAT dropped sharply because that HVG recorded a net loss of VND 29.5 billion in 1Q/2017 due to (1) the sharply decrease in revenue (-45% yoy) and (2) the significant increase in SG&A expense (+21% yoy).

Summary of 1Q/2016 business results.

Ticker	Revenue (billion)		Gross profit		Net income (billion)		P/E	P/B
	1Q/2017	%yoy	1Q/2017	%yoy	1Q/2017	%yoy		
HVG	2,974	-45%	266	-11%	-29.5	-339%	-	0.6
VHC	1,617	1%	230	-3.3%	97	-4%	9.7	2.2
IDI	947	16%	79	-6%	24	66%	11.3	0.6
ANV	698	21%	87	26%	25	353%	19.7	0.6
FMC	532	-2%	62	63%	15	-5%	5.9	1.1
ACL	282	5%	38	0%	2	192%	7.1	0.5
TS4	235	6%	31	-34%	4	38%	-	0.5
ABT	100	-1%	15	-38%	10	-5%	9.6	1.1

Investment outlook –Underperform

We maintain **Underperform** outlook to the aquaculture sector. BSC believes that the export of the fishery sector is still fragile due to (1) The erratic weather conditions and (2) The technical barriers in some major export markets as U.S market.

We recommend Buy to some leading stocks such as VHC.

VHC - Buy - Target price VND 68,500 /share, upside 17.6%.

Business results are expected to be positive in 2018F due to (1) Growth potential from the capacity increasing by 57% by the end of 2018, (2) Pangasius price is tending to increase because of supply shortage (VHC also plans to increase the autonomy of raw materials to 80%), (3) Developing more new markets, focusing on promoting the potential market of China and (4) Diversify fish products and value added products. BSC forecasts that revenue of VHC in 2017 will reach VND 8,259 billion (+ 17% yoy) and net income will be about VND 619 billion, equivalent to EPS of VND 6,128.

Ticker	Rev 2017	NI 2017	EPS 2017	P/E F	P/B F	ROE 2017E	Closing price 23/06/17	Target price
HVG	N/A	N/A	N/A	N/A	N/A	N/A	6,760	N/A
VHC	8,259	619	6,128	9.54	2.17	25.9%	58,500	68,500
FMC	2800	83	3.500	4.8	1.11	17.5%	16,800	N/A

Disclosure

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