BSC

VIETNAM
SECTOR OUTLOOK

2017

Table of Contents

Stock market review 3Q2017 3

Top stocks in 9Q2017 5

Performance by sectors vs. VN Index 9M2017 6

Investment strategy for 4Q2017 8

9M2017 sector outlook 10

Influential policies and economic factors in 2017 11

Comparison with regional stock markets 12

Performance of recommended portfolio 13

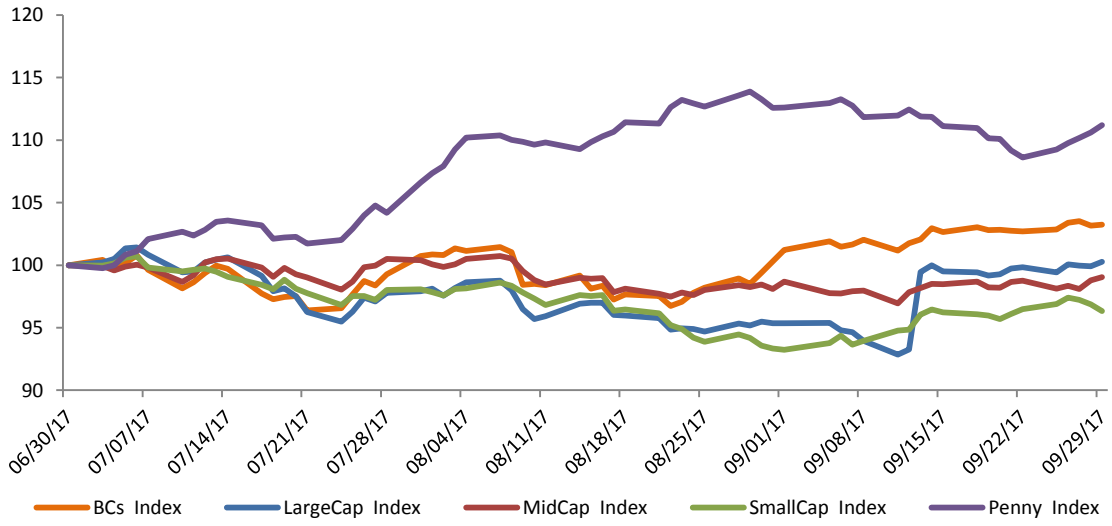
- Banking sector [Outperform] 15
- Real-estate Sector [Outperform] 21
- Construction Sector [Outperform] 24
- Technology sector [Outperform] 27
- Electricity Sector [Outperform] 30
- Fertilizer Sector [Outperform] 32
- Rubber sector [Outperform] 36
- Tire and Tube Sector [Outperform] 39
- Pharmaceuticals sector [Outperform] 41
- Plastic sector [Neutral] 44
- Petroleum sector [Neutral] 47
- Steel sector [Neutral] 51
- Cement sector [Neutral] 54
- Tiles sector [Neutral] 56
- Textile and Garment Sector [Neutral] 58
- Non-Life insurance sector [Neutral] 61
- Beverage sector [Neutral] 64
- Seaport Sector [Neutral] 68
- Marine transportation Sector [Neutral] 70
- Sugar and Sugarcane sector [Neutral] 72
- Aquaculture [Underperform] 75

Stock market review 3Q2017

Stock market development in the 3rd quarter was quite consistent with the positive trend forecasted in our 2017 Macro Outlook Report. Strong growth sectors such as Construction sector and Construction materials sector, Real-estate sector, Basic material sector, Retail Sector, and food and beverage sector were all mentioned in our 2017 Sector Outlook Report:

(1) Stock market development. The market indexes of both exchanges were experiencing an uptrend September, continued conquering new short- term resistance levels including 815 points of VN-Index and 110 points of HNX-Index. As of 30/09/2017, VN-Index officially rose by 21.66 points compared to last trading session of previous month, and HNX-Index reached 107.66 points increasing by 3.78 points in comparison to last month and by 8.52 points comparing to previous quater end, corresponding to increaseing rate of 8.6% and 34.37%. In comparison to the beginning of 2017, VN-Index increased by 139.55 points (20.9% ytd).

Although indices continued rising in points in the month and maintained the uptrend momentum from the beginning of the year, market liquidity still had no major improvement compared to the previous month. In which, GAS, VIC, MSN, contributed approximately 16.2 points to the index, GAS alone accounted for 6.3 points indexes. In contrast, PLX and BID respectively caused a decrease of 1.9 points and 1.5 points which limiting the upward momentum of the market. From the beginning of 3rd quarter, VN-Index top leaders were VNM (+18.97 points), SAB (+16.63 points), PLX (+10.53 points), GAS (+10.28 points) and VIC (+9.66 points). On the other sides, VN-Index's top laggards were PVD (-1.04 points), BHN (-1.04 points), VPB (-0.78 points), BMP (-0.62 points) and HT1 (-0.55 points). Since the year-start, The top 10 leaders contributed 105.88 points (+16.42% ytd) while the top 10 laggards only caused a decrease of 5.8 points (-0.87% ytd)



Source: BSC Research

Note – classified by market captalization: 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 3Q/2017. All market-caps group had a strong differentiation in term of efficiency, in which Pennies stocks had the best performance, increasing by 11.2% compared to the end of second quarter. Next, BCs stocks and Largecap stocks were enjoying an upside momentum, respectively by 3.25% and 0.27%. Mid-Cap and Low-Cap stocks had negative growth rates corresponding to 0.97% and 3.68%.

Total market capitalization of 2 exchanges reached VND 2,255.68 trillion, equivalent to USD 99.37 billion, up by 6.28% MoM. From September-start, there were có 156.93 million of additional listed shares, over 4.5 million ETF de-listed certificates, and 1 million of addition ETF listed certificates, 380 stocks listed on the HSX with listed value over VND 578 trillion with a total trading value of VND 556.92 trillion.

Top stocks in 9Q2017

TOP 5 UP TREND MOVERS OF VN - INDEX

Stock	30/09/2017	%Chg	Index point
VNM	149.200	25,35	18,96
SAB	260.000	31,51	16,63
PLX	63.100	41,94	10,53
GAS	69.100	24,64	10,28
VIC	51.200	21,9	9,66

TOP 5 UP TREND MOVERS OF HNX - INDEX

Stock	30/09/2017	%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
VND	21,400	58.52%	0.98

TOP 5 DOWN TREND MOVERS OF VN – INDEX

Stock	30/09/2017	%Chg	Index point
PVD	14.150	-31,64	-1,038
BHN	124.700	-4,16	-1,037
VPB	37.500	-3,85	-0,78
BMP	77.500	-25,35	-0,62
HT1	14.700	-27,86	-0,54

TOP 5 DOWN TREND MOVERS OF HNX - INDEX

Stock	30/09/2017	%Chg	Index point
DBC	28.400	-15,57	-0,31
SHN	9.800	-15,52	-0,22
VC3	18.800	-28,19	-0,2
SIC	12.200	-63,03	-0,19
MSC	17.500	-41,48	-0,19

TOP 5 LEADERS OF VN-INDEX

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

Stock	3/1/2017	30/9/2017	%Chg
HAR	2.517	12.150	383%
QCG	3.410	16.500	384%
ANV	2.567	9.080	254%
LDG	4.708	16.100	242%
LCG	3.786	11.350	200%

TOP 5 LEADERS OF HNX- INDEX

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

Stock	3/1/2017	30/9/2017	%Chg
PIV	7.333	42.500	480%
ALV	2.467	11.500	366%
MIM	2.900	13.000	348%
SHS	4.376	17.800	307%
KST	5.100	15.000	194%

TOP 5 LAGGERS OF VN-INDEX

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

Stock	3/1/2017	30/9/2017	%Chg
HID	30.600	4.800	-84%
CDO	8.410	3.600	-57%
KPF	10.800	4.840	-55%
HTT	15.100	7.010	-54%
TNI	13.050	7.050	-46%

TOP 5 LAGGERS OF HNX- INDEX

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

Stock	3/1/2017	30/09/2017	%Chg
C92	37.900	7.100	-81%
KDM	14.000	3.800	-73%
HTP	18.000	5.000	-72%
SIC	29.700	12.200	-59%
CET	12.600	6.400	-49%

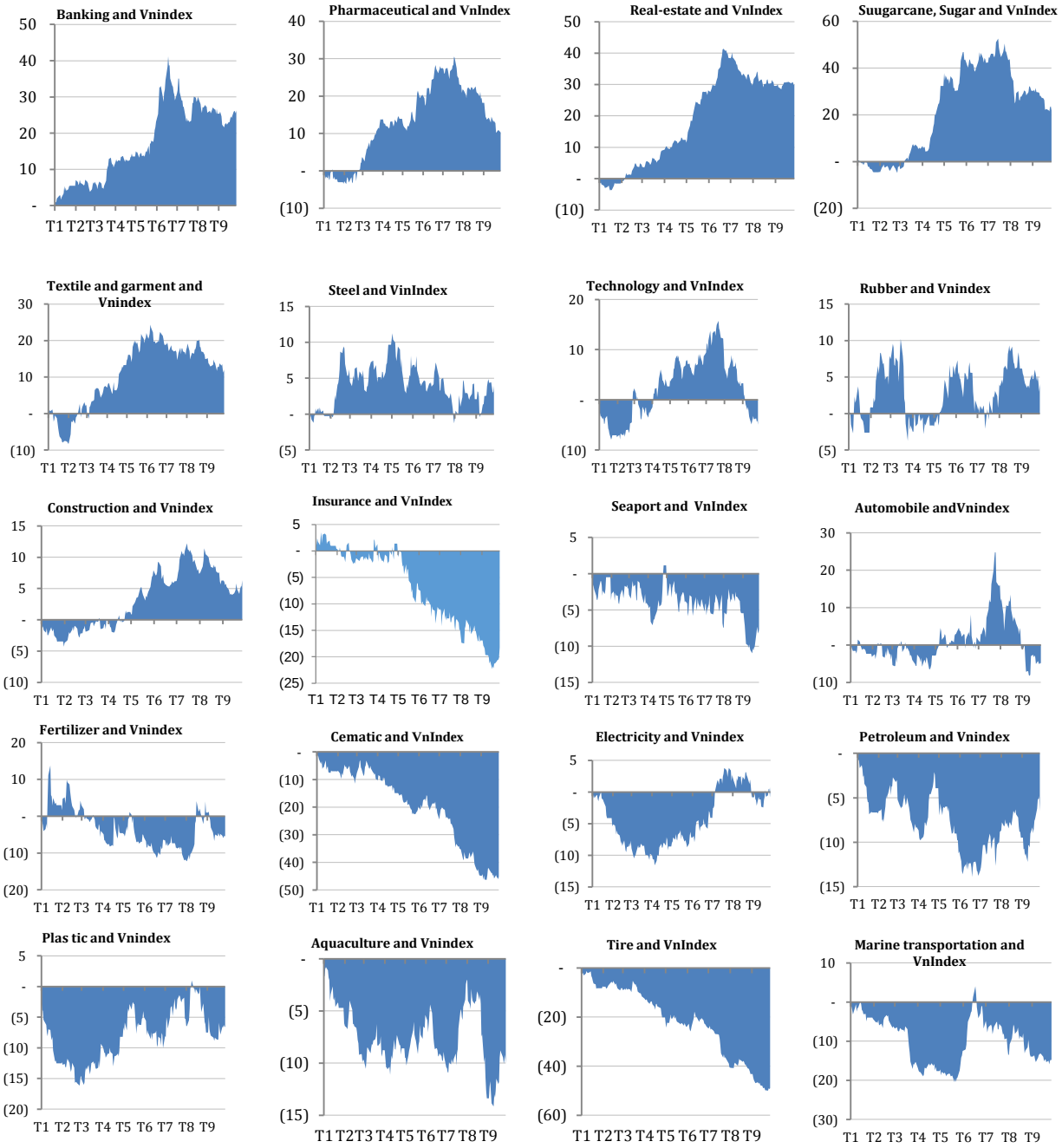
TOP 5 VOLUME LEADERS OF VN-INDEX

Stock	Avg Vol/ session (share)
FLC	15.967.400
HAI	5.133.768
MBB	3.153.606
FIT	5.705.719
HQC	8.059.132

TOP 5 VOLUME LEADERS OF HNX- INDEX

Stock	Avg Vol/ session (share)
SHB	8.525.805
KLF	8.959.173
ACB	1.609.326
VCG	1.544.741
SHS	1.692.652

Performance by sectors vs. VN Index 9M2017



Source: BSC Research

In retrospect, BSC had provided an accurate outlook of the Banking sector, Real-estate sector, with positive development; credit yielded the highest growth rate since 2012. 2Q business report and 6 month expected results grew significantly, recommended stocks respectively reached our targeted

prices (MBB, ACB, VCB); Real-estate sector with major project deployed by the end of 2017(DXG, VIC, SCR, NLG). However, our forecast of the Seaport sector was incorrect due to fierce renting price which caused a strong negative effect on business results .

In 3Q2017, only 7 over 15 followed sectors outperformed VN-index, namely Banking, Real-estate, Sugar, Textiles, Steel, Pharmaceuticals, Construction and Rubber sectors. These sectors benefited from supportive information such as lifting foreign ownership limit of banking and pharmaceutical; strong expectation of Real-estate, Construction and sugar cane sector profitability; the rebound of rubber price, positive business results of Steel sector and the rebound of textile and garment sector export growth rate.

Sectors that had the same movement as VN-index in 3Q2017 are Automobile, Rubber and Techonology sector.

Of the remaining sectors, most are underperformed: **Seaport, fertilizer, cement, petroleum, plastics, marrine, tire and marine transportation. Some sectors and can be considered as investment opportunities in 2017 including Oil & Gas sector and Fertilizer sector.** These sectors had many fluctuations in 9 months, but not equivalent to BSC's expectation.

Investment strategy for 4Q2017

The world economic situation is generally stable, stocks market continue to be an effective investment channel. Global composite PMI is consistently above 50 and the rate of countries with PMI above 50 are not only trending upward but also maintaining above 60%. This fact reflects the improving world economy. The economies of the Eurozone grew for the first time in the post-crisis period, and the Chinese economy continued to maintain an impressive momentum ahead of the 19th Communist Party Congress opening on October 18, 2017. (Q2's GDP growth was 6.9% and Q3 was estimated to be 6.8%). In addition, the US economy achieved a GDP growth rate of 3% in Q2, a very high level, unemployment rate continued to fall to 4.2% in September, this is the lowest rate since February 2001, the annual growth rate is at 2.4%, much lower than the 4% common rate occuring at the start of economic crisises in history. Thus, the current global situation is considerably optimistic and the stock market continues to be a suitable investment channel.

Domestic macroeconomic continues to be stable with a targeted GDP growth of 6.7%. In Q3/2017, GDP growth reached an impressive rate of 7.46%, 9M inflation was 1.83%, to reach the targeted GDP growth rate of 6.7% as set by the Government, Q4 GDP growth is expected to be in the range 7.5%-7.7%. BSC believes that some factors that will help boost economic growth in Q4 are the reduction of lending interest rates and credit growth of 21-22% instead of 18% as planned. By the end of September 2017, credit growth was about 12%, with an outstanding loans of VND 5.5 trillion at the end of 2016, the economy is expected to inject an addition of VND 550 trillion to achieve credit growth rate of 22%. BSC forcasted that Vietnam macro-economy would continue to be stable in Q42017.

Notable investment topics in Q4.

Investment topics related to "listing OTC stocks" (Viettel Post, Viettel Global, Viettel Construction,...), and **"Equitized state-owned enterprise"** (Binh Son refinery, PV Oil, PV Power, VRG, Idico, TCT Song Da, …) will continue to be the main driver of this market by the end of 2017. Morover, in 2018, according to Official Letter 991 / TTg- DMDN (10/07/2017) a number of prestige corporation will undergo equitization namely Mobifone, VTC, Vicem, HUD, Genco 1, Genco 2, Sai Gon Jewelry Company - SJC, Sai Gon Water Supply Corporation and thus, attract a great interest of both domestic and foreign investors.

Investment theme related to " divested stocks or no room stocks". In Q42017, the opportunity may arise from SCIC divestment of BMP and NTP, in which we expect NTP's net profit to improve sharply due to the change in its distribution policy as mentioned in previous reports. In addition, the state capital withdrawal in SAB and BHN will be the highlight of the stock market by year-end, price fluctuation of SAB shares will have a great impact on the VNIndex, VN 30 and the derivative market .

In addition, according to the Decision No. 1232 / QĐ-TTg (17/08/2017), in 2017, the State will proceed with the divestment of Vietnam Mechanism and Agricultural Machinery Corporation (VEAM), TCT Vietnam Pharmaceutical Corporation , TCT Construction material No. 1 - FICO, TCT Construction No. 1, TCT Licogi Corporation. In October 2017, SCIC is expected to sell 3.3% stake in VNM (SCIC's reduction of its ownership to 36%), which is expected to earn in between VND 6 - 7 trillion. In total, large divestment

transactions are not only opportunities for domestic and foreign investors but also a source of foreign exchange income for the State, contributing to stabilization of the exchange rate policy.

We also note FPT in the this divestment theme. Currently, the company is reducing the ownership ratio in Distribution segment and Retail segment. In Q4, FPT will conduct step 2 of Retail segment capital sale (about 10%) to individual investors via securities companies. Therefore, the pricing of enterprises will also be adjusted to fit the core of its business segments composing of IT and Telecommunication

The topic of "basic stocks, leading stocks, high dividends", When Q3 results are released, stocks that demonstrate good growth, will continue to reach higher prices. We note the banking stocks, business results of banks are positively expected due to economic and credit growth, and stimulation of non-interest activities. The resolution on the processing of bad debts was approved, expecting to accelerate the process of resolving bad debt, collateral, putting the capital into economic circulation and creating additional profits for banks. In general, notable leaders stocks are DXG, KBC, CTD, FPT, NT2, BFC, NTP, RAL, GAS, HPG, NKG, CVT, VGC, TNG, SAB, VNM..

Investment theme "Free Trade Agreements and Exportation", Foreign direct investment (FDI) rose to a record high of $ 25.48 billion, increasing by 34.3% yoy in 9M2017. FDI disbursement also increased significantly to $ 12.5 billion, up 13.4% yoy. Therefore, the prospect will come to the export/import industry, Industrial infrastructure, Logistics. In spite of the TPP impass, Vietnam's textile and garment industry is regaining its footprint with an export growth rate of over 8.6% in 9M2017, stocks related to free trade agreements are Industrial infrastructure, logistics are worth considering in Q4.

9M2017 sector outlook

- We maintain **OUTPERFORM** assessments for the following sectors: **Banks, Real-estate, Construction, Technology, Electricity, Rubber, Fertilizer.**
- We assess **NEUTRAL** at these sectors: **Petroleum, Steel, Beverages, Cement, Tiles, Plastics, Tires, Pharmaceuticals, Textiles, Marine transportation, Sugar and Sugarcane**. We lowered the outlook for **Seaport sector and Insurance sector** from Outperform to Neutral due to the three following factors: supply surplus, fierece port service price competition and decreaing interest rate that aimed at stimulating economic growth. The overall prospects of this group are mixed between positive and negative, so the opportunity, if any, will not come to this whole sector.
- Regarding to **UNDERPERFORM** sector, we are certain that the **Aquaculture** sector would have to confront with many difficulties in Q4 FY2017.

#	Sector	4Q outlook	Mid and Long term recommendation	Following
1	Banking	Outperform	MBB, CTG, VCB	ACB, VIB
2	Real-estate	Outperform	DXG, KBC	VIC, KDH, SCR, DIG
3	Construction	Outperform	CTD, FCN	HBC, VCG, HUT, CTI, PC1,
4	IT	Outperform	FPT, CMG	ITD,ELC
5	Electricity	Outperform	NT2, VSH	PPC, SJD, CHP
6	Fertilizer	Outperform	BFC, SFG	DPM, LAS
7	Rubber	Outperform	TRC, PHR, DPR, DRI	
8	Tire and Tube	Neutral		DRC, CSM
9	Pharmaceutical	Neutral		DHG, IMP, DP3, DBD
10	Plastic	Neutral	NTP, BMP	AAA
11	Oil & Gas	Neutral	PVS, GAS	
12	Steel	Neutral	HSG, HPG, NKG	SMC, VIS
13	Cement	Neutral		HT1, BCC, BTS
14	Ceramic	Neutral	CVT, VGC	TTC, VHL, VIT, TLT
15	Textile	Neutral	VGG, VGT, TCM, TNG	
16	Insurance	Outperform	PVI, BMI	VNR
17	Beverage	Neutral	VNM	SAB, GTN, QNS
18	Seaport	Outperform	VSC, PHP, HAH	CDN, GMD
19	Marine trans-	Neutral	PVT, GSP	VTO, VIP
20	Sugarcane	Neutral		SBT, SLS, LSS
21	Sugarcane	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 30/9/2017
International economy and policies					
1	FED raise interest rate, USD appreciation		N/a	Strong	Affected
2	Brexit – GBP depreciation		Negative	Strong	Affected
3	ECB loose monetary policies, (EUR		Positive	Strong	Affecting
4	Abe-economics policy of Japan (JPY depreciation)		Positive	Strong	Affected
5	Chinese economy rebound		Positive	Very strong	Affecting
6	Material price (oil price, iron ore)		Diverged	Very strong	Affecting
7	Trump's policies Adjustment		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		N/A	Very strong	Affected
12	Chinese communist congress	19/10/2017	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	Affecting
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	Affecting
6	Interest rate in VND decrease	2017	Positive	Strong	Affecting
7	Increasing public investment in infrastructure		Positive	Strong	Affecting
8	Increasing equitization of state-owned enterprises		Neutral	Average	Affecting
9	Divesting Sate-owned enterprises (SCIC,Ministries)		Positive	Very strong	Affecting
10	Increasing GDP, FDI, PMI, ODA, remittances, credit		Positive	Average	Affecting
11	Decree 145/2016/NĐ-SHARE	15/12/2016	Positive	Strong	Affecting
12	Circular 180/2015/TT-BTC	01/01/2016	Positive	Very strong	Affecting
13	Circular 115/2016/TT-BTC	01/11/2016	Positive	Very strong	Affecting
14	Bad debt resolution	15/08/2017	Positive	Very strong	Affecting
Free Trade Agreements					
1	ACFTA – Circular No. 166/2014/TT-BTC	1/1/2015	Average	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	Average	Strong	Not yet
5	Vietnam – EU FTA	2018	Positive	Strong	Not yet
6	RCEP ASEAN + 6	Negotiating	Positive	Strong	Not yet
7	ASEAN Economic Community (AEC)	31/12/2015	Positive	Average	Affecting

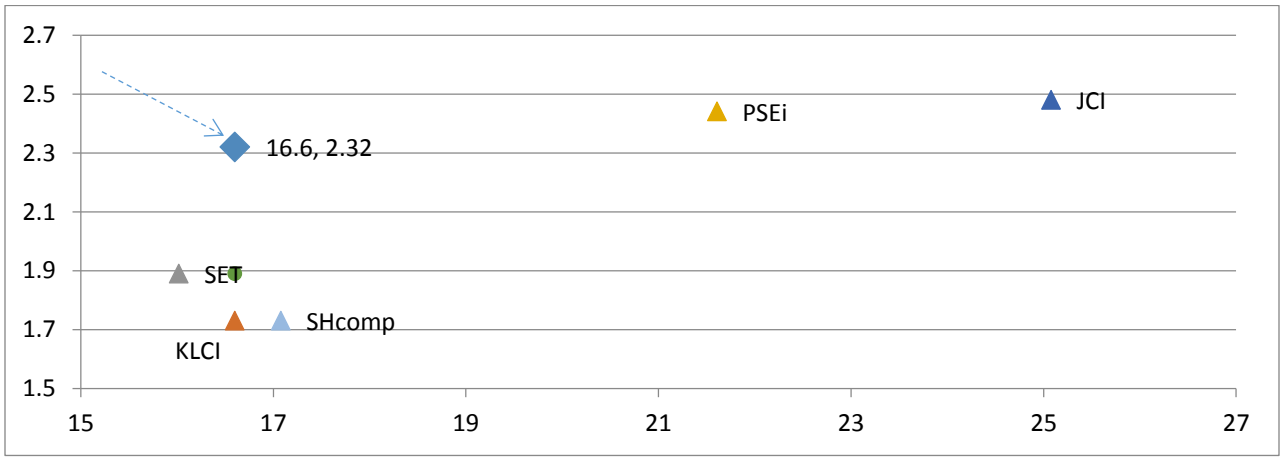
Source: BSC Research, (*)TPP continues under negotiation without US

Comparison with regional stock markets

In the scope of regional emerging stock markets (ASEAN and China), as of 30/09/2017, Vietnam had average rates of both P/B and P/E in comparison to other nations, in which its current P/E is higher than Laos and Singapore. Stable economic condition along with improved business reports continue to stimulate VN-Index reaching higher rank in the region.

For each sectors, the discount levels vary.

Comparison of PE and PB between Vietnam and regional markets



Source: Bloomberg, BSC Research

Compared to ohter Asia Emerging stock marrkets, 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 Consumer, basic material, technology, telecommunications. Real-estate, securities, banking and insurance are valued at a higher price than the regional average.

	Vietnam	Median	Indonesia	China	Phillipines	Thailand
Financial	23.11	21.85	37.21	14.48	25.50	18.20
Consumer goods	27.70	37.74	50.03	23.34	54.21	25.44
Industrials	33.10	26.89	49.69	22.43	21.02	31.34
Oil & Gas	16.35	14.29	16.36	24.08	12.13	12.22
Consumer Service	17.12	36.64	38.82	14.57	34.80	38.48
Materials	12.46	16.38	17.60	17.85	15.15	14.03
Utilities	13.05	16.15	15.60	16.46	15.84	20.55
IT	18.54	45.69	75.22			16.15
Healthcare	20.42	43.55	43.55	51.62		35.26
Telecom	12.54	30.66	29.09	39.37	15.97	32.22

Source: Bloomberg, BSC Research

Performance of recommended portfolio

As in the previous Sector Outlook, the BSC will continue to monitor and issue a recommendation price with specific codes as follows:

	Sector	Ticker	Rev 2017E	PAT 2017E	EPS	P/E	P/B	ROE 2017	Price as of 29/9/2017
Banking	MBB			2,272	9.57	1.93	13.05%	21,750	26,000
	ACB			1,872	16.35	2.58	11.48%	30,600	30,200
	CTG			1,648	11.23	1.85	12.06%	18,500	21,500
	VCB			2,009	18.72	2.75	15.32%	37,600	41,100
	VIB			N/A	N/A	2.54	7.15%	21,600	N/A
Real-estate	VIC	80,000	3,000	1,137	45.00	4.20	7%	51,200	N/A
	DXG	3,300	800	2,641	7.90	1.32	19%	21,000	23,800
	KDH	3,200	500	2,136	11.20	1.90	12%	24,000	25,100
	SCR	2,500	205	903	12.40	0.90	6%	11,200	11,600
	KBC	4,000	750	1,596	8.80	1.00	10%	14,600	20,000
	DIG	1,406	128	504	31.50	1.30	4%	15,900	16,500
Construction	CTD	27,158	1,879	21,434	9.70	2.70	27%	208,000	252,300
	HBC	16,000	828	6,426	9.60	3.90	42%	61,400	n/a
	VCG	10,222	585	1,324	15.60	1.50	8%	20,700	n/a
	FCN	2,800	210	4,242	5.10	1.20	16%	21,600	28,100
	HUT	3,309	462	2,447	4.90	0.50	17%	12,100	14,700
	CTI	1,396	141	2,309	13.40	1.60	16%	30,900	31,800
	PC1	3,585	307	3,137	11.30	1.30	15%	35,350	39,600
	LCG	1,500	70	917	12.40	0.70	7%	11,350	n/a
	VNE	1,113	111	1,228	6.70	1.00	11%	8,260	n/a
IT	FPT	46,619	3,058	5,157	9.09	2.09	20%	48,750	60,228
	CMG	5,042	198	2,237	6.79	0.95	10%	16,700	20,359
Electricity	NT2	7,161	884	3,104	9.43	1.62	23%	26,550	32,400
	PPC	6,567	600	1,712	11.92	1.18	11%	20,250	19,300
	SJD	468	225	3,261	7.36	1.01	17%	23,250	NA
	CHP	667	298	2,366	11.16	1.80	22%	27,000	23,200
	VSH	643	381	1,846	9.15	1.18	12%	18,400	20,530
Fertilizer	BFC	6,564	344	5,411	7.45	2.35	28%	40,300	48,700
	SFG	2,591	99	1,916	7.31	1.14	17%	14,000	16,300
	DPM	7,748	946	2,120	10.73	1.10	11%	22,750	22,800
	LAS	4,000	163	1,355	11.51	1.34	12%	15,600	16,200
	DDV	2,041	1.2	8	987.50	1.19	0%	7,900	N/A
Rubber	TRC	444	87	2,319	12.00	0.58	5%	28,400	33,000
	PHR	1,464	373	3,753	11.00	1.54	16%	42,000	45,900
	DPR	680	202	3,523	12.00	0.87	7%	41,000	49,000
	DRI	546	101	1,311	10.00	1.08	13%	12,600	15,700
Tire and Tube	DRC	3,563	213	1,523	15.10	1.82	13%	23,000	N/A
	CSM	3,575	197	1,701	8.70	1.13	17%	14,800	N/A
Pharmaceutical	DHG	4,250	780	5,369	19.84	4.95	27%	106,500	N/A
	IMP	1,260	128	3,282	19.20	1.99	13%	63,000	N/A

	DP3	250	26	3,823	15.64	3.07	19%	59,800	N/A
	DBD	1,500	144	2,474	20.17	3.08	18%	49,900	N/A
Plastic	NTP	4,663	442	4,621	15.47	3.30	22%	71,500	83,900
	BMP	3,764	460	5,614	13.80	2.72	19%	77,500	119,400
	AAA	2,900	200	3,468	9.88	2.00	22%	34,250	N/A
Petroleum	GAS	72,155	8,613	4,500	15.00	3.00	20%	69,100	74,047
	PVS	18,165	834	1,876	9.6x	0.7x	8%	16,300	20,500
Steel	HPG	46,867	7,795	5,602	6.94	2.05	29%	38,900	46,945
	HSG	26,410	1,671	4,774	5.99	1.84	31%	28,600	35,803
	NKG	12,093	711	6,772	4.89	1.79	37%	35,250	43,882
Cement	HT1	8,649	492	1,288	11.41	0.99	9%	14,700	17,540
	BCC	4,066	130	1,065	8.15	0.46	6%	8,680	11,606
	BTS	3,348	108	808	6.81	0.45	7%	5,500	8,976
Ceramic	CVT	1,305	177	6,300	8.10	3.36	46%	50,900	56,700
	TTC	348	20	3,367	5.50	1.10	18%	18,500	N/A
	VHL	1,972	167	6,676	7.10	1.90	24%	47,100	N/A
	VIT	1,164	70	3,589	6.12	1.70	29%	22,000	28,700
	VGC	8,738	827	1,576	14.50	1.57	15%	22,800	23,200
	TLT	515	45	6,438	2.80	3.00	N/A	17,800	N/A
Textile and Garment	VGT	15,640	310	620	18.40	0.90	4%	11,400	13,619
	VGG	8,113	380	8,460	6.40	1.40	24%	53,900	60,204
	TCM	3,315	182	3,324	8.10	1.40	23%	27,000	32,000
	TNG	2,553	111	2,567	5.90	1.05	18%	15,200	18,538
Insurance	BMI	3,836	195	2,410	13.00	1.00	8%	29,200	32,150
	PVI	7,283	465	1,987	19.10	1.10	6%	32,200	38,000
	VNR	1,788	249	1,900	12.60	1.20	10%	26,300	26,500
Beverage	SAB	34,495	4,703	7,051	29.30	10.50	36%	260,000	168,600
	VNM	52,945	11,220	7,733	19.80	8.94	50%	149,200	180,000
	QNS	7,665	1,349	5,425	15.20	4.40	23%	69,700	82,500
	GTN	3,950	70	280	60.70	1.50	3%	16,350	n/a
	VLC	2,800	115	1,822	9.00	1.16	17%	16,000	n/a
Seaport	GMD	4,354	579	2,774	16.33	2.06	11%	43,750	N/A
	PHP	2,529	504	1,432	10.40	1.39	11%	14,000	22,980
	VSC	1,187	320	7,020	10.67	2.11	20%	56,400	64,500
	HAH	520	130	3,578	6.53	0.91	16%	23,000	30,640
	CDN	640	147	1,634	13.77	1.98	16%	24,800	N/A
Marine transportation	PVT	6,426	410	1,303	11.09	1.00	14%	14,900	19,000
	GSP	1,286	69	2,300	5.60	0.99	18%	13,550	15,200
	VTO	1,312	120	1,521	4.83	0.51	8%	7,300	N/A
	VIP	655	110	1,606	4.76	0.47	8%	7,240	N/A
Aquaculture	HVG	23,400	220	870	10.25	0.73	8%	6,340	N/A
	VHC	8,610	692	6,700	8.97	1.78	15%	51,000	N/A
	FMC	2,800	83	4	7.81	1.15	20%	19,000	N/A
Sugarcane and sugar	SBT(*)	10,156	509	1,058	24.56	1.90	7%	26,000	N/A
	SLS	653	173	18,660	9.40	3.40	32%	175,000	N/A
	LSS	2,272	115	1,540	7.40	0.46	8%	11,400	N/A

Source: BSC Research, *: diluted EPS

Sectors outlook 4th Quarter of 2017

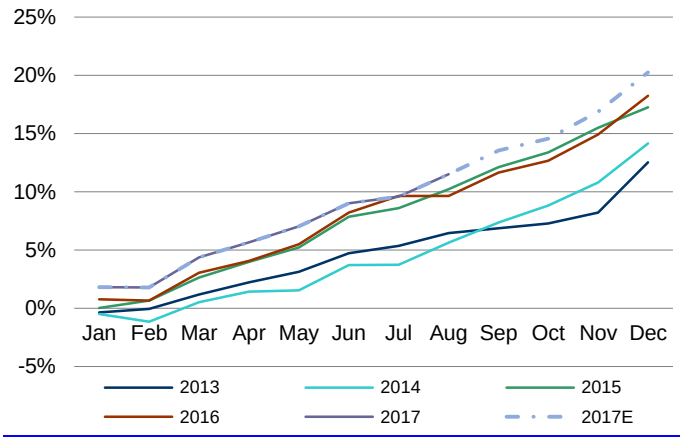
Banking sector [Outperform]

- Credit growth has increased significantly by 11.5%, capital mobilization increase by 9.1% in 8M2017
- The ratio of using short-term debt to medium and long-term in 2018 increased to 45% (Draft amendments and supplement to some part of Circular 36/2014/TT-NHNN) instead of 40% based on current regulations.
- Resolution on Bad Debts (Resolution 42) is officially in effect from 15/8/2017
- The story of strategic bank shareholders
- Many banks intend to underwrite initial public offering (IPO)
- Positive business results of banks.

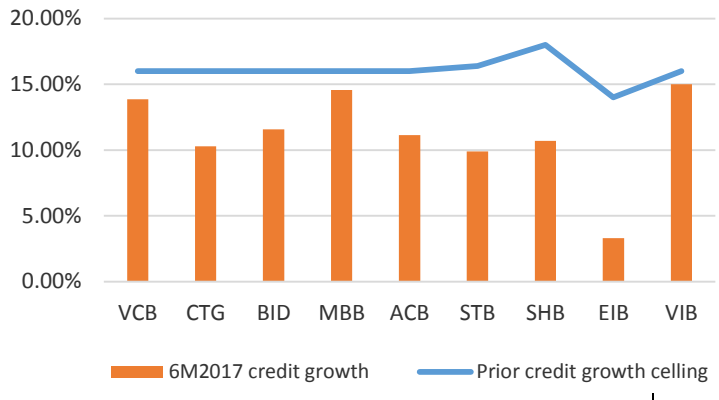
Q3 FY2017

Credit growth has increased significantly by 11.5% in the first 8 months of 2017. This is the highest growth rate since 2013. At the end of 2nd quarter of 2017, the credit growth of banks has approached the ceiling regulated by Central Bank at the beginning of this year. (VCB, ACB, MBB, VIB, BID). In the Government's Permanent Meeting, Ministry Nguyen Xuan Phuc placed the issue of raising credit growth target to 21-22% in 2017. Some banks lifted credit growth limit including VCB (16% - 18%), MBB (16% - 20%), ACB (16% - 20%), and VIB (16% - 24%).

Credit growth of banking



Credit growth of major banks



Source: BSC research, SBV, Credit agency

Capital mobilization increased by 9.1% in 8M2017. According to State Bank of Vietnam, the rate of credit granted compared with mobilization rate is at a high level, reaching 88.73% to the end of July 2017. In which, Nationa banks reached 94.85% (cap is 90%), Joint stock commercial bank is 81.76% (cap is 80%). Banks need to boost the mobilization activites, guaranteeing the liquidity and growth speed in long term.

Draft amendments and supplement to some part of Circular 36/2014/TT-NHNN. Remarkably, SBV proposed expanding the ratio limit of using short term debt to medium-term and long-term lending from 40% to 45% in 2018 (The applied ratio in 2017 is 50%). After that, the ratio would decrease to 40% from 2019. This will generate additional lending resources for medium and long term for banks. In addition, loans group of Real-estate, construction and project financing would be the main beneficiaries of this expansion. This is also a customers segment and interest rates are higher, therefore, it is expected to improve NIM in the short term of banks.

Resolution of bad debts (Resolution 42) is officially in effect on 15/8/2017. At 20/7/2017, SBV issued 06/VT-NHNN's document of implementing the resolution number 42. As we mentioned on the report of assessing the impact of the resolution and the and the Law amending and supplementing the Law Credit institutions, these legal provisions will strongly support the credit institutions in the process of recovering and dealing with bad debts and collateral. In the short run, the NPL ratio may increase slightly due to transparency of banks in order to benefit from the mechanism of handling applied in the Resolution. In long term, it is expected to solve bad debts in commercial banks. The impact of the resolution on each bank depends on the capacity to handle bad debt and the size of bad debt, and collateral assets of the bank itself. Some banks have large ratio of bad debt and large collateral including BID, CTG, STB, SHB, VPB, and EIB.

	VCB	**CTG**	**BID**	**MBB**	**ACB**	**STB**	**SHB**	**EIB**	**NVB**	**VIB**
Secondary tier	4,687	3,570	27,608	2,346	196	5,286	2,207	693	1,704	501
Bad debt	7,922	8,520	15,380	2,216	2,006	13,903	3,334	2,598	609	1,789
Net VAMC' bond	-	6,541	14,773	4,479	1,069	37,134	6,628	5,344	6,888	1,878
Interest, fee receivables	5,261	15,006	8,358	2,910	2,660	4,752	8,989	1,027	3,208	1,059
Total	**17,870**	**33,637**	**66,119**	**11,951**	**5,932**	**61,075**	**21,157**	**9,662**	**12,409**	**5,227**
% Debt	3.41%	4.61%	8.19%	6.92%	3.27%	27.95%	11.77%	10.77%	45.00%	7.55%
Collateral's value	738,115	1,395,070	954,707	516,533	356,354	395,584	384,526	182,561	85,005	191,783
% Total debt	141%	191%	118%	299%	196%	181%	214%	203%	308%	277%

Source: BSC research

The story of strategic banks shareholders. Increasing Owner's equity and issuing stocks for strategic shareholders are the trend helping banks to strengthen the capital resources, human resources, meeting the requirement of Basel II and guaranteeing the long-term growth. Besides some banks are expected to

sell the bank capital to foreign investors (OCB, Oceanbank, and GPbank) as mentioned in the previous report, VCB keeps following the plan of rasing capital issues for financial shareholder GIC, BIDV is trying to find strategic shareholders. In contrast, Standard Chartered confirmed the divestment plan of ACB after many years of holdings, HSBC intends to divest all of its 19.41% ownership in Techcombank.

Many banks intend to underwrite initial public offering (IPO). 1.3 billion Of VPBank stocks officially traded at HOSE on 17/8/2017. LienVietPostBank intends to be listing in Upcom with initial price of 14,800 VND/share at 5/10/2017. There are some listed banks in the near future including Techcombank (Charter capital of VND 8,879 bill), HDbank (Charter capital of VND 8,100 bill), Maritimebank (Charter capital of VND 11,750 bill), TPbank (Charter capital of VND 5,842 bill), TPbank (Charter capital of VND 5,842 bill), Seabank (Charter capital of VND 5,466 bill), OCB (Charter capital of VND 4,000 bill), ABBbank (Charter capital of VND 5,319 bill), Saigonbank (Charter capital of VND 3,080 bill) , Nam A Bank (Charter capital of VND 3,021 bill), Việt Á Bank (Charter capital of VND 3,500 bill).

Positive business results. In 6M2017, total profit before provisions of 11 listed bank is 44,240 VND bill (increase 29% yoy). Some banks had high rate of core operating profit including ACB (+86% yoy because ACB pushes non-interest revenue and doesn't have to deposit the provisions for investment bonds), MBB (+57%), VPB (+ 49%), SHB (+33%) and CTG (+33%) thanks to enhance ment of non-interest operation and retail customers development. Nevertheless, business results before provisions of other banks are negatively decreasing namely STB (-44% yoy) and EIB (-11% yoy). Some banks recorded high PAT growth including EIB (+438% yoy), SHB (+ 57% yoy), ACB (+54% yoy), MBB (+33% yoy), STB (+37% yoy) and VCB (+23% yoy). We noted that although PAT of some banks (STB, EIB) have high growth rate, these results did not reflect the true profitability of these banks due to the fact that net profit before provision had negative growth rates, high pressure of provisions depository may caused bank to stimulate provision desposits in the second half of 2017 and the upcoming years.

Business results of listed banks in the first 6 month of 2017

	VCB	CTG	BID	MBB	ACB	STB	SHB	EIB	NVB	VIB	VPB
Scale											
Chartered capital (VND bill)	35,978	37,234	34,187	17,127	10,273	18,852	11,197	12,355	3,010	5,644	10,765
Equity (VND bill)	52,110	60,320	48,125	27,309	14,884	22,443	13,942	13,748	3,202	8,746	19,523
Total Asset (VND bill)	849,298	1,035,639	1,100,433	276,245	265,842	355,973	251,785	135,914	63,200	115,384	248,714
Total Equity/Total Asset	6.14%	5.82%	4.37%	9.89%	5.60%	6.30%	5.54%	10.12%	5.07%	7.58%	7.85%
Growth (ytd)											
Asset growth	7.79%	9.16%	9.34%	7.80%	13.76%	7.21%	7.62%	5.52%	-8.42%	10.40%	8.72%
Loans growth	13.86%	10.28%	11.56%	14.56%	11.15%	9.90%	10.69%	3.29%	8.77%	15.00%	12.04%
Customer deposit growth	10.00%	5.78%	11.78%	4.36%	11.17%	8.72%	8.85%	10.57%	4.37%	4.93%	4.71%
Demand deposits	26.52%	14.20%	16.45%	32.30%	14.15%	12.96%	9.56%	13.26%	5.43%	18.27%	9.85%
Loan/Deposit	80.79%	105.36%	99.49%	84.93%	78.90%	68.92%	99.12%	79.30%	63.22%	111.29%	125.05%
Asset Quality											

Bad debt ratio	1.51%	1.17%	1.90%	1.28%	1.10%	6.36%	1.85%	2.89%	2.21%	2.59%	2.81%
Bad debt ratio (including VAMC's debt)	1.51%	2.04%	3.67%	3.78%	1.68%	19.96%	5.35%	8.35%	21.75%	5.16%	2.81%
Bad debt provision/total debt	2.12%	1.11%	1.57%	1.32%	1.45%	1.12%	1.08%	1.47%	1.17%	1.25%	1.61%
Bad debt provision/Total bad debt	140.25%	94.87%	82.67%	102.93%	130.85%	17.63%	58.42%	50.67%	52.97%	48.40%	57.24%
Actual income/interest income (ytd)	102.44%	97.83%	103.30%	100.21%	106.02%	105.12%	86.61%	96.24%	91.17%	97.09%	99.88%
Interest, fee receivable/Total loan	1.00%	2.06%	1.04%	1.69%	1.46%	2.17%	5.00%	1.14%	11.63%	1.53%	2.59%
Doubt Asset	23,713	48,816	77,617	21,677	10,402	98,534	30,891	12,249	17,422	5,909	31,222
% Total Asset	2.79%	4.71%	7.05%	7.85%	3.91%	27.68%	12.27%	9.01%	27.57%	5.12%	12.55%
% Owner's Equity	45.51%	80.93%	161.28%	79.37%	69.88%	439.03%	221.56%	89.10%	544.07%	67.56%	159.93%
Business effectiveness (ytd)											
% net interest income	74.82%	82.57%	83.40%	80.54%	72.06%	63.42%	92.08%	79.50%	88.07%	83.75%	84.81%
Profit before loss provision (VND bill)	8,257	9,657	9,915	3,846	2,229	616	1,094	656	80	631	7,259
% yoy	13.37%	32.61%	26.77%	57.35%	85.90%	-43.69%	33.36%	-11.47%	18.60%	-4.24%	48.99%
Credit loss provision (VND bill)	(3,002)	(4,844)	(6,207)	(1,322)	(966)	(38)	(292)	(258)	(72)	(251)	(3,995)
% profit before provision	36.36%	50.15%	62.60%	34.37%	43.37%	6.11%	26.72%	39.42%	89.81%	39.76%	55.04%
Profit after tax (VND bill)	4,222	3,904	2,706	1,998	980	422	646	327	6	304	2,606
% yoy	23.42%	14.57%	1.94%	32.78%	47.83%	36.57%	56.84%	438.24%	-18.00%	24.78%	107.77%
NIM (TTM)	2.65%	2.68%	2.80%	3.95%	3.25%	1.60%	2.16%	2.32%	1.90%	2.87%	8.44%
CIR (TTM)	43.19%	38.14%	38.84%	37.96%	54.08%	82.04%	48.45%	61.52%	83.86%	61.54%	-35.74%
ROA (TTM)	0.96%	0.75%	0.61%	1.31%	0.67%	0.14%	0.49%	0.44%	0.02%	0.60%	2.38%
ROE (TTM)	15.32%	12.06%	13.85%	13.05%	11.48%	2.13%	8.82%	4.25%	0.37%	7.15%	30.40%
EPS (VND/share) (TTM)	2,120	1,961	1,817	1,950	1,666	269	1,085	468	40	1,104	5,033
Book value (VND/share)	14,442	16,126	13,218	15,208	14,488	11,905	12,452	11,127	10,638	15,494	18,135

Sources: BSC research

Investment outlook - Outperform.

We maintain our **Positive** outlook for banking stocks. Business results of many banks are expected to be positive due 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 – Buy – Target price of 26,000 VND/share – upside 20%

We maintain the recommendation of Buying MBB's stock with the target price of 26,000 VND/share based on adjusted P/b method. Good asset, high profitability ratio, and most importantly, MB bank is undervalued compared with other listed banks with adjusted P/B of 1.85). Therefore, MBB is suitable for medium-term and long-term investment.

- The speed of credit growth is high (15% in 6M2017). Bank is accepted to raise FOL to increase the credit to 20% for 2017. Meanwhile, MBB bank is activly expanding its non-interest operations through cross-selling of product and takes advantages of Viettel customer's network. Therefore, non-interest income went up by 12% in 6M2017. Its profitability is higher than most listed banks, high NIM with an increase from 3.58% in 2016 to 3.95% in 6M2017, ROE is 13.05% and it is expected to rise up to 15% in after 3 years.

- The bad debt rate by the end of the second quarter of MB bank is 1.28%, bad debt provisions/Total bad debt is high (103%), the doubt asset based on the calculation of BSC is 21,677 VND bill (equal to 79% of equity, considerably lower than listed banks. Therefore, the expense of bad debt provision of bank is expected to decrease from 2018.

- Besides, M credit is officially operated from 5M2017 and is expected to significantly contribute to the business results of MBB in the near future thanks to the favorable trend of the consumer finance sector in Vietnam). MBB intends to sell 49% Mcredit to foreign partners, gains from divestment is anticipated to account for Equity and thus, increases the book value of MBB. In addition, the bank expects to divest MBland, decreasing the percentage of ownership from 65.29% to 11%.

- BSC forecast the PAT in 2017 is 4,062 VND bill (+42%yoy), equivalent to 2,272 VND/share of EPS in 2017 (already excluded bonus and welfare funds).

ACB – Hold - Target price of 30,200 VND/share.

ACB stock increased by 29% since the publishing date of our ACB's purchasing recommendation report. (Link). ACB is our favourite bank with positive core business results, good asset quality and good expectation from the bank to solve all the G6's bad debts related to Mr. Kiên's case in 2017.

- Loans increased by 11.15% in 6M2017. ACB is approved by SBV to raise the FOL credit limit up to 20% in 2017. Net profit from operating activities before provisions increases to 86% in the half of 2017.

- Strict risk management, good asset quality. Bad debt ratio by the end of 2nd quarter of 2017 is 1.1%, doubt debt based on the calculation of BSC is 10,402 VND bill (equal to 70% of bank's equity). Bad debt provision/Total bad debt is 131%.

- ACB is expected to complete G6's provisions in 2017 (one year earlier). Total value of remaining debt of G6 at ACB by 30/6/2017 is 3,527 VND bill, which means that bank already recovered about 388 VND bill. Total value of remaining debt of G6 after provision is 558 VND bill, which is the highest value of G6's provision in ACB within the last two quarters of 2017. Meanwhile, total collateral for G6's debt is 3,568 VND bill (including 1,237 VND bill which is the value that third party agree to buy the other listed financial institution – already deposited 416 VND bill), 25 VND bill is the other bank's deposit. Therefore, we suppose that ACB can record the reversal of these provisions after solving these collaterals.

- BSC forecasts the PAT in 2017 is 1,896 VND bill (+43%yoy), equivalent to 1,872 VND/share of EPS in 2017 (already excluded bonus and welfare funds).

CTG – Buy – Target price of 21,500 VND/share - upside 16%.

CTG is one of the largest banks of the system (in terms of network, scale of loans, mobilization) and undervalued (adjusted P/B is 1.85x). The bank set the target of 8,800 VND bill for profit before tax, increasing 3% yoy (equivalent to 1,568 VND/share of EPS 2017). Especially, CTG intends to buy back all the bad debts sold to VAMC for self-resolving in 2017 (remaining net value was 6,541 VND bill). We noted that with the large scale of doubt assets, (54,350 VND bill), many loans with high collaterals value– about 179% of collaterals) CTG befnifited from the implementation of Resolution of Bad debts. After that, the bank can enhance its asset quality and income.

	EPS 2017F	BV	Adjusted BV	ROA	ROE	CAR	P/B	Adjusted P/B	The price of 29/09/2017	Suitable price of stock	Link
MBB	2,272	15,945	11,248	1.31%	13.05%	12.50%	1.36	1.93	21,750	26,000	Link
ACB	1,872	15,097	11,842	0.67%	11.48%	13.19%	2.03	2.58	30,600	30,200	Link
CTG	1,648	16,200	9,996	0.75%	12.06%	10.40%	1.14	1.85	18,500	21,500	Link
VCB	2,009	14,484	13,697	0.96%	15.32%	11.13%	2.60	2.75	37,600	41,100	Link
VIB	N/A	15,494	8,507	0.60%	7.15%	13.30%	1.39	2.54	21,600	N/A	

Sources: BSC research

Real-estate Sector [Outperform]

- The apartment market continued to trade positively, with the total transaction in Ho Chi Minh city in the second quarter in 2017, reaching a peak of 11.600 apartments since 2011, increasing by 67% YoY.
- The number of apartments for sale declined in Ho Chi Minh city and Hanoi.
- The decreasing trend of inventory's value is slowing down.
- The significant growth in the real-estate's business result reflected the recovering state of the field.
- The profit is expected to generate at the fourth quarter of 2017 and 2018.
- The real-estate of industrial zone maintained sit positive potential thanks to the significant increase of FDI fund.
- We maintained our Outperform evaluation for all stocks in the real-estate sector.

Q3 FY2017

The apartment market continued to carry out a positive sign of business: The total transaction in 1H2017 in Ho Chi Minh city reached 11.600 apartments , increasing by +67% YoY. The transaction in the Quarter II in 2017 has peaked since 2011; focusing on the Western area (including District 6; 8; Tan Phu and Tan Binh) while the trend had changed from East to West. In Hanoi's market, the total transaction reached 6.800 apartments, increasing by 13% YoY. The busiest segment is still Class B Apartment and in such districts as: Ha Dong, Hoang Mai, Tu Liem and Thanh Xuan (accounting for 60% of the market share.

The number of aparments for sale declined in Ho Chi Minh city and Hanoi: Accordng to the market report from Savills in the Quarter II in 2017, the number of apartments for sale in Ho Chi Minh city reached 4.700 (+8.5% YoY), causing the primary demand to decrease by 7% in comparison with the increase by 13% in Quarter I in 2017. However, the number of the apartments for sale increased considerably, which boosted the total income source to 24.550 apartments (+42% YoY)

The decreasing trend of inventory's value is expected to be slower: According to VNReal, by June 20th 2017, the total inventory's value was 27.341 billion dollars (-13.2%YTD), BSC found that the speed of decreasing inventory's value started to slow down after the rebound of real-estate sector. At the present, the land-for-housing segment is achieving the highest percentage, accounting for 47.6% in the total inventory's value, the low-rise house and apartment segments respectively contribured 26.6% and 16.7% to the inventory structure. The remaining segment was the commercial land.

The significant increase in the real-estate's business result reflected the rebound state of the sector. According to the report, in the first six months in 2017, the total revenue of listed real-estate corporation was 57.4 thousand billion (+41.2% YoY). However, the profit after tax reached 4.023 thousand billion, increased slightly by 3% in comparison to the same period, mainly affecting NVT.

However, there were 30/52 recorded businesses to have improvement in business result in comparison with last year, reflecting the differentiation in this sector. This phenomenon happens when corporations have qualified products, reliability, time and guarantee and there is plenty of demand in the market.

Stock	Revenue of 1H2016	Revenue of 1H2017	% higher/lower	PAT 1Q2017	PAT 1Q2016	% higher/lower	Inventory	Unearned Revenue	Unearned Revenue/ Inventory
VIC	35.194	24.005	47%	1.715	1.543	11%	53,647	57,992	108%
DXG	879	1.087	-19%	203	148.9	36%	1,394	899.6	65%
KDH	1.955	1.252	56%	234	201	16%	4,034	777.7	19%
SCR	550	168	228%	67	37	79%	3,795	2,778	73%
DIG	586	488	20%	8	1	773%	3,154	767.7	24%
ITC	293	69	323%	38	0	28249%	2,686	313.7	12%
NVL	3.333	4.966	-33%	840.5	1,553	-184%	20,030	6,905	34%
KBC	484	1.113	-56%	414	391	5%	8.217	399.1	5%
NLG	1.262	1.068	18%	310	127	143%	3.495	1,160	33%

Source: Firm's financial report, BSC Research

Profit is expected to generate at the start of fourth quarter 2017 and 2018. Due to the lag in revenue and profitability, many businesses, despite having good sales speed, have not yet fully reflected in business results. The inventory ratio of some companies such as VIC, DXG, SCR, NVL, NLG in Q2/2017 also improved compared to Q1/2017. As a result, we expect business results of such companies (VIC, DXG, and SCR) to continue growing strongly by the end of 2017 when more large projects are handed over like Opal Riverside - Opal Garden (DXG). Charmington La Pointe (SCR), Vinhmore Central Park (VIC), Orchard Garden - Lakeview City - Rivergate Residence - The Tresor Residence - GardenGate Residence (NVL).

The real-estate of industrial zone has maintained the positive potential thanks to the significant increase of FDI capital. Particularly, in the first nine months of 2017, registered FDI was $ 25.48 billion (+ 34.3% yoy), $12.5 billion in disbursed FDI (+13, 4% yoy), higher than the earlier forecast of $ 24 billion for registered FDI and $ 15.5 billion for disbursed FDI. This factor is expected to generate a large number of demands for land leasing in the industrial zone. The companies which have large land fund and areas for lease are KBC, LHG and VGC.

Investment outlook - Outperform.

We have an **Outpterform** evaluation for Real-estate sector when the Real-estate market is still buoyant, especially in the mid-end and low-end segments. The progress of collecting cash from customers continued to improve compared with Q1/2016, which helped businesses balance the cash flow and eased the pressure depending on the tightening loan capital of TT36. In the period 2017-2018, the business results of Real-estate companies are forecasted to continue improving thanks to the cycle

revenue. We maintain a positive outlook for investors who have quality products and good sales progress such as VIC, KDH, SCR and DXG.

DXG – Target price of – 23,800 VND/share – Upside 17.8%

DXG is one of the leading brokers in Vietnam, and one of the investors focusing on the middle segment. In the first six months of 2017, the company recorded about 270 billion VND net profit. It is expected that in the end of the year, with the project team, DXG would have 100% of the Opal Riverside project (EBT is 383 billion VND) and 50% of the Opal Garden project (EBT is about 106 VND bill). Besides, the revenue is also from secondary projects. It is estimated that in 2017, DXG's EAT of 2017 will be 800-1,200 billion VND (+ 49% - 123% yoy), which is equivalent with EPS of 2017 from 2,641 to 3,961 VND, mainly recorded in Q4/2017. BSC believes that the high growth rate of EAT would continue in 2018. As there are 5 projects in operation (Opal Gargden, Opal Skyview, Opal Tower, Lux Gardern, Lux Riverview) the EAT is expected to be 600 billion VND. Moreover, the secondary projects will be the main source of profit for DXG in 2018. For the period 2019 - 2020, DXG has planned to deploy about 9 projects and build land fund in secondary provinces to prepare for the next 5-7 year plans.

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

KBC is the leading company in the Real-estate industrial zone sector with the advantage of land fund accounting for 8% of the total land area of the industrial zone along with the cost of cheap land clearance. The total area of 5,174 hectares of industrial zone (IZ) accounts for 6% of Vietnam total industrial zone and 1,063 hectares of urban area (KDT). In 2017, KBC's revenue will come mainly from Quang Chau Industrial Zone, Trang Due 2 Industrial Zone and Phuc Ninh Urban Area. We estimate the EAT for KBC's parent company this year to be 750 billion VND, the EPS forward 2017 = 1,596 VND/share, implying a forward P /E of 8.8x.

As for long term, we have a positive outlook for KBC thanks to the strong uptrend of FDI into Vietnam. (1) The main revenue comes from Quang Chau Industrial Zone (Bac Giang) and (2) Trang Due Industrial Zone 2 (Hai Phong), Nam Son Hap Linh Industrial Zone (Bac Ninh), while Que Vo IZ will start contributing revenue since 2018.

Stock	Revenue of 2017 (VND bill)	Profit of 2017 (VND bill)	EPS 2017	P/E FW	P/B	ROE 2017	Dividend of 2017	Close price at 30/09/2017	Target price
VIC	80,000	3000	1,137	45	4.2	7%	n/a	51,200	N/A
DXG	3,300	800	2,641	7.9	1.32	19.4%	20%	21,000	23,800
KDH	3,200	500	2,136	11.2	1.9	11.7%	10% cash	24,000	25,100
SCR	2,500	205	903	12.4	0.9	6.3%	n/a	11,200	11,600
KBC	4,000	750	1,596	8.8	1	10.2%	n/a	14,600	20,000
DIG	1,406	128	504	31.5	1.3	4.3%	6% - 8%	15,900	16,500

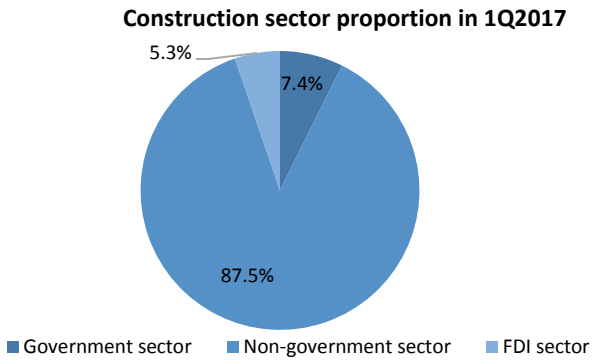
Source: BSC Research

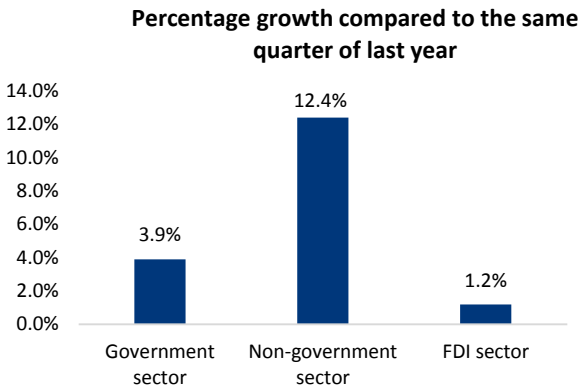
Construction Sector [Outperform]

- Construction production value grew stably, reaching VND 506.6 thousand billion, increased by 11% 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.
- Construction market is expected to increase because FDI fund investing in Vietnam is highly growing.
- BSC maintains its positive outlook for construction sector in the last quarter of 2017.

Q3 FY2017

Construction production value grew stably: In the first 6 month of 2017, construction production value according to current market price was estimated to be VND 506.6 thousand billion (+11% Yoy); main contribution of this value came from non-government construction sector with a construction value of VND 443.2 billion (+12.4% YoY). While the government sector records a slight increase of 3.9% YoY, FDI sector increased slightly by 1.2% YoY.





Source: The General Statistics office of Vietnam (GSO)

Business result of contruction sector increase significantly in 1Q2017, nevertheless, strong differentiation occurred among listed corporation. In 1Q2017, total revenue of Construction corporation was VND 46,841 billion (+1.9% YoY), with total PAT increase significantly to VND 2,312 billion (+14% YoY). This strong growth of PAT is thanks to high net profit margin of construction group such as HBC, VCG, FCN, and LCG. The sector growth narrowed with only 52/108 corporations recording profit growth in comparison to the same quarter of last year, in which leading corporations continued recognizing significant growth: CTD (PAT +20% YoY), HBC (PAT +175YoY).

1Q2017	Revenue (VND bill)	% yoy	PAT (VND bill)	%yoy	Gross profit margin 1Q2017	Gross profit margin 1Q2016	P/E	P/B
CTD	10.544	29%	713	20%	8,7%	6,8%	10,3	2,5
HBC	6.757	66%	377	175%	11,4%	5,3%	9,9	4,4
VCG	4.189	29%	276	43%	16,4%	5,7%	15,9	1,5
PC1	1.381	-12%	122	-38%	17,5%	10,1%	9,8	1,7
FCN	706	10%	57	28%	15,8%	7,4%	6,4	1,1
HUT	1.034	-13%	183	15%	28,3%	14,5%	5,3	0,9
CTI	558	-2%	70	26%	38,9%	10,5%	10,5	1,6
LCG	511	52%	41	106%	12,1%	6,2%	9,7	0,8
VNE	509	74%	74	-401%	15,1%	1,3%	6,9	0,7

Source: Corporation's financial report, BSC Research

Investment outlook – Outperform.

BSC maintains its **Outperform** outlook for construction sector in the last quarter of 2017**.** With the main supporting factors from: (1) Business results of construction corporations are usually the highest of the year in Q4 thanks to seasonal nature of Real-estate companies's house transfer. (2) Backlog of leading civil construction is keeping high growth rate such as CTD (VND 30,451 bill, +10% YoY), HBC (VND 21,000 bill, +20.1%). (3) FDI capital inflow recorded significant growth rate. We are sure that leading civil construction corporations such as CTD and HBC would keep growing in 2018. The same potential can be observed in the industrial construction sector and infrastructure construction sector.

CTD – Target price of 252,300 VND/share – upside 21.2%

Revenue of CTD in 1Q2017 is VND 10,544 bill (+29.9% yoy), gross profit is VND 879 bill (+20%), net profit is VND 713 bill (+19.7% yoy) equivalent to completing 40.7% of the year profit target. Currently, CTD announced some of its biggest contracts in 2H2017 such as Hoi An's Casino (VND 7,000 bill), Paohong factory in 2nd and 3rd phases (VND 1,900 bill). BSC forecast the net revenue of CTD in 2017 is VND 27,158 bill (+30.7% yoy - 100% of plan), net profit is VND 2,308 bill (+28.3 yoy thanks to growth in newly signed contracts and backlog in 2016). PAT of 2017 is VND 1,879 billion (+35.2% yoy), equivalent to EPS of 21,434 VND/share. (Assuming that company extracts 7.5% of Bonus and Wellfare funds); P/E forward = 10.1x.

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

HUT is one of the leading corporations of transportation infrastructure construction in the North. However, in the last 2 years, the company started moving in Real-estate sector by executing the BT projects. The main growth motivations for business result of 2Q2017 are from 2 projects: Xuan Phuong Residence and South Building with 100% of sold apartment (Total revenue of 3,300 VND bill). Moreover, HUT would record about VND 800 billion remaining from Foresa Villa project. Revenue from BOT's fee would be VND 600 bill in 2017 (+57% YoY). In addition, HUT would have about VND 800 bill of revenue each year when 5 BOT's station operate stably. BSC calculates the revenue of 2017 to be VND 4,600 bill, PAT is about VND 550 bill and 2.287 VND/share of EPS, P/E forward is 5.1x.

PC1 – Target price of 39,600 VND/share – upside 11.3%.

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, construction of transmission electricity would be the main contributor of revenue source. PC1 already signed many contracts with a total value of USD 63 million from the beginning of 2017, rasing total uncompleted contract value to USD 120 million. Although Real-estate sector would not contribute to revenue in 2017, PC1 expects to record a revenue of VND 1,200 billion of from My Dinh Plaza 2's project. In term of hydroelectricity, from 12M2017, two new factories including Bao Lam 3 (production of 46 MW) and Bao Lam 3A (production of 8MW) would operate, equivalent to 91% total of production. Besides, the firm is planning to construct 2 more hydroelectricity factories including Mong An (30MW output) and Bao Lac B (18MW output), +42% total ouput. Therefore, BSC claims that revenue growth of PC1 in 2017 would not change significantly, plunge of profit would start in 2018 thanks to Real-estate and hydroelectricity.

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

We maintain our Buy recommendation for CTI with the target price of 31.800 VND/share. As of 30/09/2017, CTI was traded at 30,150 VND/Share, corresponding to a P/E FW of 9.4x. As we had mentioned in our previous analysis reports and update reports , CTI is our favourite stock thanks to (1) BOT's fee collection operation is generating a stable cash flow with high profit margin in the range of 62-88% in 2016 with low risk; (2) long-term business potential from stimulating mining quarries excavation and industrial zone operation. Although revenue and profit of CTI doesn't increase sharply in 2017, quarries sector recived our high expectation of profitability in 2018. Especially, CTI intends to exploit about 2 million m^3 of stones. CTI currently owned 4 quarries including Tan Cang 8. Doi Chua 3, Binh Loi and Xuan Hoa with (remaining amount reached 38 million m^3), the remaining exploitation time is long (until 2034) in the context that (1) Many licenses of quarries exploitation would be expired in the next year, (2) the stone prices increased about 15% - 20% in comparision with the same quarter last year thanks to high construction demand.

Stock	Revenue of 2017F (VND bill)	Profit of 2017F (VND bill)	EPS 2017F	P/E 2017F	P/B 2017F	ROE 2017F	Dividend 2017	Close price at 30/9/2017	Target price
CTD	27,158	1,879	21,434	9.7	2.7	27%	30% cash	208,000	252,300
HBC	16,000	828	6,426	9.6	3.9	42%	15% cash	61,400	n/a
VCG	10,222	585	1,324	15.6	1.5	7.8%	10% cash	20,700	n/a
FCN	2,800	210	4,242	5.1	1.2	16.3%	10% cash	21,600	28,100
HUT	3,309	462	2,447	4.9	0.5	17.4%	15% cash	12,100	14,700
CTI	1,396	140.9	2,309	13.4	1.6	16.2%	17% cash	30,900	31,800
PC1	3,585	307	3,137	11.3	1.3	14.5%	20% cash	35,350	39,600
LCG	1,500	70	917	12.4	0.7	6.5%	7% cash	11,350	n/a
VNE	1,113	111	1,228	6.7	1	11.3%	10% cash	8,260	n/a

Source: BSC Research

Technology sector [Outperform]

- 4G networks cover 95% of Vietnam's population
- The quality of Vietnam's telecommunications growth improved, revenue from telecom sector in 9 months of 2017 is estimated at VND 283.9 trillion, up 8.1% over the same period last year.
- Business results of the IT - Telecom business group continued to grow well

Q3 FY2017

4G networks cover 95% of Vietnam's population. More than 80,000 4G base transceiver stations have been deployed to target 4G coverage throughout Vietnam from now until the end of 2017. After the launch, VNPT has deployed 4G in many provinces to prepare for the nationwide rollout in 2017. VNPT plans to deploy around 15,000 4G base transceiver stations focusing on key areas in 63 provinces. Meanwhile, Viettel launched 4G LTE services nationwide using 4T4R technology in April, and deployed 36,000 base transceiver stations covering 95% of the population. As for MobiFone, it has already built 4,500 4G LTE stations and expecting to reach 30,000 4G transceiver stations from 2017 to 2018. Fast growth coverage will motivate growth not only for the whole society, but also for the entire 4G cellular mobile retail industry, as happened in China in early 2016.

The quality of Vietnam's telecommunications growth has been improved. According to the General Statistics Office, there are currently 113.2 million mobile subscribers down 12.7% over the same period last year as the Ministry of Information and Communications continues to inspect network operators in the management of unregisted sim, the number of mobile subscribers is expected to be cut down even further. In addition, the number of fixed broadband Internet subscribers is estimated at 10.5 million, up 19.5% over the same period of 2016. Revenue from the telecommunications sector in 9 months of 2017 is estimated to be VND 283.9 trillion, up 8.1%. % over the same period of 2016.

Q2 2017 and Q1 2017 business results update.

FPT's 1H2017 result was quite impressive with a pretax profit of Technology sector to be VND 453 billion (+32% yoy, mainly contributed by Software exports) and VND 623 billion of Telecommunications sector (+1% yoy, mainly contributed by a 18% yoy increase in telecommunication services due to lower fiber optic costs).

Stock	Revenue			After-tax profit of FPT shareholders			EPS		
	6T2017	6T2016	yoy	6T2017	6T2016	yoy	6T2017	6T2016	yoy
FPT	19,365	17,425	11%	924	820	12.7%	1,747	1,556	12.3%

CMG and ITD having Q12017 financial quarter ending on June 30 released financial statements Q12017, where ITD recorded a drop of 59.4% yoy in after-tax profit. In regards to CMG, its growth was mainly contributed by the telecom segment, with Q12017 revenue of telecom reaching VND 321.8 billion (+ 6%YoY), pretax-profit of VND 30.6 billion (+7.5% YoY) thanks to its sea optical cable APG has come into operation.

Stock	Revenue			Gross Profit Margin		Net income			EPS		
	Q12017	Q12016	yoy	Q12017	Q12016	Q12017	Q12016	yoy	Q12017	Q12016	yoy
CMG	1,040	987	5.4%	13.46%	12.87%	26.5	20.6	28.6%	398	259	53.7%
ITD	73	101	-27.7%	35.62%	24.75%	1.5	3.7	-59.4%	73	243	-69.9%

Investment outlook - Positive

We maintain our **Outperform** assessment for with the IT -Telecommunications sector as stated in previous BSC reports. We maintain our recommendation of medium- and long-term buy with two stocks: FPT and CMG as these two corporations' business continues growing steadily.

FPT - Buy - Target price of 60,228 VND/share

8M2011 results: Revenue is VND 27.340 billion (+11% yoy), EBT stands at VND 1,992 billion (+16% yoy), EAT is about VND 1,303 billion (+16% yoy), EPS 8M2017 = VND 2,460.

Divestment in Retail: FPT has completed step 1 in its divestment plan(30% SH) for institutional investors, reducing its stake from 85% (current) to 55%. Step 2: Sell up to 10% for other investors through securities companies, reducing FPT's stake in FPT Retail to below 50%. It is expected that the deal will be completed in 2017, after that FPT Retail would be listed on HSX in 2018. BSC estimates that if FPT reduces its stake of 35% in FPT Retail, its EPS will increase by 1,131/ VND share.

Divestment in Wholesales: The total proceeds from this deal were about VND 1,431 billion (including VND 638 billion received from retained earnings of FPT Trading).

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

According to the financial statement of CMG, Revenue of Q1 financial year 2017/2018 reached VND 1,040 billion (+5.37% yoy), Gross profit margin was 13.47% increasing slightly in comparison to 12.96% of the same period in 2016. EAT of the parent company was VND 26.51 billion (+28.59% yoy), EPS of Q1 = VND 398

Continue promoting Data center and Transmission line. Currently, CMG has a data center with an area of over 1,000m2 in Hanoi, expected annual revenue of VND 90-100 billion, pre-tax profit margin of 10-15%, investment cost for DC of 1,000m2 is about VND 40 billion. In the upcoming time, CMG plans to rent 9,000 square meters of land in Tan Thuan - HCM to build a complex in which the DC area is 3,000 - 4,000 m2. Besides, there will be a software development area and an office area for the staff in HCM city. About the construction of the transmission line, the North-South line of CMG is expected to be inaugurated in September 2017, total investment value is about VND 200 billion, depreciating in 10 years, enterprises estimated. The activation of the North-South line will help to save costs as the depreciation costs will be lower than the current renting cost, in addition, CMG can lease this tramission line to its business partners.

Stock	Revenue of 2017	Net income of 2017	EPS 2017	PE 2017	PB 2017	ROE 2017	Div 2017	Closed price 29/09/2017	Target price
FPT	46,619	3,058	5,157	9.09	2.09	19.88%	20%tm	48,750	60,228
CMG	5,042	198	2,237	6.79	0.95	10.18%	N/A	16,700	20,359

Source: BSC forecasts, with CMG forecasts for financial year 2017 (01/04/2017 - 31/03/2018), EAT is owned by parent company CMG 2017/2018 forecasted at VND 155.8 billio

Electricity Sector [Outperform]

- Commercial output of 8T2017 reached 113.9 billion kWh (+ 8.8% yoy).
- In the first half of 2017, thermal power declined sharply, hydropower continued to grow.
- Hydropower stocks will be stable, while opportunities come from thermal power stocks.

Q3 FY2017

In the first eight month of, commercial electricity output reached 113.9 billion kWh (+ 8.8% yoy), of which domestic commercial electricity was estimated at 113.17 billion kWh, increasing 9%. Hydropower's share in the first six month of 2017 has increased to nearly 23%, compared to only 13% of the same period of 2016 thanks to favorable hydrological situation. In contrast, the proportion of gas-fired power plants fell sharply from 37% to 31% of total electricity sold in the competitive electricity market, as input gas prices rose 16% yoy.

Business results in 1H2017. Hydropower continued to grow at strong momentum thanks to the high level of water. Meanwhile, on the thermal power plants of coal and gas side, input prices have increased sharply compared to the same period of 2016, making the revenue to growth. However, the corresponding effect to gross profit margin, along with efficiency of hydropower, forced the earning after tax to drop sharply (except for PPC due to a drop in foreign exchange losses).

Tickers	Revenue 1H2017	YoY	Net income 1H2017	YoY	P/E	P/B
NT2	3,549.97	20%	456.32	-34%	9.20	1.51
KHP	1,747.48	9%	(26.92)	NA	50.88	0.70
NBP	319.97	-9%	5.79	-65%	18.08	0.75
PPC	3,157.88	-1%	593.49	NA	4.34	1.17
BTP	385.11	-51%	(33.43)	-176%	16.76	0.67
CHP	411.89	135%	197.70	11090%	7.79	2.10
SHP	224.27	72%	22.32	-142%	12.37	1.77
SJD	213.83	56%	88.90	48%	8.05	1.49
TMP	361.33	80%	158.87	470%	10.11	2.53
TBC	132.95	-4%	65.64	-10%	15.37	1.84
SBA	140.65	166%	54.13	55609%	7.96	1.38

Source: financial statement of companies

Investment outlook - Outperform

The last two quarters of the year are usually the time when the output of the thermal power companies increased as most of the hydropower companies enter the dry season, so thermal power companies' sales will improve compared to the first two quarters. For hydropower companies, the fourth quarter and 2018 is unlikely to witness strong growth as in 2017. We maintain an **Outperform** assessment for the electricity sector. We also believe that the hydropower companies have entered a stable stage, while thermal power stocks have more opportunities in Q4 and 2018.

NT2- Hold- Target price of 32,400 VND/share

During the period from September 1 to October 14, NT2 will overhaul two units, making the production plan in 2017 to be at 4.5 million kWh only. However, this short-term factor, in our opinion, does not significantly affect the company's sustainable internal factors. As of 31/12/2016, NT2 has outstanding foreign currency debt of over USD 123 million and EUR 112 million. In 1H2017, the EUR exchange rate increased by 12% against the VND, one of the main reasons for NT2's loss of VND128 billion (compared to VND 49 billion in 1H2016). However, we consider this factor to have a temporary effect on NT2. In the fourth quarter of 2017, the Ministry of Industry and Trade ordered to stop the competitive electricity market and prioritized the mobilization of electricity from thermal power plants, improving the electricity output of NT2, especially after the large repair of NT2 has been completed.

PPC- Hold- Target price of 19,300 VND/share

PPC's restructuring of its JPY loan structure reduce in the exchange rate risk, made us change our investment outlook of PPC. By the end of 2016, PPC has outstanding loans of JPY 21.35 billion. In February, PPC made a prepayment of 8 billion JPY at the estimated 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 the outstanding debt in TPY to about JPY 6 billion. Some risks investors should consider: (1) The PL1 plant has been depreciated completely so the efficiency is rather low, making it difficult for PPC to apply for Qc for this plant. (2) VND 817 billion dong invested in QTP has made provision for VND 409 billion in 2015 and VND 85 billion in 2016. However, QTP's business outlook in 2017 will be doom due to exchange rate differences.

VSH- Buy- Target price of 20,530 VND/share

In first and second quarter, FY2017, thanks to the heavy rainfall in the area, VSH's business results have grown sharply over the same period of 2016. We expect that in Q3, VSH's earnings will continue to improve. However, in the fourth quarter, VSH's reservoirs will accumulate water for production in the first quarter of 2018 as El Nino is expected. However, we think this is a temporary effect. With investment horizon of 1 year, we recommend Buy with a target price of VND 20,530. This recommendation does not reflect the long-term potential of the Upper Tum-Kon Tum project (with a capacity of 220 MW coming into operation from March 2019).

Ticker	Revenue 2017	EAT 2017	EPS 2017	P/E fw	P/B	ROE 2017	Closed price 29/09/2017	Target price
NT2	7,161	884	3,104	9.43	1.62	23%	26,550	32,400
PPC	6,567	600	1,712	11.92	1.18	10.6%	20,250	19,300
SJD	468	225	3,261	7.36	1.01	17%	23,250	NA
CHP	667	298	2,366	11.16	1.80	22%	27,000	23,200
VSH	643	381	1,846	9.15	1.18	12%	18,400	20,530

Fertilizer Sector [Outperform]

• As of 15/9/2017, fertilizer exports increased 44% yoy in volume and 36% in value; imports increased by 22% and 20%, respectively.

• Fertilizer price increased slightly in Q3/07, however, it remained in low level. Urea prices increased 4.94% yoy, DAP up 1.71% yoy while NPK prices are stable.

• Gas price increased by 26% yoy, which reduced DPM's profitability

• In August, the Ministry of Finance completed a project to amend and supplement the tax policy, exclude fertilizer from VAT-deductible goods.

• Apply the self-defense tax of 1.855.790 VND / ton for DAP and MAP fertilizer imported from 19/8/2017, lasting no more than 200 days.

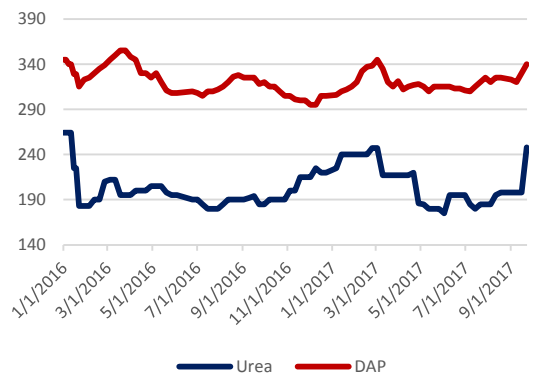
• Fertilizer market gradually recovered with many companies having strong business results in QII / 2017 such as DCM, LAS, BFC

Q3 FY2017

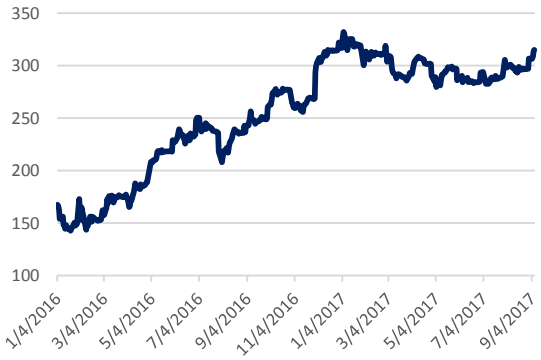
Fertilizer import increased by 22% in volume as of 15/09/2017, reaching 3.4 million tons, up 20% in value to VND 925 billion. Some imported products that have fast growth rate are NPK (+ 68% yoy), DAP (+ 41% yoy), Potassium (+ 28% yoy), only the import of urea decreased (-23% yoy).

Fertilizer price in the world has slightly increased in the third quarter of 2017. In quarter 3/2017, the average world price of urea rised 4.94% yoy, DAP price increased 1.71% yoy, while NPK prices relatively stable, only 0.61% higher yoy. The positive point is that from August, 2017, prices of fertilizers in the world have increased. However, in the long term, fertilizer prices are forecast to remain low due to oversupply (IFA forecasts, excess supply of urea is 7%, that of potassium is 14% in 2021, while phosphate is expected to be in oversupply until 2019 and will reach balance in 2021). This continues to put pressure on keeping fertilizer prices low in the long run, thereby affecting the performance of businesses.

Price of fertilizer



FO Oil Singapore



Price of gas increased. Input price of gas, the main raw material for production of urea fertilizer of Phu My Fertilizer Plant and Ca Mau fertilizer plant, and increased 2% compared to Q2 / 2012 and increased up to 26% compared to the same period of 2016, which significantly increased input costs of the company. This resulted in a sharp decrease in DPM's business results (-42%). On the other hand, thanks to the low annual gas price, DCM's business results grew 62% yoy in 6T2017. We believe that with the PVN gas price mechanism applied to DCM, by the end of 2017, pretax profit will reach 12% of equity.

Fertilizers subject to VAT under the draft amendments and supplements to tax policies. Accordingly, the fertilizer is considered to be transferred from a non-value added tax (VAT) object to one of two options: (1) 5% VAT; or (2) 10% VAT, in which the Ministry of Finance proposes option 1. If adopted, the provisions of the Law are expected to come into effect on 1 January 2019. With this regulation, the producers of the fertilizer will be deducted input VAT, thereby reducing the pressure on costs. We estimate the deductible tax expense of VND 300 billion for DPM, VND 100 billion for LAS and VND 138 billion for DDV.

Officially applied self-defense tariff of 1,855,790 VND/ton for DAP and MAP fertilizer imported from 19/8/2017; this tax last no more than 200 days. This is expected to reduce the unhealthy competition between DAP, MAP produced domestically and imported fertilizers, thereby improving the business situation of DAP fertilizer producers MAP as DDV.

Difference in business results. By the end of the first 6 months of 2017, many companies had positive business results, including QBS (+ 53% yoy) thanks to a sharp drop in financial expenses (VND56 billion), DCM (+62 %) thanks to the strong increase in production and lower gas prices, LAS (+ 55% yoy), BFC (+ 30% yoy) thanks to improved performance. Meanwhile, fertilizer producers group such as PCN, PSE, PSW, and PMB witnessed sharp decline business results.

	Main Production	Net Sale	% yoy	Gross margin	Operating margin	EAT	% yoy
DPM	Ure	4350	-2%	28%	13%	454	-42%
DCM	Ure	3038	32%	35%	20%	561	62%
LAS	Phosphorus	2084	2%	20%	6%	95	55%
VAF	Phosphorus	703	9%	24%	6%	34	0%
NFC	Phosphorus	368	6%	17%	5%	15	6%
SFG	Phosphorus, NPK	1143	-7%	12%	6%	59	10%
BFC	NPK	3223	6%	16%	8%	168	30%
DDV	DAP	919	59%	3%	-4%	-41	-81%
QBS	Commercial	1816	-32%	6%	3%	46	544%
PCE	Commercial	1166	-6%	3%	1%	8	-37%
PSE	Commercial	1122	-6%	4%	1%	7	-40%
PSW	Commercial	1111	-2%	3%	1%	8	-45%
PMB	Commercial	821	8%	5%	2%	12	-28%
PCN	Commercial	19	-86%	-2%	-27%	-5	2194%

Source: Bloomberg

Investment Outlook- Outperform

We maintain our **Outperform** view for fertilizers stocks. Better consumption prospects due to favorable weather and expected change in VAT policy toward taxable objects are expected to improve profitability for the group of straight fertilizer.

BFC - Buy - Target price of 48,700 VND/share, upside 21%

BFC is the bestselling fertilizer company with the brand "Buffalo Head". Earnings growth of 20% yoy in FY2010, net profit up 30% yoy, driven by growth in high margin products and contribution from Binh Dien Ninh Binh (help reduce the billions of transportation costs and tax costs). We expect 2017 earnings to remain positive thanks to (1) rising demand, (2) rising agricultural prices increase the demand for growing and using fertilizers. BSC forecasts that net revenue and profit after tax of shareholders of parent company will reach VND 6,564 billion and VND 343 billion respectively, equivalent to EPS of 2017 (after deducting bonus and welfare fund) of VND 5,411 / share. Compared to listed companies, BFC is currently trading at a P / E of 7.3x, below the median of listed companies (10.19x).

SFG - BUY - Target price 16,300 VND/share, upside 16%

We expect the earnings trend of the company will continue to be positive in the future thanks to better consumption growth after the rebound price of many industrial crops (the main users of the company). The weather is more favorable. On September 29, 2017, SFG shares traded at VND 14,000, equivalent to PE of 6.93x, which is relatively attractive compared to its peers. BSC forecasts that net sales and net profit will reach VND 2,591 billion and VND 99 billion respectively, equivalent to EPS of VND1,916 per share.

DPM - Following - Target price 22,800 VND/share

DPM is gaining some attention due to the rebound of nitrogenous fertilizer prices and the expectation of changing the value-added tax 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 6,200 VND/kg, the average price will increase to 4.16 USD/MMBTU. Then, DPM's net sales and net profit are forecasted at VND 7,748 billion and VND 946 billion, equivalent to EPS of VND2,120 per share. At the same time, if the fertilizer becomes the goods subject to the tax rate of 0%, the company's pre-tax profit 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 on behalf of PVTEX in 2017 will negatively affect the company's earnings in 2017. The focus of DPM is on the progress of the DPM project implementation and consumption, including: UFC 85 consumption and NH3 consumption, especially in the context of the urea and nitrogenous fertilizer plants Ninh Binh is operating below design capacity, high quality NPK project with the total capacity of 400,000 tons, investment capital of VND 5,000 billion and weather, high price of urea and input gas.

LAS - Following - Target price 16,200 VND/share, upside 4%.

The stock has been neglected by many investors due to difficulties in the industry and business results are continuously reduced from 2016.In 2017, thanks to the weather, the agricultural sector is more favorable and the price of fertilizer increased again, the consumption in LAS has improved. In addition, the VAT policy, if changed, will contribute about VND 100 billion in pre-tax profit to the LAS (expected from 2019). We forecast that net sale and earnings after tax in 2017 will reach VND 4,000 billion and VND 163 billion respectively, equivalent to EPS of 2018 at VND 1,355 per share. If the VAT policy is approved, we expect the company's after tax profit will increase to VND 243 billion, equivalent to a new EPS of VND 2,021 per share.

Ticker	Rev 2017E	PAT 2017E	EPS 2017	P/E FW	P/B	ROE 2017	Dividend 2016	Price of 29/09/2017	Target price	Report links
BFC	6,564	344	5,411	7.45	2.35	28%	50% cash	40,300	48,700	Link
SFG	2,591	99	1,916	7.31	1.14	17%	21% cash	14,000	16,300	Link
DPM	7,748	946	2,120	10.73	1.1	11%	35% cash	22,750	22,800	Link
LAS	4,000	163	1,355	11.51	1.34	12%	10% cash	15,600	16,200	Link
DDV	2,041	1.2	8	987.50	1.19	0.12%	N/A	7,900	N/A	

Source: BSC forecast

Rubber sector [Outperform]

- World rubber market are short supply in short-term, the shortage is about 500,000 tons in 8M2017.
- The three biggest producers, including Thailand, Malaysia and Indonesia, decided not to restrict production of rubber.
- World rubber prices continued to fall by 12% in the third quarter of 2017 compared to the previous quarter, however, still higher than 8% yoy.
- Export rubber prices fell 6% qoq in the third quarter of 2017 but still 36% higher than in the same period of 2016.

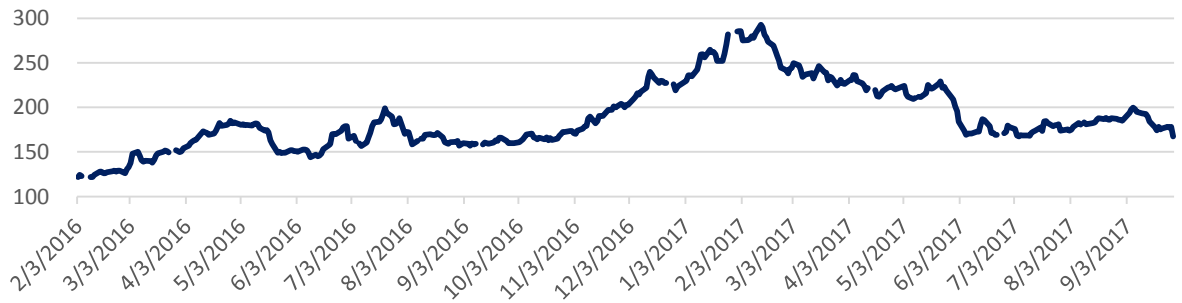
Q3 FY2017

The global rubber market were shortage around 500,000 tons of rubber in 8M2017. According to statistics from the Association of Natural Rubber Producing Countries (ANRPC), in 8M2017, the total demand for rubber in the market was 8,544 million tons, while total production was only 8,038 million ton. China continued to be the largest consumer of rubber globally, accounting for about 40% of production. This country also had high growth rate of natural rubber imports, up 24.3% in 8M2017 to 4.45 million tons.

The three biggest producers, including Thailand, Malaysia and Indonesia, decided not to restrict production of rubber. The decision was made at the Global Rubber Conference from September 12-14, 2017. These three countries account for about 70% of global rubber production. This is expected to have a negative impact on global rubber prices.

Rubber prices continued to fall in Q3 2007. Compared to Q2 2017, average RSS3 rubber price in Q3 2017 decreased by 12% qoq, due to the favorable weather and the decision of the three largest producers of rubber. However, it was 8% higher than the same period last year, reaching 181 USD/ton. In the Vietnam market, average rubber export price dropped 6% qoq to 1,609 USD/ton in Q3 2017, however, the average export rubber price 9M2017 still 36% higher than the same period of 2016, reached 1,705 USD/ton.

RSS3 rubber price movements



Source: Bloomberg

Business results improved. Most of the rubber companies have improved business results in 6M2017. Net sales of the watchlist increased by 50% to VND 1,536 billion, and net profit increased by 2.42x to VND 441 billion thanks to the average export price of rubber up 37% yoy in 1H2017 and high price of rubber wood disposal. Some companies with fast growth in profit after tax were DRI (+ 40%) and PHR (+ 107% yoy). High performance companies were DPR, TNC, DRI following the table below.

	Revenues	% yoy	Gross profit margin	Operating gross profit margin	Profit after tax	% yoy
PHR	658	59%	19%	15%	139	107%
DPR	400	31%	46%	42%	137	136%
HRC	35	133%	26%	9%	3	-40%
TNC	26	0%	27%	85%	20	5%
TRC	144	0.17	22%	13%	61	205%
DRI	273	95%	44%	31%	81	-303%

Source: Bloomberg

Investment outlook - Outperform

We maintain the **Outperform** outlook on the rubber sector. Rubber price in 2017 is forecasted higher than 2016 due to excess demand. However, the high price outlook also depended on market factors such as oil price, JPY / USD exchange rate, political situation, and this may have a mixed impact on the prospect of rubber price improment this year. At the same time, the price of liquidated rubber wood increases also positively impact on profit prospects of rubber companies.

PHR – BUY – Target price 45,900 VND/share, upside 9%

We recommend buying PHR based on the prospect of profit from land compensation as the rubber plantation is taken back to industrial land and recorded from the NTC divestment. This will bring about profit growth for the company in the period 2017-2019 in the context of core business is to reduce rubber production in decline and depend on the price of rubber on the market gender.

- **Profit from VSIP.** (1) Land compensation is estimated at VND 1 billion / ha. With 691 hectares recovered, PHR expects to book VND 300 billion in 2017 and VND 391 billion in 2018. (2) The profit from industrial zone leasing provided stable long-term cash flow for PHR of 20% of VSIP's profit from this industrial zone.
- **NTC divestment.** PHR holds a 32.85% stake in NTC with a book value of VND 53 billion, while its market value is VND 372 billion. At present, VRG Rubber Group is planning to buy back NTC's capital from PHR, instead of the PHR plan to buy back VRG's capital. However, details of the divestment and time of capital withdrawal has yet in details.
- **Plant disposal of Phuoc Hoa increased sharply,** reaching 250 million VND / ha in 6M2017 (160 million VND / ha in the same period of 2016). Assuming the rubber plant price is 220 million

VND / ha, it is expected that in the last 6 months of 2017, PHR will record a profit of more than VND 100 billion from liquidation of the plant.

- **Meanwhile, profit from the rubber segment will not grow** due to reduced mining area and falling rubber prices in the second half of 2017 as mentioned above.

BSC forecasts, net revenues and profit after tax for FY2017 will reach VND 1,465 billion (+ 24.3% yoy) and VND 373.4 billion (+ 67.2% yoy) respectively, and VND 1,501 billion (+ 3% yoy) and VND 406.8 billion (-6.3% yoy). Notably, our estimation does not include any unusual gains from the VSIP compensation and NTC divestment if implemented in 2017. The profit from the VSIP concession is expected to reach VND 300 billion in 2017 and VND 391 billion in 2018. Profit from NTC divestment is estimated at VND 250 billion – no specific execution time.

DRI – BUY – Target price 15,700 VND/Share, upside 25%.

DRI is a new stock on the exchange, with the basic elements. (1) The second largest business scale in the industry in terms of land fund (7.775 hectares) and chartered capital (VND 732 billion) – preceded is PHR. (2) the plant with young age - average age of 5 years, and high yield (1.99 tons / ha) and will continue to improve significantly in the coming years according to age. (3) The advantage of plant in Laos is that lower labor costs and lower social security requirements than in Vietnam. The near future highlight of DRI is the fact that its parent company, Dakruco, divest from DRI will reduce its ownership from 66% to 51%, which is expected to be completed in the third quarter of 2017. Then, the company plans to move the exchange from UPCOM to HOSE. (4) Rubber prices increase in 2017 over the same period of 2016 to improve the business results of the company. BSC forecasts that DRI will reach VND 610 billion in revenue (+ 52% yoy) and VND 110 billion in EAT (+ 359% yoy), equivalent to EPS of VND 1,311 per share (excluding 5% of bonus fund).

Ticker	Sales2017 E (bil VND)	PAT 2017 E (bil VND)	EPS 2017 VND)	P/E F	P/B F	ROE (2017)	Dividend 2017	Close price 30/06/2017	Target price	Link
TRC	444.3	86.9	2319	12	0.58	5%	15%	28,400	33,000	Link
PHR	1464	373	3753	11	1.54	16%	18%	42,000	45,900	Link
DPR	680	201.5	3523	12	0.87	6.50%	20%	41,000	49,000	Link
DRI	546	101	1311	10	1.08	13%	7%	12,600	15,700	Link

Tire and Tube Sector [Outperform]

- Car sales fell 6% yoy in 8M2017
- Rubber price dropped 12% qoq but remained to be 8% higher than the same period of 2016
- Business result dropped sharply, total profit after tax of 3 listed companies decreased 51% yoy.

Q3 FY2017

Car sales fell 6% yoy in 8M2017. According to VAMA, car sales in the first eight months of 2017 reached 177,030 units (-6% yoy), of which assembled vehicles decreased 11% (remaining about 127,706 units) and imported vehicles increased by 10%. Declining car sales in 2017 are partially offset by the reduction of import tax on finished cars from ASEAN countries to 0% from January 1, 2018.

Rubber price dropped by 12% qoq but remained to be 8% higher than the same period of 2016, reached $181/ton, as we mentioned in the rubber sector outlook. With a quarterly inventory period, we think that the gross profit margin of tire and tube manufacturing companies improved in the last two quarters compared to the first two quarters. However, for the whole of 2017, although the average selling price of products increased by an average of 10%, it still can not offset the growth rate of input costs of enterprises..

Business result decline strongly. Ending the first 6 months of 2017, net sales of the three listed tire companies increased by 10% yoy, however, as rubber prices increased by 50% yoy on average while selling prices did not rise accordingly, after-tax profit of these enterprises fell 51% yoy. Accumulative 9T2017, after tax profit of DRC reduced to VND 131 billion, down 54% yoy.

Ticker	Revenue	% yoy	Gross profit margin	Net Profit margin from Operating Activities	After-tax profit	% yoy
DRC	1764	8%	14%	7%	105	-47%
CSM	1695	14%	13%	3%	47	-62%
SRC	449	2%	19%	7%	24	-36%

Source: BSC research

Investment outlook - Neutral.

We maintain our **Neutral** rating on Tire and Tube stocks. High rubber prices will negatively affect business results in the year. In the opposite direction, tire and tube stocks are trading at a median P/E of 8.3x, lower than other peers in the Asia Pacific (emerging market) (14.81x). However, the price of rubber increased in 2017 with the high competition, which is detrimental to the operation of tire and tube enterprises..

DRC - Following.

On 29/09/2017, DRC shares were trading at 23,000 VND /share, equivalent to P/E of 9.93x, relatively low compared to P/E of tire and tube stocks in Asia- Pacific (14.81x). DRC is a leading tire and tube manufacturer with good sales ability. The company has many customer organizations that are automobile assemblers in the country. Domestic automobile assembled output is expected to increase with high demand for automobiles. High dividend payout ratio, in 2016, the company paid 45% of cash and 30% of bonus shares in 2016. BSC forecasts that net revenue and profit after tax of DRC will reach VND 3,563 billion (+6% yoy) and VND 213 billion (-46% yoy). Note, DRC has postponed the plan to complete the second phase of the Radial plant to Q4/2018. Investors interested in DRC stocks need to pay attention to the price of rubber input and tire prices.

CSM - Following.

On 29/09/2017, CSM shares were traded at VND 14,800/share, equivalent to P/E of 8.7x, which is relatively cheap compared to PE of tire and tube companies in Asia. -Pacific. Together with DRC, CSM is one of the two largest tire manufacturers in the Vietnamese market with advantages in the segment of motorcycle tires and automobile tires. The company's main growth target for 2017 comes from the the export of half steel Radial tires to the US market. As we mentioned in the previous business and industry update reports, Tirex US partner received CSM's 500,000 half steel radial tires. In 2017, CSM aims to sell 274 thousand tires to US partners, bring about about 15-20 billion profit after tax. BSC forecasts net sales and after tax profit of VND 3,575 billion (+9% yoy) and VND 197 billion (-24% yoy) respectively. Healthy finances, high dividend rates (30% cash and 40% bonus shares in 2016).

Stock	Rev 2017 (bil VND)	Profit 2017 (bil VND)	EPS 2017 (VND/share)	P/E 2017	P/B 2017	ROE (2017)	Dividend 2017	Closed price 30/06/2017	Target price	Link
DRC	3563	213	1523	15.10	1.82	13%	45% cash 30% shares	23000	N/A	link
CSM	3575	197	1701	8.70	1.13	17%	30% cash 40% shares	14800	N/A	link

Pharmaceuticals sector [Outperform]

• Imports of pharmaceuticals increased by 6.5%, pharmaceutical raw materials increased by 0.8% as of 15/09/2017.

• The draft circular replacing Circular No. 11/2016 / TT-BYT prioritize production of GMP-EU compliant medicines.

• Business results: Total revenue increased 7% yoy and after-tax profit increased 17% yoy

Q3 FY2017

IMS forecasts that Vietnam's pharmaceutical industry will grow at 8-9% over the period of 2017-2021. In 2016, the pharmaceutical industry grew by 9%, total consumption reached VND 76 trillion, of which import drugs account for 63% of total consumption value. As of 15/09/2017, the total value of imported pharmaceuticals in Vietnam reached VND 1,936 billion, up 6.5% yoy. Total value of imported pharmaceuticals raw material reached VND255 billion, up only 0.8% yoy. This partly reflects the growth of imported pharmaceuticals relative to domestic products.

Draft circular to replace Circular No. 11/2016 / TT-BYT on drug procurement at public health facilities. This draft is being received by the Ministry of Health comments from businesses. Some important changes in the draft include: (1) Redistribution of generic drugs to generic packages, (2) redefine the drug porfolio to enter the bidding of brand name drug equivalents. Compared with the regulations in Circular No. 11/2016 / TT-BYT, groups 1 and group 2 of the Generic package have lower the level of competition but higher the selling price. only the medicine produced on the lines that are GMP-EU compliant and all lines tht are PICs compliant medicines no longer belong to this group. This will affect the profit prospects of companies that have (are expected to) produce drug on PICs compliants (such as DMC), and at the same time, force companies to move to build line with higher standards (EU-GMP). The list of drugs to be bid for the original brand-name drugs or treatment equivalents does not include the original brand-name drugs which have expired, and Group 1 drugs have been granted certificates for treatment. This also opens up more competitive opportunities for companies with manufactured drugs in the first group to replace the brand name drugs.

Some newly listed stocks. In the year 2017, many new pharmaceutical stocks were listed such as VDP, DVN, DDN, HDP, DHD, DPH, VDC, AMP, DTG ... Expectedly, in Q4 / 2017, Pymepharco, one of the leading enterprises in the pharmaceutical industry, in terms of scale, effectiveness and quality, will bring more choices to investors in pharmaceutical stocks.

Good performance. Most of the surveyed enterprises recorded revenue and profit after tax increase over the same period of 2016. The total net revenue of 13 listed companies was VND7,053 billion, + 7% yoy, after-tax profit y / y to VND897 billion, up 17% yoy. Some companies with strong business results were DHT (+ 54% yoy), IMP (+ 47% yoy), DMC (+ 32% yoy), DP3 (+ 22%) and OPC (+ 15% yoy), largely

driven by improved performance or cost reductions. Some companies with high profitability are DMC (22% operating margin), PMC (21%), DHG (19%), TRA (17%) and IMP (15%).

	Net sale	% yoy	Gross margin	Operating margin	EAT	% yoy
DHG	1808.1	7%	45%	19%	358.9	17%
TRA	859.3	-16%	56%	17%	109.2	8%
DHT	664.1	19%	15%	5%	27.8	54%
DBD	649.6	0%	37%	14%	75.8	11%
DMC	611.2	3%	40%	22%	106.8	32%
IMP	500.1	17%	43%	15%	59.8	47%
OPC	490.3	29%	44%	12%	43.9	15%
DBT	399.1	47%	22%	2%	8.7	-26%
DCL	368.5	4%	34%	12%	40.8	-1%
LDP	258.6	4%	15%	4%	9.0	-3%
PMC	207.9	5%	42%	21%	35.0	-1%
DP3	168.3	40%	57%	13%	18.3	22%
PPP	67.9	20%	19%	6%	3.3	-22%

Investment outlook - Neutral

We maintain our **Neutral** recommendation on pharmaceutical stocks. DHT (+ 153% ytd), DP3 (+ 82% ytd), DHG (+ 65% ytd), DMC (+ 60% ytd), OPC (+ 41% ytd), IMP (+ 23% ytd), PPP (+ 20% ytd). Many pharmaceutical stocks are trading at high PE, such as TRA (22.16x), IMP (21.92x), DHG (21.39x), DMC (19.08x), DBD (17.93x), DP3 (17.57x)), however, they are still much lower than the median of pharmaceutical stocks in the Asia-Pacific region (31.09x). The stock is defensive for long-term investment purposes. Investors interested in pharmaceutical stocks should keep track of room availability for foreign investors, change in ownership of strategic investors and new plant construction plans.

DHG - Following.

Being the leading pharmaceutical company in terms of scale, with total net sales of VND1,808 billion, far behind TRA (VND 859 billion). The main growth driver of DHG is the expansion of two new Betalactam plants (1 billion units / year) and Nonbetalactam (4 billion units / year), attacking the OTC channel with a strong distribution network. , covering the whole country. The company targets revenue and profit growth of 16% per year and 11% per year respectively from 2017-2020.

With 24.44% owned by Taisho, the story room for foreign investors of DHG continues to attract the attention of investors. We note that the closure of this room will only be approved after DHG changes its business line (expected from 2018).

DHG - Following

Being the leading pharmaceutical company in terms of scale, with total net sales of VND 1,808 billion, far away from TRA (VND 859 billion). The main growth driver of DHG is the expansion of two new Betalactam plants (1 billion units/year) and Nonbetalactam (4 billion units/year), attacking the OTC channel with a strong distribution network, covering the whole country. The company targets revenue and profit growth of 16% per year and 11% per year respectively from 2017 to 2020. With 24.44% shared owned by Taisho, the story for foreign investors of DHG continues to attract the attention of investors. We note that the room for foreign investors will only be approved after DHG changes its business line (expected in 2018).

IMP - Following.

Unlike most local pharmacies, IMP chooses high-quality drug segment, targeting import substitution. IMP's outstanding strength compared to the listed pharmaceutical companies are three production lines of antibiotic, complying with EU-GMP standard. This is an important criterion for IMP's products to win the group 1 bid (if the products are allowed to be marketed in the participating countries ICH) and group 2, group with higher the price and lower the competition. As discussed above, the draft circular replacing Circular No. 11/2016 / TT-BYT gives priority to EU-GMP production lines is a major advantage for IMP as there are only 5 enterprises have production lines that meet this standard.

DBD - Following.

Bidiphar is one of the leading pharmaceutical companies in Vietnam for product quality, manufacturing technology, diversified drug categories and high growth potential. Notably, DBD is the only cancer drug manufacturer in Vietnam and one of two domestic enterprises that owns the technology of producing frozen-dried medicines. Two major product lines of DBD are cancer and lyophilized medicines, accounting for about 27% of total revenue. The production capacity of these two lines continues to increase thanks to the investment in the high-tech Bidiphar factory. Demand is growing fast, especially in the cancer drug segment. On average, about 315 deaths a day are caused by cancer. The number of new infections is projected to increase to 190,000 by 2020. In the long term, the company's growth potential comes from the contribution of three new plants that comply with PICs or EU-GMP standards.

Stocks	Sale 2017F (VND Bil)	NI 2017F (VND bil)	EPS 2017 (VND/share)	P/E 2017	P/B 2017	ROE (2017)	Dividend 2016	Close price 29/09/2017	Target price	Link
DHG	4,250	780	5,369	19.84	4.95	27%	35% cash	106,500	N/A	
IMP	1,260	128	3,282	19.20	1.99	13%	18% cash	63,000	N/A	
DP3	250	26	3,823	15.64	3.07	18.5%	20% cash	59,800	N/A	
DBD	1,500	144	2,474	20.17	3.08	18.3%	15% cash	49,900	N/A	Link

Plastic sector [Neutral]

- Plastic resin import increase 13% in volume
- Plastic product export increase 14% in value
- PVC price increase 15%yoy, PP increase 9%yoy, LDPE increase 1%yoy and HDPE decrease 1%yoy
- Change in majority shareholder in plastic companies.
- Some companies have positive business performance: AAA (+71% yoy) DNP (+45% yoy), TPC (+47% yoy). In other side, TPP (-91% yoy), BMP (-34% yoy), RDP (-32% yoy), VBC (-24% yoy) và DPC (-22% yoy).

Q3 FY2017

Finished plastic product increase positively . As of 15/09/2017, total import volume of plastic materials in Vietnam reached 3.5 million tons, up 13% yoy, import value reached 5.1 billion USD, up 21%. This reflects the industry's high growth rate due to 80-90% of Vietnam's plastic material imports. In particular, exports of plastic products growth is high, as of 15/09/2017, the total value of plastic products exports reached 1.7 billion, up 14% yoy.

Plastic resin price increases. By the end of September 2017, PVC price increased by 15% yoy, PP increased by 9% yoy, while prices of PE resin were almost unchanged, LDPE up 1% yoy, HDPE down 1% yoy. Due to the time of the plastic business is usually about 1 quarter, this will continue to negatively impact the profit of enterprises producing plastic pipes (raw materials mainly PVC) in the fourth quarter.

Ownership structure change. In September 2017, BMP was officially approved by the State Securities Commission to accommodate foreign shareholders' equity up to 100%. This is a condition for foreign shareholders to increase their stake in BMP in the context of the company has close room (48.57%). Also in September, after five years of investment, Thai shareholders Nawaplastic registered to withdraw more than 21 million shares (23.84%), at the same time, many shareholders of NTP registered to buy large volume of shares (over 4.9 million shares). According to the plan, in 2017, State-owned shareholders of SCIC also have to divest at BMP and NTP, SCIC's current ownership ratio is 29.51% and 37.12%, respectively. As a result, the ownership structure of these two companies is expected to continue to change drastically, and expect to improve performance after the divestment, especially with NTP.

Distributed results. Ending the first 6 months of 2017, net sales of listed plastics enterprises increased by14% yoy to VND8,972 billion, while net profit dropped by 9% yoy to VND685 billion. Some positive business results included AAA (+ 71% yoy) thanks to strong sales growth, DNP (+ 45% yoy) and TPC (+ 47% yoy). At the same time, many companies published strong business results including TPP (-91% yoy), BMP (-34% yoy), RDP (-32% yoy), VBC (-24% (-22% yoy) due to high price of plastic resin, business performance decreased.

	Main product	Revenue	% yoy	Gross margin	Net operating margin	After tax profit	% yoy
BMP	Plastic pipe	1737	9%	25%	16%	228	-34%
NTP	Plastic pipe	2053	3%	34%	11%	202	3%
DNP	Plastic pipe and provide water	676	-2%	18%	10%	60	45%
DPC	Plastic pipe	32	-9%	19%	4%	1	-22%
DAG	Plastic door, profile bar	824	21%	9%	5%	32	7%
AAA	Packaging	1582	68%	14%	10%	106	71%
RDP	Packaging	604	4%	10%	3%	22	-32%
TPP	Packaging	274	-1%	14%	0%	1	-91%
SPP	Packaging	498	30%	11%	1%	6	12%
VBC	Packaging	362	5%	11%	4%	12	-24%
TPC	Packaging	327	-6%	10%	6%	16	47%

Source: Bloomberg

Investment outlook - Neutral

We maintain our **neutral assessment** on the plastic sector. Business results of plastic pipe producers may be affected by high competition (HSG, Tan A Dai Thanh join the industry), and PVC resins increased by 15% yoy. Opportunities may come from SCIC divesting BMP and NTP. Stocks of packaging, including AAA, are expected to maintain a high growth rate in 2017.

NTP -BUY - target price of 83,900 VND/share - upside of 17%

Being the largest plastic pipe manufacturer in the country, the design capacity goes up to 120,000 tons / year (BMP equivalent), supplying mainly in the North market with more than 60% market share. Compared to BMP, NTP's performance was much lower (NTP's operating margin was 11% while BMP's was 16% in 6T2017), mainly due to differences in distribution policies for customer. In 6T2017, the cost of NTP's distributors was 236 billion dong while EBT was 232 billion dong. We expect that NTP's business output will increase sharply after SCIC's divestment and restructuring of its operations. We provide two scenarios for profit forecasts with NTP. In case 1, the company maintains discount policy with distributors, then profit in 2017 and 2018 is forecasted to reach 436 billion and 460 billion respectively. Case 2, after the SCIC divestments, the company's and distributor's distributions are more balanced, assuming the cost per distributor/revenue remains unchanged in 2017 and decreases to 6% In 2018, NTP's after tax profit will come to VND 609 billion in 2018, up 40% yoy or EPS of VND6,276 per share.

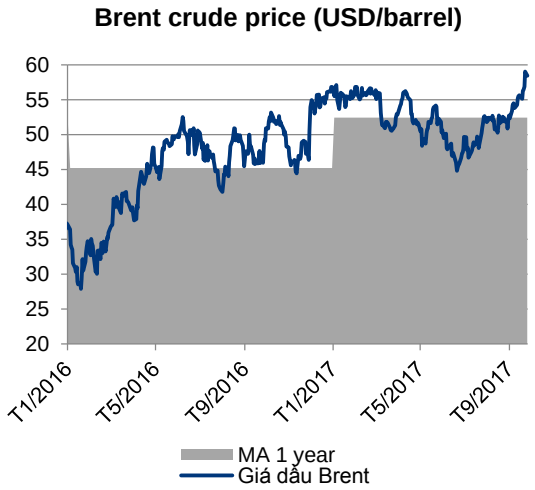
Stock	Revenue 2017E (VND bil)	Profit2017E (VND bill)	EPS 2017 (VND/share)	P/E 2017	P/B 2017	ROE (2017)	Dividend 2016	Close price 29/09/2017	Target price	Link
NTP	4663	442	4621	15.47	3.30	22%	35% cash div 20% bonus shares	71,500	83,900	Link
BMP	3764	460	5614	13.80	2.72	19%	45% cash div 80% bonus shares	77,500	119,400	Link
AAA	2900	200	3468	9.88	2.00	22%	7% cash div	34,250	N/A	Link

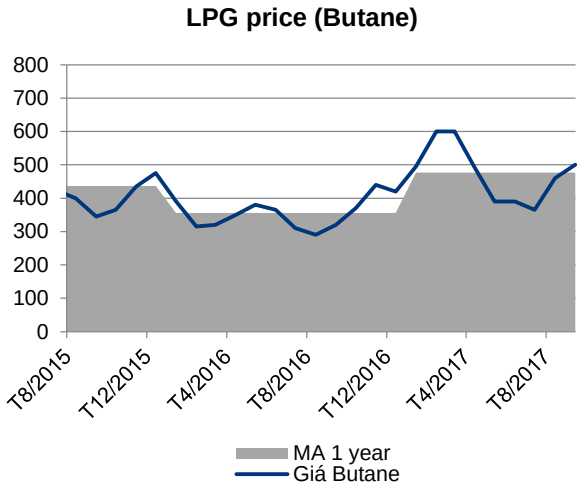
Petroleum sector [Neutral]

- Brent crude oil average price was $51.94 in the third quarter, up 10.5 percent from the same period last year, lower than a 56% rise in 1Q2017.
- The business results of Petroleum companies in 2Q2017 were sharply divided, but most companies have started to record profit.
- Maintain neutral view - recommend investing PVS, holding GAS and Following PVD.

Q3 FY2017

Continuing the recovery from the end of Q2, Brent crude prices at the end of Q3 and reached $57.17, after a sharp drop from $54 on May 23 to $ 44.8 on June 21. Brent crude oil averaged $51.94 in the third quarter, up 10.5% from the same period last year, higher than 7.8% in the previous quarter. LPG prices were similar, reversing $500 at the end of September but still lower than $600 in the first quarter. Accordingly, the average LPG price in Q3 2017 was $441, a sharp increase of 44.02% over the same period..





On 22/9/2017, OPEC and the world's largest oil producers agreed to extend the deadline for cutting output by 01/2018. Besides, oil supplies are under pressure from the United States, Iran, Iraq and Libya, but still increase in term of quantity. However, the devastation of Hurvey Harvey, Irma and the political instability surrounding Iraqi Kurk independence will help maintaining the oil prices in the coming quarter. Due to the devastation of the hurricanes and the decreasing the level of breakeven costs in the US, the number of American drilling rigs in operation was only 750, cut down 6 rigs from last quarter.

In the first eight months, Vietnam has exploited more than 10.49 million tons of crude oil, of which domestic mining reached 9.19 million tons, overseas is 1.30 million tons, reaching 73.8% of the plan set for 2017 which is 14.2 million tons of oil. The total volume of crude oil sold by PVN and its suppliers is

8.81 million tons (with revenue of USD 3.6 billion), of which 4.98 million tons were exported (USD 2 billion) and sold to Domestic customers are 3.84 million tonnes (USD 1.59 billion). The average crude oil export price in Vietnam for the eight months period of 2017 is $ 402.41/ton.

Business results of Petroleum enterprises in 2Q2017 strongly divided, in which, gas transportation/distribution companies have more positive business results benefiting from the rising of oil prices. The upstream businesses continue to face difficulties in the situation that the investment projects are suspended, prolonged progress. By its nature, PVD is the only one that still suffers from after-tax losses, however, it decreased sharply from last quarter with the value of VND 214 billion. In 2Q2017, total listed companies' revenue was almost unchanged at 0.9% yoy and total profit were up only 1.34% yoy.

Investment outlook - Neutral

Although world oil prices have rebounded above $50 USD/barrel, OPEC oil producers and other members such as Russia will find it hard to reduce output to continue the uptrend. The reason is that, if these countries continue to cut oil output, their share of the market will fall to shale oil companies in the United States. Long-term oil prices will not be good as Citigroup Inc. forecasted that oil prices will move around the $55 USD/barrel. In addition to the world macroeconomic situation, the domestic Petroleum industry is highly diversified between upstream and downstream companies. The downstream companies under Vietnam Petroleum Group control have stable business results and are less affected by oil price. In which, GAS's after=tax profit is up 16%, PGS up 28.1% and PVB up 111.8% compared to that of last year period. As a result, the prices of these stocks have gone up very well, GAS reached 70,000 VND /share, up 20%, PGS reached 23,000 VND /share, up 27.78% compared to the closing price on 30/6. In the opposite direction, the upstream stocks of the Petroleum sector recorded a drop in after-tax profit, especially PVD continued to record a further loss after tax. This has led PVD to fall under the supervision of the HSX and is temporarily stopping margin purchases.

BSC's perspective of the Petroleum sector is **neutral** for the fourth quarter and long-term buy for upstream stocks with good fundamentals like PVS, follow up with PVD while downstream stocks are trading with target prices and may hold in the medium term. The upstream stocks need projects such as Ca Rong Do (Red Dragon Fish) (2018-2020), Su Tu Trang (White Lion) 2nd phase (2018-2020), Sao Vang-Dai Nguyet (Gold Star) (2019-2023) to operate for stable revenue with high profit margins. The downstream Petroleum companies have achieved good prices and growth is not as well as before, so we recommend holding.

	Revenue Q2 2017 (bil VND)	%yoy	EAT Q2 2017 (bil VND)	%yoy
GAS	16147.2	2.8%	1894.2	16.0%
PVS	4312.9	-8.3%	367.4	-17.1%
PVD	945.3	-46.7%	-65.6	-291.6%
PGS	1214.3	-0.7%	29.6	28.1%

PGD	1687.8	48.3%	49.1	-56.5%
PVC	1078.4	16.4%	27.2	-339.5%
PVG	734.9	23.8%	1.5	-72.1%
PGC	675.9	19.1%	40.2	9.3%
PXS	398.1	-7.6%	13.5	-67.5%
PVB	15.4	1181.1%	6	111.8%
CNG	341.3	47.2%	27.8	-27.0%

GAS - Target price 72,000 VND/share - Following

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. With the price of FO oil is very positive for the current time, stable at USD 325/mtu, 44.5% higher than the average of the whole 2016, with the sudden profit of VND 1000 billion - retrofit of transportation fee for Cuu Long pipeline. As a result, BSC estimates GAS could reach VND 8,613 billion (+20.1% yoy), equivalent to EPS of VND 4,500/share. Accordingly, GAS is trading at a P/E forward of 15.3x.

PVS - Target price 20,500 VND/share - Upside 25.77%

PVS's business results decreased by VND 7,684 billion (-16%) but EAT increased to VND 689 billion (+22.6%). The biggest drop in revenue in the first half of this year was the construction of marine works with a reduction of 35% and would actually recover from 2018. In addition, the revenue from operation and maintenance will be the stable service revenue of the company. BSC maintained our view that PVS could record revenue of VND 18,165 billion (-2% yoy) and net income of 833.9 billion (-8% yoy), equivalent to EPS of 1,876/share. By 2018, we expect EPS will increase to VND 2,200/share, thanks to the contribution of more than VND 4,000 billion from Ca Rong Do (Red Dragon Fish) Project. In the upcoming time, PVS expects to receive about $ 40 million from compensation related to the early termination of the Lamson FPSO - the total loss related to early termination of this contract is more than $ 200 million . PVS will be a good choice for long-term projects with Ca Rong Do (Red Dragon Fish) (2018-2020), Su Tu Trang (White Lion) 2nd phase (2018-2020), Sao Vang-Dai Nguyet (Golden Star) (2019-2023) bringing a significant revenue and high profit margin.

PVD – Following

After a long period of decline in the number of drilling rigs, PVD recorded a net loss of VND 252 billion in 6M2017. However, Q2 performance showed a rebound in revenue and also signaled that the company was at the bottom. Except for the expectation on the Ca Rong Do (Red Dragon Fishery) Project will help PVD to increase the number of drilling rigs thanks to the domestic market, the foreign oil market is showing a recovery will also help PVD to have more new contracts. PVD signed a contract that lease PV Drilling I rig at block G10/48 in Bay of Thailand with KrisEnergy partner with total value of USD 6 million or VND 136 billion and launch in October. This is the second contract of PVD with foreign partners. Although it is expected that in 2018 there will be more positive changes with PVD's profit, but BSC still recommends investors to track this stock because of the possibility that stocks will rise soon as investors want to catch up long-term business results and new foreign contracts can happen.

Stock	Revenue 2017	EAT 2017E	EPS 2017	P/E FW	P/B	ROE 2017	Dividend 2017	Price at 30/9/2017	Target price
GAS	72,155	8,613	4,500	15.0	3.0	19.7%	17% cash	69,100	74,047
PVS	18,165	833.7	1,876	9.6x	0.7x	7.6%	7% cash	16,300	20,500

Source: BSC forecast

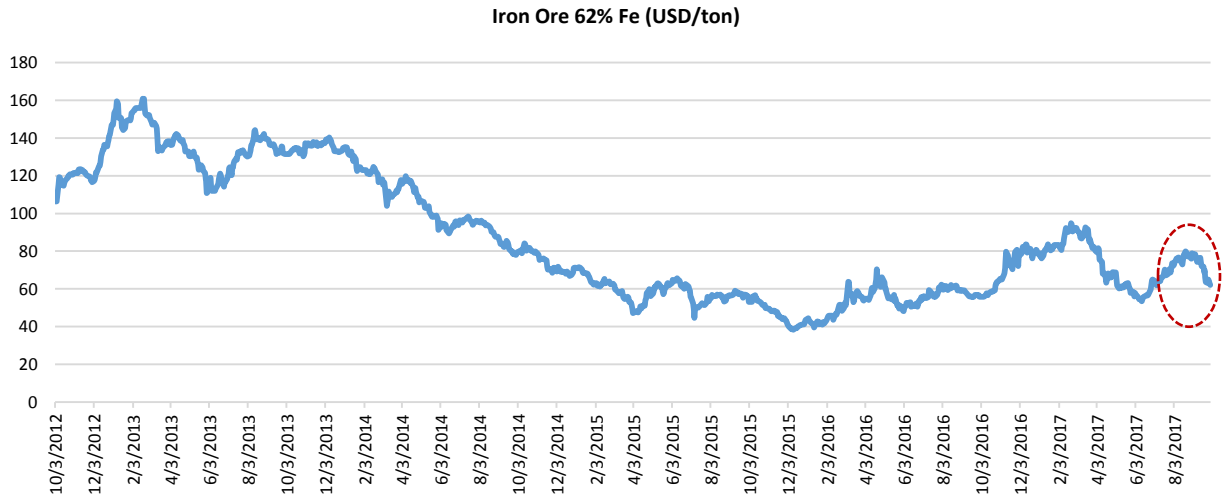
Steel sector [Neutral]

- Iron ore prices rebounded in the late June 2017 and kept this momentum in 3Q2017, but recently this trend has reversed.
- Domestic steel price increased by more than 20% in 3Q2017
- Operating results of steel companies are expected to be positive this year.

Q3 FY2017

Iron ore prices have decreased since the end of August, 2017. As our estimate in Sector Outlook 3Q2017 Report, the recovery of iron ore prices might not be sustainable. In fact, after peaking at USD 79.93 per ton on 21st Aug 2017, iron ore prices plunged to USD 62.05 per ton on 29th Sep 2017 (-29%). The soar of iron ore prices in the first half of Q3 were due to China actively curbing the amount of finished steel and stable growth of the economy before the Party Congress in October. However, demand risk is still significant as Beijing might halt the building of enormous public construction sites in the winter in order to improve air quality. Furthermore, some experts said that China had enough iron ore and finished steel with the iron ore inventory at ports of 131.8 million ton, much higher than the figure of 80 million ton in 2016.

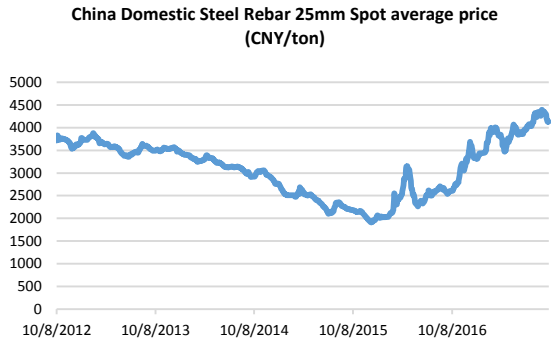
The supply of iron ore is expected to increase when the monsoon ends in India. Australia will also raise the amount of iron ore exported to 885 million ton, +4% YoY (fiscal year ends in June 2018),. Brazil's supply is likely to rise by 5% yoy. Hence, increasing supply would cause pressure on prices despite the strong demands from China.

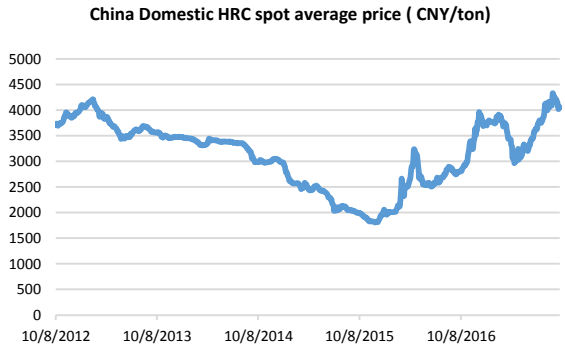


Source: Bloomberg, BSC Research

Along with the decrease in iron ore prices, China domestic steel price has reversed after climbing for a long time. On 29th Sep 2017, price of steel bar in China was CNY 4.055 per ton, equivalent to VND 14

million per ton, higher than the current price of HPG at VND 12.8 million dong per steel bar ton and VND 13 million don per construction rolled steel.





Source: Bloomberg, BSC Research

Operating results in 3Q2017 are expected to be positive thanks to rising iron ore prices. In 1H2017, gross profit margin of steel enterprises decreased as compared to 2016 due to negative impact of ore prices in 2Q2017. Nevertheless, the rebound of global steel price from the end of June causing domestic price to surge, so BSC expects steel companies would have optimistic revenue and earnings in 3Q2017

Ticker	Revenue 1H2017 (01/01 – 30/06)	yoy	EBIT 1H2017 (01/01 – 30/06)	yoy	EBIT margin	
					1H2017	1H2016
HPG	20,876,836,829,643	37.43%	4,036,897,424,704	13.06%	19.34%	23.50%
HSG	13,443,649,715,047	49.73%	854,968,786,096	-24.00%	6.36%	12.53%
NKG	5,486,682,606,583	38.09%	372,369,835,721	4.69%	6.79%	8.95%

Source: Financial Statements

Investment outlook

Due to downtrend of iron ore prices and construction growth slowing down because of material prices increase, BSC rates **Neutral** on the outlook of steel sector in 4Q2017. But we still recommend Buy for stocks of big-scale with high consumption companies such as HPG, HSG, NKG steel in long term.

HPG – Buy – Target price of 47,133 VND/share

The volume of steel consumption of HPG in 9M2017 continued to be at high level with the amount of construction steel and steel pipe being 1.61 million ton (+32.53% YoY) and 431,000 ton (+27.14% Yoy). The most striking feature is that domestic steel price has shared the upward momentum with iron ore prices. At the end of June 2017, HPG steel price stood at around VND 10.5 million per ton but currently the price for stripe steel bar is VND 12.8 million and VND 13 million per ton for rolled steel (+22% in 3Q2017). HPG's earnings in 3Q2017 is expected to be extremely positive with profit after taxes of VND 2,100 billion (+ 30.74% YoY).

HSG – Buy – Target price of 35,803 VND/share

In 9M2017, the total amount of HSG steel consumption reached 1.17 million ton (+32% YoY), completing 78% the fiscal plan. It is estimated that at the end of 2017 total capacity of cold rolling and galvanizing will be 1.7 million ton and 2.2 million ton respectively.

As we refer in Sector Outlook 3Q2017 Report, HSG's performance in 2Q2017 was not positive due to influence of inventory stocking in the situation of declining hot-rolled coil (steel) price. We estimate revenue of HSG in 2017 would be VND 26,410 billion, net income VND 1,671 billion (excluding income from divesting from Hoa Sen Gemandept International Port, the ownership portion of HSG is 45%, book value on 30th June 2017 is VND 18.26 billion with the provision of VND 33.69 billion).

NKG – Buy – Target price of 43,882 VND/share

The consumption in 1H2017 was 382,061 ton (+8% YoY). Of which, export volume was 152,030 ton (+22% YoY as compare to the figure of 124,849 ton in 2016). The main export markets were Indonesia (37%), USA (17%) and Malaysia (8%) (in 2016 the percentage was 53%, 11% and 7% respectively). Besides, NKG is promoting exportation to Europe, Australia and other markets that are conducting antidumping investigation with China.

Production capacity will be improved significantly thanks to Nam Kim 3 Plan, which is expected to raise the total cold rolling capacity of NKG to 1 million ton and galvanizing capacity to 1.2 million ton per year. BSC estimates net sales of NKG in 2017 will be VND 12,093 billion with net income of VND 711 billion.

Ticker	Revenue 2017	Net income 2017	EPS 2017	PE 2017	PB 2017	ROE 2017	Div 2017	Closing price 29/09/2017	Target price
HPG	46,867	7,795	5,602	6.94	2.05	29.35%	N/A	38,900	46,945
HSG	26,410	1,671	4,774	5.99	1.84	30.65%	N/A	28,600	35,803
NKG	12,093	711	6,772	4.89	1.79	36.64%	N/A	35,250	43,882

Source: BSC Research

Cement sector [Neutral]

- Domestic market posted fierce competition as new tax policy diminished export.
- The revise of VAT Law is likely to improve cement consumption
- Operating results of cement firms were still negative

Q3 FY2017

Domestic market posted fierce competition. In general, the excess of cement output will continue. According to the estimate of Vietnam National Cement Association (VNCA), total capacity of cement industry is 86 million ton (in 2017, Long Son Cement Factory and Phase 2 of Xuan Thanh – Ha Nam Factory with the capacity of 5 million and 4.5 million ton per year respectively is coming into operation) whereas the demand of domestic market is just around 60 million ton. VNCA forecasts domestic cement consumption in 2020 will be about 82 million ton with the excess of 36-47 million ton.

In 9M2017, according to Department of Building Materials (Ministry of Construction), cement consumption reached 59.27 million ton (+6% yoy). Of which, domestic consumption was around 45.28 million ton (+4% yoy) and export output was 13.99 million ton. From survey in some cement companies, it is remarkable that the consumption is worse with lower or even negative growth rate as compared to the same period of 2016.

Cement export is still affected by tax policy. In 2016, the government issued some regulations relating to cement sector including: Decree No. 100/2016/ND-SHARE (exportation of goods processed from natural resources and minerals was not allowed to deduct input VAT) and Decree No. 122/2016/ND-SHARE (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 rate of 5%). These two policies have had a negative impact on cement export output, leading to fiercer domestic competition.

At present, Ministry of Finance is working on a draft of VAT law revision including the removal of regulation that products contain mineral resources and energy cost of equal to or more than 51% in total expense will not be allowed to deduct input VAT. If this regulation is approved, competition in domestic market will be less fierce.

Operating results in 1H2017: Overall, operating results of cement firms in 1H2017 were negative, reflecting fierce competition of domestic market. HT1 benifits from South market but due to increasing outsourcing, gross profit margin drop sharply from 20.2% to 16.97%.

	Revenue			Gross profit margin		EBITDA		
	1H2017	1H2016	%yoy	1H17	1H16	1H2017	1H2016	%yoy
HT1	4,048.58	3,928.00	3.07%	16.97%	20.20%	877.06	948.27	-7.51%
BCC	1,909.42	2,199.51	-13.19%	11.03%	18.83%	169.76	356.36	-52.36%
BTS	1,579.49	1,639.66	-3.67%	14.76%	17.27%	258.71	287.78	-10.10%

Investment Outlook – Neutral

We maintain the recommendation of **Neutral** for cement industry in 4Q2017 because of fierce competition. Moreover, the restructuration of Vicem is possibly to affect the operation of cement company group. We also highlight that the Q4 is the season for cement consumption, so competition pressure might be less than Q3.

HT1: Following

Operating results in 3Q2017 will be not positive as gross profit margin has declined due to rising outsourcing output in Ha Long Cement to dominate the market. The volume consumed in 3Q2017 fell by 2% as compared to the same period of 2016, but in 9M2017 the volume rose by 5% yoy. BSC notes that on 30th Sep, 2017, outstanding loan in EUR of HT1 is EUR 43 million, estimated unrealized foreign exchange loss in Q3 was VND 38.77 million (EUR increased by 3.46% in 3Q2017).

BCC – Following

Due to unfavorable consumption and fierce competition in Central Region, sold volume of BCC in 3Q2017 was moderate. In terms of EUR loan, BCC has paid out all its loan in EUR, posting itself to no exchange rate risk.

Ticker	Revenue 2017	Net income 2017	EPS 2017	PE 2017	PB 2017	ROE 2017	Div	Closing price 29/09/2017	Target price
HT1	8,649	492	1,288	11.41	0.99	8.65%	N/A	14,700	17,540
BCC	4,066	130	1,065	8.15	0.46	6.29%	N/A	8,680	11,606
BTS	3,348	108	808	6.81	0.45	7.36%	N/A	5,500	8,976

Source: BSC research

Tiles sector [Neutral]

- Operating results of tiles companies in 1H2017 posted substantial growth rate despite significant divergence.
- Those companies are expected to grow rapidly in 4Q2017.

Q3 FY2017

Operating results of tiles companies in 1H2017 posted substantial growth rate despite signigicant divergence. Big- scale firms with high quality products and good distribution system (CVT, VIT, VHL, VGC) continued to have positive results thanks to the rally of real estate market. The whole revenue of tiles sector in 1H2017 was VND 7.088 million dong (+7.1% yoy), net income was VND 236.8 million dong (+27.3% yoy) mainly due to good results of VGC and CVT.

Ticker	Revenue 1H2016	Revenue 1H2017	% YoY	Net income 1H2016	Net income 1H2017	% YoY	P/E	P/B
CVT	432	492	14%	60	77	29%	8,4	3,5
CYC	113	129.1	14.2%	1.9	(-0.7)	-137%	10.6	0,3
TCR	793	590	-26%	24	(36)	-250%	n/a	0,3
TTC	184	160	-13%	13	10	-26%	6,3	1,1
VHL	872	1.010	16%	57	68	18%	8,9	2,0
VIT	389	418	7%	19	23	24%	6,3	1,7
VGC	3.833	4.290	11.9%	259	411	59%	12,3	1,8

Source: BSC Research

Investment Outlook

We maintain **Neutral** rating on tiles sector. As usual, the 4th quarter is the season that records positive operating results thanks to demand from real estate projects to keep pace with delivery to customers. BSC expects results of profitable companies such as CVT, VGC to remain positive. We continue to recommend Tracking for VIT and Buy for CVT and VGC with long-term view. Currently, tiles stocks are being trading at median P/E of 8.8 and median P/B of 1.5.

CVT – BUY – Target price of 58,000 VND/share.

Revenue and net income of CVT in 9M2017 remained positive with the value of VND 905 billion (+16% yoy) and VND 128 billion (+17% yoy) respectively, thanks to CMC2 operating stable and improving the output (+12% yoy). CVT is such a good fundamental firm with reasonable segmentation strategy (middle and high segments), efficient sales agency and the expansion of CMC in 2017 is expected to boost sales and earnings in 2018. The salt-melt granite factory is projected to begin testing in November and operate stably from 1Q2018. BSC expects CVT will remain its rally in 2018. For FY2017, estimated

revenue is VND 1,305 billion (+9.7% yoy) with net income of VND 177 billion (+16% yoy), EPS forward 2017 = VND 6,300.

VGC – HOLD – Target price of 23,200 VND/share

VGC price gained 29.5% as compared to the closing price in our previous report (link). VGC is the leader in building material sector and is entering a period of strong restructuring to improve its performance, not to mention that its valuation indicators are still attractive as compared to the industry average. Operating results in 1H2017 were positive with revenue of VND 4,289 billion (+12.1% yoy) and net income of VND 411.1 billion (+58.6% yoy), respectively fulfilling 53% and 60.9% of VGC's plan in 2017. Gross profit in 1H2017 was VND 1,059 billion (+12% yoy), gross profit margin was as high as that in 2016 at 24.5%. However, net profit margin improved remarkably thanks to (1) higher net financial income; (2) declining portion of selling and administration expenses in revenue from 13.5% in 1H2016 to 11.3% in 1H2017. The Ministry of Construction is projected to divest from VGC with the expected proportion of 20% (equivalent to nearly 90 million shares) in the first half of 2018. BSC estimates that VGC will achieve its target for FY2017 with revenue of VND 8,738 billion (+8.17% yoy) and profit after tax of VND 827 billion (+69.4% yoy), EPS forward for shareholders of parent company of VND 1,576 (with the assumption of subtracting VND 35 billion of bonus and welfare fund- equivalent to that in 2016).

Ticker	Revenue 2017	Net income 2017	EPS 16/17	PE fw 2017	P/B fw 2017	Dividend 2017	ROE	Closing price 29/09/2016	Target price
CVT	1,305	177	6,300	8.1	3.36	30% - 35%	46.2%	50,900	58,000
TTC	348.2	20	3,367	5.5	1.1	15% in cash	18.2%	18,500	N/A
VHL	1,971.8	166.9	6,676	7.1	1.9	20% in cash	23.8%	47,100	N/A
VIT	1,164	70	3,589	6.12	1.7	15% in cash	28.6%	22,000	28,700
VGC	8,738	827	1,576	14.5	1.57	9% in cash	14.9%	22,800	23,200
TLT	515	45	6,438	2.8	3,0	N/A	N/A	17,800	N/A

Source: BSC Research

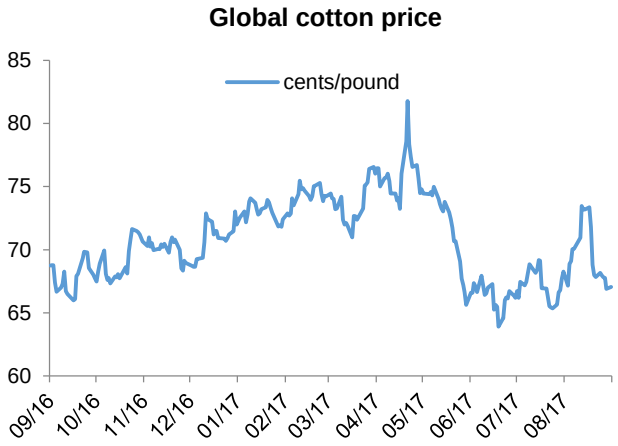
Textile and Garment Sector [Neutral]

- Textile exports in 8M2017 reached USD 16.86 billion (+ 8.2% YoY), slowing down compared to Q1.
- Cotton prices recovered slightly in the end of August but then fell to the same level in 2016.
- Business results of the majority of companies are quite positive.
- We maintain our **neutral** outlook on textile stocks.

Q3FY2017

Textile exports 8M2017 improved thanks to good order situation from the first quarter. Estimated export value in 8M2017 was USD 16.86 billion (+ 8.2% YoY). Export growth slowed down in the third quarter after a sharp rise of 11.3% YoY in 6M2017 but still higher than competiter such as China (-5%), India (+ 5%). Although imports of textiles and garments from major trading partners increased slightly, with the United States (+ 2%), the EU (+ 1%), Japan (-5%), South Korea (6%), but Vietnam's exports to these markets still showed decent growth: the US reached USD 8.16 billion (+ 7.3% YoY), Japan (+ 5% YoY) to Korea growth of 12.6% YoY.

Cotton prices recovered slightly in the end of August but then fell to the same level in 2016. World cotton prices after peaking in May fell sharply and fluctuated around 65-70 cents/pound before rebounding in August since demand from Asian countries increased while inventory decreased. In the second half of September, the world cotton price adjusted slightly, trading at 67 cents/pound.



Source: Bloomberg, BSC Research

Business results of most listed garment enterprises 6M2017 are quite positive, with total net revenues of 9 large companies of VND 18,526 billion (+ 10% YoY), higher than the growth rate of the first quarter. The fastest revenue growth was attributed to STK (+ 38% YoY) thanks to capacity expanding by 27.7% to 60,000 tons per year, policies to rotate to the domestic market and East Asian countries initially achieved positive results. Regarding profit, TCM continued to be the most impressive growth rate (+ 136% YoY) thanks to a shift from fiber yarn to higher gross margin and higher operating margin. The increase in the Vinh Long plant helped compensate for losses caused by the drop in orders from Eland. However, the business results in some other companies are not good, typically EVE (DTT -1% YoY, EAT-45% YoY) or PPH (DTT -9% YoY, EAT -38% YoY).

6M2017	Net Revenues bil VND	% YoY	EBIT Bil VND	% YoY	Profit after tax Bil VND	% YoY	GP margin 1H2017	GP margin 1H2016
VGT	8,280	16%	169	-1%	309	2%	10%	12%
VGG	3,719	7%	135	-6%	131	7%	10%	10%
TCM	1,547	2%	132	109%	118	136%	16%	12%
PPH	1,392	-9%	38	-65%	137	-38%	12%	15%
TNG	999	17%	86	23%	42	4%	18%	18%
STK	918	38%	65	92%	49	54%	11%	10%
GMC	710	2%	43	-26%	44	-12%	14%	16%
FTM	587	-3%	40	66%	18	0%	9%	6%
EVE	374	-1%	24	-50%	23	-45%	33%	35%
Total	**18,526**	**10%**	**731**	**2%**	**872**	**-1%**		

Source: Financial reports, BSC Research

Investment outlook

We maintain a Neutral assessment on the outlook for the textile and garment industry in the last quarter of 2017, based on the following factors: (1) the situation of textile and garment export in the first quarter of the year was positive, export turnover improved significantly; However, some major export markets are experiencing instability; (2) Trend of orders moving to some neighboring countries such as Indonesia, Bangladesh, Myanmar thanks to cheap labor costs, many tax incentives to attract investment; (3) increased labor costs in line with the policy on insurance and wages; (4) some leading garment stocks have had a good price increase since the beginning of the year. In addition, according to the representative of Vietnam Textile and Garment Group, export growth in the first half of the year was positive but not sustainable, supported by the Federal Reserve's interest rate hike and the protectionist policy. In a similar view, the Ministry of Industry and Trade also forecasted that the export growth rate of the sector to be around 8-9% in 2017, reaching more than USD 30 billion. However, BSC still recommends buying some garment stocks that have good growth potential and attractive price.

TNG- Target price of 18,538 VND/share -Upside: 39%

TNG has the highest growth rate among listed textile companies (+ 17% YoY) thanks to good export orders. In FY2017, TNG has been aggressively cut some small orders to attract orders from two major partners, Decathlon (USD 45m, + 170% YoY) and The Children's Place (USD 20m, +240 % Yoy), and signed first contract with Levi's worth USD 400,000, expected to hand over in October. In addition, TNG's retail chain also achieved positive results in 8M2017 with a revenues of VND 68 billion (vs. VND 869 billion realized in 2016) and is expected to break even this year.

By the end of 8M2017, revenues reached VND 1.635 billion (+ 25.7% YoY), fulfilling 74.3% of the plan. BSC forecasts that 2017 revenues will reach VND 2,553 billion (+ 35% YoY) thanks to the positive order situation. The PAT is 2017 estimated at VND 111 billion (+ 37% YoY), equivalent to EPS of VND 2,567.

VGG- Target price: 60,204 VND/Share-Upside: 11.7%

VGG is the second largest textile stock in term of capitalization in the stock market (after VGT), owning many business advantages. Most of VGG's revenues come from export activities with orders coming from Japan (32%), USA (22%) and EU (18%), most of them are processing order in FOB form (75 % revenue - relative to the industry average of 15%), the rest is ODM should have a good gross profit margin. In addition, VGG is known as a prestigious textile enterprise in the domestic market thanks to the ownership of office fashion brand-Viet Tien. As a result, the company can be more flexible in its business strategy when textile exports are in difficult period.

In the first half of 2017, the company recorded revenue of VND 3.719 trillion (+ 7% YoY, fulfilling 48% of the plan) and profit of VND 131 billion (+ 7% YoY, equivalent to 38% of the plan). BSC expects better export orders along with domestic market growth in the upcoming months of the year will help the company achieve its plan. We forecast that 2017 revenues of VGG will come to VND 8,013 billion (+ 7.8% YoY), EAT for parent company shareholders at VND 380 billion, equivalent to EPS of 8,460 VND / share, P/E forward of 6.4x.

Ticker	Revenues 2017F (Bil VND)	Profit 2017F (Bil VND)	EPS 2017F (VND)	P/E 2017F	P/B 2017F	ROE 2017F	Close price 29/09/2017 (VND)	Target price (VND)
VGT	15,640	310	620	18.4	0.9	4%	11,400	13,619
VGG	8,113	380	8,460	6.4	1.4	24%	53,900	60,204
TCM	3,315	182	3,324	8.1	1.4	23%	27,000	32,000
TNG	2,553	111	2,567	5.9	1.05	18%	15,200	18,538

Source: BSC Research

Non-Life insurance sector [Neutral]

- Gross insurance premiums grow positively in 5M2017. Most of the product segments increased.
- The compensation rate was 33.67%, higher than 32.21% of the same period last year.
- Business results of listed companies in 1H2017 improved with an average revenue growth of 8% and EBT growth of 15%.
- The neutral outlook for 4Q2017 is due to slightly lower interest rates.

Q2 FY2017

Gross insurance premiums maintained positive growth in 5M2017. According to official data from the Bureau of Insurance Supervision, the whole sector earned VND 22,266 billion of gross insurance premiums (+ 31.1% yoy). For each product segment, except for property and casualty insurance falling 5%, all other segments maintained high growth rates such as 13% for motor vehicles, 23% for health, 8% for fire explosive and 3% for cargo shipment.

Total compensation in 5M2017 was estimated at VND 5,319 billion, corresponding to the actual claim rate of 33.67%, it was higher than the same period in last year of 32.21 %%, but significantly lower than the average of the period 2005-2016 which was 37%.

Business results in 1H2017 outperform, with total revenue growth of 8% and PBT of 15%. The combined ratio was 98.9% on average, 1.6% higher than the same period in last year, indicating an increase in corporate cost. The investment rate in 1H2017 reached an average of 3%, same as the average investment rate of 3% in the same period of 2016.

1H 2017 (VND billion)	BVH (*)	PVI	VNR	BMI	PTI	PGI	BIC
Fee revenue	3622	3547	849	1620	1496	1210	912
% yoy	22,4%	0,2%	-4,2%	16,1%	1,8%	2,3%	11,7%
% Compensation (1)	55%	50%	48%	47%	54%	58%	47%
Gain/loss over the same period 2016	1%	-1%	-4%	4%	10%	8%	7%
Combined ratio (2)	100,3%	97,0%	93,8%	99,9%	101,5%	100,0%	99,9%
Gain/loss over the same period 2016	4,2%	3,0%	0,8%	-1,1%	1,3%	2,0%	0,6%
Investment operation							
Invesment Money	6406	7457	3212	2387	3213	2100	3148
% yoy	2,9%	-7,5%	3,5%	-2,6%	10,3%	13,0%	13,2%
Investment rate	3%	3%	3%	4%	2%	5%	3%
1H2017 PBT	195	323	144	110	59	97	92
% yoy	-3%	67%	9%	16%	-37%	21%	-2%

[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 - Neutral

Insurance stocks are trading at a medium P/E of 14.39x and a median P/B of 1.37x, which is significantly higher than the regional level. BSC recommends the **Neutral** assessment for the insurance industry, as interest rates continue to slide slightly. The reason is that inflation decreased continuously in the first 6 months, causing the State Bank decided to reduce interest rates to promote credit, making interest rates down. However, credit growth is significantly higher than recent deposit growth, which is a factor boosting interest rates. These counterparts push interest rates down slightly in the last months of the year.

Forecasts for some macroeconomic indicators of Vietnam in 2017

Quarter End	2016	2017Q1	2017Q2	2017Q3	2017
Inflation (%yoy)	4,74	4,65	2,54	2,9	2,1
Money supply growth (YTD, %)	17,9	3,52	6,4	10,4	15,5
Credit growth (YTD, %)	18,7	4,06	8,00	11,5	18,0
3 month average deposit rate (%)	5,0	5,1	5,1	4,8	4,8
12 month average deposit rate (%)		6,8	6,75	6,5	6,5

Source: MarketIntello

PVI – target price of 38,000 – upside 13.5%

By the end of June 2017, PVI's market share had dropped to 17%. The insurance business continued to be difficult. The sectors of oil&gas and maritime, which accounted for 50% of PVI's total fee revenue, still did not have positive signals in Q3/2017, as the oil&gas exploration projects have been halted. The fee revenue from health and motor vehicle segments decreased by 7% and 4% respectively over the same period in last year, not meeting the expectation of compensating for commercial insurance segment. However, PVI is expected to book an extraordinary PBT of about VND 90 billion from transfering apartments of the Costa Nha Trang project, which will help offset the difficulties in the insurance business in 2017. Particularly, the Costa Nha Trang has been transferred by PVI. Recently, PVI has received the Embassy Garden property project of 3.5 hectares and 53 lots of villas in the center of Ho Tay Urban Area. This project is expected to be delivered in Q3/2018 and recorded revenue in 2018-2019. Additionally, PVN expects to withdraw all its capital from PVI in 2017-2018, leaving PVI with no major advantages in the oil&gas sector as it is a member of PVN. However, at present, the proportion of PVN-related insurance revenue has dropped to 16% in 2016, suggesting that the divestment will not have a significant impact on PVI's operations. HDI Global, a provider of insurance services in more than 130 countries (owned by Talanx, one of the largest financial groups in Europe, manages more than € 100 billion in assets) plans to increase its ownership at PVI. If this plan is successfully implemented, PVI will benefit from the large financial resources, extensive insurance network and experience from HDI Global.

BMI – target price of 32,150 – upside 10%

The total gross premium in 1H2017 reached VND 1,620 billion (+ 16% yoy), the highest growth rate in 8 years. The fee revenue of health & accident insurance grew most by 40.5% yoy. Particularly, the main motive was from the accident insurance activity with compensation ratio (about 18%), much lower than the one of health insurance activity (60%). We expect the accidents insurance will bring good revenue with a stable compensation rate for the company in 2017. Thanks to the acceleration in the accident insurance segment with a relatively low compensation rate, BMI had the lowest compensation rate (47%) in the top five non-life insurers. The most important point is that BMI has completed its provision for ineffective investment, making BMI's current portfolio relatively safe with about 90% of investments in deposits and bonds, helping the investment rate of BMI in the coming years will be better. As estimated by BSC, BMI's current investments are recognized at cost less than VND 300 billion.

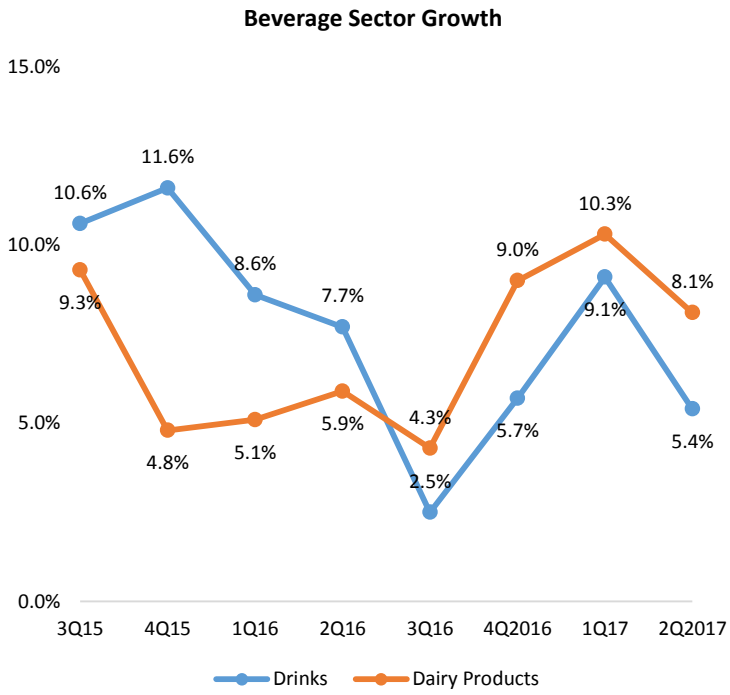
Stock	2017 E Revenue (VND bill)	2017 E PAT	2017 EPS (VND/share)	2017 P/E F	2017 P/B F	ROE (2016)	2016 Dividend	Closing price 30/09/2017	Target Price
BMI	3,836	195.3	2,410	13.0	1.0	8.0%	10%	29,200	32,150
PVI	7,283	465	1,987	19.1	1.1	6.3%	20%	32,200	38,000
VNR	1,788	248.8	1,900	12.6	1.2	10%	12%	26,300	26,500

Beverage sector [Neutral]

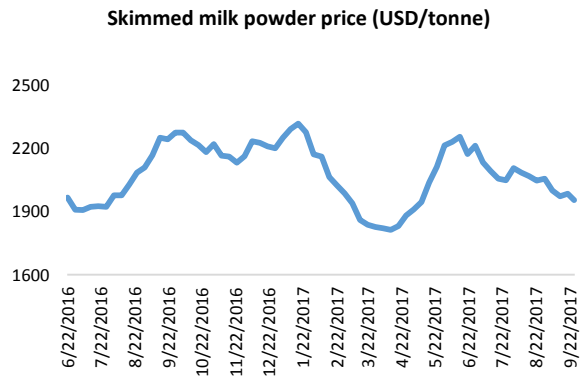
- Beverage consumption including milk and drinks continued to grow in Q2/2017 but respectively 3,7% and 2,2% lower than the last quarter.
- Milk powder price fluctuated in Q3/2017 and is expected to increase in the coming months.
- The Beverage companies' business results in 6M2017 grew positively.
- We maintain our neutral view on the beverage sector.

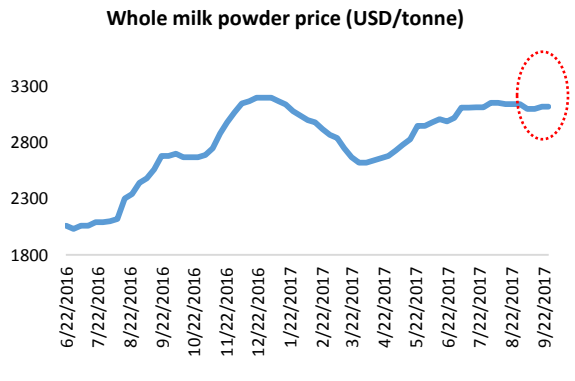
Q3 FY2017

Bevarage consumption continued to grow positively in the second quarter of 2017. However, compared to the previous quarter, these figures show the decline of the sector. Specifically, the growth rate of the drinks sector decreased from 9.1% to 5.4%, and the dairy product sector decreased from 10.3% to 8.1%. The drop was due to a decrease in consumer demand after the Lunar New Year peak season. Rural areas continued to be a potential land area for many producers, with a 6.5% yoy increase, driven mainly by growth in output and a 57.5% contribution to total consumer goods sales while in urban areas only 5.1%.



Powder price fluctuated in Q3/2017. Specifically, the price of skimmed milk powder dropped 10% from $ 2,173 per tonne to $ 1,954 per tonne on 26/09/2017, while the price of whole milk powder increased by 4% from $ 2,990 per tonne (21/06/2017) to $ 3,122 per tonne (26/09/2017). According to Reuters, the powder price will increase because the supply does not catch up with demand because New Zealand, the world's largest exporter of dairy products, is experiencing bad weather resulting in declining production and the demand of dairy butter continues to increase significantly.





Source: Market Pulse 2Q/2017, Nielsen

Operating results in 1H2017: There were positive growths in beverage enterprises. The consolidated revenue of the 5 biggest beverage companies posted a rise of 9% yoy and the total net income grew up by 13% YoY. The two largest beer companies, SAB and BHN, recorded a relatively stable gross profit margin. Regardless of 35-40% increases in the prices of SMP and WMP in 1H2017, VNM still recorded a growth of gross and net profit.

1H2017	Revenue (billion VND)	% yoy	Net income (billion VND)	%yoy	Div 2016	Cổ tức 2017	Gross profit margin 1H2017	Gross profit margin 1H2016
VNM	25,398	+11%	5,852	+17%	40% cash	20% cash	49%	46%
QNS	3,924	+18%	490	+0%	20% share 30% share	5% cash	24%	30%
SAB	15,642	+6%	2,567	+8%	30% cash		27%	28%
BHN	4,226	+5%	313	-2%	18% cash		27%	26%
SMB	414	-4%	42	+2%	25% cash		22%	23%
WSB	414	-4%	57	+33%	20% cash		20%	18%
Total	**50,017**	**9%**	**9,320**	**13%**				

Source: Financial Statement & BSC research

Investment outlook - Neutral

We maintain a **Neutral rating** on Beverage sector based on the following reasons:

(1) Regarding beer stocks: Although gross margins were stable, beer stocks have been traded at a relative high price due to industry;s potential was reflected. Specifically, the current P/E and P/B of SAB are respectively 37.12x and 12.36x while these figures of BHN are respectly 38.1x and 4.94x, higher than or approximately equal to the regional average level (27.3x; 3.3x). Although SAB's share price is high compared to its business pontential, SAB is having a big impact on the VN30 and VN Index as well as the derivative market. In addition, the government's divestment of SAB and BHN in 2017 will be a highlight of these two stocks.

(2) As regard to dairy sector: We have Optimistic outlook on VNM but Neutral on QNS.

VNM – target price of 180,000 VND/share – upside 21.1%.

In 1H2017, revenue rose 11% yoy, higher than the industry's growth rate of 8% -9%, Nielsen said. In particular, revenue from the domestic market increased by 17% thanks to increased market share, but revenue from export decreased by 18% due to political instability in Iraq which accounted for more than 80% of VNM export. VNM's export forecast for 2017 will decline by about 20% yoy. Gross margin for 1H2017 was stable thanks to VNM's low milk powder input's price, high selling price of organic milk products, and good control of a material cost thanks to increasing domestic supply of milk. Currently,

VNM accounts for more than 50% of the market share in the dairy industry. In the future, VNM will continue to increase market share through the plan to deploy new products and increase investment in cattle farms. Recently, VNM and Chr.Hansen Group (the leading global nutritional corporation in Denmark) signed a strategic partnership "Prominent application of the most advanced probiotic strains in Vinamilk dairy products" to produce breakthrough microbiological products for the Vietnamese new generation. In addition, VNM also plans to build a 700-800ha farm of 8,000 cows near Ho Chi Minh City and signed with the Ha Noi's Committee on a farm of 8,000 other cows, aiming to increase domestic supply from the current 25-30% to 40% by 2020, and help the company mitigate the risk of rising milk powder prices.

QNS – target price of 82,500 VND/share – upside 18%.

The 1H2017 revenue was VND 3,923.7 billion (+ 17.8% yoy), and COS was VND 2,882 billion (+ 27.6% yoy), causing the gross margin to fall 5%, lower than expected, especially its core business of Soymilk with a gross profit margin dropping 3% yoy due to a competition from Vinamilk and Nutifood. Additionally, sugarcane segment is forecasted to face competition difficulties from Thailand since 2018 when Vietnam abolished the sugar quota under the ATIGA commitment. In order to reduce competition, QNS is expected to refine RE sugar next to the existing RS sugar in 2017-2018 sugarcane season. In addition, the company will also test the packaging of sugar products with lower weight to distribute directly to consumers, estimating the margin of sugar cane can be improved to 30%. QNS has upgraded the capacity of An Khe Sugar Factory to 18,000 TMN, becoming the largest biomass power plant in the country, which is included in the National Power Development Plan for 2011-2020. This is the segment with stable potential and stable output thanks to EVN's commitment to buy 100%, expected to generate stable revenue of VND 330-400 billion per year. In order to meet the material requirements for a large capacity plant, QNS is planning to expand the area of sugarcane material by 7,000 hectares to 35,000 by 2020.

GTN – Following

Net revenue in 1H2017 reached VND2,083 billion (+ 71% yoy) and PBT reached VND95.4 billion, 19 times higher than the same period of 2016. However, the main investment in agriculture of GTN is expected to face many challenges. In particular, Moc Chau Milk - the main driving force of GTN - will face competitive pressure from Vinamilk, which accounts for more than 50% of milk market share. Recently, GTN has completed increasing its ownership of Vilico to 70.05% - to realize the dream of implementing a value chain of "go from farm to family, and finally to the table". Vinatea is also experiencing problems in dealing with inventories and expanding production. In order to strengthen the distribution channel, Vinatea has signed a contract with a subsidiary of Kido Group having about 400,000 sales points for packaged food segment. According to the plan, GTN is expected to complete the restructuring process by 2018. By the end of Q2/2017, GTN has about 1,280 billion VND cash and cash equivalents, helping GTZ invest in projects generating good profit in the future. We recommend keeping track of GTN shares.

Stock	Revenue 2017(billion VND)	Net income 2017(billion VND)	EPS 2017	P/E FW	P/B	ROE 2017	Div 2017	Closing price 30/09/2017	Target price
SAB	34,495	4,703	7,051	29.3	10.5	36.1%	35% cash	260,000	168,600
VNM	52,945	11,220	7,733	19.8	8.94	50%	>50% LNST	149,200	180,000
QNS	7,665	1,349	5,425	15.2	4.4	23%	>15% cash	69,700	82,500
GTN	3,950	70	280	60.7	1.5	3%	n/a	16,350	n/a
VLC	2,800	115	1,822	9	1.16	17.1%	6.5-8% cash	16,000	n/a

Seaport Sector [Neutral]

- 6M2017 container throughput growed by 5%.
- A decrease in service prices caused Hai Phong Port's gross margin to fall sharply while the DC South Ports' were still stable.
- Lowering the rating to Neutral due to concerns about recovery of service prices in Q4 and 2018.

Q3 FY2017

Total container throughput increased by 6% yoy. In 1H2017, total cargo throughput increased by 11% to 254 million tons. This increase was contributed mainly by liquid and dry cargo which grew 12% and 24% respectively over the same period of 2016. Container cargo rose only 5% to 6.5 million TEUs

Bach Dang bridge has been completed, so that the ports in the lower Cam River such as Vip Green, Nam Hai Dinh Vu, Tan Vu and Dinh Vu will benefit when the big ships are restricted to exploit in upstream ports.

Operating results in 1H2017. High competition in the Hai Phong area makes Hai Phong's ports use the discount policy to attract the shipping companies. By sharing some ports, even offering 50% lower bids than rival ports. This led to the decline in Gross margin compared to 1H2016. TMS increased dramatically due to the consolidation of VNF so comparative data was not meaningful.

Consolidated results of business for 1H2017

	Revenue		Gross margin		PBT		P/E	P/B
	1H2017	yoy	1H2017	1H2016	1H2017	yoy		
VSC	607	21%	31%	36%	109	-13%	10.89	1.84
TMS	1,868	275%	17%	28%	126	53%	8.96	1.85
GMD	1,087	4%	25%	29%	193	2%	20.33	1.99
DXP	761	-46%	31%	36%	11	-57%	12.58	1.03
VGP	667	3151%	1%	34%	9	161%	8.83	1.13
PDN	588	-39%	31%	32%	42	35%	15.77	2.88
DVP	397	4%	54%	53%	148	3%	9.35	2.98
TCL	321	6%	18%	18%	42	-2%	7.05	0.99
PRC	287	-3%	9%	8%	2	51%	5.95	0.74
CLL	113	-78%	15%	42%	2	-95%	12.31	1.54
PHP	66	-8%	37%	43%	190	-16%	10.26	1.31
SGP	36	10%	35%	36%	337	415%	97.67	1.45
CDN	33	-2%	36%	39%	68	1%	11.8	1.84

Source: Corporation's Financial Reports

Investment outlook

In early 2018, GMD is expected to put the first phase of Nam Dinh Vu port into operation with expected capacity of 500,000 TEU/year. In addition, the six terminals in Lach Huyen will also be operational in 2018, which will increase the competitiveness of ports in the lower Cam River. In terms of demand, international shipping companies are generally not able to recover strongly in Q4 and 2018. Therefore, Haiphong's freight rates are forecasted not to increase. Regarding the southern logistics businesses, we believe that the exploitation of Cai Mep Thi Vai Terminal will be able to help the warehouse business, ICD and DC in the vicinity of the city to get benefits, such as STG, SWC, TMS, GMD. As a result, we downgraded our rating from Outperform to **Neutral** for the Seaport sector.

GMD- Tracking.

Prior to the general meeting, GMD's share prices increased sharply thanks to the plan to sell some of its assets, and focus on core businesses and the participation of Korean shareholders. However, at the moment GMD is being traded at a PE of more than 20 times, almost double the industry average. Therefore, we only make recommendations **Tracking** for GMD. In the future, GMD's main activities have some potential: (1) the logistics sector is growing positively thanks to the Mekong Logistics operation. (2) SCSC's strong growth is forecasted at around 30%, contributing about VND84 billion to profit from associated ventures, up 67% yoy.

VSC- Buying- Target price of 64,500 VND/share

According to VSC, Q3's EBT is about VND80-85 billion. In November, Vip green will receive one more crane spanning up to 14 containers in order to serve the large cargo ships of Maserk Line. Total investment is VND 60 billion. At present, Vip Green is serving eight ships a week, including five from Evergreen, two from Maserk Line and one from OOCL. Meanwhile, the Port of Green Port serves about 10-11 ships weekly, mainly small ships less than 1,000 Teus. In addition, VSC has set up a wholly owned subsidiary (holding 67% of shares, of which 33% belongs to staff) to manage 5 ha area bought by VSC at the beginning of the year (which will increase to 8 ha in Q4)and For container cargo through Vip-Green port.

We forecast that in 2017, VSC will be able to achieve only 2016 results, equivalent to EBT of about VND 320 billion. By 2018, with the launch of Nam Dinh Vu (around May 2017) the competition in the region will increase, the price of loading and unloading services is difficult to recover. Therefore, we lower our target price to 64,500 VND /share.

Stock	Revenue 2017(VNDbillion)	2017 PBT (VND billion)	EPS F 2017	P/E F 2017	P/B F 2017	ROE F 2017	29/09/ 2017 Price	Target price
GMD	4,354	579	2,774	16.33	2.06	11%	43,750	N/A
PHP	2,529	504	1,432	10.40	1.39	11%	14,000	22,980
VSC	1,187	320	7,020	10.67	2.11	20%	56,400	64,500
HAH	520	130	3,578	6.53	0.91	16%	23,000	30,640
CDN	640	147	1,634	13.77	1.98	16%	24,800	N/A

Marine transportation Sector [Neutral]

- reached 1,502 points, the highest level in 2017, forecasts for 2018, demand growth will surpass supply growth by 3.5% / 2.1%
- 6M2017 business results continued to diverge between bulk and liquid.

Q3 FY2017

BDI is recovering strongly. Closing at 22/9/2017, the BDI was at 1,502 points, nearly doubled over the same period of 2016 and increased 57% from the beginning of the year. In 6M2017, supply of dry bulk shipment increased by 5% and is forecasted to keep growing until the end of the year, while demand for shipping is forecast to grow by 4.3% in 2017.

In 2018, 2019, dry bulk shipping will improve. Shipping supply is forecasted to increase by 2.1% and 0.9% in the two years, while demand for shipping may increase by 3.5% and 3%, respectively.

Liquid logistics remained stable, bulk cargoes had not recovered. Liquid logistics companies such as PVT, GSP, VIP, VTO and PJT have the advantage of being able to secure demand from the parent company make the business results are quite stable. Meanwhile, the bulk carriers (VOS) do not have this advantage, combined with the general difficulties of the international dry bulk shipping market, still recorded less positive results.

Summary of 2Q2017 results.

	Revenue		Net income			
Ticker	1H2017	YoY	1H2017	YoY	P/E	P/B
PVT	3,022	-7%	189	-21%	11.5	0.5
TJC	96	12%	1.41	-82%	11.5	1.2
VOS	732	8%	-172	NA	15.6	0.5
VTO	627	5%	45	-12%	NA	0.5
GSP	607	9%	26	-18%	7.0	0.5
VNA	251	-10%	-68	NA	8.9	1.0
VIP	370	31%	33	-59%	NA	0.3
PJT	269	33%	17	4%	13.7	0.5
VFR	106	-19%	21	NA	5.6	1.4
HTV	99	1%	10	-34%	26.9	0.5
TCO	80	5%	9	-45%	12.7	0.7

Source: Company financial reports.

Investment Outlook - Neutral

Despite a strong recovery in September, 2017, the BDI index is still far behind the nearest peak, hit in 2014. Therefore, bulk logistics companies such as VOS, NOS, VNA can hardly make unusual profit in the last quarter. On the other hand, the subsidiaries of Petrolimex such as VTO, VIP, PJT still recorded stable results (2016 growth suddenly due to increased shipments from Korea). Outlook to 2018, we raise the rating to **Neutral** with the Sea logistics sector.

PVT- Recommend BUY- Target price of 19.000 VND/share.

Q2 business results fell sharply by 21% compared to 1H2016, mainly due to Dung Quat entered the refinery's third phase, which lasted 48 days (completed 4 day earlier to schedule) and will affect the whole operation. Q3 results of PVT. Outlook on 2018, we expect that PVT is very good thanks to: (1) demand for transportation of crude oil from Nghi Son refinery. (2) Increase the volume of coal transport for PVN's thermal power plants. Also from May 2017, PVT has also signed some contracts for coal transport for the factories of EVN. (3) Sustainable financial position with large cash balance. We expect the USD/VND exchange rate will not change strongly in 2018, the risk of exchange rate is not high. In 2018, we forecast PVT's revenue will be VND 8,000 billion, PAT is VND 719 billion, equivalent to EPS of 2019 reached 1,917 VND / share.

Ticker	Revenues 2017(Bil VND)	Profit after tax 2017(Bil VND)	EPS F 2017	P/E F 2017	P/B F 2017	ROE F 2017	Close price 29/09/2017	Target price
PVT	6,426	410	1,303	11.09	1.00	14%	14,900	19,000
GSP	1,286	69	2,300	5.60	0.99	18%	13,550	15,200
VTO	1,312	120	1,521	4.83	0.51	8%	7,300	N/A
VIP	655	110	1,606	4.76	0.47	7.5%	7,240	N/A

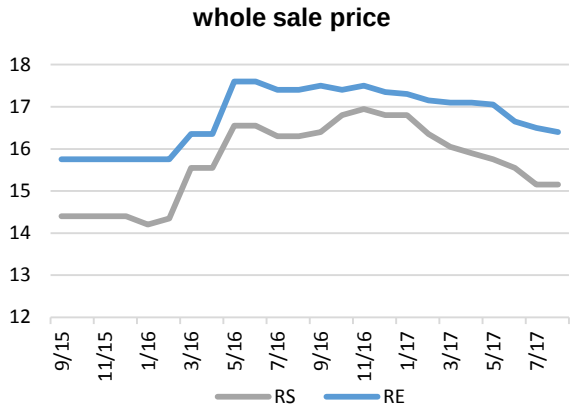
Source: BSC forecast.

Sugar and Sugarcane sector [Neutral]

- In the crop year 2016/2017, the production output **decreased by 0.1%,** the selling price improved compared to the previous crop year but from the beginning of the year until now the price of sugar is tending to decrease markedly.
- The situation of smuggled sugar has been complicated by the fact that the sugar inventory in enterprises as of August 2017 increased by a record (+ 270% YoY).
- Business results of the crop year 2016-2017 is positive .
- We view the outlook for the 2017/2018 sugar industry as neutral.

Crop year 2016/2017

Crop year 2016/2017, the production volume decreased by 0.1%, the selling price was improved compared to the previous crop but from the beginning of the year until now the price of sugar is tending to decrease markedly. In the 2016/2017, sugar mills have squeezed 13,112,227 tons of sugarcane (+9.4% YoY), producing 1,236,131 tons of sugar, down by 1,169 tons over the 2015/2016 crop due to the impact of weather situation. Sugar prices in the department of Price Management tend to increase over the previous crop with an average increase of 1,000-1,500 VND/kg for RS and 700-1,200 VND/kg with wholesale sugar (respectively increased by 5-9% YoY). However, since the beginning of this year, sugar prices have tended to decrease in line with the general trend of world prices, in which the RS



has a stronger decline from 1,000-2,300 VND / kg, RE decreases 800-1,000 VND / kg

Source: Price Management Department, BSC research.

Source: Bloomberg, BSC research.

The situation of cross-border smuggling has been complicated. At the Conference on Sustainable Sugar Consumption May 5, 1974, Vietnam Sugar Association (VSSA) said that the situation of smuggling across the border is increasingly complicated with smuggled sugar through the month. 5 estimated at 400,000 tons (almost the same as the previous crop). Most of the sugar imported from Thailand - the second largest sugar exporter in the world - is cheaper than domestic sugar from 500-1,500 VND / kg. As a result, although the volume of sugar production decreased compared to the previous season, but the

inventory of sugar in factories, trading companies to the end of August 15 recorded a record increase of 554,456 tons (higher than the same period 350,181 ton).

Business results of most sugar cane companies are positive. In the 2016-2017 season, sugar prices have risen over the same period (from VND1,000-1,500/kg), most sugarcane companies have recorded positive growth (except for SLS from the middle of the sale season sugar price decrease, consumption difficult lead to high inventory). However, due to the influence of weather factors, the cost of sugar cane increased, along with the depreciation burden in some new factories or capacity expansion has caused gross profit margin of many sugar companies. narrowed from 1.5-2%.

2016/2017	Revenue Billions VND	% YoY	EBIT Billions VND	% YoY	LNST Billions VND	% YoY	Gross margin 2017/2016	Gross margin 2016/2015
SBT	4,498	11.4%	377	3.0%	339	15.3%	13.6%	15.0%
BHS (*)	5,347	22.9%	258	-24.3%	293	18.2%	11.9%	13.8%
LSS	2,024	12.2%	146	4.8%	103	15.6%	11.8%	13.0%
SLS (**)	537	-9.6%	172	27.7%	163	19.0%	36.6%	26.0%
KTS	295	1.2%	42	7.4%	42	2.5%	17.4%	16.9%
Total	**12,701**	**14.6%**	**996**	**-2.4%**	**941**	**16.2%**		

(*)BHS canceled the listing on 01/09/2017 to swap with SBT stock.

(**)The 2015/2016 crop year data has been adjusted as the period of 01/01 / 2016-30 / 06/2016 of the Fiscal Year

Source: BCTC, BSC Research

Investment outlook - Neutral

We assess the **Neutral** outlook for the sugar industry outlook for the 2017-2018 season based on the following points:

- **Sugar consumption growth slows down after rapid growth in 2008-2013**. In the last 3 crops, sugar consumption only increased by 6.6% to reach 1.6 million tons (2015/2016**).**
- **World and domestic sugar prices tend to decrease.** Since the beginning of the year, world sugar prices have fallen by about 30% to US $ 13.64/lbs (T9/2017), domestic sugar prices have dropped by VND1,000-2,500/kg. Forecasting the 2017/2018 season, the world's sugar supply is expected to surge to 4.9 million tons over demand, according to FO Litch, which will lead to a downward trend in the price of sugar.
- **The high cost of sugarcane production makes the price difference in the domestic market significantly different from that of other countries in the region.** The cost of purchasing raw sugar cane in our country is from 1-1.1 million VND / ton, equal to 1.45 times that of sugarcane in Thailand due to small sugarcane planting area, not fully mechanized application. This makes productivity and sugar production low.

- **The situation is fiercer when commitments under the ASEAN Free Trade Agreement (ATIGA) come into effect in 2018**. According to ATIGA's commitment, 2018 Vietnam will have to lift its import quota simultaneously. In the coming time, tariffs on imports from ASEAN countries should be reduced to 0%. This is expected to increase competitive pressures on the internal roads ahead of the invasion of the Thai sugar, which is 25-30% cheaper for production and the production is forecast to hit a record in the coming season. Thailand sugar production will reach 12 million tons (+ 20% YoY) thanks to favorable weather conditions.

However, we still recommend investors to watch for SBT shares based on the advantage of dominant market share for RE refined sugar as well as profit expected from the sale of shares in Thanh Thanh Industrial Park Public in 2018.

By this time, the merger between SBT and BHS was over. The two companies had the largest share of sugar (SBT: 15-16%, BHS: 19-20%) and dominated the refined sugar market (total market share after merger was 62.5%). It is a good signal for the domestic industry to own a large-scale enterprise (total capacity of 30,000 TMN, 49,000 ha of material area), modern refining technology, has a solid customer system and owns a reputable retail channel. Thanks to the scale advantage, the latter company can consolidate costs, leverage the distribution channels of each other to improve the competitiveness of the intersection with imported roads; as well as the ability to dominate the price.

On the same day, SBT also passed a resolution on the transfer of all 24.5 million shares in Thanh Thanh Cong Industrial Park Joint Stock Company with the transfer price at market price but not lower more than 25,000 VND / share, the deadline is 30/6/2018. If the transfer is successful, the amount of money SBT expected to collect is 612.5 billion, if compared with the cost of 245 billion, SBT had a profit of 367 billion, or nearly half of SBT's pre-tax profit. BHS in 2016/2017.

Stock	Revenue 2017F (VND billions)	Profit 2017F (VND billions)	EPS 2017F (VND)	P/E 2017F	P/B 2017F	ROE 2017F	Close price 29/09/2017 (VND)	Target price (VND)
SBT(*)	10,156	509	1,058	24.56	1.9	6.77%	26,000	N/A
SLS	653	173	18,660	9.4	3.4	32.4%	175,000	N/A
LSS	2,272	115	1,540	7.4	0.46	8.1%	11,400	N/A

(*)Based on the business results of SBT and BHS, the merger advantage and profit from the transfer of shares in Thanh Thanh Cong Industrial Park are not taken into account.

Source: BSC Research

Aquaculture [Underperform]

- Export value of aquaculture products reached VND5.91 billion, up 18% yoy
- Input material prices tend to increase in September.
- 1H2017 business results showed negative growth.

Q3 FY2017

Seafood export 9T2017 is estimated at 5.91 billion, up 18% yoy. Among them, the United States, Japan, China and Korea are the four leading import markets of Vietnamese seafood in the first eight months of 2017, accounting for 55.5% of the total seafood export value. In the first eight months of 2017, the export value of seafood increased sharply, namely China (63.3%), Netherlands (35.1%), United Kingdom (29.5%), South Korea), Japan (27.7%), and Canada (21.5%).

Input material price increased. Pangasius material prices in the Mekong Delta in September 2017 increased quite strong due to weak supply, fluctuating at 25,000 - 27,000 VND / kg. Black tiger shrimp with an increase of about 20,000 VND / kg over the previous month. Specifically, in Bac Lieu, Ca Mau price of shrimp raw materials are purchased by traders to the farmers, 20 kinds per kg from 260,000 to 270,000 VND / kg, 30 species from 225,000 to 235,000 VND / kg.

Business results in 1H2017. The increase in input prices (due to lack of supply) and the sharp decline of the main market, the US is considered the main reason leading to poor performance in 1H2017 compared with the same period of 2016.

Business resultsin 1H2017.

Stock	Revenue 1H2017	YoY	Net income 1H2017	YoY	P/E	P/B
HVG	12,276	-17%	-97	-188%	NA	0.6
VHC	3,970	8%	240	-26%	9.2	1.8
FMC	2,215	12%	63	11%	6.5	1.4
IDI	2,297	20%	77	2%	12.5	0.6
ANV	1,366	2%	53	-148%	6.2	0.9
ACL	601	-1%	13	30%	7.0	0.5
TS4	364	-8%	3	-18%	17.3	0.5
ABT	182	-16%	12	-53%	10.9	1.0

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 of 68,500 VND/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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