SECTOR OUTLOOK 2019

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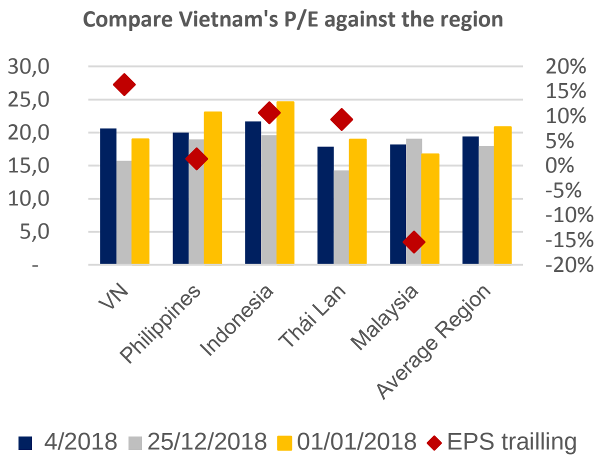
SECTOR INVESTMENT STRATEGY FOR 2019

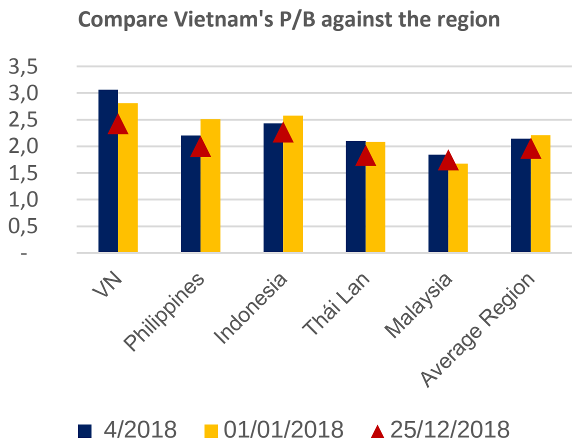
The global economy in 2019 is expected to slow down with the slower growth rate due to the effects of the US-China trade war and signs of tightening monetary policy of the EU and the US. Goldman Sachs forecasts that global growth rate in 2019 will only reach 3.5%, lower than 3.8% compared to 2018. This war not only has a negative impact on world growth from the instability of key regions and economies, but also creates unpredictable fluctuations in the financial, monetary, and commodity markets. Thereby, this will hinder the flow of global investment and create a deep gap between economies. In the US, policy will continue to tighten, which is expected to two-time increase by 0.25% in interest rates in 2019. About Eurozone, ECB has started to narrow its balance sheet at the end of the year and would raise interest rates in the second half of 2019. China is also facing difficulties in operating economic policies in the context of trade war. In the United States, in 2019, the OECD forecasts that the US economy will grow by 2.7% (lower than the forecast of 2.9% -3.0% of 2018), the unemployment rate is expected to remain at 3.5% -3.7%, equivalent to 2018. Inflation has shown signs of increasing again with a forecast of about 2.2% for 2019, but still within the target of 2% of FED. While employment growth in the United States is slowing, consumer growth remains stable and is supported by a rise in wages when the labor market is getting tighter. Fiscal stimulus policies issued in 2017 and 2018 are still impacting on the economy but will weaken in 2019. Presently, President Trump continues to maintain a low oil price policy to reduce transportation and production costs to boost the growth of US domestic economy. We note that oil prices have a big impact on countries' inflation, the initial decline in oil prices and then stabilization will help the inflation index remain stable in the coming period.

In the context of the escalating trade war, China maintained quite well as the growth rate in Q32018 only decreased to 6.5%. The OECD organization forecasts that Chinese GDP for the whole year is forecast to reach 6.6%. However, the growth rate will decline in 2019-2020 when signs of weakening economy have appeared. The Chinese PMI at this level shows the growth of orders and the amount of goods produced in the economy has weakened. The slowing down of the economy also reflects a reduction in infrastructure investment, because local government debt has been more controlled, although this debt may rise again after accelerating bond issuance and announcing new projects. If Chinese PMI falls below 50, it will be the first sign of the economic recession in the country. With the trend of world economic integration, the recession of the Chinese economy can negatively affect many countries in Asia, including Vietnam.

The effects of the US-China trade war in the short and long term. In the context of domestic and world stock markets undergoing strong fluctuations in the second half of 2018, which mainly due to these macro factors (1) US market is showing signs of entering the "bear market" cycle, (2) US-China trade war, (3) Economic growth is slowing down. We evaluate that Vietnam is benefiting in the short and medium term, but the risk will gradually increase over time in case of prolonged trade war. In the short term, industries such as Textiles, Fisheries, Wood, and Computers & Electronics are able to increase market share in the US market to fill the gaps caused by US tax imposed on China. In the medium term, the trend of shifting production and capital flows from China to Vietnam has begun to form since late 2018 and is expected to increase sharply in 2019 to take these advantages (1) Labor costs and low production, (2) avoiding tariff barriers and trade barriers from trade wars, (3) government preferential policies and stable political situation. However, there are two issues which needs to consider: (1) About micro economy: if domestic enterprises do not make good use of this opportunity, they may be subject to increased competitive pressure from new entrants; (2) About macro: the economy has a high degree of openness and import/export value of 196%, compared to the average of 5 ASEAN countries of 79% and China of 36%. Therefore, we assess in the long term if global economic growth slows especially in the US and China, there may be adverse impacts on Vietnam's economy.

The market has had a significant discount rate period that causes the valuation are cheaper and partly reflects the expected risks in 2019. As of December 25, 2018, VN-Index is trading at an average P/E of 15.7 times, lower than the regional average of 18.0 times. We realize that in the period of strong fluctuations from the beginning of the year, VN-Index has had a significant discount to help the valuation ground to be cheaper than the previous period (early 2018 was 19.0 times and the average level the peak of April 2018 was 20.6 times) and partly reflected the 2019 risks. In addition, the fastest growth rate (EPS) of the Emerging market is also the highlight of the Vietnam market, as of September 2018, the trailing 12-month EPS of VN-Index is estimated to increase by 9.4% based on Bloomberg data, and corporate profits increased by 24% over the same period. According to BSC's forecast, EPS 2019 of the group of BSC companies has issued reports, increasing by 9.8% compared to 2018.





Source: Bloomberg, BSC Research

Vietnam - The stock market continues to improve in terms of quality and products to meet the upgrade criteria. 2018 is considered a difficult year for most investors when the market fluctuation range is very large. As of December 31, 2018, VN-Index recorded a negative growth of 9.32% compared to the end of 2017 (December 31, 2017), and this is also the first year since 2011 recorded negative growth. With (1) Hidden numbers from the Central American trade war, (2) Vietnam's economy faces more challenges, BSC forecasts that VN-Index will have a wide price movement range from 800.3 to 1,265.6 with the region. The key price is at 1,050 points at the end of 2019 (details of the forecasts are for reference to the Macro and Stock market report 2019).

However, we believe that the new Securities Law will be approved and applied from 2019 which helps Vietnam market improve in terms of quality and products. The stock market is also gradually changing in quality and quantity (large stocks are accelerated to list/transfer and divest), which are new products (warrants) to meet criteria Upgrade of MSCI and FTSE Russell. Corporate capitalization affecting VN-Index and VN30 ranking will also have many changes, creating a new game that attracts a variety of investors from individual investors who are "stuck" in interest rates. Productivity is still low and outside institutional investors are gradually convinced by Vietnam's growth potential.

In 2019, the stock market is likely to be a more volatile year and much stronger than the period 2013-2018. Short forecasts become more difficult when uncertain factors, especially from the global economy are more and investors' confidence is not as strong as the previous period. Therefore, the opportunity will only come to investors who are patient, cautious and well prepared for investment orientation with longer term, which may not only stop at 2019.

1. Investment theme for 2019

Like previous years, BSC often offers investment topics, general assessment of possible opportunities, helping investors have more choices in the whole year. In 2019, BSC still maintains a outperform viewpoint with Macro and Caution with the market in general and offers the following topics:

First, the story of attracting foreign capital welcomes expectation of upgrade. We believe that the most expected story in 2019 will be the ability to upgrade the market from MSCI, thereby helping Vietnamese market attract foreign investment cash flow in 2019 (refer to BSC's Macro & Securities Report 2019). With the revised securities laws expected to be passed, it will speed up the process of reviewing emerging markets. Accordingly, the revised securities law will be consulted in June 2019 and expected to be positive if approved from November 11, 2019 and the Vietnamese market can be included in the earliest list from MSCI. June 2020.

Vietnam is also capable of upgrading the secondary emerging market of FTSE in 2019 in a favorable scenario or in 2020. In addition, the iShares fund, with a assets of 490 million USD, invests in the MSCI zone index. In the marginal area, it will increase the proportion of investment in the Vietnamese market when Argentina and Kuwait formally upgrade in June 2019. Therefore, according to our assessment, in 2019, the market will also receive a new flow of foreign investment, which will focus on stocks with large capitalization, high liquidity, still have foreign ownership room, the representative here is VN30 group.

Secondly, the change in the order of stocks in VN30 basket is expected to have a big impact on the Vn-Index in 2019 because stocks with large market capitalization are expected to be included in the basket in Q1/2019. 2018 was the year witnessing a lot of big listed stocks/IPO/exchange transfer such as VHM, HDB, TCB, TPB, BSR, OIL, POW. This is a group of stocks with very large market capitalization but it has not been added to the VN30 group because it does not meet the prescribed criteria. This leads to a decline in the proportion of VN30 group compared to the market from 67.6% in 2017 to 63.9% in 2018. However, we believe that the VN30 group will have a relatively large influence and increase gradually in 2019, when the large stocks are eligible to approve the VN30 list. VN30 ETF is considered as a bridge for foreign investors to access to stocks with room expiry, so we believe that the adjustment of stocks in VN30 basket will have a big impact on market movements, in addition to investors should also notice the amendments to VN30 index basket rules and portfolio’s rebalancing periodic.

At the same time, foreign capital invested in VN30 ETF simulated to improve the market rankings is also an important factor to help VN30 move positively and have a greater influence on VN-Index in 2019. In the period In 2019, based on the set criteria, BSC forecasts new stocks will enter VN30 basket, namely VHM, HDB, EIB and TPB and HSG, DHG, DPM and (Refer to BSC's Macro & Stock Market Report 2019).

Thirdly, the listing/equitization plan and floor transfer plan are expected to be promoted faster due to the failure of 2018 progress. As of September 2018, only 18 out of 44 enterprises were expected to be equitized in 2018, so the equitization rate was much slower than planned (127 enterprises in the period of 2017-2020). . In 2019, the number of enterprises expected to equitize is 18 enterprises. Specifically, there are large economic groups such as Vietnam Coal - Mineral Group, Vietnam Chemical Group, Vietnam Post and Telecommunications, Northern Food Corporation, Vietnam Coffee Corporation, Bank for Agriculture and Rural Development,...

On the positive side, equitized enterprises will be an opportunity to attract a large cash flow from domestic and foreign investors because after the initial public offering, the company will list on Upcom in 90 days if eligible, creating liquidity for investors. Conversely, IPOs, if they happen in a rush, will also disperse cash flows in the listed market.

In addition, public companies registered on Upcom or transferred from Upcom to HNX, HSX also continued to be an important trend, in particular, the stocks are going to move to the floor like POW (changed floor 28). 12/2018), HVN, BSR, ACV, ... and some stocks with large capitalization even compared with VN30 group such as OIL, VEA, VTP .... This group will be the driving force for the VN-Index's growth.

List of some businesses that have listed in 2018

TT	Company name	Stock code	Number of successful shares (million shares)	Offer price
1	Binh Son Refining and Petrochemical JSC	BSR	241.5	22,400
2	Petro Vietnam Power Corporation	POW	491.4	14,900
3	PetroVietnam Oil Corporation	OIL	206.84	20,200
5	Vietnam Engine and Agricultural Machinery Corporation	VEA	Pending	27,600
7	Vietnam Rubber Group	GVR	100.7	13,000
8	Hanoi Trade Corporation	HTM	75.9	12,900
9	Vietnam Southern Food Corporation	VSF	114.8	10,100
10	Power Generation Corporation 3	PGV	7.45	24,800

Source: BSC Research

Fourth, the opportunity from divestment of the State in leading enterprises. According to Decision No. 1232/QD-TTg, 181 enterprises had to divest from 2018, however, in 9M2018, only 18 units divested their capital, the whole year only earned $ 1.23 billion with major contributions from the divestments of OIL, BSR, VCG and POW. Some large enterprises are expected to be promoted to divest in 2019 and contribute to reducing financial pressure on the budget including: VEAM, DVN, VGC, ACV, DPM, DCM, SJS and PVI, v.v...

In addition, BSC also noted the information about the plan to reduce the ownership in some Vinachem companies to 36% -51%, expected in 2019. Specifically, chemical groups include PAC, LIX, NET, BFC and SFG (reducing ownership from 51% to 36%), CSV (reducing ownership from 65% to 51%); tire group includes DRC, CSM, and SRC (reducing ownership from 51% to 36%).

List of some expected businesses divested of 2019

No.	Company name	Current proportion of state ownership	Expected divestment rate of 2019
1	Viglacera	53.97%	53.97%
2	Parent Company- Vietnam National Chemical Group	100.00%	Less than 65%

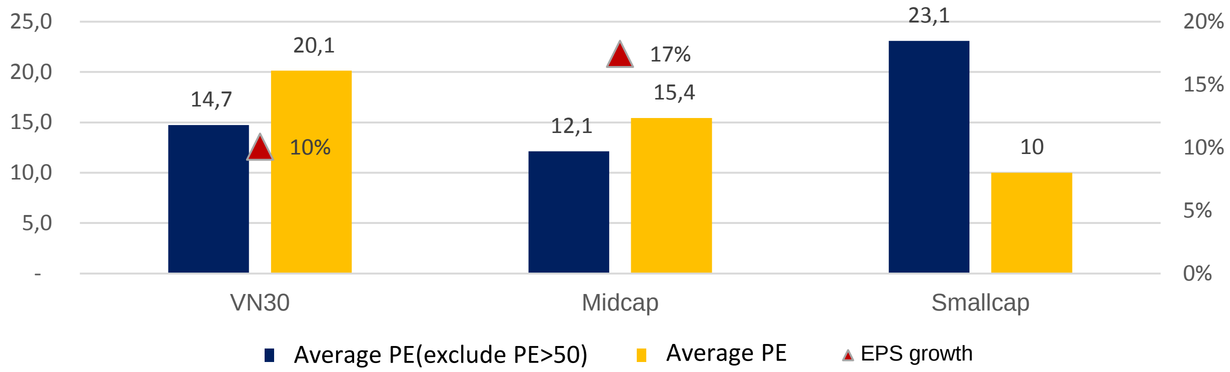
3	Viet Tri Chemical Joint Stock Company	68.50%	51%
4	South Basic Chemicals Joint Stock Company	65.00%	51%
5	Net Detergent Joint Stock Company	51.00%	36%
6	Lix Detergent Joint Stock Company	51.00%	36%
7	Duc Giang Chemical and Detergent Powder JSC	9.24%	0%
8	Viet Nam Posts and Telecommunications Group	100.00%	65.00%
9	Vietnam Northern Food Corporation	100.00%	Less than 75%
10	Petro Vietnam Insurance Joint Stock Company	35.47%	0%
11	PetroVietnam Fertilizer and Chemicals Corporation	59.59%	Less than 51%
12	Petro Vietnam Camau Fertilizer Joint Stock Company	75.56%	Less than 51%
13	Binh Dien Fertilizer Joint Stock Company	65%	Less than 36%
14	Southern Fertilizer Joint Stock Company	65.05%	Less than 36%
15	Petro Vietnam Power Corporation	51%	Less than 51%
16	Danang Rubber Joint Stock Company	51%	36%
17	The Southern Rubber Industry Joint Stock Company	51%	36%
18	Sao Vang Rubber Joint Stock Company	51%	36%
Enterprises of SCIC (including enterprises expected to transfer to SCIC)			
19	The Vietnam National Textile and Garment Group	53%	53.5%
20	Viet Nam Steel Corporation (Ministry of Industry and Trade)	100%	57.9%
21	Vietnam Construction and Import-Export Joint Stock Corporation (Ministry of Industry and Trade)	100%	60,17%
22	Vietnam Plastic Corporation (Ministry of Industry and Trade)	100%	64,65%
23	Vietnam Waterway Construction Corporation (Ministry of Transport)	100%	36,62%
24	Civil Engineering Construction Corporation No 5 (Ministry of Transport)	100%	40,00%
25	Civil Engineering Construction Corporation 8 (Ministry of Transport)	100%	18,42%

Source: BSC Research

Fifth, Mid-cap stocks with different stories will get more attention in 2019. As stock groups benefit from policy changes, from trade wars and trade agreements are cheaply priced. In 2018, Midcap stocks all performed worse than VN-Index. However, profit started to improve well from Q3/2018, helping this group of stocks narrow the gap compared to VN-Index. In addition, BSC found that for sectors that benefit from trade war and trade agreements (CPTPP, EVFTA), leading stocks are Midcap groups such as textile (TCM, TNG, VGT), seafood (VHC, MPC), wood (PTB), industrial zone (KBC, NTC, LHG) and Vinachem divestment group we mentioned above (DRC, CSM, BFC, DGC, CSV, ...). In terms of average P/E valuation and average P/E (exclude Mid-cap stocks have P/E over 50 times) are 15.4 times and 12.1 times), respectively, and compared to VN30 stocks with the average P/E and the average P/E (exclude stocks have P/E over 50 times) are 14.7 times and 20.1 times respectively. In addition to the cumulative 12 months, midcap's EPS growth rate reached 17% over the same period, surpassing the average EPS growth of the VN30 group of 10% over the same period. This shows that stocks of Midcap group have a more attractive valuation with significant improvement in profit growth along with the story of divestment, the possibility of receiving more attention in 2019.

The fertilizer industry continues to wait for the approval of 5% VAT to be submitted to the National Assembly in June 2019. If approved and validated, fertilizer companies will reduce input costs when they are reimbursed, which can improve gross profit margin (according to BSC's estimation, businesses benefit greatly. These include DPM, DCM, LAS, SFG, and DGC).

Valuation of stocks in VN30, Midcap and Small Cap



Source: Bloomberg, BSC Research

Sixth, a group of stocks with defensive characteristics and high profitability, belonging to sectors with stable growth potential (retail, consumer, drinks) will be safer choices than the market in the high risk segment. Given the complicated world situation, we believe that the group of defensive stocks with high dividends and stable domestic demand (such as electricity, retail, consumer ...) will be a safe choice in 2019. According to estimates by the National Financial Supervisory Commission, in 2018, Vietnam's GDP growth is estimated at over 7%, marking the highest mark in the last decade. Accordingly, BSC forecasts that Vietnam's GDP will increase but still maintain a high level of 6.7% in 2019. In addition, the trend of middle class growth is the highest in the ASEAN region, expected to reach 18.5% in the 2016-2020 period will be a solid foundation for the growth potential of insurance and retail businesses (PNJ, MWG, FRT and DGW) and consumer goods (VNM, MSN, SAB).

Electricity consumption is expected to continue growing at over 10% in 2019 which will be a growth engine for power generation enterprises. With the El Nino phenomenon expected to return in 2019 with high probability, BSC believes that the group of thermo-electric enterprises will have improved business results in 2019 thanks to (1) improved deposit output; (2) electricity price is expected to continue to increase; (3) Loans continue to decrease. Strong demand for electricity is also expected to boost public investment activities in transmission projects and substations. We think this will be an opportunity for electrical equipment and construction enterprises (GEX, PC1) in 2019, especially when many power industry projects have been delayed for the past 2 years.

Seventh, public investment is also one of the government's key plans to be promoted in 2019. In 2019, according to the State budget estimates of the Ministry of Finance, the Government expects to spend 86.4 trillion dong for development investment, of which two main industries are concentrated:

- Ministry of Transport: The total disbursement value in 2019 is estimated at VND 41,171 billion (+ 46.4% yoy), accounting for 47.7% of the structure of investment development costs. In 2019, the Ministry of Transport plans to propose 6 projects to improve transport infrastructure and accelerate the implementation of key projects such as Long Thanh Airport and North-South Expressway.

- The Ministry of Agriculture and Rural Development maintained the level of about VND 15,000 billion, accounting for 17.3% of the proportion of the structure of allocation of development investment costs.

In addition to the aforementioned electrical equipment and electrical construction industry, we also evaluate the positive opportunity for construction materials (HT1) and construction stone (KSB, CTI), infrastructure construction group (CII, VCG) participate in the supply of raw materials and participate in the construction of infrastructure projects.

2. Policies and information affect sectors in 2019

Macro information in domestic and abroad and policy amendments and new regulations roadmap FTAs will have adverse effects with many different levels on the stock market in general and businesses in particular. BSC has listed important policies and events in 2019:

No.	Policy and macro information publishing	Effective date	Affect	Infulence level	Status December 25, 2018
Macro Policy and International Economics					
	Monetary policy				
1	FED: Raising interest rates, USD appreciation		Negative	Very strong	Affecting
2	PCB: China's economy grows slowly (RMB devaluation)		Negative	Very strong	Affecting
3	ECB: Tightening monetary policy (EUR appreciation)		Negative	Strong	Not affected yet
4	GBP: Brexit - GBP depreciated	March 29, 2019	Negative	Strong	Affecting
5	Price of raw materials decreased (oil, steel, rubber prices)		Mix	Very strong	Affecting
	Regional Macro Policy				
6	US-China trade war	January 3, 2019	Mix	Very strong	Affecting
8	Economic policy of the US president (Trump)	January 20, 2017	Mix	Very strong	Affecting
11	Economic policy of French president	July 5, 2017	Positive	Strong	Affecting
7	Tense relation between Russia and Western		Negative	Average	Affecting
12	Asian economies grew positively		Positive	Strong	Affecting
13	Thailand's general election	February 24, 2019	Mix	Weak	Not affected yet
9	G7 meeting	June 25-27, 2019	Mix	Average	Not affected yet
10	G20 meeting	June 28-29, 2019	Mix	Average	Not affected yet
Domestic Macro Economy Policy					
	Policy to amend the law				
1	Modify public investment law		Mix	Strong	Not affected yet
2	Modify investment law, business law		Positive	Strong	Not affected yet
3	Modify securities laws		Positive	Average	Not affected yet
5	Expect to pass the Law on Special Economic Administrative Region		Positive	Strong	Not affected yet
4	Vietnam upgraded the FTSE Russell primary market		Positive	Strong	Not affected yet
8	Increasing equitization of state-owned enterprises		Neutral	Average	Affecting
9	Divesting state-owned enterprises (SCIC, Ministries)		Positive	Very strong	Affecting
	Monetary policy				
6	USD/VND exchange rate increased sharply		Negative	Very strong	Affecting
7	High public debt		Negative	Strong	Affecting
10	Increase GDP, FDI, PMI, foreign currency reserves, credit, import and export		Positive	Average	Affecting

	Free trade agreements				
1	CPTPP Agreement (*)	January 14,2019	Negative	Strong	Not affected yet
2	FTA Vietnam - EU	2019	Positive	Strong	Not affected yet
3	RCEP ASEAN	Negotiating	Positive	Strong	Not affected yet

Source: BSC Research, (*) TPP is likely to be signed even without Canada

Events according to the timeline

Month	Date	Vietnam	Date	International
1	**17**	Maturity of future contracts	**29-30**	Fed meeting and announcing monetary and interest rate policies
	18	ETF VN30 review	**24**	ECB meeting and announcing monetary and interest rate policies
	25	ETF VFM VN30 changes the proportion of portfolio		
	20	Deadline for submitting of Q4 financial statements		
2	**4-8**	Lunar New Year holiday	**24**	Thailand's general election
	21	Maturity of future contracts		
	28	Ishare MSCI review		
3	**1**	US-China trade war: Tariffs for 200 billion dollars of Chinese goods rise from 10% to 25%	**21-22**	ETF VNM, ETF FTSE review
	21	Maturity of future contracts	**25-29**	FTSE Announcing the mid-year market ranking
			7	ECB meeting and announcing monetary and interest rate policies
			19-20*	Fed meeting and announcing monetary and interest rate policies
			29	Britain leaves the EU
4	**15**	Hung Kings Commemoration	**10**	ECB meeting
	18	Maturity of future contracts	**April - May**	India's general election
	20	Deadline for submitting of Q1 financial statements	**30/4-1/5**	Fed meeting
	19	ETF VFM VN30 changes the proportion of portfolio		
	29-30	The South revolution		
	30	Deadline for submitting annual reports		
5	**1**	International Workers' Day		
	16	Maturity of future contracts		
	31	Ishare MSCI review		
	5	9th Party Central Conference		
6	**21-22**	ETF VNM, ETF FTSE review	**6**	ECB meeting and announcing monetary and interest rate policies
	20	Maturity of future contracts	**18-19**	Fed meeting and announcing monetary and interest rate policies
	June	Congress meeting	**20**	MSCI publishing market rankings
			28-29	G20 meeting
			June	Denmark's general election
7	**18**	ETF VN30 review	**25**	ECB meeting and announcing monetary and interest rate policies
	18	Maturity of future contracts	**30-31**	Fed meeting and announcing monetary and interest rate policies

	19	ETF VFM VN30 changes the proportion of portfolio		
	20	Deadline for submitting of Q2 financial statements		
8	**15**	Deadline for submitting semi-annual financial statements	**25-27**	G7 meeting
	15	Maturity of future contracts		
	30	Ishare MSCI review		
9	**1**	National Independence Day	**12**	ECB meeting and announcing monetary and interest rate policies
	18-19	ETF VNM, ETF FTSE review	**17-18***	Fed meeting and announcing monetary and interest rate policies
	19	Maturity of future contracts	**23-27**	FTSE announces the end of the year market rankings
10	**17**	Maturity of future contracts	**24**	ECB meeting and announcing monetary and interest rate policies
	18	ETF VFM VN30 changes the proportion of portfolio	**27**	Argentina's general election
	20	Deadline for submitting of Q3 financial statements	**29-30**	Fed meeting and announcing monetary and interest rate policies
	10	10th Central Conference		
11	**21**	Maturity of future contracts		
	29	Ishare MSCI review		
	11	Congress meeting		
12	**19**	Maturity of future contracts	**10-11***	Fed meeting and announcing monetary and interest rate policies
	20-21	ETF VNM, ETF FTSE review	**12**	ECB meeting and announcing monetary and interest rate policies

Source: BSC Research

3. Economic Cycle and the degree of acceptance of sector valuation

In 2018, macro instability factors on (1) Trade war, (2) Strong volatility of oil prices and (3) Fed tightening monetary policy had certain effects on Vietnamese economy. The current economic indicators of Vietnam show that we are still progressing through the Late Upswing cycle, typically because most signs such as inflation tend to increase, bond prices fall, Short-term and long-term interest rates increased, stock prices peaked in April 2018.

Economic cycle	Inflationary	Economic policy	Market signs
Initial Recovery	Reduce inflation	Stimulation	Short-term interest rates are low or declining Long-term interest rates hit the bottom and the top of bond prices Stock prices start to rise
Early Upswing	Low inflation Good economic growth	Reduce Stimulation	Short-term interest rates increase Long-term interest rates hit the bottom or rise & bond prices start to fall Stock prices rise
Late Upswing	**Inflation increasing**	**Start tightening**	**Short-term and long-term interest rates increase, bond prices fall** **Stock prices fluctuate around the peak**
Slowdown	Inflation continues to rise	Reduce tightening	Short and long-term interest rates hit the top and began to decline with bond prices rising again Stock prices fell
Recession	Inflation hit the top	Easing	Short-term and long-term interest rates decreased and bond prices continued to rise Stock prices show signs of increasing again at the end of the Depression cycle.

Source: BSC Research

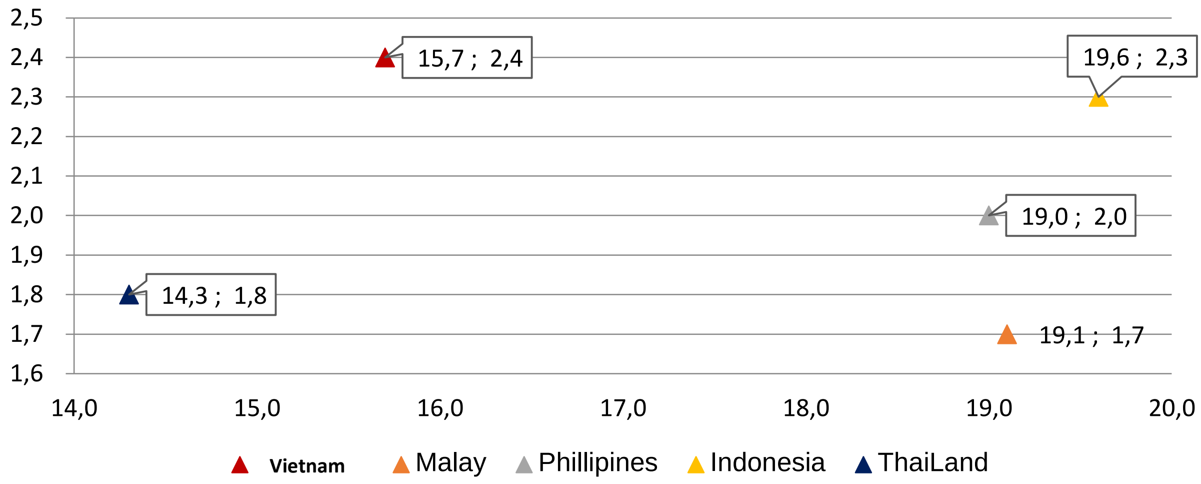
BSC forecasts that GDP growth in 2019 will reach 6.7% (higher than the average of 6.5% for the period 2014-2018) coming from the import-export activities and personal consumption activities maintains above 10% growth rate. It is forecasted that the exchange rate will continue to be well controlled with a stable and low exchange rate increase band. BSC estimates that in 2019, the exchange rate may fluctuate in a range of 1.7% - 3%, depending largely on (1) the state of trade war, (2) the devaluation rate of the RMB and (3) Fed rate hike plan. It is estimated that the balance of trade in 2019 reached a surplus of about 7.67 billion USD (slightly down from nearly 7.87 billion USD in 2018) and (4) disbursed FDI remained positive.

Influenced by (1) Oil price increased with Brent price remaining around USD 65-68/barrel; (2) Fed and ECB are tightening monetary policy; (3) Prices of electricity, food, health and education services increased, inflation 2019 is forecast to increase by 4.0% (2018 is 3.5%, 2017 is 3.6%). The interest rate level in 2019 will increase because (1) FED raises the interest rate by 0.25% to 2.5% and is expected to increase twice times in 2019, creating pressure to raise interest rates in Vietnam; (2) high interbank lending rates put pressure on market deposit rates 1; (3) Circular 19/2017 / TT-NHNN reduces the limit of short-term capital for medium and long-term loans from 45% to 40% from January 1, 2019. With the current macroeconomic situation in Vietnam and the world, BSC believes that the stock investment channel continues to be a more profitable investment channel than other investment channels. However, investors also need to keep abreast of the macro situation and have a reasonable trading strategy due to potential risks. The leading stocks, good fundamentals, competitive advantages, positive growth potentials, short-term beneficiaries from trade war with the divesting stocks will continue to be the destination of cash flow and abroad.

Compare with the regional stock market

In general, the valuation of Vietnam stock market is relatively reasonable compared to the region in terms of P/E and P/B. In addition to considering the growth factor (EPS), the progress of divesting the leading state-owned enterprises, Vietnam, the ability to increase market rankings shows that the Vietnamese market is relatively attractive. However, in terms of each industry, the discount rate varies. The sectors of Vietnam, when compared to the Median of the ASEAN group of countries such as Indonesia, Malaysia, Philippines, Thailand, are relatively cheaper in terms of valuation.

Compare Vietnam's P/E and P/B versus the region



Source: Bloomberg, BSC Research

Comparison table of P/E and P/B of each sectors compared to the region

	Vietnam		Median		Indonesia		Malaysia		Philippines		Thailand	
	P/E	P/B	**P/E**	**P/B**	P/E	P/B	P/E	P/B	P/E	P/B	P/E	P/B
Finance	15.8	1.4	**16.9**	**1.5**	36.9	1.8	15.5	1.3	17.1	1.8	16.7	1.2
Consumer goods	16.9	1.6	**22.6**	**2.5**	24.5	3.2	26.1	7.5	18.8	1.8	20.7	1.5
Industry	22.7	1.1	**20.8**	**1.8**	17.2	2.0	24.2	2.0	17.5	1.6	50.3	1.6
Oil and Gas	11.2	1.2	**12.0**	**1.1**	11.9	0.6	24.0	4.3	8.2	0.8	12.1	1.3
Consumer service	11.9	1.9	**24.0**	**3.2**	372.5	2.8	20.1	4.2	27.4	3.6	20.7	1.5
Basic materials	26.3	0.8	**13.8**	**1.8**	14.1	1.4	18.6	2.9	10.5	2.2	13.5	1.1
Utilities	10.5	1.6	**16.6**	**2.0**	9.0	0.9	20.9	1.6	12.4	2.4	24.0	5.2
Technology	12.0	1.5	**31.8**	**2.4**	43.4	3.3	n/a	n/a	n/a	n/a	20.2	1.5
Health	18.9	1.8	**31.0**	**3.1**	23.8	3.1	333.5	2.1	n/a	n/a	31.0	3.7
Telecommunication	7.8	2.1	**23.8**	**3.4**	29.8	2.8	23.8	3.5	23.8	3.5	15.0	3.3

Source: Bloomberg, BSC Research

4. Sector Outlook 2019

NON-LIFE INSURANCE SECTOR - OUTPERFORM

With a outperform prospect of the 2018, we still maintain a Outperform rating for the Non-life insurance industry thanks to: (1) an increase in interest rates to help improve financial profit; (2) growth in health and property insurance; (3) The application of technology helps businesses to save sales and management expense, helping to improve the efficiency of insurance operations. However, we would like to note that the growth rate of the industry is not much changed and the prospect of insurance companies only improves strongly when the divestments and room loosening transactions take place. We maintain a medium and long-term recommendation for leading companies when valuation is relatively cheap compared to the sustainable growth of the non-life insurance industry.

Buy Recommendation: PVI, BMI

SEAPORT SECTOR - OUTPERFORM

BSC assesses Outperform for the seaport sector in 2019 will be more Outperform thanks to the free trade agreements EVFTA and the CPTPP agreement will contribute to boost Vietnam's import and export. In addition, a new circular to increase the port service price frame will support the revenue of companies in 2019.

Buy Recommendation: VSC; Tracking: GMD

TECHNOLOGY SECTOR - OUTPERFORM

We still maintain a Outperform view for IT - Telecommunications. We continue to be optimistic about the prospects of FPT and CMG due to the growth potential of the software and telecommunications services export market. At the same time, IT businesses in Vietnam are at attractive valuation rates compared to regional peers (7.9x versus 13.2x).

Buy Recommendation: FPT; Tracking: CMG, VT

TEXTILE SECTOR - OUTPERFORM

BSC assessed that 2019 will continue to be a prosperous year of textile and garment exports based on the analysis of global textile demand and in some large import markets as well as the advantages of Vietnam's textiles and garments, motivating from free trade agreements and US-China trade war. We believe that the industry continues to maintain a high growth rate, although it may be lower than 2018 because the high-base level achieved in the past year. Meanwhile, rising labor costs will not be too big risks for businesses as can be seen in 2018 business results. Therefore, we change our view on the industry **from NEUTRAL to OUTPERFORM**

Buy Recommendation: MSH, VGG; Tracking: TNG, TCM and VGT

ELECTRICITY SECTOR - OUTPERFORM

We maintain **OUTPERFORM** ratings for the power industry. Demand and stable electricity prices continue to ensure growth for electricity companies. For hydropower businesses, 2019 will be a difficult year when natural conditions do not support. However, the business results of these enterprises are expected to remain stable in the first months of 2019. Thermal power enterprises are expected to record good growth in the period of 2019-2020 when mobilized output expected to increase, combined with the outstanding foreign currency outstanding loans of many businesses. We also appreciate electrical construction enterprises and electrical equipment suppliers, when it is expected that public investment projects involving transmission and construction of large substations are expected to be promoted. after a long period of delay, due to large electricity demand from the south and a large number of solar power plants were put into operation.

Buy Recommendation: POW, PC1, GEX; Tracking: REE

COMSUMER SECTOR – OUTPERFORM

BSC maintains its **Neutral** rating with F&B and **Outperform** rating with retail consumer. For F&B industry, we expect businesses to improve their revenue in the end of the year and NET INCOME may be flat or slightly reduced due to the large advertising and marketing costs to support sales. Thereby, we assess the prospect of 2019 F&B industry will grow at the lowest of 5% - 10%. For retail consumption in 2019 will grow steadily over 11%, due to the factors (1) Average income per capita increased by 6.7% in 2018 (2) Middle class income USD 1500 - 2000 / month is expected to increase to 33% of Vietnam's total population in 2020 (2018 is 18% according to Brookings Institute).

Buy Recommendation: MWG; Tracking: VNM

REAL ESTATE SECTOR – NEUTRAL

We downgrade the **OUTPERFORM** rating to **NEUTRAL** in the real estate industry due to (1) slowing down progress of projects, (2) rising lending rates, (3) credit tightening with real estate businesses. In 2019, we selected businesses based on the following criteria: (1) Large, open land fund available for sale in 2019, helping to ensure profit accounting for 2020-2022; (2) Recognizing good profit growth thanks to possible handover projects in 2019.

Buy Recommendation: VHM, NLG, HDG, KBC

GAS AND OIL SECTOR – NEUTRAL

BSC maintains Neutral rating with Oil and Gas Industry in 2019 when oil price is forecasted to maintain around USD 60-70 due to (1) Current oversupply pressure and (2) World economic growth slows down because demand of oil declines. However, we also expect that oil and gas businesses' business activities will improve gradually in the second half of 2019, when oil prices improve and delayed projects will soon be accelerated.

The stocks we noted in 2018 are GAS, PVD, and PVS.

PHARMACEUTICAL SECTOR– NEUTRAL

We maintain a NEUTRAL rating for pharmaceutical stocks. We believe that pharmaceutical companies in the ETC market will have better business results than the industry average due to (1) The increase in health insurance premiums increases the demand for drugs through hospital channels; (2) Preference with domestic enterprises when the Bidding Draft is adopted; (3) ETC businesses are investing in factories towards high quality products with good selling prices. However, we note that domestic pharmaceutical companies are still at a low valuation compared to the region (17.x with 27.x), but at a high valuation level compared to Vietnam stock market in general (17.x with 15.7x).

Buy Recommendation: PME; Tracking: IMP, DBD, DHG

TILES SECTOR – NEUTRAL

We believe that 2019 will continue to be a difficult year for the ceramic industry as the total demand is expected to slow down while the supply is still large. Lower input fuel prices will support profit margins for companies in the industry. The current valuation of enterprises is relatively lower than that of the region but we believe that the current P/E is hard to be improved because the industry has passed a period of strong growth, the scale of the listed companies is quite small. Therefore, BSC maintains NEUTRAL view of ceramic tile stocks.

Hold Recommendation: VGC, CVT

BANKING SECTOR – NEUTRAL

In 2019, the expectation of lower credit growth and the operation of a safer system will reduce the growth rate of revenue and profit of banks. Growth from non-interest income and expectation of healthier, safer banking activities thanks to the application of Basel II will help banks (according to BSC's assessment) will have growth of 10% -12% of NET INCOME in next year. However, banks in Vietnam have a high valuation compared to the current area. Therefore, we lowered our banking view to NEUTRAL in 2019 and recommend investing in banks with good asset quality and high profitability like MBB, ACB and TCB.

Buy Recommendation: ACB, MBB, TCB; Tracking: VCB

PLASTIC SECTOR – NEUTRAL

We maintain a NEUTRAL view of the plastics industry in the context of slowdown in industry growth and increased competition, especially in construction plastics. However, the price of input plastic beads according to the trend of falling oil prices will be a support factor for the profits of enterprises in the industry, the position of enterprises will be better than the period 2017-2018 when oil prices are high. Therefore, we continue to monitor and update plastic stocks in the next quarters.

Buy Recommendation: BMP; Hold: NTP; Tracking: AAA

FERTILIZER SECTOR - NEUTRAL

With oil prices falling sharply at the end of 2018, we forecast that business results of fertilizer companies such as DPM and DCM will be improved well in the first quarter of 2019. Besides, the output VAT of fertilizer at 5% is likely to be passed at the parliamentary meeting in 6/2019 will help fertilizer enterprises get input tax refund, reduce cost of goods sold. Thereby, the the whole industry business situation is expected to improve significantly in 2019 but competition in the industry is still high, affecting the ability to increase prices and output so we maintain our assessment. NEUTRAL with the fertilizer industry and will update their views on quarterly reports in 2019. Businesses are being traded with P/E = 10.2x, P/B = 1x, much lower than average area and high dividend payout history. Therefore, we still maintain a medium and long-term follow-up recommendation for some fertilizer companies with leading position in the industry.

Buy Recommendation: BFC; Tracking: DPM, DCM, LAS

TIRES SECTOR– NEUTRAL

Although raw materials are forecasted to decrease in 2019, it is possible for tire manufacturers to improve gross profit margin, fierce competition as well as not many prospects from domestic Radial tire consumption and high valuation. Therefore, we keep our NEUTRAL view of the tire industry prospect in 2019.

Buy Recommendation: DRC

STEEL SECTOR – NEUTRAL

BSC considers NEUTRAL for Steel industry. In 2019, the steel industry is expected to face (1) great competitive pressure due to slowing economic growth and (2) the impact of trade war. For galvanized steel enterprises, expected business results are unlikely to recover due to the pressure from debt and export difficulties due to tariff barriers. Construction steel consumption is forecasted to remain at 10% but with a strong increase in industry capacity along with the downward pressure in 2019 will affect the production of construction steel group, especially for small-scale enterprises, high production costs due to poor technology. For leading enterprises, HPG, BSC maintains the NOTICE recommendation in the medium and long term because of the industry's advantage, expanding the capacity and outstanding operational efficiency of the business.

Tracking Recommendation: HPG, HSG, NKG

AQUACULTURE SECTOR – NEUTRAL

We maintain a NEUTRAL rating for the fisheries industry. BSC believes that demand in China will remain high. At the same time, the trade war continues to be an opportunity for Vietnam's seafood products, especially when Vietnamese seafood are tax-deducted in the US and China. However, there are many risks in pangasius industry in 2019 when export price is at a historic peak and it is hard to see a sharp increase in price as in 2018. BSC expects pangasius selling price to decrease 7% in 2019. Business growth will come from production growth thanks to projects to expand production capacity, instead of growth from selling prices.

Tracking Recommendation: VHC, MPC

MARINE TRANSPORTATION SECTOR – NEUTRAL

BSC maintains a NEUTRAL recommendation for sea transport industry. We assess the business performance of the shipping industry has improved through reducing losses from profit after tax and moreover, many businesses have started to earn positive profits in 9M2018. Besides, the world crude oil price dropped sharply by nearly 45%, leading to the adjustment of oil price such as gasoline and diesel oil at 21-23% in Q4 / 2018. Thereby, the profit margin will improve significantly thanks to the reduction of fuel costs of shipping companies (the proportion of fuel costs accounts for nearly 20-35% of the total cost). Therefore, if the sea freight rates have been growing steadily in 2019 and the Ministry of Transport's support for maritime transport rates will help businesses in the industry grow well. Industry risks: Currently, Vietnam fleet is usually small <120,000 DWT so it cannot compete with foreign shipping companies with the trend of using ships of over 140,000 DWT to reduce transportation / container costs and some ships have too old to use so it is impossible to enter some countries in the area to pick up goods.

Buy Recommendation: PVT

CONSTRUCTION SECTOR – NEUTRAL

We still maintain a NEUTRAL rating with Construction industry in 2018 and 2019 because (1) the growth cycle of the real estate industry will slow down in 2019; (2) fierce competition of construction companies in the industry and (3) lending rates will increase in 2019, creating pressure on financial costs for construction companies that currently have high debt to equity ratio. According to BMI, the construction industry will have an average growth rate of 7.16% to 6.89% and the value of infrastructure construction will go flat 5.5% in the period of 2019-2022.

Buy Recommendation: CTD; Tracking: HBC

NATURAL RUBBER SECTOR – UNDERPERFORM

Although rubber companies have a high dividend payment history and low valuation (P / E of rubber = 5x), we do not expect rubber stocks to grow in 2019 due to rubber selling price. Affected profit, except PHR has a large area of timber liquidation and is likely to have extraordinary profits from divestment + land compensation. Therefore, we rate LESS POSITIVE with rubber stocks.

Buy Recommendation: PHR

SUGARCANE SECTOR – UNDERPERFORM

We believe that the 2018/19 crop will continue to be a difficult year for sugar companies because (1) the excess supply in Vietnam in the next crop year is still very large, creating pressure on prices to reduce prices Inland (2) no rigid measures to control illegal sugar. Business operations can still improve in terms of revenue (increasing production through increasing productivity, increasing sugar storage) but with the forecast that sugar prices are still low, profits will be hard to have a surge in 2018/19. We continue to maintain our recommendation of OUTPERFORM for Sugar Industry in 2018/19 and recommend NOTICE for Thanh Thanh Cong - Bien Hoa Joint Stock Company and Quang Ngai Sugar JSC.

Tracking Recommendation: SBT, QNS

CEMENT SECTOR – UNDERPERFORM

We assess that cement consumption will continue to grow next year but the speed will slow down. The situation of oversupply, price competition along with the increasing trend of input factors will negatively affect the profitability of enterprises. Therefore, we maintain our view of LESS POSITIVE for industry prospects in 2019. Currently, Vietnam's cement companies are traded with P/E and P/B relatively attractive compared to other companies. Enterprises in the region.

Buy Recommendation: HT1; Tracking: BCC

Sector Outlook 2019 Summary

We assess that although 2019 will be more difficult for the market, opportunities still exist for some sectors and stocks. After re-evaluating the key factors for the industry groups in 2019, BSC made comments with 20 economic sectors as follows:

- We recognize Positive for the sectors of Electricity, Postal Technology, Property and Casualty Insurance, Textile, Consumer, Seaport. These are the enterprises that are expected to have strong growth in 2019 thanks to sustainable growth demand, benefiting from the trend of shifting manufacturing industries to Vietnam, supported by the US-China trade war. .
- Recommendations Neutral to Banking, Real Estate, Construction, Steel, Oil & Gas, Ceramic, Plastics, Pharmaceuticals, Fertilizers, Sea Transportation, Tire and Fisheries. These are sectors with signs of slowing down in terms of profit growth such as construction, real estate and construction materials sectors; Some of the above industries (Plastics, Fertilizers, Shipping) will benefit from the cost when oil prices fall.
- Giving a poor outlook for Sugar, Rubber and Cement sectors due to oversupply and commodity prices have not recovered from the downward trend.

General assessment of industry

NO.	Sector	Outlook for 2019	Medium and Long term recommendations	Notice
1	Property and Casualty Insurance	Positive	PVI, BMI	
2	Seaport	Positive	VSC	GMD
3	Technology - Postal	Positive	FPT	CMG, VTP
4	Textile	Positive	MSH, VGG	TCM, TNG, VGT
5	Electricity	Positive	POW, PC1, GEX	REE
6	Consumer goods	Positive	MWG, PNJ	VNM
7	Real Estate	Neutral	VHM, NLG, HDG, KBC	
8	Oil & Gas	Neutral		GAS, PVD, PVS
9	Pharmaceutical	Neutral	PME	IMP, DBD, DHG
10	Ceramic tiles	Neutral		VGC, CVT
11	Banking	Neutral	ACB, MBB, TCB	VCB
12	Plastic	Neutral	BMP	NTP, AAA
13	Fertilizer	Neutral	BFC	DPM, DCM, LAS
14	Tires	Neutral	DRC	
15	Steel	Neutral	HPG	HSG, NKG
16	Fisheries	Neutral		VHC, MPC
17	Sea Transport	Neutral	PVT	
28	Construction	Neutral	CTD	HBC
19	Natural rubber	Underperform	PHR	
20	Sugar cane	Underperform		SBT, QNS
21	Cement	Underperform	HT1	BCC

Source: BSC Research

5. Key stocks in 2019

Ticker	Sales 2019 (VND bn)	NPAT 2019 (VND bn)	EPS 2019 (VND/share)	P/E fw	P/B fw	ROA 2019	ROE 2019	Price at 30/11/18	Target price
GAS	82,443	10,913	6,793	15.3	3.3	17%	21%	90,800	91,700
PVD*	4,534	-76	N/A	N/A	3.6	N/A	N/A	15,850	N/A
PVS	14,885	808	1,673	12.1	0.8	3.00%	7.00%	19,300	22,300
GEX	15,524	1453	5,114	4.9	0.89	8.40%	16.00%	25,150	33,400
POW	32,155	3428	1,462	10.4	1.15	5.72%	12.00%	15,200	17,830
REE	5,414	1985	6,593	4.9	0.9	11.40%	18.00%	32,400	38,195
PC1	6,208	414	3,118	7.5	0.8	5.30%	11.00%	23,400	36,566
FPT	26,180	3616	4,951	8.7	1.6	15.00%	19.90%	42,900	59,100
CMG	5,225	320	2,700	7.2	0.85	9.50%	24.40%	19,500	27,000
PVI	9,000	910	3,080	10.39	1.1	3.67%	11.00%	32,000	41,751
BMI	4,386	343.3	3,740	5.56	0.74	5.20%	13.40%	20,800	43,195
VGG	9,903	420	9,521	5.7	1.4	7.60%	21.10%	54,300	63,500
MSH	4,331	374	7,848	6.4	1.7	15.10%	32.20%	50,520	59,400
TNG	3,986	201	3,536	4.9	1.2	7.00%	20.10%	17,500	21,220
TCM	3,753	207	3,249	7.1	1	6.50%	15.20%	23,100	26,600
VGT	20,726	391	782	15.5	0.8	1.80%	5.90%	12,100	N/A
VSC	1,775	397	7,226	5.85	1.07	13.92%	20.18%	42,100	50,580
GMD	2,981	621	2028	14.25	1.3	5.00%	9.70%	27,700	32950
PNJ	17,625	1215	6,935	13.9	3.4	18.00%	27.00%	92,100	128,300
MWG	103,553	3406	8,023	10.8	3.3	10.00%	31.00%	84,500	122,500
VNM	55,829	10505	5,404	23.7	7.6	29.10%	28.90%	128,000	135,100
ACB	15,702	5,513	5,037	6.5	1.35	1.52%	23.26%	32,800	43,850
MBB	19,142	7,043	3,100	7.18	1.16	1.9%	18.4%	22,250	34,094
TCB	20,724	9,092	2,587	11.09	1.64	2.56%	16.09%	28,700	31,423
VCB	40,240	15,121	4,158	13.9	2.43	1.24%	19.54%	57,600	57,984
VHM	15,869	5647	5,161	14.1	2.8	12.80%	26.80%	77,800	92,700
NLG	3,067	947	4,285	6.6	1.1	8.00%	18.00%	28,300	33,900
HDG	5,543	689	7,253	5	1.26	8.10%	13.80%	36,800	54,700

Ticker	Sales 2019 (VND bn)	NPAT 2019 (VND bn)	EPS 2019 (VND/share)	P/E fw	P/B fw	ROA 2019	ROE 2019	Price at 30/11/18	Target price
KBC	2,700	1062	2,260	5.6	1.5	5.60%	25.10%	12,700	18,300
CTD	29,580	1636	1,8658	8.3	1.1	10.10%	20.20%	155,500	177,200
HPG	73,486	9964	4,745	7.1	1.48	11.30%	21.00%	33,500	38,000
NKG	17,275	131	720	10.8	0.45	3.07%	8.00%	7,600	N/A
HSG	36,142	595	1,550	4.5	0.51	1.14%	10.00%	6,620	N/A
VGC	9,317	619	1,233	14.4	1.19	3.74%	8.80%	17,800	17,600
CVT	1,487	184	4,760	4.6	1.04	14.00%	26.00%	22,100	23,800
BMP	3,964	445	4,894	11	1.6	13.50%	16.00%	53,760	64,400
NTP	4,782	331	3,333	12.9	1.65	8.10%	14.20%	43,000	47,740
DHG	4,411	679	4,678	17.5	3.9	15.50%	21.80%	82,000	89,000
PME	1,919	318	4,247	16.3	2.6	12.00%	15.00%	69,200	76,500
DBD	1,458	186	3,551	11.3	2.6	13.10%	19.40%	40,200	N/A
BFC	6,843	225	3,938	6.4	1.18	7.20%	23.10%	25,200	30,777
DPM	9,658	844	2,156	9.7	2.1	7.00%	17.50%	21,000	21,600
PVT	7,045	785	2,088	8.14	0.99	6.60%	13.10%	16,000	21,764
DRC	3,700	157	1,110	20.6	1.74	5.71%	10.10%	22,850	27,180
VHC	9,988	1257	13,569	7.3	1.96	19.00%	29.00%	99,800	108,552
SBT	10,301	590	1,100	19.1	1.8	3.10%	7.50%	21,100	N/A
PHR	1,443	725	4,741	6.4	1.4	16.40%	24.50%	30,200	36,385
HT1	8,625	655	1,716	8.9	0.91	6.60%	10.35%	15,250	17,200

Source: BSC Research

SECTOR OUTLOOK 2019

Non-life Insurance Sector [Outperform]

- Original fee are estimated to grow 10% -13% compared to 2018.
- Investment profit is expected to improve thanks to an increase in interest rates in the period 2018 - 2019.
- Continue to divest from insurance companies (PVI, BMI ...) in 2019.
- Valuation of non-life insurance companies (average P / B 1.07) has been relatively attractive
- We still maintain Outperform rating for Non-life insurance industry. Recommendation Buy: PVI, BMI

Original fee are estimated to grow 10% -13% compared to 2018. According to the Insurance Supervisory Management Department, the property and casualty insurance premium has an annual growth rate of 11% from 2013 to the present. With a young population, about 50% of the working age, qualification and income of the people are enhanced, non-life insurance is expected to maintain 2-digit growth rate in the period of 2019-2020. .

Deposit rates are expected to increase slightly, positively impacting financial revenue. We forecast that the deposit rate in the first 6 months of 2019 will be relatively stable and increase in the last 6 months with an increase of about 0.5% -1%/year. For P&C insurance businesses, with about 70% of the investment in deposits, BSC estimates that with a 1% interest rate increase will increase the estimated pre-tax profit by 10-13%.

Continue to divest from insurance companies in 2019. In 2018, PVI is in the process of divesting PVN but so far the divestment has not yet been implemented, so we expect PVN to continue its efforts to divest at PVI in 2019. In addition to PVI, we expect that BMI after being transferred to the super committee from SCIC will also be included in the list of state divestments in 2019. With the non-life insurance industry our country still maintains its speed High growth rate and plenty of development space, divestment in non-life insurance enterprises is expected to attract the attention of investors.

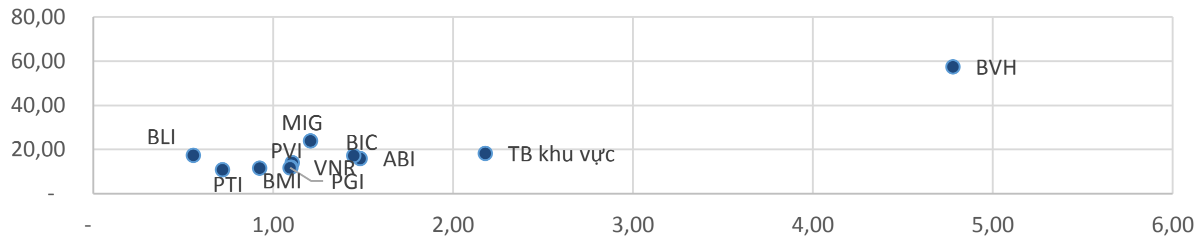
Valuation of non-life insurance businesses has been relatively attractive. The current average P/B of insurance companies is currently only at 1.07, much lower than 2.18 of the regional average, relatively attractive for enterprises whose assets are mainly accounts. Cash, investment and receivables are relatively high liquidity, while debt is mainly only potential reserves.

INVESTMENT OUTLOOK– OUTPERFORM

With a outperform assessment of the 2018 prospect, we still maintain a Outperform rating for the Non-life insurance industry due to: (1) an increase in interest rates to help improve financial profit; (2) growth in health and property insurance; (3) The application of technology helps businesses save selling costs and management costs, helping to improve the efficiency of insurance operations. However, we would like to note that the growth rate of the industry is not much changed and the prospect of insurance companies only improves strongly when the divestments and room loosening transactions take place. We maintain a medium and long-term recommendation for leading companies when valuation is relatively cheap compared to the sustainable growth of the P&C

insurance industry.

Compare P/E and P/B in Asia Pacific region



Source: Bloomberg, BSC research

PVI – Buy – Target price VND 37,713/share – upside 18% - PEFW: 10.39; PBFW: 1.1

PVI is an enterprise with a large market share in P&C insurance industry, especially in the area of damage assets. In 9 months of 2018, total revenue reached 8,057 billion VND (+ 19% yoy), completed 123% of the 9-month plan and equivalent to 89% of the year plan. Profit before tax was VND 598 billion (+ 14% yoy), fulfilling 162% of the 9-month plan and equivalent to 102% of the plan. The recovery of oil price is a reason for PVI's business result to have a relatively good growth, the premium revenue from PVN's subsidiary companies in the first 9 months of PVI recorded growth of up to 33 %. We expect this will continue to be a growth driver for PVI for 2019. Thanks to rational reinsurance policies, PVI's 9-month payment rate dropped to 34% compared to 38%. It is also a factor that promotes profitability of businesses. We expect PVI to reach VND 9,000 billion in net fee revenue in 2019 (+ 8% yoy) and pre-tax profit is expected to reach VND 910 billion. Accordingly, EPS 2019 is estimated at 3,080 VND / share, 2019 BVPS is estimated at VND 29,010/share equivalent to P/E forward = 10.39, P/B forward = 1.1. BSC recommends buying PVI with a 1-year target price of 37,713 VND/share.

BMI – Buy – Target price VND 43,195/share – upside 21.6% - PEFW: 16.6; PBFW: 1.5

After a long period of slower growth than the market, BMI has found a new growth engine since 2017 by cooperating with financial institutions to exploit human accident insurance and credit. Credit insurance with an increase of 700% in the first 6 months of 2018 is the main growth motivation of BMI. In 2019, we expect SCIC divestment will help BMI make outperform changes in its business strategy, especially if SCIC's capital contribution is sold to a long-term foreign partner in insurance field. We expect that the company will record 4,386 dong of core revenue (+ 12.4% yoy) and 343.3 billion dong of EAT (+ 15%). Accordingly, 2018 EPS is estimated at 3,740 VND and BVPS 2018 is estimated at 27,950 VND, equivalent to P/E forward = 5.83 and P / B forward = 0.78. Therefore BSC recommends Buy BMI with a 1 year target price of 43,195.

Ticker	Rev 2019F (VND bn)	NPAT 2019F (VND bn)	EPS 2018	P/E 2018	P/B 2018	ROA 2019	ROE 2019	Price at 30/11/18	Target price
PVI	9,000	910	3,080	10.39	1.1	3.67%	11%	32,000	41,751
BMI	4,386	343.3	3,740	5.56	0.74	5.2%	13.4%	20,800	43,195

Source: BSC Research

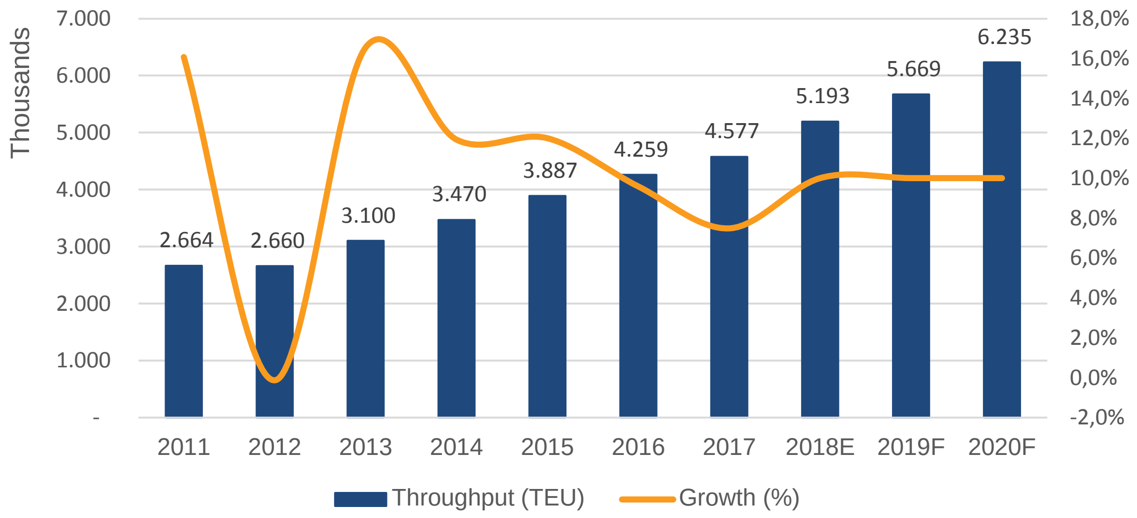
Seaport [Outperform]

- The volume of good throughput of Vietnam ports 2019 will grow 10-13% more than 2018.
- Ministry of Transport has just issued Circular No. 54/2018 on the price frame for container unloading services by 10%.
- We maintain our Outperform viewpoint thanks to the EVFTA free trade agreements and the CPTPP agreement that will contribute to boosting Vietnam's import and export. Buy recommendation: VSC.

The volume of good throughput Vietnam ports 2019 will grow outperform by 10-13%. We believe that the port industry will be outperform in 2019 thanks to the positive factors in 2019: (1) Succeeding in signing the Vietnamese Government's regional and international free trade agreements Men like CPTPP, EVFTA, ... will cut tariff barriers to boost import and export; (2) Vietnam is the hottest investment destination with foreign direct investment capital as of 11/2018 reached 15.8 billion USD and it is estimated that by the end of the year will reach 17 billion USD in the top 3 countries. Highest FDI in ASEAN (1st Singapore, 2nd Indonesia); (3) The trend of industrial shift from China to Southeast Asian countries due to the impact of the China-US trade war, whereby Vietnam will be a country selected by many foreign businesses thanks Government opening policy.

Seaport cargo volume in Hai Phong is forecast to increase by 10-15% in 2019. We believe that port throughput will reach at least 5.7 million TEUs (+ 10% YoY) in 2019 thanks to many key industrial zones such as Samsung factory, Vinfast factory, v.v. and the trend of industrial moving from China to the North of Vietnam. However, we still note that the upstream ports are entangled with Bach Dang bridge will reduce the output due to the lack of cargo ships and the downstream ports will benefit the amount of goods transferred from the upstream.

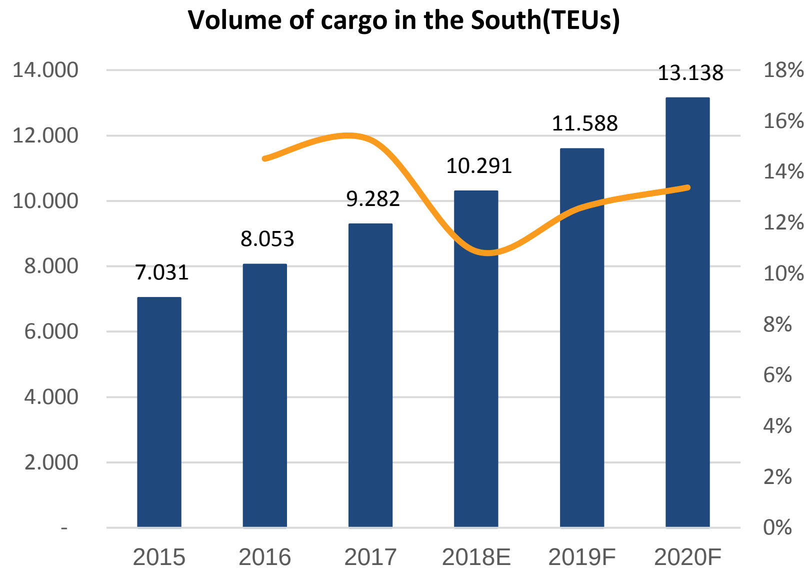
Total container throughput Hai Phong Port Area (TEUs)



Source: BSC Research, HAH, GSO.

The volume of cargo throughput in the Southern region is forecast to grow 10% -14% in 2019. We believe that port throughput will increase by 12.6% in 2019. The Cai Mep - Thi Vai port complex will grow the most in the country at a rate of 25-30% thanks to the mother ships of over 140,000 Teus that can dock these ports and satellite ICD ports receive goods efficiently. Currently, the Ministry of

Transport is relocating ports inside HCMC to develop ICD ports in Hiep Phuoc area to improve cargo circulation efficiency and reduce overload of Cat Lai port area.



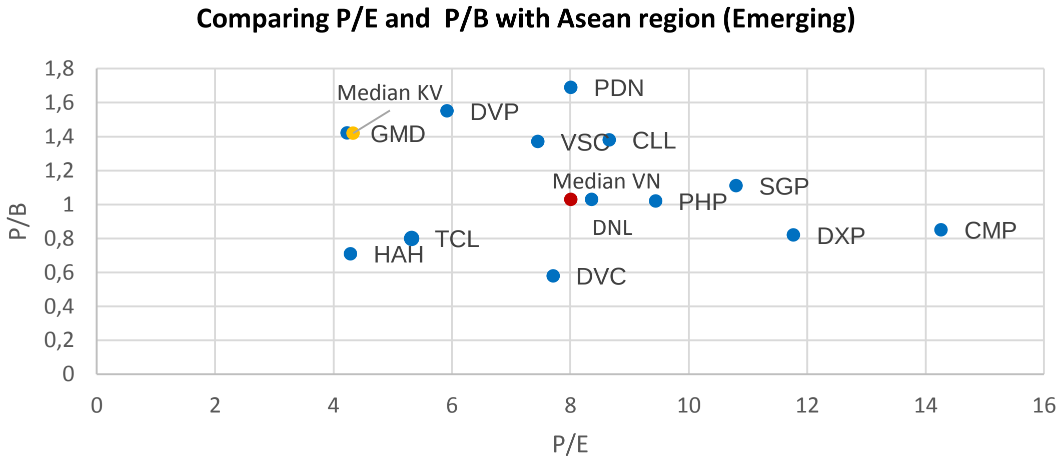
Source: BSC Research, BGTVT, GSO.

The Ministry of Transport has issued Circular No. 54/2018 on the price frame for container unloading services by 10%. Specifically, in Region 1, the price frame for container handling services for import, export, temporary import, re-export, transit and transit (not applicable to Lach Huyen port area) is adjusted to the dark price. 10% increase compared to Decision No.3863/QD-BGTVT. However, the 20ft - 40ft domestic container handling service price decreases from 4% -17%. In Cai Mep - Thi Vai area, the minimum price for domestic container handling, import and export services, and temporary import for re-export is adjusted up by 10%. The period of application of the circular will take effect from January 1, 2019, abolishing Decision No.3863/QD-BGTVT and Decision No. 3946/QD-BGTVT.

The reverse effect from the new government regulation. We still note that the current supply capacity is bigger than demand, seaports are fiercely competitive by lowering the price of seaport services to attract shipping lines. Thereby, it does not exclude the possibility that ports will re-share benefits to partners by reducing other inside service fees or shipping lines will increase shipping rates to importers and exporters.

INVESTMENT OUTLOOK– OUTPERFORM

BSC recommends Outperform for the port industry in 2019 will be more positive thanks to the free trade agreements EVFTA and the CPTPP agreement will contribute to boost Vietnam's import and export. In addition, a new circular to increase the port service price frame will support the revenue of companies in 2019.



Source: Bloomberg, Fiinpro.

GMD – Neutral

In 2019, GMD will concentrate in port division and logistic which account for 80% and 20% of revenue respectively after having divested from GMD Shipping and GMD Logistics for CJ. Thereby, the port division of GMD will outperform thank to (1) Port service price will increase 5% - 10% but we think that ports will share benefit for shipping companies from reducing internal service costs; (2) Nam Dinh Vu Port will operate full-year in 2019 with an estimated volume of 300,000 TEUs (+ 50% YoY) and GMD will build the second phase with a total capacity of 500,000 TEUs with total capex is 75 million USD. Thereby, we forecast that GMD's revenue and net income in 2019 are estimated at VND 2,981 billion (+ 18% YoY) and VND 621 billion (-68% YoY, net income excludes financial income of 2018 is VND 1,516 billion, so it reaches +3.17% YoY). EPS Forward 2019 reaches 2,028 VND/share, P/E FW = 14.25x, P/B FW = 1.3x based on the assumptions (1) Business operation from seaports was estimated at VND 2,504 billion (+ 22% YoY) thank to Nam Dinh Vu Port will serve 300,000 TEUs (+ 50% YoY); (2) Nam Hai Port will reduce to 150,000 TEUs from 200,000 TEUs due to Bach Dang Bridge; (3) Container loading and unloading service prices increase by an average of 5% thanks to the new government circular.

VSC – Buy – Target Price 50,580 VND/cp – P/E FW 5.85x – P/B FW 1.07x

VSC's business activities will be outperform in 2019 thank to (1) Serving 7 ships/week for Green ports (2 more ships from APL and KSP), VIP Green port serving 11-12 ships/week (additional ship from Maersk and Evergreen); (2) VSC has hired PTSC Dinh Vu port to serve more coincidences and thus prepares potential customers in the future; (3) Port service price will hopefully increase 10%. Thereby, we forecast that VSC cargo throughput will exceed 1.1 million TEUs in 2019, revenue and net income will be VND 1,755 billion (+ 5.9% YoY) and VND 397 billion (+ 3.93% YoY), EPS 2019 = 7,226 VND/share.

Ticker	Revenue 2019 (VND bn)	NPAT 2019 (VND bn)	EPS 2019	P/E FW	P/B FW	ROA 2019	ROE 2019	Price at 30/11/18	Target
VSC	1,775	397	7,226	5.85	1.07	13.92	20.18%	42,100	50,580
GMD	2,981	621	2,028	14.25	1.3	5%	9.7%	27,700	32,950

Source: BSC Research

Technology [Outperform]

- The wave of digital conversion will positively impact the operation of software export enterprises
- The Law on Network Security will take effect from January 1, 2019, affecting the operation of enterprises providing telecommunications, Internet and other value-added services.
- We maintain Outperform rating for the Information Technology Industry. Buy: CMG, FPT.

Digital conversion will have a positive impact on software export businesses, due to spending needs related to extremely potential digital conversion. According to IDC, Third Platform: Big Data Analysis, Cloud Computing, Mobile Technology and Social Business (Digital Conversion tools) will achieve CAGR of 27% / year in 2016 - 2020. IDC forecasts that the world will spend USD 1.1 trillion for digital transformation in 2018, an increase of 16.8% compared to USD 958 billion in 2017. Of which, APAC market (excluding Japan) is expected to spend USD 386 billion , up 15.3% from 334.8 billion USD in 2017.

Promote technology application in state agencies' activities. The National Committee on E-Government, established on August 28, 2018, will be in charge of implementing IT application activities in the management apparatus, geared towards Digital Government, Digital Economy and Social Affairs.

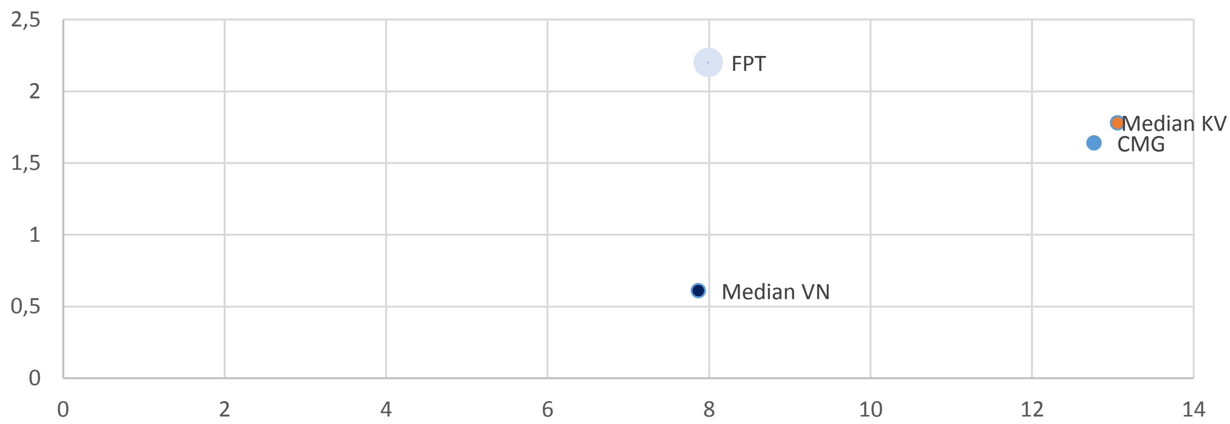
Awareness and increasing demand for information security will be an advantage for businesses that provide security services. In the Conference - International Exhibition Vietnam Information Safety Day 2018, Deputy Minister of Information and Communications Nguyen Thanh Hung said Vietnam currently has about 350,000 IoT devices publicly available on the Internet (surveillance cameras, routers, ..) ; In which, about 40% of devices are likely to be affected by known information security holes. The need for security along with the increased awareness of Internet users following data disclosure scandals will boost demand for information security products.

The Law on Network Security (Law No. 24/2018/QH14) regulations on national security and social security on cyberspace take effect from January 1, 2019. Representatives of Associations and Association of Information Technology - Communications said that regulations on network security protection may affect the operation of telecommunications, Internet, social networking and value-added service providers. Other increases due to the wide scope of regulation and the authorities' requirements for enterprises (eg deleting bad content, discontinuing service provision, etc.) to ensure information security.

INVESTMENT OUTLOOK

We still maintain a OUTPERFORM standpoint for IT - Telecommunications. We continue to be optimistic about the prospects of FPT and CMG due to the growth potential of the software and telecommunications services export market. At the same time, IT businesses in Vietnam are at attractive valuation rates compared to regional peers (7.9x versus 13.2x).

Valuation of IT businesses



Source: Bloomberg

FPT – BUY – Target Price VND 59,100/share – Upside 37.7% - P/E fw = 8.7

No longer consolidating the Distribution-Retail business results, FPT recorded a revenue of 20,487 (-48% yoy) in 11M2018, but the profit before tax still increased strongly, reaching VND3,013 billion (+ 20% yoy) thanks to the contribution of Export Software and Telecommunications. In 11M2018, Software Export segment recorded revenue and EBT of VND 7,468 billion (+ 35% yoy) and VND 1,197 billion (+ 33% yoy) with growth in all markets above 27% over the same period. Telecommunications services achieved revenue and EBT of VND 7,580 billion (+ 17% yoy) and VND 1,112 billion (+ 26% yoy) with broadband internet service growing by 13%.

In 2019, Software Export will still be the main growth driver of FPT. We believe that projects related to Digital Transformation will still grow strongly when demand for large projects is higher than for traditional projects. In 9M2017, projects relating to Digital Transformation reached VND 1,178 billion, an increase of 40% compared to the overall growth of 33% of traditional projects. At the same time, we also expect that the merger with Intellinet may create the strength to resonate and complement the services that FPT can provide to customers. We forecast FPT's 2019 revenue to reach VND 26,180 billion, NET INCOME of VND 3,616 billion, equivalent to EPS = VND 4,951 / share, P / E fw 2019 = 8.7.

CMG – BUY – Target Price VND 27,000/share – Upside 38.4% - P/E fw = 7.2

We believe that CMG's business activities will continue to maintain high growth rates in the coming years when the company expands its software export services and invests more data centers to serve customers. big goods.

For Software Export, CMG is focusing on market development, signing long-term cooperation with foreign enterprises, focusing on Japan, Korea and Europe The company plans to increase the number of programmers from 600 people to 1,700 people in 2021 - with that scale, CMG said it will be in the top 3 in terms of scale of Vietnamese enterprises operating in the field of Software Export. In 6/2018, CMG signed a strategic cooperation contract with Samsung SDS, under which, CMG will be in charge of implementing the solution to manage and operate the smart factory of Samsung SDS for cleaning companies. Samsung and about 200 Samsung customers within 6-12 months. At the same time, CMC is also implementing the provision of telecommunications infrastructure for Samsung in Vietnam in the coming time. We forecast CMG's 2019 revenue to reach VND 5.225 billion, Net income of VND 320 billion, equivalent to EPS of VND 2,700/share, P/E fw 2019 = 7.2.

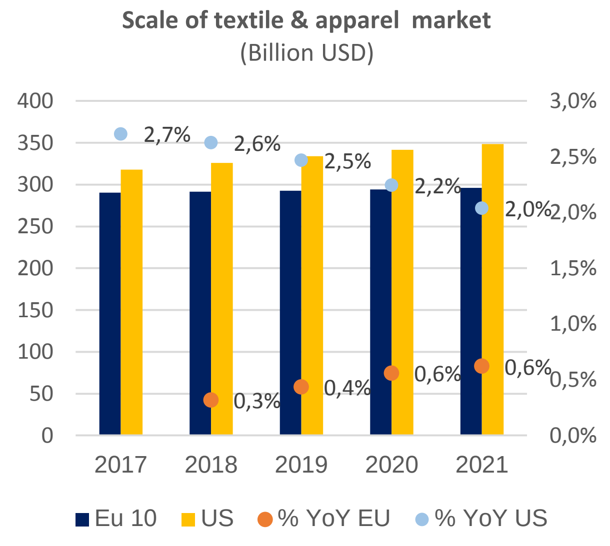
Ticker	Revenue 2019 (VND bn)	NPAT 2019 (VND bn)	EPS 2019	P/E fw	P/B	ROA 2019	ROE 2019	Price at 30/11/18	Target Price
FPT	26,180	3,616	4,951	8.7	1.6	15.0%	19.9%	42,900	59,100
CMG	5,225	320	2,700	7.2	0.85	9.5%	24.4%	19,500	27,000

Source: BSC research

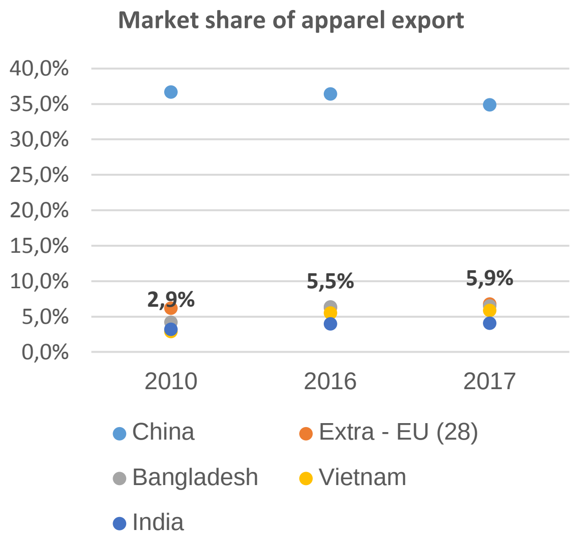
Textile & Apparel [Outperform]

- World textile demand is forecasted to grow at 3.5% per year in the period of 2019-2020, supporting the growth of Vietnam's textile and apparel industry (over 90% output for export).
- Textile export growth rate is expected to remain high thanks to gaining market share from other markets: market share increased from 2.9% (2010) to 5.6% (2017), and there is room for improvement.
- The trade agreements such as EVFTA, CPTPP and US-China trade war create opportunities for Vietnam textile and garment to gain more market share, especially in the US and EU market.
- Risk factor: labor cost (basic wage in 2019 will increase by 7%), heavy dependence on export.
- We believe that the growth opportunity will offset above risks in 2019, the current valuation of textile sector is relatively low compared to the region, thus BSC decides to change the recommendation for the industry to OUTPERFORM and recommends BUY for MSH, VGG; tracking for TNG, TCM, VGT.

World textile demand is forecast to grow 3.5%/year in the periods of 2019-2020 (according to Statista) supporting the growth of Vietnam's textile and apparel industry**.** According to Statista, world demand for garments will reach VND 1,650 billion by 2020, garment sales in some major markets such as the US will reach USD 334.2 billion (+ 2.5% YoY), the top 10 largest markets in EU will be 291.5 billion USD (+ 0.4% YoY). About 90% of Vietnam's textile and apparel production is for export, so industry growth is closely related to global textile demand.



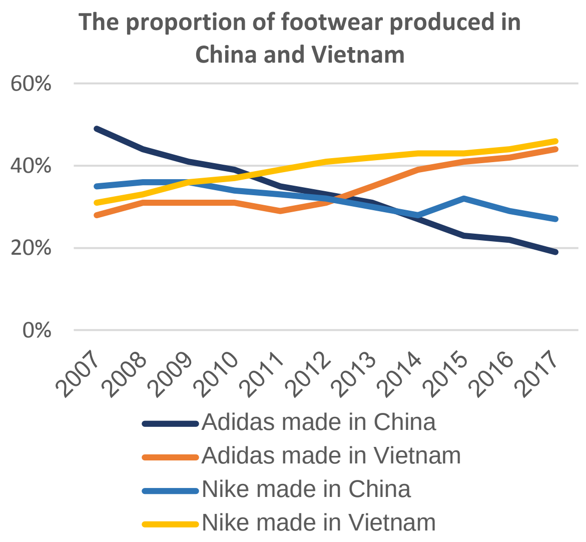
Source: Statista



Source: International Trade Statistics (WTO)

Textile export growth rate is expected to remain high thanks to gaining market share from other markets. The market share of Vietnam's export textile and apparel increased sharply from 2.9% (2010) to 5.6% (2017) thanks to (1) improving internal competitiveness; (2) the movement of production out of China - the world's textile and garment factory - due to its economic restructuring (Refer to the BSC Sector Review 2018). We believe that Vietnam still has room to gain more market share in the world textile and garment export thanks to (1) The gap among Vietnamese textile & apparel sector wages and those of other countries which are thought to have low labor costs are narrower; (2) Tax differences of Vietnamese textile and apparel products and other countries such as Bangladesh and Cambodia ... in some markets (thanks to GSP tax rate) are removed by the trade agreement (eg: EVFTA) ...; (3) The investment environment of Vietnam is improved, a favorable position close to China makes the production shift easier.

Source: Statista



Source: The Atlas

The trade agreements such as EVFTA, CPTPP and US-China trade war create opportunities for Vietnam textile and garment to gain more market share, especially in the US and EU market.

- **The CPTPP Agreement (expected to take effect on January 14, 2019) has a marginal impact in short term, but create more opportunities in the long run.** Although CPTPP is expected to have no major impact due to difficulty in meeting rules of origin "yarn forward" and the fact that 7/10 of its members have trade agreements with Vietnam, it still create opportunities for restarting textile projects to anticipate TPP in the previous period as well as export potential to the Canadian market.
- **Europe - Vietnam Free Trade Agreement (EVFTA) is believed to have a positive impact in the medium - long term.** EVFTA has completed legal review and will undergo the internal approval process of its members, so it is expected to be approved earliest in the National Assembly meeting in June and July 2019 and come into effect after 1 month. The EU is the second largest export market of Vietnam textile and apparel. Because 42.5% of tariff lines applied to textile and garment products will be reduced to 0% as soon as EVFTA takes effect and the rest will be reduced to 0% by timeline of 3-7 year will help Vietnamese products become more competitive as compared to those of Cambodia or Bangladesh (enjoying GSP preferential tax rate of 0%). The rules of origin "fabric forward" of EVFTA as well as the origin calculation method including raw materials originating from the third country which has FTA with both Vietnam and EU (such as Korea) are also more favorable for Vietnamese enterprises in comparison with CPTPP.
- **US – China trade war is not a direct cause but will support the shift in textile and apparel production from China to Vietnam.** (Refer to BSC Sector Review 2018). Export value of textiles

and garments, especially garments from China to the US continued to decline since 2016 (2016: -8.6%, 2017: -3.2% and 8T2018: -1%), which is a sign for a the shift away of production out of influence of trade war. After China, Vietnam is the next priority for US businesses' outsourcing (according to a survey in the US Fashion Industry Study, 2017 the destination of a garment order has changed from "China Plus Many" to "China Plus Vietnam Plus Many"). It is estimated that if Vietnam textile and apparel export gains 1% market share of made-in-China textile and garment export to US market, the export value will increase by 70%.

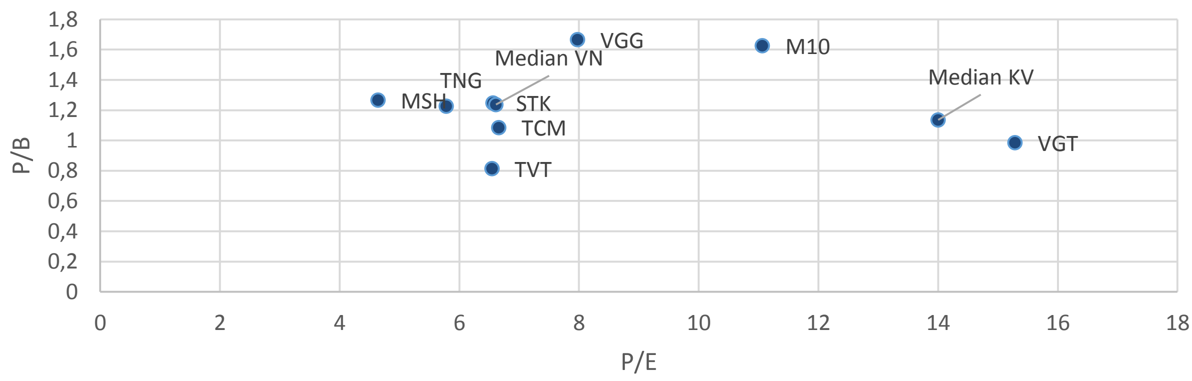
However, businesses still face some existing risks such as rising labor cost and heavy dependence on export. In terms of labor costs, the basic salary of 2019 is projected to increase by 7%, the regional minimum wage also increases by 5% - 6%, which will put pressure on enterprises**.** Regarding export orders, we believe that in current conditions, export orders will continue to increase. However, Vietnam is a country with a relatively high trade surplus with US in some commodity groups including apparel, so it is probable that US can apply trade defense measures to Vietnam. In addition, the domestic textile and dyeing stage has not been adequately developed; consequently, it will be a risk factor for Vietnam in meeting the rules of origin and take fully advantage of trade agreements.

INVESTMENT OUTLOOK– OUTPERFORM

BSC evaluated 2019 to continue to be a prosperous year for textile and garment exports based on analysis of global textile demand as well as the competitiveness of Vietnam textile, supported by free trade agreements and US-China trade war. We believe that the industry continues to maintain a high growth rate, but it may be lower than 2018 due to high-base. Meanwhile, rising labor costs will not be a big risk for businesses as can be seen in 2018 business results. Therefore, we change our view on the industry from NEUTRAL up to OUTPERFORM.

The current valuation of the textile industry is relatively attractive compared to the region with a median P/E of 6.6x (regional median of 14x). Market valuation for textile stocks has not changed correspondingly with the industry's growth in the last 1 to 2 years, so we expect a change in valuation in the coming time.

Valuation compared to that of the region



Source: BSC Research

However, opportunities do not come to all businesses in the industry. For listed companies, we highly appreciate companies with huge production capacity, production processes from yarn and/or fabric, good customer base, and expansion projects to acquire a growth in orders.

MSH – BUY – Target Price: VND 59,430/share – Upside: +18.1%

Song Hong Garment is a new garment company listed on HOSE on November 28, 2018 with the fourth largest revenue among the listed companies in the industry. 90% of the company's revenue comes from garment exports, the remaining 10% comes from bedding products for domestic market.

We recommend BUY for MSH based on the following points (Please refer to our Initial Report):

(1) The fourth largest listed apparel firms in terms of revenue. Capacity is expected to increase by 20% after the operation of Song Hong 10 (2020F).
(2) Order growth thanks to the development of new customers (Haddad, LuenThai) and the trend of shifting orders to Vietnam.
(3) Increasing the proportion of FOB orders from 62% (2017) to over 80% (2020F) helps to improve gross profit margin from 17.2% to over 19%.
(4) High profitability, healthy financial situation, high and stable cash dividends (over 40% cash)

Business results forecast:

We estimate that MSH's revenue will reach VND 3,911 billion (+ 19.2% YoY); net income of VND 330 billion (+ 64.5% YoY), EPS = VND 6,920/share.

In 2019, BSC forecasts MSH will record net revenue of VND 4,330 billion (+10.7% YoY) based on the estimated export orders signed for 2019 of about USD 160 billion (+11.8% YoY) and the assumption that the bedding segment poses no growth. EAT is estimated at 374 billion (+13.4% YoY), EPS 2019 = 7,848 VND/share.

VGG – BUY – Target Price: 63,530 VND/share – Upside: +17%

Viet Tien is the second largest garment enterprise among listed garment enterprises, with 80% of revenue from garment export and the remaining 20% consumed in the domestic market under Viet Tien and Viet Long brand.

We recommend BUY Viet Tien Garment shares based on the following points:

(1) Large-scale enterprises, revenue growth of 15% per year in the period 2013-2017. VGG has large customers (estimated to contribute over 50% of revenue) such as South Island Garment SDN.BHD (its strategic shareholder), Mitsubishi Corp (with Uniqlo brand).
(2) Ability to expand capacity from Viet Long Hung factory. The first phase of the plant with 2,200 employees (+22.5% of capacity) went into operation in 2018, is expected to double after putting into operation the next phases.
(3) Healthy finance: low debt ratio 3%, no long-term debt, large cash balance (over 1,100 billion)

Business results forecast:

BSC estimates that VGG's revenue in 2018 will reach VND 9.903 billion (+17.2% YoY), net Income will be VND 428 billion (+13.2% YoY), equivalent to EPS = 9,708 VND/share, P/E fw = 5.6x.

TNG – TRACKING

We appreciate TNG's production capacity (10 factories with 209 sewing lines, the largest scale among listed garment enterprises) and **strong customer base** includes Decathlon (EU), The Children's Place (USA), and Haddad estimated these customers to contribute 40%, 22% and 7% of revenue, respectively.

TNG's growth driver in the coming years comes from expanding capacity of Dong Hy factory that adds 18 sewing lines (+8%) in 2019 and constructing new Vo Nhai factory (+32-36 sewing lines, +13-15% of capacity) in 2020. In addition, TNG is a garment enterprise with a proportion orders for EU market up to 56%, so it is expected to partly benefit when EVFTA is approved and put into effect (expected in 2019)).

However, **there are some risks that we concern about TNG such as**: (1) its high financial leverage and negative CFO will put great pressure on it when interest rates rise; (2) rapid expansion more than order increase can lower its margin; (3) labor relating risks: sources and wages; (4) risks from investment in real estate projects and industrial parks; (5) dilution risk from convertible bonds (the first conversion may be in 2020). Therefore, the valuation of TNG often discounted much compared to the average level of the industry.

Business results 2018: We estimate net revenue of TNG will reach VND 3,508 billion (+ 41% YoY), net income of VND 174.2 billion (+ 51.5% YoY), equivalent to EPS = VND 3,284/share.

TCM – TRACKING

A closed production chain from yarn onwards is a strength of TCM as it can easily meet the requirement of origin of free trade agreements (CPTPP: from yarn onwards, EVFTA: from fabric onwards). The internal use rates of TCM fiber and fabric are 50% and 70-80% respectively.

Increase capacity in the future: The company plans to increase the capacity of fabric segment by 17% and sewing 7% in 2019 to capture the order growth.

Ability to improve profit margins in the future thanks to: (1) improving productivity (especially at Vinh Long Factory, at the end of 2018 it has reached over 30 USD/worker/day); (2) increasing the proportion of fabric segment (gross margin>20%) in total revenue; (3) maintaining gross margin in yarn segment.

However, TCM's customer base worries us about its growth and financial strength in the next year. Sears – the partners that contributes 7% to TCM's revenue- filed for bankruptcy and will decrease the scale, which will curb the growth of TCM as well as pose some risk to its account receivables of more than VND 90 billion (as of September 30, 2018). Additionally, TCM's largest customer (Eland: 30-40% of orders) showing signs of a decline in profit and cash flow while the receivables at TCM increase continuously will also be a risk for the company. Therefore, we think that there will be many things to track for TCM.

Business results in 2018: BSC estimates that net revenue of TCM in 2018 will reach VND 3,525 billion (+ 9.8% YoY), Net Income = VND 235 billion (+ 22.5% YoY), equivalent to EPS = VND 3,800 / share, P / E fw = 6.7x. Our estimate is based on the assumption that in 2018, TCM will record about 50 billion other profits from land transfer and assets liquidation as well as making provision for receivable from Sear of 30 billion VND (~ 1.3 million USD).

VGT – TRACKING

VGT operates as a holdings of many companies operating effectively in the textile industry. The company's profit mainly comes from subsidiaries (Phong Phu, Hoa Tho …) and investments in associates (Viet Tien, Nha Be, Viet Thang, May 10 and so on contribute 70% of consolidated net income). We believe that the investments of VGT in member companies will continue to bring big profits, especially in the positive outlook of the industry. Currently VGT is trading below par value (P/B = 0.77x) and catalyst will come from the state divestment from 53.49% to 0% next year.

Business results 2018: We estimate the consolidated revenue of VGT is VND 19,191 billion (+10% YoY), net income is VND 439 billion (+13.7% YoY), equivalent to EPS of VND 880/share.

Ticker	Rev 2019 (VND bn)	NPAT 2019 (VND bn)	EPS 2019 (VND/share)	P/E fw	P/B 2018	ROA 2019	ROE 2019	Price at 30/11/18	Target Price
VGG	9,903	420	9,521	5.7	1.4	7.6%	21.1%	54,300	63,500
MSH	4,331	374	7,848	6.4	1.7	15.1%	32.2%	50,520	59,400
TNG	3,986	201	3,536	4.9	1.2	7.0%	20.1%	17,500	21,220
TCM	3,753	207	3,249	7.1	1.0	6.5%	15.2%	23,100	26,600
VGT	20,726	391	782	15.5	0.8	1.8%	5.9%	12,100	N/A

Source: BSC Research

Electricity [Outperform]

- Hydropower plants in Central and South meet difficulties while thermal power plants benefit from the expected decreasing of rainfall and hydrology in 2019.
- Electricity demand is forecasted to continue to grow above 10% in the period of 2019-2020.
- Solar power is heavily invested but is facing difficulties due to inadequate transmission system.
- We maintain a Outperform rating on the power sector thanks to stable demand and electricity prices. Recommended Buy: GEX, PC1, POW, REE.

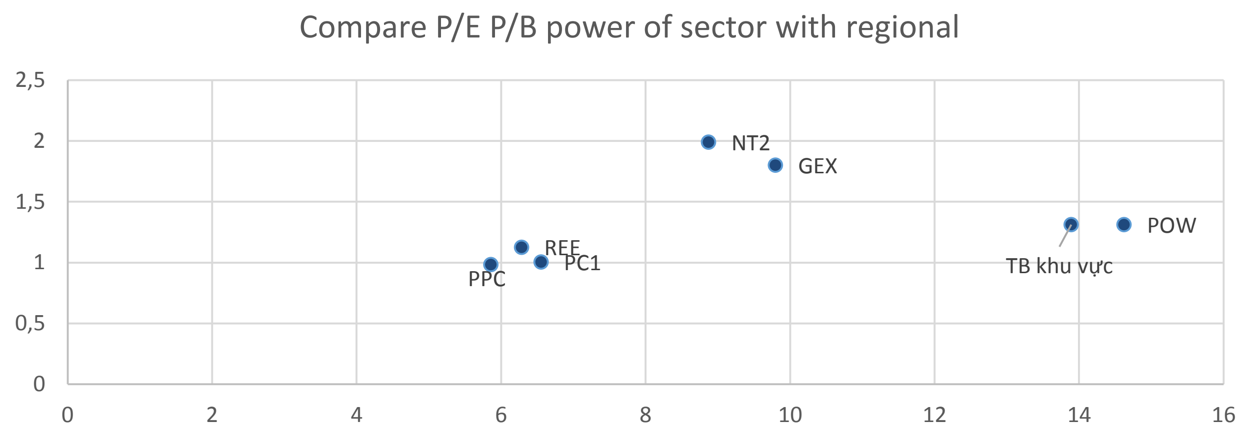
Hydropower plants in Central and South meet difficulties while thermal power plants benefit from the expected decreasing of rainfall and hydrology in 2019. El Nino phenomenon is expected to maintain in the first half of 2019 with the probability of up to 89-90%. Rainfall is also expected to be lower than the average of many years (AMY), especially in the Central region, with the expectation that rainfall will be 20-30% lower than AMY in dry months. Similar to hydrology, the flow is expected to be 15-50% shortfall in some river areas, which will have a relatively negative impact on the power generation capacity of hydro plants in the Central region. Therefore, the output of thermal power plants in the South and Central regions is expected to increase by 10-15% in 2019.

Electricity demand is forecasted to continue to grow above 10% in the period of 2019-2020. According to Vietnam Electricity Group's report, Vietnam's electricity demand by 2020 is forecasted at 265-278 billion kWh and about 572-632 billion kWh of electricity by 2030, equivalent to 10.3 growth rate - 11.3%/year in the period 2016-2020 and 8.0 - 8.5%/year for the period 2020 - 2030. Outputs with high demand and stable growth are strong points of power generation enterprises.

Solar power is heavily invested but is facing difficulties due to inadequate transmission system. With a price incentive of 9.5 cents/kWh, by the end of September 2018, 121 projects were approved and added to the national electricity plan, adding to the total generating capacity of about 6,100 MW in 2020, in addition, there are 221 projects awaiting approval with a registered capacity of up to 13,000 mW.. The total capacity of solar power has reached 26,000 mW, equivalent to 60% of the total electricity capacity of the whole country, this is an inevitable shifting trend when the existing material sources are in a shortage trend. However, the massive investment in solar power projects has put great pressure on the power transmission system in Central. Most of the country's transmission systems are mainly designed according to local needs. Specifically, the transmission system in the Central region is still weak due to low demand in this area while this is the main focus area of solar projects. This may lead to the risk of not being able to fully operate the capacity due to waiting for transmission projects, which cannot be deployed quickly due to the need for more planning procedures. This will affect the effectiveness and results of projects when they have to bear large depreciation and interest expenses.

INVESTMENT OUTLOOK

We maintain a **Outperform** rating for the power industry. Demand and stable electricity prices continue to ensure growth for electricity companies. For hydropower businesses, 2019 will be a difficult year when natural conditions do not support. However, business results of these enterprises are expected to remain stable in the first months of 2019. Thermal power enterprises are expected to record good growth in the period 2019-2020 when the output mobilization is expected to increase, combined with the foreign currency debt of many businesses has diminished. when public investment projects related to transmission and construction of large substations are expected to be accelerated after long periods of delay due to large power demand from the south.



Source: Bloomberg

GEX – BUY – Target Price VND 35,158/share – upside 39.8% - P/E FW = 9.54

GEX is an enterprise with leading position in the electrical equipment segment with the ownership of subsidiaries with a large position in each business segment: power cables, transformers, ... The process of raising ownership and Restructuring the management structure at GEX's subsidiaries has helped improve the performance of electrical equipment (gross profit margin increased from 7.61% in 2015 to 12.77% in 2018). With the need to build transmission grids and substations to meet the large number of solar power plants that will come into operation in the period of 2019-2020, we expect this business to maintain its level. 15% growth in the near future.

GEX also invested in a solar power project, taking advantage of the existing relations in the industry, it is expected that GEX's electricity project will generate electricity in mid-June 2019 and has signed off-take contracts with preferential electricity prices. Song Da Water Plant is also investing to raise its capacity to 300,000 m3/day and is in the process of upgrading and upgrading the capacity of the pipeline system to ensure the stable operation of the plant. With good water quality advantages, benefiting from the policy of limiting the use of groundwater from the state, we expect that along with the solar power project, Song Da water plant will bring a stable source of money for GEX in the next time.

Tran Nguyen Han Real Estate Project (total area of 1ha) is expected to be deployed by the enterprise in the third quarter of 2019, building 2 high-class hotel projects. With the demand of high-end hotels in shortage in the center of Hanoi, we expect the project will bring stable cash flow for businesses in the coming time.

We expect GEX's revenue of 2019 will reach VND 15,576 billion, profit after tax will reach VND 1,067 billion, equivalent to EPS 2019 reaching VND 2,630/share, equivalent to P/E FW = 9.56. Therefore, BSC recommended to buy GEX shares with a target price of VND 35,518/share.

PV Power - BUY – Target Price VND 17,830/share - upside 18.87% - P/E forward = 10.26.

PV Power is the second largest electricity generator in Vietnam with a total generating capacity of 4,208 MW, of which gas thermal power accounts for 64.2%, coal thermal power is 28.5% and hydropower accounts for only 7.3%.

The short-term growth momentum of POW will come from (1) the depreciation of Ca Mau factory 1 & 2, helping POW save about VND 1,000 billion per year, (2) The interest expense will decrease gradually year by year, about 200 billion VND/year. In the long term, the growth motivation will come from 2 projects Nhon Trach 3 and Nhon Trach 4 with a total capacity of 1,500 MW. 2 projects are entitled to PPA contract incentives for minimum output subsidy mechanism, priority payment mechanism, ...

Expectedly, Nhon Trach 3 plant will be put into operation in 2022 and Nhon Trach 4 factory will be into operation in 2023.

We expect 2019 revenue to reach VND 32,155 billion, net profit of VND 3,428 billion, equivalent to EPS of 2019 to reach VND 1,462/share, therefore, BSC recommends BUYING POW shares with target price of VND 17,830/share.

REE – BUY – Target Price VND 38,195/share

M&E segment saw impressive growth thanks to the recovery of the real estate market and the expansion of airports. Backlog from 2017 is about VND 5,400 billion, enabling M&E revenue to continue to grow in 2018-2020.

Profit from power companies is expected to grow well in 2018-2019. VSH (REE owns 20.71%): Upper Kon Tum project is expected to be put into operation in March 2019 with a capacity of 220 MW, bringing the total capacity to 356 MW, becoming one of the hydropower enterprises. head. PPC (REE owns 23.36%): In 2017, PPC has completed restructuring the debt, JPY balance is currently only 6 billion VND and will be paid off in 2018, thus helping PPC's earnings to be stable. more specifically, saving the exchange rate loss of VND 200 billion/year.

We expect 2019 revenue to reach VND 5,414 billion, expected profit of VND 1,985 billion, EPS 2019 to reach 6,593. Therefore, we recommend to BUY REE shares with a target price of VND 38,185 / share.

PC1 - BUY – Target Price VND 36,566/share - Upside 56.33%

In 2018, PC1's construction segment is expected to achieve revenue of about 1,800 billion, net profit margin of 4-4.5%. Total new revenue in 2018 reached VND 3,329 billion (equivalent to 200% of revenue in 2018), backlog moved from 2018 to 2019 to about VND 2,800 billion (+ 187% over the same period). 2019 revenue is expected to reach about VND 3,600 billion.

Industrial production segment: revenue of 2018 is at over VND 400 billion, net profit margin is at 4%. Expected revenue in 2019 is about 1,100 billion dong, in which, enterprises estimate revenue from circuit 3 for 2 construction and industrial production segments is about 1300 billion VND.

Hydroelectricity: Song Nhiem 2 project (6 MW capacity) is expected to start in late 2018, PC1 is also looking for opportunities to invest in wind power after the hydropower development potential is narrowed. The gross profit margin of hydropower is relatively high, reaching 30% because all factories of PC1 are sold electricity according to the avoided cost tariff.

Real estate segment: It is expected that the real estate segment in 2019 will not record revenue as the progress of Thanh Xuan project is delayed (6 months behind the plan). Regarding overlapping projects, PC1 is currently implementing two new projects, namely PCC1 Vinh Hung and Thang Long PCC1.

We assess that PC1 is currently trading at a relatively attractive price with a relatively low P/E of 7.76 with the potential of an enterprise with clear advantages in market share such as PC1. Hydropower business thanks to its comparative advantages and relatively stable cash flow, while construction-related businesses can achieve a high growth rate if projects and policies are Power grid planning for the past 2 years has been implemented. Estimated revenue of 2019 PC1 will reach VND 6,208 billion, profit of VND 414 billion equivalent to 2019 EPS of VND 3,118/share. Therefore, BSC recommends buying PC1 with a target price of VND 36,566/share.

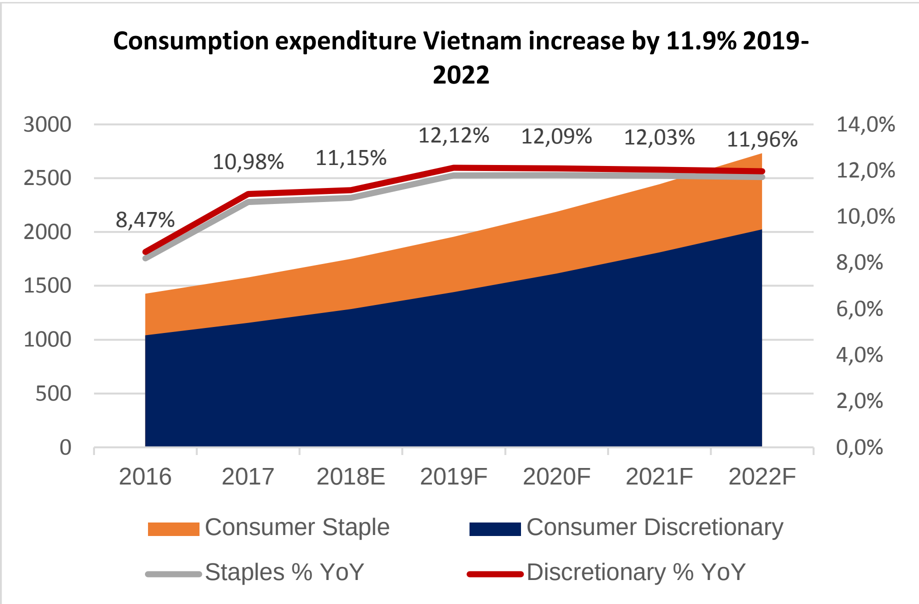
Ticker	Revenue 2019	NPAT 2019	EPS 2019	P/E fw	P/B fw	ROA 2019	ROE 2019	Price at 30/11/18	Target Price
GEX	15,524	1453	5,114	4.9	0.89	8.4%	16.1%	25,150	33,400
POW	32,155	3,428	1,462	10.4	1.15	5.72%	11.15%	15,200	17,830
REE	5,414	1,985	6,593	4.9	0.9	11.4%	17.8%	32,400	38,195
PC1	6,208	414	3,118	7.5	0.8	5.3%	10.6%	23,400	36,566

Source: BSC Estimation

Consumer [Outperform]

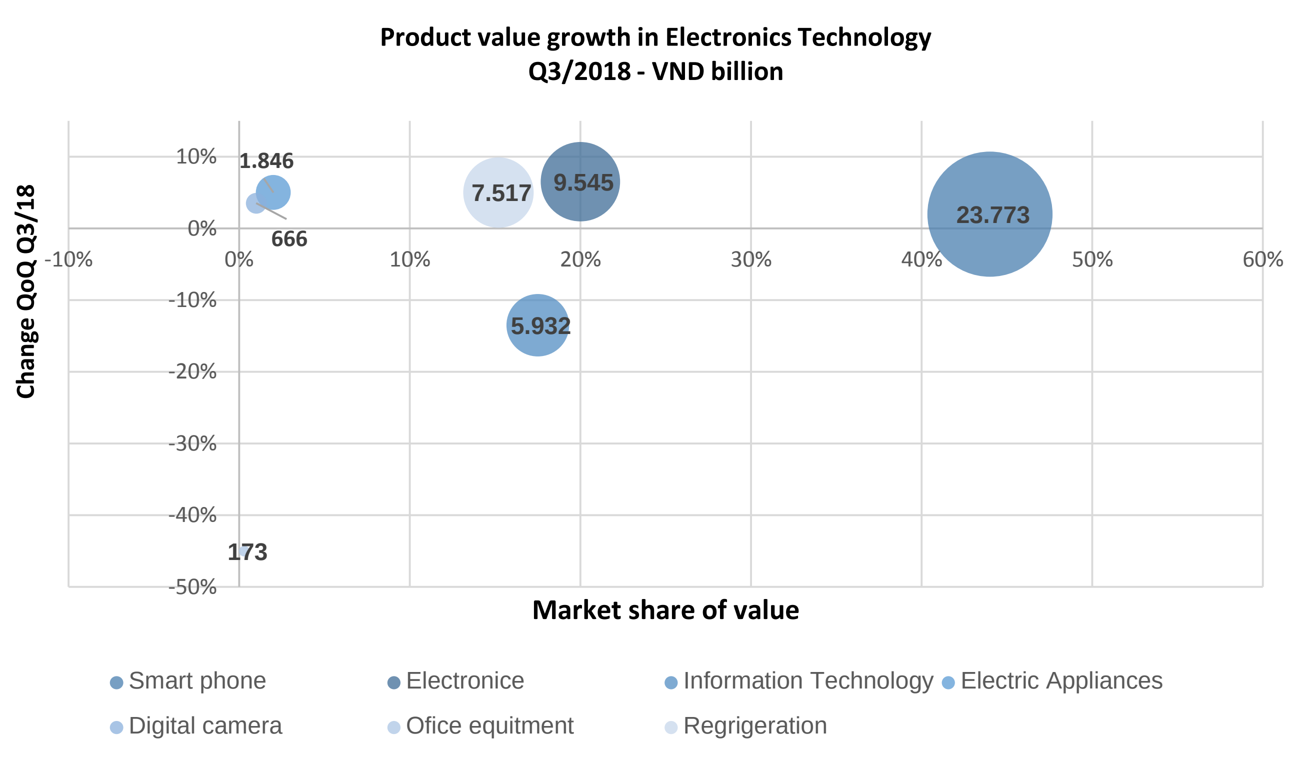
- Consumption expenditure of Vietnam will reach VND 3,396.8 trillion (+ 11.9% YoY) in 2019.
- E-commerce is booming in the last two years thanks to the development of technology, 2018 growth reached 38.7% YoY compared to 2017 and forecast CAGR of 31.3% / year in the period of 2019-2020.
- Generation Z (1996 - 2005) will be the next target customer of consumer companies.
- We maintain a Outperform rating for the consumer retail industry thanks to (1) Average per capita income increased by 6.7% in 2018; (2) The middle class is expected to increase strongly to 33% of the total population in 2020, but the F&B industry evaluates Neutral. Buy: PNJ, MWG. Watch: VNM.

Consumption expenditure of Vietnam will reach VND 3,396.8 trillion (+11.9% YoY) in 2019. According to BMI survey, consumer spending will focus on 2 main items: essential goods and items. luxury. For essential goods (food, beverages, home appliances, etc.), the value of this item in 2019 is estimated at VND 1,956 trillion, up +11.8% compared to 2018 and accounting for the majority of the structure is 57.6 %. However, in the period of 2019-2022, when people's income improves, spending on these essential goods will slow down and decrease to 57.4% in structure in 2022. For luxury goods year 2019 (telephones, computers, refrigeration, etc.) is estimated at 1,440.6 trillion, up + 12.1% YoY compared to 2018 and accounting for 42.4% of the structure in 2019 and will increase to 42.6% by 2022.



Source: BMI

E-commerce is booming in the last two years thanks to the development of technology, 2018 growth of 38.7% YoY compared to 2017. According to Nelson, the demand for information technology and mobile products has increased by 11%/year over the past two years, meeting the demand for consumer convenience in buying online goods ecosystems. Particularly in Q3/2018, the value of mobile phones was estimated at VND 23,773 billion, an increase of 5% compared to the previous quarter. Thereby, the total value of e-commerce market has reached 2.9 billion USD in 2018 and is expected to reach 5 billion USD by 2020 with an average growth rate of 31.3% CAGR/year. Therefore, we assess that the e-commerce market will be more and more fierce competition and traditional consumer companies such as VNM, MWG, and PNJ are now joining the e-commerce segment through sales form. Multi-channel (omni channel) to reach new customers through multiple channels to increase revenue.



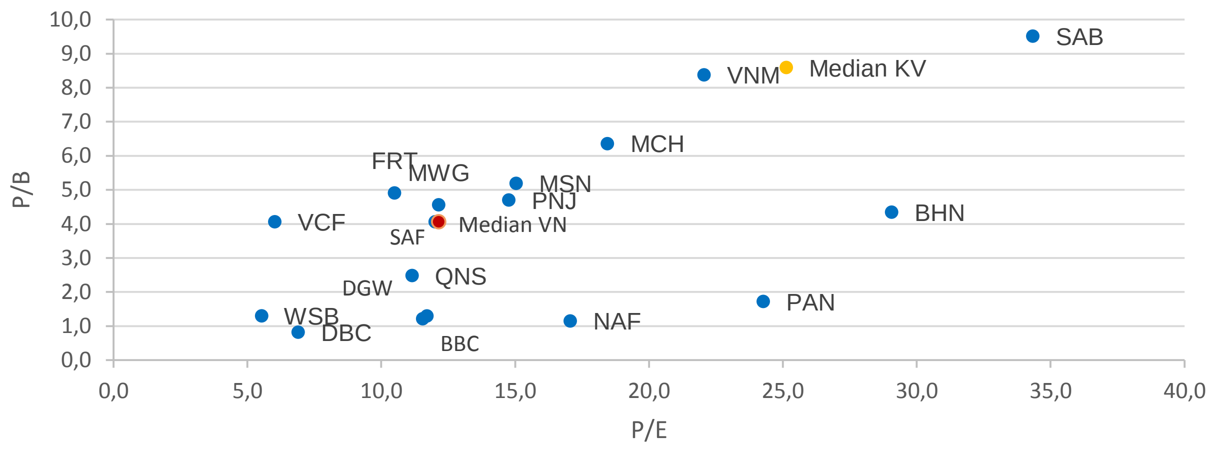
Source: GFK.

Generation Z will be the next target customer of consumer companies. Generation Z was the generation born in 1996 - 2005 and grew up in a period of economic prosperity in the country. Moreover, they have access to the digital age from a young age and spend considerable time on social media websites. Currently in Vietnam, by 2025, Z generation will reach 14.7 million people and account for 21% of human resources for society. Thereby, this will be the next target group of consumer companies and we appreciate the potential of this generation will bring more revenue for companies if there is early research and analysis of demand and consumer psychological behavior in order to achieve new business strategy for generation Z.

INVESTMENT OUTLOOK – OUTPERFORM

BSC maintains **NEUTRAL** assessment with F&B industry and **OUTPERFORM** with retail consumer. For F&B industry, we expect businesses to improve their revenue in the end of the year and Net Income may be flat or slightly reduced due to the large advertising and marketing costs to support sales. Thereby, we assess the prospect of 2019 F&B industry will grow at the lowest rate of 5% -10%. For retail consumer industry in 2019 will grow steadily over 11%. We rate it positively with the growth rate of over 2 numbers thanks to (1) Average income per capita increased by 6.7% in 2018; (2) The middle class with income of USD 1500-2000 / month is expected to increase strongly to 33% of Vietnam's total population in 2020 (2018 is 18% according to Brookings Institute).

Compare P/E, P/B with ASEAN region (Emerging)



Source: Bloomberg, Fiinpro.

PNJ – Buy – Target Price = 128,300 VND/cp – P/E FW = 13.9x – P/B FW = 3.4x

BSC forecasts 2019 business results with revenue and profit after tax of VND 17,625 billion (+ 22.9% YoY) and VND 1,215 billion (+ 30% YoY), core FW EPS 2019 = VND 6,588/share, PE FW 2019 = 13.2 times. We assess PNJ's optimism in 2019 based on the following assumptions (1) Old store revenue growth (SSSG) remains high at an estimated 23% for jewelry gold segment in 2018 and 15% in 2019; (2) Store opening speed maintains a stable level. As of 9M2018, PNJ has opened 44 new stores, bringing the total number of stores to 308 stores to nearly complete the plan of opening stores in 2018 (40 stores). Thereby, we estimate PNJ will open 40 more stores in 2019 to increase the total number of stores to 428 stores.

MWG – Buy – Target Price = 122,500 VND/share – P/E FW =10.8x – P/B FW = 3.3x

BSC forecasts revenue and profit after tax of MWG in 2019 to reach VND 105,674 billion (+ 17.3% YoY) and VND 3,436 billion (+ 18.5% YoY), EPS 2019F = VND 7,789 / share based on assumptions. After (1) Number of stores (SLCH) new store in 2019 is 128 stores, including 31 stores converted from Mobile World, Bach Hoa Xanh are 215 stores, Mobile World will not opening new stores; (2) The average growth of Green and Mobile World chains is 8%; (3) Bach Hoa Xanh chain achieved EBITDA breakeven, 2019 EBITDA profit margin reached 0.9%; (4) Selling and management expense ratio / net revenue ratio is 12.9%.

VNM – Neutral

We recommend Neutral for VNM in 2019. Prospectively, we note that milk export trade agreement from Vietnam to China in 2019 will be motivated for exporting revenue which accounting for 14.9% of total revenue, estimated at VND 219 billion in 2018. Additionally, VNM won the "School Milk" package worth VND 3,828.1 trillion in Hanoi from 2019 - 2020, equivalent to 3.58% of total revenue. The price of raw milk (WMP, SMP) imported from New Zealand has decreased by an average of 16.15% YTD in the last 6 months of 2018, so we assess that VNM's gross profit margin will improve to 47% - 47.2 % in 2019 compared to 2018 is 46.12%. Thereby, we forecast that the growth rate of VNM will be around 4% - 8%/year, the expected revenue and Net Income for 2019 will reach VND 55,829 billion (+ 4.14% YoY) and VND 10,505 billion (+ 4.7% YoY), equivalent to EPS FW 2019 = 5,404 VND/share (+4.7% YoY), P/E FW = 23.7x, P/B FW = 7.6x.

Ticker	Revenue 2019 (VND bn)	NPAT2019 (VND bn)	EPS 2019	P/E fw	P/B fw	ROA 2019	ROE 2019	Price at 30/11/18	Target Price
PNJ	17,625	1,215	6,935	13.9x	3.4x	18%	27%	92,100	128,300
MWG	103,553	3,406	8,023	10.8x	3.3x	10%	31%	84,500	122,500
VNM	55,829	10,505	5,404	23.7x	7.6x	29.1%	28.9%	128,000	135,100
SAB	40,748	5,767	8,464	29.5x	7x	26.6%	32.7	250,000	262,384

Source: BSC research

Real Estate [Neutral]

- Supply is limited, mainly in Ho Chi Minh City because some objective factors on legal issues are gradually tightened, while demand for absorption remains good Credit capital sources are tightened due to the Circular No. 16/2018 / TT-NHNN..
- The progress of the project slowed down compared to the original plan and the 2019 - 2020 business result is expected to slow down in the real estate industry.
- FDI inflows showed signs of slowing down (-14.2% yoy), but disbursed FDI still recorded positive growth (+ 3.1% yoy).
- In addition to FDI inflows that remain high, industrial zone real estate benefits greatly from upcoming trade agreements (CPTPP, EVFTA) and a wave of shift from China due to the Sino-US trade war.
- We downgrade the PERFORMANCE rating to NEUTRAL in the real estate industry due to (1) slow progress of projects; (2) Lending interest rate is expected to increase; (3) Credit tightening for real estate businesses. Recommended Buy: VHM, NLG, HDG, KBC.

Supply is limited, mainly in Ho Chi Minh City because some objective factors on legal issues are gradually tightened, while demand for absorption remains good. According to our observation on enterprises in the stock exchange, the progress of selling projects has tended to be rescheduled through 2019 instead of the previous plan to sell in 2018 because of the factors related to legal issues (construction permits). Specifically, some projects are expected to be launched in 2019 such as Vincity Grand Park Q9 - VIC (expected Q1/201), Gem Riverside - DXG (expected Q1/2019), Hermosa - KDH (expected Q2/2019) and Akira City - NLG (expected Q1/2019). Meanwhile, credit capital for real estate market in 2019 will be limited due to Circular 16/2018/TT-NHNN. Specifically, from 2019, commercial banks will only use 40% of short-term mobilized capital for medium-term and long-term loans instead of 45% in 2018. This will lead to more difficulties for Investors in mobilizing investment capital for projects by Vietnamese investors still depend heavily on credit loans and capital mobilized from customers.

The mid-end apartment segment will continue to be the leading segment of the market but competition will be more severe due to unexpected supply in 2019 (mainly caused by Vincity project). According to CBRE data, in 9M2018, there were 57% and 61% of new opened apartments in HCM and Hanoi, respectively, in the mid-end segment. We believe that the competition of mid-end segments will be more severe and the advantage will belong to which real estate enterprises are able to open new projects with full legal status due to the current supply shortage. In addition, the number of apartments for sale in 2018 will be greatly contributed by Vincity. Currently VHM is deploying 3 projects with a total number of apartments of 132,500 apartments in the period of 2019-2022, of which 2 projects in Hanoi (89,000 units) have been opened for the first phase and Ho Chi Minh (43,500 units) will be open for sale from 2019.

.... This leads to the slow progress of the project compared to the original plan and the 2019 -2020 business result of the real estate industry tends to slow down. We forecast that the growth rate of real estate business will slow down compared to 2018 mainly due to (1) Lack of hand-over projects in 2019-2020; (2) Profit growth will depend heavily on extraordinary profits mainly from project transfer; (3) Lending interest rate and credit tightening will be more or less putting pressure on investors as well as home buyers.

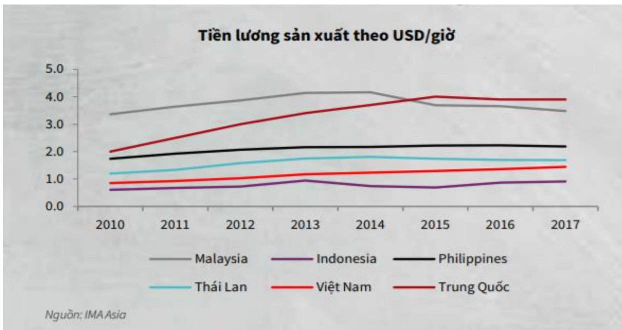
FDI registered capital has shown signs of slowing down (-14.2% yoy), however disbursed FDI still recorded positive growth (+ 3.1% yoy). According to the Foreign Investment Agency, the total registered and newly registered FDI capital until November 20, 2018 reached US $ 30.8 billion (-14.2% yoy) due to the absence of US $ billion projects as of November 2017, however, the disbursed FDI capital The bank also recorded positive growth of USD 16.5 billion (+ 3.1% yoy). We assess that although FDI inflows have negative growth in 11T/2018, in absolute terms, this is still a high level compared to the previous period.

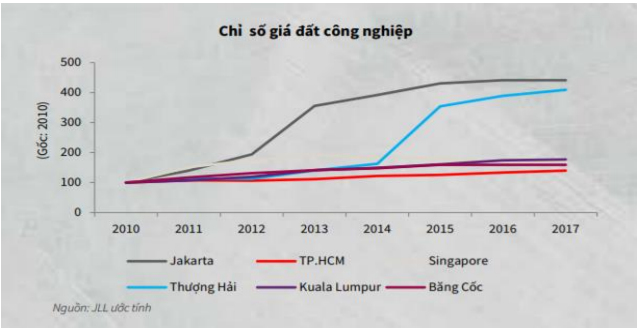
In addition to FDI inflows that remain high, industrial zone real estate - Greatly benefited from upcoming trade agreements (CPTPP, EVFTA) and a wave of shift from China due to the China-US trade war. According to JLL's report, the shift of factoríe from China to Southeast Asia (in particular Vietnam) thanks to the following three factors

(1) Operating costs of China increased sharply. According to IMA Asia data, Chinese wages increased from 2.0 USD / hour in 2010 to 3.9 USD / hour in 2016, higher than the average production wage in Vietnam 1 - 1.4 USD/hour.

(2) Land rental for industrial parks increased sharply. Major cities such as Shanghai recorded industrial land prices rising to US $ 180 / m2, while land prices in Vietnam were relatively low, at only US $ 100-140/m2 (Big City area as Hanoi, Ho Chi Minh)

(3) China's shift into the value chain when focusing on developing higher value exports and the wave of shifting factories to Vietnam due to the tax imposition of US-China trade war. Currently, Vietnamese factories still focus on low value-added and outsourced products such as textiles, furniture, automobile assembly.





Nguồn: JLL

INVESTMENT OUTLOOK

We downgrade the OUTPERFORM rating to NEUTRAL in the real estate industry due to (1) slow progress of projects; (2) Lending interest rate is expected to increase; (3) Credit tightening for real estate businesses. In 2019, we selected businesses based on the following criteria:

(1) Large clean land fund, capable of being sold for sale in 2019, helping to ensure the profit accounting period 2020 - 2022; (2) Recognizing good profit growth thanks to possible handover projects in 2019. We recommend buying the codes: **VHM, NLG, HDG**, **KBC**

VHM (Price at November 30, 2018): VND 77,800/share – Buy – Target Price VND 92,700/share – Upside +19.2% – P/E FW 14.1x, P/B FW 2.8x.

9M2018 business results of VHM recorded positive growth with pre-tax profit of VND 15.1 trillion (+ 147% yoy), contributed by (1) Vinhomes projects (VND 8,805 billion) and projects BCC (VND 7,016 billion); (2) Transfer of Lotus projects (VND 2,000 billion). The total value of newly opened sales as of T11 / 2018 (pre-sales) is about USD 2.5 billion (~ VND 59,500 billion) with 15,000 apartments. The total sale value expected in 2019 is estimated at 5.5 billion USD ~ 60,000 apartments, which mainly come from Vincity Ocean Park, Vincity Sportia and Vincity Grand Park.

We evaluate the Vincity project will play a core role for the growth potential of VHM in the period of 2019-2023, the total project size is estimated at 132,500 apartments, 4,000 villas. According to our assessment, Vincity project has positive signs thanks to (1) Tightening supply; (2) The Vincity segment is aimed at the affordable / mid-end segment with huge demand; (3) VHM is possessing a relatively complete ecosystem and fairly preferential lending policy (Term up to 35 years and 70% of total contract value).

BSC forecasts that VHM's revenue and profit after tax in 2019 are estimated to reach VND 62,063 billion (+ 200% yoy) and VND 18,158 billion (+ 13% yoy) thanks to Vincity's low-rise product accounting. Ocean Park and Vincity Sportia, the rest of Vinhome Greenbay, Vinhome Metropolis, Vinhome Skylake projects.

NLG (Price at November 30, 2018): VND 28,300/share – Buy – Target Price VND 33,900/share – Upside +19.8% – P/E FW 6.6x, P/B FW 1.1x.

Owning a large, clean land fund awaiting development about 539.3 ha, it is possible to deploy sales in 2019. With quite diverse product segments and reputable brands are NLG's strengths when businesses can flexibly develop projects depending on market demand including: (1) Ehome - affordable segment, (2) Flora - intermediate segment and (3) Valora - villas - premium segment. NLG owns large open-sale projects in 2019 including (1) Akari City, (2) Mizuki Park, (3) Water Point, (4) Nam Long 3 - Can Tho.

In 9M2018, the total value of un-accounted contracts reached VND 2,598 billion (-5.1% yoy). In 2019, NLG will sell 1,800 units of Akari City project, 1,000 Mizuki Park project apartments, NLG 3 project land (Can Tho) and 500-600 Water Point villas.

In addition, in 2019, NLG will record a profit from transferring 50% of Akari City project and the rest of Water-Point, estimated revenue of about VND 900 billion, equivalent to about VND 200-300 billion. Gross profit. ***We estimate revenue and Net Income of NLG's parent company in 2019 is estimated at VND 3,067 billion (-7.4% yoy) and net profit is estimated at VND 947 billion (+ 25% yoy), EPS 2019F = VND 4,285/share.***

HDG (Price at November 30, 2018): VND 36,800/share – Buy – Target Price VND 54,700 – Upside +43.9% – P/E FW 5.0x, P/B FW 1.26

Profit growth in 2019-2020 will be ensured by Centrosa Garden project (total project revenue is about VND 10,700 billion), estimated to be recorded at VND 4,000 billion for 4 blocks in 2019. We assess that the real estate business will be the core segment contributing to HDG's revenue and profit growth plan for the period 2019-20, in which the main profit will come from (1) Ha Do Centrosa, (2) Ha Do Dragon City, (3) Ha Do Green Lane. In addition, Nongtha Central Park project is expected to be sold in Q4 / 2018.

The land fund has been increased in recent times to help HDG ensure long-term development. After completing the divestment from the Ministry of Defense, HDG actively promoted M&A and acquired new land funds such as Dich Vong - Cau Giay (1ha), HaDo Green Land (2.3ha), 62 Phan Dinh Giot (2.23 ha), Alila Bao Dai project (8.92ha).

Stable cash flow from the hydropower segment is expected to grow strongly in the period of 2019-2020 thanks to three new factories (total estimated capacity of 205 MW). Accordingly, Nhan Hac hydropower plant (capacity of 59 MW) has been put into operation since Q3/2018, thereby helping the total capacity of HDG's hydroelectricity nearly double from 60 MWh to 119 MW.

- Hong Phong 4 solar project is expected to be put into operation before June 30, 2019 to enjoy the preferential selling price of 9.35 cents. Total expected capacity of 48 MWp - 40 MWac, equivalent to output is estimated at 91 million kWh / year. Total estimated investment capital is VND 1,100 billion and construction starts from October 10, 2018.
- The Tien Thanh 1 wind power plant project is expected to come into operation from Q4 / 2019. Estimated capacity of 60MW, total investment capital estimated at VND 2,100 billion. HDG plans to complete legal procedures from March 2019 and start construction from June 2019.

We estimate that revenue and profit of HDG in 2018 is expected to reach VND 5,543 billion (+ 28.9% yoy), estimated parent company EAT is VND 689 billion (+ 32.7% yoy), EPS FW = VND 7,253/share

KBC (Price at November 30, 2018): VND 12,700/share – Buy – Target Price VND 18,300/share – Upside +44.1% – P/E FW 5.6x, P/B FW 1.5x.

Expected to complete the plan of handing over 100ha of industrial parks in 2018. Accumulated for the first 3 quarters of the year, KBC handed over 85ha to reach 85% of the annual plan of the enterprise, land rental revenue reached VND 1,427 billion (+ 176.4% yoy). Expected quarter 4, KBC will record additional area in Que Vo industrial zone, thereby completing the plan of handing over 100ha of industrial park in 2018, 2.5 times higher than 2017.

Revenue and profit growth in 2019 is ensured from a large number of new contracts in the IP and profit from Phuc Ninh project. BSC expects revenue of 2019 of KBC to reach 2,700 billion dong (+ 16.5% yoy), expected profit is aboutVND 1,062 billion (+ 45.5% yoy). EPS FW = VND 2,260/share.

(1) Industrial area: In the fourth quarter of 2018, the area of new signed contracts in the industrial zone reached a record high of 100 hectares, mainly for Quang Chau industrial park (including enterprises producing components of 50 hectares and JA solar 30 hectares). The revenue and profit of this project will be recognized by KBC in quarter 4/2018 and most in 2019, by which BSC forecasts that KBC's total industrial park area in 2019 can reach 120ha. (+ 20% compared to 2018).

(2) Phuc Ninh Project: Phase 2 of the project with about 10.5 hectares of commercial land has been sold 60% by KBC, the project is in the process of completion and will be recorded in 2019. Currently, the total value of the previous deposit of the project project reached about VND 1,300 billion; with a cost of only about 5 million VND/m2 and the price you expect is about 20 million VND/m2. Therefore, we expect that revenue of phase 2 may reach VND 2,000 billion with gross profit margin of about 70%.

Ticker	Revenue 2019 (VND bn)	NPAT 2019 (VND bn)	EPS 2019 (VND/share)	P/E fw	P/B	ROA 2019	ROE 2019	Price at December 13,2018	Target Price
VHM	62,063	18,158	5,161	14.1	2.8	12.8%	26.8%	77,800	92,700
NLG	3,067	947	4,285	6.6	1.1	8%	18%	28,300	33,900
HDG	5,543	689	7,253	5.0	1.26	8.1%	13.8%	36,800	54,700
KBC	2,700	1,062	2,260	5.6	1.5	5.6%	25.1%	12,700	18,300

Source :BSC Research

Oil & Gas [Neutral]

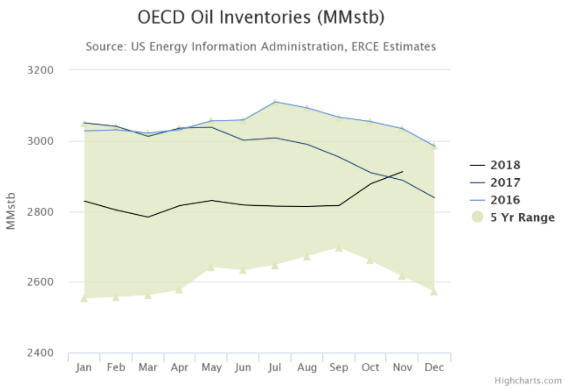
- Oil prices plummeted in Q4/2018 due to a sharp increase in supply, while demand is forecast to decline next year due to slowing global economic growth prospects.
- Crude oil inventories of OECD and the US started to increase again from Q2/2018, causing strong pressure on oil prices.
- Oil prices are expected to decrease due to current oversupply pressure and expect a recovery in the second half of 2019 when supply and demand are gradually more balanced.
- In 2019, there are still not many big projects to be implemented, except for Sao Vang Dai Nguyet.
- BSC maintained its NEUTRAL assessment with the Oil and Gas Industry in 2019 when oil prices are expected to remain around USD 60 - 70 due to (1) Current oversupply pressure and (2) World economic growth slows down. causing demand to decline. Recommendation to monitor: GAS, PVS, PVD.

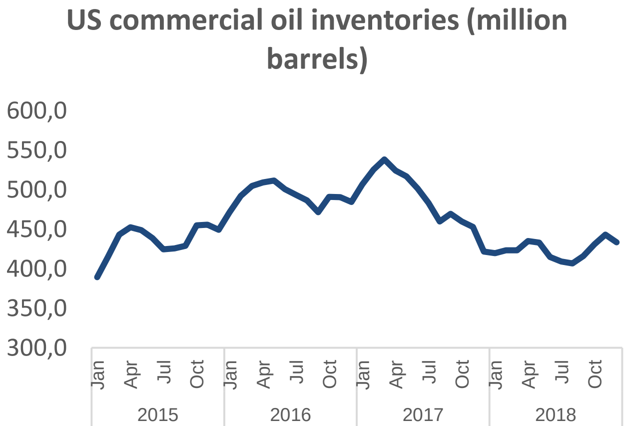
Oil prices plummeted in Q4/2018 due to a sharp increase in supply, while demand is forecast to decline next year due to slowing global economic growth prospects. According to OPEC's report in December 2017, crude oil supply has started to surpass Demand from Q3/2018, averagely in Q3/2018, the demand for crude oil is only 99.32 million barrels / day, while the supply is only about 99.4 million. barrel/day. Although OPEC data shows that supply and demand are quite balanced, supply data from Q3/2018 tend to increase more strongly than forecast, mainly from Non-Opec group (US, Canada, Russia. and Kazakhstan).

Crude oil inventories of OECD and the US started to increase again from Q2/2018, causing strong pressure on oil prices. As of Q3/2018, OECD oil inventories were 2.91 billion barrels, up 84 million barrels from the beginning of the year (2.82 million barrels). The US is currently the largest oil reserve in the world. As of November 31, 2017, commercial oil inventory was 443.2 million barrels, up by 5.5% compared to the beginning of 2018.

For China, the second largest oil reserves in the world also showed a clear increase in inventory, as of October 2018, commercial inventories were 415.96 million barrels, an increase of 21.3% over the previous month. In 9M2018, China's crude oil reserves increased by 197 million barrels of crude oil, but still lower than the increase in the same period in 2017 (an increase of about 266 million barrels).

Commercial oil inventories of the OECD group (million barrels)

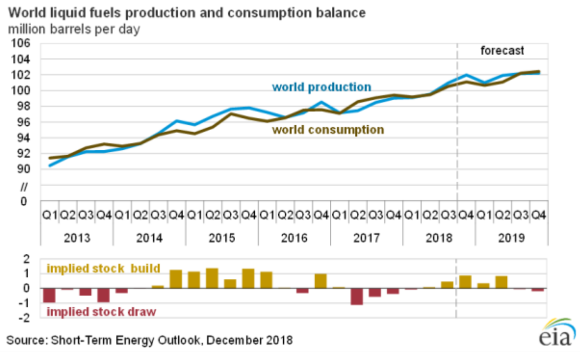


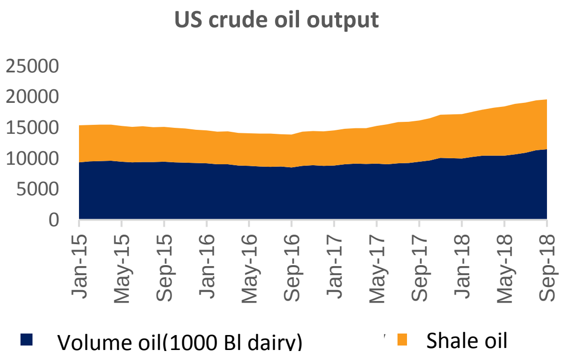


Source: OPEC, EIA.

Oil prices are expected to decrease due to current oversupply pressure and expect a recovery in the second half of 2019 when supply and demand are gradually more balanced. On December 7, the Organization of the Petroleum Exporting Countries and Non-Opec announced a reduction of 1.2 million barrels a day from October production within six months starting from January 1, 2019. This indicates that the market may return to the oversupply situation in 2019. Therefore, we expect that (1) Oil price will drop sharply in the past time and (2) Declaration of OPEC supply cuts may help the supply and demand of crude oil can be narrowed down to toward the more balanced.

We also note that changes in oil prices may fluctuate due to (1) Concerns about a decline in fuel consumption demand in the context of declining world economic growth; (2) The oversupply situation may be prolonged due to the high level of oil inventories (Asia and the US) and (3) Global oil supply increases faster than previously forecast, specifically Saudi Saudi (11.3 million barrels/day), Russia (11.4 million barrels/day) and the US (11.5 million barrels/day) compensated for the decline in exploitation in Iran and Venezuela.





Source: Baker Hughes, EIA

Therefore, for oil price forecast, according to Bloomberg statistics, oil price in 2018 will be about 71.8 USD/barrel and 2019 average is 72.5 USD/barrel. Accordingly, BSC assumes that the price of Brent oil in 2019 is estimated at 65-66 USD/barrel as the base price for forecasting oil and gas industry business results.

	2018F	2019F	2020F	2021F	2022F	Forecast time
Bloomberg	71.8	72.5	72.5	72	69	11/18
Reuter Poll	74	74.5				11/18
BMI	75	80				07/18
Goldman Sachs	75	70				11/18
EIA	73	61				12/18
World Bank	72	74	69	69	69	10/18
Morgan Stanley	73	68.5				12/18
J.P Morgan	70	73	64			11/18
Average	73	72	69	71	69	

Source: BSC Research

In 2019, there are still not many big projects to be implemented, except for Dai Nguyet Sao. The restructuring of senior personnel of PVN until the end of 2018 was basically completed, which is expected to help the oil and gas industry operate more effectively. At the same time, some big projects that are behind schedule may start in 2019-2020, as there is only one Dai Nguyet Sao Sao project that has certain implementations up to now. expected to go into operation from 2020. Besides, we also expect the progress of major projects to be implemented in the coming years (1) O Mon Block B Project, (2) Nam Con Son 2 Project - Phase 2, (3) Blue Whale.

INVESTMENT OUTLOOK

BSC maintains Neutral rating with Oil and Gas Industry in 2019 when oil price is forecasted to maintain around USD 60-70 due to (1) Current oversupply pressure and (2) World economic growth slows down. causing demand to decline. However, we also expect that business activities of oil and gas enterprises will improve gradually in the second half of 2019 when oil prices improve and delayed projects will soon be accelerated. The stocks we noted in 2018 are GAS, PVD, PVS.

GAS (Price at November 30, 2018)– Tracking

Business results in 2018 recorded a significant improvement over the same period in 2017 thanks to the strong recovery of oil prices. Gross profit improved positively from 20.3% in 9M2017 to 24% in 9M2018. Accordingly, GAS's work volume in 2018 is estimated as follows: producing and supplying over 9.6 billion m3 of gas, over 1.6 million tons of LPG (+ 18.6% yoy), over 95 thousand tons of condensate (+20.7 % yoy). We forecast revenue in 2018 is estimated at VND 78,947 billion (+ 21.8% yoy) and Net Profit is VND 11,991 billion (+ 24% yoy), assuming an average annual oil price of 73 USD/barrel. In 2019, we are building above the basic oil price of 65 USD/barrel, so the revenue and Earning After Tax is estimated at 82,443 billion VND and 10,913 billion VND respectively. In addition, PVN's divestment plan in GAS down to 65% has been pushed back to 2020, so we also expect the updated information on the divestment progress will have positive effects on stock prices. (PVN currently holds 95.8%).

PVD (Price at November 30, 2018): N/A – Tracking

In 2018, all rigs (except for Platform 5) maintained their operation, which helped create cash flow for businesses, the average operating rate of rigs in 2018 was estimated at 80%. (equivalent to 1,460 days). The current Gantry 5 has yet to work due to the specific structure of the rig only suitable for deep water projects (Ca Rong Do project). Thanks to the recovery of oil prices since the end of 2017, rig prices have also improved significantly. According to HIS Petrodata data, the day-to-day rental price of lift platform improved to USD 55,000 - 57,000. The estimated break-even price of PVD is around 65,000 USD/day.

Based on the oil price scenario of about 70 USD/barrel, PVD's operating rate in 2019 is estimated at 84%. The average rents in 2019 are estimated to increase about 5% compared to 2018, reaching 60,000 USD/day. In addition, we note that in addition to oil price factor, rig price will depend heavily on the supply and demand of the rig market and the number of oil and gas projects to be deployed, so the recovery of rig rental prices will be latency from 6 months to 12 months compared to oil prices.

The progress of debt recovery with PVEP has positive signs (total debt of VND 800 billion). PVD has set aside VND424 billion out of a total of VND 640 billion of receivables from PVEP. However, in Q3/2018, PVEP has repaid VND 200 billion, equivalent to 25% of total debt, expected to pay an additional 30% in Q4/2018 and the rest in 2019. In addition, the reversal provision can help PVD to escape losses in 2018 and 2019.

PVS (Price at November 30, 2018) – Tracking

Prospects for 2019:

• M&C segment: Expected total revenue is 8,155 billion dong. In particular, the main source of recognition comes from the Golden Star project (about 160 million USD), the rest will come from onshore projects including Al Sharren project (80 million USD), Long Son project (50 million USD) and other small projects. • Oil and gas technical vessel service: it is expected to be difficult, and similar to 2017 performance level • FSO/FPSO: revenue decreased slightly due to the price adjustment at FPSO Lam Son, FPSO East Sea, expected total revenue reached 1,814 billion VND.

• The survey service is expected to be dissolved in 2018, thus no longer causing losses for PVS's business results in 2019. • Port services: relatively good, forecast to grow 5% compared to 2018, reaching VND 1,546 billion revenue • O&M segment forecasted no change.

Forecast of business results in 2019: Revenue and Net Income are estimated at VND 14,885 billion and VND 808 billion respectively, 2019 EPS FW is VND 1,673 / share, P / E Fw = 12.1 times.

Ticker	Rev 2019 (VND bn)	NPAT 2019 (VND bn)	EPS 2019	P/E fw	P/B	ROA 2019	ROE 2019	Price at 30/11/18	Target Price
GAS	82,443	10,913	6,793	15.3	3.3	17%	21%	90,800	91,700
PVD*	4,534	(76)	N/A	N/A	3.6	N/A	N/A	15,850	N/A
PVS	14,885	808	1,673	12.1	0.8	3%	7%	19,300	22,300

Note that the business results of the above oil and gas companies are based on the average oil price scenario of 2019 of 70 USD/barrel

* Note: PVD's profit has not included the reversal of provision for science and technology fund and debt collection from PVEP

Pharmaceuticals [Neutral]

- Although pharmaceutical companies witnessed negative growth in 2018, BSC believes that the pharmaceutical industry still has room to grow in the long term thanks to the organic growth of the industry and the aging population structure.
- Legal changes will affect business operations of pharmaceutical enterprises
- BSC believes that enterprises in the ETC market (IMP, PME, DBD) will have better business results than the industry average.
- We maintain a Neutral rating for the Pharmaceutical industry. Buy: PME; Tracking: DHG, DBD

The pharmaceutical industry still has growth potential in the long term Thanks to (1) growth rate will be maintained at 10.6% / year according to BMI data and (2) Vietnam's population structure is gradually shifting to old population.

(1) According to BMI, the pharmaceutical market size is expected to reach 6.5 billion USD in 2019, with the average growth rate in the period of 2019-2022 of 10.6%/year. In particular, the OTC market is expected to reach USD 1.6 billion in 2019, the average growth in the period of 2019-2022 of OTC is lower than the industry average, reaching 9.5%/year.

(2) According to the General Statistics Office, the proportion of people over 65 in 2049 will account for 18.1% of the population, 3 times higher than the rate of 5.5% at the beginning of 2017. This will increase the demand for health spending, health care and pharmaceuticals in the future.

However, we note that 15 listed pharmaceutical companies in the period 2013-2017 only recorded CAGR revenue growth at 2.3%, much lower than BMI data. Therefore, we believe that domestic enterprises will be hard to take advantage of the overall growth of the market without investment in quality, making a difference in product.

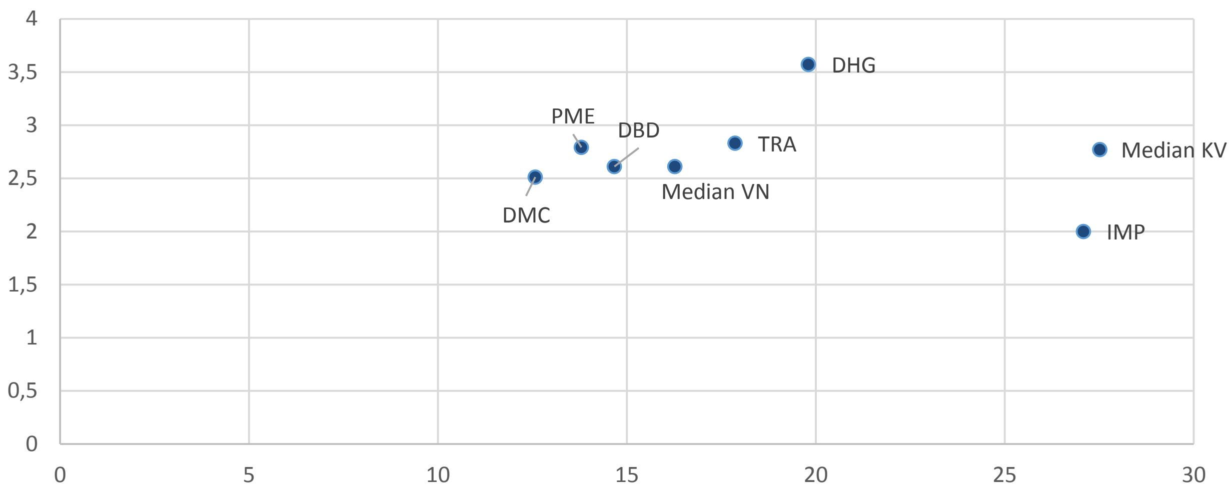
Draft drug bidding has been approved and will affect the bidding process in the coming years. The draft shows certain preferences for domestic pharmaceutical enterprises in selecting contractors. Therefore, we believe that some pharmaceutical enterprises, especially those with high quality products and participating in group I and group II bidding, will be benefited in the ETC bidding segment in 2019.

Decision 4041 of the Ministry of Health approving the Control Scheme on prescribing drugs and selling prescription drugs which significantly changes in sales of prescription drugs (especially antibiotics) are implemented in 2019: pharmacies must report to the Ministry of Health and only sell antibiotics when there is a doctor's prescription. According to the Ministry of Health, antibiotic sold without a prescription accounts for 88% in urban areas and 91% in rural areas. Therefore, we believe that these regulations will greatly affect the habit of buying drugs of the people and the business results of enterprises in the OTC market. However, we also note that the Scheme may be delayed because there are currently no specific guidelines from the departments.

INVESTMENT OUTLOOK – NEUTRAL

We maintain a NEUTRAL rating for pharmaceutical stocks. We believe that pharmaceutical companies in the ETC market will have better business results than the industry average due to (1) The increase in health insurance premiums increases the demand for drugs through hospital channels; (2) Preference with domestic enterprises when the Bidding Draft is adopted; (3) ETC businesses are investing in factories towards high quality products with good selling prices. However, we note that domestic pharmaceutical companies are still at a low valuation compared to the region (17.x with 27.x), but at a high valuation level compared to Vietnam stock market (17.x with 15.7x).

Valuation of pharmaceutical enterprises



Source: Bloomberg

DHG – Tracking – Target Price VND 89,000/share – Upside 8.5% - P/E fw = 17.5

DHG is the leading pharmaceutical company in the field of pharmaceutical manufacturing and distribution. However, business results in 2018 showed that growth rate is slowing down, DT and NPAT 3Q.2018 dropped by 1.5% and 9.9% YoY respectively. We think this reflects fierce competition in OTC, while the product structure is not much different and the distribution system has reached saturation point.

We believe that these difficulties will continue to affect DHG's business activities in 2019, and the Ministry of Health's approval of the Drug Control and Prescription Drug Control Program will affect consumption of antibiotic products - a major contribution to DHG's revenue. However, in the long term, the relationship with Taisho will help DHG improve product quality, production process as well as product processing for Taisho, expanding export markets. We forecast that DHG's revenue in 2019 will reach VND 4,411 billion, Net Income will be VND 702 billion, equivalent to EPS 2019 = VND 4,678 / share, P/E fw 2019 = 17.

5**PME – Buy - Target Price VND 76,500/share – Upside 10.5% - P/E fw = 16.3**

PME is one of the enterprises with bidding activities through ETC. The company owns the antibiotic line and Cephalosporin injection line that meets EU - GMP standards. In 3Q.2018, PME recorded the growth rate of DT and NPAT in excess of the average of 15 listed companies, 2.7% and 6.0% growth respectively. Although the national bid price of 2018 decreased by 20% compared to 2017, but we believe that the products of PME bidding in Group II are less prone to price reduction, and also the EU - GMP certification for powdered drug line. Cephalosporin injection from the beginning of the year also contributed to business growth.

In 2019, we expect that the impact of the Bidding Draft will improve PME's bidding segment due to incentives for domestic businesses. At the same time, the company also expects to complete the Non-beta factory with a capacity of 1,200 million units, bringing the total capacity to 2.037 million units. We also note that EU - GMP certification may take some time to qualify and attend group I and II bidding. We forecast PME's 2019 revenue reached 1,917 billion, EBT is 395 billion, equivalent to EPS 4,855 VND/share, P/ E fw 2019 = 14.2

DBD – TRACKING

Bidiphar is a pharmaceutical company with strong products such as anticancer drugs and lyophilized drugs. In 3Q.2018, DBD recorded growth in revenue and net profit of 1.2% and 6.6% respectively, outperforming 15 listed pharmaceutical companies. In 2019, we expect DBD's bidding will be positive when the Bidding Draft takes effect. However, we also note that DBD products in Group III are competing fiercely with cheap drugs from abroad. We believe that DBD's business will improve significantly from the end of 2019 when the company completed construction of the factory in Q4/2019 (although EU-GMP certification may take longer). We forecast DBD's revenue of 2019 to reach VND 1,458 billion, Net Income of VND 186 billion, equivalent to EPS 2019 = VND 3,551/share, P/E fw 2019 = 11.3.

Ticker	Revenue 2019 (VND bn)	NPAT 2019 (VND bn)	EPS 2019 (VND/share)	P/E fw	P/B	ROA 2019	ROE 201 9	Price at 30/11/18	Target Price
DHG	4,411	679	4,678	17.5	3.9	15.5%	21.8%	82,000	89,000
PME	1,919	318	4,247	16.3	2.6	12.0%	15.0%	69,200	76,500
DBD	1,458	186	3,551	11.3	2.6	13.1%	19.4%	40,200	N.a

Source: Bloomberg, BSC Research

Tiles [Neutral]

- Consumption growth is expected to slow down (BSC expects at 5-6%) due to weak construction demand.
- Oversupply continues (surplus capacity of 20-30%) leads to high competition.
- Gas price is forecasted to decline while coal price continues to rise due to limited supply, which will affect the profits of companies.
- We maintain a NEUTRAL view of tile sector in 2019. Recommendations HOLD for VGC, CVT.

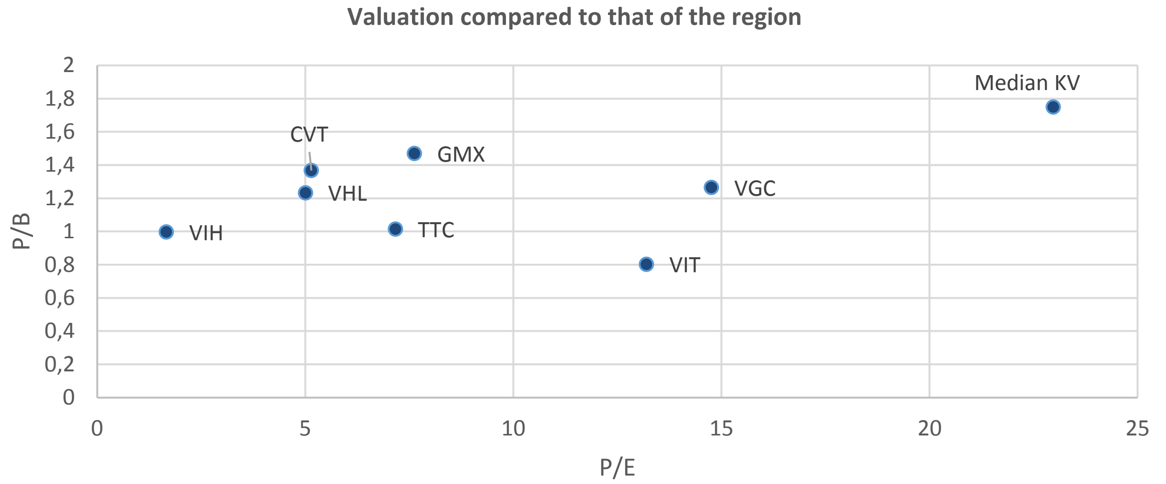
Consumption growth is expected to slow down (BSC expects at 5-6%) due to slow down construction demand. According to BMI, the growth rate of residential and non-residential real estate in 2019 is forecasted to reach 7.8%, posing a significant decrease compared to 10.2% in 2017. In which, the slowdown of the housing segment is quite significant with the projected growth rate of 5.8% because the supply shortage due to tightening debt funding run into that sector (by raising the risk adjustment ratio of real estate loans from 150% to 200% and reducing the ratio of short-term deposits for middle and long-term loans). Therefore, we forecast that consumption volume will not increase significantly next year (projected to stand at 5-6%), focusing on large – size and high quality porcelain and granite.

Oversupply continues (surplus capacity of 20-30%) leads to high competition. Total supply of tiles in Vietnam by the end of 2017 is over 700 million m^2 per year while consumption is only about 500-550 million m^2 per year (equivalent to 75-80% efficiency). The oversupply still continued, especially in the small size and low quality ceramic, so the ability to increase selling prices will be limited. Firms can only the average selling price by pushing sales of high quality and well-design products.

Gas price is forecasted to decline while coal price continues to rise due to limited supply, which will affect the profits of companies. Next year's Brent oil price is forecasted to fall to 66 USD per barrel (-5-6% YoY) by organizations such as OPEC, IEA, Morgan Stanley, dragging down LPG price will improve profit margins of firms completely converting to use gas as fuel instead of coal such as VHL, VIT, TLT. Regarding enterprises still using coal such as CVT (old lines), the bottom line may be hit by the rising input price due to the national and global shortage in coal supply.

INVESTMENT OUTLOOK – NEUTRAL

We believe that 2019 will continue to be a difficult year for the tiles industry as the total demand is expected to slow down in the context of oversupply. Lower input fuel prices will support firms in improve profit. The current valuation of enterprises is relatively lower than that of the region but we believe that it is hard to rise because the industry has passed the strong- growth period and the market capital of listed firms is quite small. Consequently, BSC maintains NEUTRAL view of tile sector.



Source: Bloomberg, BSC Research

VGC – Hold – Target Price: VND 17,600

We believe that the key growth for VGC in the coming years will come from industrial parks leasing thanks to its land bank of 1,560 ha (estimated by the end of 2018) as well as expansion projects in potential areas such as Yen Phong (220ha) and Dong Van IV (320ha). For construction materials, the company will still maintain growth in building glass and sanitary ware segments thanks to expansion projects in 2019-2020.

A noted catalyst for VGC in 2019 is the state-owned capital divestment to 0%. The divestment of the state ownership at Viglacera to 36% has not been completed yet, so it is likely that the Ministry of Construction will divest all of VGC in 2019. With the divested amount up to 53.97% of the charter capital, this divestment is thought to be more appealing for investors who want to become strategic shareholders of VGC than the previous one.

2018 business results estimations: BSC estimates VGC's 2018 revenue will reach VND 9,019 billion (-1.9% YoY) mainly due to decline in building glass segment (selling price drop because of rising supply from imported glass as well as domestic factories and the high-base in 2017), terracotta (declining selling price) and residential real estate. For IPs, we estimate the leasing area in 2018 will reach 85 - 90 ha (the occupied area in 2018 until the end of November is estimated at over 80 ha). 2018 net income is expected to reach 617.8 billion (+ 2.9% YoY), EPS = 1,231 VND/share.

Business results forecast for 2019: Net sales in 2019 is expected to be VND 9,317 billion (+3.3% YoY) thanks to the expansion of building glass and porcelain sanitary ware segments and under the assumption that the area of industrial parks for lease next year is 94ha. The profit possibly poses slight increase of 0.2% YoY to reach 617.8 billion thanks to low oil and gas prices.

CVT – Hold – Target Price: VND 23,800

CVT's business results in 2018 are not as high as expectation due to the influence of (1) micro-glass crystal covering and salt melting granites line: the marketing works and consumption are slower than expectation; huge trial production and advertising expense; (2) rising price of coal and LPG in the context of decreasing selling price of some product, making 9M2018 NPAT only VND113.5 billion (-12% YoY) while revenue + 15.5% YoY.

We estimate that the 4th quarter 2018 consumption of CVT will not pose any outlier. The whole year volume is expected to reach 17 million m2 (+ 18.3% YoY), in which micro-glass crystal covering and salt melting granites output is about 130 thousand m2 (we adjusted down compared to the previous forecast due to the weaker consumption). Revenue 2018E = 1,415.5 billion (+ 20% YoY), EAT is 153.3 billion (-12% YoY), EPS = VND 3,970/share, equivalent to P/E = 5.57x.

Forecast of business results in 2019: BSC forecasts that CVT's sales volume will continue to grow in 2019 thanks to its flexibility in production, next year's revenue is estimated at VND 1,487 billion (+ 5.0% YoY), net income of 183.8 billion (+ 19.9% YoY) thanks to low base of 2018, EPS 2019 = 4,760 VND/share.

Ticker	Revenue 2019 (VND bn)	NPAT 2019 (VND bn)	EPS (VND/share)	P/E 2019	P/B 2019	ROA 2019	ROE 2019	Price at 30/11/18	Target Price
VGC	9,317	619	1,233	14.4	1.19	3.74%	8.8%	17,800	17,600
CVT	1,487	184	4,760	4.6	1.04	14%	26%	22,100	23,800

Source: BSC Research

Banking [Neutral]

- Credit growth is expected to reach 14% - 15% in 2019. (2018 is at 17%)
- The NIM of the whole industry in 2019 may fall slightly to 3.4% - 3.5% (same period 3.6%).
- Fiintech has the ability to change traditional models.
- Banks will increase their charter capital to meet the requirements of Basel II.
- Banks operate healthier and safer thanks to (1) resolutions on dealing with bad debts, Directive 06 and laws to amend credit institutions; (2) Basel II application roadmap from 2020; (3) short-term loans / medium and long-term loans to 40%, tightening credit supply into real estate..
- Some banks are expected to list (OCB, MSB, Seabank, ..)
- We downgraded the Banking industry view to NEUTRAL due to the reduction of credit growth and banks towards sustainable growth. We recommend BUY with ACB, MBB, TCB, TRACKING shares with VCB due to good asset quality and high profitability.

Credit growth in 2019 is forecast at 14% -15%. Due to (1) the demand for credit, according to us, is still high. Based on BSC's forecast, expected GDP growth is 6.7% and inflation is 4% in 2019 (6.88 and 3.8% in 2018 respectively) along with the growth from the private sectors, thus helping demand borrowing capital to develop production and business growth; (2) credit supply is tending to tighten to ensure sustainable growth and safety, slow restructuring reduces growth. According to BSC's assessment, credit growth in 2019 will be between 14% and 15% to help ensure long-term growth for the system.

The NIM of the whole 2019 industry may decline slightly. By the end of Q3/2018, the average NIM of banks is at 3.59%, up 0.44% over the same period due to (1) higher interest rates than input rates; (2) increase the deposit/lending ratio in excess of SBV's allowable ceiling. In 2019, we assess deposit rates, according to BSC, will increase by 0.25% - 0.5% in 2019 due to concerns that FED will continue to raise interest rates, interest rates are currently at high level, creating pressure. Interest rate increase in the primary market. In terms of lending interest rates, the State Bank will control the increase of lending interest rates so banks may not increase the corresponding output rates to maintain the current NIM. Accordingly, banks will have to change, focusing on taking advantage of low-cost sources (TCB, MBB, ..), digital banks (helping to save interest costs) and redirecting retail lending with higher interest rates. According to BSC, NIM in banking sector in 2019 may decrease slightly by 0.1% -0.2% to 3.4% - 3.5% (2018: 3.6%).

FiinTech has the ability to change the traditional bank model. Commercial banks now not only compete with each other but also with technology companies operating in the banking sector (payment services, lending services ...). This not only puts pressure on reducing the profitability and growth of banks but also requires the bank itself to constantly change and update new technologies and services to serve the diverse needs of customers. Strategic cooperation or competition with technology companies, thus affecting the business model and profitability of banks.

Banks will increase charter capital to meet capital requirements according to Basel II requirements through (1) stock dividend payment; (2) issuing additional capital to foreign shareholders (VCB, BID).

Resolutions, directives and roadmap for application of Basel II continue to promote healthier and safer banks. According to the National Financial Supervisory Committee (NFSC), bad debts of credit institutions in 2018 were about VND 163,000 billion, provision for credit losses + 30.1% yoy, the rate of bad debt packages was improved to 78.2% (same period 65.4%). Processing activities are pushed faster, mainly due to the provision of credit risk and debt collection from customersIn 2019, we believe that banks will continue to promote the handling of bad debts, operate healthier and safer when (1) resolution of bad debt settlement, Directive 06, the law to amend credit institutions in 2018 and most recently, Decree 986 on the orientation of the banking industry from 2018-2025 will continue to support banks to deal with definitive bad debts, ensuring the system's liquidity; (2) the roadmap to apply Basel II from 2020 (currently, VCB and VIB have been successfully applied) to help banks target groups with stable and low-risk activities, improving capital capacity for banks; (3) the ratio of short-term capital and medium and long-term loans decreased to 40%, tightening real estate credit supply (increasing the risk ratio of real estate loans to 250% from 2019).

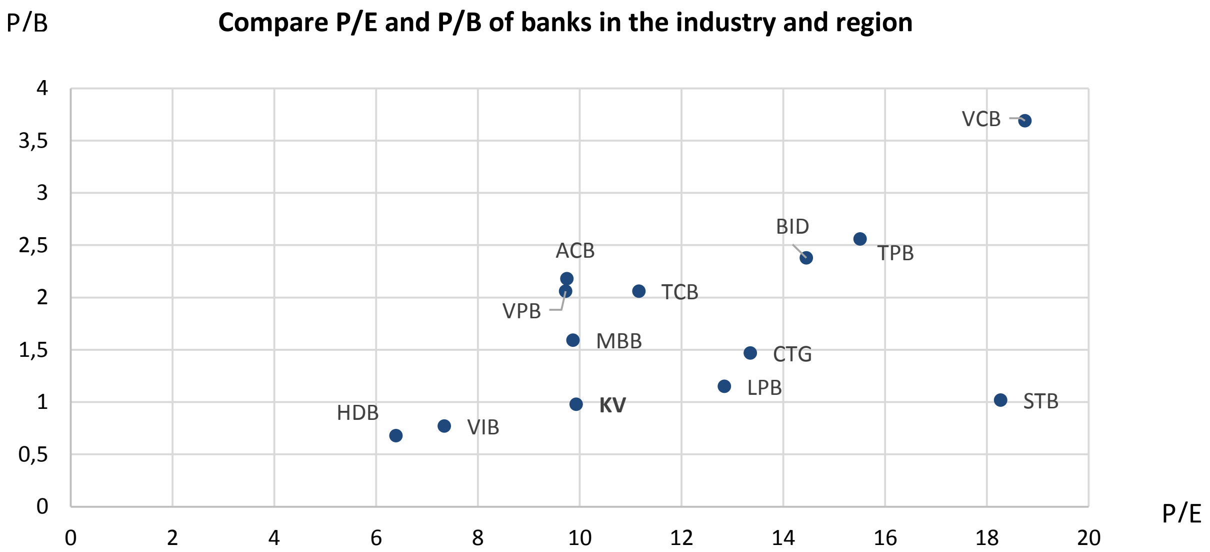
Some banks are listed In the coming time, including: OCB (VND 4,000 billion of chartered capital), Maritimebank (VND 11,750 billion of charter capital), Seabank (VND 5.466 billion of charter capital), ABBbank (VND 5,319 billion of charter capital), Saigon Bank (VND 3.080 billion of charter capital), Nam A Bank (Chartered capital of VND 3,021 billion), Viet A Bank (chartered capital of VND 3,500 billion)

	CTG	VCB	BID	MBB	STB	TCB	VPB	ACB	TPB	VIB	HDB	LPB
Scale												
Charter capital (VND bn)	37,234	35,978	34,187	21,605	18,852	34,966	25,300	11,259	6,718	5,644	9,810	7,500
Equity (VND bn)	69,915	61,526	53,720	33,208	23,781	49,481	31,987	19,519	10,202	10,119	15,955	10,067
Total assets (VND bn)	1,172,517	995,111	1,268,413	343,850	403,602	311,796	296,216	312,778	126,912	132,507	199,380	167,328
Equity / Total assets	5.96%	6.18%	4.24%	9.66%	5.89%	15.87%	10.80%	6.24%	8.04%	7.64%	8.00%	6.02%
Growth (ytd)												
Property growth	7.07%	-3.88%	5.50%	9.55%	9.54%	15.74%	6.65%	10.01%	2.25%	7.59%	5.31%	2.38%
Loan growth	12.76%	15.55%	11.75%	11.24%	13.66%	3.79%	9.53%	11.30%	16.37%	13.63%	15.69%	14.48%
Deposit growth	9.67%	9.16%	10.88%	5.66%	11.68%	13.23%	17.14%	11.01%	-0.20%	16.38%	7.82%	-0.57%
CASA	13.77%	28.02%	16.53%	32.86%	14.56%	22.60%	11.76%	15.28%	13.44%	14.20%	8.10%	15.91%
Loans / deposits	107.98%	81.19%	101.60%	88.07%	70.93%	86.24%	127.89%	82.45%	105.20%	114.04%	93.02%	90.32%
Property quality												
NPL Ratio	1.36%	1.18%	1.76%	1.57%	3.18%	2.05%	4.70%	0.84%	1.24%	2.50%	1.50%	1.32%
NPL ratio includes debt sold to VAMC	1.36%	1.18%	1.76%	1.57%	3.18%	2.05%	4.70%	0.84%	1.24%	2.50%	1.50%	1.32%
Provision for bad debts / Total	1.77%	1.84%	1.53%	1.66%	1.52%	1.59%	1.96%	1.08%	1.23%	1.17%	1.09%	1.12%
Provision for bad debts / Total bad	130%	155%	87%	106%	48%	77%	42%	130%	99%	47%	73%	85%
Interest, receivable / loan fee	1.72%	1.30%	1.23%	1.73%	9.46%	3.62%	2.24%	1.31%	1.78%	1.64%	2.77%	3.21%
Business efficiency (ytd)												
Profit after tax (VND bn)	6,126	9,378	5,817	4,801	931	6,209	4,900	3,772	1,290	1,376	2,309	826
% yoy	4.31%	47.01%	34.97%	50.41%	20.74%	59.60%	8.87%	147.02%	81.28%	176.02%	50.20%	-26.60%
NIM (TTM)	2.69%	2.70%	2.98%	4.49%	2.15%	4.01%	8.89%	3.41%	3.53%	3.67%	4.02%	3.50%
CIR (TTM)	40.18%	41.67%	34.22%	39.92%	68.68%	28.08%	35.24%	44.91%	49.05%	47.69%	48.02%	60.68%
ROA (TTM)	0.68%	1.21%	0.61%	1.55%	0.34%	3.04%	2.38%	1.45%	1.24%	1.54%	1.25%	0.93%
ROE (TTM)	11.48%	21.00%	14.52%	16.16%	5.65%	21.71%	21.65%	24.56%	18.24%	21.23%	15.61%	15.92%
EPS (VND/share) (TTM)	2,064	3,359	2,435	2,341	739	2,611	2,757	3,498	2,517	2,652	2,504	1,417
Book value (VND/share)	18,694	17,078	14,792	14,554	13,185	14,151	13,020	15,651	15,322	13,464	15,162	13,423
Valuation												
P/E	13.35	18.75	14.45	9.87	18.27	11.16	9.72	9.75	10.41	11.12	15.51	7.34
P/B	1.47	3.69	2.38	1.59	1.02	2.06	2.06	2.18	1.71	2.19	2.56	0.77

Source: BSC Research

INVESTMENT OUTLOOK – NEUTRAL

In 2019, the expectation of lower credit growth and the operation of a safer system will reduce the growth rate of revenue and profit of banks. Growth from non-interest income and expectation of healthier, safer banking activities thanks to the application of Basel II will help banks (according to BSC's assessment) will have growth of 10% -12% of Net Income in next year. However, banks in Vietnam have a high valuation compared to the current area. Therefore, we lowered our banking view to NEUTRAL in 2019 and recommend investing in banks with good asset quality and high profitability such as MBB, ACB, TCB



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Source: FiinPro, BSC Research

ACB – BUY – Target Price VND 36,54/share – Upside 19%

ACB is our favorite bank with positive business results, positive growth in asset quality. Bad debt ratio = 0.84%, lower than the industry average = 1.76%. At the moment, ACB has set up debts for G6 and VAMC groups from 2017 and will record other income from liquidating collateral assets of G6 group. Regarding profitability indicators, ACB's NIM is 3.41%, ROE = 24.56%, ROA = 1.45%, higher than the current industry average (NIM = 3.46%, ROA = 0.93%, ROE = 15.61%) . BSC forecasts NET INCOME of ACB in 2019 to reach VND 5,647 billion (+ 23.5% yoy), EPS 2019 = 5,161 VND/share, BVPS 2019 = VND 24,371/share assuming (1) credit growth = 14% , NIM = 3.61%; (2) NPL = 0.26% and bad debt ratio = 135%, LDR = 76%; (3) other income of VND 1,000 billion from liquidation of G6 assets.

MBB – BUY – Target Price VND 34,094 VND/share – Upside 53.2%

We recommend BUY for MBB stock with a target price of VND 34,094/share, according to the P/B method. Good asset quality, high profitability, and importantly, the bank is currently priced lower than listed banks with 1.5x P/B, so MBB is suitable for medium and long investment. term By the end of 9M2018, the ratio of deposit/mobilization = 32.86%, the highest among listed banks thanks to customers from Viettel + New Port, MBB has a low amount of loans for interest rates. Thus, NIM of MBB = 4.49% is currently lower than VPB, ROA = 1.55%, ROE = 16.16% (Industry average: ROA = 0.93%, ROE = 15.61%). Good asset quality (NPL = 1.57%, bad debt ratio = 106% higher than the NPL industry average = 1.76%, NPL coverage ratio = 77%). In addition, in 2019, we expect MCredit will contribute to improving the NIM of enterprises when increasing scale and contributing significantly to the revenue and profit of banks in the coming time. In addition, MBB will also divest from Mbland, reducing its ownership rate from 65.29% to 11%. BSC forecasts MBB will record EAT = 7,043 billion VND (+ 16.8% yoy), EPS 2019 = 3,100 VND / share, BVPS 2019 = 19,192 VND / share assuming (1) credit growth of 2019 = 14%, (2) NIM = 4.51%, (3) NPL = 1.21%, NPL coverage ratio = 100%.

TCB – BUY – Target Price VND 31,423/share – Upside 9.5%

We recommend BUY for TCB stock with a target price of VND 31,423 per share by P/B method. TCB is a bank with a large customer base from> 7 ecosystems (Vingroup, Masan, ..) and is a pioneer bank in many segments with high growth such as 31% market share for home loan purchase in Hanoi. and HCM, 77% of bond brokerage market share, 21% of insurance market share through Manulife. BSC forecasts, in 2019, TCB will record Earning After Tax = VND 9,092 billion (+ 11% yoy), EPS = 2,587 VND/share, BVPS 2019 = 17,457 VND/share assuming (1) credit growth 2019 = 14%, (2) NIM = 3.98%, (3) NPL = 1.87%, NPL coverage ratio = 100%, LDR = 80%.

VCB – TRACKING

We recommend tracking VCB stock with a target price of VND 57,984/share by P / B method. VCB is one of BSC's favorite banks with good asset quality (NPL = 1.18%, lower than the industry average of 1.76%, NPL coverage ratio = 155% compared to the industry average = 77%) with the same ability. High profitability (NIM = 2.7%, ROA = 1.21%, ROE = 21%, higher than the average of NIM = 3.46%, ROA = 0.93%, ROE = 15.61%). In 2019, VCB continued to pursue the issuance to strategic shareholders of GIC and Mizuho, which received the attention of many investors. BSC forecasts that in 2019, VCB will record Earning After Tax of VND 15,121 billion (+ 7.7% yoy), EPS 2019 = 4,158 VND/share, BVPS 2019 = 23,696 VND/share.

Ticker	Revenue 2019 (VND bn)	NPAT 2019 (VND bn)	EPS 2019 (VND/share)	P/E fw	P/B	ROA 2019	ROE 2019	Price at December 13, 2018	Target Price
ACB	15,702	5,513	5,037	6.5	1.35	1.52%	23.26%	32,800	43,850
MBB	19,142	7,043	3,100	7.18	1.16	1.9%	18.4%	22,250	34,094
TCB	20,724	9,092	2,587	11.09	1.64	2.56%	16.09%	28,700	31,423
VCB	40,240	15,121	4,158	13.9	2.43	1.24%	19.54%	57,600	57,984

Source: BSC Research

Plastic [Neutral]

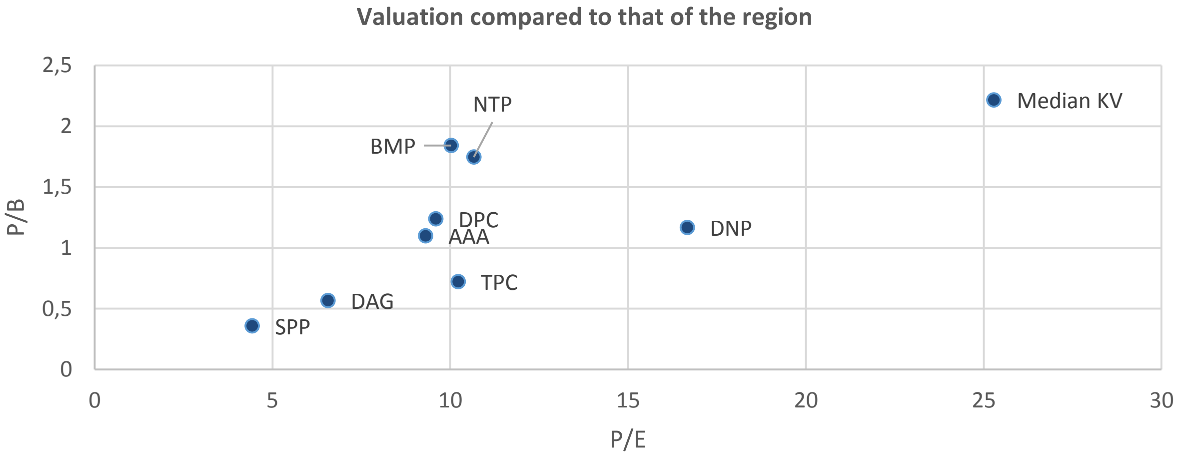
- Plastic industry is forecasted to grow at a marginal rate of 6-7% in 2019 thanks to growth of construction and packaging plastics.
- Prices of plastic resins are expected to decline following the trend of oil price, which will improve profit margins for firms.
- We maintain a NEUTRAL view on plastics industry. Recommend Buy for BMP, hold with NTP and tracking for AAA.

Plastic industry is expected to grow at a rate of 6-7% in 2019 thanks to growth of construction and packaging plastic demand. For construction plastics segment (contributing 24% of consumption volume in 2017), consumption is supported by the growth of residential and non-residential construction as well as investment in water infrastructure, but the growth is likely to slow down pushing competition more severe. For packaging plastics (35% of output), demand derives from food & beverage and retail sector that is projected to grow by above 10% in 2019.

Prices of plastic resins are expected to decline following the trend of oil price. Next year's Brent oil price is forecasted to fall to 64-66 USD per barrel (-5-6% YoY) by organizations such as OPEC, IEA, Morgan Stanley. The oil price is favored by (1) increasing supply: US output is up to 12.1 million barrels/day (+11%) and the US sanctions against Iran do not work as 8 major countries are allowed to import oil from Iran until April 2019; OPEC production cut off may trigger the output rise in Russia and the United States; (2) slowing down demand growth due to the prospect of the global economics and manufacturing sector. Plastic resin prices (especially PE and PP) are highly correlated with oil prices, the correlation of PVC price is marginal but it still in the down-side trend after peaking in October 2018. Therefore, under the assumption of lower oil price in 2019, we believe that the price of plastic resin inputs will be lower, helping to improve profits for businesses in the industry.

INVESTMENT OUTLOOK – NEUTRAL

We maintain a NEUTRAL view on plastics industry in the context of slowdown in industry growth and increased competition, especially in construction plastics. However, the lower price of plastic resins following the trend of oil price will be a support factor for the profits of enterprises in the industry, the position of enterprises will be better than the 2017-2018 period when oil prices are high. Therefore, we continue to monitor and update more about this sector in the next quarters.



Source: Bloomberg, BSC Research

BMP – BUY – Target Price: VND 64,400/share – Upside: +19.8%

Leading the construction plastic segment with 28% market share. BMP is the largest listed enterprise in the sector with the capacity of 130,000 tons per year. Owning a strong brand name, especially in the Southern market (50% market share) is an advantage in BMP consumption.

High profitability, healthy financial situation. Operating profit margin (EBIT) for 2015 - 2017 is 21.6% on average, much higher than its peer- NTP (11.7%). Short-term borrowings was about 2% of total capital, and the balance sheet recorded no long-term debt. In addition, BMP has a relatively large investment and development fund (> 46% of total assets), ensuring sufficient capital for expansion in the future.

Large portion of resin input is supplied by domestic firms, which help to limit exchange rate risks for BMP. While most other plastic enterprises have to import most of resins from Northeast Asia or Middle East countries, BMP mainly uses domestic one, of which 50% is provided by TPC Vina (also in SCG group with BMP's major shareholder - The Nawaplastic).

The price of plastic resin input is expected to decrease, helping to support BMP's profit margin. Estimating a 5% drop in plastic resin price will help BMP save about 110 billion of material costs.

Business results in 2018: BSC estimated 2018 revenue will reach VND 3,903 billion (+2.1% YoY), net income of VND 433.2 billion (-6.8% YoY) due to the increase of plastic resins, EPS 2018E = VND 4,762/share.

Forecast of business results in 2019: We forecast BMP's 2019 revenue will reach 3,964 billion (+1.6% YoY), PAT of VND 445 billion (+2.8% YoY), equivalent to EPS = VND 4,894/share based on the assumptions: (1) Volume in 2019 reached 97,500 tons (+1.6% YoY); (2) Unchanged selling price and stable discount policy; (3) The price of plastic resins remain at the average levels in 2018.

NTP – Hold – Target Price: VND 47,800/share – Upside: +11%

The dominant plastic pipe manufacturer in the North with a design capacity of 120,000 tons per year. Market share of NTP in the Northern market is about 60%, superior to other competitors.

The distribution system and high discount rate policy for agents make the operating margin of NTP be lower than that of BMP. The discount rate/total revenue of NTP and BMP is 12.8% and 8.6%, respectively. Consequently, if the discount policy of NTP in the coming time does not change to harmonize the interests of companies and agents, it will be difficult to improve net profit.

The price of plastic resin input is expected to decrease, favoring NTP's profit margin. Estimating a 5% drop in resin prices will help NTP save about 130-140 billion costs.

State divestment cannot be completed in 2018. Although NTP is on SCIC's list of state divestments in 2017, the state ownership rate is still maintained at 25.77%.

Business results 2018: BSC estimates 2018 revenue will reach VND 4,636 billion (+4.7% YoY), net income of VND 328.8 billion (-33.2% YoY), EPS 2018E = 3,316 VND/share.

AAA – Tracking

Total capacity of plastic bags 96,000 tons per year. Consumption output in 2017 reached 104,383 tons; posing a CAGR of over 40% in the period of 2015-2017 thanks to continuous capacity expansion, the main markets are Europe (~ 60%) and Japan (22%). 9M2018 consumption volume reached 61.35 million tons (+28% YoY), mainly from shopping bags (+49% YoY) and garbage bags (+35% YoY). The prospect of growth in the coming time of plastic bags comes from biodegradable plastic bags and the promotion of exporting to EU to take advantage of EVFTA.

Revenue from plastic trading accounted for over 50% of 2018 revenue but recorded losses because marketing for PP resin to reach the high volume in order to ensure the consumption of 35% PP output of Dung Quat oil refinery (committed between An Phat and PVN to re-run PVTex project). Up to now, the contract between the two parties has not been implemented yet due to the objection from enterprises who are distributors for BSR's products. However, we think this issue will be resolved in 2019 because at this time PVN can renegotiate the contract with its customers.

Expanding into new areas to ensure growth:

- Production of plastic components: An Trung factory (capacity of 3 million products/month), has been put into operation in Q3/2018, manufacturing for Panasonics and Daiwa. The goal of NTP is to become a first level vendor for Samsung Vietnam.
- Production of industrial packaging: An Vinh factory (capacity of 1200 tons/month) that targets to Japan market has run the first phase with the current operating rate of about 15%.
- Production of plastic wall coverage: An Cuong factory (capacity of 1 million products/year) serving the export market, started the trial running from mid-August 2018, currently achieving 70% efficiency.

Issuing 400 billion bonds with warrants (1 bond equals 10 warrants, the maximum number of shares issued to exercise rights is 40 million shares, exercising price is in the range of 14,000-14,500) with interest rate of 7.2% to invest in Factory No 8 (composite packaging) and the An Phat high-tech industrial parks. The execution time is every 6 months from 12 months after the issue.

Ticker	Revenue 2019 (VND bn)	NPAT (VND bn)	EPS (VND/ share)	P/E 2019	P/B 2019	ROA 2019	ROE 2019	Price at 30/11/18	Target Price
BMP	3,964	445	4,894	11.0	1.60	13.5%	16%	53,760	64,400
NTP	4,782	331	3,333	12.9	1.65	8.1%	14.20%	43,000	47,740

Source: BSC Research

Fertilizer Sector [Neutral]

- Domestic competition continues to remain high.
- Fertilizer prices in 2019 are expected to decrease slightly, about 2-3% compared to the end of 2018
- Input gas price is forecasted to decrease by about 8% according to oil prices.
- Expecting to amend fertilizer from non-taxable products will be subject to 5% tax rate approved by the National Assembly in mid-2019 to help businesses (DPM, LAS, SFG, ...) improve gross profit margin
- Many fertilizer enterprises (DPM, DCM, VFG, LAS) are expected to divest in 2019.
- We maintain a NEUTRAL rating for the fertilizer industry and will update our views on quarterly reports in 2019, recommend Buy: DPM, BFC and follow LAS

Domestic competition continues to remain high. Domestic fertilizer demand remained stable at 11 million tons (of which inorganic fertilizer accounted for 90%) with an annual growth rate of 0.5-1%. In terms of supply, there are currently 706 fertilizer production facilities with a total capacity of 28.5 million tons (91% are inorganic fertilizers), much higher than actual demand.. In addition, high domestic production costs due to poor technology and management facilitate cheaper imported fertilizers from abroad (mainly China), making the domestic fertilizer market more competitive.

Fertilizer prices in 2019 are expected to decrease slightly, about 2-3% compared to the end of 2018. According to World Bank forecasts for 2019, the price of fertilizers will increase after the increase of 2018 when the supply increases significantly (with urea being projects in India and Russia, DAP is projects in Morocco and Saudi Arabia, ...). We forecast that domestic fertilizer prices remain high at the beginning of the year and decline slightly due to the impact of world prices (domestic prices often have a certain lag compared to world prices) and the decline in the price of raw material gas (accounting for about 80% of the cost of raw materials for fertilizer production).

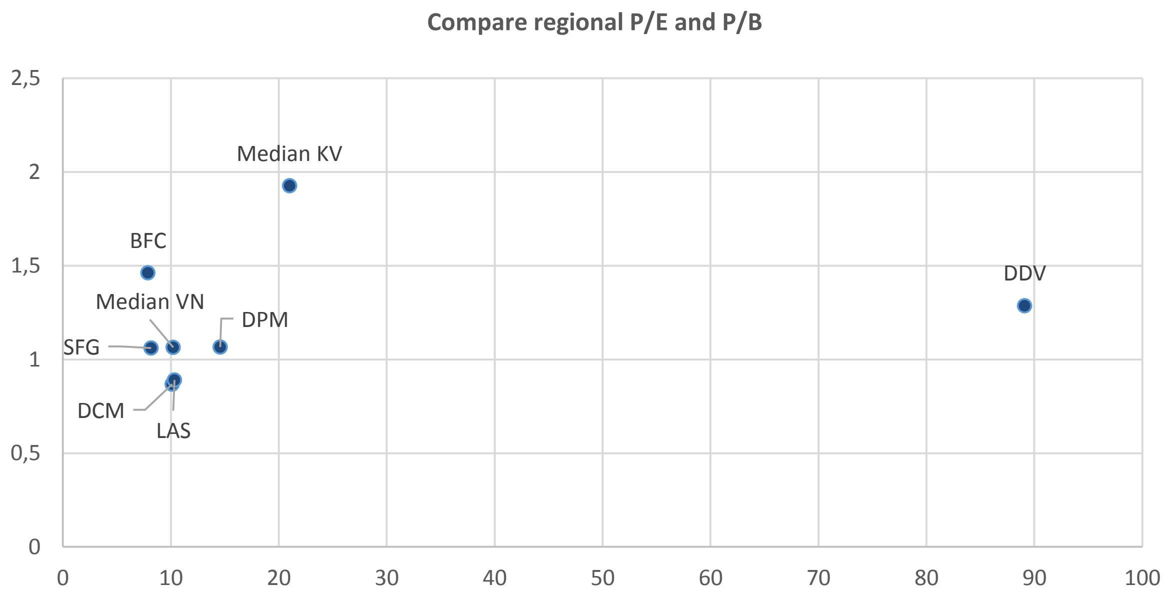
Input gas price is forecasted to decrease by about 8% according to oil prices . According to forecasts of many large organizations such as EIA, Morgan Stanley ... 2019 oil prices are expected to be at 68 USD / barrel, down about 8% compared to the average of 74 USD/barrel in 2018. The input gas price of fertilizer enterprises is also expected to decrease according to oil prices, thereby improving the gross profit margin of factories. BSC estimates that with the gas cost accounting for 80% of the cost of raw materials for nitrogen production, if the gas price falls by 1%, it will help large manufacturing enterprises like DPM save about 30 billion cost of capital (equivalent to about 3.5% of Net Income of 2017).

Expected to adjust fertilizer from non-taxable products to 5% tax rate approved by the state in mid-2019 to help businesses (DPM, LAS, SFG, ...) improve gross profit margin . The revision of the value-added tax law is expected to be passed by parliament in 2019, of which the tax rate applied to the fertilizer industry will be 5% instead of not taxable as before, helping businesses. The fertilizer production industry eliminates the input value-added tax, minimizing cost of capital. Single enterprises (including LAS, DPM, VAF, SFG ...) are expected to be the main beneficiaries, when input costs are currently subject to about 10% VAT (currently not discounted) minus, accounting for about 50% of the cost price.

Many fertilizer enterprises are expected to divest in 2019. Currently, PVN is planning to merge two enterprises DPM and DCM then proceed to divest in 2019, is expected to reduce the ownership rate of these two enterprises to below 51% (PVN currently owns 60% of DPM and 75% DCM). For SFG and BFC, currently these 2 enterprises are also in the enterprises which will be divested to less than 36% in the period of 2019-2020 by Vinachem.

INVESTMENT OUTLOOK – NEUTRAL

With oil prices falling sharply at the end of 2018, we forecast that business results of fertilizer companies such as DPM and DCM will be improved well in the first quarter of 2019. Besides, the output VAT of fertilizer at 5% is likely to be passed at the parliamentary meeting in 6/2019 will help fertilizer enterprises get input tax refund, reduce cost of goods sold. Thereby, the industry-wide business situation is expected to improve significantly in 2019 but competition in the industry is still high, affecting the ability to increase prices and output so we maintain our assessment. NEUTRAL with the fertilizer industry and will update their views on quarterly reports in 2019. Businesses are being traded with P/E = 10.2x, P/B = 1x, much lower than average The area and history of high dividend payout, we maintain a medium and long-term follow-up recommendation for some fertilizer companies with leading positions.



Source: Bloomberg, BSC Research

DPM – Target Price VND 21,600/share – Upside 2.9%

DPM is a leading fertilizer producer with 40% market share and now has put a high quality NPK factory into operation since Q2 / 2018. With the forecast of lower oil price, DPM's COGS will be reduced because gas price (accounting for about 80% -85% of N fertilizer production cost) will help reduce the profit of fertilizer segment. Regarding NPK fertilizer, in 2018, the company expects to produce about 50,000 tons and receive investors' acceptance. According to BSC, in 2019, DPM will consume about 120,000 tons due to (1) reducing the amount of self-trading fertilizer; (2) the trend of shifting to high quality fertilizer. However, we also note that putting NPK factory with low NPK selling price (about 8.5 million VND / ton) into operation increases the depreciation cost per year to about 500 billion VND. In addition, if VAT is approved, DPM will receive input tax refund, increasing EBT to about VND 350 billion.

PVN will also divest from DPM (holding 59.58%), reducing its ownership rate to below 51% in the coming time.

BSC forecasts that DPM will record net revenue and EAT of VND 9,658 billion (+ 6.2% yoy) and VND 844 billion (+ 36.3% yoy) equivalent to EPS 2019 of VND 2,156 / share assuming (1) Gas price = 5.45 USD / MMBTU (-5.6% yoy), (2) Urea output + 3% yoy, output of NPK = 200,000 tons (+ 300% yoy).

BFC – Target Price 30,777 VND/share – Upside 22.1%

BFC is one of the leading enterprises in NPK fertilizer production in Vietnam (capacity of 975,000 tons) with a wide system (15% of the country, of which the South is 28%, the North is 17% and the Central 10 is % market share). Besides, BFC is a company with healthy finance and high dividend payment history (> 30% / year). In 2019, BFC will double the capacity of Ninh Binh factory (Investment capital = 70 billion VND, doubling the capacity to 400,000 tons / year) is expected to increase the market share in the North with NPK fertilizer products High quality as well as cost savings. Vinachem will also divest from BFC, reducing its ownership rate to 36% in 2019. This has received the attention of many investors.

BSC forecasts, BFC will record net revenue and net income of parent company at VND 6,843 billion (+ 3.9% yoy) and VND 225 billion (+ 7.11% yoy), equivalent to EPS 2019 = VND 3,938 / share. Assumptions in 2019 output + 2% yoy due to fierce competition and NPK output in 2019 almost did not grow, Urea price + 3% yoy, DAP + 1.3% yoy, Kali + 3.24% yoy According to World Bank forecast. BFC risks include (1) cost of raw materials price volatility; (2) fierce competition in the domestic NPK market.

LAS – Notice

LAS is one of the leading fertilizer producers in the North with long-term brand and reputation with consumers. However, now, enterprises are facing fierce competition between phosphate and NPK companies such as Binh Dien, which makes LAS continuously decrease in consumption. Expected in 2019, if the fertilizer VAT law is passed, LAS will contribute about VND 100 billion of PBT. Currently, LAS is traded with P / E = 8.25x, P / B = 0.86x.

Ticker	Revenue 2019 (VND bn)	NPAT 2019 (VND bn)	EPS 2019	P/e fw	P/B	ROA 2018	ROE 2018	Price at 30/11/18	The target price
BFC	6,843	225	3,938	6.4	1.18	7.2%	23.1%	25,200	30,777
DPM	9,658	844	2,156	9.7	2.1	7.0%	17.5%	21,000	21,600

Source: BSC Research

Tires [Neutral]

- Tire production in 2019 is forecast + 9% yoy
- Tire businesses face fierce competition with Chinese Radial tires and FDI enterprises.
- Raw material prices are expected to reduce support to reduce the cost of tire businesses (80% of cost of goods sold comes from materials).
- DRC put the Radial factory into operation to increase capacity in 2019 to help reduce fixed costs/products. CSM increased capacity of steel Radial factory to 700,000 tires/year.
- Vinachem plans to divest from DRC, CSM and SRC, reducing its ownership rate to 36% in Q1/2018.
- We keep our NEUTRAL view of Tire industry in 2019 due to (1) reducing raw materials price and improving gross profit margin; (2) Increasing capacity of Radial tire group; (3) high competition makes tire and tube businesses difficult to increase selling prices. We recommend BUY DRC shares.

Tire production in 2019 in the whole industry, according to BSC's forecast, will increase by 9% yoy. We realize that automobile importers have solved the circular 116 problem, the number of imported cars has increased sharply in the period of 8M2018 - 10M2018 (+ 23% yoy). We expect that in 2019, automobile consumption will grow again due to (1) import tax rate of 0% in the Asian bloc, which helps to reduce car prices in Vietnam; (2) imported cars grow back after a period of entanglement; (3) assembled vehicles grow well due to high demand for cars (CAGR = 20% / year in the period of 2012-2018); (4) the number of cars in Vietnam is still low (34 vehicles / 1,000 people) while people's income continues to improve. According to BSC's forecast, tire production in 2019 will increase by 9% yoy from the growth of automobile production in the future.

The ability to increase selling prices is low due to high competition. Currently, tire manufacturers face fierce competition with Chinese tires (China accounts for about 50% of Radial tire market share with cheaper price of 20% -30%) and FDI enterprises (Large capacity like Bridgestone about 18 million tires/year, Kumho about 6.3 million tires/year + increasing output from 15% - 20% in Vietnam). Competition makes it difficult for businesses to raise selling prices to compensate for fluctuations in raw material prices.

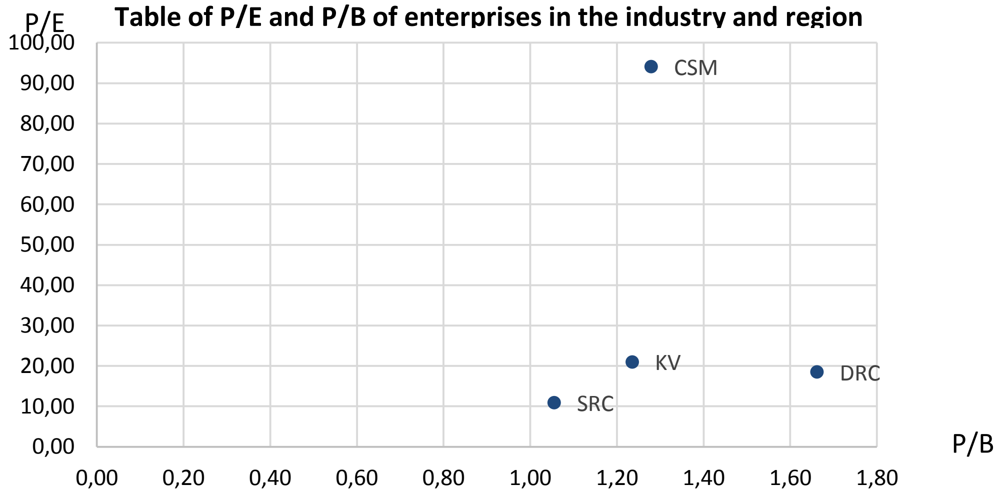
Rubber prices are forecasted to be low in 2019 as analyzed in the rubber industry report. Besides, oil price is forecasted (according to BSC's macro report) at 64-67 USD / barrel (-10% yoy) to help reduce the price of artificial rubber. (Natural rubber and artificial rubber contribute about 40% of the cost of capital of tire companies). Besides, the price of chemicals + black coal (which accounts for about 20% of the cost of goods sold) is also likely to fall due to falling oil prices. This helps reduce the cost of capital of enterprises and improve the gross profit margin.

New growth motivation comes from increasing the capacity of Radial tires group. In 2019, the second phase of DRC's all-steel Radial factory was put into operation to help the company double its capacity to 600,000 tires. CSM has also raised the capacity of semi-steel Radial factory to about 700,000 tires/year to serve Tireco partner. However, we note that due to the fierce competition, the volume of domestic tires consumed by tire companies is not much (from 20% - 30% of production volume) while the export price is only equal 70% of domestic prices, strong depreciation costs make the profit from new projects not much.

Vinachem is expected to divest from tire companies, reducing its ownership rate to 36% in Q1/2018. This creates a lot of investors' attention.

INVESTMENT OUTLOOK – NEUTRAL

Although raw materials are forecasted to decrease in 2019, it can help tire companies improve their gross margin, fierce competition as well as not many prospects from domestic Radial tire consumption and are highly valued, I hold a NEUTRAL view of tire industry prospects in 2019.



Source: FiinPro, BSC Research

Currently, the tire industry has an average P / E = 18.49 lower than P area (P / E = 20.97) and P / B = 1.28 higher than the region (P / B = 1.24).

DRC – BUY – Target Price VND 27,180/share – Upside 20.8%

DRC is the leading tire manufacturer with the main segment being truck tires. In 9M2018, DRC sold 530,225 bias tires (-15% yoy) and 254,595 Radial tires (+ 3.6% yoy). The decline in Bias tire production due to Euro 4 standard requirements caused the enterprises to raise the quality of production tires, expected next year production will increase again when DRC put into production the Radial steel factory. Regarding all-steel Radial tires, companies sold 83,022 domestic tires (+ 5.9% yoy) and 171,573 export tires (+ 2.47% yoy). In 2019, DRC's growth motivation came from bringing the Phase 2 Radial plant into operation, doubling the current capacity, reducing the annual depreciation/product cost by 40% when running at full capacity. in 2020 (about 160 billion VND/year). In addition, a semi-steel Radial plant with a capacity of 200,000 tons / year (invested VND50 billion) is expected to come into operation and serve the demand of replacing Bias tires in the future. Vinachem also plans to divest from DRC, reducing its ownership to 36% in Q1/2019. Currently DRC is being traded at P/E = 19.5x and P/B = 1.8x.

Ticker	Revenue 2019 (VND bn)	NPAT 2019 (VND bn)	EPS 2019 (VND/share)	P/e fw	P/B	ROA 2018	ROE 2018	Price at 30/11/18	Target Price
DRC	3,700	157	1,110	20.6x	1.74x	5.71%	10.1%	22,850	27,180

Souce: BSC Research

Steel [Neutral]

- World Bank forecasts that world steel price will decrease relatively (from 2-3%), we forecast domestic steel selling price 2019 down 8% yoy.
- Input material prices will continue to be more stable
- Steel consumption will maintain growth and forecast about 10% compared to 2018.
- BSC considers NEUTRAL for Steel industry. Recommendation to follow: HPG, NKG, HSG.

World Bank forecasts that world steel prices will decrease relatively (from 2-3% compared to 2018), we forecast domestic steel selling price 2019 down 8% yoy. World bank forecasts that world steel prices will decrease relatively (from 2 to 3%) due to the impact of China, the world's largest steel producer and consumer when easing the regulation of restricting production in winter and the country's growing economic suspicion is slowed, due to the impact of trade wars expected to negatively affect world steel prices. This will put pressure on domestic steel prices, especially construction steel when the pressure on supply in 2019 will increase sharply when large capacity-raising projects are completed and put into operationFor flat steel products such as galvanized steel, exports in 2019 are expected to be difficult when traditional markets such as Indonesia and Malaysia have and will apply protection tax on this item, putting pressure on supply. The domestic market is inherently fiercely competitive because supply exceeds demand. Therefore, we forecast domestic steel price in 2019 will decrease by about 8% and it is difficult to maintain a high level like 2018.

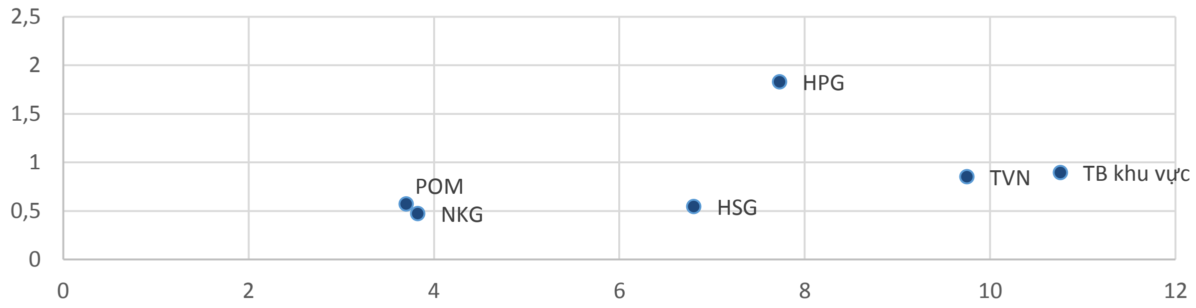
Input material prices will continue to be more stable. 1) Iron ore: With steel prices expected to decrease while expected iron ore supply increases when output from Brazil is expected to continue to increase by 4-5%, we expect iron ore prices to fall. USD 58-60/ton in 2019 is equivalent to a 4-5% decrease compared to 2018; (2) Coke: Similar to iron ore, we forecast that the coking coal price will decrease in 2019 due to declining demand, increasing supply when many new coal mines in Australia will come into operation from the end of 2018.

Steel consumption will continue to maintain growth. In 2018, construction steel consumption is mainly expected to continue to grow thanks to: (1) the construction of government transport and utility infrastructure investment in two major cities are Hanoi and Ho Chi Minh City; (2) Housing and commercial construction continues to be supported by foreign investments, our country remains an attractive destination due to its low cost and higher level of development than other countries in the region.

INVESTMENT OUTLOOK

BSC considers **Neutral** to Steel industry. In 2019, the steel industry is expected to face (1) great competitive pressure due to slowing economic growth and (2) the impact of trade war. For galvanized steel enterprises, expected business results are unlikely to recover due to the pressure from debt and export difficulties due to tariff barriers. Construction steel consumption is forecasted to remain at 10% but with a strong increase in industry capacity along with the downward pressure in 2019 will affect the production of construction steel group, especially for small-scale enterprises, high production costs due to poor technology. For leading enterprises, HPG, BSC still maintains the NEUTRAL and long-term recommendations by leading industry, expanding the capacity and outstanding operational efficiency of enterprises.

Compare P/E, P/B of steel industry with regional average



Source:Bloomberg, BSC Research

HPG – Target Price VND 38,100(+13%)

Dung Quat project deployed on schedule: rolling mill No. 1 has been put into operation, nearly reaching the rated capacity; No. 1 blast furnace is expected to be put into operation at the end of the first quarter and the second quarter of 2019. It is expected that by 2020, HPG will launch the first HRC product market. All investments in the project of VND 20,000 billion from equity were invested, the remaining VND 20,000 billion from loans, HPG signed 2 contracts with Vietinbank and Vietcombank with very competitive interest rates to invest in the project.

Put the galvanized steel sheet project into 100% completion in quarter 4/2018: HPG's galvanized steel products were distributed to the market in the second half of 2018, with the Northern market exploration strategy, then will develop into the southern market and export.

Consumption output 2018 is expected to increase 11%: Construction steel consumption is expected to reach 2.3 million tons in 2018. For 2019, we expect consumption volume will increase by about 1.5 to 1.7 million tons (+ 70%) to about 4 million tons. Market share is expected to increase sharply, from 23% of 2018 to about 35% in 2019.

Selling price is expected to decrease from the end of 2018, expected to decrease about 8% in 2019. Concerned about a drop in steel demand in the Chinese market when the country's economy grew slowly due to the trade war has put pressure on global steel prices and China. Steel price of HPG is also affected, in the last 3 months, it has dropped by 600 thousand VND/ton (-4%). We expect that this pressure will remain in 2019 along with the goal to be able to consume all products from the Dung Quat Phase 1 project could also affect HPG's selling price in 2019. We expect HPG's steel price will drop to around VND12 million/ton in 2019, corresponding to a decrease of about 8% compared to the 2018 average.

With the assumption that selling price will drop by 8%, total consumption is expected to reach 4.4 million tons. We expect that 2019 revenue of HPG will reach VND 73,000 billion, profit after tax will reach VND 10,030 billion, equivalent to EPS of VND 4,780/share. We conduct valuation of HPG in two methods: P/E and FCFE with a target P/E of 8 and ke = 16%. The fair value in 2019 of HPG is about VND 38,000/share.

NKG – Tracking

Capacity and gross profit are expected to increase after Nam Kim 3 plant is put into production. After coming into operation, Nam Kim 3 factory will double the capacity of galvanized steel sheet of NKG; Currently the plating capacity of NKG is about 1.2 million tons. NKG also increased the capacity of steel pipes by 180 thousand tons/year in mid-2017.

Cheap HRC supplies help reduce exchange rate risks. Formosa Ha Tinh has been put into operation, currently has increased HRC capacity to 5.6 million tons/year. It is expected that by 2020, Phase 2 of Dung Quat project of HPG will also provide the market with about 2 million tons of HRC annually, thereby limiting most of the dependence on imported raw materials of galvanized steel companies, minimizing exchange rate risks.

Pressure from debt and trade war has a strong impact on business results. Export of galvanized steel main products of NKG is heavily affected by the wave of trade protection from other countries, along with strong increase in input price of HRC in 2018, making the gross profit margin of NKG affected heavily. In addition, in order to serve the high working capital after new projects were introduced, NKG has taken a lot of debt, especially short-term loans Currently, NKG's debt / equity ratio has risen to 1.74, relatively risky in competitive conditions in the galvanized steel sheet segment in both the domestic market (oversupply, many new projects) and exports (tax barriers and protection).

HSG – Notice

The second largest steel enterprise and head of galvanized steel sheet segment. HSG's 9M2018 market share in galvanized steel sheet was 34%, stable at No. 1, for steel pipe segment maintaining the No. 2 position with about 18% market share

Like other galvanized companies like NKG, HSG also benefited from low domestic HRC from Formosa and Dung Quat Steel Project in Hoa Phat.

However, we note that risks from commercial debt and war for HSG are relatively large compared to other businesses. Similar to NKG and galvanized steel companies, HSG is also expected to face difficulties when selling products due to pressure from trade war, leading to a decrease in gross profit margin. Especially, the debt / equity ratio of HSG is currently relatively high, at 3.1 times, short-term liabilities are still higher than short-term assets, which will cause a high pressure on debt repayment.

Ticker	Sales 2019 (VND bn)	NPAT (VND bn)	EPS 2019	P/E fw	P/B 2018	ROA 2019	ROE 2019	Price at 30/11/18	Target Price
HPG	73,486	9,964	4,745	7.1	1.48	11.3%	21%	33,500	38,000
NKG	17,275	131	720	10.8	0.45	3.07%	8%	7,600	N/A
HSG	36,142	595	1,550	4.5	0.51	1.14%	10%	6,620	N/A

Source: BSC Research

Aquaculture [Neutral]

- Growth of pangasius enterprises comes from volume growth
- The official tax rate for shrimp exported to the US during the POR12 period is 4.58%. The national preliminary tax rate for pangasius exported to the US during the POR 14 period is 0.41 USD/kg.
- Trade war, CPTPP and EVFTA agreements continue to affect in 2019
- We maintain a Neutral rating for the Fisheries industry. Tracking: VHC

Growth of pangasius business will come from the growth of production scale. We observe that seafood enterprises are implementing plans to expand farming areas, processing capacity in 2019. The expansion will meet the high market demand, but will put downward pressure on selling price when supply becomes massive.

Company Name	Expansion plan
Vinh Hoan Corporation	Farming area: + 220 ha Capacity: + 150 ton of raw materials/day
Nam Viet Joint Stock Company	Farming area + 400 ha
International Development and Investment Corporation	Farming area + 100 ha Processing plant: +450 tons of Materials/day (under discussion)
Fatifishco	Processing plant: + 200 tons of Materials/day
Hung Ca Co., Ltd	Processing plant: + 50 - 40 foot load

Source: BSC Research

The anti-dumping tariffs exporting to US fall sharply. For pangasius products, on September 13, 2018, the US Department of Commerce announced preliminary results of POR14 for pangasius averaging USD 0.41/kg, much lower than USD 3.87/kg in the previous period. For shrimp products, on September 10, 2018, the US Department of Commerce announced the official POR 12 result of 4.58%, much lower than the previous 25.39% preliminary level. We believe that low tax rates will create a more favorable environment for seafood businesses in 2019.

Trade wars and trade agreements will affect in 2019. We think that trade war continues to be an opportunity for Vietnamese seafood in two major markets, the US and China. At the same time, two major trade agreements, CPTPP and EVFTA, which are likely to take effect from 2019, will also help Vietnamese seafood products because tariffs will be significantly reduced, especially shrimp products exported to the EU and Japan.

INVESTMENT OUTLOOK – NEUTRAL

We maintain a Neutral rating for the fisheries sector. BSC believes that demand in China will remain high. Moreover, the trade war continues to be an opportunity for Vietnam's seafood products, especially when Vietnamese seafood are tax-deducted in the US and China. However, there are many risks in pangasius industry in 2019 when export price is at a historical peak and it is hard to see a sharp increase in price as in 2018. BSC expects pangasius selling price to decrease by 7% in 2019. Business growth will come from production growth thanks to projects to expand production capacity, instead of growth from selling prices.

VHC – Following Up – Target Price VND 108,552/share – Upside 8.7% - P/E fw = 7.3

In 2018, VHC recorded business results exceeding our forecast at the beginning of the year, with revenue and NPAT of 9M2015 reaching VND6,465 billion (+ 6.6% yoy) and VND 1,035 billion (+ 73.8%) with gross profit margin of 22.6%. . In 11M2018, VHC's export turnover reached USD 348 million (+ 27% yoy) due to a 30% increase in selling price and a slight decrease in output. In the US market, the high POR 13 tax rate makes it unable forseafood enterprises (except VHC and East Sea) to export to the US, causing the supply to be decreased. As a result, VHC quickly increased its selling price (+ 30%) and accounted for 60% market share (according to our estimates) from 54% in 2017. At the same time, other emerging markets (China , ASEAN) has continued to grow at a high level, while the domestic supply is in shortage, causing the average selling price in these two markets to increase by 25-30%.

However, we believe that there will be many risks for VHC in 2019. In the US market, the preliminary POR 14 tax rate of 0.41 USD/kg (much lower than the 3.87 USD/kg) will encourage other businesses to start exporting back to the US, reducing VHC's market share. At the same time, the export price of VHC is currently at historical peak and we think it is hard to continue to increase in 2019. VHC's growth is expected to come from the farming area of 220 ha of exploiting companies next year. BSC forecasts that VHC's 2019 revenue will reach VND 9,988 billion, Net Income will be VND 1.257 billion, equivalent to EPS 2019 = 13,569, P/E fw 2019 = 7.3.

Ticker	Revenue 2019 (VND bn)	NPAT 2019 (VND bn)	EPS 2019 (VND/share)	P/E fw	P/B	ROA 2019	ROE 201 9	Price at 30/11/18	Target Price
VHC	9,988	1,257	13,569	7.3	1.96	19%	29%	99800	108,552

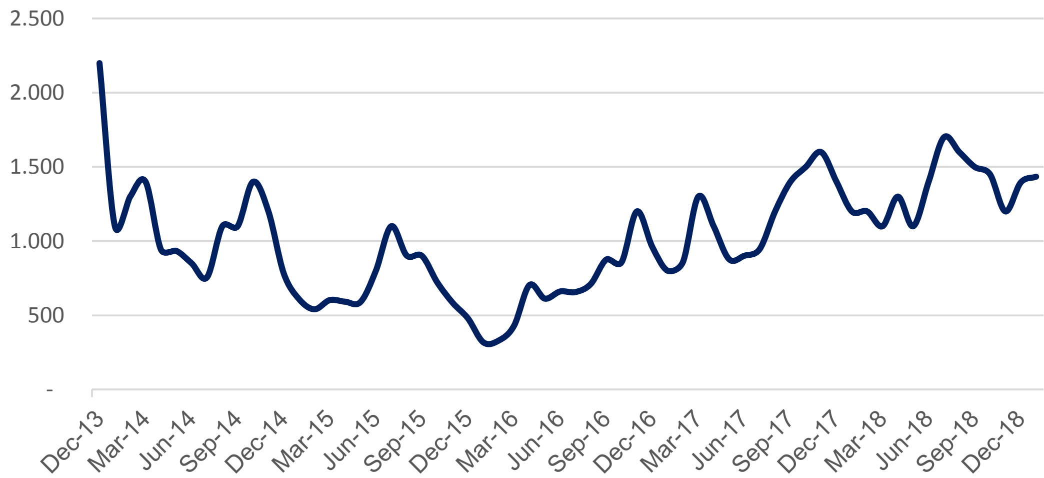
Source: BSC Research

Marine Transportation [Neutral]

- The BDI is forecast to increase by 2% YoY in 2019 compared to 2018 due to the increase in international sea transport demand.
- IMO's new regulation on the use of fuel oil for ships with a sulfur content lower than 0.5% "IMO 2020 Low - sulfur" will take effect from January 1, 2020.
- We maintain our Neutral recommendation for the shipping industry as many businesses are still losing money, however we note that gasoline prices fell by 21-23% in Q4/2018, which will help the industry's gross margin increase. Buy: PVT.

The BDI (Baltic dry cargo charter) is forecast to increase by 2% in 2019 compared to 2018 thanks to the increase in international shipping demand. According to BIMCO forecasts, the demand for sea transport in 2019 will increase by 2.8% YoY and the world fleet will increase by 1.4% YoY. We assess that the movement of shipping industry has warmed up and positively improved thanks to the import-export trade activities of the two sides, China and the US have recovered again through the import of China. US soybeans from January 1, 2019 because supplies are limited in Brazil after stopping imports from the US under the impact of the trade war.

BDI index is recovering in the last three years 2017-2018



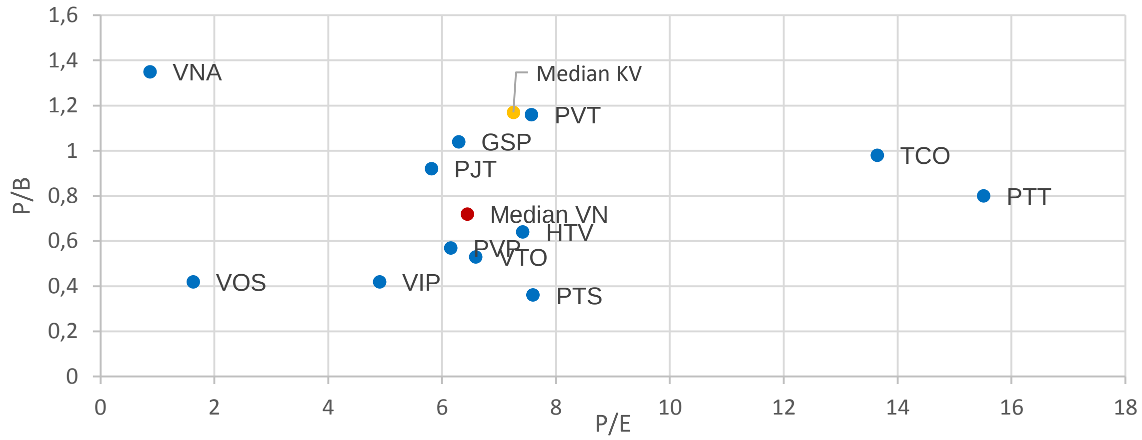
Source: BIMCO, Hellenicshipping.

IMO's new regulation on the use of fuel oil for ships with a sulfur content lower than 0.5% "IMO 2020 Low - sulfur" will take effect from January 1, 2020. So far only 4 shipping lines out of 20 largest container shipping companies in the world plan to install "Exhaust Filter - Scrubber" to meet the above requirements. Specifically, according to Alphaliner statistics, only 300 or more Panamax container ships have planned to install Scrubber, of which MSC is the leading company planning to install Scrubber for 120 ships, Evergreen (70 ships), Hyundai (27 ships), CMA CGM (20 ships), the remaining major shipping lines such as COSCO, ONE, ... are still not static. Compared to the total number of container ships in the world, the rate of installation of "Very small exhaust filter - Scrubber only has 300 vessels on 5,213 ships (as of October 2018), reaching 5.75%. For Vietnam, many major shipping lines of Vietnam will have to install this Scrubber exhaust filter with the value of one machine estimated at nearly 1 million USD, which will greatly affect the fleet of many companies such as Vinalines, Hai An, GMD Shipping,…

INVESTMENT OUTLOOK – NEUTRAL

BSC maintains a NEUTRAL ranking for marine transportation. We assess that business performance of marine transportation has improved through NPAT. Many shipping companies have started to earn positive profits in 9M2018. Besides, the world crude oil price dropped strongly by nearly 45%, leading to the adjustment of oil price like gasoline and diesel, estimated at 21 - 23% in Q4/2018. Thereby, profit margin will improve significantly thanks to the reduction of fuel costs of shipping companies (the proportion of fuel costs accounts for nearly 20-35% of the total cost). Sector risks: Currently, Vietnam fleet is usually small <120,000 DWT so it cannot compete with foreign shipping companies with the trend of using vessel of over 140,000 DWT to reduce transportation per container costs and some vessels have too old to use so it is impossible to enter some countries in the area to pick up goods.

Comparing P/E, P/B with Asean region (Emerging)



Source: Bloomberg, Fiinpro.

PVT – Buy – Target price 21700đ/cp – P/E FW = 6.7x – P/B FW = 0.9x

We note that crude oil transport of PVT will improve thank to Nghi Son refinery will operate fully in early 2019, so it will increase the capacity of crude oil and finished oil transport contracts. In addition, the Ministry of Industry and Trade is submitting to the government the plan if there is not enough coal in the country, it will import coal to ensure enough coal to produce electricity and not to lack electricity. Thus, PVT will be the main coal transport unit for large thermal power plants of EVN (Duyen Hai, Vung Ang, Thai Binh, etc.) to benefit from transport contracts. Therefore, we recommend Buying PVT shares which forecast revenue and net income of 2019 to reach VND 9,321 billion (+ 20% YoY) and VND 854 billion (+ 17.5% YoY), equivalent to EPS FW = VND 2,405 (+ 17.5% YoY), P/E FW = 6.7 x, P/B FW = 0.9x.

Ticker	Revenue 2019 (VND bn)	NPAT 2019 (VND bn)	EPS 2019	P/E FW	P/B FW	ROA 2019	ROE 2019	Price at 03/11/2018	Target Price
PVT	9,321	854	2,405	6.7	0.9	6.6%	13.1%	16,000	21,700

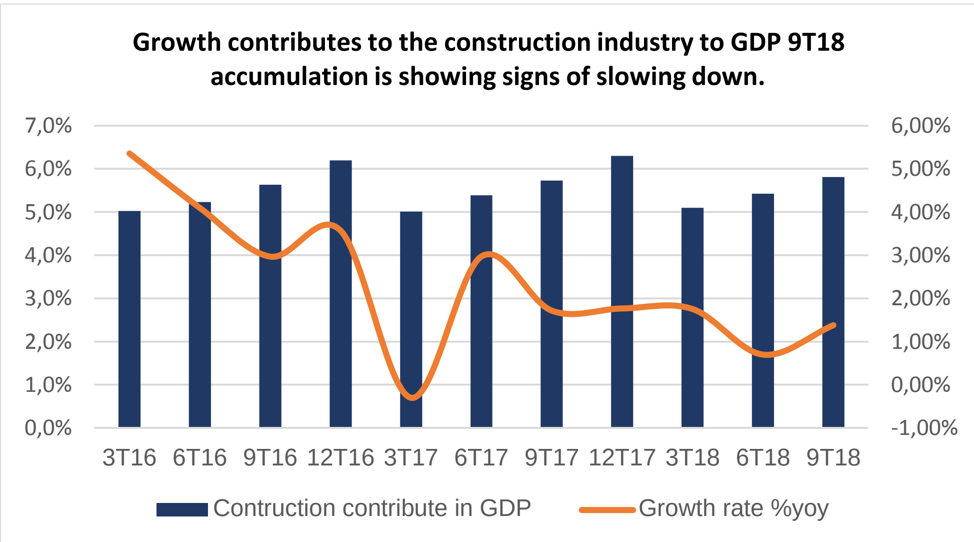
Source: BSC research

Construction [Neutral]

- The infrastructure construction market is expected to continue to grow steadily at a rate of 5.9% in the period 2018 - 2022F.
- The construction industry will face many challenges in 2019 due to credit tightening and construction approval regulations in Real Estate.
- We maintain a NEUTRAL assessment with the Construction industry due to the continuing difficulties in real estate situation in 2019. Buying: CTD.

The infrastructure construction market is expected to continue to grow steadily at a rate of 5.9% in the period of 2018-2022 Thanks to (1) FDI capital has maintained a slowing growth rate in Vietnam: FDI capital implemented in 11M2018 has reached US $ 16.5 billion (+ 3.1% YoY) focusing on 2 main sectors: Manufacturing turnovers, manufacturing are 12.4 billion USD and Real Estate is 5.95 billion USD. (2) Supporting policies from the Government, specifically in quarter 3/2018, HCMC People's Committee has proposed solutions to mobilize many resources for infrastructure investment and socio-economic development in period 2018 - 2022 amounted to VND 2,870 trillion. A number of key infrastructure projects in Ho Chi Minh City have been implemented to solve traffic congestion such as the highway expressway project in Ho Chi Minh City - Long Thanh - Dau Giay, Duong Vanh 2, etc.

Construction sector will face many challenges in 2019. According to the Ministry of Statistics, the growth rate of construction industry's contribution to GDP is slowing down in 9M2018 only slightly increased by 1.4% compared to the same period of 2017, indicating that the construction industry is cooling down. We still emphasize that the construction industry in the year after 2019 will have many difficulties as follows (1) The situation of tightening the approval and acceptance of high-rise buildings and adding fire prevention and fighting solutions if not meet the prescribed requirements; (2) The real estate industry still faces many difficulties in resolving legal issues, leading to the delay of project progress and the sale of projects; The main source of credit for real estate projects will be more strictly controlled when commercial banks only use 40% (458% in 2018) of short-term mobilized capital for medium-term loans and It also indirectly affects new contracts signed by construction companies.

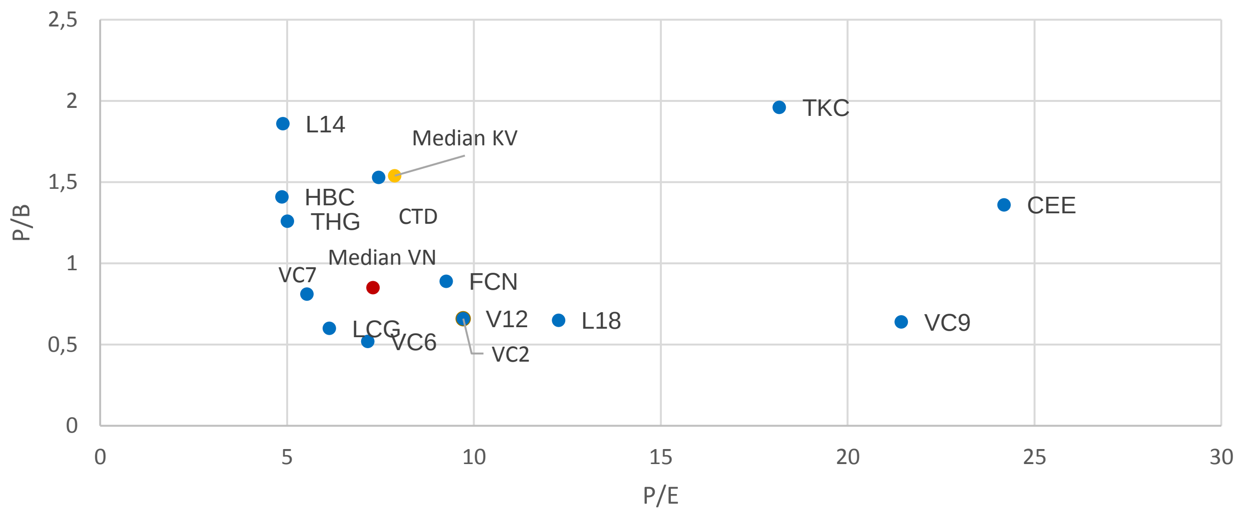


Source: GSO

INVESTMENT OUTLOOK – NEUTRAL

We rank Neutral for construction sector in 2019 due to (1) Business cycle of construction has correlation with real estate which has been difficult in 2018 and 2019; (2) High competition in construction sector and (3) Lending interest rates will increase in 2019, creating pressure on financial costs for construction companies that currently have high debt/equity ratio. According to BMI, the construction sector will have an average growth rate of 7.16% to 6.89% and the value of infrastructure construction will go flat 5.5% in the period of 2019-2022.

Comparing P/E, P/B with Asean region (Emerging)



Source: Bloomberg, Fiinpro.

CTD – Buy – Target Price = 177200 đ/cp – P/E FW = 8.3x – P/B FW = 1.1x

BSC maintains BUY recommendation for CTD stocks thanks to (1) New contract value and backlog of CTD in 2019 is expected to reach VND 30,589 billion (+ 3% YoY) and VND 24.676 billion (+ 4% YoY); (2) CTD does not use debt; (3) The plan to merge subsidiaries including Ricons will increase transparency for CTD and boost revenue growth from small and medium construction contracts; (4) trend of investment capital from China to Vietnam to benefit for industrial construction. Thereby, BSC forecasts CTD will achieve revenue and NPAT of VND 29,580 billion (+ 3% YoY) and VND 1,636 billion (+ 5% YoY), equivalent to 2019 EPS FW of VND 18,658/share (+ 5% YoY), P/E fw = 8.3x, P/B = 1.1x

Ticker	Revenue 2019 (VND bn)	NPAT 2019 (VND bn)	EPS 2019	P/E FW	P/B FW	ROA 2019	ROE 2019	Price at 30/11/18	Target Price
CTD	29,580	1,636	18,658	8.3	1.1	10.1%	20.2%	155,500	177,200

Source: BSC research

Natural rubber [Underperform]

- Rubber prices are expected to be hard to recover, staying at VND 33 million/ton in 2019.
- The oversupply situation continues to make rubber prices low. Supply of rubber + 5.8% yoy, rubber demand + 3.6% yoy due to concerns about My Trung trade war.
- Automobile consumption in China is forecast to decrease, tire consumption in Vietnam is forecasted to be 9% yoy in 2019.
- The selling price of rubber wood is high (about 280 million - 330 million VND/ha), creating a stable profit for rubber companies.
- We lowered our view of the natural rubber industry to be underperform due to (1) rubber price is hard to recover in 2019; (2) main income from rubber wood liquidation (PHR, DPR) and land compensation. We recommend BUY PHR shares..

Rubber prices are expected to be hard to recover in 2019 due to (1) ongoing oversupply and rubber inventories are at a high level; (2) weakening of major domestic rubber producers against the dollar; (3) oil price, according to BSC's forecast, will drop to 66 USD / barrel (-10.8% yoy) in 2019 which may affect the selling price of natural rubber..

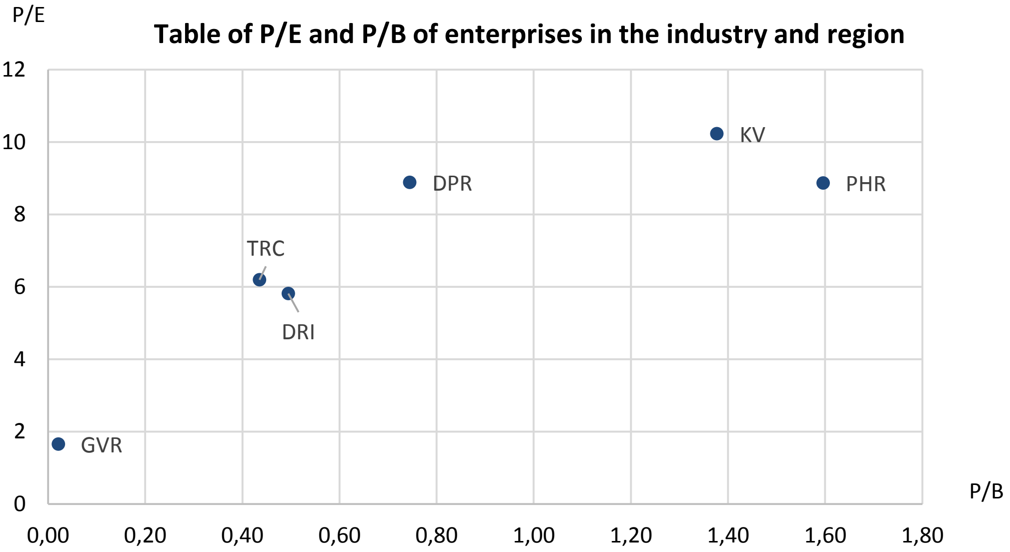
The oversupply situation continues to make rubber prices low. According to ANRPC's forecast, the supply of rubber in 2019 reached 14.696 million tons, +5.8% yoy while the demand was 14.73 million tons +3.6% yoy because the US imposed high tax rates on Chinese automobile tires. However, oversupply is expected to end during 2021-2022 due to the decrease in rubber plantation area since 2013 due to low selling price. Inventories as of the end of Q2/2016 are still high, reaching 2.564 million tons. Therefore, we expect that the selling price of rubber companies will be at the current low level (about VND 33 - 34 million/ton).

Automobile consumption market in China is expected to decrease, affecting the demand for imported rubber in Vietnam. According to the China Automobile Manufacturers Association (CAAM), in 9M2018, China's car sales reached 20.49 million vehicles (+ 1.5% yoy), slow growth in 2017 and 2018 due to (1) the background economic growth decreases; (2) tighten air pollution control together with (3) fear of US-China trade war. This may affect Vietnam's rubber exports when more than 60% of rubber exports to China. Tire consumption in Vietnam is forecast to grow at 9% in 2019 (as in the tire industry report) will also support domestic rubber consumption. (35% of cost of raw materials come from natural rubber).

The selling price of rubber wood is high (280 million - 330 million VND/ha), creating stable profit for rubber companies. It is estimated that the profit contributed to EBT for businesses like PHR is about 280 billion VND (1,000 ha), DPR is about 110 billion VND (about 300-400 ha). In addition, PHR expects to transfer a part of the current area to industrial zone for NTC (350 ha) and VSIP (691 ha) in order to record compensation of VND 1 billion/ha in the future.

INVESTMENT OUTLOOK– UNDERPERFORM

Although rubber companies have a high dividend payment history and low valuation (P/E of rubber = 5x), we do not expect rubber stocks to grow in 2019 due to rubber selling price. Affected profit, except PHR has a large area of timber liquidation and is likely to have extraordinary profits from divestment + land compensation. Therefore, we rate UNDERPERFORM with rubber stocks.



Source: FiinPro, BSC Research

Currently, Vietnam's rubber industry has an average P/E = 6.2 and P/B = 0.49 are lower than the region (P/E = 10.23, P/B = 0.49).

PHR – Target Price VND 36,385/share – Upside 14.8%

PHR has a good position and is a leading enterprise in scale (nearly 25,000 ha in Vietnam + Cambodia). Currently, rubber plantations in Kamthong Pong in Cambodia have been gradually harvested and are expected to contribute significantly to production from 2020. Besides, PHR currently has more than 3,000 hectares of old rubber needed to be liquidated. With a high selling price (over VND 300 million / ha), it helps ensure good profitability in the next 2-3 years. Regarding extraordinary profits, PHR expects to hand over the land (about 350 hectares, hand over in 2-3 years) with an estimated price of VND 0.975 million/ha, the company will record an extraordinary income of VND 340 billion in 2019. In addition, PHR expects to divest at NTC in 2019, with the current market price (about 90,000 VND/share), PHR will record its financial income of nearly 500 billion VND. In 2019, we assume that rubber price will be VND 33 million/ton (-1.2% yoy) based on World Bank forecast, rubber wood price is VND 300 million/ha. Accordingly, PHR's net revenue and NPAT reached VND 1,444 billion (+ 10% yoy) and VND 388 billion (-7.2% yoy), equivalent to EPS of 2019 = 2,536 VND/share. In case of recognizing financial income from NTC divestment (about 420 billion VND), PHR will record net revenue and Net Income in 2019 reaching VND 1444 billion (+ 10% yoy) and VND 725 billion (+ 73.5% yoy), equivalent to EPS 2019 = 4,741 VND/share. Regarding land compensation, we recommend further monitoring and not yet included in the valuation.

Ticker	Revenue 2019 (VND bn)	NPAT 2019 (VND bn)	EPS 2019 (VND/share)	P/e fw	P/B	ROA 2018	ROE 2018	Price at 30/11/18	The target price
PHR*	1,443	725	4,741	6.4x	1.4x	16.4%	24.5%	30,200	36,385

** In case of capital withdrawal*

Source: BSC Research

Sugar [Underperform]

- The world sugar industry in 2018/19 is forecasted to have a surplus of 9.1 million tons
- Domestic sugar production is forecasted at 1.5 million tons (+ 7.1% yoy).
- Sugar price in 2018/19 crop is forecasted to remain at low level.
- We give Underperform rating for sugar industry in 2018/19. Tracking: SBT

World market

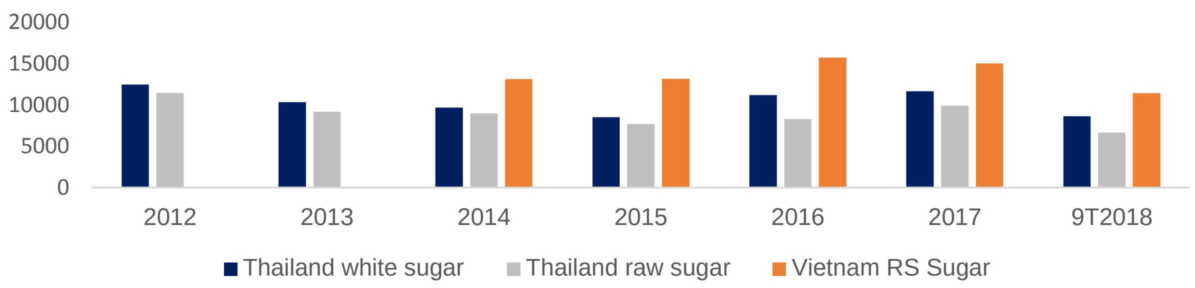
The world sugar industry in 2018/19 is forecasted to be oversupply of 9.1 million tons by USDA, plummeted from 17.6 million tonne surplus in the previous season**.** World Bank forecasts that sugar price in 2018 - 2019 will fluctuate around 15 cts/lb, up 19% compared to the average of 2017/18. Sugar production is expected to reach 185.8 million tons (-4.5% yoy) because Brazil is expected to reduce production to 30.6 million tons (-21.3% yoy) due to severe drought and increasing sugar utilization rate for ethanol production. Consumption demand is expected to reach 176.8 million tons (+1.63% yoy) mainly due to increased consumption in India (+3.77% yoy) and Indonesia (+4.58% yoy).

Domestic market

The situation of oversupply continues to be intense in 2018 - 2019. According to the Vietnam Sugarcane Association, 2018 - 2019 crop year is expected to supply 2.2 million tons of sugar (1.5 million tons of sugar produced in the crop year, 0.6 million tons of sugar in the previous crop and 0.09 million tons of quota sugar); not including smuggling sugar from Thailand and China. Meanwhile, domestic consumption demand is about to reach 1.6 million tons, remaining surplus of 0.6 million tons of sugar. This forecast is equivalent to the forecast of OECD - FAO (0.7 million tons of oversupply) and higher than USDA forecast (oversupply of 0.5 million tons). The problem of oversupply still negatively impact the consumption situation and business results of enterprises.

Sugar prices in the 2018 - 2019 season continue to be low. In 9M2018, Vietnamese sugar prices were reduced by 24% compared to the previous crop price, currently fluctuating around VND 10,500/kg for RS sugar and VND 12,400/kg for RE sugar. However, this price is still about 32% higher than the price of sugar imported from Thailand (~ 3,000 VND/kg); the difference will still put downward pressure on domestic sugar price in the 2018 - 2019 crop.

Comparison between Thailand and Vietnam sugar

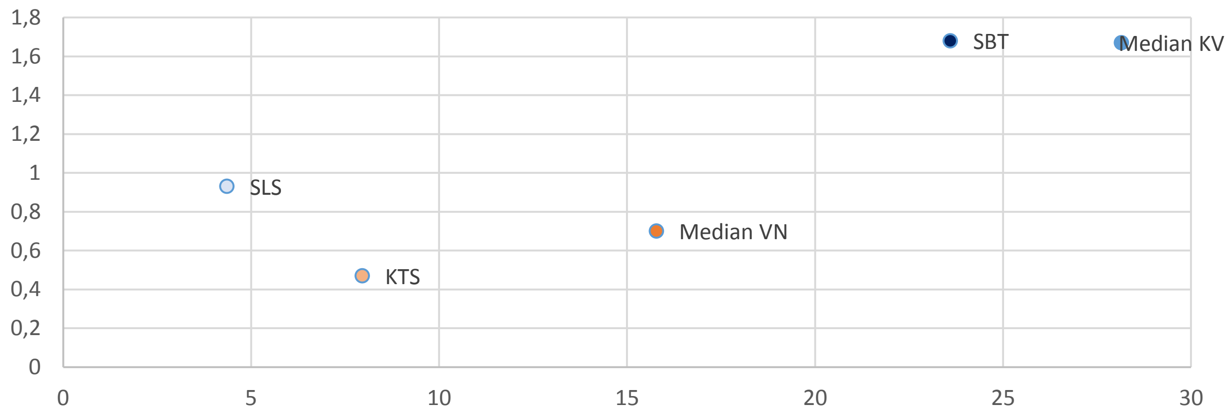


Source: BSC Research

INVESTMENT OUTLOOK– UNDERPERFORM

We believe that the 2018 - 2019 crop will continue to be a difficult year for sugar companies due to (1) the oversupply in Vietnam next year is still very large, creating pressure to reduce prices; (2) There is no rigorous methods to control illegal sugar. Business operations can still improve in terms of revenue (through increasing productivity, increasing sugar yield) but with the forecast that sugar prices are still low, profits will be hard to have a surge in 2018 - 2019. We continue to maintain our recommendation of UNPERFORM for Sugar Industry in the 2018 - 2019 crop year and recommend TRACKING for Thanh Thanh Cong - Bien Hoa JSC and Quang Ngai Sugar JSC.

Valuation of sugar companies



Source: Bloomberg

SBT – Tracking

At the end of the first quarter of 2018/19, SBT recorded revenue and earning after tax of 2,523 billion VND (+ 61.5% yoy) and 37 billion (-58.4% yoy). Gross profit margin of sugarcane segment plummeted from 15% to 5% as the company boosted consumption of high-cost inventories from the previous season (The value of Inventory decreased from VND 4,009 bil to 2,555 billion). At the same time, the fact that the company boosts sugar exports also reduces the gross profit margin because the export price is lower than the domestic price.

Although the sugar industry is still forecasted to be difficult, with the size and leading position of the company in the industry, SBT is worth tracking in 2019. We forecast SBT's revenue is VND 201,301 billion , net income is 590 billion VND , equivalent to EPS 2019 = 1,100 VND/share, P/E fw 2019 = 19.1.

Ticker	Revenue 2019 (VND bn)	NPAT 2019 (VND bn)	EPS 2019 (VND/share)	P/E fw	P/B	ROA 2019	ROE 201 9	Price at 30/11/18	Target Price
SBT	10,301	590	1,100	19.1	1.8	3.1%	7.5%	21,100	N/A

Source: BSC Research

Cement [Underperform]

- Cement demand in 2019 is estimated at 98-99 million tons (+6-8% YoY) thanks to domestic demand (+5-9% YoY) whereas export volume is expected to remain due to low export prices.
- Industry capacity is expected to reach 101.74 million tons, exceeding demand by 3.5%.
- Coal and electricity prices are forecasted to increase next year, hitting the profit margin of cement firms.
- We maintain UNDERPERFORM rating for cement sector, recommend BUY for HT1, Tracking for BCC

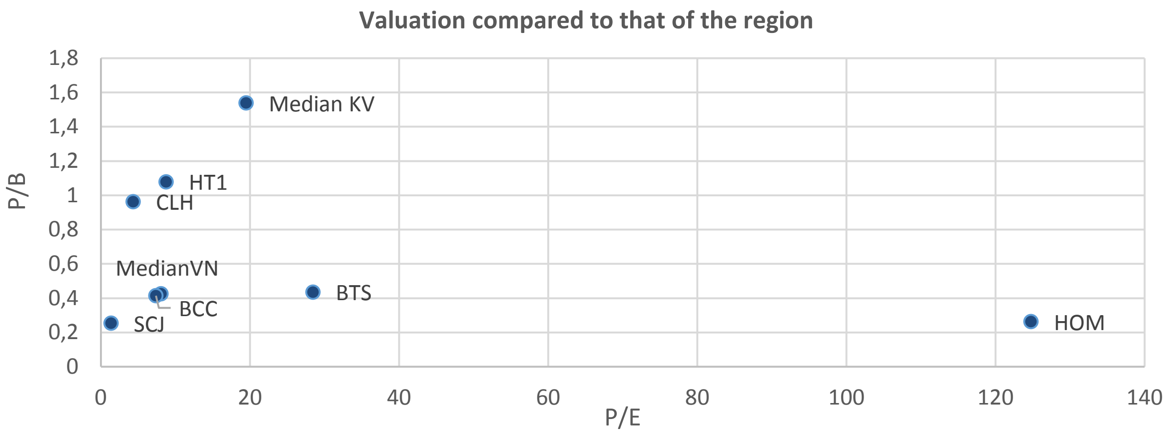
Cement demand in 2019 is estimated at 98-99 million tons (+6-8% YoY) (according to the Ministry of Construction), of which domestic consumption is about 69-70 million tons (+5-9% YoY) and export volume remaining the amount of 2018 at 29-30 million tons. Consumption next year is still supported by construction demand but with the slowing down growth rate. Furthermore, the many cement companies, in Vicem has seen export activities help reduce competition in the domestic market but not the focus due to low profits, even losses.

Industry capacity is estimated to reach 101.74 million after 2 new lines operating in 2019. Consequently, the total capacity of cement industry continues to exceed consumption by 3.5%. The fiercer competition put a constraint on selling price in the context of rising input prices.

Coal and electricity prices are forecasted to increase next year, hitting the profit margin of cement firms. Coal price is likely to increase as (1) the decreasing exploitation of TKV and Dong Bac Coal causes an increase of imported coal; (2) the global thermal coal price is projected to increase due to high demand in India and Southeast Asia whereas supply growth in India does not be in line due to technical limitations and political problems. It is likelihood that electricity price will up next year because the price has not been adjusted since the end of 2017 despite rising input prices (such as gas and coal). The combination of severe competition and rising input cost (noted that coal and electricity expenses account for 40-50% of COGS) will erode the profits of cement firms.

INVESTMENT OUTLOOK- UNDERPERFORM

We believe that cement consumption will keep a growth next year but the speed will slow down. The situation of oversupply, price competition along with the increasing prices of inputs will negatively affect the profit of enterprises. Therefore, we maintain a UNDERPERFORM rating on the industry prospect in 2019. Currently, Vietnam's cement companies are being traded with relatively attractive P/E and P/B compared to other companies in the region.



Source: Bloomberg, BSC Research

HT1- BUY – Target Price: VND 17,200/share – Upside: +12.8%

Positive 9M2018 business results: The consumed volume in 9M2018 is the same as that in 9M2017, revenue of VND 6,059 billion (+1.3% YoY), gross profit margin decreased slightly from 16.7% to 16.3% due to strong increase in coal and electricity expense. Net income reached VND 441.6 billion (+39% YoY) thanks to a sharp decrease in exchange rate losses from VND 140 billion in 9M2017 to about VND 5 billion in 9M2018.

BSC estimates that revenue of HT1 in 2018 will reach VND 8,331 billion (+1.5% YoY), net income of VND 607.6 billion (+24.6% YoY), equivalent to EPS = 1,592 VND/share. In spite of increasing input cost, net income of HT1 still grew well thanks to the reduction of outsourcing volume at Ha Long grinding station and saving of exchange rate losses (2017 recorded VND 143.75 billion).

We expect that the consumption of HT1 in 2019 still maintains its growth momentum thanks to total industry demand, strong brand and overwhelming market share in the Southern market. However, profit margin may be reduced due to an increase in coal and electricity prices. USD and EUR foreign currency debt is expected to be fully paid off in 2019 and 2020, which will help to reduce exchange rate pressure for HT1. Based on the current valuation of P/E fw = 9.6x, and EV/EBITDA = 4.8x compared to the regional median of 7.8x, we think the current price of HT1 is relatively attractive.

BCC – Tracking

2018 consumption situation is quite outperform: Cement and clinker consumption volume is estimated at 5.1 million tons (+ 7.7% YoY), of which the portions of packaged cement and un-packaged one are 45% and 55% respectively. Net revenue in 2018 is estimated at 3,400 billion (-2.1% YoY), net income of 90 billion (- 3.48 billion in the same period of last year), equivalent to EPS = 818 VND/share, P/E fw = 8.43x

Investment of new grinding station: The mill capacity of 1.2 million tons/year with a total investment of about VND 1,000 billion is expected to be put into operation in June 2019, increasing the capacity of BCC by 40%. On the other hand, Dai Viet grinding station (in Quang Ngai) has not been able to re-operate, so the company still has to burden the depreciation pressure of this plant (estimated at 10 billion/year).

Ticker	Revenue 2019 (VND bn)	NPAT 2019 (VND bn)	EPS 2019	P/E FW	P/B FW	ROA 2019	ROE 2019	Price at 30/11/18	Target Price
HT1	8,625	655	1,716	8.9	0.91	6.6%	10.3%	15,250	17,200

Source: BSC Research

Disclosure

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

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