



SECTOR REVIEW 2018

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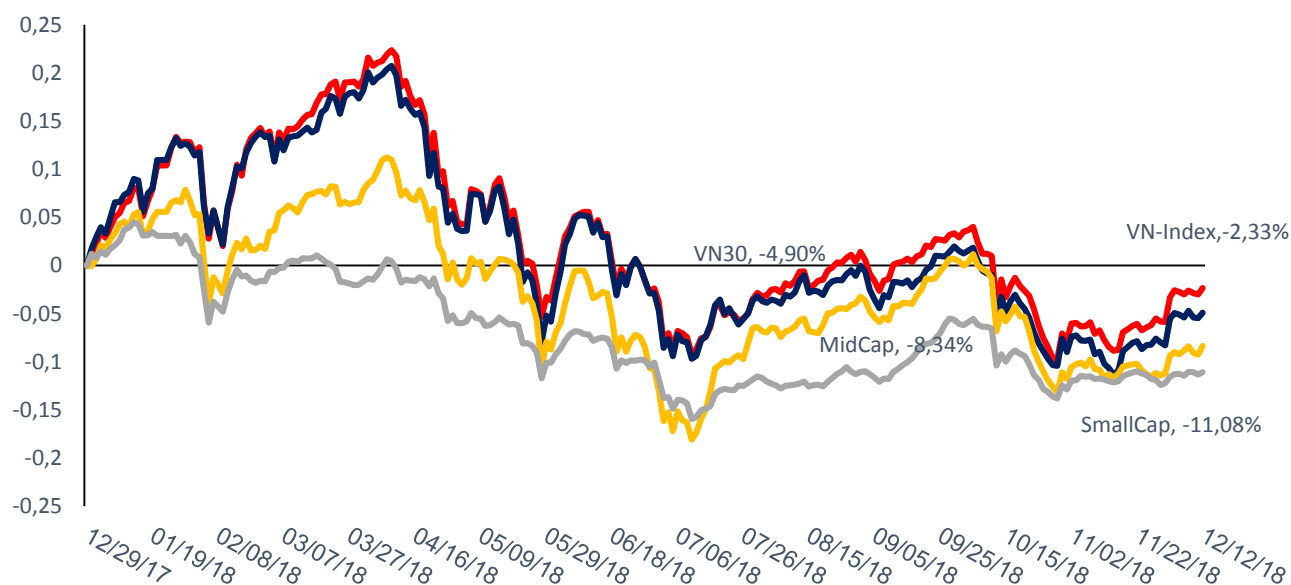
INVESTMENT SECTOR STRATEGY REVIEW 2018

1. Review BSC's recommendation about stocks market and sectors

To assess the effectiveness of BSC's recommendation in [the 2018 Industry Outlook](#), we consider the following factors: (1) Stock market movements 2018; (2) Industry investment strategy, as follows:

(1) General movement of stock market 2018

- **Accounting to index.** BSC forecasted the VN-Index quite exactly in the first and second quarters of 2018 when Vnindex created a new peak in the forecast area of 1,165 points, between the fastest growing stock market in the first half of 2018. However, with our notes on the unknown factors, there were negative impacts, leading to the VN-Index moving down the negative scenario, falling around the level of 900 points.
- **Accounting to market movement.** Secondly, developments in the market in 3Q2018 are quite similar to the BSC's forecast for the third quarter. Therefore, in the third quarter, the market has recovered the test of the area of 1,000, then adjusted to check the short-term bottom area as the negative scenario. In addition, the market volatility in the second half of 2018 is relatively strong as our previous forecast thanks to the influence of domestic and foreign macro factors.

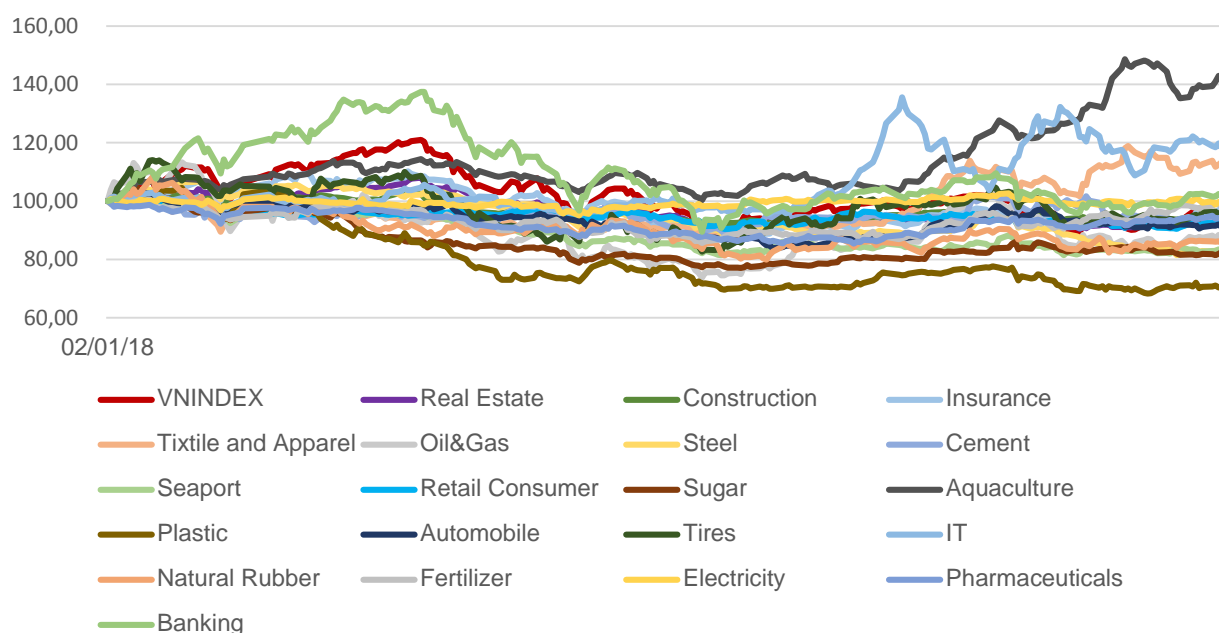


Source: BSC Research

- **Stocks group.** Thirdly, in [the fourth quarter Outlook Report 2018](#), BSC forecasted OUTPERFORM PERFORMANCE of stocks: Bank, Real Estate, Consumer, Manufacturing and defensive stocks: Electricity, Technology, non-life insurance. The market was quite closely to our forecast in 4Q2018, except for the Real estate sector because the progress of projects are slow due to the problems with legal procedures; Seafood, Textile and Cement groups were positive thanks to the EVFTA trade agreements and the effects of the Trade war between US and China.

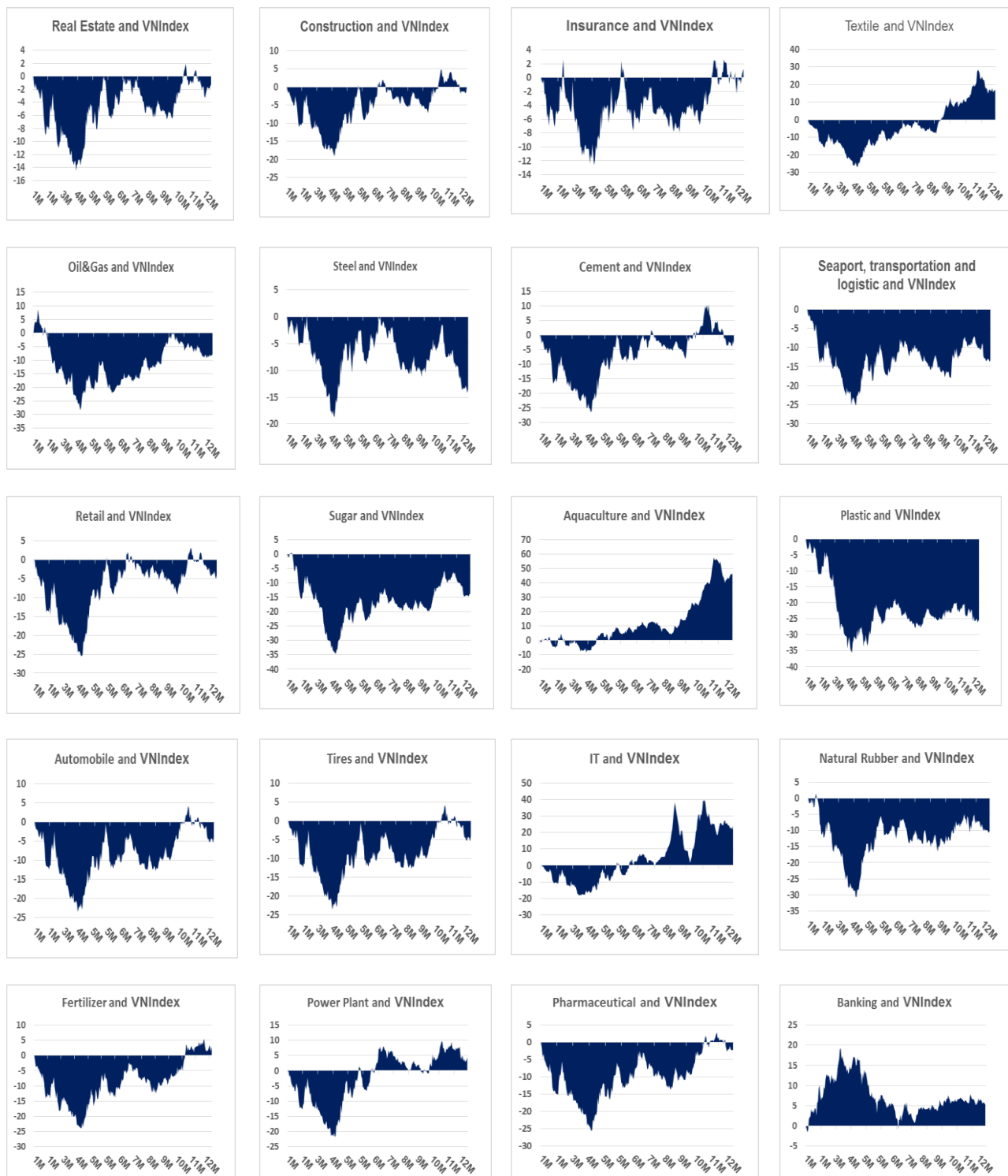
- Review on information affecting Vnindex and the stock market in 2018.** The stock market is strongly affected by domestic and foreign macroeconomic factors. Macro factors include: (1) US-China trade war; (2) Geopolitical Iran, North Korea; (3) FED raised interest rates to 2.5% which leads the appreciation of USD; (4) The Vietnamese market is included in the list of watching FTSE's emerging markets, (5) The sharp decline of oil prices in the short term due to a sharp increase in supply and decline in demand declined. Some internal factors affecting the market in 2018 include: (1) P/E and P/B VN-Index are higher than the average level of emerging and frontier countries, key stocks have high valuation; (2) The market is distorted by newly listed large stocks with high valuation. (3) Thanks to macroeconomic stability, good growth, Vietnam is aiming to complete and exceed the macroeconomic targets planned in the beginning of the year. In 2018, BSC published reports including: [\(1\) Trade war](#), [\(2\) Geopolitical influence on oil prices and stock market](#), [\(3\) Vietnam upgraded to FTSE Emerging market](#)

Movement of Index and Sectors



Source: Bloomberg, BSC Research

2. Comparing Sector growth and VN-Index in 2018



Source: BSC Research

3. Top stocks in 2018

TOP 5 STOCKS LEADERS OF VN – INDEX

Ticker	30/11/2018	02/01/2018 (%)	Index pt
VIC	101,700	59.19	43.73
BVH	95,800	48.61	7.89
BID	31,400	23.14	7.48
NVL	68,100	37.04	4.59
VJC	131,000	9.79	2.83

TOP 5 STOCKS LAGGARDS VN – INDEX

Ticker	30/11/2018	01/12/2018 (%)	Index pt
VIC	128,000	-24.77	-27.36
ROS	36,000	-76.22	-23.29
TCB	26,050	-23.68	-9.82
VHM	77,800	-11.99	-9.18
PLX	58,000	-18.83	-6.18

TOP 5 MOST INCREASED STOCKS ON VN-INDEX

(Prices > VND 10,000. Average volume >70,000 stocks/session)

Ticker	01/01/2018	31/12/2018	%Chg
VIC	8,450	32,500	285%
CMX	4,430	13,700	209%
ANV	10,380	27,800	168%
FIR	14,400	36,950	157%
VHC	50,960	102,000	100%

TOP 5 MOST DECREASED STOCKS ON VN-INDEX

(Prices > VND 10,000. Average volume >70,000 stocks/session)

Ticker	01/01/2018	31/12/2018	%Chg
VIC	141,240	36,000	-75%
NKG	29,290	7,600	-74%
HAI	7,320	2,090	-71%
HSG	21,920	6,620	-70%
FIT	8,300	2,780	-67%

TOP 5 HIGHEST VOLUME STOCKS VN-INDEX

Ticker	Average Volume/session
VIC	22,661,630
ITA	11,213,880
DIG	8,558,870
AMD	8,527,700
VHG	7,576,780

TOP 5 STOCKS LEADERS OF VN – INDEX

Ticker	30/11/2018	02/01/2018 (%)	Index pt
NVB	10,300	43.06	0.888
DGC	50,200	62.61	0.569
CEO	13,200	35.8	0.382
TTB	22,000	105.08	0.365
VPI	42,500	11.84	0.352

TOP 5 STOCKS LAGGARDS VN – INDEX

Ticker	30/11/2018	02/01/2018 (%)	Index pt
VIC	32,400	-52.14	-1.991
SHB	7,500	-13.31	-1.323
VGC	16,400	-34.38	-1.12
HUT	4,200	-45.23	-1.108
VCS	72,800	-35.84	-0.939

TOP 5 MOST INCREASED STOCKS ON HNX

(Prices > VND 10,000. Average volume >70,000 stocks/session)

Ticker	01/01/2018	31/12/2018	%Chg
VIC	8,900	49,000	451%
AMV	17,500	36,900	111%
TTB	10,730	22,000	105%
MPT	3100	5800	87%
MST	3,500	6,100	74%

TOP 5 MOST DECREASED STOCKS ON HNX

(Prices > VND 10,000)

Ticker	01/01/2018	31/12/2018	%Chg
VIC	12,700	2,100	-83%
DS3	16,900	3,700	-78%
HHG	7,700	1,700	-78%
SPI	3,400	800	-76%
DPS	2,000	600	-70%

TOP 5 HIGHEST VOLUME STOCKS HNX

Ticker	Average Volume/session
VIC	8,773,204
SHB	7,675,746
DL1	4,513,200
PVX	2,721,188
ACB	2,057,171

Source: BSC Research

4. Performance of recommended stocks

- The summary of stocks that BSC recommended and noted in 2018 recorded an average decline of 10.3%, if only the recommended stocks from the Report Outlook 2018, the average decline was 15.3%, higher than the VNI-Index's decline by December 14, 2018, is 3.3%.
- In our recommendations list, 10/51 stocks increased with an average increase of 12.92%. Even in the same industry, the differentiation in stock price is also very large. This shows that the market in 2018 is relatively difficult year, when there are 36/51 stocks according to our recommendation, the decrease is higher than the whole year decline of VNI-index.
- TNG is the stock with the strongest growth (64.6%), along with the Textile group also has the highest growth, Banking group also has decline similar with Index's decline. Besides, some stocks in our sectors also recorded a highest decrease compared to the beginning of the year such as steel (-47.1%), power plant (-23.6%), rubber (-20.9%).

Ticker	Price at 02/01/2018	Price at 14/12/2018	Increase/ Decrease	Average volume 2018
VCB	55,000	56,500	2.7%	2,241,583
MBB	22,311	21,800	-2.3%	6,657,792
ACB	30,672	30,400	-0.9%	4,939,696
VPB*	26,759	21,800	-18.5%	4,999,090
CTG*	24,950	22,350	-10.4%	5,896,045
LPB*	13,000	9,700	-25.4%	2,262,000
HDB*	24,200	30,200	24.8%	2,505,000
GAS*	95,300	95,800	0.5%	659,988
PVD	23,000	17,200	-25.2%	2,600,104
PVS	21,495	20,300	-5.6%	6,348,608
BSR*	31,300	15,300	-51.1%	1,962,000
POW	17,800	15,200	-14.6%	1,750,000
OIL*	23,700	15,500	-34.6%	807,866
CTD	227,500	161,500	-29.0%	203,637
CTI*	30,900	24,100	-22.0%	512,434
PVI	33,100	32,000	-3.3%	389,254
BMI*	34,400	22,800	-33.7%	83,338
MIG*	11,333	12,700	12.1%	40,803
FPT	52,000	44,150	-15.1%	1,444,054
CMG	26,449	24,800	-6.2%	108,872
NT2*	34,200	26,150	-23.5%	279,883
PPC*	23,700	18,450	-22.2%	220,759
REE	43,200	32,400	-25.0%	772,088
HPG	34,071	33,500	-1.7%	6,353,231
NKG	29,286	8,170	-72.1%	617,189

HSG	22,409	7,250	-67.6%	3,714,669
BFC	33,300	26,250	-21.2%	75,541
SFG*	12,350	13,500	9.3%	35,999
LAS*	13,900	10,900	-21.6%	69,738
DPM	21,650	21,400	-1.2%	768,438
PHR	27,600	29,900	8.3%	426,839
TRC*	28,700	23,200	-19.2%	18,562
DRI*	12,000	5,800	-51.7%	100,774
VSC	41,650	43,500	4.4%	205,812
CVT	41,846	22,800	-45.5%	467,563
VGC	27,400	17,800	-35.0%	1,742,428
VGG	56,900	53,400	-6.2%	12,615
TNG	11,667	19,200	64.6%	713,675
TCM	28,476	25,100	-11.9%	564,144
HT1	15,850	14,800	-6.6%	279,814
NTP	67,700	42,000	-38.0%	22,136
DRC	25,100	22,800	-9.2%	392,801
CSM*	16,200	15,000	-7.4%	187,203
DHG*	115,000	82,500	-28.3%	215,256
IMP*	56,957	57,800	1.5%	23,460
PME*	76,087	63,500	-16.5%	13,286
DBD*	54,000	41,550	-23.1%	43,341
SBT	20,400	20,600	1.0%	3,839,357
LSS*	11,250	6,720	-40.3%	87,554
PVT	18,950	16,400	-13.5%	424,745
GSP*	14,000	13,550	-3.2%	8,259
Average			-15.3%	

Source: BSC Research

*: Those are stocks that have been removed from BSC's recommendation list in quarterly industry reports

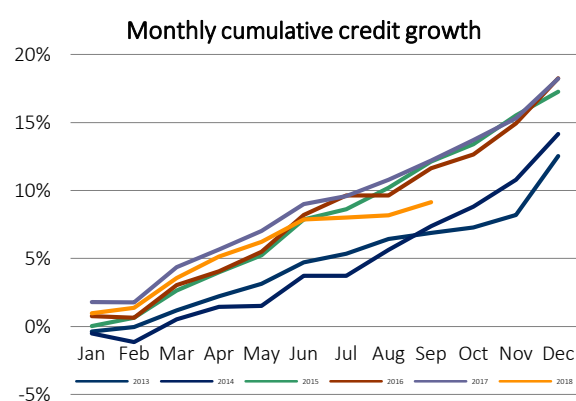
Banking 2018 [Continuing growth]

- Credit growth increased by 9.52% in 9M2018, decrease from 11.02% in the same period in 2017.
- Capital mobilization increased 9.15% YTD.
- Interbank interest rates and government bond interest rates continue to increase that reduces the treasury division.
- The story of strategic shareholders and some banks expected to list in the coming time such as MSB, OCB, ..
- 9M2018 business results showed positive growth. Total profit after tax of listed banks + 39.3% yoy, some banks had high growth like ACB (+ 147% yoy), VIB (+ 176% yoy), HDB (+ 50.2% yoy), TCB (+ 59.6% yoy), TPB (+ 81.3% yoy), MBB (+ 50.4% yoy), ...
- In 4Q2018, we expect that banks will reach the target, however, VPB and CTG will not complete the target and adjust the profit in 2018 to VND 9,200 billion and VND 6,200 billion respectively.

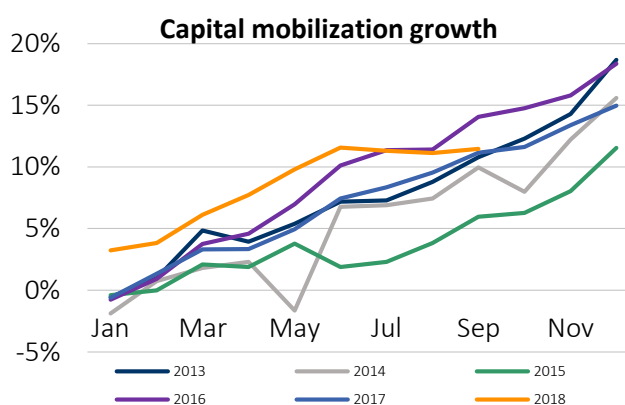
4Q/2018 Review

Credit increased by 9.52% in 9M2018, down from 11.02% in the same period of 2017. In the fourth quarter of 2018, many banks submitted proposals to raise the credit ceiling growth in quarter 4/2018 such as TCB (from 14 % up 20%), MBB (from 15% to 17%), LPB (from 14% to 17.5%) ... which help banks continue to grow in the last months of the year. In the long term, credit growth of many banks may be slow if banks do not increase enough capital to meet Basel II requirements. Currently only VCB and VIB have fulfilled the requirements of Basel II and may have a separate mechanism for credit growth and network expansion.

Capital mobilization increased by 9.15% as of September 20, 2018. Lending/mobilizing rate of banks is still high, reaching 88.35% by the end of 9M2018, of which, this ratio for state-owned commercial banks is 95.41%, the group of joint stock commercial banks is 81.75% , higher than the SBV's approval. Therefore, in order to ensure the safety ratio required by Circular 36 and 06, banks need to speed up the capital mobilization or control credit growth targets well.



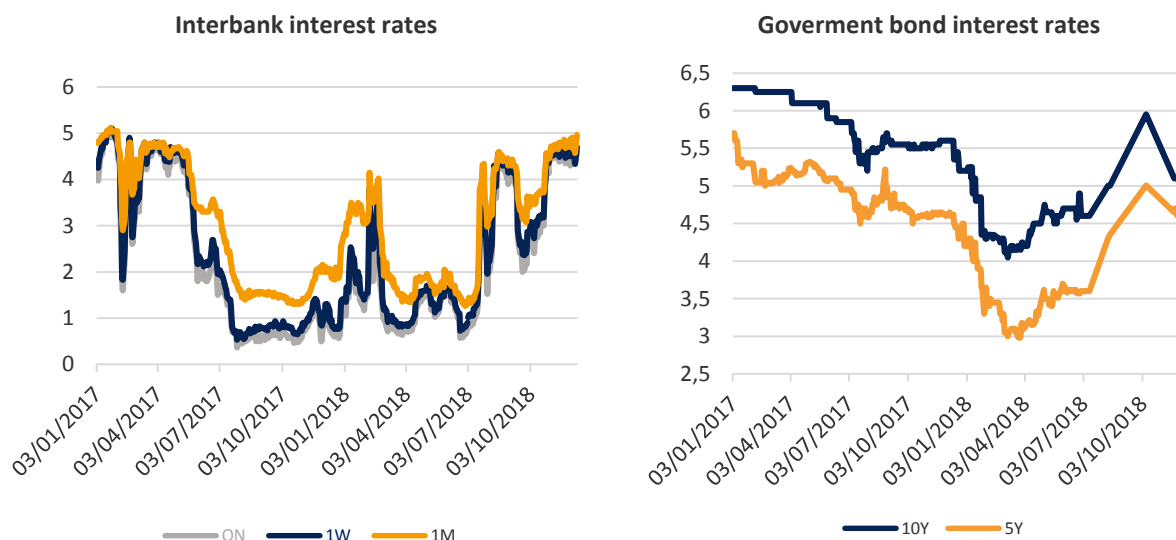
Source: SBV



Source: SBV

Interbank interest rates and Government bond interest rates continued to increase. (1) In fourth quarter of 2018, average overnight interest rate, 1 week, 1 month, respectively 3.9%, 4.04% and 4.33%, higher than the average level of third quarter in 2018. (2) The average 5-year and 10-year government bond interest rates in fourth quarter of 2018 are 4.64% and 5.17% respectively, higher than the 3.71% and 4.66% average level of

third quarter in 2018. Interbank interest rates and government bond interest rates increased which reduced the profit margin of banks.



Source: Bloomberg

Strategic shareholder story of banks. As we mentioned in previous reports, the increase in charter capital is an indispensable requirement of banks. Many banks plan to raise capital through private placement for foreign partners. VCB continues to pursue a separate issuance plan for up to 10 foreign investors and has been approved in terms of policy; BIDV is currently seeking shareholders' advice on the issuance to strategic shareholders KEB Hana Bank. VCB has been approved by the SBV to increase charter capital by 10% to VND 39.6 trillion via private placement. However, according to our understanding, banks and financial institutions still have no consensus on prices, plus the stock's lock time is 1 year, so the story of selling VCB's capital may still take a long time.

Some banks expected to list in the coming time include: OCB (chartered capital VND 4,000 billion), Maritimebank (chartered capital VND 11,750 billion), Seabank (chartered capital VND 5.466 billion), ABbank (chartered capital VND 5.319 billion), Saigonbank (chartered capital VND 3,080 billion), Nam A Bank (chartered capital VND 3.021 billion), Viet A Bank (chartered capital VND 3,500 billion).

Business results in the first 3 quarters is positive. At the end of 9M2018, total profit after tax of 16 listed banks reached VND 49,816 billion (+ 39.3% yoy). Most banks recorded positive growth, only LPB has NPAT decreased 26.6% yoy. Some banks had high profit growth including ACB (+ 147% yoy), which was completed by the bank to set up G6 and VAMC in 2017), VIB (+ 176% yoy), HDB (+ 50.2% yoy), TCB (+ 59.6% yoy), TPB (+ 81.3% yoy), MBB (+ 50.4% yoy), ...

Expectations for quarter 4/2018. Currently, banks' loan growth has nearly reached the ceiling in 2018, and many banks have received approval from the SBV about expanding room for credit growth this year to 17% - 18. % such as LPB, MBB, VPB, ... Therefore, according to BSC's estimation, most banks will complete their revenue and profit plan this year, including ACB (NPAT = VND 4,835 billion, +128% yoy), MBB (NPAT = VND 5,576 billion, +58.4% yoy), VCB (NPAT = VND 12.589 billion, +38.5% yoy due to divestment of MBB and EIB). However, we estimate CTG and VPB will not finish their initial plan, with adjusted net profit down to VND 6,200 billion and VND 9,200 billion respectively.

	CTG	VCB	BID	MBB	STB	TCB	VPB	ACB	TPB	VIB	HDB	LPB
Scale												
Chartered 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 Asset (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
Total Equity/Total Asset Growth (ytd)	5.96%	6.18%	4.24%	9.66%	5.89%	15.87%	10.80%	6.24%	8.04%	7.64%	8.00%	6.02%
Asset 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%
Loans 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%
Customer 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%
Loan/Deposit	107.98%	81.19%	101.60%	88.07%	70.93%	86.24%	127.89%	82.45%	105.20%	114.04%	93.02%	90.32%
Asset 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 including VAMC's debt	1.36%	1.18%	1.76%	1.57%	3.18%	2.05%	4.70%	0.84%	1.24%	2.50%	1.50%	1.32%
Bad debt provision/total debt	1.77%	1.84%	1.53%	1.66%	1.52%	1.59%	1.96%	1.08%	1.23%	1.17%	1.09%	1.12%
NPL coverage ratio	130%	155%	87%	106%	48%	77%	42%	130%	99%	47%	73%	85%
Interest, fee receivable/Total Business effectiveness (ytd)	1.72%	1.30%	1.23%	1.73%	9.46%	3.62%	2.24%	1.31%	1.78%	1.64%	2.77%	3.21%
NPAT (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) (TTM)	2,064	3,359	2,435	2,341	739	2,611	2,757	3,498	2,517	2,652	2,504	1,417
BVPS (VND)	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

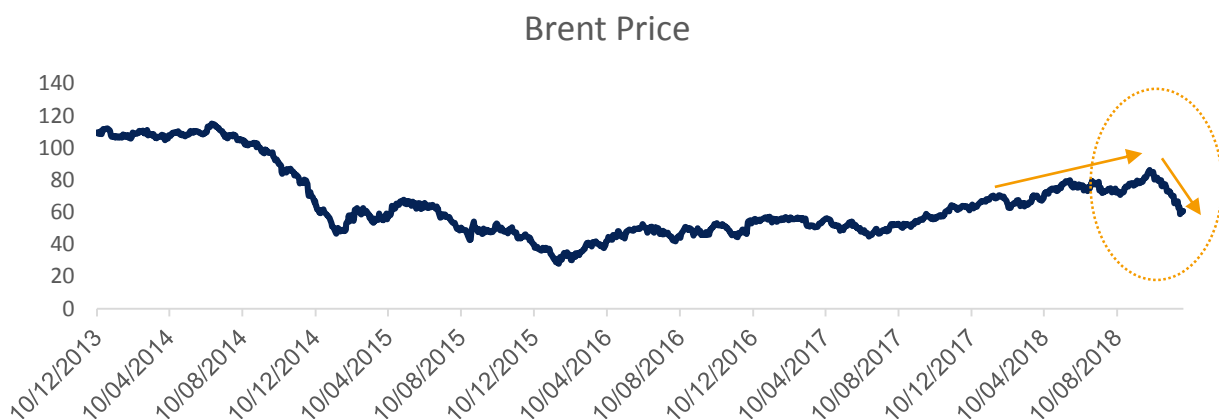
Source: BSC Research, FiinPro

Oil and Gas 2018 [Oil price fluctuates strongly]

- Brent oil price started to decline sharply from the end of October 2018 to USD 60.67/barrel (November 28, 2018) due to concerns about oversupply, falling 10.2% from the beginning of the year.
- The oil and gas sector's business results were difference between enterprises that the upstream group (PVS, PVD, PXS) recorded a decrease in profit of 27.2% yoy, while the downstream group (GAS, PGS, CNG, PGD) recorded the profit growth reached 30% yoy.
- Progress of implementation of domestic oil and gas projects is still slow.

Oil prices continued to maintain the increase trend from the end of 2017 to the first 9 months of 2018. Oil prices had positive signals in about 9M2018, the peak Brent price on October 3, 2018 reached USD 86.29/barrel, up to 92.5% from the bottom of USD 44.82/barrel on June 21, 2017. Oil prices 9M2018 increased strongly mainly thanks sanctions against Iran's oil and gas sector that lead to the expectation of tightening supply.

However, Brent oil prices began to fall sharply from the end of October 2018 to USD 60.67/barrel (November 28, 2018) due to concerns about oversupply, returning 10.2% from the beginning of the year. (1) Although sanctions have been imposed on Iran since November 4, the United States has agreed the eight major oil importers of Iran, including Korea, Japan and India to continue to buy oil from Iran, this made the decrease in supply. (2) The world's economic growth is slow down due to the US-China trade war which lead to reduce demand of oil, (3) US oil inventories increased sharply because the cost of US shale oil exploitation. Is at a low level, the total number of US drilling rigs as of November 30, 2018 reached 887 rigs (+ 18.1% yoy), according to Baker Hughes data.



Source: Bloomberg, BSC Research

Business results of oil and gas industry are differentiate between downstream and upstream groups. The uptrend of oil price in 9M2018 positively supported the business results of downstream oil companies (GAS, PGS, CNG and PGD). Upstream enterprises (PVS, PVD, PXS) all have improved revenue, however, the improvement of profitability faces many difficulties due to the characteristics of this group of enterprises, depending on (1) progress of new projects development and (2) supply and demand in service activities.

Meanwhile, newly listed oil and gas stocks like BSR and OIL have not achieved business results as planned. In detail, although 9M2018 BSR's revenue increased by 51.8% YoY, profit dropped by 15.1% yoy because profit margin (corresponding to Crack –spread rate) dropped sharply from 11.4%. 9M2017 to 7.1% 9M2018.

Specifically, in 9M2018, total revenue and profit after tax of oil and gas sector reached VND 88,628 billion (+ 22.8% yoy) and VND 9,805 billion (+ 33.8% yoy). We note that the business results of oil and gas enterprises are quite differentiate, in which GAS plays a large part in the business result growth of this sector with EBT of 8,880 billion dong (+ 50% yoy).

Progress of implementation of domestic oil and gas projects is still slow. The Dai Nguyet Sao Vang project was implemented as a positive signal for Vietnam oil and gas industry in 2018 in the context of most major oil and gas projects are still stagnant such as Ca Rong Do, Ca Voi Xanh, Lot B O Mon.

Ticker	Rev 9M2018 (VND bil)	Rev 9M2017 (VND bil)	+yoy	EAT 9M2017 (VND bil)	EAT 9M2018 (VND bil)	+ yoy	GPM 9M2018	GPM 9M2017
GAS	56,614	47,575	19%	8,880	5,920	50%	23.5%	19.6%
PVS	11,368	5,921	92%	1,205	711	-41%	4.8%	4.2%
PVD	4,082	2,721	50%	(169)	(194)	-15%	4.9%	15.5%
PGS	4,796	4,441	8%	85	81	-5%	18.5%	18.9%
PGS	2,441	2,141	14%	95	117	23%	21.4%	25.1%
PXS	132	776	-83%	35	(-83)	- 339%	9.5%	14.0%
CNG	1,321	964	37%	78	84	8%	18.0%	26.8%
PGD	6,004	4,962	21%	124	197	59%	10.8%	17.5%
PVB	188	74	153%	18	30	71%	32%	-28%
BSR	82,713	54,490	51.8%	5,476	4,606	15.1 %	7.1%	11.4%
OIL	46,863	N/A	N/A	N/A	448.5	N/A	4.7%	N/A
PLX	142,806	112,427	27%	2,546	2,882	13%	7.4%	8.4%

Source: FiinPro, BSC Research

Electricity Sector 2018 [Maintaining growth]

- EVN's production and commercial power output grew 9.78% over the same period.
- Coal consumption for thermal power plants increased sharply (+26% yoy), leading to a shortage of supply.
- 9M2018 business results: hydropower is still a bright spot.

Commercial electricity output maintains an annual growth rate of over 9.78%. Accumulated in 10M2018, EVN's commercial electricity output increase by 9.78%, reaching 159.3 billion kWh. According to the World Bank's announcement, Vietnamese power access index for 2018 has reached its highest level ever, ranking 27th out of 190 countries ranked. Power output also grew strongly by 10.7% to 182.6 billion kWh.

Coal consumption for thermal power plants increased sharply (+ 26% yoy), leading to a shortage of supply.

In 2018, electricity consumption continued to grow while the mobilization from hydropower and gas power plants declined because the unfavorable weather and the shortage of gas led to increased output of coal power plants strongly. Thereby, the demand for coal consumption of power plants also increased sharply, total 11 months TKV provided 26.9 million tons of coal by 103% of the year plan and up 26% over the same period in 2017. Currently, Vinh Tan 4 and Duyen Hai 3 thermo-power plants are allowed to import coal, the remaining factories only have the only supply of Vietnam Coal and Mineral Group and Northeast Corporation. However, due to a strong increase in the mobilization of electricity from coal-fired power plants this year, there is a certain shortage in mobilizing coal resources for production. Quang Ninh Thermal Power Plant had to stop operating 2 units since early November due to insufficient supply; Mobilization capacity in Nghi Son and Thai Binh thermal power plants also decreased due to lack of coal.

9M2018 business results. For power generation companies, most of the revenue has good growth in revenue due to the increase in output and selling price (except for CHP, which has overhauled the engine, causing revenue to decline). However, the revenue of construction and electrical equipment companies has a low growth, businesses results still depend on other businesses (logistic, real estate) due to large electricity construction investment projects is still delayed due to public debt pressure. Although the revenue of almost businesses increased relatively, the profit of many power enterprises was still affected by debt, leading to a relatively differentiation in the total profit of the industry in 2018. In the fourth quarter of 2018, it is expected that the Central hydropower enterprises will record good revenue and profit thanks to the high rainfall and high selling prices; Thermal power enterprises with large foreign currency borrowing and large annual maintenance and repair costs are expected higher expenses at the end of the year, affecting the overall results of the fourth quarter.

9M2018 Business Result

	Main products	Rev 9M2018	Rev 9M2017	+ -yoy	EBT 2018	EBT 2017	EAT 9M2018	EAT 9M2017	+ -yoy
POW	Thermal	24,788	22,413	10.60%	-1,139	-1,074	1,653	2,009	-18%
NT2	Gas turbines	5,651	4,687	20.57%	-127	-363	529	491	7.7%
VSH	Hydroelectric	489	408	19.85%	0	21	279	233	19.7%
SJD	Hydroelectric	413	401	2.99%	1	2	184	175	5.1%
PPC	coal thermoelectricity	5,277	4,630	13.97%	352	244	878	745	17.8%
CHP	Hydroelectric	215	584	-63.18%	-1	-1	-45	265	-116.9%
GEX	Electrical equipment	10,146	8,743	16.05%	188	-91	952	630	51.1%
PC1	Electric construction	3,578	2,301	55.50%	-83	-57	429	193	122.2%

Source: FiinPro

Non-life insurance 2018 [Continuing to growth]

- Insurance premiums growth rate increased 11.5% compared to the same period in 2017.
- Benefit of insurance payments increased by + 18.68% compared to the same period.
- The divestment of non-life insurance businesses has not been implemented in 2018.
- Business results of original insurance and investment insurance are differentiated.

The non-life insurance market maintained a growth rate of 11.5% in 2018. According to the Insurance Supervisory and Authority, the 9M2018 revenue from premium increased by 24.74%, reached VND 69,996 billion. Meanwhile, non-life insurance premiums in the 9M2018 increased by 11.81%, reached VND 25,632 billion.

Insurance benefit payment in 9M2018 were estimated at VND 25,151 billion, up 18.68% compared to the same period last year; in which, non-life insurance enterprises were estimated at VND 13,451 billion, life insurance enterprises estimated at VND 11,700 billion.

The divestment of non-life insurance enterprises has not been implemented in 2018. According to PVN's plan approved by the government, PVN will divest from PVI during 2017-2018, however, the deployment of divestment in PVI continued to be delayed due to difficulties in changing real estate business. In the case of BMI, the formation of the state capital management super committee made the divestment of enterprises under management including SCIC's BMI also delayed.

Business results of insurance companies in 9M2018 are slowdown. The base fee of all leading enterprises increased at a rate lower than 11.8% of the industry, except for PTI (which is nearly full with new insurance products) and BVH (including life and non-life insurance). In terms of efficiency, most businesses are deploying new technology integration and governance mechanisms, which helps to reduce provisioning costs to help reduce the coefficients, and profit from core business has a tendency. increase direction. In terms of financial profit, the stock market in 2018 was unfavorable as in 2017 affecting the financial profit of most insurance companies. For the fourth quarter of 2018, the ratio of non-life insurance is expected to increase due to natural disasters (typhoon No. 9), through which business results are expected to decrease relatively, especially Enterprises have a large market share in motor vehicles such as PGI and PTI.

	BVH	PVI	BMI	PGI	BIC	PTI	VNR
Base premium Revnue 3Q2018	22,296	5,458	2,484	2,013	1,488	3,001	1,446
%yoy	26.3%	8.9%	1.4%	11.0%	12.7%	30.1%	17.3%
% Compensatory 3Q2017	33%	22%	40%	50%	33%	50%	30%
% Compensatory 3Q2018	35%	15%	38%	48%	37%	44%	26%
Combination ratio 3Q2017	113.0%	97.6%	98.8%	101.0%	100.7%	102.3%	91.9%
Combination ratio 3Q2018	126.4%	94.5%	98.2%	95.4%	101.8%	99.8%	97.1%
Investing Activities							
Profit form Investing 3Q2017	3,202	431	145	126	140	57	170
Profit form Investing 3Q2018	6,044	352	113	48	191	95	182
%yoy	89%	-18%	-22%	-62%	36%	67%	7%
EBT 3Q2017	1,566	334	170	121	134	97	251
EBT 3Q2018	1,128	571	162	131	93	80	253
%yoy	-28%	71%	-4%	8%	-30%	-17%	1%

Source: FiinPro, BSC research

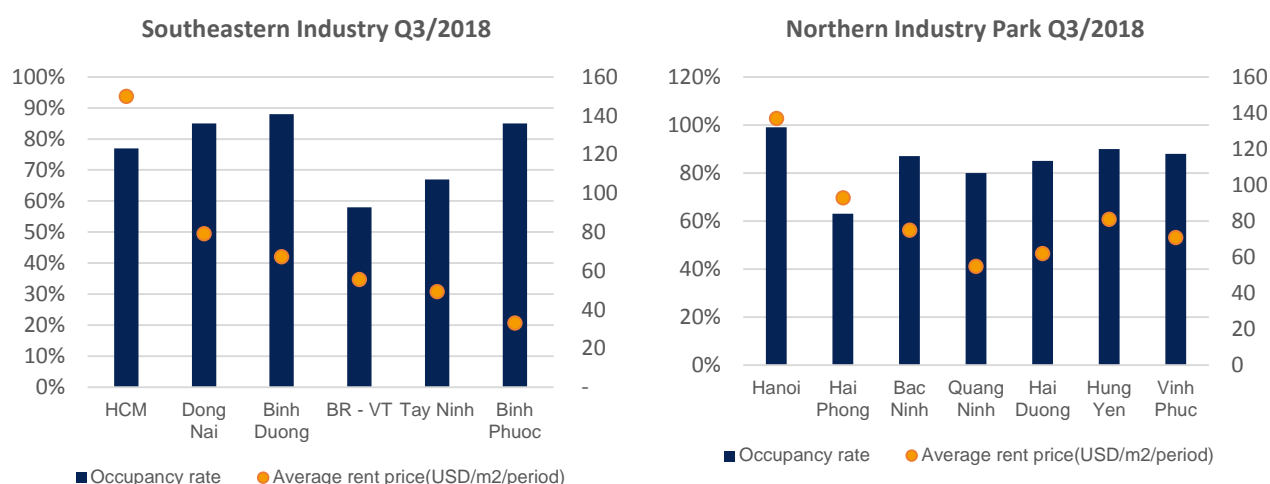
% Compensatory is calculated by total compensation (including contingency) / net premium revenue

² Combination ratio are calculated by BSC = (total insurance business costs + enterprise management costs) / DTT from insurance contracts

Real Estate 2018 [The peak of profit growth]

- The real estate sector benefited strongly from (1) FDI and (2) Trade war between US and China.
- The real estate market in Ho Chi Minh City faces difficulties condition due to a shortage of supply from Q2/2018, while the Hanoi market still maintains a positive signal.
- 2018 is the year to record the peak of profit growth of real estate enterprises thanks to the time of handover, the total revenue and net profit of the this sector increased by 43.3% and 19.2% yoy.
- 2018 also has a series of listed real estate stocks such as VHM, CRE, HPX, VPI, DPG, ...

The industrial park benefited strongly from the FDI wave. The industrial park segment in the Northern and Southern regions shows improved growth in rental rates and occupancy rates thanks to FDI inflows. Particularly, the occupancy rate of industrial park in 9M2017 in South East and Northern Industrial Zone are 77% (+200 bps YTD) and 85% (+400 bps YTD) respectively.



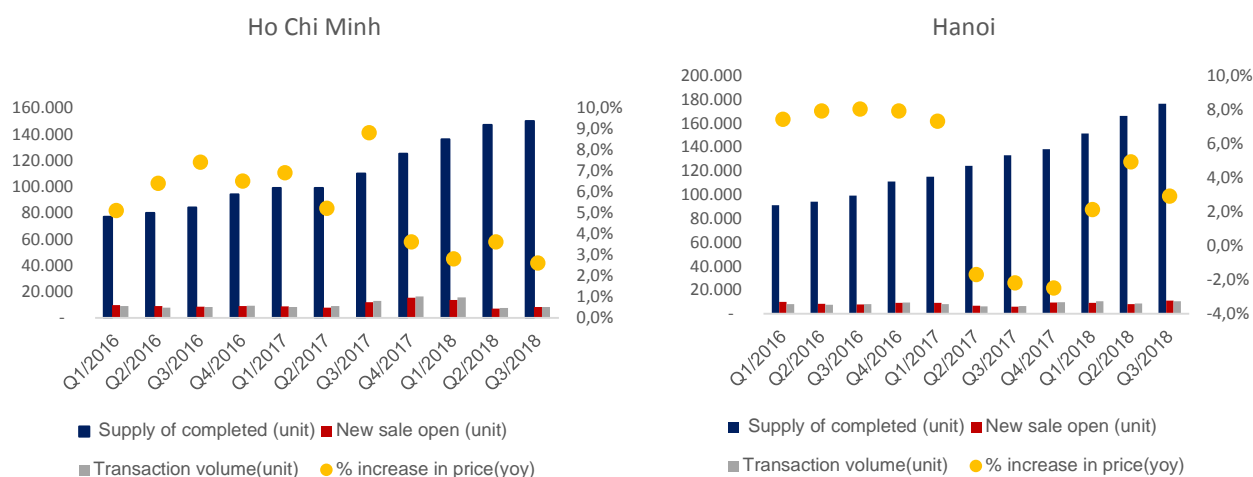
Source: JLL, BSC Research

The supply of industrial park market is expected to come from the expansion of existing industrial parks. Currently, the total area of industrial park leasing area in the South East and the North are 37,030 ha (+ 3% compared to early 2018) and 12,260 ha (+ 8% compared to early 2018). It is expected that by 2020, new supply will be strongly increased thanks to the continued expansion of existing IPs because the current demand is still quite large, in particular the Southeast region will have about 11,940 ha and the area Northern region will have 19.322 ha.

The average rental price for land in the South East and the North of Vietnam has been improved thanks to the limited supply. Specifically, land rent rates in the Southeast and Northern regions reached 72 USD / m2 / lease term (+ 4.7% compared to Q1 / 2018) and 82 USD (+ 9.2% compared to Q1 / 2018).

The real estate market in Ho Chi Minh City faces difficulties due to a shortage of supply from Q2/2018. In terms of housing real estate segment, there is a significant shortage of supply, especially in Ho Chi Minh market. According to JLL's data, the number of apartments opened for sale in Q3 / 2018 in HCM City is 8,068 units (-31% yoy), in particular most of the sold volume belongs to projects opened for sale in Q1-Q2 In 2018, almost no new projects were opened for sale in Q3 / 2018. In Hanoi market, the supply still recorded a good growth with 10,900 newly opened apartments (+ 81.6% yoy), concentrated in Long Bien, Nam Tu Liem, Ha Dong and Tay Ho districts.

Meanwhile, Hanoi market still maintained positive signs thanks to the supply shortage. Specifically, in Hanoi there are about 29,703 apartments sold (+ 42.8% yoy) while in Ho Chi Minh City is 31,149 units (+ 3.7% yoy), the increase is still concentrated mainly in the mid-end segment people. (2) The average selling price decreased slightly by 0.9% QoQ in HCMC, while the average selling price in HN increased by 1.9% YoY, (3) The total value of real estate inventory as of August 20, 2017 reached about 23,692, down 7.8% from the end of 2017.



Source: JLL, BSC Research

Many large real estate businesses were listed in 2018. In addition to strong growth in profits in 2018, this is also the year to attract strong investment flows to real estate businesses through listing such as VHM, CRE, HPX, VPI, DPG, ... We suppose that this is a positive signals that (1) help increase the proportion of real estate group in the structure of VNIndex and (2) create more choices. investment for real estate stocks.

2018 is the year which recorded the peak of profit growth of real estate enterprises thanks to the time of handover. According to BSC's statistics, the total accumulated 9M industry's revenue is VND 114.285 trillion (+ 43.3% yoy), EAT is VND 9,677 trillion (+ 19.2% yoy). 9M2018 business results has strong growth thanks to the reasons (1) 2018 is the year of receiving large apartment handover, (2) The excitement of the real estate market is extended from Q2/2017 to the first half of the year of 2018 in both land and apartment segments. However, the supply is declined in the second half of 2018 due to legal factors, fire protection which has a direct impact on the progress of the deploying and opening project's real estate (VIC, DXG, NLG, KDH). The segmentation in the industry continued to shrink when there were 39/70 enterprises with growth results over the same period, accounting for about 55.7% while this ratio in 9M / 2016 was 51.4%, in which Enterprises with the largest net profit of the industry are still VIC, DXG, KDH, KBC, NLG, PDR, QCG.

Ticker	Rev 3Q2018	Rev 3Q2017	% +/-	EAT 3Q2018	EAT 3Q2017	% +/-	Inventory	Pre-sale	Pre-sale/ Inventory 3Q2018	Pre-sale/ Inventory 3Q2017
VIC	84,163	57,166	47%	1,708	2,309	-26%	45,117	37,987	84%	102%
VHM	22,405	12,066	86%	11,887	2,526	371%	38,316	19,863	52%	152%
VRE	6,083	3,969	53%	1,716	1,474	16%	1,381	1,516	110%	105%
NVL	6,733	5,737	17%	1,380	1,322	4%	32,989	11,352	34%	36%
KDH	1,337	2,424	-45%	404	373.6	8%	5,768	1,487	26%	25%
PDR	448	1,094	-59%	346	240	44%	6,562	87	1%	10%
KBC	1,661	1,01	64%	489	543	-10%	8,146	404	5%	5%
DXG	3,237	1,676	93%	750	460	63%	4,274	913	21%	42%
NLG	2,74	1,637	67%	635	352	80%	3,147	768	24%	34%
DIG	630	872	87%	118	40	198%	3,090	1,021	33%	24%
HDG	1,345	1,065	26%	139	-21	-773%	3,990	305	8%	10%
SCR	84,163	57,166	47%	1,708	2,309	-26%	45,117	37,987	84%	102%

Source: FiinPro

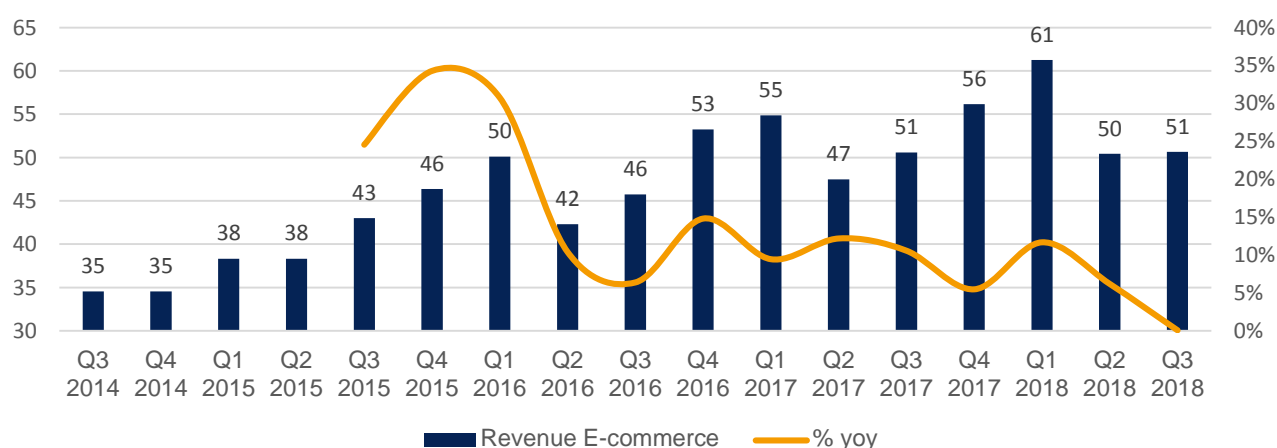
Retail consumer 2018 [Continue to outperform]

- Retail sales of consumer goods and services increased positively + 12.2% in 11M2018 yoy
- Total revenue of Vietnam electronics technology market is estimated at 162 thousand billion, up +6.14% in Q3/2018 yoy.
- Business result of retail consumer sector increased positively by over 11%, however F&B industry increased slowly from + 4% -6% in 9M2018 yoy.

Retail sales of consumer goods and services increased positively + 12.2% in 11M2018 yoy. Total retail sales of consumer goods and services reached over VND 4,000 billion (+ 12.2% YoY). In particular, retail sales of goods in 11M2018 reached VND 3,000 trillion (+ 12.3% YoY) accounting for the highest proportion of 75.2%. Revenue from accommodation and catering services reached VND 488.6 trillion (+ 8.2% YoY) accounting for 8.2% of the total industry. We assess that consumption will continue to grow thanks to the improvement of Vietnam's economy, with (1) GDP growth rate growing positively + 6.88% YoY, (2) CPI is checked. Stability control + 3.6% YoY.

Total revenue of Vietnam's electronics technology market is estimated at 162 trillion, up 6.14% in Q3/2018 yoy. According to GFK's report, Vietnam's electronic technology revenue growth rate reached the highest level of VND 61 trillion (+ 11.7% yoy) thanks to the many holiday, but this speed slowed down in the second and third quarter which are + 6.2% and + 0.1% respectively. We assess Q4/2018 revenue will increase again thanks to the consumption stimulus policies of many retail enterprises through promotions as well as e-commerce boom. Some items have good growth rates in Q3/2018 such as electronics (+6.5% qoq), household electricity (+ 5% qoq), digital cameras (+ 3.5% qoq) and mobile phones (+ 2% qoq).

Revenue of electronic technology market
(Unit: VND thousand)



Source: GFK

FMCG growth rate is relatively stable in the short term. In urban areas, market growth is driven by an increase in the average purchase price while the rural market maintains a good growth in consumption volume. Specifically, in urban areas, the average value increased by + 2.8% YoY and the volume growth was +0.1% YoY, in which: (1) Personal care products have highest growth in value and volume that are +7.1% YoY and +3.1% YoY respectively; (2) Milk and dairy products did not increase in value and decreased by 2% YoY in volume. In

rural areas, the growth rate in value increased 6.6% YoY and the volume increased by 4.7% YoY, in which: (1) Milk and dairy products increased the most in terms of value and volume 10% and 9.4% YoY; (2) Drinks have growth in value and the lowest volume is 5.6% YoY and 1.2% YoY respectively.

The business result of Retail Consumption sector has growth rate of 11% and the F&B industry grew slowly by 4% -6% in 9M2018 yoy. Currently, total revenue and EAT of 131 listed companies on 3 HOSE, HNX and UPCOM reached VND 373.6 trillion (+14.45% YoY) and VND 32.6 trillion (+17.3% YoY), of which: (1) F&B enterprises like VNM, MSN, SAB and MCH have revenue of VND 103.4 trillion (+4.8% YoY) accounting for 27.7% of the total sector's revenue and EAT is VND 18.3 trillion (+21.3% YoY) accounting for 56 % of total sector's EAT. If we exclude the financial income of VND 1,518 billion in Q2/2018, the net profit of this sector will reach VND 16.7 trillion (+11.2% YoY). (2) Retail businesses such as MWG, FRT and PNJ have revenue of VND 87 trillion (+34.7% YoY) accounting for 23.3% of total sector's revenue and EAT of VND 3 trillion (+ 34.3% YoY) accounting for 9.5% of total sector's EAT. Thereby, we assess that F&B industry will recover and retail consumer sector still maintains good growth thanks to increasing consumer demand in the end of 2018 and 2019 Tet.

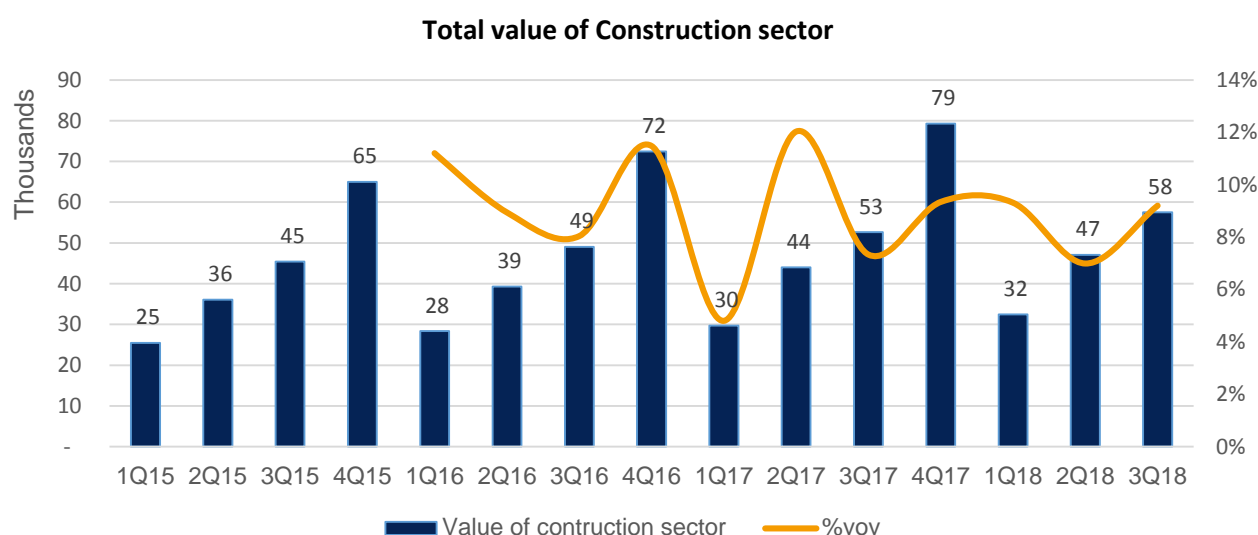
Ticker	Product	Rev 9M2018 (VND bil.)	%YoY	GPM 9M2018	GPM 9M2017	EAT 9M2018 (VND bil.)	%YoY
PNJ	Retail	10,508	35.5%	18.6%	17.4%	694	37.8%
MWG	Retail	65,478	37.5%	17.6%	17.0%	2187	33.8%
FRT	Retail	11,033	19.5%	13.4%	14.6%	227	29.8%
VNM	Milk	39,558	2.2%	46.6%	48.2%	7921	-7.3%
GTN	Milk	2,302	-22.2%	16.5%	12.8%	115	-13.9%
SAB	Beer	25,543	7.8%	23.1%	27.0%	3482	-6.4%
BHN	Beer	6,778	-5.9%	25.0%	26.9%	509	-19.3%
MSN	Consumer	26,630	-3.0%	31.3%	30.0%	4336	195.7%
KDC	Cooking oil	5,712	12.5%	18.2%	21.2%	88	-82.1%

Source: Fiinpro, BSC Research

Construction 2018 [Growth slowdown]

- Construction sector increased by 8.46% in 9M2018 compared to the same period in 2017 according to The Statistics Department.
- Improved social investment increased by 10.9% over the same period in 2017 from private and foreign sources.
- Payment of public investment capital in 11M2018 was estimated at VND 239.6 trillion, down -5.2% compared to the same period of 2017.
- Construction industry's profit dropped sharply by -29.7% in 9M018 although sector's revenue still increased by +8.3% YoY.

Construction sector increased by 8.46% in 9M2018 compared to the same period in 2017 according to The Statistics Department. The total value of construction sector in 9M2018 reached VND 137.1 trillion (+ 8.46% YoY), of which the only the third quarter value was VND 57.5 trillion (+ 9.2% YoY). We rate the construction sector in general thanks to the improvement of private and foreign investment inflows in 9M2018.



Source: GSO

Social investment improved by 10.9% over the same period last year mainly from private and foreign sources. Total social investment capital at current prices in 9M2018 was estimated at VND 1,253.2 trillion (+ 10.9% YoY) and equal to 34% of GDP, including: (1) State sector capital reached VND 420.5 trillion (+ 5% YoY) accounted for 33.6% of the total capital; (2) Non-state sector reached VND 533.1 trillion (+ 17.7% YoY) accounting for 42.5%; (3) Foreign direct investment sector (+ 8.4% YoY) reached VND 299.6 trillion, accounting for 23.9%.

Payment of public investment in 11M2018 was estimated at VND 239.6 trillion, down -5.2% over the same period in 2017 (Investment capital in 11M2017 reached VND 252.8 trillion). Currently, the disbursement rate of the state investment reached only 59.94% of the National Assembly's plan and 61.62% of the plan assigned by the Prime Minister. Thereby, the disbursement rate for public investment is slow, causing many state projects to stagnate and affect the revenue of many construction enterprises in the industry due to lack of projects.

Construction industry's profit dropped sharply by -29.7% in 9M2018, although industry revenue still increased by + 8.3% YoY. As of the end of Q3/2018, total net revenue of 145 construction enterprises listed on 3 HOSE, HNX and UPCOM reached 121.5 trillion dong (+8.3% YoY), the total EAT is only VND 5.76 trillion dong (-29.7% YoY). We note that construction's net income in Q2/2017 contributed significantly to CII's financial income, if excluding this item, NPAT of core construction decreased -12.6% YoY. The sector's gross margin is 11.7% (-1.12% YoY) due to rising raw material costs and the increasing in change of structure of industrial park construction with GPM not equal to the civil segment.

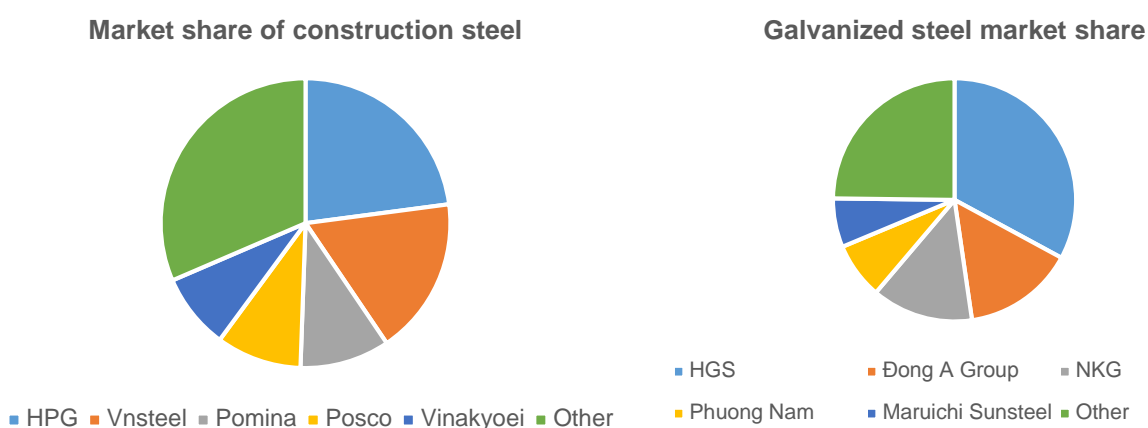
Ticker	Rev 9M2018 (VND bil)	%YoY	Rev 9M2018	GPM 9M2017	EAT 9M2018 (VND bil)	%YoY
CTD	20,737	14.00%	6.87%	7.96%	1,192	0.09%
HBC	12,770	16.00%	9.85%	10.38%	501	-18.61%
VCG	6,381	-4.00%	12.05%	14.50%	368	-40.95%
PC1	3,578	56.00%	19.66%	15.86%	429	122.22%
ROS	2,037	-3.00%	5.71%	10.65%	93	-55.37%
CII	2,223	51.00%	26.75%	18.31%	182	-88.35%
FCN	1,709	31.00%	15.14%	17.88%	125	4.66%

Source: BSC research, Fiinpro

Steel 2018 [Growth]

- Domestic consumption is at a high level, consumption volume increases by an average of 29.2% compared to the same period in 2017.
- Input material prices in 2018 tended to decrease.
- Steel price increased sharply in 2018, decreased quickly at the end of the year.
- Many big projects of enterprises are put into production which cause a sharp increase in supply.
- Export of steel products, especially galvanized steel, is difficult due to the effects of trade war.

Domestic consumption in 2018 still maintained the growth rate. Consumption of construction steel in 10M2018 reached 7.5 million tons, up 4.2% compared to 10M2017. With steel pipe products, consumption volume in 10 months was nearly 2 million tons, + 11.4% yoy; Galvanized steel products also achieved a high growth rate of 10.5% compared to 2017 when the total consumption of 10 months reached nearly 3.2 million tons. The market share of the steel industry is still concentrated in leading companies such as HPG and HSG.



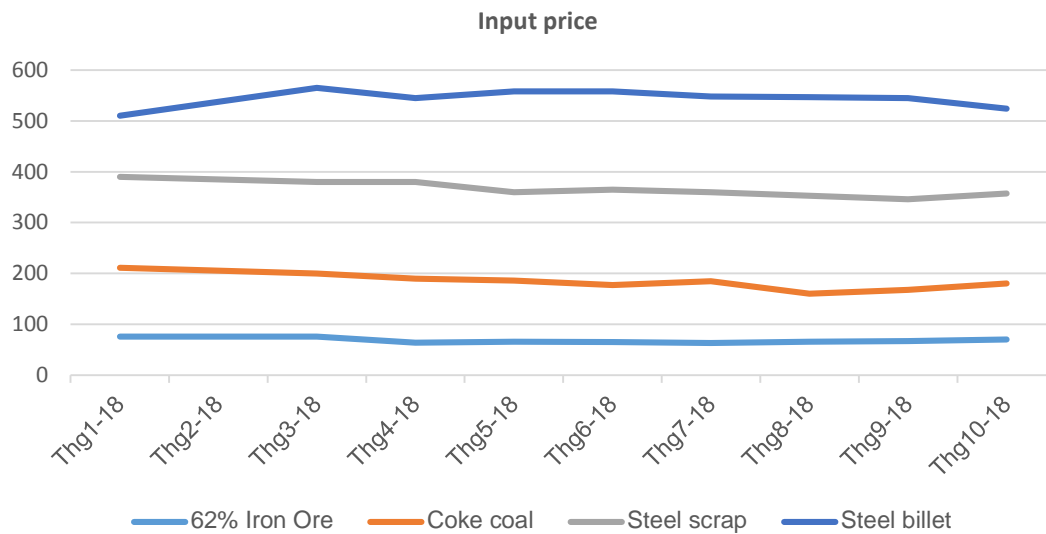
Source: VSA

Input price in 2018 tended to decrease. This trend is likely to continue, supporting production and trading activities of steel enterprises.

Iron ore prices in 2018 tend to decrease slightly. After reaching peaks above \$90 and fluctuating relatively strong in 2017, iron ore prices have stabilized and tended to decline in the first half of 2018. China allowed the regions to determine the term production regime instead of restricting restrictions on winter in 2017 that makes iron ore prices rise slightly in the second half of 2018.

Coking coal price is stable and increases at the end of the year. Similar to iron ore prices, the demand for coking coal is supported by easing policy to limit production in the winter while supply fell as many coal mines in China are closed due to intensifying the governance that makes coal price increase relatively strong at the end of 2018.

The price of steel scrap remains high, the price of electrodes decreases due to improved supply. The price of scrap steel in 2018 is maintained at US \$350/ton, along with the adjustment of the price of electricity but still maintained at a high level (about US \$17,000/ton), causing many difficulties for enterprises manufactured production by electric furnace.



Source: VSA

Output price of steel increased sharply in the year, cooled down quickly at the end of the year. Domestic steel prices began to increase sharply at the same time with Chinese steel prices increased since the end of 2017 when the country restricted production in the winter. By 2018, steel prices continue to rise sharply in the first quarter and then stabilize at a high level throughout the year, the average price of steel in 2018 of many construction steel enterprises has increased nearly 20% compared to 2017. To In the last months of 2018, Chinese steel prices plummeted due to the impact of economic prospects of China affected by the trade war while supply increased sharply due to benefit from previous steel price increases. This affects domestic steel prices, the output prices of domestic enterprises in the last months of the year fall sharply, returning to the price equivalent to the beginning of 2018.



Source: VSA, Bloomberg

Many large projects of enterprises are put into production, causing a sharp increase in supply. In 2018, many new projects of many large steel companies helped increase steel supply. Specifically for construction steel, Phase 1 of Dung Quat steel project of Hoa Phat with a capacity of 2 million tons/year went into trial run. In

particular, domestic HRC supply is also becoming more abundant when Formosa is expected to bring No. 2 blast furnace with a capacity of 4 million tons/year into production, bringing total domestic HRC capacity to 6 million tons/year.

Export of steel products, especially galvanized steel, was difficult due to the effects of trade war. With the US imposing tariffs on steel products imported into the country, it created a wave of protection for the global domestic steel industry to compensate for the amount of steel that should be exported to the US. According to statistics, Vietnam's steel industry is subject to 37 anti-dumping lawsuits, 9 anti-subsidy investigations, accounting for 50% and 75% of the number of cases, respectively. Many countries have conducted taxation on major products of our galvanized steel, especially important markets such as Indonesia (12% -28.49% tax), Malaysia (temporary tax 0% -15.69%) ... The export of galvanized steel is more difficult at the end of the year, which makes businesses have to focus on competing more on the domestic market, which is still in excess of supply, making gross profit margin decline seriously.

9M2018 business results of companies in the industry: Revenue of steel enterprises have good growth thanks to increased production and high domestic steel prices. Steel prices remain high, however, due to a sharp increase in supply, so the competition is increasing so gross profit margins of all businesses are declining, especially galvanized steel companies affected by the increase in HRC prices with that export is difficult. The debt ratio of many businesses also increased strongly because the investment in new projects along with the decline in profit margin made most steel companies' profits drop sharply. For the fourth quarter, we forecast that the business results of steel enterprises will be reduced relatively when domestic steel prices plummet.

Ticker	Type	Rev 9M2018	Rev 9T2017	+yoy	GPM 2018	GPM 2017	EAT 9M2018	EAT 9M2017	+yoy
HPG	Steel for construction	41,988	33,926	23.7%	21.98%	22.39%	6,834	5,614	21.73%
HSG	Galvanised	26,555	20,383	30%	12.49%	17.15%	77	891	-91%
NKG	Galvanised	11,386	9,312	22.2%	6.80%	11.18%	231	557	-58.53%
VIS	Steel for construction	3,928	4,645	-15.4%	N/A	4.25%	-131	67	-295.5%
POM	Steel for construction	10,106	8,344	21.1%	6.68%	9.33%	401	514	-22.04%
SMC	Steel for trading	12,227	9,066	34.8%	4.61%	5.87%	213	218	-2.29%

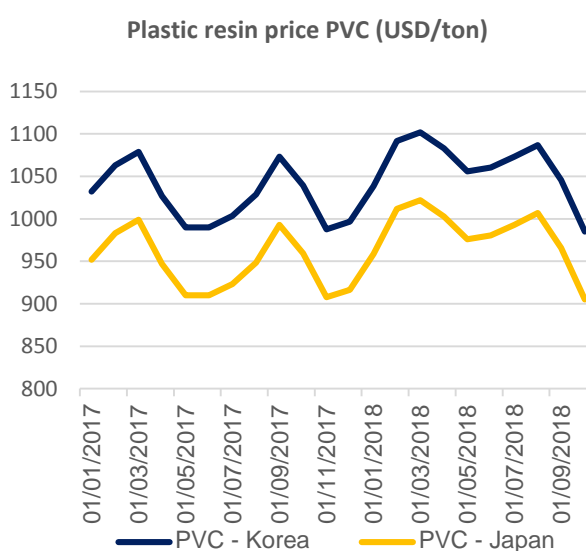
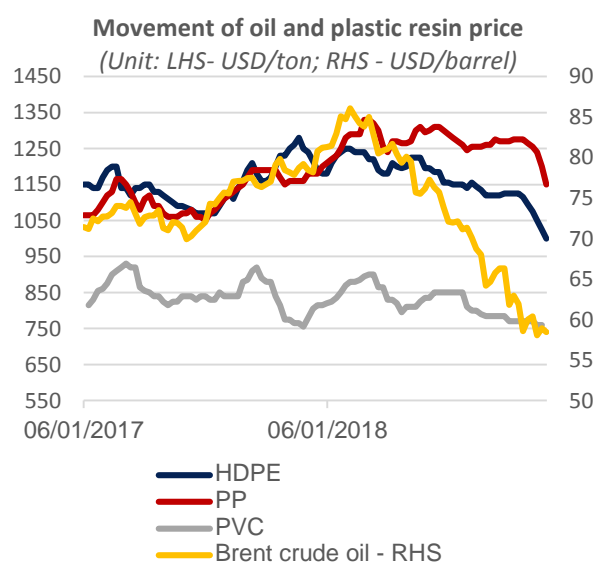
Source: BSC research, Fiinpro

Plastic 2018 [Increasing input price]

- Import of plastic materials in 10M2018 reached 4.57 million tons (+10.2% YoY), down from growth rate of 12.9% in the same period of 2017.
- The rise in plastic resin prices were curbed by a sharp drop in oil prices since October 2018: PVC -3.4% YoY, HDPE + 1.8% YoY, PP + 13.7% YoY.
- Business results witnessed a divergence in revenue growth between plastic packaging and plastic building materials firms but both groups posed a decline in profit.

Import of plastic materials in 10M2018 reached 4.57 million tons (+ 10.2% YoY). Import value reached 7.48 billion USD (+20.1% YoY). The growth rate of imported plastic resin raw materials decreased compared to 12.9% in the same period of 2017, reflecting a slow-down of plastic sector because 80-90% of input material for domestic production is imported while domestic supplies remained unchanged.

The rise of plastic resin prices were curbed due to a sharp drop in oil prices since October 2018. In 11M2018, PVC resin price -3.4% YoY, HDPE + 1.8% YoY, PP + 13.7% YoY. Oil prices plunged after peaking in October 2018 that curbed the rise of plastic resin prices. We suppose that the price of plastic resins will fluctuate slightly around that low level supported by lower oil prices (noted that the prices of PE and PP resins highly correlate with oil price). For PVC, despite its low correlation with oil price due to a significant portion of global PVC output was produced in China with coal input, prices are also in a downward trend (-3.4% YoY, -7.3% YTD) This will help support the profit margins of businesses in the last quarter of the year.



Source: Bloomberg

Business results witnessed a divergence in revenue growth between plastic packaging and plastic building materials firms but both groups posed a decline in profit. While plastic packaging companies such as AAA, HII experienced strong growth of 119.5% and 356% respectively thanks to resin trading, plastic building materials enterprises faced difficulties in maintaining the growth (NTP -3.6% YoY, DAG -3.2% YoY) because of severe competition. The profits of most businesses decreased compared to the same period of the previous year

because of a sharp increase of resin price. In particular, net profit of AAA and HII fell due to the impact of the plastic trading segment with low margin.

Ticker	Product	Rev 9M2018	Rev 9M2017	%yoy	GPM 2018	GPM 2017	EAT 9M2018
NTP	Plastic Pipe	3,209	-3.6%	30.1%	33.8%	222	-38.9%
BMP	Plastic Pipe	2,750	5.0%	23.4%	24.4%	341	-2.2%
DNP	Plastic Pipe, water	1,428	36.9%	17.2%	19.1%	43	-37.0%
DAG	Plastic profile	1,278	-3.2%	8.6%	8.3%	46	-10.2%
AAA	Packaging	5,803	119.5%	8.2%	13.4%	159	-15.6%
HII	Packaging	3,549	356.0%	4.4%	10.2%	43	-8.4%
RDP	Packaging	967	2.8%	9.7%	10.4%	10	-68.4%
SPP	Packaging	805	-0.2%	11.1%	11.0%	11	-7.1%

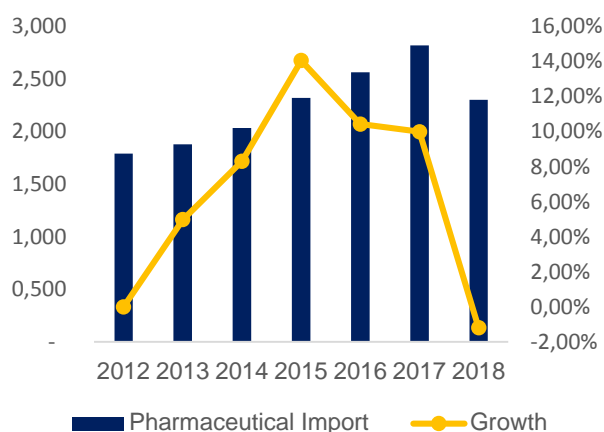
Source: FiinPro, BSC Research

Pharmaceuticals 2018 [Negative growth]

- Accumulated in 10 months of 2018, pharmaceutical import value is 2.3 billion USD, decreasing slightly by 1.2% YoY. Import value of pharmaceutical materials was USD 337 million, increasing 13.4% over the same period.
- Pharmaceutical enterprises continue to raise the foreign ownership
- Pharmaceutical sector recorded negative growth.

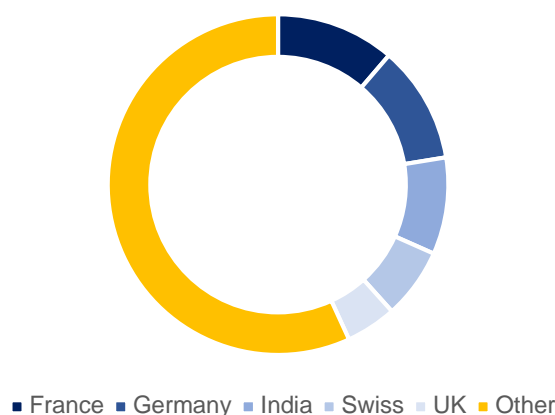
Pharmaceutical imports for the first time grew negatively for 5 years. According to the General Department of Customs, import turnover in 10M2018 decreased by 1.2% to USD 2.3 billion. The main import markets record a drop: France (-3.25% yoy); Germany (-5.96% yoy) and India (-11.5% yoy). In contrast, imports of pharmaceutical materials in 10M2018 grew by 13.4%, reaching US \$ 337 million; mainly due to the increase from China (+26.7% yoy).

Pharmaceuticals Import 2012 - 10T.2018



Source: Customs

Structure of importing countries



Source: Customs

The wave of foreign room expansion continued. DHG, TRA, PME and DBD all have changes in ownership/ownership ratio related to foreign shareholders. DHG is the second enterprise to open foreign room up to 100% and Taisho shareholder later raised its holding rate to 34.3%. TRA still remains the foreign room of 49% but welcomes new strategic shareholder - Daewoong. PME and DBD consulted shareholders in order to raise the limit of foreign ownership in the company.

The winning bid price for the first phase of 2018 decreased. According to data published by Vietnam Social Insurance, the average price of winning bid in the first period of 2018 is about 20% lower than the average price of the second bidding in 2017. The Ministry of Health said bidding prices implemented in 2019 are expected to continue to fall by 10% compared to 2018.

Business results: In 2018, the pharmaceutical industry faced negative growth. With the 15 listed pharmaceutical companies, total revenue in 9M2018 reached VND 15,533 billion (-2.2% yoy), the total profit of 9M2018 was VND 1,629 billion (-6.2% yoy). Competition is fierce among businesses, while the price of input materials increases, resulting in a decline in business results. However, we see a divergence between

businesses in OTC and ETC. Enterprises with strong points in OTC (DHG, TRA) all showed a sharp decline in business results due to (1) more competitive OTC market; (2) the product enters the mature cycle. Meanwhile, enterprises with strong strength in ETC (PME, DBD, IMP) still maintained positive growth due to increased bidding volume due to changes in mechanism and increased coverage of health insurance.

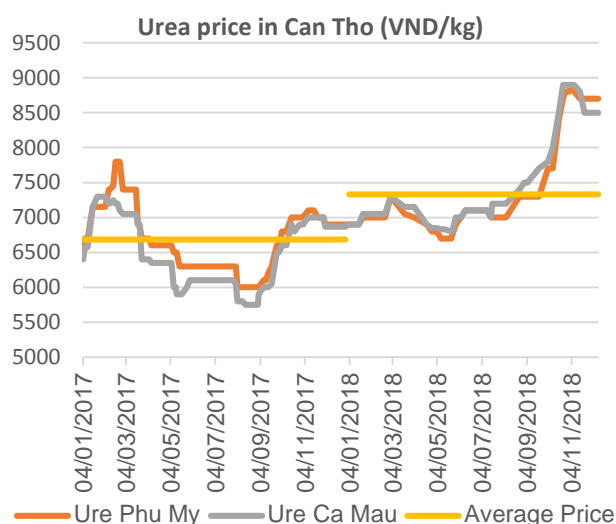
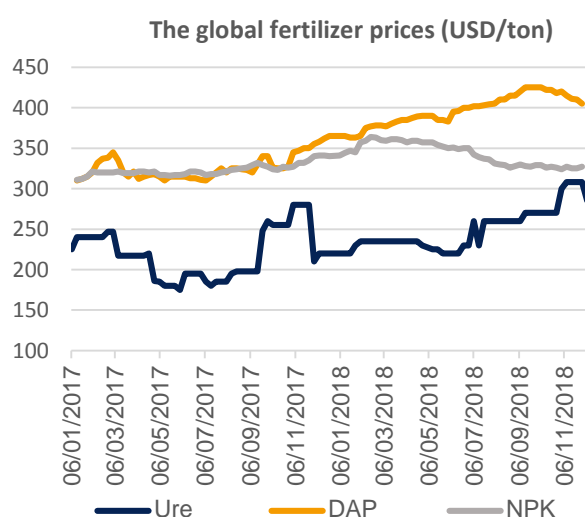
Ticker	Rev 9M2018 (VND bil)	%YoY	GPM 9M2018	GPM 9M20187	EAT 9M2018 (VND bil)	%YoY
DVN	4,290	-13.4%	8.4%	9.5%	174	-7.8%
DHG	2,669	-1.5%	44.8%	45.0%	448	-9.9%
DHT	1,282	17.8%	13.3%	14.4%	64	34.3%
TRA	1,266	-3.5%	51.3%	55.3%	103	-42.0%
PME	1,231	2.7%	47.9%	47.9%	228	6.0%
DBD	1,011	1.2%	32.4%	37.0%	127	6.0%
DMC	974	2.7%	36.5%	39.6%	163	3.2%
IMP	810	7.9%	40.6%	41.8%	99	11.6%
OPC	748	3.3%	43.7%	43.6%	73	2.6%
DBT	576	-1.7%	22.3%	22.7%	11	-11.9%
DCL	569	2.9%	26.0%	32.2%	7	-87.6%
DP3	362	44.4%	62.3%	56.4%	81	200.8%
PMC	335	4.5%	39.1%	42.2%	54	0.1%
LDP	329	-22.2%	13.5%	14.4%	-9	-162.8%
PPP	91	-7.3%	21.9%	20.6%	4	-13.4%

Source: FiinPro, BSC Research

Fertilizer 2018 [Increasing output price]

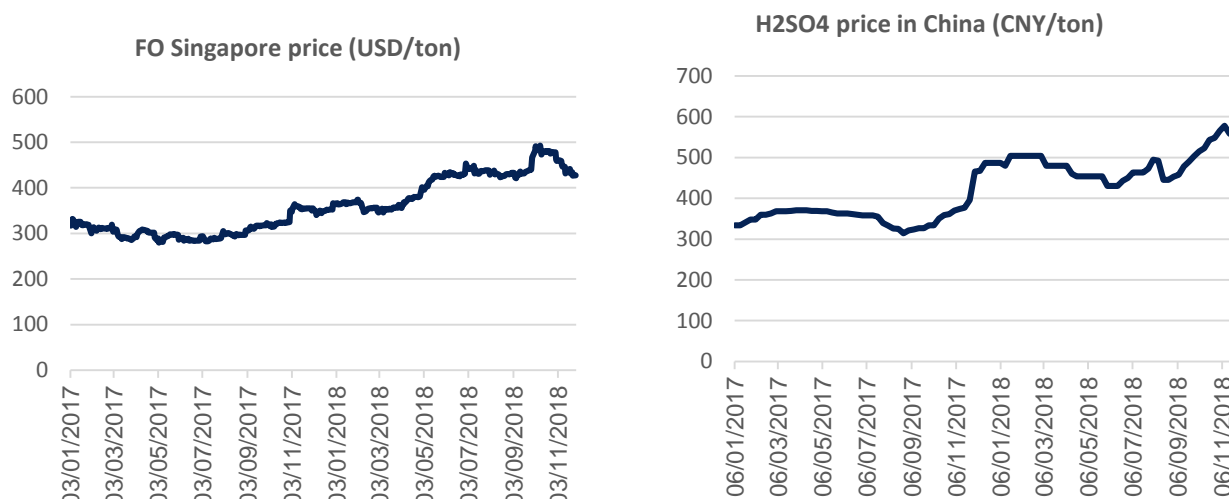
- Prices of fertilizers has been decreasing recently but the average prices in 10M2018 still increased in comparison to 2017: Urea + 14.2% YoY, DAP + 22.5% YoY, NPK + 6.5% YoY.
- Increasing raw material prices lowered the profit margin of straight fertilizers producers.
- The VAT policy for fertilizer companies has not been discussed, the plan for state divestment in some companies has not yet progressed.
- 9M2018 business results differentiated: Revenue increased in urea and combined fertilizer producers (DPM, DCM, BFC, DDV) but posed a drop in super phosphate firms (LAS, SFG)

Prices of fertilizers has been decreasing recently but the average prices in 10M2018 still increased in comparison to 2017. The average global DAP prices in 11M2018 stood at USD 397 per ton (+ 22.5% YoY), NPK +6.5% YoY, urea +14.2% YoY despite a decrease from November 2018. In Vietnam market, the average selling price increased by an average of 2,000 VND per kg (+ 25% YTD), mainly in October and November (+9-11% YoY).



Source: Bloomberg, Agromonitor

Increasing raw material prices lowered the profit margin of straight fertilizers producers. FO price increased by 32% YoY, causing a surge in natural gas price as input material for fertilizer firms. Moreover, H₂SO₄ price rose by 37.2% YoY. Input prices increased sharply in the context of marginal rise in selling price, narrowing the gross profit margin of straight fertilizer companies such as DPM (GPM drop from 25.9% in 9M2017 to 20.4% in 9M2018).



Source: Bloomberg, BSC Research

The VAT policy for fertilizer companies has not been discussed, the plan for state divestment in some companies has not yet progressed. The draft VAT policy for fertilizers is expected to reduce tax expense for businesses, but the amendment has not been discussed at the National Assembly meeting in November 2018. Besides, according to the state divestment plan, the state ownership in some fertilizer firms will be cut down below 51% such as DPM, DCM (PVN has a plan of merging these two fertilizer companies); BFC, SFG, DDV, VAF ... (belonging to Vinachem) but it has not been done yet. Therefore, we expect the process will be pushed in 2019.

9M2018 business results diverged. Revenue increased in urea and combined fertilizer producers (DPM, DCM, BFC, DDV) but posed a drop in super phosphate firms (LAS, SFG). The profits were hit due to rising inputs price as well as while the selling price has not been adjusted accordingly.

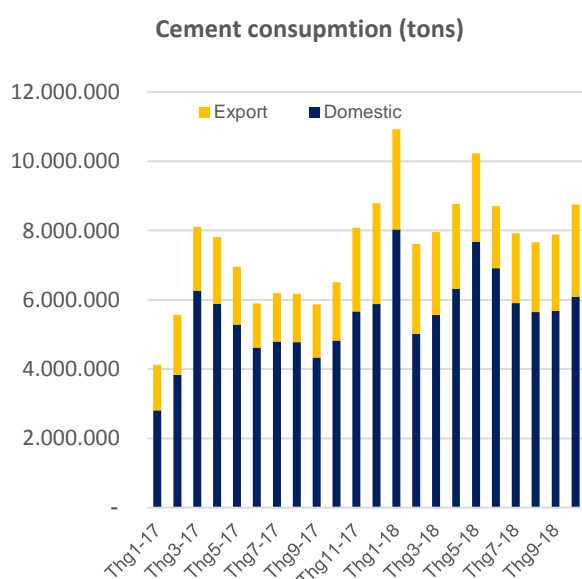
Ticker	Products	Rev 9M2018 (VND bil)	%YoY	GPM 9M2018	GPM 9M2017	EAT 9M2018 (VND bil)	%YoY
DPM	Urea	6,976	7.9%	20.4%	25.9%	560	-7.3%
BFC	NPK	5,006	4.8%	13.6%	15.2%	203	-27.5%
DCM	Urea	4,652	10.9%	25.6%	29.3%	562	-6.9%
LAS	Phosphate fertilizer	2,419	-9.8%	21.0%	20.2%	93	-24.1%
PSE	Trading	1,847	9.0%	2.7%	3.4%	8	-31.8%
SFG	NPK, Phosphate	1,687	-6.9%	10.3%	10.9%	66	-15.2%
PCE	Trading	1,680	-0.9%	2.4%	3.3%	7	-35.3%
QBS	Trading	1,671	-37.6%	4.5%	5.7%	46	-32.0%
PSW	Trading	1,618	-2.0%	2.2%	2.8%	7	-34.9%
DDV	DAP	1,576	15.2%	15.5%	5.5%	148	-558.9%
PMB	Trading	1,274	18.8%	3.9%	5.2%	14	-3.3%
VAF	Phosphate	835	-8.6%	20.1%	22.8%	49	21.3%
NFC	Phosphate	480	6.9%	15.8%	17.8%	17	2.0%
PCN	Trading	23	-14.8%	4.9%	-2.0%	-7	-4.0%

Source: FiinPro

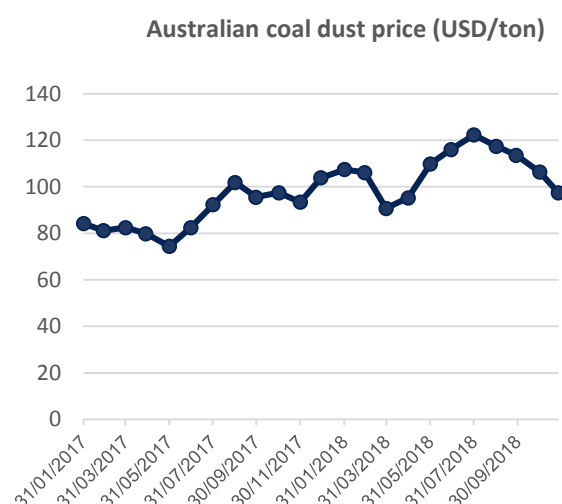
Cement 2018 [Less severe competition]

- Cement consumption in 10M2018 reached 85.23 million tons (+ 8% YoY). Estimated annual consumption is 95-96 million tons (+ 12% YoY).
- Cement selling price increased by VND 30,000-50,000 per ton (equivalent to +1.5 - 4% YTD) in the context of coal price + 22% YoY, electricity price + 2-5% YoY.
- 9M2018 business results posed a growth in revenue. The decline in operating profit in some businesses was offset by favorable movements of exchange rates as compared to 2017.

Cement consumption in 10M2018 reached 85.23 million tons (+ 8% YoY), of which domestic consumption reached 59.18 million tons (+ 17% YoY), exports of cement and clinker reached 26.05 million tons (+65% YoY). Accordingly, estimated consumption of cement and clinker in 2018 reached 95-96 million tons (+12% YoY): domestic consumption of 66 million tons (+ 10% YoY) and exportation of 29-30 million tons (+50 %YoY), export value is expected to be USD 1.17 billion. Domestic consumption grew considerably due to strong demand of construction sector, while export was supported by a slowdown in supply from China due to production cut-off and changes in VAT policy that helped reduce costs and increase competitiveness of exported cement.



Source: Department of Construction Material



Source: Bloomberg

Average selling price increased by VND 30,000-50,000 per ton (equivalent to +1.5 - 4% YTD) in the context of coal price + 22% YoY, electricity price +2-5% YoY. Although the industry is facing oversupply and fierce competition among enterprises, firms had to adjust selling price due to rising coal input price. However, the rise did not offset the increase in input prices, businesses must share a part of profits with consumers.

9M2018 business results posed a growth in revenue. The decline in operating profit in some businesses was offset by favorable movements of exchange rates as compared to 2017. The context of cement companies this year was in contrast to 2017: in 2017, EUR rose sharply against VND (VND/EUR exchange rate +14.1% YTD), which eroded the profitability of enterprises with huge loan outstanding in EUR (HT1, BCC, BTS). In 2018, VND/EUR exchange rate -3.1% YTD has eased the downward impact of the gross profit margin (from 0.5% - 3%).

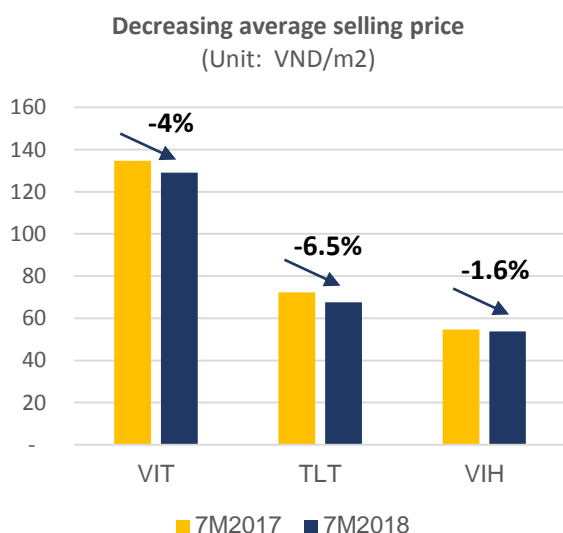
Ticker	Rev 9M2018 (VND bil)	%YoY	GPM 9M2018	GPM 9M20187	EAT 9M2018 (VND bil)	%YoY
HT1	6,060	1.3%	16.4%	16.7%	442	39.0%
BCC	2,718	4.6%	11.5%	10.9%	38	-163.2%
BTS	2,150	-4.3%	13.2%	14.4%	18	4123.4%
HOM	1,224	19.2%	10.9%	13.3%	2	23.8%

Source: FiinPro, BSC Research

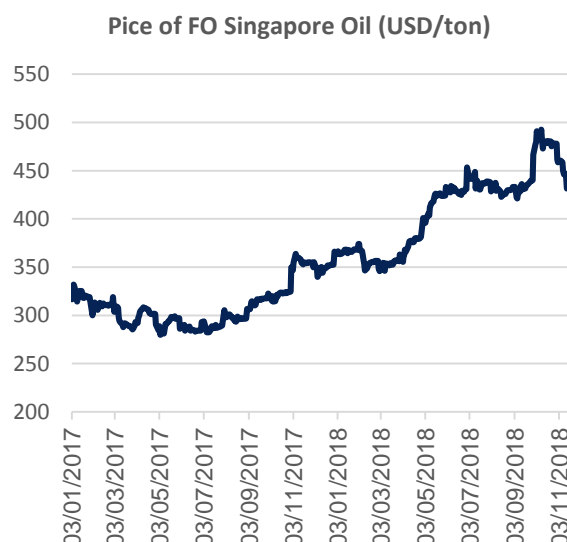
Tiles 2018 [Difficulty remained]

- Tiles industry faces oversupply, selling prices of some product types decreased by 1-7% YoY.
- Rising gas and coal prices reduced the profit margin of tiles enterprises.
- 9M2018 revenue of firms diverged but all companies recorded a decrease in profit.

Tiles industry faces oversupply, selling prices of some product types decreased by 1-7% YoY. The total designed capacity reached 700 million m² while the demand is estimated at 500-550 million m², so the usage rate of the industry is only 75-80%. According to Virac, the rate of consumption/production tends to decrease, reaching about 80% in Q1/2018, indicating the oversupply situation of the sector, which putting pressure on businesses to reduce prices.



Source: Viglacera, BSC research



Source: Bloomberg

Rising gas and coal prices reduced the profit margin of tiles enterprises. The natural gas price is closely correlated with FO price, therefore, it's under pressure to surge when FO price increased by 32% YoY and 17% YTD. This will negatively affect the profitability of enterprises as output prices cannot be adjusted accordingly due to fierce competition.

9M2018 revenue of firms diverged but all companies recorded a decrease in profit. Revenue in some companies increased thanks to expansion projects in late 2017 and early 2018 such as CVT +15.3% YoY, VIH +45.4% YoY, VIT +24.2% YoY. Meanwhile, sales of other ceramic tiles and terracotta drop considerably because of saturated market. Difficulty in rising selling prices as well as rising fuel prices eroded the profit of companies (for VGC, the gross margin of tiles segment decreased from 23.6% in 7M2017 to 21.7% in 7M2018, that of terracotta plummeted from 18.4% to 15%). It is also worth to note that the state divestment in Viglacera - the largest firm in the industry- to 36% in 2018 has not completed yet.

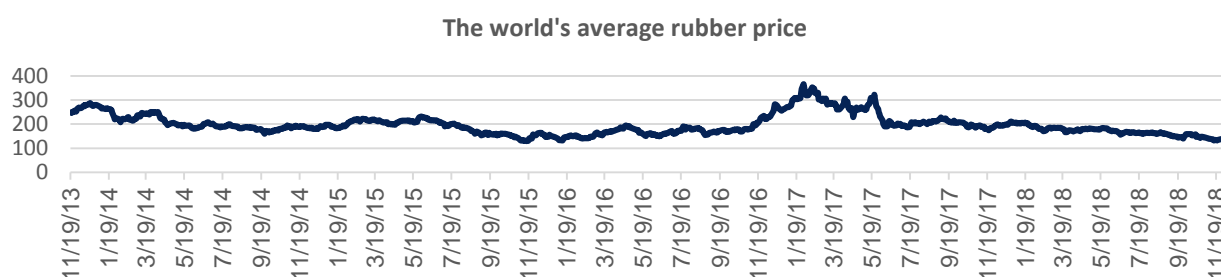
Ticker	Rev 9M2018 (VND bil)	%YoY	GPM 9M2018	GPM 9M20187	EAT 9M2018 (VND bil)	%YoY
VGC	6374	-6.3%	22.7%	23.4%	528	-17.9%
VHL	1480	-2.1%	15.2%	17.8%	98	-5.8%
CVT	987	15.5%	20.0%	24.7%	114	-12.0%
TCR	953	-3.6%	12.0%	12.8%	-72	43.9%
VIT	836	24.2%	10.2%	14.9%	19	-52.0%
VIH	377	45.4%	12.8%	20.9%	0	-100.0%
TTC	290	14.3%	13.7%	15.7%	12	-23.2%
GMX	178	15.3%	30.5%	30.6%	16	5.7%

Source: FiinPro, BSC Research

Natural rubber 2018 [Decreased selling price]

- The world's rubber price in 2018 decreased by 30% yoy.
- Accumulated in 10M2018, rubber export increased in volume (+ 13.6% yoy) but decreased in selling price (-18.6% yoy).
- 9M2018 earnings declined due to low selling price and profit mainly came from liquidation of rubber wood.

Rubber price in the world in 2018 decreased by 30% yoy. The world's average rubber price in the fourth quarter of 2018 in the world reached 144.5 JPY/kg, continued to decrease by 9.2% compared to 3rd quarter/2018 and decreased by 25.7% compared to Q4/2017 due to the oversupply situation. The average rubber price in 2018 reached 167 JPY/kg (-30% yoy) and according to ANRPC that the average prices are expected to remain at the current low level in 2019.



Source: Bloomberg

Rubber exports increased in volume but decreased in selling prices. Accumulated in 10M2018, rubber exports in Vietnam reached 1.2 million tons (+13.6% yoy) and 1.67 billion USD (-7.5% yoy), respectively. The averaged export price USD 1,368/ton (-18.6% yoy). Regarding export volume, China is still the largest rubber importer in Vietnam (reaching 762,699 tons, + 16.3% yoy and accounting for 62.9% of total export volume). However, we note that China's automobile industry growth rate is slowing (+1.5% yoy in 2017-2018) which may affect China's rubber import demand in the future.

9M2018 business results declined in revenue. In 9M2018, total revenue and NPAT of rubber companies reached VND 2,192 billion (-15.6% yoy) and VND 655 billion (+ 0.92% yoy), of which only PHR grew in EAT due to the liquidation rubber area with high price (VND 330 million/ha). Profit from rubber wood accounts for about 70% of PHR's NPAT structure, only 20% of profit comes from selling latex.

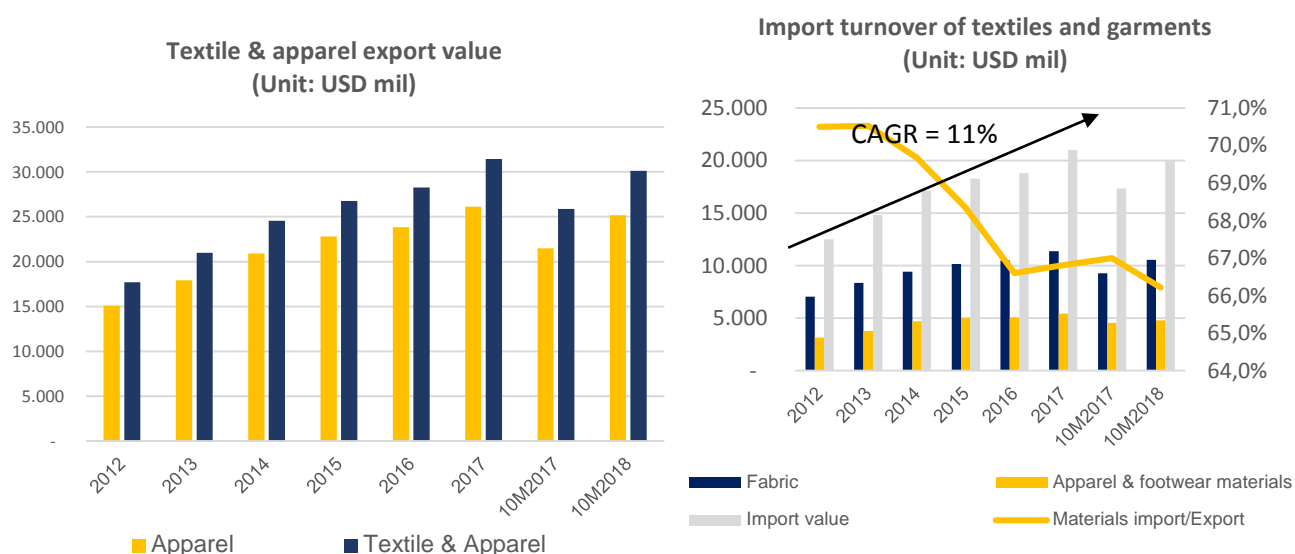
Ticker	Rev 9M2018 (VND bil)	%YoY	GPM 9M2018	GPM 9M20187	EAT 9M2018 (VND bil)	%YoY
PHR	884	-21.1%	20.2%	13.6%	397	59.5%
DPR	613	-22.2%	38.1%	34.3%	176	-15.0%
TRC	236	-13.5%	15.3%	24.1%	54	-39.4%
DRI	369	-10.9%	32.0%	44.0%	25	-75.0%
HRC	90	-13.8%	13.8%	16.9%	3	-38.4%
GVR	11,857	N/A	23.5%	N/A	1,404	N/A

Source: FiinPro, BSC Research

Textile & Apparel 2018 [Positive signal]

- Textile and apparel export value in 10M2018 reached USD 30.1 billion (+16.4% YoY), higher than the same previous period's growth of 11.1%
- The key driver for growth came from the US market (contributing 5.8% in overall growth).
- The industry has positive fundamental changes in some aspects: (1) Increasing localization rate, reducing the ratio of materials import value over export turnover from 67% to 66.2%; (2) Improve the competitiveness of domestic enterprises, reduce the contribution of FDI firms in export from 60.3% to 59.9%.
- 9M2018 operating results were positive: Revenue of listed textile and apparel companies reached VND 49,089 billion(+14% YoY), net income of VND 2,504 billion (+ 35% YoY).

Textile and apparel export value in 10M2018 reached USD 30.1 billion (+16.4% YoY), of which fiber exports reached 3.3 billion (+13.2% YoY); textile & garments reached VND 25.17 billion (+17.1% YoY). Textile and apparel exports in 10M2018 achieved higher growth rates than the same period of 2017, fulfilling 90% of the yearly plan. Vietnam Textile and Apparel Association estimated that the export turnover of the whole industry this year could reach USD 35 billion (+11.4% YoY).

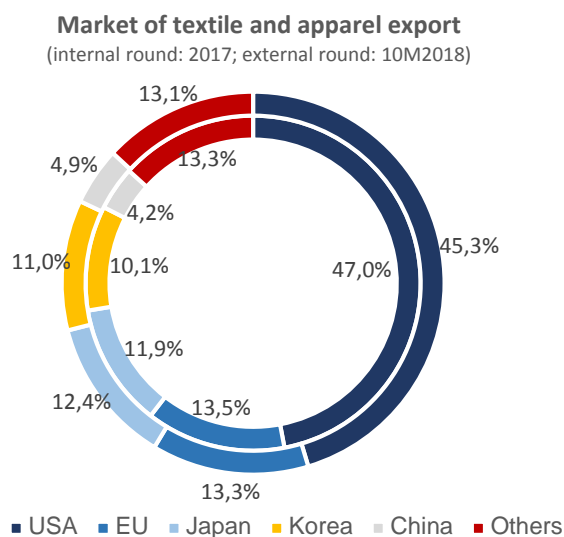


Source: Customs, BSC Research

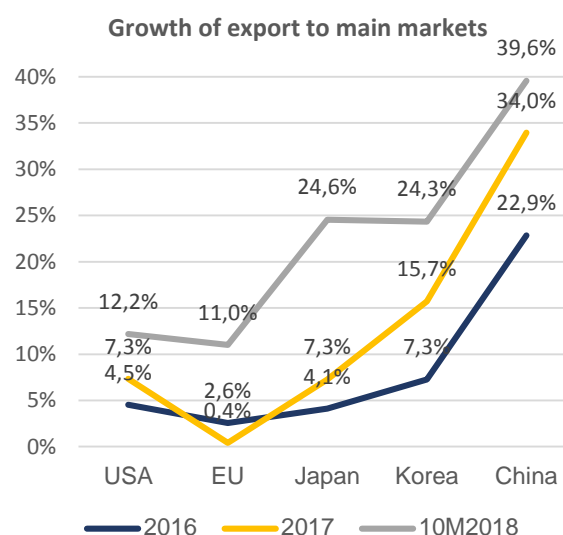
The key driver for growth in 10M2018 came from the US market (contributing 5.8% in overall growth).

- US market** (11.45 billion USD, +12.2% YoY): High growth rate in 2018 thanks to (1) recovery in US demand (+ 3.9% compared to 2017 textile import -0.5%); (2) the trend of orders shifting from China to Vietnam (based on the collected data, we believe that this trend may have occurred since 2013-2014 period rather than recently due to US-China trade war). This production movement comes from (1) increasing manufacturing costs (wages, industrial land prices) in China; (2) changes in industrial development strategy of China: more focusing on the domestic market and high added value

segments in the global value chain and gradually pushing low added value and labor-intensive outsourcing activities to Southeast countries.



Source: Customs, BSC Research



- Northeast Asia Market:** Since VKFTA came into effect (12/2015), garment export turnover to Korea has continuously increased both in absolute value and growth rate. Among the main markets of Vietnam's textile and garment exports, China witnessed the fastest growth of +39.6% YoY, marking the 3rd consecutive year of growth above 20%, reinforcing the conclusion about the movement of the textile and apparel outsourcing out of China.
- EU market** (3.35 billion USD, +11% YoY): High growth rate in 10M2018 was thanks to recovery in consumer demand, relatively low turnover of 2017 (instability in the region makes EU apparel imports in the period 2016-2017 only rose by 0.9% compared to 9% in the period 2014-2015).

The industry has positive fundamental changes in some aspects:

(1) Increasing localization rate: Import turnover of cotton, fiber, fabrics and textile materials and accessories reached 19.936 billion USD (+ 15% YoY), lower than the growth rate of export turnover. The ratio of import of materials/textile exports was over 66% but tends to decrease, reflecting that the localization rate is improving.

(2) Competitiveness and scale of Vietnamese textile enterprises are improved. The contribution of FDI enterprises in textile and garment export turnover in 10M2018 decreased to 59.9% from 60.3% in 10M2017, especially in fiber and yarn segment. This can be seen as a good signal for the industry for reducing the dependence of growth on FDI group.

9M2018 business results were positive: Total revenue of listed textile and garment firms reached VND 49,089 billion (+14.1% YoY), net income of VND 2,504 billion (+35.2% YoY). Strongest growth in revenue was recorded in TNG (+ 47.6% YoY) thanks to strong export orders, EVE (+27.1% YoY) thanks to the effective marketing policies in 2017 and STK (+ 24.4% YoY). In terms of profit, many businesses recorded high growth rates such as MSH (+ 101.2% YoY), EVE (+ 85% YoY), STK (+ 96.4% YoY) thanks to changing revenue structure and improving efficiency

Ticker	Rev 9M2018 (VND bil)	%YoY	GPM 9M2018	GPM 9M20187	EAT 9M2018 (VND bil)	%YoY
VGT	14,441	10.7%	10.0%	9.4%	671	31.0%
VGG	7,424	16.8%	11.3%	11.7%	350	15.3%
HTG	3,365	14.6%	8.7%	8.3%	81	90.6%
MSH	2,985	21.1%	19.4%	16.1%	273	101.2%
TCM	2,827	15.4%	17.6%	15.9%	213	25.1%
TNG	2,727	47.6%	17.5%	17.3%	130	49.0%
PPH	2,644	24.3%	9.1%	11.3%	184	3.7%
M10	2,176	-3.2%	15.5%	14.7%	43	7.0%
TVT	1,826	-9.0%	11.5%	10.8%	85	23.5%
STK	1,781	24.4%	14.3%	10.4%	131	96.4%
GMC	1,504	24.3%	17.2%	15.8%	105	64.6%
EVE	825	27.1%	32.6%	33.4%	60	85.0%

Source: FiinPro

Seaport 2018 [Restructuring to welcome opportunities]

- The volume of cargo through seaport in 11M2018 reached 478.4 million tons, up 19% compared to the same period of 2017.
- Improved import and export support seaport operations.
- 9M2018 business results: Seaport's revenue grew steadily but gross profit margin decreased due to price competition.

The volume of cargo through seaport in 11M2018 reached 478.4 million tons, up 19% over the same period last year. According to Vietnam Maritime Administration, the volume of cargo through seaports increased thanks to the dry cargo volume increased to 247.8 million tons (+34% YoY), container goods increased to 163.6 million tons (+ 10% YoY) and liquid goods with 66.3 million tons (+ 15% YoY). Particularly in November 2018, the volume of goods through seaports reached over 43 million tons (+ 20% YoY).

Improved import and export support seaport activities. The seaports in Quang Nam have the strongest increase in cargo through of 2.6 million tons (+ 132% YoY), mainly of dry and aggregate cargo (machinery and equipment for industrial park construction Chu Lai); Ha Tinh seaport continues to increase to 22.5 million tons (+ 100% YoY), mainly dry goods such as coal and ore imported for Formosa factory. The ports with the largest cargo throughput of the port are Ho Chi Minh City, Hai Phong, Quang Ninh and Vung Tau (from 65.9 million tons to 92.9 million tons).

9M2018 business results: Seaport's revenue grew stably but gross profit margin decreased due to price competition. 9M2018 revenue of 31 major port companies listed on HOSE, HNX and UPCOM reached VND16,434 billion (+ 7% YoY) and net income reached VND 4,296 billion (+ 30% YoY), if excluding financial revenue from semi-public GMD's subsidiary, after-tax profit fell to VND 2,780 billion (-16% YoY). Gross profit margin of the port industry decreased slightly to 28.4% in 9M2018 from 28.93% in 2017 mainly due to the avoidance of fierce competition in Hai Phong area, which caused enterprises to lower the service price frame to attract firms ship.

Thereby, we have the following notes (1) Hai Phong area, the ports located in front of the Bach Dang bridge downstream have an increase in container loading and unloading capacity and landing vessels such as Nam Hai Dinh Vu Port, Vip Green Port and Dinh Vu Port, due to the amount of goods transferred from upstream to downstream ports (2) HCMC and MOT area have just decided to re-plan ICD port in Ho Chi Minh City and immediately implement the project. Cai Mep - Thi Vai navigable channel thus affects the revenue of some southern ports.

Ticker	Rev 9M2018 (VND bil)	%YoY	GPM 9M2018	GPM 9M2017	EAT 9M2018 (VND bil)	%YoY
GMD	1,998	-30%	38%	27%	1,727	360%
PHP	1,559	-5%	34%	36%	412	14%
VSC	1,244	30%	30%	32%	261	37%
SGP	949	16%	37%	36%	235	30%
HAH	764	45%	20%	27%	113	2%
CDN	517	18%	36%	36%	121	20%
PDN	487	30%	31%	32%	88	26%
DVP	467	1%	53%	52%	226	1%

Source: FiinPro, BSC research

Tires 2018 [Improved profit]

- Accumulated in 10M2018, sales volume in Vietnam was -0.62% yoy.
- High competition with China and FDI enterprises.
- Compared to the same period of 2017, the raw material price of tire companies tends to decrease, but the price of black coal needs to be monitored carefully. (natural rubber -20%, artificial rubber -30%, black coal price +35%).
- Gross profit margin improved compared to the first 2 quarters, however, it is necessary to monitor more about raw material price movements.
- 9M2018 business results declined compared to the same period, however, there was a recovery in quarter 3/2018.

Accumulated in 10M2018, the consumption of cars in Vietnam was stable compared to the same period (-0.62% yoy), reaching 221,616 vehicles. In particular, the volume of assembled cars reached 174,512 vehicles (+9.475 yoy), imported cars reached 47,104 vehicles (-25.92% 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). Therefore, we expect that in the future, the consumption of cars will increase rapidly to support the growth of the tire industry.

High competition with China (50% of Radial tire market share) and FDI (large capacity, increasing output sold in Vietnam). Currently, Vinachem is proposing to the Ministry of Industry and Trade to tighten the quality management of imported automobile tires to reduce the supply of poor quality tires from China.

The world's rubber prices continued to fall by 9.2% qoq compared to 2Q2018 (as mentioned in the rubber industry). Compared to the third quarter of 2017, the price of natural rubber decreased by 20%, the price of artificial rubber decreased by 30% to support the improvement of the gross profit margin of enterprises. (Rubber accounts for about 50% of raw material's cost of tire manufacturers). However, we note that investors need to closely monitor the price of black coal. Currently, the price of black coal surged over the same period (+35% yoy), causing the influence of LNG of enterprises (black coal accounts for about 15% of NVL price).

Gross profit margin can be improved, however, it is necessary to monitor more about raw material price movements. (1) input rubber prices continue to fall, other raw material tend to decline in price and (2) DRC has put the Radial Phase 2 factory into operation to reduce depreciation costs on one product. In the long term, we expect DRC will reduce depreciation expense of a production by 30% -40% due to doubling capacity at Radial factory when operating at full capacity. However, we recommend that investors should monitor oil price movements (directly affecting the price of chemicals and black coal, part of artificial rubber).

9M2018 business results declined compared to the same period, however, there was a recovery in quarter 3/2018. In 9M2018, net revenue and NPAT of tire companies reached VND 6,074 billion (+2.83% yoy) and VND 135 billion (-35.71% yoy). However, in 3Q2018, Revenue and NPAT of tire companies increased by +8.43% yoy and +17.01% yoy due to the decrease in raw material import price. We expect that in the fourth quarter of 2018, the profit of enterprises will continue to be improved due to the low price of raw material.

Ticker	Products	Rev 9M2018 (VND bil)	%YoY	GMP 9M2018	GMP 9M2017	EAT 9M2018 (VND bil)	%YoY
DRC	Automotive truck tires, all- steel radial	2552	-3.40%	12.40%	13.00%	106	-18.80%
CSM	Car tires, Radial steel sale	2819	9.60%	10.30%	12.10%	11	-77.20%

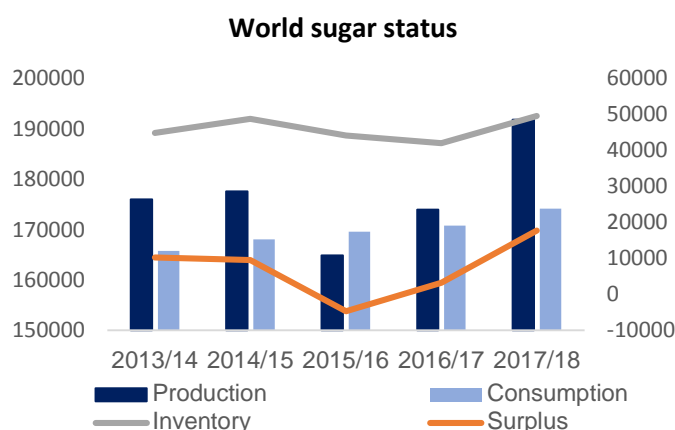
Source: FiinPro, BSC research

Sugar 2018 [A year of bitter sugarcane]

- The world's sugar supply in 2017/18 reached 17.6 million tons, that is the highest level in the past 5 years
- The average world sugar price dropped sharply by 32.3%, around 12.53 cents/lb
- Domestic sugar production is 1.4 million tons (+17% yoy), the situation of smuggling is complicated and ending inventories increase by 12%.
- The domestic sugar price is still in downward trend, fluctuating at VND 10,500 - 12,400 / kg.
- ATIGA Agreement for products delayed until the end of 2019.

International market

The supply of sugar in 2017/18 is the highest in the last 5 years, reaching 17.6 million tons (+ 351.5% yoy). Quantity of sugar production grew sharply, reaching 191.81 million tons of sugar (+ 10.3% yoy) thanks to a strong increase in India's output (+ 46.1% yoy) and Thailand increases 36.8% yoy due to the increase in sugarcane yield. Meanwhile, demand only increases slightly by 1.9% yoy, to 174.12 million tons. Sugar inventories surged again after two consecutive years of decline, reaching 49.5 million tons (+ 18.1% yoy). Therefore, the average price of sugar in 2017/18 decreased sharply by 32.3% from the previous season, around 12.53 cents/lb.



Source: USDA



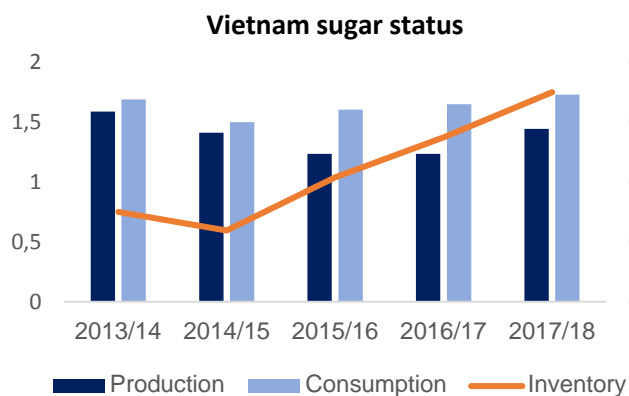
Source: Bloomberg

Domestic market

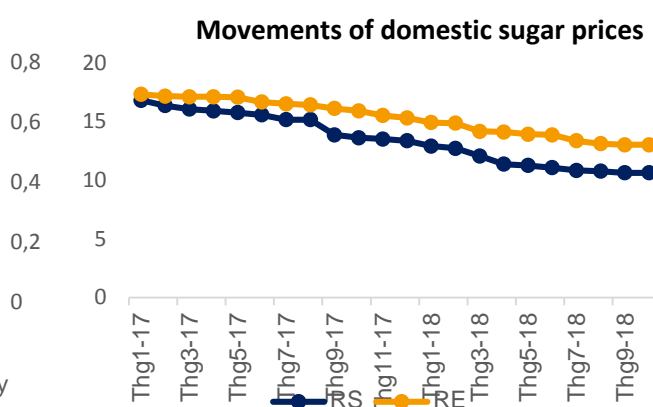
At the end of the 2017/18, sugar production reached 1.4 million tons (+17% yoy) (of which RE sugar reached 631,485 tons). Sugar import quota for this season is 94,000 tons (+ 5% yoy), but smuggled sugar is up to 500,000 tons, making difficulty for domestic sugar companies. As of August 15, sugar inventory was at 622,040 tons (+12.2% yoy), which was the fourth consecutive year that sugar inventories have increased.

Domestic sugar prices in mid-October remained in a downward trend, fluctuating VND 10,500/kg (-29.24% yoy) with RS sugar and VND 12,400/kg (-20.12% yoy) with RE sugar. Although domestic sugar prices have approached Thai sugar prices, consumption at factories is still slow due to high inventory levels in 2016/2017 (~ 550,000 tons of sugar) while smuggled sugar status has not yet been controlled.

Delay the implementation of ASEAN Trade in Goods Agreement (ATIGA) for sugar products. According to the report of the Sugar Association, the Government agreed to continue applying the tariff rate quota on sugar products to the end of 2019. From 2020, after implementing the ATIGA Agreement, tariffs on the face Imported sugar from ASEAN countries will be reduced from 5% to 0%.



Source: BSC Research



Source: BSC Research

Business results for the 2017/2018 session. Except for SBT with strong business results due to consolidation with BHS, the remaining businesses have sharp decline in profits, reflecting the industry's difficulties. Lower selling prices along with slow consumption demand negatively impacted business ability of enterprises.

Ticker	Rev 2017/18 (VND bil)	%YoY	GPM 2017/18	GPM 2016/17	EAT 2017/18 (VND bil)	%YoY
SBT	4,606	34.7%	12.4%	12.3%	549	79.4%
LSS	1,451	-38.8%	11.3%	13.8%	3	-97.8%
SLS	600	11.7%	26.2%	36.5%	115	-29.4%

Source : Fiinpro

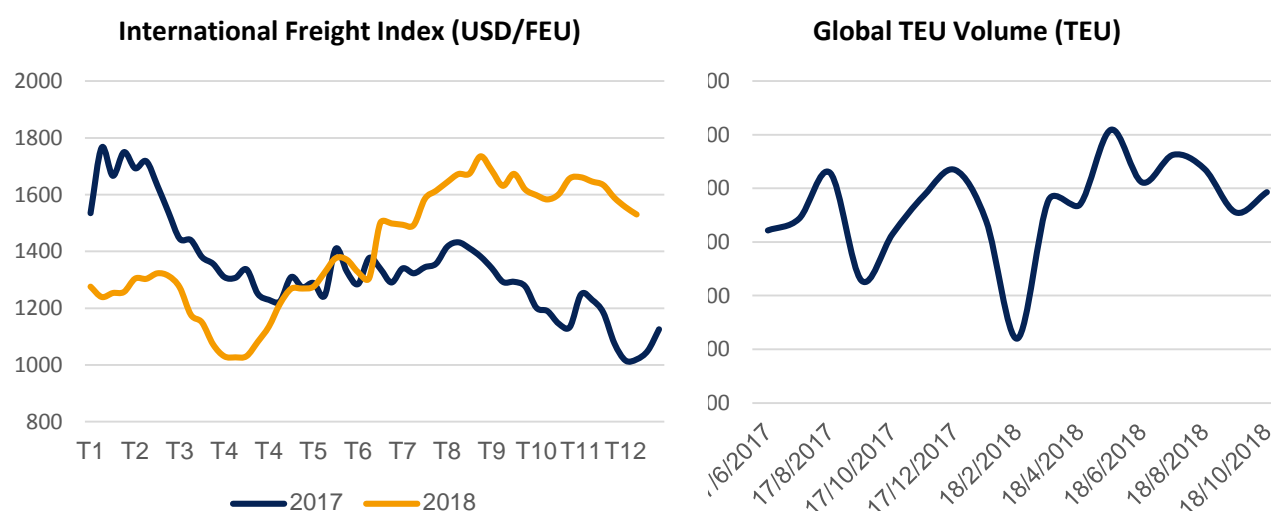
Marine Transportation 2018 [Improved gross profit]

- Vietnam sea and inland waterway transport in 11M2018 increased steadily + 6.4% to 7.3% compared to the same period in 2017.
- The international transport market is warming but the charter rate is still low.
- 9M2018 business results: Profit of most shipping companies has improved but there are still many difficulties.

Vietnam sea and sea freight transport in 11M2018 increased steadily + 6.4% -7.3% compared to the same period in 2017. The total value of national cargo transport in 11M2018 reached 1.492 million tons (+ 9.8% YoY). Particularly, freight transport by internal waterways accounted for 17.7% of the total transport value, equivalent to 264 million tons (+7.3% YoY) and cargo transportation by sea accounted for 4.8%, equivalent to 71.2 million tons (6.4% YoY).

According to the decision 2227, the implementation plan of the Prime Minister's directive on October 11, 2018, the plan to develop maritime transport services synchronously with the seaport system, focusing on effectively exploiting the domestic shipping routes will be from 2018-2020 to reduce road load, contributing to reducing costs and improving transportation output. Thereby, we highly appreciate the prospects of the shipping industry in the medium term to solve the problem of increasing circulation of goods.

The international transport market warms up but the freight rate is still low. According to Alphaliner, charter rates for most vessel sizes benefit from the recovery of demand, but rental prices decreased due to the excess of special tonnage of LCS vessels (8,300-7,499 TEU) and panamax ships (4,000 TEU). In addition, we note that container freight rates have increased well to \$ 1,589/FEU (+ 56% YoY) based on freightors due to increasing transport demand between two trans-Pacific maritime routes, China - East Coast and North America.



Source: Freightos, Container Statistics

9M2018 business results: Profit of most shipping companies has improved but there are still many difficulties. Revenue of 17 listed companies on HOSE, HNX and UPCOM in the shipping industry is 14.153 billion dong (+ 20% YoY) and gross profit is 1.394 billion dong (+ 66% YoY) because the 9M2018 net revenue

of many companies have improved significantly while in 2017 COGS was higher than revenue that makes negative gross profit margin, 9M2018 profit margin reached 9.85% (+7.14% yoy). However, the EAT of the marine transportation sector fell sharply to VND 1,158.5 billion (-55% YoY) due to the increase in interest expenses, sales and business management costs

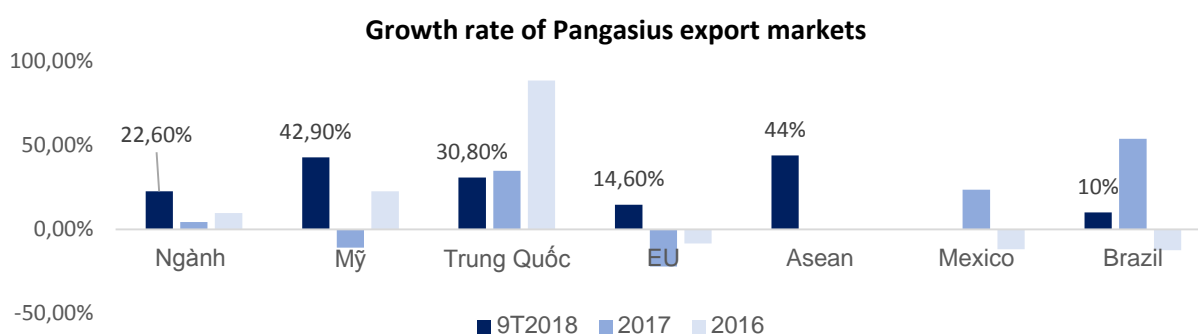
Ticker	Rev 2017/18 (VND bil)	%YoY	GPM 2017/18	GPM 2016/17	EAT 2017/18 (VND bil)	%YoY
PVT	5,611	26%	12%	11%	505	63%
VTO	1,160	23%	16%	17%	70	-5%
GSP	1,234	37%	7%	7%	49	35%
VIP	591	9%	26%	22%	64	35%
PJT	426	-4%	14%	13%	29	-2%
VOS	1,232	12%	3%	-8%	-104	-55%
VNA	549	40%	6%	-9%	15	-117%
VFR	158	1%	2%	-8%	-7	-111%

Source: FiinPro, BSC research

Aquaculture 2018 [Pangasius Queen]

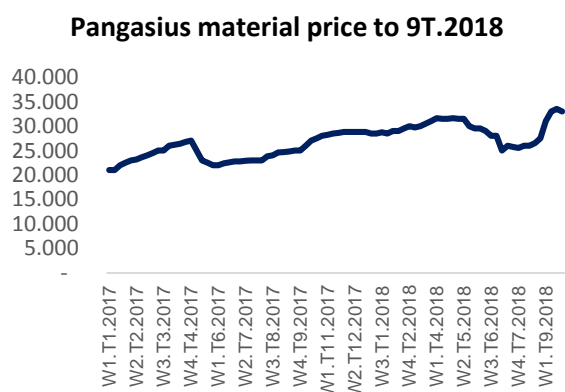
- Pangasius exports in 9M2018 reached US \$ 1.59 billion, up 22.6% yoy.
- Raw material of Pangasius price fluctuated around VND 33,000 - 35,000 / kg, up by 35% yoy; while the fingerlings price continued to increase.
- The official tax rate for shrimp exported to the US during the POR12 period is 4.58%. The national preliminary tax rate for pangasius exported to the US during the POR 14 period is 2.39 USD/kg.
- In 9M.2018, 6 seafood companies reported revenue of VND 30,105 billion (+ 15.7% yoy) and net income of VND 2,753 billion (+ 117.4% yoy).

Pangasius export 9M2018 was estimated at US \$ 1.59 billion (+22.6% yoy), of which, in August, the whole country exported about 185 million USD, up 30% yoy. China has surpassed the United States as the largest pangasius export market, with 9M2018 turnover reaching 376.8 million USD (+ 30.8% yoy). In addition, the turnover export to the United States reached 369.1 million USD (+ 42.9% yoy).



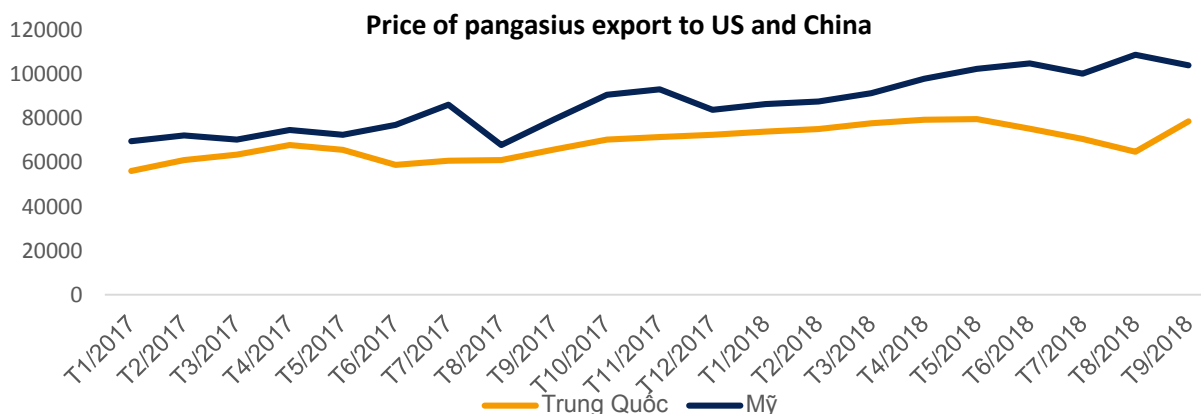
Source: Vasep

Raw material of pangasius prices fluctuate strongly, affecting manufacturing activities. Pangasius raw material in September traded around VND 33,000 - 35,000 / kg, a strong increase compared to the same period of VND 25,000 - 26,000/kg. Pangasius fingerlings price in September continued to increase, currently fluctuating around VND 65,000 - 72,000 /kg. Fingerling prices fluctuations are quite large due to low quality fish fingerling supply while demand is very high.



Source: BSC Research
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The average export pangasius price of 9M2018 increased by 25-30% yoy. At the end of August, the price of pangasius fillet exported to the US reached 4,520 USD/ton (+22% yoy), the price of pangasius drilling butterfly fish exported to China reached 2,250 USD / ton (+ 25% yoy). Positive effects from the trade war, and high demand in most markets help pangasius businesses benefit greatly.



Source: Customs

Anti-dumping tariffs for Vietnamese seafood into the US. On September 10, 2018, the US Department of Commerce (DOC) announced the official tariff for Vietnamese shrimp during the POR12 period, whereby all shrimp exporters to the US (eg FMC, MPC) will bear the tax rate is 4.58%, lower than the preliminary 25.39% tax rate. Regarding pangasius products, on September 13, 2018, the DOC issued a preliminary decision on the anti-dumping tax rate of POR14 with the national tax rate of 2.39 USD/kg (down from 3.87 USD/kg in POR13). Vinh Hoan Joint Stock Company (VHC) and East Sea TS Joint Stock Company still receive the same tax rate of 0 USD/kg and 0.19 USD/kg respectively. Notably, Hung Vuong Group (HVG) and NTSF Seafood Joint Stock Company (NTSF) enjoy their own tax rates of USD 0/kg and USD 1.37/kg respectively.

9M2018 business results Aquaculture enterprises recorded strong growth in 9M2018 business results. Notably, gross profit margins of businesses are at peaks because selling prices increase faster than input costs. Large demand in export markets (US, China, Asia) while supply of pangasius material is insufficient to facilitate export price increase.

Ticker	Rev 2017/18 (VND bil)	%YoY	GPM 2017/18	GPM 2016/17	EAT 2017/18 (VND bil)	%YoY
MPC	12,518	15.6%	13.8%	11.6%	681	58.1%
VHC	6,569	9.6%	22.4%	13.7%	1,036	153.1%
IDI	4,265	12.8%	16.7%	11.8%	462	105.7%
FMC	2,828	16.8%	9.1%	8.7%	119	27.5%
ANV	2,735	30.0%	15.7%	13.3%	308	253.5%
ACL	1,190	34.3%	24.4%	15.8%	147	596.2%

Source: Fiinpro, BSC Research

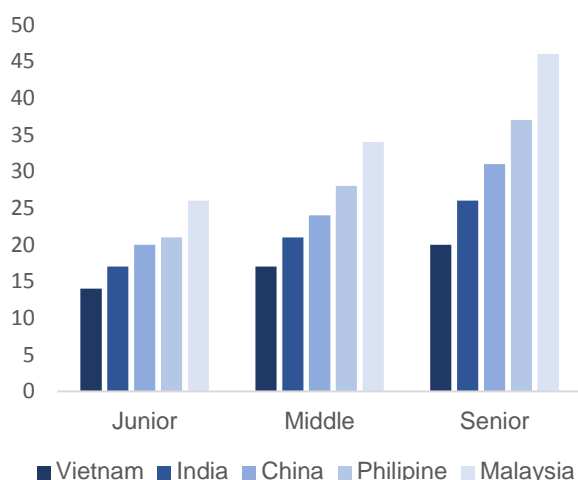
Technology 2018 [Maintaining growth rate]

- In 9M2018, telecommunication revenue was estimated at VND 284.7 trillion (+ 5.9% yoy). The number of mobile phone subscribers reached 121.5 million, the number of fixed broadband internet subscribers reached 13.4 million
- Vietnam continues to be the first choice to provide software outsourcing services in the Asia-Pacific region
- Viettel Post Corporation and Viettel International Investment Corporation listed on UPCom

Telecommunication revenue in 9M2018 is estimated at VND 284.7 trillion, up 5.9%. Third quarter revenue was 96.4 trillion dong, 7.3% higher than the same period last year. By the end of September 2018, the total number of telephone subscribers was estimated at 126.5 million, up 0.7% yoy, of which mobile subscribers reached 121.5 million, up 2.5%; Fixed broadband internet subscribers are estimated at 13.4 million subscribers, up 25.3%.

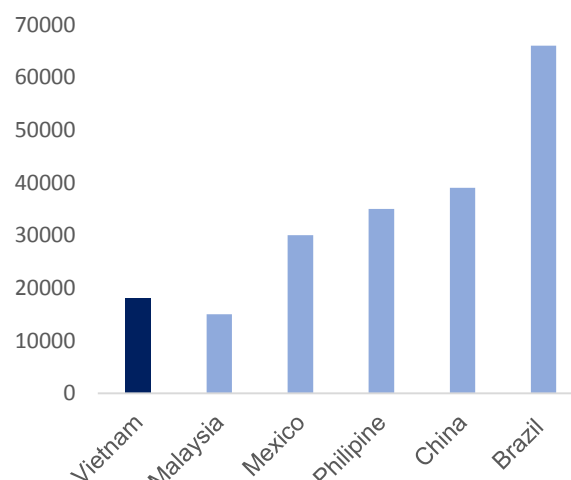
In 2018, Vietnam continues to be the first choice to provide software outsourcing services in the Asia-Pacific region by Agile Engine rankings. Low wages compared to the region remain Vietnam's biggest advantage in the Software Outsourcing Sector.

Average wage in selected countries



Source: Agile Engine

Number of developers



Source: Agile Engine

In 2018, two corporations operating in the field of Post and Telecommunications listed on UPCom: VTP (Viettel Post Corporation) and VGI (Viettel International Investment Corporation). Both companies attract investors' interests because of their firm position in the field of operation. VTP currently accounts for 25.7% of the postal market share, ranking second after VNPost with the average profit growth rate in the period of 2012 - 2017 reaching 54%/year. VGI is currently investing in 9 overseas markets with the largest market share at 6/9 markets. Although profit recorded loss as the company continued to expand its investment plan, the average revenue growth rate in 2012 - 2017 was 13%/year under the condition of saturated world telecommunications industry.

Business results: As there is no merger with FPT Retail JSC and JSC Synnex FPT, FPT recorded negative revenue growth. However, according to the comparable comparison method, FPT increased its revenue and NPAT respectively by 21% yoy and 31% yoy, contributing mainly from Software Export Services. On the other side, Software segment of CMG is slowing down as the company focuses on developing foreign markets.

Ticker	Rev 2017/18 (VND bil)	%YoY	GPM 2017/18	GPM 2016/17	EAT 2017/18 (VND bil)	%YoY
VGI	12,432	-4.0%	27.8%	22.6%	-812	n.a
VTP	3,238	9.5%	11.3%	8.3%	193	59.3%
FPT	16,261	-46.1%	37.8%	22.9%	2,302	17.8%
CMG*	2,459	2.6%	15.8%	15.2%	109	-8.4%

Source: FiinPro, BSC Research

*: CMG has a fiscal year starting at April 1

Disclosure

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