



BIDV SECURITIES COMPANY

SECTOR OUTLOOK 2021

Table of contents

| | |
|---|----|
| 1. 2021 Market outlook | 3 |
| 2. Economic cycle and acceptable level of industry valuation..... | 7 |
| 3. Key policies and information affecting sectors in 2021 | 8 |
| 4. 2021 Sectors outlook | 11 |
| I/ Vaccine – the savior of the economy and stock market | 11 |
| II/ In spite of high and continuously growing gas demand, the gas supply is still in short supply, which limits growth in both oil and electricity (produced from gas) sectors..... | 12 |
| III/ Accelerating infrastructure investment – Freeing up the real estate supply to promote growth | 13 |
| 5. Collection of recommendations for 2021 | 15 |
| I/ Vaccine – the savior of the economy and stock market | 17 |
| Banking Industry [Positive] | 21 |
| Consumer – Retail Industry [Positive] | 26 |
| Rubber and Tire Industry [Neutral] | 32 |
| Textile Industry [Neutral] | 34 |
| Pharmaceutical Industry [Neutral] | 36 |
| Sugar Industry [Neutral] | 38 |
| Fisheries and Aquaculture [Neutral] | 40 |
| Aviation Industry [Neutral] | 43 |
| Automotive Industry [Neutral] | 45 |
| II/ Demand for gas is high, continuously growing, but gas supply is still in short supply, leading to a limitation on growth in both oil and gas sectors..... | 47 |
| Petroleum – Fertilizer industry [Neutral] | 49 |
| Electricity Industry [Neutral] | 54 |
| Real Estate Industry [Positive] | 64 |
| Industrial Park – Real Estate Industry [Positive] | 70 |
| Port Industry [Positive] | 72 |
| Steel Industry [Positive] | 75 |
| Plastic Industry [Neutral] | 79 |
| Construction Industry [Neutral] | 81 |
| • Total construction industry value reached VND 261 trillion, up +6.8% YoY thanks to the government's efforts to disburse investment..... | 81 |

- The value of Vietnam's construction industry will maintain growth at 6.7%-7.2% in 2021-2028, contributing about 6% to Vietnam's GDP. 81
- The period of 2021-2025 will be the year to build big projects in Vietnam. 81
- Cement Industry [Neutral]** 83

1. 2021 Market outlook

Over the years, BSC often offers investment topics, general assessments of possible opportunities, providing investors with more options throughout the year. 2021 is a relatively special year compared to any other year, after experiencing the black swan event "Covid-19" that caused the economy to experience the sharpest recession since the 2008 recession. (1) Production chain disruption, (2) Stagnation of trade activities, (3) Wave of dissolution from SM&E enterprises and high unemployment, (4) Expected negative global GDP growth are the negative impacts- on the world economy in 2020. In that context, what has Vietnam done and how to overcome the above influences?

2020: Vietnam - The bright star of the region in the middle of the night sky ([Details of 2021 macro report](#)).

In 2020, in spite of the negative impacts of Covid-19 on the global economy, Vietnam still achieved encouraging achievements such as:

- One of the countries with the best control of the Covid-19 pandemic and the lowest number of social distancing periods (only 4 weeks).
- GDP maintains a positive growth rate of 2.9% in 2020 with measures and efforts to revive the economy such as (1) Reducing interest rates, (2) Promoting public investment to accelerate economic growth.
- Production and trade quickly recovered in a V-shaped pattern to the level of pre-pandemic parity.
- Promote participation in bilateral and multilateral trade agreements such as EVFTA, RCEP, UKVFTA.

2021: Vietnam – “New Normal – New Game” ([Details of 2021 macro report](#))

- GDP growth recovers strongly, expected to reach 6.3%, accompanied by (1) Recovery of foreign goods demand, (2) Prospect of increasing FDI, estimated to increase by 8.4% in 2021,
- The macro-supportive policy continues to maintain: (1) Stimulate macro by fiscal policy, (2) Credit growth is expected to reach 14%, (3) Disbursement of public investment is 462.3 trillion.

For 2021, BSC gives a POSITIVE view of the market in general and provides the following main influencing factors, which promotes market growth.

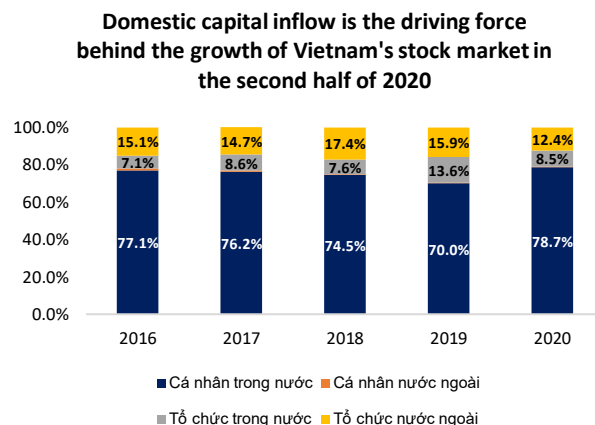
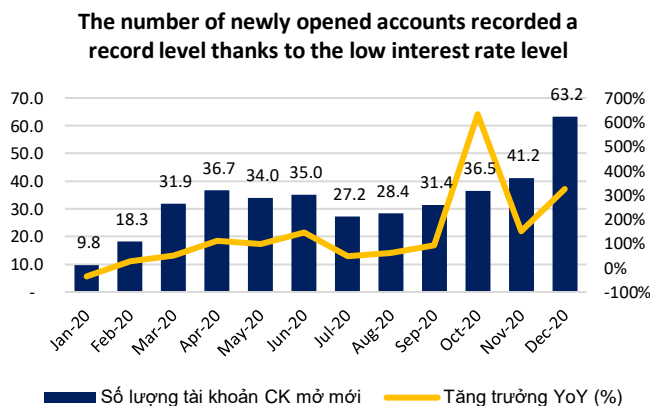
Firstly, mobilize global financial investment capital flows to emerging markets through ETFs and market upgrade opportunities. 2021 is considered an important pivotal year in terms of structural and qualitative changes towards a new development phase of the stock market with the revised Securities Law, the Enterprise Law 2020 and the Investment Law 2020 will be officially applied simultaneously from 01/01/2021. This will help (1) create a business environment in line with international standards, (2)

improve transparency, (3) avoid overlapping, thereby removing many obstacles in foreign investment activities, (4) introduce new important products such as T+0 trading, pending securities sales, non-voting depositary receipt (NVDRs), future and option contracts.

The above changes are the premises to help Vietnam's stock market satisfy the criteria for market upgradation. BSC expects that the Vietnamese market will be upgraded by FTSE in September 2021 and by MSCI in the period of 2023-2025. However, the speed of market upgrading will depend heavily on the speed and efforts of the agencies. ([Details of 2021 macro report](#)). We also believe that a stable macro foundation, good corporate financial health, and recovering industry profit growth will be the driving force to attract foreign financial investment flows into the Vietnamese market.

Secondly, the dual motivation from domestic private capital flows and low-interest rate environment.

The year 2020 also marks a new milestone with the strong participation of individual investors, especially the new group of F0 investors. Specifically, December recorded a record number of new accounts opened at more than 63,243 accounts, 56% higher than that of March 2018 (the time when the latest high was recorded) and the highest level from before to now. In 2020, domestic individuals accounted for 78.7% of total transaction value, up from 70% in 2019.

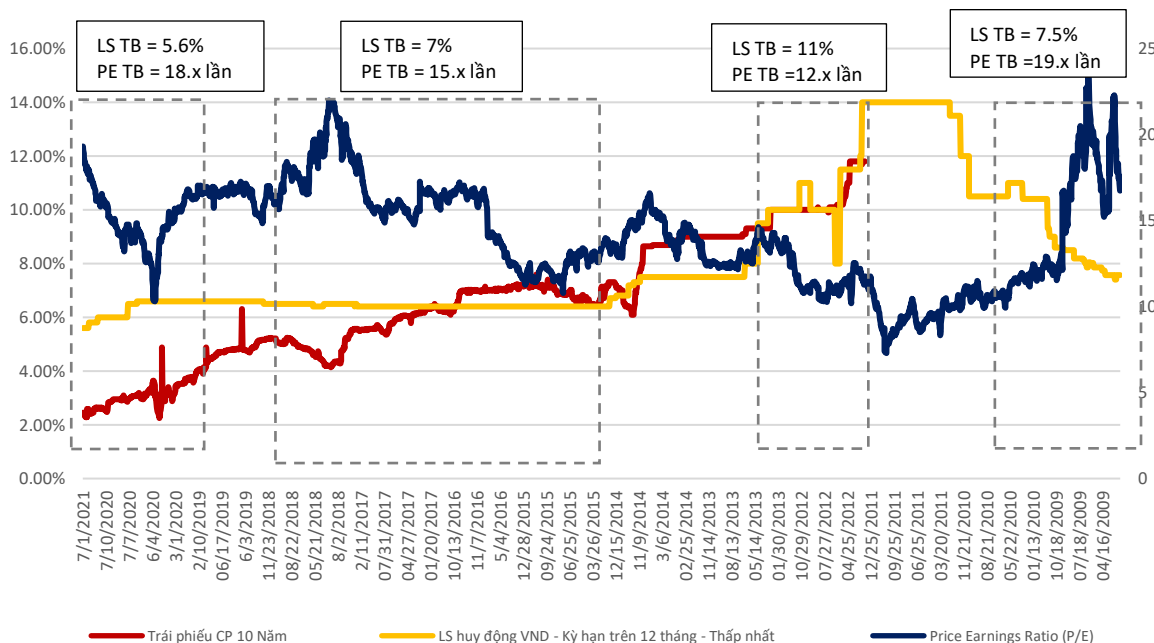


Source: VSD, FiinPro, BSC Research

In addition, the low-interest rate environment has had a direct impact on changing the investment taste of investors in the context that real estate - the preferred investment channel and the leading transaction value - is in a quiet period due to a lack of supply. In addition, the gold market is still under control and has begun to trend downward, the size of the bond channel is being tightened due to tight regulations (Decree 81, effective from September 1, 2020). Meanwhile, the sharp increase in the number of newly opened accounts in the Vietnamese market is considered a clear demonstration of the attractiveness of the stock market in the current context, and intra-regional capital inflows are expected to remain the main driver leading the stock market in 2021. The above phenomenon occurs not only in the Vietnamese market but also in many other markets such as the US, China and South Korea.

Thirdly, the market in Vietnam and emerging regions will be priced at a higher level in the context that central banks will maintain low-interest rates in the next 1-2 years. As of January 10, 2020, VN-Index is

currently trading at a trailing PE of 18.4 times, 15.5% higher than the average. In the past, we can see that market valuation will be negatively correlated with interest rates. Therefore, we believe that in 2021, Vietnam's stock market can be traded at an average PE of about 18.x times, about 15-20% higher (average interest rate=5.6%) than the average PE in the period 2015-2019 (15.x times, average interest rate = 7%) and the period 2011-2013 (12.x times, average interest rate = 11%). We believe that macroeconomic developments at this time have a solid foundation and are relatively different from the 2009-2011 crisis, so the risk of a crisis will be relatively unlikely.



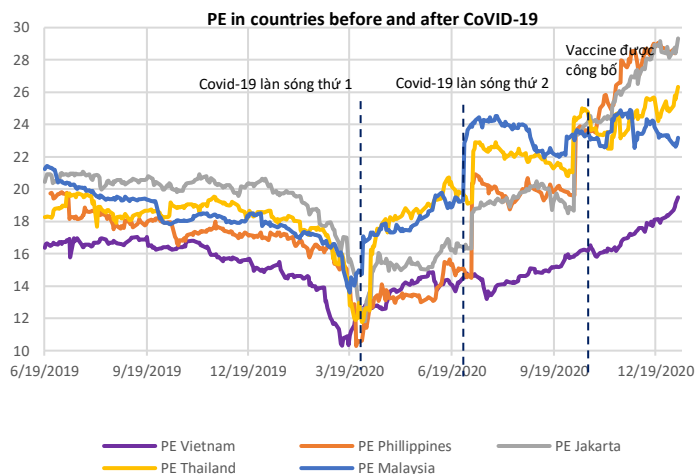
Source: Bloomberg, Fiin Pro, BSC Research

Fourthly, the development of vaccine production has made great strides in 2020, the introduction of widespread use will strengthen the recovery of consumption demand. Up to the present time, in the world there are more than 20 vaccines are being studied, in which, there are 8 vaccines being tested in phase III. Time to test the effectiveness of the vaccine and make it more widely distributed is expected to be in the middle of half a year. By the end of 2021. Accordingly, we expect this can help restore demand and purchasing power of commodities consumption, thereby positively affecting (1) the recovery of export businesses and (2) themselves the internals of the Vietnamese economy. Industry groups are expected to recover well by BSC such as Textile, Fisheries.

The recovery of strong profit growth across industries in 2021 (EPS growth in 2021 is forecasted at 22%) is a factor that increases the valuation of Vietnam's stock market. We believe that the performance of all groups increased slightly in the same direction as the movement of the VN-Index. According to BSC's forecast based on 65 stocks accounting for about 80% of market capitalization, VNIndex's profit after tax in 2020F and 2021F will record growths of -10% YoY and +28% YoY, respectively, equivalent to EPS growth in 2021 = 22% with the assumption of average stock dilution 2016-2019 = 6%. Profit growth is forecasted

to be positive, stemming from the general recovery of economic groups with the main contribution coming from (1) Banking, (2) Real Estate, (3) Industry, (4) Oil & Gas and (5) Retail Consumer Services.

Accordingly, VN-Index is trading with a forecasted PE in 2021 = 14.3 times. BSC forecasts VN-Index under a positive scenario will reach 1,258 points by the end of 2021 ([Details of 2021 macro report](#))

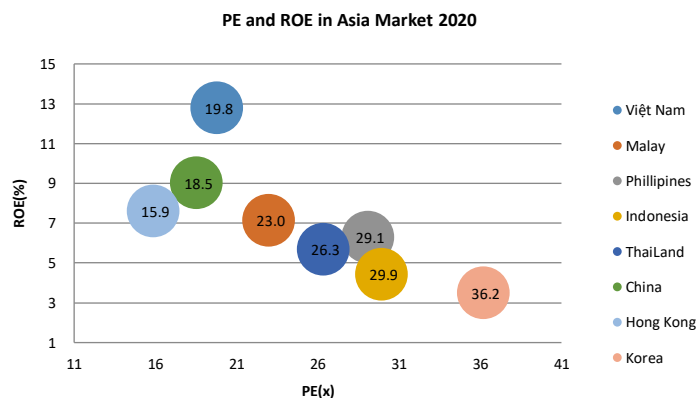
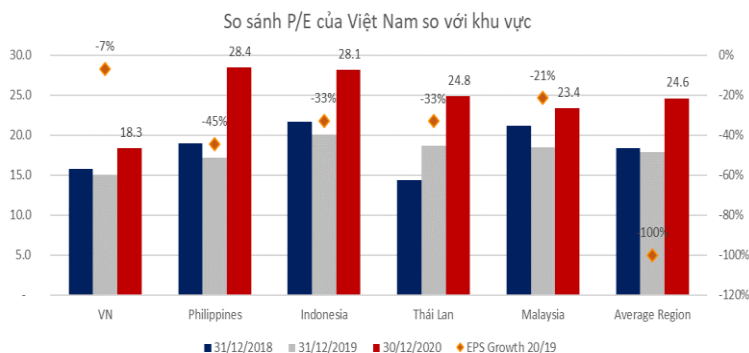


| Ngành cấp I | % Tăng trưởng LNST Ngành năm 2020 | % Tăng trưởng LNST Ngành năm 2021 |
|--------------------------------|-----------------------------------|-----------------------------------|
| Công nghệ thông tin | 13% | 19% |
| Công nghiệp | 55% | 13% |
| Dầu khí | -41% | 53% |
| Dịch vụ tiêu dùng (Hàng Không) | -120% | 695% |
| Dược và Y tế | 8% | 9% |
| Hàng tiêu dùng | -17% | 13% |
| Ngân hàng | 6% | 25% |
| Tài nguyên cơ bản | -23% | 20% |
| Tài chính | 13% | 12% |
| Tiện ích cộng đồng | -14% | 14% |
| Tổng thị trường | -12.5% | 27.9% |
| Pha loãng BQ 2019 -2020 | | 6.0% |
| EPS growth basic | | 22% |

Nguồn: BSC Research

Source: Bloomberg, BSC Research

Compared to the nearby region, the Vietnamese market is still relatively undervalued while the operating efficiency is at the highest level (ROE = 13%). We note the high valuations of regional countries, mainly coming from these groups of countries that are classified as Emerging Markets, and that 2020 profit growth is strongly affected by the Covid-19 pandemic. All in all, we believe that Vietnam's market is currently quite attractive compared to the region with (1) Low level of negative impact from the epidemic, (2) Profits of industry groups are expected to recover, (3) Stable macro foundation, (4) Possibility to upgrade the market to Emerging Markets.



Source: Bloomberg, BSC Research

P/E and P/B comparison table by industry versus other countries in nearby region (Using weighted average method)

| | Vietnam | | Median | | Indonesia | | Malaysia | | Philippines | | Thailand | |
|--------------------------|---------|-----|-------------|------------|-----------|-----|----------|-----|-------------|-----|----------|-----|
| | P/E | P/B | P/E | P/B | P/E | P/B | P/E | P/B | P/E | P/B | P/E | P/B |
| Finance | 13.1 | 1.4 | 15.0 | 0.9 | 22.9 | 0.8 | 13.2 | 1.0 | 16.8 | 1.1 | 13.0 | 0.8 |
| Consumer goods | 12.3 | 1.2 | 22.4 | 1.3 | 17.4 | 1.2 | 27.2 | 2.7 | 34.0 | 1.4 | 17.6 | 1.0 |
| Industry | 11.0 | 1.0 | 21.0 | 1.1 | 15.6 | 1.2 | 24.4 | 1.0 | 26.2 | 1.5 | 17.6 | 1.1 |
| Oil & Gas | 26.9 | 1.4 | 17.9 | 1.0 | 5.9 | 0.7 | 66.7 | 3.7 | | 0.8 | 17.9 | 1.2 |
| Consumer Services | 21.4 | 1.9 | 22.0 | 1.2 | 26.3 | 1.4 | 9.0 | 0.9 | 29.4 | 2.4 | 17.6 | 1.0 |
| Basic Material | 13.3 | 1.0 | 16.0 | 1.1 | 16.8 | 1.1 | 30.2 | 2.4 | 14.2 | 1.1 | 15.2 | 0.9 |
| Utilities | 12.2 | 1.6 | 16.4 | 1.2 | 12.8 | 0.9 | 17.8 | 1.1 | 17.9 | 1.3 | 15.1 | 1.3 |
| Technology | 19.3 | 1.6 | 11.1 | 1.6 | 10.2 | 1.9 | n/a | n/a | n/a | n/a | 12.0 | 1.3 |
| Healthcare | 17.1 | 2.4 | 29.5 | 2.5 | 22.0 | 2.5 | | 2.2 | n/a | n/a | 37.0 | 3.2 |
| Telecommunication | 15.7 | 3.5 | 25.8 | 3.3 | 22.3 | 2.2 | 29.2 | 4.3 | 29.2 | 4.3 | 22.1 | 1.2 |

Source: Bloomberg, BSC Research

Sixthly, the disbursement of public investment will be the "wings" to support Vietnam's economic growth to recover in 2021. The progress of disbursement of state budget capital in 2020 recorded an encouraging growth, estimated at 91.13% compared to the plan. The disbursement rate in 2020 reached the highest level in the period 2016-2020, equivalent to an estimated record of 466.3 trillion VND.

Restructuring public investment to focus on building inter-regional transport infrastructure and digital economy is the key to promoting the growth of economic sectors with a series of projects such as Long Thanh airport, North-South expressway, coastal and ring roads. The above policy is largely similar to China's operating policy after the 2008-2009 crisis, along with the promotion of credit growth, which is the core factor that helps the Chinese economy record rapid growth subsequently. ([Details on page 62](#))

BSC expects that the industries which are benefited directly include **CONSTRUCTION** and **CONSTRUCTION MATERIALS**. We believe that promoting the development of transport infrastructure will solve the "bottleneck" of transportation and connectivity, thereby the **COMMERCIAL REAL ESTATE, INDUSTRIAL PARK – REAL ESTATE, PORT INDUSTRY** will be indirectly benefited.

Seventhly, the process of listing/equitization and divestment of state capital in 2020 is still slow, there is no sign of a positive reversal in 2021, however, the possibility of a boom is left open from 2022.

- **State divestment:** From the beginning of 2020 to November 2020, only 103/348 enterprises have completed the divestment plan, equivalent to 30% in quantity and 8% in value respectively compared to the approved plan for the period 2017-2020 according to the Prime Minister's Decision No. 1232/QĐ-TTĐ.
- **Equitization:** According to Decision No. 26/2019, accumulated from 2016 to 11/2020, only 37/128 enterprises have been equitized, reaching 28% of the plan.

| No. | Name | Divestment authority | Total value of implementation (billion VND) | % divestments |
|-----|----------------|--------------------------|---|---------------|
| 1 | IDC | Ministry of Construction | 2,909 | 36% |
| 2 | HUD Kiên Giang | HUD | 1,185 | 98.15% |
| 3 | CC1 | Ministry of Construction | 1,026 | 40.53% |
| 4 | Viettel Post | Viettel | 528 | 6% |
| 5 | Cienco 5 | SCIC | 342 | 40% |

Source: BSC Research

The divestment/equitization encountered many difficulties and obstacles in implementation, mainly due to (1) Arrangement and approval of land used plans, (2) Evaluation and determination of business value to equitize. In which, a large number of economic groups are waiting for business valuation such as Bank for Agriculture and Rural Development (Agribank), Genco1, Vietnam National Chemical Group, Vietnam Coal and Mineral Industries Group, Vietnam Posts and Telecommunications Group (MobiFone), Vietnam National Cement Corporation, Ben Thanh Corporation, etc. We believe that the above problems will be relatively difficult to immediately find a solution in 2021, so the divestment is expected to be pushed back to the period of 2022-2025.

| No. | Name | Charter capital (million USD) | Expected sales rate (%) |
|-----|------------|-------------------------------|-------------------------|
| 1 | Agribank | 1,309 | <35 |
| 2 | Genco 1 | 770 | >50 |
| 3 | Genco 2 | 508 | >50 |
| 4 | VNPT | 2,727 | 50-65 |
| 5 | Vicem | 622 | 50-65 |
| 6 | Mobifone | 644 | 50-65 |
| 7 | Satra | 372 | 50-65 |
| 8 | HUD | 89 | >50 |
| 9 | TKV | 1,502 | <35 |
| 10 | DAKWACO | 315 | >50 |
| | Sum | 8,543 | |

Source: Collected by BSC Research

2. Economic cycle and acceptable level of industry valuation

In 2020, macroeconomic instability factors caused by the Covid-19 pandemic such as (1) Production chain disruption, (2) Stagnation of commercial activities, (3) Wave of dissolution from SM&E enterprises and high unemployment, (4) The expected negative global GDP growth has a significant impact on the determination of the business cycle. We believe that although the impact of Covid-19 is almost a condition to cause an economic recession, production growth has only slowed down, there is no too strong bubble in any region or industry/sector, inflation is contained. Therefore, BSC believes that the above recession will be limited to a low level and that the overall economic growth will be subject to a short-term adjustment in 1-2 years. Current economic indicators for Vietnam suggest that we are **at the end of the recession** and in the initial phase of recovery, characterized by most of the signs such as stock prices starting to rise, bond prices starting to decrease, deposit interest rates tend to decrease, and monetary easing measures have started to be implemented.

| Economic cycle | Inflation | Economic policy | Market size |
|-------------------------|---------------------------------------|--------------------|--|
| Initial Recovery | Decreasing inflation | Stimulate | Short-term interest rates are low or falling Long-term interest rates hit the bottom and top of bond prices Stock prices start to rise |
| Early Upswing | Low inflation Good economic growth | Reduce stimulation | Short-term interest rates rise Long-term interest rates bottom or rise & bond prices start to fall Stock price goes up |
| Late Upswing | Increasing inflation | Start tightening | Short-term and long-term interest rates rise, bond prices fall Stock prices fluctuate around the peak |
| Slowdown | Continuously increasing inflation | Reduce tightening | Short and long-term interest rates peak and start to fall with bond prices rising again Stock price goes down |
| Recession | Inflation hits peak | Easing | Short-term and long-term interest rates fall and bond prices continue to rise Stock prices show signs of rebounding towards the end of the Recession cycle. |

Source: BSC Research

3. Key policies and information affecting sectors in 2021

Macro information inside Vietnam and from abroad, along with amendments and supplements to new regulations, will have mixed impacts to varying degrees on the stock market in general and businesses in particular. BSC has listed important policies and events worth noting in 2021:

| No. | Policies and Macro Information Announced | Effective date | Affect | Influence level | Status 12/01/2021 |
|---|---|----------------|----------|-----------------|--------------------|
| International Macroeconomic Policy | | | | | |
| Monetary Policy | | | | | |
| 1 | FED: US economy gradually recovered, FED kept current interest rates | | Positive | Very strong | Affecting |
| 2 | PBoC: China's economy grows strongly, RMB increases in value | | Positive | Very strong | Affecting |
| 3 | ECB: continue easing policy | | Mixed | Strong | Affecting |
| 4 | Raw material price level recovers | | Mixed | Strong | Affecting |
| Regional Macro Policy | | | | | |
| 5 | US-China trade war | | Mixed | Strong | Affecting |
| 6 | Distributing Covid-19 vaccine | | Positive | Strong | Affecting |
| 7 | OPEC meeting | 04/03/2021 | Mixed | Strong | Not affected yet |
| 8 | G7 meeting | Summer 2021 | Mixed | Medium | Not affected yet |
| Domestic Macroeconomic Policy | | | | | |
| Law amendment policy | | | | | |
| 1 | Public Private Partnership (PPP) | | Mixed | Strong | Affecting |
| 2 | Amendment of investment law, enterprise law | | Positive | Strong | Not affected yet |
| 3 | Securities Law Amendment | 01/01/2021 | Positive | Strong | Starting to affect |
| 4 | Food prices, gasoline prices increase | | Positive | Medium | Affecting |
| 5 | Vietnam upgrades to primary market by FTSE Russell | | Positive | Strong | Not affected yet |
| 6 | Vietnam increases its proportion in the MSCI Frontier basket due to the upgrade of Kuwait | 11/2020 | Positive | Strong | Affecting |
| 7 | Increase equitization and divestment of state-owned enterprises | | Neutral | Medium | Affecting |
| Monetary policies | | | | | |

| No. | Policies and Macro Information Announced | Effective date | Affect | Influence level | Status 12/01/2021 |
|------------------------------|--|--------------------------|----------|-----------------|-------------------|
| 8 | Vietnam is on the list of currency manipulators, the USD/VND exchange rate dropped sharply | | Neutral | Very strong | Not affected yet |
| 9 | The minimum capital adequacy ratio of banks is at 8%. | 01/01/2020 | Mixed | Medium | Affected |
| Securities policy | | | | | |
| 10 | Allowing to sell securities waiting for return | | Positive | Strong | Not affected yet |
| 11 | Depository certificates, depository certificates without voting rights | | Positive | Strong | Not affected yet |
| 12 | The scheme of listing listed stocks and expanding the band | | Mixed | Strong | Not affected yet |
| 13 | Listing joint stock commercial banks and divesting capital of Agribank | | Positive | Strong | Not affected yet |
| 14 | Raising conditions for public companies | | Mixed | Medium | Not affected yet |
| Free Trade Agreements | | | | | |
| 1 | EVFTA | Finalize the negotiation | Positive | Strong | Affecting |
| 2 | UKVFTA | Finalize the negotiation | Positive | Strong | Affecting |
| 3 | RCEP ASEAN | Finalize the negotiation | Positive | Strong | Affecting |

Source: BSC Research

Summary of 2021 Sectors outlook

We assess that 2021 will be a year with many opportunities for Vietnam to become a leader in post-Covid-19 economic growth in the region. Industries are expected to record a positive recovery in terms of business activities. However, the recovery speed of each industry and business will be relatively different depending on (1) Operating policy, government focus, (2) Internal strength and financial health of each enterprise, (3) Strategic orientation of the leadership of each company. Based on some of the key topics that we have mentioned, BSC gives 3 core and focused factors and the extent to which they affect sectors:

(1) Covid-19 Vaccine begins to be widely distributed and the economy gradually recovers.

- a. The domestic consumer market will gradually recover but the pace will be slow: Consumption Goods, Aviation, Restaurant - Hotel, Tourism, F&B.
- b. The export market will recover more positively thanks to (i) The vaccine for Covid-19 reaching European countries and the US sooner than the Asia-Pacific region, (ii) New trade agreements EV-FTA, UK-FTA: Textile, Fisheries, Tires.

(2) Oil price recovery is accompanied by high demand for gas, however, the growth potential of the oil and gas and electricity sectors will be limited due to

- a. Supply is expected to be still short despite adding some new mines
- b. LNG is the future of Vietnam's gas and electricity industry

(3) In spite of high and continuously growing gas demand, the gas supply is still in short supply, which limits growth in both oil and electricity (produced from gas) sectors. LNG is the future of the gas/electricity industry.

- a. Supply is expected to remain short despite adding a few new mines
- b.

4. 2021 Sectors outlook

| Sector | Sector perspective | Note | Stocks worth noting |
|--|--------------------|---|--|
| I/ Vaccine – the savior of the economy and stock market | | | |
| <u>Banking</u> | Positive | <ul style="list-style-type: none"> BSC forecasts that the credit growth of the whole banking industry will reach 14.0% in 2021. Interest rates are expected to stay low in 2021. BSC forecasts total operating income (TOI) of the whole banking industry +12.7% yoy in 2021 Reduce costs, lower the CIR to an average of 36.2% in 2021. Asset quality is well controlled. | ACB, VCB, BID, CTG, MBB, STB, HDB, TCB, VPB, TPB, VIB, LPB |
| <u>Consumer goods</u> | Positive | <ul style="list-style-type: none"> BSC expects the growth of retail sales of consumer goods and services in 2021 may reach 10%. Non-essential consumer goods are expected to grow well in 2021 thanks to: <ol style="list-style-type: none"> (1) Restoration of disposable income; (2) The middle-class increases; (3) Real estate recovery accelerates urbanization and retail chain area. BSC maintains its Positive recommendation for the non-essential consumer sector in 2021. | MWG, PNJ, VNM, MSN, SAB |
| <u>Insurance</u> | Neutral | <ul style="list-style-type: none"> Vietnam's non-life insurance industry still has a lot of growth potential due to (1) The population structure of working age accounts for nearly 70% and GDP growth of 6-7%/year and (2) The low rate of non-life insurance use in Vietnam (0.88% compared to 3-4% average in the region). | |
| <u>Rubber and tires</u> | Neutral | <ul style="list-style-type: none"> Rubber price in 2020 increased sharply at the end of the year and was stable at an average of JPY 255/kg (+37% yoy). Tire companies are expected to have positive business results in 2021 thanks to the increasing demand for automobile production after the Covid-19 pandemic. | DRC, PHR |
| <u>Textile</u> | Neutral | <ul style="list-style-type: none"> In 2021, BSC believes that (i) The value of garment and textile orders will depend on the recovery of demand in export markets (ii) Vietnam's textile and garment will be more competitive in the EU market thanks to the impact of the EV - FTA Agreement and the high tax imposition of Cambodia. The risk of a sharp increase in international shipping prices (due to a lack of containers) negatively affects in the short term as customers may delay delivery. | MSH, TNG |

| | | | |
|--|---------|--|------------------------------|
| Pharmaceutical | Neutral | <ul style="list-style-type: none"> • In 2021, BSC believes that the prospects of domestic businesses of the two distribution channels continue to be contradictory: (i) Pharmacy channel doesn't grow due to market saturation (ii) Bidding channel continues to grow. • BSC believes that the fact that two drugstore chains PharmaCity and Long Chau both set high store growth plans will create a change in the drugstore channel market share structure in 2021. • BSC maintains a NEUTRAL stance on the pharmaceutical industry in 2021 | DHG |
| Sugar | Neutral | <ul style="list-style-type: none"> • The global sugar industry will recover in 2021 after being negatively affected by the impact of the COVID-19 epidemic. • World sugar price returned to its peak at the beginning of 2020 at 15.37 cents/lb (up +11.7% YoY). • The situation of Vietnam's sugar industry can benefit from the government's anti-dumping policy. | QNS, STB |
| Fisheries and Aquaculture | Neutral | <ul style="list-style-type: none"> • In 2021, BSC believes that the recovery of consumer demand in export markets will support the growth momentum of seafood products. • Agreements continue to have positive effects in 2021 according to the tax reduction roadmap. • The risk of a sharp increase in international shipping prices (due to a lack of containers) negatively affects in the short term due to a decrease in the demand for seafood imports of customers. | VHC, ANV |
| Automobile | Neutral | <ul style="list-style-type: none"> • The 11M2020 automotive market continued the recovery momentum from the third quarter. November 2020 automotive sales increased +9% compared to October 2020, and +15%yoy. • BSC forecasts that the average car sales in 2020 will be at a decrease of -15-20% yoy because of government regulations to stimulate consumption. | VEA |
| II/ In spite of high and continuously growing gas demand, the gas supply is still in short supply, which limits growth in both oil and electricity (produced from gas) sectors... | | | |
| Petroleum – Fertilizer | Neutral | <ul style="list-style-type: none"> • Total world oil consumption has increased from a bottom of 80 million barrels (April 2020) to 96 million barrels (November 2020), compared with pre-pandemic consumption of about 100 million barrels. • OPEC+ agreed to increase the cut of 1.4 million barrels per day in January 2021 and cut another 0.9 million barrels per day in T2-March 2021, creating a supportive foundation for oil prices. • Vietnam's crude oil production decreased by 10% per year on average in the period 2015-2019, import volume in the same period increased by 156% on average to serve oil refining activities. • BSC raises its view from UNDERPERFORM to NEUTRAL for the oil and gas industry in 2021, assuming that the world oil price improves to an average of | GAS, PLX, PVS, PVT, DCM, DPM |

| | | | |
|--|----------|--|------------------------------|
| | | <p>55 USD/barrel, and recommends BUY for upstream and downstream stock, which are benefited from oil price recovery such as GAS, PLX, PVS.</p> <ul style="list-style-type: none"> Besides, BSC lowered its view from POSITIVE to NEUTRAL for the fertilizer industry in 2021 because these businesses will be directly negatively affected when the oil price recovers. | |
| Electricity | Neutral | <ul style="list-style-type: none"> Commercial electricity output in 2021 is forecast to grow by 9.0% compared to 2020. The draft power plan 8 aims to focus on investing in renewable energy and LNG sources in the future. La Nina continues to be a positive new for hydropower plants but will be a negative factor for coal & gas thermal power enterprises. | PPC, HND, PC1, POW, REE, NT2 |
| III/ Accelerating infrastructure investment – Freeing up the real estate supply to promote growth | | | |
| Real Estate | Positive | <ul style="list-style-type: none"> Supply will gradually be untied in 2021, Covid-19 creates opportunities for real estate businesses to accelerate land fund expansion and M&A. The trend of shifting investment and project development to the East of the city and neighboring provinces of level 1-2. The low-interest rate environment is also expected to indirectly support the real estate industry. Significant change in the financial structure of real estate businesses with bond channel becoming the main capital raising channel. BSC recommends POSITIVE for the real estate industry in 2021. | VHM, KDH, DXG, NLG, NVL |
| Industrial Park – Real Estate | Positive | <ul style="list-style-type: none"> Vietnam's industrial park - real estate market is still expected to benefit in the long term thanks to increased demand due to shifting production from China to other countries. Registered FDI capital in 11M2020 reached 13.6 billion USD (-7.6% yoy), although still at a decrease, it tended to improve compared to the first months of the year. The occupancy rate of industrial parks in the North in the third quarter of 2020 reached 79% (+160bps compared to the first quarter of 2020) and the rental price still tended to increase slightly (+7% yoy). | KBC, SIP |
| Seaport | Positive | <ul style="list-style-type: none"> In 2021, BSC forecasts that container volume through the entire port segment will reach 25 million TEUs (+14% yoy). The shortage of empty containers continues to slow down volume growth. BSC believes that this situation will be less severe after Q1. Competition between Lach Huyen port group and Song Cam port will be more intense due to narrowing the service price gap. BSC believes that SL Containers through Cai Mep Thi Vai port (CM-TV) will grow by 23% in 2021. Connecting projects will be accelerated, expected to improve CM-TV port's competitiveness. | GMD |

| | | | |
|-------------------------------------|----------|---|---------------|
| <u>Steel</u> | Positive | <ul style="list-style-type: none"> • Raw material prices face many unexpected factors; BSC's opinion is that ore prices will gradually decrease towards the end of the year; Coal price is likely to recover slightly. • BSC believes that there is downward pressure on the selling price of steel products due to good recovery in demand and compensating material price movements. | HPG, HSG, NKG |
| <u>Plastic</u> | Neutral | <ul style="list-style-type: none"> • BSC believes that demand for plastic products will keep the industry's growth rate of 5-7% in 2021 with few fluctuations. • The price of plastic resins in 2021 is forecasted to be higher than the average in 2020, reducing profit margins at some construction plastic enterprises. | BMP, NTP, APH |
| <u>Construction</u> | Neutral | <ul style="list-style-type: none"> • Total construction industry value reached VND 261 trillion, up +6.8% YoY thanks to the government's efforts to disburse investment. • The value of Vietnam's construction industry will maintain growth at 6.7%-7.2% in 2021-2028, contributing about 6% to Vietnam's GDP. • Big projects in Vietnam will be built in the period 2021-2025. | C4G |
| <u>Cement</u> | Neutral | <ul style="list-style-type: none"> • BSC forecasts cement consumption in 2021 to reach 105-107 million tons (+5-7% YoY) thanks to the positive recovery of domestic and export demand. • Profit margin of cement companies in 2021 will be improved thanks to positive consumption and low pressure on coal prices. • In the medium term, the industry's capacity will be expanded, increasing competitive pressure. | HT1 |

Source: BSC Research

5. Collection of recommendations for 2021

| Ticker | 2021 Revenue | 2021 Earning | 2021 EPS | 2021 P/E fwd | 2021 P/B | ROE | ROA | Price (11/01/2021) | Target Price |
|--------|-----------------|-----------------|-------------|-----------------|-------------|-------|-------|-----------------------|-----------------|
| VCB | 56,165 | 24,531 | 6,814 | 12.5 | 3.5 | 1.9% | 27.7% | 85,200 | 120,000 |
| CTG | 36,555 | 9,174 | 2,463 | 8.3 | 0.9 | 0.7% | 11.0% | 20,150 | 45,000 |
| TCB | 24,046 | 11,645 | 3,326 | 7.1 | 1.1 | 3.0% | 15.9% | 23,600 | 45,000 |
| VPB | 40,093 | 10,125 | 4,002 | 4.5 | 0.9 | 2.4% | 19.1% | 18,010 | 40,000 |
| MBB | 27,218 | 9,480 | 3,702 | 6.2 | 1.1 | 1.9% | 17.7% | 22,800 | 35,000 |
| HDB | 13,020 | 4,542 | 4,090 | 6.7 | 1.2 | 1.5% | 17.4% | 27,600 | 30,696 |
| STB | 15,452 | 2,353 | 1,248 | 8.8 | 0.7 | 0.5% | 7.8% | 10,950 | 12,568 |
| TPB | 8,088 | 3,294 | 3,845 | 5.8 | 1.3 | 2.0% | 22.1% | 22,350 | 24,154 |
| ACB | 18,857 | 6,855 | 3,874 | 6.0 | 1.4 | 1.6% | 23.9% | 23,400 | 27,800 |
| VIB | 9,984 | 3,533 | 3,727 | 4.9 | 1.1 | 1.7% | 21.6% | 18,200 | 19,528 |
| LPB | 6,403 | 1,648 | 1,816 | 4.0 | 0.5 | 0.7% | 12.8% | 7,300 | 9,856 |
| PNJ | 19,094 | 1,223 | 5,347 | 12.9 | 2.7 | 22.9% | 13.7% | 88,600 | 90,250 |
| MWG | 132,943 | 5,039 | 16,891 | 10.3 | 2.0 | 32.3% | 16.3% | 118,900 | 180,600 |
| VNM | 64,176 | 12,218 | 5,445 | 20.0 | 5.2 | 30.0% | 22.2% | 107,800 | 117,600 |
| MSN | 96,976 | 1,496 | 1,256 | 66.3 | 4.0 | 5.5% | 1.3% | 88,900 | 100,000 |
| SAB | 30,876 | 5,032 | 7,510 | 25.4 | 4.9 | 21.3% | 16.3% | 195,000 | 200,000 |
| QNS | 7,759 | 1,191 | 2,933 | 11.9 | 2.0 | 17.6% | 13.7% | 39,300 | 42,000 |
| FPT | 30,049 | 5,280 | 5,008 | 12.8 | 2.3 | 13.0% | 24.0% | 64,700 | 67,000 |
| VTP | 22,002 | 534 | 6,490 | 17.7 | 4.3 | 10.0% | 39.0% | 114,900 | 126,000 |
| PPC | 7,600 | 950 | 2,914 | 8.6 | 1.2 | 10.0% | 8.0% | 26,150 | 25,100 |
| HND | 9,150 | 997 | 1,993 | 9.4 | 1.3 | 14.0% | 10.0% | 20,700 | 20,300 |
| POW | 29,785 | 2,751 | 1,040 | 12.6 | 1.0 | 9.0% | 5.0% | 14,600 | 16,000 |
| NT2 | 6,907 | 788 | 2,952 | 7.9 | 1.4 | 18.0% | 12.0% | 26,000 | 26,200 |
| REE | 5,641 | 1,761 | 5,505 | 8.7 | 1.3 | 15.0% | 9.0% | 51,200 | 55,600 |
| PC1 | 6,131 | 497 | 2,653 | 8.4 | 1.0 | 12.0% | 6.0% | 23,150 | 25,800 |
| KBC | 3,795 | 1,100 | 2,654 | 11 | 0.7 | 12.8% | 7.5% | 28,200 | 38,128 |
| SIP | 4,476 | 687 | 11,545 | 15.2 | 6.4 | 17.0% | 11.0% | 197,000 | 225,505 |
| PVI | 9,509 | 710 | 2,820 | 11.0 | 0.9 | 3.3% | 9.3% | 31,200 | 37,900 |
| BMI | 4,071 | 172 | 2,015 | 12.0 | 1.0 | 3.3% | 7.6% | 24,600 | 28,300 |
| VHM | 60,857 | 25,560 | 7,803 | 11.7 | 4.6 | 15.2% | 38.5% | 84,800 | 102,600 |
| KDH | 3,930 | 1,182 | 2,713 | 9.9 | 2.2 | 9.0% | 13.1% | 26,900 | 32,700 |
| NLG | 1,717 | 1,011 | 4,227 | 6.5 | 1.0 | 10.1% | 15.7% | 27,500 | 37,000 |
| HDG | 6,533 | 1,195 | 9,765 | 3.1 | 0.7 | 7.1% | 14.5% | 17,500 | 41,560 |
| GAS | 77,808 | 11,631 | 5,956 | 14.5 | 3.0 | 16.0% | 21.2% | 98,000 | 105,500 |
| PVD | 5,515 | 131 | 310 | 29.5 | 0.4 | 0.6% | 0.9% | 15,050 | 18,900 |
| HVN* | 77,435 | 2,624 | 1,865 | 18.1 | 2.6 | 3.8% | 14.2% | 33,750 | N/A |

| | | | | | | | | | |
|------------|---------|--------|--------|----------|-----|-------|-------|---------|---------|
| VJC | 63,197 | 5,822 | 11,114 | 13.1 | 3.8 | 13.1% | 32.2% | 146,200 | 156,800 |
| VHC | 10,522 | 1,266 | 6,906 | 6.4 | 1.4 | 17.0% | 23.0% | 43,300 | 55,700 |
| ANV | 4,830 | 424 | 3,050 | 8.2 | 1.8 | 10.0% | 15.0% | 24,950 | 27,500 |
| DHG | 4,243 | 682 | 4,641 | 13.6 | 1.7 | 20.0% | 28.0% | 108,000 | 94,500 |
| PHR | 2,001 | 1,109 | 9,887 | 6.5 | 2.8 | 13.5% | 7.8% | 64,600 | 69,000 |
| DRC | 3,501 | 354 | 2,963 | 8.0 | 1.4 | 17.7% | 11.2% | 24,800 | 28,060 |
| VEA | 4,180 | 5,746 | 4,324 | 10.9 | 2.6 | 27% | 21% | 49,000 | 60,038 |
| MSH | 3,933 | 297 | 5,943 | 7.2 | 1.5 | 11.0% | 25.0% | 43,250 | 42,900 |
| TNG | 4,429 | 178 | 2,665 | 7.0 | 1.0 | 5.0% | 15.0% | 17,500 | 18,700 |
| HPG | 124,131 | 18,890 | 5,430 | 7.9 | 2.2 | 13.9% | 28.2% | 43,050 | 50,300 |
| HSG | 32,180 | 1,460 | 3,181 | 7.9 | 1.4 | 7.9% | 20.0% | 25,100 | 28,630 |
| NKG | 14,100 | 254 | 1,426 | 11.4 | 0.9 | 2.9% | 7.6% | 16,300 | N/A |
| HT1 | 9,015 | 837 | 1,974 | 9.6 | 1.3 | 6.9% | 11.4% | 18,900 | 19,750 |
| BMP | 4,763 | 435 | 4,785 | 13.0 | 1.7 | 15.9% | 18.5% | 62,000 | 60,300 |
| NTP | 4,985 | 495 | 3,994 | 9.2 | 1.3 | 10.8% | 16.0% | 36,800 | 43,900 |
| APH | N/A | 590 | 4,233 | 16.1 | 3.4 | N/A | N/A | 68,200 | N/A |
| PVT | 8,381 | 937 | 3 | 6.4 | 0.8 | 6.8% | 13.6% | 16,800 | 20,200 |
| GMD | 3,059 | 471 | 1,379 | 25.4 | 1.5 | 9.5% | 6.6% | 34,100 | 35,000 |
| ACV | 11,959 | 4,870 | 2,234 | 38.7 | 0.4 | 17.8% | 12.4% | 82,900 | 86,500 |
| SCS | 760 | 528 | 9,834 | 44,300.0 | 6.0 | 41.7% | 39.7% | 130,300 | 140,000 |
| DCM | 8,092 | 446 | 673 | 44,459.0 | 1.2 | 0,07 | 0,05 | 14,100 | 15,100 |
| DPM | 8,522 | 499 | 1,021 | 44,273.0 | 1.0 | 0,06 | 0,06 | 18,700 | 18,100 |

Note: * only forecast business results of the parent company

Source: BSC Research

I/ Vaccine – the savior of the economy and stock market

Firstly, vaccines production has made great strides in 2020, the widespread use will strengthen the recovery of consumption demand. Up to now, there are more than 20 vaccines being researched in the world, of which 8 vaccines are being tested in phase III. Some countries have started the first round of vaccination such as the US, Singapore, EU, UK. The time to test the effectiveness of the vaccine and make it more widely distributed will fall in the second half of 2021

Covid vaccines are being tested in Phase III around the world

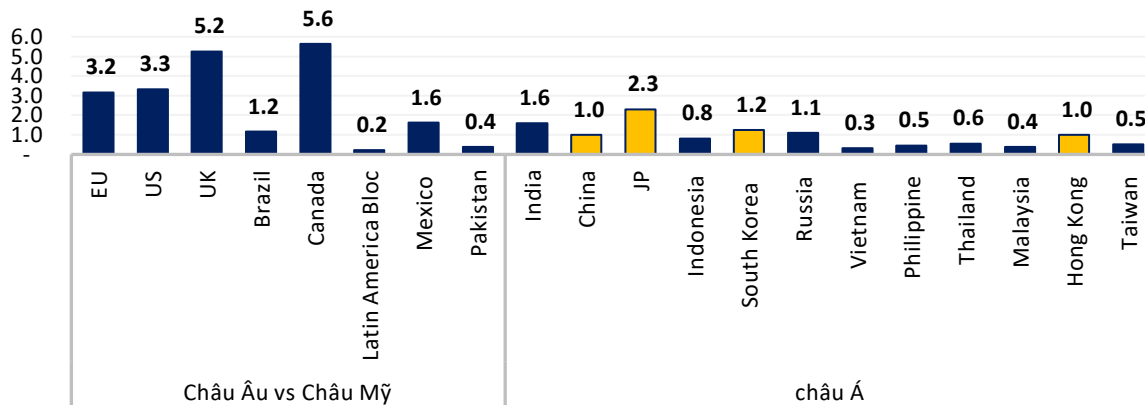
| Vaccines | Country | Manufacturer | Progress | Time |
|---------------------------|---------|--------------------------------|-----------------------|----------------|
| AZD1222 | America | Oxford University, AstraZenaca | Phase III (30,000) | 5/2020-8/2021 |
| No name* | China | Sinopharm | Phase III (45,000) | 7/2020-7/2021 |
| AdS-nCoV* | China | | Phase III (40,000) | 3/2020-12/2020 |
| CoronaVac | China | Sinovac, Instituto Butantan | Phase III (10,490) | 7/2020-10/2021 |
| BNT162 a1,b1,b2,c2* | German | BioNTech | Phase III (30,000) | 4/2020-5/2021 |
| mRNA-1273 | America | Moderna | Phase III (30,000) | 6/2020-10/2022 |
| Gam-COVID-Vac (Sputnik V) | Russia | Gamaleva Research Institut | Phase III (40,000) | 8/2020-5/2021 |
| Ad26.COV2.5 | America | Johnson & Johnson và Jassen | Phase III (60,000) | 7/2020-2023 |

Source: Collected by BSC Research

BSC believes that in 2021, although social isolation does not occur on a large scale, the uneven distribution of vaccines may lead to a divergence in the recovery of consumer demand because the required rate of herd immunity will be at 60-70% of the vaccinated population. According to the data, the countries that account for the main proportion of exports such as the EU, the US, and China are expected to be the ones that are likely to reach the rate of herd immunity earliest, thereby supporting

the export sectors, such as **Textile** and **Fisheries**, to recover soon.

Rate of registration to buy Vaccine/Total population (times)



Source: Collected by BSC

International routes are expected to reopen from the end of Q3/2021. Accordingly, Korea, Japan, China, Taiwan which account for more than 60% of international tourist arrivals to Vietnam are expected to start receiving vaccines from Q1/2021, with the ratio of vaccines registered to buy per population reaching the milestone of 1.0 times. This will be a big boost to the recovery of the **Aviation** industry, which has been heavily affected by the 2020 epidemic. **Restaurant - Hotel, F&B** and **Resort Real Estate** are also expected to be benefited indirectly. In addition, the difficulty in moving surveys during the production shift and FDI investment will be partly removed.

Secondly, the domestic consumer market in 2021 will see many positive changes in the new normal period. BSC believes that there will be 3 main factors creating strong growth drivers for the industry: (i) **Changes in people's consumption behavior after the COVID-19 epidemic:** Changes in consumer behavior, including increased spending more on non-essential products after satisfying essential needs; (ii) **M&A trends in retail and consumer industries:** Large enterprises will acquire small businesses to increase market share in the industry such as Doji acquiring Diamond World in May 2020, MSN acquiring Vincommerce and NET, VNM buys GTN; (iii) **The trend of premiumization:** Businesses will focus on high-quality products to meet the high demand of consumers, typically: MSN continues to focus on essential product lines premiumization, PNJ restores retail jewelry in 2021.

Finally, for exported goods (fisheries and textiles), the impact of many Agreements will continue to remain positive in 2021. This is also the first year of the UK - FTA Agreement (replacing the separate EV - FTA agreement with the UK) and the second year that the EV - FTA Agreement comes into effect. For seafood products, shrimp will continue to enjoy the tax rate of 0% while the tax of pangasius will continue to decrease (from 6% to 3%). For Textile products, the rule of origin "From fabric onwards" continues to be a challenge in the short term for Vietnamese textile products to enjoy tax incentives. However, BSC believes that the trend of shifting to search for raw materials (i) domestically and (ii) in Korea (where Vietnam has signed a pooling agreement) will take place strongly next year to meet the rule of origin of the Agreement.

Information Technology – Telecommunications [Positive]

Analyst: Nguyen Cam Tu

Email: tuntc@bsc.com.vn

- For the Information Technology industry, BSC expects businesses to benefit from two factors (i) Digital Transformation Trends in Vietnam and around the world (ii) Technology bidding packages.
- For the Telecommunications industry, BSC believes that (i) Fixed broadband subscriptions (ii) 5G networks will be two growth factors for businesses.
- BSC maintains a **POSITIVE** view of the Information Technology – Telecommunications industry in 2021.

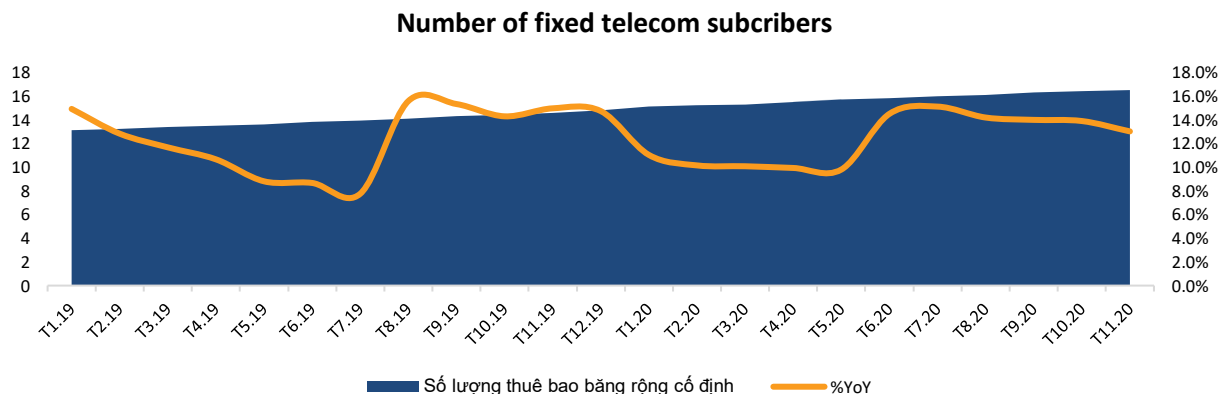
For the Information Technology industry, BSC expects businesses to benefit from two factors (i) Digital Transformation Trends in Vietnam and around the world (ii) Technology bidding packages.

The trend of Digital Transformation is expected to be stronger when customers realize the importance of digitalization after the Covid pandemic (reducing costs, increasing efficiency, ...). The increasing demand for Digital Transformation of customers around the world will benefit software export businesses (FPT, CMG) (FPT's Digital Transformation revenue grew by 38% in 10M.2020 despite being affected by the disease). In Vietnam, BSC expects that domestic enterprises with "Made in Vietnam" products will be prioritized in the Government's Digital Transformation project.

Technology bidding packages are expected to be promoted in 2021 thanks to (i) Public investment bidding package (ii) Annual technology bidding package. The information technology package for 11 routes will have a total value of 4,000 billion VND – focusing on services such as Smart Traffic, Operation Monitoring, Automatic Toll Collection (Benefiters: ITD, ELC, HUT). In addition, annual technology bidding packages will be deployed again in 2021 after being interrupted in 2020.

For the Telecommunications industry, in 2021, BSC believes that (i) Fixed broadband subscriptions (ii) 5G networks will be two growth factors for businesses.

Mobile broadband subscriptions maintain double-digit growth. Although the telecommunications industry is generally saturated, BSC believes that the fixed broadband segment still has a lot of growth potential as BSC estimates the penetration rate in Vietnam to reach 14.2 while the rate in the world is 14.9.



Source: Vnta

5G network is expected to continue to be focused in 2021. Although the goal of 5G network commercialization in Vietnam has not been achieved in 2020 (due to the influence of Covid-19), all three Network service providers (Viettel, VinaPhone and MobiFone) have partially deployed it in two major cities (Hanoi, Ho Chi Minh). BSC believes that 2021 will continue to be the year for the three operators to expand their 5G network, aiming to have nationwide deployment in the future.

INVESTMENT VIEWPOINT – POSITIVE

We continue to maintain our POSITIVE view on IT - Telecommunications stocks. For IT stocks, we expect the Software Export segment to recover gradually in the last months of the year (FPT) and the Telecommunications segment (fixed broadband) to continue its good growth momentum in 2021 (FPT, CMG). For the Postal Service (VTP) stock, we expect a stronger online shopping trend after the pandemic as the main growth driver for shipping orders. In addition, the expansion of investment in logistics infrastructure will also be focused on by Viettel Post in 2021.

| Ticker | 2021F Revenue (bln VNĐ) | %YoY | 2021F Earning (bln VNĐ) | %YoY | 2021 EPS (VNĐ/share) | P/E fw | P/B fw | Price (11/01/2020) | 2021 target price | Upside |
|--------|----------------------------------|------|----------------------------------|------|----------------------------|-----------|-----------|-----------------------|-------------------------|--------|
| FPT | 30,049 | 19% | 5,280 | 21% | 5,008 | 12.8 | 2.3 | 64,700 | 67,000 | 4% |
| VTP | 22,002 | 14% | 534 | 28% | 6,490 | 17.7 | 4.3 | 114,900 | 126,000 | 10% |

Banking Industry [Positive]

Analyst: Vuong Chi Tam

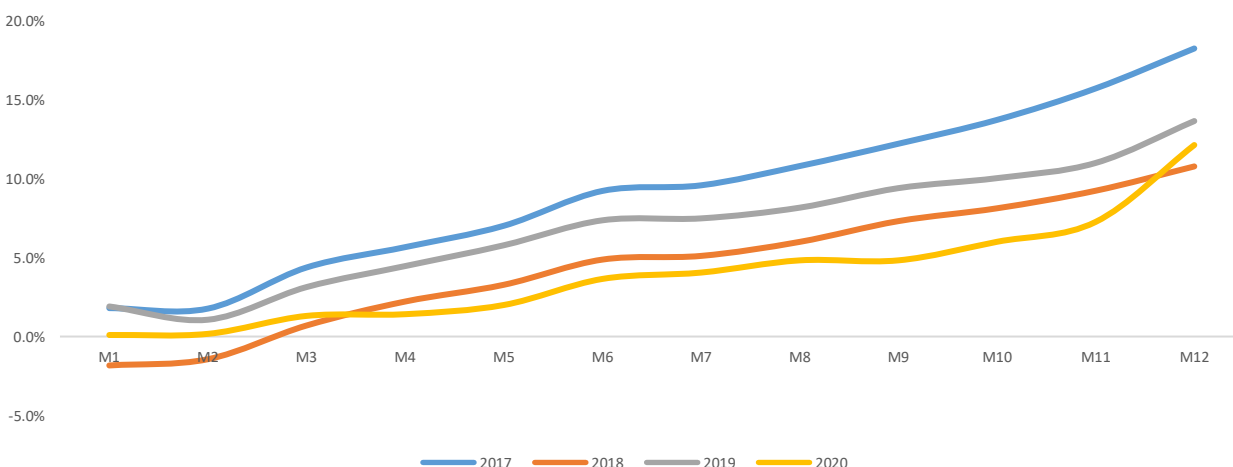
Email: tamvc@bsc.com.vn

BSC forecasts that credit growth of the whole banking industry will reach 14.0% in 2021.

Credit growth in 2020 is at 12.13%, the lowest in recent years due to the impact of the COVID-19 pandemic in Q1 - Q3, reducing credit demand. Many banks actively reduce lending to individuals and SMEs due to concerns about bad debt during this time. However, credit growth in Q4.2020 had a strong recovery thanks to positive information about vaccines that supported the market.

We forecast that credit growth of the whole industry will reach ~14.0% in 2021 thanks to (1) Economic recovery, businesses return to production, (2) Low-interest rates supporting growth, (3) Promoting public investment to stimulate loans disbursement for road and bridge construction projects.

Figure 1: Credit growth accelerated in the last month of the year



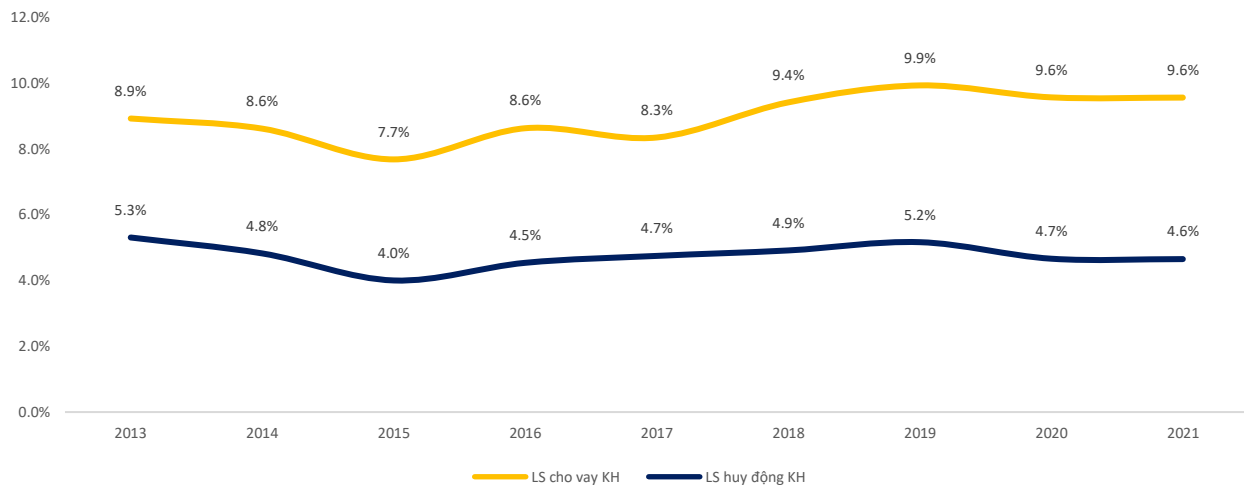
Source: SBV, BSC Research

Interest rates are expected to stay low in 2021.

Interest rates are cut in 2020 to support businesses affected by COVID-19. In 2020, the SBV has repeatedly cut the operating interest rate to support the economy.

Regarding fiscal and monetary policy, BSC believes that Vietnamese authorities will continue to stimulate the economy and keep interest rates low. Maintaining the current interest rate level will (1) support affected businesses to have more capital to recover, (2) promote economic growth in 2021.

Figure 2: Stable interest rate level



Source: listed commercial banks, BSC Research

BSC forecasts Total Operating Income (TOI) of the entire banking industry +12.7% yoy in 2021

Net interest income (NII) is forecasted to grow at 17.5% yoy in 2021 thanks to (1) Credit growth +14% yoy, (2) Stable interest rates, (3) Restructured debts whose term of interest rate support has expired.

BSC believes that non-interest income will grow again, mainly from:

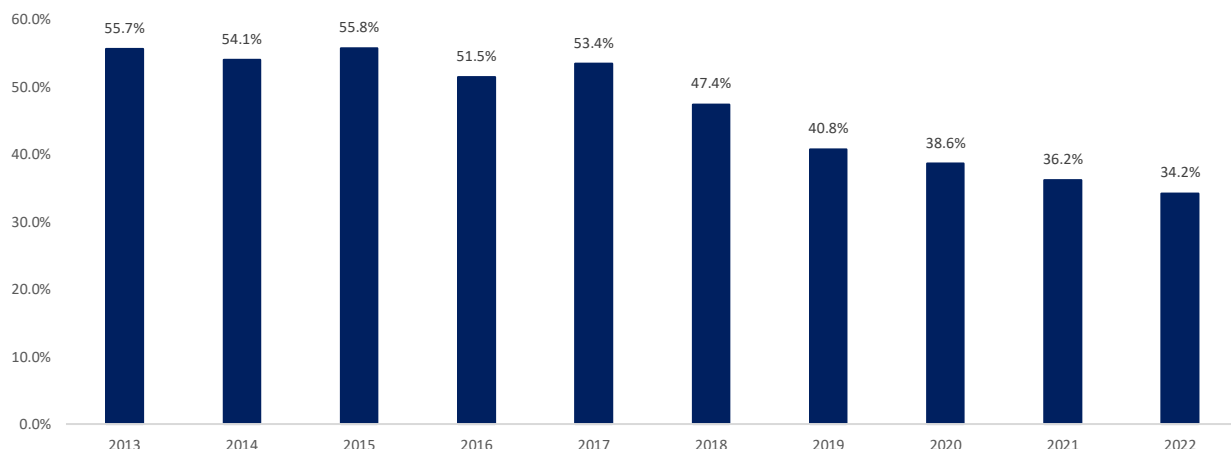
- Service fee +11.6% yoy. Banks promote fees-based activities after a period of fee reduction. In addition, insurance sales were boosted when the economy recovered, thereby contributing to service fee growth.
- Profits from selling government bonds will not be high because many banks have recorded large profits since 2020, and have not promoted this activity.
- Recovery from written-off debt improves thanks to the recovery of the economy.

Reduce costs, lower CIR to an average of 36.2% in 2021.

In the period from 2013 to 2020, cutting costs and increasing operational efficiency is the common direction of banks, the industry-wide CIR is cut from ~55% to ~40%. We believe that increasing staff efficiency, promoting cross-selling of banking products, and boosting investment in the system and digital banking will continue to be promoted in 2021. We expect CIR of the entire system will continue

to be reduced to 36.2% in 2021 and 34.2% in 2022.

Figure 3: Reducing the cost of supporting profit (CIR gradually decreasing)

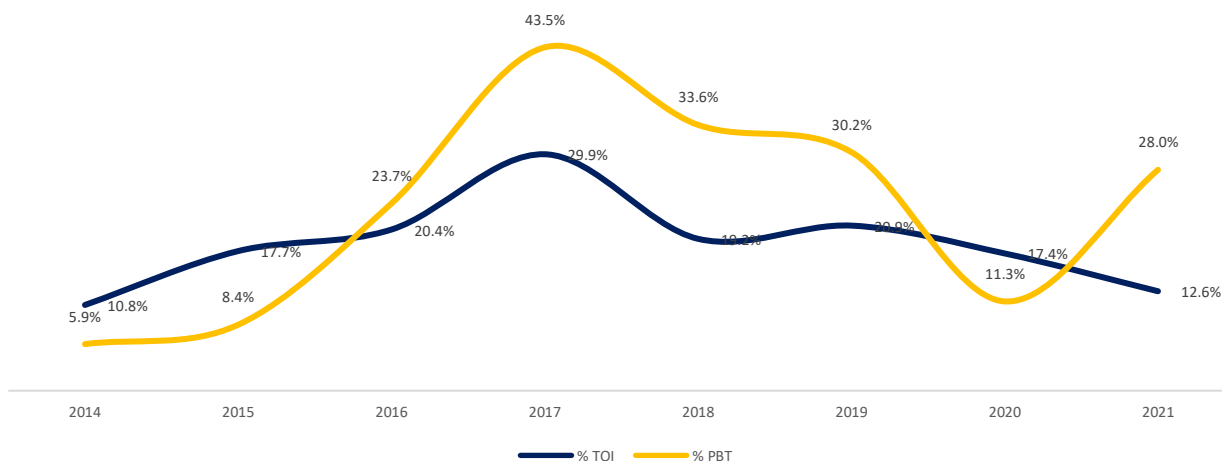


Source: listed commercial banks, BSC Research

BSC believes that the pre-tax profit of the whole banking industry will be +28.0% yoy in 2021.

BSC believes that the industry's pre-tax profit will grow strongly at +28.0% yoy, mainly contributed by (1) Credit growth of +14% in 2021, (2) The unchanged interest rate level, however, NIM of the whole industry will grow slightly thanks to the reduction of interest rate support pressure, (3) Reducing the pressure of provision costs.

Figure 4: Profit growth recovered thanks to easing provision pressure



Source: listed commercial banks, BSC Research

Asset quality is well controlled.

BSC expects the industry's bad debt to be controlled at 1.8% in 2021.

Bad debt in 2020 is well controlled <2.0%. This is an impressive result given the complicated epidemic situation. Total on-balance-sheet bad debt stood at VND97,124 billion (+29.2% ytd). Currently, the largest VAMC debt belongs to STB (~ 30,000 billion VND) while most banks have finished handling VAMC debt ahead of time (CTG, BID).

The expected recovery of the economy is the point where the bad debt of the whole industry is improved and controlled below 2.0%. In addition, many banks have upgraded their lending standards and credit approval processes, thereby controlling bad debts more closely.

Figure 5: Bad debt is well controlled

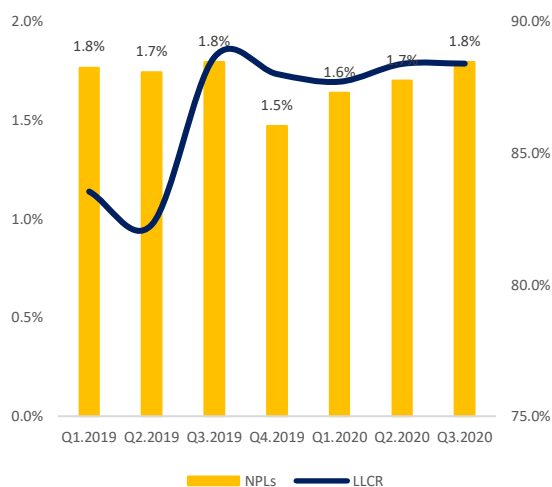
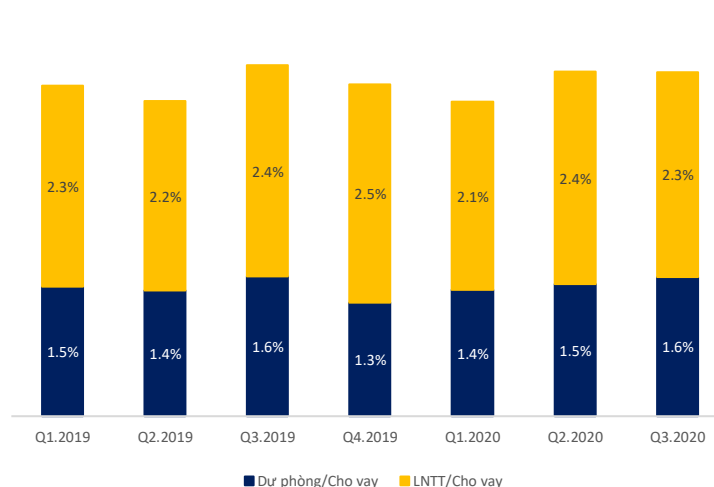


Figure 6: Banks increase provision in the period 2020



Source: listed commercial banks, BSC Research

Restructured debts, in BSC's view, will not have much impact on the overall asset quality of the industry as a whole.

According to the SBV's data, by the end of November 2020, credit institutions have restructured the repayment term of ~341,800 billion VND of outstanding loans, not much higher than the ~321,000 billion VND at the end of September 2020.

According to BSC's statistics, currently the restructuring debt balance of the whole system is at ~2.6% of the total outstanding loans, and about ~80%-90% of the restructuring loans at banks are assessed to return to normal operations in the near future. We believe that debts subject to restructuring in the near future will not need to be rescheduling and reducing interest rates thanks to the recovery of the economy, and existing restructured debts will be repaid and become group 1 debt.

The incoming amendment of Circular 01 may reduce the pressure of provisioning in the near future when bad debts of restructured debts can be provisioned within 3 years. In the worst case, if there is no amendment to Circular 01, and with the assumption that ~50% of the restructured debts become bad debts, banks can completely use the reserve to deal with the problem, which does not affect the equity and profit of the whole industry.



INVESTMENT VIEWPOINT – POSITIVE

BSC recommends POSITIVE for the banking industry in 2021 with the 2 factors: (1) High profit growth thanks to the recovery of the economy, (2) Good control of asset quality after the pandemic.

| | Market Cap | Current Price | TP 2021 | Upside | PE (x) 2019 | 2020 | 2021 | PB (x) 2019 | 2020 | 2021 | ROE (%) 2019 | 2020 | 2021 |
|---------------|------------|---------------|---------|--------|----------------|------------|------------|----------------|------------|------------|-----------------|--------------|--------------|
| ACB | 64,631 | 29,900 | 35,000 | 17.1% | 5.9 | 6.5 | 5.6 | 1.2 | 1.4 | 1.1 | 24.6% | 24.3% | 22.3% |
| VCB | 396,850 | 107,000 | 120,000 | 12.1% | 14.4 | 26.2 | 19.9 | 3.3 | 4.2 | 3.5 | 25.9% | 17.3% | 19.2% |
| BID | 196,677 | 48,900 | N/A | N/A | 17.1 | 29.3 | 21.6 | 1.9 | 2.3 | 2.1 | 12.7% | 8.3% | 10.2% |
| CTG | 144,654 | 38,850 | 45,000 | 15.8% | 7.6 | 10.1 | 7.9 | 0.9 | 1.6 | 1.3 | 13.1% | 16.9% | 18.2% |
| MBB | 72,488 | 25,900 | 35,000 | 35.1% | 4.9 | 6.6 | 5.7 | 1.0 | 1.3 | 1.0 | 21.1% | 21.0% | 19.9% |
| STB | 33,277 | 18,450 | 22,000 | 19.2% | 7.3 | 14.0 | 9.8 | 0.6 | 1.2 | 1.1 | 9.6% | 8.9% | 11.7% |
| HDB | 42,713 | 26,800 | 37,000 | 38.1% | 5.6 | 5.9 | 4.5 | 1.0 | 1.0 | 0.8 | 19.4% | 19.4% | 20.1% |
| TCB | 121,270 | 34,600 | 45,000 | 30.1% | 5.9 | 10.1 | 7.9 | 1.0 | 1.6 | 1.3 | 17.7% | 17.6% | 18.7% |
| VPB | 85,671 | 34,900 | 40,000 | 14.6% | 6.0 | 9.7 | 7.3 | 1.1 | 1.7 | 1.4 | 21.5% | 19.4% | 21.1% |
| TPB | 29,247 | 28,350 | 35,000 | 23.5% | 5.1 | 6.3 | 5.1 | 1.1 | 1.4 | 1.1 | 26.1% | 25.6% | 24.5% |
| VIB | 38,829 | 35,000 | 37,500 | 7.1% | 4.2 | 7.5 | 5.9 | 1.0 | 1.8 | 1.4 | 27.1% | 27.8% | 27.1% |
| LPB | 14,937 | 13,900 | 16,000 | 15.1% | 3.9 | 6.8 | 5.1 | 0.6 | 0.9 | 0.8 | 14.0% | 13.7% | 16.0% |
| Median | | | | | 5.9 | 8.6 | 6.6 | 1.0 | 1.5 | 1.2 | 20.3% | 18.5% | 19.5% |

Source: BSC Research, listed banks

Consumer – Retail Industry [Positive]

Analyst: Ma Tuan Minh Hien

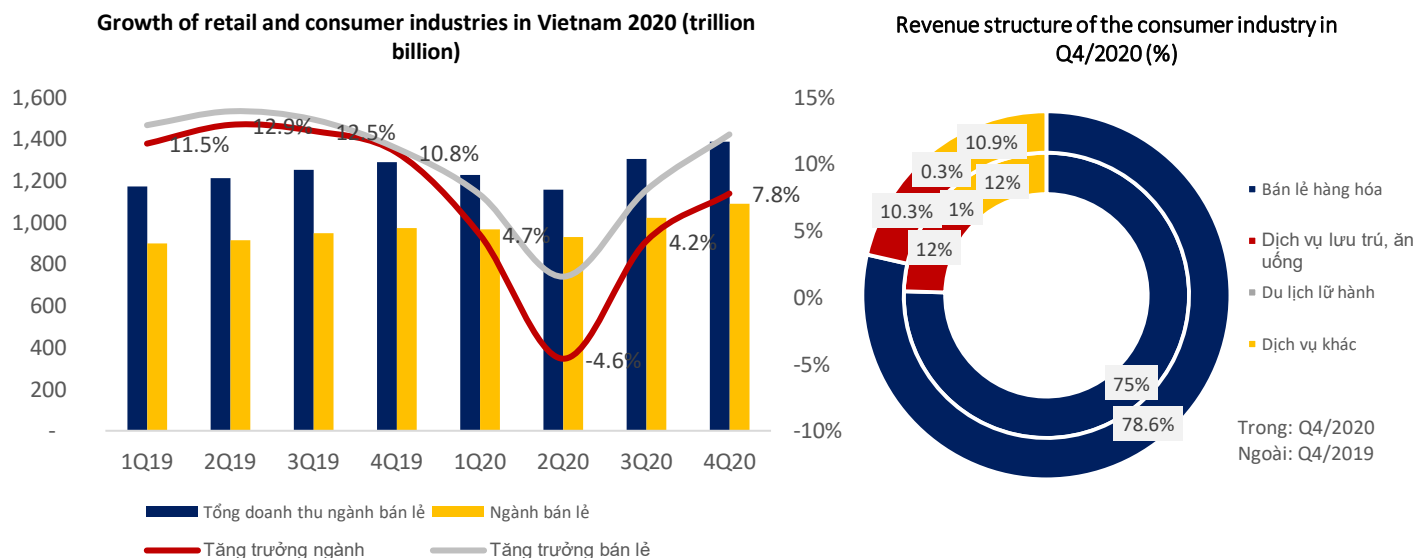
Email: hienmtm@bsc.com.vn

- BSC expects the growth of retail sales of consumer goods and services in 2021 may reach 10%.
- Non-essential consumer goods are expected to grow well in 2021 thanks to:
 - (1) Restoration of disposable income; (2) The increase of middle class; (3) Real estate recovery accelerates urbanization and retail chain area.
- BSC maintains its **POSITIVE** recommendation for the non-essential consumer sector in 2021.

BSC expects the growth of retail sales of consumer goods and services in 2021 may reach 10%.

We assess that the economic recovery in 2021 will create motivation for non-essential industries to recover with a forecast of 10%-20% in 2021 compared to a 10-20% decrease in 2020. On the other hand, the group of essential products is expected to grow at 10-15% in 2021, lower than in 2020 (15%-20%) due to the decreasing tendency to hoard goods during the pandemic season.

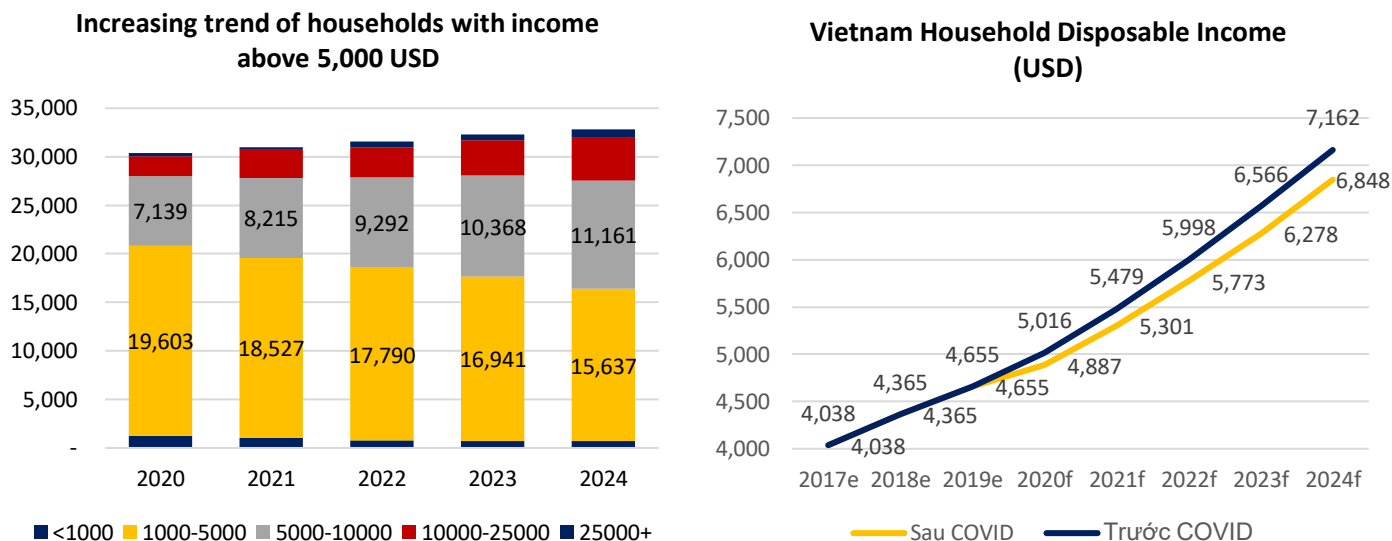
Total sales of consumer goods and services reached 5,073 trillion (+2.7% YoY) thanks to a strong recovery in demand at the end of 2020. According to the data of the fourth quarter of the General Statistics Office, the total sales of consumer goods and services increased by 7.8% over the same period last year, mainly thanks to the increase of 12.2% YoY in retail sales, accounting for 78% of total sales. The remaining industry groups decreased by -5.8% over the same period, accounting for 21.4%, including accommodation and food, travel and others.



Source: GSO

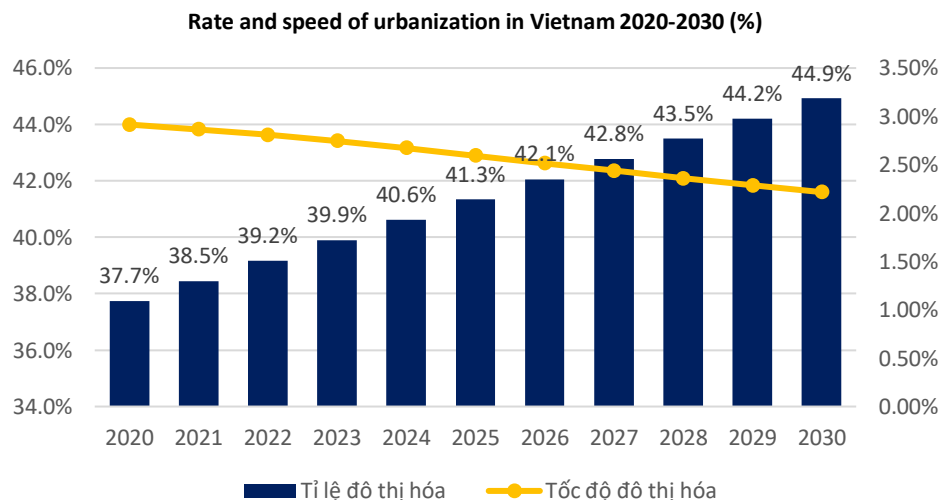
The non-essential consumer goods group is expected to grow well in 2021 thanks to (1) Economic recovery, people's disposable income is expected to increase to 4,887 USD in 2021 (+4.98% YoY). In 2020, people's income is affected by the COVID-19 pandemic, so the average income will only reach USD 4,655/household, lower than the pre-pandemic forecast of USD 5,015/household; (2) The proportion of

the middle class – households with income above 5,000-10,000 USD - will increase to 27.6% in 2021 from 24% at present in 2020;



Source: Fitch Solution

(3) The speed of urbanization increased thanks to the construction of infrastructure connecting cities and the recovery of real estate will lead to the expansion of retail store chains in the provinces, from which a number of retail businesses (MWG, PNJ, FRT) will have the potential to expand the market. In 2020, the urbanization rate in Vietnam is 37.7% and is expected to be 41.3% by 2025 with an average annual urbanization rate of 2% - 2.5%.



Source: United Nation.

INVESTMENT VIEWPOINT – POSITIVE

BSC recommends **POSITIVE** for the Consumer sector in 2021. For the essential consumer goods group (VNM, MSN, SAB), we expect the demand to grow well in Q1/2021 but difficult to surpass the 2020 highs,

except for the beer industry, which is likely to recover to a stable level before COVID-19 thanks to the high demand for beer consumption during the Tet season. For the retail group (MWG, PNJ, FRT), we believe that growth will return to 20-25% thanks to (1) Expansion of retail store chain; (2) Continuing to optimize costs after COVID; (3) Consumption demand increased back to pre-COVID status.

| Ticker | 2021F Revenue (bln VNĐ) | %YoY | 2021F Earning (bln VNĐ) | %YoY | 2021 EPS (VNĐ/share) | P/E fw | P/B fw | Price (11/01/2020) | 2021 target price |
|------------|-------------------------------|-------|-------------------------------|------|----------------------------|-----------|-----------|-----------------------|----------------------|
| MWG | 131,421 | 21.5% | 4,815 | 23% | 10,626 | 11.0 | 2.8 | 116,000 | 168,400 |
| PNJ | 19,094 | 12% | 1,223 | 16% | 5,347 | 12.9 | 2.7 | 74,000 | 90,250 |
| VNM | 64,176 | 6.5% | 12,218 | 7% | 5,445 | 20 | 5.2 | 111,000 | 117,600 |
| MSN | 96,976 | 20% | 1,496 | 33% | 1,256 | 66.3 | 4.0 | 88,900 | 95,000 |
| SAB | 30,876 | 6% | 5,032 | 14% | 7,510 | 24.3 | 4.9 | 191,000 | 221,000 |

Insurance Industry [Neutral]

Analyst: Vuong Chi Tam

Email: tamvc@bsc.com.vn

- Vietnam's non-life insurance industry still has a lot of growth potential.
- Total market share of 5 biggest companies decreased due to high competition.
- Individual customer segment accounts for the majority of the structure of non-life insurance products.
- Declining deposit interest affects the financial income of insurance companies.

Figure 5: Vietnam's insurance penetration rate is low compared to other countries in the region

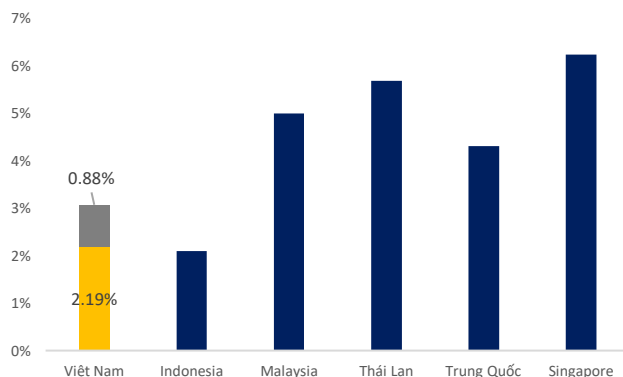
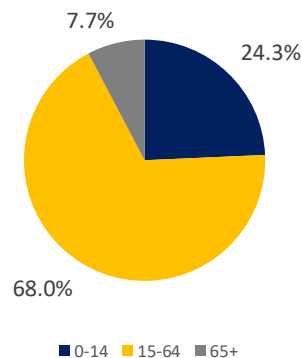


Figure 6: The structure of the population in working age is high



Source: Insurance Yearbook, Swiss Re, BSC Research

Vietnam's non-life insurance industry still has much potential growths due to (1) Labor age population structure accounts for nearly 70% and GDP growth of 6-7% / year and (2) Rate of Non-life insurance use in Vietnam is quite low (0.88% compared to the 3-4% average in the region). According to BSC's forecast, non-life insurance revenue in 2020 reached VND 55,000 billion (+ 3.0% yoy) due to the influence of Covid-19. In 2021, BSC expects the recovery of the economy will stimulate **non-life insurance demand to return to the growth of 10-15% as in the period of 2015-2019, meaning that the revenue will be VND 60-63 trillion.**

The market share of the first 5 companies continues to decline. The top 5 company with the highest market share (including PVI, Bao Viet, Bao Minh, PTI and PJICO) significantly declined due to competitive pressure to increase market share from new businesses, and leading enterprises aims to maintain profit and develop more cautiously. BSC said that the total market share of the industry's leading companies may **continue to fall below 50% in the coming time**, similar to other markets in Asia.

Figure 7: Market share of the top 5 companies gradually decreasing

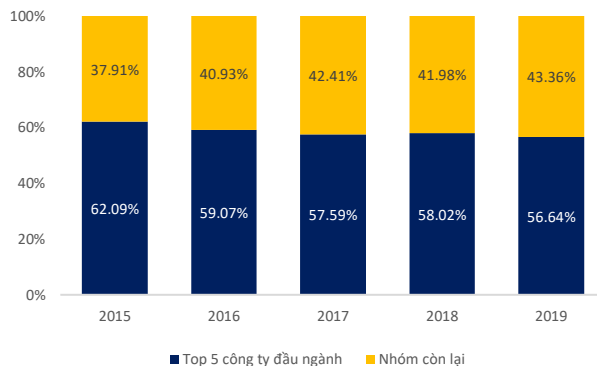
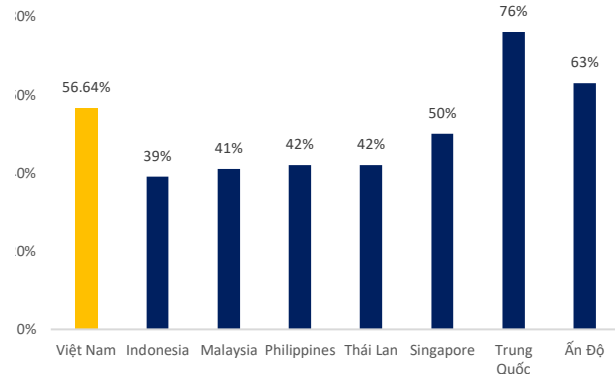


Figure 8: Market share of the top 5 life insurance companies in different countries



Source: Insurance Yearbook, BSC Research

The individual customer segment accounts for the main proportion in the structure of non-life insurance products. The proportion of health insurance and motor vehicles accounts for over 30% of the product structure, showing that the non-life insurance products penetrate quite well into the individual customer market. BSC believes that the **health insurance segment can advance to 35-40% of the non-life insurance product structure in the coming time**:

- (1) Complex and prolonged pandemic situations forced people to buy health insurance products to prevent more risks;
- (2) The middle class grows rapidly (13% of the population currently) with high awareness of insurance also promotes the need to use health insurance.

Figure 10: Health insurance & motor vehicles account for a large proportion of the product structure

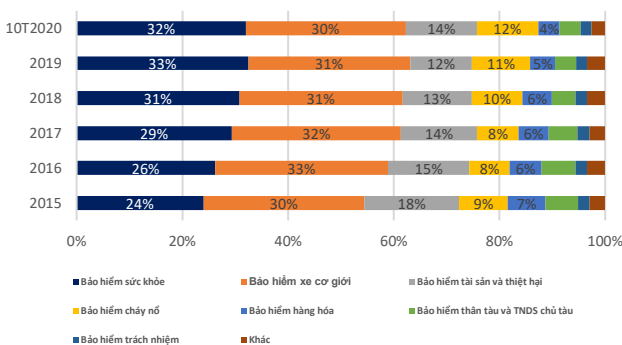
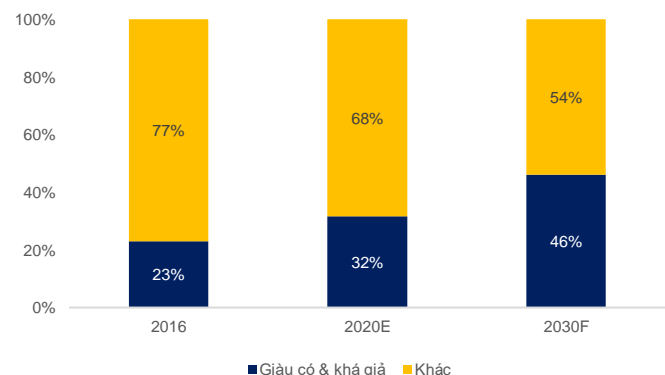


Figure 11: Wealthy and well-to-do classes will increase sharply in the next 10 years

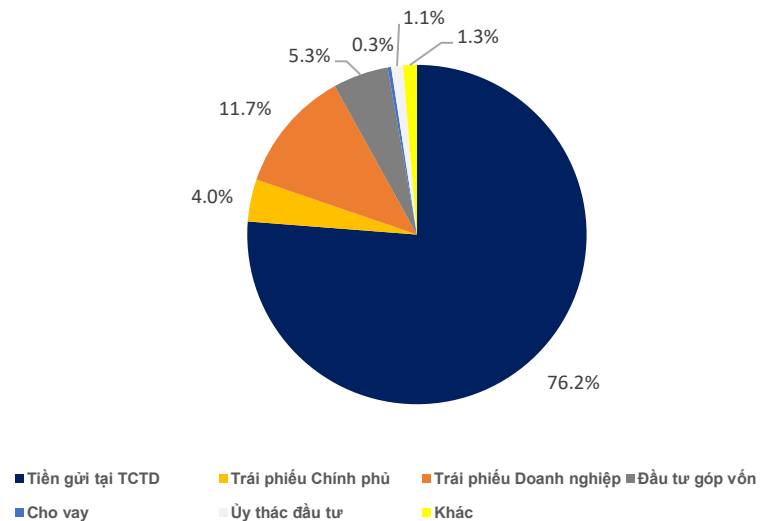


Source: Insurance Association of Vietnam, BSC Research

Investment activities of non-life insurance enterprises focus on deposits with a high proportion to meet liquidity and compensation needs. According to BSC's forecast, the interest rate level in the coming time

may continue to remain at an average of 1 year VNIBOR about 5.5%, down 1.3% compared to the first level of 2020. Therefore, the 2021 financial profit of enterprises will be significantly influenced by deposits in 2020, which will enjoy lower interest rates than previous years.

Figure 12: Financial profit depends mainly on deposits at credit institutions



Source: Insurance Yearbook, BSC Research

INVESTMENT VIEWPOINT – NEUTRAL

We recommend **NEUTRAL** to the non-life insurance industry due to (1) The recovery of the economy grows premiums, (2) High competition affect net fees and profit from insurance activities, (3) Reducing deposit interest rates affects financial profit, (4) The divestment continues to be promoted in 2021.

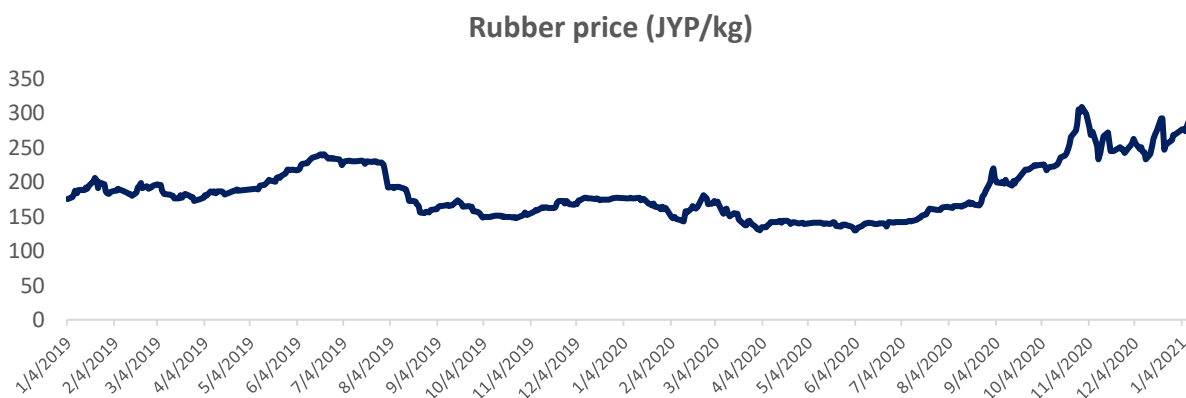
Rubber and Tire Industry [Neutral]

Analyst: Nguyen Thi Hong

Email: hongnt@bsc.com.vn

- Rubber prices in 2020 increased sharply at the end of the year and stabilized at an average of 255 JPY / kg (+ 37% yoy).
- Tire businesses' profits are expected to be positive in 2021 thanks to the rising demand for automobiles after the Covid-19 pandemic.

Rubber prices recover and were stable at the end of 2020, increasing + 37% yoy in the 4th Quarter of 2020. The world rubber price recovered strongly is because of the shortage of rainy season in Thailand, and a large storm in Hainan Island and droughts in Yunnan, causing rubber output in China -30% yoy. According to the ANRPC forecast in 2021, the world natural rubber production is expected to be 13.67 million tons (+ 8.6% yoy), although the output is increased but still lower than in 2019 (13.84 million tons) and in 2018 (13.83 million tons). **BSC expects that demand for natural rubber in Vietnam will increase when Chinese automobile companies boost production.** According to the Statistics of China Customs Department, accumulated 11 months of 2020, China imports 6.75 million tons of natural and synthetic rubber (+ 16% yoy) and worth 9.45 billion USD (+ 5.3% yoy). In the context **(1)** the demand recovers and **(2)** the supply was short in 2020 and rebounded in 2021 as mentioned above, **BSC expects rubber prices to be stable and slightly increased by 5-10% yoy**, supporting the rubber businesses (GVR, PHR, TRC).



Source: BBG, BSC Research

Tire enterprises' profits are expected to be positive in 2021 due to (1) Export volume will rise again after Covid-19, especially the volume of the main markets (Brazil, the US) will recover to the amount of 2019; (2) Enterprises are not significantly affected by the decision to impose an anti-dumping tax of the US.

- (i) **DRC:** DRC only export heavy truck tires to the US while the new regulation applies to steel and light load tires, so DRC will not be affected by this regulation.
- (ii) **CSM:** The tax of goods exported to the US will increase from 0% to more than 6%, and the US market accounts for about 20% of export sales, thus the selling price of CSM will increase slightly but BSC believes that CSM is not heavily affected because the tax rate applies to CSM is 3 times lower than the tax rate on products from China, Thailand and Korea.

INVESTMENT VIEWPOINT - NEUTRAL

We recommend **NEUTRAL** for the rubber industry due to 2 main reasons: (1) Rubber price recovery support the rubber profits, but this situation only takes place in the short term and the oversupply problem still continues, we believe that the Rubber price will only increase slightly by 5-8% yoy in the long term (2) Positive prospects from the trend of liquidating rubber trees and converting rubber soil into industrial zones.

BSC recommends **NEUTRAL** for the tire industry due to (1) costs of raw materials increased slightly according to the trend of rubber prices, however, (2) the demand for tires to recover simultaneously with the automotive industry after Covid-19 and (3) Depreciation costs and financial expenses reduce sharply, thus, tires companies' profit will remain unchanged in 2020.

| Ticker | 2021F Revenue (bln VNĐ) | %YoY | 2021F Earning (bln VNĐ) | %YoY | 2021 EPS (VNĐ/share) | P/E fw | P/B fw | Price (11/01/2020) | 2021 target price |
|------------|----------------------------------|------|-------------------------------|------|----------------------------|-----------|-----------|-----------------------|-------------------------|
| DRC | 3,501 | 6% | 354 | 62% | 2,963 | 8 | 1.4 | 22,800 | 28,060 |
| PHR | 2,001 | 15% | 1,109 | 5% | 9,887 | 6.5 | 2.8 | 64,600 | 69,000 |

Textile Industry [Neutral]

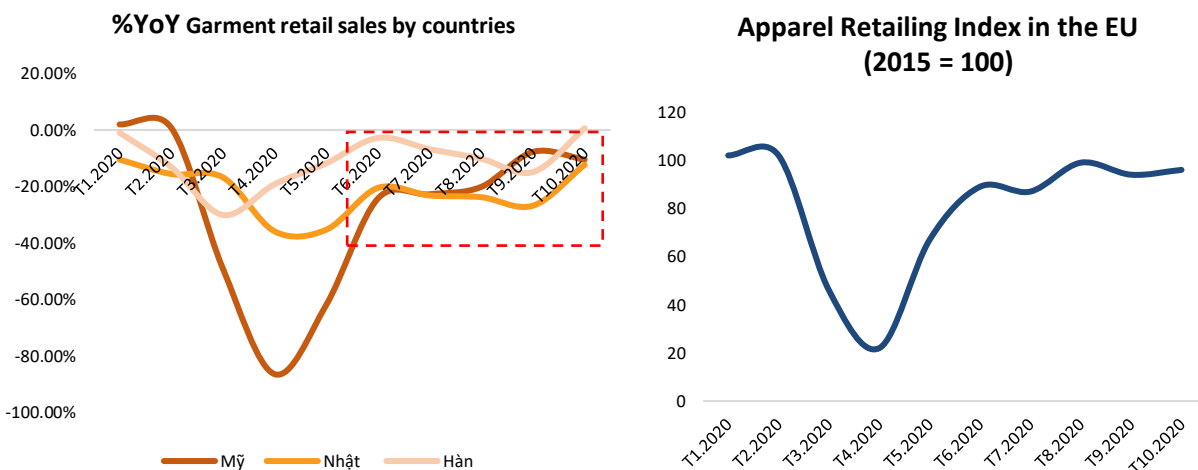
Analyst: Nguyen Cam Tu

Email: tuntc@bsc.com.vn

- In 2021, BSC believes that (i) The value of garment and textile orders will depend on the recovery of procurement demand in export markets (ii) Vietnam's textile and garment will be more competitive in the EU market thanks to the impact of the EV - FTA Agreement and the high tax imposition of Cambodia.
- The risk of a sharp increase in international shipping prices (due to a lack of containers) negatively affects in the short term as customers may delay delivery.
- We raise our view from **NEGATIVE** to **NEUTRAL** for the Textile Industry in 2021.

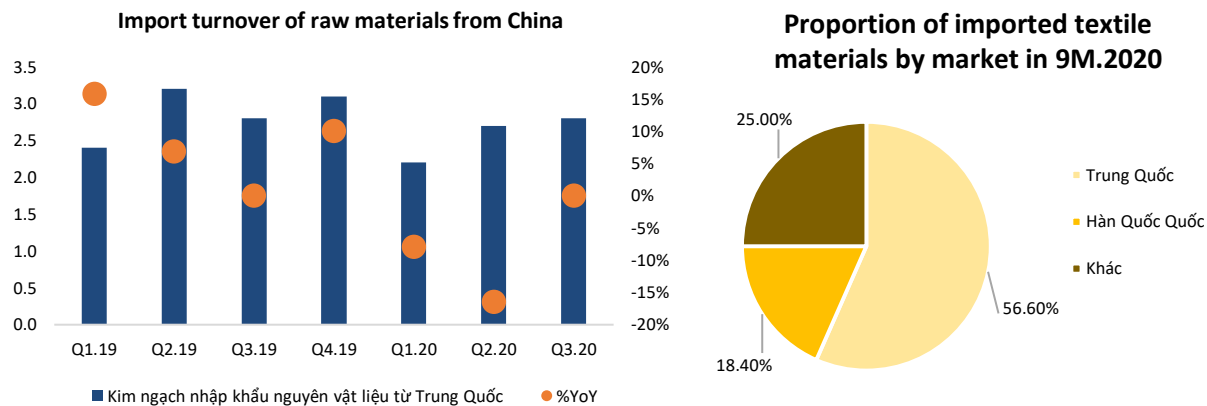
In 2021, BSC believes that (i) The value of garment and textile orders will depend on the recovery of procurement demand in export markets (ii) Vietnam's textile and garment will be more competitive in the EU market thanks to the impact of the EV - FTA Agreement and the high tax imposition of Cambodia.

Traditional orders will depend on the shopping needs of the end-consumer. BSC believes that with the expectation that there is no social isolation on a large scale, retailers will increase the value of traditional orders to textile businesses in 2021. However, we observe that the order value cannot yet returns to pre-pandemic levels (in 2019) when (i) Clothing retail sales have not recovered strongly (ii) Vaccine distribution is uneven across countries. Businesses benefit when orders recover: MSH, TNG, TCM, STK.



Source: collected by BSC

At the same time, the risk of material disruption occurring in 2020 will be unlikely to repeat in 2021 when countries had experience in disease control and ensuring goods trade.



Source: TCHQ

Vietnam's textile industry is more competitive in the EU market thanks to (i) The EV - FTA Agreement, and (ii) Cambodia is not entitled to 0% tax. BSC believes that (i) The EV - FTA Agreement with tax incentives (ii) Vietnam's signing of a cumulative agreement with South Korea will encourage Textile enterprises to look for domestic and Korean raw materials (reducing dependence on China). Although this trend may not have encouraging results in the short term, it will create a competitive advantage in the medium and long term. Moreover, the fact that Cambodia – an opponent of Vietnam's – violate the labor regulations, thus Cambodia cannot enjoy the preferential tax rate of 0% but returns to 8 - 12%, which will reduce competition in the industry. Businesses benefited: TNG, MSH.

The risk of a sharp increase in international shipping prices (due to a lack of containers) negatively impact in the short term. BSC believes that the sharp increase in international shipping fees will limit/delay making textile orders of the clothing retailers in the first quarter of 2021. This may affect the cash flow of textile businesses.

INVESTMENT VIEWPOINT - NEUTRAL

BSC raises its view from **NEGATIVE** to **NEUTRAL** for the Textile and Garment industry in 2021 due to (i) 2020's low base level creating growth opportunities (ii) Traditional order value recovers. BSC also noted that risks to the Textile industry continue to come from (i) Complex pandemic developments (ii) The sharp increase in international shipping charges and (iii) Customer bankruptcy due to business difficulties.

| Ticker | 2021F Revenue (bln VNĐ) | %YoY | 2021F Earning (bln VNĐ) | %YoY | 2021 EPS (VNĐ/share) | P/E fw | P/B fw | Price (11/01/2020) | 2021 target price | Upside |
|--------|-------------------------|------|-------------------------|------|----------------------|--------|--------|--------------------|-------------------|--------|
| MSH | 3,933 | 5% | 297 | 185% | 5,943 | 7.2 | 1.5 | 43,250 | 42,900 | -1% |
| TNG | 4,429 | 9% | 178 | 13% | 2,665 | 7.0 | 1.0 | 17,500 | 18,700 | 7% |

Pharmaceutical Industry [Neutral]

Analyst: Nguyen Cam Tu

Email: tuntc@bsc.com.vn

- In 2021, BSC believes that the prospects of domestic businesses between the two distribution channels continue to be contradictory: (i) Pharmacy channel remains unchanged due to market saturation (ii) Bidding channel continues to grow.
- BSC believes that the fact that two drugstore chains PharmaCity and Long Chau both set high store growth plans will create a change in the market share structure of the drugstore channel in 2021.
- BSC maintains a **NEUTRAL** recommendation on the pharmaceutical industry in 2021.

In 2021, BSC believes that the prospects of domestic businesses between the two distribution channels continue to be contradictory: (i) Pharmacy channel remains unchanged due to market saturation (ii) ETC channel continues to grow

The pharmacy channel lacks growth momentum as the market becomes more and more saturated. The fact that domestic pharmaceutical enterprises focus on certain types of drugs increases the level of competition, while investment in researching new products has not yielded satisfactory results. At the same time, tight policies to buy antibiotics from the pharmacy channel (accounting for a large proportion of the revenue of domestic enterprises) also make it difficult for domestic pharmaceutical enterprises (DHG, TRA) to grow.

The Bidding Channel is expected to continue its growth momentum in 2021. The policy of prioritizing domestic drug manufacturers along with the focus on investment and expansion of new factories with high standards continues to be the growth engine for domestic enterprises (IMP, PME, DBD). However, BSC notes the risk that bidding prices may continue to decline in the coming years as (a) Vietnam Social Security aims to reduce prices by 10-15% per year (b) More and more businesses joining the Hospital channel make bidding more competitive.

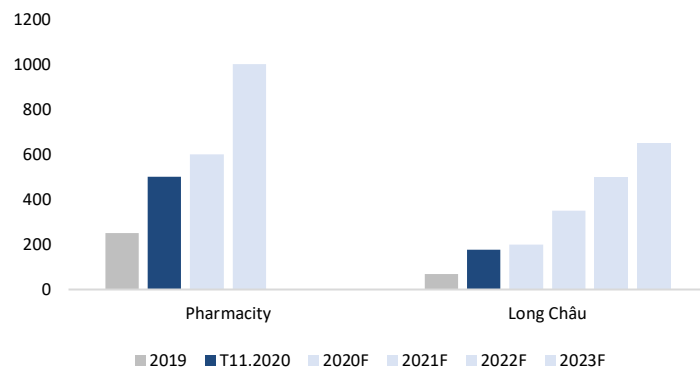
Bidding prices for some products over the years

| Name | Unit | Phase 2.2017 | Phase 1.2018 | Phase 2.2018 | Phase 1.2019 | Phase 1.2020 |
|--------------|--------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Canpaxel 150 | Bottle | 1,129,560 | 973,318 | 826,725 | n.a | n.a |
| Canpaxel 300 | Bottle | 2,808,941 | 2,391,577 | n.a | n.a | n.a |
| Fludacil 500 | Bottle | 46,760 | 35,984 | n.a | n.a | n.a |
| Methotrexate | Bottle | n.a | n.a | 68,627 | 66,990 | 63,200 |
| Vancomycin | Bottle | 26,803 | 27,888 | 24,344 | 20,979 | 17,957 |

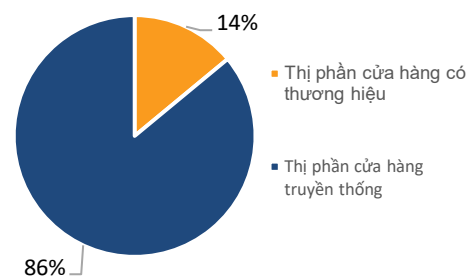
Source: Vietnam Social Security

BSC believes that the expansion of the pharmacy chain Pharmacity and Long Chau will cause many changes in the market share of the pharmaceutical distribution channel in 2021. According to BMI, Vietnam has about 6,000 drugstores across the country, but the number of chain pharmacies is quite small. Currently, two chains, Pharmacity and Long Chau, both plan to increase sharply the number of stores in 2021, competing directly with traditional drug stores.

Number of drugstores of Pharmacity and Long Chau



Market share of pharmacy channel



Source: collected by BSC

INVESTMENT VIEWPOINT - NEUTRAL

We continue to maintain our **NEUTRAL** view on Pharmaceutical stocks in 2021. BSC believes that the profit of those businesses will still have a divergence between Pharmacy channel businesses and Hospital channel businesses: Pharmacy channel remains unchanged/ slightly grow, Hospital channel has a positive growth in double digits. Currently, liquidity risk is the biggest risk for pharmaceutical stocks.

| Ticker | 2021F Revenue (bln VNĐ) | %YoY | 2021F Earning (bln VNĐ) | %YoY | 2021 EPS (VNĐ/share) | P/E fw | P/B fw | Price (11/01/2020) | 2021 target price | Upside |
|--------|-------------------------|------|-------------------------|------|----------------------|--------|--------|--------------------|-------------------|--------|
| DHG | 4,243 | 7% | 682 | 7% | 4,641 | 13.6 | 1.7 | 108,000 | 94,500 | -14% |

Sugar Industry [Neutral]

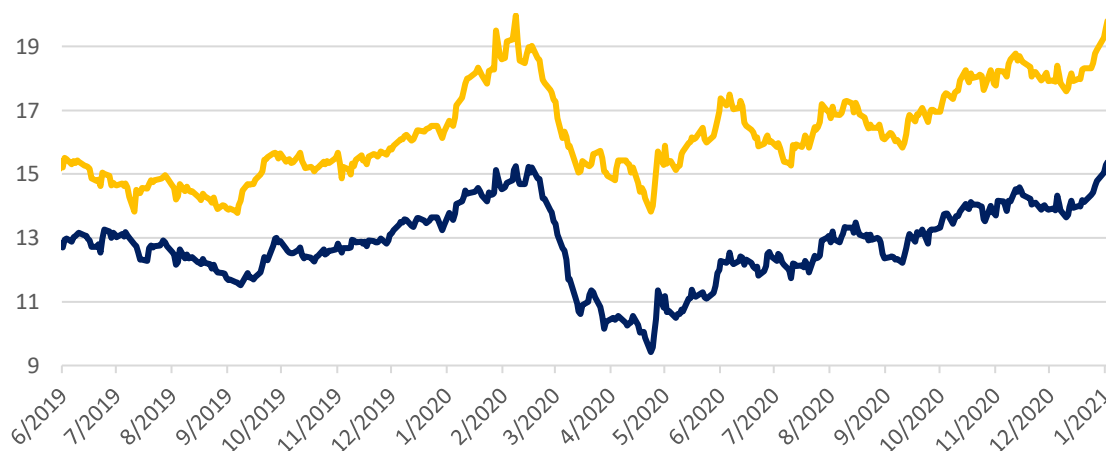
Analyst: Ma Tuan Minh Hien

Email: hienmtm@bsc.com.vn

- The global sugar industry will recover in 2021 after being negatively affected by the impact of the COVID-19 pandemic.
- World sugar price returned to its peak at the beginning of 2020 at 15.37 cents/lb (up +11.7% YoY).
- The sugar industry in Vietnam may be benefited from the government's anti-dumping policy.
- BSC recommends **NEUTRAL** for the sugar industry in 2021.

World sugar price returned to its peak at the beginning of 2020 at 15.37 cents/lb (up +11.7% YoY). Sugar prices increased thanks to the recovery in sugar consumption of the F&B industry, specifically, total world sugar consumption in the 2020/21 crop year increased to 177 million tons (+3.5% YoY) according to USDA, concentrated in the countries such as India, Russia, USA, Pakistan, etc. However, we believe that sugar prices will hardly stay at high prices in the long term because world supply is forecasted to increase to 188 million tons (+11.5% YoY) in Brazil, India and Thailand thanks to 20% more rainfall in the next crop year than before because of the La Nina effect. It is expected that in 2021, the sugar industry will recover thanks to the recovery of consumer demand and production will not be affected by drought due to El Nino anymore.

World price of raw and white sugar (cents/lb)



Source: Isosugar.

Expectations on anti-dumping tax on Thai sugar in 2021. The Ministry of Industry and Trade is investigating the imposition of anti-dumping and anti-subsidy tax on some sugar products imported from Thailand due to a sudden increase in import volume in 2021. We expect the Ministry of Industry and Trade to announce an anti-dumping tax in Q1/2021, thereby the competition of Thai sugar may be reduced, benefiting Vietnamese sugar enterprises (SBT, QNS, LSS, ..). Besides, according to the Vietnam Sugarcane and Sugar Association, Vietnam has a deficit of 884,285 tons of sugar in 2020, mainly affected by drought, causing a sharp decrease in the cane material area, so the recovery of sugar businesses will make up this shortfall.

INVESTMENT VIEWPOINT – NEUTRAL

BSC recommends **NEUTRAL** for the sugar industry in 2021. We believe that there are 3 factors that will stimulate the recovery of the sugar industry: **(1)** A recovery in RE sugar consumption for F&B industries at a growth rate of 5-10%; **(2)** The period of 2021-2025 will be a La Nina cycle, promoting the sugarcane to grow material areas after the 2019-2020 drought cycle, thereby solving the sugar deficit problem; **(3)** The anti-dumping policy of imported sugar will limit the amount of Thai sugar smuggled into Vietnam, thereby increasing the production of domestic enterprises. BSC recommends **Buy** for 2 stocks: SBT and QNS.

| Ticker | 2021F Revenue (bln VNĐ) | %YoY | 2021F Earning (bln VNĐ) | %YoY | 2021 EPS (VNĐ/share) | P/E fw | P/B fw | Price (11/01/2020) | 2021 target price |
|------------|-------------------------------|-------|-------------------------------|-------|-------------------------|-----------|-----------|-----------------------|-------------------------|
| QNS | 7,759 | 13% | 1,190 | 14% | 3,336 | 11.8x | 2.0x | 39,300 | 42,600 |
| SBT | 16,531 | 12.3% | 522 | 16.5% | 816 | 25.7x | 1.6x | 20,950 | 24,000 |

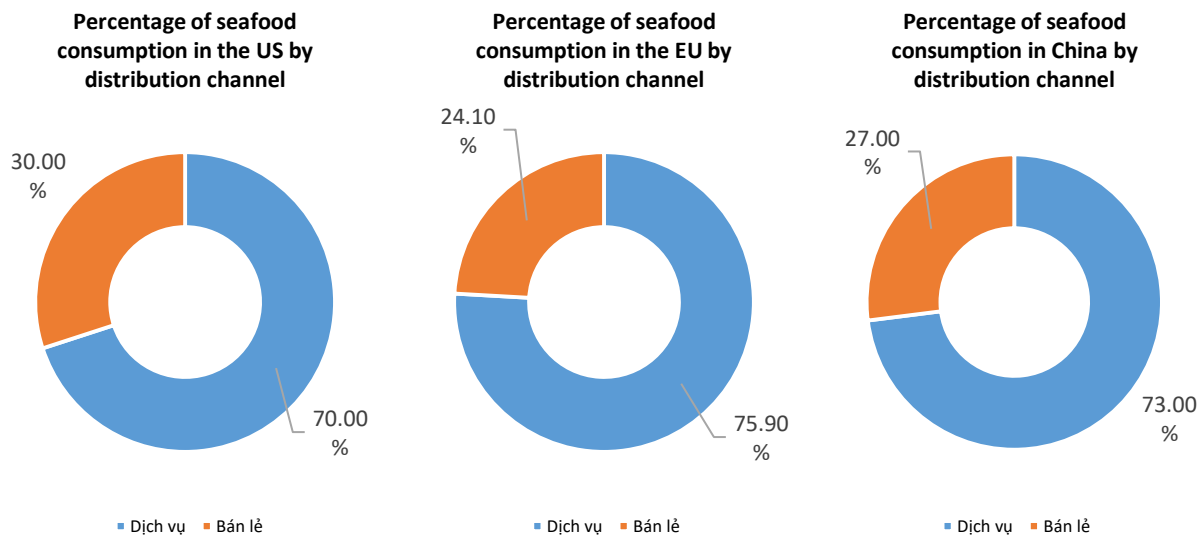
Fisheries and Aquaculture [Neutral]

Analyst: Nguyen Cam Tu

Email: tuntc@bsc.com.vn

- In 2021, BSC believes that the recovery of consumption demand in export markets will support the growth momentum of seafood products.
- Agreements continue to have positive effects in 2021 according to the tax reduction roadmap.
- The risk of a sharp increase in international shipping prices (due to a lack of containers) decreases the demand for seafood imports from customers, negatively affects the industry in the short term.
- BSC maintains its **NEUTRAL** recommendation for the Fisheries and Aquaculture sector.

In 2021, BSC believes that the recovery of consumer demand in export markets will support the growth momentum of seafood products. With the expectation that countries will better control the pandemic, the demand for seafood consumption will recover strongly when restaurants and schools account for a large proportion in the distribution channel. At the same time, seafood selling businesses will increase imports again thanks to (i) Recovery in activity in the second half of 2020 and 2021 (ii) Increase in inventories, which are already at a low level.

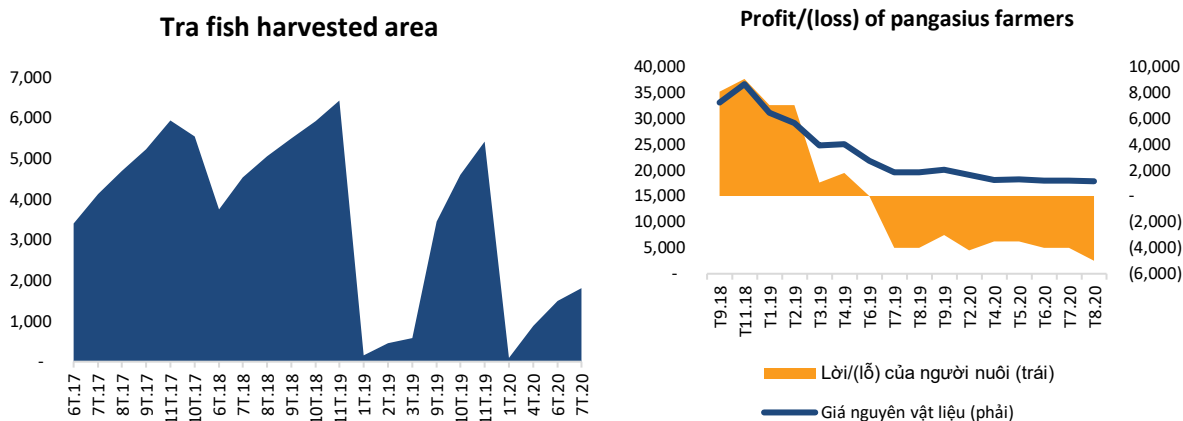


Source: collected by BSC

For shrimp products, BSC believes that 2021 is unlikely to have a high growth rate when rival countries return to normal activities. In 2020, India and Ecuador (two main rival countries) were both heavily affected by the disease, which disrupted their production processes; while, with its good disease control ability, Vietnam's shrimp production chain wasn't disrupted, creating strong growth momentum. However, in 2021, this impact is unlikely to happen when (i) Rival countries return to production (ii) The selling price of Indian and Ecuadorian shrimp is 10-15% lower than that of Vietnam.

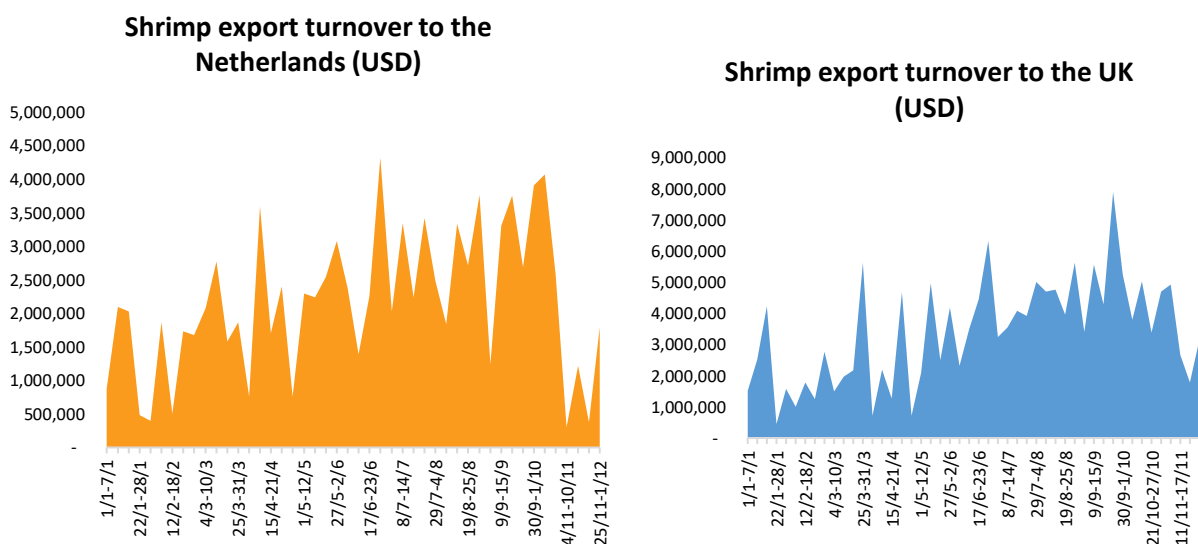
For Pangasius products, BSC believes that pangasius supply is unlikely to expand in the short term, which supports selling prices when demand improves. We believe that (i) The harvested area is at the lowest level (ii) The price of raw fish is not attractive enough for people to expand the farming area, which

will make it difficult for pangasius supply to expand in the next 3-6 months. With the expectation that demand will gradually improve along with supply not expanding in time (it usually takes 3-6 months from stocking to harvesting fish), BSC expects the export price of pangasius to be better in 2021 (+10% YoY). Businesses benefited: VHC, ANV, IDI.



Source: collected by BSC

The Agreements continue to have a positive influence in 2021. This is also the first year of the UK - FTA Agreement (replacing the separate EV - FTA agreement with the UK) and the second year of the EV - FTA Agreement comes into effect. For shrimp, the preferential tax continues to remain at 0%, creating a great competitive advantage: shrimp exports to the UK and the Netherlands grew strongly as soon as the EV - FTA took effect. For pangasius, the tax rate will continue to decrease to 3% in 2021 and 0% in 2022 according to the roadmap. Businesses benefited: MPC, VHC, ANV, IDI.



Source: collected by BSC

The risk of a sharp increase in international shipping prices (due to a lack of containers) negatively affect in the short term. BSC believes that the sharp increase in international fees will force customers in the US

and EU markets to reduce their seafood product imports in the first quarter of 2021. The recovery momentum of seafood businesses will also be negatively affected in the short term.

INVESTMENT VIEWPOINT - NEUTRAL

We maintain our **NEUTRAL** recommendation for the Fisheries and Aquaculture industry in 2021. We expect a strong recovery in seafood consumption demand in 2021 when the pandemic is under control and there is no widespread social distancing order. However, BSC noted that (i) The risks of complicated disease developments in some markets (ii) Policy-related risks in export markets are the biggest risks for the seafood industry in 2021.

| Ticker | 2021F Revenue (bln VNĐ) | %YoY | 2021F Earning (bln VNĐ) | %YoY | 2021 EPS (VNĐ/share) | P/E fw | P/B fw | Price (11/01/2020) | 2021 target price | Upside |
|--------|----------------------------------|------|----------------------------------|------|-------------------------|-----------|-----------|-----------------------|-------------------------|--------|
| VHC | 10,522 | 32% | 1,266 | 66% | 6,906 | 6.4 | 1.4 | 43,300 | 55,700 | 28% |
| ANV | 4,830 | 31% | 424 | 145% | 3,050 | 8.2 | 1.8 | 24,950 | 27,500 | 10% |

Aviation Industry [Neutral]

Analyst: Pham Quang Minh

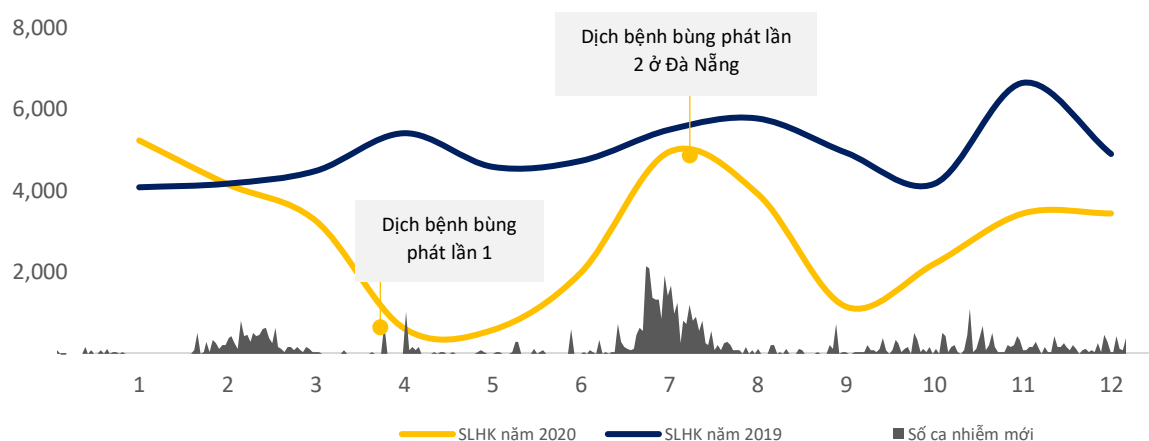
Email: minhqp@bsc.com.vn

- In 2021, BSC forecasts that domestic passenger volume will reach 74 million passengers, equivalent to the 2019 level.
- BSC expects 2H/2021 to be the earliest time to reopen international routes.
- Cargo volume in 2021 is expected to reach 1.45 million tons (+11.5% YoY), equivalent to 94% of 2019.

In 2021, BSC forecasts that domestic passenger volume will reach 74 million passengers, equivalent to 2019 levels, thanks to (1) Vietnam will continue to effectively control the pandemic, (2) airlines maintain discount and preferential policies, so the average ticket price will stay low (3) The stimulus packages of the government, plus the trend of "compensating tourism" when international routes have not yet reopened, will promote domestic tourism.

Figure: In 2020, the volume of passengers via air routes is estimated at 32.3 million (-41.3% YoY)

Sản lượng hàng hóa, nghìn tấn



Source: GSO, BSC Research

BSC expects 2H/2021 to be the earliest time to reopen international routes, thanks to (1) Southeast Asian and Northeast Asian countries are actively producing/buying vaccines, hoping to control the disease better, (2) The trend of "Air Bridge" which stimulate the reopening of the staggered and partial flight path. However, BSC is afraid that the "Air Bridge" trend will take place more slowly, or be interrupted in the near future. The cause comes from (1) Risk when some countries are having a 3rd outbreak of the disease, (2) The large cost of screening and testing. Therefore, the vaccine delivery schedule that we mentioned above is still a key expectation to reopen flights.

Cargo volume in 2021 is expected to reach 1.45 million tons (+11.5% YoY), equivalent to 94% of the 2019 level. This forecast is based on the following expectations: (1) The trend of shifting production lines to Vietnam will promote the export of electronic components via air routes, (2) the recovery of the global economy will increase cargo demand (3) Demand for transporting vaccines in Q1 and Q2. However, BSC believes that the recovery of cargo volume will be restrained in 1H/2021 due to limited transport capacity as international commercial flights will not yet recover.

INVESTMENT VIEWPOINT - NEUTRAL

BSC recommends **NEUTRAL** for the aviation industry in 2021 due to concerns about the progress of reopening international routes, which will still face many difficulties due to the pandemic.

With the above viewpoints, BSC believes that:

- **Cargo handling/service businesses (SCS, NCT):** Business performance will improve in 2021 thanks to the recovery of air freight volume.
- **Passenger transport enterprises (HVN, VJC):** Business activities will still face difficulties due to:
 - (1) **International routes will not reopen in 1H/2021. The average ticket price will be low, equivalent to 2020 due to** (i) The tourism stimulus policy, plus (ii) Increased competition from the participation of Viettravel Airlines in 2020, which will force airlines companies in the industry to maintain a preferential and discount policy.
 - (2) **There will not be much room left to reduce operating costs and expand the domestic flight network when 2020 is the year of maximum savings.** In 2021, BSC believes that airlines will increase operational efficiency by focusing on exploiting small-body aircraft.

| Ticker | 2021F Revenue (bln VNĐ) | %YoY | 2021F Earning (bln VNĐ) | %YoY | 2021 EPS (VNĐ/share) | P/E fw | P/B fw | Price (11/01/2020) | 2021 target price | Upside |
|--------|----------------------------------|------|----------------------------------|------|-------------------------|-----------|-----------|-----------------------|-------------------------|--------|
| SCS | 760 | 8% | 528 | 10% | 9,834 | 14.4 | 6.0 | 130,300 | 140,000 | 7.4% |
| ACV | 11,959 | 50% | 4,870 | 162% | 2,234 | 38.7 | 4.8 | 82,900 | 86,500 | 4.3% |

* Note: Long Thanh project has not been included in the valuation.

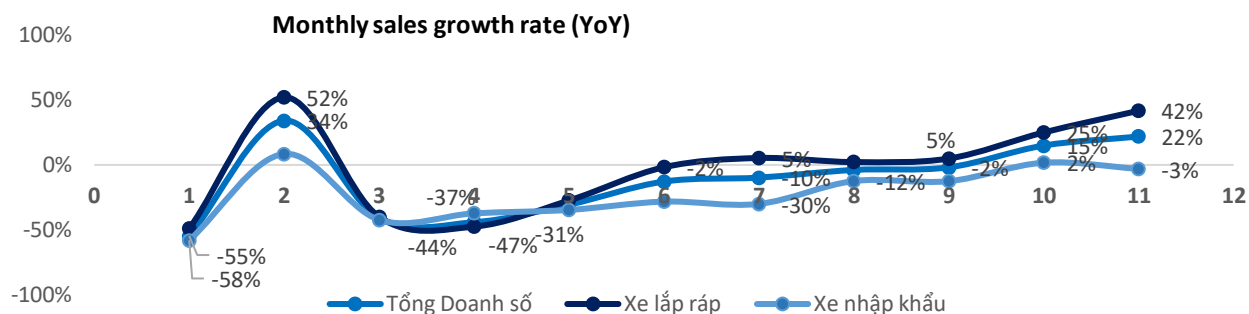
Automotive Industry [Neutral]

Analyst: Nguyen Thi Hong

Email: hongnt@bsc.com.vn

- The 11M2020 automobile market continued the recovery momentum from the third quarter. November 2020 auto sales increased +9% compared to October 2020, and +15%yoy.
- BSC forecasts that the average car sales in 2020 will be at a decrease of -15-20% yoy because of government regulations to stimulate consumption.

The auto market in 11M2020 continues the recovery momentum from the third quarter, closely following BSC's forecast. Car sales in November 2020 increased by +9% compared to September and +12% over the same period. Accumulated the first 11 months, total market sales reached 248.410 cars (-4% yoy), assembled cars +3% yoy, imported cars -15% yoy. We see a recovery in domestic assembled car consumption, improving month-on-month growth (close to our expectations). In our opinion, the reason is due to (1) Regulation to reduce registration fee by 50% for assembled cars (mentioned in the previous report) creating a good effect, stimulating demand to buy assembled cars to enjoy incentives, and (2) Travel needs also increased after the lockdown period.



Source: VAMA, BSC Research

BSC forecasts average car sales in 2020 will be at a decrease of -15-20% yoy thanks to government regulations to stimulate consumption. On June 28, 2020, the Prime Minister signed and promulgated Decree 70/2020 stipulating that the registration fee rate is equal to 50% of the previously prescribed fee, domestically manufactured or assembled cars cost will be reduced about 10-12%. This is one of the Government's solutions to help businesses recover production, business and domestic consumption.

However, we believe that this advantage of assembled cars will no longer last in 2021, BSC expects the proportion of imported cars and assembled cars to be balanced again due to (1) From January 1, 2021 car models originating from the EU will be subject to a reduced tax rate of 6.7 - 7.4% compared to before, expected to stimulate demand for imported cars; **(2)** The effect of reducing the registration fee for assembled cars will expire in 2020. In which, businesses will be benefited: car manufacturers (VEA, VIC) and vehicle distribution groups (HAX, SVC).

INVESTMENT VIEWPOINT - NEUTRAL

We recommend **NEUTRAL** for automobile stocks. In 2020, car sales will decline, but thanks to the government's stimulus policy, the profit of businesses have partly recovered. In the long-term, BSC believes that (1) Automobile businesses will grow strongly again thanks to the large potential of Vietnam's

automobile industry (vehicle ownership rate is 2.3% of car-owning households, lower than compared to other countries in the region: Brunei - 72.1%, Thailand - 22.5%, Malaysia - 44.3% - according to Seasia).

| Ticker | 2021F Revenue (bln VNĐ) | %YoY | 2021F Earning (bln VNĐ) | %YoY | 2021 EPS (VNĐ/share) | P/E fw | P/B fw | Price (11/01/2020) | 2021 target price |
|--------|----------------------------------|------|-------------------------------|------|-------------------------|--------|-----------|-----------------------|-------------------------|
| VEA | 4,180 | -1% | 5,746 | 12% | 4,324 | 10.9 | 2.6 | 49,000 | 60,038 |

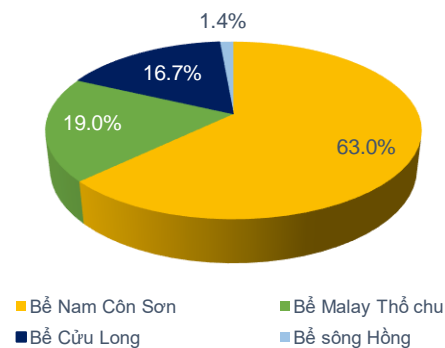
II/ Demand for gas is high, continuously growing, but gas supply is still in short supply, leading to a limitation on growth in both oil and gas sectors...

Considering the gas market alone, according to updated reviews, Vietnam's **gas reserves of class 2P are about 432 billion m3 (about 150 billion m3 has been exploited so far)**, of which:

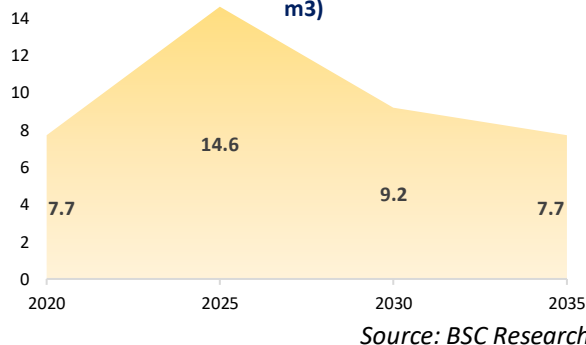
- (1) Gas fields in the Southeast are rapidly declining, and gas shortages have begun to appear.
- (2) In the Southwest region, the block B gas field is only enough to supply O Mon Power Center (3,800 MW) from 2024.
- (3) The gas source from Ca Voi Xanh field is expected to be enough for only 5 planned plants in Dung Quat and Chu Lai (5x750 MW) from 2024.

According to the gas supply plan for basic power production, from 2030, Vietnam will be short of 5.4 billion m3 of gas per year compared to the previous period, and an additional 1.5 billion m3 of gas will be reduced from 2035 due to the long-term depletion of perennial gas fields.

Proportion of exploitation output of gas tanks



Total gas supply for power production is estimated to be short from 2030 (unit: billion m3)



Therefore, the Ken Bau gas field discovered in 2020 with an estimated reserve of 200-250 billion m3 of gas will be an important source of additional fuel, solving the problem of global energy supply and demand in the long term (from 2030). In addition, this is also the closest oil and gas field to the shore (86km from Da Nang and 65km from Quang Tri province). Therefore, BSC assesses the risk of a dispute as relatively low. It is expected that the **Ken Bau mine can be put into operation from 2028**.

..... LNG is the future of Vietnam's electricity/gas industry

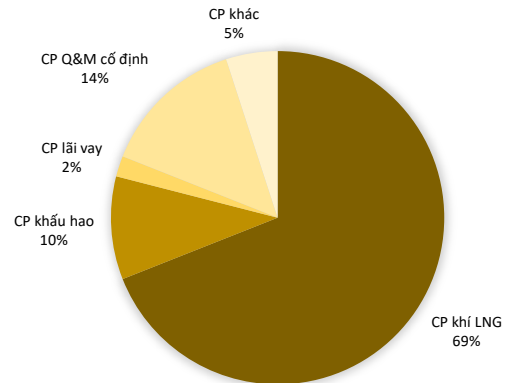
The gas-fired power industry will depend on imported LNG sources in the coming years. Based on the above analysis, the current and future domestic gas supply is not enough to meet the general demand of the electricity/fertilizer industry. Meanwhile, the total amount of gas consumed for electricity production will increase by 10-15% per year on average in the period of 2020-2030. Therefore, we forecast that in the period of 2020 - 2030, the proportion of imported LNG in total fuel consumption for power generation will gradually increase from 0% to 50%.

The low price of LNG will help the progress of Vietnam's LNG import projects to progress faster. Currently, LNG prices are at the lows of the past 10 years. In the first 9 months of 2020, the spot LNG price dropped from \$5-6/million BTU in Q1 to \$2-3/million BTU in Q3. Given that LNG prices are usually based on Brent oil prices, we forecast LNG prices at around 6.5-7.2 USD/million BTU in the period of 2021-2025.

Figure 14: US import LNG price (USD/cubic foot)



Figure 15: Cost structure of LNG gas power production



Source: EIA, BSC Research

Petroleum – Fertilizer industry [Neutral]

Analyst:

Thai Ngoc Lan Huong

Le Huu Ngoc

Pham Thi Minh Chau

Email:

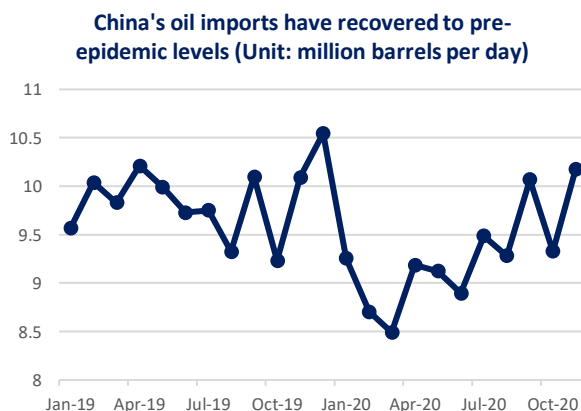
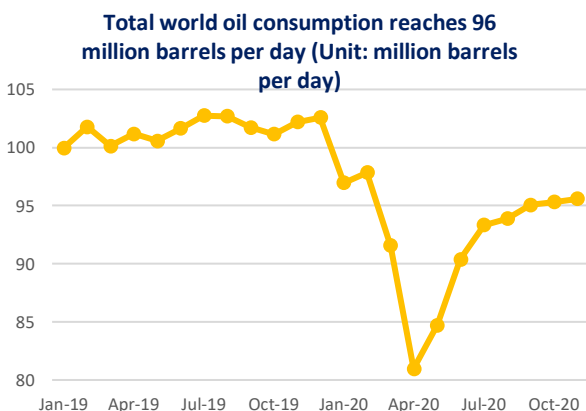
huongtnl@bsc.com.vn

ngochl@bsc.com.vn

chauptm@bsc.com.vn

- Total world oil consumption has increased from a bottom of 80 million barrels per day (April 2020) to 96 million barrels per day (November 2020), compared with pre-pandemic consumption of about 100 million barrels per day.
- OPEC+ agreed to increase the cut of 1.4 million barrels per day in January 2021 and cut another 0.9 million barrels per day in T2-March 2021, creating a supportive foundation for oil prices.
- Vietnam's crude oil production decreased by 10% per year on average in the period of 2015-2019, imported volume in the same period increased by 156% on average to serve oil refining activities.
- BSC raises its view from UNDERPERFORM to **NEUTRAL** for the oil and gas sector in 2021, assuming the world oil price improves to an average of 55 USD/barrel and recommends BUY for upstream and downstream stocks which are benefited from recovering oil prices such as GAS, PLX, PVS.
- Besides, BSC lowered its view from POSITIVE to **NEUTRAL** for the fertilizer industry in 2021 because these businesses will be directly negatively affected when the oil price recovers.

Total world oil consumption has increased from a bottom of 80 million barrels per day (April 2020) to 96 million barrels per day (November 2020), compared with pre-epidemic consumption of about 100 million barrels per day. China - the world's largest oil importer (accounting for 10% of total world oil demand) - has also increased oil imports to more than 10 million barrels per day (equal to pre-pandemic levels).



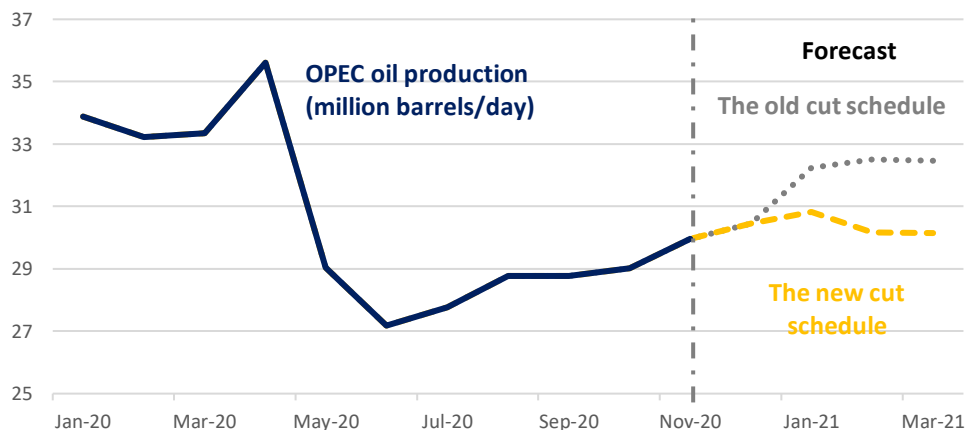
Source: EIA, BSC Research

In the latest meeting in early January 2021, the OPEC group approved the decision:

- **January 2021:** Cut 7.2 million barrels of oil per day (7% of world oil demand), increase the cut of 1.4 million barrels per day compared to the previous plan.
- **February-March 2021:** Cut another 0.9 million barrels of oil per day, of which:

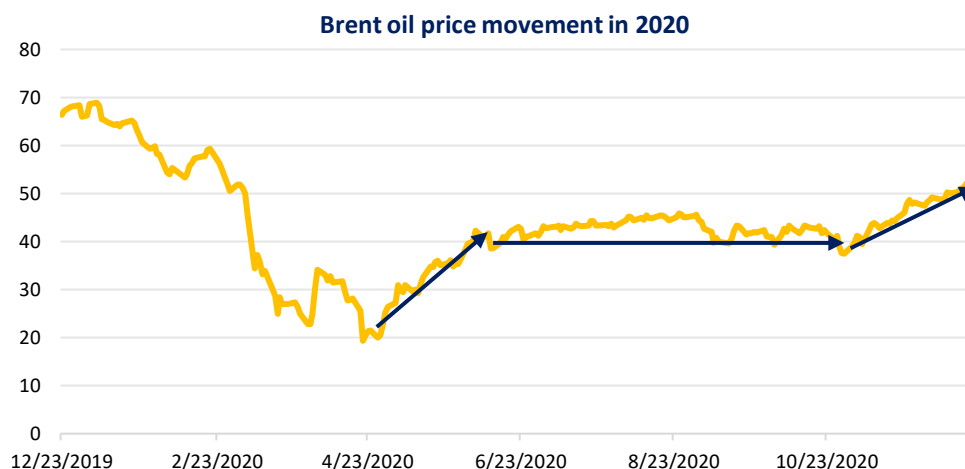
- o Saudi Arabia cuts another 1 million barrels per day.
- o Russia and Kazakhstan increase production by 75,000 barrels per day.
- o The rest of OPEC countries keep their January output levels unchanged.
- **From April 2021 to April 2022:** Cut 5.8 million barrels per day within 1 year.

BSC believes that this action is to show the OPEC group's cautious attitude towards a vulnerable oil and gas market. This will help keep the **world's total oil supply below total consumption, reduce reserves, and put upward pressure on oil prices**, especially when oil demand recovers along with post-pandemic business activities.



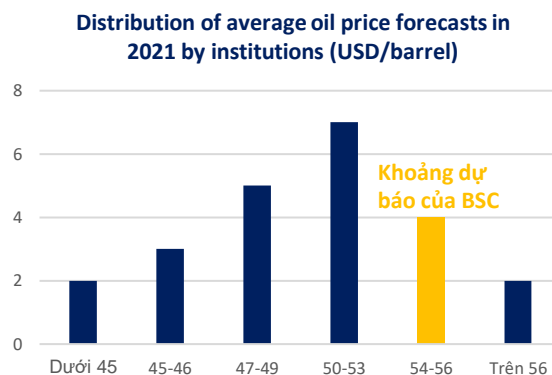
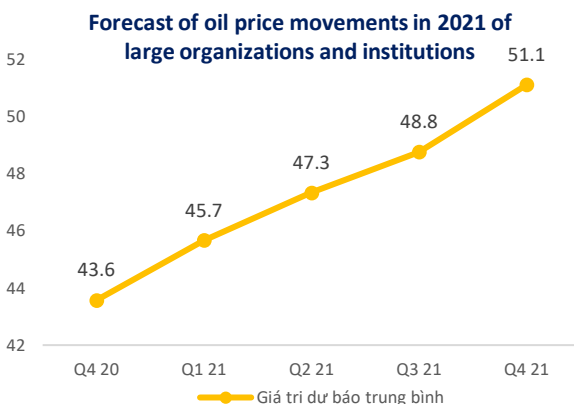
Source: EIA, BSC Research

Oil price (Brent) has crossed the threshold of 50 USD/barrel, reaching a 9-month high thanks to improved demand and supply. For 5 consecutive months from June 2020, the oil price has moved sideways in the range of 40-45 USD/barrel. However, the price of Brent oil has increased for 2 consecutive months since the beginning of November 2020, surpassing the resistance level of 45 USD/barrel, establishing a new uptrend thanks to improved demand and tight supply.



Source: Bloomberg, BSC Research

Major organizations and institutions in the world forecast that the oil price will reach about 40-50 USD/barrel in 1H2021, then recover to 50-60 USD/barrel in 2H2021. Accordingly, **the most popular forecast value for the average Brent oil price in 2021 is in the range of 50-53 USD/barrel.**



Source: Bloomberg, BSC Research

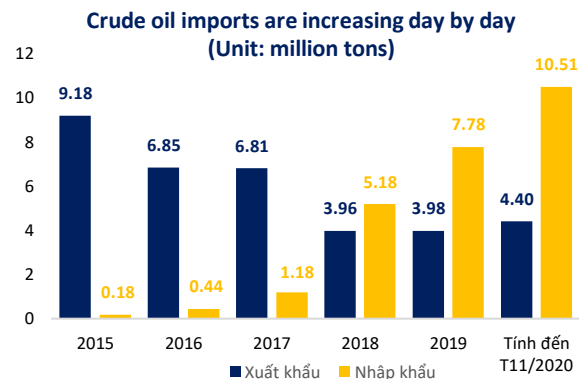
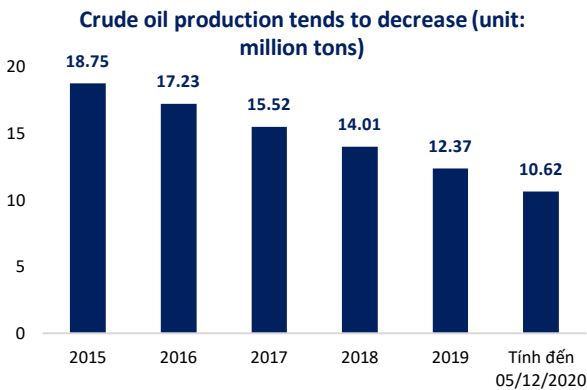
With the prospect of a recovering economy and tight supply, **BSC optimistically uses the average oil price of 55 USD/barrel** as the base scenario for the 2021 forecast (compared to the old base scenario of 45 USD/barrel). However, we also believe that oil price movements in 2021 will have strong fluctuations because the oil and gas market is still in a sensitive and vulnerable period and depends on many factors such as:

- (1) The speed of production and distribution of Covid vaccines.
- (2) The real recovery of the world economy and businesses' activities.
- (3) The next moves of OPEC - the group of major oil exporters.

Regarding the domestic oil and gas market, imported oil output increased by 156% per year on average in the period of 2015-2019 due to:

- (1) Domestic crude oil production declines on average by 10%/year, especially from light sweet oil fields in the Cuu Long basin - these fields account for about 80% of total oil production.
- (2) The prospecting, exploration, exploitation and development of mines face many difficulties in terms of agreements and capital sources.

In the coming years, **we forecast that domestic crude oil production will continue to decline by 10%/year and import volume will continue to increase by 150%/year** to meet the expansion requirements of the Dung Quat Oil Refinery factory and operation of Nghi Son Refinery and Petrochemical Complex.



Source: Ministry of Industry and Trade, BSC Research

On the other hand, for the nitrogen and gas industry alone, the **recovery of oil price** to an average of 55 USD/barrel in 2021 will have a **negative impact on the business results of most of the fertilizer companies** with the main raw material price anchored to the price of oil.

However, we expect **fertilizer demand to continue to grow positively in 2021, thereby partially offsetting the negative impact of rising raw material prices and continuing to expect a change in VAT in 2021.**

(1) The export situation of Vietnam's agricultural products in 2021 is positive due to:

- The potential for exporting agricultural products to Europe is still large (Vietnam's export value only accounts for 1.4% of the value of agricultural products imported by the EU28) when the EVFTA agreements (August 2020) and UKVFTA (2021) come into effect, reducing import tax gradually to 0%,*
- New rice export contracts continue to be signed in the Philippines, Africa... with export prices remaining high in early 2021 but will tend to decrease slightly as export output in India and Thailand is expected to recover (according to VFA).*

(2) Climate conditions in 2021 are expected to be favorable for increasing crop yields and production, boosting fertilizer demand, as La Nina is likely to finish 3 consecutive years of drought caused by the El Nino phenomenon in spring 2021 (According to NOAA).

The revised VAT Law is expected to be passed by the Power Planning in 2021; Accordingly, nitrogenous enterprises are expected to benefit the most from the above change (estimated more than 300 billion input VAT will be refunded). However, the impact of this event on profit after tax depends on the guidance on specific selling price adjustment when official information is available. ([link](#))

INVESTMENT VIEWPOINT - NEUTRAL

BSC raises its view from UNDERPERFORM to **NEUTRAL** for the Oil and Gas industry in 2021 due to:

- Outlook for economic recovery and world oil price to improve to an average of 55 USD/barrel (+34% yoy).
- The world oil and gas market is still in a sensitive period with many risks.
- Upstream activities of exploration and development of oil and gas fields in Vietnam still face many obstacles and slow progress.

Specifically, we recommend **BUY** for **GAS, PLX, PVS** because these are the businesses that benefit the most from the prosperity of:

- World oil price.
- Outlook for energy and fuel demand for production and businesses' operation.
- Demand for oil and gas exploration and production domestically and in the region.

In addition, we lower our view from **POSITIVE** to **NEUTRAL** for the nitrogen gas industry in 2021 due to:

- Nitrogenous companies are negatively affected when the world oil price recovers because the price of raw gas is anchored to the oil price.
- Fertilizer demand in 2021 is positive thanks to the situation of farming and exporting agricultural products with many favorable factors.
- Expected VAT law to be revised in 2021, nitrogenous companies are estimated to be refunded ~300 billion input VAT.

| Ticker | 2021F Revenue (bln VNĐ) | %YoY | 2021F Earning (bln VNĐ) | %YoY | 2021 EPS (VNĐ/share) | P/E fw | P/B fw | Price (11/01/2020) | 2021 target price |
|------------|-------------------------------|------|-------------------------------|------|-------------------------|-----------|-----------|-----------------------|-------------------------|
| GAS | 77,808 | 17% | 11,631 | 46% | 5,956 | 14.5 | 3.0 | 86,900 | 105,000 |
| PLX | 182,510 | 25% | 3,918 | 273% | 3,268 | 16.1 | 2.1 | 54,600 | 62,400 |
| PVS | 19,550 | 9% | 950 | 33% | 1,988 | 8.9 | 1.0 | 17,800 | 22,000 |
| PVT | 7,623 | 10% | 641 | 20% | 1,980 | 6.8 | 0.7 | 14,000 | 14,850 |
| DCM | 8,092 | 11% | 446 | -28% | 673 | 20.9 | 1.18 | 14,100 | 15,100 |
| DPM | 8,522 | 4% | 499 | -27% | 1,021 | 18.3 | 0.99 | 18,700 | 18,100 |

Source: BSC Research

Electricity Industry [Neutral]

Analyst:

Pham Nguyen Long

Duong Quang Minh

Email:

longpn@bsc.com.vn

minhdq@bsc.com.vn

- Commercial electricity output in 2021 is forecast to grow by 9.0% compared to 2020.
- The draft of the 8th Power Planning aims to focus on investing in renewable energy and LNG sources in the future.
- La Nina continues to be a positive new for hydropower plants but will be a negative factor for coal & gas thermal power enterprises.
- We recommend **NEUTRAL** for the power sector.

POWER SUPPLY - ELECTRICITY SHORTAGE PROBLEM WILL STILL CONTINUE

Electricity demand growth in 2021 is expected to grow +8.0% yoy. Commercial electricity output in 2020 is expected to reach 215.9 billion kWh (+3.1% yoy). The growth of electricity consumption in 2020 is lower than the average of the 2016-2019 period (CAGR = 9.4%/year) due to the Covid-19 pandemic disrupting production activities, causing GDP growth in 2020 to reach only +2.9%. In 2021, BSC forecasts that Vietnam's GDP will recover at 5.6-7.0% and the forecasted electricity consumption is 235.3 billion kWh (+98.0% yoy).

Figure 1: Electricity consumption increases sharply in the period 2020-2030 (billion kWh)

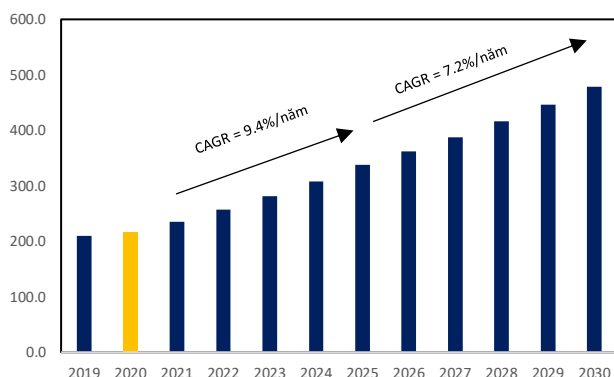
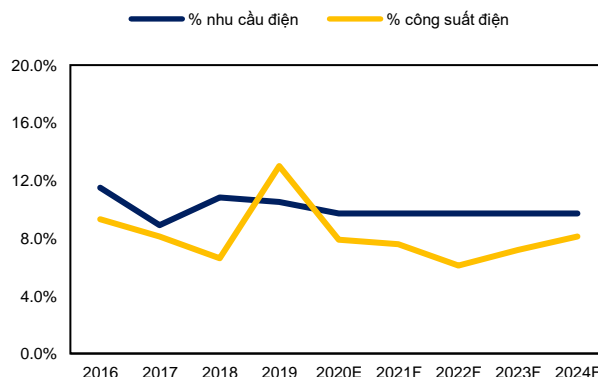


Figure 2: Supply growth is lower than demand for electricity



Source: EVN, BSC Research

Power shortages are expected to continue in the near future. In the fourth quarter of 2020, the Power sector has implemented projects such as the 500kV transmission line, circuit 3, Vung Ang - Doc Soi - Pleiku 2; connecting and testing power supply for Hai Duong, Nghi Son and Van Phong BOT thermal power plants, and projects which release renewable energy source capacity. According to EVN, Vietnam needs an additional 5,000 MW/year for development in the period of 2021-2025.

SOURCE STRUCTURE – THE FUTURE BELONGS TO RENEWABLE ENERGIES

Power Planning 8 focuses on clean energy sources in the future. To meet electricity consumption growth in the period 2020-2045, the total installed capacity is forecasted to reach 138,000 MW in 2030 and 272,000 MW in 2045 – more than 2.3 times and 4.6 times respectively in 2020. In which, the significant changes in the contribution structure of specific sources are:

- **Renewable energy:** The capacity of renewable energy sources (mainly wind power and solar PV) is forecasted to grow strongly **from 7,400 MW in 2020 to 38,100 MW in 2030 and 120,000 MW in 2045**. Renewable energy projects are mainly distributed in the South, which is the largest development potential region in the country. Therefore, BSC expects that the explosion of renewable energy projects will help alleviate electricity shortages in the South in the future. BSC believes that companies with listed solar power portfolios like GEG will be notable stocks in the near future.
- **Coal-fired power:** New coal-fired power projects will be restricted from developing when **more than 17,000 MW (49%) of the capacity in the revised Power Planning 7 will be removed (10,120 MW) or postponed to the next phase after 2030 (6,900 MW)**. The contribution of coal-fired power plants will decrease from 33.4% in 2020 to 27.6% in 2030 and 18.5% in 2045.
- **Gas-fired thermal power:** BSC believes that gas-fired thermal power sources will play a major role in providing electricity in the future because this **power source is stable and doesn't affect the environment** like coal-fired power. According to the draft Power Planning 8, the contribution proportion of gas thermal power plants will increase **from 12% in 2020 to 19% in 2030**, an increase of 4.5% compared to the adjusted Power Planning 7. Therefore, the import demand for LNG is expected to increase sharply in the period 2020-2030, from 1.2 million tons in 2025 to 8.5 million tons in 2030. Therefore, BSC believes that gas power companies such as POW and NT2 will benefit in the long term.

Figure 3: Total installed capacity under PDP 8 (MW)

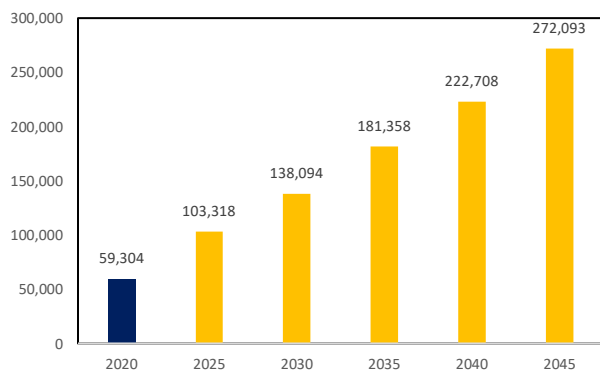
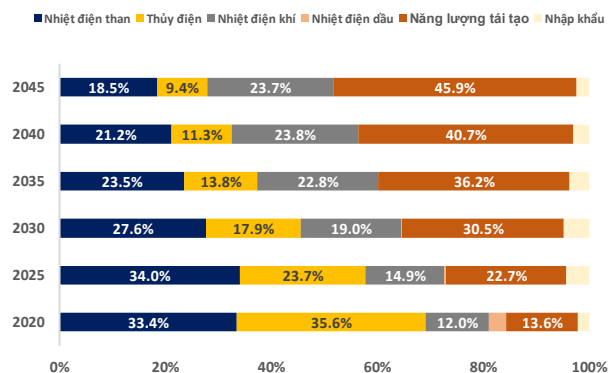


Figure 4: PDP 8 towards investment in clean energy



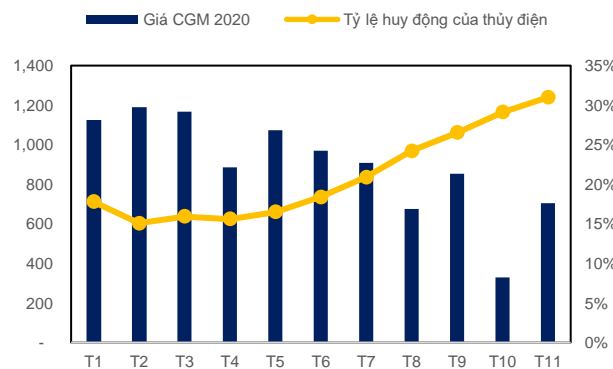
Source: Draft Power Planning 8, BSC Research

COMPETITIVE GENERATOR MARKET PRICE (CGM) – STAY BELOW 1,000 VND/kWh

The average selling price of electricity in the CGM in 11M2020 decreased -26% yoy. In 11M2020, the average selling price of CGM is 898 VND/kWh (-26% yoy). The decrease in CGM price in 2H2020 is due to (1) The Covid-19 pandemic affecting electricity consumption demand and (2) Hydroelectricity actively

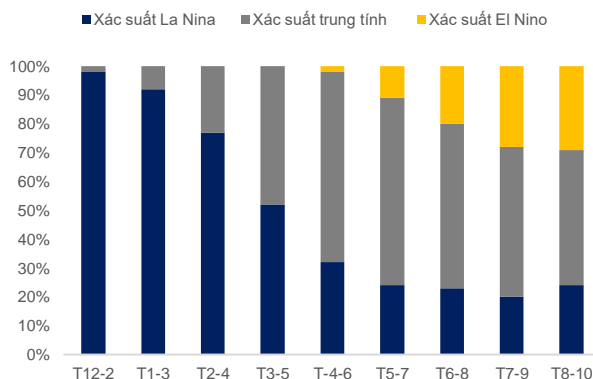
mobilized by the National Load Dispatch Center (A0) due to the appearance of La Nina at the end of Q2/2020.

Figure 5: CGM price drops due to concentrated mobilization of hydropower



Source: EVN, BSC Research

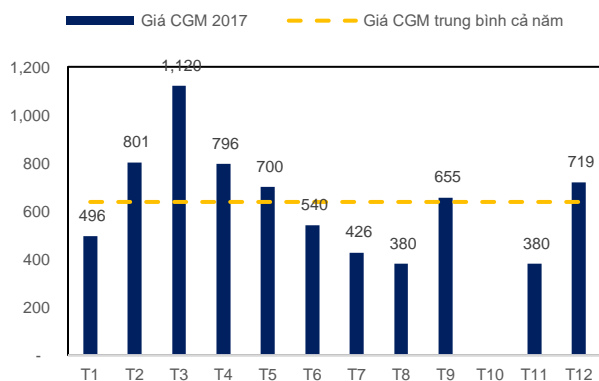
Figure 6: La Nina is forecast to last until the end of Q2/2021



Source: IRI, BSC Research

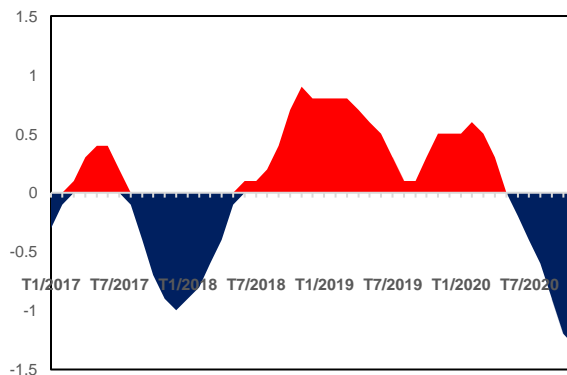
BSC forecasts that the average CGM price will remain low when the hydropower plants store enough water to generate electricity for the whole year of 2021 because La Nina is forecasted to last until July-August 2021. Looking back at the situation in 2017, the average CGM price for the whole year was only 683 VND/kWh. According to IRI's forecast, the intensity of La Nina this year is even greater than that of 2017. Therefore, BSC believes that the hydrological situation in 2021 will continue to favor businesses that own a lot of hydropower (such as REE, PC1,...).

Figure 7: Low CGM TB price in 2017 due to La Nina appearance



Source: EVN, BSC Research

Figure 8: La Nina taking place in 2020-2021 tends to be stronger than 2017



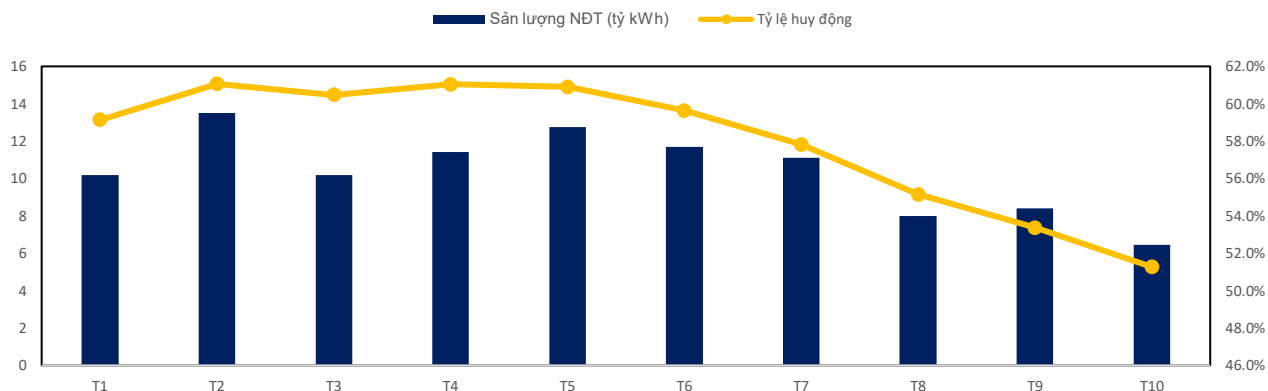
Source: IRI, BSC Research

COAL POWER – THE SHORT-TERM KEY SOURCE OF POWER

Coal thermal power is still an important source of electricity in the short term. Accumulated 10M2020, coal-fired thermal power output reached 103.7 billion kWh (+6.35% yoy). The mobilized rate of coal thermal power T10/2020 decreased -10% compared to the beginning of 2020 due to La Nina's return. As La Nina is forecasted to continue, 2021 will be a disadvantageous year for thermal power plants as hydropower continues to be prioritized by A0. However, BSC believes that coal-fired power will still be

the main source of supply in the short term when the **renewable energy source has not been operated in time and the shortage of LNG will only be resolved after 2025.**

Figure 7: Deposit ratio of investors decreased due to La Nina appearance



Source: EVN, BSC Research

RENEWAL ENERGY SECTOR – HUGE GROWTH POTENTIAL

The **renewable energy segment continues to grow rapidly, although it still accounts for a low proportion.** Accumulated in 10M2020, electricity output from renewable energy reached 8.95 billion kWh (+ 128% yoy). The mobilized rate from A0 by the end of October 2020 was only 4.4%. BSC expects that power capacity from the Renewable Energy segment will tend to increase rapidly in 2021, especially wind power capacity because wind power plants will **enjoy a FIT price of 8.5 cents/kWh (equivalent to 1,928 VND/kWh) if they are put into operation before November 1, 2021.**

Table 1: FIT pricing mechanism for renewable energy power projects

| Solar energy | | | Wind energy | |
|--|----------------|----------------------------|-----------------|-------------------|
| Come into effect | Before T7/2019 | T7/2019-T12/2020 | Before T11/2021 | T11/2021-T12/2023 |
| Electricity purchase price from EVN (US cents/kWh) | 9.35 | Floating electricity: 7.69 | Onshore: 8.5 | Onshore: 7.02 |
| | | Ground electricity: 7.09 | Offshore: 9.8 | Offshore: 8.47 |
| | | Photovoltaic roof: 8.38 | | |

Source: MOIT, BSC Research

HYDROPOWER: STRONG GROWTH PROSPECTS FROM LA NINA

Business results of hydropower enterprises improved in the year-end period. Total hydropower production in Q3 2020 reached 26.8 billion kWh (+113% YoY and +113% QoQ). As a result, listed hydropower companies have strongly recovered in both revenue and net profit (+23% and +147% YoY respectively) in Q3/2020.

Figure 8: Hydropower production (billion kWh)

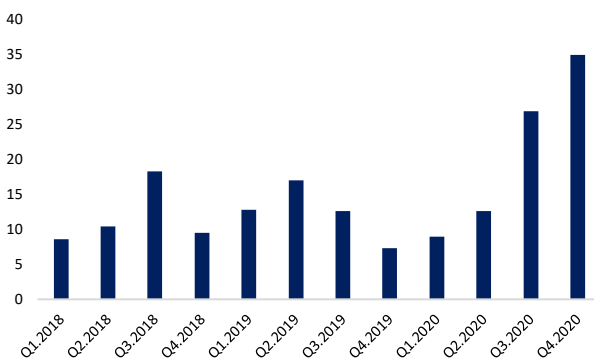
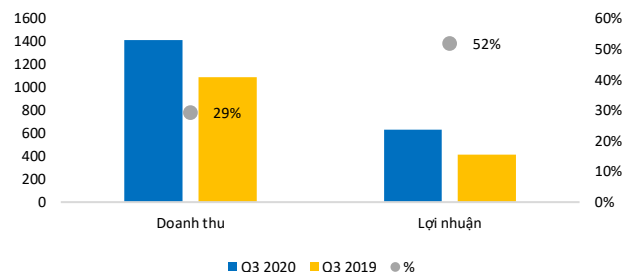


Figure 9: Business results of hydropower enterprises in Q3 2020 improved over the same period



Source: EVN, BSC Research

BSC expects hydroelectricity companies' profit to grow positively in 2021 thanks to the following factors::

- **Rainfall recovery will support the operation of hydropower plants in 2021 and 2022.** We found that rainfall generally follows a 5-year cycle and the peak of the most recent rain cycle occurred in 2017. Therefore, BSC believes that rainfall in Vietnam will follow a recovery trend until 2022, thereby supporting the business results of hydropower companies. **Enterprises owning hydropower (such as REE, PC1, etc.) will directly benefit from the hydrological situation in the near future.**
- **Water level in reserve increased.** The water level index improved in the second half of 2020 and by the beginning of December 2020, it was 3.3 times higher than at the end of Q3/2020. We believe that, with the recovery of rainfall, the water level in hydropower reservoirs will continue to remain high next year.

Figure 10: La Nina is forecast to last until the end of Q2/2021

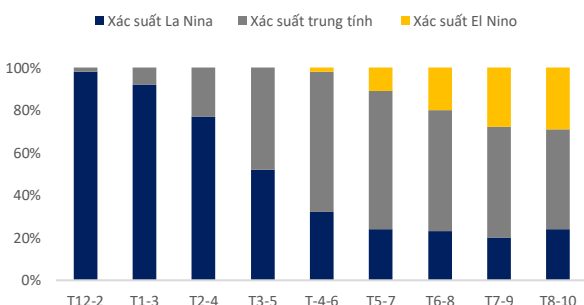
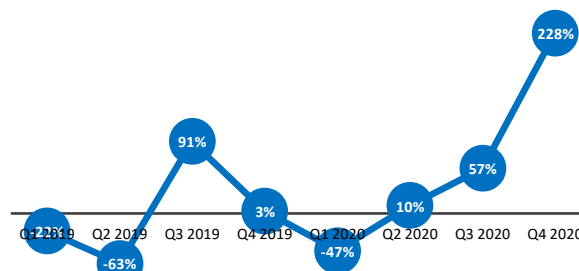


Figure 11: Water level recovers quarterly



Source: EVN, BSC Research

THERMAL POWER: POTENTIAL FROM LNG PROJECTS

Under Power Planning VIII, LNG-powered power plants will be given priority, and gradually replace coal-fired power plants. Up to now, there are 11,900 MW of LNG (liquefied natural gas) thermal power projects in Power Planning. Projects are under pre-feasibility study or proposed to be added to the Power Planning with a total capacity of 39,350 MW. In addition, there are 9,040 MW of thermal power projects being proposed to convert raw materials from coal to LNG.

Table 2: Planned gas thermal power capacity up to 2045 (Unit: MW)

| | 2020 | 2025 | 2030 | 2035 | 2040 | 2045 |
|---------------------------------------|-------|--------|--------|--------|--------|--------|
| TBKHH+NĐ khí nội | 7,097 | 13,058 | 10,636 | 7,900 | 7,900 | 7,900 |
| TBKHH hiện có chuyển sang sử dụng LNG | - | 803 | 4,147 | 4,565 | 4,250 | 5,050 |
| TBKHH sử dụng LNG mới | - | 1,500 | 10,100 | 22,850 | 29,250 | 34,850 |
| Nguồn linh hoạt chạy LNG (ICE+SCGT) | - | - | 1,400 | 6,000 | 11,700 | 16,800 |
| Tổng công suất điện khí | 7,097 | 15,361 | 26,283 | 41,315 | 53,100 | 64,600 |

Source: Draft Power Planning 8, BSC Research

BSC expects the business results of gas thermal power companies to recover in 2021 thanks to the following factors:

- **Low gas price stimulates gas thermal power plants to produce more output.** We expect the output of the gas thermal power segment to grow 10% YoY.
- Sao Vang – Dai Nguyet gas field will be exploited from November 2020, **supplementing 1,500 million m3 of gas/year (+15%)** from 2021. This will support input materials for big gas power plants, such as POW, NT2.

INVESTMENT VIEWPOINT - NEUTRAL

We keep our **NEUTRAL** view on the Power sector for 2021 due to a clear divergence in the outlook for power stocks:

- Large hydroelectric stocks (with seasonal reservoirs): With favorable hydrological situations in the near future, BSC has a positive view on stocks like **REE** or **PC1** because these companies hold shares of many hydropower plants in their portfolios.
- Coal-fired power stocks: Heavy rainfall reduces the mobilized rate from A0 and keeps the selling price of CGM low. This affects the business results of coal-fired power companies such as **PPC** and **HND**. Therefore, BSC holds a less positive view on thermal power stocks for 2021.
- Gas thermal power stocks: Gas supply in 2021 is expected to improve thanks to more mobilization from Sao Vang - Dai Nguyet field which has just been put into operation. Therefore, two stocks **POW** and **NT2** are expected to recover strongly in volume. Therefore, BSC holds a positive view for 2021.
- Electrical construction stocks: BSC holds a positive view based on high construction demand with a large backlog for businesses like **PC1**.

Table 3: Forecast of business results of some electricity enterprises in 2021

| Ticker | 2021F Revenue (bln VNĐ) | %YoY | 2021F Earning (bln VNĐ) | %YoY | 2021 EPS (VNĐ/share) | P/E fw | P/B fw | Price (11/01/2020) | 2021 target price |
|---------------|--|-------------|--|-------------|---------------------------------|---------------|-------------------|-------------------------------|----------------------------------|
| PPC | 7,600 | -4% | 950 | -24% | 2,914 | 8.6x | 1.2x | 24,450 | 25,100 |
| HND | 9,150 | -12% | 997 | -21% | 1,993 | 9.4x | 1.3x | 19,000 | 20,300 |
| PC1 | 6,131 | -1% | 497 | -2% | 2,653 | 8.4x | 1.0x | 22,250 | 25,800 |
| POW | 29,785 | -2% | 2,751 | 18% | 1,040 | 12.6x | 1.0x | 13,600 | 15,400 |
| REE | 5,641 | 7% | 1,761 | 19% | 5,505 | 8.7x | 1.3x | 48,950 | 55,600 |
| NT2 | 6,907 | 18% | 788 | 34% | 2,952 | 7.9x | 1.4x | 24,600 | 26,200 |

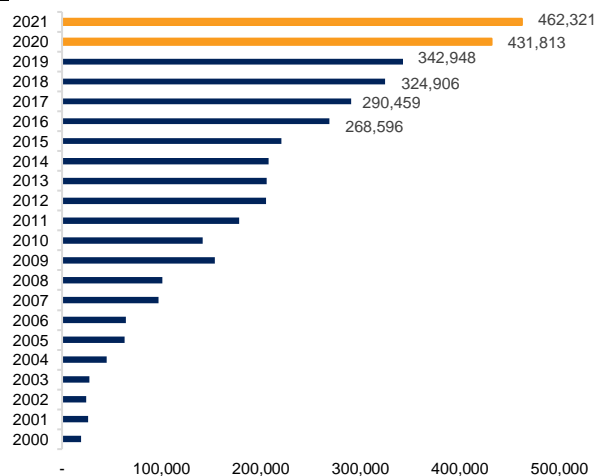
(Source: BSC Research)

III/ Accelerating infrastructure investment – Freeing up the supply of real estate to promote growth.

Accelerating infrastructure construction will solve the "bottleneck" of transportation costs, creating a solid foundation for the development of the Industrial Park Real Estate - Seaport - Transport industry in the long term. The public investment strategy for the period of 2021-2025 has a shift to large-scale projects, focusing on inter-regional transport infrastructure and digital economy such as Long Thanh airport, North-South expressway, coastal roads BSC assesses that the Covid-19 pandemic is a catalyst to accelerate these investment plans to both create a driving force for development in the long term and support the economic recovery in the short term. BSC forecasts that public investment disbursement in 2021 will continue to be positive at over 460 trillion VND (+7% YoY).

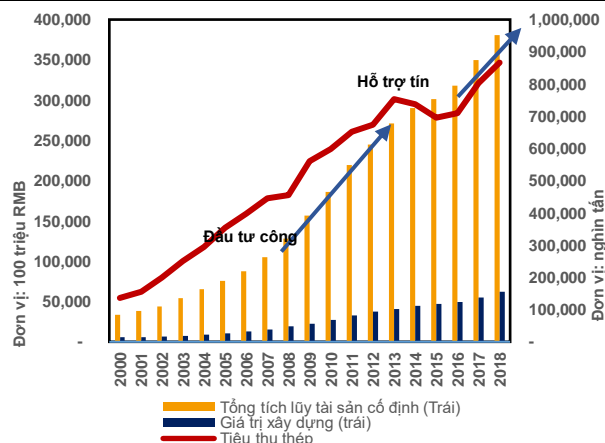
Looking at China's lessons during the 2008-2009 crisis, the stimulus package worth US\$586 billion (equivalent to 13% of China's GDP in 2007) focused on the transport sectors (railway, highways, airports...), electricity infrastructure, social housing, rural infrastructure... helped the construction activity in China to recover significantly in the following years.

Disbursement of public investment in Vietnam (billion VND)



Source: GSO, forecasted by BSC Research

Public investment is the driving force behind China's construction growth after the 2008-2009 crisis



Source: Bloomberg, BSC Research

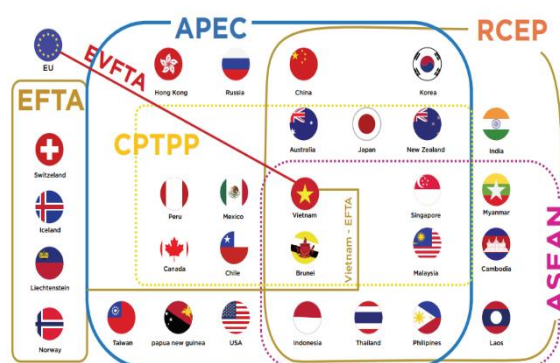
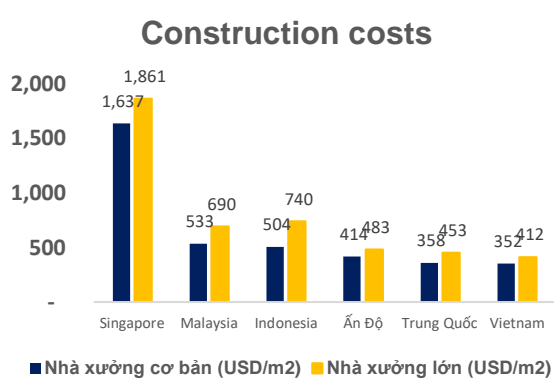
The seaport industry will be benefited indirectly from accelerating the progress of connection projects in 2021, which is expected to gradually improve the competitiveness of the CM-TV port area in particular and the southern region in general.

| Key project | Progress |
|--|--|
| Cai Mep Thi Vai Interport Road Project | <ul style="list-style-type: none"> Phase 1 (Route) was completed in Q4/2020. Phase 2 (Phuoc An Bridge crossing Thi Vai River) is expected to start construction in 2021 and completed in 2025. |

| | |
|--|---|
| Bien Hoa – Vung Tau Expressway Project | The feasibility study project has been approved. Construction is expected to start in the first quarter of 2023 and be completed in 2025. |
| Long Thanh - Dau Giay expressway expansion project | The feasibility study project has been approved. |
| Ben Luc - Long Thanh Expressway Project | Starting in 2020, expected to complete in 2023, however, the project has difficulty in funding. |
| Ring route 4 | Expected to be put into operation in 2025. |

The Covid-19 pandemic is considered a "vaccine" to accelerate the transition. Vietnam is evaluated as a potential destination with (1) Competitive cost compared to the region, (2) Gradually improving information transparency. In addition, tax incentives from joining FTAs will be a new competitive advantage to help attract more FDI enterprises to move to Vietnam.

We can see this trend clearly demonstrated such as shifting projects in the fields of high technology and electronics: Oppo factory in Bac Ninh, Apple satellites: Pegatron, Luxshare ICT, Foxconn in turn looking for available factory in Vietnam.



Source: Asia Business Consulting, Turner & Townsend, International Construction Market Survey

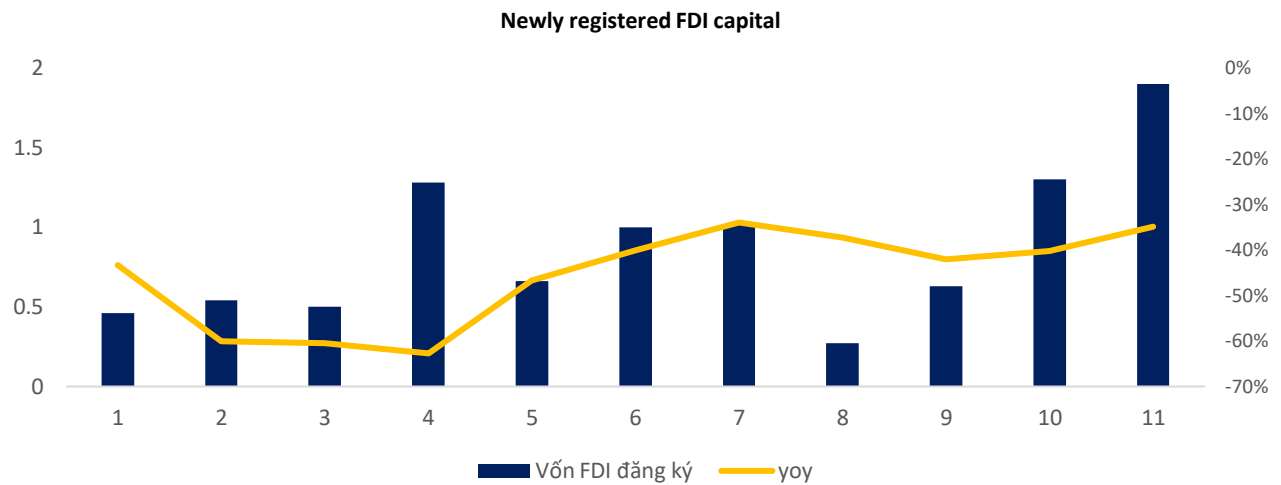
| Company | Location | Industrial area | Initial Estimated Time | Progress |
|------------------|------------|------------------|------------------------|------------|
| Sharp | Binh Duong | VSIP | 2020 | Delayed |
| Luxshare ICT | Bac Giang | Quang Chau | Quater II/2020 | Delayed |
| Panasonic | Binh Duong | VSIP II | T10/2019 | Started |
| Pegatron Corp | Hai Phong | Deep C | T3/2020 | Licensed |
| Foxconn | Bac Ninh | Nam Son Hap Linh | 2020 | Delayed |
| Wistron Infocomm | Ha Nam | Đông Van III | T9/2020 | Started |
| Oppo | Bac Ninh | Nam Son Hap Linh | T11/2020 | Signed MOU |

Source: BSC Research

However, besides the advantages, Vietnam also faces many challenges: management capacity, infrastructure connectivity, investment procedures, highly qualified labor... The supply chain is both an

opportunity and a challenge for Vietnam, it is expected that public investment and 4.0 technology will be positive factors to help improve existing limitations.

Registered FDI capital in 11M2020 reached 13.6 billion USD (-7.6% yoy), although still at a decrease, it tended to improve compared to the first months of the year. The main reason is due to the impact of the Covid-19 pandemic in the first months of the year, causing many trades and investment activities to stall.



Source: FIA, BSC Research

Real Estate Industry [Positive]

Analyst: Phan Quoc Buu

Email: buupq@bsc.com.vn

- Supply will be gradually untied in 2021, Covid-19 creates opportunities for real estate businesses to accelerate land fund expansion and M&A.
- The trend of shifting investment and project development to the East of the city and neighboring provinces of level 1-2.
- The low-interest rate environment is also expected to indirectly support the real estate industry.
- Significant change in the financial structure of real estate businesses with bond channel becoming the main capital raising channel.
- BSC recommends **POSITIVE** for the real estate industry in 2021.

Supply will be gradually untied in 2021. We believe that the current legal obstacles will gradually be untied in the second half of 2021 thanks to the new laws that are revised and come into effect in Q1/2021 such as (i) Amended Law on Construction 2020, (ii) Law on Investment 2020, (iii) Amended Law on Real Estate, Decree 148.

In addition, we also see some positive signs in improving the speed of legal processing in Ho Chi Minh City through many previously suspended projects that have been restarted. This will help the real estate market come back strong after 2 years of silence.

| Law | Content | Effects | Promulgating / Proposing Authority | Come into effect in |
|----------------------------------|--|--|--|---------------------|
| Amended Law on Construction 2020 | -09 types of constructions are exempt from construction permits -Shorten construction permit issuance time to 20 days | - Shorten project implementation time | National Assembly/Ministry of Construction | 1/1/2021 |
| Law on Investment 2020 | -The two concepts of investor (who buy houses) and investor (who build houses) are identical. -Reduce the steps of applying for project planning and implementation. - Allow the allocation of land plots alternately in the project instead of bidding as before. | - Solve the bottlenecks in the approval of residential projects. - Shorten the time and steps of project procedures. | National Assembly/Ministry of Planning and Investment | 1/1/2021 |
| Decree 148/2020 on land | - Clarifying the conditions of the project area of land plots that can and cannot be subdivided. - Requirements to complete the construction of technical and social infrastructure. - Tightening regulations on conditions as well as the minimum area of land plot separation and consolidation. | - Protecting interests, meeting customer needs, ensuring sustainable urban development. - Strictly control the spreading situation of subdivision of lands. | Government/Ministry of Natural Resources and Environment | 08/02/2021 |

| No | Name of project | Location | Investor | 2017-2020 status | Lastest update |
|----|--------------------------------|----------|-------------------------------|--|--|
| 1 | St-Mortiz | Thu Đức | DXG | 2017: Project investment approval. | T11/2020: Eligible to buy and sell houses that will be finished in the future |
| 2 | The River Thu Thiem | Q2 | Refico & CII | T8/2018: Project investment approval. | T5/2020: Eligible to buy and sell houses which will be finished in the future |
| 3 | Vinh Hoi Apartment, P4 | Q4 | District 4 Public Service Ltd | T10/2017: Permit to build the foundation. | T8/2020: Eligible to buy and sell houses which will be finished in the future |
| 4 | Hilton Sai Gon | Q1 | SGCL | T1/2017: Issuing permits for underground construction. End of 2019: Issuing a building permit for the body. | 2020: Start building the body. |
| 5 | Sai gon Glory | Q1 | Bitexco | End of 2016: Ho Chi Minh City approves the project's land price. End of 2018: Project investment approval | T3/2020: Eligible to buy and sell houses which will be finished in the future |
| 6 | Empire City (Tilia Residences) | Q2 | Empire | 2017: Approving infrastructure investment 2018: Construction permit | T6/2020: Eligible to buy and sell houses which will be finished in the future |
| 8 | Grand Mahattan | Q1 | Novaland | 2018: Introducing the project to the market | 2020: Start the construction |

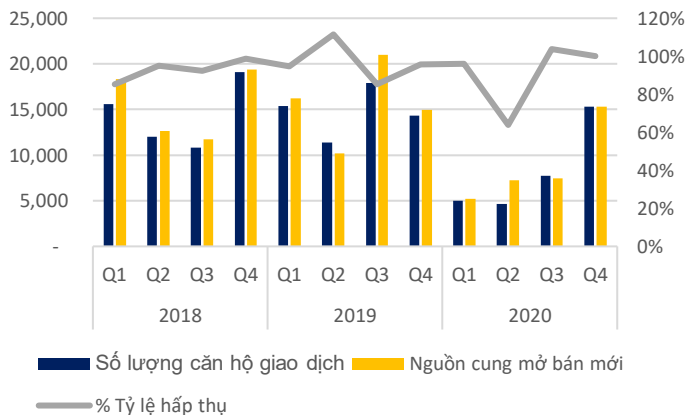
Source: collected by BSC

Covid-19 creates opportunities for real estate businesses to promote land fund expansion and M&A.
Experiencing each crisis, BSC realizes that the industry trend is becoming more and more "concentrated" when the "land fund" and "interest" of investors will focus on more reputable and financially healthy businesses. In addition, the project cooperation between large enterprises will help improve product quality, bring many benefits to consumers and stimulate the strong development of the real estate market.

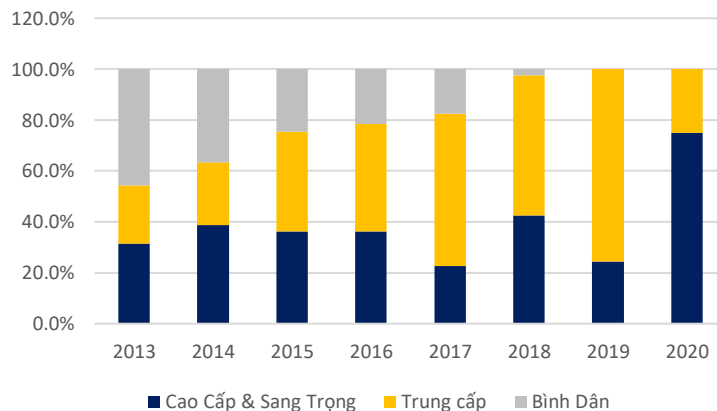
The trend of shifting investment and project development to the East of the city and neighboring provinces of level 1-2

- (1) Supply in HCM city dropped sharply due to regulatory approval issues and the impact of Covid-19.
According to CBRE data, the new supply in 2020 recorded 17,272 apartments, a decrease of -48% over the same period. However, we see a recovery in (i) Project absorption rate in Q4/2020 reaching 100%, compared to 65% in Q2/2020 and (ii) Supply in Q4/2020 reaching 8,058 products (+206% QoQ). The above trend is quite similar to the Hanoi market.

Supply and absorption rate gradually recovered and prospered in Q4/2020



High-end and luxury segment dominates HCMC real estate market in 2020



Source: CBRE

The mid-end and high-end segments will be the segments to dominate the market in the future. In 2020, Ho Chi Minh City real estate market recorded no low-end products for sale. BSC believes that the main reason for this phenomenon is mainly due to (i) The sharp increase in project and compensation costs, (2) Higher profit margin from mid-and high-end projects, (iii) Land fund in the city is no longer abundant.

- (2) Improved connectivity infrastructure between provinces will be the driving force behind the urbanization process and the current migration trend. In addition, the establishment of new economic centers and satellite cities (Thu Duc and Binh Duong) will help reduce the population pressure on Ho Chi Minh City.

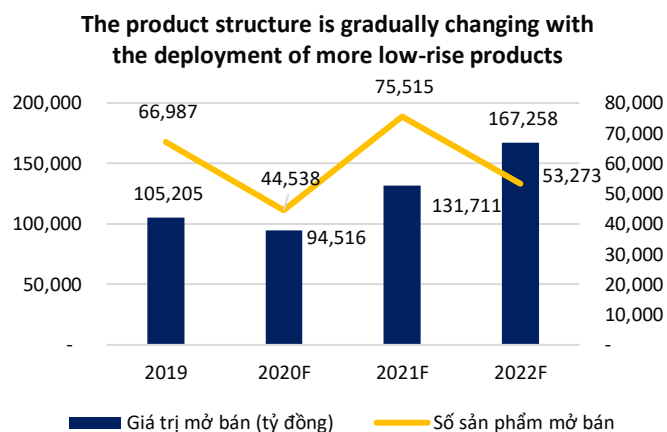
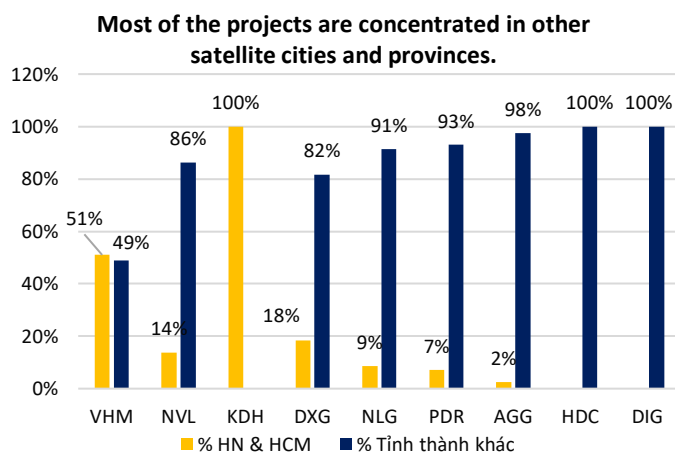
| Dự án | Tổng vốn đầu tư (VND bn) | Dự kiến khởi công | Dự kiến hoàn thành |
|---|--------------------------|-------------------|--------------------|
| Metro 1 (Bến Thành - Suối Tiên) | 43,757 | 2012 | Q4/2021 |
| Metro 2 (Bến Thành - Tham Lương) | 47,800 | 2021 | 2026 |
| Cao tốc HCM - Thủ Dầu Một - Chơn Thành | 24,150 | | 2021-25 |
| Cao tốc HCM - Mộc Bài | 10,668 | 2021 | 2026 |
| Đường song song cho tuyến đường 50 | 3,816 | | 2021-25 |
| Vành đai 2 (HCM) | 6,500 | | 2021-25 |
| Vành đai 3 (HCM) | 19,871 | | 2022-25 |
| Dự án Nạo vét Soài Rạp (Giai đoạn 2) | 8,977 | | 2021-25 |
| Dự án cải thiện môi trường nước (Giai đoạn 2) | 11,282 | 2015 | 2021 |
| Sân bay quốc tế Long Thành | 114,451 | 2021 | 2025 |
| 11 dự án khác thuộc dự án Cao tốc Bắc - Nam | 101,218 | 2020 | 2021-25 |

Source: BSC Research

- (3) Housing prices in Ho Chi Minh City have increased sharply in recent years. According to a survey by CBRE, the real estate price level in the Ho Chi Minh market recorded a strong increase, especially in suburban areas with a faster price increase than the central area. For example, Thu Duc (+70% YoY), District 9 (+47% YoY), District 2 (+24% YoY), Nha Be (+53% YoY), Binh Chanh (+30% YoY), District 2 10 (+27% YoY). From the above factors, we believe that the real estate market in the coming period will continue to maintain at the current base level.

The trend of shifting land funds to suburban areas and neighboring provinces/cities of many real estate enterprises due to (1) Rapid urbanization along with (2) Land funds in the city center is increasingly limited and (3) Legal problems in the two big cities HCM and HN are congested leading to a serious shortage of supply. Vietnam's urbanization rate in 2019 was 38.4% and is expected to exceed 40% in 2020, maintaining the highest CAGR = 2.3% growth rate in Southeast Asia (according to JLL). Based on the above ratio, BSC estimates that each year, housing demand will be estimated at about 80,000-100,000 apartments /year.

BSC assesses that a number of businesses with a balanced land fund such as VHM, NLG, DXG will be directly benefited from both the urbanization trend and the faster legal process.

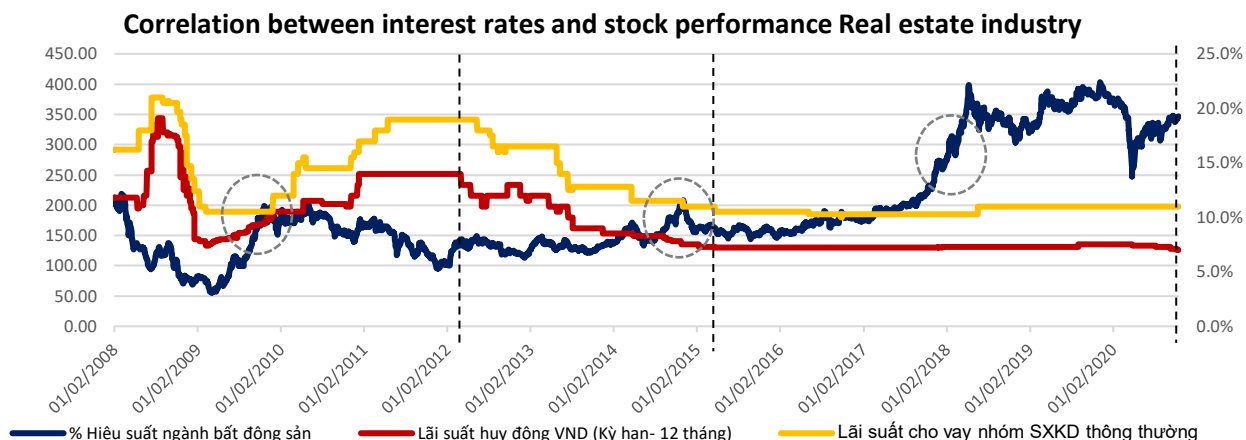


Source: BSC Research

The trend of retail businesses moving gradually to new cities and tier 1-2 satellite cities proves that urbanization is happening more and more strongly. We also see that many retailers have gradually expanded their presence to provincial areas such as (i) Café Amazon at Big C Go! in Ben Tre, (ii) Central Retail built a shopping mall in Binh Duong, (iii) Tokyo Group developed a shopping mall in Binh Duong. BSC believes that this will support the sustainable development of the urbanization trend in the future.

The low-interest rate environment is also expected to indirectly support the real estate industry. In the short term, under the influence of Covid-19, BSC believes that low-interest rates are unlikely to have a positive effect on the real estate industry when income is somewhat reduced along with a limited supply. However, if we look back in the past, we can see that **the performance of real estate stocks has a negative reaction to interest rates and has a lag of 1-2 years after the process of tightening or loosening the economy through the interest rate instrument.**

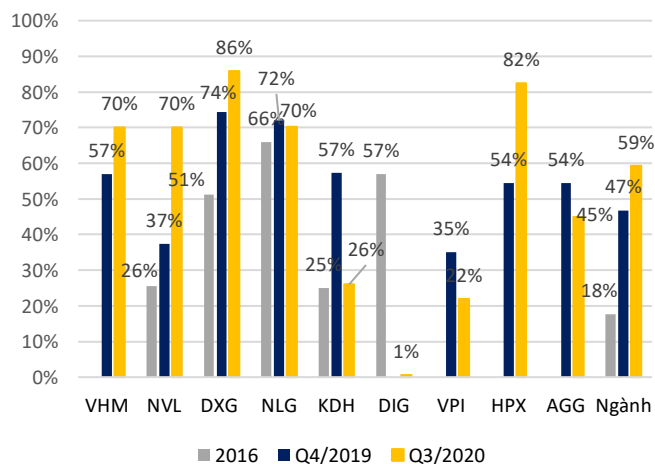
In the event that the economy recovers after the pandemic, a prolonged low-interest rate environment will (1) support buyers with real needs, (2) promote capital flow from saving to investment. Along with that, the supply is expected to recover in the coming period, which will solve the bottleneck of the real estate industry in the past few years.



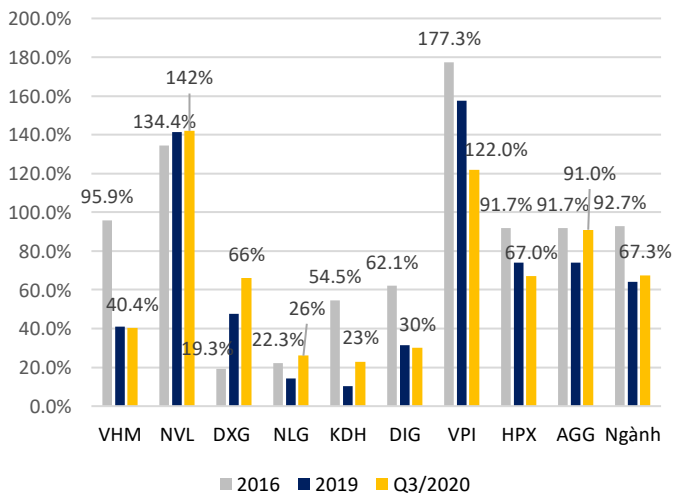
Source: FiinPro, BSC Research

A significant change in the financial structure of real estate businesses with bond channel becoming the main capital raising channel. Compared to 2016 and the previous period, businesses have more plans to raise capital, which can help them to actively increase their land fund in the context of limited bank loans. BSC found that the financial structure of enterprises is now relatively safer than in the past. In the coming years, BSC expects that the return of supply coupled with good sales will help improve the cash flow of real estate businesses, especially some enterprises with high debt ratios such as NVL, DXG, VPI, AGG.

Real estate enterprises promote debt borrowing through the bond channel (Bond debt ratio/Total net debt ratio)



The ratio of net debt to equity in Q3/2020 is at a much safer level than in 2016.



Source: FiinPro, BSC Research

INVESTMENT VIEWPOINT - POSITIVE

We recommend **POSITIVE** for the real estate industry thanks to (1) The supply is expected to be untied from 2021 thanks to new revised laws and policies, (2) Low-interest rate environment and the flexible financial package will be a lever to support the recovery of the industry and (3) The financial structure of real estate businesses changes flexibly, but still maintains a safe level. BSC recommends BUY with VHM, NLG, DXG and OBSERVE with KDH, NVL.

| Ticker | 2021F Revenue (bln VNĐ) | %YoY | 2021F Earning (bln VNĐ) | %YoY | 2021 EPS (VNĐ/share) | P/E fw | P/B fw | Price (11/01/2020) | 2021 target price |
|--------|-------------------------------|--------|-------------------------------|-------|-------------------------|-----------|-----------|-----------------------|----------------------|
| VHM | 103,699 | 28.2% | 32,060 | 11.6% | 9,572 | 9.4 | 2.4 | 89,500 | 168,400 |
| KDH | 4,240 | 1.3% | 1,365 | 16% | 2,382 | 12.3 | 1.6 | 29,300 | 31,200 |
| DXG | 7,907 | 110.8% | 1,278 | 367% | 2,334 | 6.8 | 1.0 | 15,950 | 23,100 |
| NLG | 2,292 | 59.4% | 1,229 | 50% | 4,495 | 6.5 | 1.1 | 29,500 | 36,000 |
| NVL | 17,793 | 96% | 4,067 | 5.2% | 4,115 | 16.2 | 2.4 | 66,700 | 64,300 |

Industrial Park – Real Estate Industry [Positive]

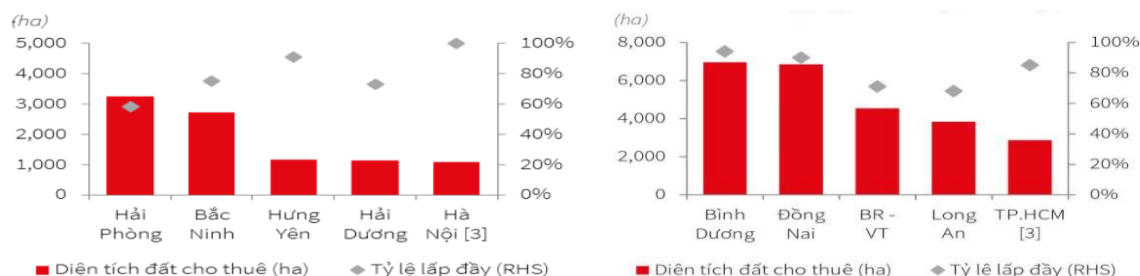
Analyst: Nguyen Thi Hong

Email: hongnt@bsc.com.vn

- Vietnam's industrial park - real estate market is still expected to be benefited in the long term thanks to increased demand due to shifting production from China to other countries.
- Registered FDI capital in 11M2020 reached 13.6 billion USD (-7.6% yoy), although still at a decrease, it tended to improve compared to the first months of the year.
- The occupancy rate of industrial parks in the North in the third quarter of 2020 reached 79% (+160bps compared to the first quarter of 2020) and the rental price still tended to increase slightly (+7% yoy).

The average occupancy rate remained at a positive level. By the end of October 2020, the average occupancy rate is at 79%. Industrial zones in Hanoi, Hai Duong and Bac Ninh have an average occupancy rate of about 90%. For the southern market, the total industrial land area is double that of the northern market, reaching about 38,000 hectares, of which 24,000 hectares are available including Ho Chi Minh City, Binh Duong, Long An, Dong Nai, Ba Ria -Vung Tau with an average occupancy rate of nearly 77%. We believe that the central areas of Bac Ninh, Hai Phong, Dong Nai and Binh Duong will still be strongly attractive areas for investors. With limited industrial land area and high rents in industrial centers, investors can look for alternatives in more remote areas: Ba Ria Vung Tau, Tay Ninh, Hai Duong (IDC, SIP, KBC).

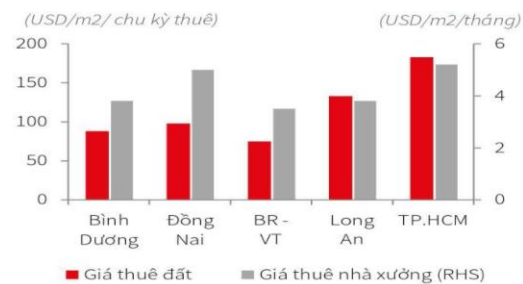
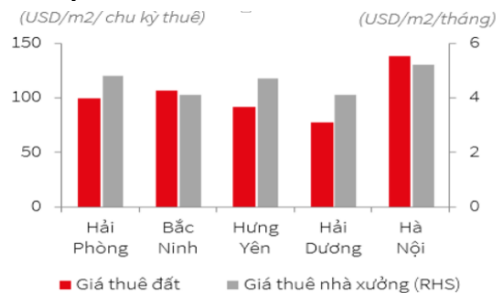
North and South area occupancy rate



Source: JLL

The rental price is still increasing thanks to the increased demand for finding Industrial Parks, but the supply is limited. Specifically, the average rental price reached \$102/m²/lease cycle (+7.1% yoy), the rent of ready-built factories also increased slightly by 4-5.2 USD/m² (+2.1% yoy). Due to the shift of production from China as well as the EVFTA, the demand for industrial land is increasing, the asking price in some industrial parks in Hai Phong, Bac Ninh and Hai Duong increased from 20% to 30% compared to the same period last year.

Rental price in the North and South area



Source: JLL

In 2021, BSC expects that the projects delayed in 2020 will continue to be implemented, the industrial park real estate industry will strongly grow after a long time interrupted by the Covid-19 pandemic. Notably, there are mobile phone production projects in Bac Ninh Industrial Park (100ha) and Pegatron in Deep C Industrial Park, Hai Phong. Supply chain relocation is expected to be the main demand driver in the near future. With the Covid-19 pandemic disrupting the global supply chain, Vietnam is one of the attractive destinations for investors of companies with production lines in China. BSC believes that the business prospects of enterprises will be positive in the long term. Industrial park real estate enterprises with large land banks are ready to take advantage of opportunities (KBC, BCM, IDC, GVR, PHR, ...).

INVESTMENT VIEWPOINT - POSITIVE

We recommend **POSITIVE** for the industrial park - real estate industry thanks to (1) The effective EVFTA Agreement will attract foreign capital into Vietnam (2) The many multinational corporations' plan to leave China and move to Vietnam. Vietnam's disease control, which is highly appreciated by the international community, is also an important factor to attract more foreign capital into Vietnam and (3) Some businesses solved the legal issues, expanded land funds to meet investors' expectations.

| Ticker | 2021F Revenue (bln VNĐ) | %YoY | 2021F Earning (bln VNĐ) | %YoY | 2021 (VNĐ/share) | EPS | P/E fw | P/B fw | Price (11/01/2020) | 2021 target price |
|--------|-------------------------------|------|-------------------------------|------|---------------------|-----|-----------|-----------|-----------------------|-------------------------|
| KBC | 3,795 | 45% | 1,100 | 220% | 2,654 | | 11 | 0.7 | 27,000 | 38,128 |
| SIP | 4,476 | 12% | 687 | 6% | 11,545 | | 15.2 | 6.4 | 174,900 | 225,505 |

Port Industry [Positive]

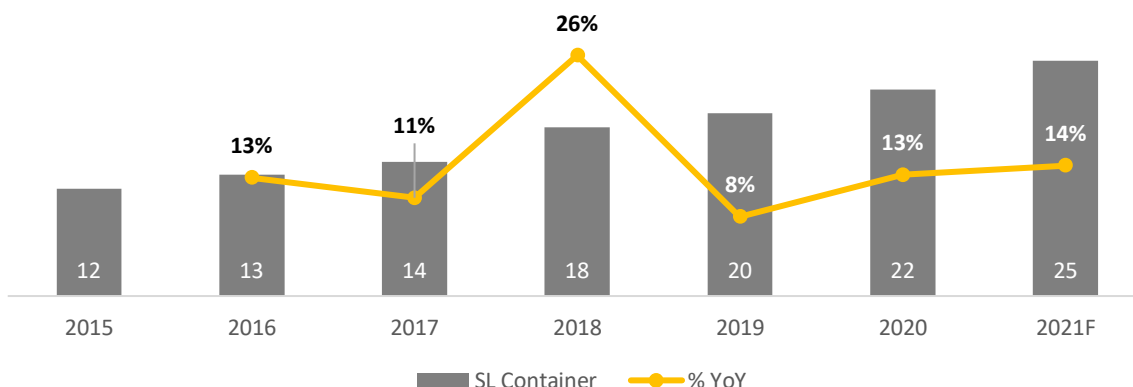
Analyst: Pham Quang Minh

Email: minhpg@bsc.com.vn

- In 2021, BSC forecasts that container volume through the entire port segment will reach 25 million TEUs (+14% yoy). The shortage of empty containers continues to slow down volume growth. BSC believes that this situation will be less severe after Q1.
- Competition between Lach Huyen port group and Song Cam port will be more intense due to narrowing the service price gap.
- BSC believes that containers volume through Cai Mep Thi Vai port (CM-TV) will grow by 23% in 2021. Connecting projects will be accelerated, expected to improve CM-TV port's competitiveness.

In 2021, BSC forecasts that container volume through ports in Vietnam will reach 25 million TEUs (+14% yoy) thanks to the recovery of import-export activities after the pandemic, supported by (1) The EVFTA agreement, and (2) The trend of shifting production lines to Vietnam. In which, BSC expects the growth rate of the Hai Phong Port / Cai Mep Thi Vai area to be 9%/23%, respectively.

Figure: Container throughput through Vietnamese seaports, million TEUs



Source: Maritime Administration, BSC Research

The shortage of empty containers continues to slow down volume growth. BSC believes that this situation will be less severe after Q1 because (1) The peak period of import and export has passed, (2) Shipping lines are promoting the development of Intra-Asia routes, therefore, the traffic speed is higher. Container shipping in Asia is expected to be faster in the near future.

GROUP OF CAI MEP THI VAI PORTS - LEADING THE GROWTH

BSC believes that containers volume through Cai Mep Thi Vai port (CM-TV) will grow by 23% in 2021 thanks to (1) The advantage of a deep-water port and expanded capacity thanks to Gemalink's contribution from Q1, (2) The increase in port infrastructure fees at Cat Lai area from July 2021 will promote the trend of shifting cargo handling from Cat Lai port to CM-TV area in Q4, (3) Seaport service prices increase by 10%.

BSC noted that competition may occur between Gemalink and SSIT when SSIT is actively promoting Container exploitation instead of bulk and general cargo as before. In 2020, SSIT will grow by 134% yoy. For the two ports SITV, SP-PSA, and BSC, it is very unlikely that these ports will switch to container handling due to (1) limitations in channel depth and port location (2) Logistics costs to enter the CMTV area is still at a high level.

HAI PHONG PORT GROUP – INCREASED COMPETITION

Competition between Lach Huyen port group and Song Cam port will be more intense due to narrowing the difference in service prices. The minimum unloading service price for the Song Cam port group is expected to increase by 10%/year, while the figure for the Lach Huyen port group will remain unchanged in 2021, narrowing the service fee gap. This can increase the competitiveness of the Lach Huyen port group.

Compare container handling service prices between Song Cam port group and Lach Huyen port group

Container loading and unloading service price in the period of 2020-2023, USD/Container

| Year | 2020 | 2021 | 2022 | 2023 |
|-----------------------------------|-----------|-----------|-----------|-----------|
| 1. Container 20 feet | | | | |
| Cam river port | 33 | 36 | 40 | 44 |
| Lach Huyen Port | 52 | 52 | 57 | 63 |
| - Difference | 19 | 16 | 17 | 19 |
| 2. Container 40 feet | | | | |
| Cam river port | 50 | 55 | 61 | 67 |
| Lach Huyen Port | 77 | 77 | 85 | 93 |
| - Difference | 27 | 22 | 24 | 27 |
| 3. Container above 40 feet | | | | |
| Cam river port | 57 | 63 | 69 | 76 |
| Lach Huyen Port | 85 | 85 | 94 | 103 |
| - Difference | 28 | 22 | 25 | 27 |

Note: BSC uses the floor price for the service of loading and unloading containers for import, export and re-export with goods according to Circular 54/2018/TT-BGTVT. According to the Draft Circular 54/2018/TT-BDTVT expected to come into force on January 1, 2021, the minimum unloading service

price for the Song Cam port group is expected to increase by 10% per year in the 2021-2023 period, the Lach Huyen port group is expected to increase by 10%/year in the period of 2022-23.

Source: Draft amendment to Circular 54/2018/TT-BGTVT, BSC Research

INVESTMENT VIEWPOINT - POSITIVE

BSC recommends **POSITIVE** for the seaport industry in 2021 because BSC believes that import and export activities will recover after the pandemic, supported by (1) The EVFTA agreement, and (2) The trend of shifting production lines to Vietnam.

With the above view of the industry, BSC believes that:

- **Group of seaport service enterprises in Hai Phong (GMD, VSC, HAH, DXP, DVP):** The impact of the draft which increases seaport service prices will not be large because seaport enterprises here will reduce service prices to ensure the source of customers, causing the general price level to remain unchanged. In addition,
- **Cai Mep - Thi Vai seaport service enterprises (GMD):** These ports enjoy great advantages thanks to (1) The advantages of deep-water ports, (2) The 10% increase in seaport service prices.
- **Group of shipping companies (HAH, VSC):** These enterprises did not benefit much from the increase in sea freight rates due to the lack of empty containers. The reason is that most Vietnamese shipping companies run domestic routes or short Intra-Asia routes.

| Ticker | 2021F Revenue (bln VNĐ) | %YoY | 2021F Earning (bln VNĐ) | %YoY | 2021 EPS (VNĐ/share) | P/E fw | P/B fw | Price (11/01/2020) | 2021 target price | Upside |
|--------|----------------------------------|------|----------------------------------|------|-------------------------|-----------|-----------|-----------------------|-------------------------|--------|
| GMD | 3,059 | 22% | 471 | -5% | 1,379 | 25.4 | 1.5 | 34,100 | 35,000 | 2.6% |

Steel Industry [Positive]

Analyst: Nguyen Thi Kieu Hanh

Email: hanhntk@bsc.com.vn

- BSC maintains its **POSITIVE** recommendation for steel stocks in 2021 thanks to a strong recovery in demand.
- Raw material prices faced with many unexpected factors; BSC's opinion is that ore prices will gradually decrease towards the end of the year; Coal price is likely to recover slightly.
- BSC believes that the downward pressure on selling price of steel products is low due to good recovery in demand and compensating material price movements.

BSC maintains its POSITIVE recommendation for steel stocks in 2021 thanks to a strong recovery in demand.

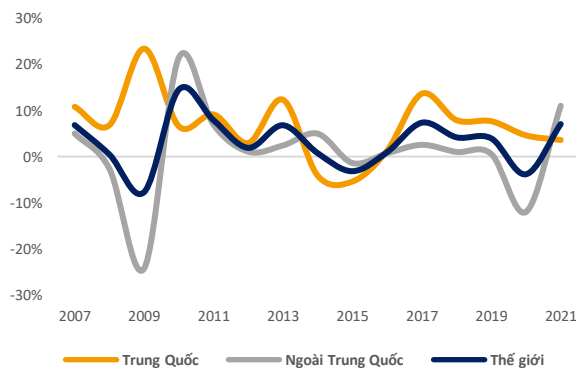
- (1) World steel demand is forecast to grow 5% in 2021 (according to Bloomberg Intelligence)** thanks to the recovery of most regions (China +3% YoY, other +11% YoY).

China's recovery is expected to last in 2021 with the main driving force coming from steel demand for the automotive and machinery manufacturing industries.

Steel demand outside China (US, EU, India...) increased sharply thanks to the pressure to boost construction investment and business to compensate for the decline in 2020.

| Field | 2019 | 2020 | % YoY | 2021 | % YoY |
|------------------|------|------|-------|------|-------|
| Construction | 547 | 582 | 6.3% | 601 | 3.4% |
| - Real Estate | 364 | 385 | 6.0% | 393 | 2.0% |
| - Infrastructure | 184 | 196 | 7.0% | 208 | 6.0% |
| Devices | 145 | 149 | 3.0% | 155 | 4.0% |
| Automobile | 67 | 68 | 1.0% | 71 | 5.0% |
| Others | 110 | 110 | 0.1% | 114 | 3.5% |
| Sum | 869 | 909 | 4.6% | 942 | 3.6% |

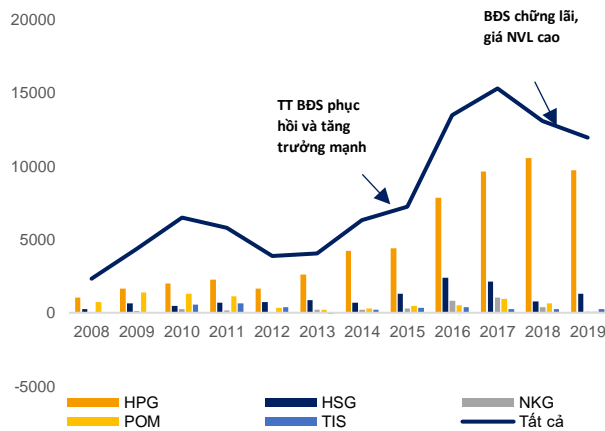
Source: MPI, CISA, Bloomberg Intelligence



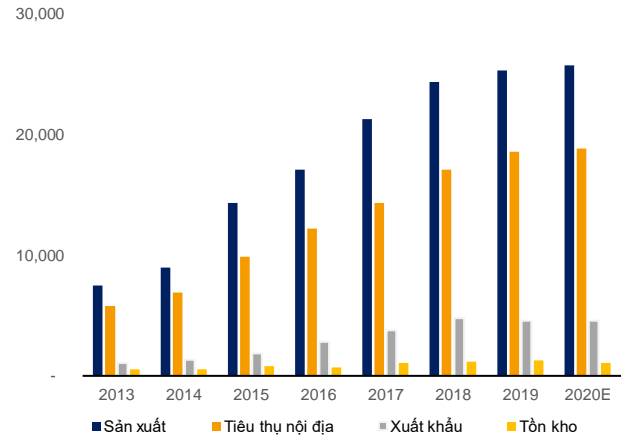
Source: WorldSteel, Bloomberg Intelligence

- (2) Vietnam's steel industry enters a new growth cycle from 2021 after nearly 3 difficult years with the driving force coming from investment, construction and supporting industries, processing and manufacturing.**

The operating profit of steel enterprises clearly shows the cyclical nature of the industry



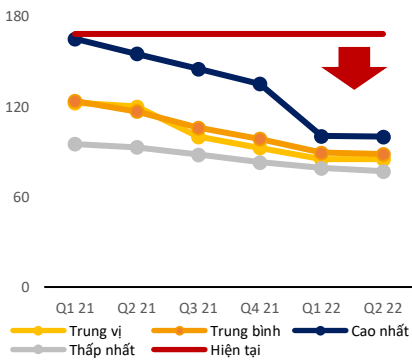
Public investment has reduced the decrease of total steel consumption in 11M2020 to only slightly by 0.9% YoY



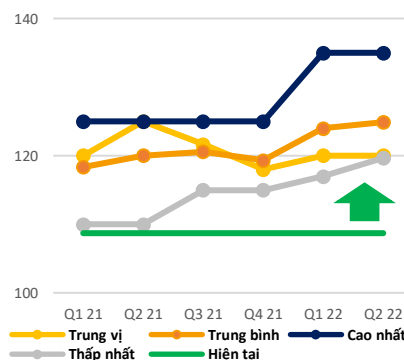
Source: FiinPro, estimated by BSC Research

Raw material prices are exposed to many unexpected factors such as the pandemic and tensions between China and Australia. BSC's view is that ore prices will stay high in Q1/2021 before gradually decreasing to around \$100/ton by year-end; On the contrary, coal price is likely to recover slightly.

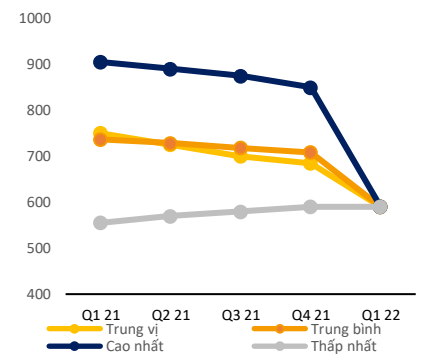
Bloomberg's ore price forecast agrees with the downtrend



Bloomberg's coal price forecast agrees with the recovery trend



HRC price is forecasted to decrease gradually towards the end of the year

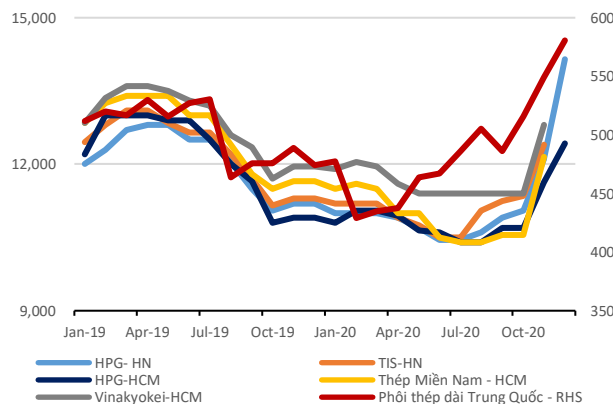


Source: Bloomberg Intelligence, BSC Research

| | Impact factors | BSC's point of view |
|-----------------|--|---|
| Iron ore | <ul style="list-style-type: none"> - Demand recovers stronger than supply. - China-Australia tensions: Australia could use ore prices as a tool to counterbalance China's tax moves. <p>Note some short-term factors:</p> <ul style="list-style-type: none"> - China Steel Association CISA may take measures against recent iron ore speculation, causing ore prices to cool down. - Seasonality: Chinese holidays + adverse weather disrupt exports at ports of Australia and Brazil. | <p>Ore prices will stay high above 120 USD/ton in Q1/2020, then gradually decrease from Q2/2020 as supply in Brazil increases and demand in China cools down.</p> <p>Assume 2021 average ore price = \$120/ton.</p> |
| Coal | <ul style="list-style-type: none"> - The recovery in production demand in regions creates upward pressure - The Chinese government's ban on coal imports from Australia is difficult to be removed in the short term, coking coal prices continue to face downward pressure | <p>Coal price recovers slightly but on average stays low in 2021.</p> <p>Assume the average price of coking coal in 2021 = \$135/ton.</p> |

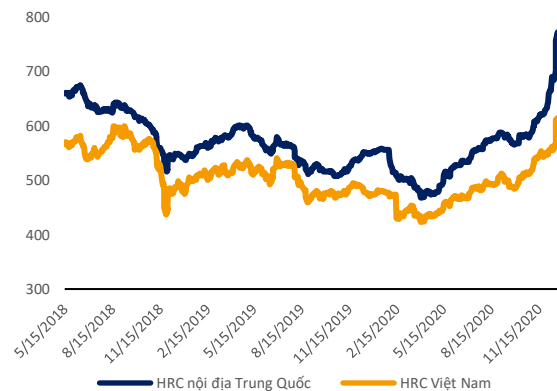
BSC believes that the downward pressure on the selling price of steel products is low due to good recovery in demand and compensating material price movements.

China's steel price leads the world steel price movement and is still on the rise



Source: FiinPro, BSC Research

Vietnam HRC price is forecasted to adjust to around 550 USD/ton



Source: FiinPro, BSC Research ước tính

INVESTMENT VIEWPOINT – POSITIVE

We maintain our **POSITIVE** view on the steel industry in 2021 due to strong demand growth as production recovers and public investment is boosted in many countries. Business results of steel enterprises are forecasted to remain positive in the fourth quarter of 2020 to 2021, especially with the group of leading enterprises with a large market share such as HPG. Galvanized steel companies such as HSG, NKG will also benefit as HRC price is forecasted to remain high until the end of Q1/2021 and the adjustment will not be too sudden as the price increases largely on the basis of high ore prices. However, it is necessary to be careful as demand in China may weaken gradually in 2H when credit for real estate is controlled, negatively affecting global steel demand and prices.

| Ticker | 2021F Revenue (bln VNĐ) | %YoY | 2021F Earning (bln VNĐ) | %YoY | 2021 EPS (VNĐ/share) | P/E fw | P/B fw | Price (11/01/2020) | 2021 target price |
|--------|-------------------------------|-------|-------------------------------|-------|-------------------------|-----------|-----------|-----------------------|-------------------------|
| HPG | 124,131 | 24.9% | 18,890 | 39.2% | 5,430 | 7.9 | 2.15 | 43,050 | 50,300 |
| HSG | 32,180 | 16.9% | 1,460 | 26.6% | 3,181 | 7.9 | 1.43 | 25,100 | 28,630 |
| NKG | 14,100 | 18.1% | 254 | 14.5% | 1,426 | 11.4 | 0.86 | 16,300 | N/A |

Source: forecasted by BSC Research

Plastic Industry [Neutral]

Analyst: Nguyen Thi Kieu Hanh

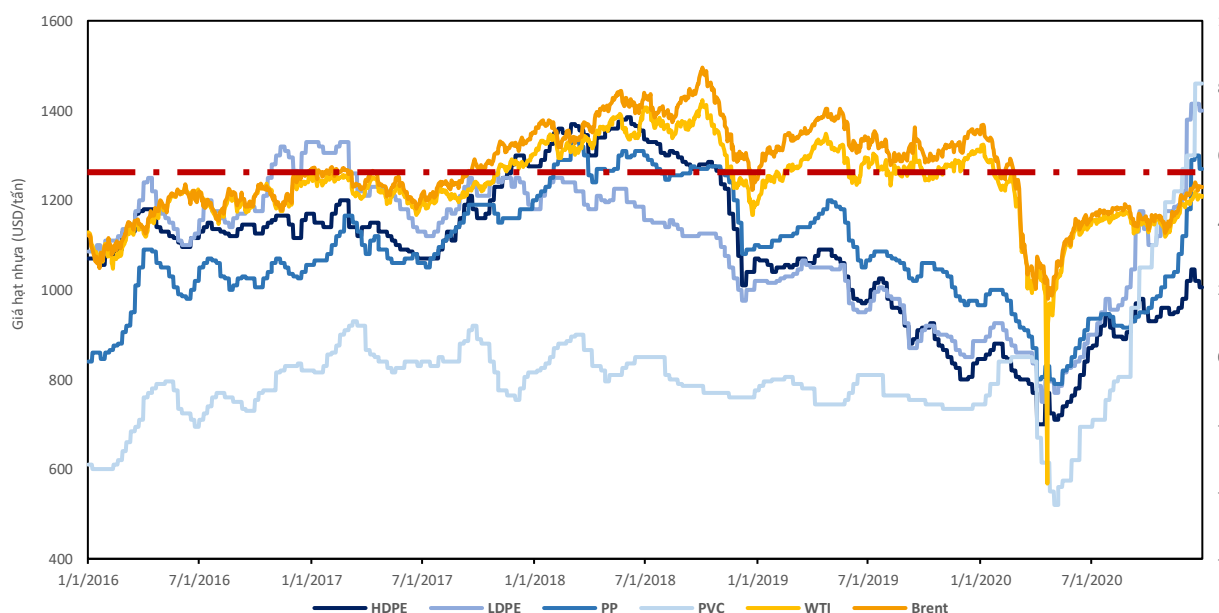
Email: hanhntk@bsc.com.vn

- BSC believes that demand for plastic products will keep the industry's growth rate of 5-7% in 2021, with few fluctuations.
- The price of plastic resins in 2021 is forecasted to be higher than the average in 2020, reducing profit margins at some construction plastic enterprises.
- BSC maintains its **NEUTRAL** recommendation for the plastic industry in the near future.

BSC believes that demand for plastic products will keep the industry's growth rate of 5-7% in 2021, with little or no spike. Demand for plastic pipes, plastic doors... (account for about 25% of output) will benefit when infrastructure and civil construction activities are accelerated in 2021. Packaging plastic group (35% of output) is expected to recover, continuing to keep an increase of over 10% according to demand for food and beverage items. Engineering plastic segment (19% of industry output) will benefit from the development of supporting industries in the medium-long term, but will not materialize in 2021.

The price of plastic resins in 2021 is forecasted to be higher than the average in 2020, reducing profit margins at some construction plastic enterprises. Plastic resin prices, after reaching a bottom in April 2020, recovered positively and broke out in the second half of 2020 due to (1) Scarce supply due to production disruptions made by the pandemic and (2) Increased transportation costs due to reduced shipments and lack of containers. BSC believes that the strong increase in plastic resin prices, especially PVC in M11-M12 due to strong demand for construction plastics while supply is reduced and transportation activities are affected will continue in the short term. We believe that the price will gradually decrease towards the end of 2021, equivalent to the period of 2017 when the oil price is around 50-60 USD/barrel. However, the average price of plastic resins (except PVC) for the whole year will be higher than the average price of 2020.

The price of plastic resins is forecasted to adjust to the level of 2017 when the oil price is equivalent to the current level of 50 USD.



Source: Bloomberg, BSC Research

INVESTMENT VIEWPOINT - NEUTRAL

We maintain our **NEUTRAL** view on the plastic industry as (1) Industry growth is average - low, unattractive compared to other industries which will have a strong recovery in 2021 and (2) The price of plastic resins is expected to increase.

| Ticker | 2021F Revenue (bln VNĐ) | %YoY | 2021F Earning (bln VNĐ) | %YoY | 2021 EPS (VNĐ/share) | P/E fw | P/B fw | Price (11/01/2020) | 2021 target price |
|--------|-------------------------|------|-------------------------|--------|----------------------|--------|--------|--------------------|-------------------|
| BMP | 4,763 | 6.8% | 435 | -12.3% | 4,785 | 13.0 | 1.68 | 62,000 | 60,300 |
| NTP | 4,985 | 4.4% | 495 | 1.7% | 3,994 | 9.2 | 1.31 | 36,800 | 43,900 |
| APH | N/A | N/A | 590 | N/A | 4,233 | 16.1 | 3.35 | 68,200 | N/A |

Source: forecasted by BSC Research

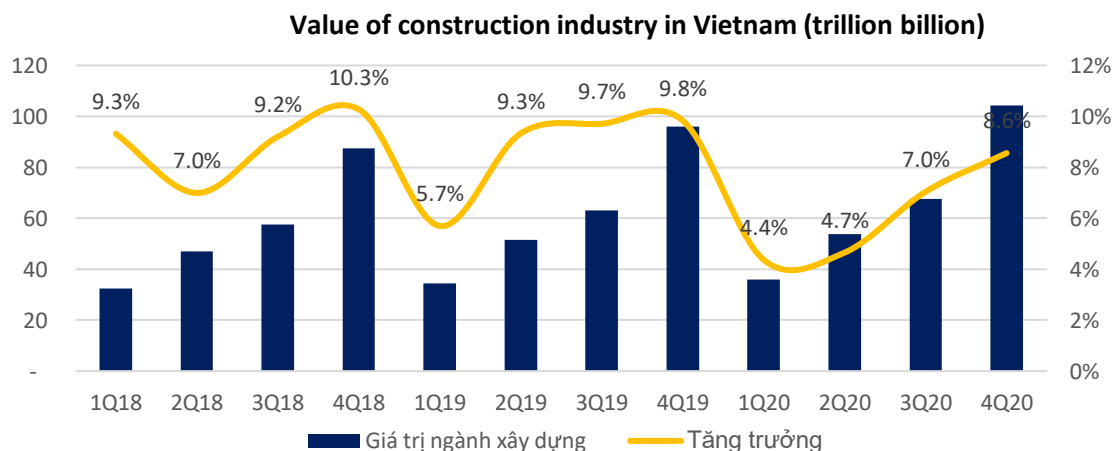
Construction Industry [Neutral]

Analyst: Ma Tuan Minh Hien

Email: hienmtm@bsc.com.vn

- Total construction industry value reached VND 261 trillion, up +6.8% YoY thanks to the government's efforts to disburse investment.
- The value of Vietnam's construction industry will maintain growth at 6.7%-7.2% in 2021-2028, contributing about 6% to Vietnam's GDP.
- The period of 2021-2025 will be the year to build big projects in Vietnam.
- BSC recommends **NEUTRAL** for the construction industry in 2021.

The total value of the construction industry reached VND 261 trillion, up +6.8% YoY thanks to the government's efforts to disburse investment. Particularly in Q4/2020, the total value of the construction industry reached VND 104.215 billion with a growth rate of +8.6% YoY in 2020. The strong disbursement has helped the growth of the construction industry's value contribution to GDP up from 7.91 % in Q4/2019 to 8.22% in Q4/2020. According to Fitch Solution's forecast, the value of Vietnam's construction industry will maintain growth at 6.7%-7.2% in 2021-2028, contributing about 6% to Vietnam's GDP.



Source: GSO.

The period of 2021-2025 will be the year of construction of major projects in Vietnam. BSC believes that in the next 5 years, there will be a race to implement big projects, in which, in early 2021, Long Thanh airport will be officially started construction of phase 1; In the first quarter of 2021, 5 North-South expressway projects will be commenced; Besides, there are a series of new projects such as infrastructure development in the Mekong Delta, Saigon Hanoi Ring 3-4, etc. Thereby, infrastructure construction enterprises will have to accelerate in early 2021 to follow the project schedule, and then the civil construction enterprises will follow after the infrastructure is developed.

INVESTMENT VIEWPOINT - NEUTRAL

BSC changes its recommendation from NEGATIVE to NEUTRAL for the construction industry in 2021. We believe that the civil construction industry will recover in the second half of 2021 after the Party congress period in Q1/2021 to remove the problem of new construction approval. BSC recommends observing: CTD, HBC and HTN.

As for infrastructure construction businesses, we assess that they will continue to benefit from North-South infrastructure construction projects, and the trend of large investment in renewable energy such as solar power and wind power in 2021. We recommend the tickers: C4G, LCG, and FCN.

| Ticker | 2021F Revenue (bln VNĐ) | %YoY | 2021F Earning (bln VNĐ) | %YoY | 2021 EPS (VNĐ/share) | P/E fw | P/B fw | Price (11/01/2020) | 2021 target price |
|--------|----------------------------------|------|----------------------------------|------|-------------------------|-----------|-----------|-----------------------|----------------------|
| C4G | 1,010 | 0.6% | 238 | 54% | 1,528 | 6.6 | 4.2 | 10,100 | 12,890 |

Cement Industry [Neutral]

Analyst: Nguyen Thi Kieu Hanh

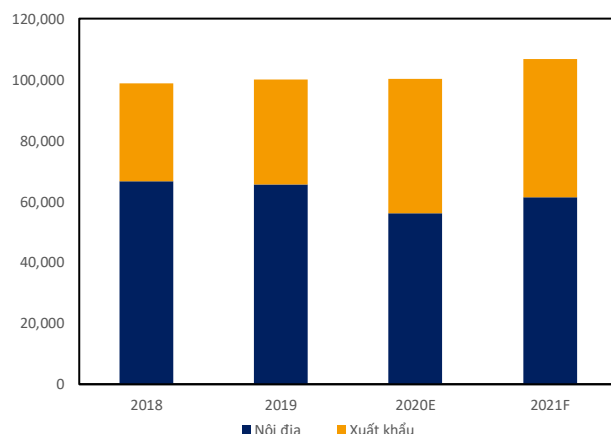
Email: hanhntk@bsc.com.vn

- BSC forecasts cement consumption in 2021 to reach 105-107 million tons (+5-7% YoY) thanks to the positive recovery of domestic and export demand.
- Profit margin of cement companies in 2021 will be improved thanks to positive consumption and low pressure on coal prices.
- In the medium term, the industry's capacity will be expanded, increasing competitive pressure.
- BSC continues to maintain its **NEUTRAL** recommendation for the cement industry.

BSC forecasts cement consumption in 2021 to reach 105-107 million tons (+5-7% YoY) thanks to the positive recovery of domestic demand and export.

- Domestic: BSC forecasts that domestic demand in 2021 will increase slightly by 2-3% YoY, following the recovery of construction activities in the second half of 2020 and disbursement of public investment next year.
- Export: Export volume will slow down +12-13% YoY after a strong increase in 2H2020 (output from July-November 2020 increased by 25.3% YoY, compared to +10.7% YoY in 1H2020) due to boosting exports to some markets such as China and the Philippines, which has seen a sudden increase in demand thanks to the promotion of public investment. BSC believes that controlling credit to real estate projects in China may slow down construction material demand in the last months of 2021.

Growth in cement consumption in the period 2018-2021 is low, estimated at 2.6%



Source: FiinPro, forecasted by BSC Research

Increased supply increases competitive pressure in the industry

| Project | Capacity (million tons) | Location | Deployment time |
|----------------------|-------------------------|-----------|-----------------|
| Long Son - DC 3 | 2.3 | Thanh Hoa | 2019-2020 |
| Long Son - DC 4 | 2.3 | Thanh Hoa | 2021 |
| Fico Tay Ninh – DC 2 | 1 | Tay Ninh | 2018-2021 |
| Đai Duong | 4.6 | Thanh Hoa | 2020-2022 |
| Xuan Thanh | 4.5 | Ha Nam | 2021-2022 |

Source: collected by BSC Research

The profit margin of cement businesses in 2021 will be improved thanks to positive consumption and low pressure on coal prices. The price of thermal coal of cement companies is forecasted to remain low as the world coal price is under downward pressure from unrecovered consumption demand and the Chinese government's ban on coal imports from Australia. Enterprises that buy coal from importers other than TKV (eg HT1) will continue to be benefited from low world coal prices. Besides, a positive

consumption situation will increase sales volume, reduce unit fixed costs, thereby improving the profit margins of enterprises.

In the medium term, industry capacity is expanding, increasing competitive pressure. In order to take advantage of the growth momentum of construction material demand for the next cycle, many businesses, especially the private sector, have accelerated the implementation of expanding or restarting the projects that have applied for a license in the previous period, causing the supply to continuously increase in the coming time. With the industry's operating efficiency of about 95%, the increase in capacity in the near future will create significant competitive pressure on the selling prices of businesses, especially in the period after 2021.

INVESTMENT VIEWPOINT - NEUTRAL

We maintain our **NEUTRAL** view on the cement industry in 2021 due to (1) Increased demand but (2) Risks from the export market and huge oversupply problem.

| Ticker | 2021F Revenue (bln VNĐ) | %YoY | 2021F Earning (bln VNĐ) | %YoY | 2021 EPS (VNĐ/share) | P/E fw | P/B fw | Price (11/01/2020) | 2021 target price | Upside |
|--------|----------------------------------|-------|----------------------------------|-------|-------------------------|-----------|-----------|-----------------------|-------------------------|--------|
| HT1 | 9,015 | 12.8% | 836.8 | 34.5% | 1,974 | 9.58 | 1.26 | 18,900 | 19,750 | 4.50% |

Source: forecasted by BSC Research

Effects of macro factors on sectors

| | Trade war | Gulf tensions/ (Oil prices rise) | Fed decreases interest rates | European economic difficulties / Brexit / EUR depreciate | Domestic interest rates fall | China's economy grows slowly | CPTPP Agreement | FTAs |
|----------------|-----------|----------------------------------|------------------------------|--|------------------------------|------------------------------|-----------------|-------|
| Sea transport | (+/-) | (-) | | (+) | (+) | | (+) | (+) |
| Real estate | | | | | (+) | | | |
| Construction | | | | | (+) | | | |
| Cement | | | | (+) | (+) | | | |
| Textile | (+/-) | (-) | | (-) | (+) | | (+) | (+) |
| Electricity | | (-) | | (+) | (+) | | | |
| Pharmaceutical | | | | (+) | (+) | | | |
| Plastic | | (-) | | | (+) | | | |
| Tire | (+) | (-) | | | | (-) | | |
| Bank | (-) | | (+) | (-) | | (-) | (+) | (+) |
| Steel | (-) | | | | (+) | (-) | | |
| Fisheries | (+) | | | (-) | (+) | (-) | | |
| Sugar cane | | | | | (+) | (-) | | |
| Oil and Gas | | (+/-) | | | (+) | (-) | | |
| Fertilizer | | (-) | | | (+) | (+) | | |
| Rubber | | (+) | | | | (-) | | |
| Ceramic tiles | | (-) | | | (+) | | | |
| Technology | | (-) | | (-) | | | | (+) |
| Seaport | (+/-) | | | | (+) | | (+) | |
| Airline | (+/-) | (-) | | | (+) | | (+) | (+) |
| Automobile | | | | | | | (+) | |
| Insurance | (-) | | | | (+) | | | |
| Retail | | | | | (+) | | (+) | (+/-) |
| Food&Beverage | | | | | (+) | | (-/+) | (+/-) |

Source: BSC Research

Timeline events

| Month | Day | Vietnam | Day | International |
|-------|----------|--|----------------|--|
| 1 | 18 | Hội Đại hội Đảng XIII | 26 | FED họp và công bố chính sách tiền tệ và |
| | 20 | ETF VN30 review | 21 | ECB họp và công bố chính sách tiền tệ và |
| | 21 | Hạn cuối nộp BCTC quý 4 | | |
| | 21 | Đáo hạn HDTL | | |
| | 30 | ETF VFM VN30 thay đổi tỷ trọng danh mục | | |
| 2 | 18 | Đáo hạn HDTL | 9 | MSCI Đánh giá chỉ số theo quý |
| | 22-26 | Ishare MSCI review | | |
| 3 | 08-19 | ETF FTSE VN công bố danh mục | 1 | MSCI: Danh sách đánh giá mới có hiệu lực |
| | 15-19 | ETF VNM công bố danh mục | 11 | ECB họp và công bố chính sách tiền tệ và |
| | 18 | Đáo hạn HDTL | 17 | FED họp và công bố chính sách tiền tệ và |
| | 15-19 | ETF VNM, ETF FTSE thực hiện xong giao | 22-26 | FTSE Russell Công bố xếp hạng thị trường |
| 4 | 15 | Đáo hạn HDTL | 22 | ECB họp và công bố chính sách tiền tệ và |
| | 19 | ETF VN30 review | 27-28 | FED họp và công bố chính sách tiền tệ và |
| | 20 | Hạn cuối nộp BCTC quý 1 | | |
| | 29 | ETF VFM VN30 thay đổi tỷ trọng danh mục | | |
| | 30 | Hạn cuối nộp BCTN | | |
| 5 | 20 | Đáo hạn HDTL | 11 | MSCI Đánh giá chỉ số bán niên |
| | 24-28 | Ishare MSCI review | 28 | MSCI: Danh sách đánh giá mới có hiệu lực |
| | Tháng 5 | Hội nghị trung ương đảng khóa XIII lần thứ | | |
| 6 | 07-18 | ETF FTSE VN công bố danh mục | 10 | ECB họp và công bố chính sách tiền tệ và |
| | 14-18 | ETF VNM công bố danh mục | 16 | FED họp và công bố chính sách tiền tệ và |
| | 17 | Đáo hạn HDTL | | |
| | 14-18 | ETF VNM, ETF FTSE thực hiện xong giao | | |
| | Tháng 6 | Hội Quốc hội | | |
| 7 | 16 | Đáo hạn HDTL | 1-2 | OPEC họp |
| | 17 | ETF VN30 review | 22 | ECB họp và công bố chính sách tiền tệ và |
| | 20 | Hạn cuối nộp BCTC quý 2 | 28 | FED họp và công bố chính sách tiền tệ và |
| | 30 | ETF VFM VN30 thay đổi tỷ trọng danh mục | | |
| 8 | 15 | Hạn cuối nộp BCTC bán niên | 11 | MSCI Đánh giá chỉ số theo quý |
| | 19 | Đáo hạn HDTL | | |
| | 23-27 | Ishare MSCI review | | |
| 9 | 06-17 | ETF FTSE VN công bố danh mục | 1 | MSCI: Danh sách đánh giá mới có hiệu lực |
| | 13-17 | ETF VNM công bố danh mục | 9 | ECB họp và công bố chính sách tiền tệ và |
| | 16 | Đáo hạn HDTL | 22 | FED họp và công bố chính sách tiền tệ và |
| | 13-17 | ETF VNM, ETF FTSE thực hiện giao dịch | 20-24 15-30 | FTSE Russell Công bố xếp hạng thị trường Phiên họp thứ 76 của Đại hội đồng Liên |
| 10 | 18 | ETF VFM VN30 Review | 28 | ECB họp và công bố chính sách tiền tệ và |
| | 20 | Hạn cuối nộp BCTC quý 3 | 31 | Hạn cuối hoàn thành thỏa thuận Brexit |
| | 21 | Đáo hạn HDTL | Tháng 10 | IEA họp thường niên |
| | 30 | ETF VFM VN30 thay đổi tỷ trọng danh mục | | |
| | Tháng 10 | Hội nghị trung ương khóa XIII lần thứ 02 | | |
| 11 | 19 | Đáo hạn HDTL | 11 | MSCI Đánh giá chỉ số bán niên |
| | 22-26 | Ishare MSCI review | 3 | FED họp và công bố chính sách tiền tệ và |
| | Tháng 11 | Hội Quốc hội | | |
| 12 | 04-17 | ETF FTSE VN công bố danh mục | 1 | MSCI: Danh sách đánh giá mới có hiệu lực |
| | 11-17 | ETF VNM công bố danh mục | 15 | FED họp và công bố chính sách tiền tệ và |
| | 17 | Đáo hạn HDTL | 16 | ECB họp và công bố chính sách tiền tệ và |
| | Nov-17 | ETF VNM, ETF FTSE thực hiện giao dịch | | |

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BSC Headquarters

BIDV Tower, 10th & 11th Floor

35 Hang Voi, Hoan Kiem, Hanoi

Tel: +84 4 3935 2722

Fax: +84 4 2220 0669

Ho Chi Minh City Office

146 Nguyen Cong Tru St, 9th Floor

District 1, HCMC

Tel: +84 8 3821 8885

Fax: +84 8 3821 8510

Website: <http://www.bsc.com.vn>

Facebook: www.facebook.com/BIDVSecurities

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**CÔNG TY CỔ PHẦN CHỨNG KHOÁN
NGÂN HÀNG ĐẦU TƯ VÀ PHÁT TRIỂN VIỆT NAM**

HỘI SỞ

Địa chỉ: Tầng 10, 11 Tháp BIDV 35 Hàng Vôi, Hoàn Kiếm, Hà Nội
Tel: (+84) 24 3935 2722

CHI NHÁNH

Địa chỉ: Lầu 9, Tòa nhà 146 Nguyễn Công Trứ, Quận 1, Tp. Hồ Chí Minh
Tel: (+84) 28 3821 8885
Website: www.bsc.com.vn