



# SECTOR OUTLOOK

# Q2.2021

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## 1. Recap to 2020 and 2Q2021

**2020: Vietnam – the bright star in the night sky** ([Macro Outlook 2021](#)). In 2020, in the context that global economy has been affected by the Covid-19 pandemic, Vietnam still achieved a lot of encouraging performances, such as:

- One of the countries with the best control over the Covid-19 epidemic in the world, the lowest number of social distancing periods is 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 promote economic growth.
- Production and trade activities rebounded in a V-shaped pattern to the level before the epidemic.
- Promote participation in bilateral and multilateral trade agreements such as EVFTA, RCEP, UKVFTA.

**2021: Vietnam – “New normal – New game”** ([Macro Outlook 2021](#))

- GDP growth recovers positively (forecasted at 6.2%), accompanied by (1) recovery of foreign goods demand, (2) prospect of increasing FDI capital, estimated to increase by 8.5% in 2021,
- Macro supportive policy continues to maintain: (1) fiscal policy to stimulate macro, (2) Credit growth is expected to reach 14%, (3) Disbursement of state public investment will reach VND485.6 trillion.

**2Q2021 Market outlook.** VN-Index maintained its medium-term uptrend and was able to break through the psychological resistance level of 1,200, move towards the area around 1,300 around the end of May and end June above 1,250. However, the uptrend will break into small wave spans with short-term corrections before continuing the uptrend. World markets are forecast to maintain a prolonged uptrend from last year but it will be a slow and steady increase in the context that the economy continues to be supported by the policies of major central banks. The process of testing new vaccines as well as the distribution of approved vaccines has been accelerated, supporting market sentiment. Along with that, the implementation of vaccine passports by countries will also make the tourism and accommodation industries have a better recovery.

## 2. Policies and Information Relating to Sectors in 2021

Macroeconomy both at home and abroad along with amendment policies will effect stock market in general and specific companies in particular on their own way. BSC had statistics of notable policies and events in 2021.

No.	Policies and Events	Effective date	Rating	Level	Status as of 31/03/2021
<b>Macro policy and International economy</b>					
<b>Monetary policy</b>					
1	FED: Positive rebound of the US economy, FED to hold current interest rate		Positive	Very strong	Influencing
2	PBoC: Robust growth of China economy, RMB to stay stable		Positive	Very strong	Influencing
3	ECB: to keep policy loose		Interwoven	Strong	Influencing
4	Soaring material prices		Interwoven	Strong	Influencing
<b>Regional macro policy</b>					
5	US – China trade war		Interwoven	Strong	Influencing
6	Coronavirus vaccine distribution		Interwoven	Strong	Influencing
7	OPEC+ meeting		Interwoven	Strong	Already influenced
8	G7 meeting	Summer 2021	Interwoven	Medium	Not yet influenced
<b>Vietnam Macro policy and economy</b>					
1	New Law on Public-Private Partnership (PPP)		Interwoven	Strong	Influencing
2	Amendment investment & corporate law		Positive	Strong	Not yet influenced
3	Amendment security law	01/01/2021	Positive	Strong	Initially influenced
4	Soaring grocery & gasoline prices		Negative	Medium	Being influenced
5	FTSE Russell to upgrade Vietnam stock market		Negative	Strong	Not yet influenced
6	Vietnam's weight to be up in MSCI Index thanks to new FM – EM index taking effect	March 2021	Neutral	Medium	Influencing
7	To accelerate divestment and capitalization of State-owned enterprise		Neutral	Medium	Influencing

No.	Policies and Events	Effective date	Rating	Level	Status as of 31/03/2021
<b>Monetary policy</b>					
8	To remove Vietnam from currency manipulation list, VND to stay stable		Neutral	Very strong	Already influenced
9	Maintain current interest rate		Positive	Strong	Influencing
10	Banks' CAR of 8%	01/01/2020	Interwoven	Medium	Already influenced
<b>Security policy</b>					
11	Permit to sell pending stock		Positive	Strong	Not yet influenced
12	Certificate depository, non-voting certificate depository		Positive	Strong	Not yet influenced
13	The scheme of grouping listed stock and the expansion of trading band		Interwoven	Strong	Not yet influenced
14	Listing joint stock commercial bank and divestment of Agribank		Positive	Strong	Not yet influenced
15	To raise condition of public company		Interwoven	Medium	Not yet influenced
<b>Các Hiệp định thương mại tự do</b>					
1	EVFTA	01/08/2020	Positive	Strong	Influencing
2	UKVFTA	01/05/2021	Positive	Strong	Influencing
3	RCEP ASEAN	15/11/2020	Positive	Strong	Influencing

*Nguồn: BSC Research*

### 3. 2Q2021 Outlook

BSC quarterly releases the investment strategy and assesses the opportunity, if any, which gives investors much more options throughout a year. As our 2021 strategy report, Vietnam's stock market surpassed its all-time record high of 1,200 points. Despite of some corrections due to the third Covid-19 wave in Hai Dương in February 2021, VN-Index still rose 10.5% YTD.

Compared to the same period and the whole year 2020, 1Q2021 showed many positive signals of Vietnam's economy in general and stock market in particular (Macroeconomy Outlook 1Q2021). Some notable bright spots can be mentioned as (1) Manufacturing PMI and Services PMI recovered significantly, (2) GDP growth rate is estimated at 6.2% YoY, (3) Elected top leader of the National Assembly, (4) Exports grew by 22% YoY.

Most of listed companies registered good 1Q2021 results due to (1) post-pandemic recovery and (2) low base in 1Q2020. BSC believes good performances in 1Q2021 will strengthen the forecast of growth of listed companies, which to take PE forward to the reasonable level and to create favorable momentum for VN-Index to increase. According to Fiinpro, as of 26/04/2021, there were 337/1,621 listed companies releasing their 1Q2021 financial statements, accounting for 21.9% total market capitalization. Total NPAT went up 104.6% YoY mainly driven by basic resources sector, real estate sector and oil & gas sector.

Although the proportion of the current data is still low and not possible to give an accurate assessment of the profit quality of each business group for **the period of 2Q2021, BSC continues to maintain a POSITIVE view for the market in general based on the expectation of the ongoing growth momentum and update on the main influencing factors promoting the market to grow.**

**First, global financial investment flows to emerging markets via ETF and market upgrade opportunity.**

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 Amendment Securities Law, the Amendment Enterprise Law 2020 and the Amendment Investment Law 2020 will officially come into effective from 01/01/2021. They help (1) create a suitable market for international standard, (2) enhance transparency, (3) avoid overlapping, thereby removing many obstacles in investment activities of foreign investors, (4) operate many new important products such as T+0, selling pending stocks, non-voting depositary receipts (NVDR), future contracts and swap contracts.

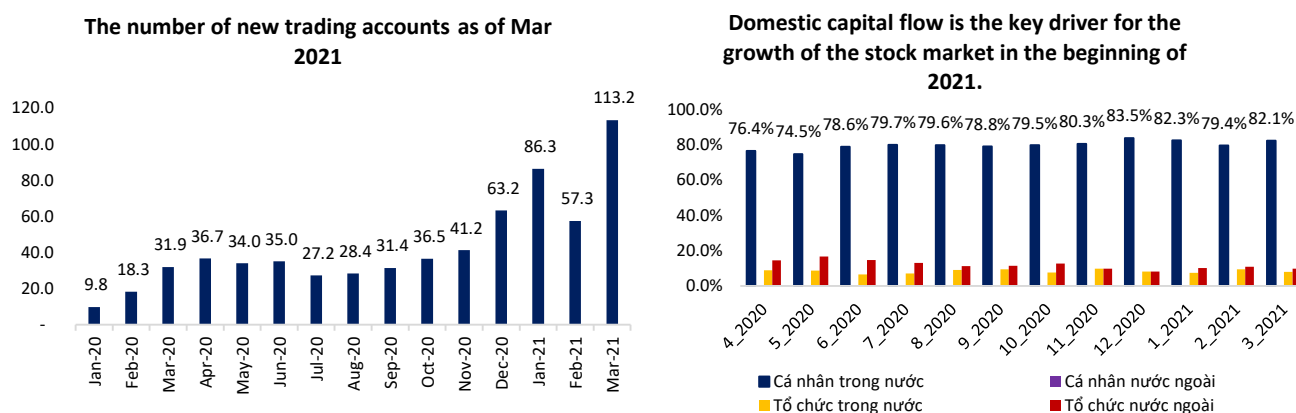
The above new changes are the premise to help Vietnam's stock market meet the criteria for market upgrade. BSC forecasts that the Vietnamese market will have the opportunity to be upgraded to FTSE in September 2021 and the opportunity to upgrade to MSCI will take place in the period of 2023-2025 ([Market Upgrade Report](#)).

**Market volume have been soaring.** We see the remarkable improvement efforts of the Vietnamese market in general and agencies in particular through the market size and trading value in the first four months of this year increasing by 2-3 times to over VND 20,000 billion/session compared to 2019, total market capitalization has reached 84.3% of GDP in 2020 and many other conditions are gradually being met. This proves that the process of upgrading the market will soon be shortened, and the main question is how long before Vietnam is upgraded.

**Second, the dual dynamics from domestic private capital flows with a low interest rate environment.**

The year 2020 also marks a new milestone with the strong participation of individual investors, especially the new investors group - F0. Domestic personal accounts now combine for 78.7% of the total transaction value, up from 70% in 2019.

**The number of new accounts continuously broke the records thanks to new technology solutions (EKYC).** EKYC (electronic identification) technology solution is considered a breakthrough to help the stock market and financial market expand its reach from big cities to remote provinces. In 1Q2021, the number of new accounts recorded at 257.9 thousand accounts, equal to 65% of the total number of new accounts opened in 2020. The total number of securities accounts only accounted for 2.8% of the total population, this is a very low level compared to other countries in the region. **BSC believes that the potential from the market is still very large, the trend of shifting investment to the stock market is only at the beginning stage.**



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 the preferred investment channel and top transaction value in real estate is in a quiet period due to supply shortage. 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 rapid 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.

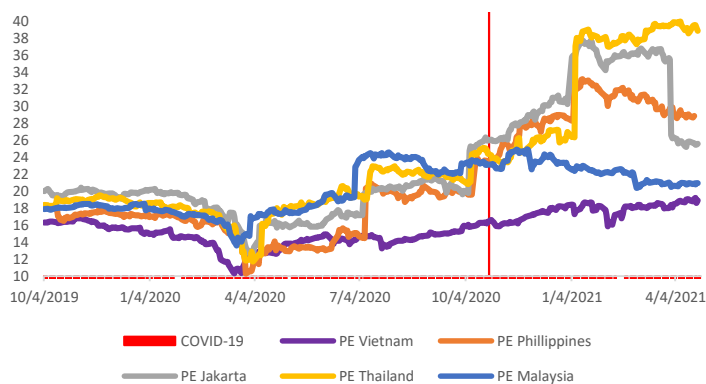
**Third, Vietnam and emerging markets will be priced at a higher level in the context that central banks will maintain low interest rates in the next 1-2 years.** As of 10/01/2020, VN-Index is currently trading at a trailing PE of 18.4 times (15.5% higher than the average level). If we look back in the past, we can see that market valuations 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 18x (the average interest rate of 5.6%) compared to the average PE of 15x (the average interest rate of 5.6%) in the period 2015-2019 and the

average PE of 12x (the average interest rate of 11%) in the period 2011-2013. We believe that the macro situation at this time has a solid foundation and is quite different from the crisis period of 2009-2011, so the risk of a market shock will be likely to occur when the bull market gets too hot.

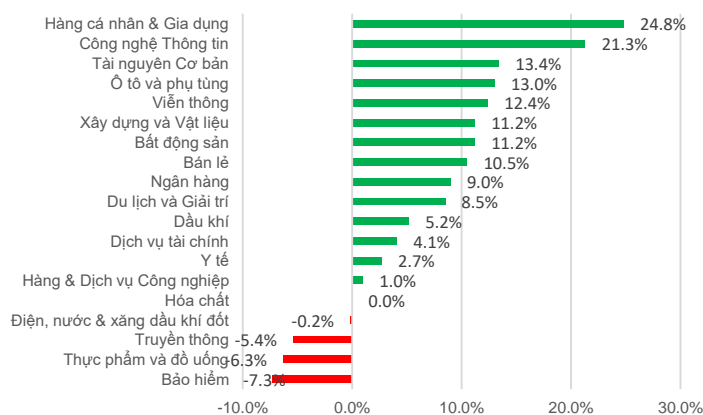
**Fourth, the vaccine development has made great strides in 2020, the widespread use will strengthen the recovery of consumption demand.** Up to now, in the world, there are more than 20 types of vaccine being researched, of which 8 vaccines are being tested in phase III. The effectiveness-testing time of the vaccine and the widespread use are expected to be in the second half of 2021. Accordingly, we expect this can help restore demand and purchasing power of consumer goods, thereby positively affecting (1) the recovery of export enterprises and (2) the intrinsic nature of the Vietnamese economy. Industry groups that are expected to recover well by BSC such as GARMENTS, SEAFOOD

**Fifth, the strong recovery of profit growth of all sectors in 2021 (expected EPS growth in 2021 = 22%) is a factor that helps Vietnam's stock market to trade at a more attractive level.** We believe that the performance of all groups increased slightly in line with the movement of the VN-Index. According to BSC's forecast based on 65 stocks accounting for about 80% of market capitalization, VNIndex's NPAT in 2021F will record a growth of +28% YoY, equivalent to EPS growth of 22% YoY assuming the average stock dilution rate of 6% in the period 2016-2019. The positive profit growth is forecasted to come from the general recovery of economic groups with the main contributions coming from (1) Banking, (2) Real Estate, (3) Industry (including Building Materials, Basic Resources), (4) Oil & Gas and (5) Retail Consumer Services. Accordingly, **VN-Index is trading at a 2021F PE of 19.5 times.** BSC forecasts VN-Index under the positive scenario will reach 1,350 points by the end of 2021 (Detailed macro report).

Market PE in pre- and post-pandemic



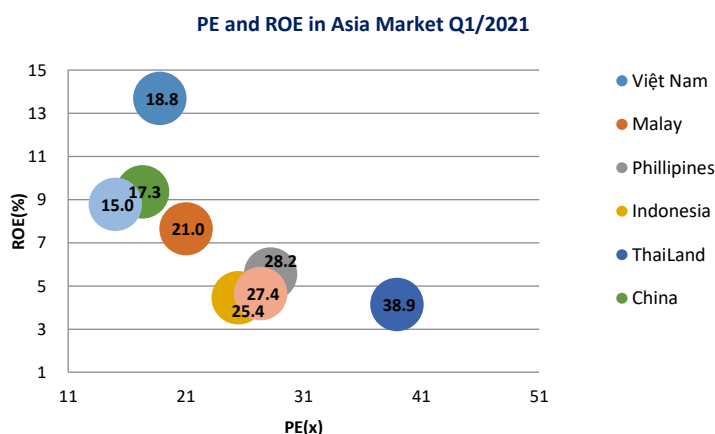
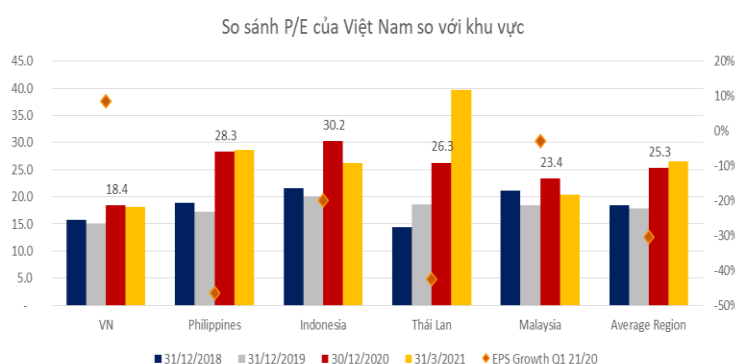
Sector performance vs VN-index performance in 2Q2021 (%)



Compared to the region, the Vietnamese market is relatively undervalued while the operating efficiency is at the highest level in the region (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 NPAT



growth is strongly affected by the Covid-19 pandemic. All in all, we believe that the Vietnamese market is currently quite attractive compared to the region with (1) Low level of negative impact from the epidemic, (2) Profits of sectors 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 in the 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
<b>Financial</b>	13.09	1.41	<b>14.99</b>	<b>0.92</b>	22.9	0.8	13.19	0.99	16.78	1.10	13.00	0.78
<b>Consumer Goods</b>	12.25	1.22	<b>22.41</b>	<b>1.27</b>	17.4	1.2	27.21	2.70	34.04	1.36	17.61	1.02
<b>Industrials</b>	10.98	1.05	<b>21.01</b>	<b>1.14</b>	15.6	1.2	24.45	0.97	26.19	1.51	17.56	1.11
<b>Oil &amp; Gas</b>	26.94	1.44	<b>17.87</b>	<b>1.01</b>	5.9	0.7	66.67	3.68		0.83	17.87	1.19
<b>Consumer Service</b>	21.45	1.86	<b>21.97</b>	<b>1.21</b>	26.3	1.4	9.04	0.89	29.40	2.39	17.61	1.02
<b>Basic Resources</b>	13.27	0.96	<b>16.01</b>	<b>1.09</b>	16.8	1.1	30.24	2.37	14.18	1.14	15.18	0.92
<b>Utilities</b>	12.18	1.61	<b>16.44</b>	<b>1.18</b>	12.8	0.9	17.77	1.07	17.86	1.33	15.12	1.29
<b>Technology</b>	19.28	1.56	<b>11.05</b>	<b>1.62</b>	10.2	1.9	n/a	n/a	n/a	n/a	11.95	1.35
<b>Health Care</b>	17.06	2.37	<b>29.52</b>	<b>2.46</b>	22.0	2.5		2.24	n/a	n/a	37.02	3.22
<b>Telecommunication</b>	15.67	3.46	<b>25.75</b>	<b>3.29</b>	22.3	2.2	29.22	4.35	29.22	4.35	22.07	1.17

Source: Bloomberg, BSC Research

**Sixth, public investment disbursement will motivate the recovery of Vietnam's economy in 2021.** The progress of disbursement of state budget capital in 2020 recorded an encouraging growth, estimated at 91.13% compared to the plan. Disbursement rate in 2020 reached the highest level in the period 2016-2020, equivalent to an estimated record of VND466.3 trillion.

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 has a relatively large similarity with China's operating policy after the 2008-2009 crisis. Along with the promotion of credit growth, it was the core factor that helps the Chinese economy register subsequent rapid growth. ([Details on page 56](#))

Sectors that are expected to benefit directly from BSC include **CONSTRUCTION** and **CONSTRUCTION MATERIALS**. We believe that promoting the development of transport infrastructure will solve the "bottleneck" of transportation and connectivity, thereby giving indirectly benefits to the groups of **COMMERCIAL REAL ESTATE** and **INDUSTRIAL PARK, SEAPORT**. ([Public Investment Outlook Report 2020](#))

## 4. Economic Cycle and Sector Valuation Tolerance

In 2020, macroeconomic instabilities caused by the Covid-19 epidemic such as (1) Supply chain disruption, (2) stagnation of commercial activities, (3) wave of dissolution from SME and unemployment increase, (4) Global GDP growth at negative level are likely to be the condition for economic recession. We see that although the impact of Covid-19 is almost a main reason for recession, production growth has only slowed down and there has been no strong bubble in any area or industry/sector, especially inflation under control. Therefore, BSC believes recession level stays low and economic growth to be corrected in 1-2 coming years. Vietnam's current economic indicators suggest that we are **at the end of recession and at the beginning of recovery**. As the evidence, stock price starts to rise, bond price and deposit interest rate to be in the downtrend and loosening monetary measures come into force.

Economic Cycle	Inflation	Economic Policy	Market signal
Initial Recovery	Down	Intensifying stimulation	Short-term interest rates are low/down. Long-term interest rates hit the bottom out and Bond prices hit the top. Stock prices tend to rise.
Early Upswing	Low inflation, Robust economic growth	Weakening stimulation	Short-term interest rates rise Long-term interest rates hit the bottom out or start to rise & Bond prices decline Stock prices rise
Late Upswing	Up	Tightening	Long-term and short-term interest rates rise, Bond prices decline Stock prices fluctuate around the top
Slowdown	Up	Weakening stimulation	Long-term and short-term interest rates hit the top then decline and bond prices rebound Stock prices decline
Recession	Peak	Loosening	Long-term and short-term interest rates decline and Bond prices continually rise Stock prices show signs of recovery at the end of recession

## 5. Vietnam Sector Outlook 2021

Sector	Rating	Note	Notable stock
<u>I/ Vaccine – the savior of the economy and stock market</u>			
<a href="#">Information Technology</a>	Outperform	<ul style="list-style-type: none"> <li>Mobile Money and 5G telecommunications networks are two important trends affecting the long-term prospects of telecommunications businesses</li> <li>Information technology enterprises are expected to benefit from (i) technology investment package thanks to public investment (ii) the government applies digital transformation with products "Make in Vietnam"</li> <li>We continue to maintain a <b>POSITIVE view</b> of the Information Technology – Telecommunications industry in the second quarter of 2021.</li> </ul>	FPT, CMG, VTP, CTR
<a href="#">Oil &amp; Gas - Fertilizer</a>	Outperform	<ul style="list-style-type: none"> <li>The world's demand for oil will rebound thanks to (1) the control of the COVID-19 epidemic and (2) the prospect of a prosperous economy, while the world oil supply continues to tighten due to OPEC's slow increase in output and slow recovery of US oil production</li> <li>BSC issues an <b>Outperform recommendation</b> for the oil and gas industry in 2021 with the assumption that the average price of Brent oil in 2021 will be at \$ <b>57/barrel</b> because the recovery in oil prices will have a positive impact on the prospects of oil and gas companies (<i>For details, refer <a href="#">to the Oil and Gas Industry Outlook 2021</a></i>).</li> <li>In addition, BSC raised its view from <b>NEUTRAL</b> to <b>OUTPERFORM</b> for the Fertilizer industry in 2021 as these companies will continue to benefit from increased fertilizer demand in 2021.</li> </ul>	GAS, PVD, PET, PLC, DCM, DPM
<a href="#">Textile</a>	Outperform	<ul style="list-style-type: none"> <li>Textile and garment exports show a recovery in the first quarter of 2021 as traditional orders recover in most markets, led by the US market.</li> <li>BSC believes that the second quarter of 2021 will continue to record a positive order, however, rising raw material costs and transportation costs will be a sharp challenge for businesses.</li> <li>We rate <b>POSITIVE</b> for the Textile and Garment industry in Q2 2021</li> </ul>	MSH, TNG
<a href="#">Banking</a>	Outperform	<ul style="list-style-type: none"> <li>Credit growth in Q1.2021 reached <b>2.93%</b>, recovered strongly after the epidemic. BSC expected that Credit growth will <b>reach 14.0% in 2021</b> thanks to the support of many positive factors.</li> <li>Asset quality is well controlled, BSC believes that <b>bad debt will be controlled at 1.8%</b> in 2021.</li> <li>BSC believes that the total cost of credit of businesses in BSC's monitoring will <b>increase to 0.06%</b> in the case that the base <b>10% of outstanding loans becomes bad debt</b>.</li> </ul>	ACB, VCB, BID, CTG, MBB, STB, HDB, TCB, VPB, TPB, VIB, LPB

		<ul style="list-style-type: none"> <li>The CAR of the listed banks was kept at a high level - <b>10.6% on average</b> thanks to the gradual shift to credit management based on the risk of each loan.</li> <li>BSC expects that PBT of the whole industry will grow at <b>28.4% YoY</b> in 2021 thanks to (1) <b>TOI +12.7% YoY</b>, (2) <b>CIR dropping to 36.2%</b> and (3) Reduce the pressure of provisioning.</li> <li>BSC sets a valuation of <b>1.7x PBR</b> for the entire banking industry thanks to its favorable business environment, high profit growth and many supporting catalysts.</li> <li>BSC recommends <b>OUTPERFORM</b> for the banking industry in 2021</li> </ul>	
<a href="#">Fisheries - Aquaculture</a>	Outperform	<ul style="list-style-type: none"> <li>Seafood exports showed a recovery in the first quarter of 2021 when consumption demand improved, especially in the US market.</li> <li>BSC believes that demand will continue to improve in the second quarter of 2021, however, high input costs (animal feed costs, transportation costs) will be an obstacle to the recovery of the industry.</li> <li>BSC raises its <b>Outperform</b> recommendation for the Fisheries and Aquaculture industry in the second quarter of 2021.</li> </ul>	VHC, ANV
<a href="#">Consumer - Retail</a>	Outperform	<ul style="list-style-type: none"> <li>Overview of Vietnam's retail industry maintained a recovery momentum of +5.3% YoY in 1Q2021.</li> <li>Retail consumption trends shift from traditional shopping channels to modern shopping channels in 2021.</li> <li>Large enterprises in the consumer goods industry have plans to expand their store chains with a new opening rate of 15-20% in 2021.</li> <li>BSC maintains its Outperform recommendation for the consumer discretionary industry in 2021.</li> </ul>	MWG, PNJ, VNM, MSN, SAB
<a href="#">Insurance</a>	Neutral	<ul style="list-style-type: none"> <li>The non-life insurance market will grow 3.2% in 2020 due to the impact of the epidemic.</li> <li>The market share of the top 5 companies continued to decrease due to competition for market share.</li> <li>Motor vehicle and health insurance continue to be the segments with a large market share in the product structure.</li> <li>Interest rates continued to remain at VNIBOR = 5.5%/year, affecting deposit revenue of life insurance enterprises.</li> <li>BSC maintains its <b>NEUTRAL</b> recommendation for the Non-life Insurance industry.</li> </ul>	
<a href="#">Rubber – Tire</a>	Neutral	<ul style="list-style-type: none"> <li>Rubber prices have fallen from a peak in January 2021, currently only JPY 228/Kg. BSC expected that Rubber prices will <b>increase again by the end of 2021</b> because of strong demand while supply declines.</li> <li>Rubber producers are <b>expected to benefit when rubber prices rise again</b>.</li> </ul>	DRC,PHR

		<ul style="list-style-type: none"> <li>The tire industry is expected to grow strongly thanks <b>to the recovery of tire consumption after the epidemic.</b></li> <li>BSC maintains its <b>NEUTRAL recommendation</b> for the Rubber and tire industry.</li> </ul>	
<a href="#">Electricity</a>	Neutral	<ul style="list-style-type: none"> <li>Commercial power output in 3M2021 grew by 4.1% YoY.</li> <li>La Nina continues to be a positive news for hydropower plants but it will be a negative factor for coal &amp; gas thermal power enterprises.</li> <li>Renewable energy source continues to be prioritized to mobilize by EVN thanks to the recent incentive mechanisms for renewable energy development..</li> <li>We issue a <b>NEUTRAL</b> recommendation for the electricity industry.</li> </ul>	PPC, HND, PC1, REE, NT2
<a href="#">Sugar</a>	Neutral	<ul style="list-style-type: none"> <li>World sugar price continued to peak at 16.85 cents/lb (+67.66% YoY) in April 2021.</li> <li>The Vietnamese sugar market benefits from the increase in world sugar prices.</li> <li>BSC maintains its Neutral recommendation for the sugar industry in the first half of 2021.</li> </ul>	QNS, SBT
<a href="#">Aviation</a>	Neutral	<ul style="list-style-type: none"> <li>BSC forecasts domestic passenger volume in 2021 will reach 36 million passengers, equivalent to 85% compared to 2019.</li> <li>BSC expects that Q3/2021 will be the earliest time for airlines to start reopening international routes.</li> <li>Cargo output in 2021 is expected to reach 1.45 million tons (+11.5% YoY), equivalent to 94% of the 2019 level .</li> <li>BSC remains a <b>NEUTRAL</b> position on the aviation industry.</li> </ul>	SCS, ACV
<a href="#">Automotive</a>	Neutral	<ul style="list-style-type: none"> <li>The auto market has recovered strongly since the end of 2020. Total auto sales in 2020 reached 283,983 vehicles (-7% YoY). In which, assembled car -1 % YoY, imported car -18 %YoY</li> <li>BSC expects that the proportion of assembled cars and imported cars will be balanced again</li> <li>We maintain a <b>NEUTRAL</b> recommendation for the auto industry in 2021.</li> </ul>	VEA
<a href="#">II/ Accelerate infrastructure investment – Attract FDI – Free up real estate supply.</a>			
<a href="#">Commercial Property</a>	Outperform	<ul style="list-style-type: none"> <li>Real estate market recovered slightly in 1Q2021 mainly driven by Hanoi market.</li> <li>Real estate market in suburban area has been still attractive.</li> <li>1Q2021 result of real estate companies grew well in line with our expectation.</li> <li>BSC maintains OUTPERFORM rating for real estate sector thanks to (1) the supply to be unlocked from 2021, (2) low interest rate and flexible financial</li> </ul>	VHM, KDH, DXG, NLG, NVL

		packages, (3) financial structure of real estate companies to be still under control.	
<a href="#">Industrial Park</a>	Outperform	<ul style="list-style-type: none"> <li>The pandemic continues to be the largest barrier leading to the stagnation in the context of high demand.</li> <li>Connected transportation infrastructure will solve logistic bottleneck and directly support IP sector.</li> <li>Large landbank is expected to be unlocked and to shift to tier 2-3 provinces.</li> <li>Limited supply and robust demand still are key catalysts for high land rent level.</li> <li>BSC maintains the OUTPERFORM rating for industrial park sector.</li> </ul>	KBC, SIP
<a href="#">Steel</a>	Outperform	<ul style="list-style-type: none"> <li>Steel industry has had a sublimation period which total 1Q2021 output is equivalent to 105% vs 1Q2019 output. The recovery mainly came from export market and flat steel market.</li> <li>The price of iron and steel products is expected to keep the strong uptrend in 2H2021.</li> <li>BSC maintains <b>OUTPERFORM</b> rating for steel sector in 2021.</li> </ul>	HPG, HSG, NKG
<a href="#">Plastic</a>	Neutral	<ul style="list-style-type: none"> <li>Plastic resin prices shot up in 1Q2021: HDPE +30% YoY, PP +38% YoY, PVC +50-80% YoY</li> <li>2Q2021 result of plastic companies (especially construction plastic group) will be negative and reflect the soaring input cost in 1Q2021. However, the situation will be better from 2H2021 because input cost is expected to decline.</li> <li>BSC maintains NEUTRAL rating for Plastic sector in 2021</li> </ul>	BMP, NTP, APH
<a href="#">Construction</a>	Neutral	<ul style="list-style-type: none"> <li>Total value of construction industry grew +5.2% YoY in 1Q2020.</li> <li>The risk of soaring input cost weighs on construction companies in 1H2021.</li> <li>BSC maintain the NEUTRAL recommendation on Construction sector in 2Q2021.</li> </ul>	C4G
<a href="#">Cement</a>	Neutral	<ul style="list-style-type: none"> <li>Cement &amp; clinker consumption in 1Q2021 reached 24mn tons (+12% YoY), in which domestic consumption was unchanged and export was up +38% YoY. BSC believes that the consumption in 2Q2021 will be more positive due to the peak season of construction activities.</li> <li>Domestic selling price stayed stable in 1Q2021 while export price was in the downtrend. However, many companies raised their ASP in April 2021.</li> <li>BSC recommends <b>NEUTRAL</b> rating for cement industry in 2021.</li> </ul>	HT1

Source: BSC Research

## 6. 2021 Stock Pitching

Ticker	2021F Rev	% yoy	2021F NPAT	% yoy	2021F EPS	P/E 2021	P/B 2021	ROE	ROA	Price at 23/04/2021	Target Price
VCB	48,999	7%	18,436	0%	4,974	19.8	3.7	21%	1%	98,600	131,800
CTG	45,280	12%	13,656	45%	3,674	10.8	1.7	18%	1%	39,700	49,400
TCB	27,042	28%	12,640	23%	3,516	11.2	1.9	20%	3%	39,450	52,000
VPB	39,033	7%	10,416	26%	4,116	12.9	2.5	23%	3%	53,000	55,000
MBB	27,362	11%	8,551	6%	2,952	10.0	1.7	20%	2%	29,600	34,800
HDB	13,779	21%	4,655	16%	2,641	10.0	1.7	19%	2%	26,500	32,300
STB	17,271	18%	2,671	4%	1,423	15.9	1.5	11%	1%	22,550	30,000
TPB	10,369	22%	3,511	13%	3,275	8.3	1.7	25%	2%	27,150	32,900
ACB	18,161	13%	7,677	28%	3,554	9.4	2.0	23%	2%	33,300	41,500
VIB	11,216	38%	4,641	42%	4,183	12.9	3.3	29%	2%	53,800	N/A
LPB	7,771	19%	1,941	19%	1,733	11.9	1.6	15%	1%	20,700	N/A
PNJ	20,989	20%	1,333	25%	5,768	15.5	2.7	22%	13%	96,000	101,000
MWG	131,421	21.5%	4,815	23%	10,626	11.0	2.8	28%	9%	147,500	168,400
VNM	62,790	5%	11,237	1%	5,005	20	5.2	35%	24%	99,500	111,000
MSN	94,342	22%	2,585	85%	1,947	48	4.1	3%	1%	100,000	110,000
SAB	30,324	8%	5,131	8%	7,603	22.5	4.3	23%	17%	170,000	195,000
QNS	7,759	13%	1,190	14%	3,336	11.8x	2.0x	16%	11%	40,300	42,600
SBT	15,482	20.1%	457	25%	712	33.5x	1.9x	7%	3%	20,400	27,640
FPT	36,140	21%	5,323	21%	5,049	15.9	3.2	24%	13%	80,700	86,000
VTP	20,049	16%	440	15%	4,557	17.7	4.4	39%	10%	80,900	87,100
PPC	5,259	-34%	428	-58%	1,312	20.6	1.4	5%	4%	27,000	N/A
HND	8,900	-18%	396	-73%	791	23.5	1.3	6%	4%	18,600	N/A
PC1	7,340	10%	590	8%	3,085	8.2	1.2	14%	7%	25,200	30,800
REE	6,591	17%	2,045	19%	6,289	8.3	1.4	17%	10%	52,300	68,500
NT2	7,324	20%	432	-31%	1,501	14.2	1.4	10%	7%	21,300	22,300
KBC	3,795	76%	1100	243%	2,654	11	0.7	13%	8%	27,000	38,128
SIP	4,476	-12%	687	-39%	11,545	15.2	6.4	17%	11%	174,900	225,505
VHM	103,699	28.2%	32,060	11.6%	9,572	10.9	2.8	36%	11%	105,000	110,000
NVL	18,535	268.8%	4,345	11.5%	4,406	24.3	3.7	13%	8%	107,000	95,000
KDH	4,240	1.3%	1,365	16%	2,382	14.8	2.4	15%	5%	35,300	31,200
DXG	7,860	171.9%	1,521	N/A	2,924	8.7	1.6	16%	8%	24,050	39,000
NLG	2,488	6.8%	1,178	41%	4,130	8.9	1.5	16%	3%	34,950	42,800
AGG	3,575	103.9%	508	22%	6,153	7.7	1.3	23%	4.6%	44,800	N/A
GAS	74,217	16%	11,137	40%	5,702	14.4	3.0	16%	20%	86,000	96,900
PVD	5,034	-4%	212	17%	325	47.6	0.7	1%	2%	20,500	29,550
PET	17,875	28%	174	28%	2,007	8.8	1.0	2%	12%	20,500	21,100
PLC	6,890	23%	212	42%	2,628	10.7	1.5	4%	14%	24,900	31,500
DCM	9,335	23%	888	34%	1,366	13	1.5	10%	14%	16,150	21,100



<b>DPM</b>	9,846	27%	865	25%	1,942	10	1.0	7%	10%	18,850	23,030
<b>VHC</b>	8,644	23%	943	35%	5,129	7.0	1.3	20%	15%	36,000	49,000
<b>ANV</b>	4,830	31%	424	115%	3,050	7.1	1.5	15%	10%	21,600	27,500
<b>PHR</b>	2,001	15%	1,109	5%	9,887	5.3	2.8	18%	11%	52,500	69,000
<b>DRC</b>	3,888	6.6%	332	29%	2,799	9.3	1.7	18%	12%	27,000	31,000
<b>MSH</b>	4,036	6%	398	72%	7,967	6.4	1.4	25%	11%	50,700	57,000
<b>TNG</b>	4,816	9%	191	27%	2,936	7.2	0.9	15%	5%	21,200	25,500
<b>HPG</b>	131,948	46%	25,159	86%	7,471	7.5	2.7	18%	37%	56,400	73,500
<b>HSG</b>	39,762	44%	2,347	104%	5,075	5.9	1.5	12%	30%	30,150	45,600
<b>NKG</b>	16,513	43%	843	185%	4,787	5.3	1.2	10%	24%	25,250	38,200
<b>BMP</b>	5,774	23%	472	-10%	5,693	10.3	1.8	15%	18%	58,800	67,422
<b>SMC</b>	19,911	27%	616	101%	10,100	3.3	12.1	8%	29%	31,780	45,810
<b>NTP</b>	5,076	13%	406	-9%	3,100	11.3	1.4	10%	15%	30,150	N/A
<b>HT1</b>	8,803	11%	811	32%	1,912	8.8	1.1	8%	14%	16,900	19,700
<b>ACV</b>	11,959	53%	4,870	184%	2,234	38.7	4.8	12%	8%	72,700	102,000
<b>SCS</b>	760	10%	528	14%	9,834	14.4	6	42%	40%	126,000	135,000
<b>VEA</b>	4,180	14%	5,746	2%	4,324	9.3	2.3	27%	22%	40,500	60,038

Source: BSC Research

## 7. The Effect of Macro Factors on Industries

	Trade war	Gulf tensions/ (Oil prices rise)	Fed cuts interest rate	Trouble Europe economy / Brexit / EUR depreciation	Domestic Interest rate fall	China's economy growth slowdown	CPTPP	FTAs
Maritime	(+/-)	(-)		(+)	(+)		(+)	(+)
Real Estate					(+)			
Construction					(+)			
Cement				(+)	(+)			
Textile	(+/-)	(-)		(-)	(+)		(+)	(+)
Electricity		(-)		(+)	(+)			
Pharmaceutical				(+)	(+)			
Plastic		(-)			(+)			
Tire	(+)	(-)				(-)		
Banking	(-)		(+)	(-)		(-)	(+)	(+)
Steel	(-)				(+)	(-)		
Fishery	(+)			(-)	(+)	(-)		
Sugar					(+)	(-)		
Oil & Gas		(+/-)			(+)	(-)		
Fertilizer		(-)			(+)	(+)		
Rubber		(+)				(-)		
Tiles		(-)			(+)			
Technology		(-)		(-)				(+)
Seaport	(+/-)				(+)		(+)	
Aviation	(+/-)	(-)			(+)		(+)	(+)
Automobile							(+)	
Insurance	(-)				(+)			
Retail					(+)		(+)	(+/-)
Grocery					(+)		(-/+)	(+/-)

Source: BSC Research

## 8. Event Timeline

Month	Date	Vietnam	Date	International
Jan		13 <sup>th</sup> Communist Party Congress	26	FED meeting, monetary and interest rate
	18	ETF VN30 review	21	ECB meeting, monetary and interest rate
	20	4Q financial statement deadline		
	21	Future Contract expiry date		
	30	ETF VFM VN30 Index announcement		
Feb	18	Future Contract expiry date	9	MSCI Quarterly index review
	22-26	Ishare MSCI review		
Mar	08-19	ETF FTSE VN index announcement	1	MSCI: announce Market Classification
	15-19	ETF VNM index announcement	11	ECB meeting, monetary and interest rate
	18	Future Contract expiry date	17	FED meeting, monetary and interest rate
	15-19	ETF VNM, ETF FTSE Rebalancing	22-26	FTSE Russell announce Market Classification
April	15	Future Contract expiry date	22	ECB meeting, monetary and interest rate
	19	ETF VN30 review	27-28	FED meeting, monetary and interest rate
	20	1Q financial statement deadline		
	29	ETF VFM VN30 index announcement		
	30	Annual report deadline		
May	20	Future Contract expiry date	11	MSCI Semi-annual index review
	24-28	Ishare MSCI review	28	MSCI: announce Market Classification
	May	13 <sup>th</sup> Plenary session		
Jun	07-18	ETF FTSE VN index announcement	10	ECB meeting, monetary and interest rate
	14-18	ETF VNM index announcement	16	FED meeting, monetary and interest rate
	17	Future Contract expiry date		
	14-18	ETF VNM, ETF FTSE rebalancing		
	June	13 <sup>th</sup> Communist Party Congress		
Jul	16	Future Contract expiry date	1-2	OPEC Meeting
	17	ETF VN30 review	22	ECB meeting, monetary and interest rate
	20	2Q financial statement deadline	28	FED meeting, monetary and interest rate
	30	ETF VFM VN30 index announcement		
Aug	15	6M financial statement deadline	11	MSCI Quarterly index review
	19	Future Contract expiry date		
	23-27	Ishare MSCI review		
Sep	06-17	ETF FTSE VN index announcement	1	MSCI: announce Market Classification
	13-17	ETF VNM index announcement	9	ECB meeting, monetary and interest rate
	16	Future Contract expiry date	22	FED meeting, monetary and interest rate
	13-17	ETF VNM, ETF FTSE rebalancing	20-24 15-30	FTSE Russell announce market ranking 76 <sup>th</sup> United Nations general assembly
Oct	18	ETF VFM VN30 Review	28	ECB meeting, monetary and interest rate
	20	3Q financial statement deadline	31	Brexit agreement deadline
	21	Future Contract expiry date	Oct	IEA annual meeting
	30	ETF VFM VN30 Index announcement		
	October	13 <sup>th</sup> Communist Party Congress		
Nov	19	Future Contract expiry date	11	MSCI Semi-annual index review
	22-26	Ishare MSCI review	3	FED meeting, monetary and interest rate
	November	Congress meeting		
Dec	04-17	ETF FTSE VN index announcement	1	MSCI: announce Market Classification
	11-17	ETF VNM index announcement	15	FED meeting, monetary and interest rate
	17	Future Contract expiry date	16	ECB meeting, monetary and interest rate
	11-17	ETF VNM, ETF FTSE rebalancing		

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

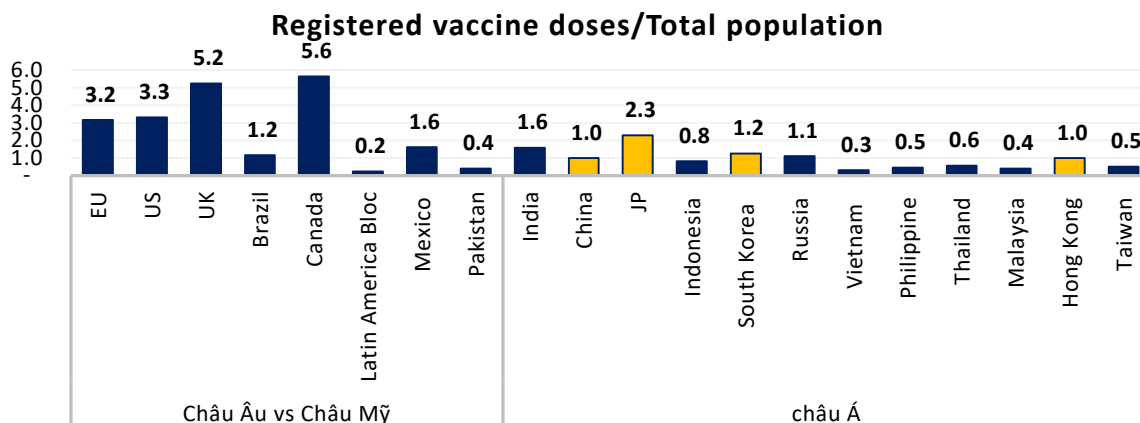
Firstly, the development of vaccines has made great strides in 2020, the widespread use will strengthen the recovery of consumption demand. Up to now, in the world, there are more than 20 vaccines being researched, of which, there are 8 vaccines being tested in phase III. Some countries have started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

### Kind of vaccines are being tested in Phase III in the world

Type	Origin	Manufacturer	Phase	Time
AZD1222	US	Oxford University, AstraZeneca	Pha III (30,000)	5/2020-8/2021
Unknown*	China	Sinopharm	Pha III (45,000)	7/2020-7/2021
AdS-nCoV*	China		Pha III (40,000)	3/2020-12/2020
CoronaVac	China	Sinovac, Instituto Butantan	Pha III (10,490)	7/2020-10/2021
BNT162 a1,b1,b2,c2*	Germany	BioNTech	Pha III (30,000)	4/2020-5/2021
mRNA-1273	US	Moderna	Pha III (30,000)	6/2020-10/2022
Gam-COVID-Vac (Sputnik V)	Russia	Gamaleva Research Institut	Pha III (40,000)	8/2020-5/2021
Ad26.COV2.5	US	Johnson & Johnson và Jassen	Pha III (60,000)	7/2020-2023

Source: BSC Research

The BSC believes that in 2021, although social distancing does not occur on a large scale, the uneven distribution of vaccines may lead to a divergence in consumer demand recovery, because the herd immunity rate needed to be at 60-70% of the 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 countries that are likely to reach the rate of herd immunity at the earliest, thereby supporting the export industry such as **Textile, Fisheries industry** recovered soon.



Source: BSC Research

International routes are expected to reopen from the end of Q3/2021. Accordingly, some countries (Korea, Japan, China, Taiwan) 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 / population reached the milestone 1.0 times. This will be a trigger to the recovery of the **aviation industry, Restaurants, Hotels, F&Bs and real estate tourism** which have been sharply affected by the 2020 epidemic. In addition, the difficulty of survey movement during 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) Changing trends people's consumption behavior after the COVID-19 epidemic**: The psychology of consumer behavior changed in which the spending on non-essential products increased more after satisfying the 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 Vin-commerce and NET, VNM buys GTN; **(iii) The trend of premiumization**: Businesses will focus on high-quality products to meet the high demands of consumers, typically: MSN continues to focus on high-end essential product lines, PNJ restores retail jewelry in 2021.

**Finally, Trade agreements have a positive impact on the export industry (aquaculture and textiles 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 on pangasius will continue to decrease (from 6% to 3%). For Textile products, The EVFTA Agreement's "fabric forward" rules of origin remain a short-term challenge for Vietnam's textile and apparel industry to enjoy tax incentives. However, BSC believes that the trend of shifting to search for raw materials (i) in domestic sources and (ii) in Korea (Vietnam has signed a cumulative agreement) will go strong next year to meet the Agreement's rules of origin.

## Information Technology – Telecommunications [Outperform]

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- Mobile Money and 5G telecommunications networks are two important trends affecting the long-term prospects of telecommunications businesses
- Information technology enterprises are expected to benefit from (i) technology investment package thanks to public investment (ii) the government applies digital transformation with products "Make in Vietnam"
- We continue to maintain a **POSITIVE view** of the Information Technology –Telecommunications industry in the second quarter of 2021.

**Mobile Money and 5G telecommunications network are two important factors affecting the long-term prospects of telecommunications businesses.**

The Government continues to perfect the processes and procedures for the pilot Mobile Money for 2 years in Vietnam. BSC realizes that the Vietnamese government is accelerating the speed of Mobile Money pilot implementation. The State Bank signed a cooperation agreement on implementation with relevant parties (Ministry of Information and Communications, Ministry of Public Security) as soon as the Prime Minister approved the pilot project. The pilot Mobile Money will give priority to rural, remote and border areas.

In 2021, 5G network is expected to be widely deployed in Vietnam. After carriers pilot 5G at some points in Hanoi and Ho Chi Minh in 2020, the 5G network is expected to be replicated in major cities as well as in some places for technology research ( eg: university, high-tech industrial park,...). The 5G network will create a new revenue stream for the carrier as consumers gradually switch from the old network (2G, 3G, 4G) to 5G.

**BSC believes that IT businesses will benefit from two main factors (i) the technology investment package from public investment and (ii) the government's increased application of digital transformation with "Make in Vietnam".**

Promoting public investment will promote bidding at businesses with advantages in Smart Traffic, Automatic Toll Collection, etc. The information technology package for 11 routes will have a total value of 4,000 billion VND – focuses on services such as Smart Traffic, Executive Monitoring, Automatic Toll Collection. Businesses on the floor are expected to benefit: ITD, ELC.

The government's strengthening of the digital transformation process with the "Make in Vietnam" chain will create demand for technology products of Vietnamese businesses. The Ministry of Information and Communications has launched a series of digital transformation products: blockchain, payment gateway, programming platform for communication, .. BSC believes that this will increase spending and investment in technology of government, helping businesses (FPT, CMG) benefit from the increased number of projects.

### INVESTMENT VIEWPOINT – OUTPERFORM

We continue to maintain a **POSITIVE view** of the Information Technology –Telecommunications industry in the second quarter of 2021.

For IT stocks, we expect that businesses will continue to record contracts that have already been signed in late 2020 and new contracts improved YoY.

For Viettel stocks, BSC expects Viettel Post's restructuring will have a positive impact from the end of 2021. Meanwhile, CTR continues to show that the company will benefit from a boom in renewable energy construction projects (wind power). In the medium and long term, the company continues to pursue the goal of the number 1 telecommunications infrastructure owner (BTS station) in Vietnam. Business results of CTR recorded positive growth in the first quarter of 2021.

Company	Revenue in Q1.2021	% YoY	Profit before tax Q1.2021	%YoY
FPT	7,586	+14.4%	1,397	+22.3%
VTP	5,060	+105.7%	134	+10.3%
CTR	1,750	+26.8%	90	+40%

Source: Company

Ticker	REVENUE 2021 (billions dong)	Growth (%)	NPAT 2021 (billions dong)	Growth (%)	EPS 2021 (VND/share)	P/E fw	P/B fw	Price April 2021	on 23, Price target
FPT	36,140	+21%	5,323	+21%	5,049	15.9	3.2	80,700	86,000
VTP	20,049	+16%	440	+15%	4,557	17.7	4.4	80,900	87,100

Source: BSC Research forecasts

## Oil & Gas – Fertilizer Sector [Outperform]

### Analyst:

Thai Ngoc Lan Huong

Pham Thi Minh Chau

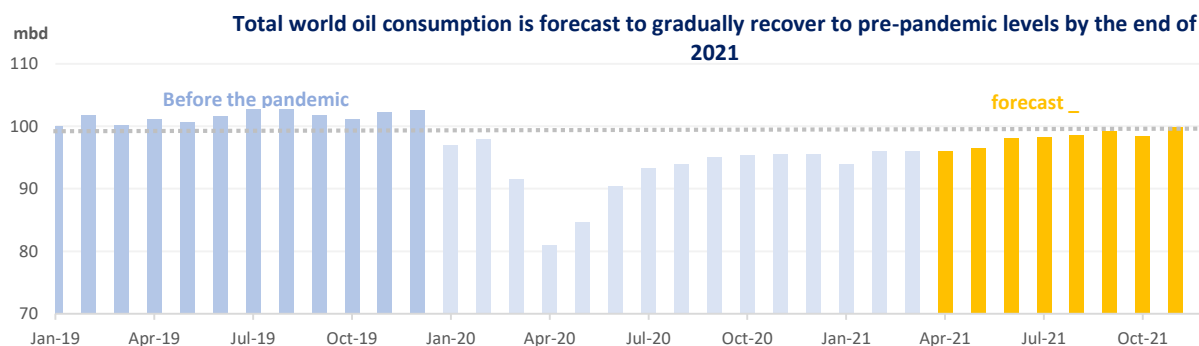
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- The world's demand for oil will rebound thanks to (1) the control of the COVID-19 epidemic and (2) the prospect of a prosperous economy, while the world oil supply continues to tighten due to OPEC's slow increase in output and slow recovery of US oil production .
- BSC issues an **Outperform recommendation** for the oil and gas industry in 2021 with the assumption that the average price of Brent oil in 2021 will be at \$ 57/barrel because the recovery in oil prices will have a positive impact on the prospects of oil and gas companies (For details, refer [to the Oil and Gas Industry Outlook 2021](#) ).
- In addition, BSC raised its view from **NEUTRAL** to **OUTPERFORM** for the Fertilizer industry in 2021 as these companies will continue to benefit from increased fertilizer demand in 2021.

By the end of Q1/2021, total world oil consumption has recovered to 96 million barrels per day (mbd) , 5% lower than the pre-epidemic level. The US Energy Information Administration (EIA) forecasts that world oil consumption will gradually increase in 2021 and reach the pre-pandemic level by the end of the year, thanks to (1) the control of the COVID-19 epidemic and (2) the prospect of a prosperous economy.(For details, refer to [Link](#) ).

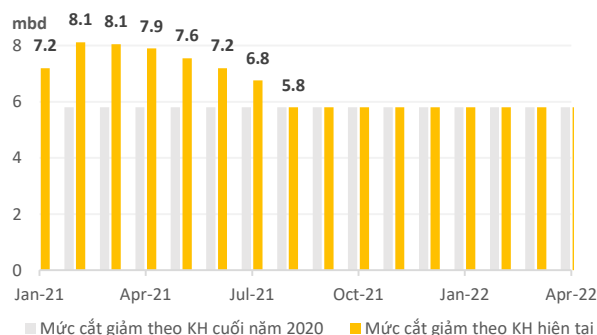


Source: EIA, BSC Research

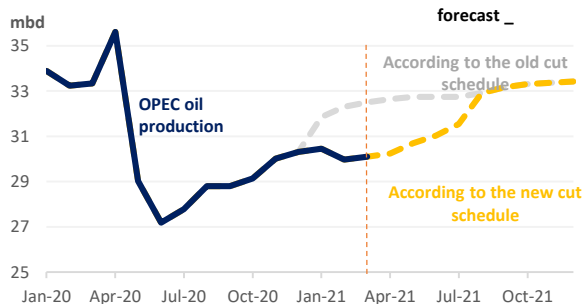
**World oil supply continues to tighten** due to (1) OPEC's slow increase in output and (2) slow recovery of US oil production. In the April, 2021, the OPEC group approved a decision to gradually raise production levels in Q2/2021, slower than the previous plan.



**OPEC increases production cuts**



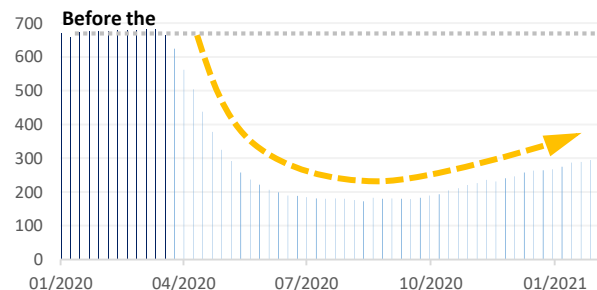
**Expected production schedule of OPEC**



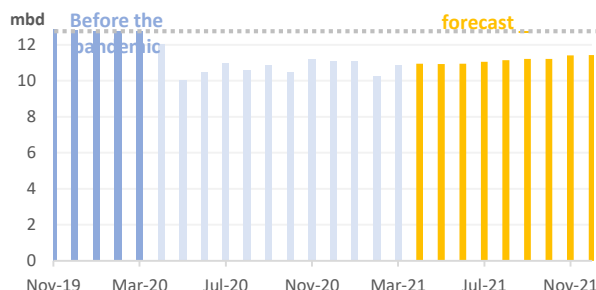
Source: EIA, BSC Research

By March 2021, the total US mining output was only 11 mbd, 14% lower than the pre-epidemic level and it is expected to be almost unchanged in 2021 due to the slow start of new rigs, only enough to offset the output of the old rigs that have stopped working..

**The number of active US rigs recovers slowly**



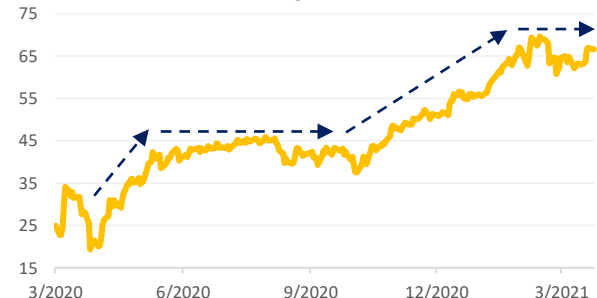
**US oil production forecast to stay below pre-pandemic levels in 2021**



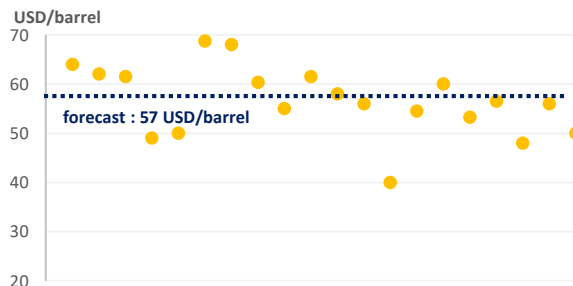
Source: EIA, Bloomberg, BSC Research

After 4 consecutive months of increasing, Brent oil price has adjusted and tended to move sideways around the threshold of 65 USD/barrel from March 2021. Based on the average forecast value of large organizations in the world, BSC expects that the oil price of 57 USD/barrel is suitable as a baseline scenario for the 2021 forecast .

**Oil price tends to move sideways from March 2021**

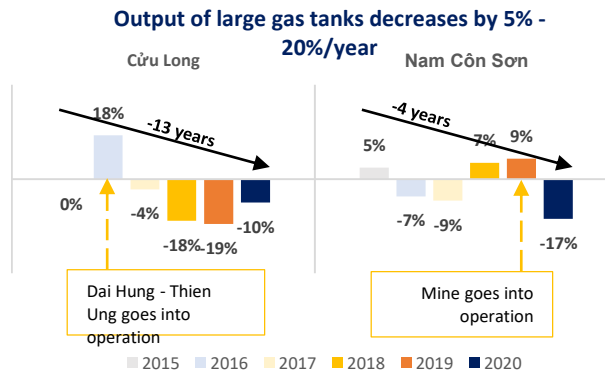
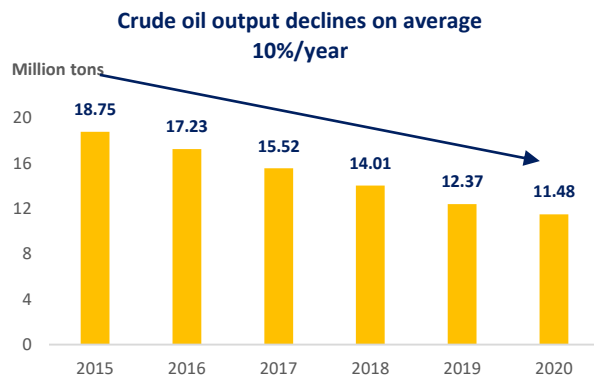


**Distribution of oil price forecast in 2021**



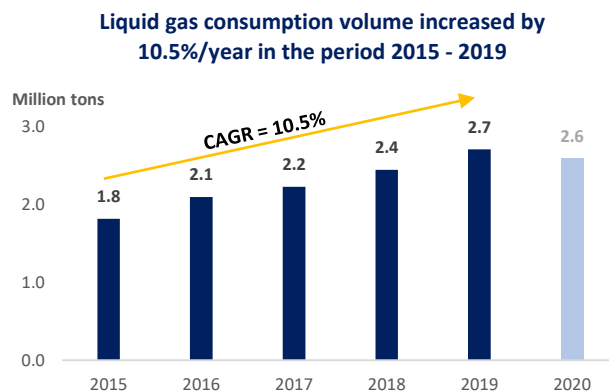
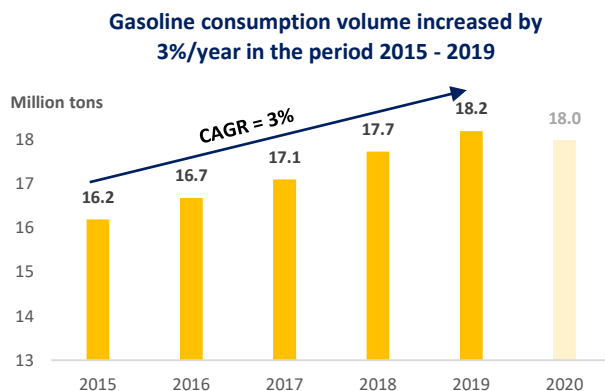
Source: Bloomberg, BSC Research

Regarding the domestic oil and gas market, Crude oil output decreased by an average of 10%/year in the period 2015-2019, and the output of large gas basins decreased by 5% - 20%/year due to the depletion of long-term fields.



Source: Ministry of Industry and Trade, PV GAS, BSC Research

Meanwhile, demand for petroleum and liquefied petroleum gas grew at an average rate of 3%/year and 10.5%/year respectively in the same period. In addition, the demand for natural gas consumption for power generation is expected to grow by 14%/year in the period 2021-2030 (Refer to [Link for details](#)).

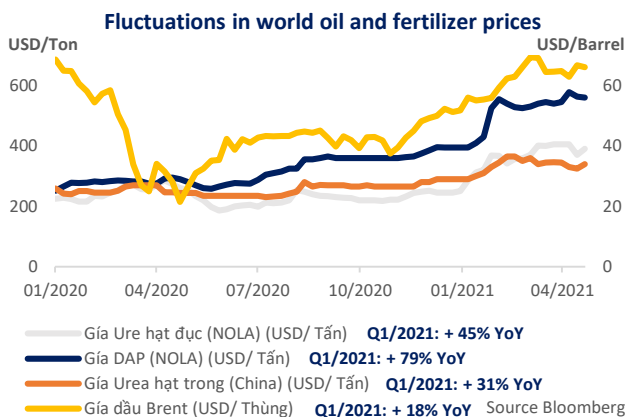
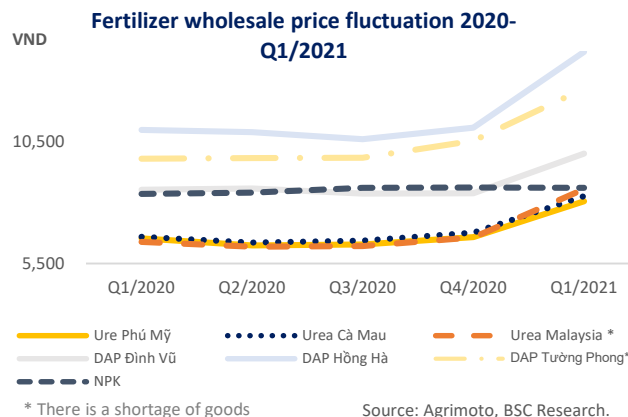


Source: Ministry of Industry and Trade, BSC Research

### About the fertilizer industry:

**Business results in Q1/2021- Continued to be positive:** Domestic demand for fertilizer increased thanks to increased agricultural productivity (export turnover +10.4% YoY). Meanwhile, imported fertilizer output was -3.9% YoY due to high transportation costs and safeguard tax applied to DAP and MAP fertilizers. Therefore, the wholesale price of Urea fertilizer increased by 23% - 25% YoY and the price of DAP fertilizer increased by 17% - 30% YoY on average in Q1/2021.

On the other hand, Brent oil price in Q1/2021 only increased by 18.5% YoY, leading to a tendency for input material prices to increase more slowly than selling prices, which significantly improved the gross profit margin of fertilizer companies during the period.



**Outlook for the fertilizer industry in 2021** : We expect the fertilizer industry to grow positively in 2021 thanks to (1) The price movement of raw materials increases slower than the selling price, (2) The fertilizer inventory is low and the selling price maintained at a high base level thanks to increased domestic fertilizer demand.

Fertilizer demand in 2021 is supported by: (1) Vietnam's agricultural export prospects in 2021 are positive thanks to the need to ensure food security during the epidemic and export space to countries with agreements trade with Vietnam; and (b) The La Nina phenomenon in 2021 is expected to create favorable weather conditions for increased productivity and crop production.

**Factors to watch** : The revised VAT law is expected to be approved by the National Assembly in 2021, positively affecting fertilizer businesses such as DPM , DCM,..

### INVESTMENT VIEWPOINT – OUTPERFORM

BSC raises its **OUTPERFORM** for the Oil and Gas industry in 2021 due to:

- The average price of Brent oil in 2021 is expected to recover to \$57/barrel (+36% yoy), improving the business outlook and valuation of oil and gas companies.
- The prospect of economic recovery improves the demand for petroleum and gas for production, business and transportation activities.
- The shortage of domestic oil and gas promotes the need for investment in projects of exploration, production, and development of new fields.

Besides, we think to raise our assessment from **NEUTRAL** to **OUTPERFORM** for the fertilizer industry in 2021 based on (1) Fertilizer demand is expected to remain high, creating a higher selling price base than the same period last year (2) The increase in the price of raw materials is lower than the selling price (3) The VAT law is revised in 2021.

Ticker	Reven ue 2021 (billion VND)	% yoy	NPAT 2021 (billio n VND)	% yoy	EPS 2021 (VND/ share)	P/E fw	P/B fw	ROA 2021	ROE 2021	Price on 23/04/ 2021	The target price	Upsid e
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GAS	74,217	16%	11,137	40%	5,702	14.4	3.0	16%	20%	86,000	96,600	12%
PVD	5,034	-4%	212	17%	325	47.6	0.7	1%	2%	20,500	29,550	44%
PET	17,875	28%	174	28%	2,007	8.8	1.0	2%	12%	20,500	21,100	3%
PLC	6,890	23%	212	42%	2,628	10.7	1.5	4%	14%	24,900	31,500	26%
DCM	9,335	23%	888	34%	1,366	13	1.5	10%	14%	16,150	21,100	31%
DPM	9,846	27%	865	25%	1,942	10	1.0	7%	10%	18,850	23,030	22%

Source: BSC Research forecasts

## Textile Sector [Outperform]

Analyst: Nguyen Cam Tu, CFA

Email: tuntc@bsc.com.vn

- Textile and garment exports show a recovery in the first quarter of 2021 as traditional orders recover in most markets, led by the US market.
- BSC believes that the second quarter of 2021 will continue to record a positive order, however, rising raw material costs and transportation costs will be a sharp challenge for businesses.
- We rate **POSITIVE** for the Textile and Garment industry in Q2 2021

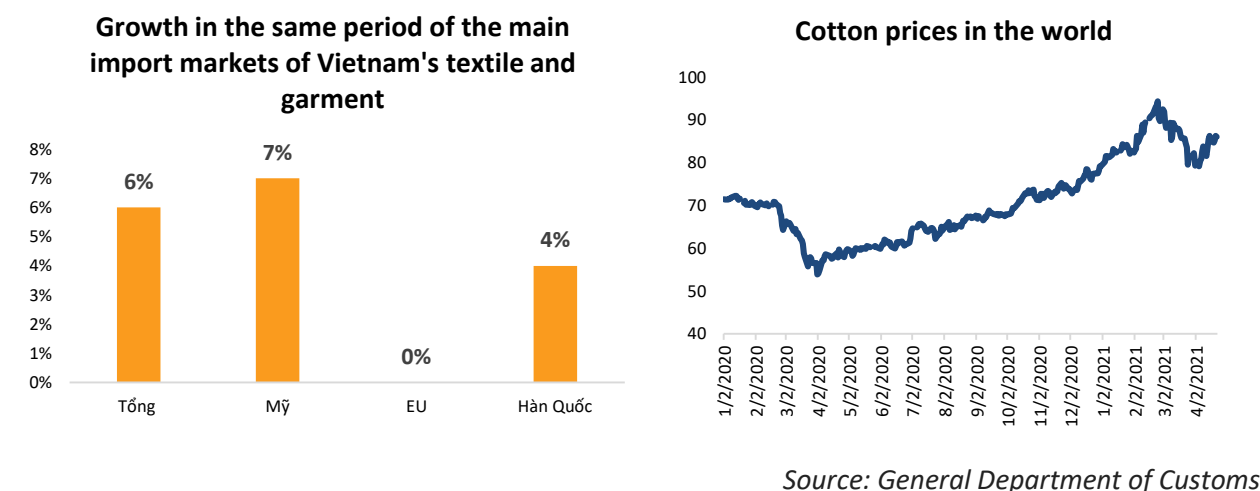
Textile and garment exports showed a recovery in the first quarter of 2021 as traditional orders recovered in most markets. BSC believes that the second quarter of 2021 will continue to record a positive order situation, however, the sudden increase in raw material costs and transportation costs will be significant risks for the industry.

Textile and garment export turnover in Q1 reached 8.89 billion USD, equivalent to a growth of 5.8% YoY. The US market is the leading growth market with export turnover reaching US\$ 3.58 billion, up 7% YoY. BSC believes that export turnover in 2h/2021 will still be positive when the orders at the factory is relatively positive (MSH and TNG said that most of the factories are operating all the sewing lines).

Enterprise	Order value up to now
Vietnam Textile and Garment Group (VGT)	Value of closed orders until August 2021
TNG Trading and Investment Joint Stock Company (TNG)	Order value is 190 million USD
Thanh Cong Textile – Investment – Trade JSC (TCM)	Value of closed orders until August 2021
Binh Thanh Import-Export Production Trading Joint Stock Company (GIL)	Order value is expected to increase 13%

### Business results in the first quarter of 2021 of some textile enterprises

Ticker	Turnover	%YoY	Profit after tax	%YoY
MSH	840	+0.7%	110	+46%
STK	568	-7.8%	70	+35%
TCM	846	+9%	61	+86%



However, the cost of raw materials (cotton price +30% YoY) and high transportation costs will negatively affect the profit margin of the business.

**For the outlook for 2021, with a low base of 2020, BSC expects the textile industry to recover thanks to** (i) the recovery of the production chain with the return of traditional orders (ii) Some events are expected to promote the shift of Textile and Garment orders to Vietnam (iii) Textile and Garment enterprises deploy real estate based on the advantage of existing land bank ( [Link to BSC's Textile and Garment Industry Report](#) )

#### INVESTMENT VIEWPOINT – OUTPERFORM

We rate **POSITIVE** for the textile and garment industry in the second quarter of 2021 . With a low base in 2020, BSC expects the textile industry to recover thanks to (i) the recovery of traditional orders (ii) Unbroken supply of raw materials. However, the increased input costs (cost of raw materials - cotton, transportation costs) will have a negative impact on the business activities of enterprises. BSC recommends **BUY** for STK, MSH and maintains **OUTPERFORM** for TNG.

Ticker	Revenue 2021 (billions dong)	Growth (%)	NPAT 2021 (billions dong)	Growth (%)	EPS 2021 (VND/share)	P/E fw	P/B fw	Price April 2021	on 23,	Price target
MSH	4,036	6%	398	72%	7,967	6.4	1.4	50,700		61,000
TNG	4,816	9%	191	27%	2,936	7.2	0.9	21,200		25,500
STK	2,686	52%	285	98%	4,173	7.7		32,800		41,800

Source: BSC Research forecasts

## Banking Sector [Outperform]

Analyst: Vuong Chi Tam

Email: Tamvc@bsc.com.vn

- Credit growth in Q1.2021 reached **2.93%**, recovered strongly after the epidemic. BSC expected that Credit growth will **reach 14.0% in 2021** thanks to the support of many positive factors.
- Asset quality is well controlled, BSC believes that **bad debt will be controlled at 1.8%** in 2021.
- BSC believes that the total cost of credit of businesses in BSC's monitoring will **increase to 0.06%** in the case that the base **10% of outstanding loans becomes bad debt**.
- The CAR of the listed banks was kept at a high level - **10.6% on average** thanks to the gradual shift to credit management based on the risk of each loan.
- BSC expects that PBT of the whole industry will grow at **28.4% YoY** in 2021 thanks to (1) **TOI +12.7%** YoY, (2) **CIR dropping to 36.2%** and (3) Reduce the pressure of provisioning.
- BSC sets a valuation of **1.7x PBR** for the entire banking industry thanks to its favorable business environment, high profit growth and many supporting catalysts.
- BSC recommends **OUTPERFORM** for the banking industry in 2021

Currently BSC has released the banking industry report for 2021, readers please visit [LINK](#) to read the full version.

**Credit growth in Q1.2021 reached 2.93%, recovering strongly after the epidemic (same period in 2020: 1.3%).** BSC believes that the high credit growth in Q4.2020 (~6.4%) and Q1.2021 (~2.93%) will help the whole industry grow well. BSC forecasts that credit growth of the whole industry in 2021 will reach 14.0% due to (1) a recovery in credit demand from the economy, (2) a return to growth in personal and SME lending, (3) optimizing capital structure in 2021, increasing the proportion of CASA to help reduce capital costs.

**Good control of asset quality.** We believe that bad debt of the whole industry will be well controlled at 1.8% in 2021. Circular 01 will continue to give the banking industry more time to make provisions, thereby minimizing systematic risk.

**2021 – The year of recovery.** The economic recovery is expected to be the factor that helps the industry's bad debt improve and be controlled below 2.0%. Many banks have upgraded lending standards and credit approval processes, thereby helping to control bad debt more closely. At the same time, after applying Circular 41, many banks switched to controlling lending through the RWA of loans instead of the old credit limit, thereby tightening lending standards. Therefore, we believe that **the banking industry can completely control asset quality in 2021**.

BSC believes that restructured loans aren't the negative effect on the balance sheet of the banking industry. In case, the restructured loans become bad debts, they will be set up within 3 years from the date of becoming bad debts. According to BSC's statistics, 80% - 90% of enterprises that have restructured debts can return to production and business activities, from which they can continue to pay principal and interest. This helps to keep the bad debt ratio in restructured loans at only 10%-20%.

BSC assumes that in **the base case with about 10% of outstanding loans becoming bad debt**, the total credit costs of businesses in BSC's monitoring will increase to 0.06%, and will not affect the revenue and profit of these enterprises.

**Table 5: BSC's assumptions about provisioning for restructured loans**

	restructured loans	% restructured loans	Bad debt must be set up			Provision per year			+/- cost of credit (%)		
			5%	10%	20%	5%	10%	20%	5%	10%	20%
ACB	9,000	2.9%	450	<b>900</b>	1,800	150	<b>300</b>	600	0.05%	<b>0.09%</b>	0.18%
BID	28,000	2.3%	1,400	<b>2,800</b>	5,600	467	<b>933</b>	1,867	0.04%	<b>0.07%</b>	0.15%
CTG	6,500	0.6%	325	<b>650</b>	1,300	108	<b>217</b>	433	0.01%	<b>0.02%</b>	0.04%
HDB	6,100	3.4%	305	<b>610</b>	1,220	102	<b>203</b>	407	0.05%	<b>0.10%</b>	0.21%
MBB	2,700	0.9%	135	<b>270</b>	540	45	<b>90</b>	180	0.01%	<b>0.03%</b>	0.05%
STB	800	0.2%	40	<b>80</b>	160	13	<b>27</b>	53	0.00%	<b>0.01%</b>	0.02%
TCB	7,900	2.8%	395	<b>790</b>	1,580	132	<b>263</b>	527	0.04%	<b>0.08%</b>	0.16%
TPB	8,416	7.0%	421	<b>842</b>	1,683	140	<b>281</b>	561	0.11%	<b>0.22%</b>	0.44%
VCB	5,100	0.6%	255	<b>510</b>	1,020	85	<b>170</b>	340	0.01%	<b>0.02%</b>	0.04%
VIB	400	0.2%	20	<b>40</b>	80	7	<b>13</b>	27	0.00%	<b>0.01%</b>	0.01%
VPB	28,000	9.6%	1,400	<b>2,800</b>	5,600	467	<b>933</b>	1,867	0.14%	<b>0.28%</b>	0.56%
<b>total</b>	<b>102,916</b>	<b>2.0%</b>	<b>5,146</b>	<b>10,292</b>	<b>20,583</b>	<b>1,715</b>	<b>3,431</b>	<b>6,861</b>	<b>0.03%</b>	<b>0.06%</b>	<b>0.13%</b>

Note:

(1) Credit cost = Provision expense/Avg.(Lending last 2 years)

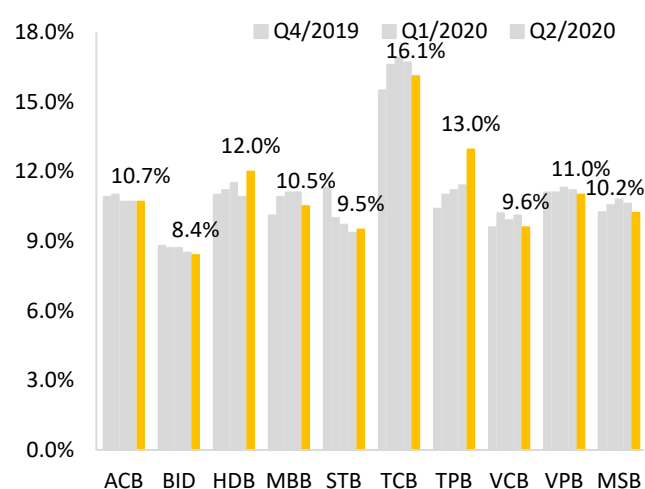
(2) % of bad debts to be set up based on % of restructured debts.

(3) Bad debts from restructurings are provisioned for 3 years from 2021 to 2023.

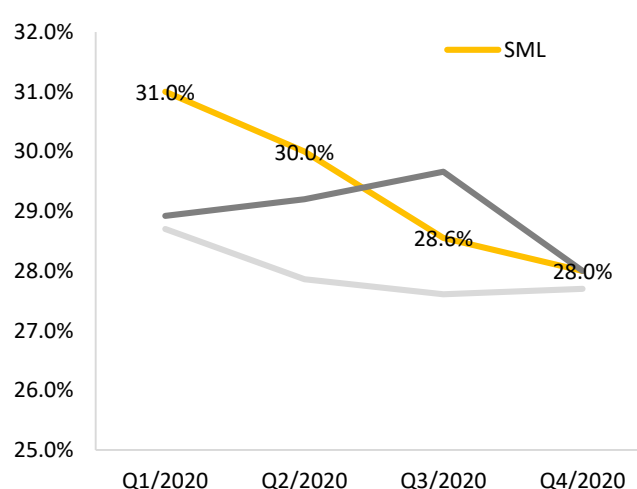
Source: Listed banks, BSC Research

**Capital adequacy ratio (CAR) is high**, thanks to the gradual shift to credit management by the risk level of each loan. The CAR of listed banks was kept at a high level - 10.6% on average. The ratio of bank loans in the medium and long-term decreased to 28.0%, much lower than the set level of SBV (currently at 40.0%).

**Figure 11: Basel II CAR ratio at listed banks**



**Figure 12: Bank loans for the whole industry in the medium and long-term**



Source: Financial statements of listed banks, BSC Research



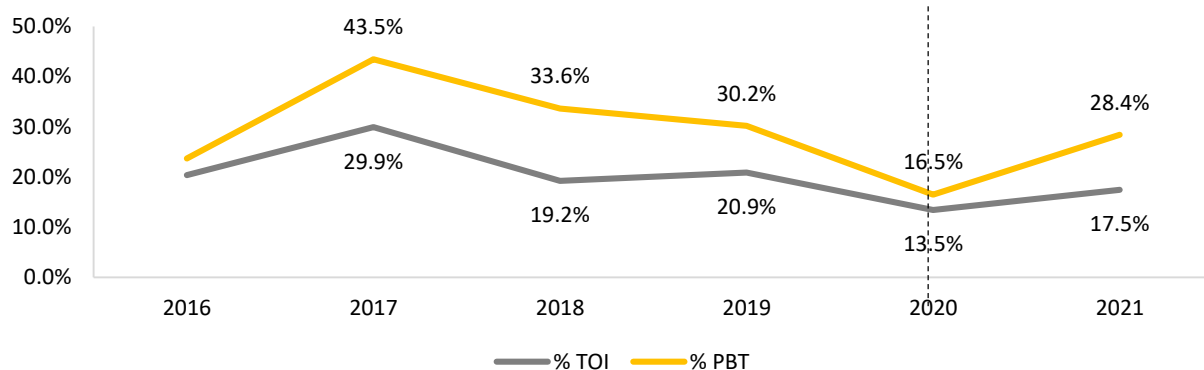
**BSC believes that PBT of the whole industry will grow at 28.4% YoY in 2021** thanks to:

(1) TOI +12.7% yoy thanks to (1) Interest rate is expected to be low in 2021, (2) credit growth will reach 14.0%, (3) NIM will increase to 3.7% (+15 bps), (4) Non-NII +10.4% yoy.

(2) CIR will be reduced to 36.2% in 2021.

(3) Reduce the pressure of provisioning.

**Figure 17: TOI growth and PBT of the banking industry**



Note: Figures are calculated from total TOI and total PBT of banks in BSC's monitoring

Source: Listed banks, BSC Research

#### **VALUATION – Attractive and has many catalysts to help reassess value.**

**P/B valuation for 2021 at 1.3x.** BSC estimates the entire banking industry is trading at 1.3x PBR, much lower than the 2018 peak (valuation: 2.3 PBR).

**The wave of exchanges and listings helped increase investor interest.** According to the roadmap in 2021, many banks must list on the stock exchange. This will help increase the size of the entire market for the banking industry. In addition, the wave of exchange transfer will also continue in 2021 when many banks still listed on UPCOM will switch to trading on the HSX. It helps (1) to disclose more transparent and timely information, (2) to increase liquidity for stocks, thereby helping banks to switch exchanges have higher valuations than before

**Several banks continue to sign exclusive bancassurance contracts,** which helps to record a large abnormal profit from the upfront fee. This is also a catalyst that many investors are interested in. In 2021, two banks will sign an exclusive bancassurance contract, including MSB and HDB. In addition, many banks will recognize profit from upfront fees starting from 2021, including (1) ACB, (2) CTG, (3) VCB helping to contribute to non-interest income for the whole banking industry.

**Table 7: Some exclusive insurance contracts in the period 2017 - 2020**

Five	Bank	Partner	Duration	Upfront fee	Total assets*	VCSH*
<b>Signed an exclusive insurance contract</b>						
2017	STB	Daiichi	20 years	2,000	368,469	23,236
2017	TCB	Manulife	15 years	1,446	269,392	26,931
2017	VPB	AIA	15 years	1,600	277,752	29,696
2018	SHB	Daiichi	15 years	1,000	323,276	16,333
2019	OCB	Generali	15 years	850	118,160	11,507
2019	TPB	Sunlife	15 years	1,840	164,439	13,075
2019	VIB	Prudential	N/A	750	184,531	13,430
2020	VCB	FWD	15 years	9,200	1,327,537	98,859
2020	SSB	Prudential	20 years	2,320	180,207	13,670
2020	CTG	Manulife	N/A	N/A	1,341,393	85,395
2020	ACB	Sunlife	15 years	8,400	444,530	35,448
<b>About to sign an exclusive insurance contract</b>						
2021	MSB			N/A	189,858	20,357
2021	HDB			N/A	338,430	29,495

(\*) Data by the end of the year of signing, data in billion VND

Source: Listed banks, BSC Research

We believe that with a favorable business environment, high profit growth and many supporting catalysts, the banking industry as a whole can be valued at a level equivalent to the current PB trailing level. **As a result, we set the industry-wide baseline at 1.7x PBR for the entire banking industry and adjust the expected valuation for each bank based on (1) size, (2) asset quality and (3) operational efficiency.**

#### **INVESTMENT VIEWPOINT – OUTPERFORM**

BSC recommends **OUTPERFORM** for the banking industry in 2021 with the view that (1) high profit growth thanks to the recovery of the economy, (2) good control of asset quality after the epidemic.

## Fisheries and Aquaculture Sector [Outperform]

Analyst: Nguyen Cam Tu, CFA

Email: tuntc@bsc.com.vn

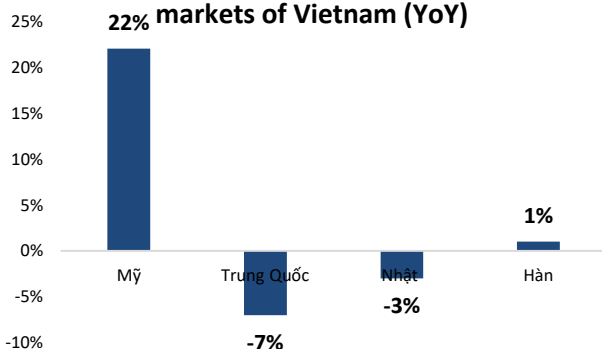
- Seafood exports showed a recovery in the first quarter of 2021 when consumption demand improved, especially in the US market.
- BSC believes that demand will continue to improve in the second quarter of 2021, however, high input costs (animal feed costs, transportation costs) will be an obstacle to the recovery of the industry.
- BSC raises its **Outperform** recommendation for the Fisheries and Aquaculture industry in the second quarter of 2021.

Seafood exports showed a recovery in the first quarter of 2021 when international market demand picked up again, especially the US market. BSC believes that demand will continue to improve in the second quarter of 2021, however, feed material costs and transportation costs will be a hindrance to the industry's recovery.

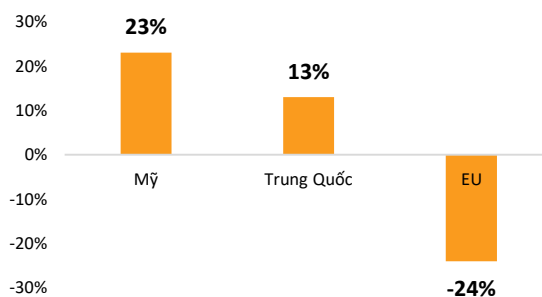
Accumulated in the first 3 months of 2021, seafood export turnover reached 1.7 billion USD, equivalent to a growth of 6.3%YoY. In which, by mid-March, shrimp exports reached a turnover of USD 534 million (+10% YoY), pangasius exports reached USD 339 million (+1.4% YoY).

Although exports to the US market increased sharply in both shrimp and pangasius products, pangasius products showed a lower growth rate due to a sharp drop in the EU market in the context of European countries having to conduct social isolation.

**Growth of the main shrimp import markets of Vietnam (YoY)**



**Growth of the main import markets of Vietnam pangasius (YoY)**



Source: compiled by BSC

In 1H/2021, several seafood enterprises have not shown a strong recovery in business results due to the sudden increase in transportation costs (VHC: +181% YoY, FMC: +45% YoY, MPC: +27% YoY). However, ANV is benefited from the solar power project: revenue of 27 billion, gross profit of 24 billion.

Company	Revenue in Q1.2021	% YoY	Profit after tax Q1.2021	%YoY
VHC	1,788	+9.3%	132	-13.5%
MPC*	1.634	-11.9%	102	-25.6%
FMC**	799	12.1%	26	-35.7%
ANV	706	-12.9%	64	+47.1%

\*, \*\*: Business results of parent company. Source: Company

**BSC believes that demand will continue to be positive in Q2.2021, but the seafood industry is facing high raw material costs.**

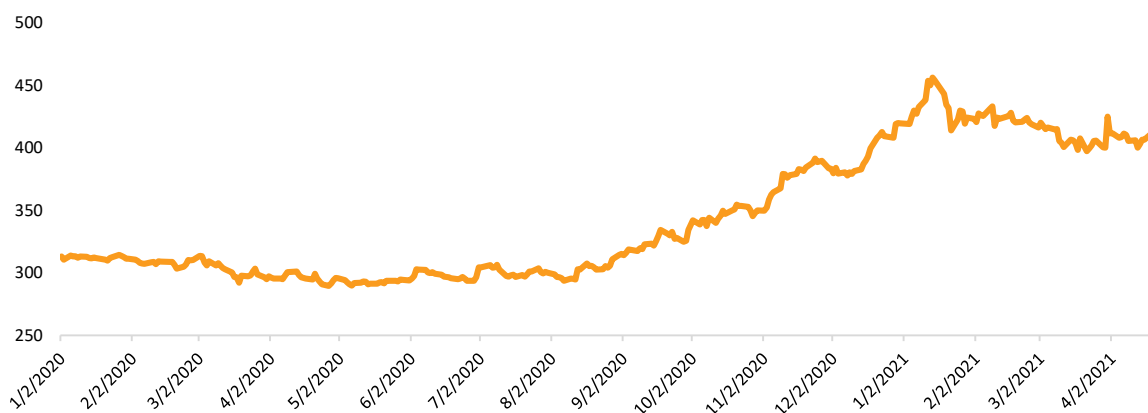
Demand is expected to continue to maintain its recovery in Q2.2021. BSC believes that countries which (i) have experience in dealing with epidemics (ii) promoting vaccination and vaccination is the foundation for seafood demand to maintain recovery momentum. At the same time, the growth rate of seafood exports will still be more positive than last year - the time hardest hit by the Covid-19 epidemic.

For shrimp products, BSC believes that India is facing a catastrophic second wave of Covid-19 that will cause the shrimp production supply chain in India to be disrupted. This will create an advantage for Vietnamese shrimp as it is the main competitor in the US market. Some shrimp businesses expect to benefit: MPC, FMC.

For pangasius products, China's exports from the end of March have been more positive after a long time of declining exports due to lengthy customs procedures. BSC expects pangasius exports to China to remain positive in the second quarter of 2021, boosting the industry's recovery. Some pangasius businesses expect to benefit: VHC, ANV, IDI.

Rising raw material costs are expected to have a negative impact in the second quarter of 2021. BSC believes that seafood enterprises continue to face the risk of (i) high freight rates (ii) sudden increase in prices of animal feeds. As of mid-April, the world soybean price averaged \$418/ton, up 37% YoY. This will negatively affect input costs as feed costs account for about 60% - 70% of aquaculture costs.

**Soybean prices in the world**



*Source: Bloomberg*

#### **INVESTMENT VIEWPOINT – OUTPERFORM**

We raise our **OUTPERFORM** recommendation for the Fisheries and Aquaculture industry in the second quarter of 2021. We expect that seafood export turnover will continue to recover thanks to the recovery from countries (i) having experience in dealing with epidemics (ii) stepping up the implementation of vaccination. foundation for seafood consumption demand to maintain recovery momentum. At the same time, the growth rate of seafood exports will still be more positive than last year - the time hardest hit by

the Covid-19 epidemic. However, input costs increased (cost of animal feed, transportation costs) have a negative impact on business results.

Ticker	Revenue 2021 (billions dong)	Growth (%)	NPAT 2021 (billions dong)	Growth (%)	EPS 2021 (VND/share)	P/E fw	P/B fw	Price April 2021	on 23,	Price target
VHC	8,644	23%	943	35%	5,129	7.0	1.3	36,000		49,000
ANV	4,830	31%	424	115%	3,050	7.1	1.5	21,600		27,500

Source: BSC Research forecasts

## Consumer – Retail Sector [Outperform]

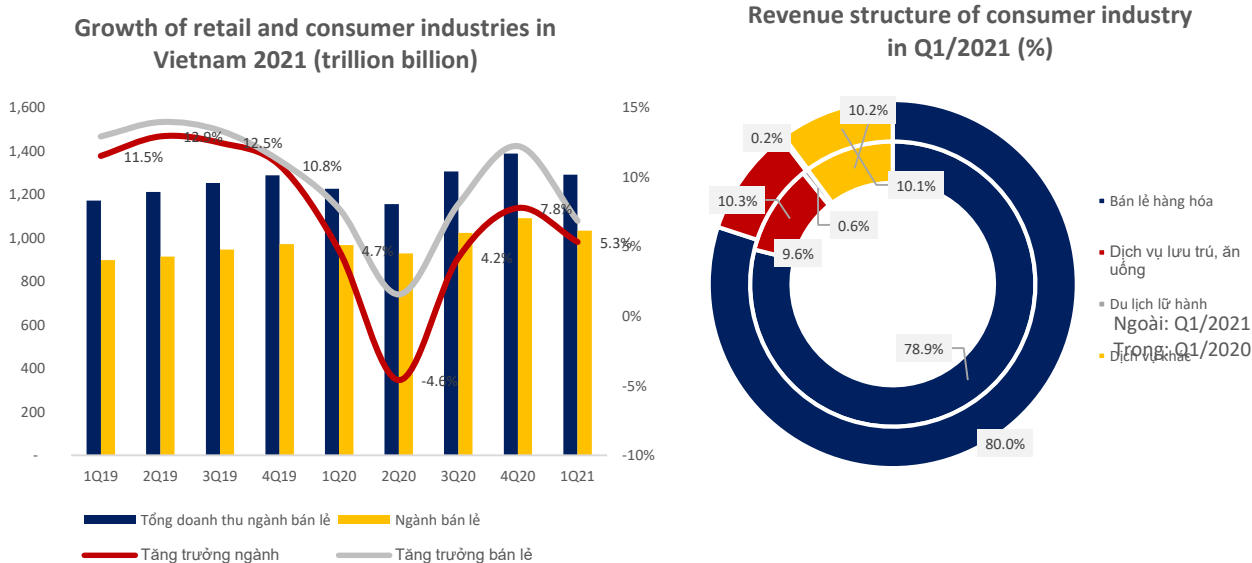
Analyst: Ma Tuan Minh Hien

Email: Hienmtm@bsc.com.vn

- Overview of Vietnam's retail industry maintained a recovery momentum of +5.3% YoY in 1Q2021.
- Retail consumption trends shift from traditional shopping channels to modern shopping channels in 2021.
- Large enterprises in the consumer goods industry have plans to expand their store chains with a new opening rate of 15-20% in 2021.
- BSC maintains its Outperform recommendation for the consumer discretionary industry in 2021.

### Overview of Vietnam's retail industry maintained its recovery momentum in the first quarter of 2021.

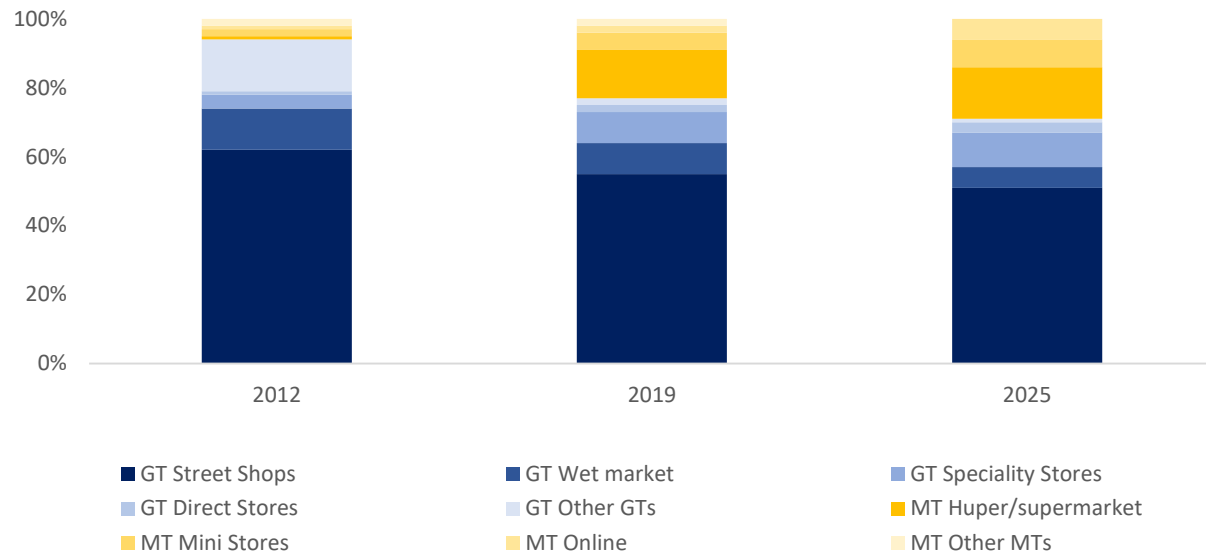
Total sales of consumer goods and services reached 1,291 trillion (+5.3% YoY) thanks to a strong recovery in demand at the end of 2020. According to the data of Q1/2021 of the General Statistics Office, the retail group of goods increased by 6.8% YoY, accounting for 80% of total sales, but the increase was lower than the same period of 7.7% due to the impact of the COVID-19 epidemic in February. The rest of the industry groups decreased slightly -0.33% YoY, accounting for 20% including accommodation and food, travel and other industries.



Source: GSO.

**The trend of retail consumption to shift from traditional shopping channels to modern shopping channels in 2021.** According to Q&ME statistics, currently the proportion of traditional channels ('GT') accounts for 80% Vietnam's retail consumer market, includes grocery stores, traditional markets... and the remaining 20% is modern channels ('MT') including supermarkets, mini stores, online,... and the trend will shift to 70% GT - 30% MT by 2025.

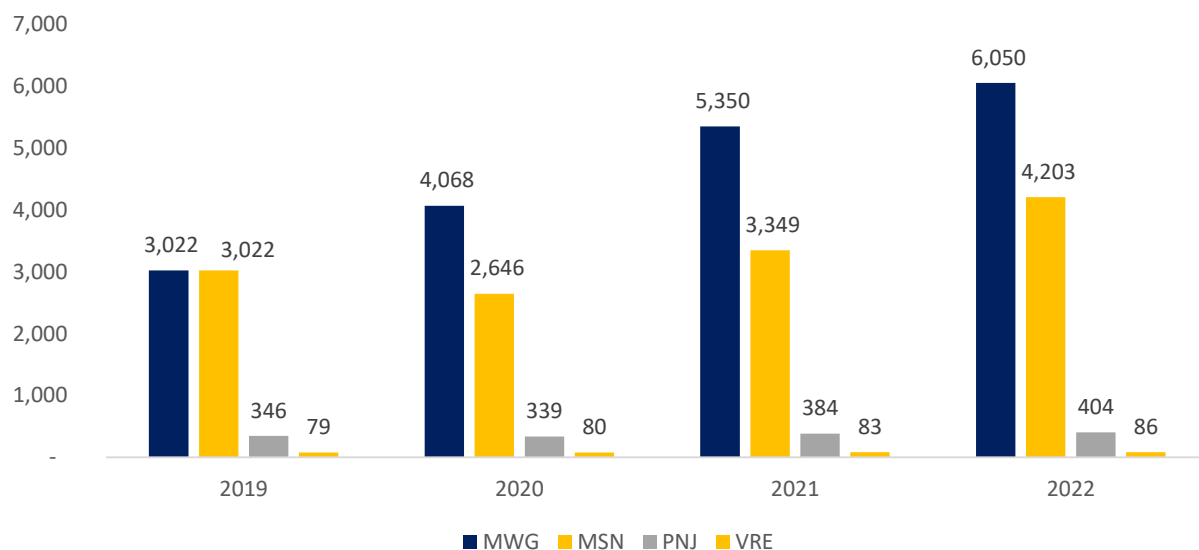
**The trend of converting consumption channels from Traditional to Modern from 2012-2025 (%)**



Source: Q&Me.

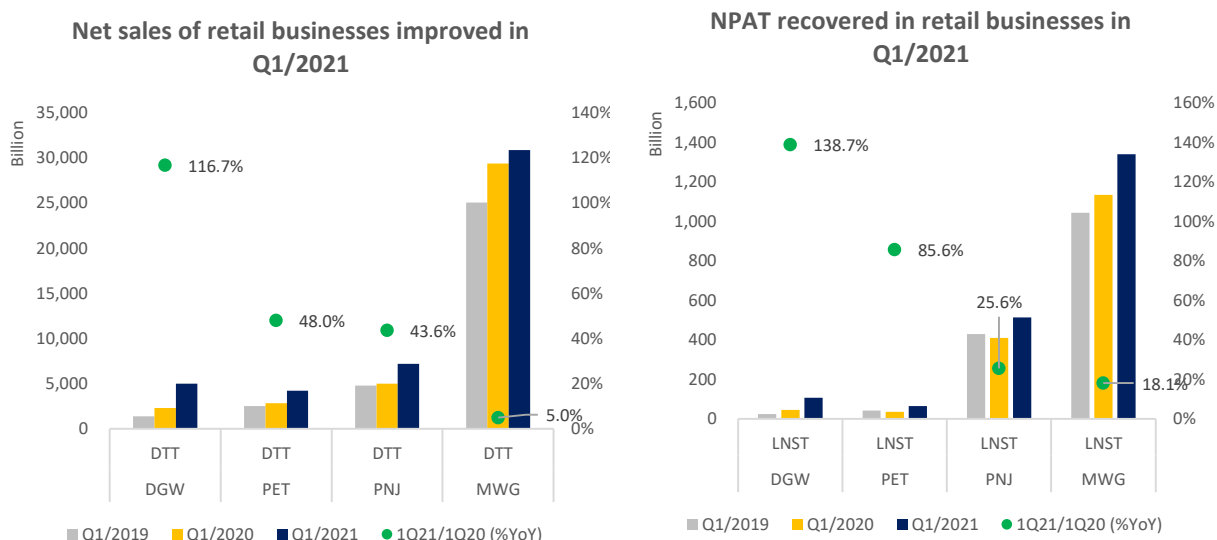
Besides, MT channel is being dominated by large enterprises including MWG (4,059 stores for 3 brands The Gioi Di Dong, Dien May Xanh and Bach Hoa Xanh), MSN (2,524 Vinmart+ stores and 122 Vinmart supermarkets), PNJ (339 retail stores) and VRE (80 malls account for 40% of the market share of shopping malls and open in 43/63 provinces). **Large enterprises in the consumer industry have plans to expand their store chains with a new opening rate of 15-20% in 2021.**

**Growth in store size of large consumer groups in Vietnam 2019-2022 (Store)**



Source: BSC, Q&Me.

Thereby, BSC believes that **(1)** retail businesses in 2021 will recover growth in 2021 thanks to **(i)** expanding the size of chain stores **(ii)** the recovery of consumer purchasing power due to the "Revenge Shopping"; **(2)** Consumer behavior will increase into modern channel 'MT' thanks to convenience, hygiene and digital transformation trend.



Source: BSC General.

## INVESTMENT VIEWPOINT – OUTPERFORM

BSC maintains its Outperform recommendation for consumer discretionary and **Neutral** for consumer staples. We note that in the period of Q2/2020, the retail consumer market has a diversification between consumer discretionary (Food, beverage, ...) and consumer staples (Electronics, jewelry,...). Because Essential businesses benefited from the COVID-19 outbreak due to consumers hoarding food, but Non-Essentials were affected by 3-week store closures in April 2020.

Thereby, in the period of Q2/2021, Essential businesses will no longer benefit from the new normal, so it is necessary to be cautious when investing in this group and at the same time, the Non-Essential group has plenty of room for growth in the future. Q2/2021 YoY. BSC recommends Buy: MWG, PNJ, DGW, PET and Tracing VNM, MSN, SAB.

Ticker	REVENUE		NPAT		EPS 2021 (VND/share)	P/E fw	P/B fw	Price on 04/23/2021	Price target
	2021 (billion VND)	% YoY	2021 (billion VND)	% YoY					
MWG	131,421	21.5%	4,815	23%	10,626	11.0	2.8	147,500	168,400
PNJ	20,989	20%	1,333	25%	5,768	15.5	2.7	96,000	101,000
VNM	62,790	5%	11,237	1%	5,005	20	5.2	99,500	111,000
MSN	94,342	22%	2,585	85%	1,947	48	4.1	100,000	110,000
SAB	30,324	8%	5,131	8%	7,603	22.5	4.3	170,000	195,000



## Insurance Sector [Neutral]

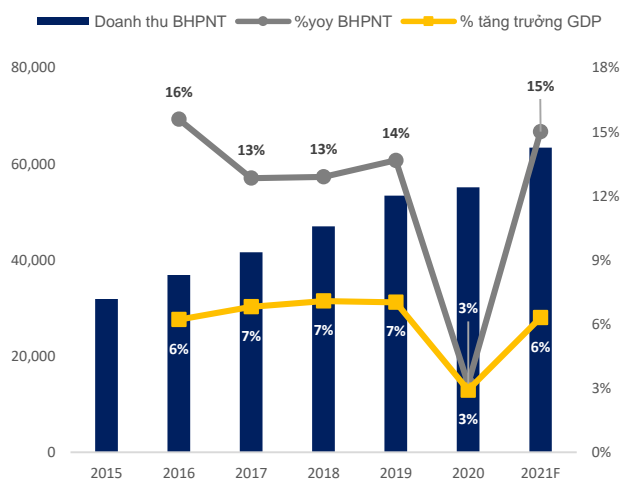
Analyst: Pham Nguyen Long

Email: Longpn@bsc.com.vn

- The non-life insurance market will grow 3.2% in 2020 due to the impact of the epidemic.
- The market share of the top 5 companies continued to decrease due to competition for market share.
- Motor vehicle and health insurance continue to be the segments with a large market share in the product structure.
- Interest rates continued to remain at VNIBOR = 5.5%/year, affecting deposit revenue of life insurance enterprises.
- BSC maintains its **NEUTRAL** recommendation for the Non-life Insurance industry.

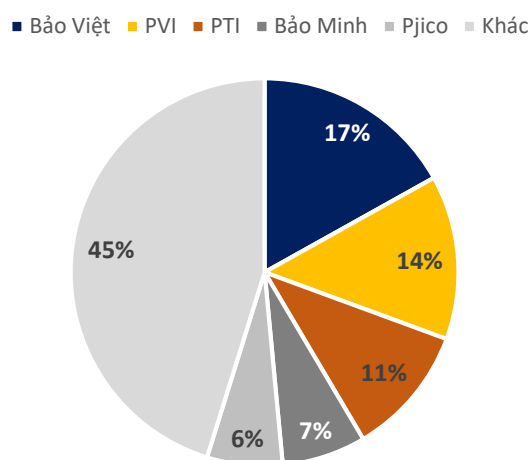
**The non-life insurance market grew 3.2% in 2020.** According to the General Statistics Office, **non-life insurance principal revenue reached about VND 55,094 billion (+3.2% yoy)**, a significant decrease compared to an average of 13-15% in the previous period. The decline in growth rate due to the impact of the Covid-19 epidemic led to a decrease in demand for life insurance. In terms of market share, BVH is currently ranked number one with nearly 17% market share, followed by PVI (13.7%) and PTI (10.9%). Other businesses account for a small percentage of about 5% of the market share.

**Figure: Growth of life insurance premium revenue is associated with economic growth**



Source: GSO, Insurance Yearbook, BSC Research

**Figure: Structure of non-life insurance market share 2020**

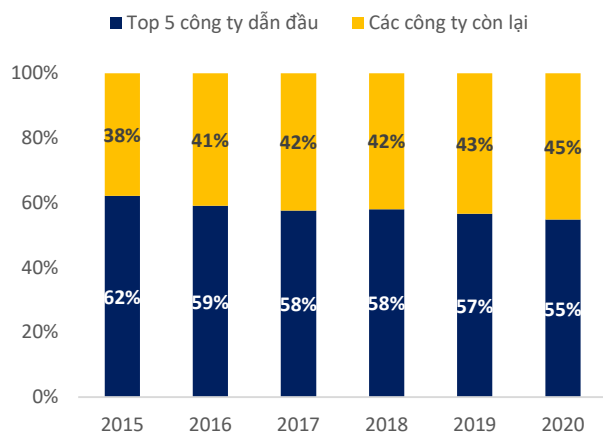


Source: Insurance Yearbook, BSC Research

**The non-life insurance industry will increase again at 10-15%/year in 2021.** BSC believes that 2021 will be a strong recovery year for non-life insurance enterprises because (1) the Covid-19 epidemic is controlled to help the economy recover, thereby increasing the demand for The non-life insurance and (2) the risk of COVID-19 makes people more interested in health in general as well as The non-life insurance products in particular. In 2021, BSC expects the economic recovery will help the demand for **non-life insurance continue to maintain at 10-15%/year as in the period 2015-2019, corresponding to the original fee revenue of about 60,000-63,000 billion VND.**

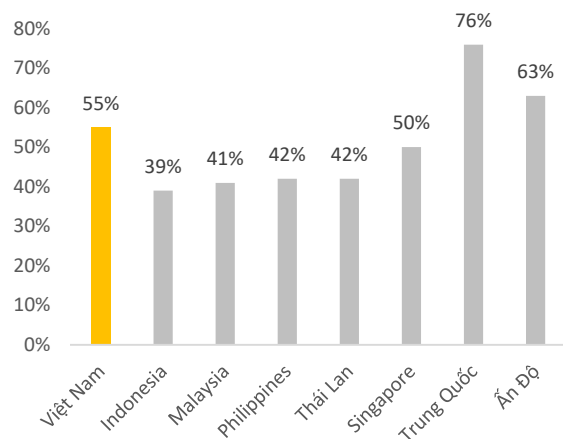
**The market share of the top 5 companies continued to decline.** The fee revenue market share of the top 5 (including PVI, Bao Viet, Bao Minh, PTI and PJICO) decreased significantly due to competition from new businesses. BSC believes that the total market share of leading enterprises (Bao Viet, PVI, Bao Minh, Pjico, etc.) **may continue to fall below 50% in the near future**, similar to other markets in Asia. .

**Figure: The market share of the top 5 leading companies continues to decrease**



Source: Insurance Yearbook, BSC Research

**Image: Market share of the top 5 leading BHPNT companies in Asia**

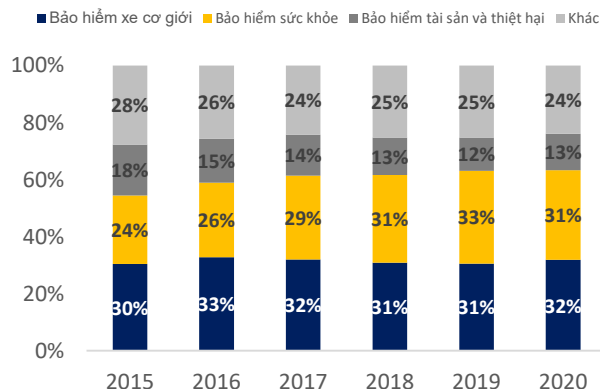


Source: Insurance yearbook, Swiss Re, BSC Research

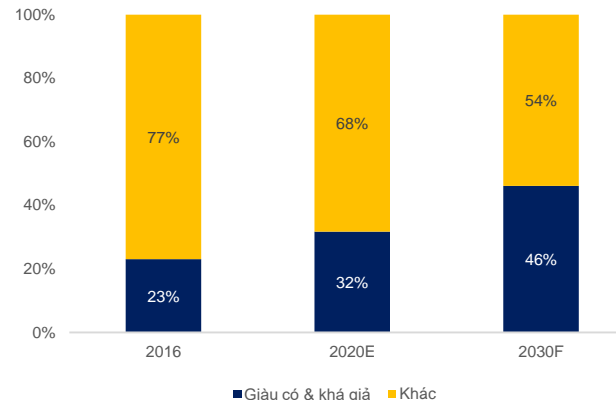
**The health insurance segment will continue to grow in the coming time.** The proportion of health insurance products and motor vehicles account for more than 30% of the non-life insurance product structure, showing that non-life insurance products penetrate quite well into the individual customer market. In the coming time, BSC believes that the health insurance segment will continue to grow and will reach 35-40% of the life insurance product structure due to:

- (1) The complicated and prolonged epidemic situation makes people buy health insurance products to prevent more risks;
- (2) A rapidly growing middle class (currently 13% of the population) with increased insurance awareness also drives the demand for health insurance.

**Figure: Motor vehicle and health insurance still account for a large proportion**



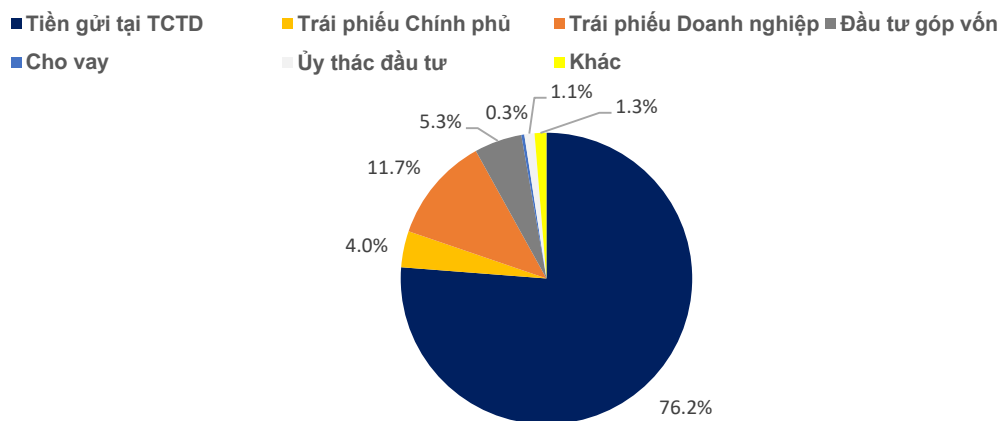
**Image: The wealthy class will increase sharply in the next 10 years**



Source: Insurance Association, 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 maintain compared to Q4/2021 at an average VNIBOR of about 5.5% in the coming time.** BSC estimates that the 2021 financial profit of some enterprises in the industry may decrease by 5-10% of expected EBT in 2021. Non-life insurance enterprises will need to restructure their portfolios and add investment assets with higher interest rates than bank deposits, to reduce this risk.

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



Source: Insurance Yearbook, BSC Research

## INVESTMENT VIEWPOINT – NEUTRAL

We recommend **NEUTRAL** for the non-life insurance industry because (1) the recovery of the economy helps to increase premiums, (2) net insurance premiums and financial profit are under pressure from the high competition, (3) reducing deposit interest rates, affecting financial profit, (4) divestment will continue to be accelerated in 2021.

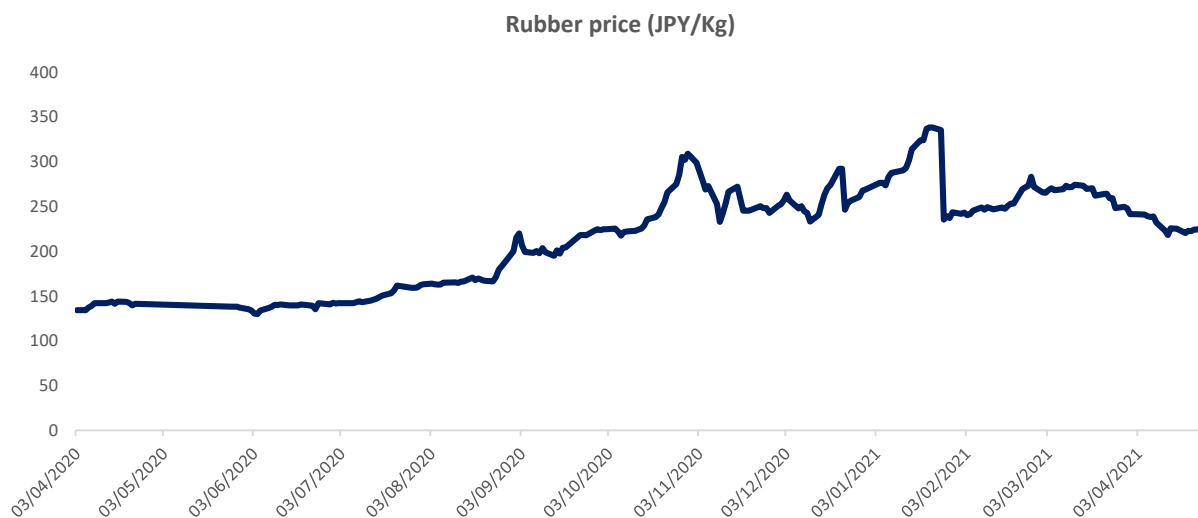
## Rubber and Tire Sector [Neutral]

Analyst: Le Huu Ngoc

Email: [ngoclh@bsc.com.vn](mailto:ngoclh@bsc.com.vn)

- Rubber prices have fallen from a peak in January 2021, currently only JPY 228/Kg. BSC expected that Rubber prices will **increase again by the end of 2021** because of strong demand while supply declines.
- Rubber producers are **expected to benefit when rubber prices rise again**.
- The tire industry is expected to grow strongly thanks **to the recovery of tire consumption after the epidemic**.
- BSC maintains its **NEUTRAL recommendation** for the Rubber and tire industry.

Rubber prices have dropped significantly from the peak of 338 JPY/Kg in January 2021 to only 228 JPY/Kg, because of the complicated development of the COVID-19 epidemic in Q1/2021. However, BSC believes that rubber prices will soon return to an uptrend because of the increase in demand from: (1) Global demand for rubber gloves increases sharply by 10-15% per year, in the context of lack of supply in several countries and (2) the auto industry recovered after the pandemic, and at the same time, rubber supply decreased because (1) Covid-19 continued to affect production activities, (2) Unfavorable weather and rubber leaf diseases spread in major rubber exporting countries such as Thailand, Sri Lanka... and (3) The logistics is interrupted. Therefore, **BSC expects rubber prices to increase again in the second half of 2021**, thereby creating favorable conditions for the rubber business of enterprises (GVR, PHR, TRC).



Source: Bloomberg, BSC Research

**Tire businesses are expected to have positive business results in 2021** thanks to (1) the positive development of the COVID-19 epidemic, which helped the automobile industry, domestic transportation and export markets to recover well and (2) The large export market of Vietnamese tire companies continues to maintain anti-dumping tax on products imported from countries such as Thailand, Korea, Taiwan, and China.

**Table: Preliminary anti-dumping tax on imported tires to the US**

Nation	Anti-dumping tax
South Korea	14.24% - 38.07%
Taiwan	52.41% - 98.44%
Thailand	13.25% - 22.21%

Source: DOC, BSC Research

**Table: Anti-dumping duties applied in the Brazilian market**

Origin	Enterprise	Anti-Dumping Tax (USD/kg)
South Korea	Kumho, Hankook...	0.32 – 1.49
Japan	Sumitomo...	0.21 – 1.59
Russia	OAO...	0.72 – 1.10
Thailand	Zhongce...	0.53 – 0.55
China	Shandong, Sailun...	1.05 – 2.59

Source: CAMEX, BSC Research

**INVESTMENT VIEWPOINT – NEUTRAL**

We rate **NEUTRAL** for the rubber industry (1) The recovery of rubber price supports the rubber profit segment. However, This will only happen in the short term and the oversupply will continue, we think rubber prices will only increase slightly by 5-8% yoy in the long term. (2) positive prospect from the trend of conversion of rubber land into industrial zones.

BSC evaluates the tire industry as **NEUTRAL** due to (1) a slight increase in raw material costs in line with the trend of rubber prices, however (2) a strong recovery in demand for tires and tubes concurrently with the post-Covid-19 auto industry and (3) Depreciation costs and financial expenses dropped sharply, helping the business results of tire companies in 2020 to be flat.

Ticker	REVENUE 2021 (billions dong)	YoY (%)	NPAT 2021 (billions dong)	YoY (%)	EPS 2021 (VND/share)	P/E fw	P/B fw	Price April 23, 2021	Price target
DRC	3,888	6.6%	332	29.6%	2,799	9.3	1.7	27,000	31,000
PHR	2,001	15%	1,109	5%	9,887	5.3	2.8	52,500	69,000

## Electricity Sector [Neutral]

Analyst: Pham Nguyen Long

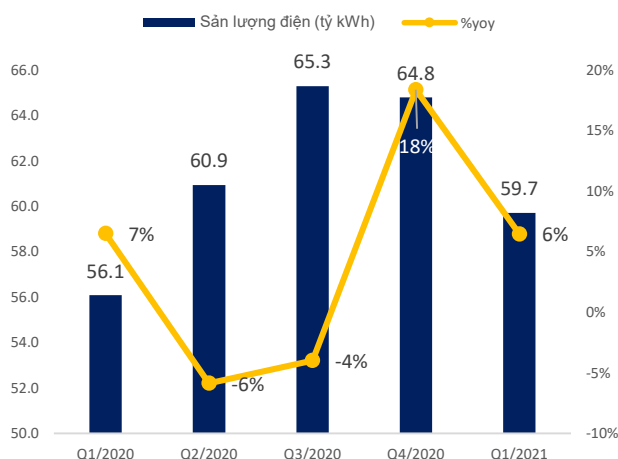
Email: longpn@bsc.com.vn

- Commercial power output in 3M2021 grew by 4.1% YoY.
- La Nina continues to be a positive news for hydropower plants but it will be a negative factor for coal & gas thermal power enterprises.
- Renewable energy source continues to be prioritized to mobilize by EVN thanks to the recent incentive mechanisms for renewable energy development..
- We issue a **NEUTRAL** recommendation for the electricity industry.

**Electricity production of the whole system in 3M2021 increased by 4.1% yoy.** Accumulated in the first 3 months of this year, the electricity produced and imported by the whole system reached 59.7 billion kWh (+4.1% yoy). Regarding the power grid, EVN and its units have energized 27 grid projects from 110kV to 500kV, in which there are 2 500kV lines connecting Nghi Son 2 Thermal Power Plant to the national power system and increasing capacity of 500kV transformer station in Quang Ninh..

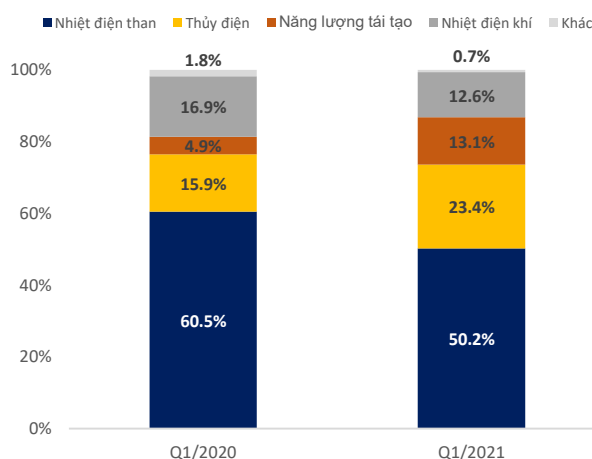
According to EVN, **the electricity industry is expected to focus on implementing important construction investment projects in the second quarter of 2021**, such as starting the Ialy Hydropower expansion project, starting the Phuoc Thai 2 & 3 solar power project, preparing the ground and conditions for starting construction of Dung Quat Power Center Infrastructure project and energizing the Doc Soi - Pleiku 2 section of the 500 kV line 3 project

Figure: Power output of the whole system



Source: EVN, BSC Research

Figure: Structure of power supply



Source: EVN, BSC Research

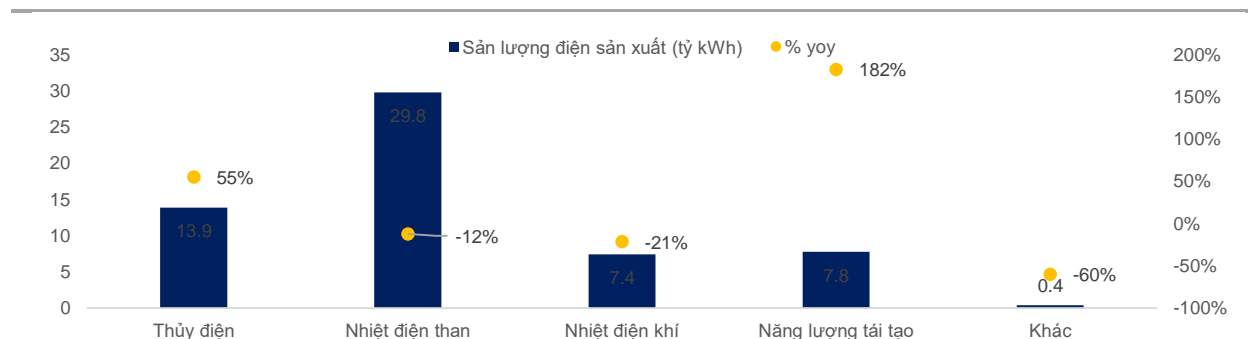
**The electricity output of hydroelectricity and renewable energy has grown positively thanks to favorable hydrology and the amount of renewable energy capacity increased in 2020.** Accumulated in the first 3 months, the output of hydroelectricity and renewable energy reached 13.9 billion kWh (+55% yoy) and 7.8 billion kWh (+182% yoy), respectively. The above two segments have a sudden growth due to (1) the hydrological situation continues to be favorable in Q1/2021 and (2) The total solar power

capacity of the country is estimated to reach 17,000 MW by the end of 2020, making renewable energy a priority to mobilize to release capacity throughout the system.

BSC believes that the hydropower and renewable energy segments will continue to be prioritized for mobilization by EVN in 2021 compared to other power sources due to:

- **La Nina phenomenon continues in 2021 will support the operation of hydropower plants.** We realized that rainfall usually follows a 5-year cycle and the peak of the most recent rain cycle occurs in 2017. Therefore, BSC believes that rainfall in Vietnam will follow a recovery trend until 2022, thereby supporting the business results of hydropower companies.
- **The incentive mechanisms for the development of renewable energy** make it possible for solar and wind power sources to be prioritized by EVN to mobilize during peak hours. In Q1/2021, the Ministry of Industry and Trade issued Decision No. 478/QĐ-BCT on shifting the power generation time frame of small power plants from 9h30-11h00 to 6h00-8h00 weekdays. BSC believes that this is an effort of the Ministry of Industry and Trade to help renewable energy be mobilized more.

**Figure: Hydroelectricity and renewable energy output have positive growth YoY**

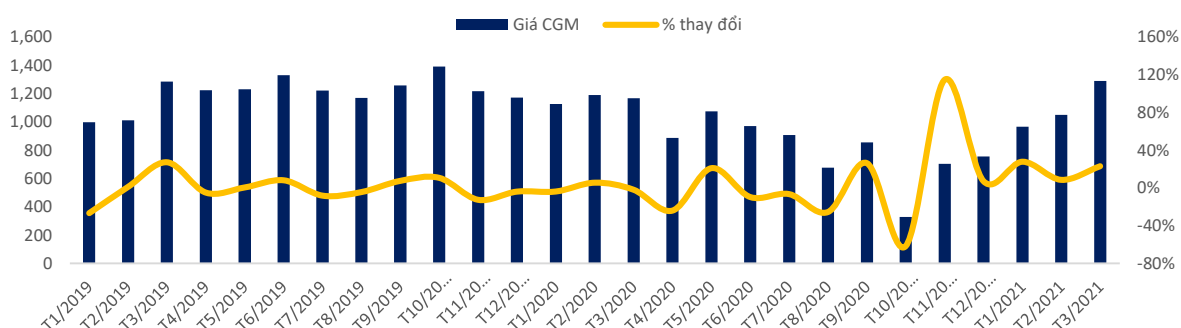


Source: EVN, BSC Research

**CGM electricity price in Q1/2021 will return to 1,200 VND/kWh .** CGM price at the end of March 2021 reached 1,289 VND/kWh, +70% compared to the end of 2020. In La Nina years, BSC realized that the first quarter CGM price is usually the highest in the year because this is the time of the dry season. In addition, the rainy season usually occurs in the last 6 months of the year.

Therefore, we believe that **CGM electricity prices will tend to decrease in the remaining 3 quarters of 2021**, helping hydropower and renewable energy groups to be prioritized to mobilize, due to the advantage of production costs and reduced power generation capacity in the competitive market of thermal power group.

**Figure: Electricity prices in the competitive generation market (CGM)**



Source: EVN, BSC Research

## INVESTMENT VIEWPOINT – NEUTRAL

We maintain a **NEUTRAL** recommendation for the Power sector for 2021 due to a clear divergence in the outlook for electricity stocks:

- Large hydroelectric stocks (with seasonal reservoirs): With favorable hydrological situation in the near future, BSC has a positive view on stocks like **REE** or **PC1** because these enterprises hold shares in many hydropower plants in the portfolio.
- RE stocks: In 2021, BSC has a positive view on stocks holding the RE portfolio that has come into stable operation such as **REE** or stocks with a large wind power portfolio that will operate during the year. 2021 as **PC1**.
- Coal-fired power stocks: Heavy rainfall reduces the deposit rate from A0 and keeps the CGM electricity selling price low. This affects the business results of coal-fired power enterprises such as **PPC** and **HND**. Therefore, BSC holds a less positive view on thermal power stocks for 2021.
- Gas thermal power stocks: The purchase price of gas from Sao Vang - Dai Nguyet field is significantly higher than that of other fields, which will make the electricity price of gas thermal power enterprises less competitive, especially in the CGM market. Therefore, BSC remains a less positive view on **NT2** in 2021.
- Electrical construction stocks: BSC remains a positive view based on high construction demand with large backlog for businesses like **PC1**.

Ticker	REVENUE 2021 (billion VND)	Growth (%)	NPAT 2021 (VND billion)	Growth (%)	EPS 2021 (VND/share)	P/E fw	P/B fw	Price April 23, 2021	Price target
<b>PPC</b>	5,259	-34%	428	-58%	1,312	20.6	1.4	27,000	N/A
<b>HND</b>	8,900	-18%	396	-73%	791	23.5	1.3	18,600	N/A
<b>PC1</b>	7,340	10%	590	8%	3,085	8.2	1.2	25,200	30,800
<b>REE</b>	6,591	17%	2,045	19%	6,289	8.3	1.4	52,300	68,500
<b>NT2</b>	7,324	20%	432	-31%	1,501	14.2	1.4	21,300	22,300

Source: BSC Research forecasts



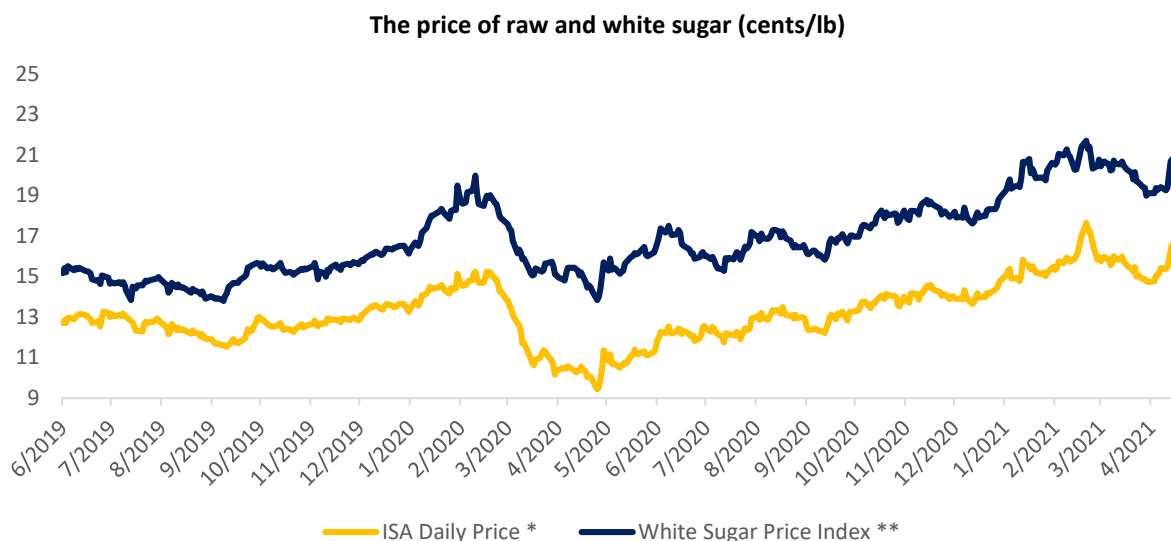
## Sugar Sector [Neutral]

Analyst: Ma Tuan Minh Hien

Email: Hienmtm@bsc.com.vn

- **World sugar price continued to peak at 16.85 cents/lb (+67.66% YoY) in April 2021.**
- **The Vietnamese sugar market benefits from the increase in world sugar prices.**
- **BSC maintains its Neutral recommendation for the sugar industry in the first half of 2021.**

**World sugar price continued to peak at 16.85 cents/lb (+67.66% YoY) in April 2021.** World raw sugar prices continued their upward trend in April 2021 thanks to (1) Suez Canal congestion caused a delay in sugar imports from Brazil to Europe; (2) The weather started to be dry in some sugarcane material areas in Brazil. Therefore, according to Isosugar, the world sugar price could continue to stay high above 15 cents/lb until the end of the second quarter of 2021 and can greatly affect many industries that use sugar as an input, especially the F&B industry.



Source: Isosugar

**Vietnam's sugar market benefits from the increase in world sugar prices.** In the Vietnam market in Q1/2021, the price of sugar in the South and the Central region increased to an average of 950,000 VND/ton in the field and the North increased to 900,000 VND/ton. In addition, in Q1/2021, the whole industry has pressed 5.8 million tons of sugarcane to produce 611 thousand tons of sugar and compared to the same period of 2019-2020, the pressed output reached 76.6% and the sugar output reached 84.6%.

### INVESTMENT VIEWPOINT – NEUTRAL

**BSC maintains its Neutral recommendation for the sugar industry in the first half of 2021.** We note that Q3 and Q4 2020/2021 business results will reflect an increase in average selling price thereby improving gross profit margin. Besides, we believe that sugarcane production in the raw material area will be better than last year (i) thanks to the rainy season coming 1.5 months early from La Nina effect; (ii) mechanization on large cultivated areas. Therefore, BSC recommends Buy 2 stocks: SBT and QNS.

Ticker	REVENUE 2021 (billion VND)	% YoY	NPAT 2021 (billion VND)	% YoY	EPS 2021 (VND/share)	P/E fw	P/B fw	Price on 04/23/2021	Price target
QNS	7,759	13%	1,190	14%	3,336	11.8x	2.0x	40,300	42,600
SBT	15,482	20.1%	457	25%	712	33.5x	1.9x	20,400	27,640

Source: BSC Research forecasts

## Aviation [Neutral]

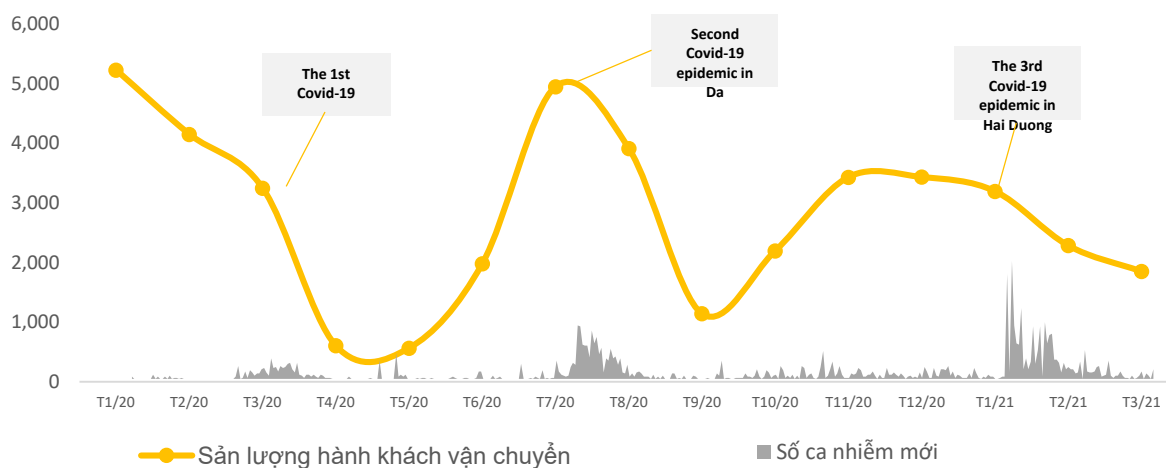
Analyst: Pham Nguyen Long

Email: longpn@bsc.com.vn

- BSC forecasts domestic passenger volume in 2021 will reach 36 million passengers, equivalent to 85% compared to 2019.
- BSC expects that Q3/2021 will be the earliest time for airlines to start reopening international routes.
- Cargo output in 2021 is expected to reach 1.45 million tons (+11.5% YoY), equivalent to 94% of the 2019 level .
- BSC remains a **NEUTRAL** position on the aviation industry.

**Domestic passenger volume decreased in Q1/2021 due to the third wave of Covid-19 epidemic.** In Q1/2021, domestic passenger volume **reached 7.3 million passengers (-42% yoy)** Due to the third outbreak of Covid-19 in Hai Duong near the Lunar New Year 2021, the number of passengers traveling by plane decreased significantly. The BSC believes that the number of passengers traveling by plane **will improve in the near future** because the epidemic was gradually brought under control, the average number of new infections per day in March was only 5 cases per day, down 66% compared to the first 2 months of the year.

Figure 1: Passenger volume transported by air T1/2020-March 2021



Source: EVN, BSC Research

In 2021, BSC believes that **the domestic aviation market will recover compared to 2020** thanks to (1) the disease continues to be well and tightly controlled thanks to the Government's measures, (2) the average ticket price continued at a low level due to airlines implementing discount and preferential policies to maintain market share and (3) Government stimulus packages and the trend of "compensating tourism" when international routes economy has not yet reopened, will promote domestic tourism. Accordingly, BSC forecasts that the domestic passenger volume in 2021 will **reach 36 million passengers (+13.6 % yoy), equivalent to 85% compared to 2019** .

**BSC expects that Q3/2021 will be the time when airlines gradually reopen international routes** , thanks to (1) Southeast Asian and Northeast Asian countries are actively producing/buying vaccines, which is

expected to help control the epidemic better, (2) The trend of "Air Bridge" (CHK) helps to reopen staggered and partial flights. However, BSC note that the CHK trend will take place more slowly or intermittently in the near future. The reason comes from (1) a number of countries are having a large-scale outbreak of the disease again (such as India, etc.) and (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 output 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, (2) The recovery of the global economy will bring back the demand for freight transport (3) The demand for transporting vaccines in Q2 March 2021. However, BSC believes that the recovery of cargo volume will be restrained in the near future due to limited transport capacity when international commercial flights will not recover.

## INVESTMENT POINTS

BSC retains a **NEUTRAL view** on the aviation industry in 2021, due to concerns that the reopening of international routes will still face many difficulties due to the epidemic.

BSC believes that:

- **Cargo handling/service businesses (SCS, NC):** Business performance will improve in 2021 thanks to the recovery of air freight volume.
- **Group of passenger transport enterprises (HVN, VJC):** Business activities will still face difficulties due to:
  - (1) **International routes have not reopened in 1H/2021. The average fare will be low, equivalent to 2020** due to (i) the tourism stimulus policy, and (ii) Increased competition from the participation of Viettravel Airlines since the beginning of 2021, making airlines Airlines must maintain preferential policies to keep market share.
  - (2) **There will not be much room left over 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	REVENUE 2021F (billion VND)	NPAT 2021F (VND billion)	EPS 2021F (VND/share)	P/E fw	P/B fw	Closing price 04/23/2021	Target price 2021
SCS	760	528	9,834	12.8	6.0	126,000	135,000
ACV(*)	11,959	4,870	2,234	32.5	4.8	72,700	102,000

Source: BSC Research forecasts

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

## Automotive Sector [Neutral]

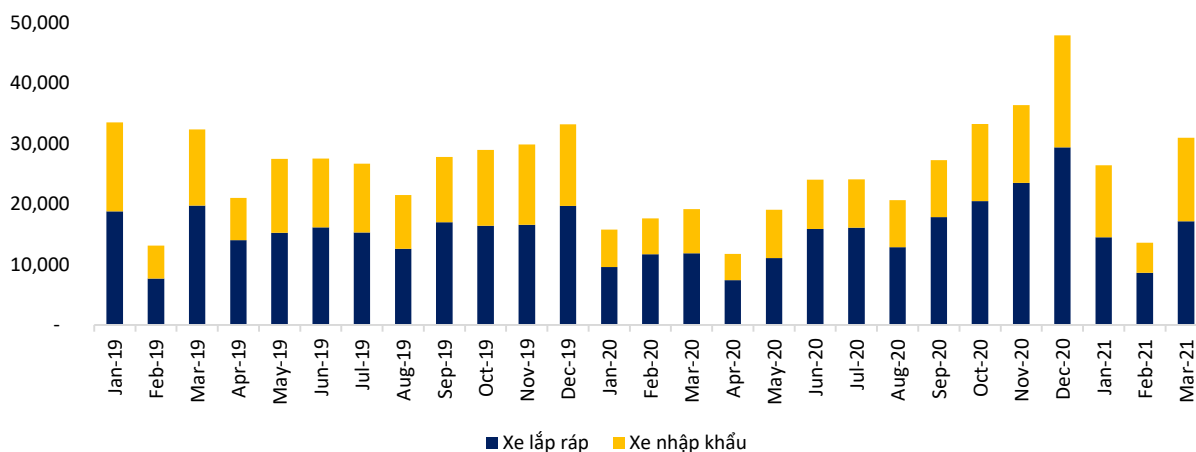
Analyst: Duong Quang Minh

Email: minhhdq@bsc.com.vn

- The auto market has recovered strongly since the end of 2020. Total auto sales in 2020 reached 283,983 vehicles (-7% YoY). In which, assembled car -1 % YoY, imported car -18 %YoY
- BSC expects that the proportion of assembled cars and imported cars will be balanced again
- We maintain a **NEUTRAL** recommendation for the auto industry in 2021.

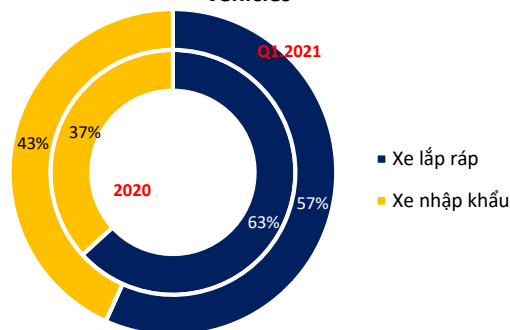
**The auto market has recovered strongly since the end of 2020.** Total auto sales in 2020 reached 283,983 vehicles (-7% YoY). In which, assembled cars -1% YoY, imported cars -18% YoY. We see that domestic assembled car consumption is recovering, improving its growth rate over the months. The reason is that (1) the regulation to reduce the registration fee by 50% for assembled cars (mentioned in the previous report) creates a good effect, stimulating the demand to buy assembled cars to enjoy incentives and (2) Consumer demand for travel also increased after the lockdown period.

Car sales over the months



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 benefit: the car manufacturing group (VEA, VIC) and the vehicle distribution group (HAX, SVC).

Proportion of assembled/imported vehicles



Source: VAMA, BSC Research

**INVESTMENT VIEWPOINT – NEUTRAL**

We maintain **NEUTRAL** recommendation for auto stocks, in 2020 car sales will decline, however, the government's stimulus policy, business results of them have partially recovered. In the long-term, BSC believes that auto businesses will grow strongly again thanks to the large potential of Vietnam's auto industry (vehicle ownership rate reaches 2.3% of car-owning households, lower than compared to the countries in the region: Brunei - 72.1%, Thailand - 22.5%, Malaysia - 44.3% - according to Seasia).

Ticker	REVENUE		NPAT		EPS 2020 (VND/share)	P/E fw	P/B fw	Price on 31/03/2021 1	Price target
	2021 (billions dong)	YoY (%)	2021 (billions dong)	YoY (%)					
<b>VEA</b>	4,180	-1%	5,746	12%	4,324	9.5	2.4	41,100	50,000

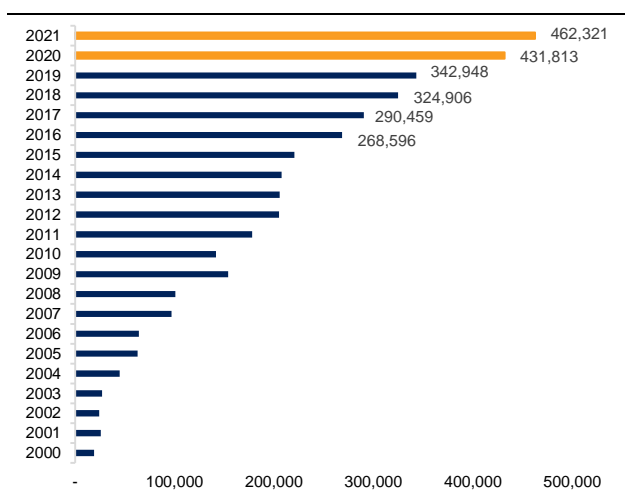
Source: BSC Research forecasts

## II/ Accelerate infrastructure investment – Attract FDI – Free up real estate supply.

Accelerating infrastructure construction will solve the "bottleneck" of transportation costs, creating a solid base for Industrial Park sector – Seaport sector – Transport sector in the long term. The public investment strategy for the period 2021-2025 has a shift to large-scale projects, focusing on inter-regional transport infrastructure and digital transformation such as Long Thanh airport, North-South expressway, coastal roads .... BSC assesses that the Covid-19 epidemic is a catalyst to accelerate these investment plans to create a development motivation 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 VND 460 trillion (+7% YoY).

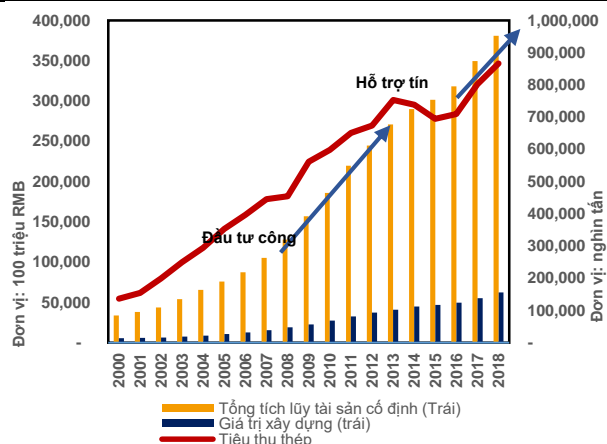
Looking at case study in China in the crisis period 2008-2009, the economic stimulus package of USD586 billion (equivalent to 13% of China's GDP in 2007) focused on the fields of transport (railways, highways, airports, etc.), electricity infrastructure, and social housing, rural infrastructure... this helped the construction activity in China to recover significantly in the following years.

Public investment disbursement in Vietnam (VND bn)



Source: GSO, BSC Research

Public investment was a driver for promoting China's construction after the 2008-2009 crisis



Source: Bloomberg, BSC Research

The seaport industry will benefit indirectly from accelerating the progress of connection projects in 2021, which is expected to gradually improve the competitiveness of the Cai Mep – Thi Vai port area in particular and the southern region in general.

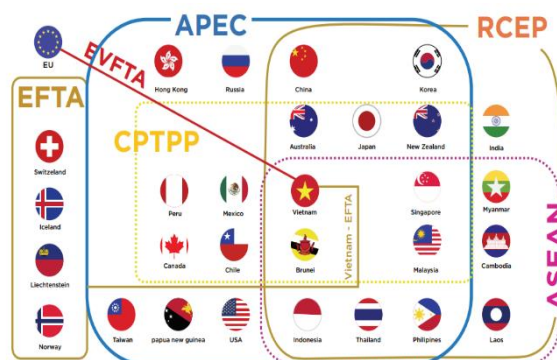
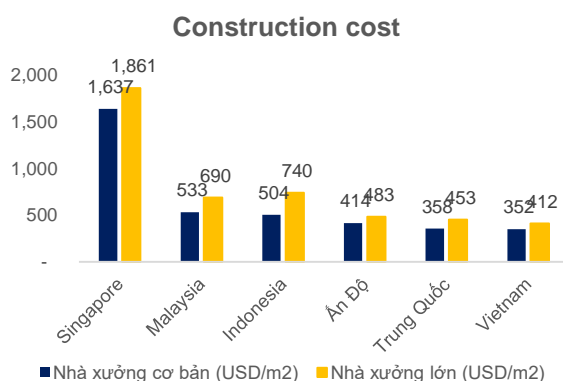
Main projects	Progress
CM-TV inter-port road	<ul style="list-style-type: none"> <li>Phase 1 (road) was finished in 4Q2020</li> <li>Phase 2 (Phuoc An bridge over the Thi Vai river) is expected to be launched in 2021 and finished in 2025</li> </ul>
Bien Hoa – Vung Tau expressway	<p>The project got feasibility approval.</p> <p>It is expected to be launched in 1Q2023, finished in 2025.</p>

Long Thanh – Dau Giay expressway	The project got feasibility approval.
Bến Lức – Long Thành expressway	The project was launched in 2020. This is expected to be finished in 2023 despite facing difficulty capital.
Ring road No.4	The project is expected to come into operating in 2025.

Source: BSC Research

**The pandemic seems to be a vaccine shot to accelerate the transition.** Vietnam is evaluated as a potential destination with (1) cost is more competitive than the region, (2) information transparency is gradually improved. Besides, tax incentives from FTAs will be a new competitive advantage to attract more FDI enterprises to move to Vietnam.

We can see clearly this trend 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 factory in Vietnam.



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

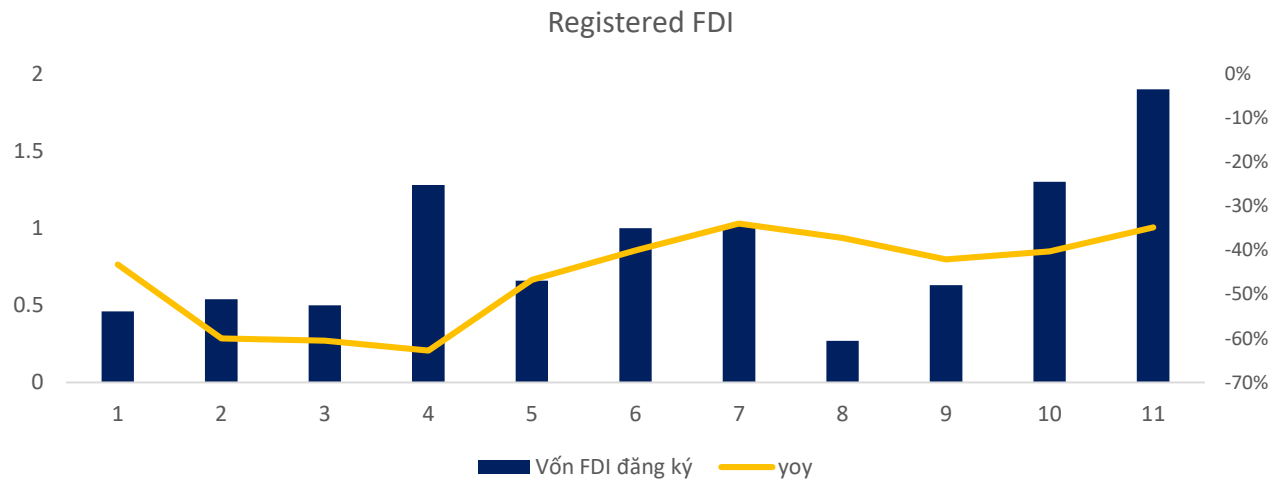
Company	Place	Industrial Park	Expected time	Progress
Sharp	Bình Dương	VSIP	2020	Delayed
Luxshare ICT	Bắc Giang	Quang Châu	2Q2020	Delayed
Panasonic	Bình Dương	VSIP II	Oct 2019	Launched
Pegatron Corp	Hải Phòng	Deep C	Mar 2020	Approved
Foxconn	Bắc Ninh	Nam Sơn Hạp Lĩnh	2020	Delayed
Wistron Infocomm	Hà Nam	Đồng Văn III	Sep 2020	Launched
Oppo	Bắc Ninh	Nam Sơn Hạp Lĩnh	Nov 2020	Signed MOU

Source: BSC Research

However, besides the advantages, Vietnam also faces many challenges: management capacity, infrastructure connectivity, investment procedures, high-skilled labor... BSC believes that the trend of shifting investment and supply chains is both an opportunity and a challenge for Vietnam. It is expected that public investment and technology 4.0 to be positive factors to help improve current limitations.



**Registered FDI in 11M2020 reached USD13.6 billion (-7.6% YoY). Despite of the negative rate, the uptrend is being improved compared to the first months of this year. Main reason is the Covid-19 impacts causing the stagnation of trade and investment activities.**



Source: FIA, BSC Research

## Commercial Property Sector [Outperform]

Analyst: Phan Quoc Buu

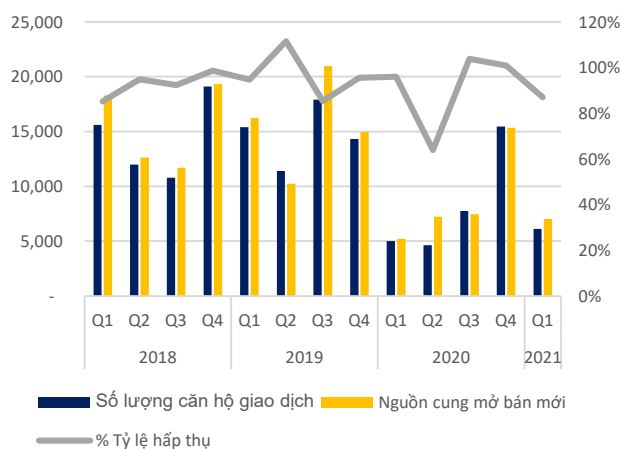
Email: Buupq@bsc.com.vn

- Real estate market recovered slightly in 1Q2021 mainly driven by Hanoi market.
- Real estate market in suburban area has been still attractive.
- 1Q2021 result of real estate companies grew well in line with our expectation.
- BSC maintains OUTPERFORM rating for real estate sector thanks to (1) the supply to be unlocked from 2021, (2) low interest rate and flexible financial packages, (3) financial structure of real estate companies to be still under control.

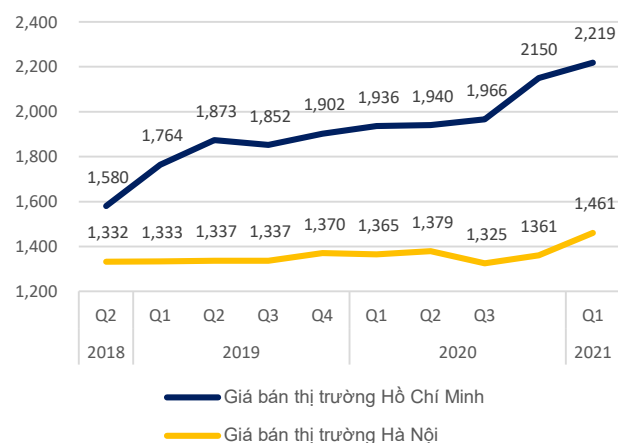
**Real estate market recovered slightly in 1Q2021 mainly driven by Hanoi's market.** Per CBRE, new supply in both Hanoi and HCMC reached 7,024 units (+35% YoY), in which the number of apartments was 6,109 units (+22% YoY) with the absorption rate of 87%.

- Hanoi market recorded a remarkable recovery, contributing more than 65% of total volume with 4,400 new available-for-sale products (+275% YoY). However, the number of products above mainly comes from new subdivisions from previous existing projects, the number of new projects only recorded 3 projects. Average selling price increased slightly 7.3% QoQ.
- HCMC market continues to experience the supply shortage in the mid-end segment. This resulted in the number of new available-for-sale products and transactions recording at a decrease of -53% and 30% respectively compared to the same period in Q1/2020. The price increase continued to be led by the high-end and luxury segments. According to statistics, the mid-end segment accounted for only 41% of the total products, 39% and 20% respectively from the high-end and luxury segments.

**The recovery of apartment supply in the post-pandemic period**



**The shortage of low-end and mid-end products caused the ASP to jump**



Source: CBRE, BSC Research

**The real estate market in neighboring provinces/cities still maintains a good attraction.** In the context of (1) limited landbank in the central area, (2) series of main infrastructure projects connecting to HCMC to be completed, we see large-sized projects in neighboring provinces/cities will be the hotspot of real estate market. Total cost for projects in 2021-2025 are expected to be VND27,000bn including some key

projects such as Ring Road 2, My Thuy intersection, Binh Thai-Hanoi expressway intersection, Ring Road 3, Metro no.1, Thu Thiem 2 bridge, ... We have a positive view on real estate sector based on the trend of urbanization and key connecting traffic ([Details on page 64-69](#))

**1Q2021 results of real estate companies registered positive growth in line with our previous expectations.** According to our statistics, with the exception of VHM which has not yet announced its business plan, the group of real estate companies planned a profit increase of 49% compared to the actual number of 2020. This shows a positive outlook of the real estate group. Specifically, a number of businesses have announced impressive profit growth in Q1/2021 such as DXG (+786% YoY), NLG (+231% YoY), PDR (+59% YoY), etc. We also tracked that the number of projects expected to be implemented in the 2021-2023 period of most businesses went up compared to the 2018-2020 period, focusing on provincial market segments. The speed of legal processing in Ho Chi Minh City has improved, which will be a positive point to support sales promotion in the next period.

### INVESTMENT VIEWPOINTS – OUTPERFORM

We maintain the **OUTPERFORM** rating for real estate sector thanks to (1) the supply to be unlocked from 2021, (2) low interest rate and flexible financial packages, (3) financial structure of real estate companies to be still under control. BSC recommend the BUY rating for VHM, NLG, DXG and WATCHING rating for KDH, NVL.

Ticker	2021 Rev (VND bn)	%YoY	2021 NPAT (VND bn)	%YoY	EPS 2021 (VND/share)	P/E fw	P/B fw	Price 23/04/21	Target Price
VHM	103,699	28.2%	32,060	11.6%	9,572	10.9	2.8	105,000	110,000
NVL	18,535	268.8%	4,345	11.5%	4,406	24.3	3.7	107,000	95,000
KDH	4,240	1.3%	1,365	16%	2,382	14.8	2.4	35,300	39,000
DXG	7,860	171.9%	1,521	N/A	2,924	8.7	1.6	24,050	30,000
NLG	2,488	6.8%	1,178	41%	4,130	8.9	1.5	34,950	42,800
AGG	3,575	103.9%	508	22%	6,153	7.7	1.3	44,800	N/A

Source: BSC Research

## Industrial Park Sector [Outperform]

Analyst: Phan Quoc Buu

Email: Buupq@bsc.com.vn

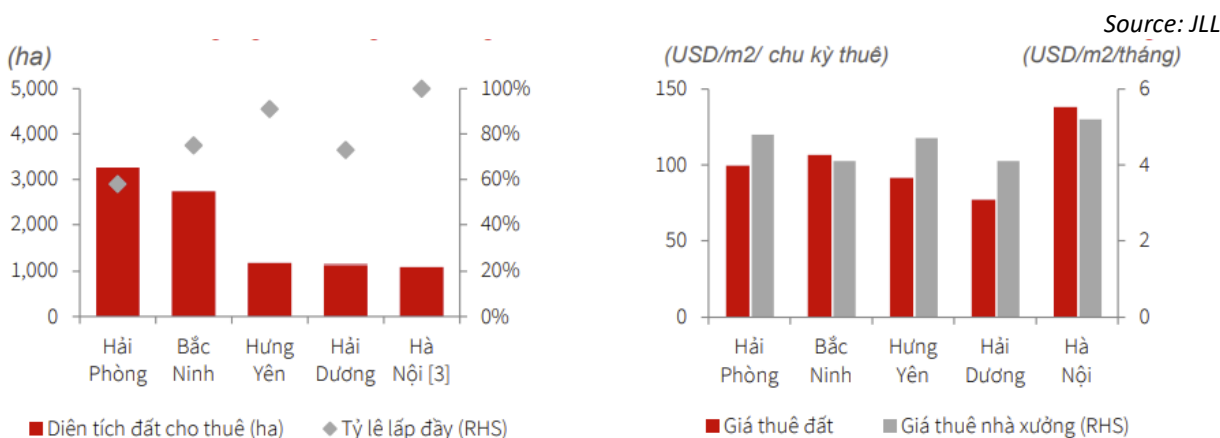
- The pandemic continues to be the largest barrier leading to the stagnation in the context of high demand.
- Connected transportation infrastructure will solve logistic bottleneck and directly support IP sector.
- Large landbank is expected to be unlocked and to shift to tier 2-3 provinces.
- Limited supply and robust demand still are key catalysts for high land rent level.
- BSC maintains the OUTPERFORM rating for industrial park sector.

### Connected transportation infrastructure will solve logistic bottleneck and directly support IP sector.

Currently, the ratio of transport costs in Vietnam to GDP of Vietnam is at 20.9%, nearly twice as high as that of developed countries while the world average level is 14%. Accordingly, some factors make high infrastructure cost, including (1) Poor quality of infrastructure, especially road and rail transportation, and (2) Limited infrastructure connection system, lack of consistence.

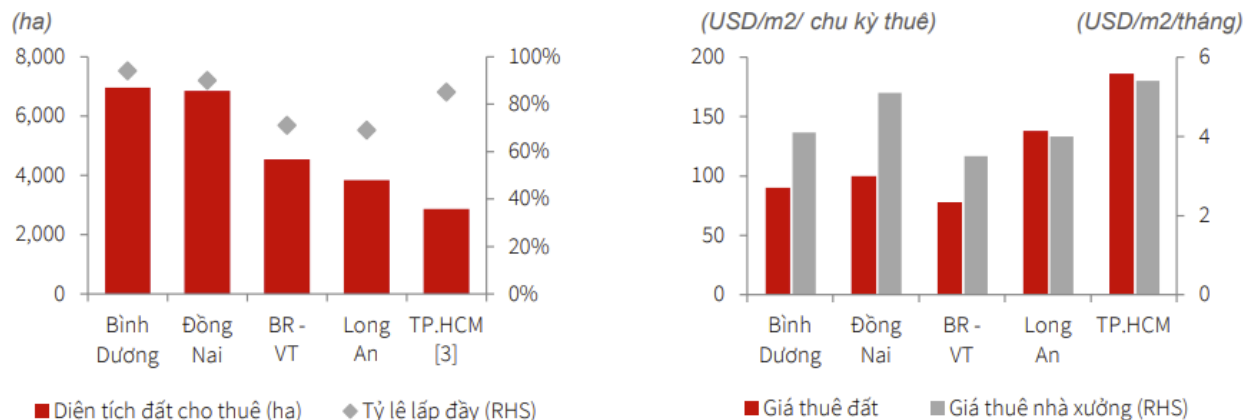
However, these problems will be solved from 2021. The disbursement of public investment in 1Q2021 rose 13% YoY, equivalent to 14.9% plan. We see the effortlessness of the government in the context of holiday and the national election in March. BSC forecasts the disbursement in 2021 to achieve VND485,636bn (101.7% plan in 2021).

**The epidemic is still the biggest barrier leading to the stagnation of the transaction progress in 2h/2021 in the context of high demand.** As we mentioned above, the epidemic has affected the progress of negotiations and fieldwork of foreign businesses. However, we expect that this difficulty will be gradually removed thanks to invested online platforms such as online virtual fields, webinars and improved website experience. Occupancy rate remains high over 74% in the north and 85% in the south.



**Unlocking large landbank and the shift to tier 2-3 provinces.** The connection infrastructure being improved and high occupancy rate in HCMC, Binh Duong, Hai Phong and Bac Ninh province, we believe that the supply will shift to attractive location such as Hung Yen, Hai Duong, Long An, Vung Tau. Therefore,

rent price will gradually increase and catch up the average growth of rent price in key areas. It will be a main driver for the result of the companies possessing IP projects there (LHG, SZC, KBC).



Source: JLL

**Limited supply and strong demand boost rent price.** Average rent price reached 102 USD/m<sup>2</sup>/term (+7.1% YoY), RBF rent price also went up by USD4 – USD5.2/m<sup>2</sup> (2.1% YoY).

#### INVESTMENT VIEWPOINTS – OUTPERFORM

We maintain the **OUTPERFORM** rating for IP sectors because (1) the effective EVFTA Agreement will attract FDI into Vietnam, (2) many MNC plan to leave from China and move to Vietnam, (3) 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 (4) Some businesses solved the legal issues, expanded land funds to meet investors' expectations.

## Steel Sector [Outperform]

Analyst: Nguyen Thi Kieu Hanh

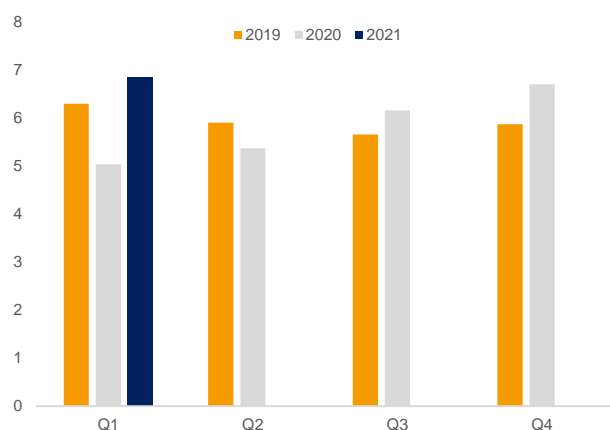
Email: hanhntk@bsc.com.vn

- Steel industry has had a sublimation period which total 1Q2021 output is equivalent to 105% vs 1Q2019 output. The recovery mainly came from export market and flat steel market.
- The price of iron and steel products is expected to keep the strong uptrend in 2H2021.
- BSC maintains **OUTPERFORM** rating for steel sector in 2021.

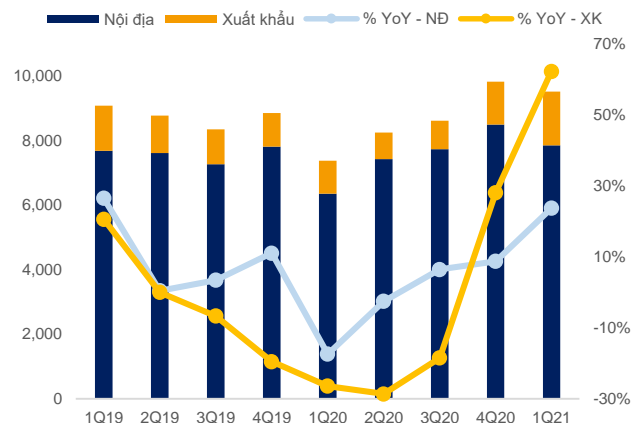
**Steel industry has had a sublimation period which 1Q2021 sales volume equal to 105% compared to 1Q2019.** The recovery was more clear in the export market and flat steel products.

Total consumption in 1Q2021 reached 6.85mn tons (+2% QoQ, +36% YoY) – the highest level in the past 2 year

Domestic consumption and exports recovered well, these output in 1Q2021 were equivalent to 102% and 119% vs 1Q2019 respectively.



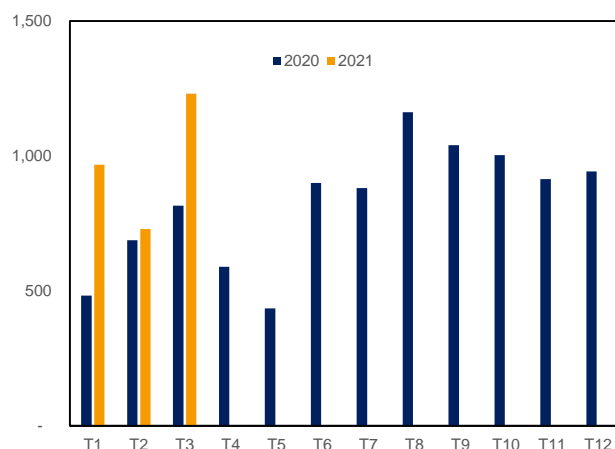
Source: Bloomberg, BSC Research



Source: Bloomberg, BSC Research

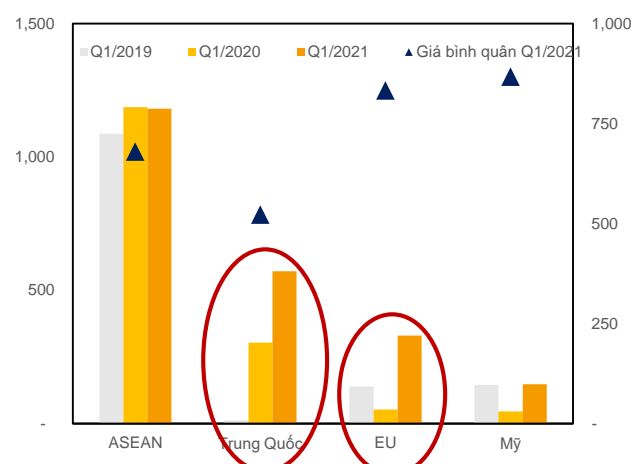
**Iron and steel exports in 1Q2021 reached 2.92mn tons (+47% YoY) with the worth of USD2bn (+86% YoY).** Export volume soared in the EU (x6.2), China (+88% YoY) and US (x3.2) due to the scarcity of supply in these regions and benefits from EVFTA Agreement (effective from 01/08/2020). The average export price in Mar 2021 rose to 731 USD/ton (+31% YoY, +24% YTD) following the general trend all around the world.

**Export volume in Mar 2021 soared by 51% YoY after being suppressed during the holiday month**



Source: Tổng cục hải quan, BSC Research

**Export volume to China and US increased sharply**



Source: Tổng cục hải quan, BSC Research

**Flat steel products contributed most of the growth (HRC +103% YoY, galvanized steel +47% YoY) thanks to the recovery of industrial production in the world.** Meanwhile, construction demand has not returned to pre-epidemic levels due to the negative impact of the epidemic on investment and spending of a part of the population.

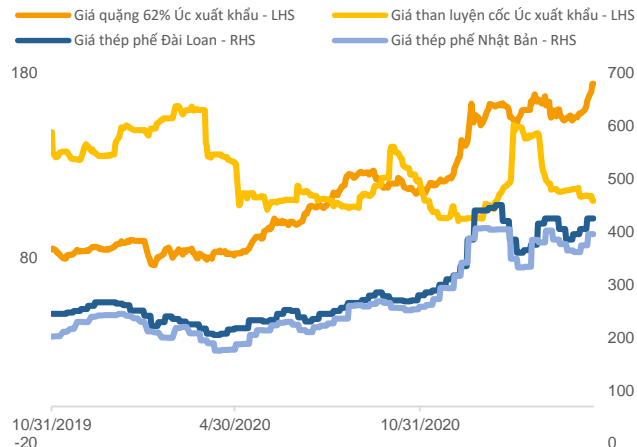
Steel Product (‘000 tons)	1Q2021			Vs 1Q2020			Vs 1Q2019		
	P	C	E	P	C	E	P	C	E
Construction	2,682	2,527	404	8%	10%	5%	5%	-7%	-3%
Pipe	575	609	67	24%	30%	14%	4%	7%	-2%
Galvanised	1,371	1,248	755	39%	47%	134%	33%	41%	93%
HRC	1,718	1,846	321	108%	103%	115%	74%	80%	28%
CRC	1,316	590	126	33%	13%	-5%	36%	7%	-27%
<b>Total</b>	<b>7,664</b>	<b>6,823</b>	<b>1,674</b>	<b>33%</b>	<b>35%</b>	<b>59%</b>	<b>26%</b>	<b>19%</b>	<b>29%</b>

Note: P (production), C (consumption), E (export)

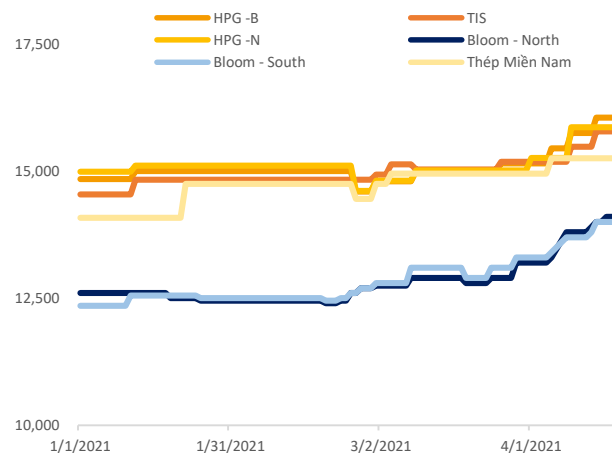
Source: VSA, BSC Research

**Steel price has soared since the beginning of the year.** The strongly-rebounding demand but the decline in supply along with soaring input cost are the main reason that boost global steel price. **Steel prices in the domestic market have increased since March with price adjustments taking place almost weekly.** Construction steel price has increased by 900-1,500 VND/kg (equivalent to +6-10% YTD) to 15,250-16,200 VND/kg. Billet traded in the domestic market around 13,500-13,700 VND/kg (+8 -8.5% YTD). Galvanized steel also increased from 1,500-2,500 VND/kg in 1Q2021.

### Iron ore and scrap steel prices have rose, coal prices stay stable

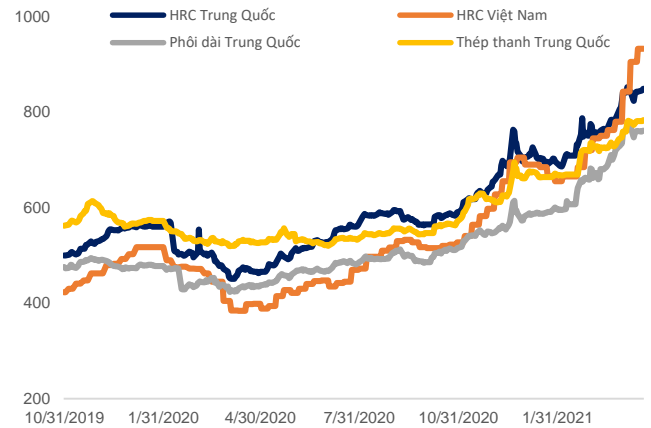


Construction steel price increased continuously from the end of March 2021, currently trading around 16,000 VND/kg

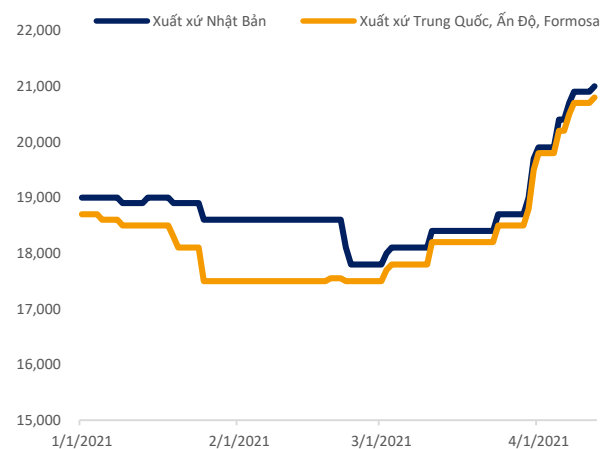


Source: Giathepton.com, BSC Research tổng hợp

### The price of Chinese steel products led the world steel price in the upward momentum.



HRC price continuously increased from mid-March 2021



Source: Giathepton.com, BSC Research tổng hợp

### Steel enterprises reported robust results in 1Q2021, especially galvanized steel enterprises.

	Products	1Q2021 Rev (VND bn)	% YoY	1Q2021 NPAT (VND bn)	% YoY
HPG	Billet and construction steel, pipe, galvanized sheet, HRC	31,000	59%	7,000	200%
HSG	Galvanized sheet, steel pipe	10,841	87%	834	315%
NKG	Galvanized sheet, steel pipe	4,861	98%	319	668%
SMC	Trading and processing flat steel	5,070	47%	216	1390%
TIS	Billet and construction steel	3,006	39%	44	843%
TLH	Construction steel	979	4%	120	2900%

Source: BCTC DN, BSC Research



## INVESTMENT VIEWPOINTS – OUTPERFORM

Given strong growth in demand and tightened supply in China, BSC believe the upward trend in steel price will be kept. BSC assesses steel companies still are main beneficiaries from soaring ASP, improved profit margin. (Refer to [The Steel Industry Update Report dated 05/04/2021](#))

Ticker	2021 Rev (VND bn)	% yoy	2021 NPAT (VND bn)	% yoy	EPS 2021	P/E fw	P/B fw	ROA 2021	ROE 2021	Price 23/04/21	Target price	Upside
HPG	131,948	46%	25,159	86%	7,471	7.5	2.7	17.6%	36.9%	56,400	73,500	33.7%
HSG	39,762	44%	2,347	104%	5,075	5.9	1.5	11.6%	30.4%	30,150	45,600	51.5%
NKG	16,513	43%	843	185%	4,787	5.3	1.2	10.2%	23.6%	25,250	38,200	51.7%
SMC	19,911	27%	616	101%	10,100	3.3	12.1	8%	29%	31,780	45,810	44%

Source: BSC Research

## Plastic Sector [Neutral]

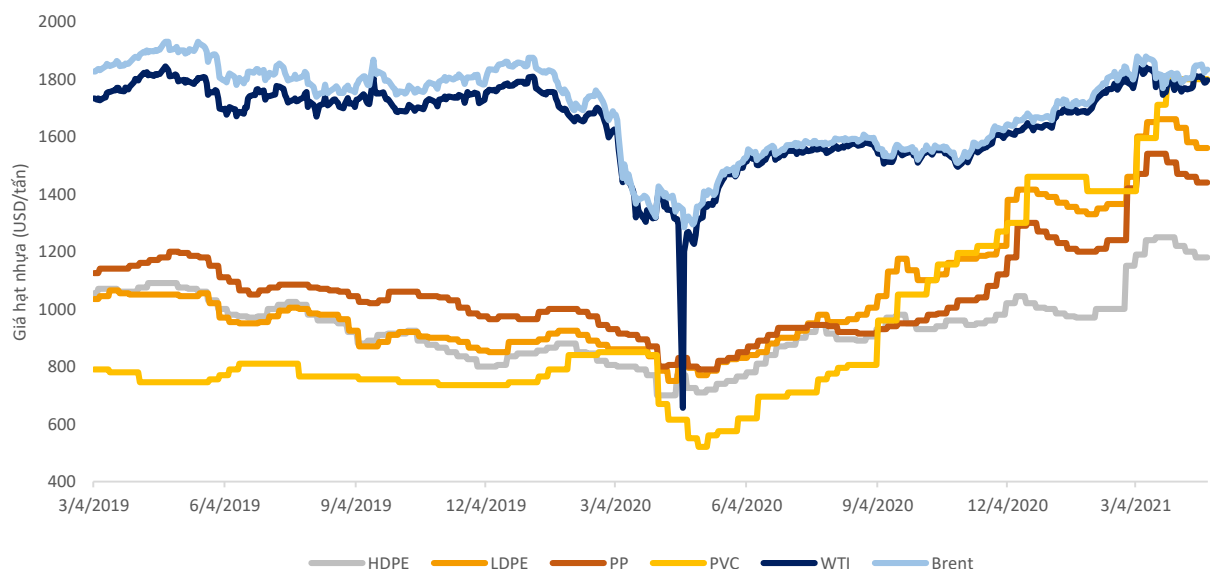
Analyst: Nguyen Thi Kieu Hanh

Email: hanhntk@bsc.com.vn

- Plastic resin prices shot up in 1Q2021: HDPE +30% YoY, PP +38% YoY, PVC +50-80% YoY
- 2Q2021 result of plastic companies (especially construction plastic group) will be negative and reflect the soaring input cost in 1Q2021. However, the situation will be better from 2H2021 because input cost is expected to decline.
- BSC maintains NEUTRAL rating for Plastic sector in 2021

**Plastic resin prices shot up in 1Q2021: HDPE +30% YoY, PP +38% YoY, PVC +50-80% YoY.** The main reasons were (1) supply shortage due to subjective causes (factories in the maintenance period) and objective causes (the impact of storms in the US, technical problems and the shortage of upstream supply from oil refineries, ...) and (2) strongly-recovered demand when the pandemic to be put under control in many nations.

Prices of plastic resins is forecasted to adjust to the level of 2017 when oil price is equivalent to the current level of USD50



Source: Bloomberg, BSC Research

However, the sharp increase in input cost has not fully reflected in the 1Q2021 results because the plastic enterprises still have low-priced inventory in stock from 4Q2020. Some plastics companies registered preliminary 1Q2021 results: NTP's PBT at the level of VND150bn (+77% YoY) ([Link](#)), BMP's NPAT of VND84bn (-18% YoY) ([Link](#)), AAA's NPAT of VND89bn (+41% YoY).

**BSC assesses that Q2/2021 business results of plastic enterprises (especially construction plastic group) will decrease significantly** because it reflects the high cost of plastic resin inventory in Q1/2021. Despite the strong increase of PVC, plastic pipe enterprises such as BMP and NTP increased their selling prices, but could not fully offset the increased COGS. **BSC also believes that business results from 2H2021 will be improved** because the supply of plastic resins is forecasted to increase when factories in Asia to end their maintenance period and new supply from China to come online, helping to reduce the price of plastic resins in 2H2021.

**INVESTMENT VIEWPOINTS - NEUTRAL**

We maintain our NEUTRAL rating for Plastic sector as (1) low growth rate of the sector and (2) soaring input cost.

Ticker	2021 Rev (VND bn)	% yoy	2021 NPAT (VND bn)	% yoy	EPS 2021 (đ/cp)	P/E fw	P/B fw	ROA 2021	ROE 2021	Price 23/04/21	Target price	Upside
<b>BMP</b>	5,774	23%	472	-9.7%	5,693	10.3	1.8	14.7%	18.4%	58,800	67,422	14.7%
<b>NTP</b>	5,076	13%	406	-9.1%	3,100	11.3	1.4	10.3%	14.9%	30,150	N/A	

Source: BSC Research

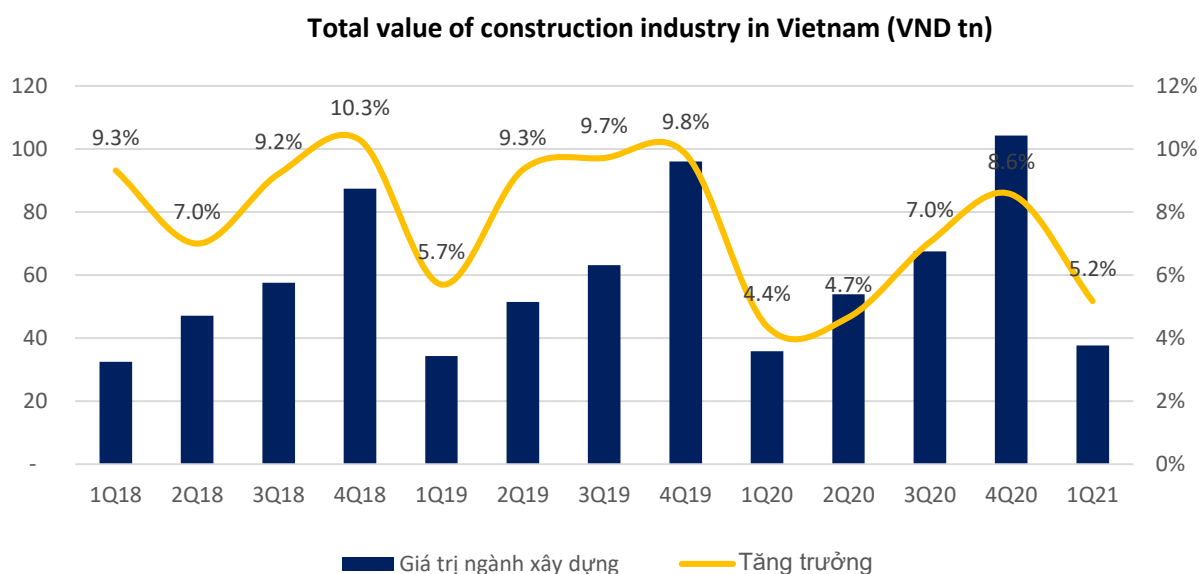
## Construction Sector [Neutral]

Analyst: Ma Tuan Minh Hien

Email: Hienmtm@bsc.com.vn

- Total value of construction industry grew +5.2% YoY in 1Q2021.
- The risk of soaring input cost weighs on construction companies in 1H2021.
- BSC maintain the NEUTRAL recommendation on Construction sector in 2Q2021.

**Total value of construction industry increased +5.2% YoY in 1Q2021.** Per our estimate, Vietnamese construction industry value reached VND37,690bn (+5.2% YoY) equivalent to 3.17% GDP. 1Q2021 growth rate of construction industry is higher than the same period (4.4%). According to Fitch Solution, medium-term growth rate will be 6-7% thanks to the disbursement plan for infrastructure investment (North-South Expressway, Ring Road, Long Thanh International Airport...)



Nguồn: GSO.

**The risk of soaring construction material cost weighs on construction companies in 1H2021.** According to Vietnam Association of Construction Contractors (VACC), soaring construction materials price especially steel prices up by 30-40% QoQ affected the profit of the industry, which already has the low GPM of 4-6%. Currently, the upward trend in construction material prices will remain high until 2Q2021, so BSC notes that investors should be cautious when investing in the construction industry in 1H2021.

### INVESTMENT VIEWPOINTS – NEUTRAL

**BSC maintains the Neutral recommendation for the construction industry in 2Q2021.** As in the previous recommendation in 1Q2021, we note that (1) Infrastructure construction will continue to grow in line with the trend of public infrastructure investment; (2) Civil construction will be delayed more than 6 months to 1 year after the infrastructure to be completed and the approval process to be eased (3) Gross profit margin will decrease in 1H2021 and needs more follow-up the price trend of construction materials in 2H2021. Construction enterprises with good financial structure need to make provisions for these risks.

Ticker	2021F Rev (VND bn)	% YoY	2021F NPAT (VND bn)	% YoY	EPS 202F1 (VND/share)	P/E fw	P/B fw	Price 23/04/2020	Target price
C4G	1,010	0.6%	238	54%	1,528	6.6	4.2	10,100	12,890

Source: BSC Research

## Cement Sector [Neutral]

Analyst: Nguyen Thi Kieu Hanh

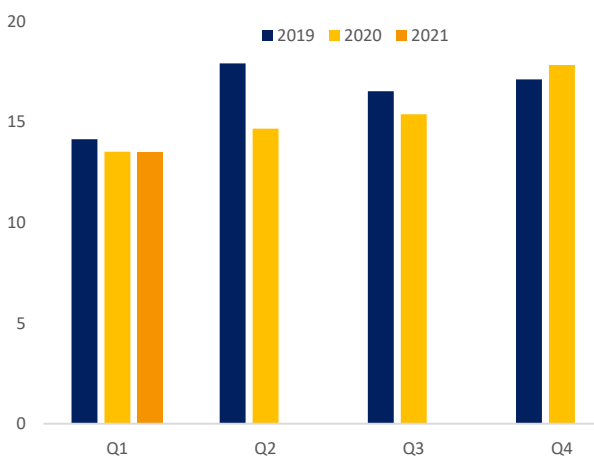
Email: hanhntk@bsc.com.vn

- Cement & clinker consumption in 1Q2021 reached 24mn tons (+12% YoY), in which domestic consumption was unchanged and export was up +38% YoY. BSC believes that the consumption in 2Q2021 will be more positive due to the peak season of construction activities.
- Domestic selling price stayed stable in 1Q2021 while export price was in the downtrend. However, many companies raised their ASP in April 2021.
- BSC recommends **NEUTRAL** rating for cement industry in 2021.

### Cement & clinker consumption in 1Q2021 reached 24mn tons (+12% YoY).

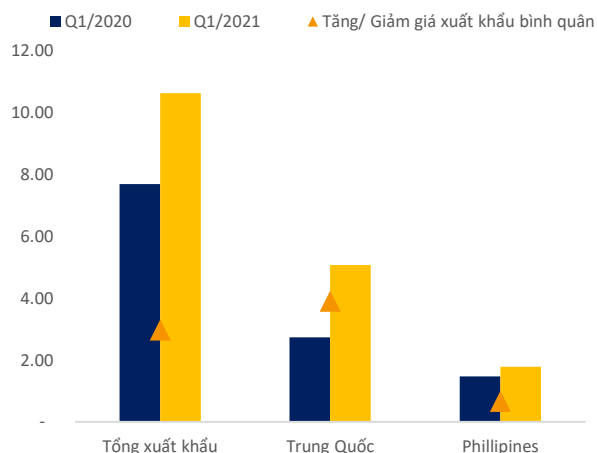
- **Domestic consumption remained 13.48mn tons** because Q1 is usually a low consumption period and in 2M2021 many localities had to experience social distancing to prevent the epidemics, thus affecting construction demand. BSC forecasts that consumption will be better from Q2/2021 in the context that the epidemic is under control, real estate and construction projects are in the construction phase, especially infrastructure investment projects to be promoted after the Party Congress.
- **Export volume reached about 10.6 million tons (+38% YoY).** Exporting to China witnessed strong growth of 85% YoY, accounting for nearly 50% of Vietnam's total cement product exports.

Domestic consumption equal to the same period



Source: ximang.vn, FiinPro, BSC Research

Export volume to China increased +85% YoY, Philippines +21.2% YoY



Source: GDVC, BSC Research

**Domestic selling price stayed stable in 1Q2021** while export price was in the downtrend (the average decrease level of -5% YoY). Facing the increasing price of many construction materials such as coal, gasoline, freight, ... some cement companies (concentrated in the North and North Central region) raised their ASP by VND30,000-40,000 per ton in April 2021. Current ASP is around VND1.2-1.3mn per ton in the North and VND1.5-1.6mn per ton in the South.

### INVESTMENT VIEWPOINTS - NEUTRAL

BSC assesses that the good demand in 2Q2021 – the peak season along with low coal cost will help cement companies have better business results.

Ticker	2021 Rev (VND bn)	% yoy	2021 NPAT (VND bn)	% yoy	EPS 2021 (VND/ share)	P/E fw	P/B fw	ROA 2021	ROE 2021	Price 23/04/21	Target price	Upside
<b>HT1</b>	8,803	10.6%	811	31.6%	1,912	8.8	1.1	7.8%	14.1%	16,900	19,700	23.4%

Source: BSC Research dự báo

### Khuyến cáo sử dụng

Bản báo cáo này của Công ty Cổ phần Chứng khoán Ngân hàng Đầu tư và phát triển Việt Nam (BSC), chỉ cung cấp những thông tin chung và phân tích doanh nghiệp. Báo cáo này không được xây dựng để cung cấp theo yêu cầu của bất kỳ tổ chức hay cá nhân riêng lẻ nào hoặc các quyết định mua bán, nắm giữ chứng khoán. Nhà đầu tư chỉ nên sử dụng các thông tin, phân tích, bình luận của Bản báo cáo như là nguồn tham khảo trước khi đưa ra những quyết định đầu tư cho riêng mình. Mọi thông tin, nhận định và dự báo và quan điểm trong báo cáo này được dựa trên những nguồn dữ liệu đáng tin cậy. Tuy nhiên Công ty Cổ phần Chứng khoán Ngân hàng đầu tư và phát triển Việt Nam (BSC) không đảm bảo rằng các nguồn thông tin này là hoàn toàn chính xác và không chịu bất kỳ một trách nhiệm nào đối với tính chính xác của những thông tin được đề cập đến trong báo cáo này, cũng như không chịu trách nhiệm về những thiệt hại đối với việc sử dụng toàn bộ hay một phần nội dung của bản báo cáo này. Mọi quan điểm cũng như nhận định được đề cập trong báo cáo này dựa trên sự cân nhắc cẩn trọng, công minh và hợp lý nhất trong hiện tại. Tuy nhiên những quan điểm, nhận định này có thể thay đổi mà không cần báo trước. Bản báo cáo này có bản quyền và là tài sản của Công ty Cổ phần Chứng khoán Ngân hàng Đầu tư và Phát triển Việt Nam (BSC). Mọi hành vi sao chép, sửa đổi, in ấn mà không có sự đồng ý của BSC đều trái luật. Bất kỳ nội dung nào của tài liệu này cũng không được (i) sao chụp hay nhân bản ở bất kỳ hình thức hay phương thức nào hoặc (ii) được cung cấp nếu không được sự chấp thuận của Công ty Cổ phần Chứng khoán BIDV.

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