



VIETNAM SECTOR OUTLOOK 2022

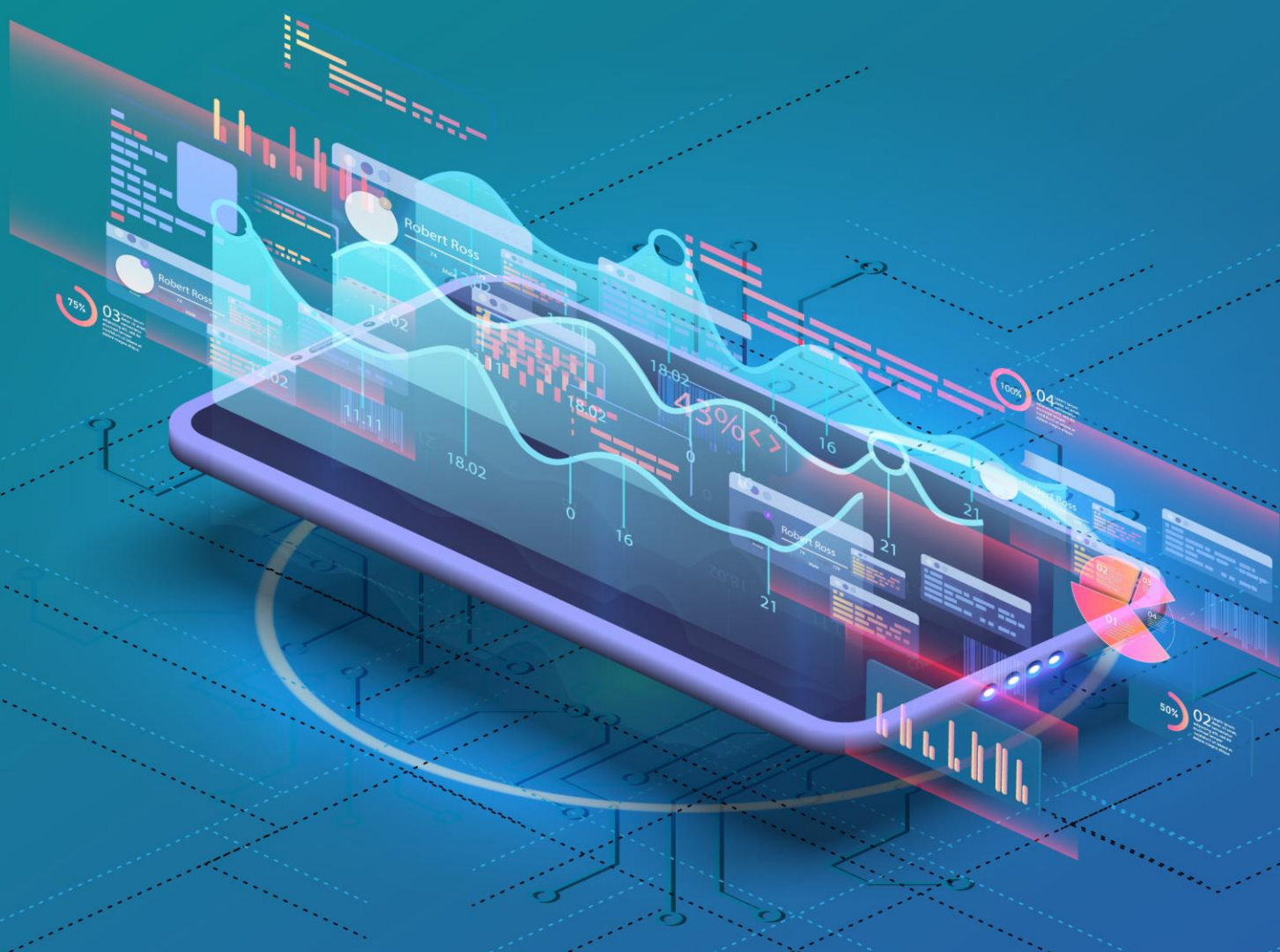


Table of Contents

Table of Contents	2
1. Market Outlook in 2022	3
2. Business cycle and industry valuation acceptance	12
3. Policies and events that may affect sector performance in 2022	13
4. Sector Outlook 2022	15
5. Summary of stock recommendations of 2022	20
6. Some influences from macro factors	22
7. Event Calendar	23
I/ Promote public investment - infrastructure and attract FDI	24
Commercial Real Estate Industry [Outperform]	27
Industrial Park Real Estate Industry [Outperform]	31
Construction Industry [Outperform]	34
Construction Stone Industry [Outperform]	36
Seaport Industry [Outperform]	40
Steel Industry [Neutral]	42
II/ Post- Covid19 Economic Recovery	46
Information Communication Technology (ICT - P&T) [Outperform]	47
Banking Industry [Outperform]	49
Oil and Gas Industry [Outperform]	55
Textiles Industry [Outperform]	53
Retail and Consumer products Industry [Outperform]	55
Fisheries Industry [Outperform]	59
Rubber and Tires Industry [Outperform]	60
Insurance Industry [Neutral]	63
Electricity Industry [Neutral]	66
Fertilizer Industry [Neutral]	71
Aviation Industry [Neutral]	74

1. Market Outlook in 2022

Over the years, BSC has regularly updated our views on financial and securities topics to assist investors in seizing effective investment opportunities. The year 2022 has set an important premise for assessing the internal strength and resilience of Vietnam's economy after going through a period full of adversity due to the Covid-19 epidemic. To mark this new milestone with a promising future, 2021 has closed with many optimistic events such as:

- (1) National vaccination rate reached a high level, Vietnam is currently one of the 6 countries with the highest vaccination coverage rate in the world. As of January 11, 2022, the coverage rate of 2-dose vaccine is 92.6% of the population, the number of 3-dose vaccines is about 11.8% of the population, with a vaccination capacity of about 1.1 million doses/day.
- (2) Manufacturing business activity recovered relatively well with PMI gradually recovering above 52 points in November and December 2021.
- (3) The economic recovery support package with great value was approved.

2022: Vietnam – “The new Asian Tiger”. ([More details in BSC Vietnam Macro Market Outlook 2022](#))

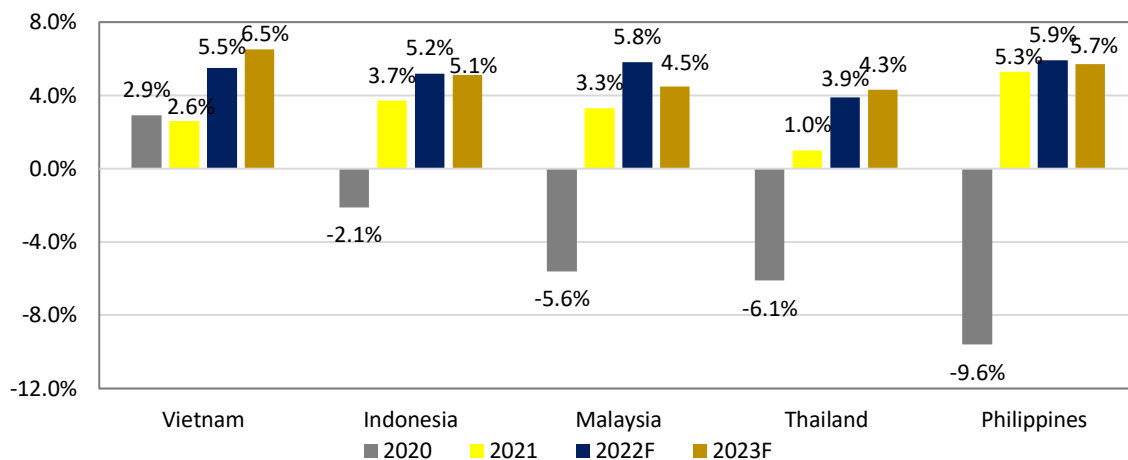
- A high rate of vaccine coverage is a solid basis for Vietnam to transform into "Living with Covid" orientation instead of "Zero Covid" strategy, helping to ensure uninterrupted production.
- GDP growth recovered strongly, forecasted under 2 scenarios will reach 6.6% and 6.0% for 2022 and 7.0% and 6.7% for 2023.
- Policies to support the economy continue to be revised: (1) fiscal policy to stimulate the macroeconomy, (2) Credit growth is expected to reach 14%, (3) Disbursement of state public investment capital reached 462.3 trillion VND.
- The stock market will still be an investment channel to strongly attract domestic capital flows with the support of low interest rates.

In 2021, BSC has released in-depth analysis articles on important market players that will have a long-term impact on Vietnam's stock market, including (1) [Commercial relationship between the USA and Viet Nam](#), (2) [Commodities price & Stock market 2021](#), (3) [Social distance incoming end, recovery potential](#),...

For 2022, BSC gives a POSITIVE view on the market in general, however, it should also be noted that the degree of "divergence" will be much larger than in 2021. Therefore, we believe that a thorough consideration in stockpicking and risk management principles will be the proper guidelines for investors to address the upcoming challenges of 2022. In this report, BSC will also present a number of factors and investment theses that may affect the financial market in 2022. BSC believes that these topics will not only take place in 2021-2022, but will also a key topic throughout the period of 2023-2025.

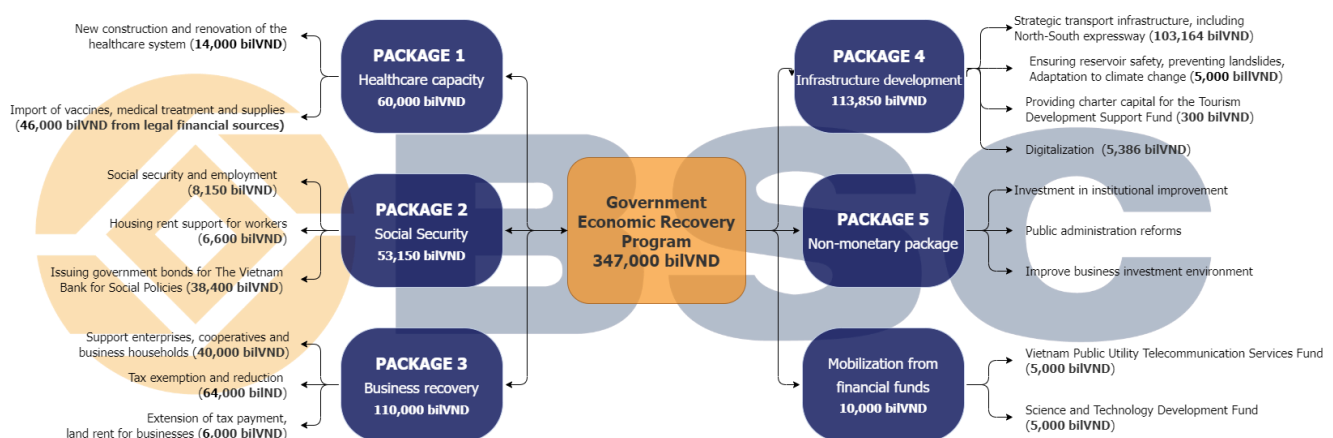
Firstly, BSC forecasts that economic growth will return to 6.6% in the basic scenario, leading to the recovery of economic sectors. PMI in November and December both remained above the threshold of 52 points, the main components such as output and the number of new orders increased strongly, showing that the recovery signal is maintained. The high rate of vaccine coverage as mentioned above will be one of the supporting factors to help production and business activities continue operate without the risk of supply chain disruption. According to the World Bank's forecast, Vietnam still maintains its performance as the country with the highest GDP growth in the next two years compared to other countries in

Southeast Asia. Accordingly, consumer confidence and purchasing power gradually recovered, and the expansion of the middle class was the driving force for the optimistic outlook of retail sector.

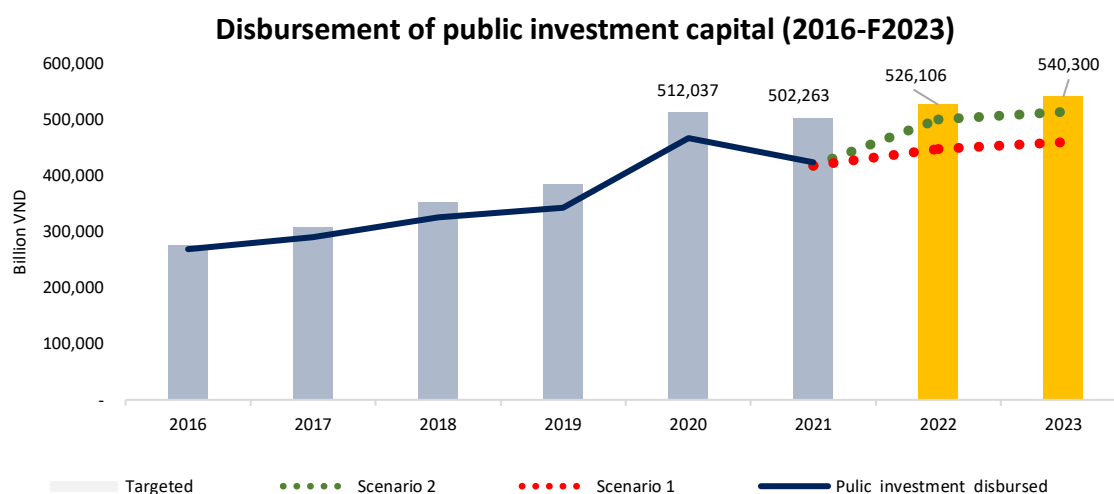


Source: World Bank

Second, the upcoming economic stimulus package, especially the public investment package, will be the framework for the government's economic recovery plan in the period 2022-2023. The total value of this economic stimulus package is estimated at 347,000 billion VND, equivalent to about 4.1% of GDP, of which the infrastructure investment package accounts for 1.3% of GDP. According to BSC Research, even though the scale of the economic stimulus program is not too large compared to that of developed countries (~25% GDP) or Southeast Asian countries (~15% GDP), the golden key to achieving optimal efficiency lies in the fast disbursement speed. This can motivate businesses to overcome production difficulties, thereby indirectly affecting the speed of economic recovery. Specifically, this program is divided into several packages as follows:



Source: BSC Research, GSO



Source: BSC Research, GSO, FiinPro

Total value of public investment plan (billion VND)	2016	2017	2018	2019	2020	2021	2022FC	2023FC
	274,561	307,661	352,017	383,336	512,037	502,263	526,106	540,300
% process of the 12 month plan							S1	S2
Total	97.83	94.41	92.3	89.46	91.13	84.3	85	95
Center	95.33	91.13	89.94	85.29	91.42	81.2	85	95
Local		95.38	92.84	90.25	91.06	85.0	85	95
Growth over the same period (%)							S1	S2
Total	15.09	7.23	12.52	5.81	34.45	-8.60	7.2	19.8
Center	14.89	3.91	-6.14	-12.03	59.69	-8.25	8.0	20.2
Local	15.15	8.21	17.75	9.78	29.95	-8.68	7.1	19.7

Source: BSC Research, GSO

According to GSO estimation, the state budget disbursement progress in 2021 recorded an expected decrease of about 8.6% over the same period, accounted of 84.3% compared to the plan. However, BSC noted that the disbursement of public investment capital slowed down significantly in Q3/2021 due to the strong outbreak of the 4th wave of Covid-19 epidemic in the southern provinces. BSC forecasts the total disbursement of public investment will reach VND 526.106 billion (+4.7% compared to 2021) and VND 540,300 billion (+3.6% YoY). The highlight that we expect is that the disbursement rate of public investment will return to >90% thanks to the determination and attainable policy from the government.

According to the statistics compiled by BSC, the public investment plan, worth about 389 trillion VND, will focus on building (1) inter-regional transport infrastructure; (2) gateways connecting essential industrial zones and seaports. This will help solve the "infrastructure traffic" bottleneck, which has been a weakness in recent years when it has failed to keep up with the pace of urbanization. Accordingly, logistics costs as well as the general cost of the economy will be significantly reduced, Vietnam will attract more FDI and seize the opportunity to become the "hub" of Southeast Asia & Asia as the whole in the context of shifting production chains away from China.

Table: Key infrastructure investment projects

No.	Project	Investment	Source from state budget	Capital		Planned capital allocation for Recovery Package		Total expenditure on infrastructure development
				Medium-term public investment, state budget, 2021-2025	Recovery package, state budget or the 2022-2023	2022	2023	
	East North - South Express (phase 1)	97,288	83,635	60,668				60,668
	Mai Son - Highway 45	12,111	12,111	9,415				
	Highway 45- Nghi Son	5,534	5,534	4,397				
	Nghi Son - Dien Chau	7,293	7,293	6,032				
	Dien Chau - Bai Vot Beach	13,338	6,618	5,379				
	Cam Lo - La Son	7,669	7,669	4,677				
	Nha Trang - Cam Lam	7,615	5,058	2,232				
	Cam Lam - Vinh Hao	13,687	9,311	5,625				
	Vinh Hao - Phan Thiet section	10,854	10,854	8,830				
	Phan Thiet - Oil of seconds	12,577	12,577	9,602				
	My Thuan 2 Bridge and the path at both ends of the bridge	5,003	5,003	3,837				
	Cao Bo - Mai Son	1,607	1,607	642				
	Compensation and resettlement at Long Thanh airport			4,660				4,660
A	Highway Road	273,973	262,969	74,251	92,634	5,334	87,300	166,885
1	East North - South Expressway (phase 2)	146,990	146,990	47,169	72,476	2,051	70,425	119,645
1.1	Ham Nghi Vot Beach	7,403	7,403					
1.2	Ham Nghi - Vung Ang	10,185	10,185					
1.3	Vung Ang - Bung	11,785	11,785					
1.4	Bung - Van Ninh	10,526	10,526					
1.5	Van Ninh - Cam Lo	10,591	10,591					
1.6	Quang Ngai - Hoai Nhon	20,898	20,898					
1.7	Hoai Nhon - Quy Nhon	12,544	12,544					
1.8	Quy Nhon - Chi Thanh	12,298	12,298					
1.9	Chi Thanh - Van Phong	10,601	10,601					
1.1	Van Phong - Nha Trang	12,906	12,906					
1.11	Can Tho - Hau Giang	9,768	9,768					
1.12	Hau Giang - Ca Mau	17,485	17,485					
2	Expressway Bien Hoa - Vung Tau	18,635	18,635	5,740	3,500	37	3,463	9,240
3	Expressway route An Huu (Tien Giang) - Cao Lanh (Dong Thap)	6,054	6,054	1,864	1,204	12	1,192	3,068
4	Chau Doc - Can Tho - Soc Trang - Tran De	49,745	49,745	14,247	3,800	99	3,701	18,047
5	Khanh Hoa - Buon Ma Thuot Expressway	17,435	17,435	5,231	2,320	35	2,285	7,551
6	Tuyen Quang - Ha Giang Expressway	6,264	4,800	-	3,584	1,000	2,584	3,584
7	Hoa Binh - Moc Chau expressway project	9,770	9,770	-	4,650	2,000	2,650	4,650
8	Ninh Binh - Nam Dinh - Thai Binh - Hai Phong Expressway	19,080	9,540	-	1,100	100	1,000	1,100
B	Traffic project, connecting to gateways, regions, industrial zones, seaports	18,554	15,786	2,412	10,530	2,316	8,214	12,942
1	Dai Ngai Bridge - Highway 60	8,040	8,040	2,412	4,130	16	4,114	6,542
2	Route connecting QL1A - Cau Gie - QL21A - QL21B, HN-HP expressway	4,950	3,000	-	2,500	800	1,700	2,500
3	Provincial road DT.295C, DT.285B, DT.277B connecting Bac Ninh, Ha Bac bridge, Ring 4	1,495	1,000	-	900	300	600	900
4	National Highway 12C connects Fomosa Ha Tinh complex	669	500	-	500	200	300	500
5	Upgrading National Highway 4B	3,400	3,246	-	2,500	1,000	1,500	2,500
	Total	389,815	362,390	141,991	103,164	7,650	95,514	245,155

Source: BSC Research

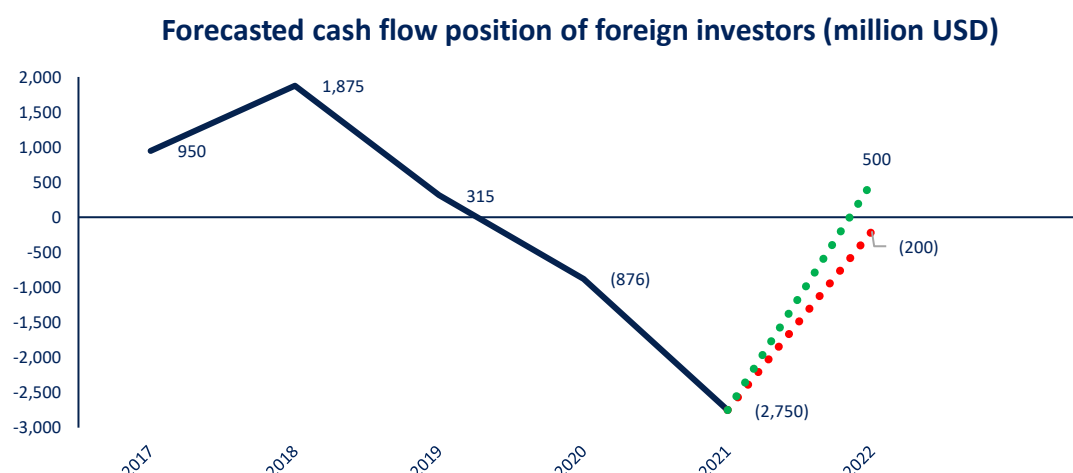
Industry groups that are expected to benefit directly from BSC include **CONSTRUCTION** and **CONSTRUCTION MATERIALS**. We believe that the accelerated investment of transport infrastructure will solve the transportation bottleneck. Therefore, groups of **COMMERCIAL REAL ESTATE**, **INDUSTRIAL ZONES**, and **SEAPORTS** can benefit indirectly.

Third, foreign capital inflows will reverse the trend of net selling in 2021 thanks to the opportunity to upgrade the market in 2024. 2021 is considered an important foundation for a new development phase. The amended Securities Law, the Enterprise Law 2020 and the Investment Law 2020 were approved to create a legal corridor to support the restructuring as well as improve the quality of the stock market. Particularly in 2022, new products are expected to be officially deployed such as: (1) New trading system, (2) T+0 trading, (3) Single-stock futures and VNX 200, (3) Depositary Receipts. According to BSC's expected roadmap, the Vietnamese market will be added to MSCI's watch list after the June 2023 evaluation and is likely to officially upgrade in 2024.

Accordingly, BSC expects that foreign cash flows will return to abundance, contributing to bringing the Vietnamese market to a higher milestone. This will be catalyzed by (1) the anticipation of the above MSCI event and (2) the attractive correlation between corporate earnings growth and valuation to the Vietnamese market.

PERIOD: 2022-2025





Source: FiinPro, BSC Research

Fourth, divestment of state capital is expected to be more active in 2022 after two quiet years. Equitization activities and the progress of state capital divestment through 2020 and 2021 have slowed down. In 2021, the number of enterprises that have not been equitized is 89 enterprises, the total value of divestment is 4,402 billion VND. We believe that the government will accelerate divestment in 2022, which will also help the government have more revenue to support capital for disbursement of public investment projects in the period of 2023-2025. Some companies have a high possibility of divestment in 2022: BMI, FPT, SAB, NTP with a total divestment value of about 1.7 billion USD.

List of divestments of some notable listed companies (unit: billion dong)

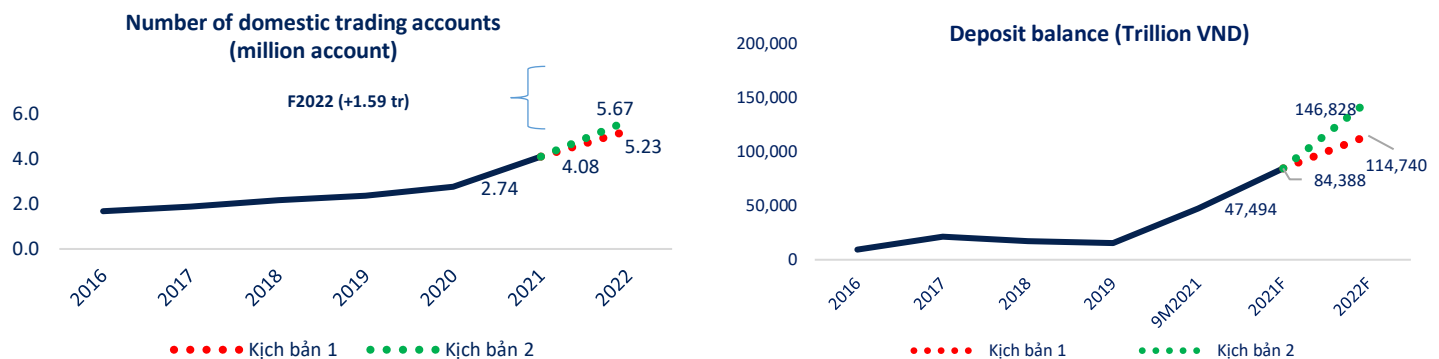
No.	Company name	Ticker	Authorized capital	State Capital	Ratio (%)	State Market Capitalization	Share price Jan 18, 2022
1	Song Da Corporation - JSC	SJG	4,495	4,486	99.79%	121,120,950	27,000
2	Vietnam Textile and Garment Group (Vinatex)	VGT	5,000	2,674	53.49%	63,917,706	23,900
3	Saigon Beer - Alcohol - Beverage Joint Stock Corporation	SAB	6,413	2,309	36.00%	348,623,587	151,000
4	Vietnam Fisheries Corporation – JSC*	SEA	1,250	792	63.38%	34,464,180	43,500
5	Bao Viet Group	BVH	7,423	222	2.98%	11,431,670	51,600
6	Construction Materials Corporation No. 1 - JSC	FIC	1,270	509	40.08%	16,033,532	31,500
7	Bao Minh Joint Stock Corporation*	BMI	914	463	50.70%	18,526,939	40,000
8	FPT Corporation*	FPT	7,763	460	5.93%	40,543,000	88,100
9	Tien Phong Youth Plastic Joint Stock Company	NTP	1,178	437	37.10%	28,410,040	65,000
Total						683,071,604	

Source: SCIC, BSC Research

In addition, we also brought out a few more notable factors this year:

The flow of individual investors will continue to be the leading factor in Vietnam's stock market in 2022. The year 2021 marks a new record with the number of newly opened accounts reaching more than 1.5 million new accounts, 1.5 times higher than that of 2016-2020 period. **BSC believes that the above trend**

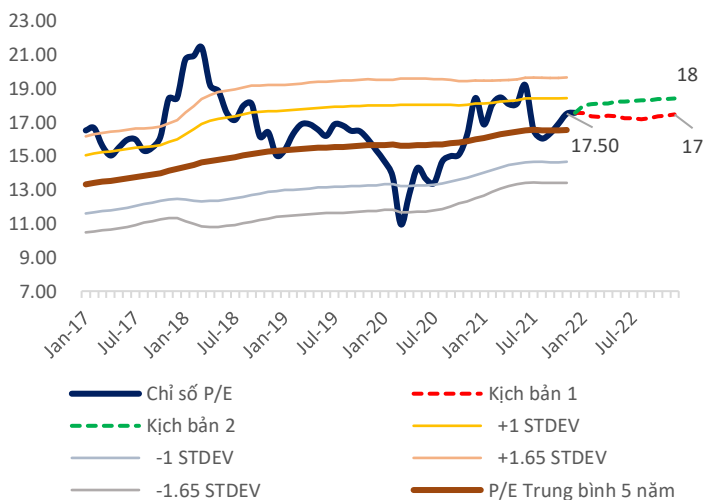
will continue in the medium and long term and the potential from the market is still very large, as well as the trend of shifting investment to the stock market is only at the beginning stage. This happened in another Asian tiger economy 20-30 years ago when GDP per capita approached \$4,000.



Source: VSD, FiinPro, BSC Research

However, the "cheap money" cycle seems to have ended, BSC believes that the interest rate environment can remain at a low level and then gradually inched up under the pressure of 3 times the Fed's interest rate hikes. With Vietnam's inflation still at a fairly stable level in the context of slowing economic growth, SBV will have more motivation to maintain the policy. However, the information that the Fed is expected to raise interest rates three times from 0% - 0.25% to 0.75% - 1% in 2022 will also create interest rate pressure on the SBV. Therefore, we believe that the ease of cash flow in 2021 will no longer exist, and the stock market will witness a clear differentiation. The ability of stockpicking will be a key factor in investor performance.

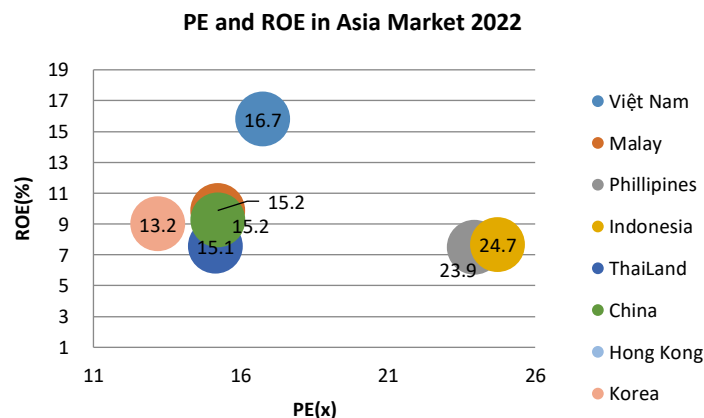
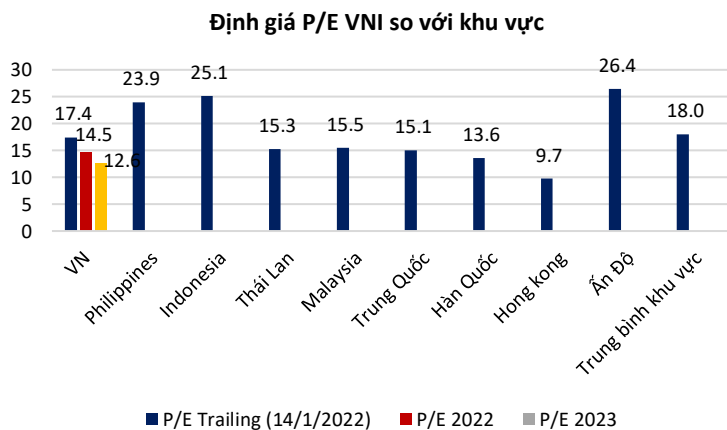
The growth in profit after tax (NPAT) of companies on the BSC watchlist is estimated to increase by 21% over the same period, which will be the driving force for the stock market to conquer new milestones. BSC assesses the above growth as relatively positive based on the high growth base in 2021 (estimated NPAT in 2021 is up 45% YoY). BSC's growth forecast is based on more than 60 stocks accounting for 72% of VNIndex's total NPAT and 61% of total market capitalization. With a less optimistic scenario (a strong outbreak of the epidemic causes disruption to production), NPAT in 2022 is expected to grow at 14% YoY. Accordingly, after deducting the average dilution rate for the period 2019-2022 of 5%, BSC forecasted EPS growth of 16.5%. Profit growth is forecasted to come from the general recovery of economic sectors with the main contributions coming from (1) Banking, (2) Real Estate, (3) Industry, (4) Oil and Gas (5) Consumer Services. Accordingly, as of January 18, 2022, VN-Index is trading with a forecast PE in 2022 = 14.5 times. BSC forecasts that VN-Index under the positive scenario will reach 1,782 points by the end of 2022. ([More details in BSC Vietnam Macro Market Outlook 2022](#))



Net profit growth (%)		Basic scenario	Negative Scenario
Sector	2021F	2022F	2022F
Information Technology – Telecommunications	19%	22%	18%
Banking	22%	27%	21%
Food & Beverages	1%	-7%	-10%
Retail	25%	29%	22%
Real estate	32%	20%	14%
Construction materials	118%	-3%	-11%
Oil and Gas	153%	23%	13%
Utilities	-5%	31%	27%
Aviation	-59%	165%	157%
Seaport	31%	24%	18%
Export	47%	25%	19%
Total (%)	45%	21%	14%

Source: Bloomberg, BSC Research

Compared to the regional benchmark, in terms of long-term growth potential, the Vietnamese market is still well valued compared to the correlation between the highest operating performance in the region (ROE=16%) and the potential for growth of the whole industry. In addition, with other factors such as (1) the profit of industry groups is expected to recover positively, (2) the macro foundation is stable and (3) the ability to upgrade the market to Emerging Markets, BSC believes that the growth potential of the Vietnamese market is still very open.



Source: Bloomberg, BSC Research

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

	Vietnam		Median		Indonesia		Malaysia		Philippines		Thailand	
	P/E	P/B	P/E	P/B	P/E	P/B	P/E	P/B	P/E	P/B	P/E	P/B
Finance	15.2	1.9	14.2	0.9	18.5	0.9	13.1	1.0	13.8	0.8	14.7	0.9
Consumer goods	16.0	1.5	15.9	1.3	11.3	1.4	15.4	2.2	20.9	1.1	16.4	1.3
Industrial	12.9	1.5	17.6	1.2	16.2	0.9	15.4	0.9	19.7	1.6	19.1	1.4
Oil and Gas	17.0	1.6	11.8	0.9	10.2	0.5	39.4	3.4		0.3	11.8	1.2
Consumer Services	31.8	1.9	20.5	1.4	24.5	1.6	10.3	1.2	32.3	2.7	16.4	1.3
Construction material	13.9	1.2	10.1	1.5	11.1	1.2	16.3	2.3	8.7	1.9	9.1	1.2
Utilities	11.3	1.8	14.0	1.1	10.8	0.9	14.5	0.9	13.4	1.2	16.7	1.2
Technology	26.0	2.8	20.5	2.8	21.1	3.3	n/a	n/a	n/a	n/a	19.9	2.2
Health	14.1	2.3	17.7	2.5	14.7	2.1	33.1	2.5	n/a	n/a	17.7	3.3
Telecommunication	20.1	4.8	22.1	3.0	17.9	2.0	22.1	3.9	22.1	3.9	26.0	1.6

Source: Bloomberg, BSC Research

2. Business cycle and industry valuation acceptance

In the period of 2020-2021, macroeconomic instability factors caused by the Covid-19 epidemic have had a significant impact on determining the economic cycle. These factors include (1) Supply chain disruption, (2) Commercial activity stagnation, (3) SME dissolution and high unemployment rate, and (4) negative expected global GDP. Up to now, the epidemic has had a great negative impact on economic growth, especially in Q2 and Q3/2021, however, production growth has gradually recovered in the context that inflation is currently under control. Therefore, BSC considers that the above recession level has been limited to a low level, and Vietnam's current economic indicators suggest that **the country is in the early stages of recovery (initial recovery)**. This is typified by signs such as stock prices starting to rise, long-term deposit rates tending to bottom out, and short-term interest rates currently at a low base. The government has also begun implementing stimulus packages to facilitate these events.

Cycle	Inflation	Economic Policy	Market signs
Initial Restoration (Initial Recovery)	Reduce inflation	Arouse	Short-term interest rates are low or falling Long-term interest rates hit the bottom and top of bond prices Stock prices start to rise
Money growth (Early Upswing)	Low inflation Good economic growth	Reduce Stimulation	Short-term interest rates rise Long-term interest rates bottom or rise & bond prices start to fall Stock price up
Post-Growth (Late Upswing)	Inflation increased	Start tightening	Short-term and long-term interest rates rise, bond prices fall Stock prices fluctuate around the peak
Deceleration (Slowdown)	Inflation continues to rise	Reduce tightening	Short and long-term interest rates peak and start to fall with bond prices rising again Stock price down
Economic depression (Recession)	Inflation hits its peak	Easing	Short-term and long-term interest rates fall and bond prices continue to rise Stock prices show signs of rebounding towards the end of the Recession cycle.

Source: BSC Research

3. Policies and events that may affect sector performance in 2022

The domestic and international macro information, along with the amendment and supplement of new regulations will have different impacts on the stock market in general and businesses in particular. BSC has listed important policies and events in 2021 as below:

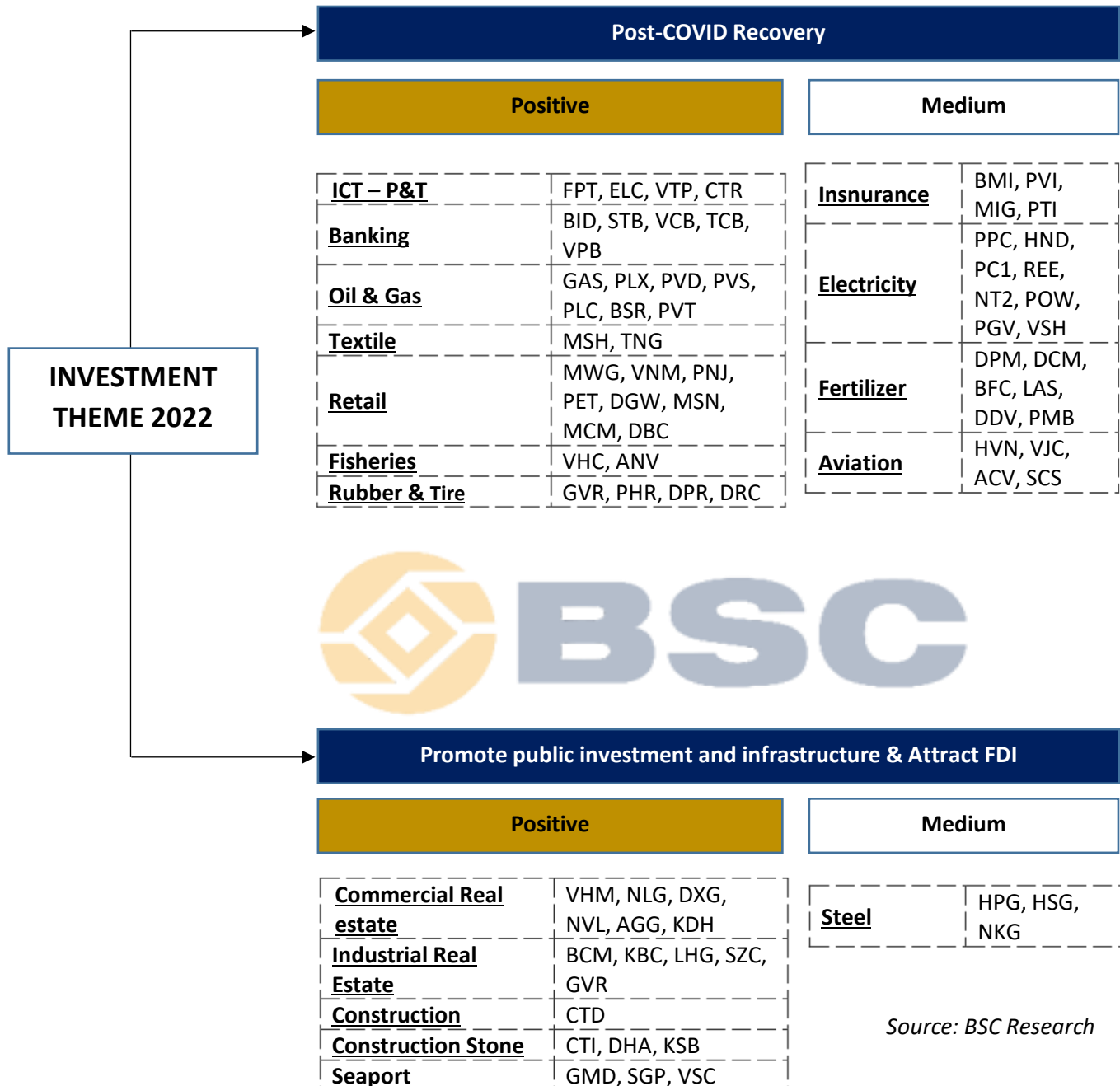
No	Policies and Events	Affect	Infulence level	Status 12/01/2022
Monetary Policy				
1	FED: tighten monetary policy, raise interest rates 3 times in 2022	Negative	Very strong	Not affected yet
2	PBoC: China's economy grows strongly, RMB increases in value	Positive	Very strong	Influencing
3	ECB: continue easing policy	Mixed	Mixed	Strong
4	Raw material prices are stable		Mixed	Strong
5	US-China trade war	Mixed	Strong	Influencing
6	Covid-19 vaccine coverage	Positive	Strong	Influencing
7	OPEC meeting	Mixed	Strong	Not affected yet
8	G7 meeting	Mixed	Medium	Not affected yet
Law amendment policy				
1	Economic stimulus package	Positive	Strong	Influencing
2	Law on investment under the mode of public private partnership (PPP)	Mixed	Strong	Influencing
3	Amendment of investment law, enterprise law	Positive	Strong	Not affected yet
4	Securities Law Amendment	Positive	Strong	Starting to influence
5	Food prices, gasoline prices increase	Negative	medium	Influencing
6	Vietnam upgrades primary market to FTSE Russell	Positive	Strong	Not affected yet
7	Equitization and divestment of state-owned enterprises	Neutral	Medium	Influencing
Monetary Policy				
8	Interest rates	Positive	Strong	Influencing
9	The minimum capital adequacy ratio of banks is at 8%.	Mixed	Medium	Affected
Securities Policy				
10	Allowance for selling securities that are waiting for return	Positive	Strong	Not affected yet
11	Certificate of Custody, Certificate of Custody without voting rights	Positive	Strong	Not affected yet

No	Policies and Events	Affect	Infulence level	Status 12/01/2022
12	The scheme of listing stocks, widening the range	Positive	Strong	Not affected yet
13	Listing and raising capital at joint stock commercial banks	Tích cực	Mạnh	Chưa ảnh hưởng
14	Raising standard for public companies	Mixed	Trung bình	Chưa ảnh hưởng
Free Trade Agreements				
1	EVFTA	Positive	Strong	Influencing
2	UKVFTA	Positive	Strong	Influencing
3	RCEP ASEAN	Positive	Strong	Influencing

Source: BSC Research

4. Sector Outlook 2022

Overview of Sector Outlook 2022



Sector	Assessment	Detail	Stocks
<u>I/ Promote public investment and infrastructure & Attract FDI</u>			
<u>Commercial Real Estate</u>	OUTPERFORM	<ul style="list-style-type: none"> Real estate price base increased sharply with the phenomenon of "land fever". Benefit from the government's promotion of public investment disbursement and expect to speed up the processing of the legal process. Real estate supply is expected to recover strongly in 2022 - 2023 and the pre-sales value of some large listed companies is expected to peak in the next 5 years. Covid-19 epidemic which make the handover schedule relocated to 2022 will contribute to positive profit growth. The wave of screening in the first period of 2022 will be an opportunity to accumulate good real estate stocks with attractive valuations after discounting. BSC recommends BUY for stocks: VHM, NLG, DXG, and HOLD for shares of NVL, AGG, KDH. 	VHM, NLG, DXG, NVL, AGG, KDH
<u>Industrial Real Estate</u>	OUTPERFORM	<ul style="list-style-type: none"> Vietnam experienced a difficult year in 2021 when the demand for industrial land rental was affected by the Covid epidemic, however, with the advantages of an abundant labor force, cheap labor costs, improved transportation infrastructure, and the Government's FDI attraction policies, Vietnam is still a potential destination for major industrial manufacturers in the world; The epidemic is no longer a barrier leading to a stagnation in the transaction progress of industrial zones in 2022, especially when the vaccine coverage rate for people of working age in Vietnam is already 100%; The industry is supported by the "Unlocking" of industrial park land supply in 2021 and the trend of project reallocating to tier 2-3 provinces; Transport infrastructure linking the same key areas will solve the "logistic" bottleneck to directly support the industry; BSC maintains a OUTPERFORM view of the industrial park real estate industry. 	BCM, KBC, LHG, SZC, GVR
<u>Construction</u>	OUTPERFORM	<ul style="list-style-type: none"> Construction industry is on the rebound trend and is expected to enter a new growth cycle. Low base level in 2021 will support positive growth in 2022. The cost of input materials is forecasted to cool down, contributing to improving the profit margin of construction enterprises, especially those with high new contracts at the time when the price of construction materials peaked. BSC maintains an OUTPERFORM view on the Construction industry 	CTD

Construction Stone	OUTPERFORM	<ul style="list-style-type: none"> Positive outlook of business results in 2022 can be supported by: (1) The low base level from 2021 (2) Public investment disbursement is expected to accelerate and the demand for residential real estate will recover. BSC expected OUTPERFORM prospect for the construction stone industry in 2022. 	CTI, DHA, KSB
Seaport	OUTPERFORM	<ul style="list-style-type: none"> In 2022, BSC expects the output of goods approved to increase at ~10% YoY, reaching 26.4 million TEU thanks to the recovery of the global economy stimulating international trade. In 2022, the profitability of port enterprises is expected to increase by 24% YoY thanks to the growth in cargo output through ports at 6%-27% due to the overall recovery of the industry and improved performance at ports. BSC recommends OUTPERFORM view to the Seaport sector in 2022. 	GMD, SGP, VSC
Steel	NEUTRAL	<ul style="list-style-type: none"> Positive domestic consumption output thanks to (1) inflows of public investment in infrastructure; (2) Civil construction activities recovered. Export markets are becoming more competitive as countries are gradually recovering output levels to pre-epidemic levels. Profit margins decreased due to falling selling prices, material prices fluctuated in opposite directions. BSC recommends NEUTRAL prospect for the steel sector in 2022. 	HPG, HSG, NKG
II/ Post- Covid19 Economic Recovery			
Information & Communication Technology – Post & Telecommunications	OUTPERFORM	<ul style="list-style-type: none"> In 2021, ICT and P&T industry revenues reached \$136 billion (+10% YoY) and \$5.6 billion (+2% YoY), respectively. In 2022, BSC said that the outlook for the sector is positive due to (i) the expansion of digital transformation trend and the Government's investment in Smart Transport (ii) 5G networks promote business activities of telecommunications enterprises. We continue to maintain OUTPERFORM positions towards Information & Communication Technology – Post & Telecommunications sector in 2022. 	FPT, ELC, VTP, CTR
Banking	OUTPERFORM	<ul style="list-style-type: none"> In 2022, we expect credit demand to continue at a high level of ~14.0%, based on (1) recovery of the economy after the epidemic, (2) support package of VND 350,000 billion over the next 2-3 years. BSC expects NIM in 2022 to be +35 bps compared to 2021 due to (1) the economy's recovery in high credit growth, (2) loan interest rates recovering after the support period and (3) increasing CASA structure in 2022 to reduce capital expenditures. In 2022, we expect the growth rate of the banking sector to reach 22.2% thanks to the economic recovery after the epidemic and a lower profit base in 2021. Currently, the banking sector is being valued at 1.5x P/B F 2022 by the end of January 11, 2022, we believe that the financial health of banks today deserves a higher valuation than at present. 	BID, STB, VCB, TCB, VPB

Oil & Gas	OUTPERFORM	<ul style="list-style-type: none"> Oil prices recovered sharply in 2021 and surpassed \$80 per barrel in Q4 2021. Demand for crude oil is expected to recover strongly, while the rate of supply growth is relatively slow. Some oil and gas projects started to show more positive signs, and expect to start construction soon. BSC maintains OUTPERFORM on the oil and gas sector in 2022 with the assessment that the world oil price reaches an average of \$ 80 per barrel, and recommends BUY for GAS, PVS, PLX. 	GAS, PLX, PVD, PVS, PLC, BSR, PVT
Textiles	OUTPERFORM	<ul style="list-style-type: none"> In 2021, textile and garment export turnover reached 39 billion USD (+11% YoY) and equivalent to the pre-COVID value. In 2022, BSC believe the outlook for the textile and garment industry is optimistic thanks to positive order value figures along with the low risk of supply chain fractures when countries have high vaccination rates. BSC found that some textile and garment enterprises are tending to develop into real estate based on existing land funds: TNG, TCM, GIL. We rate OUTPERFORM for the textile industry in 2022. 	MSH, TNG
Retail & Consumer products	OUTPERFORM	<ul style="list-style-type: none"> COVID19 – extraordinary corruption in the positive growth of the retail and consumer products sector. The "New Normal" status has opened up positive outlook for the sector in 2022. COVID-19 accelerates a comprehensive revolution in the sector in 2022. BSC maintains OUTPERFORM prospect for retail and consumer products sector in 2022. 	MWG, VNM, PNJ, PET, DGW, MSN, MCM, DBC
Fisheries	OUTPERFORM	<ul style="list-style-type: none"> In 2021, seafood export turnover reached 8.9 billion USD (+5.7% YoY), of which, shrimp reached 3.9 billion USD (+4% YoY), pangasius reached 1.5 billion USD (+3% YoY). BSC considers that the fisheries sector outlook for 2022 is positive due to (i) improved export turnover as positive demand and recovered supply chain (ii) Transport costs have cooled down BSC maintains OUTPERFORM on fisheries in 2022. 	VHC, ANV
Rubber & Tire	OUTPERFORM	<ul style="list-style-type: none"> In 2022, BSC expects that the profitability of rubber enterprises (GVR, DPR, PHR) will grow well +23% YoY thanks to: the core latex business continues to grow and the profit from divestment, and the land transfer/conversion process is carried out. Tire company profit (DRC) is expected to increase by 25% in 2022 due to expected increase in tire production based on increased demand for transport activities recovering from the epidemic. BSC recommends OUTPERFORM for Rubber and Tires sector in 2022. 	GVR, PHR, DPR, DRC

Insurance	NEUTRAL	<ul style="list-style-type: none"> Premium growth slows in 11T.2021 due to epidemic effects. Market share of leading companies has changed due to great competitive pressures. BSC maintain NEUTRAL view for the insurance industry group in 2022 due to (1) Premium revenue is expected to grow again after the pandemic, however, the compensation rate is expected to increase over the same period, (2) Low interest rate affects the financial profitability of insurance enterprises, (3) Divestments continue to be stepped up in 2021. 	BMI, PVI, MIG, PTI
Electricity	NEUTRAL	<ul style="list-style-type: none"> Commercial power output 9T2021 grew by 3.8% yoy. The continued La Nina cycle is positive news for hydroelectric plants, however will negatively affect coal & gas thermal power businesses. Renewable energy source is expected to continue to contribute a large proportion of the total electricity output of the whole industry in the coming time when an additional 5,600 MW of wind power capacity comes into operation. We give a NEUTRAL view to the electricity sector. 	PPC, HND, PC1, REE, NT2, POW, PGV, VSH
Fertilizern	NEUTRAL	<ul style="list-style-type: none"> The price of fertilizers increased sharply in 2021 thanks to (1) the recovery of fertilizer demand in the world; (2) The price of input materials and freight increased sharply; and (3) Major fertilizer producers such as China restrict exports. The price of input materials (coal, gas, oil) may fluctuate unpredictably in the near future, however fertilizer demand is expected to remain stable in 2022. BSC change our view from OUTPERFORM to NEUTRAL for the fertilizer industry in 2022 due to (1) the price of sale in 2022 may fluctuate downwards according to the price of raw materials, and (2) the revised VAT Law will support the profitability of fertilizer enterprises 	DPM, DCM, BFC, LAS, DDV, PMB
Aviation	NEUTRAL	<ul style="list-style-type: none"> In 2022 BSC expects passenger output through Vietnamese airports to recover strongly, reaching 75-80 million (+82% YoY, equivalent to 67% of pre-epidemic levels) thanks to the actively controlled epidemic and the return of international flights. Commodity production in 2021 is expected to reach 1.78 million tons (+13% YoY) thanks to the recovery according to the global economy. BSC maintains NEUTRAL view of aviation sector. 	HVN, VJC, ACV, SCS

Source: BSC Research

5. Summary of stock recommendations of 2022

Ticker	Net Rev 2022F	% yoy	NPAT 2022F	% yoy	EPS 2022	P/E 2022	P/B 2022	Price on 10/02/2022	Target Price	Upside
FPT	42,086	17%	6,323	19%	6,103	14.5	1.4	92,000	117,000	27%
VTP	24,221	7%	445	17%	4,061	17.1	3.9	69,800	81,000	16%
CTR	10,915	37%	474	35%	5,080	16.4	3.7	89,900	101,000	12%
ELC	1,506	69%	78	62%	1,427	15.5	0.6	23,350	38,000	63%
GAS	92,778	16%	9,863	18%	5,050	17.9	3.2	112,000	130,000	16%
PLX	180,313	11%	4,217	43%	3,215	17.1	2.8	60,500	70,000	16%
PVD	6,678	30%	364	810%	901	35	0.9	30,700	38,000	24%
PVS	18,262	46%	977	28%	2,044	13.7	0.9	28,700	36,000	25%
PLC	8,048	17%	263	22%	3,261	15.2	2.1	42,500	55,500	31%
BSR	108,313	19%	6,282	22%	1,985	11.7	1.9	26,800	27,000	1%
PVT	7,981	8%	906	9%	2,123	13.5	1.2	23,100	28,000	21%
DPM	12,076	2%	3,129	4%	5,542	7.3	2.0	45,000	51,200	14%
DCM	10,506	5%	1,978	9%	2,499	11.6	2.5	29,750	36,000	21%
BFC	8,659	1%	249	3%	4,364	6.6	1.8	30,400	34,000	12%
LAS	2,423	-4%	70	-7%	1,215	13.6	1.9	18,500	17,200	-7%
DDV	3,061	-6%	216	-13%	1,957	10.3	2.6	20,400	21,800	7%
PMB	2,178	5%	30	7%	2,667	5.7	1.3	15,300	16,800	10%
MSH	5,071	11%	480	7%	9,380	8.0	1.5	79,000	85,900	9%
TNG	5,900	9%	235	17%	3,810	7.7	1.3	31,200	38,000	22%
VHC	11,565	29%	1,411	36%	7,670	7.7	1.5	69,300	90,500	31%
MPC	18,583	12%	844	15%	3,930	10.1	8.3	41,600	45,000	8%
GVR	30,856	7%	5,476	8%	1,369	26.5	2.7	33,600	40,000	19%
PHR	2,120	9%	986	170%	7,277	11.0	3.3	82,400	89,000	8%
DPR	1,444	9%	478	96%	11,116	6.2	1.2	71,300	85,000	19%
DRC	5,158	12%	395	25%	3,325	9.3	2.1	71,300	35,000	-51%
QTP	9,797	2%	594	-6%	1,319	14.4	1.4	18,900	26,000	38%
HND	10,705	19%	589	21%	1,179	16.0	2.0	19,500	29,500	51%
PC1	9,074	-1%	678	-33%	3,370	11.3	1.2	35,500	51,000	44%
POW	31,138	25%	3,596	59%	1,364	13.2	1.3	18,550	20,700	12%
REE	6,585	19%	2,490	23%	7,655	9.2	1.6	68,200	91,400	34%
NT2	7,886	11%	540	6%	1,876	14.0	1.7	23,850	29,700	25%
VNM	64,855	1%	11,823	10%	5,069	17.7	4.8	82,700	105,820	28%
MSN	84,455	-7%	6,718	-31%	4,788	30.2	5.0	149,600	191,000	28%
MWG	143,663	21%	6,194	30%	8,688	15.5	3.9	136,300	181,700	33%
PNJ	23,262	22%	1,459	50%	6,316	15.1	3.2	103,300	126,100	22%
DGW	529	30%	529	40%	8,370	14.9	4.0	108,000	136,400	26%
DBC	12,222	14%	1,295	49%	10,111	7.5	1.6	72,100	94,900	32%
MCM	2,950	4%	320	14%	2,327	23.2	2.7	54,100	65,800	22%

PET	20,202	13%	292	16%	2,909	12.6	1.9	38,250	45,300	18%
DXG	10,609	30%	1,645	-	2,760	13.5	2.1	35,100	44,200	26%
NLG	4,505	68.5%	1,460	42%	4,019	12.2	1.7	54,000	66,300	23%
VHM	106,733	15%	37,190	9%	8,650	9.6	2.3	80,100	108,700	36%
NVL	33,007	79.8%	6,557	49%	4,458	17.6	3.5	78,500	92,000	17%
AGG	5,638	300%	776	88%	8,942	6.0	1.5	43,900	62,100	41%
KDH	3,645	-12%	1,428	23%	2,206	23.3	2.9	52,800	59,500	13%
BCM	10,144	53%	2,718	40%	2,227	28.7	3.2	80,800	84,900	5%
KBC	9,694	132%	3,070	71%	5,592	11.5	2.1	56,800	67,300	18%
LHG	1,000	28%	367	25%	6,606	22.5	1.4	52,000	65,500	26%
GVR	30,856	7%	5,476	8%	1,369	26.5	2.7	33,600	40,000	19%
SZC	1,123	59%	480	53%	4,803	10.9	2.5	78,000	N/A	N/A
HPG	160,505	+6.4%	36,375	-3.1%	8,110	5.76	1.59	47,000	64,100	36%
HSG	46,422	-4.7%	3,493	-19.0%	7,078	4.96	1.20	36,400	35,400	-3%
NKG	22,221	-11.9%	2,022	-14.7%	9,258	4.04	1.06	38,250	41,700	9%
CTI	1,745	724	15%	55	17%	786	31.1	21,300	32,800	54%
DHA	904	398	89%	97.5	25%	6,224	8.1	55,900	64,300	15%
KSB	3,047	1,219	19%	309	20%	3,524	6.9	40,950	N/A	N/A
GMD	3,256	14%	695	37%	2,306	18.9	1.9	47,750	64,000	34%
VSC	1,957	5%	355	15%	3,220	12.5	1.8	41,200	55,000	33%
SGP	1,209	12%	429	15%	1,983	15.5	1.6	34,000	N/A	N/A
CTD	21,366	109%	1,092	302%	11,012	9.2	0.9	97,000	140,500	45%
HVN	48,525	115%	-8,530	N/A	N/A	N/A	N/A	26,400	N/A	N/A
VJC	35,850	155%	325	33%	620	197	3.8	133,000	N/A	N/A
ACV	15,385	189%	3,015	255%	1,385	64	5.2	93,600	111,000	19%
SCS	895	12%	656	14%	13,065	12	7.9	164,000	175,000	7%

Source: BSC Research

6. Some influences from macro factors

	Trade war	Gulf tensions (Oil prices)	Fed cuts interest rates	European economic difficulties / Brexit / EUR	Domestic interest rates fall	Slow China's economy growth	CPTPP Agreement	FTAs
Shipping	(+/-)	(-)		(+)	(+)		(+)	(+)
Real estate					(+)			
Construction					(+)			
Cement				(+)	(+)			
Textile	(+/-)	(-)		(-)	(+)		(+)	(+)
Electricity		(-)		(+)	(+)			
Pharmacy				(+)	(+)			
Plastic		(-)			(+)			
Tires	(+)	(-)				(-)		
Banking	(-)		(+)	(-)		(-)	(+)	(+)
Steel	(-)				(+)	(-)		
Fishing	(+)			(-)	(+)	(-)		
Sugar cane					(+)	(-)		
Oil and Gas		(+/-)			(+)	(-)		
Fertilizer		(-)			(+)	(+)		
Rubber		(+)				(-)		
Ceramic tiles		(-)			(+)			
Technology		(-)		(-)				(+)
Seaport	(+/-)				(+)		(+)	
Aviation	(+/-)	(-)			(+)		(+)	(+)
Automobiles							(+)	
Insurance	(-)				(+)			
Retail					(+)		(+)	(+/-)
Food					(+)		(-/+)	(+/-)

Source: BSC Research

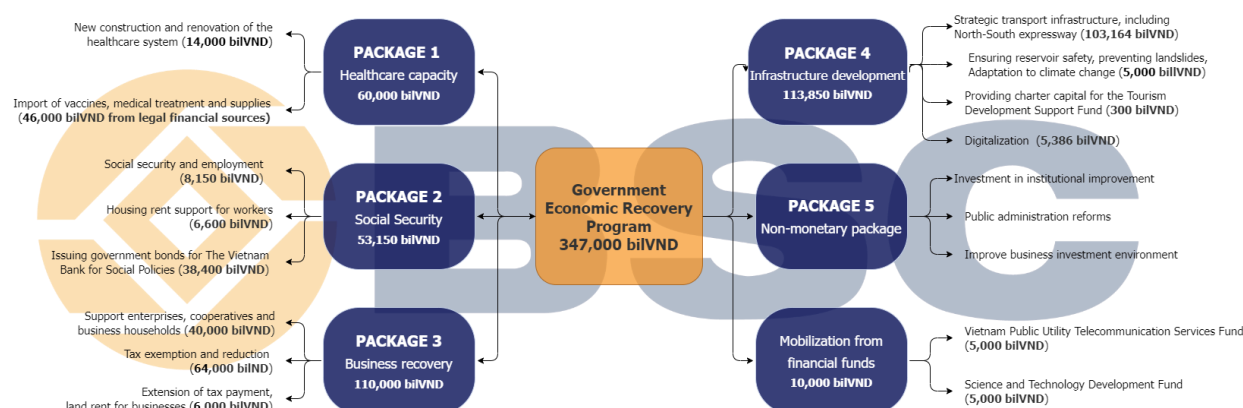
7. Event Calendar

Month	Date	Viet Nam	Date	International
January	17	ETF: ETF VNFIN LEAD restructure their portfolio	25-26	FED: announces monetary policy and interest rates
	20	Future VN30: Future contract expire		
	20	Enterprise: Deadline for submission of Q4 financial statements		
	24	ETF: VN30 review		
February	7	ETF: VNFIN LEAD, ETF VNDIAMOND review	3	ECB: announces monetary policy and interest rates
	17	Future VN30: Future contract expire	9	MSCI: quarterly market indexes review
	25	ETF: Ishare MSCI review		
March	17	Future VN30: Future contract expire	5	FTSE Russell: announces market rating for year-end period
	18	ETF: VNM review	10	ECB: announces monetary policy and interest rates
			15-16	FED: announces monetary policy and interest rates
April	18	ETF: VNDIAMOND execute restructured transaction	14	ECB: announces monetary policy and interest rates
	20	Enterprise: Deadline for submission of Q1 financial statements		
	21	Future VN30: Future contract expire		
May	2	ETF: VNFIN LEAD, ETF VNDIAMOND review	3-4	FED: announces monetary policy and interest rates
	19	Future VN30: Future contract expire	12	MSCI: semi-annual market indexes review
	27	ETF: Ishare MSCI review		
	May	Party Central Committee Conference		
June	16	Future VN30: Future contract expire	4	FTSE Russell: announces market rating for year-end period
	17	ETF: VNM execute restructured transaction	9	ECB: announces monetary policy and interest rates
	June	Vietnam National Assembly Conference	14-15	FED: announces monetary policy and interest rates
July			29-30	OPEC: meeting
	18	ETF: VNFIN LEAD restructure their portfolio	21	FED: announces monetary policy and interest rates
	20	Enterprise: Deadline for submission of Q2 financial statements	26-27	ECB: announces monetary policy and interest rates
	21	Future VN30: Future contract expire		
	25	ETF: VN30 review		

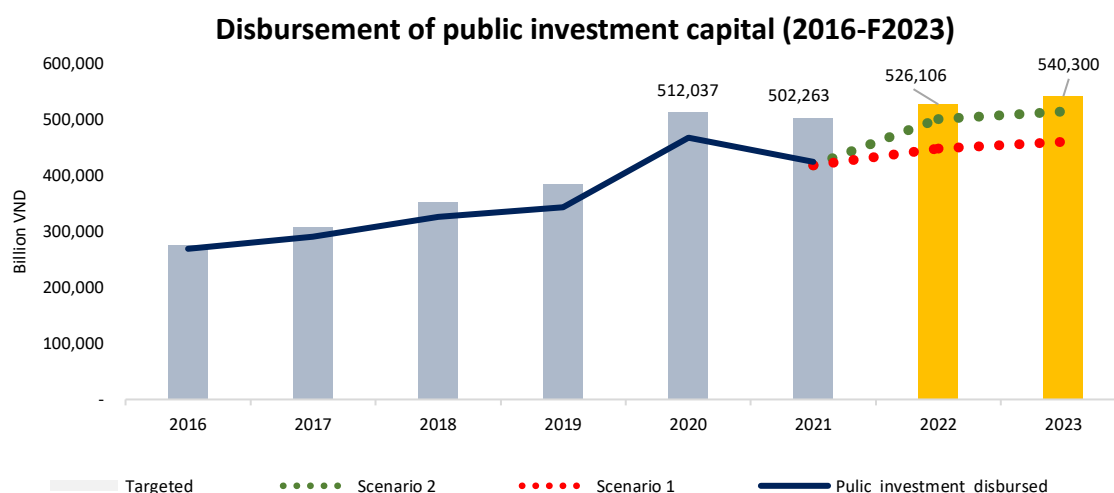
August	1	ETF: VNFIN LEAD, ETF VNDIAMOND review	11	MSCI: quarterly market indexes review
	18	Future VN30: Future contract expire		
	26	ETF: Ishare MSCI review		
September	15	Future VN30: Future contract expire	3	FTSE: Annually Index Review
	16	ETF: VNM review	8	ECB: announces monetary policy and interest rates
			20-21	FED: announces monetary policy and interest rates
October	17	ETF: VNDIAMOND restructure their portfolio	October	IEA: annually meeting
	20	Enterprise: Deadline for submission of Q3 financial statements	27	ECB: họp và công bố chính sách tiền tệ và lãi suất
	20	Future VN30: Future contract expire		ECB: họp và công bố chính sách tiền tệ và lãi suất
	October	13th Party Central Committee Conference		
November	7	ETF: VNFIN LEAD, ETF VNDIAMOND review	1-2	FED: announces monetary policy and interest rates
	17	Future VN30: Future contract expire	3	FTSE Russell: announces market ratings for year-end period
	25	ETF: Ishare MSCI review	10	MSCI: announce market ratings
	November	Vietnam National Assembly Conference		
December	15	Future VN30: Future contract expire	13-14	FED: announces monetary policy and interest rates
	16	ETF: VNM execute restructured transaction	15	ECB: announces monetary policy and interest rates

I/ Promote public investment - infrastructure and attract FDI

The upcoming economic stimulus package, especially the public investment package, will be the framework for the government's economic recovery plan in the period 2022-2023. The total value of the this economic stimulus package is estimated at 347,000 billion VND, equivalent to about 4.1% of GDP, of which the infrastructure investment package accounts for 1.3% of GDP. According to BSC Research, even though the scale of the economic stimulus program is not too large compared to that of developed countries (~25% GDP) or Southeast Asian countries (~15% GDP), the golden key to achieving optimal efficiency lies in the fast disbursement speed. This can motivate businesses to overcome production difficulties, thereby indirectly affecting the speed of economic recovery. Specifically, this program is divided into several packages as follows:



Source: BSC Research, GSO



Source: BSC Research, GSO, FiinPro

Total value of public investment plan (billion VND)	2016	2017	2018	2019	2020	2021	2022FC	2023FC
	274,561	307,661	352,017	383,336	512,037	502,263	526,106	540,300
% process of the 12 month plan							S1	S2
Total	97.83	94.41	92.3	89.46	91.13	84.3	85	95
Center	95.33	91.13	89.94	85.29	91.42	81.2	85	95
Local		95.38	92.84	90.25	91.06	85.0	85	95
Growth over the same period (%)							S1	S2
Total	15.09	7.23	12.52	5.81	34.45	-8.60	7.2	19.8
Center	14.89	3.91	-6.14	-12.03	59.69	-8.25	8.0	20.2
Local	15.15	8.21	17.75	9.78	29.95	-8.68	7.1	19.7

Source: BSC Research, GSO

According to GSO estimation, the state budget disbursement progress in 2021 recorded an expected decrease of about 8.6% over the same period, accounted of 84.3% compared to the plan. However, BSC noted that the disbursement of public investment capital slowed down significantly in Q3/2021 due to

the strong outbreak of the 4th wave of Covid-19 epidemic in the southern provinces. BSC forecasts the total disbursement of public investment will reach VND 526.106 billion (+4.7% compared to 2021) and VND 540,300 billion (+3.6% YoY). The highlight that we expect is that the disbursement rate of public investment will return to >90% thanks to the determination and attainable policy from the government.

According to the statistics compiled by BSC, the public investment plan, worth about 389 trillion VND, will focus on building (1) inter-regional transport infrastructure; (2) gateways connecting essential industrial zones and seaports. This will help solve the "infrastructure traffic" bottleneck, which has been a weakness in recent years when it has failed to keep up with the pace of urbanization. Accordingly, logistics costs as well as the general cost of the economy will be significantly reduced, Vietnam will attract more FDI and seize the opportunity to become the "hub" of Southeast Asia - Asia. Asia in the context of shifting production chains away from China.

Industry groups that are expected to benefit directly from BSC include **CONSTRUCTION** and **CONSTRUCTION MATERIALS**. We believe that the accelerated investment of transport infrastructure will solve the transportation bottleneck. Therefore, groups of **COMMERCIAL REAL ESTATE, INDUSTRIAL ZONES**, and **SEAPORTS** can benefit indirectly.

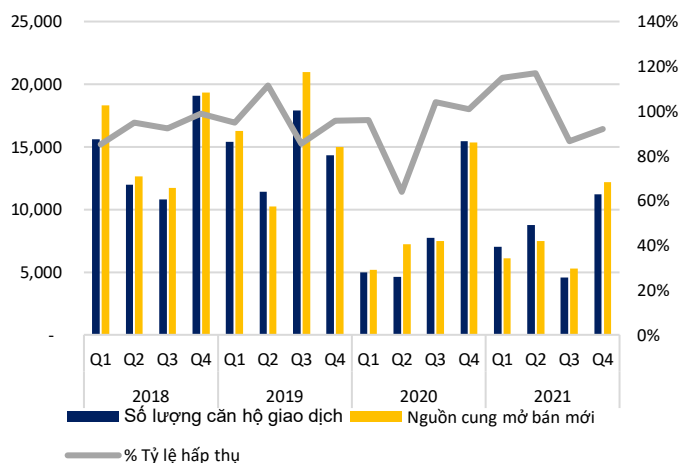
Commercial Real Estate Industry [Outperform]

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- Real estate price base increased sharply with the phenomenon of "land fever".
- Benefit from the government's promotion of public investment disbursement and expect to speed up the processing of the legal process.
- Real estate supply is expected to recover strongly in 2022 - 2023 and the pre-sales value of some large listed companies is expected to peak in the next 5 years.
- Covid-19 epidemic which make the handover schedule relocated to 2022 will contribute to positive profit growth.
- The wave of screening in the first period of 2022 will be an opportunity to accumulate good real estate stocks with attractive valuations after discounting.
- BSC recommends **BUY** for stocks: VHM, NLG, DXG, and **HOLD** for shares of NVL, AGG, KDH.

The real estate price base increased sharply with the phenomenon of "land fever", which has probably been the most popular terminology that stands out in newspapers and mass media in 2021. In the context of low interest rates and stagnant business activities, investing in securities and the real estate channel has become more and more attractive to investors. Especially, the real estate channel recorded a strong price increase in both the apartment segment and the land plots in the context of the low supply of apartments in the period 2015-2020.

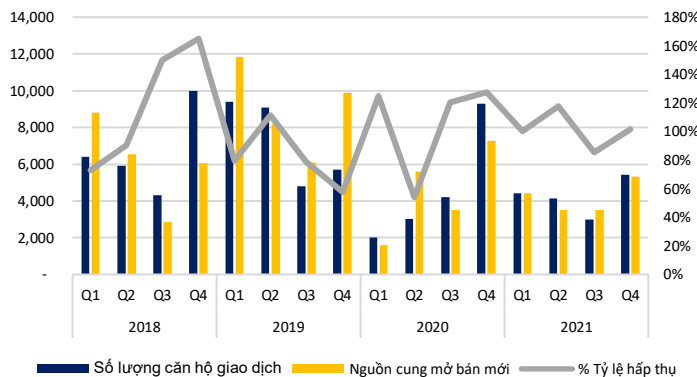


Source: CBRE, BSC Research



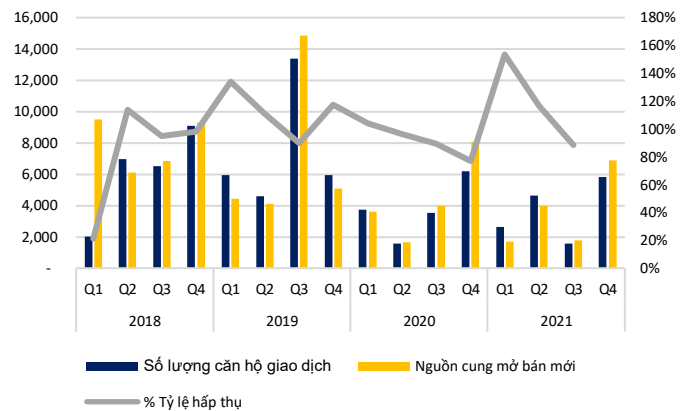
Source: CBRE, BSC Research

Thị trường Hà Nội ghi nhận nguồn cung dồi dào giai đoạn 2018-2020



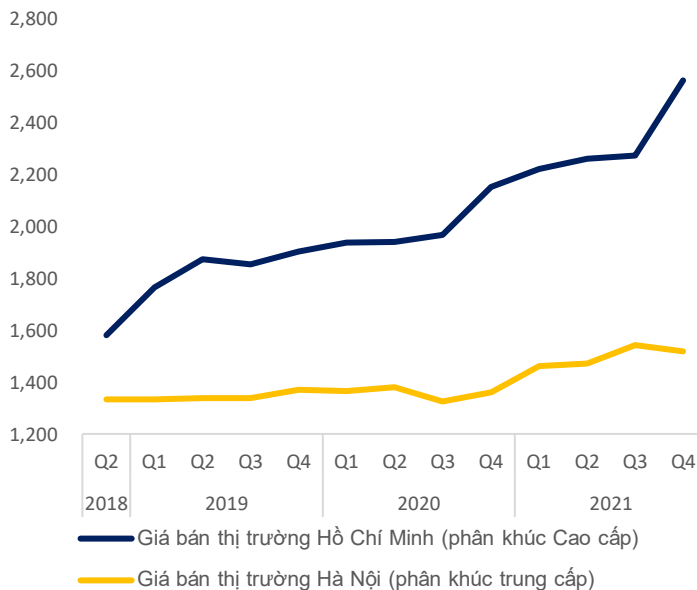
Source: CBRE, BSC Research

HCM



Source: CBRE, BSC Research

In 2021, the total supply of Hanoi and Ho Chi Minh markets will reach 16,758 units (-7% YoY) and 14,339 units (-17.9% YoY) respectively. The reasons for the decrease in supply were mainly due to (1) the slow progress of project legal handling in the central (2) Covid-19 epidemic affects the sales plan and the handover of apartments. This led to a significant increase in real estate prices.



Hanoi apartment market, Q4/2021 (unit: USD)

High-class luxury	Luxury	Premium	Intermediate	Standard
25,000	5,263	2,507	1,517	912
		+16% YoY	+11% YoY	+9% YoY

Ho Chi Minh apartment market, Q4/2021 (unit: USD)

High-class luxury	Luxury	Premium	Intermediate	Standard
15,375	6,574	2,561	1,562	954
	- 4.4% YoY	+2.0% YoY	+4.2% YoY	+2.1% YoY

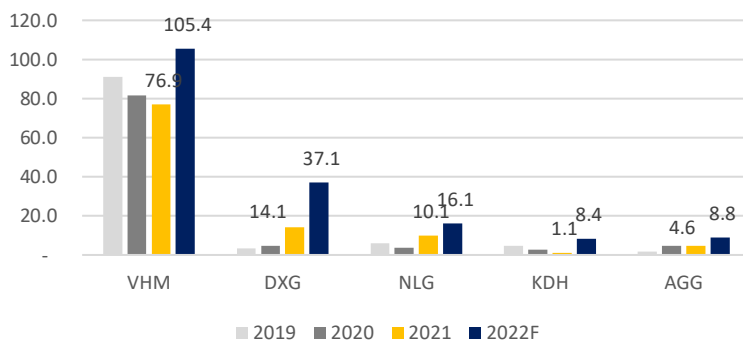
Source: CBRE, BSC Research

BSC assesses that the overall outlook of the real estate market will continue to remain "OUTPERFORM" thanks to the following factors:

1. Benefit from the government's promotion of public investment disbursement and expect to speed up the processing of the legal process. The Government's investment in infrastructure development, especially inter-regional connection infrastructure, ports and key industrial zones will shorten the travel time between these urban areas. This also accelerates the urbanization process in line with the trend of reallocating projects to suburban areas and tier 2-3 provinces of real estate enterprises (VHM, NVL, NLG, DXG, PDR), AGG, VPI), of which we have been mentioned many times before.

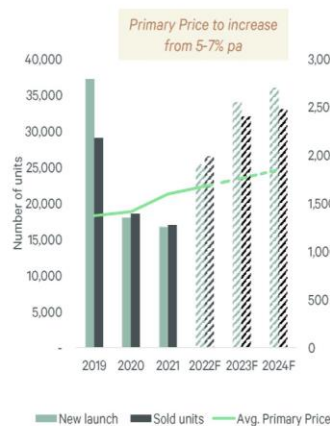
2. Real estate supply is expected to recover strongly in 2022 - 2023 and the pre-sales value of some large listed companies is expected to peak in the next 5 years. The impact of Covid-19 disease makes sales activities postponed in large half of the year 2021 and then the supply is relocated to 2022. This will help the pre-sales value expected to record strong growth Compared to the period 2018-2021. In addition, the increase in supply is also supported by most enterprises who have focused on increasing the new land fund in the period 2019-2021 through auctions, M & A. Therefore, we expect the pre-sales value to record the highest level in the next five years, thereby ensuring a profit prospect in the period 2023-2025.

Expected opening and selling value of listed enterprises is expected to increase sharply in the period 2022F-2023F (trillion VND)

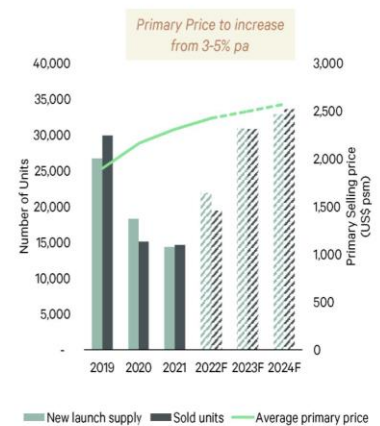


Source: CBRE, BSC Research

Hanoi Condominium, New Launch and Sold Units Forecast



HCMC Condominium, New Launch and Sold Units Forecast



Source: CBRE, BSC Research

3. Covid-19 epidemic which make the handover schedule relocated to 2022 will contribute to positive profit growth. The impact of social distancing in Q3/ 2021 in the southern provinces has stagnated the construction and the handover of the projects, which will be relocated to 2022. Therefore, we believe that the low profit level in 2021 will facilitate positive growth in 2022. For enterprises in real estate sector with the average scale of capitalization and land bank (NLG, DXG, KDH, AGG, VPI) can record an average growth rate of > 25% in 2022.

The Covid-19 epidemic is said to be a fierce screening act to retain qualified real estate investors

which is able to adapt well to market fluctuations. This wave at the beginning of 2022 will be an opportunity to accumulate good real estate stocks with attractive valuations. We believe that with the cash flow not as easy to earn as in the period of 2021, investors should focus on businesses with (1) Good land bank, (2) Proven ability to implement projects, (3) Sales value recorded a good increase, (4) Profit is expected to gain strong growth in the period of 2022-2023 and (5) Valuation of the business is at a reasonable price.

INVESTMENT THESIS – OUTPERFORM

We rate OUTPERFORM for the real estate industry based on: (1) the supply is expected to recover strongly from 2022 thanks to the pent-up supply from 2021 and businesses have also focused on accumulating their land bank in the period of 2019-2021, (2) Low interest rates and promotion of public investment will be the levers to support the recovery of the industry, (3) Profit and pre-sales value are expected to record the highest level in the past 4 years, (4) The wave of screening in the first period of 2022 will be an opportunity to accumulate good real estate stocks with attractive valuations after discounting. **BSC recommends BUY for stocks: VHM, NLG, DXG, and Hold for shares of NVL, AGG, KDH.**

Ticker	Net Rev 2022 (bil)	% yoy	NPAT 2022 (bil)	% yoy	EPS 2022 (unit)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 10/02/2022	Target price	Upside
DXG	10,609	30%	1,645	-	2,760	13.5	2.1	6%	18%	35,100	44,200	26%
NLG	4,505	68.5%	1,460	42%	4,019	12.2	1.7	6%	14%	54,000	66,300	23%
VHM	106,733	15%	37,190	9%	8,650	9.6	2.3	24%	14%	80,100	108,700	36%
NVL	33,007	79.8%	6,557	49%	4,458	17.6	3.5	4%	20%	78,500	92,000	17%
AGG	5,638	300%	776	88%	8,942	6.0	1.5	6%	27%	43,900	62,100	41%
KDH	3,645	-12%	1,428	23%	2,206	23.3	2.9	8%	13%	52,800	59,500	13%

Source: BSC Research

Industrial Park Real Estate Industry [Outperform]

Analyst: Lam Viet

Email: vietl@bsc.com.vn

- Vietnam experienced a difficult year in 2021 when the demand for industrial land rental was affected by the Covid epidemic, however, with the advantages of an abundant labor force, cheap labor costs, improved transportation infrastructure, and the Government's FDI attraction policies, Vietnam is still a potential destination for major industrial manufacturers in the world;
- The epidemic is no longer a barrier leading to a stagnation in the transaction progress of industrial zones in 2022, especially when the vaccine coverage rate for people of working age in Vietnam is already 100%;
- The industry is supported by the "Unlocking" of industrial park land supply in 2021 and the trend of project realocating to tier 2-3 provinces;
- Transport infrastructure linking the same key areas will solve the "logistic" bottleneck to directly support the industry;
- BSC maintains a **OUTPERFORM** view of the industrial park real estate industry.

The pace of industrial park leasing and FDI attraction in 2021 slowed down due to the Covid-19 pandemic but returned to the increasing momentum in Q4/2021.

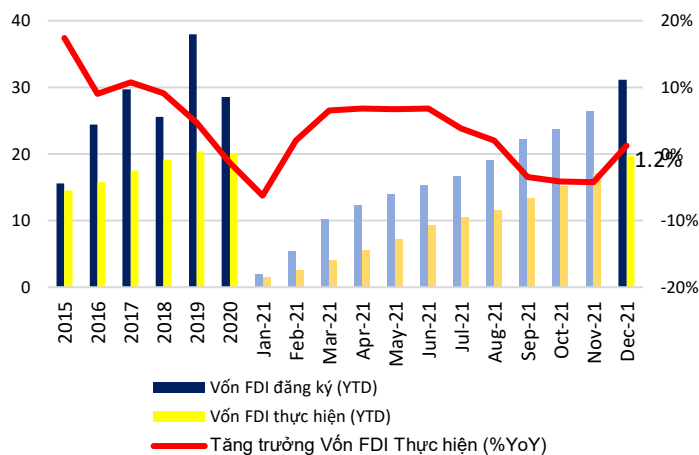
The negative impact of the COVID-19 epidemic in 2021 has caused serious disruption in business activities, and the expansion of new businesses – especially in the southern region. This has led to a decline in the demand for land in industrial zones nationwide from foreign investment inflows. Specifically, realized foreign investment capital in 3Q2021 and early 4Q2021 slowed down to USD 17.1 billion (down -4.2% YoY) by the end of 11/2021. However, when the epidemic was under control, demand rebounded strongly when realized FDI in the whole year of 2021 reached 19.7 billion USD (up 1.2% YoY) and registered FDI reached 31.2 billion USD (up +9.2% yoy).

We believe that with the competitive advantages of cheap labor, abundant labor force, several multilateral free trade agreement in Southeast Asia and the government's policies to attract FDI, Vietnam is still is a a potential destination for manufacturers in the world.

The epidemic is no longer a barrier leading to a stagnation in the transaction progress of industrial zones in 2022.

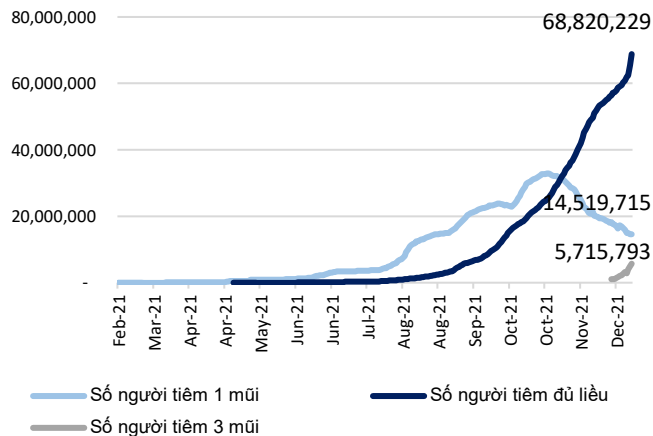
The fourth wave of Covid-19 despite having a severe impact on the economy, disrupted production activities and disrupted supply chains, but also boosted the country's vaccination rates and moved towards the "Living with Covid" strategy. We believe that this factor has ensured that the production and business activities of enterprises will no longer be interrupted; foreign enterprises can consult and negotiate with Vietnam's industrial park investors on the development of high-value projects.

Registered and realized FDI in Vietnam 2015-2021 (bilUSD)



Source: GSO

Vaccination coverage for over 18-year-old as of Dec 31, 2021



Source: Ministry of Health

Industrial park rents are forecast to remain at a high level, due to high demand but low supply, and also benefit from the wave of production shifting away from China.

Limited supply is reflected in the high occupancy rate, which has always maintained at 71% nationwide. Specifically, according to Savills, in the key economic regions in the North by the end of 2021, the occupancy rate of industrial zones in Bac Ninh, Ha Noi, Hung Yen, Hai Duong and Hai Phong is respectively 99%, 91%, 88%, 70%. In the southern provinces, occupancy rates in Ho Chi Minh City, Dong Nai, Binh Duong, Long An, and Vung Tau are 99%, 95%, 90%, 84, and 80%, respectively. High demand while limited supply is still the main driving factor for high rents in industrial parks.

The industry is supported by the "Unlocking" of industrial park land supply in 2021 and the trend of project reallocating to tier 2-3 provinces.

According to our observations, in 2021, there are 43 industrial park projects approved by the Prime Minister, with a scale of over 11,300 hectares (of which the North accounts for 57%, the Central region 28% and the South 15%), equivalent to 10% of the total industrial land area nationwide by the end of 2020 and 3.4 times the size of the approved industrial park area in 2020 (3,333 ha). We believe that the industrial park real estate market in the southern market will be accelerated "unlocking" in 2022, especially in Binh Duong and Dong Nai when the occupancy rate in this area is over 90% and there are no more industrial zones approved for investment in the period 2020-2021.

Among listed companies owning new projects that can start leasing in the next 2 years, we think GVR will take the lead with over 3,500 hectares in Binh Duong, followed by KBC with 1,372 hectares in Trang Due 3 Industrial Park (687 ha), Quang Chau Expanded Industrial Park (90 ha), The industrial cluster in Long An of 219.8 ha and another in Hung Yen of 375 ha.

Table: Some notable industrial park projects approved in 2021

Industrial Park	Location	Investor	Size (ha)	Total investment (bilVND)
Thuan Thanh I	Bac Ninh	VGC	249.7	2.848
Nam Son Hap Linh	Bac Ninh	KBC	300.0	2.917
An Phat 1	Hai Duong	AAA	180.0	1,947
Kim Thanh	Hai Duong	CIG	165.0	1.161
Connecting Street A expands	Hung Yen	HPG	92.5	1.082
River Lo II	Vinh Phuc	IDV	165.7	1,520
Tam Duong I – KV2	Vinh Phuc	SHIPPING	162.3	1.316
Tan Duc	Binh Thuan	Sonadezi Binh Thuan Joint Stock Company	300.0	1,200
Gilimex	Hue	GIL	460.9	2,614
Nam Tan Lap	Long An	SGT	244.7	2,590

Source: Ministry of Planning and Investment, BSC Research

However, there is a time lag between projects that are approved for investment and projects that are ready for exploitation (from 3-5 years), so the current supply of ready-to-operate industrial zones is still limited with the occupancy rate of industrial zones nationwide reaching over 71%.

Transport infrastructure linking the same key areas will solve the logistic bottleneck to directly support the industry. The cost of logistics services in Vietnam is equivalent to 20.9% of GDP, nearly twice that of developed countries and higher than the global average of 14%. Accordingly, a number of factors will raise the cost of infrastructure, including (1) Poor quality of infrastructure, especially road and rail transport infrastructure, and (2) The infrastructure connection system is still limited and lack of synchronization.

INVESTMENT THESIS – OUTPERFORM

BSC maintains a OUTPERFORM view of the industrial park real estate industry based on (1) Industrial park rents are forecast to remain at a high level (2) Production and business activities are no longer interrupted due to the epidemic, (3) Legal issues are passed to help businesses deploy to meet their needs, (4) Transport infrastructure improvement is accelerated in the medium term.

Ticker	Net Rev 2022 (bil)	% yoy	NPAT 2022 (bil)	% yoy	EPS 2022 (unit)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 10/02/2022	Target price	Upside
BCM	10,144	53%	2,718	40%	2,227	28.7	3.2	5%	13%	80,800	84,900	5%
KBC	9,694	132%	3,070	71%	5,592	11.5	2.1	10%	19%	56,800	67,300	18%
LHG	1,000	28%	367	25%	6,606	22.5	1.4	3%	5%	52,000	65,500	26%
GVR	30,856	7%	5,476	8%	1,369	26.5	2.7	8%	12%	33,600	40,000	19%
SZC	1,123	59%	480	53%	4,803	10.9	2.5	7%	24%	78,000	N/A	N/A

Source: BSC Research

Construction Industry [Outperform]

Analyst: Lam Viet

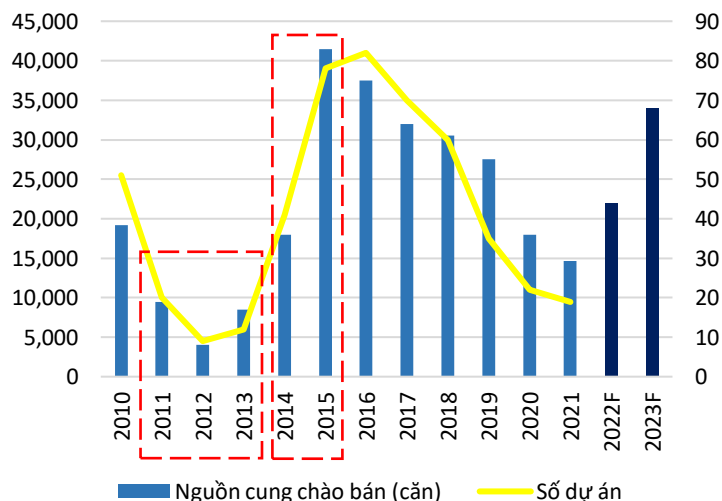
Email: vietl@bsc.com.vn

- Construction industry is on the rebound trend and is expected to enter a new growth cycle.
- Low base level in 2021 will support positive growth in 2022.
- The cost of input materials is forecasted to cool down, contributing to improving the profit margin of construction enterprises, especially those with high new contracts at the time when the price of construction materials peaked.
- BSC maintains an **OUTPERFORM** view on the Construction industry

Civil construction industry is on the rebound trend and is expected to enter a new growth cycle.

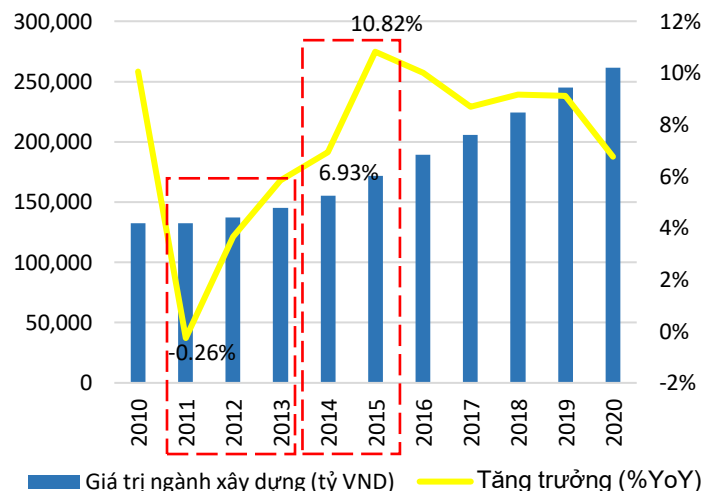
The growth of the civil construction industry is cyclical and highly correlated with the growth of commercial real estate supply. Accordingly, we believe that the construction industry will recover strongly thanks to (1) the recovery of real estate supply after serious impact of Covid-19, (2) Accelerating infrastructure investment to promote the growth of commercial real estate and civil construction to recover as in the 2014-2015 period.

The supply of apartments in HCMC has dropped to the lowest level since 2015 and is forecasted to recover strongly from 2022-2023



Source: CBRE

Construction industry is highly correlated with real estate supply



Source: GSO

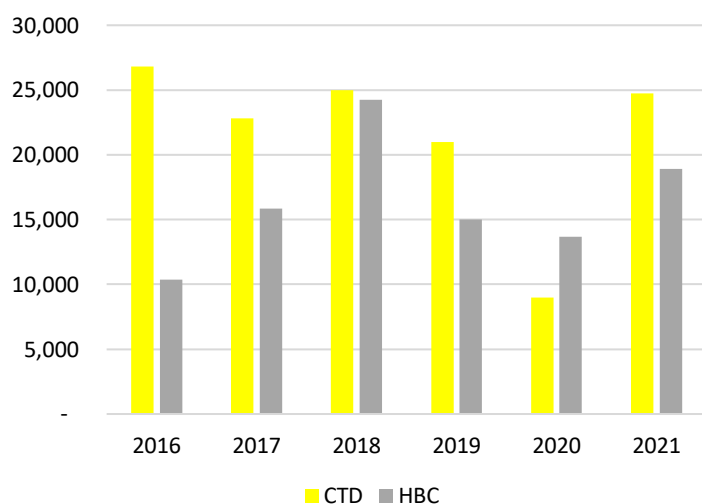
Low base level in 2021 will support positive growth in 2022.

The high backlog value of construction companies thanks to (1) the value of new contracts signed in 2021 has recovered, (2) the epidemic in 2021 has disrupted construction work and most of the contract value is delayed to 2022. We also note that the current spike in backlog value is mostly due to the delay of construction projects into 2020-2021. Therefore, the progress of signing new contracts still needs to be further monitored in addition to the implementation of projects.

The cost of input materials is forecasted to cool down, contributing to improving the profit margin of construction enterprises.

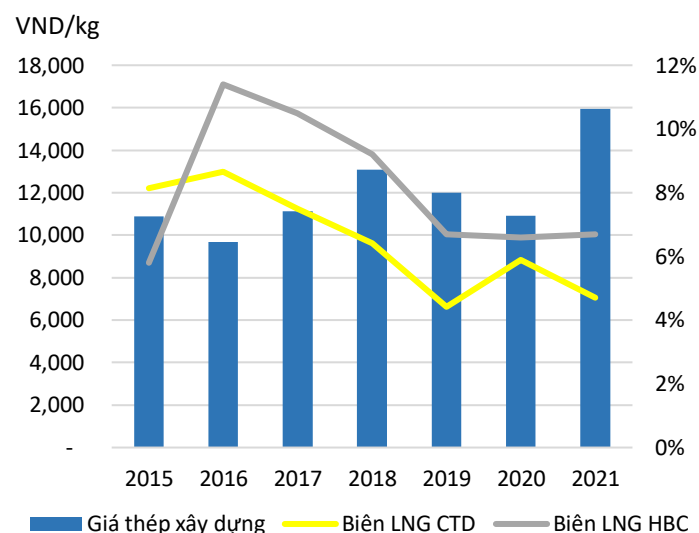
Construction materials usually account for 45% of total construction costs, mainly steel and cement. We expect the downtrend of steel price will help construction businesses improve their gross profit margin, especially those with high number of new contracts signed at the time when the price of building materials peaked like CTD (25,000 bilVND) and HBC (16,500 bilVND) in 2021.

Backlog value transferred to 2022 of CTD and HBC (billion VND)



Source: CTD, HBC

Correlation between steel price and gross profit margin of construction enterprises



Source: CTD, HBC, BSC Research

INVESTMENT THESIS – OUTPERFORM

We rate the construction industry **OUTPERFORM** thanks to (1) strong recovery with high backlog value (2) expectation of a new bull cycle, (3) low base level in 2021, (4) profit margin of construction enterprises is improved when the price of construction materials is forecasted to decrease next year.

Ticker	Net Rev 2022	% yoy	NPAT 2022 (bil)	% yoy	EPS 2022 (unit)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 10/02/2022	Target price	Upside
CTD	21,366	109%	1,092	302%	11,012	9.2	0.9	5%	9%	97,000	140,500	45%

Source: BSC Research

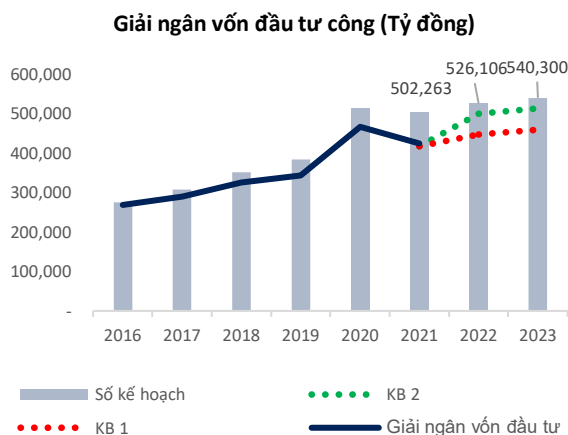
Construction Stone Industry [Outperform]

Analyst: Pham Thi Minh Chau

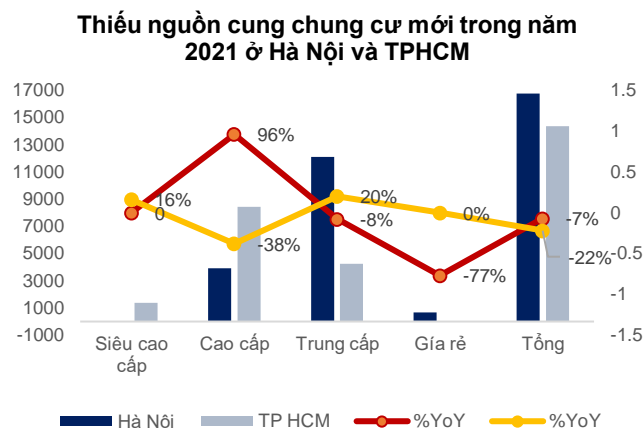
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- **Positive outlook of business results in 2022 can be supported by:** (1) The low base level from 2021 (2) Public investment disbursement is expected to accelerate and the demand for residential real estate will recover. BSC expected **OUTPERFORM** prospect for the construction stone in 2022.

BSC estimates that the business output of listed stone companies in 2021 will decline by -17% to 45%YoY due to (1) a sharp increase in the price of key construction materials (such as a 43% increase in steel prices) as well as the COVID-19 disease has affected the construction progress of public investment projects and real estate projects, (2) Many quarries have expired, such as Tan Dong Hiep, Nui Nho...



Source: GSO, CBRE, BSC Research



Source: GSO, CBRE, BSC Research

2022 is expected to be the year when business results recover from the low base of 2021, based on:

(1) Objective factors: (1.1) expected public investment disbursement of 85%-95% for 2022F and the economic recovery support package worth VND350,000 billion, in which VND113,850 billion is allocated for infrastructure development, will positively affect the demand for construction stone in 2022; (1.2) In 2022, the supply of apartments will double, and the supply of townhouses will increase by 20%-30% compared to 2021 (according to CBRE Vietnam's forecast), (1.3) Area expansion for business and transportation costs optimization thanks to new infrastructure and connected highways are expected to be completed in the period of 2022-2026.

(2) Opportunities from within the industry: In the period of 2019-2020, many large quarries such as Tan Dong Hiep, Nui Nho, etc. have expired, causing the mining output of listed quarries to decrease by 35% compared to 2020 – excluding other factors, while the progress of licensing and exploitation of quarries has been delayed due to the epidemic. Therefore, we assess that there will be abundant opportunities for businesses that own quarries with large reserves, but also have the potential to increase capacity and business, and also favourable location - especially Dong Nai (VLB, DHA, CTI, KSB...). In addition, enterprises owning the value chain of construction materials & construction will expand to invest in the construction of industrial zones and e-commerce projects, in order to ensure long-term profitability when the quarry reserves decline.

DHA		KSB		VLB		TCD		DGT	
Quarry	Distance	Quarry	Distance	Quarry	Distance	Quarry	Distance	Quarry	Distance
Highway Chon Thanh - Duc Hoa (84km)									
Thach Phu 2	88	Tan My	70	Thach Phu 1	88	Antraco Joint Venture	214	Tan Cang 4	69
Tan Cang 3	99	Phuoc Vinh	41	Thien Tan 2	68				
Nui Gio	28	Thien Tan 7	86	Soklu 2	116				
		Tam Lap	44	Tan Cang 1	65				
		Bai Giang	1,134	Soklu 5	110				
		Go Truong	1,209						
Highway Bien Hoa - Vung Tau (54km)									
Thach Phu 2	18	Tan My	33	Thach Phu 1	19	Antraco Joint Venture	273	Tan Cang 4	13
Tan Cang 3	10	Phuoc Vinh	65	Thien Tan 2	20				
Nui Gio	107	Thien Tan 7	19	Soklu 2	42				
		Tam Lap	60	Tan Cang 1	9				
		Bai Giang	1,404	Soklu 5	40				
		Go Truong	1,288						
Highway Ho Chi Minh - Moc Bai (65km)									
Thach Phu 2	55	Tan My	51	Thach Phu 1	55	Antraco Joint Venture	240	Tan Cang 4	62
Tan Cang 3	59	Phuoc Vinh	65	Thien Tan 2	65				
Nui Gio	96	Thien Tan 7	56	Soklu 2	88				
		Tam Lap	69	Tan Cang 1	58				
		Bai Giang	1,207	Soklu 5	89				
		Go Truong	1,282						
Highway Ho Chi Minh - Chon Thanh (55km)									
Thach Phu 2	30	Tan My	39	Thach Phu 1	31	Antraco Joint Venture	242	Tan Cang 4	32
Tan Cang 3	30	Phuoc Vinh	63	Thien Tan 2	36				
Nui Gio	33	Thien Tan 7	31	Soklu 2	61				
		Tam Lap	60	Tan Cang 1	29				
		Bai Giang	1,131	Soklu 5	59				
		Go Truong	1,206						
Highway Dau Giay - Tan Phu - Bao Loc (127km)									
Thach Phu 0	41	Tan My	50	Thach Phu 1	41	Antraco Joint Venture	311	Tan Cang 4	40
Tan Cang 1	29	Phuoc Vinh	84	Thien Tan 2	36				
Wind Mountain	132	Thien Tan 7	40	Soklu 2	11				
		Tam Lap	77	Thach Phu 1	36				
		Bai Giang	1,245	Thien Tan 2	11				
		Go Truong	1,320						
Highway Ho Chi Minh - Long Thanh - Dau Giay (24km)									
Tan My	48	Tan My	62	Thach Phu 1	48	Antraco Joint Venture	295	Tan Cang 4	45
Phuoc Vinh	42	Phuoc Vinh	90	Thien Tan 2	50				
Thien Tan 7	130	Thien Tan 7	48	Soklu 2	71				
		Tam Lap	84	Tan Cang 1	41				
		Bai Giang	1,236	Soklu 5	72				
		Go Truong	1,312						
Chau Doc - Can Tho - Soc Trang - Tran De Expressway (191km)									
						Antraco Joint Venture	44		

*The distance between the quarry and the project which is 60km from the will be not effective.

Source: BSC Research

Code	Quarry	position	License depth (cote m)	Licensed reserve (000 m3)	Remaining reserves (000 m3)	Licensed capacity (000 m3)	Mining 2020	Duration	Status
KSB	Tan Dong Hiep	Binh Duong	150	42,928	10,475	2,342	1.082	Dec-19	Mining time out
KSB	Tan My	Binh Duong	70	22,326	1,771	1,500	1.076	Aug-29	Finishing the project down to the cote depth -70m
KSB	Phuoc Vinh	Binh Duong	50	10,627	2,892	1,200	1.623	Jan 1-23	Applying for a permit to extend the depth from 20m to 100m
KSB	Thien Tan 7	Dong Nai	60	5,291	4,349	280	409	Jan-35	Compensation to expand the mining site
KSB	Tam Lap	Binh Duong	20			N/A			Has applied for a mining license to a depth of 20m
total				51,292	9,012	5,652			
C32	Tan Dong Hiep	Binh Duong	150	1,900	N/A	763	n/a	Dec-19	Mining time out
C32	Tan My	Binh Duong		N/A	N/A	1000		Dec-25	
total						1763			
DHA	Wind Mountain	Binh Phuoc	50	6,342	4,225	300	335	Aug-38	
DHA	Tan Cang 3	Dong Nai	60	6,693	4,147	490	808	Mar-37	
DHA	Thach Phu 2	Dong Nai	80	14,915	6,114	818	1,349	Dec-28	
total						1608			
NNC	Small moutain	Binh Duong	60	N/A	1,855	2000	n/a	Dec-19	Mining time out
NNC	Bow	Binh Phuoc	150	N/A	22,509	1000		Jan 1-42	Output Consumption is only 54.25% due to low demand for transport infrastructure
total						1000			
VLB	Thach Phu 1	Dong Nai	60	N/A	N/A	1800	2.060	Feb-23	Expansion of mining area
VLB	Thien Tan 2	Dong Nai	60	N/A	N/A	1800	2.222	n/a	Expansion of mining area
VLB	Soklu 2	Dong Nai	ten	N/A	N/A	400	237	n/a	
VLB	Tan Cang 1	Dong Nai	60	N/A	N/A	1500	1.642	n/a	
VLB	Soklu 5	Dong Nai	ten	N/A	N/A	N/A	443	n/a	Expansion of pine mining
total						5500			
CTI	Tan Cang 8	Dong Nai	60		15,000 won	800	n/a	Dec-33	Sell quarries
CTI	Thien Tan 10	Dong Nai	60		26,600	900		Dec - 35	Upgrade mining and production equipment in both quarries
CTI	Xuan Hoa	Dong Nai	60		18,000 won	500		Dec-34	
Total						1400			

Source: BSC Research

INVESTMENT THESIS – OUTPERFORM

BSC recommends **OUTPERFORM** for construction stone sector in 2022, based (1) Low base level 2021 (2) Progress of disbursement of public investment is expected to be boosted as well as civil real estate recovers.

Ticker	Mkt. Cap (bilUSD)	Net Rev 2022	% yoy	NPAT 2022 (bil)	% yoy	EPS 2022 (unit)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 10/02/2022	Target price	Upside
CTI	1,745	724	15%	55	17%	786	31.1	1.2	5%	1%	21,300	32,800	54%
DHA	904	398	89%	97.5	25%	6,224	8.1	1.6	19%	18%	55,900	64,300	15%
KSB	3,047	1,219	19%	309	20%	3,524	6.9	1.3	15%	7%	40,950	N/A	N/A

Source: BSC Research

Seaport Industry [Outperform]

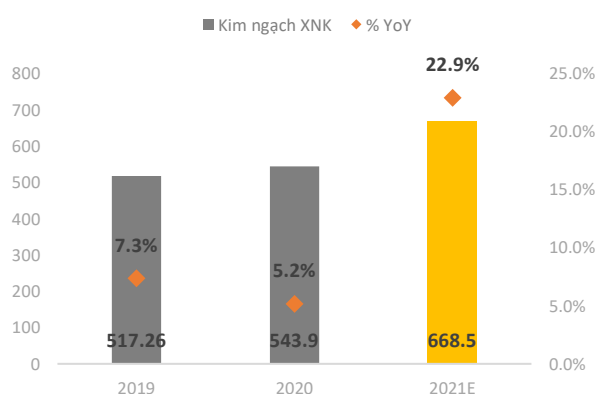
Analyst: Le Huu Ngoc

Email: ngoclh@bsc.com.vn

- In 2022, BSC expects the output of goods approved to increase at ~10% YoY, reaching 26.4 million TEU thanks to the recovery of the global economy stimulating international trade.
- In 2022, the profitability of port enterprises is expected to increase by 24% YoY thanks to the growth in cargo output through ports at 6%-27% due to the overall recovery of the industry and improved performance at ports.
- BSC recommends **OUTPERFORM** view to the Seaport sector in 2022.

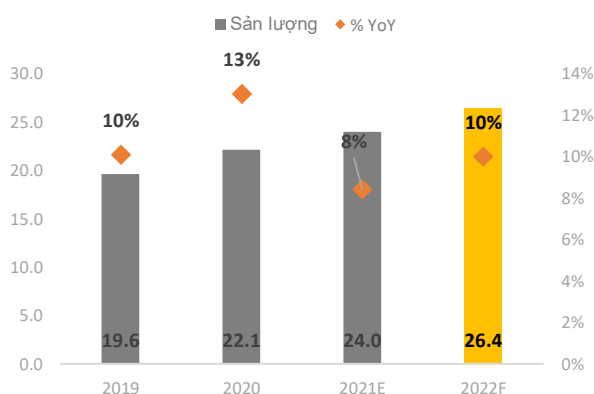
The output of goods through Vietnam's seaports in 2021 reached 24 million TEU (+8.4% YoY) thanks to (1) the recovery of the global economy (GDP growth of 5.5%) and (2) trade activities between countries have been removed restrictions, making import and export activities in Vietnam favorable (total import and export turnover in 2021 +22.6% YoY).

Total turnover in 2021 increased by 22.9% YoY (bil. USD)



Source: Tổng cục Thống kê, BSC Research

BSC expects cargo throughput to increase by 10% in 2022 (TEU million)



Source: BGTVT, BSC Research

In 2022, the profitability of port enterprises on the BSC watch list (GMD, SGP, VSC) is expected to increase by 24% YoY, thanks to the vibrant import and export trade that has helped the output of goods through ports increase by about 6%-27%. Specifically, the production growth of VSC comes from the recovery across the industry and the declining competition for the Lach District area; while the increased output of GMD and SGP will depend greatly on the output of ports in Cai Mep - Thi Vai area: GMD - Gemalink, SGP - SSIT. In the medium term, many port enterprises will have a great growth in output thanks to the new port coming into operation such as GMD (Gemalink phase 2, Nam Dinh Vu phase 2-3), VSC (Cat Hai port, Lien Chieu port), PHP (Lach District port) ...

Cargo output of port enterprises in 2022

Enterprises	Output		
	2021E	2022F	%YoY
GMD (million TEU)	3.15	4.00	27%
VSC (million TEU)	1.10	1.17	6%
SGP (million ton)	9.9	10.9	10%

Source: Enterprises' Financial Statements, BSC Research

INVESTMENT THESIS – OUTPERFORM

We rate **OUTPERFORM** for the Seaports sector in 2022 due to the high profit growth of +24% YoY stemming from an increase in cargo output through ports at 6%-27% based on the overall recovery of the industry and improved performance at ports.

Ticker	Net Rev 2022 (bil)	% yoy	NPAT 2022 (bil)	% yoy	EPS 2022 (unit)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 10/02/2022	Target price	Upside
GMD	3,256	14%	695	37%	2,306	18.9	1.9	7%	10%	47,750	64,000	34%
VSC	1,957	5%	355	15%	3,220	12.5	1.8	13%	15%	41,200	55,000	33%
SGP	1,209	12%	429	15%	1,983	15.5	1.6	8%	17%	34,000	N/A	N/A

Source: BSC Research

Steel Industry [Neutral]

Analyst: Dinh Manh Thang

Email: thangdm@bsc.com.vn

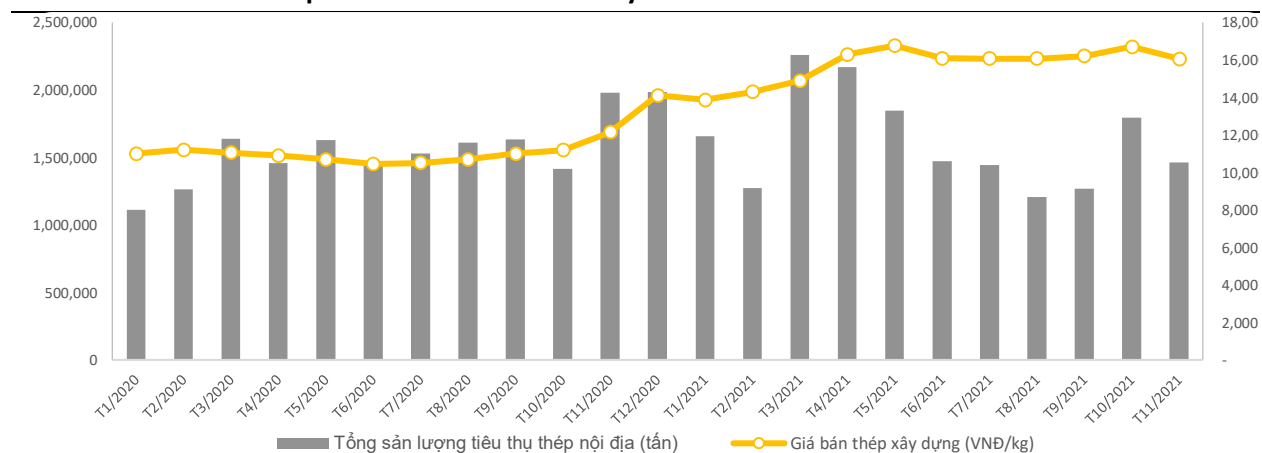
- Positive domestic consumption output thanks to (1) inflows of public investment in infrastructure; (2) Civil construction activities recovered.
- Export markets are becoming more competitive as countries are gradually recovering output levels to pre-epidemic levels.
- Profit margins decreased due to falling selling prices, material prices fluctuated in opposite directions.
- BSC recommends **NEUTRAL** prospect for the steel sector in 2022.

BSC estimates that domestic steel consumption for the whole year of 2021 grew slowly, only +8.16% yoy due to the decrease in steel demand as the impact of the epidemic. In 2022, we forecast domestic steel consumption to flourish based on: (1) increased disbursement of public investment, which focus mainly on infrastructure, and (2) civil construction activity recovering when the epidemic is under control.

- **Public investment:** The National Assembly has approved a package of economic recovery worth VND 350,000 billion, of which VND 113,850 billion is allocated for infrastructure development, focusing on key projects such as the North - South East expressway, Long Thanh airport, major logistics ports ... This leads to increased demand for iron and steel.
- **Civil construction recovery:** Construction activities in 2021 were suspended in the first 9 months of the year to support disease control. In 2022, the supply of apartments will double, and the supply of brothels will increase by 20%-30% compared to 2021 (according to CBRE Vietnam's forecast) which are factors driving domestic steel consumption.

Although the consumption output is flat, the sharp increase in steel selling prices contributes to the business results of steel enterprises. Specifically: steel sales prices increased sharply in the first half of 2021 and began to decrease in the second half of the year, however, **the average annual selling price still increased by 43% yoy**. BSC forecasts that the average steel price in 2022 will be corrected further, according to the decline of iron ore prices (accounting for 45%-50% of the cost of producing steel billets).

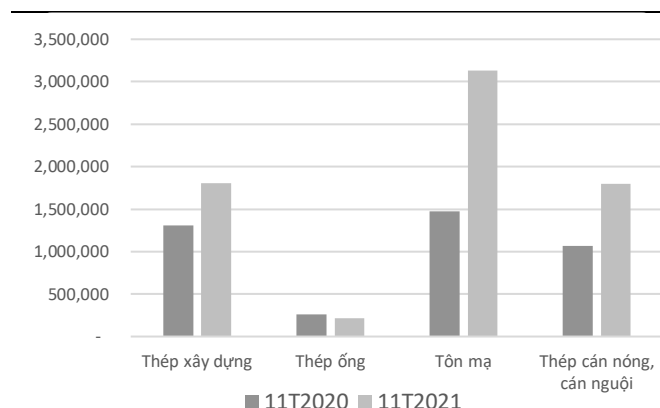
Domestic steel consumption of the whole industry



Source: Fiinpro, BSC Research

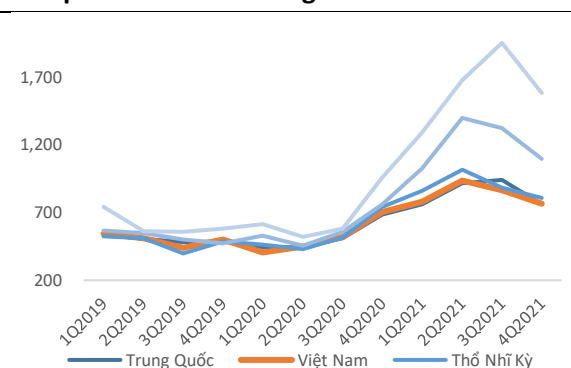
The export market is a bright spot for steel enterprises in 2021. Steel exports across the industry +38% yoy. For the main export steel products of Vietnamese enterprises (galvanized steel), the main input material - hot rolled coil steel (HRC) - which is produced in Vietnam is now more competitively priced than the price sold in the EU, US and ASEAN markets. **For 2022, BSC forecast that this production cost advantage will maintain steel export output at the same level as in 2021.** However, if the trend of steel prices in the EU and North America markets continues to decline in the fourth quarter, especially as competitors expand exports to these markets, then businesses with a large export share will be unlikely to maintain the impressive profit levels as in 2021.

Steel export volume increases sharply in 2021



Source: Fiinpro, Bloomberg, BSC Research

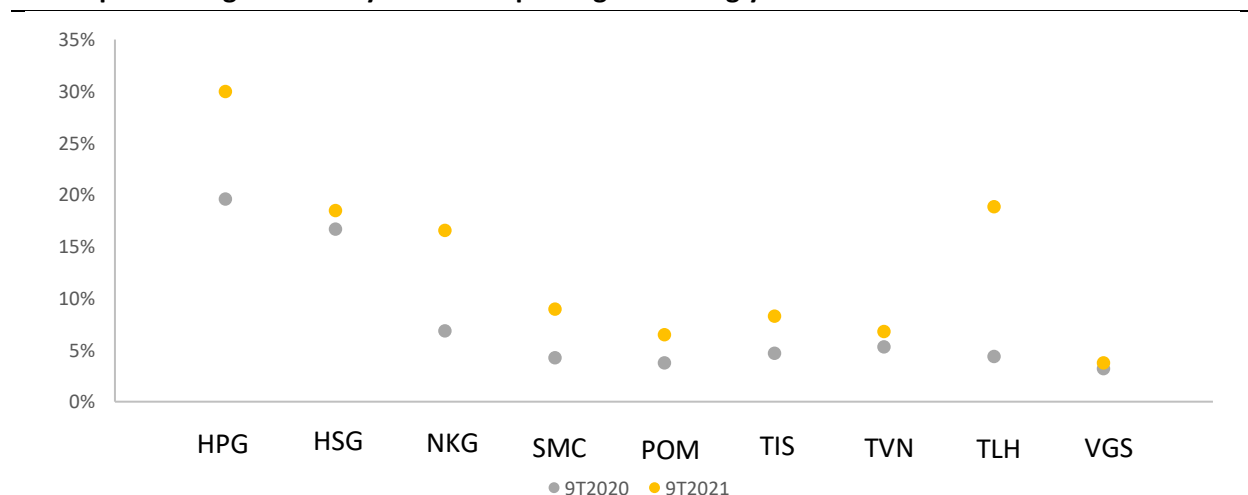
The price gap between Vietnam's HRC and its competitors is narrowing



Source: Fiinpro, Bloomberg, BSC Research

The profit margins of many steel enterprises grew strongly in 2021 thanks to taking advantage of fluctuations in raw material prices, increasing inventories with low capital prices and benefiting when steel selling prices increased sharply in the first 3 quarters of the year.

Gross profit margins of many steel enterprises grow strongly

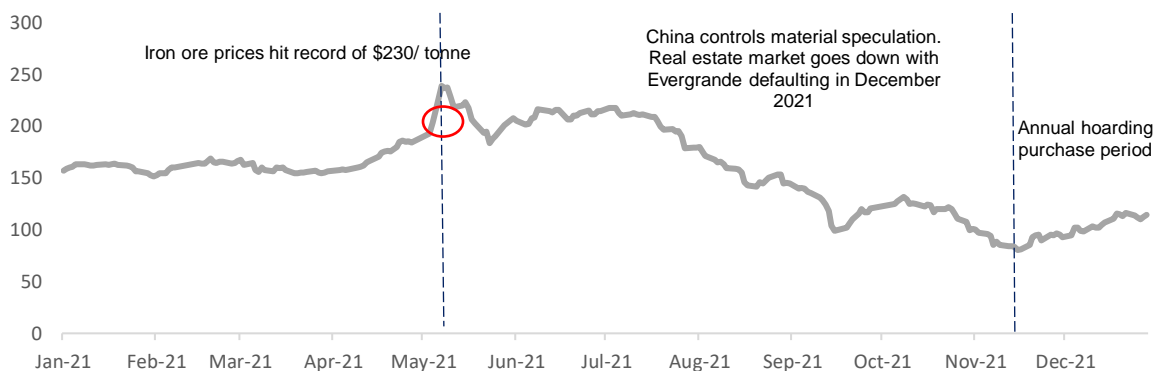


Source: Enterprises' Financial Statements,, BSC Research

BSC expects that **the profit margins of steelmakers will decrease** from the high base level in 2021, as **(1) The selling price tends to decrease** in line with the downward momentum of the material price; **(2) Competition in the industry has increased.**

- **Steel selling prices tend to fall:** Steel selling prices have begun to cool down since the second half of 2021, when governments of countries, especially China, implemented measures to control speculative activity in commodity markets.
- **Iron ore price:** Iron ore prices recovered slightly at the end of the year due to the seasonality of production, and factories' intention to increase the stockpile of raw materials. However, in the medium to long term, ore prices are forecast to decline gradually as suppliers increase mining output to pre-pandemic levels, causing production costs to fall.

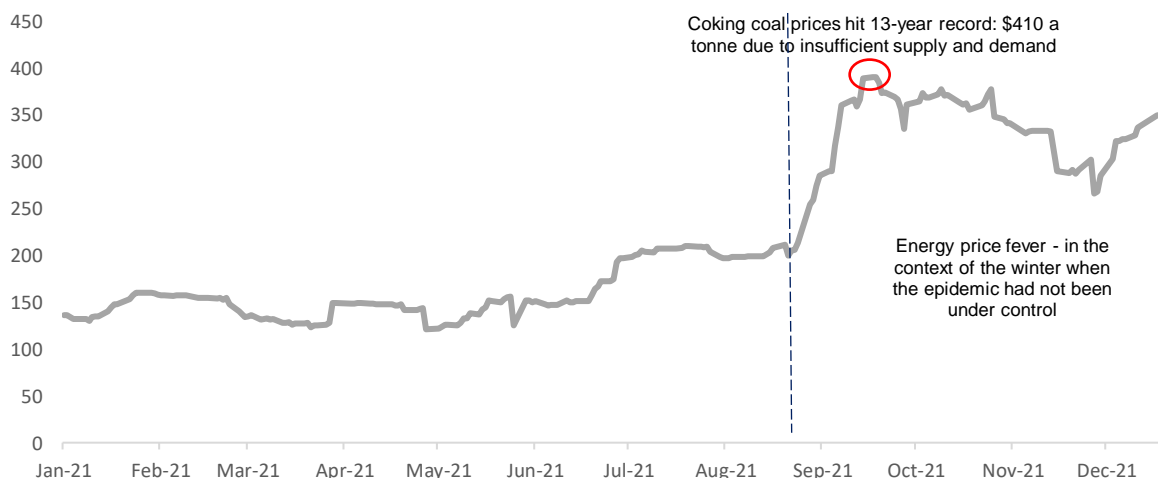
Iron ore prices forecast to fall in medium to long term



Source: Bloomberg, BSC Research

- **Coking coal prices:** Thermal coal prices have risen sharply along with the global energy price craze and electricity shortages in China. This situation cannot be resolved in the short term, as the demand still dominates the supply, and political tensions have led China to refuse to import Australian coal and buy in the market at high prices instead.

Coking coal prices kept rising due to the global energy craze and power shortages in China



Source: Bloomberg, BSC Research

- **Increased competition in the industry:** Tariffs on imports of iron and steel products were loosened when the Regional Comprehensive Economic Partnership (RCEP) created conditions for countries in the group to increase steel exports to the Vietnamese market.

INVESTMENT THESIS – NEUTRAL

BSC rates **NEUTRAL** for the steel industry in general in 2022 based on the view: (1) Positive domestic consumption output thanks to promoting disbursement of public investment, and construction activities recovering from the low base of 2021; (2) The profit margin of the steel industry declined due to the decrease in the average steel selling price in 2022 as competition in the industry has become more fierce.

We recommend **BUY** for HPG shares due to a downward adjustment in valuation, but **NEUTRAL** recommendations for HSG, NKG.

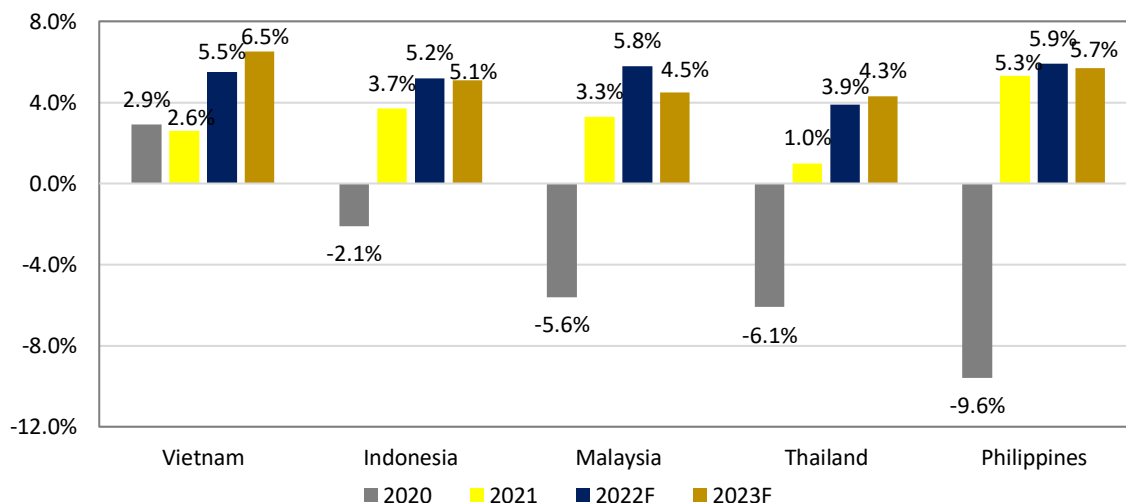
Ticker	Net Rev 2022 (bil)	% yoy	NPAT 2022 (bil)	% yoy	EPS 2022 (unit)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 10/02/2022	Target price	Upside
HPG	160,505	+6.4%	36,375	-3.1%	8,110	5.76	1.59	27.6%	13.8%	47,000	64,100	36%
HSG	46,422	-4.7%	3,493	-19.0%	7,078	4.96	1.20	24.3%	8.5%	36,400	35,400	-3%
NKG	22,221	-11.9%	2,002	-14.7%	9,258	4.04	1.06	25.1%	9.7%	38,250	41,700	9%

Source: BSC Research

II/ Post- Covid19 Economic Recovery

For 2022, BSC gives a **POSITIVE** view on the market in general, however, it should also be noted that the degree of "divergence" will be much larger than in 2021. Therefore, we believe that a thorough consideration in stockpicking and risk management principles will be the proper guidelines for investors to address the upcoming challenges of 2022. In this report, BSC will also present a number of factors and investment theses that may affect the financial market in 2022. BSC believes that these topics will not only take place in 2021-2022, but will also a key topic throughout the period of 2023-2025.

Firstly, BSC forecasts that economic growth will return to 6.6% in the basic scenario, leading to the recovery of economic sectors. PMI in November and December both remained above the threshold of 52 points, the main components such as output and the number of new orders increased strongly, showing that the recovery signal is maintained. The high rate of vaccine coverage as mentioned above will be one of the supporting factors to help production and business activities continue operate without the risk of supply chain disruption. According to the World Bank's forecast, Vietnam still maintains its performance as the country with the highest GDP growth in the next two years compared to other countries in Southeast Asia. Accordingly, consumer confidence and purchasing power gradually recovered, and the expansion of the middle class was the driving force for the optimistic outlook of retail sector.



Source: World Bank, BSC Research

Information & Communication Technology – Post & Telecommunications Industry [Outperform]

Analyst: Nguyen Cam Tu

Email: tuntc@bsc.com.vn

- In 2021, ICT and P&T industry revenues reached \$136 billion (+10% YoY) and \$5.6 billion (+2% YoY), respectively.
- In 2022, BSC said that the outlook for the sector is positive due to (i) the expansion of digital transformation trend and the Government's investment in Smart Transport (ii) 5G networks promote business activities of telecommunications enterprises.
- We continue to maintain **OUTPERFORM** positions towards Information & Communication Technology – Post & Telecommunications sector in 2022.

In 2021, revenues across two industries recorded slight growth. According to the Ministry of Information and Communications, the ICT industry achieved revenue of \$136 billion, an increase of 10% compared to 2020. The P&T industry recorded revenue of \$5.6 billion, a slight increase of 2% compared to 2020. BSC expect that the recovery of the global economy (raising export turnover) and the digital transformation trend will help the ICT industry keep the growth momentum. Meanwhile, Vietnam's social distancing in 2021 due to outbreaks contributed to the demand for telecommunication products.

In 2022, BSC expects the outlook for the two sectors will continue to be positive based on these following factors:

- **The expansion of digital transformation trend and the Government's investment in Smart Transport.** BSC assesses that digital transformation trends will continue in Vietnam and around the world when the Covid-19 epidemic ends. The needs for this will remain positive in the long run, while the Vietnamese government are encouraging government digitalization progress and Make-in-Viet Nam products that will help domestic technology enterprises to gain benefit (e.g., FPT, CMG). Another notable trend is the demand for public investment in Smart Transport, which is expected to be boosted in 2022. BSC found that the two groups (i) ITS at 12 routes of the North-South expressway (with an average size of 200-300 billion / package) (ii) ITS inner city (with an average size of 100-200 billion / package) will be the main motivation for businesses in this niche market to benefit (e.g., ELC, ITD).
- **5G networks promote business activities of telecommunications enterprises.** BSC believe the gradual shift to 5G networks is an inevitable trend in Vietnam, and this deployment will be the driving force for the whole telecommunications industry. Telecommunications infrastructure enterprises (e.g., CTR) will benefit from increasing the workload of infrastructure installation, system maintenance, increasing the rate of sharing infrastructure among carriers. Enterprises involved in the production of 5G equipment (e.g., FPT – processor chips) will also benefit when the government prioritizes domestic products. Finally, network operators (Viettel, Vinaphone, Mobifone) will generate new revenue sources as customers gradually switch to 5G networks.

INVESTMENT THESIS – OUTPERFORM

We continue to maintain OUTPERFORM position towards IT and Telecommunications stocks. For IT stocks, we expect the digital transformation trend to continue to take place in Vietnam as well as the world even after the epidemic ends (FPT). In addition, the group of enterprises operating in its niche market expects to benefit when the bidding packages start bidding in Q1 and Q2 in 2022. For the telecommunications industry, BSC expects CTR to benefit from increasing the workload of infrastructure installation, system maintenance, increasing the rate of sharing infrastructure among those carriers.

Ticker	Net Rev 2022 (bil)	% yoy	NPAT 2022 (bil)	% yoy	EPS 2022 (unit)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 28/01/2022	Target price	Upside
FPT	42,086	17%	6,323	19%	6,103	14.5	1.4	16%	25%	92,000	117,000	27%
VTP	24,221	7%	445	17%	4,061	17.1	3.9	10%	26%	69,800	81,000	16%
CTR	10,915	37%	474	35%	5,080	16.4	3.7	20%	29%	89,900	101,000	12%
ELC	1,506	69%	78	62%	1,427	15.5	0.6	5%	8%	23,350	38,000	63%

Source: BSC Research

Banking Industry [Outperform]

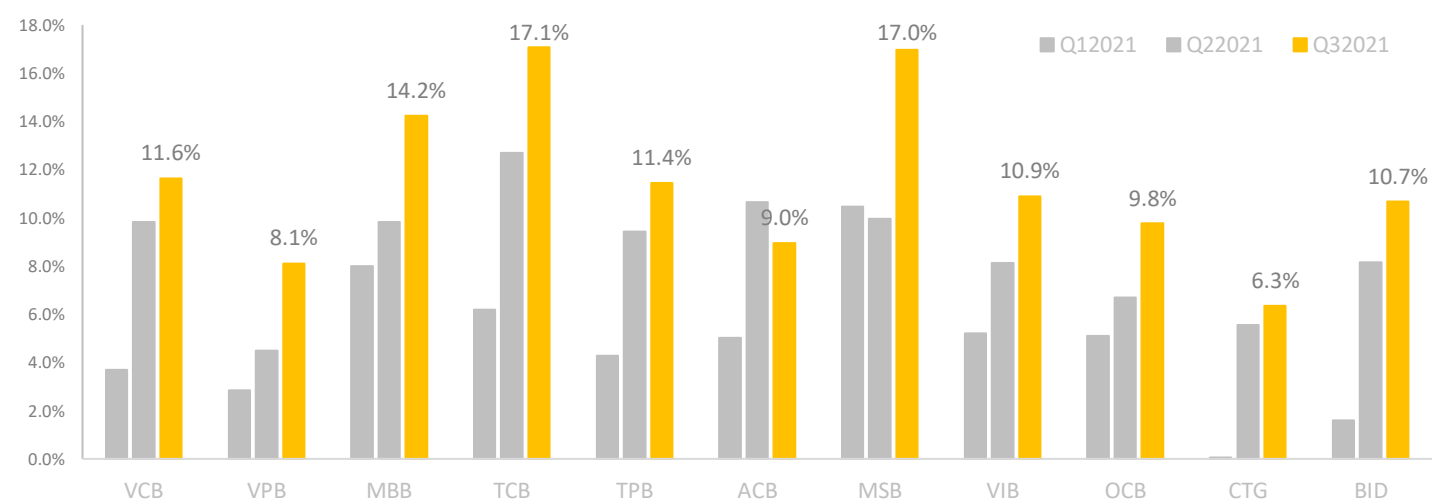
Analyst: Vuong Chi Tam

Email: Tamvc@bsc.com.vn

- **In 2022, we expect credit demand to continue at a high level of ~14.0%**, based on (1) recovery of the economy after the epidemic, (2) support package of VND 350,000 billion over the next 2-3 years.
- **BSC expects NIM in 2022 to be +35 bps compared to 2021** due to (1) the economy's recovery in high credit growth, (2) loan interest rates recovering after the support period and (3) increasing CASA structure in 2022 to reduce capital expenditures.
- **In 2022, we expect the growth rate of the banking sector to reach 22.2%** thanks to the economic recovery after the epidemic and a lower profit base in 2021.
- **Currently, the banking sector is being valued at 1.5x P/B F 2022** by the end of January 11, 2022, we believe that the financial health of banks today deserves a higher valuation than at present.

Credit growth in 2021 reached more than 13%. Thanks to good disease control and economic recovery, by the end of Q4 2021, credit growth across the industry reached ~13% yoy. This is the level of credit growth in BSC's expectations in the most recent industry report. In 2022, we expect credit demand to continue at a high level of ~14.0%, supported by (1) recovery of the economy after the epidemic, (2) support package of VND 350,000 billion over the next 2-3 years will boost consumer demand and production and business.

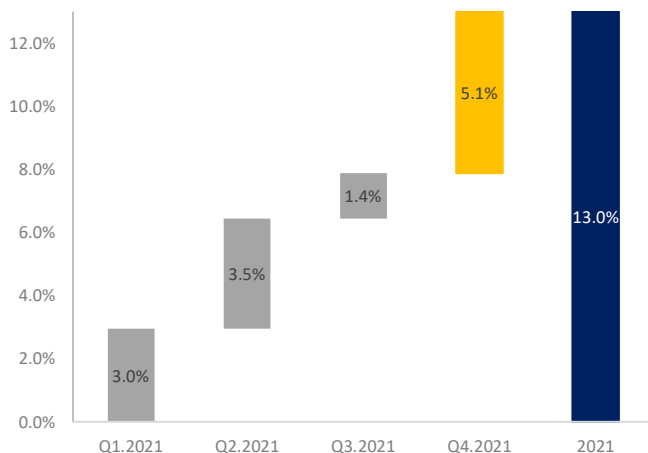
Credit growth of listed banks by the end of 9M.2021



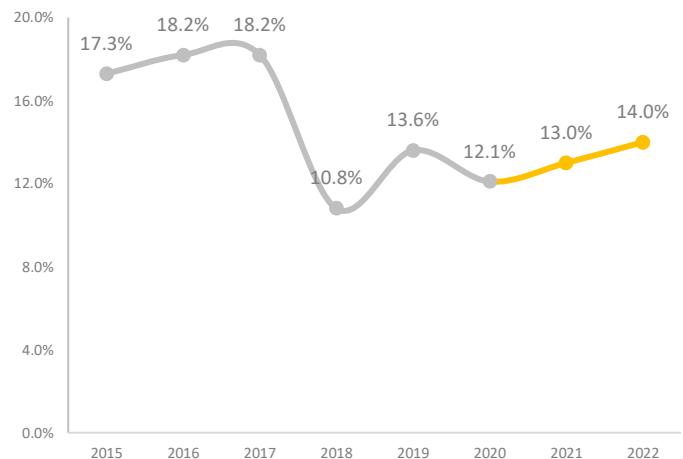
Note: Credit room is granted for each bank in a whole year

Source: Listed Banks, BSC Research

Credit growth in Q4.2021



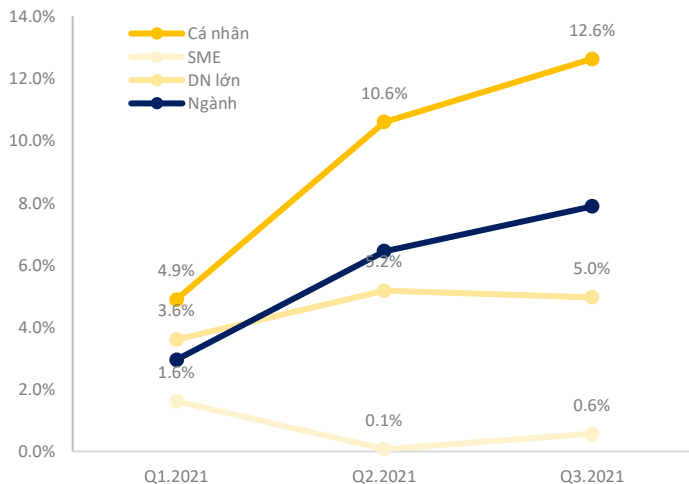
Credit growth forecast for 2022



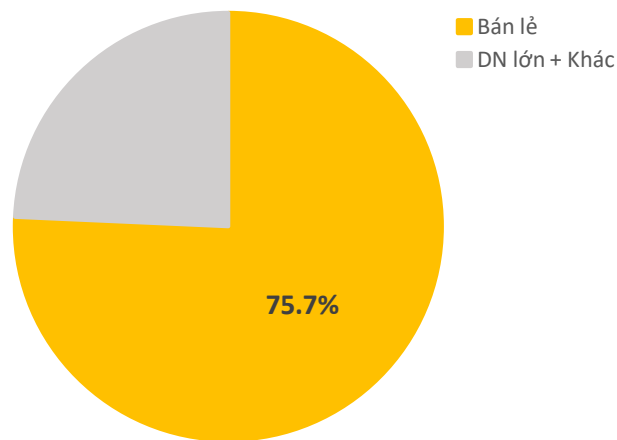
Source: SBV, BSC Research

Recovery of retail lending in 2021. The BSC believe the focus on retail will continue to be the orientation in 2022 for many banks due to (1) the low size of lending on customers helping banks reduce concentration risks and (2) it gets higher NIM than large customers.

Credit growth by customer group



% of retail loans in total outstanding loans of 9M.2021

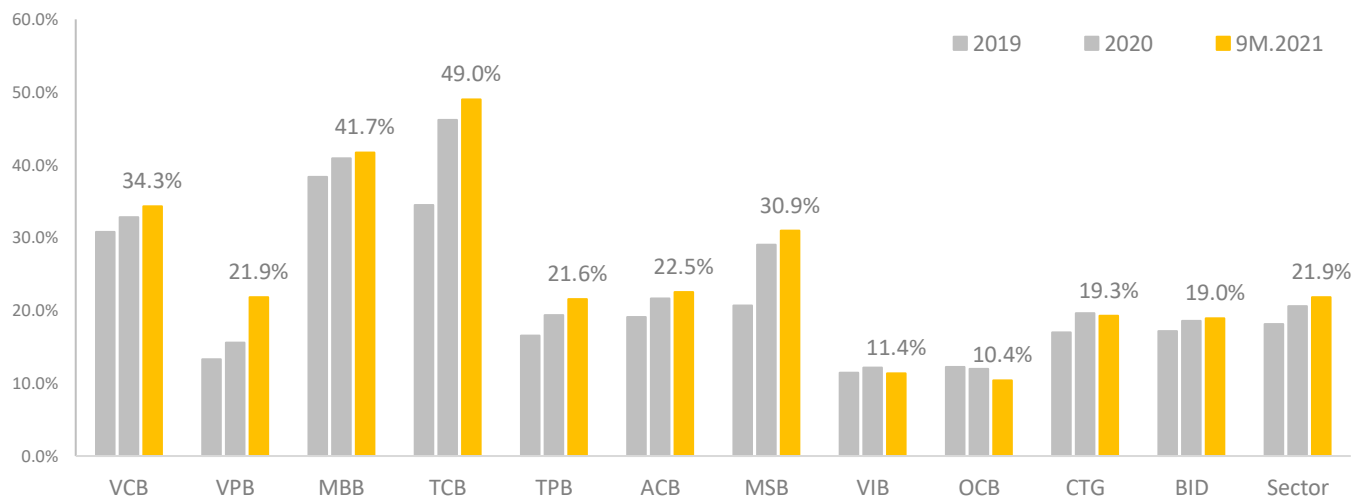


Source: Listed Banks, BSC Research

Focus on mobilizing CASA to help reduce capital costs. The mobilization structure promotes CASA growth. This is a common trend in the coming time of banks. In addition, the continued reduction of deposit interest rates encouraged banks reduce capital costs in 2022. Some banks have the advantage of a high CASA rate (>30%) which will lead to low capital costs, thereby helping to increase lending efficiency.

Many banks reduced transaction fees to increase CASA's market share in 2022. Therefore, we think that the competition for CASA market share will be relatively fierce when the big players simultaneously reduce service charges.

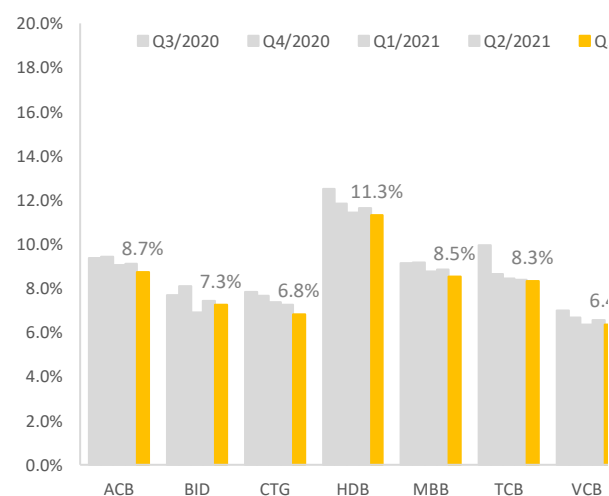
CASA ratio of some listed banks



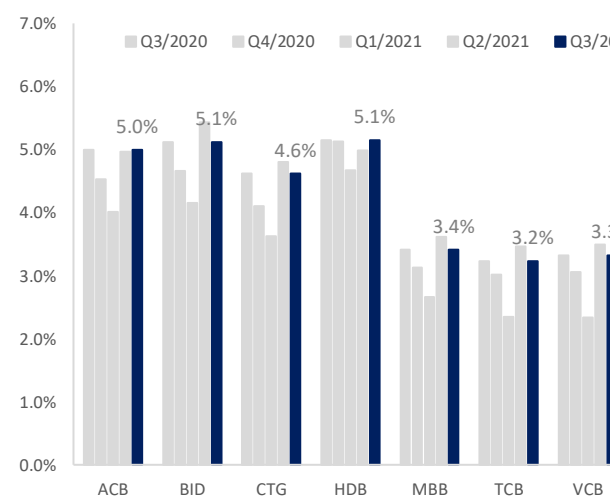
Source: Listed Banks, BSC Research

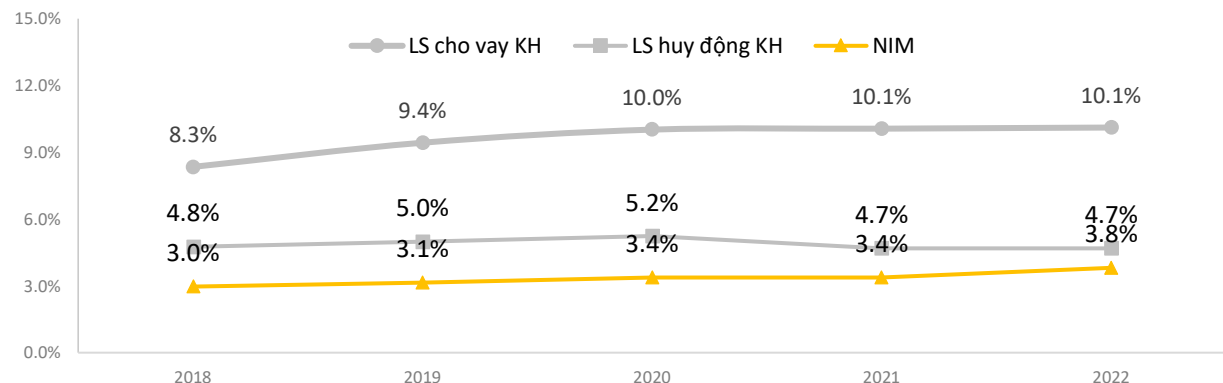
BSC assessed that NIM in 2022 will be +35 bps compared to 2021 due to (1) the recovery of the economy helping to achieve high credit growth, especially focusing on SMEs and individuals with high NIM, (2) lending interest rates recovering after the support period (estimated by the end of 2021), (3) Increase CASA structure in 2022 to reduce capital costs.

Average loan yield in Q3.2021



Average deposit yield in Q3.2021



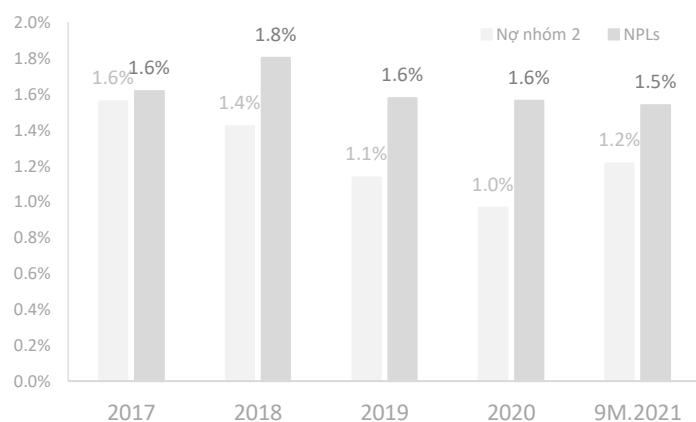
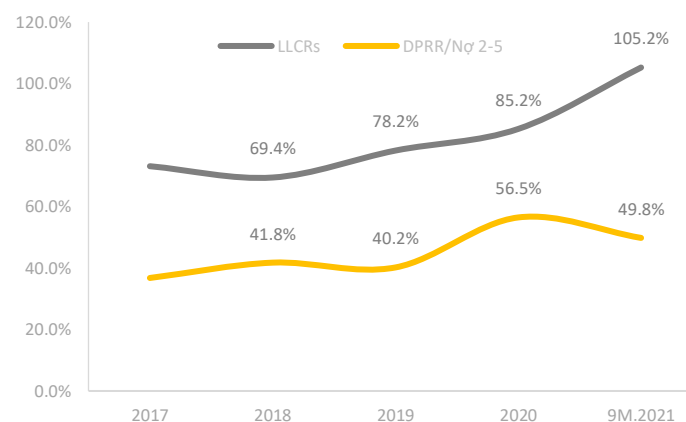
NIM forecast for 2022

Note: Calculated according to the average value of lending interest rates and average mobilization of enterprises in the BSC tracking

Source: Listed Banks, BSC Research

PROPERTY QUALITY - Under control**Property quality decreases due to epidemic**

- (1) The ratio of bad debts and debt coverage is high and is improving.** We consider that, despite the effect of reducing asset quality, with strict credit censorship policies and high bad debt coverage rates, banks can manage asset quality well and keep at current levels (~1.6-1.7% NPLs). Some banks have increased provisions, and drastically improved the rate of bad debt coverage.

Bad debts are controlled at ~1.6%**Improved debt coverage rate**

Source: Listed Banks, SBV, BSC Research

- (2) Restructuring debt increased again to 1.5% due to the 4th wave of COVID-19 epidemic.** Some banks have also set aside between 30% and 100% for current restructuring debts, and are expected to follow Circular 03 in the near future. BSC consider that the restructuring balance will not affect the bank's business results due to (1) the bank's TOI generates at a high level, which will help banks afford to set up more without much impact on growth, (2) it is expected that the restructuring debt will not increase much thanks to the reopening of the economy.

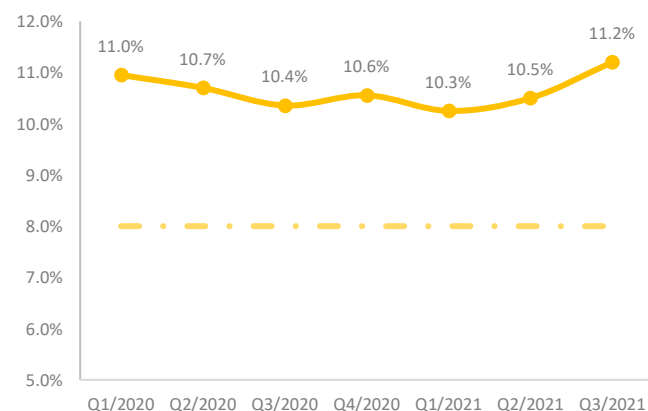
Debt restructuring at some banks

	RESTRUCTURING DEBT						% TOTAL OUTSTANDING DEBT					
	Q2/2020	Q3/2020	Q4/2020	Q1/2021	Q2/2021	Q3/2021	Q2/2020	Q3/2020	Q4/2020	Q1/2021	Q2/2021	Q3/2021
ACB	9,000	9,200	9,024	8,516	8,195	13,416	3.2%	3.1%	2.9%	2.6%	2.4%	4.0%
BID	4,000	36,000	28,000	18,000	9,400	25,000	0.4%	3.1%	2.3%	1.5%	0.7%	1.9%
CTG	8,400	8,400	6,500	4,500	4,160	7,800	0.9%	0.9%	0.6%	0.4%	0.4%	0.7%
HDB	5,000	7,900	6,100	1,270	992	181	3.1%	4.8%	3.4%	0.7%	0.5%	0.1%
MBB	7,000	5,100	2,700	2,000	2,700	3,000	2.7%	1.9%	0.9%	0.6%	0.8%	0.9%
STB	7,000	1,000	700	500	1,500	500	2.3%	0.3%	0.2%	0.1%	0.4%	0.1%
TCB	500	7,100	7,900	6,700	2,700	2,900	0.2%	3.1%	2.8%	2.3%	0.9%	0.9%
TPB	1,700	8,000	8,416	1,742	1,268	1,455	1.7%	7.3%	7.0%	1.4%	1.0%	1.1%
VCB	11,000	10,400	5,100	3,900	4,100	9,000	1.4%	1.3%	0.6%	0.4%	0.4%	1.0%
VIB	3,664	3,618	3,201	2,819	2,486	1,800	2.7%	2.4%	1.9%	1.6%	1.4%	1.0%
VPB	20,000	27,000	13,600	7,500	6,600	15,900	7.4%	9.7%	4.7%	2.5%	2.1%	5.0%
MSB	4,200	4,200	1,500	473	243	1,759	6.0%	5.7%	1.9%	0.5%	0.3%	1.8%
OCB	N/A	N/A	1,300	1,123	1,166	2,000	N/A	N/A	1.5%	1.2%	1.2%	2.0%
Total	81,464	127,918	94,041	59,042	45,510	84,711	1.7%	2.6%	1.8%	1.1%	0.8%	1.5%

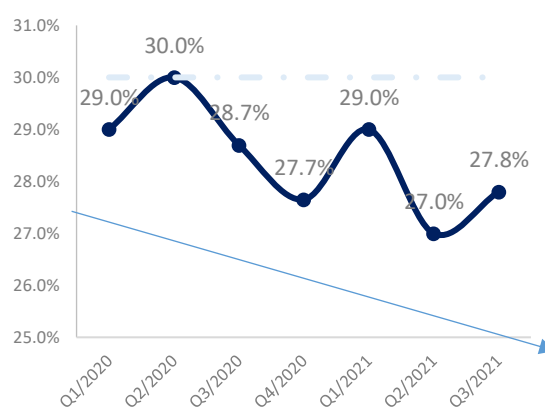
Source: Listed Banks, BSC Research

- (3) The capital adequacy ratio continues to remain high.** The BASEL II CAR ratio continues to be kept high, and the ratio of short-term capital for medium-term loans remains at a safe level. The ratios all ensure the required ratio of SBV, and BSC expects this to be maintained in the future with capital raising plans, thereby helping to grow the size and profitability of banks..

CAR Basel II rate is kept high



Bank's medium-term loan ratio



Source: Listed Banks, SBV, BSC Research

VALUATION – Fair value to accumulate

Currently, the banking sector is being valued at 1.5x P/B F 2022 by the end of January 11, 2022, decreased about ~15% compared to the industry-wide peak due to the impact of the epidemic, causing investors to worry about the decline in profit compared to expectations at the beginning of the year. While COVID-19 has a negative impact on banks' credit demand and provisions, BSC believe that this effect does not correct too many profit losses - provided that banks have completed ~80% of the full-year plan and set up the majority of restructuring debts to be deducted in 2021. We believe that the financial health of banks deserves a higher valuation than at the present time.

FORECAST OF BANKING BUSINESS RESULTS 2021 AND 2022

We updated the TOI and PBT forecasts of the whole banking industry to VND 406,694 billion (+16.7% yoy) and VND163,846 billion (+24.2% yoy), respectively equivalent to -2.1% and -4.6% compared to the 2021 Report. Although not enough to expectations, the profit growth rate is expected to increase sharply compared to 2021, and higher than the overall growth of market profits. The lowering of profit expectations mainly comes from the provision of debts based on Circular 03 in the second half of 2021 and the expectation of a slight decrease in asset quality due to the epidemic. In the longer term, in 2022, we expect the growth rate of the banking sector to be better than previously forecast, specifically to 22.2% (compared to 18.4% previously) thanks to the economic recovery and lower profit base in 2021.

Forecast of business results across the banking industry

	2017	2018	2019	2020	2021	2022
GROWTH						
% Credit	18.2%	10.8%	13.6%	12.1%	13.0%	14.0%
% Asset	20.3%	9.8%	13.2%	11.1%	10.3%	9.7%
% Loan	19.9%	13.6%	16.0%	13.5%	13.0%	13.2%
% Deposit	15.2%	12.2%	13.9%	12.8%	9.9%	8.0%
% Net interest income	25.1%	16.3%	22.5%	12.3%	17.7%	14.5%
% Non-interest income	49.3%	28.9%	16.2%	17.2%	13.7%	6.6%
% Service charge	51.6%	23.2%	31.4%	22.4%	19.6%	14.1%
% Operating Income	29.9%	19.2%	20.9%	13.5%	16.7%	12.6%
% Earnings before Provisions	38.4%	23.4%	25.5%	18.2%	19.7%	13.9%
% Provision	32.6%	11.0%	18.7%	20.9%	12.7%	-1.1%
% EBT	43.5%	33.6%	30.2%	16.5%	24.2%	22.8%
BUSINESS PERFORMANCE						
Group 2 debt ratio	1.6%	1.4%	1.1%	1.0%	1.0%	1.0%
NPL	1.6%	1.8%	1.6%	1.6%	1.5%	1.5%
Bad debt provision/Total debts	1.2%	1.3%	1.3%	1.3%	1.3%	1.4%
LLCR	73.1%	69.4%	78.2%	85.2%	93.3%	99.1%
Bad debt provision/Group 2-5	36.8%	41.8%	40.2%	56.5%	58.7%	59.8%
Credit expense	1.5%	1.4%	1.5%	1.6%	1.6%	1.4%
LDR	70.8%	74.5%	75.9%	76.5%	80.8%	85.0%
CAR Basel I	10.7%	10.8%	10.7%	10.5%	11.4%	12.1%
CASA	16.7%	16.5%	16.8%	17.7%	19.9%	23.2%
Average interest rates	7.5%	7.9%	8.6%	8.1%	8.2%	8.4%
Average cost of capital	4.6%	4.8%	4.9%	4.5%	4.5%	4.4%
NIM	3.1%	3.3%	3.5%	3.52%	3.84%	4.12%
CIR	53.4%	47.4%	40.8%	39.2%	37.1%	35.7%
ROAA	0.9%	1.4%	1.6%	1.5%	1.8%	2.0%
ROAE	14.3%	18.7%	18.5%	18.2%	18.8%	18.6%

Source: Fiinpro, BSC Research

Oil and Gas Industry [Outperform]

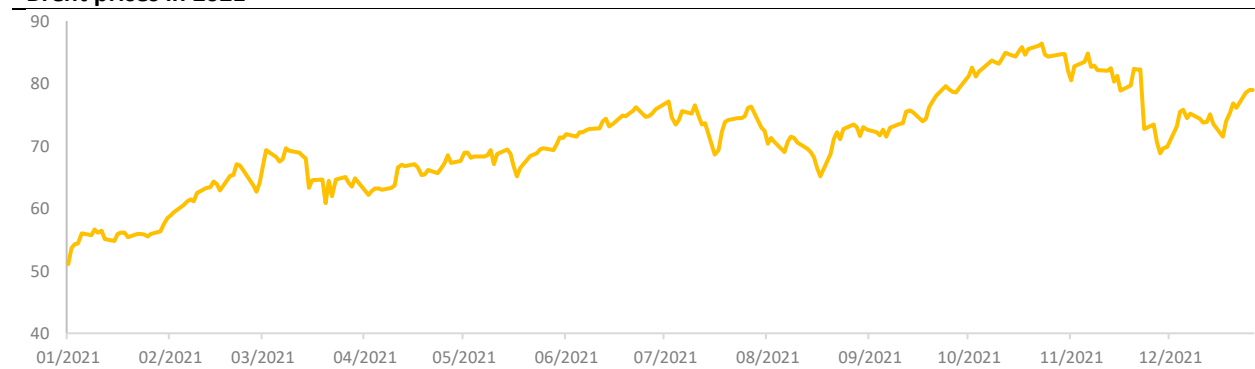
Analyst: Duong Quang Minh

Email: Minhhdq@bsc.com.vn

- Oil prices recovered sharply in 2021 and surpassed \$80 per barrel in Q4 2021.
- Demand for crude oil is expected to recover strongly, while the rate of supply growth is relatively slow.
- Some oil and gas projects started to show more positive signs, and expect to start construction soon.
- BSC maintains **OUTPERFORM** on the oil and gas sector in 2022 with the assessment that the world oil price reaches an average of \$ 80 per barrel, and recommends BUY for GAS, PVS, PLX.

Brent remains around \$78 per barrel for the rest of 2021. After peaking at \$85 a barrel, oil prices saw a relatively strong correction, and at one point broke the \$70 mark, before recovering at the end of the year. The main reason is that the complicated epidemic with the new omicron variant has caused the number of infections to increase sharply, causing expectations of fuel demand to drop, which had contribute to cooling oil prices in the end of the year.

Brent prices in 2021



Source: Bloomberg, BSC Research

Oil demand has recovered sharply. According to forecasts by the U.S. Energy Information Administration (EIA), global oil demand will increase by 3.3 million bpd by 2022, and recover to 100 million bpd, equivalent to crude oil demand before the Covid pandemic. This oil consumption is much higher than the current total supply of about 95.4 million barrels per day.

However, **supply remains limited due to OPEC+ caution in increasing output and the slow recovery of the U.S. oil sector.** Oil supplies are expected to grow slowly in the near term as (1) the U.S. and China reach an agreement at COP26 to limit the use of fossil fuels and (2) OPEC and its allies have not yet shown a desire to increase output more. OPEC+ is likely to maintain its policy of increasing output by 400,000 bpd, and this could last until mid-2022 to gradually recover to the current oil deduction of 5.8 million bpd. In the context of a sharp increase in demand for crude oil, this increase in production is not enough to rebalance market demand in the short term.

With the prospect of a strong economy boosting the demand for crude oil sharply, while the pace of supply growth is still relatively slow, **BSC forecasts an average oil price for the whole year of 2022 of \$80 per barrel** to serve as the basis scenario for the 2022 forecast. In a positive scenario, the average oil price could be as high as \$90, while in a negative scenario, as the serious epidemic can affect global oil demand, the average oil price could correct to \$70 per barrel or lower.

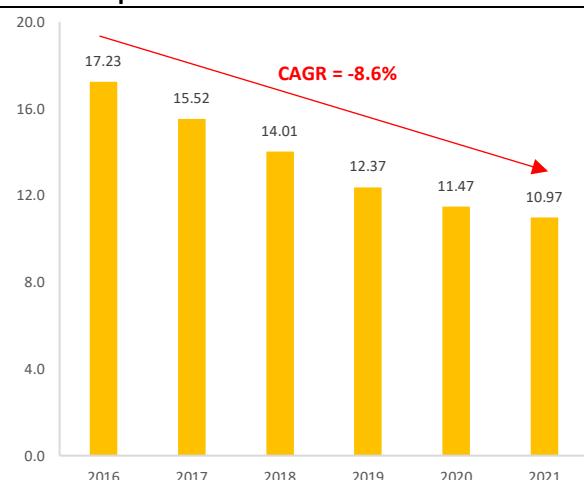
Average Brent price scenario for 2022

Scenario	Hypothesis	Average Brent oil price 2022
Positive	The Omicron variant is not as dangerous as people's concern. Vaccines are effective at preventing disease and demand for oil continues to recover strongly.	The average price of Brent can reach \$90 per barrel or higher.
Baseline	The Omicron variant only affected the first few months of the year before being controlled. Global oil demand could be affected in the short term, before continuing to recover thanks to the return of international tourism and transport activities.	Brent is averaging \$80 per barrel.
Negative	The Covid epidemic is more serious than expected, leading to tighter travel restrictions around the world, causing global oil demand to decline and so do the oil prices.	Brent averages \$70 per barrel or lower.

Source: BSC Research

Regarding the domestic oil and gas market, in 2021, crude oil production reached about 10.97 million tons (-4.4% yoy). Crude oil production has continuously decreased since 2015 due to (1) a decline in the output of long-term oil fields, and (2) exploration and development of oil fields meet several difficulties. Meanwhile, gasoline consumption is forecast to gradually recover from the pandemic, and maintain an average growth rate of over 3% per year. BSC assesses that this will cause crude oil imports to tend to increase in the near future.

Crude oil production



Source: PVN, BSC Research

Crude oil export and import situation (million tons)



Source: PVN, BSC Research

Recently, we have noticed that **some oil and gas projects have started to show more positive signs**, and expect to start construction soon. In particular, upstream and midstream projects related to The Lot B - O Mon project are waiting for a final investment decision (FID). BSC expects the O Mon project to be started in the end of 2022, which is a major growth engine for companies in the oil and gas value chain in Vietnam.

Update progress of major domestic oil and gas projects

Projects	Total investment	Timeline	Progress
Sư Tử Trắng giai đoạn 2	2 tỷ USD	2021 – 2023	Phase 2A has been completed with a total investment of nearly US\$138 million. Phase 2B is expected to start operation from 2024.
Nam Du – U Minh	N/A	2022 – 2024	Jadestone is preparing to reissue the FPSO contract tender. It is expected to start receiving the first gas flow from 2024.
Lạc Đà Vàng	N/A	2023 – 2024	Exploratory proceedings are underway.
Lô B – Ô Môn	6.7 tỷ USD	2024 – 2025	Pending approval of FID investment decision from the Prime Minister, if the bottleneck using capital from the O Mon III project is resolved, the Lot B project is expected to start construction in the second half of 2022.
Cá Voi Xanh	10 tỷ USD	2024 – 2025	The parties are negotiating an agreement on the price of gas sales and electricity generation. However, the progress of the project is constantly delayed, due to the lack of a trade agreement.
Kèn Bầu	N/A	2027 – 2028	Exploratory drilling is underway.

Source: Companies' Reports, BSC Research

INVESTMENT THESIS – OUTPERFORM

BSC maintains **OUTPERFORM** on the oil and gas sector in 2022 with the assessment that:

- Economic recovery and world oil prices improved to an average of \$80 per barrel (+10% yoy).
- The shortage of oil and gas in the country drives the need to invest in exploration, mining, and development projects.
- Domestic oil consumption is expected to increase by 4% compared to the same period in 2021.

For the upstream group, the average break-even point of the region's offshore oil and gas exploration projects is currently around \$50 per barrel. Therefore, at the current price, BSC expects exploration and mining projects to be vibrant again in 2022, and enterprises providing drilling services, rig construction, floating warehouses such as **PVS** and **PVD** are expected to get new contracts with higher value.

For the midstream group, the demand for oil transport in 2022 is expected to increase as the demand for petrochemical products from Dung Quat and Nghi Son projects recovers. In addition, the demand for LNG imports will continue to promote the construction of the storage system. **PVT** currently accounts for the entire market share of crude oil and LPG transport in the country, while **GAS** is investing in Thi Vai LNG projects phase 2 and Son My LNG phase 1 with a lot of potential in the coming time.

For the downstream group, the demand for electricity, oil and gas are forecast to increase again as the economy recovers. BSC recommended positive prospect for **PLX** thanks to expectations of a recovery in petroleum production and rising selling prices, and the prospect of divestment at PGBank.

Ticker	Net Rev 2022 (bil)	% yoy	NPAT 2022 (bil)	% yoy	EPS 2022 (unit)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 10/02/2022	Target price	Upside
GAS	92,778	16%	9,863	18%	5,050	17.9	3.2	13%	18%	112,000	130,000	16%
PLX	180,313	11%	4,217	43%	3,215	17.1	2.8	6%	13%	60,500	70,000	16%
PVD	6,678	30%	364	810%	901	35.0	0.9	2%	3%	30,700	38,000	24%
PVS	18,262	46%	977	28%	2,044	13.7	0.9	4%	7%	28,700	36,000	25%
PLC	8,048	17%	263	22%	3,261	15.2	2.1	5%	18%	42,500	55,500	31%
BSR	108,313	19%	6,282	22%	1,985	11.7	1.9	10%	17%	26,800	27,000	1%
PVT	7,981	8%	906	9%	2,123	13.5	1.2	7%	13%	23,100	28,000	21%

Source: BSC Research

Textiles Industry [Outperform]

Analyst: Nguyen Cam Tu

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- In 2021, textile and garment export turnover reached 39 billion USD (+11% YoY) and equivalent to the pre-COVID value.
- In 2022, BSC believe the outlook for the textile and garment industry is optimistic thanks to positive order value figures along with the low risk of supply chain fractures when countries have high vaccination rates.
- BSC found that some textile and garment enterprises are tending to develop into real estate based on existing land funds: TNG, TCM, GIL.
- We rate **OUTPERFORM** for the textile industry in 2022.

In 2021, textile and garment export turnover recovered positively despite many difficult factors. In 2021, the textile and garment industry reached a turnover of 39 billion USD, an increase of 11% compared to 2020, this turnover is equivalent to the pre-COVID value as in 2019. Although the textile and garment industry also suffered many difficulties such as the outbreak in the third quarter in Vietnam and the lack of containers at the port, BSC assess that the textile industry is going to experience positive growth, thanks to (i) increasing orders in Q1, Q2 (ii) The shift of orders at Southern to the Northern factories (iii) Yarn prices increased in 2021 (+41% YoY) to help the overall turnover.

In 2022, BSC continues to maintain a OUTPERFORM view on the outlook for the textile industry thanks to the following factors:

Traditional textile orders are positive. Currently, most textile factories have several orders in the first and the second quarter of 2022. BSC found that fashion brands (Columbia, Decathlon) are optimistic about the retail outlook in 2022 along with the trend of shifting orders from China to lower-cost countries (including Vietnam) to secure traditional orders for the factory. The increasing order also motivates businesses to expand capacity: MSH, TNG, STK.

Enterprise	Capacity expansion project
Song Hong Garment Joint Stock Company	Song Hong 10 Factory (+25% labor)
Century Synthetic Fiber Corporation	Unitex factory (+100% yarn capacity)
TNG Investment and Trading JSC	Expanding 46 sewing lines (+16% sewing lines)

Source: Companies' Reports

In addition, in 2022, BSC expects the textile and garment production chain to work proficiently when both vaccination rates in Vietnam and the main import/export countries are at the high level, making social distancing unlikely to happen again.

Some textile and garment enterprises deploy real estate based on existing land bank advantages: TNG, TCM, GIL. BSC noticed a notable trend with the textile and garment business group: besides traditional textile activities, some enterprises have developed into real estate with large projects.

Enterprise	Capacity expansion project
TNG Investment and Trading JSC	Son Cam Industrial Park: 70 hectares Dai Thang urban area: 11.5 ha Pho Yen urban area: 27 hectares TNG Village 2: 8,114 m2 TNG Landmark: 11,000 m2
hanh Cong Textile Garment Investment Trading JSC	TC1: 9,898 m2 TC2: 6.6 ha TC3: 1.3 ha
Binh Thanh Import-Export Production Trading JSC	Gilimex Industrial Park: 460.8 ha

Source: Công ty

INVESTMENT THESIS – OUTPERFORM

We rate **OUTPERFORM** for the textile industry in 2022. BSC expects the export activities of textile and garment enterprises to continue to be positive thanks to (i) The positive order value signed at the beginning of the year and new signings when the demand for procurement in the export market increases (ii) The risk of breaking the supply chain is low when all countries have high vaccination rates.

Ticker	Net Rev 2022 (bil)	% yoy	NPAT 2022 (bil)	% yoy	EPS 2022 (unit)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 10/02/2022	Target price	Upside
MSH	5,071	11%	480	7%	9,380	8.0	1.5	14%	26%	79,000	85,900	9%
TNG*	5,900	9%	235	17%	3,810	7.7	1.3	8%	18%	31,200	38,000	22%

*: Operating projections do not take into account profits from real estate

Source: BSC Research

Retail and Consumer products Industry [Outperform]

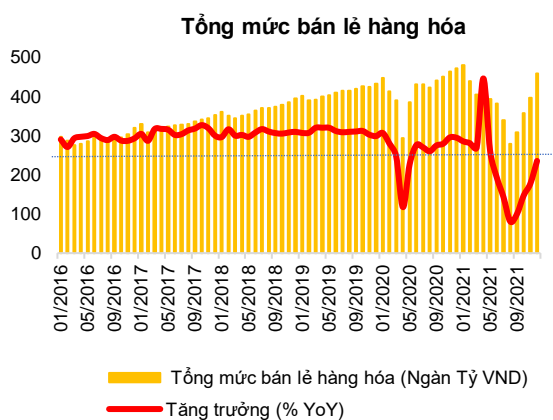
Analyst: Pham Thi Minh Chau

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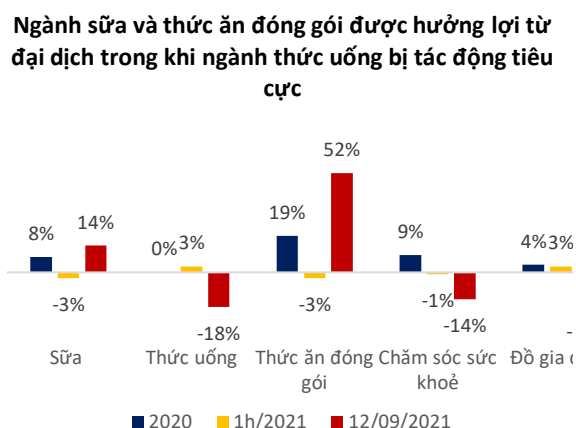
- COVID19 – extraordinary corruption in the positive growth of the retail and consumer products sector.
- The "New Normal" status has opened up positive outlook for the sector in 2022.
- COVID-19 accelerates a comprehensive revolution in the sector in 2022.
- BSC maintains **OUTPERFORM** prospect for retail and consumer products sector in 2022.

COVID19 – extraordinary corruption in the positive growth of the retail and consumer products sector. Total sales of goods and consumer services revenue in 2021 reached 4.789 trillion (-6% YoY) due to the COVID-19 outbreak that led to a decline in consumer demand from June 2021 and signs of recovery in Q4 2021.

Although, total sales of consumer products and services revenue in Q4 2021 maintained negative growth over the same period (-13%YoY). When social distancing measures were removed and vaccine coverage reached over ~60% by the end of Q3/2021, most industry groups recorded a recovery of +31% compared to the low base of Q3/2021, such as: the commodity retail group increased by 25%QoQ, accounting for 83.4% of total sales and the remaining sector group +73%QoQ, accounting for 16.6% QoQ including accommodation and dining, travel and other.



Source: GSO, Kantar



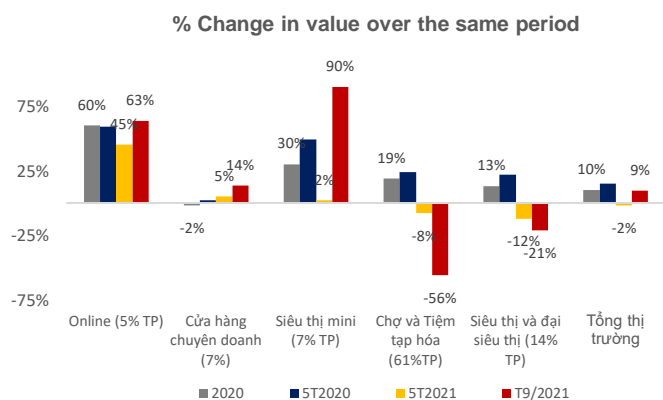
Source: GSO, Kantar

The "New Normal" status has opened up positive outlook for the sector in 2022.

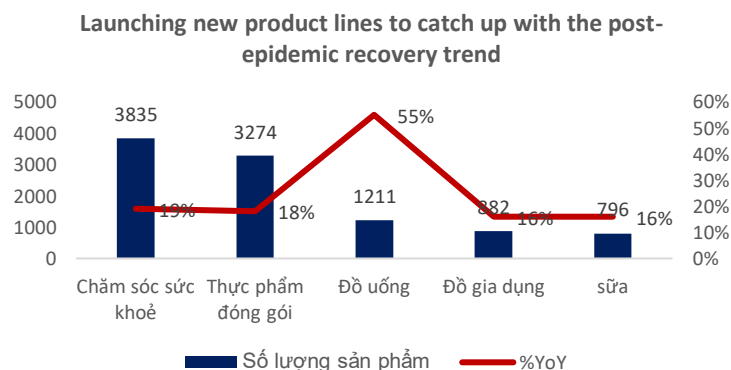
For the Consumer Product Group: improved business results thanks to the price of raw materials and transportation costs is gradually stable and tends to decrease; **For the Retail Group:** (1) New consumer demand and living habits (2) businesses possessing financial strength are constantly scaling up and conducting M&A to expand market share **(3) New consumer trends "revenge consumption" are formed** when non-essential stores are allowed to reopen and the restart of the economy actively supports income per capita after the most difficult period.

Categories	2021		Outlook 2022	Stock
Consumer product	Less Positive	Positive	Gross margin is improved when (1) Input material prices and shipping costs tend to decrease and (2) businesses that are likely to raise the selling price will continue to benefit.	MCM, DBC, VNM, MML
Retail	Positive	Positive	Moving from the trend of opposite divergence between industry groups to the consensus trend.	
(1) Consumer Staples (meat, fish, instant noodles, ...)	Positive	Neutral	(1) Modern consumption habits continue to be maintained in the face of concerns about a re-outbreak of the disease. (2) The potential to expand market share thanks to M&A. However, after adapting to the epidemic, people no longer hoard goods as before.	MSN (WCM), MWG (BHX)...
(2) Electronics (Telephone, laptop, ...)	Positive	Positive	(1) Maintain growth as the need to study and work from home continues to be implemented until early 2022 (2) expanding the industry horizontally . However, with the high background of 2021 is creating growth challenges for existing industries.	DGW, PET, MWG, FRT, ...
(3) Consumer Discretionary	Less Positive	Positive	(1) The low profit base 2021, (2) new consumer trends "revenge consumption" when regulations restricting gatherings, organizing events were removed (3) Expanding market share by capturing market share of some competitors leaving the industry (17% of businesses had to close after the outbreak, according to Sapo) and increased coverage.	PNJ, SAB, ..
Channel				
(1) Traditional channel	Less Positive	Positive	The traditional channel was relaunched after the outbreak and professionalized thanks to the franchise forms promoted in 2022.	MWG, PNJ, MSN, ...
(2) Online channel	Positive	Positive	Online and modern channels are expected to continue to be prioritized in the post-epidemic period.	
Modern channel	Positive			

Source: BSC Research



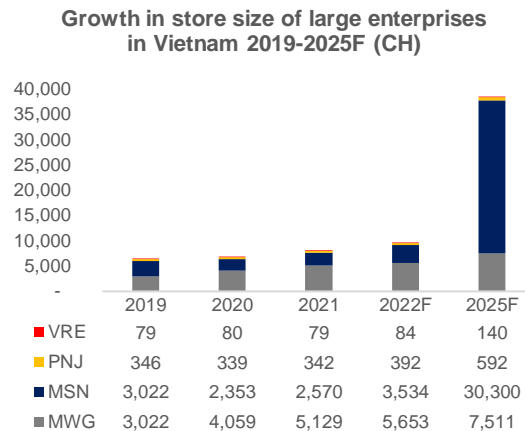
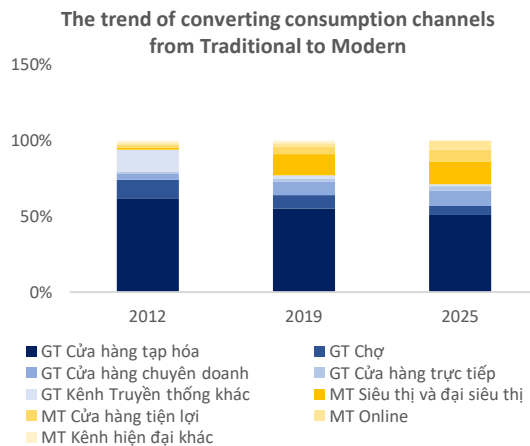
Source: Q&Me, Katar, [Sapo](#)



Source: Q&Me, Katar, [Sapo](#)

COVID-19 accelerates a comprehensive revolution in the sector in 2022.

According to Q&ME's statistics, vietnam's retail market currently has traditional channels ('General Trade') still accounting for a large proportion of 80% including grocery stores, traditional markets, ... and the remaining 20% are modern channels ('Modern Trade') including supermarkets, mini stores, online, ... and the trend will shift to 70% GT - 30% MT by 2025.



Source: BSC Research, FITCH, Q&Me

In addition, MT channel is dominated by large enterprises including MWG (5,129 stores for 3 brands Mobile World, Dien May Xanh), MSN (2,447 Vinmart+ stores and 123 Vinmart supermarkets), PNJ (342 retail stores nationwide) and VRE (79 shopping centers accounting for 40% market share and opening over 43/63 provinces). **We assess that changes in post-COVID-19 consumer habits will open up great opportunities for large businesses in the retail industry in the medium term.**

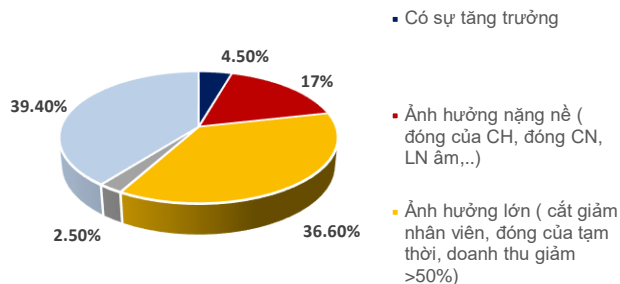
(1) K-shape recovery: **(1.1)** the market gap widened after many retail businesses left the market due to financial problems and **(1.2)** consumer trends were boosted in the short term and earnings recovered in the long term, creating opportunities for retail businesses with healthy financial capacity to gain market share by conducting new M&A deals, changing locations, expanding the stores chains.

(2) Opportunities from sales channels:

(2.1) For the retail group on the modern channel: Continue to pursue the trend of **"Convenience and efficiency"** through **promoting online sales channels**, integrating multidisciplinary stores and diversifying payment methods

(2.2) For the retail group on the traditional channel: Step by step **to professionalize** thanks to the strategy of increasing the coverage of big players such as MSN, MWG through the form of franchise is strongly implemented from 2020

The extent of the impact of the epidemic on the business activities of retail businesses (with a sample of 15,000 enterprises)



Kênh online được kì vọng tiếp tục tăng thị phần. Trong các thị trường phát triển như Trung Quốc và Hàn Quốc thị phần kênh online chiếm hơn 30%



Source: Katar, [Sapo](#)



Source: MSN, MWG

INVESTMENT THESIS – OUTPERFORM

BSC maintains **OUTPERFORM** recommendations for Retail and Consumer products sectors, based on (1) Retail consumer businesses in 2022 will restore growth thanks to (i) expansion of chain stores (ii) Recovering earnings and purchasing power of consumers increased, especially the "**revenge consumption**"; (2) Consumer behavior will increase into the modern channel 'Modern Trade' thanks to convenience, hygiene safety and digital transformation trends.

Ticker	Net Rev 2022 (bil)	% yoy	NPAT 2022 (bil)	% yoy	EPS 2022 (unit)	P/E fw	P/B fw	ROA	ROE	Price on 10/02/2022	Target price	Upside
VNM	64,855	1%	11,823	10%	5,069	17.7	4.8	20%	30%	82,700	105,820	28%
MSN	84,455	-7%	6,718	-31%	4,788	30.2	5.0	17%	5%	149,600	191,000	28%
MWG	143,663	21%	6,194	30%	8,688	15.5	3.9	9%	25%	136,300	181,700	33%
PNJ	23,262	22%	1,459	50%	6,316	15.1	3.2	15%	23%	103,300	126,100	22%
DGW	529	30%	529	40%	8,370	14.9	4.0	13%	26%	108,000	136,400	26%
DBC	12,222	14%	1,295	49%	10,111	7.5	1.6	11%	24%	72,100	94,900	32%
MCM	2,950	4%	320	14%	2,327	23.2	2.7	15%	13%	54,100	65,800	22%
PET	20,202	13%	292	16%	2,909	12.6	1.9	15%	3%	38,250	45,300	18%

Source: BSC Research

Fisheries Industry [Outperform]

Analyst: Nguyen Cam Tu

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- In 2021, seafood export turnover reached 8.9 billion USD (+5.7% YoY), of which, shrimp reached 3.9 billion USD (+4% YoY), pangasius reached 1.5 billion USD (+3% YoY).
- BSC considers that the fisheries sector outlook for 2022 is positive due to (i) improved export turnover as positive demand and recovered supply chain (ii) Transport costs have cooled down
- BSC maintains **OUTPERFORM** on fisheries in 2022.

In 2021, seafood export turnover has not recovered sharply due to many adverse factors. Total seafood export turnover reached 8.9 billion USD (+5.7% YoY): shrimp is expected to reach 3.9 billion USD (+4% YoY); Pangasius is expected to reach 1.5 billion USD (+3% YoY). BSC consider that the recovery rate of the fishery sector has not been as strong as expected due to: (i) The strong outbreak in Vietnam has caused the seafood supply chain to break down (especially in the third quarter in the southern provinces) (ii) The lack of containers from the beginning of the year along with soaring sea freight fees also affect the progress of seafood exports.

In 2022, BSC continues to maintain a positive view of the fisheries sector outlook thanks to the following factors:

Export turnover improved thanks to continued positive demand and unbroken supply chains. BSC expect that in the main export markets, high vaccination rates and demand for entertainment consumption recover from a long period of Covid will promote seafood consumption. In addition, BSC expect China to ease the import and export in 2022 when the pandemic ends. BSC also notice that while shrimp turnover has returned to pre-epidemic levels (thanks to a strong recovery in demand in the US), pangasius turnover is still at a low base (due to tightening exports to China). Moreover, in 2022, we noted that the supply chain disruption (such as Q3 2021) will not recur when vaccination rates in Vietnam have reached a high level.

Transportation costs have cooled down. In 2021, transportation costs have greatly affected the profitability of seafood enterprises. By 2022, BSC expects transport costs to cool down thanks to (i) less imbalance between demand and the supply of vessels (ii) seafood enterprises change orders to FOB to reduce losses from rising ship prices.

Source: VASEP, FBX

INVESTMENT THESIS – OUTPERFORM

BSC maintains **OUTPERFORM** on fisheries in 2022. We expect seafood export turnover to continue to recover thanks to (i) Positive demand in export markets (ii) Production and business activities are not disrupted by the epidemic.

Ticker	Net Rev 2022 (bil)	% yoy	NPAT 2022 (bil)	% yoy	EPS 2022 (unit)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 10/02/2022	Target price	Upside
VHC	11,565	29%	1,411	36%	7,670	7.7	1.5	18%	23%	69,300	90,500	31%
MPC	18,583	12%	844	15%	3,930	10.1	8.3	8%	13%	41,600	45,000	8%

Source: VASEP, FBX

Rubber and Tires Industry [Outperform]

Analyst: Le Huu Ngoc

Email: ngoclh@bsc.com.vn

- In 2022, BSC expects that the profitability of rubber enterprises (GVR, DPR, PHR) will grow well +23% YoY thanks to: the core latex business continues to grow and the profit from divestment, and the land transfer/conversion process is carried out.
- Tire company profit (DRC) is expected to increase by 25% in 2022 due to expected increase in tire production based on increased demand for transport activities recovering from the epidemic.
- BSC recommends **OUTPERFORM** for Rubber and Tires sector in 2022.

RUBBER INDUSTRY – STRONG PROFIT GAIN FROM REAL ESTATE

The average rubber price in 2021 reached 232 JPY/Kg (+27% YoY) due to the supply shortage stemming from production disruptions in the main rubber exporting countries (Thailand, Malaysia,...) because of COVID-19, prolonged rainy season, leaf fungus disease... Meanwhile, the demand from China, India was very large, and then recovered strongly after the epidemic. Benefiting from rising rubber prices, Vietnam's rubber exports in 2021 recorded high growth, with total turnover reaching 3.3 billion USD (+39% YoY) and output reaching 1.97 million (+12.9% YoY)

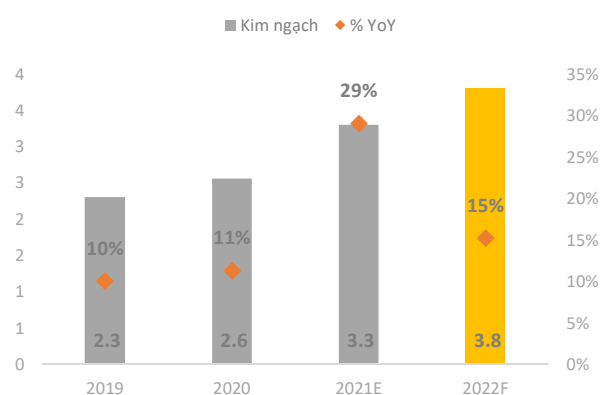
BSC said that rubber prices will continue to be high in 2022 due to (1) supply from major rubber exporters such as Thailand, Malaysia, India... continue to be restricted due to harvesting activities affected by abnormal weather, leaf fungus disease and (2) strong growth demand for the increase in consumption of tire products for transportation activities, which leads to a supply shortage (it is estimated that the global shortage of nearly 200,000 tons of natural rubber by early 2022).

Rubber prices in Q3/2021 remained high over the same period (JPY/Kg)



Source: Bloomberg, BSC Research

Vietnam's rubber export turnover is expected to continue to grow in 2022 (bil. USD)



Source: Enterprises' Financial Statments, BSC Research

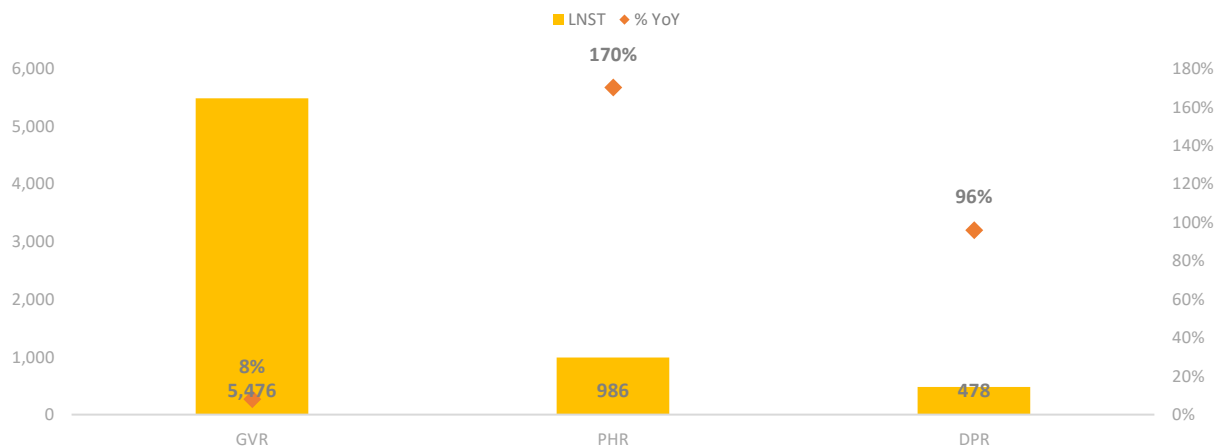
In 2022, BSC expects that the profitability of rubber enterprises (GVR, DPR, PHR) to grow well based on:

- Expected production increase of ~10%, coming from (1) large demand from China, India ..., (2) rubber supply from major countries such as Thailand, Malaysia has not been able to recover strongly leading

to continued shortages and (3) restrictions on latex extraction, and domestic trade improved by controlled epidemic.

- The selling price is expected **to increase at 44-46 million VND / ton (+17% YoY)** due to the high demand in the supply of natural rubber did not increase correspondingly in Q4/2021.
- Income from divestment, transfer/conversion activities is no longer interrupted as in 2021. Specifically: VSIP III industrial park of PHR (expected to earn nearly VND 900 billion in compensation), 317 ha of transfer of Binh Phuoc People's Committee of DPR (price 1 billion VND / 1ha, corresponding to earning 317 billion VND).

Business results of rubber companies are expected to increase strongly in 2022 (Bil. VND)



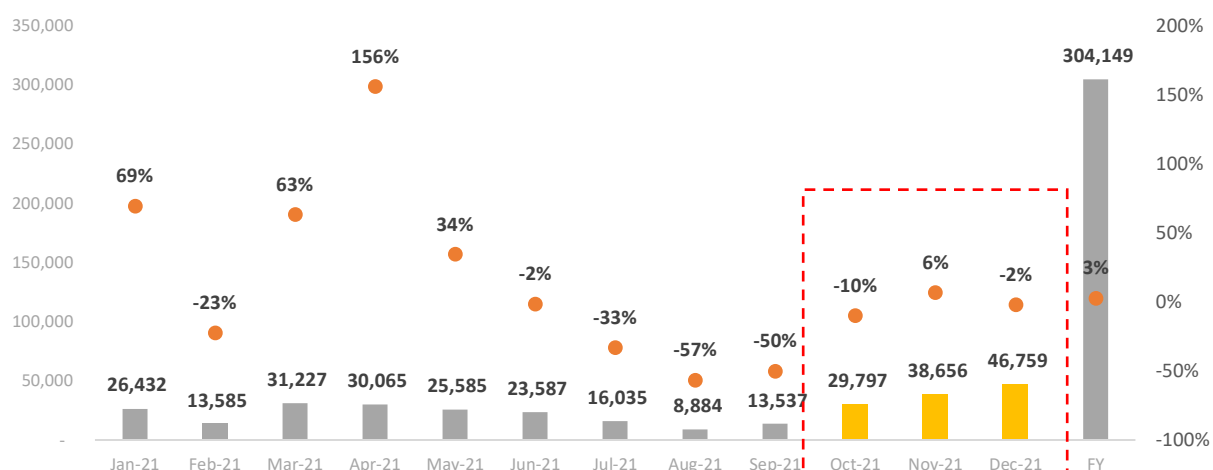
Source: BSC Research

TIRE INDUSTRY - RISING AGAIN

Tire corporate profits (DRC, SRC, CSM) expect to increase by 20% in 2022 due to:

- Global transport activities in general and domestic in particular have been removed from restrictions and resumed normal operations to serve the strong recovery in consumer demand after the epidemic. With the expectation that the epidemic will be actively controlled in 2022, BSC believe the tire demand will increase sharply, **and the consumption of Bias, Radial tires of the largest enterprise in the industry - DRC will reach 785,650 tires (+7.3% YoY) and 706,574 tires (+14.3% YoY) respectively.**
- Exports to the main market - Brazil continues to benefit from competitors such as China, Japan ... which were imposed self-defense tax.
- Container shortage will be improved from mid-2022, helping export activities to be normalized thereby helping to reduce sales costs.
- The cost of raw materials (rubber, black coal) is expected to increase by 10-17% YoY will negatively impact the profit margins of tire enterprises, however, BSC assess tire companies will be able to negotiate and raise the price of products in the context of strong demand as in 2021.

Auto sales in the whole market recovered strongly after the epidemic (cars)



Source: VAMA, BSC Research

INVESTMENT THESIS – NEUTRAL

BSC assess **OUTPERFORM** for the rubber industry in 2022 due to the high growth in profitability thanks to (1) the core latex business continues to be favorable with increased production and selling price of latex, and (2) the divestment, land transfer and conversion to the industrial park will be carried out, which is not interrupted as it was in 2021.

BSC assess **OUTPERFORM** for the tire industry in 2022 due to increased production thanks to the strong demand for tire products to serve the recovery of transport activities after the epidemic.

Ticker	Net Rev 2022 (bil)	% yoy	NPAT 2022 (bil)	% yoy	EPS 2022 (unit)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 10/02/2022	Target price	Upside
GVR	30,856	7%	5,476	8%	1,369	26.5	2.7	7%	10%	33,600	40,000	19%
PHR	2,120	9%	986	170%	7,277	11.0	3.3	16%	30%	82,400	89,000	8%
DPR	1,444	9%	478	96%	11,116	6.2	1.2	13%	19%	71,300	85,000	19%
DRC	5,158	12%	395	25%	3,325	9.3	2.1	13%	23%	30,500	35,000	15%

Source: BSC Research

Insurance Industry [Neutral]

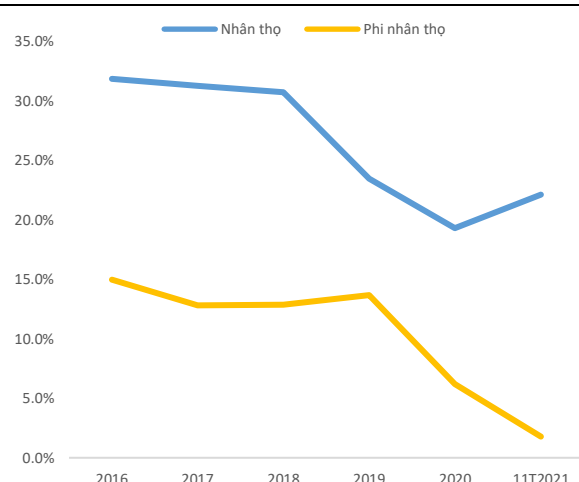
Analyst: Duong Quang Minh

Email: Minhhdq@bsc.com.vn

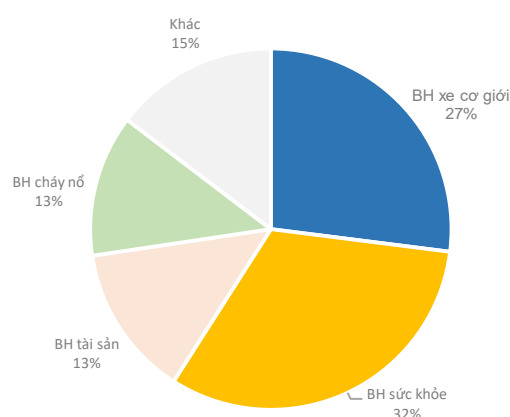
- Premium growth slows in 11T.2021 due to epidemic effects.
- Market share of leading companies has changed due to great competitive pressures.
- BSC maintain NEUTRAL view for the insurance industry group in 2022 due to (1) Premium revenue is expected to grow again after the pandemic, however, the compensation rate is expected to increase over the same period, (2) Low interest rate affects the financial profitability of insurance enterprises, (3) Divestments continue to be stepped up in 2021.

Total insurance premium revenue in the whole market in 11T.2021 is estimated at VND 191,010 billion (+15.76% yoy), of which life insurance premium revenue is estimated at VND138,643 billion (+22.1% yoy), while non-life premium revenue is estimated at VND 52,367 billion (+1.78% yoy). This is the lowest growth of non-life insurance in recent years, as the two main retail businesses with revenue accounting for nearly 60% of total revenue are motor insurance (-10% yoy) and health insurance (+0.2% yoy) both recorded non-positive growth. BSC assess the fee revenue of these two main businesses will grow again in 2022, especially the motor insurance business after the epidemic is controlled.

Insurance premium growth



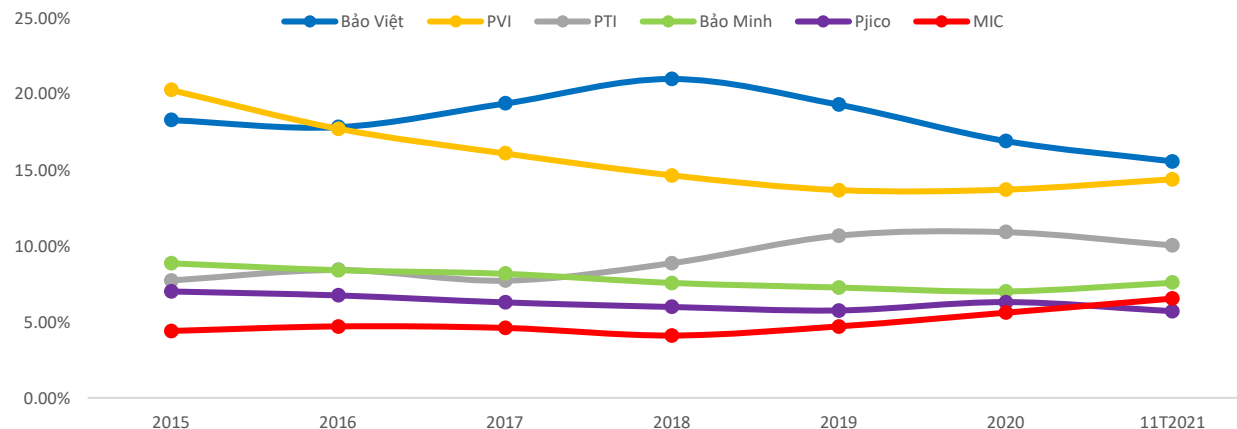
Proportion of revenue by insurance business



Source: IAV, BSC Research

The market share of non-life insurance companies has changed markedly. The top 4 positions were unchanged, with Bao Viet still topping with 15.6% market share, followed by PVI Insurance (14.4%), PTI (10%) and Bao Minh (7.6%). Meanwhile, in the top 5 saw the rise of military insurance (MIC), having surpassed PJICO to take the 5th position with more than 6.5% market share. BSC believe **the gap in market share between insurers will be narrowed down**, due to fierce competition from small and medium-sized insurers in the near future.

Market share of non-life insurance (according to insurance premium)



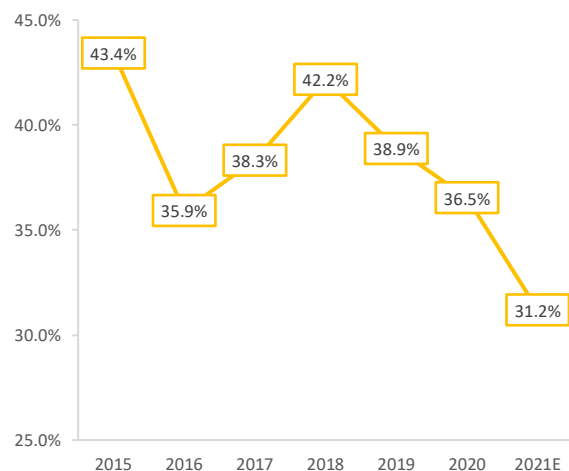
Source: IAV, BSC Research

The compensation rate of non-life insurance enterprises in 2021 is estimated at 31.2%, lower than 36.5% in 2020. The prolonged epidemic has restricted people's travel activities, causing the compensation costs of SMEs to decrease, especially in transport-related operations (car insurance, transport goods, aviation, etc.). In the near future, when the epidemic is brought under control, we think **the compensation rate could rise back to 33-34%.**

The financial profitability of insurance companies can be affected by the low interest rate environment.

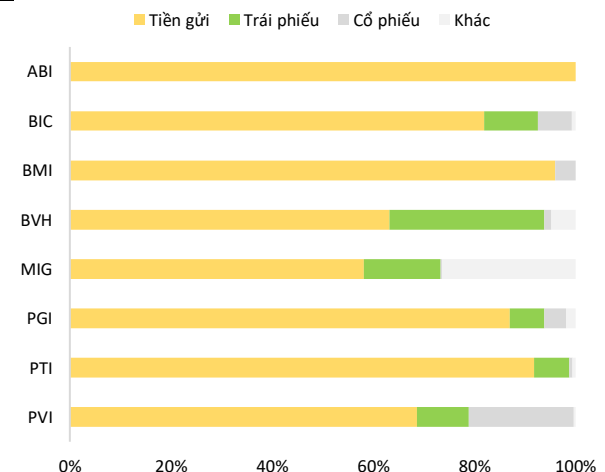
The majority of insurance companies' portfolios are bank deposits and government bonds (accounting for over 80%). Meanwhile, interest rates in 2022 are forecast to remain stable at current levels, and only increase slightly (around 0.25- 0.5%) at the end of the year. BCS believe with interest rates remaining at the current low level, it will make it difficult for insurers to record strong growth compared to 2021.

Non-life insurance compensation rate



Source: IAV, BSC Research

Deposits and bonds make up the majority of investment portfolios of insurance companies



Source: IAV, BSC Research

INVESTMENT THESIS – NEUTRAL

We recommend **NEUTRAL** for the non-life insurance industry in 2022 due to (1) premium revenue expected to grow again after the pandemic, however the compensation rate is also expected to increase over the same period, (2) High competition leaves businesses affected in terms of net fees and profits from insurance operations, (3) Low interest rates affect the financial profitability of insurance companies, and (4) Divestment continues to be stepped up in 2022.

Ticker	Net Rev 2022 (bil)	% yoy	NPAT 2022 (bil)	% yoy	EPS 2022 (unit)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 10/02/2022	Target price	Upside
BMI	3,989	11%	256	4%	2,095	19.3	1.8	3%	9%	38,950	52,000	34%
PVI	5,154	9%	1,006	10%	4,053	11.5	1.4	4%	11%	48,800	51,200	5%
MIG	2,759	12%	213	8%	1,490	14.3	1.6	3%	12%	23,200	24,600	6%
PTI	4,432	4%	264	-1%	3,284	17.4	2.2	3%	12%	58,000	54,600	-6%

Source: BSC Research

Electricity Industry [Neutral]

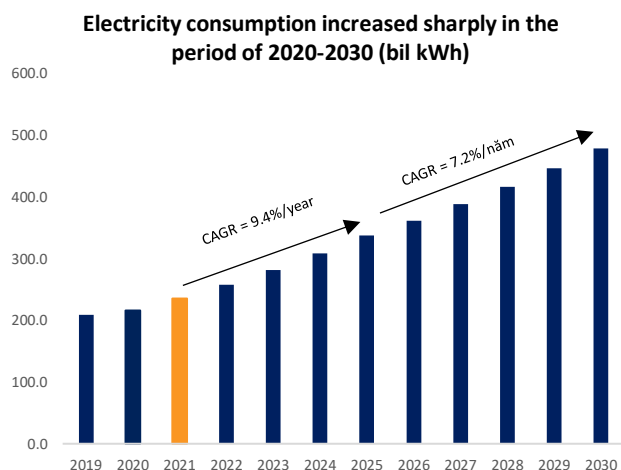
Analyst: To Quang Vinh

Email: vinhtq1@bsc.com.vn

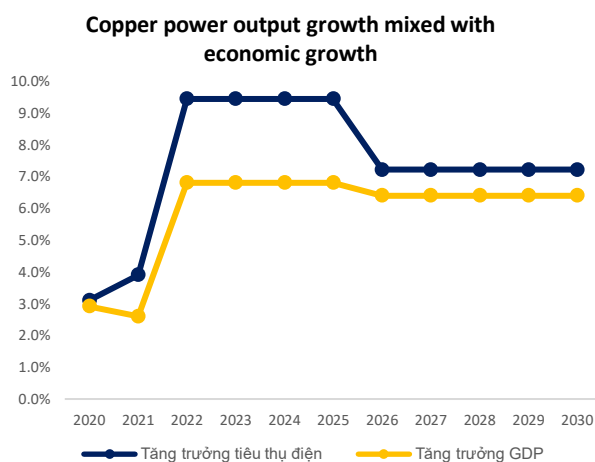
- Commercial power output 9T2021 grew by 3.8% yoy.
- The continued La Nina cycle is positive news for hydroelectric plants, however will negatively affect coal & gas thermal power businesses.
- Renewable energy source is expected to continue to contribute a large proportion of the total electricity output of the whole industry in the coming time when an additional 5,600 MW of wind power capacity comes into operation.
- We give a NEUTRAL view to the electricity sector.

ELECTRICITY SUPPLY AND DEMAND – LOAD DEMAND IS LIKELY TO INCREASE SHARPLY IN 2022

BSC forecasts commercial electricity growth in 2022 is forecast to reach 280.3 billion kWh (+9.8% yoy), mainly to meet the demand for positive recovery load, and many production and business activities are expected to suffer less negative impacts from the epidemic compared to the period of 2020-2021. (GDP in 2022 is estimated to increase by 6-6.5% YoY).



Source: EVN, BSC Research



Source: EVN, BSC Research

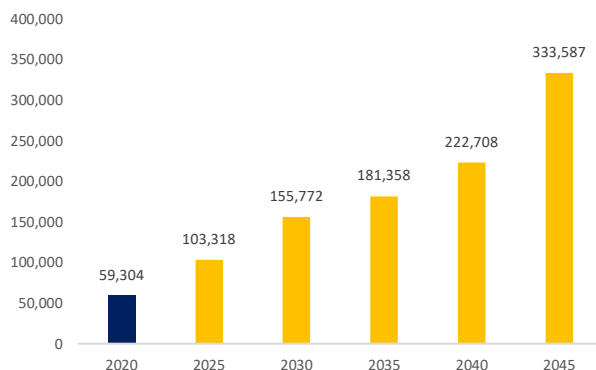
SOURCE STRUCTURE – ORIENTATION OF RENEWABLE ENERGY DEVELOPMENT

The revised Power Development Plan VIII continues to focus on clean energy sources in the future. To meet the growth in electricity consumption in the period 2021-2045, the total installed capacity is estimated to reach 156,000 MW in 2030 and 334,000 MW in 2045 – 2.0 times and 4.4 times in 2021, respectively. In particular, significant changes in the contribution structure of specific sources are:

- Renewable energy: Installed capacity of solar and wind power sources, which is oriented to increase sharply in the future, with a high retention rate, estimated at 27.0% by 2021, slightly increased to 27.4% in 2030, and to 41.5% by 2045. Thus, compared to 2030, the potential for developing energy power capacity is still much (~22,000 MW), concentrated in the southern provinces. BSC said that businesses with onshore and offshore power portfolios such as PC1 will be able to grow strongly, as the solar power structure is being reviewed in a downward trend due to operational hours.

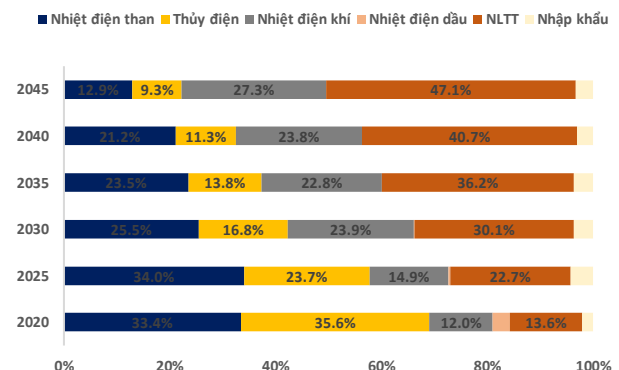
- **Gas thermal power:** Gas thermal power is increasingly playing an important role in the supply of electricity supply because of its stability compared to renewable energy, and the small emissions impact compared to coal power. The proportion of gas-fired thermal power is oriented to increase to 24.0% in 2030, 27.3% in 2045 (average increase +1.2% in the period 2020-2030, +0.22% in the period 2030-2045). Thus, the medium-term outlook remains positive for electric spider enterprises such as POW or NT2.
- **Coal-fired power:** In the long term, the installed capacity of coal-fired power sources is oriented to increase slowly, accounting for an increasingly small proportion, to 25.5% in 2030, 13.0% in 2045 (an average decrease of 0.8% per year). This is in line with Vietnam's commitment to reduce emissions. In the short term, this cheap power source still plays an important role in ensuring load demand is met, especially during the positive resilience macro period of 2022-2025. Therefore, coal-fired power enterprises such as HND and QTP may still be of interest.

Total installed capacity according to the revised Draft PDP 8 (MW)



Source: Power Development Plan VIII & BSC Research

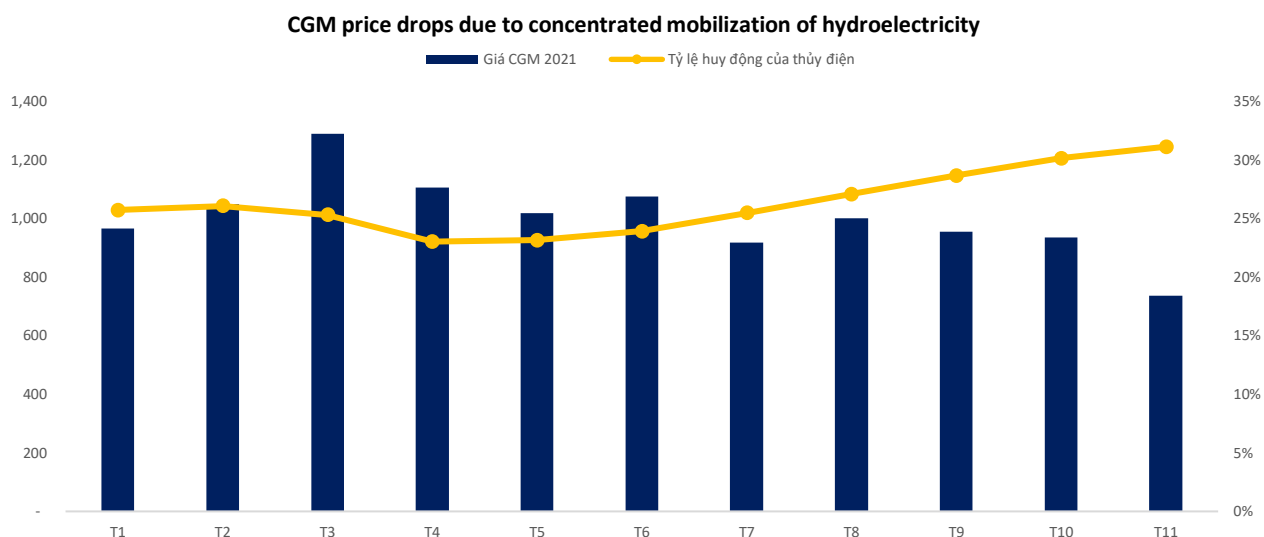
Draft PDP 8 revised focus on investment in clean energy



Source: Power Development Plan VIII & BSC Research

COMPETITIVE ELECTRICITY GENERATION MARKET (CGM) – THE POSSIBILITY OF A SHARP INCREASE IN 2022

Average CGM market electricity selling price 11T2021 +12% yoy. Accumulated 11T2021, the average CGM electricity selling price reached 1003 VND / kWh (+11% yoy). The decrease in CGM prices in 2H2021 is due to (1) the Covid-19 epidemic affecting electricity consumption demand and (2) hydropower is actively mobilized by the National Power System Moderation Center (A0) as La Nina continues in 2021.



Source: EVN, BSC Research

BSC forecasts that the average CGM electricity selling price is likely to increase sharply in 2022, with the expectation that La Nina could end as soon as the second quarter. Looking back on the development of 2018, also the last year of the last La Nina cycle, the average CGM electricity price reached 1,045 VND / kWh (+53% YoY). Therefore, we expect that CGM electricity prices in 2022 will rise again with expectations of ending the La Nina cycle in Q2.2022.

RENEWABLE ENERGY SECTOR - LONG-TERM POSITIVE OUTLOOK

The renewable energy sector continues to grow rapidly. Accumulated 10T2021, the power output from renewable energy reached 24.10 billion kWh (+169% yoy). The mobilization rate from A0 by the end of T10/2021 reached 11.3%. The power capacity of the renewable energy segment increased rapidly in 2021, mainly because wind power plants increased construction in order to keep up with operation before November 1, to be able to receive fit price of 8.5 cents / kWh. However, only 69 out of 109 plants with a capacity of 3299 / 5756 MW were able to operate before this time. Thus, there are still 40 projects that have been implemented but not yet operational before November 1, with a capacity of 2457 MW. Therefore, if the price mechanism is addressed, BSC expects renewable energy capacity to continue to increase in 2022.

Table 1: FIT pricing mechanism for renewable energy projects

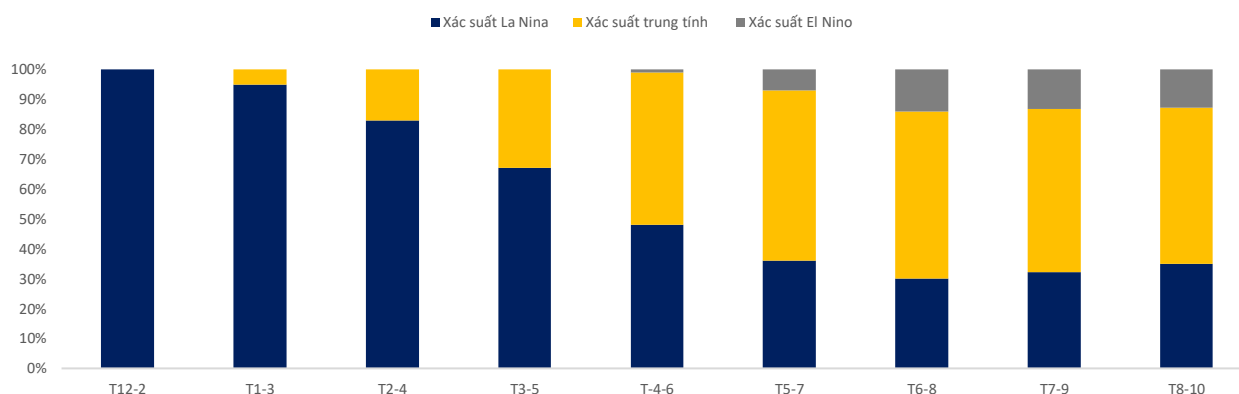
	Solar power		Wind electricity		
Effect	Before July 2019	July 2019 - Dec2020	Before Nov/2021	Nov/2021 - Dec 2023	
Electricity purchase price from EVN (US cents/kWh)	9.35	Float: 7.69 Ground: 7.09 Rooftop: 8.38	Onshore: 8.5 Offshore: 9.8	Onshore: 7.02 Offshore: 8.47	

Source: MOIT, BSC Research

HYDROPOWER: EXPECTING SLOW GROWTH AT THE END OF THE LA NINA CYCLE

Accumulated 10T2021, hydroelectric output reached 63.49 billion kWh (+8% YoY). The mobilization rate from A0 by the end of T10/2021 reached 29.9% mainly thanks to La Nina's continued performance in 2021. Hydrographic activity is forecast to continue to be stable until the end of Q1/2022, helping rainfall throughout the region to be maintained. However, overall, with La Nina likely to end in the second quarter of 2022, the production outlook for hydropower enterprises is less positive in 2022.

La Nina is forecasted to last until Q2/2022



Source: IRI, BSC Research

GAS THERMAL POWER: OUTPERFORM OUTLOOK FOR 2022

Accumulated 10T2021, gas thermal power output reached 22.4 billion kWh (-24% yoy). The mobilization rate from A0 to the end of T10/2021 only reached 11.3%, mainly because the load decreased sharply due to epidemic factors, in addition to the high input fuel prices in the second half of 2021. Next year, the load increase again is a contributing factor to the prospect of positive gas thermal power in the short term.

Gas thermal power capacity planned to 2045 (Unit: MW)

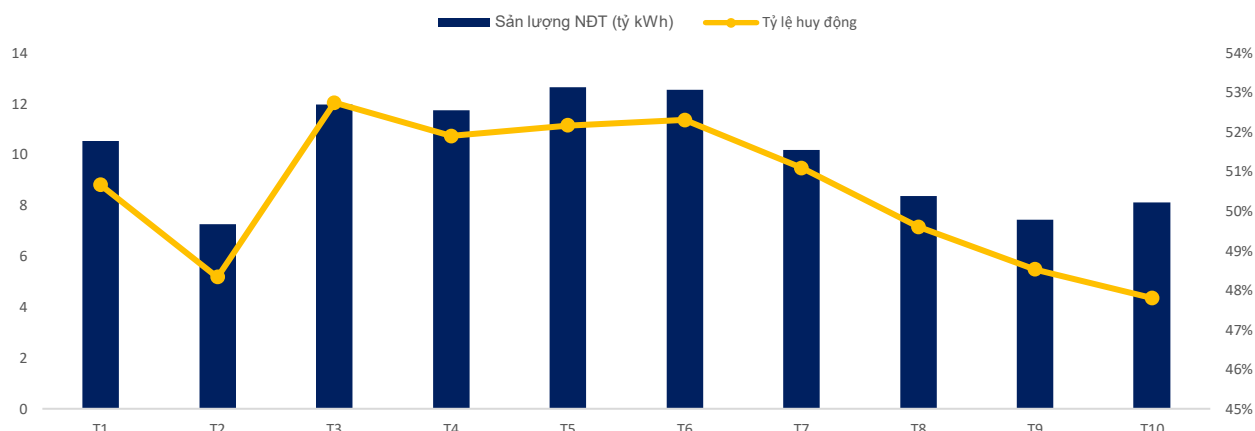
	2020	2025	2030	2035	2040	2045
Mixed gas turbine + gas thermal power	7,097	13,058	10,636	7,900	7,900	7,900
Existing mixed gas turbines switch to LNG	-	803	4,147	4,565	4,250	5,050
Hybrid gas turbine using new LNG	-	1,500	10,100	22,850	29,250	34,850
Flexible source running LNG (ICE+SCGT)	-	-	1,400	6,000	11,700	16,800
Total electric capacity	7,097	15,361	26,283	41,315	53,100	64,600

Source: Dự thảo QHĐ 8, BSC Research

COAL-FIRED POWER - AN IMPORTANT SOURCE OF ELECTRICITY IN THE MEDIUM TERM

Coal-fired power is still an important source of electricity in the short term, when renewable power, LNG, need more time to increase installed capacity. Accumulated 11M2021, the mobilized coal-fired power output reached 100.8 billion kWh (-2.85% yoy). The mobilization rate of Oct/2021 -3% over the same period as La Nina continues to appear in 2021. According to the IRI, La Nina is forecast to end in Q2 2022 soon. Therefore, 2022 will be a beneficial year for e-commerce factories when mobilized higher.

Deposit ratio of investors decreased due to La Nina appearance



Source: EVN, BSC Research

INVESTMENT THESIS – NEUTRAL

We hold **NEUTRAL** views on the electricity sector for 2021 due to the clear divergence towards the outlook for electricity sector stock groups:

- **Hydroelectric stocks group:** With the hydrographic situation not very favorable in the coming time, BSC has a poor positive view for hydropower stocks for 2022.
- **Gas thermal power stocks:** Gas supply in 2022 can recover as the shift factor has a smaller impact on the supply chain. Accordingly, input gas prices are expected after a prolonged period of price increases. Therefore, the two stock codes **POW** and **NT2** are strongly resilient in terms of output factors. So BSC has a positive view on gas-fired thermal stocks for 2022.
- **Coal-fired power group:** Poor rainfall is likely to increase the mobilization rate from A0 and the impact of increasing the price of CGM electricity. This can be a positive factor with the business results of coal-fired power enterprises such as QTP and HND. Therefore, BSC has a positive view on coal-fired power stocks for 2022.
- **Power construction stock group:** BSC holds a positive view based on the increased demand for construction and installation with a large backlog for businesses such as **PC1** and **REE**.

Ticker	Net Rev 2022 (bil)	% yoy	NPAT 2022 (bil)	% yoy	EPS 2022 (unit)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 10/02/2022	Target price	Upside
QTP	9,797	2%	594	-6%	1,319	14.0	1.4	7%	10%	18,900	26,000	38%
HND	10,705	19%	589	21%	1,179	15.9	1.5	6%	9%	19,500	29,500	51%
PC1	9,704	-1%	678	-33%	3,370	10.1	1.1	4%	11%	35,500	51,000	44%
POW	31,138	25%	3,596	59%	1,364	12.1	1.2	7%	11%	18,550	20,700	12%
REE	6,585	19%	2,490	23%	7,655	8.4	1.4	12%	19%	68,200	91,400	34%
NT2	7,886	11%	540	6%	1,876	11.8	1.5	8%	12%	23,850	29,700	25%

Source: BSC Research

Fertilizer Industry [Neutral]

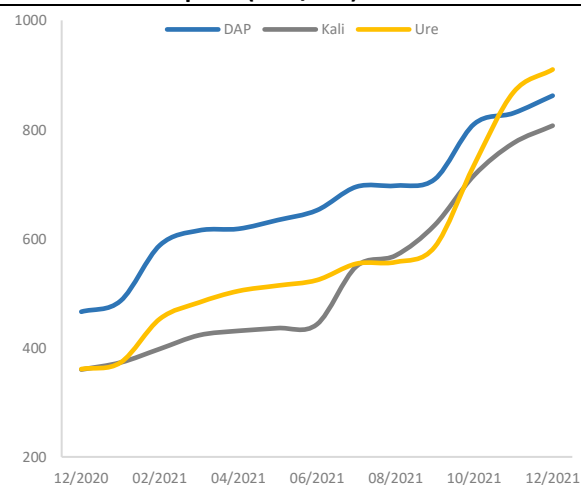
Analyst: Duong Quang Minh

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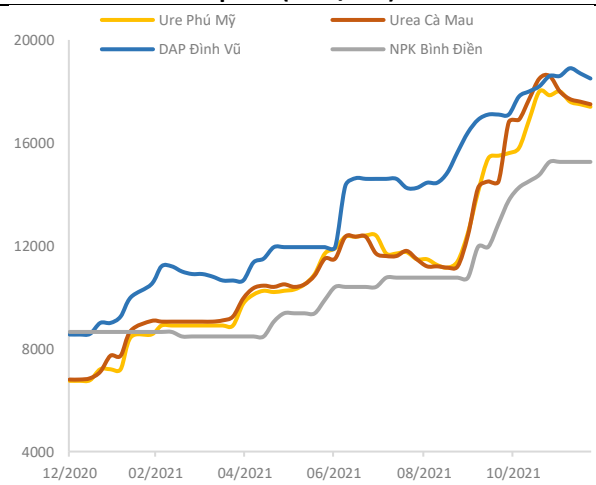
- **The price of fertilizers increased sharply in 2021** thanks to (1) the recovery of fertilizer demand in the world; (2) The price of input materials and freight increased sharply; and (3) Major fertilizer producers such as China restrict exports.
- The price of input materials (coal, gas, oil) may fluctuate unpredictably in the near future, however fertilizer demand is expected to remain stable in 2022.
- **BSC change our view from OUTPERFORM to NEUTRAL for the fertilizer industry in 2022** due to (1) the price of sale in 2022 may fluctuate downwards according to the price of raw materials, and (2) the revised VAT Law will support the profitability of fertilizer enterprises

The price of fertilizers in the world increased sharply in 2021. According to DTN, as of the end of October, the prices of Ure, DAP, and Potassium fertilizers had increased by 97%, 67%, and 92% YTD, respectively. In the Vietnamese market, compared to the beginning of 2021, the price of domestically produced and imported fertilizers has increased by about 80-130%. In particular, **Ure is the most volatile item when increasing by about 140%**, to over VND17,000 per kg in Ho Chi Minh City. In addition, DAP price also increased by more than 100% compared to the beginning of the year.

World fertilizer price (USD/ton)



Domestic fertilizer price (VND/ton)



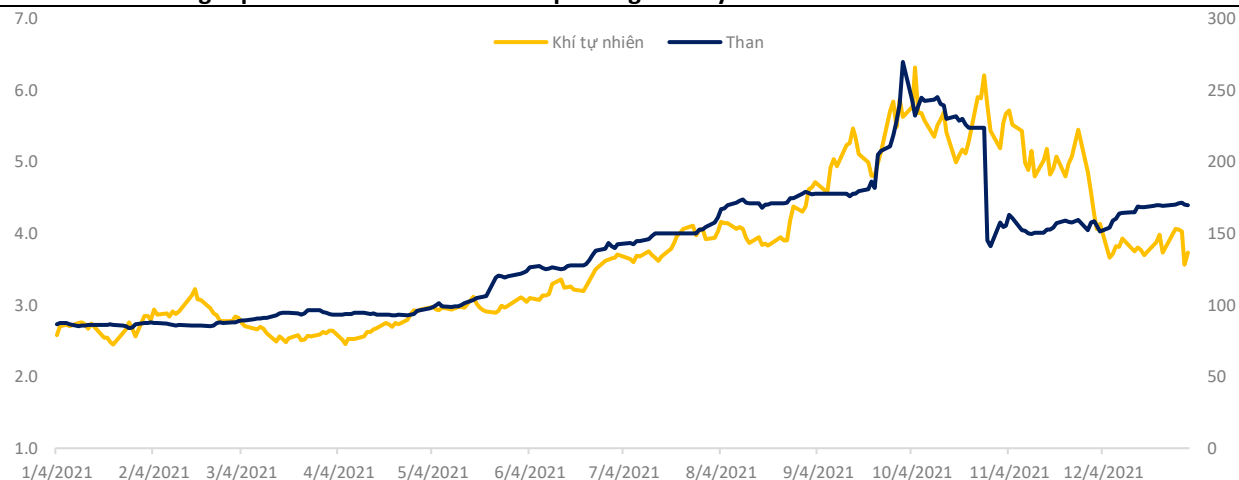
Source: DTN, Agromonitor

The sharp increase in fertilizer prices in 2021 mainly comes from reasons such as:

- The price of input materials and freight increased sharply. The price of natural gas (+103% YoY) and coal (+226%YoY) increased sharply, causing many fertilizer plants to shut down or cut production, thereby affecting supply. In addition, sea freight has increased sharply in recent years due to the impact of the epidemic also contributing to pushing up production costs (mainly transportation costs) of fertilizers.
- The world's fertilizer demand recovers as economies reopen and boost food stocks leading to inadequate supply.
- China restricts fertilizer exports to ensure supply to the domestic market, affecting supply and pushing up fertilizer prices.

The price of input materials (coal, gas, oil) fluctuates unpredictably in the coming time. Coal and gas prices unexpectedly fell sharply in the end of 2021 due to the impact of the Chinese government, and revised forecasts in the US and Europe. The BSC believe the prices of raw materials such as gas and coal will continue to be complicated in 2022 as (1) fuel supplies from European countries can rise again by reducing gas reserves, and (2) Transport costs will fall after the epidemic is brought under control.

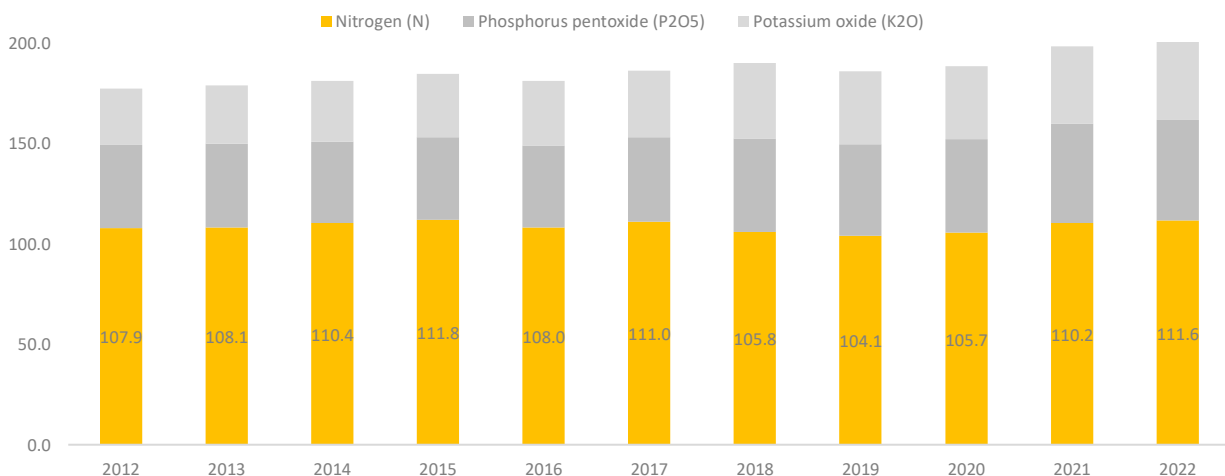
Coal and natural gas prices corrected lower after peaking in early October



Source: Bloomberg, BSC Research

Despite this, fertilizer demand is expected to remain stable in 2022 as major suppliers such as China, Russia and Egypt restrict or stop exports again. These countries prioritize the strengthening of ure reserves, to ensure domestic demand. In addition, the complex epidemic will continue to disrupt the global supply chain, thereby prompting countries to increase their fertilizer and food reserves. For Vietnam, fertilizer demand is expected to remain high in the early part of the season, and gradually decrease towards the end of the year.

Demand for agricultural fertilizers by nutrient (tons)



Source: IFA, FAO, BSC Research

The state is studying tax policy to stabilize fertilizer prices. The Ministry of Agriculture and Rural Development has proposed to transfer fertilizers to VAT-subject subjects with a tax rate of 5%, in order to create an input-output tax deduction, helping to reduce costs. We assume that the impact of VAT on fertilizer prices is negligible, at least until the end of the early 2022 season. As for the enterprise, the imposition of taxes will have a positive impact on fertilizer manufacturers, when tax refunded on input materials.

Summary of VAT rates for the fertilizer industry

Enterprise	Input		Output		Expected tax refund (billion VND/year)
	Material	VAT	Product	VAT	
DPM	Natural gas	10%	Ure		~350
	Urea/DAP/SA/Potassium Fertilizer	5%	NPK		
DCM	Natural gas	10%	Ure		~280
LAS	Apatite Ore	5%	Phosphate	5%	~80
SFG	Sulfur	10%	Phosphate		~25
VAF	Urea/DAP/SA/Potassium Fertilizer	5%	NPK		~30
BFC	Urea/DAP/SA/Potassium Fertilizer	5%	NPK		~100

Source: BSC Research

INVESTMENT THESIS – NEUTRAL

BSC change our view from OUTPERFORM to NEUTRAL for the fertilizer industry in 2022 due to (1) Fertilizer prices may fluctuate with material price movements, although (2) Fertilizer demand remains in a positive state in the first half of the year, and (3) The revised VAT law will support the profitability of fertilizer enterprises. In particular, we recommend Positive for DPM, DCM and BFC stocks with the expectation that these companies will benefit from the new VAT policy, the same valuation level that is in attractive territory.

Ticker	Net Rev 2022 (bil)	% yoy	NPAT 2022 (bil)	% yoy	EPS 2022 (unit)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 10/02/2022	Target price	Upside
DPM	12,076	2%	3,129	4%	5,542	7.3	2.0	25%	34%	45,000	51,200	14%
DCM	10,506	5%	1,978	9%	2,499	11.6	2.5	20%	29%	29,750	36,000	21%
BFC	8,659	2%	249	3%	4,364	6.6	1.8	6%	20%	30,400	34,000	12%
LAS	2,423	-4%	70	-7%	1,215	13.6	1.9	4%	5%	18,500	17,200	-7%
DDV	3,061	-6%	216	-13%	1,957	10.3	2.6	11%	15%	20,400	21,800	7%

Source: BSC Research

Aviation Industry [Neutral]

Analyst: Le Huu Ngoc

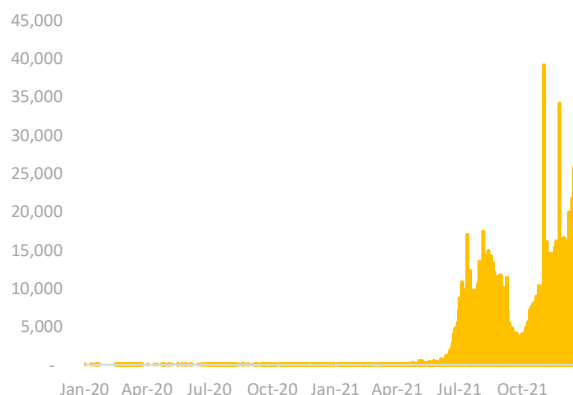
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- In 2022 BSC expects passenger output through Vietnamese airports to recover strongly, reaching 75-80 million (+82% YoY, equivalent to 67% of pre-epidemic levels) thanks to the actively controlled epidemic and the return of international flights.
- Commodity production in 2021 is expected to reach 1.78 million tons (+13% YoY) thanks to the recovery according to the global economy.
- BSC maintains **NEUTRAL** view of aviation sector.

BSC estimates that passenger output through Vietnamese airports in 2021 will reach about 40-45 million (-36% YoY) due to (1) the situation of domestic epidemics in the second half of the year, causing many types of transport to be restricted including aviation and (2) International flights have not resumed normal operations due to concerns about difficulties in controlling the spread of the disease.

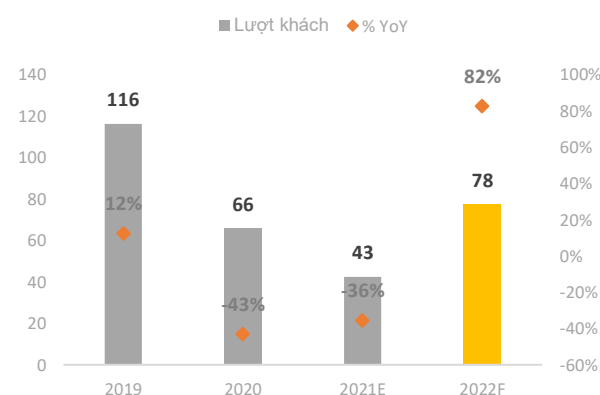
In 2022, BSC expects passenger output through Vietnam's airports to recover strongly, reaching 75-80 million (+82% YoY, equivalent to 67% of pre-epidemic levels) with an increase in both domestic and international passengers due to (1) international routes being reopened from January 1, 2022, these include key markets such as China, South Korea, Japan (accounting for more than 60% of pre-epidemic production) and (2) the demand for domestic flights will increase again as the domestic epidemic will be more actively controlled in 2022 and the rate of vaccine coverage is very high with 99.6% of the population over the age of 18 having been vaccinated at least 1 dose of the vaccine..

The number of new covid-19 infections in Vietnam increased sharply in 2021



Source: Our World in Data, BSC Research

Customer output does not expect a strong recovery +82% YoY in 2022 (million visits)



Source: Civil Aviation Authority of Vietnam, BSC Research

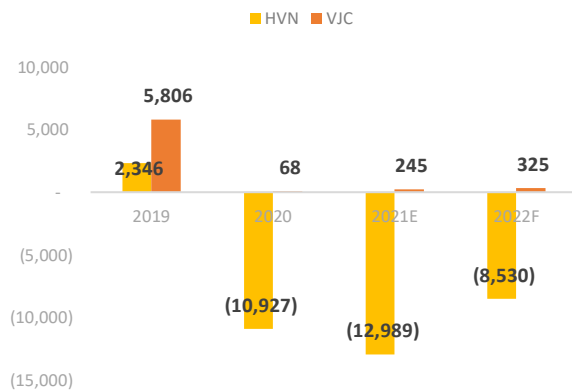
In 2022, BSC said that aviation businesses will continue to struggle, but the losses will decrease due to:

- China's key market is still pursuing a Zero-Covid policy, so flights to this important country are likely to remain highly limited. The average fare will be low (+0% YoY) as businesses will take advantage of market conditions, maintain competitive fares, also implement tourism stimulus policies to quickly recover from difficult periods.

- The room to reduce operating costs and expand the domestic flight network will not be much when in the period of 2020-2021, enterprises have made the maximum reduction.

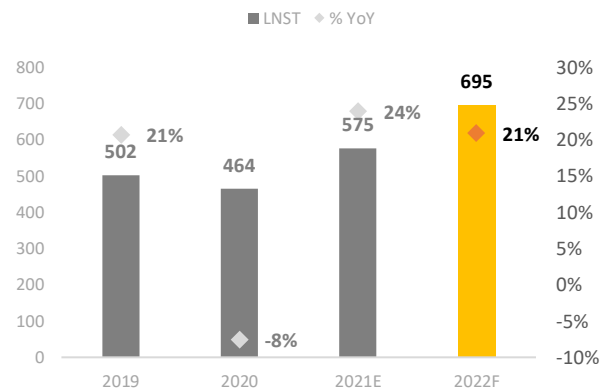
BSC expects air cargo production in 2022 to reach 1.78 million tons (+13% YoY) as (1) demand for air freight recovers and global economic growth (+6% YoY) and (2) the trend of shifting production lines to Vietnam will boost the export of electronic components by air.

Business results in 2022 of air transport enterprises continue to face difficulties (Billion VND)



Source: BSC Research

SCS profit in 2022 is expected to increase sharply +21% YoY (VND billion)



Source: SCS, BSC Research

INVESTMENT THESIS – NEUTRAL

BSC holds a **NEUTRAL** view for the aviation industry in general in 2022 as business results continue to struggle as businesses compete to recover when demand has not been able to return to pre-epidemic levels. However, BSC recommends **OUTPERFORM** to aviation service businesses, namely ACV and SCS due to (1) strong growth in profitability and (2) large positions in the industry.

Ticker	Net Rev 2022 (bil)	% yoy	NPAT 2022 (bil)	% yoy	EPS 2022 (unit)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 10/02/2022	Target price	Upside
HVN	48,525	115%	-8,530	N/A	N/A	N/A	N/A	-13%	N/A	26,400	N/A	N/A
VJC	35,850	155%	325	33%	620	197	3.8	1%	2%	133,000	N/A	N/A
ACV	15,385	189%	3,015	255%	1,385	64	5.2	5%	8%	93,600	111,000	19%
SCS	895	12%	656	14%	13,065	12	7.9	53%	59%	164,000	175,000	7%

Source: BSC Research

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