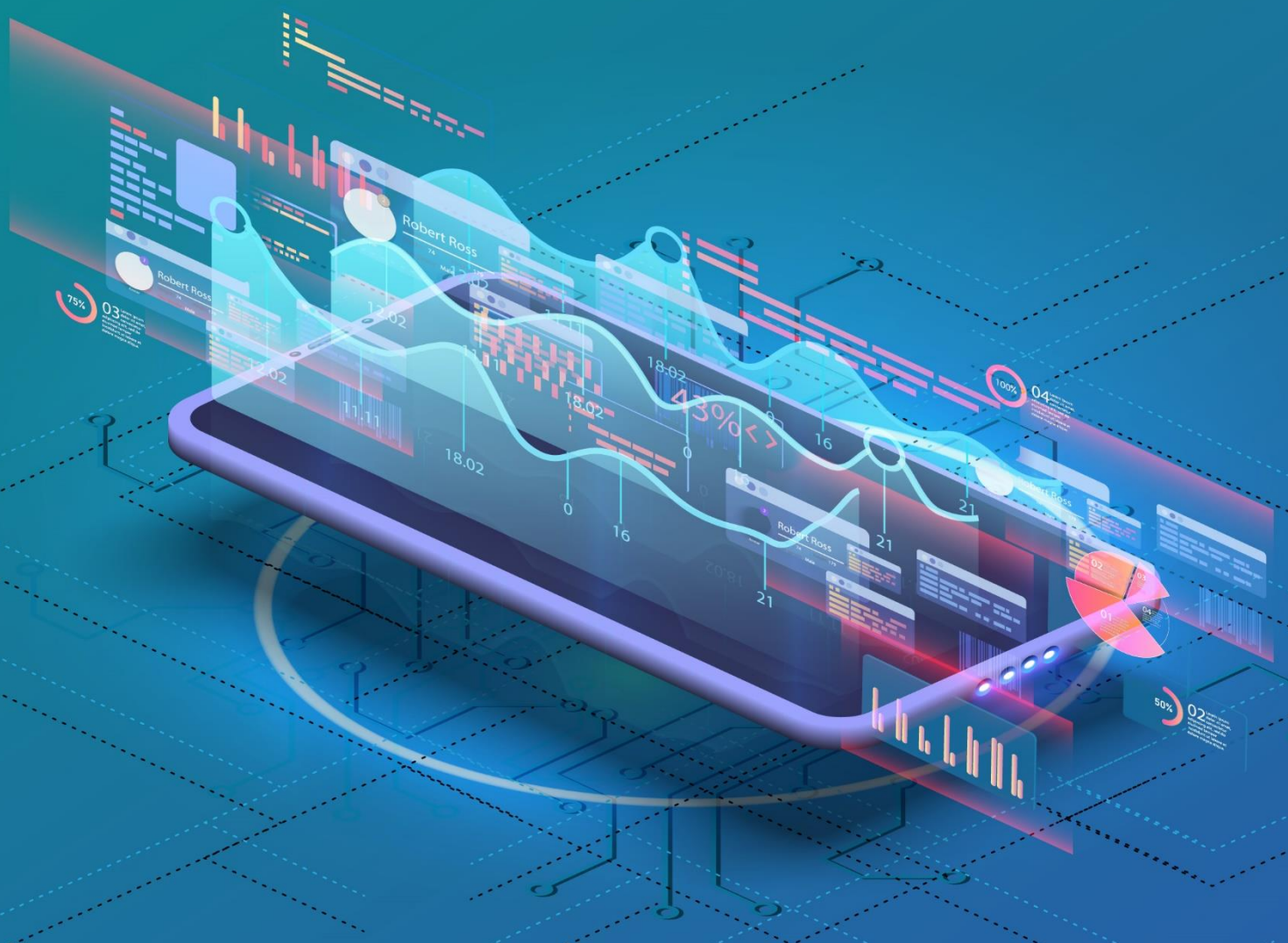




# VIETNAM SECTOR OUTLOOK 2022

## TURBULENT SEASON



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## I. Market movements in the Q1/2022

**1. In terms of index movements: in the Q1/2022, the VN-Index decreased slightly by 0.41% and the HNX-Index decreased by 5.14% compared to the Q4/2021.** In January, VN-Index and HN-Index both witnessed deep correction sessions due to not very positive information and profit-taking before the holiday. Especially in January, there were times when VN-Index fell below 1,430 points. In February, VN-Index had quite deep downward correction sessions when struggling in the range of 1,470-1,500 points, while HNX-Index formed a relatively solid uptrend. In March (the last month of Q1/2022), VN-Index had a decline in the middle of the month but recovered again and struggled around the threshold of 1,500 points, in the opposite direction, HNX-Index continued to form an uptrend.

**2. About market movements: The average trading value reached 1.352 million USD/session in Q1/2022 – an increase of 3.26% compared to the previous quarter. Liquidity in March tended to improve compared to February but still lower than January.** In 3M/2022: The HSX had 227 stocks increased, 181 stocks decreased and 2 stocks remained unchanged. Top 5 stocks supporting VN-Index include: BID (10.04 points), GAS (7.87 points), VCB (5.67 points), MBB (4.44 points), BCM (3.48 points).

**3. Regarding tier-1 industries: In the first quarter of 2022, many groups of industries traded actively when there were 9/11 groups of tier-1 industries gaining points. Specifically, the Information Technology, Oil and Gas and Telecommunications sectors were the three most positive gainers while the Finance and consumer goods sectors witnessed a downward trend.**

### **4. Regarding transactions of foreign investors:**

Foreign investors continued to maintain their net selling momentum in Q1/2022 with a net selling of VND 7,275 billion – a decrease of 0.43 times compared to Q4/2021. In the trend of net selling, foreign investors focused on MSN, VIC, and HPG, while on the other hand they focused on buying STB, DGC, and VHM.

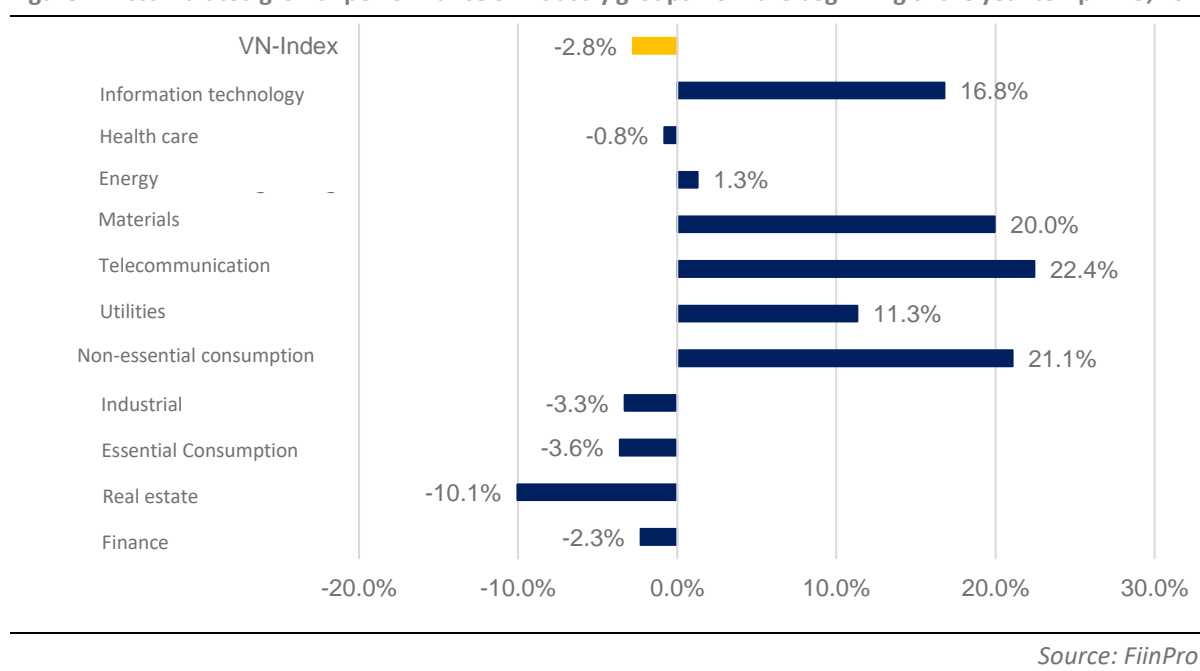
### **5. Some important macro factors:**

- **Domestic:** (1) The economy recovered positively and adapted well to the "new normal" after the 4th Covid epidemic, the PMI continued to recover. (2) The National Assembly and the Government promulgate a number of Resolutions and Decisions related to the implementation of the Socio-economic Development and Recovery Program, the investment policy on the construction of the North-South Expressway in the East period 2021-2025, opening tourism nationwide in March 2022.
- **World:** (1) Geopolitical tensions between Russia and Ukraine have continued to escalate since the end of February 2022 and show no sign of cooling down, besides sanctions and retaliation between the US, EU and Russia -> this puts the prices of goods and input materials at risk of entering a new price increase. (2) The FED and other major central banks in the world and the region are expected to implement tightening monetary policy with more frequency and intensity in the future. (3) If the situation of Covid-19 disease control in China does not progress positively, it is likely to disrupt the global supply chain.

## II. Market outlook in 2022 – Turbulent season

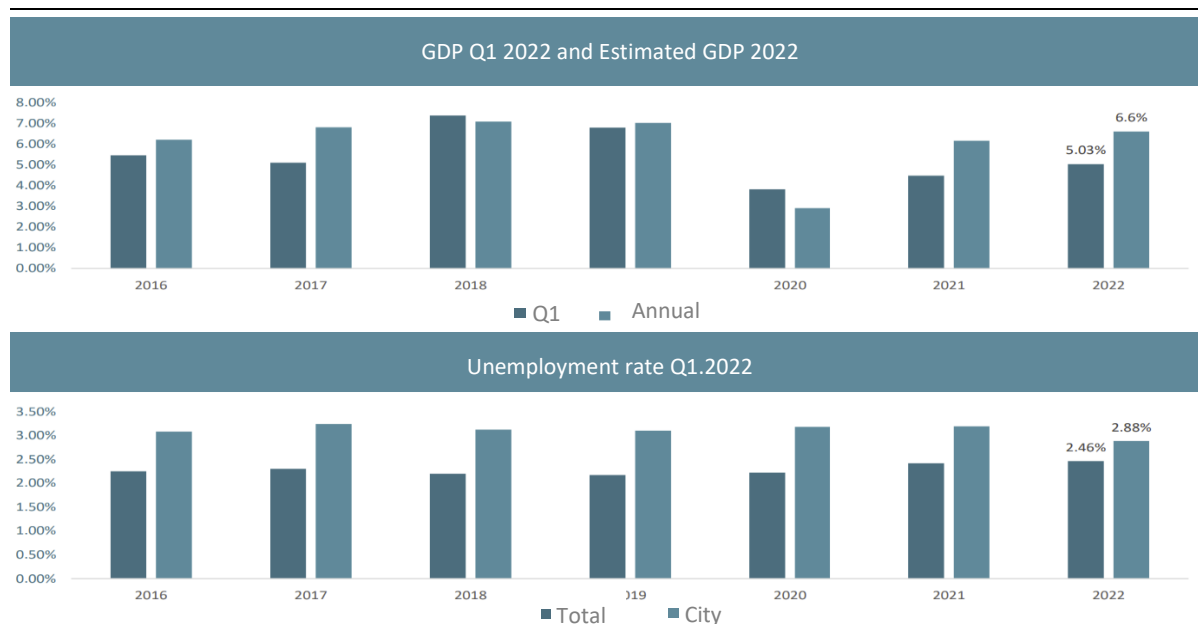
The market in Q1/2022 was quite similar to the "investment guideline" in BSC's strategy report when the "divergence" took place relatively deeply in many industry groups. In Q1/2022, BSC has published the 2022 strategic report, reports [on fisheries, textiles, oil and gas industries, macro update reports, topics on oil price fluctuations and their impact, investment reports public announcement \(2nd time\)](#) and weekly reports assessing the impact of major events such as the Fed's interest rate hike, the Russo-Ukrainian War, and CPI (inflation). Accumulated to April 15, 2022, some industries recorded better performance than the index such as Telecommunications (+22.4%YoY), Seafood, Textile, Materials (+20%YoY), Technology information (+16.8%YoY).

Figure 1: Accumulated growth performance of industry groups from the beginning of the year to April 15, 2022



**1. Vietnam's economic growth is forecast to remain at a positive level, whereby many industry groups will continue to benefit from the post-Covid-19 recovery trend.** GDP growth rate in Q1/2022 reached 5.03%, higher than the same period in 2021 and 2020 thanks to (1) Expanded production and business activities; (2) Trade agreements and (3) The recovery of domestic and international consumption. The Vietnamese Government's "Flexible Adaptation" strategy in dealing with the Covid-19 epidemic has proven effective in supporting the economic recovery. Investors can refer to more updated information on the macro situation in the [March Macro report - The economy gradually recovered, the market struggled.](#)

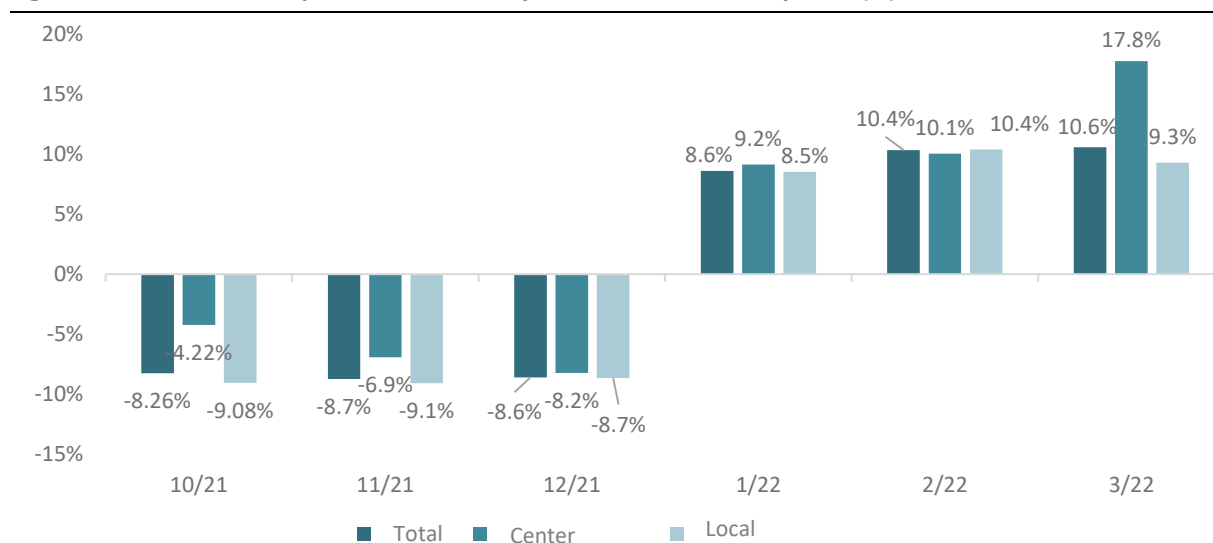
**Figure 2: GDP Q1 2022 and Estimated GDP 2022**



Source: Bloomberg, BSC Research

**2. The Government continues to accelerate the disbursement of public investment.** Accumulated to March 2021, according to GSO data, the total state budget disbursement is estimated at 14.4% of the plan, up 10.6% over the same period. The main reasons for the slow disbursement of public investment capital are: (1) Newly started projects are in the process of completing bidding procedures and in Q1/2022, ministries and agencies are finalizing allocation plans for public investment capital and operation negotiation and (2) The price of construction materials increased sharply, which slowed down the project construction progress. However, the Government also introduced measures to promote such as: (1) Termination of contracts with contractors who do not complete the contract, do not meet the quality of progress and (2) Transfer, reduce capital to other units, etc.

**Figure 3: Disbursement of public investment by month over the same period (%)**



Source: General Statistics Office, BSC Research

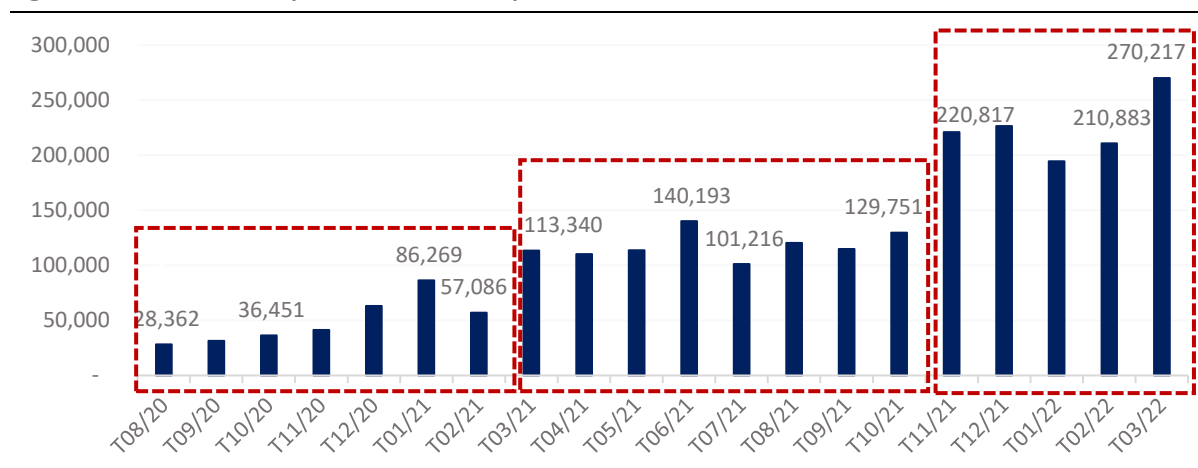
Figure 4: Total value of public investment plan (unit: billion VND)

Total value of public investment plan (bill 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
% implementation 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

**3. The total number of accounts by the end of Q1/2022 only reached 5% of the population compared to 2.8% in Q1/2021.** In 2021 and Q1/2022, the presence of securities investment channels is more and more obvious to Vietnamese people, the rate of opening new accounts continuously recorded a rapid increase month by month. In Q1/2022 alone, the number of newly opened accounts was 675,000 accounts (+9%QoQ). BSC still maintains the view that the trend of choosing securities investment channel will be one of the main investment channels of the people in the long-term when per capita income improves, this is what happened to other investors in Other emerging and developed markets.

Figure 5: Number of new personal accounts opened

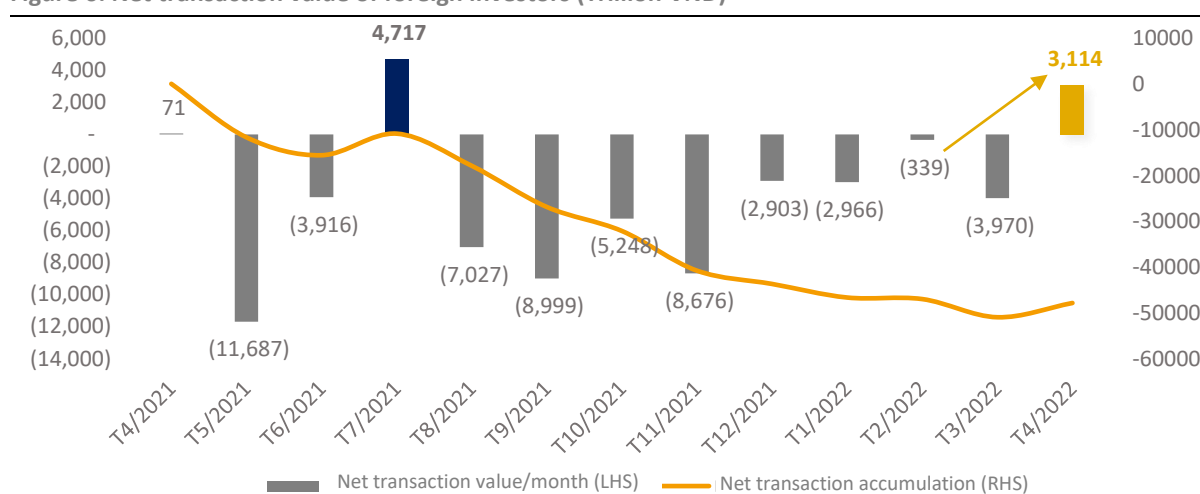


Sources: VSD, BSC Research

**4. Last year's foreign capital flow had a positive improvement.** As of Q3/2021, the trend of foreign investors' trading remained net selling but recorded a positive improvement with the size of net selling decreasing by 75.2% compared to Q4/2021. Especially, in the context of a strong market correction in April 2022, foreign investors boosted their net buying with the total accumulated net buying value as of April 21, 2022 reaching VND 3,114 billion. BSC expects that foreign investors' trading situation will continue to move in a more positive direction in the coming quarters based on the prospect of economic growth and profits of listed companies along with the post-Covid-19 recovery.



Figure 6: Net transaction value of foreign investors (Trillion VND)



Source: FiinPro, BSC Research

**5. The State-owned enterprise divestment and equitization activities have not had any positive developments.** Accumulated by the end of 1Q2022, corporations and corporations have divested capital from enterprises with a value of VND 251 billion, earning VND 1,884 billion, of which: State Capital Investment Corporation (SOEs) SCIC sold capital in 06 enterprises with a book value of 69 billion VND, earning 475 billion VND; Vietnam Post Corporation divested from Post Joint Stock Company with a book value of VND 182 billion, earning VND 1,409 billion. According to BSC's assessment, divestment is still relatively slow compared to the plan, but we expect this activity will soon "warm up" in the second half of the year, helping the Government to increase more state budget capital, capital support for disbursement of public investment projects in the period of 2023-2025.

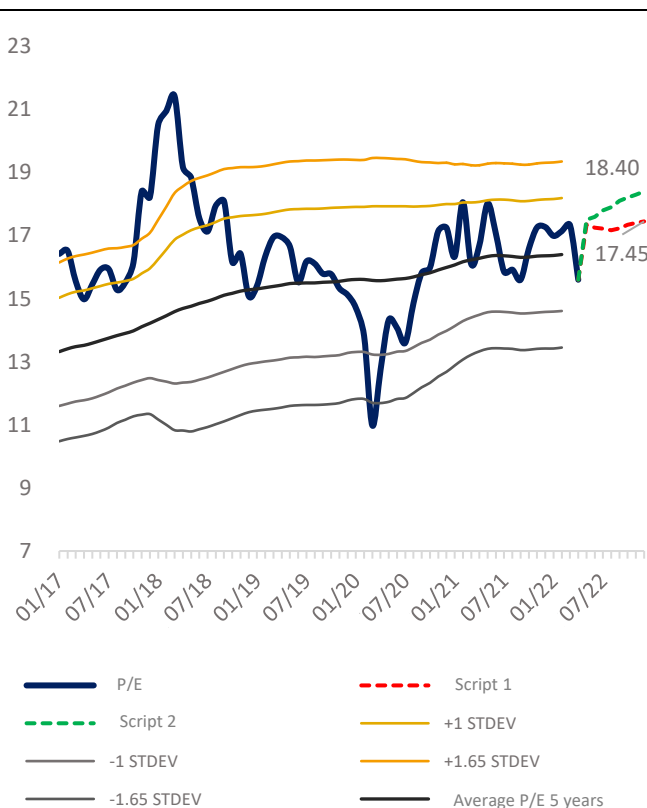
Figure 7 : List of divestments of some notable listed companies (VND billion)

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

Source: SCIC, BSC Research

**6. BSC believes that the market has mixed positive and negative factors, whereby opportunities and risks always come together.** Therefore, 2022 will certainly not be an easy year for investors, BSC realizes that the number of positive factors is currently in balance compared to the negative factors, which can be mentioned as: (1) GDP growth remained high at ~6.5%YoY; (2) The economy recovers after Covid-19, benefiting from the production shift; (3) The average profit growth of the listed companies remains at double digits and (4) The ability to upgrade the market in 2024-2025. For the negative factors include: (1) Inflation increased; (2) Pressure to raise interest rates from the Fed and the State Bank; (3) The supply disruption of the slowing growth of the Chinese economy due to the Zero Covid policy and (4) The possibility of a recession in the world economy. Specifically:

**Figure 8: P/E ratio VNIndex**



**Figure 9: Profit scenario 2022**

Sector	Growth NPAT (%)	Basic scenario		Bad scenario	
		2021	2022F	2022F	2022F
IT – Telecommunication	19%		22%		18%
Banking	22%		26%		21%
Food & Drinks	1%		-6%		-12%
Retail	25%		28%		22%
Real estate	32%		7%		-6%
Construction materials	118%		3%		-6%
Oil and Gas	153%		176%		46%
Electricity	-5%		41%		39%
Aviation	-59%		165%		157%
Seaport	31%		24%		9%
Export	47%		30%		20%
<b>Total (%)</b>		<b>45%</b>	<b>22%</b>		<b>11%</b>

Sources: FiinPro, BSC Research forecast

**The growth in profit after tax of the companies that BSC tracked still maintained a positive growth rate of 22%.** In the early 2022F strategy report, BSC offers two scenarios for profit growth in 2022, up to now, we are leaning towards the basic scenario with the average market profit growth in 2022 reaching 22%. BSC considers this to be a positive growth based on the high growth rate of 47% in 2021. Positive growth came from industry groups such as Banking (+26%YoY), Oil & Gas (+176%YoY), Aviation (+165%YoY), Exports (+30%YoY), Retail (+28%YoY), IT-Telecommunications (+22%YoY). BSC's profit growth forecast is based on about 80 stocks accounting for 72% of VN-Index's total NPAT and 61% of market capitalization.

**The current market valuation is in a relatively attractive area.** With the market recording a strong correction since the beginning of April, the market's PE trailing is trading at 15.6 times as of April 20, 2022, approaching -1 times the standard deviation (PE = 14.65 times). With the prospect of profit



growth in many industries still remaining high and the total profit of BSC industry is forecasted at 22% growth in NPAT, equivalent to about 17% growth in EPS after diluting (billion VND). The dilution ratio for the period 2019-2021 is 5%, PE FWD of VN-Index is at 13.3 times, which is an attractive level compared to the potential for economic growth and operating efficiency (the highest ROE = 16% region) and industry profits. Compared with countries in the region PE FWD of Vietnam (13.2 times) still recorded an attractive level compared to the regional average (15.3 times).

Figure 10: P/E TTM and P/E FW of some regional market

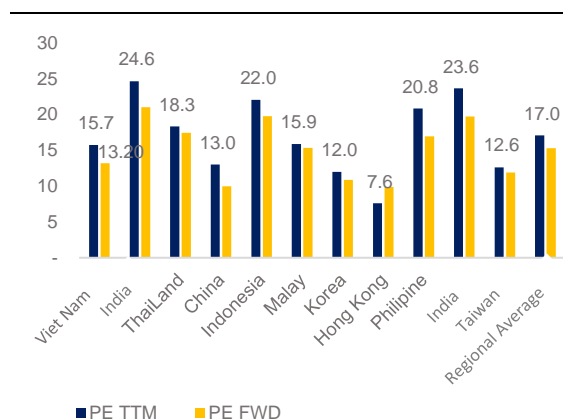
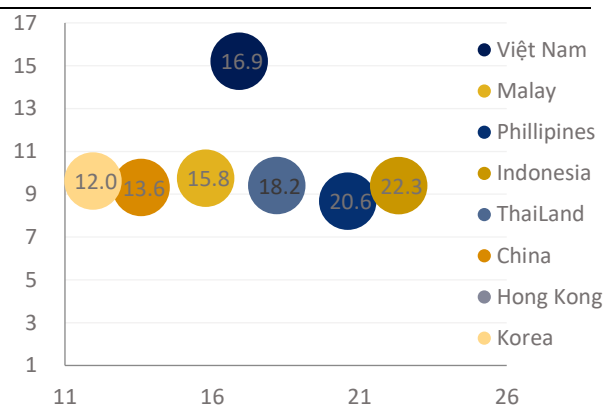


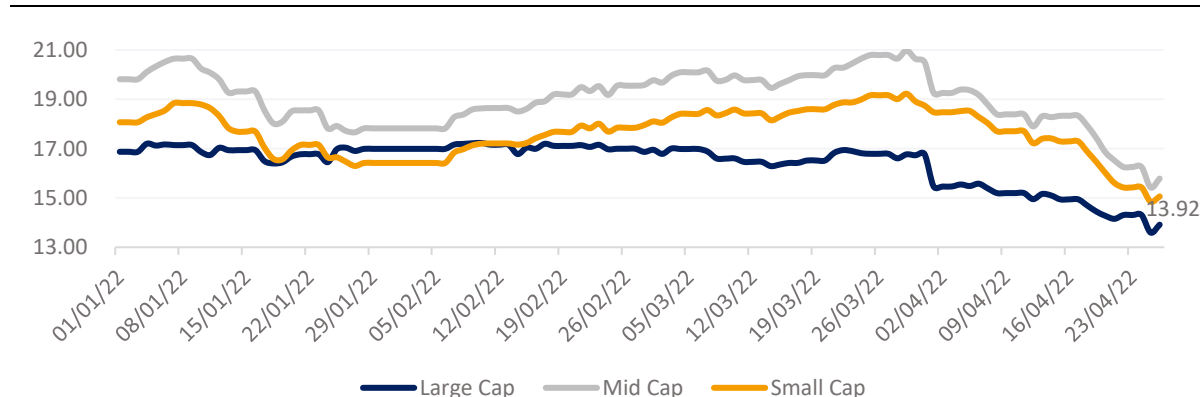
Figure 11: PE (times) and ROE (%) for Asia region in 2022



Source: Bloomberg, BSC Research

**Which group will be the next leading?** According to Bloomberg data and calculations by BSC, BSC is divided into 3 groups: large-cap (>15,000 billion), medium-cap (3,000 billion to <=15,000 billion), small-cap group (<=3,000 billion). We can see that in Q1/2022, the capitalization group has just recorded a strong growth in share price, helping this group's PE to reach a peak of about 21 times, this may come from the expectation of business results. Many industries such as Fisheries, Fertilizer, Chemical, and Textile recorded strong growth and this reflected in the price, while the large-cap stocks, although are expected to record positive outlook in 2022 namely Banking, Real Estate and Retail, however, the stock price of this group is at an "underperform" level compared to the other two other groups. **However, BSC noted, currently, the large-cap group is only trading at 13.9x as of April 23, 2022, while expecting double-digit profit growth, so we expect It is expected that capitalization stocks will be the focus for the market in the second 2H2022.**

Figure 12: PE Breakdown



Source: Bloomberg, BSC Research

However, the market is also facing the "headwind" of (1) Inflation; (2) Pressure to raise interest rates from the Fed; (3) Supply disruption due to China's Zero Covid policy and (4) Cheap money cycle has ended, a recession is likely. The interest rate environment will tend to inch up under the pressure of (1) Inflation in the context of a sharp increase in raw material prices due to the Russia-Ukraine war, this is a new factor compared to our forecast at the beginning of the year; (2) The Fed started to raise interest rates by 0.25 percentage points and is expected to continue raising interest rates in the next six sessions. Besides; (3) Risks of world economic recession and (4) Supply disruption due to China's Zero Covid policy are still potential risks. Therefore, we believe that the "easy" of cash flow in 2021 will no longer exist, investors will not see the situation of "boating up" but the stock market will witness a clear differentiation and The ability to choose stocks will be a key factor in investor performance. The focus of cash flow is on businesses with good fundamentals that have their own stories, profitable growth factors and healthy balance sheets.

Figure 13: Compare P/E and P/B of industries against region (Using average PP without % capitalization)

	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	15.0	1.7	12.7	0.9	15.4	0.9	12.6	1.1	12.9	0.8	12.5	0.9
Consumer goods	15.9	1.4	14.9	1.3	12.6	1.3	14.6	2.5	21.5	1.0	15.3	1.2
Industry	13.5	1.3	17.0	1.1	16.5	0.9	17.8	1.0	14.7	1.3	17.6	1.2
Oil and Gas	18.9	1.5	22.3	0.9	22.3	0.7	39.9	3.8		0.3	8.5	1.1
Consumer Services	29.7	2.0	15.7	1.5	16.1	1.7	11.4	1.2	22.9	1.9	15.3	1.2
Base material	11.2	1.1	10.2	1.7	10.5	1.4	15.9	2.4	9.9	2.0	8.6	1.1
Utilities	12.2	2.0	15.2	1.0	10.5	1.0	15.4	0.9	15.0	1.2	16.1	1.1
Technology	24.1	3.0	17.7	2.7	16.5	3.4	N/A	N/A	N/A	N/A	18.8	2.0
Health	16.9	2.2	14.5	2.5	14.5	2.1	31.7	2.5	N/A	N/A	14.4	2.9
Telecommunication	23.7	5.7	22.2	3.1	16.4	2.6	22.2	3.5	22.2	3.5	24.6	1.6

Source: Bloomberg, BSC Research

### III. 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. However, accompanied by some positive factors, some risk factors such as the FED raising interest rates under the pressure of rising inflation, the Ukraine-Russia war, the world and China's economic recession. **The current economic indicators of Vietnam show that we are at the end of the pre-growth phase transitioning to the post-growth phase.** This is typically shown by most of the signs such as inflation starting to increase, long-term deposit interest rates have bottomed out and are starting to rise again, the Government has started tightening economic policies, Stock prices fluctuate around the top.

Figure 14: Business Cycle and signs

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

## IV. 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::






Not affect yet:  In effect:  Affected: 

Figure 15: Important policies and events in 2022

No	Policies and Events	Affect	Influence level	Status 25/04/2022	No
<b>International Macro Policy and Economic Events</b>					
<b>Monetary Policy</b>					
1	FED: tighten monetary policy, raise interest rates 3 times in 2022		Negative	Very strong	
2	PBoC: China's economy grows strongly, RMB increases in value		Positive	Very strong	
3	ECB: continue easing policy		Mixed	Strong	
4	Raw material prices are stable		Mixed	Strong	
<b>Regional Macro Policy</b>					
5	US-China trade war		Mixed	Strong	
6	Covid-19 vaccine coverage		Positive	Strong	
7	OPEC meeting	04/03/2022	Mixed	Strong	
8	G7 meeting	Summer 2022	Mixed	Medium	
<b>Domestic Macro Policy and Economic Events</b>					
<b>Law amendment policy</b>					
1	Economic stimulus package		Positive	Strong	
2	Law on investment under the mode of public private partnership (PPP)		Mixed	Strong	
3	Amendment of investment law, enterprise law		Positive	Strong	
4	Securities Law Amendment	01/01/2021	Positive	Strong	
5	Food prices, gasoline prices increase		Negative	Medium	

No	Policies and Events	Affect	Influence level	Status 25/04/2022	No
6	Vietnam upgrades primary market to FTSE Russell		Positive	Strong	✗
7	Equitization and divestment of state-owned enterprises		Neutral	Medium	✓
<b>Monetary Policy</b>					
8	Interest rates		Positive	Strong	✓
9	The minimum capital adequacy ratio of banks is at 8%.	01/01/2020	Mixed	Medium	🔌
<b>Securities Policy</b>					
10	Allowance for selling securities that are waiting for return		Positive	Strong	✗
11	Certificate of Custody, Certificate of Custody without voting rights		Positive	Strong	✗
12	The scheme of listing stocks, widening the range		Mixed	Strong	✗
13	Listing and raising capital at joint stock commercial banks		Positive	Strong	✗
14	Raising standard for public companies		Mixed	Medium	✗
<b>Free Trade Agreements</b>					
1	EVFTA		Positive	Strong	✓
2	UKVFTA		Positive	Strong	✓
3	RCEP ASEAN		Positive	Strong	✓
Source: BSC Research					

## V. Market Outlook 2022





Figure 16: Market Outlook 2022

Sector	View	Highlight	Stock
<b><u>I/ Promoting public investment - infrastructure, attracting FDI</u></b>			
<b><u>Commercial real estate</u></b>	Outperform	<ul style="list-style-type: none"> <li>The luxury segment continues to lead the Ho Chi Minh market in the context of limited supply, helping the average selling price continue to record new peak.</li> <li>Apartment supply is forecast to be recovered in 2022.</li> <li>Business results in 2021 and business plan in 2022 of most RE enterprises maintain positively double-digit growth.</li> <li>The new pre-sales of some large listed enterprises is expected to reach a peak in the last 5 years.</li> <li>Corporate bonds have become the main mobilization channel for listed real estate companies, but the industry's net debt/equity ratio is still at a safe level.</li> <li>BSC maintain the <b>OUTPERFORM</b> recommendation for the Real estate sector.</li> </ul>	DXG, NLG, VHM, KDH, NVL
<b><u>Industrial park real estate</u></b>	Outperform	<ul style="list-style-type: none"> <li>Vietnam remains a potential and attractive destination for overseas industrial manufacturers in the context that FDI activities on an international scale have not recovered yet.</li> <li>The epidemic is no longer a barrier leading to a stagnation in the transaction progress of industrial zones in 2022 as Vietnam gradually resumes international flights and the vaccine coverage rate for people of working age in Vietnam is already 100%.</li> <li>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.</li> <li>Connected transport infrastructure and social infrastructure will solve the "logistic" bottleneck and human resources, directly supporting the industrial real estate industry.</li> <li>BSC maintain the <b>OUTPERFORM</b> recommendation for the industrial park real estate sector.</li> </ul>	BCM, KBC, LHG, SZC, GVR
<b><u>Construction</u></b>	Neutral	<ul style="list-style-type: none"> <li>The civil construction industry is on the rebound, expected to enter a new growth cycle.</li> <li>The low base of 2021 will support the growth in 2022.</li> <li>Profit margin continued to be affected by the rise of construction material price and the risk of provisioning for bad debts.</li> <li>Peak season for construction implementation and profit value reallocated in 2023.</li> <li>BSC lower our recommendation from <b>OUTPERFORM</b> to <b>NEUTRAL</b> for the Construction sector.</li> </ul>	CTD, CTI, CII
<b><u>Construction stone</u></b>	Outperform	<ul style="list-style-type: none"> <li>Positive outlook off business results in 2022 thanks to (1) Low base level in 2021 and (2) Progress of public investment is expected to be boosted and civil real estate recovers.</li> <li>BSC maintain the <b>OUTPERFORM</b> recommendation for the Construction Stone sector in 2022.</li> </ul>	CTI, DHA, KSB

Sector	View	Highlight	Stock
<a href="#">Steel</a>	Neutral	<ul style="list-style-type: none"> <li>Consumption volume in 2022 is forecasted to be +9%-12%YoY thanks to (1) After Covid, domestic building demand has recovered and (2) Import markets continue to see high demand.</li> <li>Gross profit margins of steel enterprises are forecast to decrease slightly due to the impact of fluctuations in input material prices.</li> <li>Cheap pricing with FWD PE of some large enterprises is only at 4.0x - 5.9x.</li> <li>BSC hold the <b>OUTPERFORM</b> recommendation for the steel sector for the rest of 2022.</li> </ul>	HPG, HSG, NKG
<b><a href="#">II/ Economic Recovery of Vietnam Post-Covid19</a></b>			
<a href="#">IT – Posts and telecommunications</a>	Outperform	<ul style="list-style-type: none"> <li>Mobile Money service reached 835,000 users after 3 months of pilot implementation.</li> <li>In 2022, BSC said that the outlook for the Technology and Telecommunications industry is positive due to (1) The continued trend of Digital Transformation and Government Investment in Smart Transportation and (2) 5G networks to promote the contract of telecommunications enterprises.</li> <li>BSC maintain the <b>OUTPERFORM</b> recommendation for information technology - post and telecommunications sector in 2022.</li> </ul>	FPT, ELC, ITD
<a href="#">Banking</a>	Outperform	<ul style="list-style-type: none"> <li><b>In 2022, BSC expects that credit demand will continue to be at a high rate of ~14%</b>, supported by (1) Continued economic recovery after the epidemic and (2) Support is estimated at ~VND 350,000 billion over the next 2-3 years.</li> <li><b>The BSC considers that NIM in 2022 will be +35 bps compared to 2021 due to</b> (1) The economy's recovery of high credit growth; (2) Loan capacity recovers after the support period and (3) CASA structure in 2022 helps reduce capital costs.</li> <li><b>In 2022, we expect the growth rate of the banking sector to reach 22.2%</b> thanks to the economic recovery after the epidemic and the lower profit level in 2021.</li> <li><b>Currently, the banking industry is being valued at 1.4x P/B F2022 by the end of March 27, 2022</b>, we think that the financial health of banks today deserves a higher valuation than at the present time. As a result, we keep our <b>POSITIVE</b> recommendation for the banking industry in 2022.</li> </ul>	

Sector	View	Highlight	Stock
<a href="#"><u>Oil and Gas</u></a>	Outperform	<ul style="list-style-type: none"> <li>Oil prices continue to maintain their upward momentum, despite fluctuations with large margins in the early part of 2022.</li> <li>Short-term supply is expected to be restored, thanks to an increase in crude oil production from several countries.</li> <li>Some oil and gas projects have started to show positive signs, and expect to start construction soon.</li> <li>BSC maintain the <b>OUTPERFORM</b> recommendation for the Oil and Gas sector as world oil price reaches an average of \$ 90 per barrel, and recommends buying with gas, PLX, PVT stocks.</li> </ul>	GAS, PLX, PVD, PVS, PLC, BSR
<a href="#"><u>Retail &amp; Consumer Products</u></a>	Outperform	<ul style="list-style-type: none"> <li>Back on the track after 19.</li> <li>"New normal" opened up the positive outlook for the retail and consumer products in 2022.</li> <li>COVID-19 accelerates the global revolution in the U.S. industry.</li> <li>BSC maintain the <b>OUTPERFORM</b> recommendation for the Retail and Consumer products sector in 2022.</li> </ul>	MSN, MWG, MCM, FRT, PET, DGW, PSD, PNJ
<a href="#"><u>Food</u></a>	Outperform	<ul style="list-style-type: none"> <li>Winter-spring crop of 2021-2022: the area of cultivation is reduced, but both productivity and rice quality have improved.</li> <li>The situation of rice exports in Q1/2022 has a relatively positive signal.</li> <li>BSC maintain the <b>OUTPERFORM</b> recommendations in 2022 for rice export sectors.</li> </ul>	LTG
<a href="#"><u>Cement</u></a>	Outperform	<ul style="list-style-type: none"> <li>Domestic consumption in 2022 is forecasted to recover thanks to (1) the Government's policy of promoting public investment and (2) Construction activities are expected to recover when the epidemic is controlled.</li> <li>Export output remains high with the prospect of China continuing to cut cement sector capacity.</li> <li>Gross profit margin is about to increase slightly by 1-2% YoY thanks to increased product prices.</li> <li>BSC maintain the <b>OUTPERFORM</b> recommendation for cement sector in 2022.</li> </ul>	HT1, BCC
<a href="#"><u>Fertilizers – Chemicals</u></a>	Outperform	<ul style="list-style-type: none"> <li>The BSC considers that the outlook for the Fertilizer industry in 2022 is positive based on: (1) Positive fertilizer demand while supply is limited and (2) Benefiting from the Russia -Ukraine war and the decision to suspend fertilizer exports by Russia and China.</li> <li>BSC maintains <b>OUTPERFORM</b> recommendations for fertilizer sector.</li> <li>For the chemical industry, BSC said that the main growth driver in 2022 continues to come from the high price of selling in the world to help businesses benefit (e.g., DGC, CSV). Meanwhile, output will face challenges in growth as businesses have no new expansion plans.</li> </ul>	DPM, DCM, DGC, CSV

Sector	View	Highlight	Stock
<a href="#">Insurance</a>	Neutral	<ul style="list-style-type: none"> <li>Non-life premium growth continued to decline in 2021 due to the effects of the epidemic, but the compensation rate also decreased due to social distancing.</li> <li>The market share of leading companies has changed due to great competitive pressures.</li> <li>BSC maintain the <b>NEUTRAL</b> recommendation on Insurance sector for the rest of 2022 due to (1) The compensation rate is expected to increase as economic activity returns to normal; (2) High competition causes enterprises to be affected by net fees and profit from insurance activities; (3) The level of deposit interest rates increased slightly to increase financial revenues and (4) Divestment rates continued to be promoted in 2022.</li> </ul>	BMI, PVI, MIG
<a href="#">Electricity</a>	Neutral	<ul style="list-style-type: none"> <li>Commercial power output of 3T2022 grew by +7.8%YoY.</li> <li>The continued La Nina cycle is positive news for hydroelectric plants, however it will negatively affect coal &amp; gas thermal power businesses.</li> <li>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 3,200 MW of wind power capacity comes into operation.</li> <li>We give the <b>NEUTRAL</b> recommendation to the electricity sector.</li> </ul>	HND, QTP, POW, NT2, REE, PC1
<a href="#">Aviation</a>	Neutral	<ul style="list-style-type: none"> <li><b>Passenger volume through domestic airports in Q1/2022 reached 13.32 million (-12%YoY)</b> due to the decrease in domestic passengers caused by the serious domestic epidemic, however, the volume of international passengers recorded high growth.</li> <li><b>In 2022 BSC expects passenger volume through domestic airports to recover strongly, reaching 75-80 million (+82%YoY, equivalent to 67% of pre-epidemic levels)</b> thanks to the actively controlled epidemic and the return of international flights.</li> <li><b>Air cargo production in 2022 is expected to reach 1.78 million tons (+13%YoY)</b> thanks to the recovery according to the global economy.</li> <li>BSC maintains the <b>NEUTRAL</b> recommendation for the aviation sector.</li> </ul>	ACV, SCS

Sector	View	Highlight	Stock
<a href="#">III/ Demand recovery Post-Covid19</a>			
<a href="#">Seaports &amp; Sea Transportation</a>	Outperform	<ul style="list-style-type: none"> <li>• The output of goods through Vietnam Seaports in Q1/2022 reached 179 million tons (+4%YoY) thanks to (1) The continued easing of trade and (2) The effectiveness of the new FTA agreement.</li> <li>• Profit before tax seaport enterprises in Q1/2022 is estimated to increase sharply +25-35%YoY thanks to (1) Profit from the recovery of the whole industry and (2) Output growth, improved operational performance.</li> <li>• BSC assess that the business results of the majority of seaport enterprises will remain positive in 2022 thanks to (1) production growth from new ports and (2) Improved operational performance at existing ports.</li> <li>• BSC estimate that the business results of shipping enterprises have a sharp divergence in Q1/2022 due to the different between the transport commodity markets.</li> <li>• BSC assess that the business results of shipping enterprises (PVT, HAH) will be positive in 2022 thanks to (1) Increased transport volume from the new fleet and (2) Freight price expected to increase +10% YoY.</li> <li>• BSC assess the <b>OUTPERFORM</b> recommendation for the Seaport &amp; Sea Transport sector.</li> </ul>	GMD, VSC, PVT, HAH
<a href="#">Textile</a>	Outperform	<ul style="list-style-type: none"> <li>• In Q1/2022, textile and garment export turnover grew strongly with a turnover of 8.8 billion USD, +23%YoY.</li> <li>• In 2022, BSC said that the outlook for the textile and garment industry is positive thanks to (1) Uninterrupted production activities; (2) Order value continues to grow and (3) Vietnam has an advantage over competitive countries.</li> <li>• We maintain the <b>OUTPERFORM</b> recommendation of the Textile sector in 2022.</li> </ul>	MSH, TNG
<a href="#">Fisheries</a>	Outperform	<ul style="list-style-type: none"> <li>• In Q1/2022, the country's seafood export turnover was estimated at 2.4 billion USD, up 40% compared to the same period last year: Shrimp increased +37%YoY, Pangasius increased +88%YoY.</li> <li>• Strong demand growth after a long period of being pent up by Covid -19: the US market is increasing sharply, while the Chinese market will be the decisive factor in the growth momentum of the pangasius industry in the 2H2022. The supply of pangasius from the people needs time to expand: BSC said that the supply of pangasius will increase sharply from the end of Q2/2022.</li> <li>• BSC maintain the <b>OUTPERFORM</b> recommendation for the Fisheries sector in 2022.</li> </ul>	VHC, ANV
<a href="#">Rubber and Tires</a>	Outperform	<ul style="list-style-type: none"> <li>• BSC assess the profitability of rubber enterprises will grow well thanks to: the core rubber latex business continues to grow and profits from land divestment, transfer / conversion are carried out.</li> <li>• The number of tires consumed is expected to increase due to increased demand to serve the recovery of transport activities after the epidemic.</li> <li>• BSC maintain the <b>OUTPERFORM</b> recommendation for Rubber and Tires sector in 2022.</li> </ul>	DPR, DRC
Source: BSC Research			

## VI. Summary of recommended stocks 2022

Figure 17: Summary of stocks to recommend 2022

Ticker	Net rev 2022 (bil VND)	%YoY	NPAT 2022 (bil VND)	%YoY	EPS 2022 (VND/unit)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 05/05/2022	Target Price	Upside
DXG	11,987	19%	1,463	-8%	2,325	15.1	2.1	6.0%	18.0%	35,000	46,500	33%
NLG	4,505	68%	1,300	21%	3,225	14.9	1.8	5.0%	13.0%	48,050	60,000	25%
VHM	106,733	15%	32,000	-18%	8,650	8.0	2.3	24.0%	14.0%	68,800	91,000	32%
KDH	4,163	-9%	1,161	1%	1,793	25.7	2.9	7.0%	12.0%	46,100	57,500	25%
NVL	33,007	80%	6,557	49%	4,458	18.2	3.5	4.0%	20.0%	81,200	92,000	13%
BCM	10,144	53%	2,718	40%	2,227	38.6	4.2	5.0%	13.0%	86,000	94,300	10%
KBC	15,719	265%	5,576	484%	9,019	4.7	4.5	14.6%	27.6%	42,800	65,400	53%
LHG	1,000	28%	367	25%	6,606	6.5	8.5	3.0%	5.0%	42,850	65,500	53%
GVR	30,856	7%	5,476	8%	1,369	20.6	2.7	8.0%	12.0%	28,200	40,000	42%
LTG	10,753	5%	477	14%	4,786	8.3	1.2	15.0%	5.0%	39,900	45,200	13%
CTD	17,142	89%	293	11X	3,690	15.3	0.5	2.0%	3.0%	56,500	93,700	66%
CTI	1,014	33%	98	N/A	1,625	10.7	1.6	1.6%	7.6%	17,400	30,800	77%
CII	4,832	69%	2,107	N/A	4,747	4.6	1.1	3.4%	19.0%	22,000	30,300	38%
DHA	398	89%	98	25%	6,224	8.7	1.6	19.0%	18.0%	54,100	64,300	19%
KSB	1,219	19%	309	20%	3,524	10.7	1.4	15.0%	7.0%	37,700	N/A	N/A
GMD	3,384	6%	795	30%	2,637	21.1	2.1	8.0%	12.0%	55,700	64,000	15%
HPG	145,041	-3%	36,202	5%	8,071	5.2	1.3	16.0%	28.5%	42,050	61,700	47%
NKG	33,788	20%	2,149	-3%	9,838	3.5	1.0	12.3%	27.4%	34,900	44,200	27%
HSG	49,870	2%	2,778	-35%	5,630	4.4	0.9	12.0%	20.1%	24,650	33,800	37%
FPT	43,462	22%	6,614	24%	5,632	18.6	4.2	16.0%	26.0%	104,700	117,000	12%
ELC	1,506	69%	78	62%	1,427	15.6	0.8	5.0%	9.0%	22,200	38,000	71%
ITD	1,410	30%	98	29%	1,427	10.2	0.8	6.0%	15.0%	14,600	24,000	64%
GAS	92,292	17%	10,438	18%	5,345	20.5	3.0	14.0%	19.2%	109,400	143,000	31%
PLX	194,480	15%	7,006	125%	4,527	10.5	1.8	9.4%	18.1%	47,600	70,000	47%
PVD	5,678	42%	283	686%	398	51.5	0.8	1.4%	2.0%	20,500	34,000	66%
PVS	18,262	46%	977	28%	2,044	12.7	1.0	3.5%	7.2%	25,900	36,000	39%
PLC	7,562	10%	202	29%	2,502	14.4	2.0	4.4%	14.7%	36,000	50,000	39%
BSR	126,526	25%	8,962	20%	2,537	8.6	1.4	11.9%	19.3%	21,900	32,100	47%



Ticker	Net rev 2022 (bil VND)	%YoY	NPAT 2022 (bil VND)	%YoY	EPS 2022 (VND/unit)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 05/05/2022	Target Price	Upside
MSN	83,308	-6%	6,021	137%*	4,248	28.0	4.0	15.0%	5.0%	119,000	152,200	28%
MWG	143,663	21%	6,194	30%	8,688	17.2	4.3	25.0%	9.0%	149,400	181,700	22%
PNJ	26,196	34%	1,610	56%	6,154	17.9	3.6	14.0%	22.0%	110,000	130,300	18%
DGW	27,008	29%	803	22%	9,069	14.8	4.2	37.0%	10.0%	133,900	145,100	8%
MCM	2,950	4%	320	14%	2,327	21.9	2.6	15.0%	13.0%	51,000	65,800	29%
PET	22,333	28%	384	28%	3,632	12.9	2.2	18.0%	3.0%	47,000	56,800	21%
PSD	10,274	21%	162	22%	5,180	7.0	20.5	28.0%	6.0%	36,500	51,800	42%
FRT	29,634	32%	662	49%	8,328	18.3	5.4	29.0%	6.0%	152,500	162,100	6%
LTG	10,753	5%	477	14%	4,786	8.3	1.1	15%	5%	39,900	45,200	13%
HT1	8,694	23%	492	33%	1,288	15.5	1.4	4.9%	8.7%	19,900	24,500	23%
BCC	5,055	17%	239	124%	1,943	9.4	0.9	5.9%	10.1%	18,300	23,600	29%
DPM	14,813	15%	4,329	36%	9,724	6.5	1.7	22.7%	30.2%	63,100	78,000	24%
DCM	11,180	13%	2,406	32%	2,810	13.0	2.0	16.8%	25.3%	36,500	50,000	37%
DGC	11,605	28%	3,852	53%	22,200	10.7	4.8	37.0%	51.0%	236,800	233,000	-2%
CSV	1,803	14%	271	25%	5,450	9.4	1.7	25.6%	20.9%	51,300	78,000	52%
VSC	2,058	9%	397	13%	3,601	14.6	2.1	14.0%	16.0%	52,400	55,000	5%
BMI	3,792	5%	254	1%	2,320	16.4	1.9	3.6%	10.1%	38,000	46,200	22%
PVI	4,511	12%	951	8%	3,824	14.1	1.5	3.6%	11.4%	53,900	59,300	10%
MIG	2,984	39%	290	29%	2,031	14.5	2.3	3.8%	12.6%	29,400	33,400	14%
HND	11,343	26%	484	9%	969	18.8	2.6	6.0%	8.0%	18,200	29,200	60%
QTP	9,260	10%	547	15%	1,216	14.7	2.0	7.0%	9.0%	17,900	26,300	47%
POW	28,413	16%	2,539	25%	949	14.9	1.4	5.0%	8.0%	14,150	19,100	35%
NT2	6,619	8%	736	38%	2,556	8.9	1.2	11.0%	17.0%	22,800	27,100	19%
REE	8,409	50%	2,774	24%	8,530	9.6	1.7	13.0%	21.0%	82,200	97,500	19%
PC1	11,357	16%	838	10%	3,387	11.9	1.6	5.0%	15.0%	40,200	63,000	57%
ACV	15,385	224%	3,015	282%	1,385	64.2	5.1	5.0%	8.0%	88,900	111,000	25%
SCS	919	10%	695	23%	13,946	12.6	7.9	53.0%	59.0%	175,100	200,000	14%
GMD	3,384	6%	795	30%	2,637	21.1	2.1	8.0%	12.0%	55,700	64,000	15%
SGP	1,509	10%	545	-38%	2,519	12.6	1.6	8.0%	18.0%	31,800	42,000	32%
PVT	8,950	22%	902	36%	2,787	7.4	1.8	8.3%	15.1%	20,500	28,000	37%
HAH	1,955	36%	725	63%	10,651	7.8	2.1	22.6%	38.1%	83,400	85,000	2%
MSH	6,076	28%	588	33%	11,700	7.4	2.4	16.0%	31.0%	86,400	97,700	13%
TNG	6,948	28%	402	72%	4,200	8.2	2.0	6.0%	18.0%	34,500	41,700	21%
VHC	12,378	38%	2,200	101%	11,900	8.7	3.3	14.0%	20.0%	103,000	132,600	29%
ANV	6,858	96%	675	X4.2	4,900	9.3	2.7	5.0%	12.0%	45,500	51,200	13%
DPR	1,314	8%	484	-1%	10,345	7.8	1.6	11.4%	16.2%	80,200	110,000	37%
DRC	5,012	14%	377	30%	3,172	10.2	2.0	11.8%	29.9%	32,350	40,000	24%

Source: BSC Research

## VII. Effects of macro factors on industry groups

Figure 18: Effects of macro factors on industry groups

	Trade war	Gulf Tension/ (rising oil price)	Fed cuts interest rates	European economic difficulties / Brexit / EUR down	Domestic interest rates fall	China's economic growth is slow	CPTPP Agreement	The FTAs
Sea transportation	(+/-)	(-)		(+)	(+)		(+)	(+)
Real estate					(+)			
Construction					(+)			
Cement				(+)	(+)			
Textile	(+/-)	(-)		(-)	(+)		(+)	(+)
Electricity		(-)		(+)	(+)			
Pharmacy				(+)	(+)			
Plastic		(-)			(+)			
Tire tube	(+)	(-)				(-)		
Banking	(-)		(+)	(-)		(-)	(+)	(+)
Steel	(-)				(+)	(-)		
Fisheries	(+)			(-)	(+)	(-)		
Sugar cane					(+)	(-)		
Oil and Gas		(+/-)			(+)	(-)		
Fertilizer		(-)			(+)	(+)		
Rubber		(+)				(-)		
Ceramic tiles		(-)			(+)			
Technology		(-)		(-)				(+)
Seaport	(+/-)				(+)		(+)	
Aviation	(+/-)	(-)			(+)		(+)	(+)
Automobiles							(+)	
Insurance	(-)				(+)			
Retail					(+)		(+)	(+/-)
Food					(+)		(-/+)	(+/-)

Source: BSC Research

## VIII. Event Calendar

Figure 19: Event Calendar

Month	Day	Viet Nam	Day	International
1	18	13th Party Congress Meeting ETF VN30 review	26 21	FED: monetary policy and interest rates ECB: monetary policy and interest rates
	20	Deadline for submission of Q4/2021 financial statements		
	21	Expiration of futures contract		
	30	ETF VFM VN30 restructure the portfolio		
2	18	Expiration of futures contract	9	MSCI: Quarterly Index review
	22-26	Ishare MSCI review		
3	08-19	ETF FTSE VN announces portfolio	1	MSCI: The new review list is in effect
	15-19	ETF VNM announces portfolio	11	ECB: monetary policy and interest rate
	18	Expiration of futures contract	17	FED: monetary policy and interest rate
	15-19	ETF VNM, ETF FTSE completed the transaction	22-26	FTSE Russell: Semi-annual Market ratings
4	15	Expiration of futures contract	22	ECB: monetary policy and interest rate
	19	ETF VN30 review	27-28	FED: monetary policy and interest rate
	20	Deadline for submission of Q1/2022 financial statements		
	29	ETF VFM VN30 changes the		
	30	Deadline for submission of annual financial review		
5	20	Expiration of futures contract	11	MSCI: Semi-annual Index review
	24-28	Ishare MSCI review	28	MSCI: The new review list in effect
	May	The 1st Party Central Committee Conference XIII		
6	07-18	ETF FTSE VN announces portfolio	10	ECB: monetary policy and interest rate
	14-18	ETF VNM announces portfolio	16	FED: monetary policy and interest rate
	17	Expiration of futures contract		
	14-18	ETF VNM, ETF FTSE completed the transaction		
	Jun	National Assembly Meeting		
7	16	Maturity of futures contract	1-2	OPEC: meeting
	17	ETF VN30 review	22	ECB: monetary policy and interest rate
	20	Deadline for submission of Q2/2022 financial statements	28	FED: monetary policy and interest rate
	30	ETF VFM VN30 changes the proportion of the portfolio		

8	15	Deadline for submission of semi-annual financial statements	11	MSCI Quarterly Index Review
	19	Expiration of futures contract		
	23-27	Ishare MSCI review		
9	06-17	ETF FTSE VN announces portfolio	1	MSCI: The new review list is in effect
	13-17	ETF VNM announces portfolio	9	ECB: monetary policy and interest rate
	16	Expiration of futures contract	22	FED: monetary policy and interest rate
	13-17	ETF VNM, ETF FTSE restructure the portfolio	20-24	FTSE Russell: Annual Market ratings
			15-30	76th session of the United Nations
10	18	ETF VFM VN30 Review	28	ECB: monetary policy
	20	Expiration of futures contract	Oct	IEA annual meeting
	21	Expiration of futures contract		
	30	ETF VFM VN30 restructure the portfolio		
	Oct	The 2nd Central Conference of the term		
11	19	Expiration of futures contract	11	MSCI Semi-annually Index Review
	22-26	Ishare MSCI review	3	FED: monetary policy and interest rate
	Nov	National Assembly Meeting		
12	04-17	ETF FTSE VN announces portfolio	1	MSCI: The new evaluation list is in effect
	11-17	ETF VNM announces portfolio	15	FED: monetary policy and interest rate
	17	Expiration of futures contract	16	ECB: monetary policy and interest rate
	17	ETF VNM, ETF FTSE execute trades		

*Source: BSC Research*

## IX. Industry outlook Q2/2022

### A. Promoting public investment - infrastructure, attracting FDI

#### 1. Commercial Real Estate Sector [Outperform]

Analyst: Phan Quoc Buu

Email: Buupq@bsc.com.vn

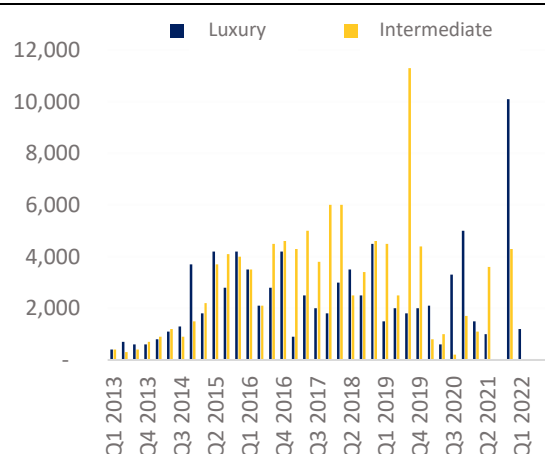
- The luxury segment continues to lead the Ho Chi Minh market in the context of limited supply, helping the average selling price continue to record new peak.
- Apartment supply is forecast to be recovered in 2022.
- Business results in 2021 and business plan in 2022 of most real estate enterprises still maintain positively double-digit growth.
- The new pre-sales of some large listed enterprises is expected to reach a peak in the last 5 years.
- Corporate bonds have become the main mobilization channel for listed real estate companies, but the industry's net debt/equity ratio is still at a safe level.
- We assess the **OUTPERFORM** recommendation for the Real estate sector.

The luxury segment continues to lead the Ho Chi Minh market in the context of limited supply, helping the average selling price continue to record new peak. The supply of the whole real estate market of Hanoi and Ho Chi Minh City in Q1/2022 reached 3,525 products (-20%YoY) and 884 products (-87%QoQ and -48%YoY), respectively, this is the lowest level since 2019. In particular, 100% of new products in Ho Chi Minh market are in the luxury segment, thereby causing the average selling price in Ho Chi Minh market to continue to record an increase of 7.8%YoY, reaching 2,390 USD / m2 with an average absorption rate at a high rate of 136%, in which transactions of 5,975 apartments have been recorded in Q1/2022.

Figure 1.1: Market price of apartments in Q1/2022



Figure 1.2: Structure of luxury and intermediate segments in Ho Chi Minh market



Source: CBRE

Source: BSC Research

Meanwhile, in the Hanoi market, the supply of real estate was more balanced between segments, with the intermediate segment group accounting for about 65.8%, the rest coming from the luxury segment. The selling price in the intermediate segment recorded a sharp increase of 15.8% over the same period and the average selling price of the whole market was estimated at VND 1,655

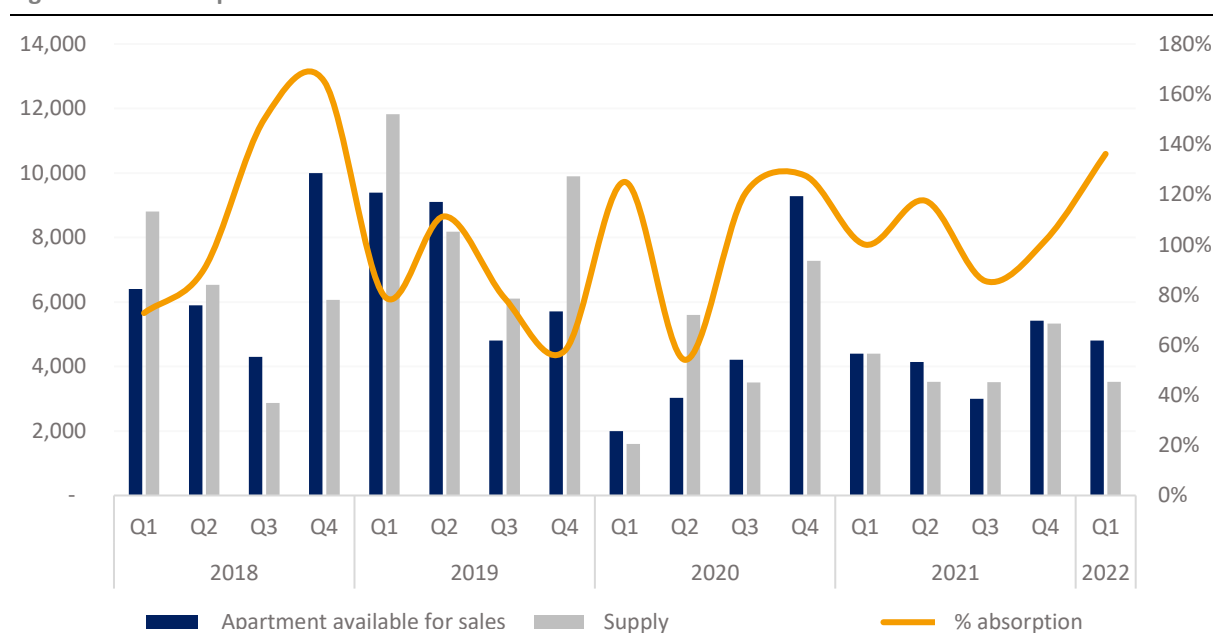
(+13.3%YoY). Similar to the Ho Chi Minh market, Hanoi apartments still recorded a high absorption of 133%, indicating that the dynamics of demand remained at a good level, with 4,800 apartments.

**Figure 1.3: Ho Chi Minh Apartment Market**



Source: CBRE, BSC Research

**Figure 1.4: Hanoi apartment market**

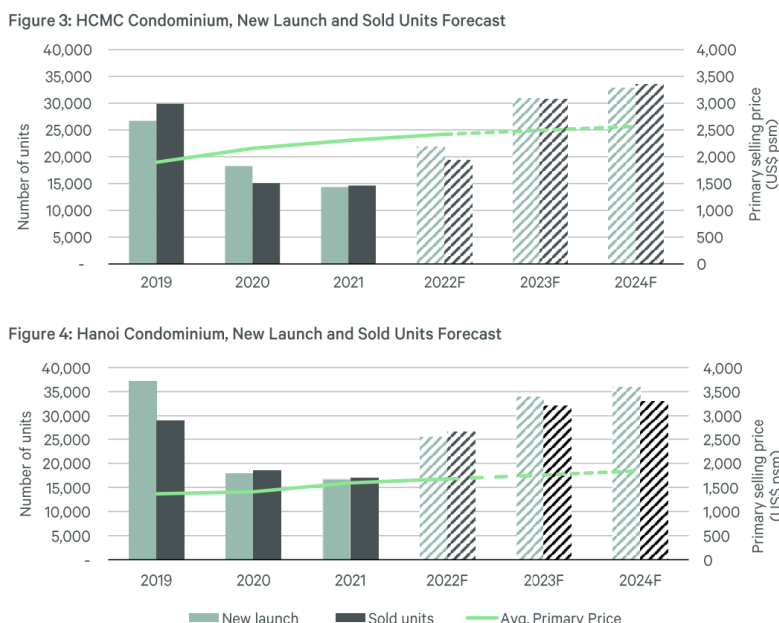


Source: CBRE, BSC Research

**Apartment supply is forecast to be recovered in 2022.** In 2021, the total supply of Hanoi and Ho Chi Minh market recorded 16,758 units (-7%YoY) and 14,339 units (-17.9%YoY) respectively. According to CBRE's forecast, the new supply of Ho Chi Minh city and Hanoi will have a significant improvement to reach 22,000 apartments (HCM, +46%YoY) and 26,000 - 28,000 apartments (HN, +55%YoY), the new supply will mainly come from projects from surrounding cities around the two major cities. In addition, the increased supply also comes from some pending projects that were delayed due to the impact of the Covid-19 epidemic.



Figure 1.5: Forecast of supply and average selling price in Hanoi and Ho Chi Minh period 2022-2024



Source: CBRE

**Business results in 2021 and business plan in 2022 of most real estate enterprises still maintain positively double-digit growth.** With the exception of VHM, which is offering a reduced business plan for 2022 over the same period, most of the remaining real estate businesses have come up with double-digit growth plans. BSC also noted that despite the impact of the Covid-19 epidemic, the 2021 base level of the real estate industry group is not low, still maintaining the uptrend compared to 2020. Profit growth in 2022 is expected to be partly supported by a number of projects that were relocated to 2022 due to the epidemic. Therefore, BSC continues to maintain a positive view for the real estate industry in 2022, especially for investors with clean land fund, ready to deploy sales and construction, with healthy financial health.

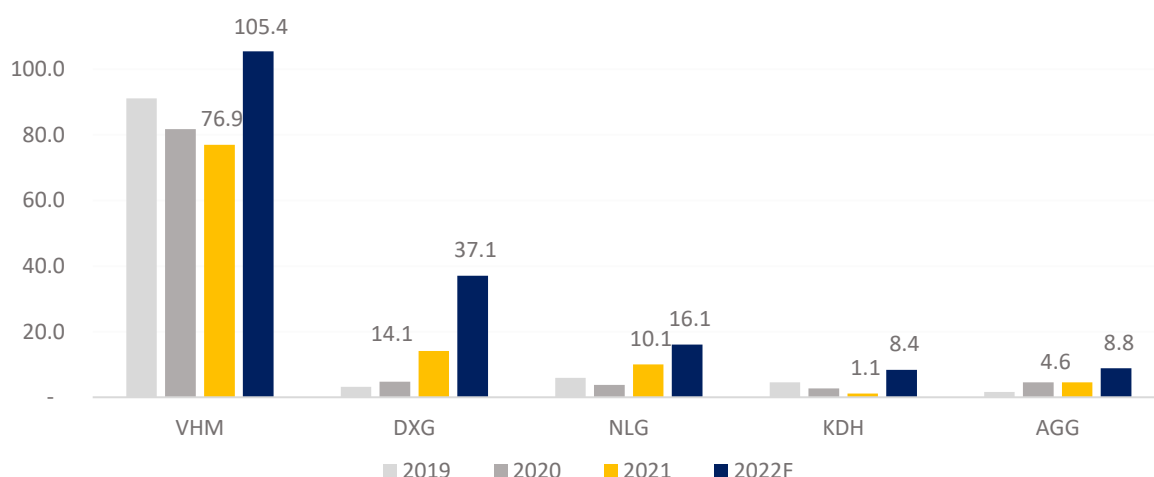
Figure 1.6: Business Plan of some real estate enterprises

Profit after tax (bil VND)	Business Results 2020	Business Results 2021	%YoY	Business Plan 2022	%YoY
VHM	27,351	38,948	42%	30,000	-23%
NVL	3,919	3,224	-18%	6,500	102%
DXG	(495)	1,157	334%	1,400	21%
KDH	1,152	1,202	4%	1,400	16%
NLG	834	1,071	28%	1,206	13%
AGG	415	419	1%	500	19%
PDR	1,220	1,865	53%	2,908	56%
DIG	711	986	39%	1,425	45%
HDC	230	311	35%	430	38%
HDG	1,254	1,344	7%	1,344	0%

Source: Firms' Financial Statements, Corporate shareholder meeting documents

**The new pre-sales of some large listed enterprises is expected to reach a peak in the last 5 years.** The impact of the Covid-19 outbreak caused sales to be postponed for most of the second half of 2021. Therefore, the supply is relocated to 2022 will help the new opening value is expected to record a strong growth compared to the period of 2018-2021. In addition, most businesses have focused on accumulating new land funds in the period of 2019-2021 through auction activities, M&A will also help create new supply. Therefore, we expect the new opening value to record the highest level in the last 5 years, thereby ensuring the profit outlook for the period 2023-2025.

**Figure 1.7: The expected opening value of listed enterprises is expected to increase sharply in the period of 2022F-2023F (VND 2023 billion)**



Source: BSC Research

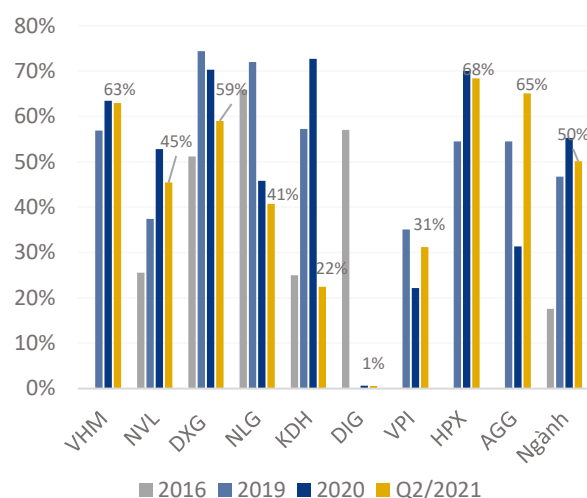
**Corporate bonds have become the main mobilization channel for listed real estate companies, but the industry's net debt/equity ratio is still at a safe level.** According to the update as of Q2/2021, the ratio of outstanding loans coming from bonds accounts for about 50% of the capital mobilization structure of the listed real estate industry, accordingly, the ratio of net debt to equity in Q2/2021 about 54%, down sharply from 92.7% in 2016.

We believe that the government's recent moves to strengthen the corporate bond market will also affect the capital mobilization plan of enterprises. In addition, with the 15th draft of the Final Report on the implementation of Resolution 19 on land issues, there will also be stricter regulations on project implementation, minimum equity and minimum deposit ratio for land bidding ([Link](#)).

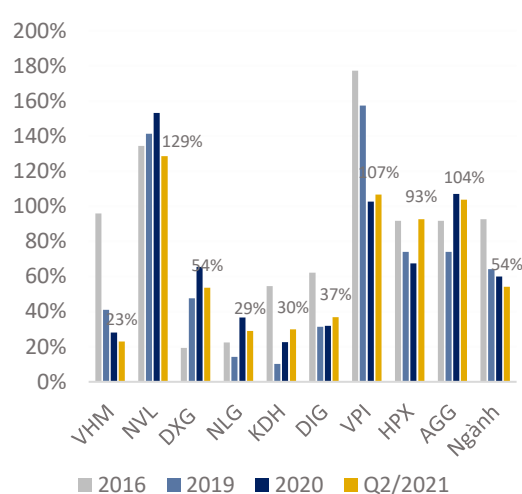
Therefore, businesses with high borrowing rates, unhealthy balance sheets of assets, as well as no back-end projects & accumulated land funds ready to sell, and also entangled with legal issues will face relative difficulties. Investors should thoroughly learn about land funds and the ability of enterprises to deploy projects to have a more objective assessment of the prospects of the business.

However, the government has set the orientation that this will still be the main mobilization channel in the long-term and businesses with healthy financial status, adequate project legality, transparent disclosure will benefit with the higher ability to mobilize.

**Figure 1.8: Real estate companies promote the issuance of corporate bonds instead of commercial loans (% Total value of corporate bonds/Total debt)**



**Figure 1.9: Average D/E ratio of real estate industry decreased from 92.7% in 2016 to 54% in Q2/2021**



Source: BSC Research

## INVESTMENT THESIS – OUTPERFORM

We assess the **OUTPERFORM** recommendation for the Real estate sector thanks to (1) The supply is expected to recover strongly from 2022 thanks to the pent-up supply from 2021 and businesses have focused on accumulating more land funds in the period of 2019-2021; (2) The low interest rate environment and the promotion of public investment will be the supporting levers for the recovery of the industry; (3) New profitability and opening value are expected to record the highest level in the last 4 years and (4) The wave of "Natural Screening" in the first phase of 2022 will be an opportunity to accumulate good real estate stocks with attractive valuations after the discount. **BSC recommends BUY with stocks: VHM, NLG, DXG, KDH.**

**Figure 1.7: Estimated business results of some commercial real estate enterprises**

Ticker	Net rev 2022 (bil VND)	%YoY	NPAT 2022 (bil VND)	%YoY	EPS 2022 (VND/unit)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 05/05/2022	Target Price	Upside
DXG	11,987	19%	1,463	-8%	2,325	15.1	2.1	6.0%	18.0%	35,000	46,500	33%
NLG	4,505	68%	1,300	21%	3,225	14.9	1.8	5.0%	13.0%	48,050	60,000	25%
VHM	106,733	15%	32,000	-18%	8,650	8.0	2.3	24.0%	14.0%	68,800	91,000	32%
KDH	4,163	-9%	1,161	1%	1,793	25.7	2.9	7.0%	12.0%	46,100	57,500	25%
NVL	33,007	80%	6,557	49%	4,458	18.2	3.5	4.0%	20.0%	81,200	92,000	13%

Source: BSC Research

## 2. Industrial Park Real Estate Sector [Outperform]

Analyst: Lam Viet

Email: Vietl@bsc.com.vn

- Vietnam remains a potential and attractive destination for overseas industrial manufacturers in the context that FDI activities on an international scale have not recovered yet.
- The epidemic is no longer a barrier leading to a stagnation in the transaction progress of industrial zones in 2022 as Vietnam gradually resumes international flights and 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;
- Connected transport infrastructure and social infrastructure will solve the "logistic" bottleneck and human resources, directly supporting the industrial real estate industry;
- BSC maintain the **OUTPERFORM** recommendation of the industrial park real estate sector.

### Attracting FDI back to the momentum in 2022

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 demand for land leases of industrial parks 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, demand rebounded strongly when realized FDI in the whole year of 2021 reached 19.7 billion USD (up 1.2% YoY). In Q1/2022, the total registered FDI decreased significantly, reaching 8.91 billion USD (-12.1%YoY) when the same period recorded two new registered projects with capital mutation (\$3.1 billion I&II LNG power plant project and \$1.31 billion O Mon II power plant project). **However, FDI disbursement has reached 4.42 billion USD - the highest level of Q1 in the last 5 years (up +7.8% YoY) and the number of new-level projects increased by 37.6% YoY is a positive signal for the economy.**

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 remains a potential and attractive destination for overseas industrial manufacturers in the context that FDI activities on an international scale have not recovered yet.

### The epidemic will no longer be a barrier in industrial park land lease transactions in 2022.

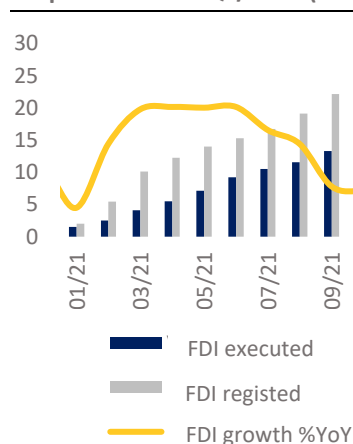
The fourth wave of Covid-19 despite having a severe impact on the economy, disrupted production activities and disrupted supply chains, but also boosted the country's vaccination rates and moved towards the "Living with Covid" strategy when the vaccination rate for those of 18-year-old-and-above has reached 100% and is expanding the age of vaccination. According to our assessment, Vietnam's resumption of international flight routes and the application of vaccine passports with the efforts to attract FDI from localities, industrial real estate industry is forecast to continue to benefit and grow stronger in 2022.

### High demand and continued benefit from the wave of production shifts while low supply is still a factor in keeping industrial park rents high.

According to JLL, the industrial park real estate market continues to welcome new supply in Q1/2022, typically VSIP 3 Industrial Park (1,000ha), Cay Truong Industrial Park (700 ha), Amata Long Thanh Industrial Park (410 ha) in the South and Thuan Thanh 1 Industrial Park (250 ha) in the North, however, there is a delay in time from the time of approval of the investment policy, commencement

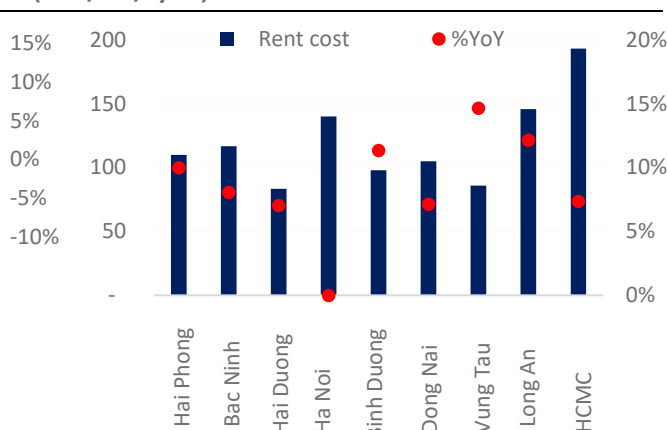
to the ready for lease (3-5 years) so the occupancy rate remains high at 80% in the North and 85% in the South. This shows that the demand for land and factories is still increasing after the pandemic.

**Figure 2.1: Registered and implemented FDI capital for 2021-Q1/2022 (billion USD)**



Source: GSO

**Figure 2.2: Industrial park land rent remains high (USD/m2/cycle)**



Source: JLL

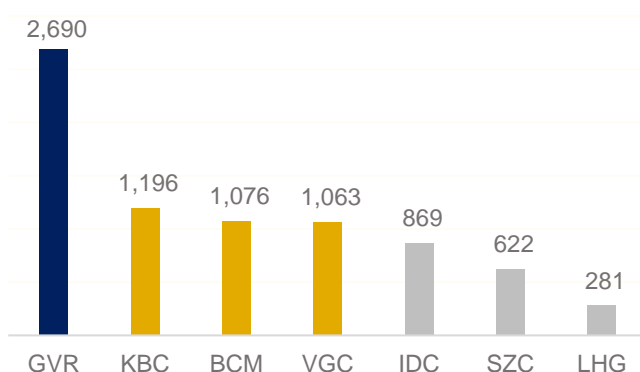
### The industry is supported by the "Unlocking" of industrial park land supply in 2021 and the trend of project relocating to tier 2-3 provinces

In March 2022, the Deputy Prime Minister has just approved the national land use plan for the period of 2021-2030 with the total area of industrial zone across the country planned to five years. 2025 is 152.8 thousand hectares and in 2030 is 210.9 thousand hectares (compared to 122.9 thousand hectares at the end of September 2021).

Accordingly, the industrial centers focused on the surrounding provinces of the big cities including 5 southern provinces (Dong Nai, Binh Duong, Vung Tau, Long An, Binh Phuoc) accounted for 31.2% of the total industrial zone in 2025 and 6 northern provinces (Hai Phong, Bac Giang, Bac Ninh, Henan, Hung Yen, Quang Ninh) accounting for 17.6% of the total area of the industrial park in 2025 and 6 northern provinces (Hai Phong, Bac Giang, Bac Ninh, Ha Nam, Hung Yen, Quang Ninh) accounting for 17.6% of the total area of the industrial park in 2025 for the whole country.

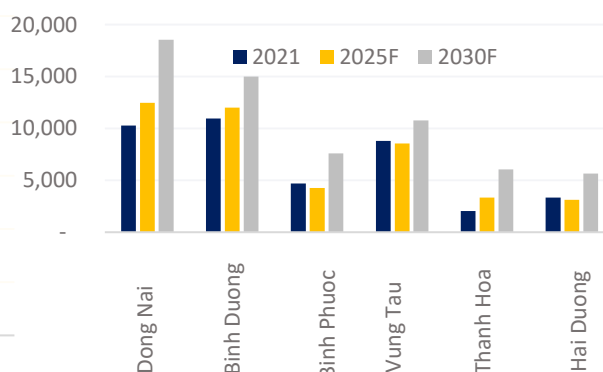
We believe that the industrial real estate market in the southern will continue to be promoted "unlocked" in 2022 especially Binh Duong and Dong Nai when the occupancy rate in this area is over 90% and no more industrial parks will be approved investment policy in the period of 2020-2021.

**Figure 2.3: Remaining commercial area of some enterprises (ha)**



Source: BSC Research

**Figure 2.4: Area of industrial zones according to national 5-year land use plan 2021-2025**



Source: MPI, BSC Research

Note: The area of established industrial zones including those that have not been approved by the Prime Minister's investment policy

**Connected transport infrastructure and social infrastructure will solve bottlenecks of "logistics" and human resources, directly supporting the industrial park real estate industry.**

The cost of logistics services in Vietnam is equivalent to 20.9% of GDP, nearly twice as high as developed countries and higher than the global average of 14%. Accordingly, a number of factors that make infrastructure costs high include: (1) The quality of infrastructure is still weak, especially road and rail transport infrastructure and (2) The infrastructure connection system is limited, lack of synchronization.

Social infrastructure including workers' housing, cultural institutions, sports, welfare for workers is lacking because it is far from the centers Urban center, it is difficult to attract long-term quality human resources. The Ministry of Construction has written instructions to localities when making and approving the planning of industrial parks, must arrange suitable land area (20% of land fund) to build social housing or accommodation for workers, ensuring a minimum of 50% of worker's demand of housing.

**INVESTMENT THESIS – OUTPERFORM**

We maintain the OUTPERFORM recommendation for the industrial park real estate sector thanks to (1) limited supply and recovering demand is still a factor to help industrial park rental prices remain high; (2) Production and business activities are no longer interrupted by epidemics; (3) The legal issue is resolved so that enterprises can deploy to meet the needs and (4) The prospects for improving transport infrastructure are accelerated in the medium term.

**Figure2.1: Estimated business results of some industrial real estate enterprises**

Ticker	Net rev 2022 (bil VND)	%YoY	NPAT 2022 (bil VND)	%YoY	EPS 2022 (VND/unit)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 05/05/2022	Target Price	Upside
BCM	10,144	53%	2,718	40%	2,227	38.6	4.2	5.0%	13.0%	86,000	94,300	10%
KBC	15,719	265%	5,576	484%	9,019	4.7	4.5	14.6%	27.6%	42,800	65,400	53%
LHG	1,000	28%	367	25%	6,606	6.5	8.5	3.0%	5.0%	42,850	65,500	53%
GVR	30,856	7%	5,476	8%	1,369	20.6	2.7	8.0%	12.0%	28,200	40,000	42%
SZC	1,123	59%	480	53%	4,803	11.0	3.6	7.0%	24.0%	55,000	N/A	N/A

Source: BSC Research



### 3. Construction Sector [Neutral]

Analyst: Lam Viet

Email: Vietl@bsc.com.vn

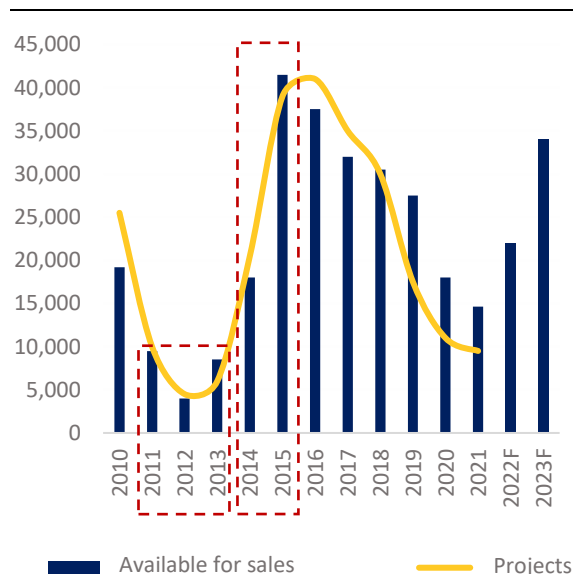
- The civil construction industry is on the rebound, expected to enter a new growth cycle.
- The low base of 2021 will support the positive growth in 2022.
- Profit margin continued to be affected by the rise of construction material price and the risk of provisioning for bad debts
- Peak season for construction implementation and profit value reallocated in 2023
- BSC lower our recommendation from **OUTPERFORM** to **NEUTRAL** for the Construction sector.

#### CIVIL CONSTRUCTION INDUSTRY

**The civil construction industry is on the rebound, expected to enter a new growth cycle.**

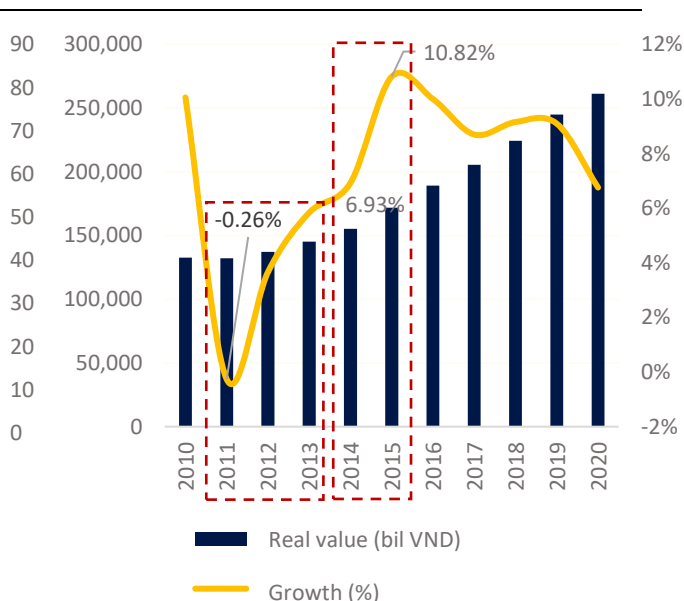
The growth of the Civil construction industry is cyclical and highly correlated with the growth of commercial real estate supply. Accordingly, we believe that the construction sector will recover strongly thanks to (1) Real estate supply recovering from Covid-19 due to projects that can't be implemented in 2020-2021 and (2) Strong infrastructure investment to promote the growth of commercial real estate and civil construction as in the period of 2014-2015.

Figure 3.1: The supply of apartments in HCM city is the lowest since 2015 and forecast to recover strongly from 2022-2023



Source: CBRE

Figure 3.1: The real value of the construction industry



Source: GSO

#### The low base of 2021 will support the positive growth in 2022.

The high backlog value of construction companies thanks to (1) The value of new contracts signed in 2021 has recovered and (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 in 2020-2021. Therefore, the progress of signing new contracts still needs to be further monitored in addition to the implementation of projects.

**Profit margin continued to be affected by the rise of construction material price and the risk of provisioning for bad debts.**

Although newly signed construction contracts have added to the contractor protection clause against price fluctuations into building materials, however, given the major fluctuations from the macro economy and the world commodity market, **we take a cautious view of the LNG margins of construction enterprises**. Steel prices have had increased for 7 times since the beginning of the year with growth of about 10% for galvanized steel, 20% for construction steel and 10% for cement. In addition to the rising cost of building materials, the provision of pending receivables will also be a risk to reducing the profits, which are already thin, of construction companies.

#### **Peak season for construction implementation and profit value reallocated in 2023**

Most of the high backlog value of construction companies comes from contracts signed by the end of 2021. According to our assessment, there is a delay between signing the contract and starting construction because the epidemic in the two years 2020-2021 also disrupted other procedures of real estate projects such as land clearance, legal framework...

### **TRANSPORT INFRASTRUCTURE CONSTRUCTION INDUSTRY**

#### **Opportunities of 2022-2023**

In early 2022, the Government approved the largest economic package ever of VND 347,000 billion focused on disbursement in 2022-2023, of which nearly VND 113,850 billion (~1/3 of the package) will be spent on infrastructure development. Infrastructure construction enterprises benefit from this public investment program (See details in [the 3rd Public Investment Report](#)).

As construction materials price rise, infrastructure projects are facing difficulties. Although, key projects especially highways in the South (Binh Thuan, Dong Nai, Binh Duong) are still prioritized by the Government and facilitated by the Government favorable to complete on schedule such as HCM - Long Thanh-Dau Giay highway, Vinh Hao – Phan Thiet, Phan Thiet – Dau Giay.

We recognize the government's intervention to implement lower-level investment when (1) Monitor weak contractors, those who behind schedule; (2) Supervise the disbursement of public investment in localities and (3) Timely offers appropriate implementation solutions.

#### **INVESTMENT THESIS – NEUTRAL**

BSC lower our recommendation from **OUTPERFORM** to **NEUTRAL** for the Construction sector despite positive revenue growth because of (1) Higher construction material costs; (2) The risk of provisions for pending receivable debts will affect the profitability of construction enterprises.

Figure 3.2: Estimated business result of some construction enterprises

Ticker	Net rev 2022 (bil VND)	%YoY	NPAT 2022 (bil VND)	%YoY	EPS 2022 (VND/unit)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 05/05/2022	Target Price	Upside
CTD	17,142	89%	293	11X	3,690	15.3	0.5	2.0%	3.0%	56,500	93,700	66%
CTI	1,014	33%	98	N/A	1,625	10.7	1.6	1.6%	7.6%	17,400	30,800	77%
CII	4,832	69%	2,107	N/A	4,747	4.6	1.1	3.4%	19.0%	22,000	30,300	38%

Source: BSC Research

## 4. Construction Stone Sector [Outperform]

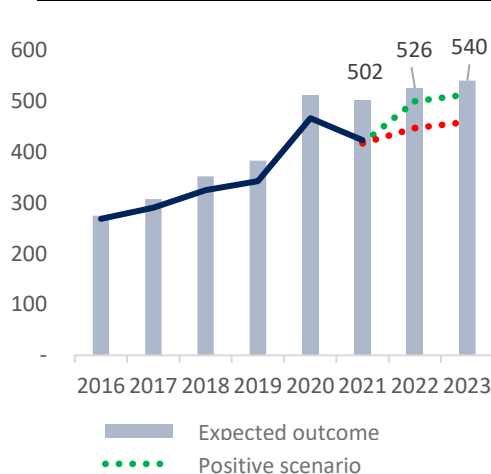
Analyst: Lam Viet

Email: Vietl@bsc.com.vn

- **Positive outlook off business results in 2022 thanks to** (1) Low base level in 2021 and (2) Progress of public investment is expected to be boosted and civil real estate recovers.
- BSC maintain the **OUTPERFORM** recommendation for the Construction Stone sector in 2022.

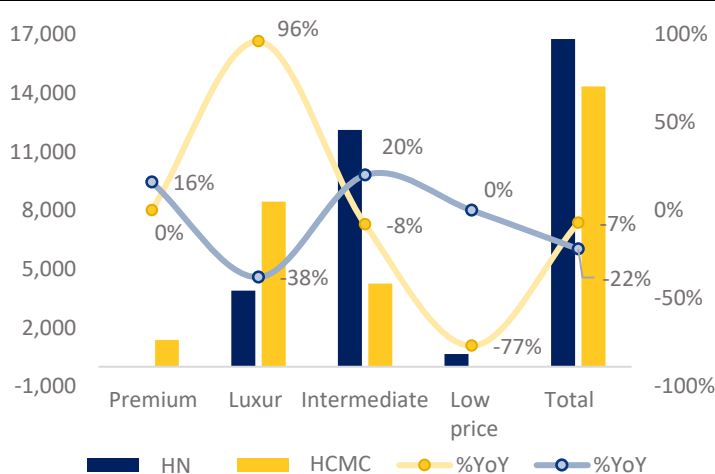
**BSC estimates that the 2021 output of listed stone enterprises** have decline -17% to 45% YoY due to: (1) The increase in essential building materials (such as steel prices +43%YoY), along with the COVID 19 epidemic, affecting the progress of public investment and real estate projects and (2) Many quarries are out of contract such as Tan Dong Hiep, Nui Nho, etc.

Figure 4.1: Disbursement of public investment capital ('000 bil VND)



Source: GSO, CBRE, BSC Research

Figure 4.2: Lack of new apartments in 2021 in Hanoi and Ho Chi Minh City



Source: GSO, CBRE, BSC Research

**2022 business results is expected to be recovering from the low base of 2021, thanks to**

**(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 favorable 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.

Figure 4.3: Distance from quarries of some listed enterprises to the project locations

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						

Source: BSC Research

DHA		KSB		VLB		TCD		DGT	
Quarry	Distance	Quarry	Distance	Quarry	Distance	Quarry	Distance	Quarry	Distance
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				
Nui Gio	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		

Source: BSC Research

\*The distance between the quarry and the project which is >60km is consider to be not efficient.

Figure 4.4: Information about quarries of some listed sales

Ticker	Quarry	Location	License depth (cote m)	License reserves (,000 m3)	Remaining reserves (,000 m3)	License capacity (,000 m3)	Mining 2020	Duration	Condition
KSB	Tan dong Hiep	Binh Duong	150	42,928	10,475	2,342	1,082	12/19	End of mining time
KSB	Tan My	Binh Duong	70	22,326	1,771	1,500	1,076	08/29	Completing the topic down to -70m deep cote
KSB	Phuoc Vinh	Binh Duong	50	10,627	2,892	1,200	1,623	01/23	Applying for a permit to expand the depth from 20m to 100m
KSB	Thien Tan 7	Dong Nai	60	5,291	4,349	280	409	01/35	Compensation for expanding the mining site
KSB	Tam Lap	Binh Duong	20			N/A			Applied for a license to exploit a depth of 20m
<b>Total</b>				<b>51,292</b>	<b>9,012</b>	<b>5,652</b>			
C32	Tan Dong Hiep	Binh Duong	150	1,900	N/A	763	N/A	12/19	End of mining time
C32	Tan My	Binh Duong		N/A	N/A	1000		12/25	
<b>Total</b>						<b>1,763</b>			
DHA	Nui Gio	Binh Phuoc	50	6,342	4,225	300	335	08/38	
DHA	Tan Cang 3	Dong Nai	60	6,693	4,147	490	808	03/37	
DHA	Thach Phu 2	Dong Nai	80	14,915	6,114	818	1,349	12/28	
<b>Total</b>						<b>1,608</b>			
NNC	Nui Nho	Binh Duong	60	N/A	1,855	2000	N/A	12/19	End of mining time
NNC	Mui Tau	Binh Phuoc	150	N/A	22,509	1000		01/42	Output Consumption is only 54.25% due to low demand for transport infrastructure
<b>Total</b>						<b>1,000</b>			
VLB	Thach Phu 1	Dong Nai	60	N/A	N/A	1,800	2,060	02/23	Expansion of mining area

VLB	Thien Tan 2	Dong Nai	60	N/A	N/A	1,800	2,222	N/A	Expansion of mining area
VLB	Soklu 2	Dong Nai	10	N/A	N/A	400	237	N/A	
VLB	Tan Cang 1	Dong Nai	60	N/A	N/A	1,500	1,642	N/A	
VLB	Soklu 5	Dong Nai	10	N/A	N/A	N/A	443	N/A	Expansion of pine mining
<b>Total</b>						5,500			
Ticker	Quarry	Location	License depth (cote m)	License reserves (,000 m3)	Remaining reserves (,000 m3)	License capacity (,000 m3)	Mining 2020	Duration	Condition
CTI	Tan Cang 8	Dong Nai	60		15,000	800	N/A	12/33	Quarry sale
CTI	Thien Tan 10	Dong Nai	60		26,600	900		12/35	Upgrade mining and production equipment in both quarries
CTI	Xuan Hoa	Dong Nai	60		18,000	500		12/34	
<b>Tổng</b>						1,400			

Source: BSC Research

## INVESTMENT THESIS – OUTPERFORM

BSC maintain the **OUTPERFORM** recommendation for construction stone sector in 2022, based on the view (1) Low base level 2021 and (2) The progress of disbursement of public investment is expected to be boosted and civil real estate recovers.

Figure 4.5: Estimated business results some construction stone enterprises

Ticker	Net rev 2022 (bil VND)	%YoY	NPAT 2022 (bil VND)	%YoY	EPS 2022 (VND/unit)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 05/05/2022	Target Price	Upside
CTI	1,014	33%	98	N/A	1,625	10.7	1.6	1.6%	7.6%	17,400	30,800	77%
DHA	398	89%	98	25%	6,224	8.7	1.6	19.0%	18.0%	54,100	64,300	19%
KSB	1,219	19%	309	20%	3,524	10.7	1.4	15.0%	7.0%	37,700	N/A	N/A

Source: BSC Research

## 5. Steel Sector [Outperform]

Analyst: Dinh Manh Thang

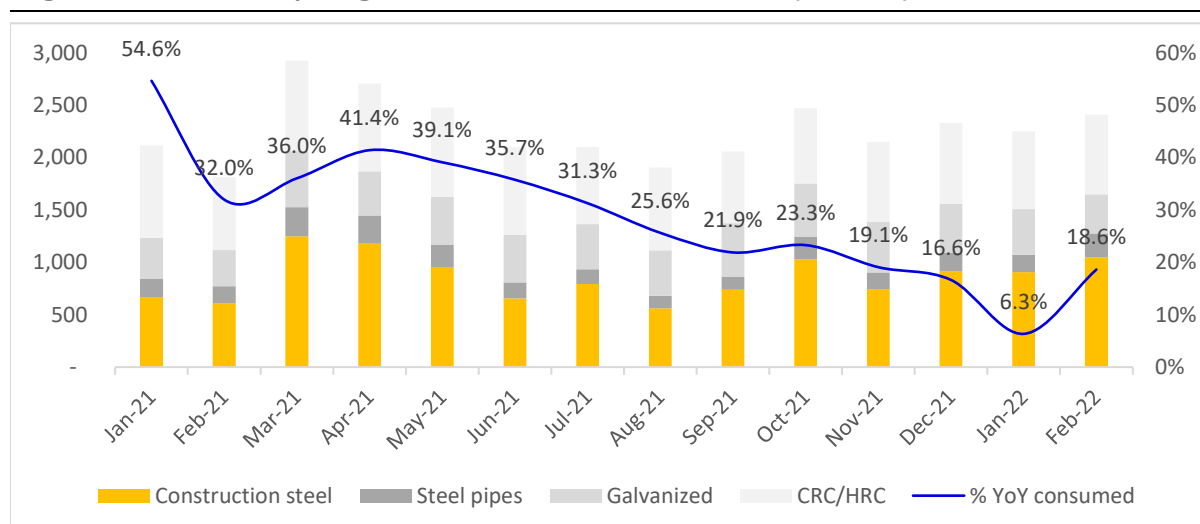
Email: Thangdm@bsc.com.vn

- **Consumption volume in 2022 is forecasted to be +9%-12%YoY** thanks to (1) After Covid, domestic building demand has recovered and (2) Import markets continue to see high demand.
- Gross profit margins of steel enterprises are forecast to decrease slightly due to the impact of fluctuations in input material prices.
- **Cheap pricing with FWD PE of some large enterprises is only at 4.0x - 5.9x.**
- BSC holds the **OUTPERFORM** recommendation for the steel sector for the rest of 2022.

**Domestic steel consumption and exports in 2021 increased sharply (+16.8%YoY)**, of which growth came from hot rolled/cold rolled coil steel (+50.6%YoY) and galvanized steel (+38%YoY), offsetting the decline in construction steel (-3.6%YoY). The domestic market grew slightly by 5% YoY (of which steel construction -10%YoY), while the export market was a bright spot with +66%YoY (of which 110% YoY galvanized steel).

**In the first 2 months of 2022, the market continued to have high growth (+18.6%YoY), especially in construction steel products** due to the recovery in domestic construction demand (domestic market +49%YoY despite the Tet holiday). Export market +11%YoY, a somewhat modest increase due to transport to Europe affected by the Russia-Ukraine conflict.

Figure 5.1: Steel consumption grew well in the first 2 months of 2022 ('000 tons)

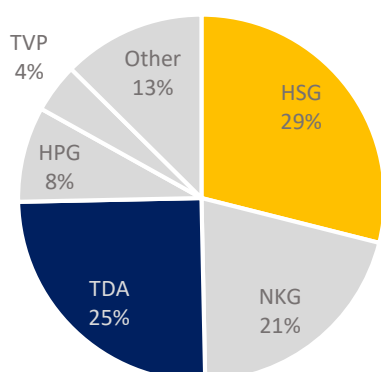


Source: Fiinpro, BSC Research

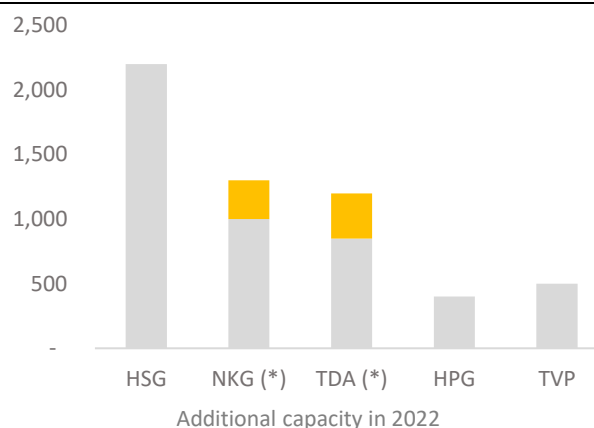
**The market share of domestic consumption has not changed much, but competitive pressure in the export market is increasing.** HPG continues to lead the market share of industry-wide steel consumption in general (35%) and construction steel, steel pipes in particular. The leading position in the plating industry continues to belong to HSG (29%). In the export market, HSG's market share of galvanized steel continues to shrink, while Ton Dong A's market share (TDA) has grown strongly. We think that the market share of galvanized steel in the coming time is likely to change as some manufacturers plan to increase capacity in 2022.



**Figure 5.2: Market share of galvanized steel export in 2M2022**



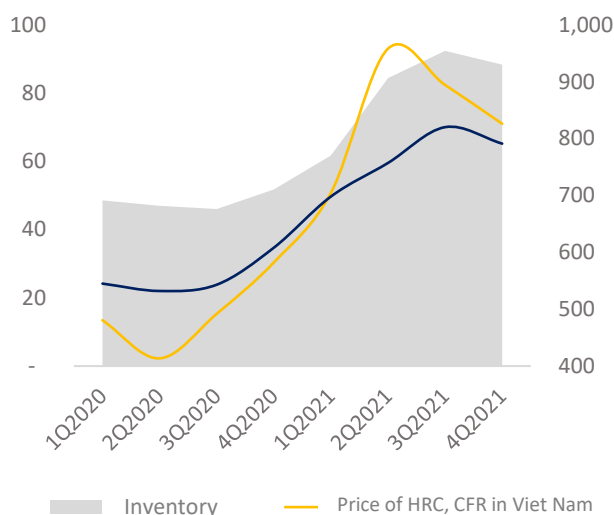
**Figure 5.3: Galvanized steel capacity of the top 5 exporters ('000 tons/year)**



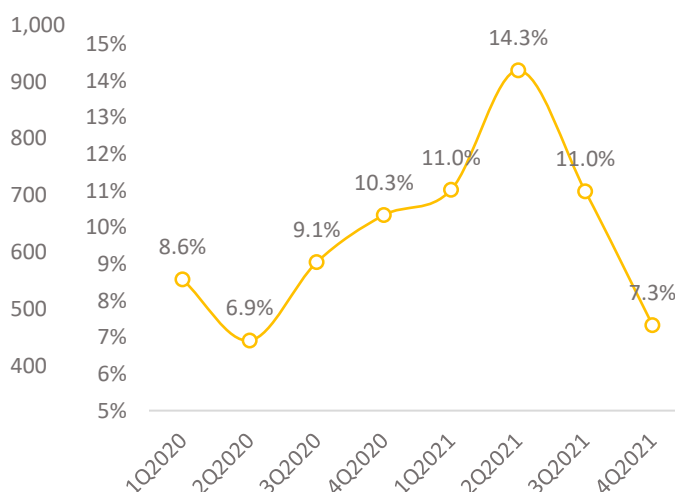
Source: Fiipro, Firms' Financial Statements, BSC Research

**The increase in steel prices in the first quarter of 2022 will help the gross profit margin of steel enterprises recover.** Steel prices have had seven upward corrections since the start of the year, with increases of about 10% for galvanized steel and 20% for construction steel. Rising steel prices improve the profit margins of steel businesses, as most businesses have large inventories by the end of 2021.

**Figure 5.4: Large inventory ('000 billion VND) in the context of Age Steel prices (USD/ton) have fallen since the 6/2021**



**Figure 5.5: The average profit margin of some steel manufacturing enterprises has started to decline since Q3/2021**



Source: Firms' Financial Statements, BSC Research

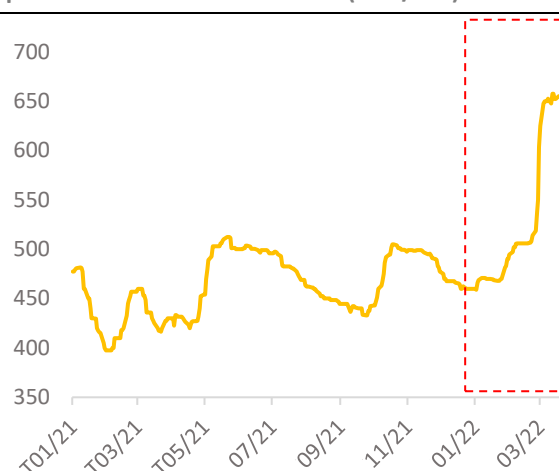
**Fluctuations in input material prices will affect the gross profit margins of manufacturers in the coming quarters.** The price of raw materials (ore, coal and scrap steel) has rebounded sharply since the beginning of the year, especially coal prices due to the impact of the Russian-Ukrainian conflict. Steelmaking enterprises usually have an inventory turnover of 2-3 months, so it will be greatly affected

if the price of raw materials continues to rise, however we think that good demand will help the manufacturer shift the majority of the price increase to the price of steel.

Figure 5.6: Iron ore and coal prices have risen sharply since the beginning of 2022 (USD/ton)



Figure 5.7: Scrap steel prices rise sharply as increased demand for steel production offsets decreases in imports from Russia and Ukraine (USD/ton)



Source: Bloomberg, BSC Research

## INVESTMENT THESIS – OUTPERFORM

BSC hold the **OUTPERFORM** recommendation for the steel sector in 2022 due to (1) Forecast consumption output remains high; (2) Gross profit margin decreased slightly due to material price fluctuations and (3) Cheap valuation with P/E fw some large enterprises only at 3.5x - 5.1x.

Figure 5.8: Estimated business results some steel enterprises

Ticker	Net rev 2022 (bil VND)	%YoY	NPAT 2022 (bil VND)	%YoY	EPS 2022 (VND)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 05/05/2022	Target price	Upside
HPG	145,041	-3%	36,202	5%	8,071	5.2	1.3	16.0%	28.5%	42,050	61,700	47%
NKG	33,788	20%	2,149	-3%	9,838	3.5	1.0	12.3%	27.4%	34,900	44,200	27%
HSG	49,870	2%	2,778	-35%	5,630	4.4	0.9	12.0%	20.1%	24,650	33,800	37%

Source: BSC Research

## B. Economic Recovery of Vietnam Post-Covid19

### 6. Information Technology – Post and Telecommunications Sector [Outperform]

Analyst: Nguyen Cam Tu, CFA

Email: Tuntc@bsc.com.vn

- Mobile Money service reached 835,000 users after 3 months of pilot implementation.
- In 2022, BSC said that the outlook for the Technology and Telecommunications industry is positive due to (1) The continued trend of Digital Transformation and Government Investment in Smart Transportation and (2) 5G networks to promote the contract of telecommunications enterprises.
- BSC maintain the **OUTPERFORM** recommendation for information technology - post and telecommunications sector in 2022.

**After 3 months of pilot implementation, Mobile Money service has achieved its goal.** The service had 835,000 users, of which, 487,000 were in rural, mountainous, remote, transgender and island areas (58.3%). The number of units accepting to use Mobile Money account is 11,254 units, the number of transactions reached 7.5 million transactions with a value of up to VND 280 billion.

**In 2022, the outlook for the Technology and Telecommunications sector will be positive thanks to: The trend of Digital Transformation and Public Investment in Smart Transport (ITS) will have a positive impact on technology enterprises.** The transformation needs of customers will remain positive while the Government of Vietnam promotes the digitization of the Government and supports products made in Vietnam that will help domestic technology enterprises benefit (e.g., FPT, CMG). Another trend is that the demand for public investment in Smart Transport is expected to be boosted in 2022. BSC found that the two groups (1) ITS at 12 routes of the North-South expressway (with a scale of 200-300 billion / package) and (2) ITS inner city (with an average size of 100-200 billion / package) will be the main motivation for niche businesses to benefit (e.g., ELC, ITD).

**The progress of 5G implementation in Vietnam is expected to boost the business activities of telecommunication enterprises.** BSC said that the gradual shift to 5G networks is an inevitable trend in Vietnam, and this deployment will be the driving force for the whole industry. Telecommunications infrastructure enterprises will benefit from increasing the workload of infrastructure installation, system maintenance, increasing the share of infrastructure among carriers.

#### INVESTMENT PERSPECTIVE – OUTPERFORM

BSC maintain the **OUTPERFORM** recommendation for the IT and Telecommunications industry. 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 (enterprises benefit: FPT).

Figure 6. 1: Estimated business results some IT - Telecommunications enterprises

Ticker	Net rev 2022 (bil VND)	%YoY	NPAT 2022 (bil VND)	%YoY	EPS 2022 (VND)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 05/05/2022	Target price	Upside
FPT	43,462	22%	6,614	24%	5,632	18.6	4.2	16.0%	26.0%	104,700	117,000	12%
ELC	1,506	69%	78	62%	1,427	15.6	0.8	5.0%	9.0%	22,200	38,000	71%
ITD	1,410	30%	98	29%	1,427	10.2	0.8	6.0%	15.0%	14,600	24,000	64%

Source: BSC Research

## 7. Banking Sector [Outperform]

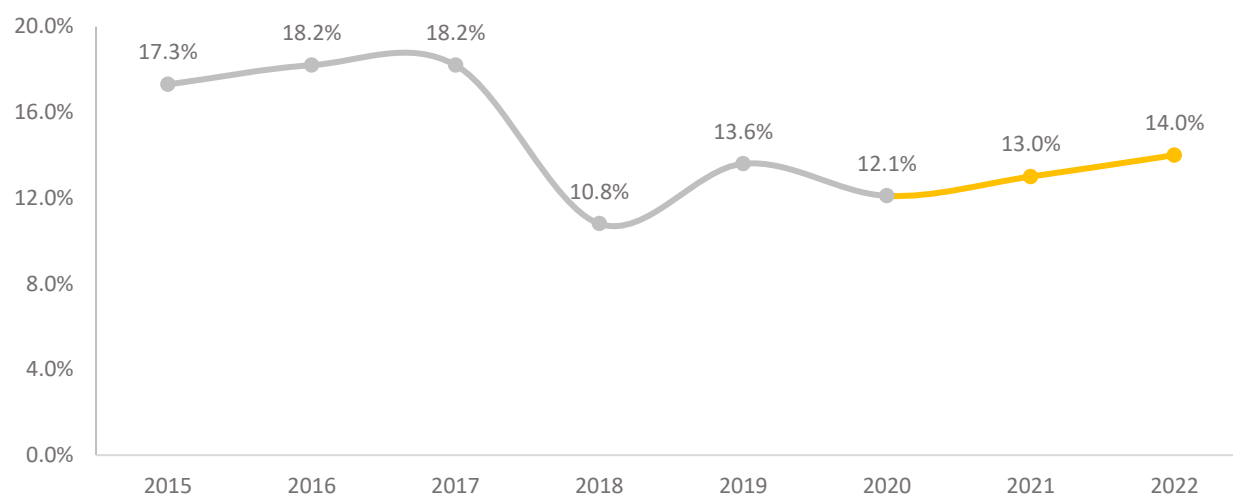
Analyst: *Vuong Chi Tâm*

Email: *Tamvc@bsc.com.vn*

- **In 2022, BSC expects that credit demand will continue to be at a high rate of ~14%**, supported by (1) Continued economic recovery after the epidemic and (2) Support is estimated at ~VND 350,000 billion over the next 2-3 years.
- **The BSC considers that NIM in 2022 will be +35 bps compared to 2021** due to (1) The economy's recovery of high credit growth; (2) Loan capacity recovers after the support period and (3) CASA structure in 2022 helps reduce capital costs.
- **In 2022, we expect the growth rate of the banking sector to reach 22.2%** thanks to the economic recovery after the epidemic and the lower profit level in 2021.
- **Currently, the banking industry is being valued at 1.4x P/B F 2022 by the end of March 27, 2022**, we think that the financial health of banks today deserves a higher valuation than at the present time. As a result, we keep our **POSITIVE** recommendation for the banking industry in 2022.

**Credit growth in Q1.2022 reached 5.04% ytd.** The high credit growth in Q1 continued to be supported by the restoration of production and increased capital demand after the epidemic, which is in line with our view in the [2022 industry outlook report](#). We think that the target of credit growth in 2022 at 14.0% is completely feasible and can be at 14%-16%. In Q1/2022, many banks have extended their credit lines granted at the beginning of the year and expect to be granted more room in Q2.2022. In addition, we believe that, thanks to the new policies of the Government, credit capital flows will be spread to production and business lines, not just focus on real estate lending as in the past.

Figure 7.1: Credit growth forecast for 2022



Source: Source: Listed Banks, BSC Research

**Recovery of retail lending in 2022.** BSC said that the focus on retail will continue to be the spearhead in 2022 for many banks due to: (1) low customer lending patterns that help banks minimize concentrated risks and (2) higher NIM than large customers.

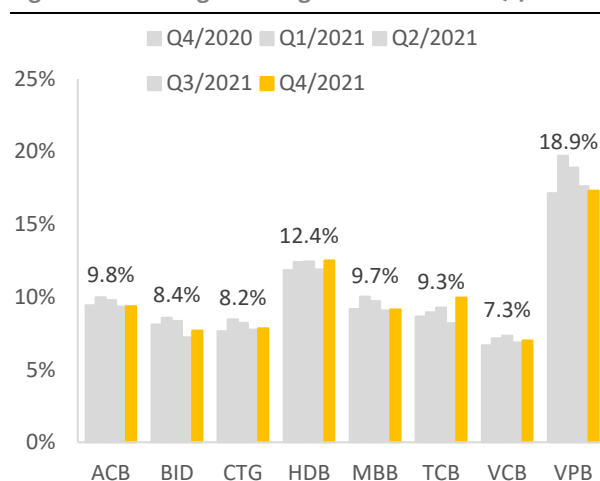
**Focus on mobilizing CASA to help reduce capital costs.** The mobilization structure promotes growth of CASA, this is a common trend in the coming time of banks. In addition, the continued reduction of deposit interest rates helps banks reduce capital costs in 2022. Some banks have the advantage of a

high CASA rate with a higher rate of 30% which helps these banks have low capital costs, thereby helping to increase lending efficiency.

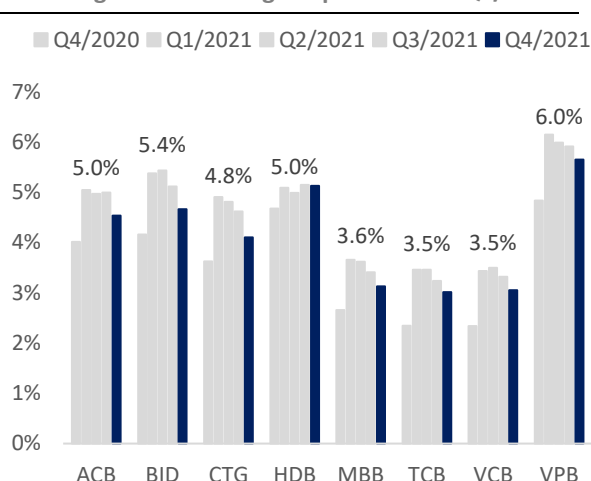
**Many banks reduced transaction fees to increase CASA's market share in 2022.** Therefore, BSC said that the competition for CASA market share will be relatively fierce when the big players simultaneously reduce service charges.

**BSC adjusted NIM growth in 2022 to +10 bps (-25 bps compared to the previous report)** due to: (1) The economy's recovery helped with high credit growth, with a particular focus on SMEs and individuals with high NIM; (2) The loan yield recovers after the support period (estimated at the end of 2021); (3) The CASA structure in 2022 will help reduce capital costs, and (4) many banks will continue to support interest rates, especially state-owned banks, to help the economy recover strongly.

**Figure 7.2: Average lending interest rate in Q4/2021**

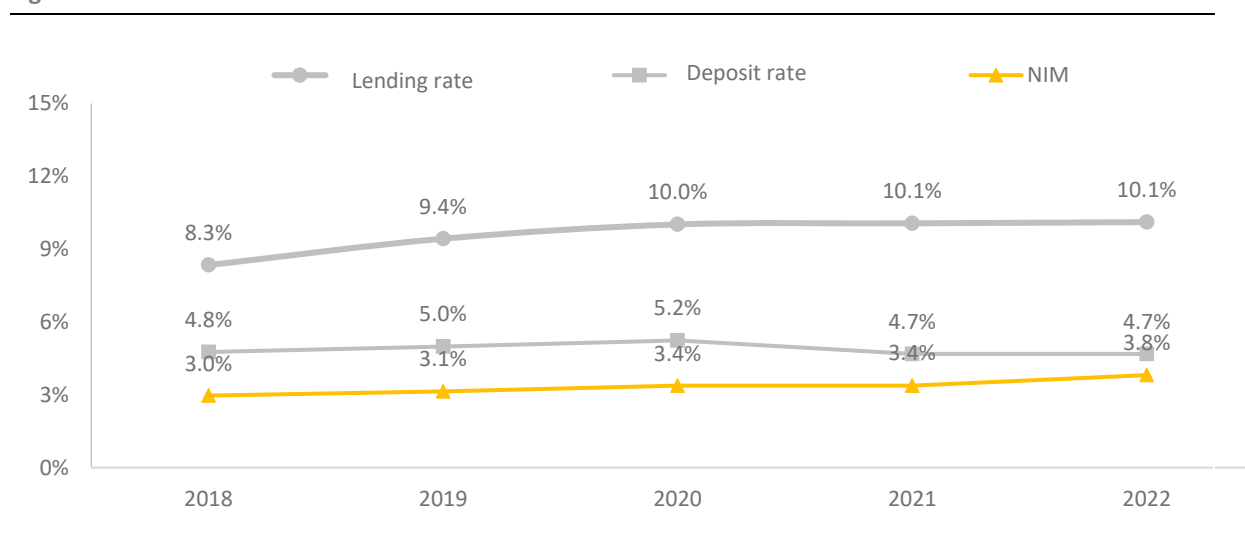


**Figure 7.3: Average deposit rate in Q4/2021**



Source: Listed Banks, SBV, BSC Research

**Figure 7.4: NIM forecast for 2022**



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.** Despite the decrease in asset quality, with strict credit censorship policies and high bad debt coverage rates, banks can manage asset quality well and keep them at current levels (~1.6-1.7% NPLs). Some banks have increased provisions, and drastically improved the rate of bad debt coverage.

Figure 7.5: Bad debt is controlled at ~1.6%

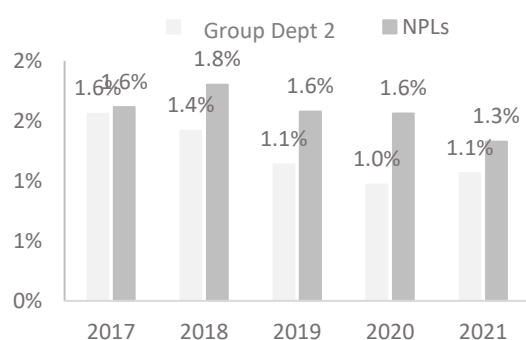
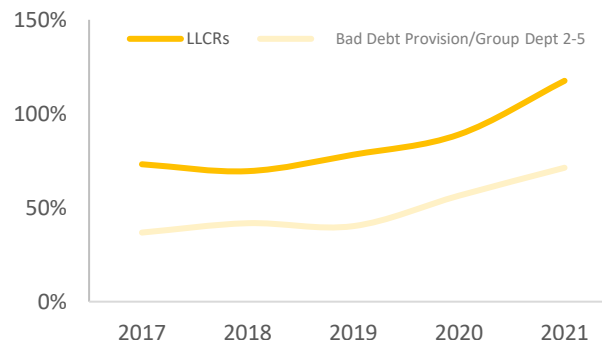


Figure 7.6: LLCRs has improved



Source: Listed Banks, SBV, BSC Research

- (1) **By the end of 2021, restructuring debt will rise again to 2.1% due to the 4th wave of COVID-19 epidemic.** Some banks have also set aside between 30%-100% for the current restructuring debts and are expected to set up according to Circular 03 in the near future. The BSC said that the restructuring balance will not affect the bank's business results too much due to: (1) The bank's TOI created at a high level to help banks afford to set up more without greatly affecting growth and (2) It is expected that the restructuring debts will not increase much thanks to the reopening of the economy.

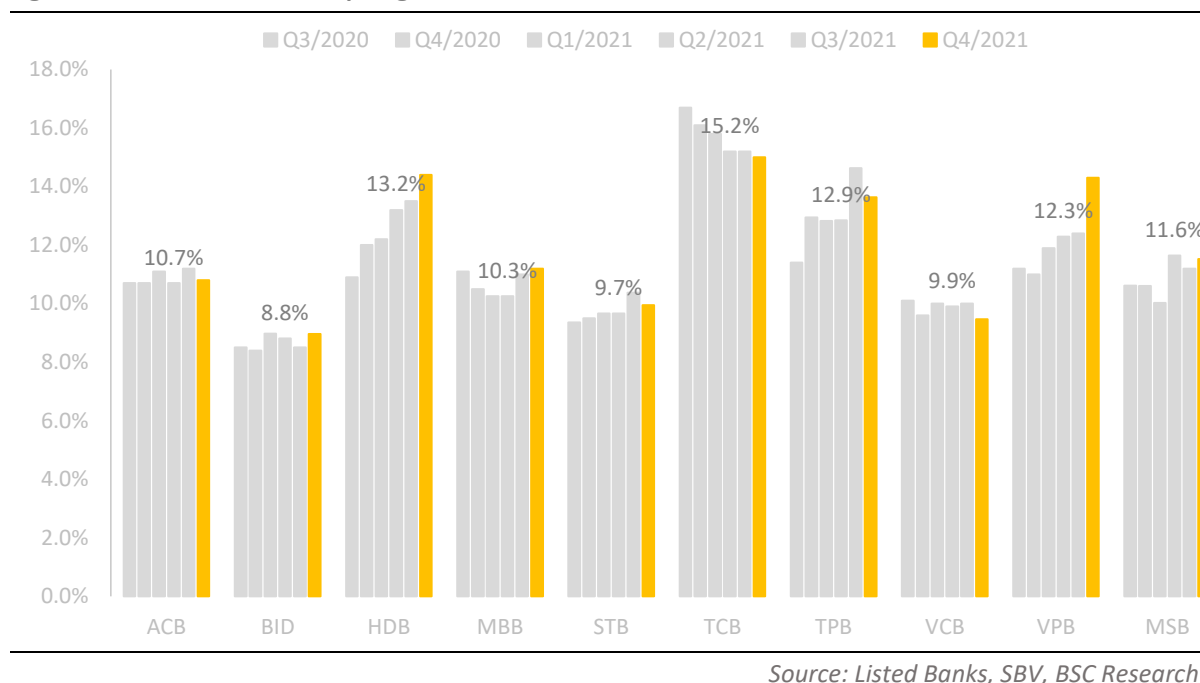
Figure 7.7: Debt restructuring at some banks

	RESTRUCTURING DEBT							% TOTAL OUTSTANDING DEBT						
	Q2/20	Q3/20	Q4/20	Q1/21	Q2/21	Q3/21	Q4/21	Q2/20	Q3/20	Q4/20	Q1/21	Q2/21	Q3/21	Q4/21
ACB	9,000	9,200	9,024	8,516	8,195	9,000	9,200	3.2%	3.1%	2.9%	2.6%	2.4%	2.7%	2.5%
BID	4,000	36,000	28,000	18,000	9,400	4,000	36,000	0.4%	3.1%	2.3%	1.5%	0.7%	0.3%	2.7%
CTG	8,400	8,400	6,500	4,500	4,160	8,400	8,400	0.9%	0.9%	0.6%	0.4%	0.4%	0.8%	0.7%
HDB	5,000	7,900	6,100	1,270	992	5,000	7,900	3.1%	4.8%	3.4%	0.7%	0.5%	2.6%	3.9%
MBB	7,000	5,100	2,700	2,000	2,700	7,000	5,100	2.7%	1.9%	0.9%	0.6%	0.8%	2.1%	1.4%
STB	7,000	1,000	700	500	1,500	7,000	1,000	2.3%	0.3%	0.2%	0.1%	0.4%	2.0%	0.3%
TCB	500	7,100	7,900	6,700	2,700	500	7,100	0.2%	3.1%	2.8%	2.3%	0.9%	0.2%	2.0%
TPB	1,700	8,000	8,416	1,742	1,268	1,700	8,000	1.7%	7.3%	7.0%	1.4%	1.0%	1.3%	5.7%
VCB	11,000	10,400	5,100	3,900	4,100	11,000	10,400	1.4%	1.3%	0.6%	0.4%	0.4%	1.2%	1.1%
VIB	3,664	3,618	3,201	2,819	2,486	3,664	3,618	2.7%	2.4%	1.9%	1.6%	1.4%	2.0%	1.8%
VPB	20,000	27,000	13,600	7,500	6,600	20,000	27,000	7.4%	9.7%	4.7%	2.5%	2.1%	6.3%	7.6%
<b>Total</b>	<b>74,200</b>	<b>120,700</b>	<b>102,916</b>	<b>57,447</b>	<b>44,101</b>	<b>77,264</b>	<b>123,718</b>	<b>1.6%</b>	<b>2.6%</b>	<b>2.0%</b>	<b>1.1%</b>	<b>0.8%</b>	<b>1.4%</b>	<b>2.1%</b>

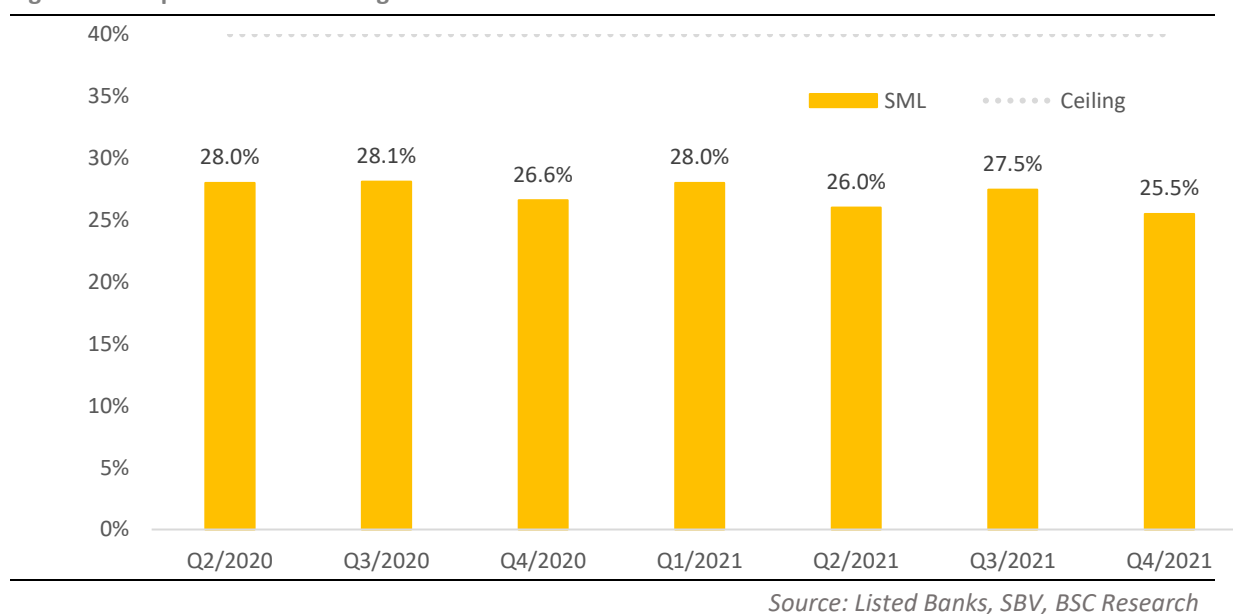
Source: Listed Banks, SBV, BSC Research

**(1) 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 SBV's required ratio well, and BSC expects this to be maintained in the future with capital raising plans, thereby helping the size and profitability growth of banks.

**Figure 7.8: Basel II CAR rate kept high**



**Figure 7.9: Improved debt coverage rate**



## FORECAST OF BANKING INDUSTRY BUSINESS RESULTS IN 2022

In 2022, we expect the growth rate of the banking sector to be better than previously forecast, specifically to 36.4% (compared to 22.2% previously) thanks to the economic recovery from the epidemic and lower profitability in 2021. We believe that the banking sector is having an attractive valuation compared to the growth in profitability, and many catalysts can take place that will help banking stocks grow superior to the general level of VN-Index.

Figure 7.10: Forecast of business results for the whole industry

	2017	2018	2019	2020	2021	2022
<b>GROWTH</b>						
% Credit	18.2%	10.8%	13.6%	12.1%	N/A	14.0%
% Asset	20.3%	9.8%	13.2%	11.1%	16.9%	16.0%
% Loan	19.9%	13.6%	16.0%	13.5%	15.3%	17.9%
% Deposits	15.2%	12.2%	13.9%	12.8%	11.2%	15.4%
% Net interest income	25.1%	16.3%	22.5%	12.3%	23.7%	19.4%
% Non-interest income	49.3%	28.9%	16.2%	17.2%	22.1%	14.1%
% Service charge	51.6%	23.2%	31.4%	22.4%	29.8%	22.3%
% Operating Income	29.9%	19.2%	20.9%	13.5%	23.3%	18.2%
% Earnings before Provisions	38.4%	23.4%	25.5%	18.2%	32.8%	20.2%
% Provision	32.6%	11.0%	18.7%	20.9%	35.3%	-4.2%
% EBT	43.5%	33.6%	30.2%	16.5%	31.2%	36.4%
<b>INDUSTRY TARGETS</b>						
Group 2 Debt	1.6%	1.4%	1.1%	1.0%	1.1%	1.0%
NPL	1.6%	1.8%	1.6%	1.6%	1.3%	1.2%
Bad debt provision/Total debts	1.2%	1.3%	1.3%	1.3%	1.6%	1.5%
LLCR	73.1%	69.4%	78.2%	88.9%	117.5%	126.8%
Bad debt provision/Group 2-5	36.8%	41.8%	40.2%	56.4%	71.3%	75.8%
Credit expenses	1.5%	1.4%	1.5%	1.6%	1.8%	1.5%
LDR	70.8%	74.5%	75.9%	76.5%	78.4%	81.4%
CASA	16.7%	16.5%	16.8%	18.8%	21.2%	21.3%
Average interest rates	7.5%	7.9%	8.6%	8.1%	7.4%	7.1%
Average cost of capital	4.6%	4.8%	4.9%	4.5%	3.5%	3.5%
NIM	3.1%	3.3%	3.5%	3.52%	3.67%	3.77%
CIR	53.4%	47.4%	40.8%	39.2%	33.7%	32.8%
ROAA	0.9%	1.4%	1.6%	1.5%	1.8%	1.9%
ROAE	14.3%	18.7%	18.5%	18.2%	21.0%	21.8%

Source: Fiinpro, BSC Research



## 8. Oil & Gas Sector [Outperform]

Analyst: Duong Quang Minh

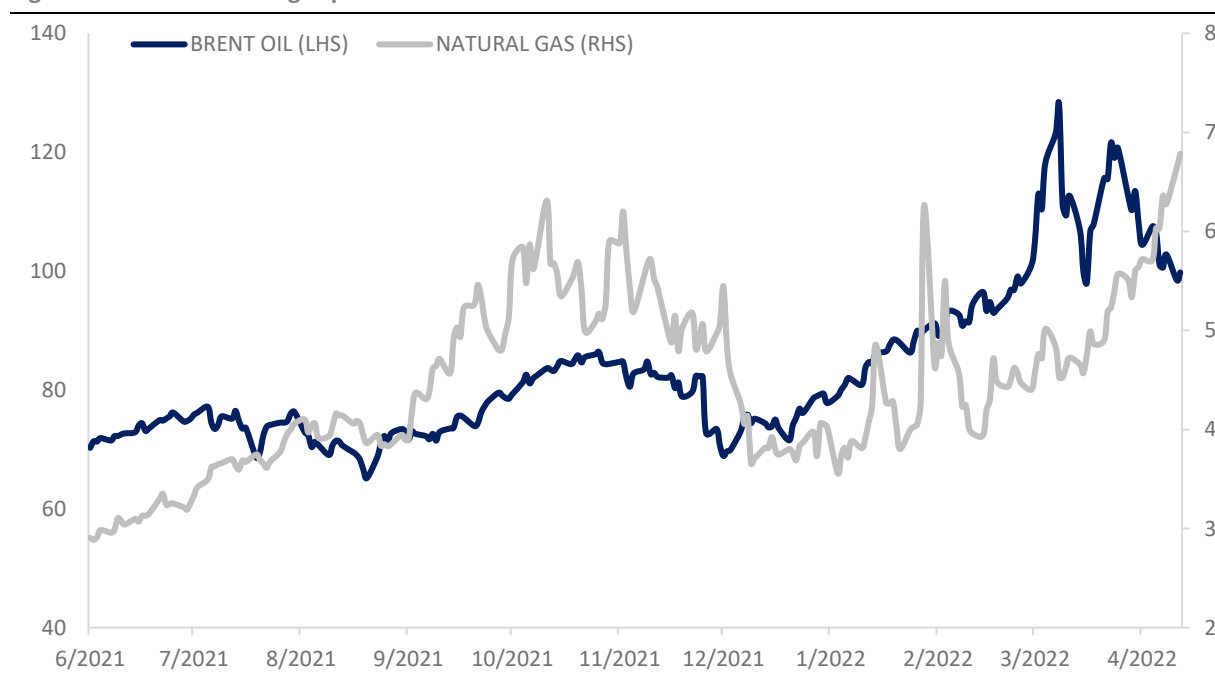
Email: Minhhdq@bsc.com.vn

- Oil prices continue to maintain their upward momentum, despite fluctuations with large margins in the early part of 2022.
- Short-term supply is expected to be restored, thanks to an increase in crude oil production from several countries.
- Some oil and gas projects have started to show positive signs, and expect to start construction soon.
- BSC maintain the **OUTPERFORM** recommendation for the Oil and Gas sector as world oil price reaches an average of \$ 90 per barrel, and recommends buying with gas, PLX, PVT stocks.

### Oil (Brent) prices fluctuated by a large margin, while gas prices rose sharply in the early part of 2022.

Oil prices have risen sharply since the beginning of the year, and have consistently surpassed resistance levels due to expectations of a strong recovery in crude demand. Even so, after approaching the \$130 per barrel mark, oil prices saw a sharp correction, and returned to the \$100 per barrel mark at the end of the first quarter. Meanwhile, gas prices have maintained a solid upward momentum, and have moved closer to the \$7/MMBtu mark due to supply disruptions from Russia-Ukraine tensions.

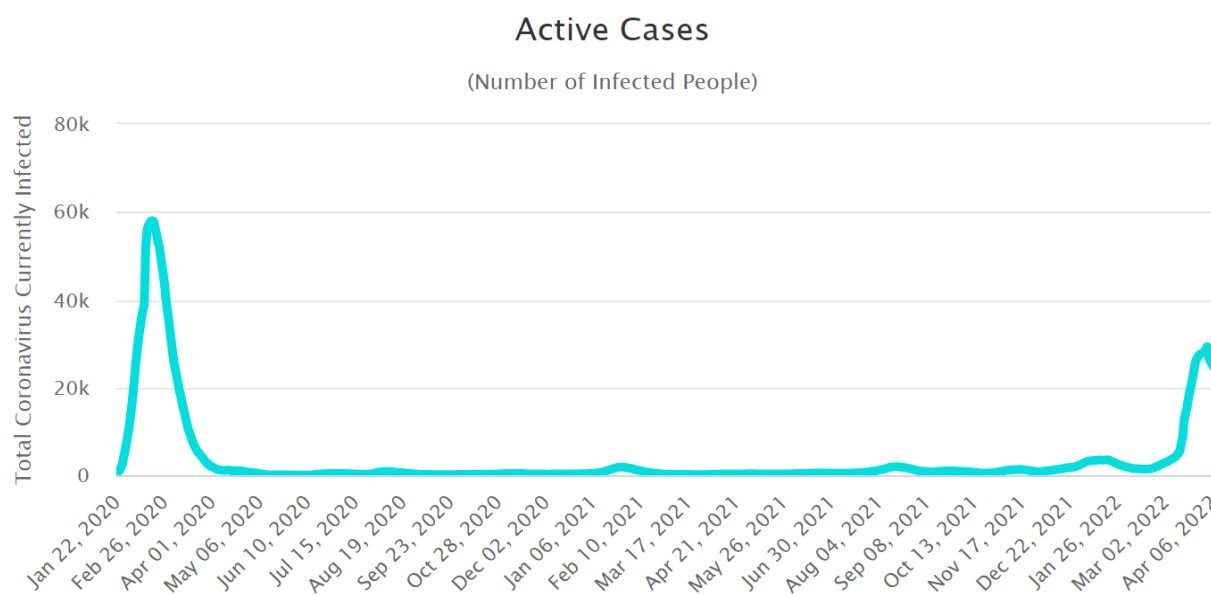
Figure8. 1: World oil and gas price movements



Source: Bloomberg, BSC Research

Oil prices have fluctuated sharply in recent years due to the fact that **demand from China is forecast to decrease** due to the sharp increase in the number of covid-19 cases in the country, causing some major cities such as Shanghai to be blocked. According to analysts in Eurasia, the Shanghai blockade could reduce China's total consumption by up to 1.3 million bpd. Even if the restrictions in Shanghai are lifted, China's "Zero Covid" policy will still hinder demand in the near term.

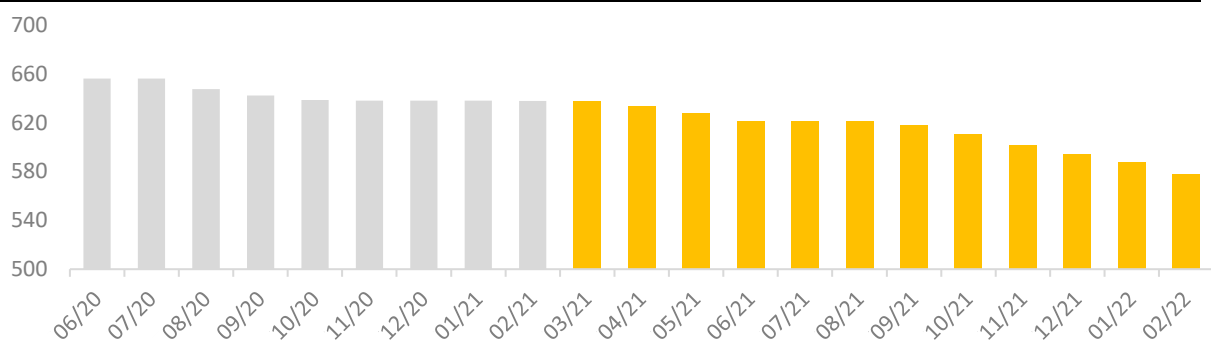
**Figure8. 2: The number of covid cases has increased sharply again in China**



Source: World meters, BSC Research

**Oil supplies in the short term are expected to be restored, thanks to increased crude oil production from several countries.** International Energy Agency (IEA) member states, including the United States, will release a total of 240 million barrels of oil from their stockpiles over the next six months. The IEA currently has about 1.5 billion barrels of oil in its strategic reserves. This oil discharge is equivalent to pumping out 1.3 million barrels per day. Other countries, such as Brazil, are also expected to increase crude oil production by 10 percent this year, or about 300,000 bpd.

**Figure8. 3: U.S. crude oil inventories (SPR) are on a downward trend due to increased stock discharges**



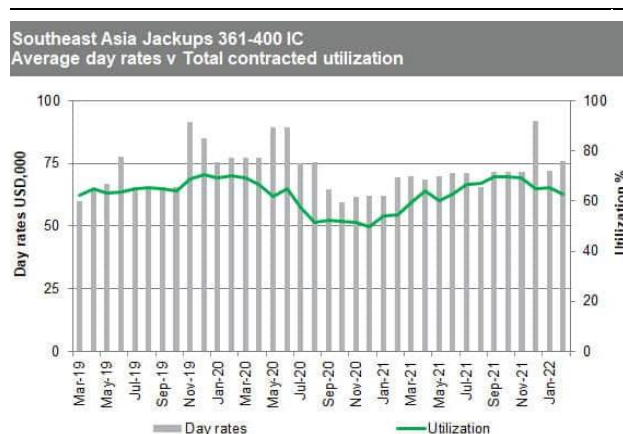
Source: Bloomberg, BSC Research

With a strong economic outlook helping crude oil demand rise again, while the pace of supply growth is still relatively slow, along with macro impacts, **BSC forecasts an average oil price for the whole year of 2022 of \$90 per barrel** as the basis scenario for the 2022 project. In a positive scenario, the average oil price could be as high as \$100, while for a negative scenario, when the complex epidemic affects global oil demand, the average oil price could be adjusted to \$80 per barrel (detailed reference to the [2022 Oil and Gas industry outlook report](#)).

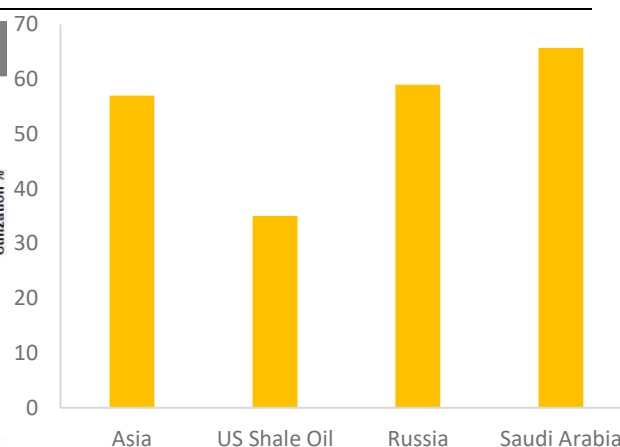
**Oil prices remaining high will help upstream businesses directly benefit.** Since the end of 2021, the rental price of self-lifting rigs in the region has tended to rise again, and remains around \$75,000 per day. In addition, the breakeven point of upstream enterprises averages between \$50-60 per barrel.

As a result, BSC expects that oil prices remaining above \$90 per barrel will help expand mining operations, so that upstream businesses will have more job opportunities, as well as better contract prices.

**Figure8. 4: Price and performance of rig rental at extraction in Southeast Asian**



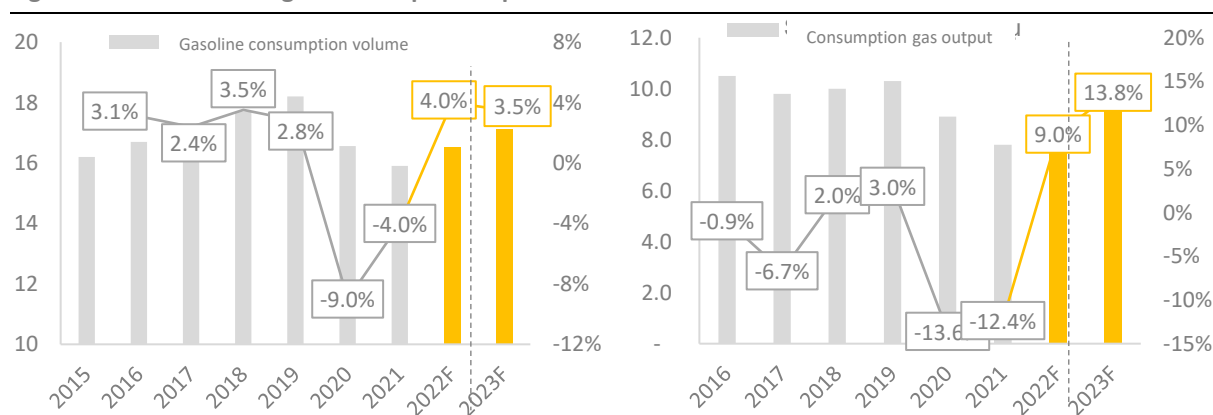
**Figure8. 5: Breakeven costs for oil and gas regions**



Source: IHS, S&P Global, BSC Research

**Downstream businesses will benefit from a rebound in gasoline demand in 2022.** In the period of 2020-2021, the Covid-19 epidemic has impacted the Vietnamese economy, limiting production and business activities and transport, causing the demand for gasoline and gas to drop sharply. BSC expects that in the coming time, when the epidemic is controlled and activities return to normal, especially in the air transport industry, petroleum consumption will return to a stable growth rate of over 3% per year. Similarly, we expect gas consumption to grow by an average of over 10% in the coming period, thanks to increased mobilization from power plants (accounting for 80% of total output). As a result, the oil refinery and distribution of gasoline and gas will record a significant recovery in the coming time.

**Figure8. 6: Gasoline and gas consumption expected to recover from 2022**



Source: PVN, Ministry of Industry and Trade, 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 mid-source projects related to The Block B - O Mon project is 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 (detailed reference to the [2022 Oil and Gas industry outlook report](#)).

## INVESTMENT PERSPECTIVE – OUTPERFORM

BSC maintain the **OUTPERFORM** recommendation for the Oil and Gas sector in 2022 due to:

- The outlook for a recovery in the economy and world oil prices improved to an average of \$90 per barrel (+23%YoY).
- The shortage of oil and gas in the country drives the need to invest in exploration, mining, and development projects.
- Domestic petroleum 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 businesses 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, Nghi Son 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 GD 2 and Son My G1 LNG projects with a lot of potential in the coming time.

**For the downstream group**, demand for electricity, gasoline and gas is also forecast to increase again as the economy recovers. BSC recommended positive for **PLX** shares thanks to expectations of a recovery in petroleum production and rising selling prices, and the prospect of divestment at PGBank. In addition, **BSR** will also benefit from the difference between product prices and the increased crack spread, helping BSR improve profitability.

Figure8. 7: Estimated business results some oil and gas enterprises

Ticker	Net rev 2022 (billion VND)	%YoY	NPAT 2022 (billion VND)	%YoY	EPS 2022 (VND)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 05/05/2022	Target price	Upside
<b>GAS</b>	92,292	17%	10,438	18%	5,345	20.5	3.0	14.0%	19.2%	109,000	143,000	31%
<b>PLX</b>	194,480	15%	7,006	125%	4,527	10.5	1.8	9.4%	18.1%	47,600	70,000	47%
<b>PVD</b>	5,678	42%	283	686%	398	51.5	0.8	1.4%	2.0%	20,500	34,000	66%
<b>PVS</b>	18,262	46%	977	28%	2,044	12.7	1.0	3.5%	7.2%	23,900	36,000	39%
<b>PLC</b>	7,562	10%	202	29%	2,502	14.4	2.0	4.4%	14.7%	36,000	50,000	39%
<b>BSR</b>	126,526	25%	8,962	20%	2,537	8.6	1.4	11.9%	19.3%	21,900	32,100	47%

Source: BSC Research

## 9. Retail and Consumer Products Sector [Outperform]

Analyst: Pham Thi Minh Chau

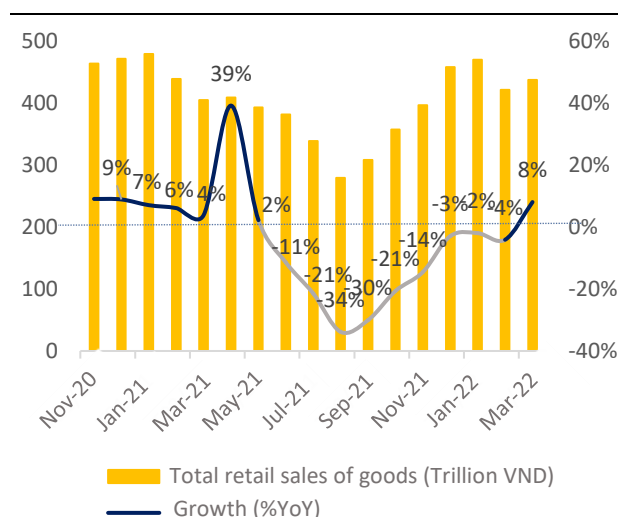
Email: Chauptm@bsc.com.vn

- **Back on the track after 19.**
- **"New normal" opened up the positive outlook for the retail and consumer products in 2022.**
- **COVID-19 accelerates the global revolution in the U.S. industry.**
- BSC maintain the **OUTPERFORM** recommendation for the Retail and Consumer products sector in 2022.

**Back on the track after 19.** Total sales of goods and consumer services revenue in Q1/2022 reached 1.318 trillion (+4.4%YoY), in March 2022 alone, this figure reached VND 438 trillion (+9.4%YoY) this is the first month to record positive growth after the boom period in Q2/2021

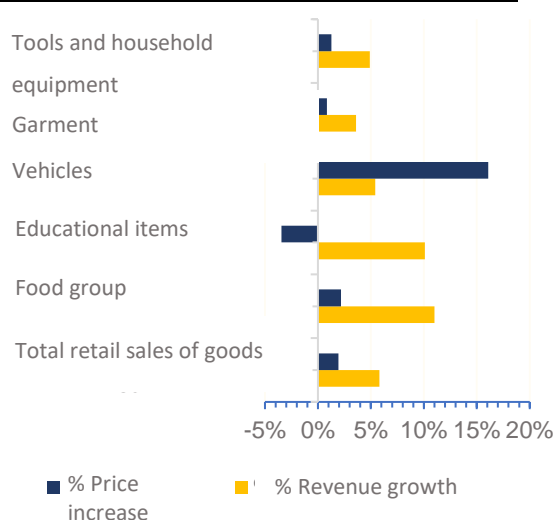
The growth of more than 4% of Q1/2022 came from the contribution of key sectors such as (1) Retail Goods (+5.8%YoY), accounting for 80.6% of total sales mainly due to rising prices as raw materials and input materials increased and (2) Accommodation and dining services (+1.2%YoY), travel services (+1.9%YoY) thanks to the start of the reopening of all regular international routes to other countries after nearly 2 years from February 15, 2022.

Figure 9.1: Total retail sales of goods (TRILLION VND)



Source: GSO, Kantar

Figure 9.2: Price fluctuations and retail sales of goods Q1/2022 compared to Q1/2021



Source: GSO, Kantar

**"New normal" has opened up the positive outlook for the retail and consumer products in 2022.**

**For the Consumer Product Group:** improved business results thanks to the price of raw materials and transportation costs gradually stabilized and the downward trend after the high increase in Q1/2022, due to geopolitical tensions in the world.

**For the Retail Group:** (1) Consumption habits, living in a mess; (2) Businesses possessing financial strength are constantly expanding in size and conducting M&A to expand market share and (3) **New consumer trends for "revenge consumption" are formed** when non-essential stores are allowed to reopen and the restart of the economy actively supports per capita income after the period. The most difficult.

Figure 9.3 Retail Sector Outlook 2022

Categories	Q1/2022	Outlook 2022	Stock	
Consumer product	Less Positive	Track	The profit margin of some enterprises in Q2 still decreased compared to the same period in 2021 due to the high price of raw materials from the beginning of 2022. BSC maintains the view <b>that gross profit margin gradually improved compared to Q1/2022</b> when businesses were able to transfer price increases into the selling prices benefited after the price of input materials and transportation costs tended to decrease, following the peak of geopolitical tensions in the world.	MCM, DBC, VNM, MML
Retail	Positive	Positive	<b>Moving from the trend of opposite divergence between industry groups to the consensus trend.</b>	
(1) Consumer Staples (meat, fish, instant noodles, ...)	Positive	Neutral	(1) <b>Modern consumption habits continue to be maintained</b> (2) The potential to expand market share thanks to M&A. However, after adapting to the epidemic, people no longer <b>hoard goods</b> as before.	MSN (WCM), MWG (BHX) , etc.
(2) Electronics (Telephone, laptop,...)	Positive	Neutral	Characteristics of this sector group are growth thanks to the diversification of industries in depth and breadth, the group of portable goods shrinking market share is the overall growth engine of the industry supported by the trend of high-endization and improved people's income.  Risks in the short term: With the high background of 2021 and the trend of learning, working back to normal is creating a growth challenge for existing industries.	DGW, PET, MWG, FRT, , etc.
(3) Consumer Discretionary	Positive	Positive	<b>(1) The low profit base 2021; (2) New consumer trends compensate when</b> 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	Positive recovery	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			

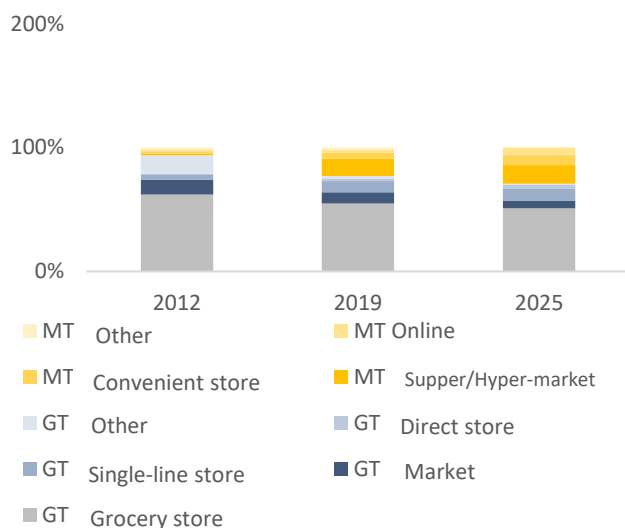
Source: BSC Research

Source: BSC Research

### COVID-19 accelerates the global revolution in the U.S. industry.

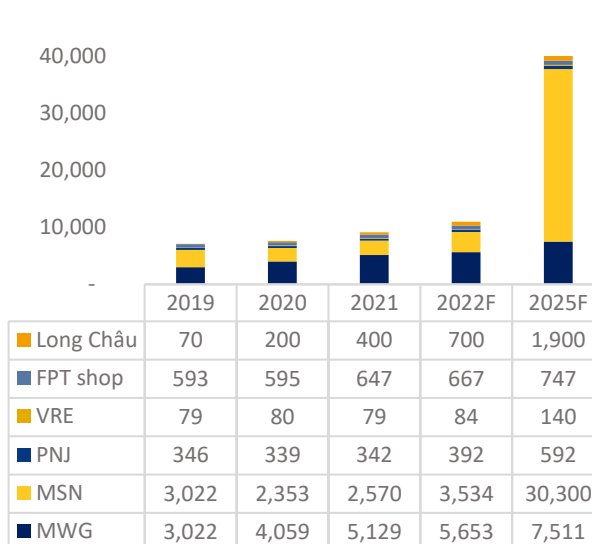
According to Q&ME's statistics, Vietnam's retail consumer market currently has traditional channels ('General Trade') still accounting for a large proportion of 80% including grocery stores, traditional markets, etc. and the remaining 20% are modern channels ('Modern Trade') including supermarkets, mini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

**Figure 9.4: The trend of converting consumption channels from Traditional to Modern**



Source: BSC Research, FITCH, Q&Me

**Figure 9.5: Growth in store size of large enterprises in Vietnam 2019-2025F (CH)**



Source: BSC Research, FITCH, Q&Me

### 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-shaped recovery:** **(1.1)** Expanding market vacancy after many small businesses abandoned the market due to financial problems and **(1.2)** Offset consumption directions were boosted in the short term and incomes recovered in the long term, create opportunities for retail businesses with healthy financial capacity to gain market share by conducting M&A deals, changing positions, expanding stores, etc.

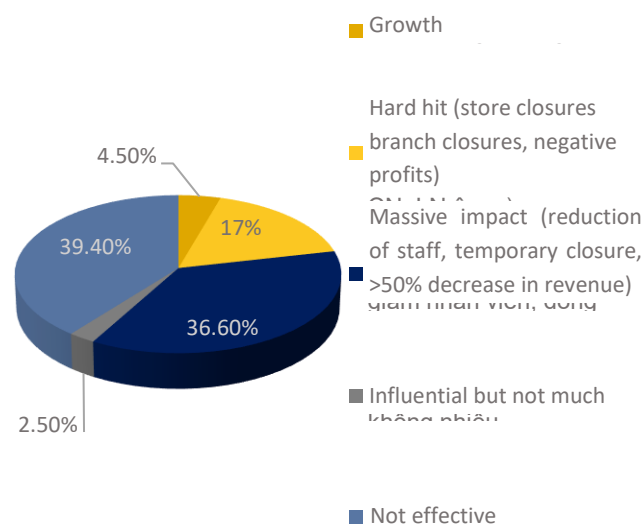
#### **(2) Opportunities from sales channels:**

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

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

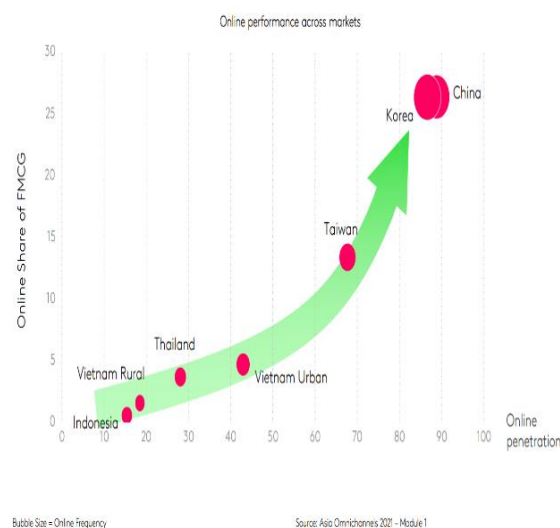


**Figure 9.6: The extent of the impact of the epidemic on the business activities of retail businesses (with a sample of 15,000 enterprises)**



Source: Katar, [Sapo](#)

**Figure 9.7: Online channel is expected to increase market share. In developed markets (China and Korea), online channels account for more than 30%**



Source: Katar, [Sapo](#)

## INVESTMENT THESIS – OUTPERFORM

BSC maintain the **OUTPERFORM** recommendation for Retail and Consumer sectors, thanks to **(1) Consumer enterprises** can improve gross profit margins after the low backgrounds of 2021 and Q1/2022 and **(2) Retail consumer businesses in 2022 will restore growth** thanks to **(i)** Expansion of chain stores; **(ii)** Recovering earnings and purchasing power of consumers increases again especially the "Revenge Consumption" and **(iii)** Consumer behavior will increase into the modern channel 'Modern Trade' thanks to convenience, hygiene safety and digital transformation trends.

**Figure 9. 8: Estimated business results some consumer - retail enterprises**

Ticker	Net rev 2022 (bil VND)	%YoY	NPAT 2022 (bil VND)	%YoY	EPS 2022 (VND)	P/E Fw	P/B Fw	ROA 2022	ROE 2022	Price on 26/05/2022	Target price	Upside
MSN	83,308	-6%	6,021	137%*	4,248	28	4.0	15.0%	5.0%	119,000	152,200	28%
MWG	143,663	21%	6,194	30%	8,688	17.2	4.3	25.0%	9.0%	149,400	181,700	22%
PNJ	26,196	34%	1,610	56%	6,154	17.9	3.6	14.0%	22.0%	110,000	130,300	18%
DGW	27,008	29%	803	22%	9,069	14.8	4.2	37.0%	10.0%	133,900	145,100	8%
MCM	2,950	4%	320	14%	2,327	21.9	2.6	15.0%	13.0%	51,000	65,800	29%
PET	22,333	28%	384	28%	3,632	12.9	2.2	18.0%	3.0%	47,000	56,800	21%
PSD	10,274	21%	162	22%	5,180	7.0	20.5	28.0%	6.0%	36,500	51,800	42%
FRT	29,634	32%	662	49%	8,328	18.3	5.4	29.0%	6.0%	152,500	162,100	6%

Source: BSC Research



## 10. Food Sector [Outperform]

Analyst: Pham Thi Minh Chau

Email: Chauptm@bsc.com.vn

- Winter-spring crop of 2021-2022: the area of cultivation is reduced, but both productivity and rice quality have improved.
- The situation of rice exports in Q1/2022 has a relatively positive signal.
- BSC maintains **OUTPERFORM** recommendations in 2022 for rice export sectors.

**Winter-spring crop of 2021-2022: the area of cultivation is reduced, but both productivity and rice quality have improved.** The area of cultivation in the whole country in the winter-spring crop of 2021-2022 decreased slightly, reaching 2,960 thousand hectares (-1%YoY). This is explained by the social distancing was implemented during the months of production, the harvest of the winter crops was later than expected and some flood waters had not been able to withdraw in time – leading to the seeding process was slower than planned. **However; (1)** The winter-spring crops have improved significantly, especially in the Mekong Delta region, the productivity reached 72.51 weights / ha, up 0.22 weights / ha thanks to favorable weather during the growth period of rice crops and the efficiency from the application of mechanization in agricultural production; **and (2) Positive shift to high-quality rice varieties, meeting export demand:** fragrant and premium rice groups accounted for more than 33% of the planting area, an increase of +11.3% compared to the Winter-spring 2020-2021 crop, while the proportion of medium-quality varieties and glutinous rice varieties accounted for less than 20% of the planting area, down -2.3% and -4% respectively compared to the Winter-spring 2020-2021 crop. According to the Department of Crop Production, this shifting trend will continue to actively support Vietnam's rice export prices in the future.

**However, we assess the price of input materials and transportation costs will increase, such as fertilizer prices (+90% to +120%YoY) and pesticides (+10% to +30%YoY),** meanwhile, farmers cannot transfer this increase to the selling price (the purchase price of fresh grain remains at 5,000-6,000 VND/kg, equivalent to the same period of 2020-2021). Therefore, there is a potential risk of changing the type of cultivation, the area of rice cultivation will also continue to decline.

Figure 10.1: Fracture of winter-spring rice varieties in the Mekong Delta

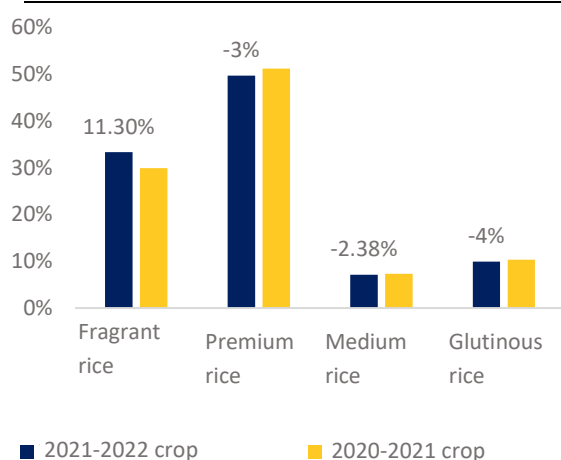
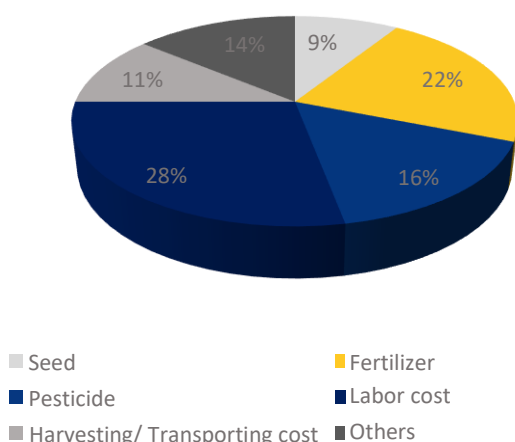


Figure 10.2: Fracture of current rice production cost - accounting for 90% of the country's rice exports

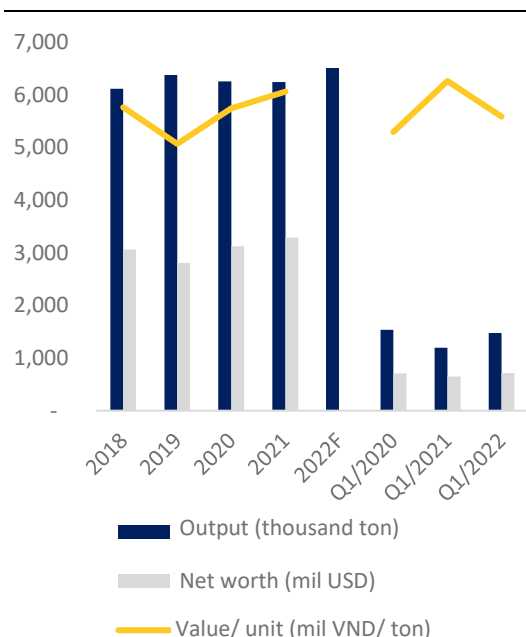


Source: Department of Crop Production

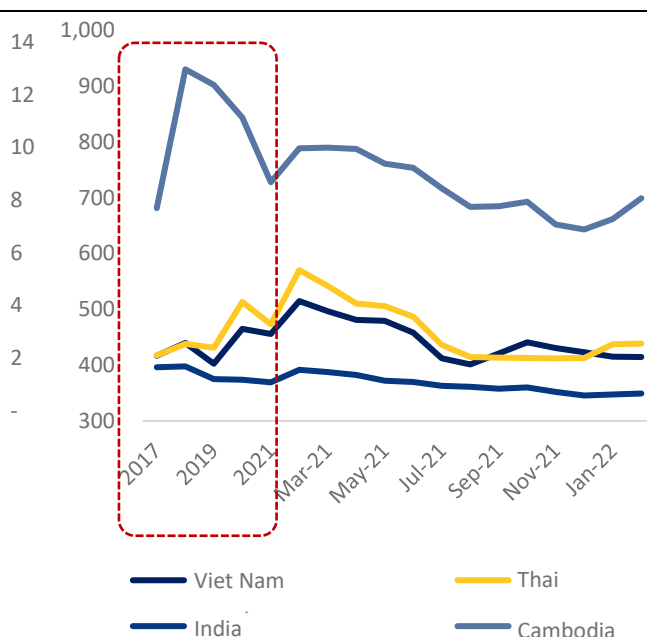
The situation of rice exports in Q1/2022 has a relatively positive signal when production increased by 24% YoY, thanks to the demand for food hoarding due to global political tensions, but the overall average export price of rice has decreased by 10% YoY according to the movement of the general market. The BSC assesses that the food sector may benefit from a number of factors below:

(1) Food supply disruptions: Russia and Ukraine are the world's two largest exporters of wheat (one-third of the world's trade) and the world's top exporters of corn (Ukraine's corn exports account for 22% of world trade). This has caused the price of foods such as bread to rise, while people's incomes have been significantly affected, leading to increased demand for lower-priced alternatives such as rice and (2) Non-war countries have also increased the need for hoarding food and alternative products to ensure national food security.

**Figure 10.3: Output and value of rice exported through 2018-2022F**



**Figure 10.4: Fluctuations in rice export prices of countries (USD/ton)**



Source: FAO, General Department of Customs, USDA

Rice export situation is expected to remain positive in 2022, [according to the USDA's April 2022 report](#), Vietnam's rice exports are expected to reach 6.5 million tons (+4%YoY) thanks to (1) Positive demand of traditional rice consumption markets and expectations on opening up the economy and increasing imports to ensure national consumption and reserves and (2) The potential EU market continues to be exploited with the support of EVFTA free trade agreement, This will be done by promoting the pilot of the construction of raw materials area meeting export standards, where the planting area code is issued and attached to the consumption enterprise, such as 50,000 hectares of rice in An Giang and Kien Giang.

**Figure 10.5: Businesses in the scale of enterprises in the listed industry**

	AGM	VSF	NSC	LTG	TAR	Others
Export turnover 2021 (bil VND)	2,039	4,841	242	932	586	66,930
(%)	3%	6%	0%	1%	1%	89%
Export output 2021 (thousand ton)	168	400	20	80	60	5,509
(%)	3%	6%	0%	1%	1%	88%
DT 2021	3,925	16,563	1,929	10,224	3,120	
Exported rice revenue/ Total revenue	52%	29%	13%	9%	19%	
<b>Ratio</b>						
P/E trailing	22.91	N/A	7.59	8.07	15.08	
P/E 3-year average	11	N/A	6.3	6.5	17	
P/B trailing	2.12	1.60	1.40	1.13	2.35	
P/B 3-year average	0.73	1.34	1.23	0.78	2.03	
ROE	10%	-9%	19%	12%	15%	
ROA	3%	-3%	12%	6%	5%	
Free float	40%	24%	19%	94%	83%	
Major shareholders	- Louis Holdings: 51.17% - LTG: 4.95%	- Minister of Agriculture and Rural Development: 51.43% - T&T: 25%	- PAN FARM: 34.68% - SSI: 4.95%	- Marina Viet pte.ltd: 25.21% - People's Committee of An Giang province: 24.15%	- Mr. Pham Thai Binh: 14.04 %	

	AGM	VSF	NSC	LTG	TAR	Others
Business Plan 2022	Net revenue and NPAT 2022 reaches 8,004 bil VND (+105%YoY) & 70 bil VND (+47.8%YoY)	NPAT reaches 100 billion	Net revenue and NPAT 2022 reaches 2,150 bil VND (+11%YoY) & 300 bil VND (+20.5%YoY)	NPAT reaches 400 bil VND (-5%YoY)	Net revenue and NPAT 2022 reached 3,500 bil VND (+12%YoY) & 110 bil VND (+12%YoY)	
Main event Q1/2022	The AGM has signed a memorandum of understanding to export more than 3 million tonnes of rice over three years to Sierra Leone, expected to cost between \$1.3 billion and \$1.4 billion. We assess the risks from this event because Sierra Leone has not in the past imported more than 0.5 million tons per year, according to the USDA statistics.			LTG had exported more than 4.5 thousand tons with a value of more than 3 million USD to the EU, Middle East and Asian countries	TAR has exported 11,000 tons of rice to South Korea and nearly 1,000 tons of rice exported to the EU and the Middle East.	
Expected business results Q1/2022				Net rev and NPAT reached more than 2,300 bil VND (-5%YoY) and 180 bil VND (-1%YoY)		

Source: BBG, Fiinpro

## INVESTMENT THESIS – OUTPERFORM

BSC maintains **OUTPERFORM** recommendations in 2022 for rice export sectors thanks to improved rice prices as (1) the quality of exported rice increases and (2) maintains market share in existing markets as well as exploits potential markets such as the EU.

Figure 10.3: Estimated business results some food enterprises

Ticker	DTT 2022 (bil VND)	%YoY	NPAT 2022 (bil VND)	%YoY	EPS 2022 (VND/unit)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 05/05/2022	Target price	Upside
LTG	10,753	5%	477	14%	4,786	8.3	1.1	15%	5%	39,900	45,200	13%

Source: BSC Research

## 11. Cement Sector [Outperform]

Analyst: Dinh Manh Thang

Email: Thangdm@bsc.com.vn

- Domestic consumption in 2022 is forecasted to recover thanks to (1) the Government's policy of promoting public investment and (2) Construction activities are expected to recover when the epidemic is controlled.
- Export output remains high with the prospect of China continuing to cut cement sector capacity.
- Gross profit margin is about to increase slightly by 1-2% YoY thanks to increased product prices.
- BSC maintains **OUTPERFORM** recommendation for cement sector in 2022.

**Domestic consumption demand is expected to be at 63-64 million tons in 2022 (+6.2%YoY).** Demand has recovered after two consecutive years of decline, thanks to (1) the policy of increasing public investment in infrastructure, and (2) construction activities are expected to recover since the epidemic has been controlled.

Figure 11.1: Disbursement of public investment capital is forecasted to increase by 30% in the period of 2022-2023 (trillion VND)

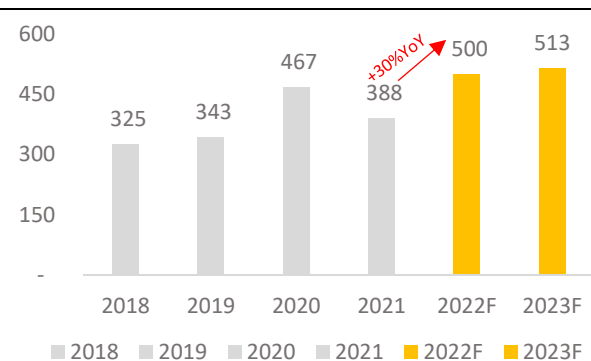
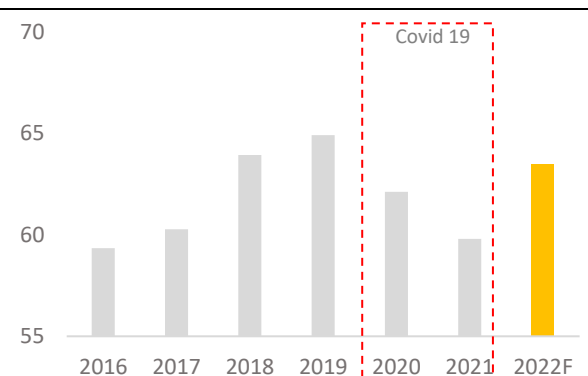


Figure 11.2: Domestic cement consumption is expected to recover when the epidemic is controlled (million tons)



Source: GSO, VNCA, BSC Research

**Cement exports continue to play an important role in total consumption.** The proportion of exports in total consumption increased gradually from 21% in 2016 to 43% in 2021, bringing total consumption to a record of over 100 million tons. We expect export output to remain high thanks to China's high import demand (the market accounts for 55% of cement and clinker exports from Vietnam) as capacity continues to be reduced.

Figure 11.3: Cement export share structure increases year by year

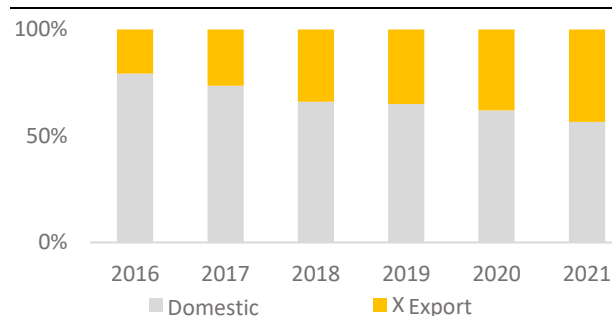
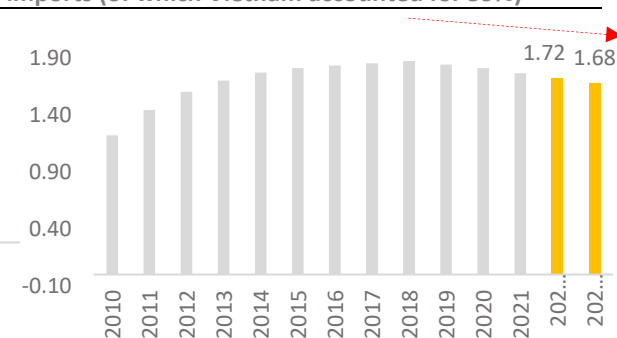


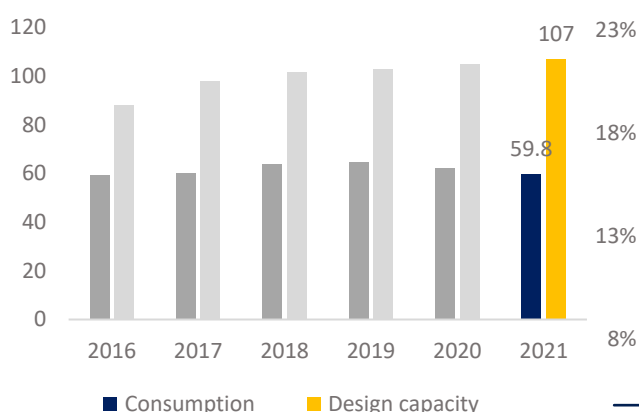
Figure 11.4: Capacity (billion tons of clinker/ year) in China began to decrease in 2018 and was replaced by imports (of which Vietnam accounted for 59%)



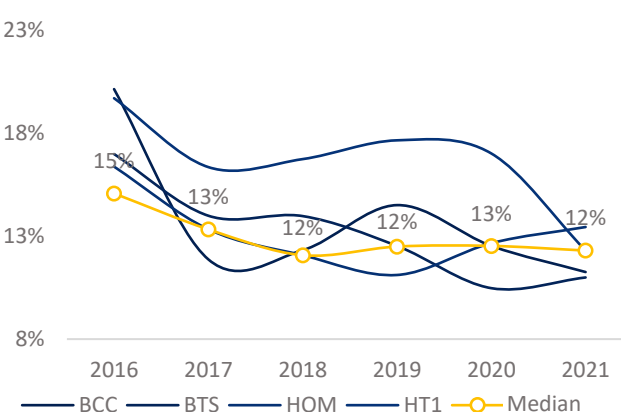
Source: VNCA, China Cement Association, BSC Research

**Domestic competition remains high due to overcapacity.** The industry-wide design capacity stands at 107 million tons by the end of 2021, but actual production output could reach 130 million tons thanks to the lower clinker-to-cement ratio, while domestic demand shows signs of saturation. We think that competitive pressure will make it difficult for cement businesses to recover to the high levels as in 2017 and earlier.

**Figure 11.5: Designed capacity (million tons/year) far exceeds domestic demand**



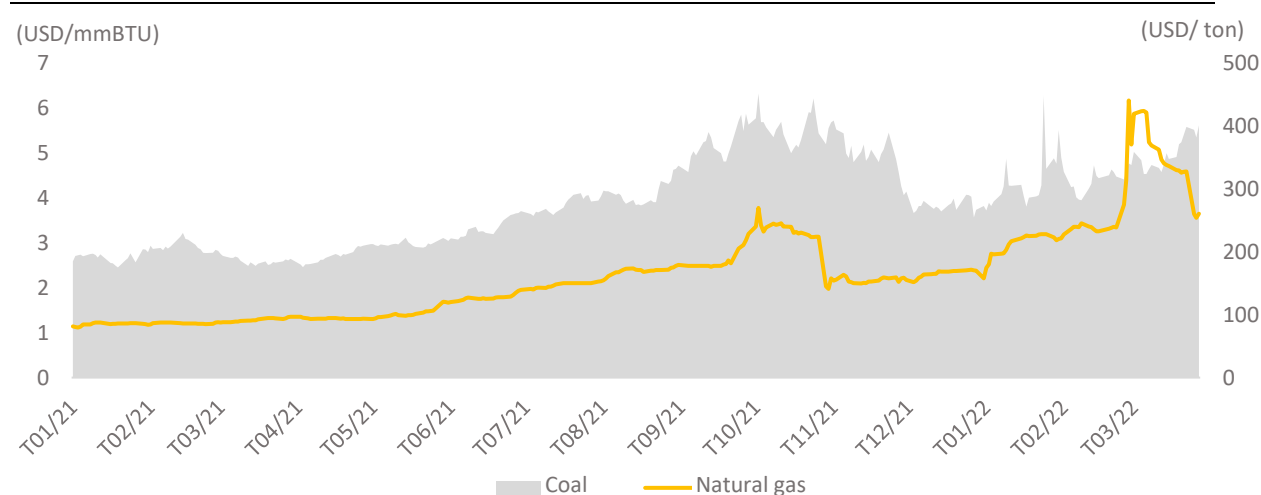
**Figure 11.6: Gross profit margins of some large and middle-class cement enterprises across the industry**



Source: VNCA, Firms' Financial Statements, BSC Research

**The expectation for industry recovery will help the profit margins of cement enterprises increase slightly in 2022.** The recovering demand for consumption not only helps cement businesses increase the price of products (+10%ytd), but also helps increase the factory's operating efficiency to 90%-95% of our estimated designed capacity. However, the profit margin only increased slightly by 1%-2%, along with the strong upward pressure of coal prices (accounting for 40% of the clinker cost structure) over the past time.

**Figure 11.7: Energy prices (coal and natural gas) have both risen sharply since the beginning of 2022**



Source: Bloomberg, BSC Research

## INVESTMENT THESIS – OUTPERFORM

We keep the **OUTPERFORM** recommendation for the Cement sector in 2022 due to (1) Domestic consumption is expected to recover; (2) Export output remains high with prospects of China continuing to cut capacity for Cement sector (3) Gross profit margin increased slightly due to an increase in the price of products.

Figure 11.3: Estimated business results of some cement enterprises

Ticker	NET REV 2022 (bil VND)	%YoY	NPAT 2022 (bil VND)	%YoY	EPS 2022 (VND/unit)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 05/05/2022	Target Price	Upside
HT1	8,694	23%	492	33%	1,288	15.5	1.4	4.9%	8.7%	19,900	24,500	23%
BCC	5,055	17%	239	124%	1,943	9.4	0.9	5.9%	10.1%	18,300	23,600	29%

Source: BSC Research

## 12. Fertilizer & Chemical Sector [Outperform]

Analyst: Luu Thuy Linh

Email: Linhl1@bsc.com.vn

- The BSC considers that the outlook for the Fertilizer industry in 2022 is positive based on: (1) Positive fertilizer demand while supply is limited and (2) Benefiting from the Russia -Ukraine war and the decision to suspend fertilizer exports by Russia and China.
- BSC maintains **OUTPERFORM** recommendations for fertilizer sector.
- For the chemical industry, BSC said that the main growth driver in 2022 continues to come from the high price of selling in the world to help businesses benefit (e.g., DGC, CSV). Meanwhile, output will face challenges in growth as businesses have no new expansion plans.

### Supply disruptions due to geopolitical tensions and export restrictions

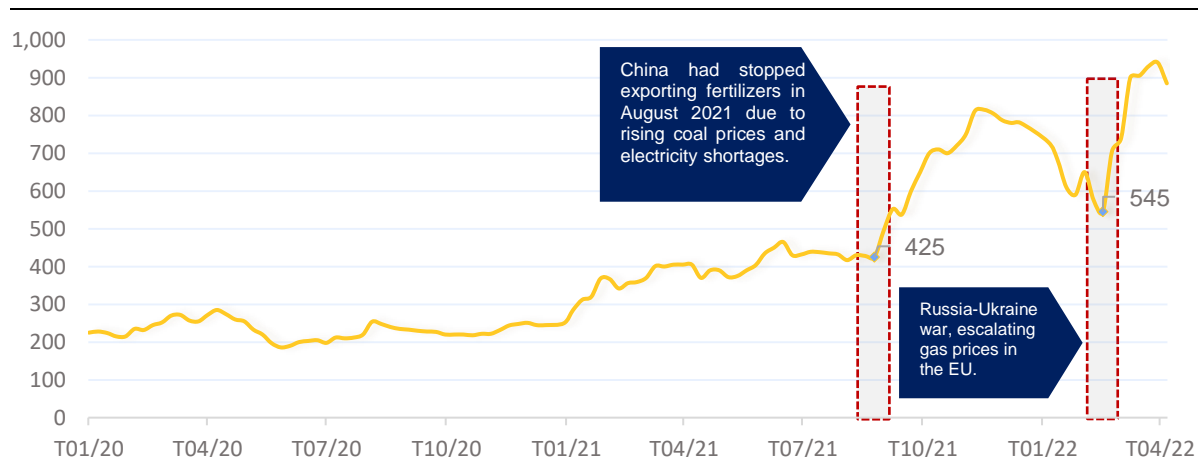
(1) Russia and its ally Belarus are the world's leading fertilizer suppliers (accounting for 40% of the total global potash supply), the Russia-Ukraine war along with the US and EU sanctions against Russia, Belarus have disrupted the supply chain, causing fertilizer prices in many places to skyrocket.

(2) Fertilizer supplies in Europe are further limited by the Russia-Ukraine war, which has caused the price of gas and coal, the two main sources of raw materials for fertilizer production, to escalate - which has caused many fertilizer producers in the EU to suspend operations. At the same time, the world's three largest shipping lines have announced the suspension of cargo shipments to and from Russia, exacerbating supply disruptions.

(3) At the end of 2021, Russia and China, two countries that contribute large amounts of fertilizer exports globally, respectively limited fertilizer exports, causing the price of Urea fertilizer to skyrocket. World fertilizer prices continue to remain high in Q2/2022.

According to DTN, the average price of 8 kinds of fertilizers increased sharply in early April 2022, especially DAP, Urea, , etc. They all reached the highest levels in history. In particular, Urea leads the list with an increase of +13%YTD, +53% compared to the bottom in February and +167%YoY; DAP increased +34% YTD and increased +76% YoY. BSC assessed that fertilizer prices continued to anchor at high levels in Q2 due to unresolved supply shortages and input material prices could not cool down as soon as this quarter.

Figure 12.1: Urea price movement from T01/2020 to present (USD/ton)



Source: Bloomberg, BSC Research



**In Vietnam, Urea prices are stable, DAP and Kali are forecast to increase in the next quarters**

Seven of the eight main fertilizers in Vietnam have risen in price since the Russia-Ukraine war, and this is the third price increase since the beginning of the year. Compared to the end of 2021, the price of fertilizer in Urea or Potash water continued to remain around the threshold of 18,000 - 19,000 VND / kg, compared to the same period of 2021, the price of Urea has increased by 80%, while the price of DAP unexpectedly increased sharply to over 25,000 VND / kg (+44% YTD).

We expect that domestic Urea prices will remain stable around the current price zone in Q2 and gradually cool down in the second half of the year as the world's Urea supply improves, while DAP and Potassium will increase prices in line with the upward momentum in international markets, due to: (1) Abundant domestic supply of Urea; (2) Good potassium imports at the end of 2021 will gradually dry up, domestic potash prices will adjust to world prices and (3) domestic DAP is in short supply due to China's application of export restriction measures; (Accumulated 2 months/2022 DAP imports from China plummeted, down -76.3% YoY).

**Domestic input materials are unpredictable, some materials increase sharply**

The price of natural gas supplied to domestic fertilizer producers is anchored according to the price of FO oil in the Singapore market, so the development is very unpredictable. Short-term coal prices will remain anchored at high levels, then gradually cool down in the second half of the year as price fever factors are removed and coal supply improves.

Apatite and sulfur are the main raw materials for the production of phosphate manure. In particular, the domestic supply of apatites is not meeting the demand, while sulfur, due to the supply shortage from a major exporter - Russia, has increased continuously from \$526/ton in April 2022, +70% YTD.

BSC assessed that potash prices will soon increase in line with world prices because cheap potash sources by the end of 2021 are gradually depleted.

**The goverment is studying the imposition of VAT on fertilizers** with a tax rate of 5%, the imposition of the tax will have a positive impact on fertilizer producers, when tax refunded on input materials.

**The situation of fertilizer exports is positive, production and selling prices increase sharply**

Currently, the surplus of domestic Urea continues, besides, the first quarter and the beginning of Q2 are the time of the harvest, so the demand for fertilizer is not urgent. Therefore, BSC expects businesses to benefit from increased fertilizer exports along with high selling prices.

In the first quarter, Vietnam stepped up exports to fertilizers to neighboring markets, the country's fertilizer export volume increased sharply, reaching 352,672 tons (+69.9%YoY) with the average export fertilizer price reaching 685.3 USD / ton (+124%YoY) increased by 280.6% in turnover. Cambodia remains the leader in Vietnam's fertilizer consumption. South Korea and Myanmar ranked 2nd and 3rd respectively, in which these two markets increased sharply in both volume, turnover and price compared to the same period in 2021.

**Increase market share in international markets thanks to export restrictions from Russia and China**

The unexpected move from China and Russia creates an opportunity for fertilizer enterprises with the expectation that both output and selling prices can benefit due to the unexpected shortage of supply in the world. BSC expects fertilizer enterprises to take advantage of this opportunity to increase the market share of fertilizers in the country and export. This can increase the competitiveness of Vietnamese fertilizer companies, which can increase the competitiveness of Vietnamese fertilizer enterprises.

## INVESTMENT THESIS – OUTPERFORM

BSC maintains **OUTPERFORM** recommendations for fertilizer sector in 2022 based on (1) Demand for fertilizers was positive while supply was limited, selling prices remained high in the first half of the year and (2) Benefiting from the Russia -Ukraine war and the decision to suspend fertilizer exports by Russia and China.

Figure 12.2: Estimated results of business results of some fertilizer enterprises

Ticker	Net rev 2022 (bil VND)	%YoY	NPAT 2022 (bil VND)	%YoY	EPS 2022 (VND/unit)	P/E fw	P/B fw	ROE 2022	ROA 2022	Price on 05/05/2022	Target Price	Upside
DPM	14,813	15%	4,329	36%	9,724	6.5	1.7	22.7%	30.2%	63,100	78,000	24%
DCM	11,180	13%	2,406	32%	2,810	13.0	2.0	16.8%	25.3%	36,500	50,000	37%

Source: BSC Research

For the chemical industry, BSC said that the main growth driver in 2022 continues to come from the fact that the world's selling prices are anchored at a high level: Yellow phosphorus, Phosphoric Acid, Caustic, etc. help businesses benefit (e.g., DGC, CSV). Meanwhile, the output will face challenges in growth as businesses have no new expansion plans.

For DGC, BSC expects that chip demand (catering to 5G equipment) and the trend of producing electric vehicles (serving batteries) will have a positive impact on phosphorus prices. Fertilizer and fertilizer-related products (WPA, DAP, MAP): BSC expects fertilizer prices to continue to anchor high in 2022 thanks to limited supply in major fertilizer exporting countries: China restricts fertilizer exports, Russia affects exports due to war-related involvement in Ukraine.

For CSV, BSC expects the company to benefit as the company adjusts the price of cauldrons to increase as the price of Chinese caustic soda increases.

Figure 12.3: Estimated business results of some chemical enterprises

Ticker	Net rev 2022 (bil VND)	%YoY	NPAT 2022 (bil VND)	%YoY	EPS 2022	P/E fw	P/B fw	ROE 2022	ROA 2022	Price on 05/05/2022	Target Price	Upside
DGC	11,605	28%	3,852	53%	22,200	10.7	4.8	37.0%	51.0%	236,800	233,000	-2%
CSV	1,803	14%	271	25%	5,450	9.4	1.7	25.6%	20.9%	51,300	78,000	52%

Source: BSC Research

### 13. Insurance Sector [Neutral]

Analyst: Dinh Manh Thang

Email: Thangdm@bsc.com.vn

- Non-life premium growth continued to decline in 2021 due to the effects of the epidemic, but the compensation rate also decreased due to social distancing.
- The market share of leading companies has changed due to great competitive pressures.
- BSC maintains the **NEUTRAL** recommendation on Insurance sector for the rest of 2022 due to (1) The compensation rate is expected to increase as economic activity returns to normal; (2) High competition causes enterprises to be affected by net fees and profit from insurance activities; (3) The level of deposit interest rates increased slightly to increase financial revenues and (4) Divestment rates continued to be promoted in 2022.

**Total premium revenue in the whole market in 2021 is estimated at VND 217,338 billion (+16.8%YoY), of which life insurance premium revenue is estimated at VND159,458 billion (+23%YoY), and non-life insurance premium revenue is estimated at VND 57,880 billion (+2%YoY).** Non-life insurance growth has slowed in the last 2 years due to the two main retail businesses with revenue accounting for nearly 60% of total revenue declined because of the impact of the epidemic: Motor Vehicle Insurance (-6%YoY) and Health Insurance (-1%YoY).

In the first 2 months of 2022, the non-life insurance market has shown signs of admiration, with total premium revenue estimated at VND11,248 billion (+15.3%YoY). BSC said that the revenue from the premiums of non-life insurance will grow again in 2022, especially in the motor insurance business after the epidemic is controlled.

Figure 13.1: Insurance premium growth

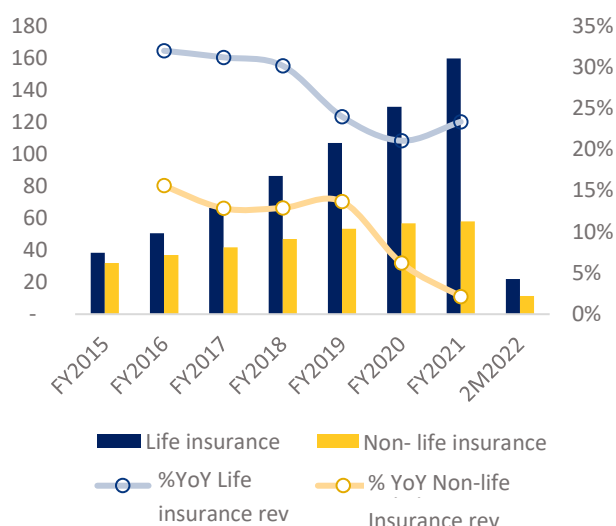
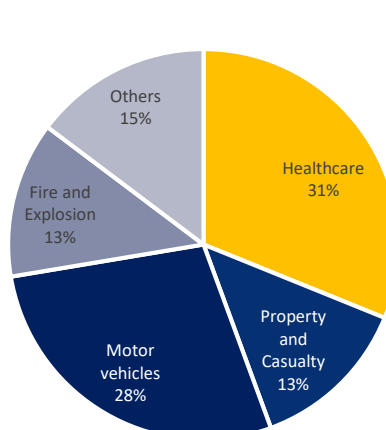


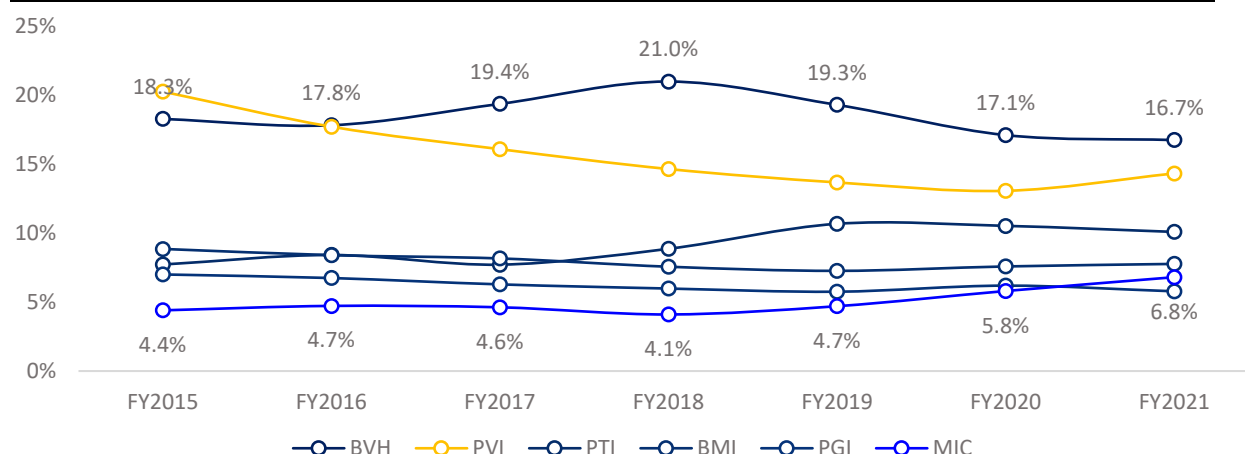
Figure 13.2: Proportion of revenue by insurance business



Source: IAV, BSC Research

**The market share of non-life insurance companies has changed markedly.** BVH continues to lead with a market share of 16.7% but has continuously declined over the past 4 years, followed by PVI (14.3%), PTI (10.1%) and BMI (7.8%). MIC's market share grew the most impressively (reaching 6.8%), surpassing PJICO to take the 5th position. BSC said that **the gap in market share between insurers will be widening**, due to fierce competition from small and medium-sized insurers in the near future.

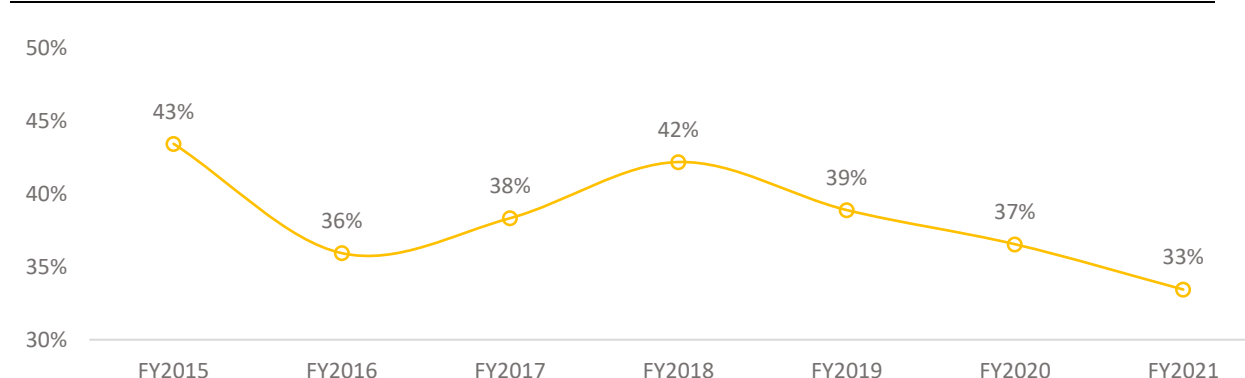
Figure 13.3: Market share of non-life insurance (according to insurance premium)



Source: IAV, BSC Research

The compensation rate of non-life insurance enterprises in 2021 plummeted to 33.4% (-4%YoY) due to traffic activities temporarily stalled during the period of social distancing. In the near future, when the epidemic is under control, we assume that the compensation rate can rise back to 34-35%.

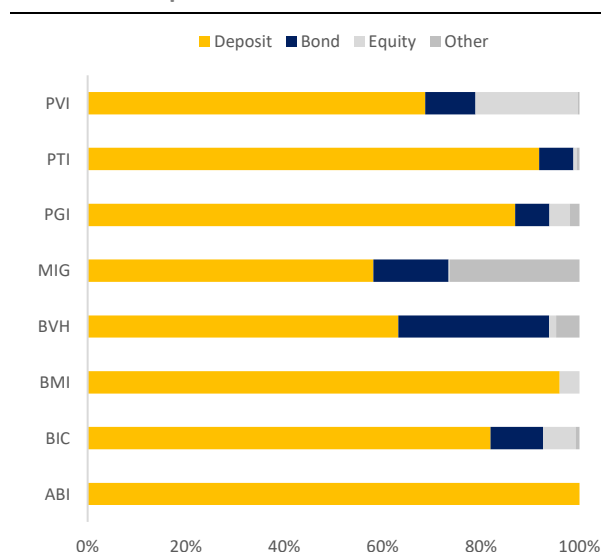
Figure 13. 4: Original insurance compensation rate



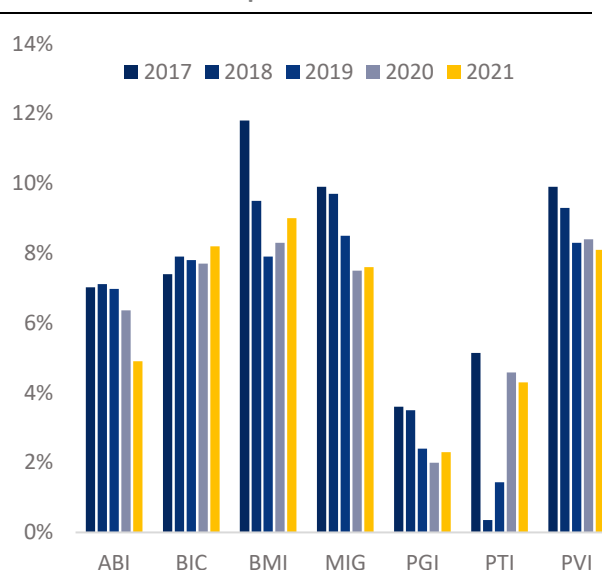
Source: IAV, BSC Research

Financial profitability of insurance companies is forecast to increase slightly in 2022 thanks to the increase in deposit interest rates. The majority of insurance companies' portfolios are bank deposits and corporate bonds (accounting for over 80%). As inflation in 2022 is forecast to rise, and the lending/mobilization ratio of commercial banks shows signs of increasing again, BSC expects that the deposit interest rate will increase slightly by 0.5-1.0% in 2022, helping to increase the financial revenue of insurance companies.

**Figure 13.5: Portfolio structure of large non-life insurance companies**



**Figure 13.6: Investment yield of large non-life insurance companies**



Source: Corporate Financial Statements, BSC Research

## INVESTMENT PERSPECTIVE – NEUTRAL

We recommend **NEUTRAL** with non-life risks in 2022 due to (1) The expected compensation rate to increase as economic activity returns to normal; (2) High competition leaves businesses affected in terms of net fees and profits from insurance operations and (3) The interest rate increases slightly to increase financial revenue.

**Figure 13.7: Estimated business results some insurance enterprises**

Ticker	Net rev 2022(bil VND)	%YoY	NPAT 2022 (bil VND)	%YoY	EPS 2022 (VND)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 05/05/2022	Target price	Upside
BMI	3,792	5%	254	1%	2,320	16.4	1.9	3.6%	10.1%	38,000	46,200	22%
PVI	4,511	12%	951	8%	3,824	14.1	1.5	3.6%	11.4%	53,900	59,300	10%
MIG	2,984	39%	290	29%	2,031	14.5	2.3	3.8%	12.6%	29,400	33,400	14%

Source: BSC Research

## 14. Electricity Sector [Neutral]

Analyst: To Quang Vinh

Email: Vinhtq1@bsc.com.vn

- Commercial power output of 3T2022 grew by +7.8%YoY.
- The continued La Nina cycle is positive news for hydroelectric plants, however it 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 3,200 MW of wind power capacity comes into operation.
- We give the **NEUTRAL** recommendation to the electricity sector.

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

Electricity production throughout the system Q1/2022 +7.8%YoY. Accumulated 3T2022, the output of electricity produced and imported throughout the system reached 63.0 bill kWh (+7.8%YoY). Regarding the production structure of 3T2022, coal and hydropower thermal power accounted for the largest proportion with 45% and 26% of total output.

Figure 14.1: Power output of the whole system by quarter (billion kWh)

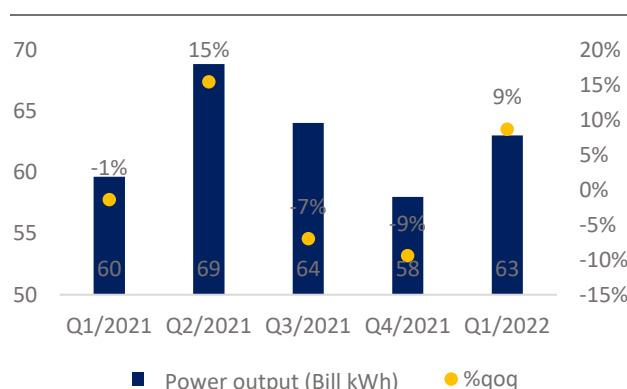
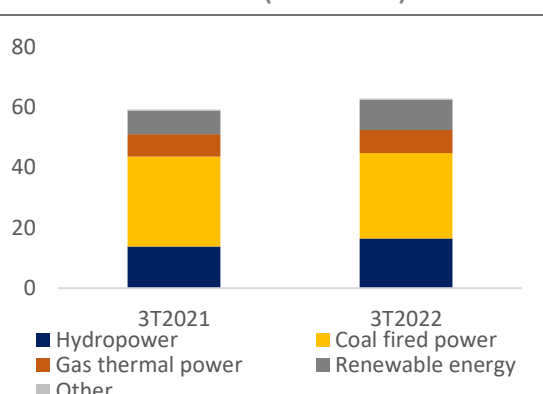


Figure 14.2: Hydroelectricity & Renewable Energy increased mobilization compared to the first three months of 2021 (billion kWh)



Source: EVN, BSC Research

### RENEWABLE ENERGY SECTOR - LONG-TERM POSITIVE OUTLOOK

**The contribution of renewable electricity in the system has increased rapidly.** Accumulated 3T2022, the power output from renewable energy reached 10.0 billion kWh (+28%YoY). The mobilization rate from A0 by the end of T3/2022 reached 15.9% (vs. 13.1%). The contribution output increased rapidly when an additional 3,299 MW of wind power was operating from T11/2021. The installed capacity of renewable electricity is estimated at 20,670 MW at the end of 2021, accounting for 27% of the system. BSC said that, with the green development orientation, the possibility of wind and solar power plants continues to be highly mobilized in 2022, in terms of capacity to meet demand from A0.

### HYDROPOWER: FAVORABLE HYDROLOGY HELPS POSITIVE SHORT-TERM OUTLOOK

Accumulated 3T2022, hydroelectric output reached 16.5 billion kWh (+19%YoY). The mobilization rate from A0 by the end of T3/2022 reached 26.1% (vs. 23%) mainly thanks to La Nina continuing in the first quarter of 2022. Hydrographic activity is forecast to continue to be stable until the end of Q2/2022, helping the rainfall throughout the region to be maintained. However, overall, with La Nina likely to end in Q2/2022, the outlook for hydropower output is less positive at 2H2022.

### **GAS THERMAL POWER: POOR OUTLOOK IN 2022 AS INPUT COSTS RISE**

Accumulated 3T2021, gas power output reached 7.6 billion kWh (+2%YoY). The mobilization rate from A0 to the end of T3/2021 only reached 12.0% (vs. 21%), because the price of input fuel increased rapidly in the first months of 2022. Geopolitical tensions in the past period have pushed up oil prices sharply, leading to a sharp increase in the price of input gas, making the amount of semi-competitive electricity sold by gas power plants quite limited. At the same time, the increasing competition of renewable electricity also makes the outlook for gas thermal power less positive in 2022.

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

**Coal power remains an important source of electricity (especially in the North)**, while renewable energy, LNG power, and the grid need more time to increase installed capacity. Accumulated 3T2022, the mobilized coal-fired power output reached 28.3 bill kWh (-5%YoY). The mobilization rate from A0 by the end of T3/2021 only reached 45% (vs. 50%), due to the difficult coal supply situation. According to EVN, the volume of coal supplied to power plants reached 78.8% of the amount signed in the contract, with suppliers. However, with the expectation that La Nina will end soon at the time of the second quarter, 2H2022 is still considered a beneficial period for coal power when mobilized higher.

### **INVESTMENT PERSPECTIVE – NEUTRAL**

We give the **NEUTRAL** recommendation on the electricity sector for 2021 due to the clear divergence towards the outlook for electricity sector stocks:

- Hydroelectric stocks group: With the favorable hydrological situation in the first months of the year, BSC has a neutral stance towards hydropower stocks for 2022.
- Group of gas thermal power stocks: The input gas is maintained at a high level, which is weak risk group for the mobilized power output of gas power (**POW, NT2**). Therefore, BSC has a neutral stance towards gas-fired thermal stocks for 2022.
- Coal-fired power group: Poorer hydrology at H2/2022 is likely to increase the mobilization rate from A0. 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 stocks: 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**.

Figure 14.3: Estimated business results some power enterprises

Ticker	Net rev 2022 (bil VND)	%YoY	NPAT 2022 (bil VND)	%YoY	EPS 2022 (VND)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 05/05/2022	Target price	Upside
HND	11,343	26%	484	9%	969	18.8	2.6	6.0%	8.0%	18,200	29,200	60%
QTP	9,260	10%	547	15%	1,216	14.7	2.0	7.0%	9.0%	17,900	26,300	47%
POW	28,413	16%	2,539	25%	949	14.9	1.4	5.0%	8.0%	14,150	19,100	35%
NT2	6,619	8%	736	38%	2,556	8.9	1.2	11.0%	17.0%	22,800	27,100	19%
REE	8,409	50%	2,774	24%	8,530	9.6	1.7	13.0%	21.0%	82,200	97,500	19%
PC1	11,357	16%	838	10%	3,387	11.9	1.6	5.0%	15.0%	40,200	63,000	57%

Source: BSC Research



## 15. Aviation Industry [Neutral]

Analyst: Le Huu Ngoc

Email: Ngoclh@bsc.com.vn

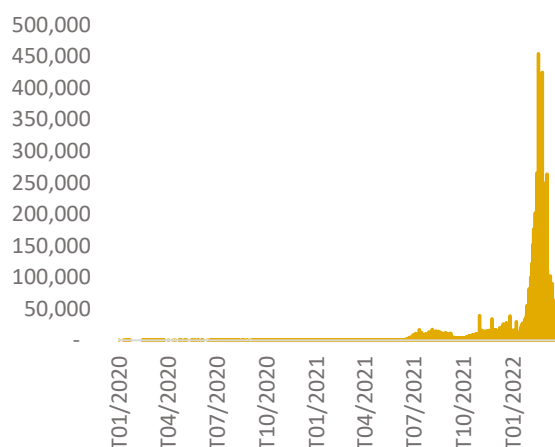
- **Passenger volume through domestic airports in Q1/2022 reached 13.32 million (-12%YoY)** due to the decrease in domestic passengers caused by the serious domestic epidemic, however, the volume of international passengers recorded high growth.
- **In 2022 BSC expects passenger volume through domestic 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.
- **Air cargo production in 2022 is expected to reach 1.78 million tons (+13%YoY)** thanks to the recovery according to the global economy.
- BSC maintains the **NEUTRAL** recommendation for the aviation sector.

**Passenger volume through domestic airports in Q1/2022 reached 13.32 million (-12%YoY)** mainly due to the decrease in domestic passengers: **13 million (-13%YoY)** caused by the serious epidemic situation in the first 3 months of the year. Meanwhile, international passenger volume recorded positive growth **with 0.32 million arrivals (+176%YoY)** as the majority of international flights and domestic tourism activities reopened from March 15, 2022.

**BSC estimates that the profitability of aviation enterprises in Q1/2022 decreased by about 15-20% YoY** due to (1) the decrease in passenger output through airports because of the epidemic situation and (2) The sharp increase in gasoline prices that reduced profit margins (fuel costs accounted for about 30-40% of the costs of airlines).

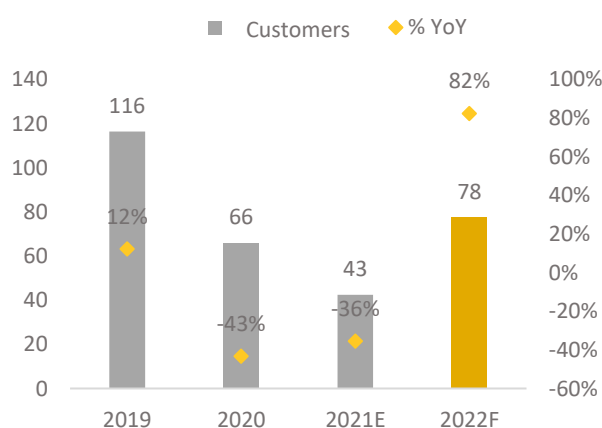
**In 2022, BSC expects passenger volume through domestic airports to recover strongly, reaching 75-80 million (+82%YoY, equivalent to 67% of pre-epidemic levels)** with an increase in both domestic and international passengers thanks to (1) The majority of international routes and service tourism are reopened from March 15, 2022, these include important markets such as China, South Korea, Japan (accounting for more than 60% of pre-epidemic production) and (2) increased demand for domestic flights due to the actively controlled domestic epidemic, with the high rate of vaccine coverage of 81.14% of the population having been vaccinated at least 1 dose of the vaccine.

Figure 15.1: Vaccinations in Vietnam increased sharply in early 2022



Source: Our World in Data, BSC Research

Figure 15.2: Passenger volume in 2022 expected to recover strongly +82%YoY (million turns)



Source: Civil Aviation Authority of Vietnam, BSC Research



The BSC said that air transport businesses will continue to struggle in 2022, but will reduce the losses recorded due to:

- China, as a key market, is still executing a Zero Covid policy, so international flights are likely to remain limited. The average fare will be low (+0%YoY) as businesses will take advantage of market conditions, maintain competitive fares, implement tourism stimulus policies to recover from difficult periods.
- The possibility to reduce operating costs and expand the domestic flight network will not too significant, especially when in the period of 2020-2021 enterprises have made maximum reductions. BSC expects air cargo production in 2022 to reach 1.78 million tons (+13%YoY) due to (1) The recovery of air freight demand and global economic growth (+6%YoY) and (2) The trend of shifting production to Vietnam will promote the export of electronic components by aviation transportation.

Figure 15.3: 2022 business results of air transport enterprises are continuing to struggle (Bil VND)

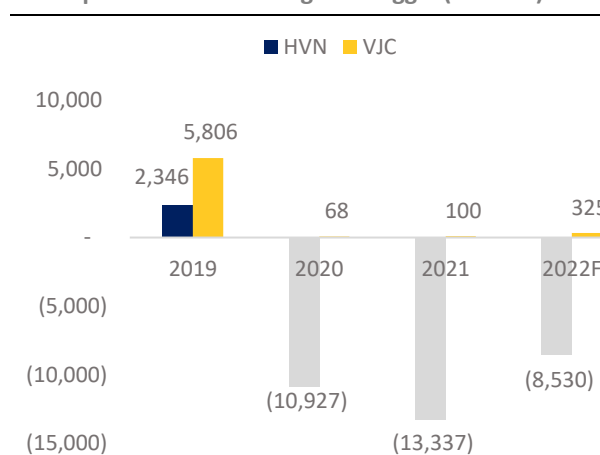
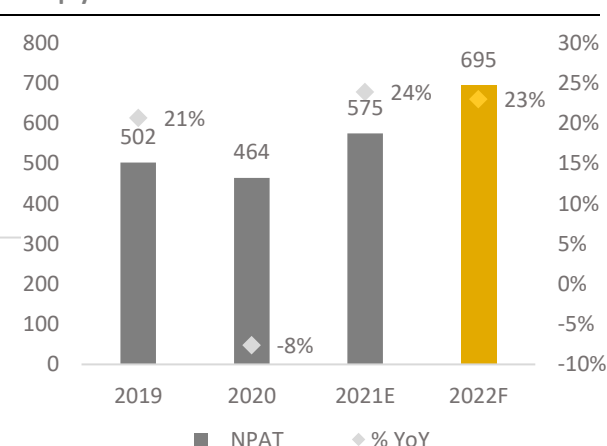


Figure 15.4: SCS profit in 2022 expected to increase sharply +23%YoY



Source: BSC Research

## INVESTMENT THESIS – NEUTRAL

BSC maintains the **NEUTRAL** recommendation for the aviation sector in general in 2022 as those business results continue to face difficulties among huge competitors 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 position in the industry.

Figure 15.5: Estimated results of some aviation enterprises

Ticker	NET REV 2022 (Bil VND)	%YoY	NPAT 2022 (Bil VND)	%YoY	EPS 2022 (VND/unit)	P/E fw	P/B fw	ROE 2022	ROA 2022	Price on 05/05/2022	Target Price	Upside
ACV	15,385	224%	3,015	282%	1,385	64.2	5.1	5.0%	8.0%	88,900	111,000	25%
SCS	919	10%	695	23%	13,946	12.6	7.9	53.0%	59.0%	175,100	200,000	14%

Source: BSC Research

## C. Demand recovery post-Covid19

### 16. Seaport & Sea Transport Sector [Outperform]

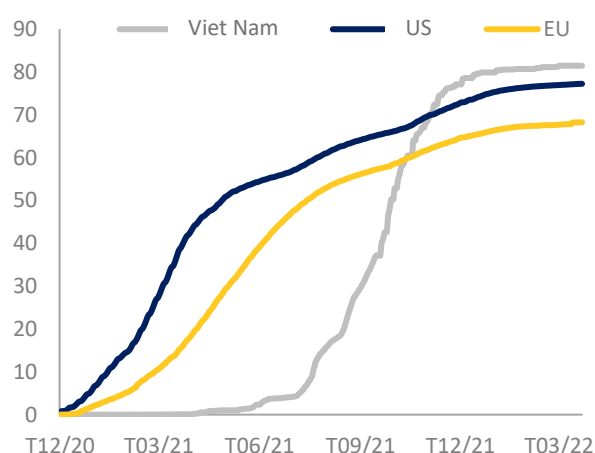
Analyst: Le Huu Ngoc

Email: Ngoclh@bsc.com.vn

- The output of goods through Vietnam Seaports in Q1/2022 reached 179 million tons (+4%YoY) thanks to (1) the continued easing of trade and (2) the effectiveness of the new FTA agreement.
- Profit before tax seaport enterprises in Q1/2022 is estimated to increase sharply +25-35%YoY thanks to (1) profit from the recovery of the whole industry and (2) Output growth, improved operational performance.
- BSC assess that the business results of the majority of seaport enterprises will remain positive in 2022 thanks to (1) production growth from new ports and (2) Improved operational performance at existing ports.
- BSC estimate that the business results of shipping enterprises have a sharp divergence in Q1/2022 due to the different developments between the transport commodity markets.
- BSC assess that the business results of shipping enterprises (PVT, HAH) will be positive in 2022 thanks to (1) increased transport volume from the new fleet and (2) Freight price expected to increase +10% YoY.
- BSC assess the **OUTPERFORM** recommendation for the Seaport & Sea Transport sector.

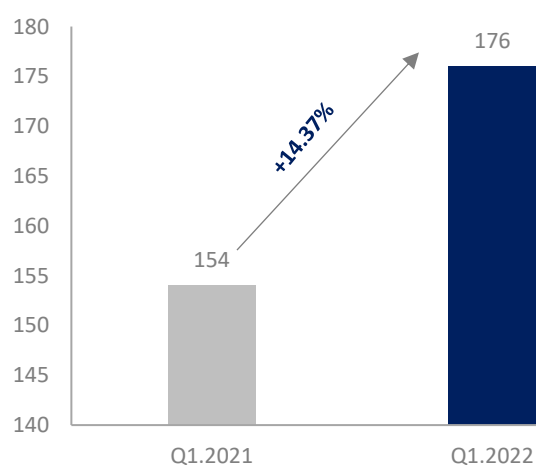
The output of goods through Vietnam Seaport in Q1/2022 reached 179 million tons (+4%YoY), especially container goods reached 6.2 million TEU (+3.4%YoY) due to favorable import and export activities, from which the total turnover recorded high growth +14.37%YoY thanks to (1) The global economy continued to loosen, open trade when the control of the epidemic is positive and (2) The new FTA free trade agreement takes effect such as EVFTA (2020), UKVFTA (2021) begins to have more obvious effectiveness after 2 years of epidemic, and there is a new FTA from the beginning of 2022 such as RCEP.

Figure 16.1: Proportion of vaccinated population in Vietnam and major trading countries increased sharply (%)



Source: Our World in Data, BSC Research

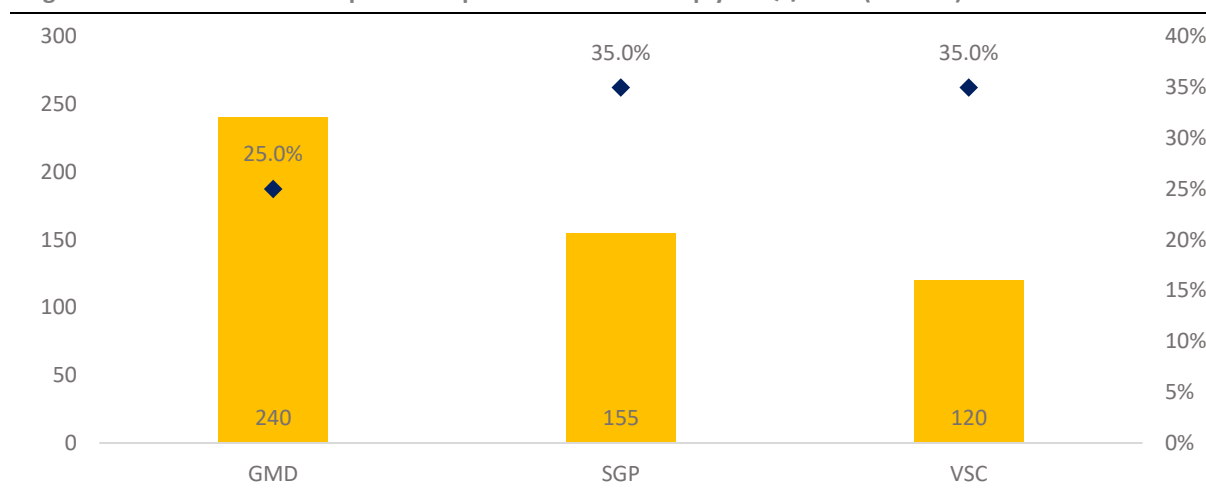
Figure 16.2: Total import and export turnover of Vietnam in Q1/2022 increased sharply (billion USD)



Source: General Statistics Office, BSC Research

**Profit before tax seaport enterprises Q1/2022 is estimated to increase sharply +25-35%YoY.** Besides benefiting from the positive development of the industry, there are motivation to help promote growth, specifically: GMD has Gemalink operating at maximum capacity, SGP benefits from joint venture ports in Cai Mep – Thi Vai continue to grow, VSC reduces outsourcing activities to improve profit margins.

**Figure 16.3: Profit before tax port enterprises increased sharply in Q1/2022 (bil VND)**



Source: BSC Research

**BSC assessed that the business results of the majority of seaport enterprises will remain POSITIVE in 2022** thanks to the vibrant import and export trade activities that help the output of goods through ports increase by about **6%-25%**. Specifically, the growth of VSC's output comes from a recovery across the industry and the use of new ICD ports to increase capacity at existing ports; while the increased output of GMD and SGP will depend heavily on the output of ports in Cai Mep – Thi Vai: GMD – Gemalink, SGP – SSIT. In the medium term, many port enterprises will have a large 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), SGP (Can Gio Port).

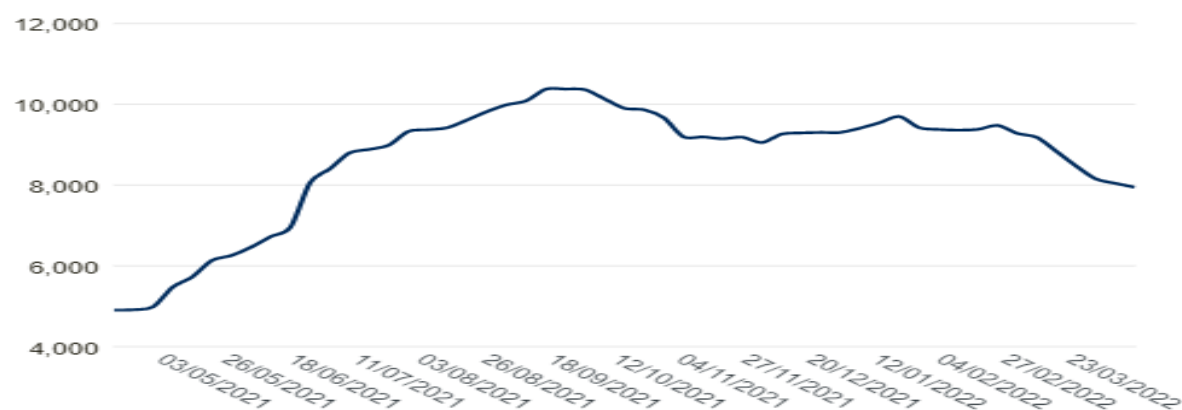
**Figure 16.4: Cargo output of port enterprises in 2022**

Enterprises	Output		
	2021	2022F	%YoY
GMD (million TEU)	2.70	3.40	25%
VSC (TEU million)	1.08	1.14	6%
SGP (million tons)	11.80	13.00	10%

Source: BSC Research

**BSC estimated that the business results of transport enterprises has a strong divergence in Q1/2022**, specifically with container transport, typically HAH, BSC estimated that profit after tax recorded strong growth of **+157%YoY**, reaching about **VND 170 billion** thanks to: (1) Domestic container freight maintained a high level from the end of 2021 due to many enterprises leasing ships internationally and (2) Meanwhile, representatives of the oil and gas transport group – PVT estimated to record a sharp decrease in LNST **-20%YoY**, reaching **VND 108 billion** due to: (1) The decrease in volume because Nghi Son refinery operates below **70%** of capacity in Q1 and (2) the charge is not adjusted to increase corresponding to fuel costs.

Figure 16.5: Global container freight index falls slightly thanks to improved shortages (USD/40ft)



Source: Drewry, BSC Research

BSC assessed that the business results of sea transport enterprises (PVT, HAH) will be positive in 2022, specifically: HAH NPAT will reach about **VND 725 billion (+63%YoY)** thanks to: (1) Domestic freight remains high due to the high proportion of domestic container supply being leased abroad and (2) G container ship leasing is adjusted to increase in accordance with the market price; Meanwhile, PVT will record NPAT reaching **VND 902 billion (+35.5%YoY)** thanks to: (1) Transport revenue increased **+24% YoY** due to 6 new vessels operating full-year, at the same time adding 2 new ships in 2022 and (2) Other income of **VND 107 billion** from Athena tanker.

#### INVESTMENT THESIS – OUTPERFORM

We assess the **OUTPERFORM** recommendation for the Seaport sector in 2022 due to the high profit growth thanks to: (1) Global trade activity continues to recover from the epidemic; (2) Increased capacity from newly invested ports and (3) Improve operational performance at existing ports.

We assess the **OUTPERFORM** recommendation for the Sea Transport sector in 2022 due to: (1) Increased shipping output from new fleet capacity and (2) Estimated freight rates (up +10%YoY).

Figure 16.6: Estimated business result of some seaport & transport enterprises

Ticker	Net rev 2022 (Bil VND)	%YoY	NPAT 2022 (Bil VND)	%YoY	EPS 2022 (VND/unit)	P/E fw	P/B fw	ROE 2022	ROA 2022	Price on 05/05/2022	Target Price	Upside
GMD	3,384	6%	795	30%	2,637	21.1	2.1	8.0%	12.0%	55,700	64,000	15%
VSC	2,058	9%	397	13%	3,601	14.6	2.1	14.0%	16.0%	52,400	55,000	5%
SGP	1,509	10%	545	-38%	2,519	12.6	1.6	8.0%	18.0%	31,800	42,000	32%
PVT	8,950	22%	902	36%	2,787	7.4	1.8	8.3%	15.1%	20,500	28,000	37%
HAH	1,955	36%	725	63%	10,651	7.8	2.1	22.6%	38.1%	83,400	85,000	2%

Source: BSC Research

## 17. Textile Sector [Outperform]

Analyst: Nguyen Cam Tu, CFA

Email: Tuntc@bsc.com.vn

- In the first quarter of 2022, textile and garment export turnover grew strongly with a turnover of 8.8 billion USD, +23%YoY.
- In 2022, BSC said that the outlook for the textile and garment industry is positive thanks to (1) Uninterrupted production activities; (2) Order value continues to grow and (3) Vietnam has an advantage over competitive countries.
- We maintain the **OUTPERFORM** recommendation of the Textile sector in 2022.

**In the first quarter of 2022, textile and garment export turnover grew strongly with a turnover of 8.8 billion USD, an increase of 23% over the same period.** The US market recorded strong growth, reaching 40% over the same period and accounting for 50% of the value of the industry's turnover. BSC said that (1) The low background of 2021 and (2) The positive goods from the beginning of the year help the growth is guaranteed.

**In 2022, BSC said that the outlook for the textile and garment industry is positive thanks to (1) uninterrupted production activities; (2) Order value continues to grow and (3) Vietnam has an advantage over competitive countries.** In the third quarter of 2021, the Government of Vietnam social distancing to prevent epidemics (especially in the southern provinces) has greatly affected the fulfillment of textile orders for customers. However, the BSC said that the Government of Vietnam has implemented the vaccination strategy at a rapid rate along with a sharp drop in mortality, a re-blockade in 2022 is unlikely to happen, ensuring the business of factories.

Up to now, most textile and garment enterprises have had orders until Q2/2022, even to Q3/2022. BSC said that (1) The fashion brand is optimistic about the sales outlook as the demand for shopping after the pandemic continues to grow along with (2) The direction of shifting orders to Vietnam continues to ensure positive order value growth in 2022.

Figure 17.1: Current order situation of textile enterprises

Business	Order value up to present
Vietnam Textile and Garment Group (VGT)	Order value up to Q2/2022
TNG Investment and Trade Jsc (TNG)	Closed order value until Q3/2022
Successful Textile - Investment - Trade JSC (TCM)	Closed order value to Aug, Sep/2022
General Jsc May 10 (M10)	Closed order value up to Q2/2022, expected +15%

Source: BSC Research

In addition, textile and garment enterprises in 2022 plan to expand factory capacity to serve the increased needs of customers.

Figure 17.2: Plan to expand factory capacity of textile enterprises

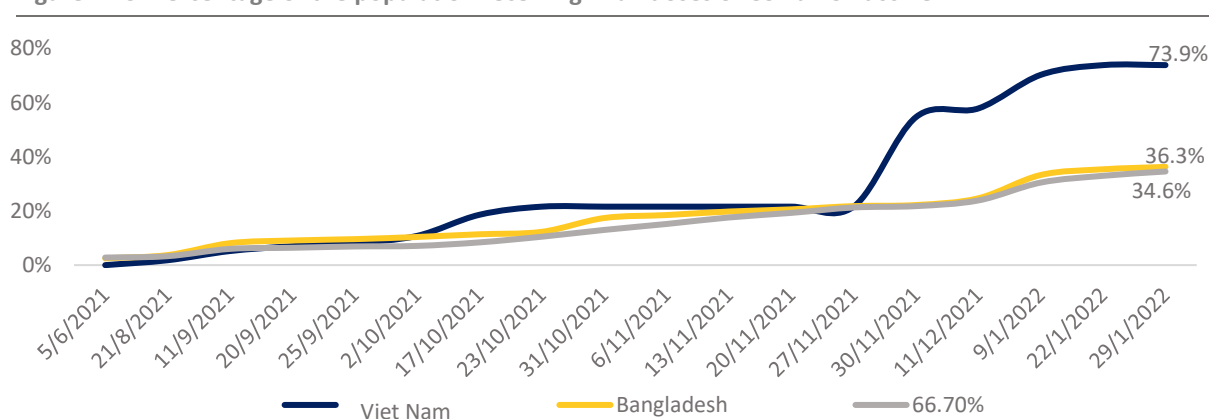
Business	Additional capacity
TNG Investment and Trade Jsc (TNG)	Expansion of Dong Hiep factory, Vo Nhai
Red River Garment Joint Stock Company (MSH)	SH10 Factory, Red River Factory – Xuan Truong
Century Yarn JSC	Unitex Project

Source: Business

In addition to the long-term trend of shifting orders from China to countries with lower labor costs still ongoing, BSC expects that in 2022, Vietnam will benefit from rival countries (Bangladesh, Myanmar) thanks to high vaccine coverage rates and political stability.

Currently, Bangladesh and Myanmar have the proportion of the population that has received 35.7% and 34.6%, respectively, lower than Vietnam's coverage rate of 73.9%. At the same time, both Bangladesh and Myanmar are recording heightened infections, raising the possibility of the government taking measures to re-isolate society, affecting the production of the textile and garment industry – a labor-intensive industry.

**Figure 17.3: Percentage of the population receiving 2 full doses of Covid-19 vaccine**



Source: Our World in Data

However, BSC noted that China's continuous pursuit of the Zero Covid policy would have an impact on the supply of materials for the Textile and Garment sector because more than 60% of input materials originate from the Chinese market, as well as the shift of suppliers. There will be several hurdles in the short future. At the same time, a high global cotton price (+50% YTD) may effect company input prices, particularly those that are self-sufficient in raw materials: MSH, TCM, GIL.

## INVESTMENT PERSPECTIVE – OUTPERFORM

We maintain the **OUTPERFORM** recommendation of the Textile sector in 2022. BSC expects the export activities of textile and garment enterprises to continue to be positive thanks to the positive order value signed at the beginning of the year and new signings as the demand for procurement in the export market increases. However, supply disruptions caused by China's embargo, as well as high cotton costs, will be the biggest threats to the Textile and Garment sector in 2022.

**Figure 17.4: Estimated business results some textile enterprises**

Ticker	Net rev 2022 (bil VND)	%YoY	NPAT 2022 (bil VND)	%YoY	EPS 2022 (VND)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 05/05/2022	Target price	Upside
MSH	6,076	28%	588	33%	11,700	7.4	2.4	16.0%	31.0%	86,400	97,700	13%
TNG	6,948	28%	402	72%	4,200	8.2	2.0	6.0%	18.0%	34,500	41,700	21%

Source: BSC Research

## 18. Fisheries Sector [Outperform]

Analyst: Nguyen Cam Tu, CFA

Email: Tuntc@bsc.com.vn

- In Q1/2022, the country's seafood export turnover was estimated at 2.4 billion USD, up 40% compared to the same period last year: Shrimp increased +37%YoY, Pangasius increased +88%YoY.
- Strong demand growth after a long period of being pent up by Covid -19: the US market is increasing sharply, while the Chinese market will be the decisive factor in the growth momentum of the pangasius industry in the second half of 2022.
- The supply of pangasius from the people needs time to expand: BSC said that the supply of pangasius will increase sharply from the end of Q2/2022.
- BSC maintain the **OUTPERFORM** recommendation for the Fisheries sector in 2022.

According to VASEP, in Q1/2022, the country's seafood export turnover was estimated at 2.4 billion USD, up 40% compared to the same period last year. In particular, the export turnover of pangasius is estimated at 646 million USD, up 88% over the same period, accounting for 27% of the urgent export value of the whole industry. Shrimp export turnover reached over 900 million USD, up 37% over the same period in 2021.

**Strong demand growth after a long period of being pent up by Covid -19: the US market is increasing sharply, while the Chinese market will be the decisive factor in the growth momentum of the pangasius industry in the second half of 2022.**

Selling prices are rising sharply in key markets: The average selling price in Q1 in the US and China reached \$ 4,580 / ton (+82% YoY and +23%QoQ) and \$ 2,530 / ton (+74% YoY and +8%QoQ) respectively.

In the U.S. market: Demand for seafood has rebounded while pangasius inventories have been very low after two years of epidemics that have prompted U.S. importers to increase imports of pangasius.

In China: BSC thinks that China will gradually move towards reopening, and then, with a market with the same consumption of pangasius as the US and pent-up demand during the two-year epidemic, will be the determining factor of the growth of the pangasius industry in the second half of 2022.

Figure 18.1: Turnover and selling price into the US market

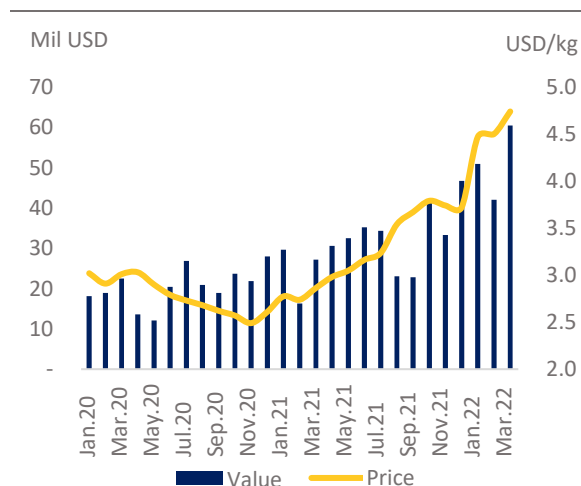
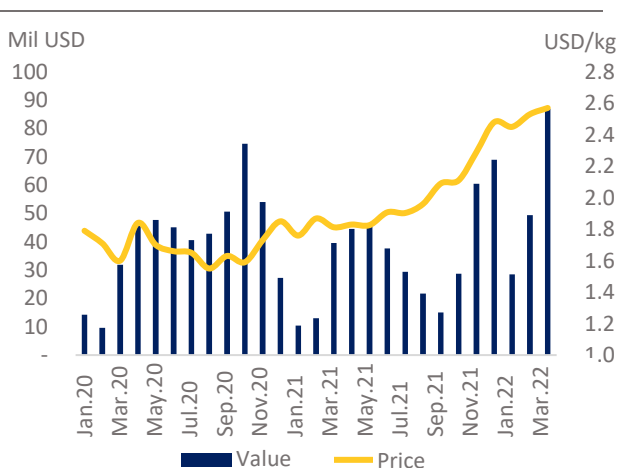


Figure 18.2: Turnover and selling price into the China market by month



Source: BSC Research

**The supply of pangasius from the people needs time to expand: BSC said that the supply of pangasius will increase sharply from the end of Q2/2022**

The price of raw fish and the price of fish breeds in Q1 2022 increased sharply: the price of fish breed in March was around 47,000 VND / kg (+67%YoY), the price of raw fish in March reached 32,000 VND / kg (+52%YoY). The BSC said that the current high prices will create incentives for farmers to release livestock. The time from the release of breeding fish to the harvest of finished fish will take about six months.

The inventory of pangasius is still at the lowest level in the last 2 years, reaching 138 thousand tons of raw fish (~ 110 thousand tons of finished fish).

**INVESTMENT PERSPECTIVE – OUTPERFORM**

BSC maintain the **OUTPERFORM** recommendation for the Fisheries sector in 2022. We expect seafood export turnover to continue to recover thanks to (1) Positive demand in export markets; (2) Supply cannot be expanded in the short term and (3) Production and business activities are not disrupted by the epidemic.

Figure 18.3: Estimated business results of some fisheries enterprises

Ticker	Net Rev 2022 (bil VND)	%YoY	NPAT 2022 (bil VND)	%YoY	EPS 2022 (VND)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 05/05/2022	Target price	Upside
VHC	12,378	38%	2,200	101%	11,900	8.7	3.3	14.0%	20.0%	103,000	132,600	29%
ANV	6,858	96%	675	X4.2	4,900	9.3	2.7	5.0%	12.0%	45,500	51,200	13%

Source: BSC Research



## 19. Rubber and Tires Sector [Outperform]

Analyst: To Quang Vinh

Email: Vinhtq1@bsc.com.vn

- **BSC assess the profitability of rubber enterprises will grow well thanks to:** the core rubber latex business continues to grow and profits from land divestment, transfer / conversion are carried out.
- The number of tires consumed is expected to increase due to increased demand to serve the recovery of transport activities after the epidemic.
- BSC maintain **OUTPERFORM** recommendation for Rubber and Tires sector in 2022.

### RUBBER SECTOR – STRONG PROFIT GAIN FROM REAL ESTATE

The average rubber price in Q1/2022 reached 204 JPY/Kg, -10%YoY, compared to the high price level Q1/2021 (average 269 JPY/Kg). However, rubber prices have increased quite sharply since the beginning of the year (+15% YTD), mainly due to: (1) Prolonged rain jams disrupting production in key exporting countries such as Thailand, leading to limited supply; (2) Demand from importing countries continued to increase sharply, during the recovery from the epidemic period and (3) Geopolitical tensions caused oil prices to rise sharply, contributing to increased movement. With the price level recovering, Vietnam's exports to this commodity still recorded a fairly positive increase in Q1/2022, with the import and export value reaching 1.6 billion USD (+18%YoY).

**BSC said that rubber prices will remain positive in 2022** by: (1) Supply mechanisms of major exporting countries, due to weather and labor factors in these countries and (2) Demand for tire toothpick products, in order to meet the demand for replacement, the assembly of new means for trade increased even more sharply during the epidemic period. According to the ANRPC, the supply and demand imbalance that led to a supply shortage in 2022, at around 125,000 tons, and is likely to continue in 2023, is the basis for rubber prices to remain high.

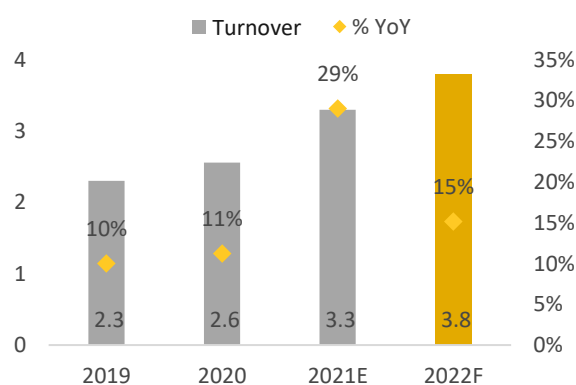
Along with the high selling price, BSC said that **land transfer and conversion activities, which are expected to resume in the industry, also contributed to the positive industry outlook in 2022**. Specifically: VSIP III Industrial Park of PHR (expected to earn nearly VND 900 billion in compensation), 317 hectares of transfer of Binh Phuoc People's Committee of DPR (price 1 billion VND / 1ha, corresponding to earning 317 billion VND), etc.

Figure 19.1: Rubber price Q1/2022 recovered compared to with the end of 2021 (JPY/kg)



Source: Bloomberg, BSC Research

Figure 19.2: Vietnam's rubber export turnover is expected to continue to grow in 2022 (bil USD)



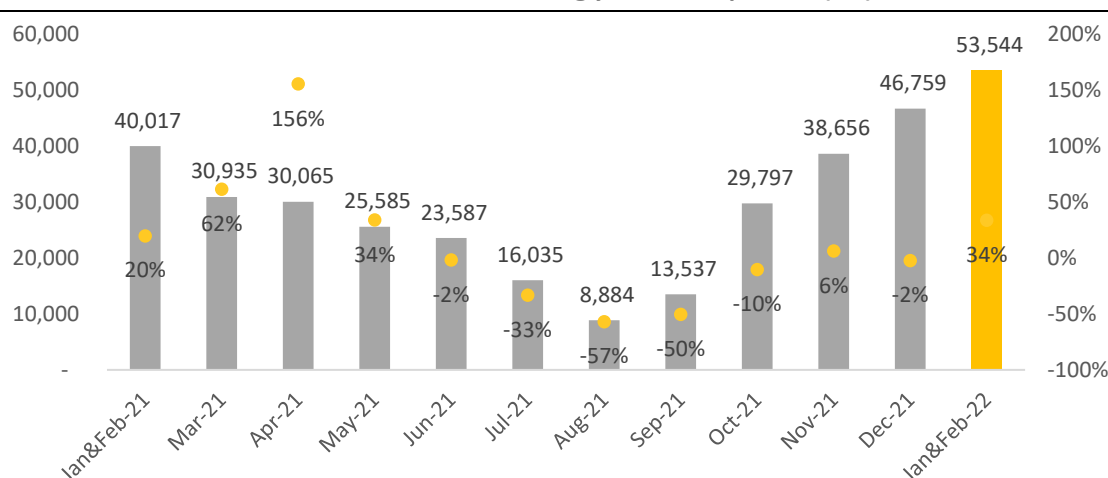
Source: HQVN, BSC Research

## TIRE SECTOR - RISING AGAIN

The business outlook for the tire t is relatively positive, thanks to the increased demand for potential consumption, when restrictions with domestic and international transport activities are removed, thanks to the high vaccine coverage, and the orientation to live with the epidemic, of the majority of importing countries. At the same time, major importing countries continue to maintain anti-dumping duties with countries that compete directly with Vietnam.

The cost of sales is unlikely to decrease, if the container shortage cannot improve in the medium term. The increased cost of input materials (black coal, rubber), will still negatively impact the profit margins of the tire chip industry. However, BSC said that the negotiation, raising the price of products, the ability to continue to be carried out when demand continues to increase.

Figure 19.3: Car sales in the whole market recovered strongly after the epidemic (car)



Source: VAMA, BSC Research

## INVESTMENT PERSPECTIVE – POSITIVE

BSC maintain **OUTPERFORM** recommendation for the Rubber sector in 2022 due to the high growth in profitability thanks to (1) The core rubber latex business continues to be favorable with increased production and selling price of pus, and (2) Divestment activities, the transfer/conversion of land to the Industrial Park will be carried out, without interruption as in 2021.

BSC maintain **OUTPERFORM** recommendation for the Tire sector in 2022 due to increased production thanks to the strong demand for tire products to serve transport activities.

Figure 19.4: Estimated business results some rubber and tires enterprises

Ticker	Net rev 2022 (bil VND)	%YoY	NPAT 2022 (bil VND)	%YoY	EPS 2022 (VND)	P/E fw	P/B fw	ROA 2022	ROE 2022	Price on 05/05/2022	Target price	Upside
DPR	1,314	8%	484	-1%	10,345	7.8	1.6	11.4%	16.2%	80,200	110,000	37%
DRC	5,012	14%	377	30%	3,172	10.2	2.0	11.8%	29.9%	32,350	40,000	24%

Source: BSC Research

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### **BSC Headquarter**

8th, 9th floor, ThaiHoldings Tower  
210 Tran Quang Khai, Hoan Kiem, Hanoi  
Tel: +84 4 3935 2722  
Fax: +84 4 2220 0669

### **BSC Ho Chí Minh Branch**

9th Floor, 146 Nguyen Cong Tru  
District 1, Ho Chi Minh City  
Tel: +84 8 3821 8885  
Fax: +84 8 3821 8510

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

**Facebook:** [www.facebook.com/BIDVSecurities](http://www.facebook.com/BIDVSecurities)

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