

Stock Market Outlook

2H24

Pressure reduces towards the end of the year

KBSV lowered the forecast for the VNIndex by the end of 2024 to 1,320 points (from 1,360 points given in our last strategy report). The EPS growth forecast of the index for this year was reduced to 14% (from 19%) as 1Q business results of the banking and real estate sectors failed to meet our expectations, in addition to concerns over the uptrend of interest rates and the slow recovery of the real estate market. At the same time, the target P/E level of VNIndex at the end of the year was downgraded to 15x (from 15.3x), reflecting the stronger impacts from higher interest rates and other risks related to the US election in late 2024.

The market is projected to move sideways in 3Q and see strong corrections in the middle of the quarter before rising again in 4Q. We believe that the pressure from exchange and interest rates will still be tense in at least the first half of 3Q and ease from 4Q thanks to the flow of foreign currency from remittances, the peak export season at the end of the year, and the Fed's rate cut. The 4Q is also the time of good news related to public investment, macro data, positive corporate profits or supportive policies from the Government. However, the results of the US election taking place in November, developments of the political crisis in the EU, global geopolitical conflicts, and domestic corruption handling are potential risks that need to be tailed.

KBSV Equity Analysis Department believes that the worth-noting investment points in the second half of 2024 will focus on logistics and public investment. The geo-political risks have been dominating maritime trade flows from the end of 2023. In addition, the disbursement of public capital will be accelerated in the last months of the year, and 2024 is the fourth year of the 2021-2025 medium-term capital plan.

Regarding the sector outlook in 2H24, our Equity team gave positive ratings to the oil and gas, residential & industrial real estate, banks, retail, logistics, and steel sectors. *(Please refer to part VI. Sector outlook of this report for more details)*

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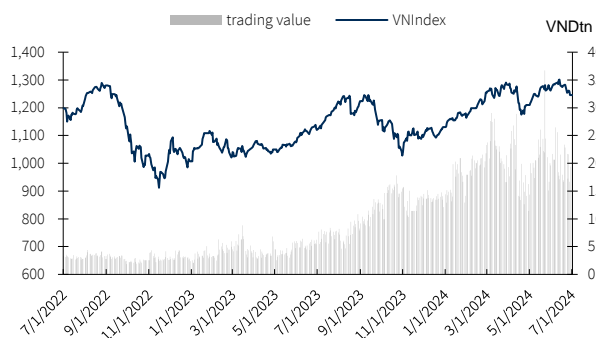
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I. Stock market outlook in 2H24

The stock market moved sideways in an upward trend in 1H24

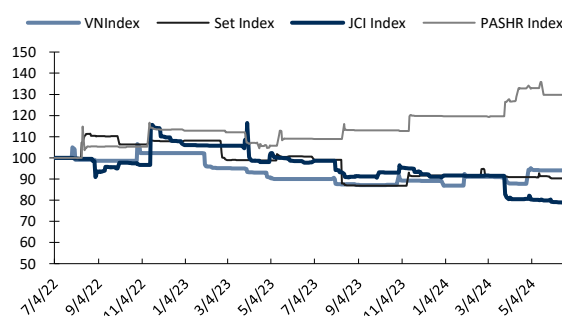
The developments of Vietnam stock market in the first half of the year were full of wobbles and could be divided into two phases. In the first phase, lasting until the end of 1Q, the VNIndex continued the recovery trend from the end of 2023, led by low interest rates and economic recovery. In the next phase, exchange rate pressure, higher deposit interest rates, and foreign net sell made the market become unstable and fall towards the end of the quarter. For the entire first half of 2024, the VNIndex gained 10% in point, and trading value surged 83% YoY.

Fig 1. Vietnam – VN-Index & trading value (points, VNDtn)



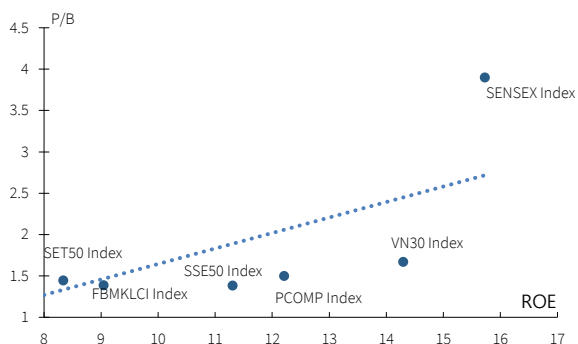
Source: Bloomberg, KB Securities Vietnam

Fig 2. ASEAN4 – P/E movements (x)



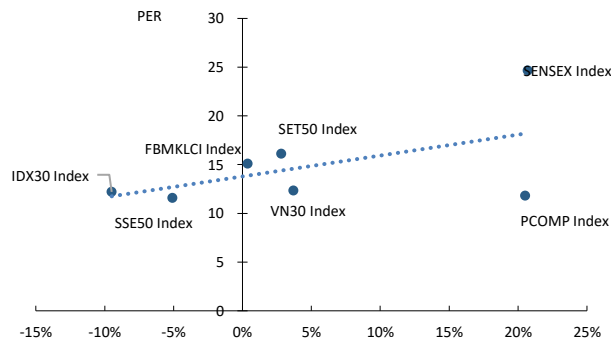
Source: Bloomberg, KB Securities Vietnam

Fig 3. Global – P/E & ROE correlation of stock markets (x, %)



Source: Bloomberg, KB Securities Vietnam

Fig 4. Global – P/E & EPS growth correlation of stock markets (x, %)



Source: Bloomberg, KB Securities Vietnam

For the outlook in the second half of 2024, we believe that there will be four main factors shaping the trend of Vietnam's stock market, including:

Improved profits of listed companies

We lowered the average EPS growth forecast for businesses listed on the HSX to 14% (from 19% given in the most recent report) as the 1Q earnings season was not as optimistic as expected. This also reflects our more cautious view on two large capitalization sectors, banking and real estate, amid the rising trend of interest rates and the slow recovery of the real estate market. However, 14% is still considered a high increase and can support the stock market.

Rising interest rates due to exchange rate pressure

We expect deposit interest rates will continue to increase by 0.7%–1% in 2H24, putting pressure on the stock market. This is a consequence of the State Bank's (SBV) exchange rate stabilization policies such as net withdrawal through the T-bill channel, selling foreign exchange reserves (estimated at USD6 billion in the first half of the year), and raising OMO and T-bill interest rates. The exchange rate pressure may be tense until the third quarter before easing in 4Q thanks to the Fed's lowering interest rates, increased foreign currency sources from remittances, and exports entering the peak season.

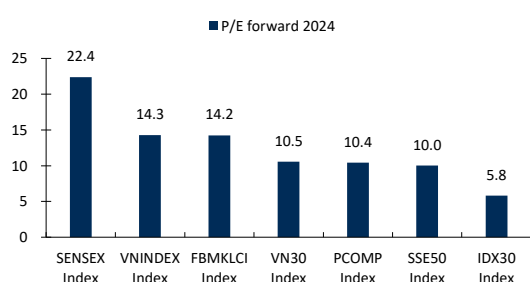
Fed's monetary policy

We changed our forecast for the number of Fed rate cuts this year to one time, instead of three times stated in the last report. This is the main reason why exchange rate pressure will remain intense for at least the first half of 3Q before cooling down in 4Q.

US presidential election

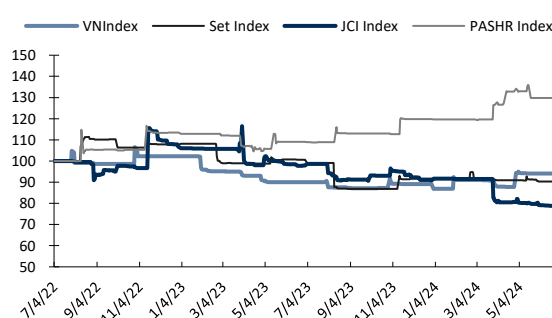
The impact of the US election taking place later this year on the Vietnamese stock market will depend on the chosen candidate. In the negative scenario, if Trump is re-elected as the president, and trade tensions putting pressure on the global stock market like the 2018–2019 period can happen again. In addition, his expansionary fiscal policy will raise inflation risks, and Vietnamese goods imported into the US will be targeted, which may exert adverse effects on Vietnam's stock market.

Fig 5. Global – 2024 forward P/E of stock markets (x)



Source: Bloomberg, KB Securities Vietnam

Fig 6. ASEAN4 – EPS growth (%)



Source: Bloomberg, KB Securities Vietnam

The VNIndex should reach 1,320 points by the end of 2024

KBSV lowered the forecast for the VNIndex by the end of 2024 to 1,320 points (from 1,360 points given in our last strategy report) after reducing the P/E target to 15x (from 13x – to reflect the impacts from higher interest rates) and the forecast of profit growth of HSX businesses to 14% (from 19%).

II. Business performance in 1H24

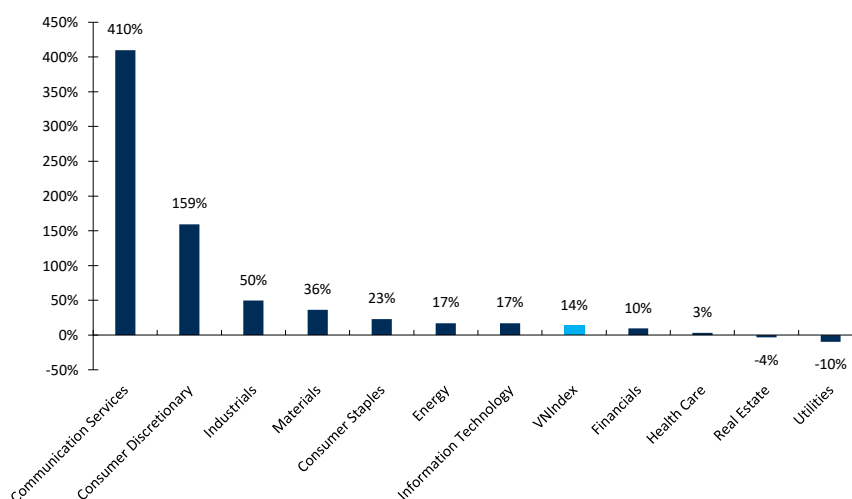
We lowered our forecast for average EPS growth of businesses on the HSX in 2024 to 14% YoY (down 5% compared to 19% in the former report)

We reduced the EPS growth forecast for the entire market from 19% in the previous strategy report to 14% YoY (Figure 7). This is still considered a high growth, expecting that the production and business activities of most businesses listed on the HSX have bottomed out in 2023 and entered a new recovery cycle from 2024. The main supportive factors are: (1) Easing monetary policy and lower interest rates despite the increasing pressure; (2) other support policies from the Government such as promoting public investment, tax exemptions, and attracting FDI capital; and (3) growing import-export orders and production line capacity in the context of bilateral trade between the US and Vietnam being promoted and Vietnam approaching the be recognition as a market economy.

However, the lower forecast reflects our cautious view on the business prospects of the two main sectors, banking and real estate, after the subdued 1Q earnings season and new developments of interest rates. To be more specific, the increase in deposit interest rates from the end of 1Q squeezed NIMs in most banks, in addition to asset quality issues that still need to be monitored further. Meanwhile, the business activities of real estate businesses have not shown any more positive signs, and interest costs are still significantly eroding the profits of most companies on the stock exchange.

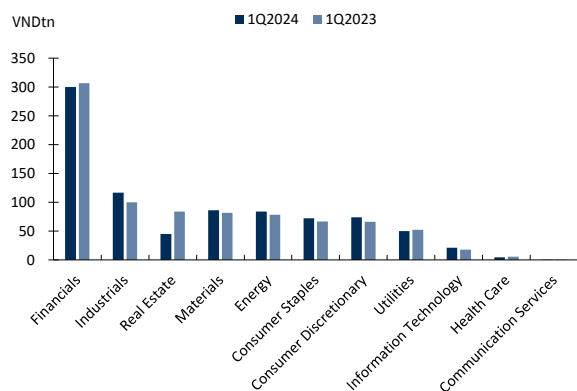
On the contrary, we raised our forecast for four industries, non-essential consumer goods, industrial, raw materials, and energy by respectively 159%, 50%, 36%, and 17% from the last report. The businesses in these industries recovered far beyond the market expectations in 1Q, led by large caps like Mobile World Investment (MWG), FPT Digital Retail (FRT), Vietnam Airlines (HVN), Vietjet Aviation (VJC), Hoa Phat Group (HPG), Petrolimes (PLX), and PV Drilling & Well Services (PVD).

Fig 7. Vietnam – 2024F EPS growth (%)



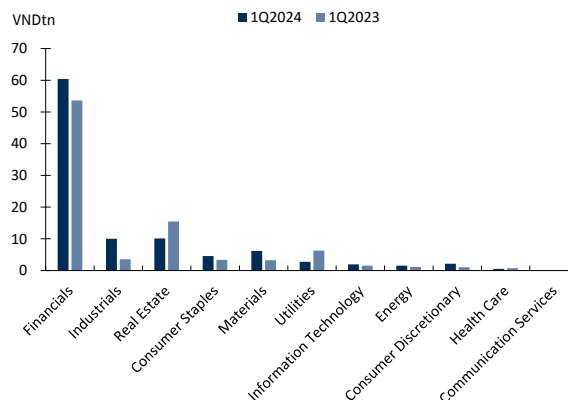
Source: Bloomberg

Fig 8. Vietnam – 1Q24 revenue across sectors (VNDtn)



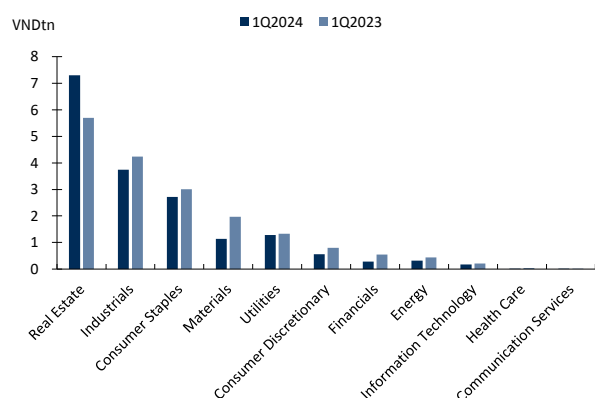
Source: Bloomberg, KB Securities Vietnam

Fig 9. Vietnam – 1Q24 profit across sectors (VNDtn)



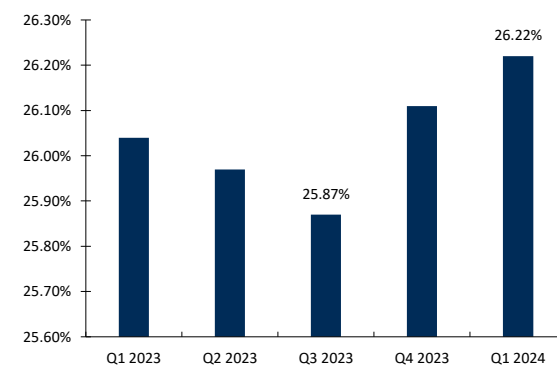
Source: Bloomberg, KB Securities Vietnam

Fig 10. Vietnam – 1Q24 financial expenses (VNDtn)



Source: Bloomberg, KB Securities Vietnam

Fig 11. Vietnam – Average gross margin of VNINDEX



Source: Bloomberg, KB Securities Vietnam

Revenue was almost flat in 1Q, but profits considerably improved

The total revenue of businesses on the HSX in 1Q slightly decreased 0.51% YoY. The main underperformers were the financial (-2% YoY) and real estate companies (-46% YoY), marked by the slow credit growth at state-owned banks and the deterioration in business results of two large real estate developers, Vingroup (VIC, -44% YoY) and Vinhomes (VHM, -72% YoY). However, except for the two mentioned and utilities, the remaining industry groups all showed better signs, especially the industrial sector (+17% YoY) and consumer staples (+12% YoY). Other sectors all record single-digit growth.

The largest contributor to the whole market profit growth (+11% YoY) is the finance group (+12.4% YoY). The recovery is also seen in non-financial sectors like the industrial (+178% YoY), consumer staples (+96% YoY), and raw materials (+92% YoY) when the industry leading tickers like HVN, VJC, Gemadep (GMD), MWG, and Hoa Phat Group (HPG) had big changes in profit.

Apart from the real estate group, all had better profit with debt restructuring and interest costs minimization (Figure 10). The GPM of all businesses on the HSX (excluding the finance group) has peaked for the last four quarters (Figure 11), showing effective inventory optimization in low seasons.

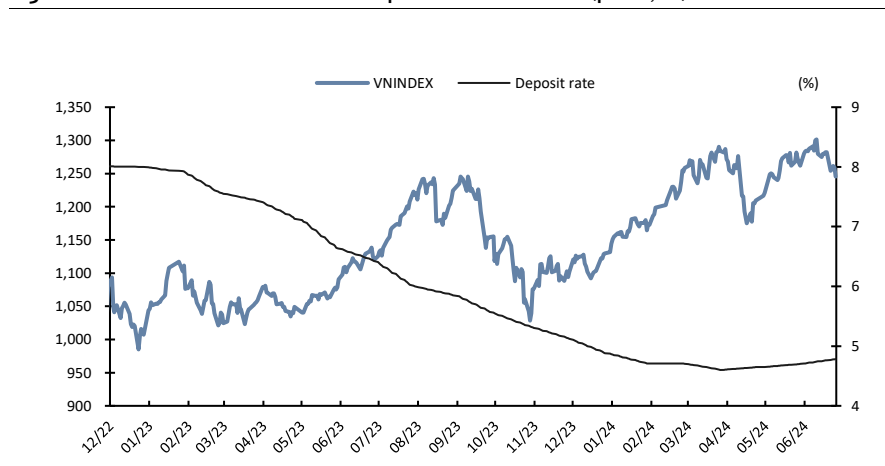
III. Market drivers in 2H24

1. Interest rates & exchange pressure

The supporting effects from interest rates will be much weaker

Low interest rates are an important supporting factor for the stock market. In 1Q24, deposit interest rates reached record lows, while lending interest rates also dropped considerably from the peak at the end of 2022. Accordingly, the VNIndex gained 25% for five straight months, and the market was vibrant with many sessions reaching over USD1 billion in value. However, deposit interest rates rebounded in 2Q due to pressure from the exchange rate, which affected investor sentiment. The VNIndex then witnessed steep falls, and trading liquidity was low with continuous foreign net sell. We believe that the interest rate level in 2H24 will inch up but still stay low and not yet causes many negative impacts. Nevertheless, this will no longer be a strong supporter for the stock market as in the previous period.

Fig 12. Vietnam – VNIndex & 12M deposit interest rates (point, %)



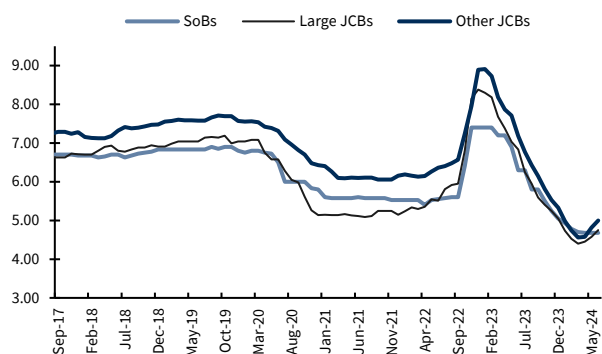
Source: Bloomberg, WChart, KB Securities Vietnam

Deposit interest rates are forecast to continue to increase by 70–100bps from now until the end of the year

By the end of June, deposit interest rates at some banks increased 10–30bps from the bottom area for short terms of 1–12 months. This resulted from a lack of cash in the interbank market after the SBV’s moves to stabilize exchange rates. We project that deposit interest rates will continue to rise 70–100bps from now until the end of the year to a level equivalent to the Covid-19 bottom in the 2020–2021 period.

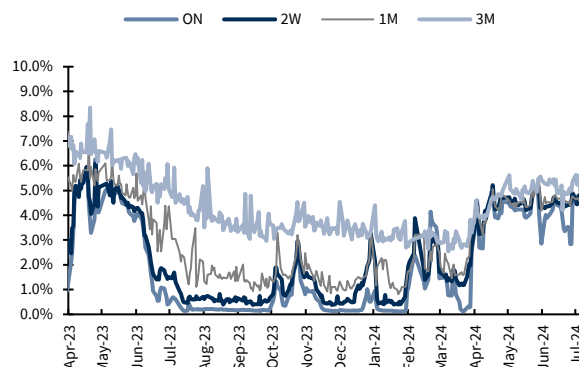
- **Exchange rates are still the main reason for deposit interest rate increase in the short term.** In the base case, the exchange rate may not cool down anytime soon, and there will even be local tensions at times, forcing the SBV to continue its intervention by selling foreign currencies and keep interbank interest rates high enough to limit carry trade. These will directly impact the system liquidity and raise deposit interest rates in the customer channel, especially in the group of small and medium-sized private commercial banks with less flexible deposit sources and banks recording good credit growth.

Fig 13. Vietnam – 12M average deposit interest rate (%)



Source: WChart, KB Securities Vietnam

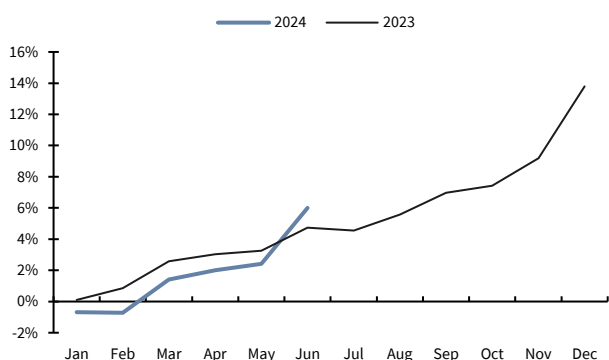
Fig 14. Vietnam – Interbank interest rates (%)



Source: FinPro, KB Securities Vietnam

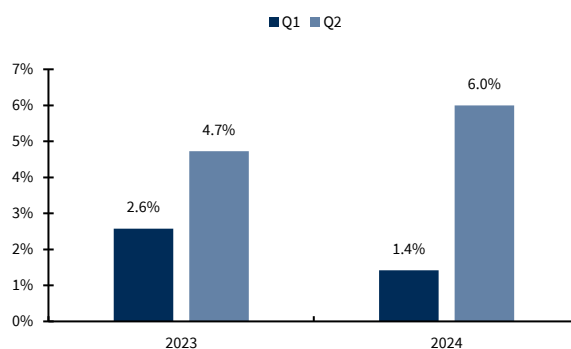
- Credit demand is expected to recover, leading to the need to mobilize capital, thereby making the increase in deposit interest rates continue at the end of the year. Credit growth should show a clearer recovery, following the economic warming in 2H24 and being led by: (1) A surge in import turnover in recent months bodes well for the manufacturing industry and export activities in the coming time. (2) The absorption of monetary and fiscal policies causes domestic demand to improve. (3) The real estate market is thriving. In fact, credit in 2Q recorded an improvement, reaching 4.45% YTD in June (up 4.2ppts QoQ in 2Q alone, much higher than the increase of 2.1ppts QoQ in 2Q23), underpinned by real estate and infrastructure development lending groups.

Fig 15. Vietnam – Credit growth of the whole economy (%YTD)



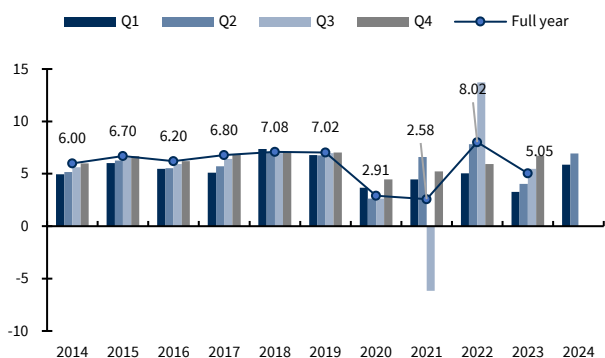
Source: State Bank of Vietnam, General Statistics Office, KB Securities Vietnam

Fig 16. Vietnam – 1Q & 2Q credit growth (%YTD)



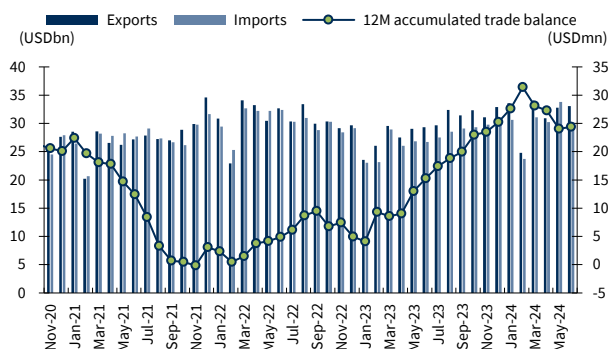
Source: State Bank of Vietnam, General Statistics Office, KB Securities Vietnam

Fig 17. Vietnam – GDP growth (% YoY)



Source: General Statistics Office, KB Securities Vietnam

Fig 18. Vietnam – Import-export turnovers & 12M trade balance (USDbn)



Source: General Statistics Office, KB Securities Vietnam

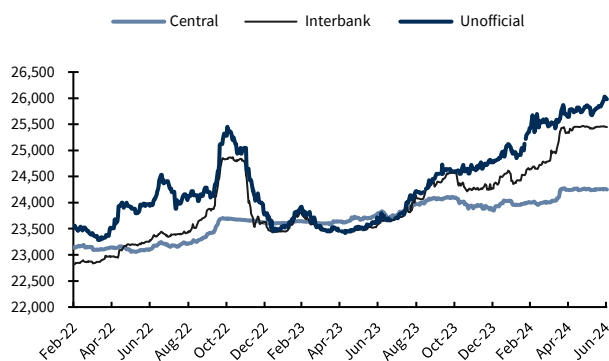
Lending interest rates have bottomed out and are likely to move sideways or slightly increase at the end of the year

Lending interest rates have dropped to a low level compared to the peak at the end of 2022 according to the Government and SBV’s policy of lowering interest rates to support economic development. However, with the rebound in capital mobilization costs, we believe that lending interest rates have bottomed out and will likely move sideways or increase slightly in the near future. The specific increase will depend on each bank. State-owned banks, due to their economic support role, will keep lending interest rates low, while private banks tend to raise interest rates to be in line with the increase in cost of funds (CoF).

The USD/VND exchange rate will continue to be under pressure in 3Q

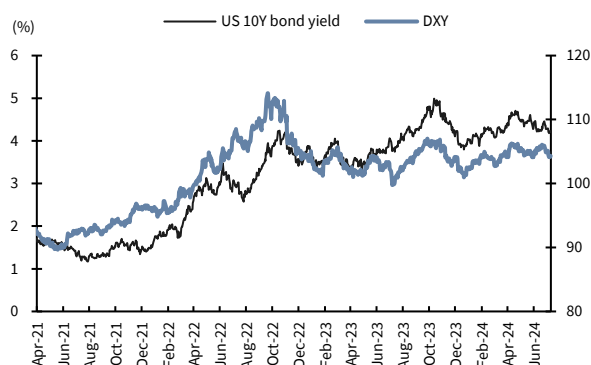
The USD/VND interbank exchange rate is tense as it continuously approaches and exceeds the SBV’s selling threshold at 25,450 (+4.9% YTD). Although the bank has intervened by directly selling FX reserves at a large volume (estimated at USD6 billion as of June 26), the exchange rate still shows no signs of cooling down. We believe that the exchange rate in the coming time will be under a lot of pressure because (1) the demand for imported raw materials and production inputs is expected to continue to increase; (2) exporting and FDI enterprises tend to keep USD abroad; and (3) DXY anchors in the high zone amid the depreciation of other currencies.

Fig 19. Vietnam – USD/VND exchange rates (%)



Source: Bloomberg, FiinPro, KB Securities Vietnam

Fig 20. US – 10Y bond yield & DXY (%)



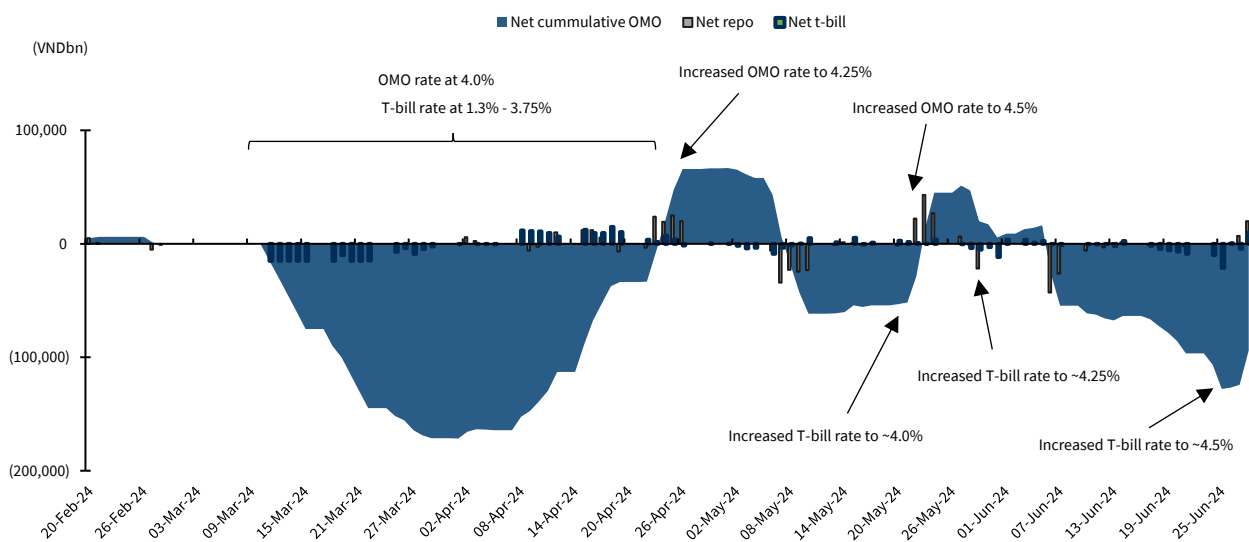
Source: Bloomberg, KB Securities Vietnam

The moves that the SBV may take in the coming time

To deal with exchange rate pressure, which is expected to last at least until the middle of 3Q (near the time the Fed lowers interest rates), the SBV may implement all three solutions:

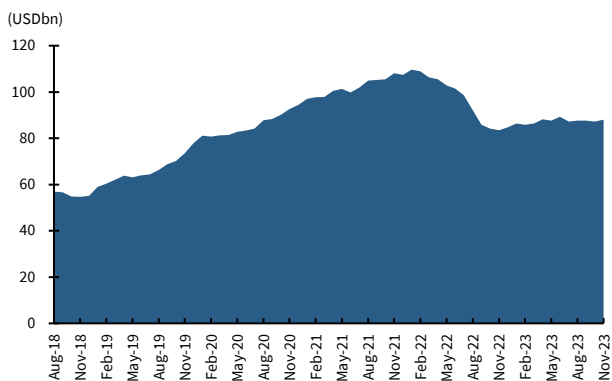
- **Continuing to sell USD:** This tool has been applied for the past three months. However, with current estimates, foreign exchange reserves are close to the IMF's recommended level, equivalent to three months of imports. There is not much room for the bank to continue selling reserves if it does not want to affect credit rating. Therefore, the SBV will need to synchronously implement the following two solutions to reduce the market's demand for USD.
- **Raising VND interest rates:** The SBV raised OMO and T-bill interest rates by 0.5 and 3.1ppts respectively compared to the early period of 2024 (Figure 21). We believe that this move will be continued to maintain a high market interest rate level, minimize exchange rate speculation transactions, and increase deposit interest rates at a moderate level, thereby increasing the attractiveness of holding VND.
- **Raising the price of USD:** In the context that the level of VND devaluation is still at a low average compared to other currencies in the region (Figure 23 & 24), and inflation may still be under control in the last months of the year, the SBV can, and most likely will, raise the price of USD (and at the same time raise the central exchange rate), allowing VND to further drop by 5% in value.

Fig 21. Vietnam – OMOs & interest rate developments (VNDbn, %)



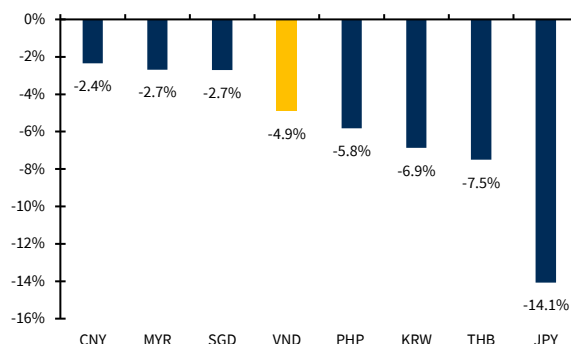
Source: State Bank of Vietnam, KB Securities Vietnam

Fig 22. Vietnam - FX reserves (USDbn)



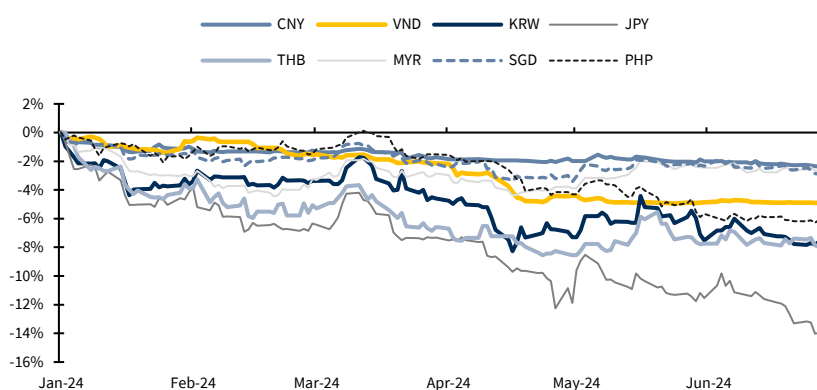
Source: Bloomberg, KB Securities Vietnam

Fig 23. Global - Depreciation rate of some currencies vs USD on June 28, 2024 (% YTD)



Source: Bloomberg, KB Securities Vietnam

Fig 24. Global - Depreciation rate of some currencies vs USD (% YTD)



Source: Bloomberg, KB Securities Vietnam

The exchange rate should gradually cool down in 4Q and gain 4.5% YTD to VND25,360/USD

The positive point is that foreign currency resources will improve in 1Q when exports are boosted, remittances flow in, and at the same time, expectations of the Fed cutting interest rates will ease pressure on the exchange rate. We expect that the Fed will lower interest rates in 2H24, and there is only one cut this year. Accordingly, KBSV forecasts that the exchange rate will stabilize and increase 4.5% YTD to VND25,360/USD this year.

Table 2. US – Probability of rate cuts as of July 1, 2024 (%)

According to CME, the market is expecting the Fed to lower interest rates in September with a probability of 56.3%, and there will be two cuts this year.

	325-350	350-375	375-400	400-425	425-450	450-475	475-500	500-525	525-550
Jul 31, 2024				0,0%	0,0%	0,0%	0,0%	10,9%	89,1%
Sep 18, 2024	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	6,3%	56,3%	37,4%
Nov 7, 2024	0,0%	0,0%	0,0%	0,0%	0,0%	2,3%	24,5%	49,4%	23,8%
Dec 18, 2024	0,0%	0,0%	0,0%	0,0%	1,6%	17,8%	42,0%	31,5%	7,1%
Jan 29, 2025	0,0%	0,0%	0,0%	0,9%	10,9%	31,7%	35,9%	17,5%	3,0%
Mar 19, 2025	0,0%	0,0%	0,6%	7,2%	23,9%	34,4%	24,4%	8,4%	1,1%
Apr 30, 2025	0,0%	0,3%	3,5%	14,5%	28,5%	30,0%	17,5%	5,3%	0,6%
Jun 18, 2025	0,1%	2,1%	9,9%	22,7%	29,4%	22,6%	10,3%	2,6%	0,3%
Jul 30, 2025	0,9%	5,0%	14,6%	25,1%	26,9%	18,2%	7,5%	1,7%	0,2%

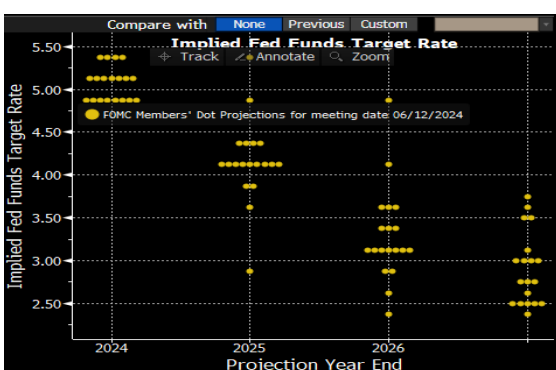
Source: CME Group, KB Securities Vietnam

2. The Fed’s monetary policy

The Fed is expected to have only one rate cut this year

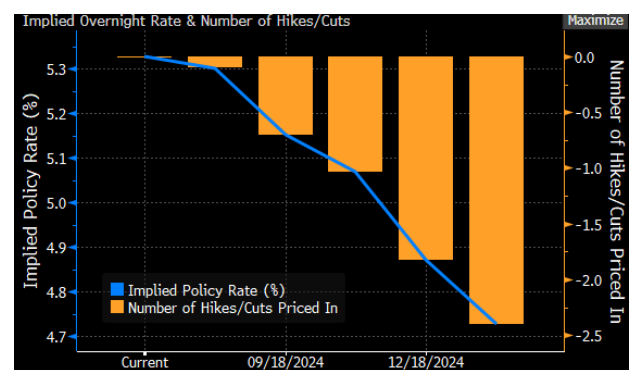
We changed our forecast for the number of Fed rate cuts this year to one time, instead of three times stated in the last report as the inflation is more persistent than expected. While other major central banks such as Switzerland, Sweden, Canada, and the EU have cut interest rates, and the Bank of Japan maintains a strong loosening policy, the Fed’s delay in lowering interest rates will cause the DXY (measuring the strength of the USD in a basket of currencies) to stay high. This, when combined with the large difference between USD-VND interest rates, will make exchange rate pressure prolong in 2H24, leading to an uptrend in interest rates and putting pressure on the stock market.

Fig 25. US – Fed dot plot



Source: Bloomberg, KB Securities Vietnam

Fig 26. US – Current implied interest rates (%)



Source: Bloomberg, KB Securities Vietnam

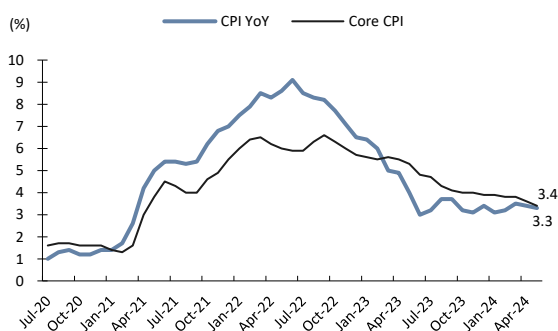
The Fed changed its plan to lower interest rates at the May meeting

After the meeting at the end of May, Fed changed its plan to cut interest rates only once this year with a reduction of 25bps, less than the forecast of three times given earlier in March. At the beginning of June, the CME FedWatch interest rate tracking tool showed that investors were betting on the possibility of the Fed cutting interest rates for the first time in September (the highest) at more than 59%.

The number of interest rate cuts has decreased from three to one due to:

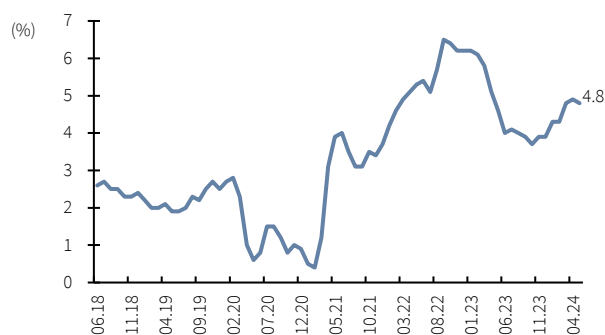
- (i) **Inflation cooled in May but was more persistent than expected.** After increasing 3.5% YoY in March, the US CPI gained 3.3% YoY, down 0.1bps compared to April and exceeded the market expectations (3.4%). The main reason for this is falling oil prices throughout May. On the other hand, if the impact of food and energy components is removed, core CPI shows a slight decrease to 3.4% YoY (vs 3.5% as the market expected), reaching three-year lows. However, this signal is not convincing enough to prove that US inflation will cool down significantly and is still far from the Fed's target of 2%.
- (ii) **Housing and accommodation costs are slowing down the decline in inflation.** This component (accounting for more than 30% of the CPI structure) has increased by 0.4% MoM for three straight months, corresponding to an increase of 5.4% YoY in May. Although this is the lowest level since April 2022, the index is more "stubborn" than expected when accommodation costs are higher than the pre-Covid average and have not made a considerable decrease.
- (iii) **Energy may need more monitoring as it can put more pressure on CPI.** Although oil prices strongly declined in May, which is a strong supportive factor to lower the CPI, they rebounded in June. WTI oil price in mid-June rose 6% to USD82/barrel from an average of USD77/barrel in May. Oil prices continue to be threatened by geopolitical conflicts and output cut policies from the OPEC+, while consumption demand remains relatively high. Therefore, we believe that oil prices may continue to be high from now until the end of the year and raise concerns about inflationary pressure.
- (iv) **The US labor market is still stronger than expected.** The hourly wage growth rate is also higher than forecast, reaching 0.4% MoM and 4.1% YoY (vs 0.3% and 3.9% in the previous forecast). The surge in wages may signal that inflationary pressures in the economy are still persistent. If including people of working age who do not intend to find work and those who only work part-time for spending reasons, the US unemployment rate in May remained at 7.4%, unchanged from last month.

Fig 27. US – CPI & core CPI (% YoY)



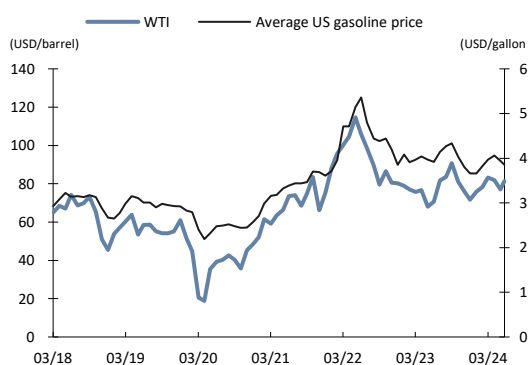
Source: Bloomberg, KB Securities Vietnam

Fig 28. US – Supper core CPI (% YoY)



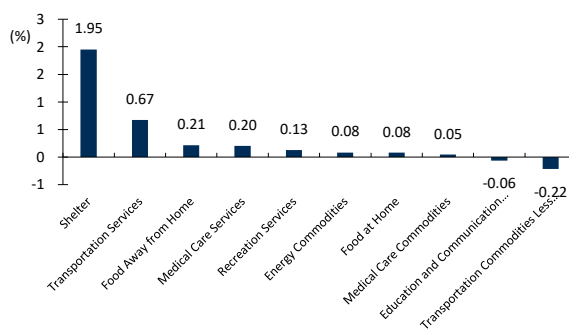
Source: Bloomberg, KB Securities Vietnam

Fig 29. US – Average WTI oil & gas prices (USD/barrel, USD/gallon)



Source: Bloomberg, KB Securities Vietnam

Fig 30. US – CPI components (%)



Source: Bloomberg, KB Securities Vietnam

The Fed delayed cutting rates, which negatively impacted the stock market

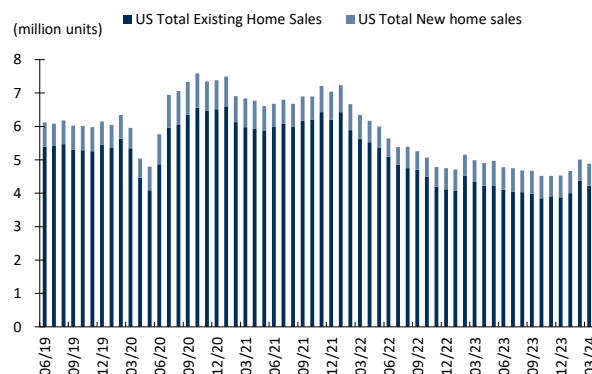
With current economic data of the US economy, the Fed may delay its rate cut until after September this year. In addition, the first interest rate cut is expected to be 25bps (not too large), implying that interest rates are still at a relatively high level. Accordingly, the USD maintains its strength, which, when combined with the interest rate difference between USD and VND, will put pressure on the exchange rate. Interest rates, which are currently low, are likely to be raised to reduce the pressure, thereby adversely affecting the domestic stock market. Furthermore, investors who expected an early interest rate cut by the Fed this year were disappointed when their expectations were not met, which could trigger selloffs in the short term.

Fig 31. US – New building permits (thousand permits)



Source: Bloomberg, KB Securities Vietnam

Fig 32. US – House sales (million units)



Source: Bloomberg, KB Securities Vietnam

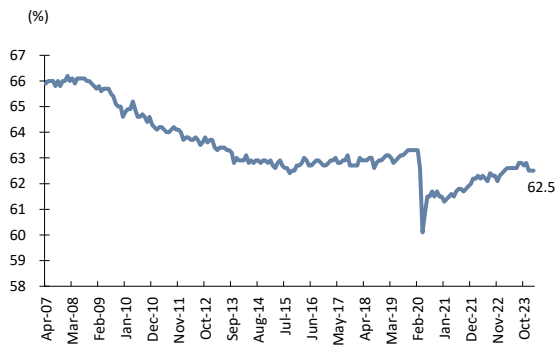
Factors that may affect the Fed’s decision to lower interest rates

The cooling housing component is an important factor in bringing CPI to the target of 2%. The current US real estate market data demonstrated ready-to-sell houses rose 9% MoM to 1.21 million units in May. Home sales went down slightly, and the number of building permits issued in May hit 1,386,000, lower than the average in 2023. The real estate market did not show many positive signs. The housing component in the CPI has a certain lag compared to the actual market. Therefore, we expect that the housing and accommodation part will gradually be reflected in the CPI and cool down in the near future, reducing pressure on inflation.

Signs of a weakening job market are expected. According to a report from the US Department of Labor, the unemployment rate gained 4% for the first time since January 2022, inching up slightly from 3.9% in April. The labor force participation rate decreased by 0.2ppts from 62.5% last month. Hourly wages increased 0.4% MoM and 4.1% YoY. Both numbers are higher than forecasts of 0.3% and 3.9%, respectively. Meanwhile, annual salary growth also rose from 4% to 4.1% and has always fluctuated around 4% since 3Q23. Although the data are stronger than market expectations, the unemployment rate has returned to the 4% mark since February 2022.

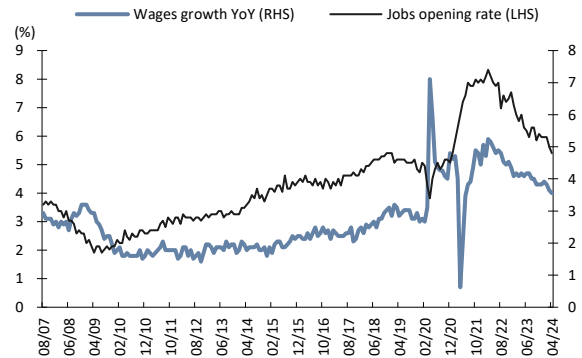
Overall, the US labor market is still stronger than expected, but rising unemployment is a signal of weakness in the job market. If this index increases sharply, it signals that the US economy is weak and at risk of recession, which urges the Fed to lower interest rates to support the economy.

Fig 33. US – Labor force participation rate (%)



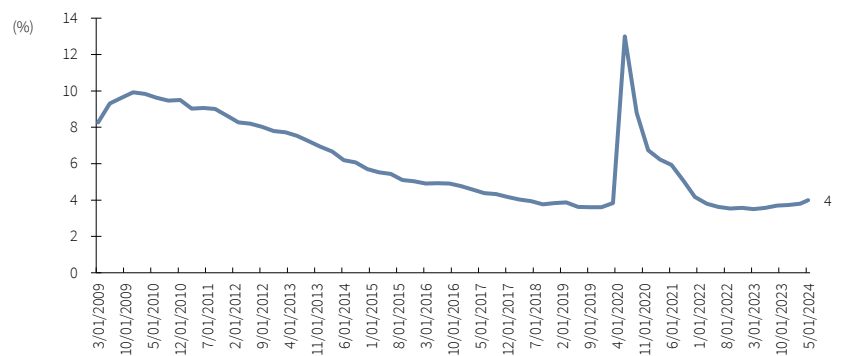
Source: Bloomberg, KB Securities Vietnam

Fig 34. US – Wage growth & job openings rate (%)



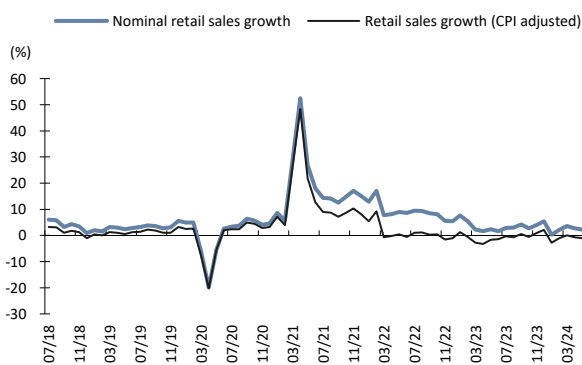
Source: Bloomberg, KB Securities Vietnam

Fig 35. US – Unemployment rate (%)



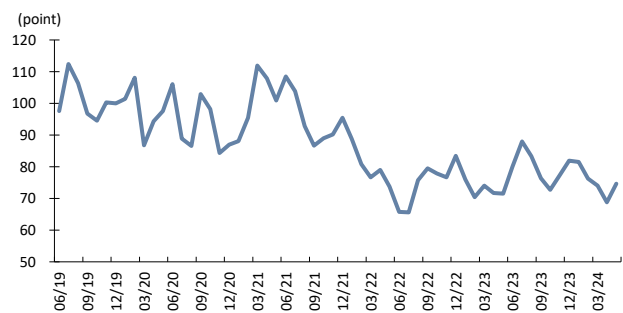
Source: Bloomberg, KB Securities Vietnam

Fig 36. US – Nominal retail sales growth (%)



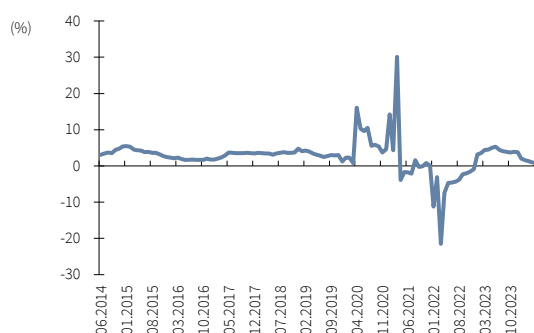
Source: Bloomberg, KB Securities Vietnam

Fig 37. US – Consumer expectation index (point)



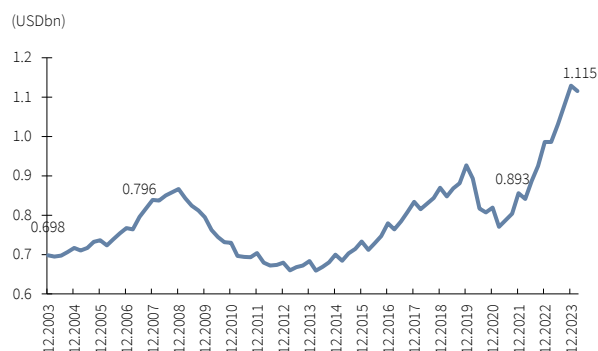
Source: Bloomberg, KB Securities Vietnam

Fig 38. US – Disposable personal income growth (% YoY)



Source: Bloomberg, KB Securities Vietnam

Fig 39. US – Consumer credit outstanding (USDbn)



Source: Bloomberg, KB Securities Vietnam

3. US presidential election

The US stock market often has positive developments in election years

According to statistics from 24 presidential terms (Table 2) from 1927 to 2024, the S&P500 often has positive developments (gaining in point in 19 out of 24 terms) in the fourth year of the term (also the year of election), ranking only behind the third year (increasing in point in 19 out of 24 terms) and outperforming the first two years of the term. This is because the newly elected president's policies need time to become effective and therefore often fall in the third or fourth year. Besides, it is also believed that in order to create an advantage for the next election, general elections often tend to implement policies to stimulate the economy and promote the stock market, which attracts public attention and gains the support of voters in the last two years of the term.

Table 2. US – S&P500 in 1928–2024 (point)

Year 1	Average	6.6%	Year 2	Average	3.3%	Year 3	Average	14%	Year 4	Average	7.5%
Index	Performance		Index	Performance		Index	Performance		Index	Performance	
2021	4766	27%	2022	3840	-19%	2023	4770	24%	2024 (YTD)	5361	12%
2017	2674	19%	2018	2507	-6%	2019	3231	29%	2020	3756	16%
2013	1848	30%	2014	2059	11%	2015	2044	-1%	2016	2239	10%
2009	1115	23%	2010	1258	13%	2011	1258	0%	2012	1426	13%
2005	1248	3%	2006	1418	14%	2007	1468	4%	2008	903	-38%
2001	1148	-13%	2002	880	-23%	2003	1112	26%	2004	1212	9%
1997	970	31%	1998	1229	27%	1999	1469	20%	2000	1320	-10%
1993	466	7%	1994	459	-2%	1995	616	34%	1996	741	20%
1989	353	27%	1990	330	-7%	1991	417	26%	1992	436	4%
1985	211	26%	1986	242	15%	1987	247	2%	1988	278	12%
1981	123	-10%	1982	141	15%	1983	165	17%	1984	167	1%
1977	95	-12%	1978	96	1%	1979	108	12%	1980	136	26%
1973	98	-17%	1974	69	-30%	1975	90	32%	1976	107	19%
1969	92	-11%	1970	92	0%	1971	102	11%	1972	118	16%
1965	92	9%	1966	80	-13%	1967	96	20%	1968	104	8%
1961	72	23%	1962	63	-12%	1963	75	19%	1964	85	13%
1957	40	-14%	1958	55	38%	1959	60	8%	1960	58	-3%
1953	25	-7%	1954	36	45%	1955	45	26%	1956	47	3%
1949	17	10%	1950	20	22%	1951	24	16%	1952	27	12%
1945	17	31%	1946	15	-12%	1947	15	0%	1948	15	-1%
1941	9	-18%	1942	10	12%	1943	12	19%	1944	13	14%
1937	11	-39%	1938	13	25%	1939	12	-5%	1940	11	-15%
1933	10	44%	1934	10	-5%	1935	13	41%	1936	17	28%
1929	21	-12%	1930	15	-28%	1931	8	-47%	1932	7	-15%
									1928	24	38%

Source: Bloomberg, KB Securities Vietnam

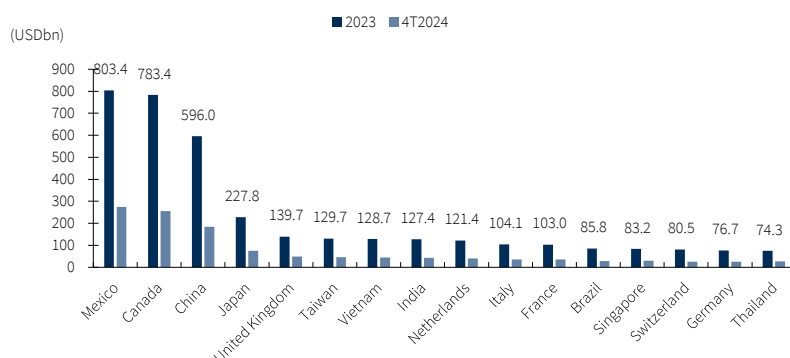
The impact of the 2024 election on the US stock market in 2H24 depends on which candidate will win

The positive developments of the US stock market from the beginning of the year until now have once again supported the scenario of an increase in the S&P500 index for the 2024 election year. However, after a strong increase in the first half of the year, we believe that the US stock market may witness corrections in the last months of the year due to the influence of the election, depending on who will be the next president:

- Joe Biden being re-elected is considered a positive scenario for the stock market as policy stances will not change much, and trade disputes between countries will be less likely to arise, although the Biden government is still enforcing Trump-era import tariffs and recently added taxes on items with high added value, especially imported from China such as computer and medical chips (25-50% taxed). In mid-May, the US quadrupled tariffs on Chinese electric vehicles to more than 100%. US officials explained this was to offset "China's unfair practices and subsidies" and create a "fairer" market for US automakers and workers.
- On the contrary, the scenario in which Trump becomes the president can cause the US stock market to plummet because: (i) Trump has announced that he will raise tariffs to 10% on all imported goods and 60% tariff on imported goods from China if he wins a second term. The trade war that caused the global stock market to struggle in the 2018-2019 period may return. (ii) It is likely that the US budget deficit will become even more serious if Trump is elected, public spending is boosted, controlling inflation will be more difficult, and the Fed may find it harder to lower interest rates as expected by the market. (iii) The US politics will be more volatile, and new policies will be more unpredictable, which will add more risks to the market.

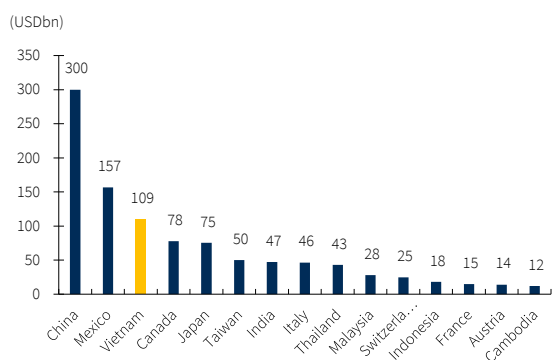
There is a high correlation between Vietnam and US stock markets, the re-election of Trump could hide risks as trade activities between the two countries will be watched more closely (Vietnam's trade surplus with the US has increased significantly since 2020-2021, and the US regularly has a trade deficit with Vietnam at a record level, ranking third - Figure 41). The risk of being assessed as a currency manipulator and possible tariff barriers being erected will make it more difficult for Vietnamese goods to enter the US.

Fig 40. Vietnam – 15 countries with the largest import-export turnover with the US in 2023-2024



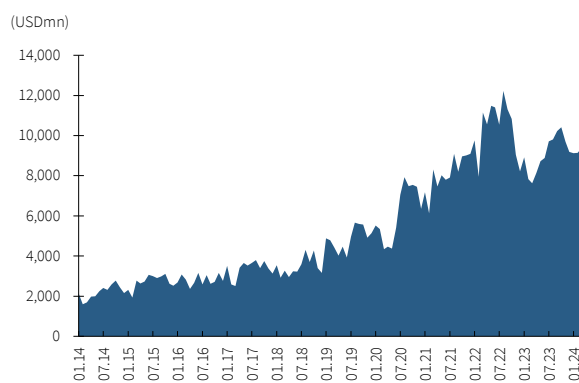
Source: Bloomberg, KB Securities Vietnam

Fig 41. Vietnam – 15 countries with the largest trade surplus with the US in 2023



Source: General Statistics Office of Vietnam, KB Securities Vietnam

Fig 42. Vietnam – Trade surplus with the US in 2014-2024



Source: General Statistics Office of Vietnam, KB Securities Vietnam

IV. Investment themes & KBSV model portfolio

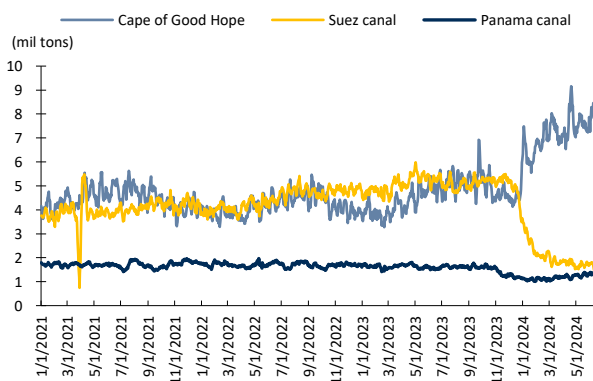
1. Higher freight rates

Unstable situation at important shipping routes

It is estimated that the volume of goods transported through the Suez and Panama canals accounts for about 13 – 18% of total trade goods worldwide and up to 35% of total traffic on the sea route. Therefore, the dual crisis related to the above two canals has seriously disturbed the intercontinental trade.

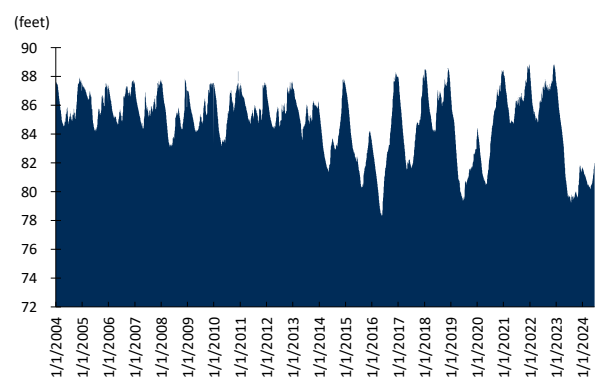
- In order to show solidarity with the Palestinian people, in November 2023, Houthi forces carried out their first attacks and targeted cargo ships which they believed were involved in Israel in the Red Sea and the Gulf of Aden. This has severely disrupted shipping across the strait, forcing some of the world's largest shipping lines to stop going through the Red Sea and chose further routes such as through the Cape of Good Hope.
- The El Nino phenomenon caused the hottest and driest conditions of the century in Panama. The water level at Gatun Lake, an important part of the Panama Canal, has almost reached its lowest level in the past 20 years. Low water levels have made regulators to cut the number of ships allowed through the canal from the normal 36–38 ships to 22 by early 2024.

Fig 43. Global – Traffic crossing key routes (million tons)



Source: IMF Portwatch

Fig 44. Global – Water level in Gatun Lake (Panama Canal)



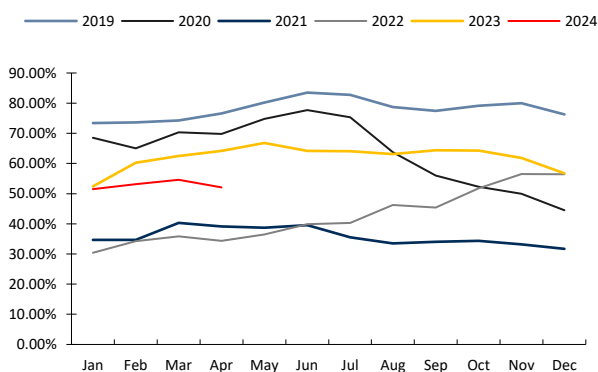
Source: KB Securities Vietnam

Crises at the Suez and Panama canals put pressure on international shipping routes

The blockage in the Panama and Suez canals has caused shipping businesses to redirect shipping routes to further routes such as going through the Cape of Good Hope. Accordingly, schedule reliability (Figure 45) dropped from 64.3% (October 2023) to 52.1% (April 2024) as ships took more time to move (Figure 46), and the number of ships passing through the locks at canals decreased.

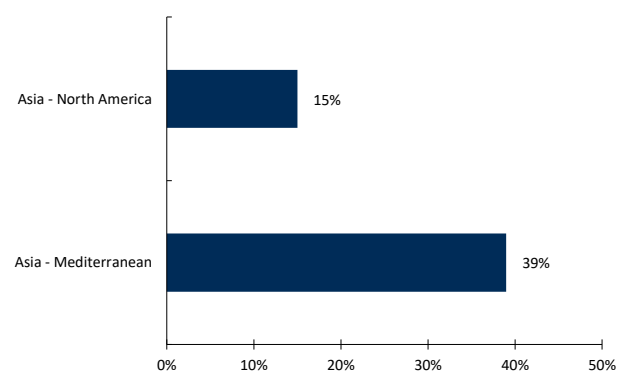
The International Monetary Fund (IMF) said that shipping times have now increased by about 10 days compared to the average during the stable period, negatively affecting the inventory management of manufacturing enterprises. Choosing longer routes has forced ships to dock more frequently and irregularly at Asian ports to refuel and handle cargo, causing continuous congestion in this area, typically in Tanjung Pelepas Port (Malaysia) and Singapore Port. The combination of unfavorable factors has caused freight prices to spike for most shipping routes (Figure 47).

Fig 45. Global – Schedule reliability (%)



Source: Sea Intelligence

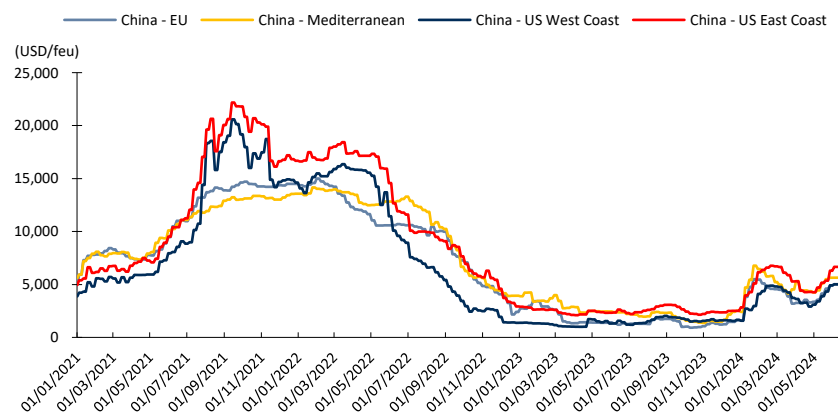
Fig 46. Global – Average shipping times over continents in 1H24 and 2H23



Source: Sea Intelligence

Container freight rates increased for all Asian routes due to disruptions in the shipping chain. The route from China to Europe and the Mediterranean region gained more than 300%, ranging from USD5,000 to USD5,600/feu compared to November 2023, when the Red Sea crisis began. The remaining routes from China to North America all doubled in rates compared to the end of 2023, ranging from USD5,000 to 6,000/feu.

Fig 47. Global – Intercontinental container freight rates (USD/feu)



Source: Bloomberg, Freightos

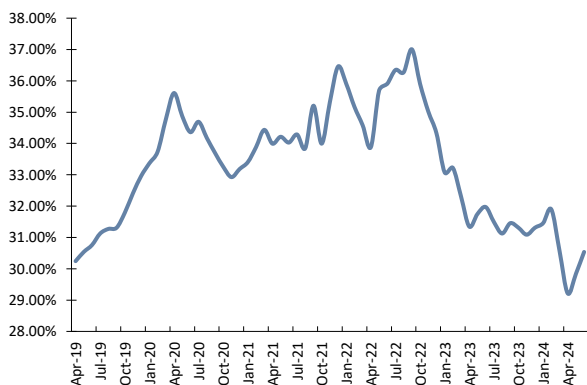
The problems surrounding the Red Sea crisis will not end soon, making freight rates stay high

The problems in the Panama Canal are mainly related to climate, but the issues in the Red Sea are geopolitical. Therefore, developments will be more unpredictable. We believe that freight rates will keep climbing in 2H24 before cooling down in 2025 because:

- **The conflict shows no signs of cooling down**, Houthi announced to expand the scope of their attack to the Indian Ocean and Mediterranean regions. In addition, the conflict may escalate to war between Hezbollah (Lebanon) and Israel.

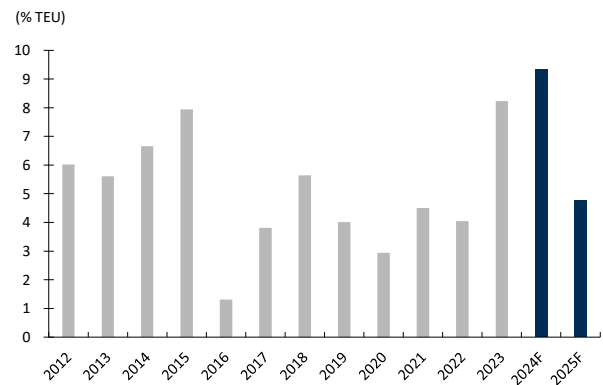
- **The demand for chartering ships is still high.** When shipping distances are longer between routes, loading and unloading activities are overloaded and congestion builds up at ports (Figure 48). The time vessels stay at sea with full cargo will be longer, and the number of available ships will decrease. Therefore, freight rates continue to be under pressure. According to Clarksons Research, the above situation may cool down no sooner than 2025 when the disruption improves, and the supply of new ships (Figure 49) surpasses shipping demand.
- **The high season of trade and import-export is approaching.** Clarksons Research forecast container trade traffic would gain 4.7% YoY in 2024 and 2.9% YoY in 2025 (Figure 50). This is the highest increase (if excluding Covid-19 years) since 2018, supported by the expectation that trade, consumption, and shopping activities will be vibrant again in major economies amid lower inflation pressure. In addition, the peak import-export season usually falls in the last two quarters of the year (Figure 51), so it is likely that shipping activities will still be under pressure in the coming time.

Fig 48. Global – Port congestion index (%)



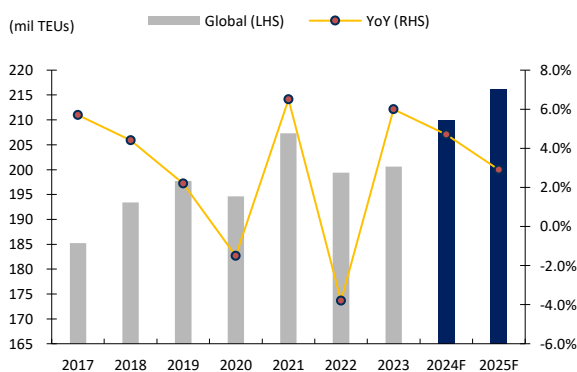
Source: Clarksons Research
Note: The index is the ratio of total TEUs at port/Global total TEUs

Fig 49. Global – 2024–2025F vessel supply growth (%)



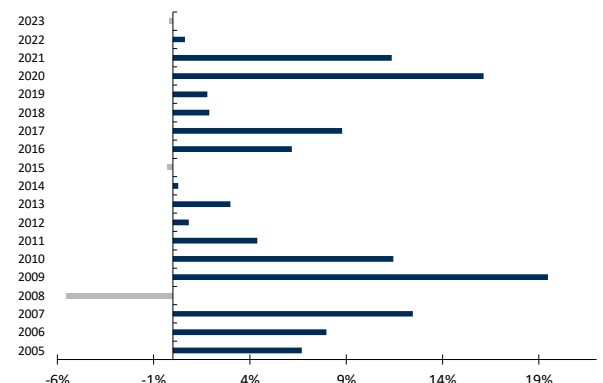
Source: Clarksons Research

Fig 50. Global – Container trade (million TEUs)



Source: Clarksons Research

Fig 51. Global – Import-export turnovers in 1H vs 2H of the year (%)

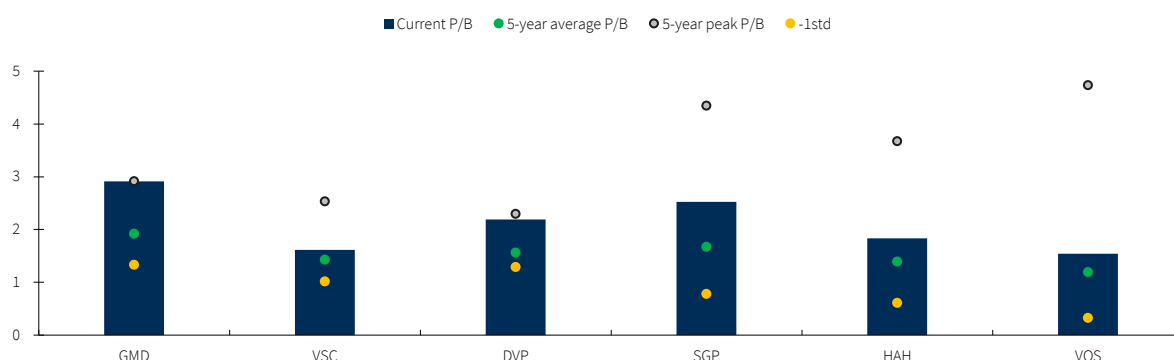


Source: World Trade Organization, KB Securities Vietnam

The maritime shipping industry should rebound in 2H24

The prolonged crisis in the Red Sea and the congestion at major ports will support stock prices in the near future. Investors should observe transportation market fluctuations during this time and consider investing in beneficiary stocks with good fundamentals and large fleets such as Hai An Transportation & Stevedoring (HAH) and Viet Nam Ocean Shipping (VOS) when they reach attractive valuations.

Fig 52. Vietnam – P/B of maritime shipping companies (x)



Source: Bloomberg, KB Securities Vietnam

2. Public investment

Public investment capital is maintaining a good disbursement rate compared to 2023

According to the General Statistics Office, in the first five months of 2024, the investment capital disbursed from the State budget is estimated to reach VND190,600 billion, equal to 26.6% of the 2024’s target and 28.7% of the plan assigned by the Prime Minister. This is a promising result vs in the same period in 2023, when the completion rate according to the yearly plan was only 19.7%. In May 2024 alone, the disbursed amount is estimated at VND48,200 billion, gaining 3.1% YoY. The disbursement speed in localities has been more positive with the disbursed capital reaching up to VND158,100 billion, equal to 26.1% of the plan for 2024 (vs 19.4% in 2023).

The investment capital plan focuses on allocating mainly to the Ministry of Transport

In the medium-term public investment capital plan for 2021 – 2025, the Ministry of Transport said it would focus on allocating the largest capital compared to the remaining ministries and branches with more than VND300,000 billion out of a total of VND2,323,014 billion. This shows the importance of orienting investment in infrastructure construction to promote economic growth. In 2024, the capital plan assigned by the Ministry of Transport is about VND60,000 billion with additional capital from 2023 and from the central budget increase, so the total figure for the whole year 2024 can be up to VND73,000 billion. However, according to the medium-term capital plan for 2021 – 2025, the Ministry needs to disburse a total of another VND150,000 billion. If this year’s target is not achieved, the pressure on disbursement next year will be huge.

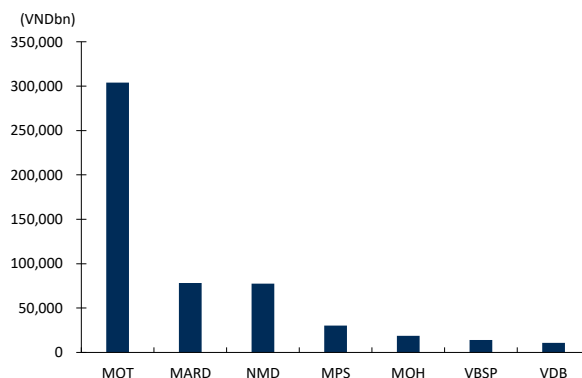
Fig 53. Vietnam – Disbursement of public investment capital monthly



Source: Ministry of Finance, KB Securities Vietnam

Note: The deadline for disbursement is the end of January next year.

Fig 54. Vietnam – Allocation rate of medium-term public investment capital 2021–2025 for ministries and branches



Source: Decision No, 29/2021/QH15, KB Securities Vietnam

Key projects are maintaining positive progress

Key public investment projects have achieved positive progress as of the first half of 2024.

- North – South Expressway (phase 1, construction starting from 2017–2020) officially opened the entire route in May after the last two projects, Dien Chau – Bai Vot and Cam Lam – Vinh Hao, were put into operation on April 30, 2024.
- Long Thanh International Airport project, after nine months from the start of construction, has two items that are ahead of schedule, which are passenger terminal package – 5.10 (10 days ahead of schedule) and runway & apron – bidding package 4.6 (two months ahead of schedule). It is expected that the runway will be put into technical operation by the end of April 2025.

Table 3. Vietnam – Updated progress of key projects

Project	Total investment (VNDbn)	Component package	Start from	(Expected) complete by	Progress
North-South Expressway – Phase 1	103,000	11 projects	2019	2024	Accomplished
North-South Expressway – Phase 2	147,000	12 projects	2022	2026	The area of premises handed over to the project reached 98%. Most are focusing on road base treatment.
Long Thanh International Airport	336,630	5.1	August 2023	November 2026	The overall progress is 10 days ahead of the contract
		4.6	August 2023	June 2025	The overall progress is two months ahead of schedule. Foundation and structure of the take-off and landing runway have been completed.
		6.12	June 2023	December 2025	About 98% of the area has been handed over.
Ho Chi Minh City Ring Road 3	75,378	8 projects	September 2022	2026	Binh Duong section: over 20% workload Long An section: over 22% workload Ho Chi Minh City section: about 12.5% workload Dong Nai section: more than 2% of workload
Hanoi Ring Road 4	88,694	7 projects	June 2023	2026	Construction progress reached about 8.9% of the total workload by the end of April 2024.

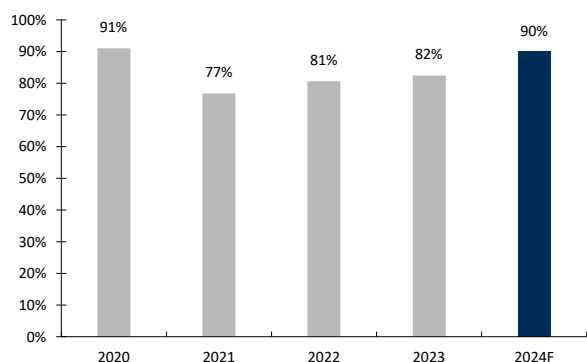
Source: KB Securities Vietnam

Public investment is expected to be accelerated in 2H24

We expect that disbursement of public investment capital can reach 90% of the full-year target (equivalent to VND635 trillion), higher than the rate in the last three years. The basis for the above expectation includes:

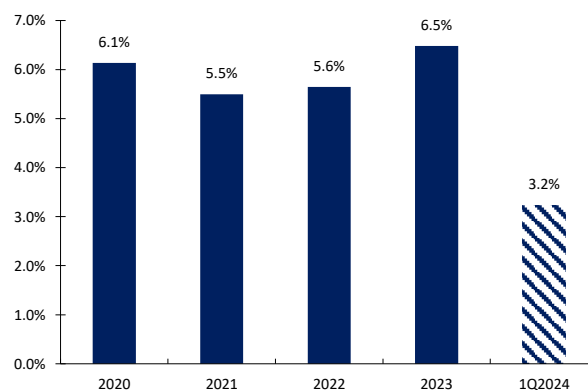
- (i) Public investment is still oriented to be an important driving force to boost the economy, supporting growth in the context that macroeconomic factors are in the early stages of recovery.
- (ii) 2024 is the fourth year of the medium-term public investment plan (2021–2025). Normally, the years from the third year onwards will be promoted more strongly to keep up with the targets assigned by the Government.
- (iii) The disbursement cycle of state budget investment capital will be slow at the beginning of the year and speed up at the end of the year.
- (iv) Maintaining low raw material prices will support rapid construction progress and improve profit margins for construction enterprises.

Fig 55. Vietnam – Disbursement rate vs the full-year plan (%)



Source: Ministry of Finance, KB Securities Vietnam
Note: The deadline for disbursement is the end of January next year.

Fig 56. Vietnam – Disbursement rate vs nominal GDP (%)



Source: Bloomberg, KB Securities Vietnam

We think that the profit in the public investment sector will peak thanks to infrastructure construction and installation contractor businesses

In 2024 and 2025, we believe that the business results of listed companies in the field of public investment, especially the group of infrastructure construction and installation contractors such as Vinaconex (VCG), Ligcogi (LCG), Cienco 4 Group (C4G), Deo Ca Traffic Infrastructure Investment (HHV), and FECON (FCN) will achieve positive results. If we continue to maintain the current positive construction progress, it is expected that the peak of revenue will be at the end of 2024 and 2025 – the sprint time of the public investment capital disbursement process while all key projects all have started construction from 2022–2023. Besides, we also expect that the profit margins of businesses will improve thanks to stable construction material prices and better contract unit prices.

Table 4. Vietnam – North–South phase 2 contractors

Projects	Length (km)	Bidding package	Total investment (VNDbn)	Contractors
Bai Vot – Ham Nghi	35.3	XL01	6,045	Vinaconex (VCG) – 319 Corporation under Ministry of National Defense
Ham Nghi – Vung Ang	54.2	11XL	4,456	Xuan Truong Construction – 471 JSC – Tu Lap Construction Co., Ltd
		12XL	3,034	Xuan Truong Construction – 368 JSC
Vung Ang – Bung	56.1	XL01	5,300	Son Hai – VCG – 368–484–479 JSC
		XL02	5,400	Phuong Thanh Transport Construction & Investment – Lizen (LCG)
Bung – Van Ninh	50	XL01	3,939	Cienco 4 Group(C4G) – 36 – Truong Son Investment & Construction – 471 JSC
		XL02	3,501	Truong Son Construction Corporation – Trung Chinh Construction Trading Company Limited
Van Ninh – Cam Lo	65	XL01	3,361	Truong Thinh Group – Truong Son Construction Corporation – 368 Construction JSC
		XL02	3,480	Truong Thinh Group – Transport & Construction 1 JSC – Railway Construction Corporation
Quang Ngai – Hoai Nhon	88	XL01	3,800	Deo Ca Traffic Infrastructure Investment (HHV) – Dacinco Construction Investment
		XL02	4,500	HHV
		XL03	6,400	HHV
Hoai Nhon – Quy Nhon	70.1	11XL	3,027	Truong Son Construction Corporation
		12XL	6,140	Son Hai – Phuc Loc – Cienco 8 – Truong Thanh – 471 JSC
Quy Nhon – Chi Thanh	61.7	11XL	3,690	Construction Corporation No. 1 JSC (CC1) – Railway Construction Corporation – SDT – Tan Hoang Long – Thuan An Corporation
		12XL	3,055	VCG – Trung Nam 18 E&C – Thuan An – 68 – Hai Dang JSC
		13XL	6,241	Thang Long – Trung Nam 18 E&C Corporation – Vietnam 168 Construction & Import Export JSC – Cuong Thinh Thi – Khang Nguyen
Chi Thanh – Van Phong	48	XL01	4,393	HHV – Phuc Loc – Lung Lo Group – 68 Construction JSC
		XL02	4,440	Trung Nam 18 E&C – CC1 – Tu Lap Construction Limited Company – Hai Dang Joint Stock Company
Van Phong – Nha Trang	83.4	XL01	5,365	LCG – Phuong Thanh – VNCN E&C – Hai Dang JSC
		XL02	3,549	Son Hai – VCG
Can Tho – Hau Giang	37.7	XL01	7,966	Truong Son – 36 Corp – CC1 – VNCN E&C – Tan Nam
		XL01	7,256	VNCN E&C – 620 Investment & Development Joint Stock Company – Hai Dang Joint Stock Company – Thi Son Company Limited
Hau Giang – Ca Mau	73	XL02	3,835	Trung Nam E&C – Trung Nam 18 E&C – C4G – Hai Dang – Thi Son
		XL03	3,334	CC1 – Hai Dang – Van Cuong – 492 Construction & Investment – Trung Nam 18 E&C

Source: Bloomberg, KB Securities Vietnam

V. Model portfolio

No.	Ticker	Target price	Closing price (April 26)	Expected return	2024 forward PE	2024F NPAT growth	Investment catalysts
1	REE	79,100	62,600	26%	12.80	16%	<ul style="list-style-type: none"> - Power segment: Thermal power and renewable energy offset the decline in revenue from hydropower. - Real estate and office leasing segment: The revenue of phase 1 of the Light Square project should be recorded in 2024.
2	GMD	100,600	83,000	21%	17.00	-32%	<ul style="list-style-type: none"> - Expected total output in 2024 is 3.3 – 3.5 million TEUs (up 10 – 12% YoY). - Service rates in the Northern and Southern regions of GMD are expected to grow 5% and 7–10% respectively in 2024. - Long-term prospects are guaranteed thanks to the growth of Vietnam's trade activities.
3	VCB	105,200	85,200	23%	13.40	12%	<ul style="list-style-type: none"> - Credit is expected to recover in 2H24. - NIM may remain stable thanks to better CoF and the lowest pressure to on deposit interest rates in the banking system. - The bank has solid reserve buffer and low NPL ratio.
4	PNJ	109,500	95,500	15%	15.03	16%	<ul style="list-style-type: none"> - Retail market share maintains growth thanks to the industry consolidation trend. - Demand is expected to improve when the economy recovers. - Gold bar segment grows well thanks to rising gold prices.
5	LHG	42,100	37,400	13%	14.86	50%	<ul style="list-style-type: none"> - Supply is scarce in key markets in the South - Long Hau 3 and An Dinh Industrial Parks will be long-term growth drivers for LHG - Stable demand from the ready-built factory rental segment will bring steady cash flow to the group.
6	ACB	30,200	23,800	27%	9.60	11%	<ul style="list-style-type: none"> - Corporate lending leads credit growth, the main segment of private lending is expected to improve in 2H24. - Asset quality is relatively good compared to the industry's average. - Attractive valuation compared to growth potential
7	GVR	38,800	34,200	13%	45.60	113%	<ul style="list-style-type: none"> - Rubber prices should continue to remain high until the end of the year - The rubber land conversion is potential thanks to the approved planning in the Southern provinces and decision 227 on land use norms.
8	HSG	27,400	23,900	15%	17.50	3099%	<ul style="list-style-type: none"> - HSG stockpiled inventory in low price areas, which helped support GPM in the following quarters. - Domestic consumption recovers. - HSG benefits in case AD02 is applied.
9	PVD	38,100	28,000	36%	19.49	103%	<ul style="list-style-type: none"> - The utilization rate of global jack-up rigs is still strongly increasing. - PVD changed the plan to buy new drilling rigs but could still put new rigs into operation from 1Q25.
10	MWG	69,000	62,400	11%	19.30	2092%	<ul style="list-style-type: none"> - The TGDD and DMX chains accelerated after the price war. - BHX has been growing and become a growth driver.

VI. Sector outlook

Oil & gas

Important year for domestic oil & gas market

Analyst Pham Minh Hieu
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June 28, 2024

Positive maintain

Recommendations	
PVD	BUY
Price target	VND38,100
PVS	BUY
Price target	VND52,600
PVT	NEUTRAL
Price target	VND33,100
GAS	BUY
Price target	VND87,100
BSR	NEUTRAL
Price target	VND24,400

The supply deficit will support crude oil prices until the end of 2024

We maintain the assumption that the average Brent oil price for 2024 will reach USD83/barrel, and the supply and demand balance will be favorable for stock prices. The OPEC, EIA and IEA forecast that the crude oil supply deficit will average 0.5 million barrels per day (bpd) in 2024. For the whole year 2024, the crude oil supply and demand balance will still move in a favorable direction, given (1) China's manufacturing sector recovers; (2) investment demand to raise the output in the US is low due to high capital costs; (3) OPEC+ maintains production cuts; and (4) supply chain disruption may last amid the disputes in the Red and Black Sea.

The global petroleum supply chain is strongly affected by the blockage in the Red Sea.

The Houthi forces have been attacking petroleum tankers in the Red Sea and Gulf of Aden areas, forcing shipping lines to change routes to the Cape of Good Hope. Accordingly, BIMCO forecast that demand for crude oil tankers and finished petroleum products could reach 8% and 5% YoY, respectively. We believe that the outlook for petroleum transportation demand will remain positive if the disputes in the Red Sea do not cool down soon.

The highlight for the domestic oil and gas industry will still be the Block B O Mon project

In 1Q24, the Block B O Mon project has achieved some progress as investor MOECO issued the FID, and PVN has also signed foundation agreements for upstream and midstream gas purchases. However, the PPA still faces problems due to Block B gas prices being too high, causing the converted electricity price to reach VND2,500–3,000/kWh. In April 2024, the Ministry of Industry and Trade issued a draft proposing a mechanism to transfer gas prices to electricity prices for key projects, including Block B O Mon. We believe that this mechanism, if approved, will resolve key problems for the project and pave the way for the official FID signing at the end of this year.

Investment points on oil and gas stocks in 2024

PVD and PVS remain our top picks with their bright growth prospects while volatility risks relative to oil prices are relatively limited. PVT still has good growth potential in 2024, but the market price is gradually reflecting the positive outlook of the business. GAS and BSR have less positive prospects in 2024, but will still be good investments in the long term if the price is discounted deeply enough.

Business performance in 1H24

1Q business results of segments are mixed

The upstream group (PVD & PVS) recorded growth in 1Q24. PVD's revenue and NPAT spiked 43% and 184% YoY, respectively, mainly due to a sharp increase in average day rates and rig utilization rate. PVS's revenue grew by a mere of 0.2% YoY, but NPAT strongly gained 27% YoY as the port base, maintenance and operation services helped improve GPM. The midstream group, represented by PVT maintained good growth, with revenue and NPAT increasing by 24% and 27% YoY, respectively thanks to favorable freight rates and recording business results from ships purchased from 2Q23. The business results of the downstream group (BSR & GAS) are quite negative compared to the same period. BSR recorded a contraction in revenue of 10% YoY while NPAT lost 30% YoY due to the impact of a major 48-day maintenance period and a sharp decrease in oil refining margins of key products. GAS's revenue and NPAT dropped 10% YoY and 25% YoY, respectively due to declines in both selling price and dry gas consumption while input costs increased sharply.

Oil prices remained high in 1H24

Brent crude oil price maintained around USD84/barrel in 1Q24 thanks to escalating developments in the Israel-Hamas and Russia-Ukraine wars. By May 2024, Brent price dropped to USD81.8/barrel mainly due to (1) weak industrial activities in Europe, (2) increased crude oil inventories in the US, and (3) the delay of the Fed's rate cuts due to persistent inflation. In early June 2024, OPEC+ met and made a decision on the current voluntary production cut of 3.86 million bpd. Accordingly, the cut is divided into two parts: (1) 1.66 million bpd is extended until the end of 2025; and (2) 2.2 million bpd is extended until the end of 3Q24 and then gradually pumped back into the market within the next 12 months, depending on the global supply and demand balance. The market first reacted negatively to this information when at one point the Brent price fell to USD77/barrel, but then it quickly recovered to USD84/barrel in June 2024.

Fig 1. Global - Brent crude price in 2020-2024 (USD/barrel)



Source: Bloomberg, KB Securities Vietnam

Business outlook for 2H24

The supply deficit will support crude oil prices until the end of 2024

We maintain the assumption that the average Brent oil price for 2024 will reach USD83/barrel, and the supply and demand balance will be favorable for stock prices. The OPEC, EIA and IEA forecast that the crude oil supply deficit will average 0.5 million bpd in 2024. We expect crude oil consumption to be positive in 3Q24 thanks to demand for road and air travel surging during the holiday season. For the whole year 2024, the crude oil supply and demand balance will still move in a favorable direction, given (1) China's manufacturing sector recovers; (2) investment demand to raise the output in the US is low due to high capital costs; (3) OPEC+ maintains production cuts; and (4) the supply chain disruption may last until the end of this year amid the disputes in the Red and Black Sea.

Table 2. Global – 2024–2025F crude oil supply surplus/(deficit) (million bpd)

Organization	Forecast at June 2024	
	2024F	2025F
OPEC	(1.05)	(0.75)
EIA	(0.30)	0.70
IEA	(0.27)	0.80
Average	(0.54)	0.25

Organization	Forecast at April 2024	
	2024F	2025F
OPEC	(0.80)	(0.70)
EIA	(0.10)	0.60
IEA	(0.43)	0.50
Average	(0.44)	0.13

Source: OPEC, EIA, IEA, KB Securities Vietnam

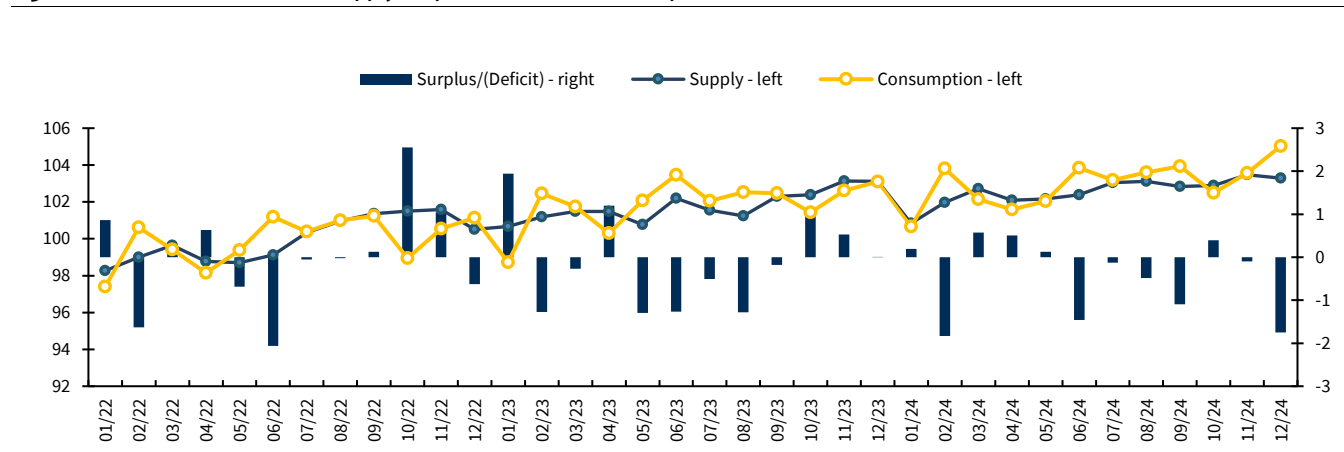
Table 3. Global – 2024–2025F Brent crude oil price (USD/barrel)

Organization	Date*	2024	2025
HSBC Holdings PLC	18/06/2024	81.7	76.5
Rabobank	18/06/2024	85.3	92.0
BoA Merrill Lynch	14/06/2024	86.0	80.0
Commerzbank AG	07/06/2024	90.0	90.0
Goldman Sachs	07/06/2024	85.0	82.0
JPMorgan Chase & Co	06/06/2024	83.0	75.0
Macquarie Group Ltd	06/06/2024	80.3	68.8
EIA	06/06/2024	84.0	85.0
Median		84.5	81.0
KBSV Assumption		83.0	80.0

Source: EIA, Bloomberg, KB Securities Vietnam*

Note: As of the latest OPEC+ meeting

Fig 4. Global – 2024F crude oil supply surplus/(deficit) (million bpd)



Source: Bloomberg, KB Securities Vietnam

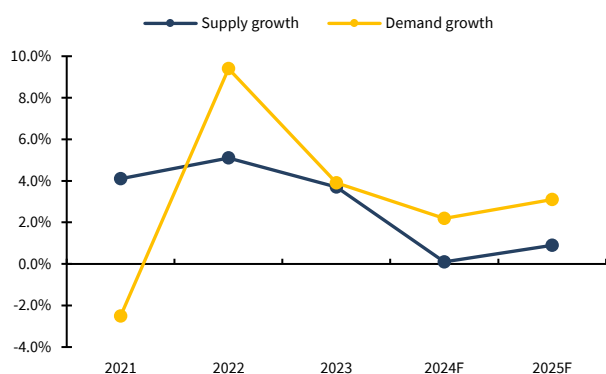
The Red Sea bottleneck increases ton-mile demand for global petroleum shipping

The Houthi forces have been attacking petroleum tankers in the Red Sea and Gulf of Aden areas, forcing shipping lines to change routes to the Cape of Good Hope. Accordingly, BIMCO estimates the average maritime shipping time for crude oil and finished petroleum products could reach 7% and 4% YoY respectively in 2024. In terms of shipping volume, the EIA believes that global petroleum demand growth will reach 1.1 million bpd mainly thanks to the thriving economies of China and India. BIMCO forecasts that the growth in the volume of crude oil and finished petroleum products will both reach 1% YoY in 2024. Accordingly, the demand for ton-miles (demand adjusted according to volume and distance transported) for crude oil tanker and finished petroleum products segments can reach 8% and 5% YoY, respectively. We believe that the outlook for petroleum transportation demand will remain positive if the disputes in the Red Sea do not cool down soon.

The global supply of petroleum tankers is still tight

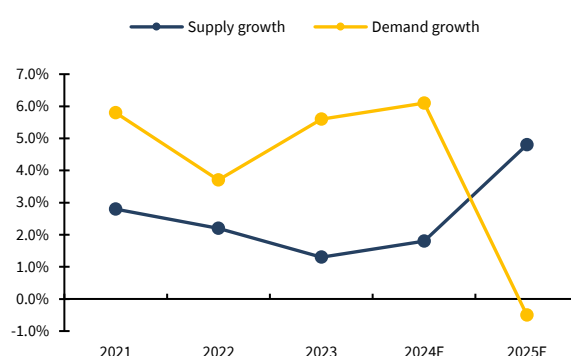
Since 2022, the orderbook/fleet ratio for the crude oil and finished petroleum tanker segment has remained low because it is not consistent with the "green energy" trend on the market. Clarksons estimates that the orderbook/fleet of crude oil and finished petroleum products is currently at 7% and 15% respectively, still at a safe level and has not caused a risk of oversupply because the majority of this orderbook can only enter the market from 2H25. According to Clarksons, the supply growth of crude oil and finished petroleum products will reach 0.1% and 1.8% YoY, which is still much lower than forecast demand growth for the above types of tanker. In addition, we also expect that emission standards set by the International Maritime Organization (IMO) will limit the speed at which the global petroleum fleet moves and accelerate the elimination of pollutants. Old ships (more than 20 years old) exit the market, making supply even tighter in the period 2024-2025.

Fig 5. Global – 2024-2025F crude oil tanker supply and demand (%)



Source: Clarksons, KB Securities Vietnam

Fig 6. Global – 2024-2025F finished petroleum product tanker supply and demand (%)



Source: Clarksons, KB Securities Vietnam

The Block B O Mon project has made important developments that help boost the prospects of the upstream oil and gas industry

In 1Q24, the Block B O Mon project achieved positive progress as investor MOECO launched the FID, and PVN signed cover platform agreements including a gas purchase agreement between upstream and midstream, gas transportation agreement, and gas sales agreement for the O Mon 1. There are still problems with the contracts, causing the FID for the project to arrive more slowly than expected: GSA for O Mon 2,3, 4 and PPA for O Mon factories 1, 2, 3, and 4. Among them, the PPA is the most difficult to resolve as Block B gas prices being too high, causing the converted electricity price to reach VND2,500–3,000/kWh. In April 2024, the Ministry of Industry and Trade issued a draft proposing a mechanism to transfer gas prices to electricity prices for key projects, including Block B O Mon, LNG Thi Vai, and Blue Whale. We believe that this mechanism, if approved, will resolve key problems for the project and pave the way for the official FID signing in 2H24. In the negative scenario, if the FID is still delayed, PVN will have the right to negotiate a side agreement that will allow PVN to continue implementing the project and have a mechanism to reimburse the cost spent. Therefore, we still believe the Block B O Mon project will have a positive impact on the upstream oil and gas group as early as 2024.

The project creates a large backlog for the upstream and midstream segments of Vietnam's oil and gas sector

Block B O Mon project has a total investment of about USD12 billion, of which the backlog for the upstream group accounts for about USD7 billion, the midstream USD1.3 billion, and the downstream (thermal power plants) USD3.7 billion. We expect upstream businesses including PVS, PVD and PVB to be able to record the amount of work as early as 2024–2025 with EPCI bidding packages, well services and pipe coating.

Table 7. Vietnam – Timelines and main oil and gas enterprises participating in the Block B O Mon project

Year	2023	2024	2025	2026	2027	...	2050	Beneficiaries
Backlog	EPCI: Central platform, wellhead platform, housing area on the platform							PVS
		Drilling and well technical services						PVD & others
		EPCI: Offshore and onshore gas pipeline; shore landing and gas distribution stations FSO floating storage contains condensate						PVS
		Pipe coating services						PVB, GAS
					Exploration and expansion			GAS
					EPCI wellhead rig			PVS
					Drilling and well technical services			PVD & others

Source: PetroVietnam, PV Gas, Mitsui, KB Securities Vietnam

The upstream group may achieve positive business results and still has room to increase in stock price

PVD stock has a bright outlook thanks to (1) favorable global rig supply and demand that helps support day rates, (2) new rigs expected to come into operation from 1Q25, and (3) the domestic E&P market expected to be busy from 2024, boosting well technical services. PVS will benefit from (1) M&C segment growth thanks to large projects in the period 2024–2028, (2) potential to win FSO/FPSO bidding packages for upcoming domestic projects, and (3) potential to record additional backlog and improve GPM for offshore wind power projects.

PVD and PVS are still our favorite stocks for 2024 because the current market prices still do not reflect their full growth potential. We also expect the valuation indices of the two businesses to be reevaluated as the oil and gas industry in the world and Vietnam is entering a new growth cycle after a period of 10 years of being quiet.

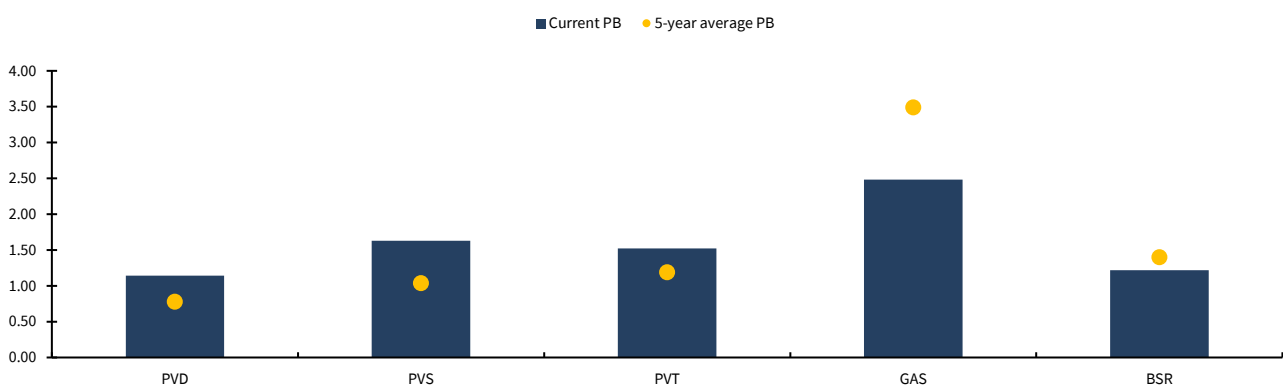
The midstream group has favorable fundamentals, but market prices have gradually reflected growth prospects

The midstream group, represented by PVT, should be motivated by (1) the plan to expand the fleet until 2025, (2) the international crude oil tanker segment that can offset the decline in domestic output after overhaul of Dung Quat Refinery, (3) chemical/finished products vessel segment that benefits from tensions at Suez Canal. We still highly appreciate PVT's business results prospects for 2024, however the current stock price has gradually reflected the stock's long-term growth prospects. We recommend that investors wait for adjustment periods to buy PVT.

The downstream group has unfavorable business results in 2024

The downstream group's business results generally have not improved in 2024. GAS is affected by a negative dry gas consumption outlook while revenue from the LNG project is not significant. Bright spots in for the business is the dividend yield is exceptionally high at 7.4%, but we do not expect this yield to be maintained in the long term. BSR was negatively impacted by (1) an overhaul at Dung Quat Refinery, causing consumption volume to decrease by about 12% YoY and (2) a YoY drop in oil refining margins for key products. However, Dung Quat Oil Refinery can increase its maximum capacity to 114% after the maintenance period, and 2024 low bases may underpin BSR's performance from 1Q25. We think that BSR and GAS will still be good stocks in the long term when the prices show deep-enough corrections.

Fig 8. Vietnam – Current P/B of oil & gas businesses vs the five-year average (x)



Source: Bloomberg, KB Securities Vietnam

PV Technical (PVS)

Recovery starts from 2024

June 14, 2024

Analyst Pham Minh Hieu
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1Q24 performance was much better than in the same period in 2023

1Q revenue of PetroVietnam Technical Services (PVS) grew by a mere of 0.2% YoY. However, all business segments except for FSO/FPSO and M&C recorded a sharp improvement in gross margin, boosting the overall GPM to climb 27.0% YoY. The FSP/FPSO joint venture also recorded strong growth of 25.5% YoY thanks to contract extension with higher rates.

Oil and gas M&C segment is expected to grow strongly thanks to large projects in the period 2024–2028

Block B O Mon achieved important progress in the quarter. If the FID continues to be delayed, we are optimistic about PVS's ability to continue with bidding packages thanks to additional agreements that could be signed by the end of 2Q. In May, PVS was also awarded an EPCIC contract for the Golden Camel project.

New offshore wind power projects should bring more backlog

We see that offshore wind power developer Orsted is accelerating the progress of investment research for the major projects Xu Feng 1, 2, 3 and Wo Neng 1, 2 in Taiwan with an estimated total investment value up to USD10.2 trillion. This could help increase the backlog for potential contractors in the region including PVS.

PVS may win FSO/FPSO bidding packages for new domestic projects

PVS is one of the businesses that benefits the most from the increased demand for renting FSO/FPSOs. At the upcoming AGM, the business will present a plan to contribute capital to invest in FSOs/FPSOs serving the Camel Vang and Block B projects with a total value of about VND10 trillion in the period 2024–2030.

Valuation: BUY rating – Target price VND52,600

We maintain our BUY rating for PVS with a target price of VND52,600 and a dividend yield of 1.6% for 2024.

Buy maintain

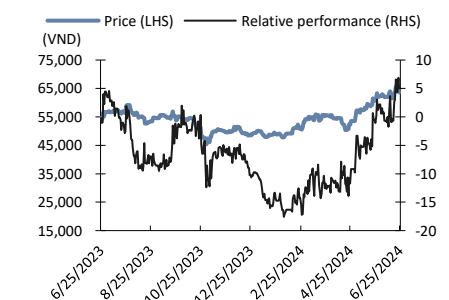
Target price	VND52,600
Upside	20.4%
Current price (Jun 13, 2024)	VND43,700
Consensus target price	VND47,500
Market cap (VNDtn/USDbn)	21.5/0.8

Trading data	
Free float	48.5%
3M avg trading value (VNDbn/USDmn)	302.5/12.0
Foreign ownership	20.8%
Major shareholder	PetroVietnam – PVN (51.4%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	4.1	19.5	20.2	48.5
Relative	-0.5	16.6	2.9	32.1

Forecast earnings & valuation

FY-end	2022	2023	2024F	2025F
Net revenue (VNDbn)	16,373	19,374	26,894	37,148
Operating income/loss (VNDbn)	1,154	1,428	1,761	2,106
NPAT-MI (VNDbn)	884	1,027	1,126	1,343
EPS (VND)	1,575	2,147	2,355	2,809
EPS growth (%)	77.6	36.3	10.0	19.0
P/E (x)	23.4	21.1	19.2	16.1
P/B (x)	1.4	1.6	1.5	1.4
ROE (%)	7.3	7.8	8.1	9.3
Dividend yield (%)	2.4	2.2	1.6	1.6



Source: Bloomberg, KB Securities Vietnam

PV Drilling & Well (PVD)

Expecting strong growth in 2024

June 11, 2024

Analyst Pham Minh Hieu
hieupm@kbsec.com.vn

1Q24 results recorded a big YoY improvement

1Q24 revenue of PetroVietnam Drilling & Well Services (PVD) surged 43.1% YoY. The drilling services segment recorded a 27% YoY increase in revenue thanks to a 34% YoY increase in rig day rates and additional revenue from outsourced rigs. GPM improved from 19.4% to 25.7% mainly thanks to a spike in day rates and a 11.0% YoY decline in depreciation expense component in COGS.

Utilization rates of global jack-up rigs tend to sharply increase

We still believe that rig utilization rates will remain high for at least the next two years as the number of jack-up rigs over 30 years old accounts for 32% of the fleet, while the orderbook/fleet ratio is only 3.9% (vs 31.1% in 2014). Jack-up rig day rates are also expected to stay high during this period.

PVD changed the plan to buy new drilling rigs but expected to put a new one into operation from 1Q25

PVD plans to invest USD90 million in a 10-year-old jack-up rig which is expected to be put into operation in early 2025. Currently, the business has had to change its target to another rig due to the restart time of the initial one is too long, making it difficult to ensure progress for customers. We still expect PVD to be able to put the new rig into operation in 1Q25.

Valuation: BUY rating – Target price VND38,100/share

We used FCFE method to give a BUY rating to PVD stock with a target price of VND38,100, equivalent to an upside of 18.7% compared to the closing price of VND32,100 on June 11, 2024.

Buy maintain

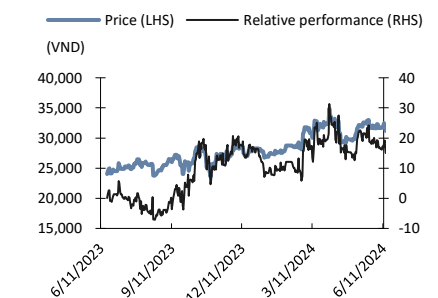
Target price	VND38,100
Upside	18.7%
Current price (Jun 11, 2024)	VND32,100
Consensus target price	VND36,100
Market cap (VNDtn/USDbn)	17.7/0.7

Trading data	
Free float	46.1%
3M avg trading value (VNDbn/USDmn)	200.3/8.0
Foreign ownership	16.9%
Major shareholder	PVN (50.5%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	-1.4	2.9	11.2	34.3
Relative	-4.8	-0.3	-3.3	18.1

Forecast earnings & valuation

FY-end	2022	2023	2024F	2025F
Net revenue (VNDbn)	5,432	5,812	7,069	8,402
Operating income/loss (VNDbn)	30	907	1,421	2,089
NPAT-MI (VNDbn)	-103	579	908	1,454
EPS (VND)	-250	803	1,632	2,614
EPS growth (%)	594	-421	103	60
P/E (x)	-127.20	39.60	19.49	12.17
P/B (x)	1.27	1.20	1.15	1.08
ROE (%)	-1.1	3.6	5.8	8.8
Dividend yield (%)	0.0	0.0	0.0	0.0



Source: Bloomberg, KB Securities Vietnam

Residential real estate

Expecting year-end recovery

Manager Pham Hoang Bao Nga
ngaphb@kbsec.com.vn

June 28, 2024

Positive change

Recommendations

VHM	BUY
Price target	VND60,900
NLG	NEUTRAL
Price target	VND46,100
KDH	NEUTRAL
Price target	VND40,800
DXG	BUY
Price target	VND20,100

Revenue and NPAT of real estate businesses in 1Q24 plunged YoY

1Q revenue of the whole industry fell 49% YoY to VND38,361 billion, and NPAT plummeted 86% YoY to VND12,970 billion mainly due to the impact of Vinhomes (VHM). VHM's revenue and NPAT went down respectively 72% YoY and 92% YoY as 1Q was the low season of project handover.

Apartment supply in both Hanoi and Ho Chi Minh City was limited in 1Q

In the Hanoi market, the number of units launched in 1Q reached more than 2,300 (-31%QoQ, +17%YoY). The number of apartments sold reached 2,000 units (-39%QoQ), equal to the number of apartments sold in 1Q23. In the Ho Chi Minh City market, apartment supply in 1Q reached 500 units (-48%QoQ, -83%YoY), and the number of apartments sold was 600 units (-74%QoQ, -38%YoY). A notable point in the Hanoi market is that primary selling prices continue to gain 5%QoQ and 19%YoY to USD2,275/m² due to the high proportion of high-end products and insufficient apartment supply. This is the highest annual price increase ever.

The market has been busier since the end of 1Q, expecting the number of newly launched units will recover in 2H24

After a quiet year of 2023 and the first two months of 2024 due to Tet, the market has been more vibrant since March 2024 with many projects opened for sale with good sales results. Projects launched for sale recorded a high absorption rate as (1) new supply is scarce, and projects have favorable locations and reputable developers; (2) investors offer many preferential sales policies with high discounts. We see that market confidence is improving, and contractors would be more optimistic about new launches in the coming quarters.

Attractive long-term valuation

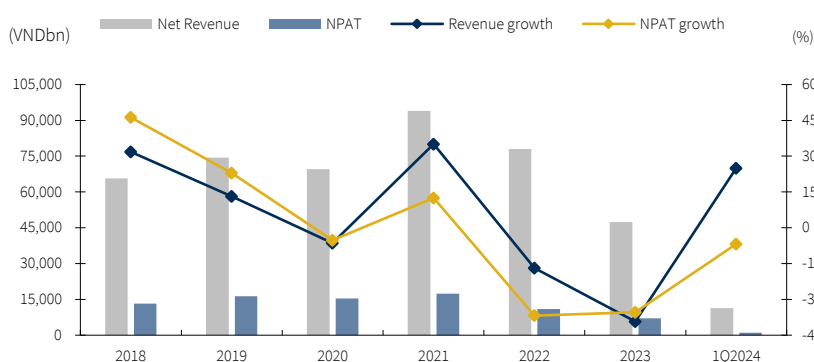
15 real estate companies under our coverage have an average P/B of 1.6x - above the five-year average -1STD. KBSV expects that their performance in the second half of 2024 will show a clearer recovery thanks to (1) improved homebuyer sentiment and (2) more supply from the launch of new projects and the next phase of old projects. However, we also pay attention to macro risks when pressure from exchange rates and inflation are causing interest rates to increase. Investors can consider and choose businesses with good prospects, large clean land bank, transparent legal status, strong project implementation capabilities, and safe financial structure like Vinhomes (VHM), Khang Dien House (KDH) and Nam Long Investment (NLG).

Business performance in 1H24

Revenue and NPAT of real estate businesses in 1Q24 plunged YoY

1Q revenue of the whole industry fell 49% YoY to VND38,361 billion, and NPAT plummeted 86% YoY to VND12,970 billion mainly due to the impact of VHM. VHM's revenue and NPAT went down respectively 72% YoY and 92% YoY as 1Q was the low season of project handover. Revenue (excluding VHM) reached VND11,326 billion (+25% YoY), but profit modestly declined by 7% YoY to VND975 billion.

Fig 3. Vietnam – Business results of listed real estate companies



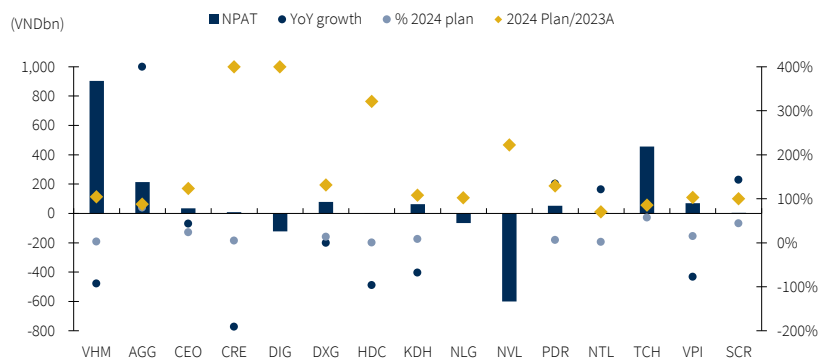
Source: FiinPro, KB Securities Vietnam

Note: Data excluding VHM

Fig 2. Vietnam – Earnings of some real estate companies

Of the 15 real estate businesses that KBSV observed, six posted NPAT growth in 1Q24. The remaining recorded losses in 1Q (DIG, NVL, and NLG) or sharp declines in business results (VHM, KDH, CRE, HDC, and VPI)

Most businesses have set profit plans for 2024 to recover compared to the low base of 2023. 1Q profits of real estate businesses are much lower than the whole year objectives due to (1) difficulties in the real estate market from the end of 2022 – many businesses do not have projects for sale to hand over and (2) the characteristics of the real estate industry – they often hand over and record revenue in the last quarters of the year.



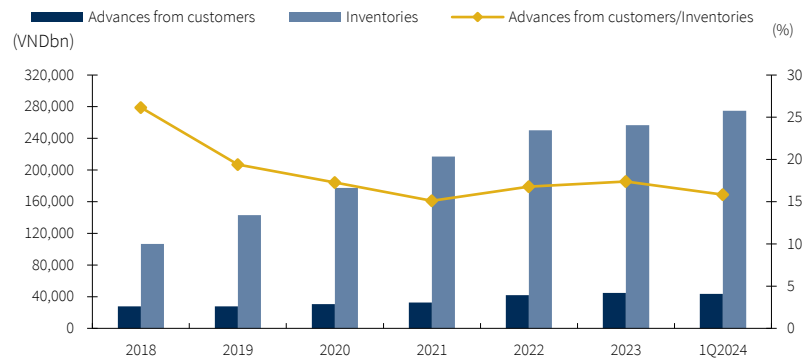
Source: FiinPro, KB Securities Vietnam

Note: Target profit/achieved profit of CRE is 4400%, DIG is 680%.

AGG's 1Q24 NPAT growth is 1636%YoY.

The amount paid in advance by buyers of listed real estate businesses as of the end of 1Q24 is VND43,507 billion, slightly dropping 3% YTD. Meanwhile, inventory increased by 7% compared to the beginning of the period as many businesses stepped up investment in projects to be ready for sale in the coming period.

Fig 3. Vietnam – Advances & inventories of real estate companies (VNDbn)

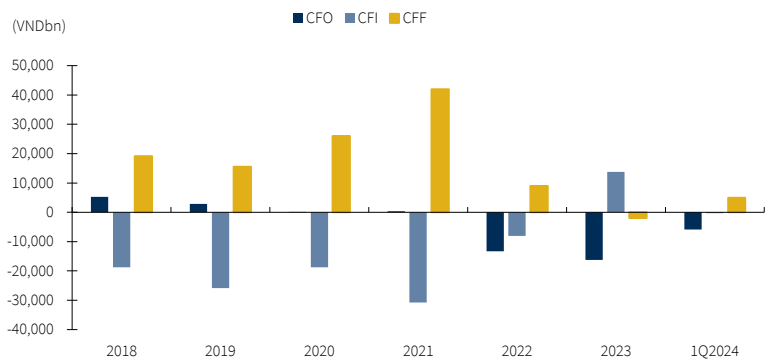


Source: Fiiipro, KB Securities Vietnam

Cash flow from operating activities of real estate businesses continues to be negative due to the sluggish real estate market.

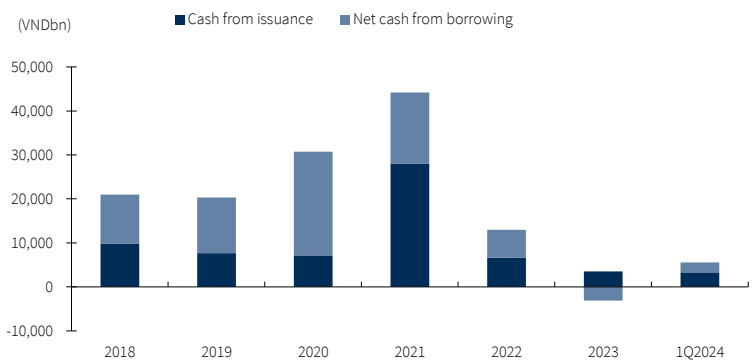
Enterprises' cash flow comes from issuing shares to increase capital in the context of limited access to credit capital and bonds.

Fig 4. Vietnam – Cash flows of real estate companies (VNDbn)



Source: Fiiipro, KB Securities Vietnam

Fig 5. Vietnam – Cash from financial activities of real estate companies (VNDbn)



Source: Fiiipro, KB Securities Vietnam

1Q sales recovered compared to the same period last year

1Q sales of VHM, KDH, and NLG showed a recovery over the same period last year while DXG did not have new sales activities:

- **VHM:** Total value of sold contracts reached VND16.2 trillion (+3%YoY) thanks to the launch of the new project Vinhomes Vu Yen.
- **NLG:** Sales recovered strongly to VND1,168 billion (+5xYoY) thanks to the apartment segment of two projects Akari City and Mizuki.
- **KDH:** Estimated sales reached VND350 billion from the sale of the remaining apartments at the Privia project.
- We see that inner-city apartment projects such as The Privia of KDH, Akari City and Mizuki Park (NLG) record high absorption rates thanks to appropriate product segments and meeting the demand for owner-occupied houses.

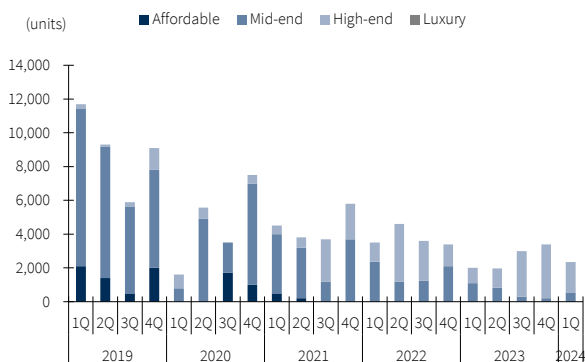
Apartment supply in both Hanoi and Ho Chi Minh City was limited in 1Q

In the Hanoi market, the number of units launched in 1Q reached more than 2,300 (-31%QoQ, +17%YoY). The number of apartments sold reached 2,000 units (-39%QoQ), equal to the number of apartments sold in 1Q23. A notable point in the Hanoi market is that primary selling prices continue to gain 5%QoQ and 19%YoY to USD2,275/m² due to the high proportion of high-end products and insufficient apartment supply. This is the highest annual price increase ever.

In the Ho Chi Minh City market, apartment supply in 1Q reached 500 units (-48%QoQ, -83%YoY), mostly from the next phase of existing projects. The number of apartments sold was 600 units (-74%QoQ, -38%YoY). Primary prices in the quarter did not change much, reaching more than USD2,500/m² (+2%YoY).

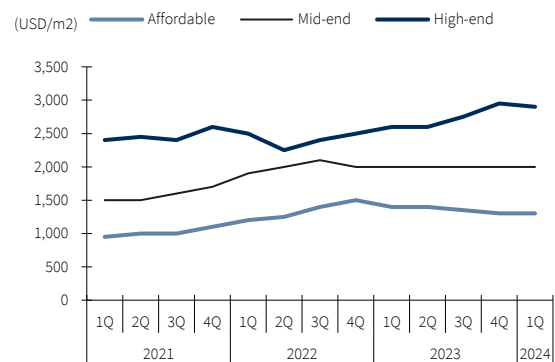
The supply of apartments in both markets continues to remain low due to difficulties related to (1) obstacles related to planning and calculating land use fees, and site clearance, causing project implementation time to be delayed and (2) limited access to capital for businesses, causing a lack in cash flow. Limited supply and high proportion of high-end apartments in launched projects led to an imbalance between supply and demand, which makes apartment prices stay high.

Fig 6. Hanoi – Apartment supply (unit)



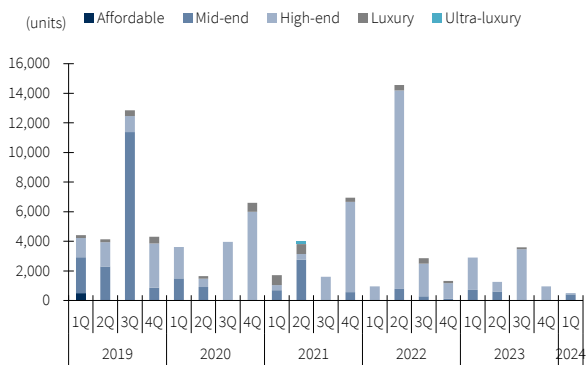
Source: CBRE

Fig 7. Hanoi – Apartment price (USD/m²)



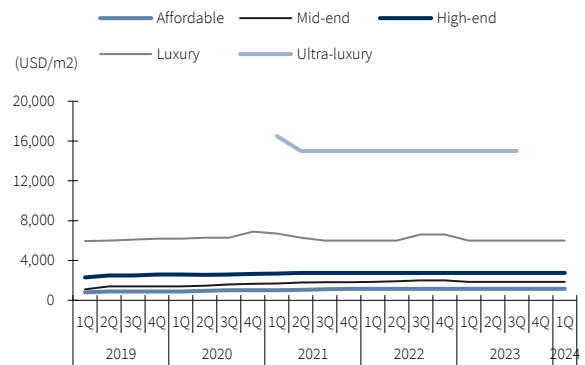
Source: CBRE

Fig 8. HCM – Apartment supply (unit)



Source: CBRE

Fig 9. HCM – Apartment price (USD/m²)

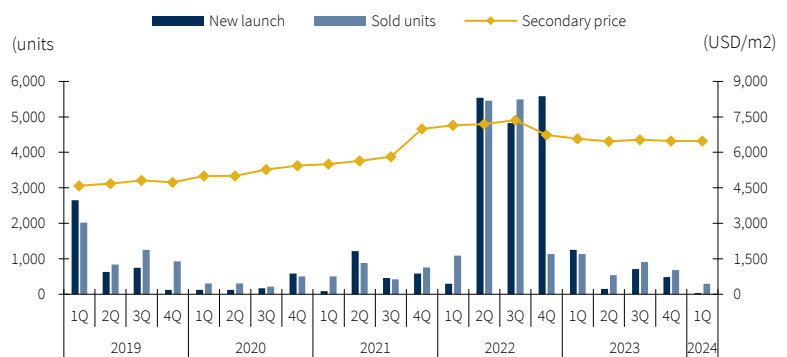


Source: CBRE

The townhouse/villa segment continues to be quiet

In the Hanoi market, the number of units opened for sale in the first quarter of 2024 was 30 units (-94%QoQ, -98%YoY), the number of units sold reached 300 units (-56%QoQ, -73%YoY). The average primary apartment price in Hanoi was nearly USD7,850/m² (+4%QoQ).

Fig 40. Hanoi – Townhouse/villa market



Source: CBRE

Business outlook for 2H24

The market has become more vibrant since the end of 1Q with many projects recording high absorption rates

After 2023 and the first two months of 2024 were quiet due to Tet, the market has been more vibrant with many projects being started, introduced and opened for sale since March 2024. A number of projects introduced to the market in April and May all recorded very good absorption rates: Lumi Hanoi of CapitalLand (~ 2,000 units launched – absorption rate 100%); The Canopy – TC2 project of VHM and GIC Singapore (~ 390 units launched – absorption rate 90%); The Zurich 3 by CapitalLand (~2,000 units launched – 100% absorption rate); The Canopy – TC2 project of VHM and Mitsubishi (~ 425 units launched – absorption rate 95%) and Eaton Park of Gamuda Land (~ 840 units launched – absorption rate 70%). Projects launched for sale recorded a high absorption rate as (1) new supply is scarce, and projects have favorable locations and reputable developers; (2) investors offer many preferential sales policies with high discounts. We see that market confidence is showing signs of improvements.

Fig 11. Vietnam – Projects implemented in 1Q24

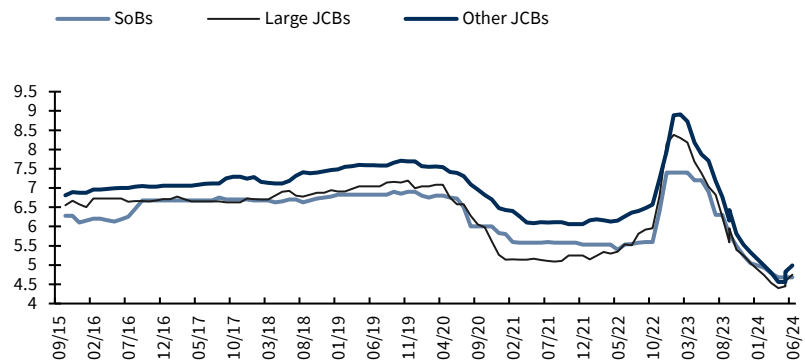


Source: DXS-FERI

Lending interest rates are expected to be maintained at low level, stimulating house buying demand

We observed that deposit interest rates at some banks have increased 10–30bps compared to the bottom area for short terms of 1–12 months. KBSV believes that lending interest rates are unlikely to decrease further in a short term and may increase slightly in 2H24. However, there will not be a significant impact on home loan demand because (1) current lending interest rates are still lower than the period 2021–2022; and (2) the SBV maintains its policy of maintaining low lending interest rates to support the economy.

Fig 55. Vietnam – 12M deposit lending interest rates

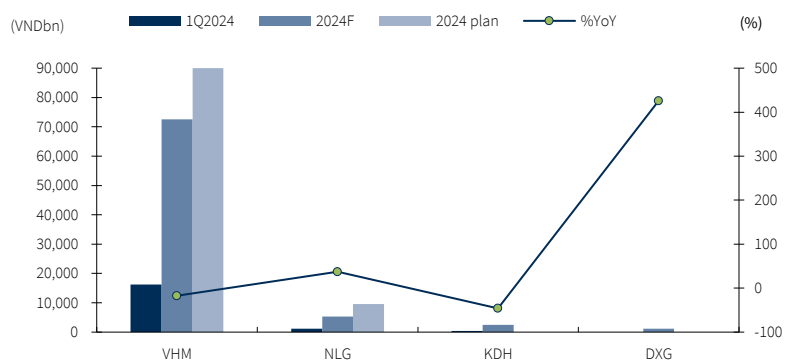


Source: Wichart, KB Securities Vietnam

Sales activities of businesses recovered in the second half of the year

Improved market confidence and low lending interest rates encourage contractors to launch projects in the coming quarters. Listed businesses under our coverage all plan to introduce new projects or continue the next phases of old projects in the second half of 2024, including Wonder Park and Co Loa (VHM), Clarita and Emeria (KDH), Gem Sky World and Gem Riverside (DXG), Akari City, Mizuki Park, Southgate and Central Lake (NLG). Businesses set relatively high sales target for 2024, but our estimates are more conservative as the apartment segment may be a clear recovery, but the remaining segments will need more time to recover.

Fig 66. Vietnam – Estimated sales of some real estate developers



Source: Financial statements of the companies, KB Securities Vietnam

Businesses will promote capital mobilization through stock issuance

KBSV believes that while mobilizing credit capital and bonds are facing many difficulties, real estate businesses are promoting capital mobilization through share issuance to restructure loans and supplement capital to develop new projects.

Table 17. Vietnam – Share issuance plans of real estate businesses

Company	Issuance plan	Proceeds (VNDbn)	Purposes
DXG	To offer more than 150.1 million shares to existing shareholders for VND12,000/share. The offering ratio is 24:5	3,500	To contribute capital to subsidiaries and pay off due debts
	To offer 93.5 million shares to professional securities investors for at least VND18,600/share		
KDH	To offer 110.1 million individual shares to 20 professional securities investors for VND27,250/share	3,000	To contribute capital to subsidiaries to pay off bank loans
PDR	To issue shares for a debt swap worth USD30 million	2,000*	Debt swap
	To issue 134 million shares to existing shareholders for VND10,000/share		Additional capital for project implementation
DIG	To offer 200 million shares to existing shareholders for VND15,000/share	6,000	Additional capital for project implementation
	To offer 150 million shares to professional securities investors for a minimum price of VND20,000/share		
NVL	To issue 34 million shares priced at VND20,000/share for an equity swap worth USD30 million	11,700	Debt swap
	To issue 1.17 billion shares to existing shareholders for VND10,000/share		Debt restructuring, employee salary payments, additional capital for project implementation
SCR	To issue 34.9 million shares to swap debt worth VND349 billion		Debt swap

Source: Financial statements of the companies, KB Securities Vietnam

* Offered for sale

The legal corridor is being completed, ensuring the industry's growth in the medium and long term

At the sixth session and the fifth extraordinary session, the 15th National Assembly officially passed the Real Estate Business Law (amended), the Housing Law (amended) and the Land Law (amended), taking effect from January 1, 2025. However, the Government has proposed that the National Assembly Standing Committee allow these three laws to take effect from August 1, 2024. We believe that moving the effective date of the laws earlier shows the Government's efforts to remove difficulties and obstacles in the real estate market and support real estate businesses for more sustainable development in the long-term.

The three new laws have many new regulations, which will help improve the sentiment of home buyers and shorten the legal completion time for investors, thereby increasing real estate supply. We think this is an opportunity for investors with good financial status and project implementation capacity. However, it takes time for policies to have a real impact and some legal issues still need more specific guidance.

Table 18. Vietnam – Some changes to amended Land Law, Housing Law, and Real Estate Business Law

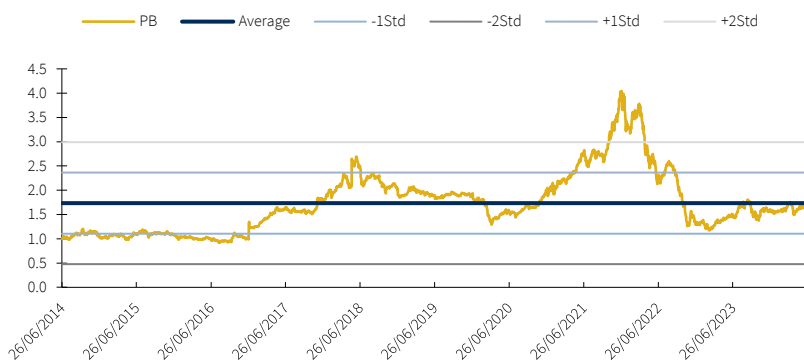
	Changes	KBSV's notes
Land Law (amended)	<ul style="list-style-type: none"> Propose removing the current land price bracket The Provincial People's Committee will submit to the Provincial People's Council to decide on the initial Land Price List for public announcement and implementation starting from January 01, 2026. Annually, the Provincial People's Committee is responsible for submitting to the Provincial People's Council to decide on adjusting, amending, and supplementing the Land Price List for application from January 01 of the following year. 	Updating land prices to align more closely with market prices facilitates site clearance, although it increases costs for real estate businesses.
	<p>There are four methods for land valuation, including: (i) Direct comparison method, (ii) Income method, (iii) Method of land price adjustment coefficient, and (iv) Residual method. The extraction method is excluded.</p> <p>Land allocation and leasing are primarily conducted through the auction of land use rights, competitive bidding for projects involving land use.</p>	Enhancing transparency and openness, avoiding land wastage due to weak developers who are unable to carry out projects.
Housing Law (amended)	<p>Conditions for Subdivision for Sale of Land Lots</p> <p>For areas not classified as special class I, class II, and class III urban areas, the Provincial People's Committee will base its decisions on local conditions to determine the areas of real estate development projects where residential construction must be carried out for sale, lease, lease-purchase, or transfer of land use rights through the subdivision of lots.</p> <p>Land for Social Housing Development</p> <ul style="list-style-type: none"> The Provincial People's Committee must allocate a sufficient land fund for social housing development according to the housing development program, including either (1) a social housing land fund or (2) a social housing land fund within the scope of a commercial project. In special urban areas class I, II, III, as regulated by the Prime Minister, the Provincial People's Committee decides to allocate a portion of the residential land area for social housing construction or allocates a social housing land fund in a different location or pays an equivalent amount corresponding to the land fund's value. <p>Incentives for investors of social housing projects</p> <ul style="list-style-type: none"> Exempted from land use fees and land rent for the entire project land area; the investor is not required to undergo procedures for determining land prices, calculating land use fees, and land rent for the exempted portion. Allocated a maximum of 20% of the total land area for the construction of commercial services projects and commercial residential properties (this portion is accounted for separately, not included in the construction cost of social housing units, not affecting the price of social housing, and enjoying the entire profit with land use fees paid for the construction of social housing units). Entitled to a maximum predetermined profit of 10% of the total investment cost for the construction of social housing units. 	Aligning with the Real Estate Business Law, tightening the property subdivision for sale of land lots, and curbing speculation
	<p>Project Transfer</p> <ul style="list-style-type: none"> In the case of the transferee being a foreign economic organization, after obtaining the transfer permission and signing the transfer contract, the land procedures are carried out in accordance with the land law. The Prime Minister delegates to the Provincial People's Committee the authority to decide on the partial transfer of the project. 	Shortening the project implementation time, increasing profits for developers to encourage them to invest in social housing projects
	<p>Deposit and Guarantee</p> <ul style="list-style-type: none"> The project developer is only allowed to collect a deposit of no more than 5% of the sale or lease-purchase price for residential properties, construction works, or the floor area within the construction project from the party placing the deposit when the residential property or construction project meets all the conditions for commercial operation. Prior to selling or lease-purchasing future residential properties, the real estate project developer must obtain approval from a domestic commercial bank or a legally operating foreign bank branch in Vietnam to provide financial guarantees for the developer's obligations to the buyer or lease-purchaser when the developer fails to deliver the residential properties as committed in the sales or lease-purchase contract for the future-formed residential properties. Upon signing the sales or lease-purchase contract for future residential properties, the buyer or lease-purchaser has the option to choose whether or not to have a financial guarantee for the developer's obligations towards them. 	Developers have more flexibility in allocating land for social housing instead of adhering to a fixed ratio of 20% as specified in Decree No. 100/2015/ND-CP, thereby promoting the development of social housing.
Real Estate Business Law (amended)	<p>Conditions for Subdivision for Sale of Land Lots</p> <ul style="list-style-type: none"> Land not located within the administrative boundaries of special class I, II, III urban areas; not subject to land use rights auction for residential construction investment projects. For the remaining areas, the Provincial People's Committee, based on local conditions, determines the areas where project developers are allowed to subdivide and sell land lots. 	Aligning with the amended Housing Law, tightening the property subdivision for sale of land lots, and curbing speculation

Source: Bloomberg, KB Securities Vietnam

Attractive valuation in the long term

15 real estate companies under our coverage have an average P/B of 1.57x, lower than the 10-year average -1STD. KBSV expects that their performance in the second half of 2024 will show a clearer recovery thanks to (1) improved homebuyer sentiment and (2) more supply from the launch of new projects and the next phase of old projects. Investors can consider and choose businesses with good prospects, large clean land bank, transparent legal status, strong project implementation capabilities, and safe financial structure like VHM, KDH and NLG.

Fig 79. Vietnam – P/B of the 15 real estate businesses



Source: FiinPro, KB Securities Vietnam
Note: 15 businesses mention in Figure 2

Vinhomes (VHM)

Launched Vinhomes Vu Yen

June 18, 2024

Manager Pham Hoang Bao Nga
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1Q24 results are lower than 1Q23's mainly due to the handover time of projects

Sales in 1Q mainly came from the new project Vu Yen in Hai Phong

Sales in 2024 are forecast to reach VND72.5 trillion (-17%YoY)

Valuation: BUY rating – Target price VND60,900

1Q sales of Vinhomes (VHM) hit VND8.2 trillion (-72%YoY) and VND8.6 trillion (-80%YoY) if including BCC projects. Net profit after minority interests reached VND885 billion (-93%YoY).

In the quarter, VHM sold 2,700 products (+17%YoY), and the total value of contracts sold was VND16.2 trillion (+3%YoY). Sales in the quarter all came from retail transactions, of which 86% came from the Vu Yen project (Hai Phong). This project was introduced on March 15, 2024 with 1,800 deposits, equivalent to 82% of the number of units launched in the first phase.

KBSV forecasts that the total value of sales contracts in 2024 will reach VND72.5 trillion (-17%YoY), coming from the developing projects Ocean Park, Smart City, Grand Park, Ocean Park 2, 3 and two new projects launched this year, Vu Yen (launched in 1Q) and Co Loa (expected to be introduced in 2H24).

The real estate developer maintains its leading position thanks to its large land bank and strong implementation ability. Its valuation is attractive with a 2024 forward P/B of 0.8x, lower than the -1STD line of the five-year average P/B. Based on business prospects and valuation, we continue to recommend BUY for Vinhomes shares with a price target of VND60,900/share, 59% higher than the closing price on June 18, 2024.

Buy maintain

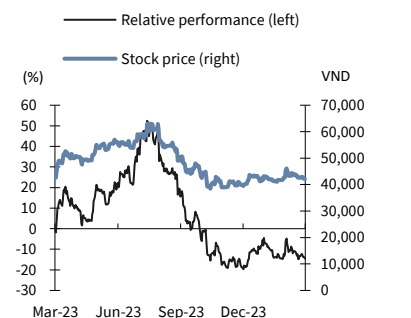
Target price	VND60,900
Upside	59%
Current price (Jun 18, 2024)	VND38,300
Consensus target price	VND47,500
Market cap (VNDtn/USDbn)	21.5/0.8

Trading data	
Free float	48.5%
3M avg trading value (VNDbn/USDmn)	302.5/12.0
Foreign ownership	20.8%
Major shareholder	Vingroup (66.66%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	4.1	19.5	20.2	48.5
Relative	-0.5	16.6	2.9	32.1

Forecast earnings & valuation

FY-end	2022	2023	2024F	2025F
Net revenue (VNDbn)	62,393	103,557	118,259	122,059
Operating income/loss (VNDbn)	37,973	44,045	36,900	42,864
NPAT-MI (VNDbn)	28,831	33,371	29,172	32,244
EPS (VND)	6,621	7,664	6,700	7,405
EPS growth (%)	-26	16	-13	11
P/E (x)	6.34	4.99	5.72	5.17
P/B (x)	1.26	0.93	0.79	0.69
ROE (%)	19	18	14	13
Dividend yield (%)	0%	0%	0%	0%



Nam Long Invest (NLG)

Underpinned by sales bouncing back

May 22, 2023

Manager Pham Hoang Bao Nga
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1Q24 sales recovered strongly YoY

1Q24 sales of Nam Long Investment Corporation (NLG) bounced back to VND1,168 billion (+5xYoY) thanks to the apartment segment of Akari City and Mizuki projects. These two recorded good absorption rates with sales reaching VND542 billion and VND246 billion respectively.

Estimated sales in 2024 reach VND5,264 billion (+37%YoY)

KBSV expected 2024F sales of NLG to hit VND5,264 billion (+37%YoY), which is contributable to Akari City, Mizuki Park, Southgate, and EhomeS Can Tho projects. Our forecast is 45% lower than VND9,554 billion in the business's guidance.

2024F NPAT is VND576 billion (+19%YoY)

We forecast that NPAT of the corporation in 2024 will be VND576 billion (+19%YoY), mainly from the handover of the Southgate, Izumi City, and Mizuki Park projects. The Akari City and Can Tho projects will also start handover progress to home buyers. KBSV expected NLG to complete legal procedures to record profits from divestment of 25% of the Paragon project this year.

NEUTRAL rating – Target price VND46,100

We maintain a positive valuation for NLG shares thanks to (1) NLG's solid fundamentals with a safe financial structure and (2) the attraction of mid-range and affordable apartment projects to buyers with owner-occupying needs. However, NLG stock price has gained about 20% YTD and traded at a 2024fw P/B of 1.8x, equivalent to +1std of NLG's five-year average P/B. Based on business prospects and valuation results, we gave a NEUTRAL rating to NLG stock with a target price of VND46,100, 5% higher than the closing price on May 21, 2024.

Neutral change

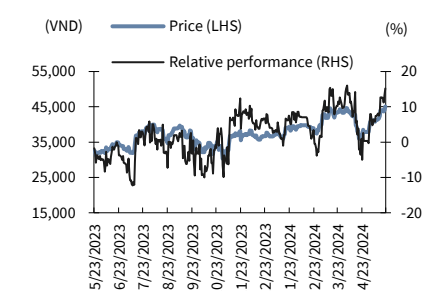
Target price	VND46,100
Upside	5%
Current price (May 21, 2024)	VND44,100
Consensus target price	VND46,300
Market cap (VNDbn/USDmn)	17.4/0.7

Trading data	
Free float	56.2%
3M avg trading value (VNDbn/USDmn)	161.4/6.5
Foreign ownership	49%
Major shareholder	Chairman Nguyen Xuan Khang (12%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	18.9	13.1	15.6	32.4
Relative	11.6	9.0	0.9	13.1

Forecast earnings & valuation

FY-end	2022	2023	2024F	2025F
Net revenue (VNDbn)	4,339	3,181	5,462	6,901
Operating income/loss (VNDbn)	1,041	942	1,217	1,456
NPAT-MI (VNDbn)	556	484	576	621
EPS (VND)	1,448	1,257	1,496	1,613
EPS growth (%)	-48	-13	19	8
P/E (x)	27.31	36.72	30.14	27.96
P/B (x)	1.69	1.80	1.77	1.69
ROE (%)	4.2	3.6	4.0	4.0
Dividend yield (%)	0	1	1	1



Source: Bloomberg, KB Securities Vietnam

Khang Dien House (KDH)

Completing legal work for large projects

June 4, 2024

Manager Pham Hoang Bao Nga
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The Privia project recorded a good absorption rate and is expected to be handed over to customers from 4Q24

By November 2023, Khang Dien House Trading and Investment JSC (KDH) officially launched Privia project, located on An Duong Vuong Street, Binh Tan, Ho Chi Minh City (HCMC). The project covers an area of 1.8ha with three blocks of 1,043 apartments. As of 1Q24, it topped out all three buildings and sold out all of the apartments. KDH should complete and handover apartments from 4Q24. KBSV estimated 2024F revenue and NPAT of KDH at VND3,227 billion (+54%YoY) and VND804 billion (+12%YoY), supported by the handover of the Privia project.

Clarita and Emeria should be launched in 2024

We expect KDH and Keppel to launch Clarita and Emeria this year. These two have a total area of 11.8ha on Vo Chi Cong Street, Binh Trung Dong Ward, Thu Duc. The construction started in 4Q23 and should be finished to contribute to KDH's sales from 2H24. KBSV estimates 2024F-2025F sales of KDH to reach VND2,468 billion (-46% YoY) and VND4,217 billion (+71%YoY).

Large projects have progressed in legal procedures

In 1Q24, major projects in KDH's medium and long-term plans also recorded big progress in the legal completion process. The developer has paid 50% of the land use fee for project 11A (The Solina). The compensation for new projects Phong Phu 2 and Binh Trung is almost done to wait for investment approval. Le Minh Xuan Industrial Park expects to get the infrastructure construction permit this year.

Valuation: NEUTRAL – Target price: VND40,800/share

Based on business prospects and valuation results, we gave a NEUTRAL rating to KDH with a price target of VND40,800, 7% higher than the closing price on June 3, 2024.

Neutral maintain

Target price VND40,800

Upside	7%
Current price (Jun 3, 2024)	VND38,000
Consensus target price	VND43,100
Market cap (VNDtn/USDbn)	30.1/1.2

Trading data

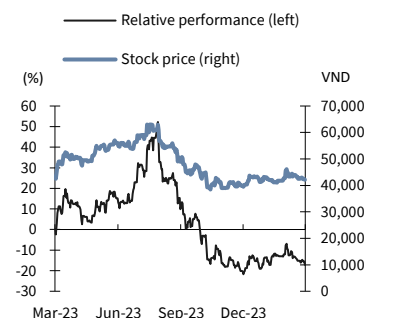
Free float	58.2%
3M avg trading value (VNDbn/USDmn)	132.7/5.3
Foreign ownership	39.6%
Major shareholder	Dragon Capital (7%)

Share price performance

(%)	1M	3M	6M	12M
Absolute	5.8	5.7	16.6	42.2
Relative	1.0	4.2	2.3	24.8

Forecast earnings & valuation

FY-end	2022	2023	2024F	2025F
Net revenue (VNDbn)	2,912	2,088	3,215	5,667
Operating income/loss (VNDbn)	992	1,122	1,056	2,218
NPAT-MI (VNDbn)	1,103	716	797	1,070
EPS (VND)	1,539	895	876	1,177
EPS growth (%)	-18	-42	-2	34
P/E (x)	20.24	38.63	43.38	32.29
P/B (x)	1.93	2.06	2.00	1.89
ROE (%)	9.4	4.6	4.1	5.1
Dividend yield (%)	0	0	0	0



Dat Xanh Group (DXG)

Clearer changes should appear

June 11, 2024

Manager **Pham Hoang Bao Nga**
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1Q24 results recovered compared to the same period in 2023

In 1Q24, Dat Xanh Group (DXG) posted VND31 billion in NPAT (vs a loss of VND91 billion in 1Q23) on revenue of VND1,065 billion (+182%YoY). The improvement in business results was attributable to (1) the handover of about 600 apartments at Opal Skyline project and (2) the rebound of the brokerage segment with the number of transactions increasing by 30% YoY.

DXG continues to finish the legal procedures for projects

In 2024, DXG aims to complete the legal procedures for projects in the Southern region such as Gem Riverside (HCMC), Gem Sky World (Dong Nai), Opal Luxury, Park View, Park City, and Opal Cityview (Binh Duong) to ensure sales for 2024–2026. As the progress of legal approval is still slow, we estimated a prudent 2024F sales result of about VND1,200 billion (+5xYoY), mainly generated from Gem Sky World project. Sales in 2025 should have a more obvious improvement when Gem Riverside project is launched and earn VND5,650 billion (+5xYoY).

2024F NPAT is VND204 billion (+18%YoY)

KBSV estimates 2024 revenue and NPAT of DXG at VND5,306 billion (+42%YoY) and VND204 billion (+18%YoY) respectively with the handover of Opal Skyline project and improved brokerage activities.

Valuation: BUY – Target price VND20,100

DXG stock is currently trading at a 2024 forward P/B of 1.1x, lower than the five-year average of 1.3x. Based on business prospects and valuation results, we give a BUY rating to DXG with a target price of VND20,100/share, 22% higher than the closing price on June 11, 2024.

Buy maintain

Target price VND20,100

Upside	22%
Current price (Jun 11, 2024)	VND16,500
Consensus target price	VND16,600
Market cap (VNDtn/USDbn)	11.9/0.5

Trading data

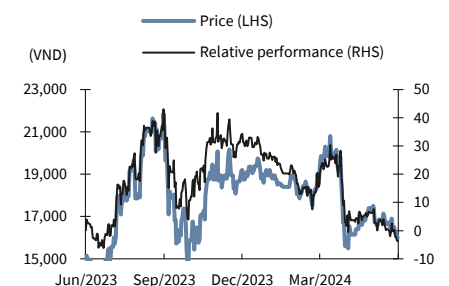
Free float	80.6%
3M avg trading value (VNDbn/USDmn)	251.1/10.0
Foreign ownership	19.7%
Major shareholder	Mr. Luong Tri Thin (17%)

Share price performance

(%)	1M	3M	6M	12M
Absolute	-1.2	-6.5	-9.4	20.9
Relative	-4.9	-10.9	-24.1	4.4

Forecast earnings & valuation

FY-end	2022	2023	2024F	2025F
Net revenue (VNDbn)	5,512	3,725	5,306	4,516
Operating income/loss (VNDbn)	775	437	577	718
NPAT-MI (VNDbn)	215	172	204	331
EPS (VND)	351	281	286	464
EPS growth (%)	-82	-20	2	63
P/E (x)	53.39	61.61	57.77	35.53
P/B (x)	1.09	1.07	1.09	1.06
ROE (%)	1.5	1.2	1.3	2.1
Dividend yield (%)	0	0	0	0



Source: Bloomberg, KB Securities Vietnam

Banks

Brighter prospects for 2H24

Analyst Pham Phuong Linh
linhpp@kbsec.com.vn

June 28, 2024

Positive change

Recommendations

VCB	BUY
Price target	VND109,100
Upside	+24%

BID	NEUTRAL
Price target	VND51,700
Upside	+8%

CTG	BUY
Price target	VND46,200
Upside	+38%

ACB	BUY
Price target	VND33,400
Upside	+37%

TCB	NEUTRAL
Price target	VND54,500
Upside	+11%

MBB	BUY
Price target	VND28,100
Upside	+24%

STB	BUY
Price target	VND40,000
Upside	+29%

VPB	BUY
Price target	VND26,000
Upside	+44%

TPB	BUY
Price target	VND22,400
Upside	+22%

MSB	BUY
Price target	VND17,900
Upside	+20%

Banks were quiet in the early months of the year

The State Bank of Vietnam said that as of June 14, credit growth of the whole system reached 3.79% YTD, and there has been positive improvements in the past two months (gaining 2.5% in 2Q). However, the disbursement speed in early this year was quite slow compared to 2022 and 2023. NIM continued to decline at many banks although the rate of decline has slowed down compared to previous quarters thanks to deposit interest rates maintaining at a low level. Regarding asset quality, the NPL of the entire industry rose 24bps to 2.2% by the end of 2023. The loan loss coverage ratio (LLCR) continues the downward trend in most banks, in which the group of state-owned banks (SoBs) showed the sharpest decrease due to a big drop in provisioning compared to the same period last year and the previous quarter.

2024 NIMs of monitored banks are forecast to increase 10–20bps YoY

The lending interest rates in the near future are unlikely to be reduced further to limit the decrease in yield on earning assets (IEA) and even post a slight gain because (1) current lending interest rates are relatively low compared to peak in 2023; (2) banks need reasonable lending interest rates to balance customer risks; (3) system credit had better signals in April and May; and (4) retail lending should improve in 2H24.

Meanwhile, the scenario predicting that deposit interest rates may increase by 30–50bps could impact the cost of funds (CoF), but the CoF in 2024 will still stay low. We lowered our forecast for NIM recovery in 2024 for banks under our coverage, expecting NIMs would improve 10–20bps from 2023's comparative lows.

Asset quality needs further monitoring

We maintain a cautious view about the asset quality of banks as the economy still needs more time to recover, and policies also need time to show their efficiency. However, the bad debt situation should be improved compared to 2023 given (1) Circular 02 is extended until the end of 2024; (2) banks have supporting policies via interest rates; (3) legal issues are resolved so that businesses can continue to expand business and production activities.

Banks have attractive valuation

For a long-term outlook, we still think that the banking industry deserves a better valuation. However, in the short term, stocks may encounter corrections if business results in 2Q and 3Q do not really improve, which will be the right time to buy

Business performance in 1H24

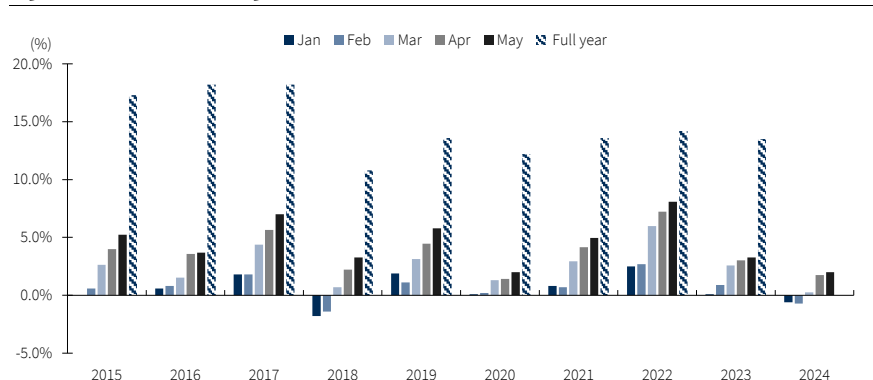
Credit growth in the first six months of 2024

The State Bank of Vietnam said that as of June 14, credit growth of the whole system reached 3.79% YTD, and there has been positive improvements in the past two months (gaining 2.5% in 2Q). However, the disbursement speed in early this year was quite slow compared to 2022 and 2023 due to (1) high comparative bases last year, (2) slow recovery of the overall economy, (3) the influence of seasonal factors (disbursement is often slow in the early part of the year).

Uneven credit growth among sectors of the economy created a divergence in growth rates among banks. Therefore, lending to the real estate sector (including loans for real estate construction projects and home loans) led the credit growth for many outperformers such as TCB, Ho Chi Minh Development Bank (HDB), and Vietnam Prosperity Bank (VPB). Meanwhile, the group of banks lending to the retail and business-manufacturing segments posted slower credit growth as consumer demand in this segment has not considerably recovered.

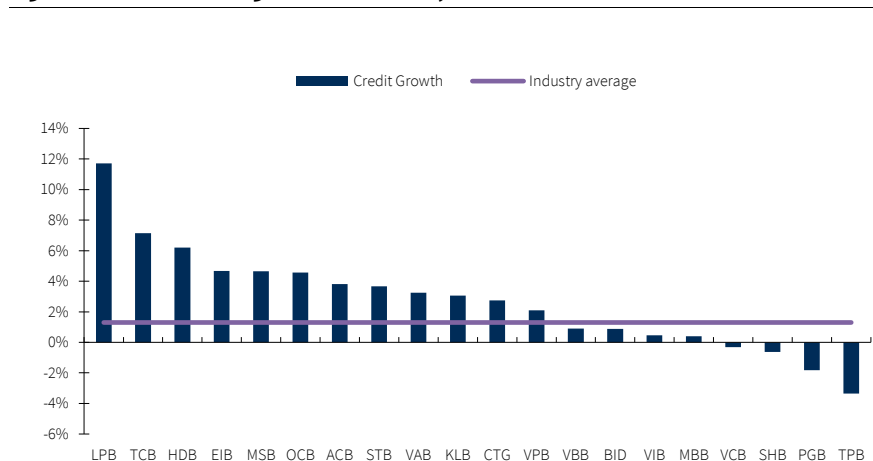
The disbursement rate was relatively slow in 1Q but became more positive in 2Q. By the end of June, system-wide credit growth was 3.79% YTD, increasing 2.5% compared to the end of March.

Fig 8. Vietnam – Credit growth in 2015–2024 (%)



Source: State Bank of Vietnam, KB Securities Vietnam

Fig 2. Vietnam – Credit growth of banks by the end of 1Q24 (%)



Source: Vietnam banks, KB Securities Vietnam

Credit growth is mixed between banking groups:

- The group of commercial banks with a large proportion of real estate loans (TCB, HDB, Maritime Bank – MSB, and VPB) had higher credit growth, of which home loans recorded positive growth in many banks when the real estate market is warming up, projects launched in 1Q helped increase supply on the primary market.
- The state-owned banks (SoBs) group witnessed modest credit growth. VCB even had negative growth due to the cautious disbursement strategy.

The decline of NIM slowed down thanks to the improvement in CoF

In general, 1Q NIM of the whole banking industry improved as the decrease slowed down compared to the previous quarter. Some banks even recorded an increase in NIM. Six out of 11 banks under our coverage (mentioned in page 1 of this report) have NIMs improving by 5–30bps QoQ, while the average NIM of the whole industry went down 6bps compared to the end of 2023 (the decline was slower than in 3Q and 4Q23). Banks with credit led by corporate customer groups such as TCB, HDB, and LPB saw a positive improvement in NIM, while SoBs, taking the leading role in lowering interest rates to support the economy, and banks focusing on retail lending would be affected in 1Q and have NIM improve at a slower pace.

CoF of Vietnam banks significantly improved by 20–90 bps QoQ thanks to low interest rates and high CASA ratio in the last two quarters (Figure 4). However, IEA witnessed a steeper fall by 70–200bps when (1) banks introduced more preferential policies on interest rates to increase competitiveness and promote credit; and (2) the credit structure shifting to the corporate customer segment has caused NIM of the entire industry to not increase again as expected.

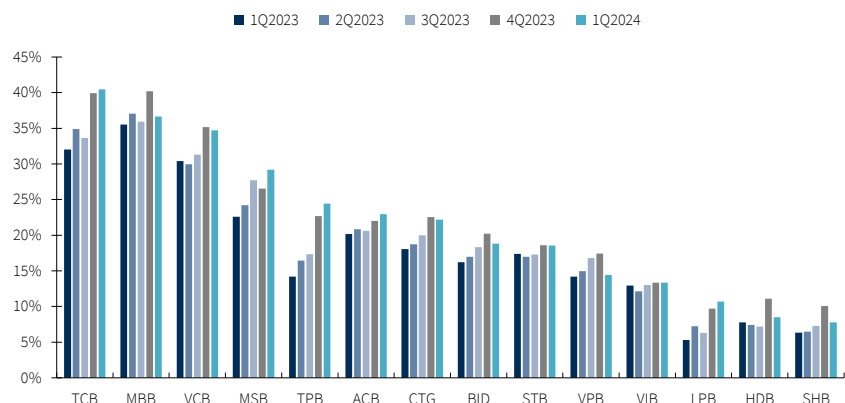
NIM developments are mixed between banks. Banks with more positive credit growth like TCB, HDB & LPB also recorded better NIM improvements, while retail lending banks showed a slower recovery in NIM.

Fig 3. Vietnam – NIM, IEA & CoF of banks (%)

	IEA			COF			NIM (LTM)		
	4Q2023	1Q2024	-/- bps (QoQ)	4Q2023	1Q2024	-/- bps (QoQ)	4Q2023	1Q2024	-/- bps (QoQ)
BID	7.00%	5.89%	-111	4.74%	4.37%	-37	2.57%	2.55%	-2
VCB	6.07%	5.39%	-68	3.41%	3.20%	-21	3.01%	2.99%	-2
CTG	7.14%	6.18%	-96	4.52%	3.99%	-53	2.86%	2.93%	6
MBB	8.57%	7.26%	-131	4.35%	3.96%	-40	4.80%	4.68%	-12
TCB	8.23%	7.43%	-80	4.63%	3.92%	-71	4.02%	4.09%	7
VPB	11.24%	9.93%	-131	6.62%	5.80%	-82	5.60%	5.65%	4
ACB	8.11%	6.79%	-132	4.76%	4.08%	-68	3.86%	3.90%	3
STB	9.60%	7.87%	-173	6.17%	5.46%	-71	3.79%	3.67%	-11
SHB	10.61%	8.84%	-177	7.30%	6.62%	-68	3.61%	3.45%	-16
HDB	11.46%	10.59%	-88	6.79%	5.91%	-88	4.83%	5.11%	28
VIB	9.64%	7.55%	-209	5.50%	4.72%	-78	4.71%	4.50%	-20
LPB	9.33%	8.35%	-98	6.72%	6.01%	-71	3.23%	3.26%	2
TPB	9.03%	7.88%	-114	5.32%	4.83%	-50	3.93%	4.05%	12
MSB	8.46%	6.66%	-181	4.78%	3.98%	-80	4.10%	3.90%	-20
EIB	7.89%	6.50%	-138	6.02%	5.38%	-64	2.47%	2.54%	6
OCB	9.11%	7.58%	-152	6.33%	5.55%	-78	3.59%	3.60%	1
VBB	8.11%	6.65%	-146	6.72%	6.01%	-71	1.66%	1.65%	-1
VAB	9.09%	7.58%	-151	7.16%	6.82%	-34	1.86%	2.12%	26
KLB	9.90%	8.49%	-141	7.32%	6.86%	-46	2.59%	2.60%	0
PGB	7.04%	6.10%	-94	4.66%	4.03%	-63	2.66%	2.67%	0

Source: State Bank of Vietnam, KB Securities Vietnam

Fig 4. Vietnam – CASA ratio of banks (%)



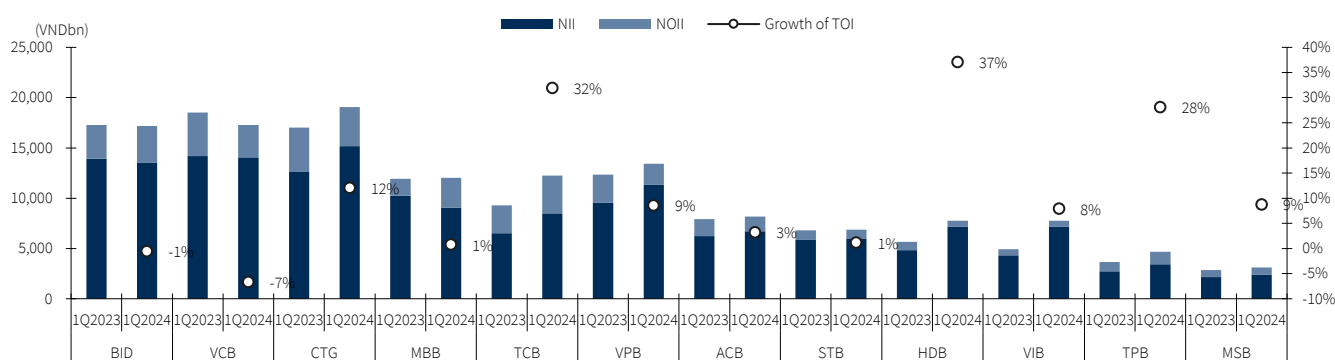
Source: Vietnam banks, KB Securities Vietnam

NOII growth offset the subdued NII

The income of banks should be improved in 2H24. Banks with positive credit growth and better NIM also recorded high NII growth in 1Q (HDB +48% YoY, TCB +30% YoY, and CTG +20% YoY). VPB posted growth again (+19% YoY) after five quarters of negative YoY growth thanks to credit growth YoY. The other banks under our coverage all experienced a slight improvement in NII, consistent with credit developments in the first three months of the year.

NFI posted a modest gain of 2% YoY but decreased by 20% QoQ due to increased payment demand at the end of the year. In addition, we see that bancassurance activities at banks have not yet had a significant recovery, especially after the amended law on credit institutions, controlling this activity more strictly. Income from securities trading and investment also helped some banks improve non-interest income (NOII). MBB made a six-time increase, TCB announced VND1,000 billion in interest vs a loss in 1Q23, and TPB posted a 14-time increase.

Fig 5. Vietnam – NII, NFI & TOI growth of banks



Source: Vietnam banks, KB Securities Vietnam

Asset quality of banks decreased slightly in the first quarter of 2024

Vietnam banks showed a slight decrease in 1Q asset quality, the NPL ratio of the whole sector gained 24bps QoQ when special mention rose 12% QoQ. LLCR continued the downward trend in most banks. The SoBs had the sharpest decline due to a plunge in provisioning compared to 1Q and 4Q23, but the LLCR of this group is still high and safe (150–200%). Large commercial banks, except for TCB maintaining its LLCR above 100%, all recorded a decline in LLCR. MBB’s rate decreased significantly compared to the previous quarter due to worse asset quality.

To reduce bad debt pressure in the first quarter, banks still promoted the use of previously provisioned resources to handle bad debts from the balance sheet. At the banks under our coverage, the portion used to handle bad debts in 1Q is lower than that in 4Q23 but still at the same high level as in 3Q23 (Figure 7). We think that banks are still using large provision sources in the previous period to improve asset quality, but thinner provision buffers are also a challenge for them, meaning they will have to make more provisions in the future.

Fig 6. Vietnam – Asset quality of banks

The NPL ratio increased compared to the end of 2023 in most banks due to gloomy economic context and CIC classification. TCB and VPB are the only two banks that recorded a decrease in NPL as TCB used nearly VND1,000 billion to handle bad debt in 1Q, and VPB's NPL was supported by the improvement in loan quality at FE Credit (-98bps) and promoting bad debt handling. However, its special mention sharply emerged from real estate lending.

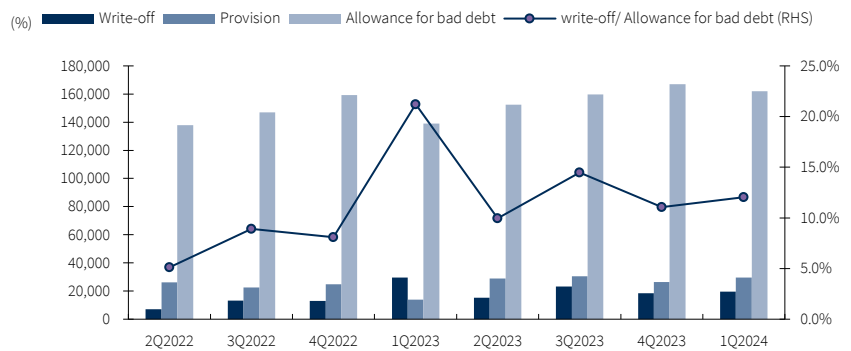
1Q2024	NPL		+/-bps (QoQ)	NPL adjusted G2		+/-bps (QoQ)	LLCR		QoQ
	4Q2023	1Q2024		4Q2023	1Q2024		4Q2023	1Q2024	
BID	1.3%	1.5%	25	2.8%	3.6%	73	182%	153%	-29%
VCB	1.0%	1.2%	24	1.4%	1.8%	36	230%	200%	-30%
CTG	1.1%	1.3%	22	2.7%	2.9%	26	167%	151%	-16%
MBB	1.6%	2.5%	88	3.9%	4.8%	90	117%	80%	-37%
TCB	1.2%	1.1%	-3	2.0%	2.2%	21	102%	106%	4%
VPB	5.0%	4.8%	-17	11.9%	13.1%	124	52%	53%	2%
ACB	1.2%	1.5%	24	1.9%	2.2%	37	91%	79%	-13%
STB	2.3%	2.3%	0	3.0%	3.1%	13	69%	73%	4%
SHB	2.8%	3.0%	17	4.1%	4.5%	41	78%	69%	-9%
HDB	1.8%	2.2%	45	7.0%	7.0%	-7	66%	57%	-9%
VIB	3.1%	3.6%	45	8.7%	9.2%	53	51%	50%	-1%
LPB	1.3%	1.4%	5	2.5%	2.2%	-28	94%	89%	-5%
TPB	2.0%	2.2%	19	4.9%	4.9%	6	64%	60%	-3%
SSB	1.9%	2.0%	2	3.1%	3.1%	1	86%	85%	0%
MSB	2.9%	3.2%	31	4.6%	4.9%	29	55%	54%	-2%
EIB	2.7%	2.9%	21	4.0%	4.1%	10	41%	37%	-4%
OCB	2.8%	2.9%	12	4.8%	5.5%	67	50%	55%	5%

Source: Vietnam banks, KB Securities Vietnam

Note: Adjusted NPL is equal to total special mention, substandard, doubtful, and bad debts/total outstanding debts

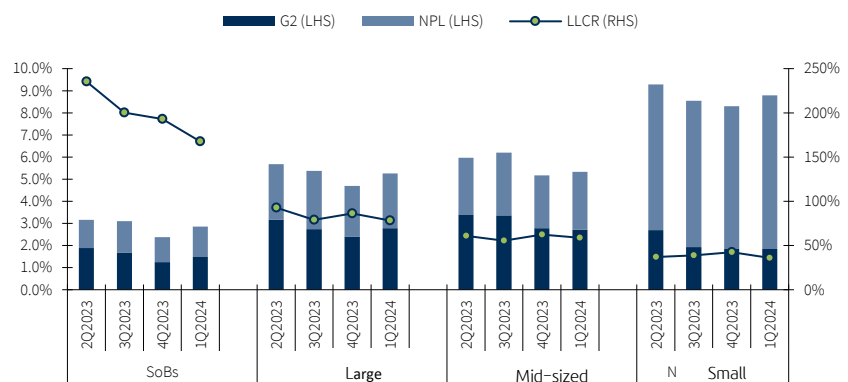
Fig 7. Vietnam – Handled NPLs/provision of banks in 1Q (%)

The portion of bad debt handled in the first quarter of banks in our watch list was 51% lower than the previous quarter but still on par with 3Q23. To maintain a safety buffer, the banks have also increased provisioning (+15% YoY, +3% YoY). However, provisioning pressure will still be large because we expect banks will continue to handle bad debts in the near future.



Source: Vietnam banks, KB Securities Vietnam

Fig 8. Vietnam – Proportion of special mention-bad debts and LLCR of banks (%)



Source: Vietnam banks, KB Securities Vietnam

Business outlook for 2H24

KBSV maintained the forecast for 2024 credit growth at 15% YoY

The disbursement speed was quite slow in the first months of the year, but we still believe that the credit growth for the whole year will achieve the 15% target with the assumptions: (1) the private customer group should contribute more to 2H24 credit growth; and (2) the real estate market continues to recover after the Government's efforts to resolve legal issues. In addition, the current tense exchange rate situation and increased CoF amid the forecast of a 70–100bp increase in deposit rates will put more pressure on lending interest rates. However, we expect lending interest rates will remain at a more reasonable level than the peak in 2023, thereby boosting the economy's credit demand.

Deposit interest rates may increase by 70–100bps from now until the end of the year

According to our observations, deposit interest rates at some banks have gained 10–40bps from the bottom area for short terms of 1–12 months. We are inclined to the scenario that deposit interest rates may rise 70–100bps from now to 2024-end while the exchange rate pressure is prevailing, and deposit demand at banks is high towards the peak season at the end of the year. With the above expected increase, we think this is an adjustment to a more reasonable base level (currently deposit interest rates are still lower than the Covid bottom area – Figure 9), but the interest rates may not record a strong uptrend as in 2022–2023.

We lowered expectations for NIM recovery to 10–20bps for banks in the watch list (vs 20–30bps in the old forecast)

It is not likely that lending interest rates will reduce further in the coming time, limiting the IEA's reduction. The rates may even improve slightly because (1) current lending interest rates are relatively low compared to the peak in 2023; (2) banks need reasonable lending interest rates to balance customer risks; (3) system-wide credit had better signals in April and May; and (4) retail lending should improve in 2H24.

Meanwhile, the scenario predicting that deposit interest rates may increase by 30–50bps could impact the CoF, but it should stay low in 2024 as the change in deposit rates needs time to be reflected. We lowered our forecast for NIM recovery in 2024 for banks under our coverage, expecting NIMs would improve 10–20bps from 2023's comparative lows.

Banks increased provisioning to strengthen backup buffers

We maintain a cautious view about the asset quality of banks as the economy still needs more time to recover, and policies also need time to show their efficiency. However, the bad debt situation should be improved compared to 2023 given (1) Circular 02 is extended until the end of 2024 (with the impacts mentioned in the [Vietnam banks report in 3Q23](#)); (2) banks have supporting policies via interest rates; (3) legal issues are resolved so that businesses can continue to expand business and production activities.

However, after the period of accelerating bad debt handling from 3Q23, we see that the entire industry's reserve buffer has decreased significantly (Figure 9). In the coming time, the pressure on provisioning will increase as banks will have to consolidate the buffer and prepare for debt settlement in the 2025–2026 period. In general, the risk of bad debt still exists when recovery of the real estate/corporate bond market does not meet expectations.

The application period of Circular 02 has been extended to the end of 2024

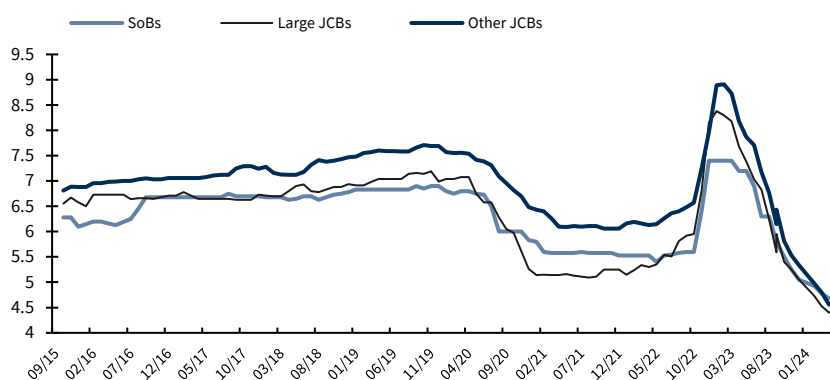
We have updated the latest changes in the extension of Circular 02 on the application period until the end of 2024 in the [Vietnam banks report in 1Q24](#). KBSV believes the extension of the application time for Circular 02 will solve two immediate problems (1) supporting customers and the economy in general and (2) exerting positive impacts on banks in terms of recording NPLs. Debt restructuring allows customers to have more time to arrange their finances, limiting the impact on credit ratings, thereby having an overall impact on the economy. On the other hand, keeping the debt groups unchanged will help banks reduce the pressure of increasing bad debts (on the balance sheet) while still making full provisions for these debts.

The rebound of the economy will support the revaluation of banking stocks

Most banking stocks witnessed a correction after gaining 15–20% in the first months of the year, bringing the industry's P/B back to the 1.4x area, reflecting the market discount for the risks of bad debt and ROE declines. KBSV expects the profit of banks to be boosted in 2H24 by credit demand from the real estate sector and the recovering production and business activities, thereby supporting P/B revaluation to a more reasonable level. In the short term, stocks may have an adjustment period if business results in 2Q and 3Q do not really improve, but it will be the right time to buy potential stocks for long-term investment goals. Our recommended stocks include: VCB, ACB, STB, TCB, and VPB.

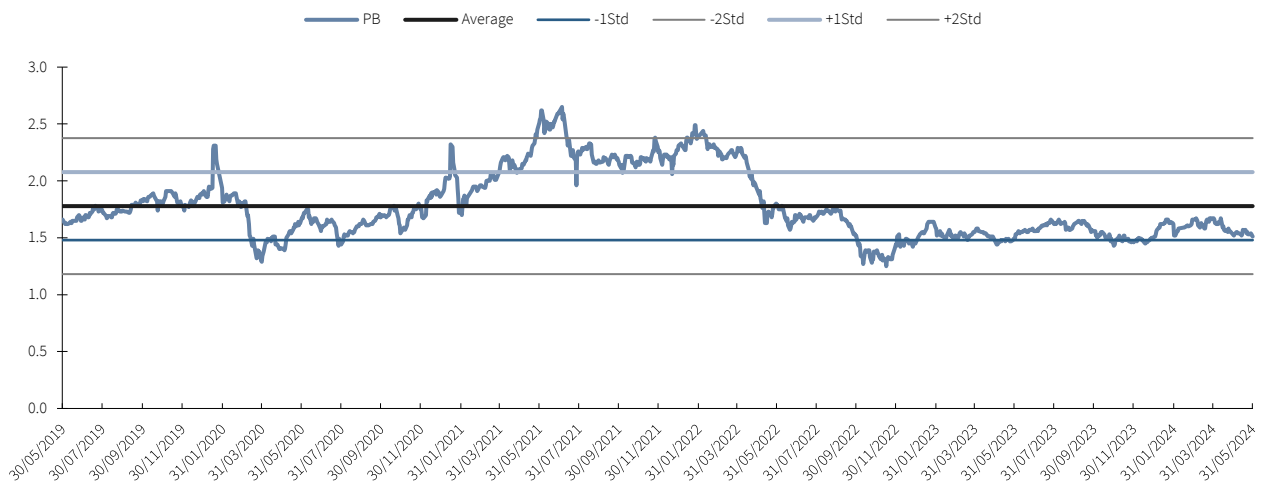
Deposit interest rates of banks have begun to increase again. Large banks recorded a 10–20bps increase, while other commercial banks had a stronger increase due to their bigger demand for cash.

Fig 9. Vietnam – 12M term deposit interest rates at banks



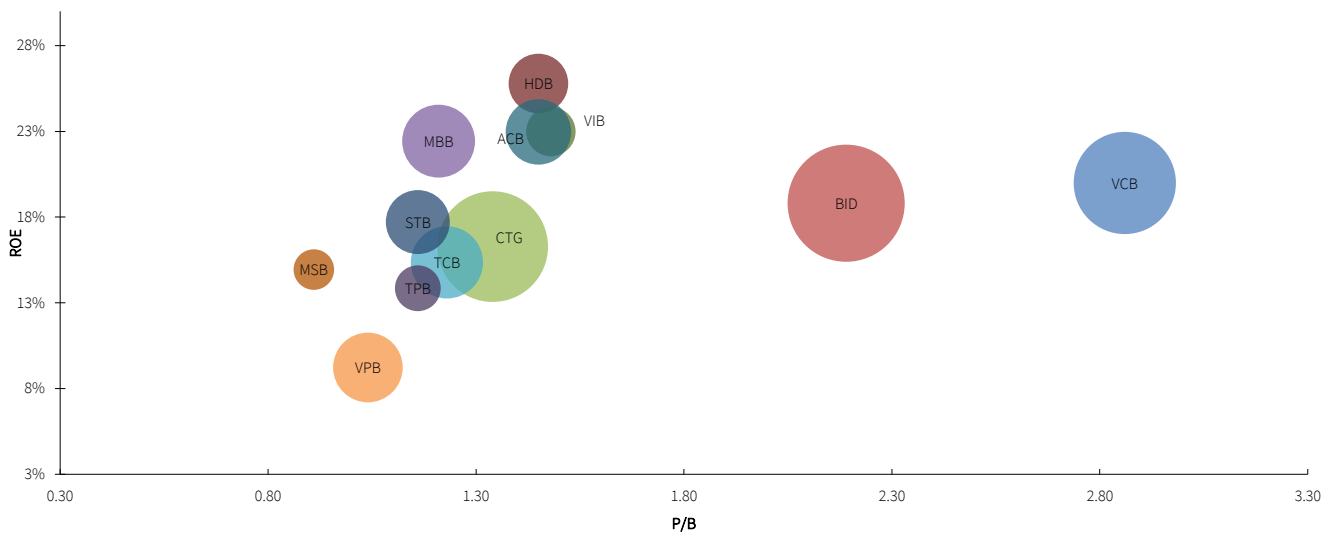
Source: FiinPro, KB Securities Vietnam

Fig 10. Vietnam - P/B of banks (x)



Source: FiinPro, KB Securities Vietnam

Fig 11. Vietnam - ROE & P/B of covered banks (% , x)



Source: FiinPro, KB Securities Vietnam

Note: The size of bubbles demonstrates the scale of asset quality.

Vietcombank (VCB)

Prudent in capital disbursement

June 14, 2024

Analyst Vu Thu Uyen
uyenvt@kbsec.com.vn

1Q PBT decreased by 4.5% YoY to VND10,718 billion, completing 25.5% of the assigned target

1Q TOI of Vietcombank (VCB) fell 6.7% YoY due to lower NII (-0.9% YoY) and NOI (-25.8% YoY). Operating and credit costs were well controlled in the quarter. Accordingly, PBT decreased by 4.5% YoY to VND10,718 billion, reaching 25.5% of the assigned profit target.

Credit growth is slow due to VCB's caution in disbursement

Credit growth is less positive in 1Q24 because of VCB's caution in disbursement, in addition to seasonal factors and the surge in credit in 4Q23. The bank said it only focused on customers with financial capacity and risk tolerance. Therefore, KBSV lowered the forecast for 2024 credit growth of VCB from 14% to 12.5%, slightly exceeding the plan set by the bank and higher than the result of 2023 (10.7%).

NIM improves and is forecast to stay flat in the remaining quarters

NIM improved to 3.15% and is forecast to move sideways in the remaining three quarters. In particular, the average earnings yield (IEA) is unlikely to increase again because VCB will still maintain low lending interest rates to support businesses according to the Government's orientation. Meanwhile, deposit interest rates are under pressure to increase again at the end of the year, but it may take time to reflect in the costs of fund (CoF).

Valuation: BUY rating – Target price VND105,200

Using two valuation methods: P/B and Residual Profit Discount, we give the target price for 2024 of VCB stock at 105,200 VND/share, 19.0% higher than the price on March 13, June 2024. Recommendation to BUY VCB shares.

Buy maintain

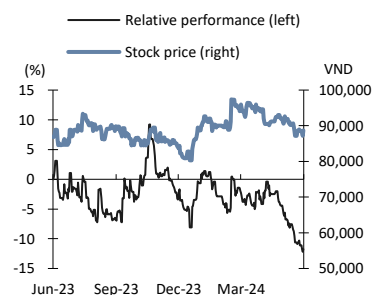
Target price	VND105,200
Upside	19.0%
Current price (Jun 13, 2024)	VND88,400
Consensus target price	VND110,000
Market cap (VNDtn/USDbn)	487.9/19.2

Trading data	
Free float	25.2%
3M avg trading value (VNDbn/USDmn)	131.0/5.2
Foreign ownership	23.4%
Major shareholder	State Bank of Vietnam (63.34%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	-2.5	-7.6	6.0	2.2
Relative	-7.4	-9.9	-10.7	-13.6

Forecast earnings & valuation

FY-end	2022	2023	2024F	2025F
Net interest income (VNDbn)	53,246	53,621	60,804	71,918
PPOP (VNDbn)	46,832	45,809	52,058	60,339
NPAT-MI (VNDbn)	29,899	33,033	35,667	42,414
EPS (VND)	6,318	5,910	6,381	7,126
EPS growth (%)	7%	-6%	8%	12%
PER (x)	14.0	15.0	13.9	12.4
BVPS	28,663	29,524	35,906	46,120
PBR (x)	3.09	3.00	2.47	1.92
ROE (%)	24.4	22.0	19.5	17.9
Dividend yield (%)	0.00	0.00	0.00	0.68



Source: Bloomberg, KB Securities Vietnam

ACB Bank (ACB)

Promising credit growth amid difficulties

June 13, 2024

Analyst Pham Phuong Linh
linhpp@kbsec.com.vn

Corporate lending led credit growth, while the main segment of personal loans should improve in 2H24

KBSV expects Asia Commercial Bank (ACB) to achieve the assigned credit target of 16%, in which large corporate loans should increase further in scale and weight. In the long term, ACB may still focus on retail lending thanks to its inherent advantages and experience with this customer group. The demand for personal loans (consumer loans, business loans, and home loans) may improve in 2H24.

NIM forecast was lowered by 4bps due to higher lending ratio to corporate customers

KBSV believes that lending interest rates have bottomed out and may recover slightly from 3Q. On the other hand, deposit interest rates tend to rise again but will take time to be reflected on the CoF. The increase in CoF will be less than the improvement of the IEA as we believe that interest rates are unlikely to increase as strongly as in 1H23. NIM forecast for 2024 was lowered 4bps to 3.95% due to higher lending to corporate customers with lower NIM than private lending.

Asset quality declined but to a lesser extent than other banks

The loan loss coverage ratio (LLCR) fell to 78.6% by the end of 1Q, putting more provisioning pressure on the bank. However, we observed that all Vietnam banks have experienced a decline in asset quality, and the situation at ACB is still positive compared to the whole industry. The asset quality of ACB is among the top in the industry thanks to its large customer base and low risk appetite.

Valuation: BUY rating – Target price VND30,200

We changed our forecasts for the bank's NOII, NIM, and NPL to reflect current developments. The new price target after dividend payment is VND30,200. We recommend BUY for ACB with a potential return of 23% compared to June 12, 2024.

Buy maintain

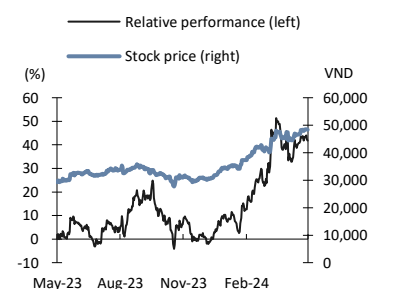
Target price	VND30,200
Upside	23.0%
Current price (Jun 12, 2024)	VND24,550
Consensus target price	VND30,000
Market cap (VNDtn/USDbn)	109.7/4.3

Trading data	
Free float	90%
3M avg trading value (VNDbn/USDmn)	156/6.4
Foreign ownership	30%
Major shareholder	Vietnam Enterprise Investments (5.48%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	1.9	2.1	26.6	30.7
Relative	-2.9	-0.2	9.9	14.9

Forecast earnings & valuation

FY-end	2022	2023	2024F	2025F
NII (VNDbn)	23,534	24,960	29,559	34,662
PPOP (VNDbn)	17,185	21,872	24,425	28,626
NPAT-MI (VNDbn)	13,688	16,045	17,740	20,779
EPS (VND)	4,053	4,131	4,567	5,350
EPS growth (%)	14%	2%	11%	17%
PER (x)	10.9	10.7	9.6	8.2
BVPS (VND)	17,303	18,269	21,740	25,594
PBR (x)	2.54	2.41	2.02	1.72



Source: Bloomberg, KB Securities Vietnam

Military Bank (MBB)

Current stock price has reflected difficulties

June 19, 2024

Analyst Pham Phuong Linh
linhpp@kbsec.com.vn

1Q PBT dropped 11% YoY to VND 5,795 billion amid weak credit growth

Slow credit growth and lower NIM made NII of Military Commercial Joint Stock Bank (MBB) go down 11% YoY. There is a significant deterioration in 1Q asset quality of the bank, shown in a surge in NPLs and a decline in provision buffers (from 117% in 2023 to 80% by the end of 1Q24). High provision costs also caused an 11% YoY decrease in PBT (VND5,795 billion), equal to 19% of our forecast.

2024F NIM is lowered as 1Q results are below expectations

KBSV expects CoF to improve more strongly from 2Q, supported by low-interest deposits. The effect of temporary loans (with low yields) that ended in 1Q and bank lending interest rates that hardly reduce further will help undermine the IEA slowdown. NIM of MBB should rebound from 2Q, but we lowered our forecast for full-year NIM by 12bps to 4.75% as 1Q results did not meet expectations.

The sharp decline in asset quality is only a temporary factor

Although 1Q asset quality was worse than expected, we believe this is a temporary factor, and bad debt peaked in 1Q, based on: (1) The bank has proactively cut the proportion of loans to risky fields (real estate and corporate bonds) for many consecutive quarters (from 19% of total credit in 1Q22 to 16% in 1Q24). (2) Large customers are expected to see a change in debt groups in 2Q. (3) Economic recovery prospects should be brighter in 2H24.

Valuation: BUY rating – Price target VND27,000

We believe that the difficult period with negative information has been reflected in MBB stock prices. The new target price is VND27,000/share.

Buy maintain

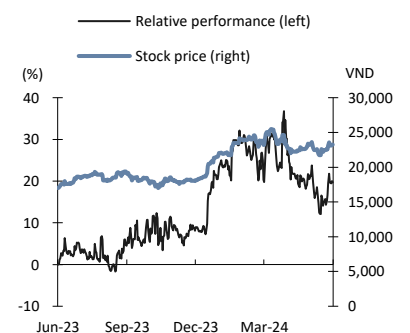
Target price	VND27,000
Upside	16.1%
Current price (Jun 18, 2024)	VND23,250
Consensus target price	VND28,500
Market cap (VNDtn/USDbn)	123.4/4.8

Trading data	
Free float	55%
3M avg trading value (VNDbn/USDmn)	467.2/18.5
Foreign ownership	23.23%
Major shareholder	14.14%

Share price performance				
(%)	1M	3M	6M	12M
Absolute	0.0	0.2	29.2	36.8
Relative	-0.5	-2.6	10.2	18.2

Forecast earnings & valuation

FY-end	2022	2023	2024F	2025F
Net revenue (VNDbn)	36,023	38,684	46,592	57,607
PPOP (VNDbn)	30,777	32,393	38,751	46,705
NPAT-MI (VNDbn)	18,155	21,054	23,571	28,157
EPS (VND)	3,856	3,966	4,427	5,278
EPS growth (%)	15%	3%	12%	19%
PER (x)	11.4	11.1	9.9	8.3
BVPS (VND)	17,559	18,548	22,323	27,001
PBR (x)	2.51	2.37	1.97	1.63
ROE (%)	25.6%	23.9%	22.1%	21.9%



Source: Bloomberg, KB Securities Vietnam

Techcombank (TCB)

Having a good start

May 15, 2024

Analyst Pham Phuong Linh
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Loans into real estate will lead credit growth in the next quarter

KBSV expects the credit growth of Techcombank (TCB) will still be led by the recovery of the real estate market when (1) homebuyer confidence continues to improve; (2) the supply from new projects/next phases of existing projects on the market increases; and (3) interest rates are maintained at a reasonable level. We maintain our forecast for TCB's credit growth in 2024 at 21% YoY in the base scenario.

CASA facilitates CoF control, and NIM should recover before deposit rates increase again

As the business results of the bank in 1Q are quite promising, we raised the 2024F NIM from 4.07% to 4.34% (+33 bps YoY). NIM forecast for 2025 is 4.64%, driven by the collection from the customer support amount in the "flexible price policy".

TCB will need more time to stabilize asset quality again

Although TCB has actively provisioned for credit risks, the NPL settlement portion is quite large, causing the reserve buffer not to record a significant improvement. We believe that the bank will need more time to rebalance asset quality to previous levels when the general economy shows stronger recovery signals.

NEUTRAL rating with target price VND54,500/share

After changing expectations for business results, we raise the target price for TCB from VND45,200 to VND54,500/share. With a potential return of 14% compared to the closing price on May 14, 2024, KBSV maintains a NEUTRAL view for TCB shares.

Neutral maintain

Target price	VND54,500
Upside (%)	7.8
Current price (May 14, 2024)	VND47,900
Consensus target price	VND51,000
Market cap (VNDbn/USDmn)	169.6/6.7

Forecast earnings & valuation

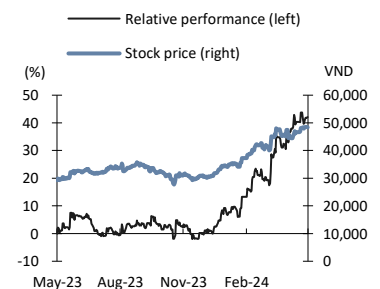
FY-end	2022	2023	2024F	2025F
Net interest income (VNDbn)	30,290	27,691	32,101	39,509
PPOP (VNDbn)	27,504	26,809	29,715	35,188
NPAT-MI (VNDbn)	20,436	18,191	20,859	26,018
EPS (VND)	5,729	5,111	5,853	7,296
EPS growth (%)	11%	-11%	15%	25%
PER (x)	7.7	8.6	7.5	6.0
Book value per share (VND)	32,248	37,368	42,620	49,317
PBR (x)	1.36	1.18	1.03	0.89
ROE (%)	19.8%	14.8%	14.8%	16.1%

Trading data

Free float	65%
3M avg trading value (VNDbn/USDmn)	295.6/12.1
Foreign ownership	22.5%
Major shareholder	Masan Group (MSN, 14.96%)

Share price performance

(%)	1M	3M	6M	12M
Absolute	2.3	30.0	57.0	65.5
Relative	4.8	26.2	43.8	48.9



Source: Bloomberg, KB Securities Vietnam

BID Bank (BID)

NIM should rebound in 2H24

June 13, 2024

Manager Nguyen Anh Tung
emailaddress@kbsec.com.vn

1Q PBT gained 6.8% YoY to VND7,390 billion

In 1Q24, Bank for Investment & Development of Vietnam (BID) recorded VND13,541 billion in NII (-8.9% QoQ, -2.8% YoY) and VND3,630 billion in NOII (-36.7% QoQ, +8.6% YoY), making TOI reach VND17,171 billion (-16.7% QoQ, -0.6% YoY). Provisions were VND4,389 billion (-10.2% QoQ, +6.8% YoY), causing PBT to increase to VND7,390 billion (-6.3% QoQ, +6.8% YoY).

NIM should improve in 2H24 thanks to low CoF

1Q dropped 2bps QoQ to 2.55%, mostly resulting from BID's lowering lending interest rates to support the economy. KBSV expects NIM of the bank to rebound in 2H24 thanks to reduced costs of fund (CoF), but the recovery will not be too strong as BID will still maintain low lending interest rates, leading the banking industry in supporting the economic recovery.

The bank expects a credit growth of 14.04% for 2024

2024E guidance includes credit growth of 14.04% YoY and NPL ratio $\leq 1.4\%$. In addition, the general shareholders approved the plan on raising charter capital by VND13,619 billion (+23.9% YTD) in 2024 from two sources: (1) VND11,970 billion worth stock dividends for 2022 and (2) a private placement on December 31, 2023 with an expected ratio of 2.89% of charter capital.

Valuation: NEUTRAL rating with target price VND52,200/share

Based on valuation results, business prospects and potential risks of the bank, we give a NEUTRAL rating to BID. The target price for 2024 is VND52,200/share, 9.0% higher than the price on June 12, 2024.

Neutral maintain

Target price VND52,200

Upside	9.0%
Current price (Jun 12, 2024)	VND47,900
Consensus target price	VND51,900
Market cap (VNDtn/USDbn)	273.9/10.8

Trading data

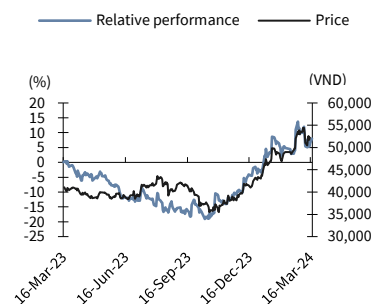
Free float	4.01%
3M avg trading value (VNDbn/USDmn)	83.8/3.3
Foreign ownership	17.1%
Major shareholder	State Bank of Vietnam (80.99%)

Share price performance

(%)	1M	3M	6M	12M
Absolute	-1.4	-8.9	15.1	21.7
Relative	-6.3	-11.3	-1.5	5.9

Forecast earnings & valuation

FY-end	2022	2023	2024F	2025F
Net interest income (VNDbn)	56,070	56,136	67,219	79,561
PPOP (VNDbn)	47,025	47,932	55,852	65,512
NPAT-MI (VNDbn)	18,159	21,505	23,810	29,038
EPS (VND)	3,590	3,773	3,371	4,112
EPS growth (%)	72%	5%	-11%	22%
PER (x)	13.3	12.7	14.2	11.6
BVPS	20,597	21,554	22,169	26,281
PBR (x)	2.33	2.22	2.16	1.82
ROE (%)	19.3	19.4	17.4	17.3
Dividend yield (%)	0.0	0.0	0.0	0.0



Source: Bloomberg, KB Securities Vietnam

VietinBank (CTG)

Credit growth target of 14-15%

June 18, 2024

Manager Nguyen Anh Tung
tungna@kbsec.com.vn

1Q24 EBT gained 6.8% YoY to VND6,210 billion

In 1Q24, VietinBank (CTG) posted VND15,174 billion (+4.1% QoQ, +19.8% YoY) in NII and VND3,893 billion in NOII (-0.3% QoQ, -10.6% YoY), making TOI reach VND19,067 billion (+3.2% QoQ, +12.0% YoY). During the period, CTG accelerated provisioning of VND8,049 billion (+80% QoQ, +19.7% YoY), causing PBT to gain 3.8% YoY to VND 6,210 billion.

2024E credit growth and credit costs are at 14-15% and 1.3%

At the 2024 AGM, CTG set a credit growth target of 14 - 15%, NIM ~ 3%, and NPL ratio <1.8%. The bank expects credit costs should be 1.3% with expected provisions of VND20 trillion, and bad debt recovery may reach about VND4.7 - 5 trillion for the whole year.

VCB is expected to maintain good NIM level in 2H24

KBSV believes that CTG will maintain a good NIM at 2.95%, based on: (1) CoF continues to improve when deposit interest rates are still low compared to the 2021-2022 period, and high-interest-rate-deposits for the period 4Q22 - 1Q23 mature. (2) Lending interest rates are currently low, and the bank do not need to reduce lending interest rates as its credit growth is still growing as planned.

Valuation: BUY rating - Target price VND40,200

Based on valuation results, business prospects and potential risks, we give a BUY rating to CTG shares. The target price for 2024 is VND40,200/share, 22.9% higher than the price on June 17, 2024.

Buy maintain

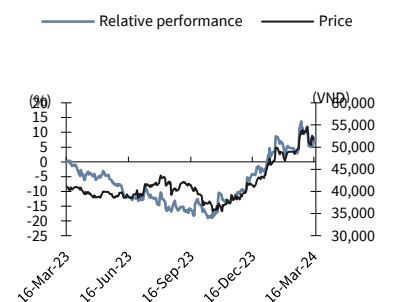
Target price	VND52,200
Upside	22.7%
Current price (Jun 17, 2024)	VND32,750
Consensus target price	VND37,000
Market cap (VNDtn/USDbn)	174.0/6.8

Trading data	
Free float	35.5%
3M avg trading value (VNDbn/USDmn)	319.4/12.6
Foreign ownership	26.3%
Major shareholder	State Bank of Vietnam (64.46%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	-1.1	-1.7	25.7	28.4
Relative	-1.2	-4.2	9.0	14.1

Forecast earnings & valuation

FY-end	2022	2023	2024F	2025F
Net interest income (VNDbn)	47,792	52,957	62,294	70,425
PPOP (VNDbn)	44,922	50,105	55,729	62,389
NPAT-MI (VNDbn)	16,924	19,904	23,172	27,075
EPS (VND)	3,522	3,706	4,315	5,042
EPS growth (%)	20%	5%	16%	17%
PER (x)	9.3	8.8	7.6	6.5
BVPS	22,539	23,440	27,755	32,797
PBR (x)	1.45	1.40	1.18	1.00
ROE (%)	16.8	17.1	17.0	16.8
Dividend yield (%)	0.0	0.0	0.0	0.0



Source: Bloomberg, KB Securities Vietnam

Sacombank (STB)

2024 PBT growth target at 10.47%

May 31, 2024

Manager Nguyen Anh Tung
tungna@kbsec.com.vn

1Q24 PBT gained 11.4% YoY to VND2,654 billion

In 1Q24, Sacombank (STB) recorded VND5,951 billion in NII (+5.6% QoQ, +2.0% YoY) and VND6,875 billion in TOI (+2.5% QoQ, +1.1% YoY). Provision costs were low and flat QoQ, maintaining at VND678 billion (+24.6% QoQ, -32.3% YoY). This helped PBT to improve considerably by 11.4% YoY to VND2,654 billion.

STB successfully sold debt related to Phong Phu Industrial Park

According to the 2024 AGM, STB successfully sold debt related to Phong Phu Industrial Park. Up to now, the bank has collected 20% of the total sale value and expected to collect another 40% in 2024 and the remaining 40% in 2025. We hope STB will record other income from the deal of about VND1,336 billion in 2024 after provisioning all VAMC bond debt.

The bank set a prudent 2024 target PBT growth at 10.47% YoY

STB plans for outstanding credit balance to reach VND535,800 billion, equivalent to a growth rate of 11% YoY, with NPL under 2% and PBT of VND10,600 billion (+10.47% YoY). We believe that the bank will achieve better results, based on: (1) NIM maintains at a good level thanks to improved cost of funds (CoF); (2) asset quality is well controlled; and (3) revenue from the sale of Phong Phu Industrial Park should be recorded.

Valuation: BUY rating – price target VND40,000

Observing valuation results, business prospects and potential risks of TPB, we gave a BUY rating to STB shares. The target price for 2024 is VND40,000/share, 41.6% higher than the price on May 30, 2024.

Buy maintain

Target price	VND40,000
Upside	41.6%
Current price (May 30, 2024)	VND28,250
Consensus target price	VND39,100
Market cap (VNDtn/USDbn)	52.5/2.1

Forecast earnings & valuation

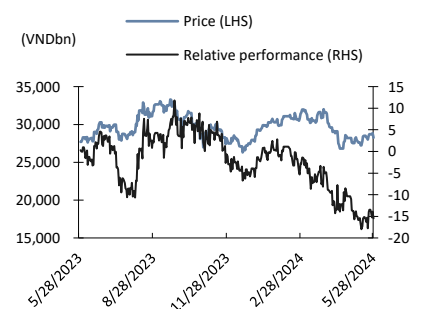
FY-end	2022	2023	2024F	2025F
Net interest income (VNDbn)	17,147	22,072	25,368	27,871
PPOP (VNDbn)	15,221	13,283	16,159	19,871
NPAT-MI (VNDbn)	5,041	7,719	10,238	12,413
EPS (VND)	2,674	4,094	5,430	6,584
EPS growth (%)	48%	53%	33%	21%
PER (x)	10.5	6.9	5.2	4.3
Book value per share (VND)	20,489	24,259	29,690	36,274
PBR (x)	1.38	1.16	0.95	0.78
ROE (%)	13.8	18.3	20.1	20.0
Dividend yield (%)	0.0	0.0	0.0	0.0

Trading data

Free float	94.5%
3M avg trading value (VNDbn/USDmn)	546.1/21.9
Foreign ownership	23.2%
Major shareholder	Chairman Duong Cong Minh (3.32%)

Share price performance

(%)	1M	3M	6M	12M
Absolute	0.2	-10.5	2.7	2.0
Relative	-5.0	-12.0	-13.6	-16.1



Source: Bloomberg, KB Securities Vietnam

TienphongBank (TPB)

Better profit for 2024

June 21, 2024

Analyst Vu Thu Uyen
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1Q PBT improved slightly to VND1,829 billion (+3.6% YoY), completing 24.4% of the year's plan

In 1Q24, TOI of Tien Phong Bank (TPB) reached VND4,685 billion (+5.4% QoQ; +28.0% YoY) thanks to the improvement from both NII (+25.2% YoY) and NOII (+36.4% YoY). However, increased pressure on provisioning (+274.9% YoY) caused PBT to only increase by 3.6% YoY to VND1,829 billion, completing 24.4% of the year's profit plan.

Credit growth should reach the target thanks to the rebounding real estate market and consumer demand

Although the 1Q results were not as expected, KBSV maintained TPB's 2024 credit growth forecast at 15.75%, achieving the assigned target. The main growth driver is an expected increase in consumer demand at the end of the year, which will improve the performance of the bank in the retail segment. In particular, the real estate market is showing signs of positive recovery, which will benefit TPB's lending to real estate project development and home loans.

NIM is expected to narrow slightly but remain high, thereby supporting NII

NIM of TPB may slightly narrow to ~4% in the remaining three quarters mainly due to the pressure of lowering interest rates while CoF will be maintained at a low level, taking advantage of CASA benefits. However, we assess that this NIM level is still positive and will help improve NII.

Valuation: BUY rating – Target price VND22,700/share

Using two valuation methods, P/B and residual income discount, we gave TPB a target price of VND22,700, 24.4% higher than the price on June 20, 2024 with a BUY rating.

Buy maintain

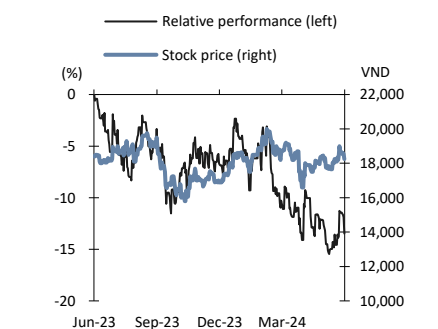
Target price	VND22,700
Upside	24.4%
Current price (Jun 20, 2024)	VND18,250
Consensus target price	VND22,200
Market cap (VNDtn/USDbn)	40.18/1.6

Trading data	
Free float	62.2%
3M avg trading value (VNDbn/USDmn)	162.42
Foreign ownership	28.3%
Major shareholder	FPT Corporation (FPT, 6.77%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	-1.1	-1.9	8.0	-0.8
Relative	-1.4	-3.6	-7.3	-13.5

Forecast earnings & valuation

FY-end	2022	2023	2024F	2025F
Net interest income (VNDbn)	11,387	12,425	14,400	16,957
PPOP (VNDbn)	9,672	9,535	11,466	13,498
NPAT-MI (VNDbn)	6,261	4,463	5,926	7,805
EPS (VND)	3,958	2,027	2,692	3,545
EPS growth (%)	30%	-49%	33%	32%
PER (x)	4.6	9.0	6.8	5.1
Book value per share (VND)	20,382	14,872	17,064	20,609
PBR (x)	0.90	1.23	1.07	0.89
ROE (%)	21.5	13.7	16.9	18.8
Dividend yield (%)	0.0	13.7	2.7	0.0



Source: Bloomberg, KB Securities Vietnam

VIB Bank (VIB)

Focusing on improving asset quality

June 21, 2024

Analyst Pham Phuong Linh
linhpp@kbsec.com.vn

1Q PBT reached VND2,502 billion (-7% YoY), equal to 21% of KBSV's forecast for full-year performance)

1Q credit growth of Vietnam International Commercial Bank (VIB) reached 0.5% YTD, reflecting the gloomy performance of the economy during the low season in the first three months of the year. NOI had positive results to offset the decline in NII. TOI still grew 8% YoY. However, operating and credit expenses both increased (+19% YoY and 41% YoY), so the bank's PBT recorded a small contraction of 7% YoY, reaching VND2,500 billion (21% KBSV's forecast for full-year PBT).

Credit is expected to improve in the second half of 2024

We observe that VIB's credit often has better growth from the second quarter onwards, so we still believe that the bank can achieve 16% growth this year. Supportive factors include: (1) Home loans will be the main growth driver (20% YoY growth); (2) car loans recover 15% YoY from a low base; and (3) wholesale lending will have better growth compared to previous years.

Promote asset handling and debt recovery to increase other sources of income

KBSV highly appreciates the quality of customers and collateral for VIB's loans and the bank's risk management strategy that helps increase the ability to collect written off debts. The Management said that it is expected that debt recovery in 2024 will be about VND1,000-1,500 billion. By 2025, 70% of written-off loans should be collected. In addition, VIB is also actively implementing risk management solutions to control increased NPLs. NPL forecast for 2024 is lowered to 3.3% from 3.6% at the end of 1Q.

Valuation: BUY rating – Target price VND28,800/share

After adjusting the forecast for VIB's income and expenses, we raised the valuation of VIB shares to VND28,800 with a BUY rating.

Buy change

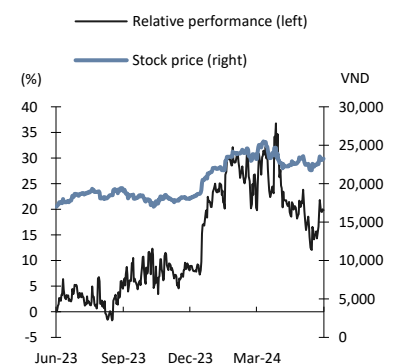
Target price	VND28,800
Upside	30.9%
Current price (Jun 18, 2024)	VND22,000
Consensus target price	VND26,900
Market cap (VNDtn/USDbn)	55.7/2.2

Trading data	
Free float	55%
3M avg trading value (VNDbn/USDmn)	76.5%
Foreign ownership	133.3/5.3
Major shareholder	20%

Share price performance				
(%)	1M	3M	6M	12M
Absolute	-3.1	-9.9	16.8	10.9
Relative	-3.6	-10.4	0.3	-2.8

Forecast earnings & valuation

FY-end	2022	2023	2024F	2025F
Net interest income (VNDbn)	14,963	17,361	19,716	23,367
PPOP (VNDbn)	11,861	15,550	17,511	20,309
NPAT-MI (VNDbn)	8,469	8,563	10,742	12,472
EPS (VND)	4,018	3,376	4,235	4,916
EPS growth (%)	-3%	-16%	25%	16%
PER (x)	11.0	13.0	10.4	8.9
BVPS	15,492	14,956	17,920	22,077
PBR (x)	2.84	2.94	2.46	1.99
ROE (%)	29.7%	24.3%	25.8%	24.6%



VPBank (VPB)

Expecting a 114.4% PBT growth for 2024

May 16, 2024

Manager Nguyen Anh Tung
tungna@kbsec.com.vn

1Q PBT spiked 64.0% YoY to VND4,182 billion

In 1Q24, Vietnam Prosperity Bank (VPB) posted VND11,323 billion in NII (+2.5% QoQ, +18.8% YoY) and VND13,411 billion in TOI (+0.5% QoQ, +8.5% YoY). Provision expenses reached VND5,762 billion (-17.9% QoQ, -9.8% YoY), helping PBT surge VND4,182 billion (+54.4% QoQ, +64.0% YoY).

VPB plans to achieve VND23,165 billion in PBT (+114.4% YoY)

At the 2024 AGM, VPB set a quite ambitious 2024 guidance with credit growth of 25% YoY, consolidated NPL ratio under 5%, and PBT VND23,165 billion (+114.4% YoY). In addition, VPB expects to pay dividends in cash (VND1,000 per share) between 2Q and 3Q24.

A “thin” capital buffer creates huge pressure on 2024 provisioning

The pressure on provisioning to VPB in 2024 will still be high because: (1) The current loan loss coverage ratio (LLCR) is only 34.45% if including restructured debt according to Circular 02 and VAMC bonds; (2) expanding credit scale in the context of a weak economy may increase NPLs; and (3) special mention sharply gained in 1Q, implying unstable asset quality after two quarters of good recovery.

BUY recommendation with a target price of VND26,000/share

Based on valuation results, business prospects, and potential risks to VPB, we gave a BUY rating to VPB shares. The target price for 2024 is VND26,000/share, 34.0% higher than the closing price on May 16, 2024.

Buy maintain

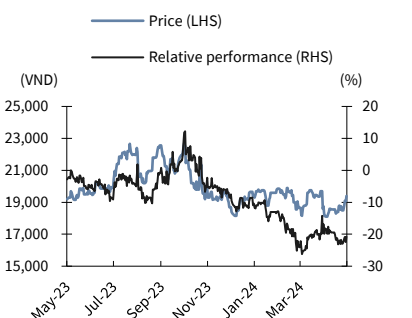
Target price	VND26,000
Upside	34.0%
Current price (May 16, 2024)	VND19,400
Consensus target price	VND22,600
Market cap (VNDtn/USDbn)	152.7/6.0

Trading data	
Free float	89.4%
3M avg trading value (VNDbn/USDmn)	289.9/11.6
Foreign ownership	27.6%
Major shareholder	SMBC (15.01%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	6.9	-2.3	0.5	1.0
Relative	0.5	-7.2	-14.7	-18.6

Forecast earnings & valuation

FY-end	2022	2023	2024F	2025F
Net interest income (VNDbn)	41,021	38,175	51,835	71,370
PPOP (VNDbn)	43,681	35,798	47,746	64,327
NPAT (VNDbn)	18,168	9,974	14,261	19,280
EPS (VND)	2,694	1,257	1,798	2,430
EPS growth (%)	4%	-53%	43%	35%
PER (x)	7.2	15.4	10.8	8.0
Book value per share (VND)	15,349	17,620	19,291	21,596
PBR (x)	1.26	1.10	1.01	0.90
ROE (%)	17.8	7.0	9.9	12.5
Dividend yield (%)	0.0	0.0	5.2	5.2



Source: Bloomberg, KB Securities Vietnam

Securities

Expecting a market upgrade in 2025

Manager Nguyen Anh Tung
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June 28, 2024

Neutral change

Operating income and NPAT of securities companies in our watch list in 3M24 show strong improvement compared to the same period last year

In 1Q24, TOI of 21 largest securities companies hit VND9,148 billion (+14.0% QoQ, +66.9% YoY), and PBT reached VND5,309 billion (+34.6% QoQ; +114.3% YoY). The rebound in 1Q profit was attributable to price rallies and higher market liquidity that positively affected the business performance of securities companies.

The recovery momentum comes from all business segments, especially the stock brokerage and investment segments

In 1Q24, the gross profit of the brokerage segment of the securities companies we covered was VND881 billion (+314% YoY) and that of the investment segment reached VND4,395 billion (+120.3% YoY). The margin lending segment brought in VND3,844 billion (+57.3% YoY) with an average yield of 9.5%. 12-month cumulative ROE rose from 8.9% in 2023 to 10.3%, but this is still low compared to previous years due to securities companies promoting capital increases.

KBSV expects the stock market to have positive developments in price and liquidity in 2H24

KBSV maintains a positive view on price and liquidity for the Vietnamese stock market in the second half of the year, based on: (1) The market valuation is reasonable; and (2) market liquidity may remain high thanks to low interest rates.

Market upgrading will boost Vietnam's securities sector in the medium and long term

KBSV believes that the probability for Vietnam market upgrading in this September is not high as issues related to the mechanism and system require a lot of time to resolve. However, with the determination of the Government, we expect that this will be possible in 2025 (upgrade according to FTSE Russell's assessment).

The current valuation has partly reflected the positive outlook, there is not much room for short-term growth

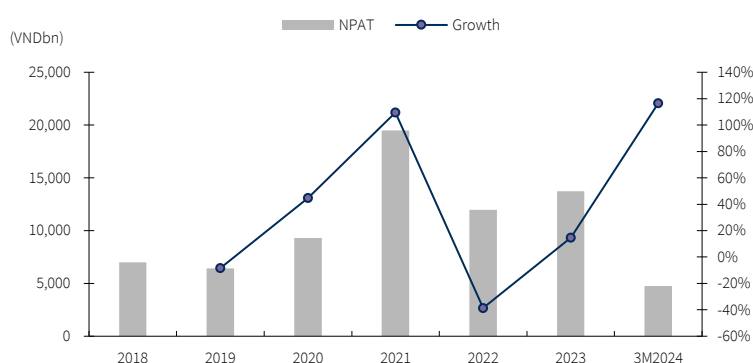
KBSV believes that the current prices of stocks have partly reflected the positive outlook in 2H24. Investors may consider accumulating leading stocks with strong resources and reasonable prices such as SSI Securities (SSI), HCM Securities (HCM), and Vietcap Securities (VCI).

Business performance in 1H24

1Q24 NPAT of the whole securities sector surged 114% YoY

In 1Q24, TOI of 21 largest securities companies hit VND9,148 billion (+14.0% QoQ, +66.9% YoY), and PBT reached VND5,309 billion (+34.6% QoQ; +114.3% YoY). The rebound in 1Q profit was attributable to price rallies and higher market liquidity that positively affected the business performance of securities companies.

Fig 9. Vietnam – NPAT growth of securities companies in 2018–3M24 (%)

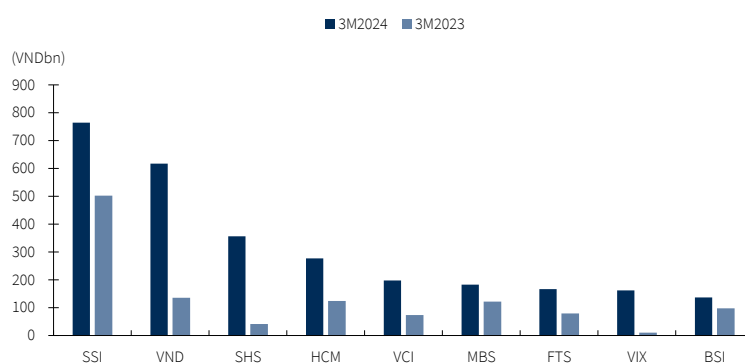


Source: Securities companies, KB Securities Vietnam

Securities companies all posted strong growth in 1Q24 thanks to a low base in 1Q23. Saigon – Hanoi Securities (SHS, +771% YoY), VNDirect (VND, +355% YoY), and VCI (+171% YoY) are outperformers.

SSI is the leading enterprise in the industry with NPAT reaching VND764 billion (+52% YoY), following Techcom Securities (TCBS).

Fig 2. Vietnam – NPAT of listed securities companies in 3M24 (VNDbn)



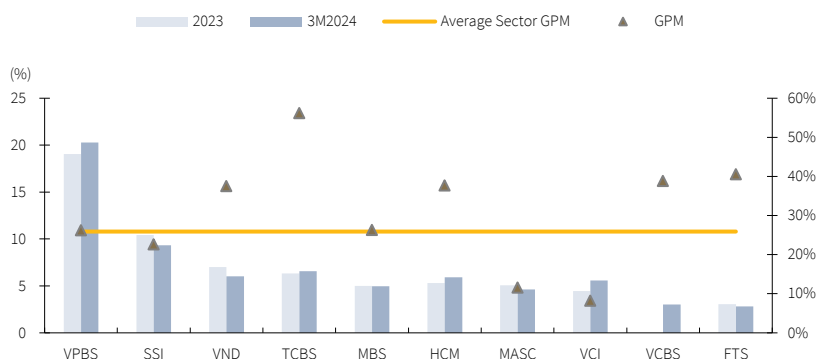
Source: Bloomberg, KB Securities Vietnam

Profit from securities brokerage spiked 314% YoY

In 1Q24, the gross profit of the brokerage segment of the securities companies we covered was VND881 billion (+314% YoY, and gross profit margin rose 5.6ppts YTD to 25.9%. In terms of market share, VPS Securities (VPSS) continued to lead and widened the gap with the group behind, reaching 20.3% of the HSX brokerage market share (+1.2ppts YTD). Meanwhile, HCM and VCI had a good recovery in market share, reaching 5.9% and 5.6%, respectively, up +0.6ppts YTD and 1.1ppts YTD. On the contrary, SSI and VND's market shares decreased by 1.1ppts and 1.0ppts YTD, respectively.

Fig 3. Vietnam – Market share and GPM of the stock brokerage of the top 10 companies on the HSX (%)

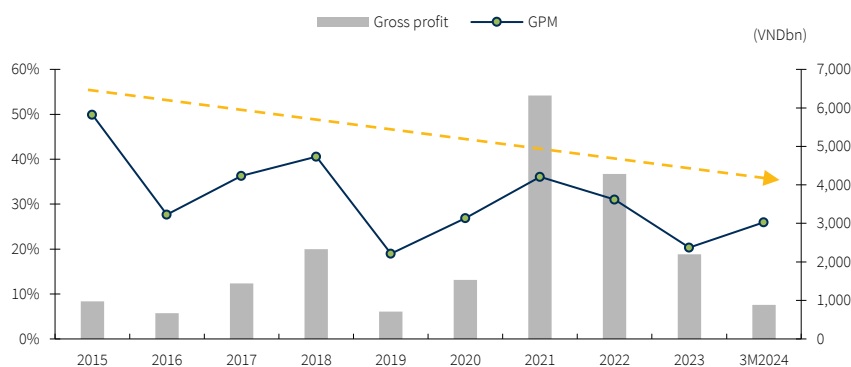
Leading securities companies such as VPBS and SSI all maintained GPMs lower than the industry average.



Source: Securities companies, KB Securities Vietnam

Fig 4. Vietnam – Gross profit of brokerage segment in 2015–3M24

Gross profit improved strongly since (1) market liquidity increased sharply YoY. Total market transaction value in the first three months of the year increased by 10.9% YoY. (2) GPM improved thanks to higher revenue.

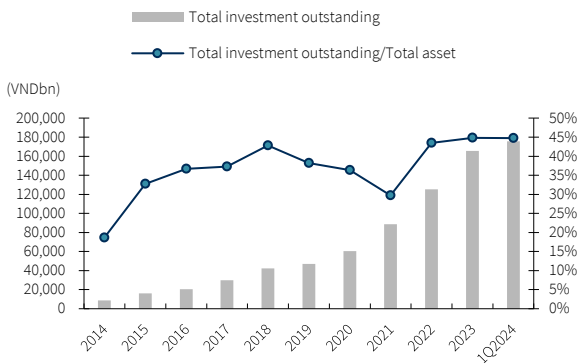


Source: Securities companies, KB Securities Vietnam

Profit from securities investment segment surged 120% YoY thanks to price rallies

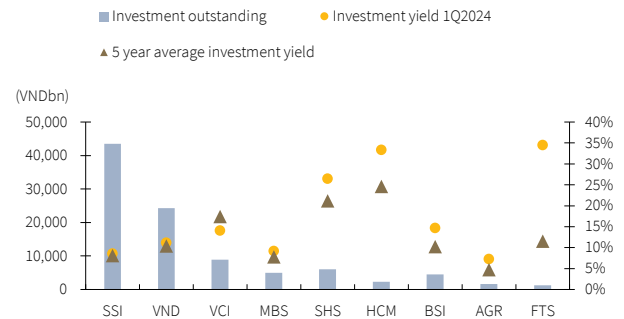
In 1Q24, the gross profit of the investment segment of the covered securities companies hit VND4,395 billion, surging 120% YoY because: (1) Comparative levels in 1Q23 are low, the VNindex index gained 13.6% YTD; and the average yield in 3M24 reached 11.1%/year, much higher than 3M23’s 6.0%/year. (2) High-yield investments were held in the early stages of 2023. Regarding investment scale, as of 1Q24, the total investment balance including FVTPL, HTM, and AFS reached VND175,488 billion, up 6.0% YTD. Investment/total assets in 1Q24 has been the highest for many years, reaching 45% (Figure 5) as companies accelerated raising capital recently while the disbursement for margin loans is still quite limited.

Fig 5. Vietnam – Investment segment of securities companies in 2014-1Q24 (VNDbn)



Source: Securities companies, KB Securities Vietnam

Fig 6. Vietnam – Investment segment & average yield of securities companies in 3M24 (VNDbn, %)

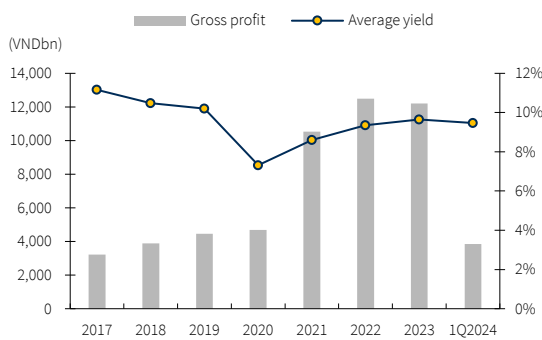


Source: Securities companies, KB Securities Vietnam

The margin lending segment increased by 57.3% thanks to improved market liquidity

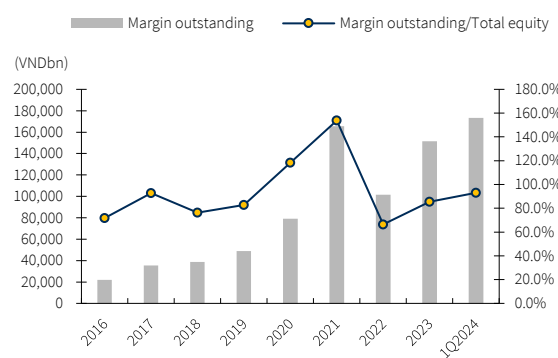
In 3M24, the gross profit of the margin lending segment of the covered securities companies rose 57% YoY to VND3,844 billion with an average yield of 9.5%, lower than the average yield of 9.7% for the whole year 2023 (Figure 7). The main supportive factor is the recovery of market liquidity, leading to the need for margin loans. Outstanding margin loans in 1Q24 reached VND173,390 billion, the highest level ever. However, the scale of margin lending/equity is quite low at 93% (Figure 8), implying that the segment still has a lot of room to develop when market liquidity improves.

Fig 7. Vietnam – Gross profit & average yield of margin lending segment of the whole industry in 2016-1Q24 (VNDbn, %)



Source: Securities Companies, KB Securities Vietnam

Fig 8. Vietnam – Total margin loans of the whole industry in 2015-1Q24 (VNDbn)



Source: Securities Companies, KB Securities Vietnam

Business outlook for 2H24

The market prices and liquidity should remain positive in 2H24

KBSV maintains a positive view on price and liquidity for the Vietnamese stock market in 2H24, based on the following assumption:

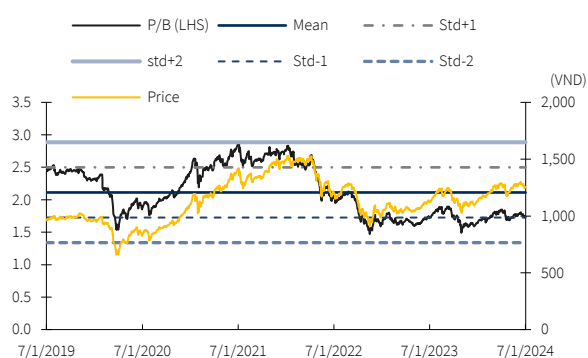
(1) **Market valuation is still at a reasonable level.** KBSV lowered its forecast for market-wide profit growth to 10% in 2024 after considering a modest gain in 1Q24 (up 7% YoY). 2024 forward PE is expected to reach 14.6x, 12% lower than VNIndex's 10-year average PE of 16.6x (Figure 9).

Meanwhile, the VNIndex's P/B as of June 24, 2024 reached 1.74x, lower than the -1Std of the 10-year average P/B of 1.78x (Figure 10).

(2) **Market liquidity will remain high in 2H24 thanks to low interest rates.**

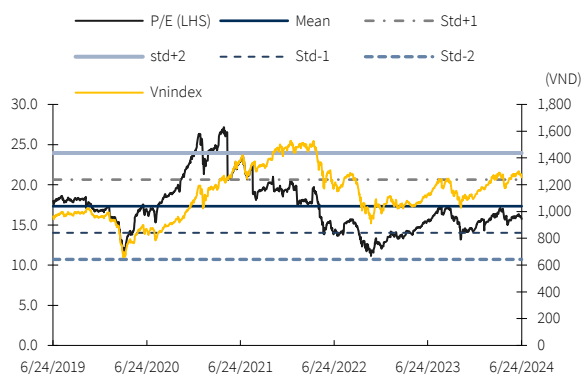
Although exchange rate pressure at the present makes banks appreciate the possibility that deposit interest rates will increase by about 100–150bps from the low level at the beginning of the year. The base interest rate after the increase is only 30–50bps higher than the 2021–2022 period's (Figure 11), thereby stimulating demand for stock investment when the deposit channel does not bring attractive profits. In addition, the expected moves to reduce interest rates from major central banks such as the ECB, Fed, and BOJ in 2H24 and 2025 will narrow the interest rate gap with Vietnam, potentially changing the trend of foreign net sell from 1H24.

Fig 9. Vietnam – PB of VNIndex in 2014–2024 (x)



Source: Bloomberg, KB Securities Vietnam

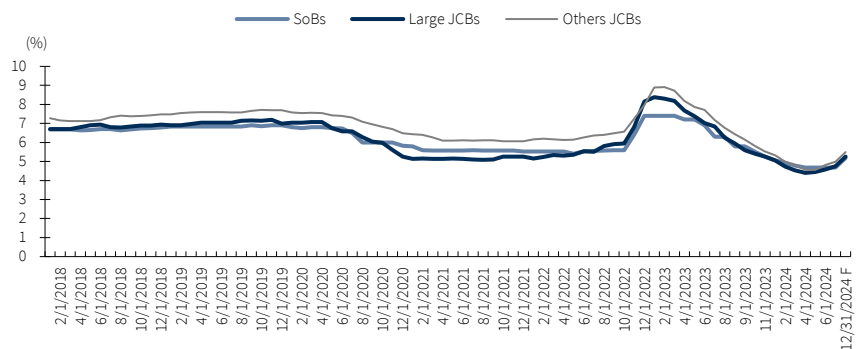
Fig 3. Vietnam – PE of VNIndex in 2014–2024 (x)



Source: Bloomberg, KB Securities Vietnam

Fig 101. Vietnam – Customer deposit interest rates in 2018 – 2024 (%)

Customer deposit interest rates show signs of increasing again after bottoming out in 3Q23. With an increase of about 50–100bps from now until the end of the year, the deposit interest rate will be equivalent to the low average in the period 2021 – 2022.



Source: Wichart

Vietnam market upgrade will be a driving force for the securities sector in the medium and long term

In March 2024, Vietnam remained on the watchlist for potential reclassification by FTSE Russell, but it has not yet met all the criteria to officially become an emerging market. According to a report from FTSE, Vietnam currently falls short on two out of nine conditions for an upgrade, including: (1) Vietnam failed to meet the ‘settlement cycle (DvP)’ criterion, which is currently rated as restricted due to the market practice of conducting a pre-trading check to ensure the availability of funds prior to trade execution; and (2) the ‘settlement – costs associated with failed trades’ criterion is unrated since the market does not experience failed trades. On February 28, 2024, Prime Minister Pham Minh Chinh committed to amending relevant legal regulations and removing barriers for foreign investors so that Vietnam market can be upgraded. KBSV believes that the probability for Vietnam market upgrading in this September is not high as issues related to the mechanism and system require a lot of time to resolve. Authorities need to focus time and resources and prepare risk-management plans to build a mechanism that will not require pre-funding. However, with the determination of the Government, we expect that the market may receive the decision for upgrade in 2025 and officially become an emerging market under the FTSE review in 2025–2026.

Table 12. Vietnam – Market rating according to FTSE benchmark

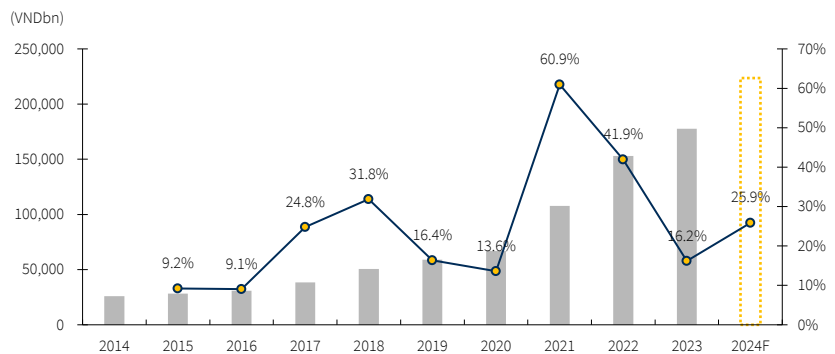
Criteria	Vietnam stock market rating
Legal and regulatory environment	
Formal stock market regulatory authority to monitor the market	Pass
No objection to or significant restrictions or penalties applied to the investment of capital or repatriation of capital & income	Pass
Developed foreign exchange market	
Equity market	
Brokerage – Sufficient competition to ensure high quality broker services	Pass
Transaction costs – Implicit and explicit costs to be reasonable and competitive	Pass
Transparency – Market insights/ visibility and timely trade reporting process	Pass
Clearing, settlement and custody	
Settlement cycle (DvP)	Restricted
Cost of processing failed transactions	No grading
Securities depository center	Pass
Custody – Sufficient competition to ensure high quality custodian services	Pass

Source: FTSE Russell, KB Securities Vietnam

Securities companies will further raise charter capital in 2H24

Securities companies will continue to promote capital increases for the rest of 2024. According to KBSV's summary, the group of observed securities companies is expected to increase a total of more than VND26 trillion in charter capital, equivalent to an increase of 23% compared to 1Q24 through issuance to existing shareholders, private placement and ESOP. Some notable cases include VND (expected to issue 511.5 million new shares) and SHS (expected to issue 818.2 million shares) or VIX (issue 655.97 million shares). The newly added capital will boost the business activities of securities companies by (1) increasing margin lending resources; (2) supplementing resources for investment; and (3) raising investment in systems, technology, and personnel.

Fig 113. Vietnam - 2014-2024F equity size (VNDbn)

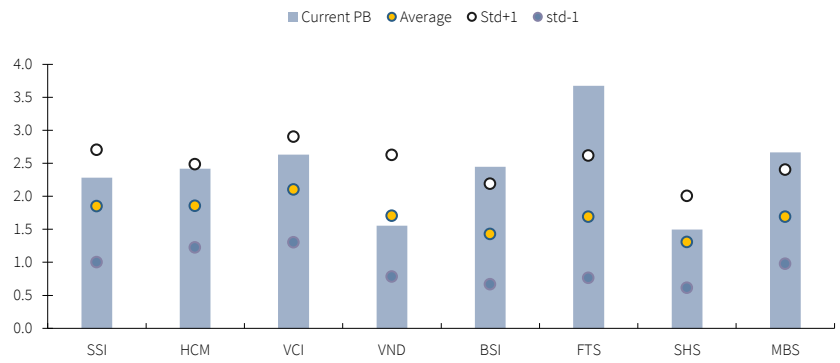


Source: Securities companies, KB Securities Vietnam

The current valuation has partly reflected positive prospects with less room for short-term growth

In the first four months of 2024, securities stocks witnessed strong rallies in price compared to the general market, reflecting the market's expectations for the increase in VNindex as well as the operation of the KRX system at the end of the year. Currently, stocks in the industry are trading above or close to the std+1 area of the five-year average P/B. We think that the current price level has partly reflected the positive outlook in 2H24, which, when combined with the lack of information related to the KRX rollout, may trigger short-term corrections. Investors can consider and choose to invest in corrections in the industry's leading stocks which have diversified their business activities, had strong resources and reasonable price ranges such as SSI, HCM, and VCI. For the group of stocks of mid-sized securities companies that have had strong increases such as FTS, MBS and BSI, investors prioritize disbursement at deep adjustment periods and need to closely monitor the investment portfolio performance of these companies.

Fig 124. Vietnam – P/B of listed securities companies (x)



Source: Bloomberg, KB Securities Vietnam

Retailing

Continued to rebound

Analyst Nguyen Truong Giang
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June 26, 2024

Positive maintain

Recommendations

MWG	BUY
Price target	VND69,000
MSN	BUY
Price target	VND88,400
VNM	BUY
Price target	VND76,000
PNJ	BUY
Price target	VND109,500
FRT	BUY
Price target	VND207,000

Retail sales are recovering but at a slow pace

Total retail sales of goods in the first half of the year continued to grow. 5M24 retail sales of goods and services increased by 8.7% YoY, and the growth rate tends to increase month by month. Purchasing power in the economy is also getting better but at a low speed. The PMI was positive in the first five months of the year and has remained at above 50 for many consecutive months, which showed the recovery in production. This will help increase jobs, thereby increasing income for people.

Retail business results are relatively prosperous

The business results of retail businesses have bounced back from the low base of the same period in 2023. Consumer staple retailers such as the Winmart chain (of Masan Group – MSN), Long Chau Pharmacy (FPT Digital Retail), and Bach Hoa Xanh chain (Mobile World Investment – MWG) all maintained positive revenue growth. ICT product retailers such as MWG, FRT, and Digiworld (DGW) have generally improved their business results after the end of the price war, and demand has also begun to recover. Regarding the jewelry retail industry, thanks to the vibrant gold market, Phu Nhuan Jewelry (PNJ) recorded strong revenue growth and maintained profits over the same period last year.

Purchasing power recovered slowly, but each retail business has different stories and expectations

The supporting factors to purchasing power are improved production and exports. However, we still believe that purchasing power growth in the entire market will be slow. It is expected that retail businesses will continue to maintain growth in 2H24. Each retail business has its own catalysts. With the expectation of recovery, many stocks have recently posted strong increases in price. However, we believe that the prospect of recovering business results will last until 2025, so investors can consider buying retail stocks during market corrections.

Business performance in 1H24

Total retail sales in 5M24 increased by 8.7% YoY

Total retail sales of goods in the first half of the year continued to grow. In May alone, total retail sales reached VND519.8 trillion (+9.5% YoY), of which retail sales of goods rose 8.2%, accommodation and food services increased by 17%, and travel services gained 34.3%. Cumulatively in the first five months of 2024, total retail sales of consumer goods and services are estimated to reach VND2,580 trillion (based on the current prices), going up 8.7% YoY. However, the growth level is still lower than in the pre-Covid years (10–11%).

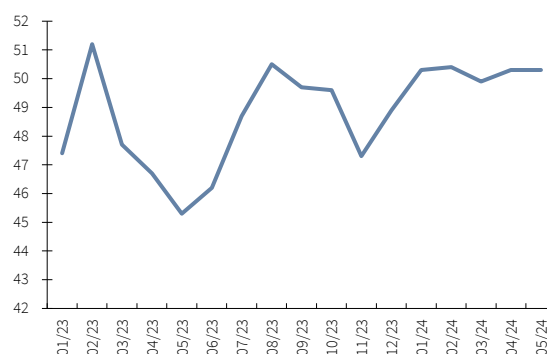
The PMI in the first half of the year surpassed the 50-point threshold for many consecutive months, showing that the business conditions of the manufacturing industry have improved, and the number of new orders from manufacturing enterprises is continuously increasing. The IIP also shows positive signs, gaining 6.8% YoY in 5M25. This said that the industrial production industry is improving, boding well for jobs and income.

Fig 1. Vietnam – Total retail sales of goods & services (VNDtn)



Source: General Statistics Office, KB Securities Vietnam

Fig 2. Vietnam – PMI (point)



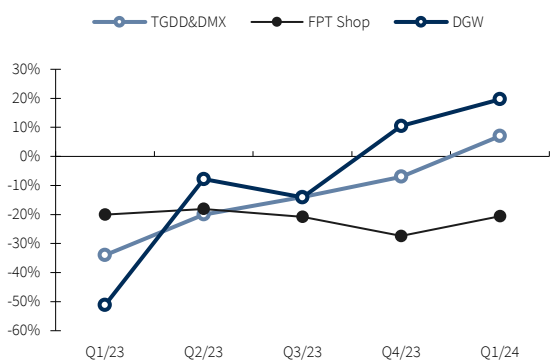
Source: General Statistics Office, KB Securities Vietnam

Business results of retail businesses recovered but there were differences between them

Business results of most retail businesses recorded recovery and robust growth, but the level of growth depends on the strategy and competitiveness of each company.

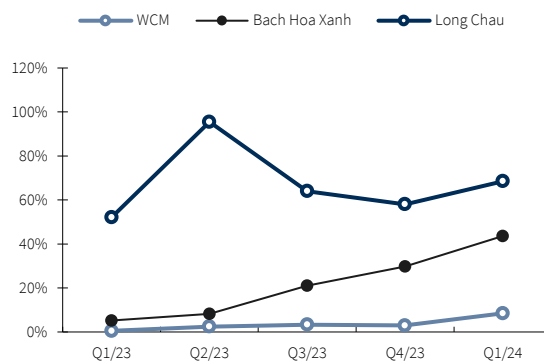
For chains related to department store retail such as Bach Hoa Xanh and Winmart, revenue recorded growth, the losses of the chains have also narrowed after the restructuring period. For ICT businesses, after 2023, the decline in demand causes business results to decline sharply. By 1H24, there has been a partial recovery in the ICT segment of businesses such as MWG and DGW, but FRT continued to record a decline. Regarding the pharmaceutical retail industry, Long Chau has posted strong growth while the remaining chains such as An Khang and Pharmacy continue to struggle to reach the break-even point. Regarding the jewelry retail industry, thanks to the vibrant gold market at the beginning of the year, PNJ achieved record-high revenue, but its profits only remained flat compared to the same period due to higher input costs.

Fig 3. Vietnam – Revenue growth of ICT retailers (%)



Source: Retail companies, KB Securities Vietnam

Fig 4. Vietnam – Revenue growth of consumer staple retailers (%)



Source: Retail companies, KB Securities Vietnam

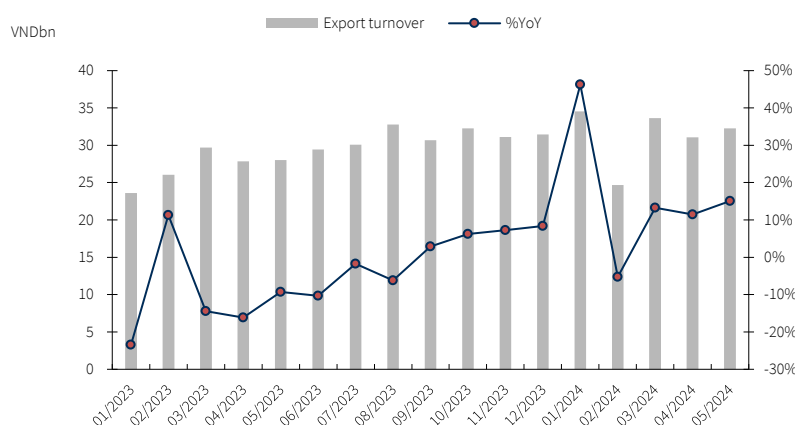
Business outlook for 2H24

The retail industry will continue to recover in 2H24 but may hardly reach high growth

The retail industry in the second half of 2024 is expected to continue to recover thanks to positive signals from macroeconomics and the low base from the previous year, but the recovery speed will be slow:

- (1) Exports have recovered with 5M24 turnover being estimated at USD156.7 billion, up 15.2% YoY. The recovery of Vietnam's main markets will benefit exports. In the second half of 2024, many major central banks are expected to lower policy rates, which is supposed to boost consumption. However, persistent inflation is also a matter of concern, causing the path to reduce interest rates to encounter many obstacles and consumer purchasing power to recover more slowly than expected.

Fig 5. Vietnam – Export turnover in 2023–2024



Source: General Statistics Office, KB Securities Vietnam

- (2) The Government's supportive policies such as increasing the base salary and further cutting VAT by 2% until the end of 2024 will support the retailing sector. Expectations over the economic recovery also make consumers more optimistic and spend more.

Vietnam's retail industry also shows a big potential in attracting large cash flows. In the first half of 2024, deals with foreign investors pouring money into the domestic market were continuously recorded, namely, Bain Capital investment in MSN, CDH Investments deal with MWG, and many major retail brands in the world also expanding stores in Vietnam such as UNIQLO, MUJI, and Starbucks. The market is also waiting for major IPOs of large domestic retail companies such as MSN's The CrownX and FRT's Long Chau.

ICT retail is expected to recover at a slow pace, the companies are all looking for their own directions

The ICT retail industry expects growth in 2H24, motivated by (1) smartphone and laptop replacement cycle and (2) the 2G and 3G switch-off. However, this industry is currently quite saturated and competitive, so many retail chains only set a single-digit growth target this year.

For MWG with two chains, TGDD and DMX, after the end of the price war, they gained more market share from competitors. Business results recovered strongly in 1H24 and are forecast to continue growing in the second half of the year. When purchasing power recovers, the ICT industry benefits from the factors mentioned above. The CE industry also benefits when this year's summer comes earlier and is hotter, boosting air conditioner sales.

For FRT, the FPT Shop chain is currently slow compared to the industry's recovery average as it faces fierce competition with other competitors. The chain continues to record negative revenue growth and reported a loss in 1Q. However, this has not exerted a strong impact on FRT's prospects as FPT Long Chau is currently the main growth driver.

For DGW, although it is not a retail business, it is a direct distributor to retailers, so it will also benefit when the retail industry recovers in the near future. In addition to benefiting from the recovery of the ICT industry, the company also continuously expands other industries such as office equipment, household appliances, and FMCG to reduce dependence on the ICT industry.

Grocery retail benefits from the trend of shifting traditional to modern retail

The grocery retail industry is less volatile with market purchasing power. Retailers benefit from the trend of shifting shopping habits from traditional channels to modern channels. Chains will increasingly gain market share of traditional stores with advantages in quality and service.

For MWG's BHX, the chain continued to grow strongly in the first half of the year (5M24 revenue gained 42% YoY), and it nearly reach the breakeven point in 1Q. According to our forecast, the chain will officially break even in the 2Q24 and progress to earn profits in the following quarters. BHX will be the main growth driver of MWG in the coming time, so investors should closely monitor the chain's performance before making investment decisions for MWG shares.

For MSN, the consumer retail ecosystem with Masan Consumer Corporation (MCH) and Wincommerce (WCM) continues to record revenue growth in the context of flat purchasing power. MCH forecasts that it will continue to maintain growth thanks to continuously developing products in new industries and promoting exports, contributing to the main profit for the entire company. The future growth driver is WCM, after the restructuring period it has brought positive signals. The management said the chain's goal is to record NPAT in 1Q25. However, MSN stock is also affected by other information such as divestment and IPO of subsidiaries, foreign investment deals, and so on, so it also needs further monitoring for investment purposes.

Jewelry retail waits for the gold market to cool down

FRT's Long Chau chain leads the pharmaceutical retail market and continuously expands its market share while the remaining competitors, An Khang (MWG) and Pharmacy, are still struggling to find the break-even point. We think that the future trend of pharmaceutical retail chains will be superior to small stores thanks to the advantages in scale, services, and guaranteed product quality.

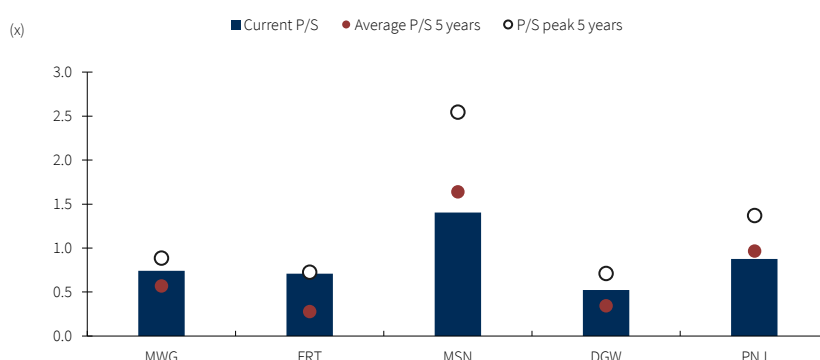
FRT's Long Chau chain has posted strong growth in both revenue (+68% YoY) and NPAT (+63% YoY). At the recent AGM, the management also said that they will make Long Chau into a comprehensive health care ecosystem by initially promoting the development of vaccination centers. We believe that in the coming time, Long Chau will be the main growth driver, contributing most of the revenue and profit to FRT, so information about this chain will have a great impact on FRT shares.

For the jewelry retail industry, it is expected that the Government and the SBV's intervention to cool down the gold market will help gold prices decrease and stabilize. For PNJ, the booming gold market in the first months of the year helped the company record high revenue, but it also has some adverse impacts on the jewelry retailer's business in terms of high inventory prices and customers prioritizing 24K gold over gold jewelry, which contributes over 90% of the company's profits.

The expectations of recovery will last until 2025, but investors should pay attention to the stories of each stock

In terms of valuation, many companies have exceeded or approached the five-year average P/S, reflecting expectations of recovery in the retail industry. We believe that this will continue until 2025, so we will still be able to buy retail stocks during the corrections of the whole market. However, each company has its own expected stories as we mentioned above, investors need to monitor closely to make investment decisions.

Fig 8. Vietnam – P/S of retailing companies (x)



Source: Bloomberg, KB Securities Vietnam

Mobileworld (MWG)

Accelerating after the hardship

May 21, 2024

Analyst Nguyen Truong Giang

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Business results improved after restructuring

Mobile World Investment's (MWG) 1Q net revenue gained 16.2% YoY to VND31,486 billion. The end of the price war helped GPM bounce back to 21.3% (+2.1ppts YoY or +1.6ppts QoQ). Thanks to restructuring and cost optimization, the company recorded a sharp YoY increase in NPAT to VND902 billion.

The TGDD and DMX chains accelerated after the price war

The ICT&CE segment, represented by the The gioi Di dong (TGDD) and Dien may Xanh (DMX) store chains, also showed positive signals after the price war. Both achieved a 7% YoY growth in revenue, which outperformed the entire industry despite the closure of some stores. GPM strongly recovered by 3ppts YoY to 19%, and profit has also grown stably again.

BHX maintained stable growth and is the future growth driver of MWG

Bach hoa Xanh (BHX) maintained revenue growth despite flat purchasing power and suspension of new store launches. 1Q revenue of the chain gained 44% YoY, and sales per store were flat at VND1.8 billion before approaching VND1.9 billion in April. The loss for the whole first quarter was just over VND100 billion, a sharp decrease compared to the loss of more than VND300 billion in 1Q last year.

BUY rating – Target price VND69,000

We expect MWG's 2024 net revenue and NPAT will be VND132,866 billion (+11.4% YoY) and VND3,679 billion (+2,095% YoY) respectively. Believing TGDD and DMX chains will accelerate and the BHX chain will begin to make a profit, we gave a BUY recommendation for MWG stocks with the target price VND69,000/share.

Buy maintain

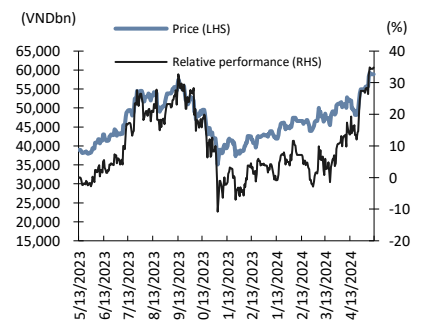
Target price	VND69,000
Upside	15%
Current price (May 20, 2024)	VND60,000
Consensus target price	VND61,800
Market cap (VNDtn/USDbn)	87/3.5

Trading data	
Free float	25.2%
3M avg trading value (VNDbn/USDmn)	107.6/4.5
Foreign ownership	46%
Major shareholder	Retail World Investment Consultant (10.49%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	13.3	26.4	47.3	51.0
Relative	15.8	22.5	34.1	34.4

Forecast earnings & valuation

FY-end	2022	2023	2024F	2025F
Net revenue (VNDbn)	134,722	119,234	132,866	147,959
Operating income/loss (VNDbn)	6,575	1,018	4,652	5,901
NPAT-MI (VNDbn)	4,102	168	3,679	4,703
EPS (VND)	2,802	115	2,517	3,228
EPS growth (%)	-16%	-96%	2095%	28%
P/E (x)	17.3	423.0	19.3	15.0
P/B (x)	3.0	3.0	2.6	2.3
ROE (%)	18%	1%	14%	16%
Dividend yield (%)	2.4%	1.2%	2.1%	2.1%



Source: Bloomberg, KB Securities Vietnam

Masan Group (MSN)

Expecting growth from retail-consumer mainstay

May 29, 2024

Analyst Nguyen Truong Giang

giangnt1@kbsec.com.vn

NPAT increased by 9% YoY thanks to the core business growth

Masan Group (MSN) posted VND18,855 billion in 1Q revenue (flat YoY). GPM inched up 0.7ppts YoY to 27.9%. Interest expense was VND1,622 billion, which was quite high despite a decrease compared to the last quarter. Consolidated NPAT hit VND479 billion (+9% YoY), and NPAT after MI reached VND104 billion (-51% YoY).

The CrownX retail – consumer platform’s revenue grew 6% YoY, being the mainstay of the entire group

The consumer retail ecosystem with Masan Consumer Corporation (MCH) and WinCommerce (WCM) continued to record revenue growth despite flat purchasing power. MCH has maintained growth momentum as it continuously launches new product lines and promotes exports. WCM keeps opening new stores and has regained revenue growth momentum at old stores. Masan MeatLife (MML) also achieved strong growth, underpinned by spiking pork prices.

The remaining business segments recorded mixed results

Masan Hi-tech Materials (MHT) was affected by weak global demand. Phuc Long Heritage (PLH) also encountered difficulties from weak consumption and fierce competition with many competitors on the F&B market. The affiliate Techcombank (TCB) contributed to positive growth thanks to outstanding credit growth.

Valuation: BUY rating – Target price VND88,400/share

We expect MSN's 2024F net revenue will reach VND87,927 billion (+12.4% YoY) and NPAT-MI will recover from the low base last year to hit VND1,258 billion (+200% YoY). With positive expectations from companies in the retail – consumer ecosystem and MHT's bounce-back, we recommend investors BUY MSN shares with the target price VND88,400.

Buy maintain

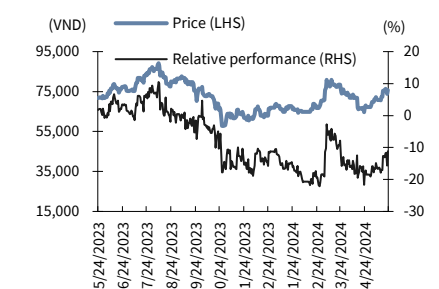
Target price	VND88,400
Upside	18%
Current price (May 29, 2024)	VND75,000
Consensus target price	VND88,000
Market cap (VNDtn/USDbn)	110/4.1

Trading data	
Free float	43.6%
3M avg trading value (VNDbn/USDmn)	425.0/17.0
Foreign ownership	30.1%
Major shareholder	Masan

Share price performance				
(%)	1M	3M	6M	12M
Absolute	13.3	13.6	22.7	5.6
Relative	7.0	7.9	5.7	-15.1

Forecast earnings & valuation

FY-end	2022		2023	2024F
Net revenue (VNDbn)	76,189	78,252	87,927	97,660
Operating income/loss (VNDbn)	5,223	2,350	3,908	7,189
NPAT-MI (VNDbn)	3,567	419	1,258	3,500
EPS (VND)	2505	293	851	2314
EPS growth (%)	-65%	-88%	184%	178%
P/E (x)	31.1	265.1	88.3	31.7
P/B (x)	3.0	2.9	2.4	2.1
ROE (%)	12%	5%	7%	12%
Dividend yield (%)	1.1%	1.4%	0.0%	0.0%



Source: Bloomberg, KB Securities Vietnam

COMPANY REPORT


KB Securities
VIETNAM

Vinamilk (VNM)

Growing from 1Q23 lows

June 3, 2024

 Analyst Nguyen Truong Giang
 giangnt1@kbsec.com.vn

VNM maintained high NPAT growth from 1Q23 low base

By the end of 1Q24, Vinamilk (VNM) posted VND14,125 billion in net revenue (+1.2% YoY) with a high GPM (41.9%, +3.1ppts YoY) thanks to low raw material prices. NPAT hit VND2,207 billion (+15.8% YoY), maintaining high compared to the low base of the same period last year.

Domestic revenue remained flat amid a decline in the entire industry

The FMCG industry in general and the dairy industry in particular continue to face negative growth. However, VNM outperformed the industry with better revenue growth and should gain more market share, underpinned by condensed milk, drinking yogurt and nut milk product lines.

Income from foreign markets grew 8% YoY

Income from foreign markets impressively grew YoY. Exports to regular customers contributed the main growth, and VNM is researching to promote penetration into potential markets like Africa and South America. Foreign branches in Cambodia and the US both recorded growth thanks to improved brand positioning.

Valuation: BUY rating – price target VND76,000

We expect 2024F net revenue of VNM would be VND62,516 billion (+3.6% YoY) and gross profit would reach VND25,936 billion, corresponding to a GPM of 41.5% (+0.8ppts). Net profit after minority interest should be VND9,343 billion (+5.3% YoY). As the domestic dairy industry has shown signs of bottoming out, foreign markets are improving, and the current valuation is quite low compared to history, we gave a BUY rating to VNM with a price target at VND76,000.

Buy change

Target price	VND76,000
Upside	15%
Current price (Jun 3, 2024)	VND66,100
Consensus target price	VND80,200
Market cap (VNDtn/USDbn)	138.1/5.4

Forecast earnings & valuation

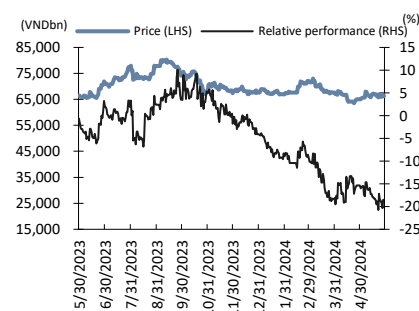
FY-end	2022	2023	2024F	
Net revenue (VNDbn)	59,956	60,369	62,516	65,675
Operating income/loss (VNDbn)	10,491	10,904	11,462	12,277
NPAT-MI (VNDbn)	8,516	8,874	9,348	10,018
EPS (VND)	3,632	4,246	4,473	4,793
EPS growth (%)	-20%	17%	5%	7%
P/E (x)	17.1	16.3	15.5	14.5
P/B (x)	4.5	4.2	4.1	3.9
ROE (%)	25%	27%	27%	27%
Dividend yield (%)	7.1%	5.7%	5.3%	5.3%

Trading data

Free float	35.3%
3M avg trading value (VNDbn/USDmn)	269.4/10.8
Foreign ownership	50.8%
Major shareholder	SCIC (36%)

Share price performance

(%)	1M	3M	6M	12M
Absolute	2.0	-7.9	-1.6	-0.3
Relative	-3.2	-9.5	-17.9	-18.4



Source: Bloomberg, KB Securities Vietnam

FPT Digital Retail (FRT)

Focusing all resources on Long Chau chain

June 10, 2024

Analyst Nguyen Truong Giang
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Business results are positive again, NPAT recorded a profit after three consecutive quarters of losses

At the end of 1Q24, FPT Digital Retail (FRT) posted VND9,042 billion in net revenue (+17% YoY), of which online revenue reached VND1,555 billion (+10% YoY). Gross profit hit VND1,807 billion, equivalent to a GPM of 20% (+4.7ppts YoY, +2.5ppts QoQ). NPAT was VND60.7 billion, a sharp increase vs VND2 billion in 1Q23, recording profit for the first time after three quarters of losses.

Long Chau maintains growth momentum, making major contributions to the entire company

Long Chau pharmacy chain brought in VND5,534 billion in revenue (61% of total revenue of the parent company), growing 68% YoY. Sales per store reached VND1.2 billion a month. In 1Q, Long Chau continued to open 90 new stores on the target of 400 new stores for the whole year. The chain's net profit is estimated at VND110 billion, doubling the same period last year.

FPT Shop continues to record subdued results

FPT Shop chain continued to show subdued performance with net revenue reaching VND3,583 billion (-20.6% YoY), recording the sixth straight quarter of negative growth. The chain had to close an additional 12 stores to optimize costs in the quarter. The positive point is that GPM of FPT Shop improved by 3.9ppts YoY, and financial costs also decreased 50% thanks to changing the product portfolio. However, it still recorded a net loss of more than VND50 billion.

Valuation: BUY rating – Target price VND207,000/share

We forecast FRT's 2024 gross profit will reach VND7,302 on revenue of VND38,066 billion (+19.5% YoY), equivalent to a GPM of 19.2% (+3ppts YoY). NPAT-MI may hit VND120 billion. We gave a BUY rating to FRT shares with a target price of VND207,000 based on the bright prospects of Long Chau chain.

Buy change

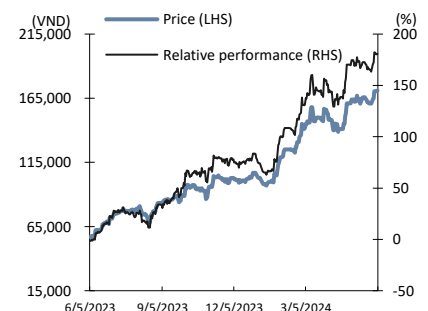
Target price	VND207,000
Upside	20%
Current price (Jun 10, 2024)	VND172,500
Consensus target price	VND163,500
Market cap (VNDtn/USDbn)	23.0/0.9

Trading data	
Free float	47.1%
3M avg trading value (VNDbn/USDmn)	133.8/5.3
Foreign ownership	35.4%
Major shareholder	FPT Corporation (46.5%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	4.3	17.9	68.0	199.8
Relative	-0.8	16.9	53.0	182.9

Forecast earnings & valuation

FY-end	2022	2023	2024F	2025F
Net revenue (VNDbn)	30,166	31,850	38,066	45,381
Operating income/loss (VNDbn)	474	(297)	857	1,470
NPAT-MI (VNDbn)	390	(346)	120	403
EPS (VND)	336	(242)	151	391
EPS growth (%)	-40%	N/A	N/A	158%
P/E (x)	58.7	(71.0)	113.4	43.9
P/B (x)	11.4	13.6	12.6	10.1
ROE (%)	21%	-17%	12%	25%
Dividend yield (%)	0.2%	0.3%	0.0%	0.3%



Source: Bloomberg, KB Securities Vietnam

Phu Nhuan Jewelry (PNJ)

Expecting a stable gold market

June 11, 2024

Analyst Nguyen Truong Giang
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The gold market is vibrant, PNJ set record-high revenue

By the end of 1Q24, Phu Nhuan Jewelry JSC (PNJ) recorded a record net revenue of VND12,594 billion (+28.6% YoY) thanks to the vibrant gold market. Gross profit reached VND2,149 billion, equivalent to a gross profit margin of 17.1%, losing 2.3ppts YoY as the gold bar segment has a very small profit margin but increased its proportion in this period. NPAT declined 1.4% YoY to VND738 billion, reaching 35% of the full-year plan.

24K gold spiked on the robust gold market

24K gold revenue reached over VND5,100 billion (+68% YoY) as gold prices continuously peak, and PNJ also launched many highly aesthetic 24K product sets for the God of Wealth Day, which attracted many new customers.

Jewelry retail maintains growth and should gain more benefits from gold price stability

Revenue from jewelry retailing exceeded VND6,300 billion (+13% YoY). Although PNJ did not open many new stores in 1Q, the segment maintained growth thanks to continuously research into products and effective marketing and sales programs. It is expected that in the coming time, stable gold prices will continue to benefit PNJ's jewelry retail. Wholesale revenue also saw a modest gain from an increase in the number of orders.

Valuation: BUY rating – Target price VND109,500/share

We forecast 2024F NPAT will reach VND2,238 billion (+13.5% YoY) on net revenue of VND37,914 billion (+14.4% YoY). Assuming that more stable gold market will help gold prices cool down and maintain growth for the jewelry retail segment, we gave a BUY rating to PNJ stock with a price target of VND109,500/share.

Buy maintain

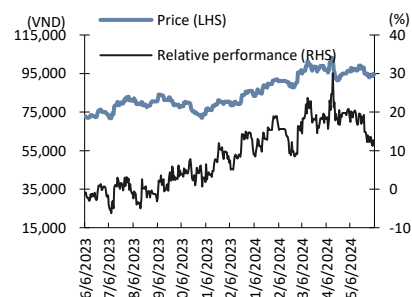
Target price	VND109,500
Upside	16%
Current price (Jun 10, 2024)	VND94,700
Consensus target price	VND107,900
Market cap (VNDtn/USDbn)	32.0/1.3

Trading data	
Free float	86.8%
3M avg trading value (VNDbn/USDmn)	159.2/6.3
Foreign ownership	49.0%
Major shareholder	VIETFUND (9.16%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	-1.6	-0.6	17.9	29.7
Relative	-5.0	-2.3	3.8	13.8

Forecast earnings & valuation

FY-end	2022	2023	2024F	2025F
Net revenue (VNDbn)	33,876	33,137	40,411	41,707
Operating income/loss (VNDbn)	2,338	2,485	2,685	3,117
NPAT-MI (VNDbn)	1,811	1,971	2,118	2,461
EPS (VND)	7,358	8,008	8,604	9,996
EPS growth (%)	76.8%	8.8%	7.4%	16.2%
P/E (x)	17.4	16.0	14.9	12.8
P/B (x)	3.7	3.2	2.8	2.5
ROE (%)	25%	22%	20%	21%
Dividend yield (%)	2.5%	2.3%	1.9%	1.9%



Source: Bloomberg, KB Securities Vietnam

Fisheries

Recovering amid unpredictable developments

Analyst Nguyen Truong Giang
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June 26, 2024

Neutral maintain

Exports recovered from low comparative levels in 1H23

Since 1H24, the fisheries export industry has initially recorded signs of recovery above the low base of the previous year amid cooling inflation. Although the growth was not strong, the demand in some major markets has started to recover. The largest market, the US, had posted considerable growth while the remaining markets, China, Japan and the EU, reported modest growth. Vietnam's main products, shrimp and pangasius, have maintained growth despite competitive pressure from many other markets.

Business results of fisheries enterprises recovered

Fisheries companies have also partly contributed to the recovery of the whole industry, but the level of recovery depends on the products and main markets of each business. Export output has recovered positively, but export prices have not improved, so although revenue grew strongly, profits did not grow correspondingly. Shrimp exporters had more positive results than pangasius exporters. Many enterprises also reported profit growth over the same period last year.

The sector is expecting recovery in the second half of the year, but many uncertain factors remain

In 2H24, the fisheries industry's goal is to achieve export turnover of USD10 billion (+8% YoY). Major markets are expected to rebound as many central banks signaled interest rate cuts in the second half of the year. However, there are still many uncertain factors such as anti-dumping duties, political tensions, IUU yellow card, and competition with many other countries. These may cause maritime freight rates to skyrocket and require local businesses to improve their capacity. The valuation of fisheries stocks is at the five-year average, reflecting the market's neutral expectations for this industry. We recommend tracking leading stocks in the industry with solid competitive advantages such as Vinh Hoan Corporation (VHC) and Sao Ta Foods (FMC) for accumulation during market corrections.

Business performance in 1H24

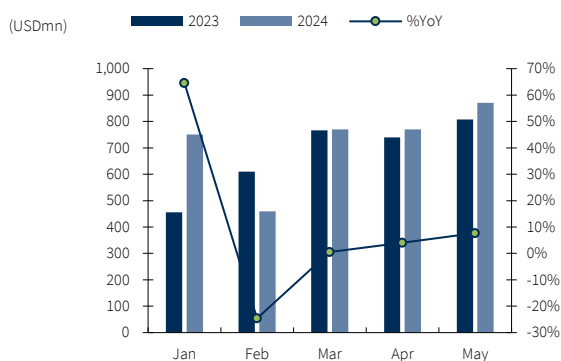
Exports recovered from comparative low bases in 1H23, gaining 6.5% YoY in 5M24

Fisheries exports in 1H24 have shown signs of recovery from the low bases of 1H23. In May 2024, the country's fisheries exports gained 7% YoY to USD870 million. Cumulatively in the first five months of the year, the figure reached USD3.6 billion (up 6.5% YoY). The rebound was not strong as the recovery of the global economy is quite slow, in addition to geopolitical tensions, competition with fisheries products from other countries, modest domestic supply due to climatic factors and limited farming skills.

In the first five months of the year, there were not many changes in the export structure between markets. The US and Japan markets are still the biggest importers, respectively weighting 17.1% and 16.2%. A few emerging markets have increased their contribution, but it is insignificant. Most markets have recovered over the same period last year (Figure 3). The US market, which dropped sharply last year, has risen again, helping to improve the performance of local exporters.

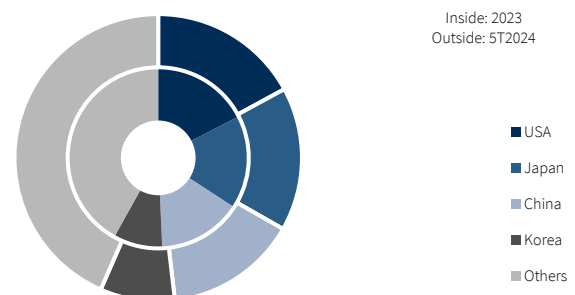
Regarding products, the main export products all recorded growth from a low base over 1H23. In 5M24, shrimp exports hit USD1.3 billion (+7% YoY), pangasius USD755 million (+2% YoY), tuna USD397 million (+25% YoY), and crab reached USD101 million (+84% YoY).

Fig 1. Vietnam – Fisheries exports in 5M24 (USDmn)



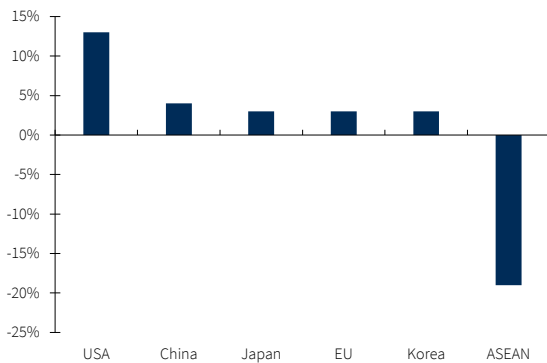
Source: VASEP, KB Securities Vietnam

Fig 2. Vietnam – Fisheries importing markets (%)



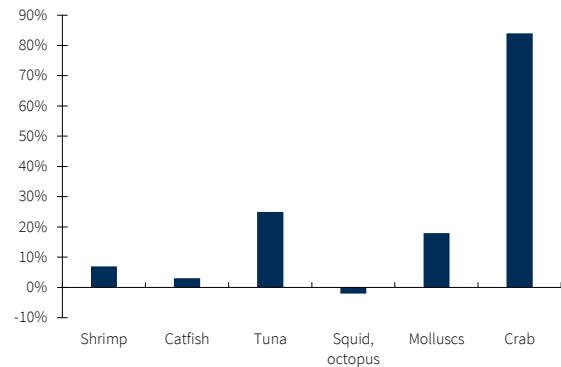
Source: FiinProX, KB Securities Vietnam

Fig 3. Vietnam – Export growth by market in 5M24 (%)



Source: VASEP, KB Securities Vietnam

Fig 4. Vietnam – Export growth by product in 5M24 (%)



Source: VASEP, KB Securities Vietnam

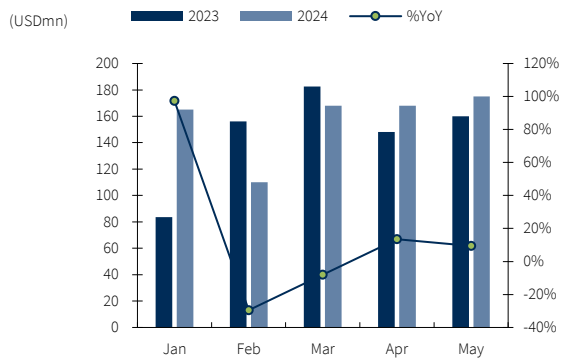
Pangasius exports recovered thanks to the US market recovering demand

The main export industry groups have also recovered, following the main trend of the whole industry. For pangasius exports, according to VASEP, this segment brought in nearly USD755 million in 5M24 (up 2% YoY). The main export market for pangasius is the US, which is recovering. VASEP also said consumers in the US are increasing their demand for white fish products, especially pangasius from Vietnam. Some other white meat fish such as tilapia are getting scarce, helping Vietnamese pangasius to benefit. The EU market has not yet seen positive developments due to the influence of political tensions and strict standard requirements for imported products. The remaining markets were almost flat or posted slight declines due to slow economic recovery and competition with pangasius and whitefish in general from many other markets.

Shrimp exports rebounded, but competition became increasingly fierce

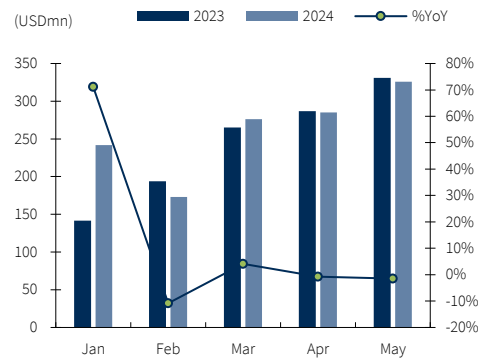
Shrimp exports also recorded positive signals in the context of slow economic recovery and increasing competition. According to VASEP, shrimp exports earned USD1.3 billion in 5M24 (up 7% YoY). The Chinese market witnessed the sharpest increase with an increase of 21% YoY due to the country restricting shrimp supply from Ecuador over the discovery of sulfite residues and increased prices. However, in recent months, a decrease in this market was recorded as shrimp supply was abundant again, and Vietnam has to face competition from other foreign competitors. The remaining markets are not very positive as the US market is flat while the Japanese and Korean markets even recorded a decrease YoY.

Fig 5. Vietnam – Pangasius export turnover (USDmn)



Source: Bloomberg, KB Securities Vietnam

Fig 6. Vietnam – Shrimp export turnover (USDmn)



Source: Bloomberg, KB Securities Vietnam

Shrimp export enterprises recovered positively while pangasius recorded less positive results

Businesses in the fisheries industry have recovered, following general trend, but the level of recovery depends on their key products, main markets, product quality, and ability to expand the market.

Pangasius export businesses recorded mixed results in the 1Q. VHC returned to revenue growth from low 1Q23 results thanks to the recovery of the main export market, the US, while Nam Viet Corporation (ANV) and IDI Corporation (IDI) still encountered difficulties in the quarter, related to the slow recovery of the Chinese market and fierce competition from other countries. In addition, as export fish prices have not yet recovered and freight rates have escalated, the profits of pangasius businesses continued to be squeezed in 1Q.

Shrimp exporting enterprises recorded more positive signals than pangasius in 1Q24 thanks to the positive growth of shrimp exports. Shrimp exporters like FMC, Minh Phu Corporation (MPC), and Camimex Group (CMX) all recorded strong revenue growth, especially in the Chinese market with a sharp increase in output but little impact from increased freight prices. At the end of the first quarter of 2024, major shrimp exporting enterprises all recorded positive profit growth over the same period last year.

Business outlook for 2H24

The demand should rebound, but there are still many uncertain factors from international markets

In 2024, the fisheries industry's goal is to reach an export turnover of USD10 billion. Businesses only reached 36% of the plan in 5M24, but exports should surge at the end of the year when demand increases during holidays. Regarding the industry outlook for the second half of 2024, we assess that all major markets are starting to show signs of recovery, but the recovery speed is slow, and there are still many unpredictable factors. Major central banks have begun to show moves to cut interest rates, typically the ECB cutting interest rates in early June, and the Fed expecting to lower interest rates in the second half of this year, which are positive factors to consumer purchasing power. The US recognition of Vietnam as a market economy also benefit local exporters.

However, the fisheries industry still has many uncertain factors, including (1) anti-dumping duties; (2) political tensions that may cause freight rates to skyrocket; and (3) IUU yellow card affecting exports to the EU. In addition, Vietnamese fisheries products have to compete with fisheries from other countries in price and quality, requiring local businesses to improve 'deep' processing capacity.

Shrimp exports are expected to recover but also face fierce competition

For the US market, the whole industry is waiting for official decisions on anti-subsidy and anti-dumping tariffs. In addition, Vietnam is competing fiercely with Ecuadorian shrimp with advantages of distance and prices in this market. Exports to China benefit from geographical advantages and this country's limiting shrimp imports from Ecuador and India due to sulfite residues. Although demand is slow to recover in Japan, this market still favors deeply processed products, which adds one more advantage to Vietnamese shrimp compared to shrimp from other countries. Any business capable of deep processing will benefit on this market.

Shrimp businesses are all looking for their own directions in the context of slow export recovery and strong competition with shrimp from Ecuador and India. FMC focuses on deep-processed shrimp, hitting the Japanese market strongly. MPC encountered difficulties in the US market, so it intended to return to the domestic market through strategic cooperation with the BHX chain of MWG. CMX plans to develop fish processing and export to the Korean market when cooperating with the country's largest mart chain, Emart.

Pangasius exports place high expectations on the US market

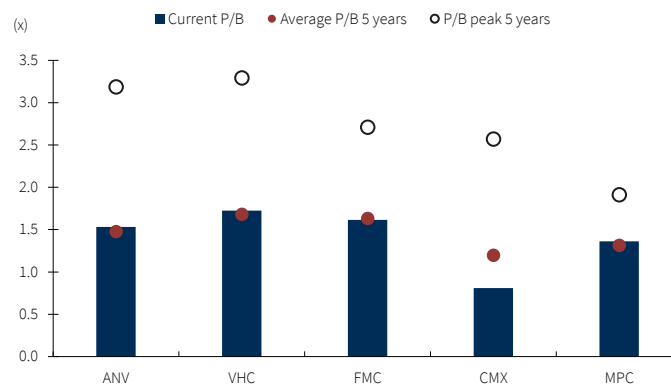
For the pangasius export industry, the recovery of the market in the US helped pangasius exports to have high expectations in 2H24. Besides, the US and the Western countries also issued a decree banning pollock from Russia, which will benefit Vietnamese pangasius. Pangasius export prices are also expected to recover slightly in the second half of the year thanks to supply shortages as low prices and unfavorable weather limited farming. However, exports to the US and EU markets are greatly affected when freight prices increase, which may hit the profits of exporting companies.

Pangasius exporting businesses expect a recovery in 2H24 when the demand from major economies rebounds. VHC is a leading enterprise in the industry with the ability to expand markets and manage costs well, especially enjoying zero anti-dumping tax in the US market, so it may have the best performance among other pangasius exporting peers. Enterprises such as IDI and ANV also expect to improve their exports, but the prospects will not be as good as VHC.

NEUTRAL rating to the fisheries sector

In terms of valuation, most fisheries stocks are near the five-year average P/B level, reflecting the market's neutral expectations for these stocks in the near future. With the prospect of a slow recovery and many uncertain factors, we gave a NEUTRAL rating to this sector. However, during corrections, investors can focus on leading stocks in the industry with solid competitive advantages such as VHC and FMC. Besides, investors can also buy stocks when factors such as anti-dumping duties, IUU yellow card, and freight rates have more positive developments.

Fig 9. Vietnam – P/B of fisheries companies (x)



Source: Bloomberg, KB Securities Vietnam

Logistics

Positive output growth for 2H24

Analyst Nguyen Ngoc Anh
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June 27, 2024

Positive change

Recommendations

GMD	BUY
Price target	VND100,600
HAH	BUY
Price target	VND51,700

1Q24 business results of seaport enterprises are more positive than those of maritime shipping enterprises

Revenues of seaport and shipping businesses both witnessed growth over the same period last year thanks to the bounce-back in cargo output. However, contrary to the improved GPM of the seaport industry (mainly supported by the higher service prices at the beginning of the year and optimized costs thanks to port upgrading projects), the GPM of shipping enterprises plummeted due to low spot freight rates and re-signed ship charter rates in 1Q24.

The total cargo throughput of the whole country at the end of the year should grow YoY

The output of goods through Vietnam seaports is expected to reach a growth rate of 7-9% compared to 2023, based on: (1) import-export prospects continue to be positive towards the end of the year; (2) FDI capital maintains at a high level; and (3) projects to upgrade ports and related infrastructure are being completed.

Business performance of shipping businesses is expected to recover by the end of the year

We changed our rating for logistics sector from neutral to positive in 2H24, considering: (1) shipping rates are expected to remain high in the near future due to increased demand for ships and the risk of a shortage of empty containers; and (2) transport output will increase in line with the trend of increasing stockpiling over concerns that sea freight prices will continue to climb and prolong amid more serious supply chain disruptions.

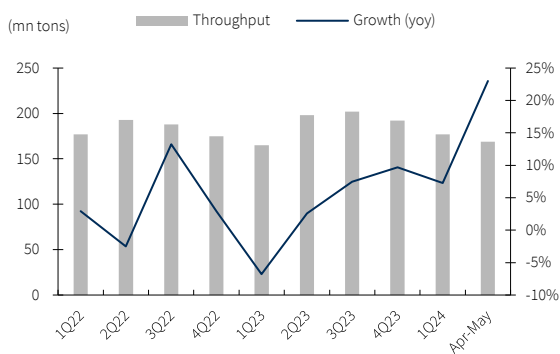
Business performance in 1H24

Total container throughput recovered strongly in 1H24 thanks to low bases in 2023

According to statistics from the Vietnam Maritime Administration, the total output of goods through Vietnam's seaport system in 5M24 reached more than 346 million tons (+17% YoY). Of that, import output recorded 107 million tons (+27% YoY), exports 84 million tons (+17% YoY), and domestic cargo was 154 million tons (+11% YoY). Container throughput of the whole system reached 11.6 million TEUS, gaining 20% YoY and 10% compared to 5M22.

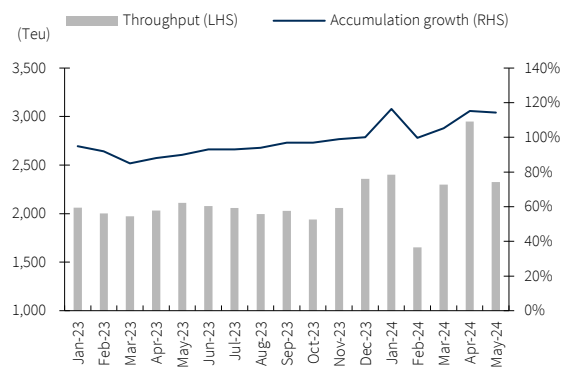
The strong recovery of port throughput in 1H24 was attributable to (1) the low base level in 1H23 and (2) the continuous increase in import-export turnover from April 2023. The total import-export turnover in 5M24 rose more than 16% YoY, underpinned by the inventory stockpiling in two major markets, the US and EU.

Fig 1. Vietnam - Total port throughput (million tons)



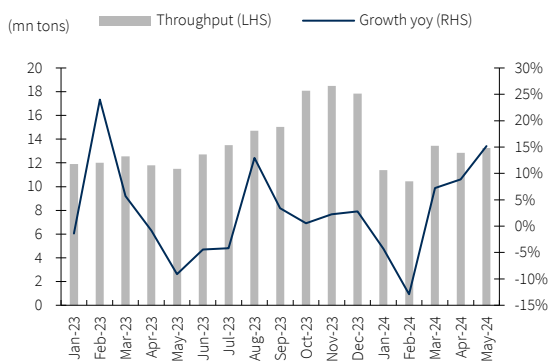
Source: Vietnam Seaport Association, KB Securities Vietnam

Fig 2. Vietnam - Total container output (TEU)



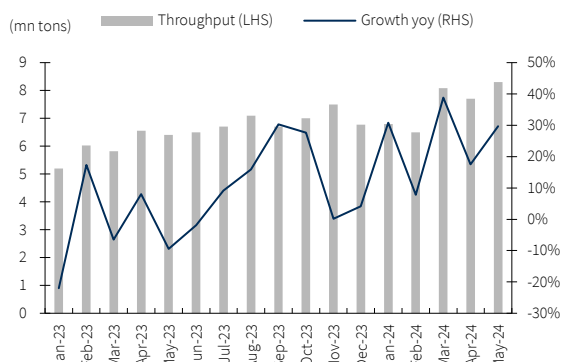
Source: Vietnam Seaport Association, KB Securities Vietnam

Fig 3. Vietnam - Cargo output through Hai Phong ports (million tons)



Source: General Statistics Department of Hai Phong, KB Securities Vietnam

Fig 4. Vietnam - Cargo output through Cai Mep - Thi Vai ports (million tons)



Source: General Statistics Department of Ba Ria - Vung Tau, KB Securities Vietnam

After cooling down at the beginning of the year, freight prices have reversed and increased sharply since the end of April

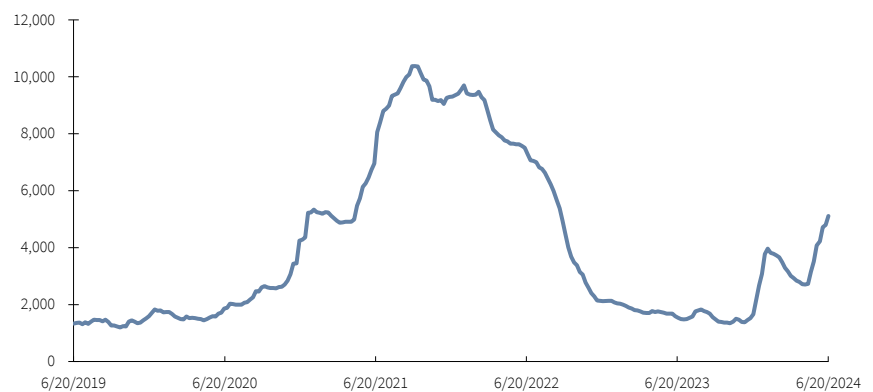
After increasing sharply at the end of 2023 due to problems with two important transport routes through the Suez and Panama Canals, freight rates have cooled since the end of January as carriers have adapted to the new normal of industry. The Drewry WCU returned to 2,706 in April, lower than the level of USD3,964/40ft at the beginning of the year but still higher than the COVID pandemic at USD1,800 – 2,000/40ft.

World freight rates have reversed since the end of April and spiked until now. The Drewry WCI has increased to USD5,117/ft (x2 YTD) although it is still much lower than the Covid peak of USD10,378/40ft.

The increase in spot freight rates led to a recovery in the rates of time-lease contracts due to increasing demand for ships. Time charter rates have maintained a stable growth rate since the beginning of 2024 with a stronger increase in large vessels.

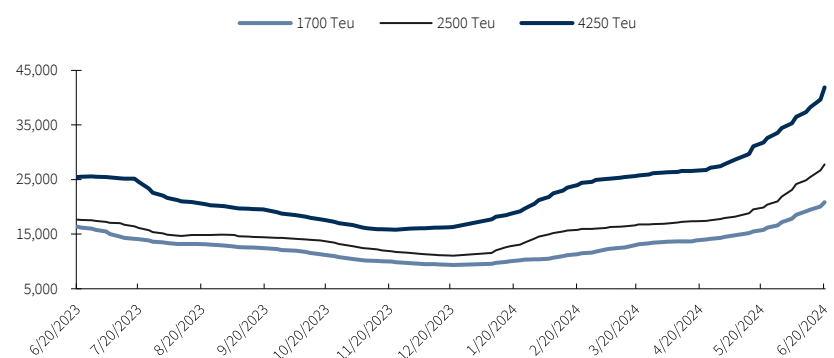
According to the Drewry world container index, spot freight rates after a sharp increase at the end of 2023 have cooled down, and the index fell to an average of USD2,706/40ft in April 2024, on par with the 10-year average. World freight rates have bounced back since the end of April due to the simultaneous impact of many factors: (1) the Red Sea crisis, after a long period of time, has begun to cause congestion at many major ports. The situation at Asian ports is at its peak after the pandemic, and the risk of supply chain disruption and container shortage is gradually becoming clearer. (2) The US sharply raised tariffs on a series of Chinese goods having an annual import turnover into the US reaching USD18 billion from this August. (3) Many shipping lines started applying general rate increases (GRI) for the peak season that comes earlier than usual.

Fig 5. Global – Drewry World container index (USD/40ft)



Source: Drewry

Fig 6. Global – Haper Petersen charter rate index for small vessels (USD/day)



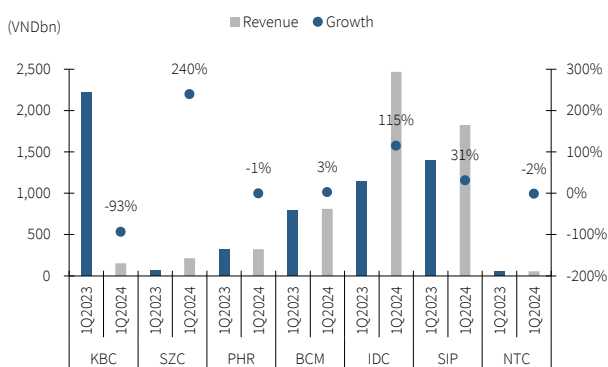
Source: Bloomberg

1Q24 business results of port and shipping enterprises are mixed

Most container ports and ocean shipping enterprises have positive business growth compared to the same period in 2023 thanks to a strong recovery in output. However, the profits of these enterprises are different.

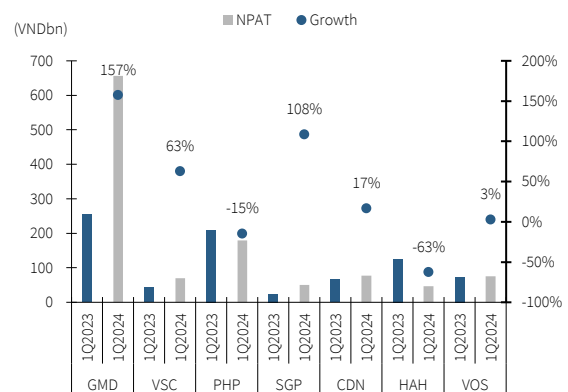
- Most container ports have raised the rates of seaport services earlier this year by 5-10%, depending on the service and the region, leading to improved gross margin and NPAT. Meanwhile, Port of Hai Phong (PHP) was the only exception with 1Q23 recording extra income from vessel collision compensation (NPAT growth excluding compensation reached more than 60% YoY).
- NPAT of the shipping lines were not positive as revenue. Although transport output improved significantly compared to the same period in 2023, freight rates decreased YoY, and many high-priced charter ships had their contracts expired in 2023, leading to profit margins of these businesses plunge YoY (from around 15% in 1Q23 to more than 6% in 1Q24).

Fig 7. Vietnam – Revenue growth of container ports & shipping companies (%)



Source: Logistics companies, KB Securities Vietnam

Fig 8. Vietnam – NPAT growth of container ports & shipping companies (%)



Source: Logistics companies, KB Securities Vietnam

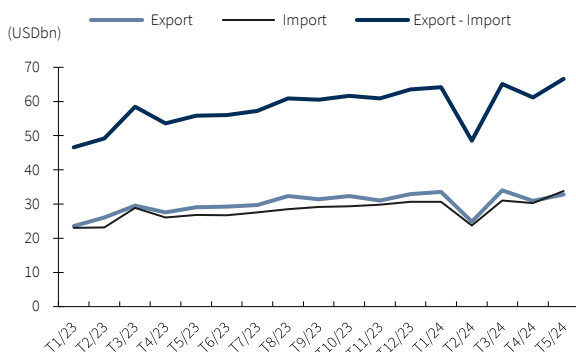
Business outlook for 2H24

The total port throughput should maintain positive growth until the end of the year

The total cargo port throughput is expected to remain at a positive level from now until the end of the year and grow 7–9% YoY, based on the following factors:

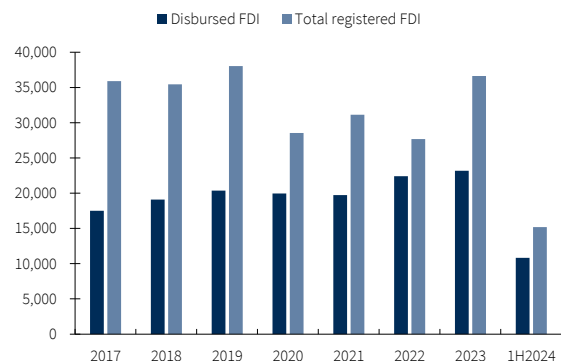
- Import-export turnover should remain high until the end of the year thanks to the recovery of consumer demand in major markets such as the US, EU and China. This is reflected through: (1) The inventory index in the US is increasing, showing the need to increase inventory in this country and the start of the peak season of stockpiling goods for the end of the year. This will boost international trade. (2) The importation of raw materials in 5M24 gained 5.1% YoY, partly reflecting the increase in orders until the end of the year.
- FDI capital is also on the rise again with Vietnam participating in many trade agreements and signing bilateral cooperation documents with Korea, the US and China recently, showing the potential of international trade in coming time.
- The state is actively supporting the logistics industry in terms of investment disbursement and expansion of major ports across the country. Currently, projects to upgrade infrastructure and maritime channels in key areas such as Hai Phong and Cai Mep – Thi Vai ports are positively progressing. Once completed, they will help businesses increase their competitive advantage to attract many partners and optimize business capacity.
- The current congestion at major ports like Singapore port has caused many shipping lines to change their routes and enter neighboring ports instead of having to wait four to seven days to enter Singapore port. If the congestion is not resolved soon, it will attract more new shipping lines to our country's seaports, especially the Cai Mep – Thi Vai transshipment port area, positively impacting the domestic seaport industry in general.

Fig 9. Vietnam – Import-export turnover in 2023 (USDbn)



Source: General Statistics Office, KB Securities Vietnam

Fig 10. Vietnam – Newly registered & disbursed FDI (USDmn)



Source: General Statistics Office, KB Securities Vietnam

Freight rates should stay high until at least 3Q24

Shipping freight rates are expected to remain high this year despite being lower than the peak during the Covid pandemic. The increase will last at least until 3Q24 due to the combined impact of many factors, originating from the crisis at the Red Sea:

- The Red Sea crisis lasts longer than expected and has no end in sight, directly affecting the world logistics as up to 10% of international trade goods (of which container goods account for 20%) go through there.
- Congestion at many major ports was triggered by: (1) The US increased imports of goods from China before Chinese goods are subject to additional import taxes from next August. (2) Concerns about freight rates escalating in the long term. The peak season of preparing goods for the end of the year has started earlier than usual, increasing the flow of trade goods from now until the end of the year.

Long voyages, congestion at ports and rapidly increasing demand raised the risk of supply chain disruptions and empty container shortages, continuing to push container freight rates up until the above issues are solved.

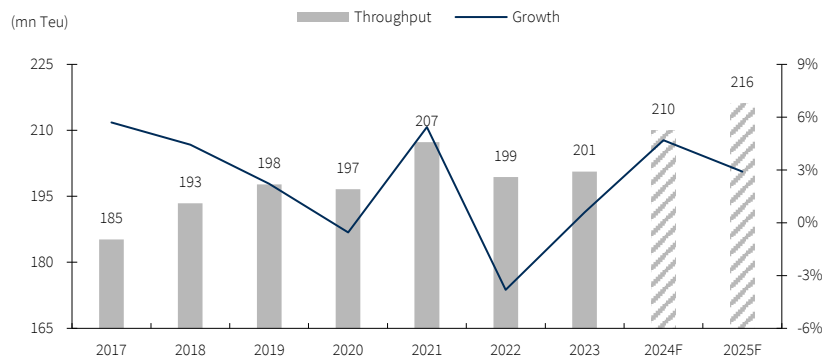
We expect the profits of logistics companies to have bottomed out by the end of 2023 and 1Q24, and the growth outlook will be more positive towards the end of the year.

- Transport output will remain high thanks to (1) recovering global consumer demand and (2) stockpiling activities for this year's peak season taking place earlier than usual.
- Regarding spot freight rates, the increase from the end of April is expected to continue due to increased demand for vessels over concerns about the supply chain crisis, causing prices in the ship charter market to follow the uptrend. Transport routes that pass through the Red Sea will have a significant increase due to direct impacts, the increase will be smaller on domestic routes and routes that do not pass through the Red Sea due to only indirect impacts from higher demand for ships.

In the long term, the logistics market is expected to cool down as soon as the Red Sea crisis ends due to the cumulative impact of: (1) inventory in major markets increase rapidly during the supply chain crisis; and (2) concerns about oversupply of ships clearly return as demand decline while newly ordered ships are continuously put into operation.

The prolonged Red Sea crisis and the congestion at major ports will support stock prices in the near future. However, we assess that these positive effects are only short-term. Investors should monitor the logistics market fluctuations during this time and consider investing in stocks with good fundamentals and large fleets such as Hai An Transport & Stevedoring (HAH) and Viet Nam Ocean Shipping (VOS) when they reach attractive valuations.

Fig 131. Global - Total container output (million TEUs)

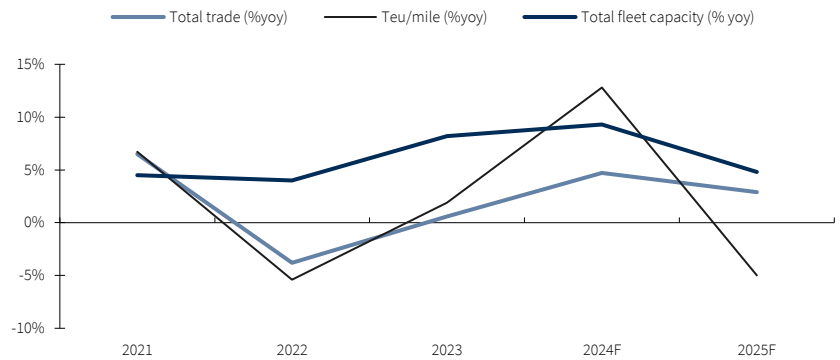


Source: Clarksons Research

Fig 142. Global - Container supply & demand growth (% YoY)

The total tonnage of new vessels built in 2024 and 2025 will be 2.7 million TEUs (+9%) and 1.9 million TEUs (+5%), respectively. The number of new vessels expected to be delivered in 2026 currently has a total tonnage of up to 2.1 million TEUs.

With the forecast growth rate of container output/ mile in 2024 being 12.8% YoY, the ship tonnage growth rate of 9.3% YoY has partly met the strong increase in sea transport demand this year. However, the shipping market is expected to witness a serious surplus of ships from 2025 when TEU/mile growth drops to -5% YoY, and ship tonnage growth remains at 4.8% YoY.

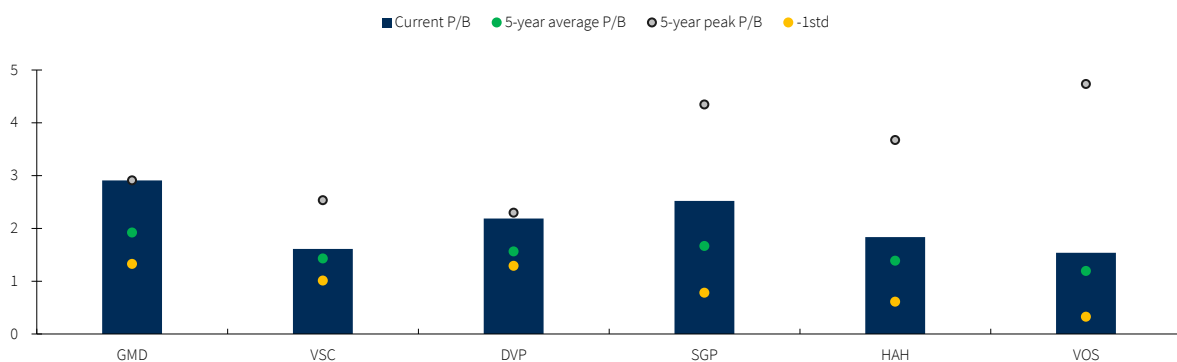


Source: Clarksons Research

We maintain a positive rating for container port stocks

Regarding container ports, we assess that business results in the coming time will continue to remain at a positive level as in the first half of the year thanks to the recovery from both freight rate and output. However, after the recent sustainable increase, we assess that port stock prices have fully reflected the future prospects of the business and are all trading at a P/B higher than the five-year average P/B. Investors can consider long-term investments in logistics stocks with good growth potential such as Gemadept (GMD), Viconship (VSC), Saigon Port (SGP), and PHP when stock prices adjust to better valuation levels.

Fig 13. Vietnam - P/B of logistics companies (x)



Source: Bloomberg, KB Securities Vietnam

Gemadept (GMD)

Southern ports strongly rebound

June 10, 2024

Analyst Nguyen Ngoc Anh
anhntrn@kbsec.com.vn

1Q NPAT hit VND656 billion (+157% YoY) on revenue of VND1,006 billion (+11% YoY)

Gemadept Corporation (GMD) posted VND1,006 billion in 1Q revenue (+11% YoY), completing 25% of the guidance. Of that, core business of port operation contributed VND843 billion (+29% YoY). 1Q NPAT rose 157% YoY to VND656 billion after the company recorded an extra profit of more than VND335 billion from the Nam Hai Port divestment deal in the quarter.

GMD total throughput should reach 3.3 – 3.5 million TEUs this year (+10–12% YoY)

The total port throughput of the entire GMD port system in 2024 is expected to grow 10–12% YoY with (1) positive prospects of import and export activities until the end of the year; (2) new routes continuously being deployed; and (3) improved port operating capacity of GMD.

Service charges in the Northern and Southern ports of GMD should rise 5% and 7–10% YoY respectively

In 1Q, GMD raised service charges by 3–10% across the system. With the Circular 39/2023/TT-BGTVT on adjusting the seaport service fee framework effective from February 15, 2024, GMD's room for increasing seaport rates has been expanded. Service charges in the North and South of GMD should grow 5% and 7–10% respectively compared to the 2023 average.

Valuation: BUY rating – Target price VND100,600/share

Based on prospects and valuation results of the business, we gave a BUY rating to GMD with a price target of VND100,600, 15.8% higher than the closing price on June 10, 2024.

Buy maintain

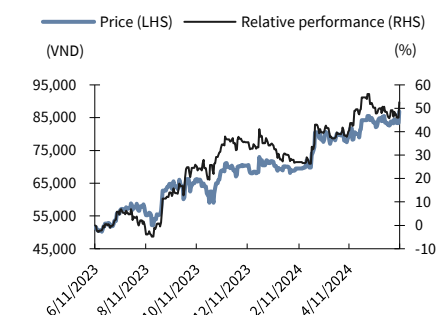
Target price	VND100,600
Upside	15.8%
Current price (Jun 10, 2024)	VND86,900
Consensus target price	VND88,600
Market cap (VNDtn/USDbn)	27.0/1.1

Trading data	
Free float	97.5%
3M avg trading value (VNDbn/USDmn)	148.6/5.9
Foreign ownership	47.5%
Major shareholder	SSJ Consulting (9.6%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	-2	4	18	67
Relative	-5	3	3	43

Forecast earnings & valuation

FY-end	2022	2023	2024F	2025F
Net revenue (VNDbn)	3,898	3,846	4,132	4,511
Operating income/loss (VNDbn)	1,309	3,160	1,969	1,914
NPAT-MI (VNDbn)	994	2,222	1,490	1,513
EPS (VND)	3,034	7,119	4,869	4,872
EPS growth (%)	62%	135%	-32%	0%
P/E (x)	28.6	12.2	17.8	17.8
P/B (x)	3.3	2.7	2.6	1.9
ROE (%)	15%	26%	16%	12%
Dividend yield (%)	2%	3%	2%	2%



Source: Bloomberg, KB Securities Vietnam

Hai An Transport (HAH)

Bouncing back towards year-end

June 19, 2024

Analyst Nguyen Ngoc Anh
anhntrn@kbsec.com.vn

1Q revenue and NPAT reached VND704 billion (+7% YoY) and VND47 billion (-63% YoY)

In 1Q24, Hai An Transport & Stevedoring (HAH) achieved net revenue of VND704 billion (+7% YoY). Revenue growth was recorded in both port and ship operations. However, 1Q sea freight rates dropped sharply, new charter contracts were signed with much lower rates, and GPM fell to only 5%. NPAT reached VND47 billion (-63% YoY), completing 16% of the whole-year target.

HAH freight rates should gain 15% YoY, following the global uptrend

HAH's domestic and intra-Asia rates have now been adjusted up 10% YoY. It is expected that the freight rates will continue to increase towards the end of the year, and the average price in 2024 is 15% higher than the 2023's over concerns about the risk of shortage of containers and high demand for vessels globally.

HAH's total ship output in 2024 is expected to increase 15-20% YoY to 525,000 TEUs

HAH's ship output is expected to recover strongly compared to 2023. We expect total transport output in 2024 to reach more than 525,000 TEUs (+20% YoY) thanks to: (1) recovery in transport demand, (2) the emergence and expansion of shipping routes, and (3) HAH's three new ships in 2024.

Valuation: BUY rating – Target price VND51,700/share

Based on business prospects and valuation, we recommend BUY for HAH stock with a price target of VND51,700/share, equivalent to a return of 20% compared to the closing price on June 19, 2024.

Buy maintain

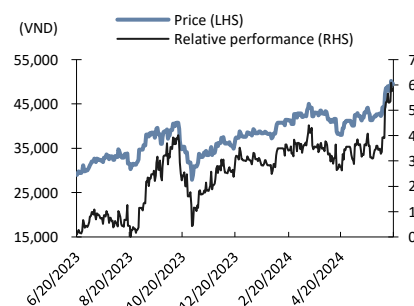
Target price	VND51,700
Upside	20%
Current price (Jun 19, 2024)	VND43,100
Consensus target price	VND40,400
Market cap (VNDtn/USDbn)	5.1/0.2

Trading data	
Free float	50.8%
3M avg trading value (VNDbn/USDmn)	167.6/6.6
Foreign ownership	10.4%
Major shareholder	Hai Ha Investment & Transport (15.22%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	12.6	15.5	33.2	70.9
Relative	12.4	13.9	16.9	55.7

Forecast earnings & valuation

FY-end	2022	2023	2024F	2025F
Net revenue (VNDbn)	3,206	2,613	3,199	3,841
Operating income/loss (VNDbn)	1,300	447	562	684
NPAT-MI (VNDbn)	822	385	375	461
EPS (VND)	11,306	3,315	3,093	3,799
EPS growth (%)	82%	-71%	-7%	23%
P/E (x)	2.9	13.0	13.9	11.3
P/B (x)	1.7	1.1	1.7	1.5
ROE (%)	36%	11%	12%	13%
Dividend yield (%)	1.3%	0.2%	2.1%	1.0%



Source: Bloomberg, KB Securities Vietnam

Industrial real estate

Legal issues are being resolved

Analyst Nguyen Ngoc Anh
anhntn@kbsec.com.vn

June 28, 2024

Positive maintain

Recommendations

GVR	BUY
Price target	VND38,800

KBC	BUY
Price target	VND42,000

Industrial park rental prices continue to grow, and the occupancy rate remains high

In the first quarter of 2024, the average occupancy rates of industrial parks in level 1 Northern and Southern provinces were 83% and 92%, respectively. Industrial park rental prices gained in both the North and the South in 1Q24 thanks to positive demand. The average rental price for the tier 1 market reached USD133/m²/remaining term (+7.8% YoY) in the North and USD189/m²/remaining term (+2.4% YoY) in the South.

The business results of industrial park enterprises are mixed

While many businesses recorded high increases in revenue, many posted flat or even negative growth YoY since (1) new projects were behind schedule to be put into operation as prolonged legal procedures led to the land bank of many businesses being exhausted; and (2) the speed of handing over available land is slower than expected due to problems from the other party or the province running out of industrial park land quotas.

Industrial park land prices are expected to maintain an increase of 3–9%/year in the next three years

Industrial land rents should gain by 5–9%/year in the Northern region and 3–7%/year in the Southern region, based on (1) positive demand from many industry groups and foreign customers amid growing FDI capital inflows and (2) slow growth of supply, especially in level 1 provinces while occupancy rate remains high.

New industrial park supply in the coming time is expected to be supported by legal adjustments

The current supply of industrial park land is at a low level, and the growth rate is slow due to legal problems that are expected to be solved in the near future thanks to the positive impacts from: (1) the planning of many provinces and cities being passed; (2) decision 227/QĐ-TTg on land use criteria; and (3) decree 12/2024/ND-CP on land valuation methods.

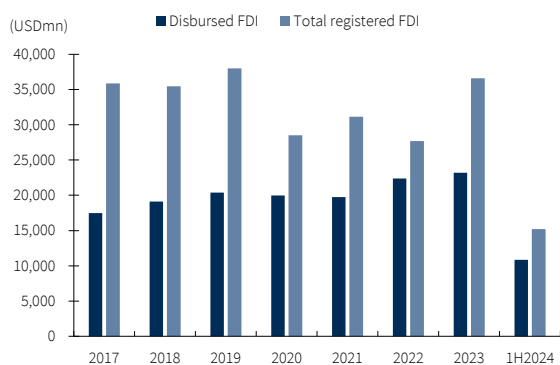
Business performance in 1H24

The FDI capital inflows into Vietnam is positive in 5M24

In the first five months of 2024, the total newly registered investment capital, adjustments and capital contributions, share purchases, and contributed capital of foreign investors reached nearly USD11.07 billion (+2% YoY). Of that, newly registered capital with 1,227 projects were granted investment registration certificates (+27.5% YoY), and total registered capital hit up to USD7.94 billion (+50.8% YoY). Disbursed capital of foreign investment projects is estimated at USD8.25 billion (+7.8% YoY).

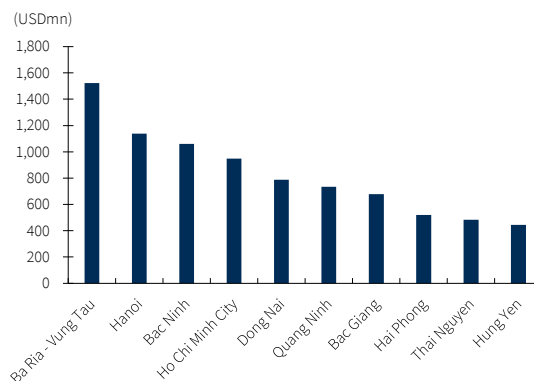
- Investment partners with the largest number of projects are Singapore, Hong Kong, Japan, China, and Korea (accounting for 73% of new investment projects) with a total capital equivalent to 73.5% of the country's registered investment capital.
- Localities attracting the largest investment capital include Ba Ria - Vung Tau, Hanoi, Bac Ninh, Ho Chi Minh City, Dong Nai, Quang Ninh, Bac Giang, Hai Phong, Thai Nguyen, and Hung Yen, accounting for 74.7 % of new projects, contributing 75.2% of the country's investment capital in 5M24.

Fig 1. Vietnam – Registered & disbursed FDI from 2017 (USDmn)



Source: General Statistics Office, KB Securities Vietnam

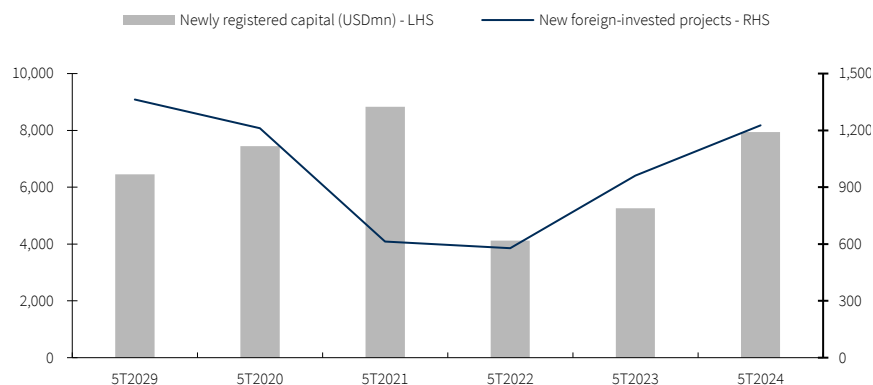
Fig 2. Vietnam – Top 10 FDI attracting provinces in 5M24



Source: FiinPro

Fig 3. Vietnam – Investment capital of new FDI projects in 5M24 (USDbn)

In 5M24, Vietnam witnessed the most significant recovery in the number of new FDI projects compared to the same period last year. The figure has been increasing YoY in the period 2022 - 2024 and exceeded 11% growth in 5M24 vs 5M19 - the time before the pandemic. Total new investment capital in 5M24 recorded the record high in the last six years. The increase in both the number of projects and total investment capital shows that Vietnam is still an attractive destination for investors.



Source: FiinPro, KB Securities Vietnam

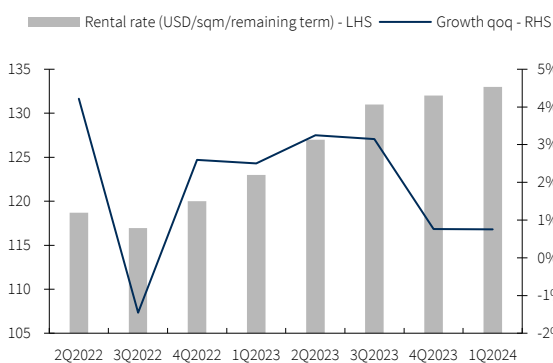
Industrial park rents has been growing with high occupancy rates

According to CBRE's report, industrial park rents gained in both the North and the South thanks to positive demand. In 1Q2024, the average rental price for the tier 1 market reached USD133/m²/remaining term (+7.8% YoY) in the North and USD189/m²/remaining term (+2.4% YoY) in the South

The average occupancy rate of industrial parks across the country reached 80%:

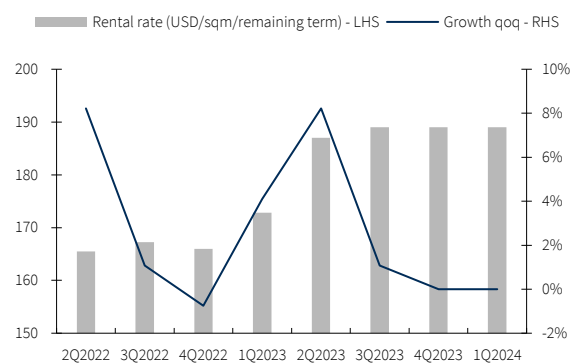
- In the North: The average occupancy rate increased to 83% (with absorption area reaching 110ha in 1Q24) due to the lack of new industrial parks, while existing industrial parks still attract more customers. The province with the highest occupancy rate is Hai Phong (92%), followed by Bac Ninh (89%) and Vinh Phuc (88%).
- In the South: Due to limited supply, the industrial park occupancy rate in the Southern provinces remained at 92%, with a total absorption area of only 20ha.

Fig 4. Vietnam – Average rent of industrial parks in the Northern level 1 provinces



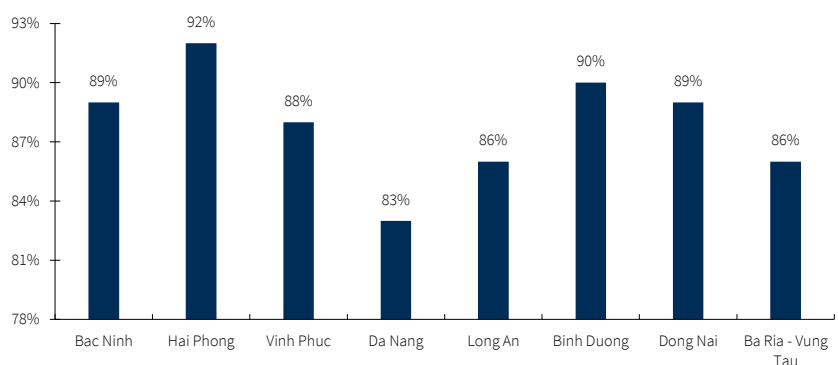
Source: CBRE, KB Securities Vietnam

Fig 5. Vietnam – Vietnam – Average rent of industrial parks in the Southern level 1 provinces



Source: CBRE, KB Securities Vietnam

Fig 6. Vietnam – Occupancy rates in key provinces

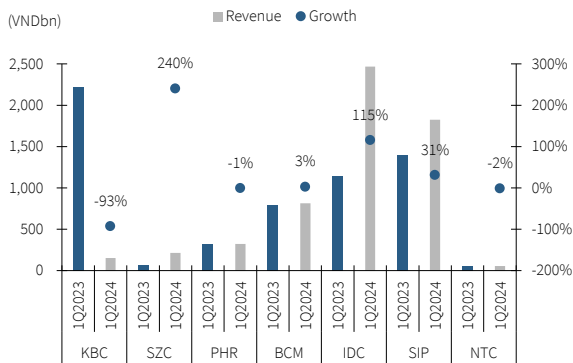


Source: Savills

1Q business performance of industrial parks are mixed

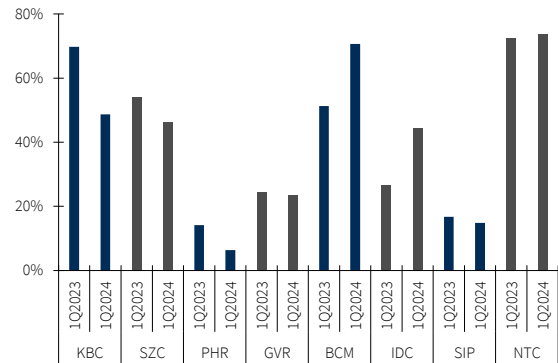
1Q24 business results of industrial park enterprises showed a clear differentiation. Those that recorded strong revenue growth YoY also have large land bank available for lease and industrial parks in localities with room for industrial park quotas: IDICO Corporation (IDC, handing over about 40ha of industrial park land and 1.45ha at Aeon in 1Q24), SONADEZI Chau Duc (SZC, increasing land area handed over in the quarter), and Sai Gon VRG Investment (SIP, delivering 16ha of land in Loc An Binh Son Industrial Park to SEA Logistics Partners. Meanwhile, many industrial parks recorded a decline in business results compared to 1Q23 mainly because they have no land bank available for lease like Phuoc Hoa Rubber (PHR) and Nam Tan Uyen (NTC) or the business has legal problems with the land that cannot be handed over like Kinh Bac City Development (KBC).

Fig 7. Vietnam – Revenue growth of industrial parks (%)



Source: Industrial parks, KB Securities Vietnam

Fig 8. Vietnam – GPM of industrial parks (%)



Source: Industrial parks, KB Securities Vietnam

Business outlook for 2H24

The industrial real estate sector outlook for 2024 is bright thanks to increasing FDI capital into Vietnam and (2) promoted investment in infrastructure

The global minimum tax applied since the beginning of this year has somewhat affected the attractiveness of tax incentive policies for FDI capital to Vietnam, but the industrial real estate industry still has great growth potential:

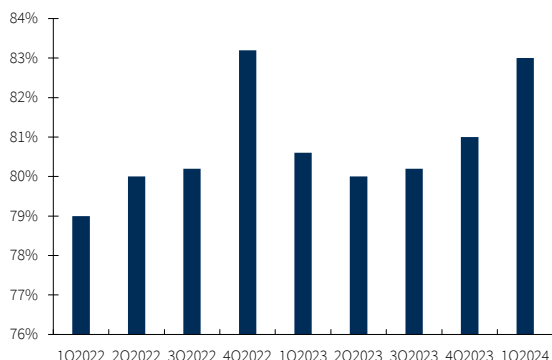
- Vietnam is still an attractive destination for FDI capital because (1) the trend of moving production bases from China has been continued. (2) A series of FTAs that Vietnam signed and the upgrade of cooperative relationship with the US, Australia, Korea, and China in 2H23 is promising to high-tech FDI capital to Vietnam in the coming time. (3) Vietnam has the advantages of cheap labor and lower electricity and water costs than many countries in the region.
- Vietnam is the country with the strongest commitment to infrastructure investment in the region. Transport infrastructure construction projects that are being promoted by the Government. The North-South expressway, Ring Road 4 in Hanoi, seaport and airport projects will increase the attractiveness of industrial parks to many investors and benefit the whole sector in the long term.

Industrial park land rental prices are expected to continue to maintain an increase of 3 - 9%/year

KBSV forecasts that in the next three years, industrial land rents would gain 5-9%/year in the Northern region and 3-7%/year in the Southern region, based on (1) positive demand from many industry groups and foreign customers amid growing FDI capital inflows and (2) slow growth of supply, especially in level 1 provinces while occupancy rate remains high.

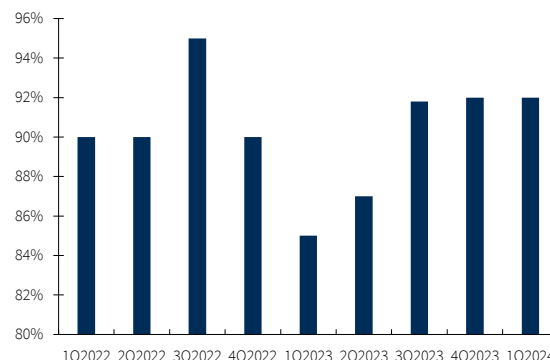
- With the current high rents in the Southern region, the Northern provinces are expected to attract more tenants in the near future, especially those from China and Korea, the two countries with the largest total FDI capital, when the leasable land bank in the North is higher, and the rental price is lower.
- In the South, an area with low supply and higher rents, domestic and foreign manufacturers tend to switch to leasing land in secondary markets such as Ba Ria - Vung Tau and Tay Ninh provinces, which have large land area and more competitive rental prices than the primary market.

Fig 9. Vietnam – Occupancy rates in the South (%)



Source: CBRE, KB Securities Vietnam

Fig 10. Vietnam – Occupancy rates in the North (%)



Source: CBRE, KB Securities Vietnam

New industrial park supply in the coming time is expected to be supported by legal adjustments

The current supply of industrial park land is at a low level, and the growth rate is slow due to legal problems that are expected to be solved in the near future thanks to the positive impacts from: (1) the planning of many provinces and cities being passed; (2) decision 227/QĐ-TTg on land use criteria; and (3) decree 12/2024/ND-CP on land valuation methods:

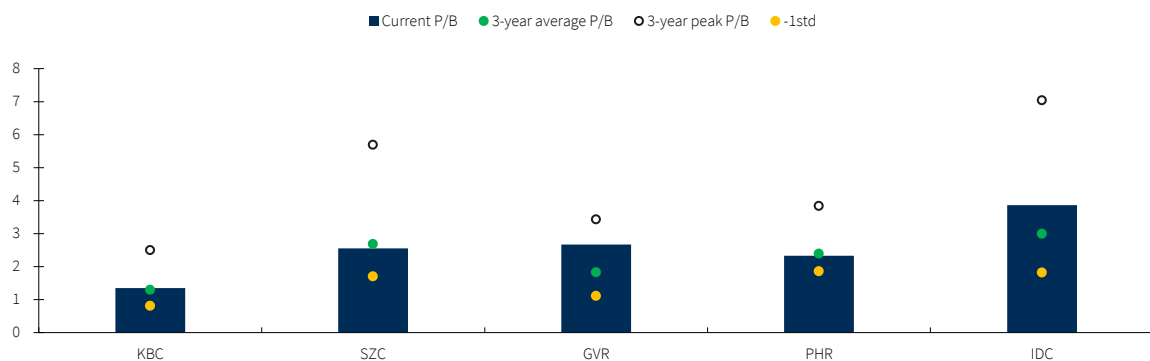
- As of June 2024, 56 provincial-level plans have been approved. In particular, the approved plans of provinces that own large industrial park land funds such as Binh Phuoc, Ba Ria Vung Tau, Tay Ninh, and Hung Yen are the basis for projects to continue the investment process. The plans of the remaining provinces are expected to be passed soon this year, including Binh Duong and Dong Nai, two key areas of industrial park projects.
- Decree 12/2024/ND-CP dated February 5, 2024 amending and supplementing Decree 44/2014 on land valuation regulations has overcome the limitations of previous land valuation methods (mostly based on assumptions, without clear guidance). Decree 12 is expected to remove obstacles in calculating land use fees and accelerate the process of paying land use fees for industrial park projects.
- Decision 227/QĐ-TTg adjusting land use targets issued last March has supplemented land use targets for many provinces and cities, especially in Bac Ninh, Thai Binh and Binh Phuoc provinces with an additional land area in each province up to 600 - 700ha. This adjustment should have a positive impact on the progress of local projects with increased land use targets, overcoming the situation of not being able to deploy/hand over to customers.

The industrial real estate outlook for 2024 is positive

We believe the industrial real estate sector will be positive in 2024 thanks to positive growth from FDI capital and high rental demand despite climbing rents.

We appreciate stocks with large leasable areas such as KBC, IDC, and SZC, especially in the context of a continuing supply shortage. KBC expects to put Trang Due 3 (687ha) into operation soon, in addition to the current large land bank. SZC owns more than 540ha of available land, and IDC currently has up to 554ha of remaining land for lease with attractive dividends. In the long term, investors can consider stocks of businesses that own large, converted rubber land funds that have been included in planning such as Vietnam Rubber Group (GVR) and PHR as they have positive prospects from compensation and cash flow from leasing industrial park land regularly for many years. Currently, most stocks in the industrial real estate sector have made multiple time increases compared to the bottom at the end of 2022. However, some stocks are still 15 – 40% lower than the peak in 2021, including KBC, SZC, and PHR. In addition to these stocks, investors should only buy when a stock has more attractive stories and reasonable valuation.

Fig 11. Vietnam – 3-year P/B of industrial parks



Source: Bloomberg, KB Securities Vietnam

Kinh Bac City (KBC)

Expecting to rebound in 2H24

June 14, 2024

Analyst Nguyen Ngoc Anh
anhntrn@kbsec.com.vn

KBC posted VND152 billion (~93% YoY) in 1Q revenue and a loss of VND77 billion

In 1Q24, Kinh Bac City Development (KBC) revenue plunged 93% YoY to VND152 billion as it failed to hand over the industrial park land for lease, only completing 2% of the 2024 plan revenue. NPAT recorded a loss of VND77 billion (-107% YoY) after four straight quarter of profit growth.

KBC should hand over 111ha of industrial park land for lease this year

We expect KBC can record additional rental revenue for 111ha of industrial park land in 2024, including 16ha of Quang Chau Industrial Park, 30ha of Nam Son Hap Linh Industrial Park, 25ha of Tan Phu Trung Industrial Park, 30ha of Trang Due Industrial Park 3, and 10ha of Hung Yen Industrial Park, given Trang Due 3 and Hung Yen Industrial Park start leasing in 2H24.

KBC is proposing to deploy two more industrial parks in Can Tho, accumulating more land for development

In early June, KBC worked with the leadership of Can Tho province on an investment proposal for O Mon and Co Do industrial parks with a total scale of up to 1,320ha, which, along with projects being implemented by KBC across the country, will ensure the industrial park land bank for the business in the long term.

KBC plans to issue 250 million private shares to raise charter capital to VND10,176 billion

KBC submitted to the AGM this June a plan to issue 250 million private shares. If the placement is successful, the charter capital will increase from VND7,676 billion to VND10,176 billion. The proceeds should be used to restructure loans and increase capital contributions to subsidiaries and affiliated companies.

Valuation: BUY rating – Target price VND42,000/share

Based on business prospects and valuation results, we give a BUY rating to KBC with a price target of VND42,000, equal to a return of 38.6%.

Buy maintain

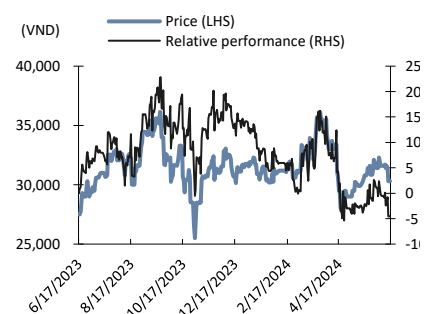
Target price	VND42,000
Upside	38.6%
Current price (Jun 14, 2024)	VND30,300
Consensus target price	VND38,200
Market cap (VNDtn/USDbn)	23.3/0.9

Trading data	
Free float	55.3%
3M avg trading value (VNDbn/USDmn)	251.6/10.0
Foreign ownership	21.2%
Major shareholder	Chairman Dang Thanh Tam (18.1%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	4.0	-7.7	1.1	13.2
Relative	-0.7	-10.6	-16.1	-3.3

Forecast earnings & valuation

FY-end	2022	2023	2024F	2025F
Net revenue (VNDbn)	950	5,645	4,967	6,446
Operating income/loss (VNDbn)	1,577	2,218	1,949	1,804
NPAT-MI (VNDbn)	1,526	1,996	1,754	1,623
EPS (VND)	1,993	2,600	2,285	2,114
EPS growth (%)	20%	30%	-12%	-7%
P/E (x)	15	12	13	14
P/B (x)	1.0	1.2	1.1	1.0
ROE (%)	9%	11%	9%	8%
Dividend yield (%)	0%	0%	0%	0%



Source: Bloomberg, KB Securities Vietnam

Vietnam Rubber (GVR)

Potential from converted rubber plantations

June 17, 2024

Analyst Nguyen Ngoc Anh
anhntrn@kbsec.com.vn

1Q revenue hit VND4,590 billion (+11% YoY), completing 18% of 2024 revenue target

In 1Q24, Vietnam Rubber Group (GVR) posted VND4,590 billion in net revenue (+11% YoY), underpinned by the core business, natural rubber, with revenue reaching VND3,391 billion (+16% YoY) thanks to higher average rubber price (VND36.7 million/ton, +13% YoY). By the end of 1Q, the business completed 18% of the planned revenue set for 2024.

GVR's average rubber price reached more than 38 million/ton in June and should stay high until the end of the year

Currently, GVR's average rubber price has reached VND38.4 million/ton, an increase of VND6 million/ton compared to that in 2023. We expect the price in 2024 to grow 8% YoY given (1) recovering world demand for automobile tires and tubes, (2) high oil prices and (3) unfavorable weather in the main rubber supplying countries.

The potential of GVR's converted rubber land becomes clearer

We expect that the speed of land conversion and implementation of GVR's industrial park projects will be faster since (1) the planning of Binh Phuoc, Ninh Thuan, and Ba Ria - Vung Tau provinces has been approved with 25,000ha of converted rubber land of GVR; and (2) the decision 227/QĐ-TTg issued in March 2024 has increased land use targets in Binh Phuoc and removed legal obstacles related to the limited land area of the province.

Valuation: BUY rating – Target price VND38,800

We give a BUY rating to GVR stock with a price target of VND38,800/share, equal to an expected return of 16.3% compared to the closing price on June 17, 2024.

Buy maintain

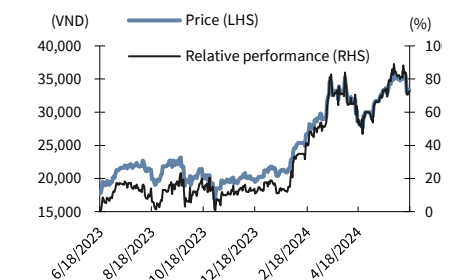
Target price	VND38,800
Upside	16.3%
Current price (Jun 17, 2024)	VND33,350
Consensus target price	VND29,900
Market cap (VNDtn/USDbn)	135.8/5.3

Trading data	
Free float	3.2%
3M avg trading value (VNDbn/USDmn)	154.2/6.1
Foreign ownership	0.5%
Major shareholder	CMSC (96.8%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	0.0	2.5	71.5	87.4
Relative	-0.1	-0.1	54.7	73.1

Forecast earnings & valuation

FY-end	2022	2023	2024F	2025F
Net revenue (VNDbn)	25,426	22,080	24,831	26,581
Operating income/loss (VNDbn)	4,381	2,744	3,747	4,839
NPAT-MI (VNDbn)	3,839	2,585	2,927	3,818
EPS (VND)	807	646	732	954
EPS growth (%)	-22%	-20%	13%	30%
P/E (x)	41.3	51.6	45.6	34.9
P/B (x)	2.5	2.4	2.3	2.1
ROE (%)	9%	6%	7%	8%
Dividend yield (%)	0.1%	0.1%	0.1%	0.1%



Source: Bloomberg, KB Securities Vietnam

Steel

Domestic consumption returned

Analyst Nguyen Duong Nguyen
nguyenn1@kbsec.com.vn

June 28, 2024

Positive maintain

Recommendations

HPG	BUY
Price target	VND34,300

HSG	BUY
Price target	VND27,400

NKG	BUY
Price target	VND31,000

1Q24 revenue increased 3% YoY, and GPM continued to improve

1Q24 sales output gained 1.5% YoY, mostly supported by the export output of galvanized steel and HRC (up 74% and 21% YoY respectively). GPM of the entire sector continued to improve in the quarter, recording a three-quarter increase in the steel trading group. This helped domestic consumption rebound after a period of GPM being affected by high priced inventory.

Domestic consumption should rebound more strongly in 2H24

KBSV expects domestic consumption to gain more strongly in the second half of 2024 thanks to the recovery of the domestic real estate industry, with the number of newly licensed projects increasing and the revised real estate law starting to take effect from August 1, 2024. In addition, the value of raw material inventory of listed steel enterprises tended to increase from 3Q23, showing confidence in the prospect of consumption output in the coming time.

Domestic steel prices may post modest gains in 2H24 from domestic demand

Chinese steel prices have dropped since the beginning of the year due to low consumption prospects and pressure from the gloomy real estate market. Meanwhile, we believe that recovering demand will help balance and slightly raise domestic steel prices in 2H24. Besides, reduced input costs will help steel businesses improve GPM.

Coated steel manufacturing enterprises will benefit if AD19 is applied

By the end of May 2024, the proportion of galvanized steel from China and Korea accounted for 80% of total imports into Vietnam. KBSV believes that Hoa Sen Group (HSG), Ton Dong A Corporation (GDA), and Nam Kim Steel (NKG) will benefit the most in case AD19 is applied thanks to the largest market share of galvanized steel in the industry, reaching 28%, 18%, and 17% at the end of 2023.

Valuation is in line with prospects

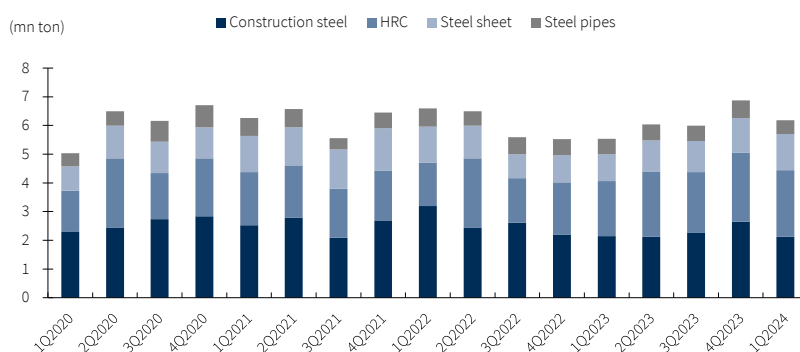
The three steel businesses that we cover are trading with an average P/B close to the 5-year average P/B. We believe that the current valuation has reflected the industry's recovery prospects in 2024, and the growth prospects of the industry in the period 2025–2027 will be POSITIVE, based on (1) domestic demand recovering from 2H24, (2) new steel mills coming into operation, and (3) the start of a new steel price cycle when the Chinese real estate market slowly recovers from 2025. Our top picks include HPG, HSG, and NKG.

Business performance in 1H24

Steel consumption across the industry in 1Q24 increased by 1.5% YoY

Total steel sales in 1Q24 reached 4 million tons (+1.5% YoY), mostly supported by the export output of galvanized steel and HRC (up 74% and 21% YoY respectively). Besides, the recovery of domestic demand for HRC also helped domestic output during the period reach 1.4 million tons (+6% QoQ, +20% YoY).

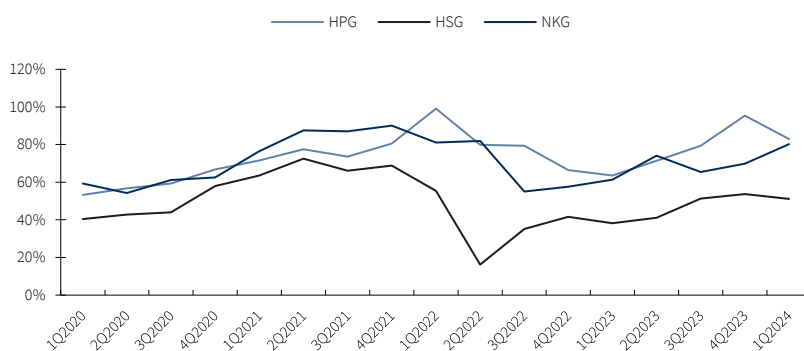
Fig 15. Vietnam – Total steel sales output (million tons)



Source: Vietnam Steel Association, FinProX, KB Securities Vietnam

Manufacturers all recorded capacity recovery in the context of increased domestic and international demand. By 1Q24, we estimate the capacity of HPG, HSG, and NKG to reach 83%/53%/85% respectively compared to 64%/35%/62% in 1Q23.

Fig 2. HPG, HSG & NKG – Production capacity (%)

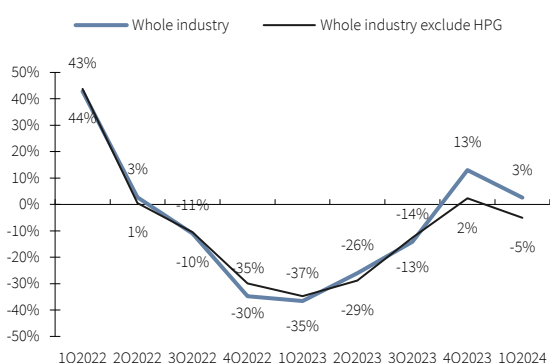


Source: Vietnam Steel Association, FinProX, KB Securities Vietnam

Business results met the market expectations

1Q revenue of the whole sector went up 3% YoY. However, if HPG's revenue is excluded, the revenue average decreased by 5% YoY, reflecting a slower recovery speed in the group of medium-sized enterprises. In 1Q24, GPM of the entire industry continued to improve compared to the low base in the same period last year when business results were still affected by high-priced inventory. Although the average steel price fell in the first quarter of the year, the GPMs of steel traders have been rising for three straight quarters (+76bps QoQ to 2.8% in the period), implying the potential for better core business activities in the near future.

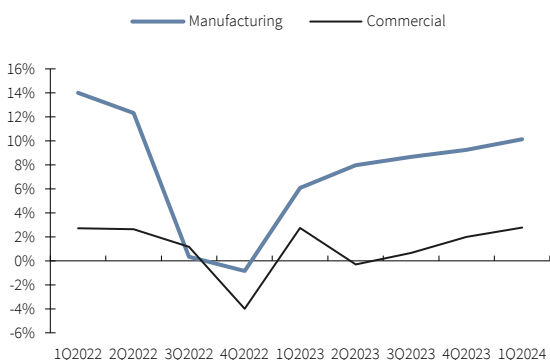
Fig 3. Vietnam – Revenue growth of steel sector (%)



Source: FiinProX, KB Securities Vietnam

- Industry-wide revenue increased by 3% YoY, revenue when excluding HPG decreased by 5% YoY.
- According to ICB-5 classification, revenue of steel manufacturing and trading groups increased 6% and decreased 26% YoY, respectively. The negative growth of the steel trading companies reflects the difficulties of businesses when (1) steel prices tended to decrease in 1Q24; and (2) competition between traders when the demand for construction steel and domestic steel pipes fell 8% and 9% YoY respectively (1Q is usually the low season of the year). Meanwhile, the manufacturers can maintain revenue thanks to higher demand from export channels.

Fig 4. Vietnam – GPMs of steel manufacturers and traders (%)



Source: FiinProX, KB Securities Vietnam

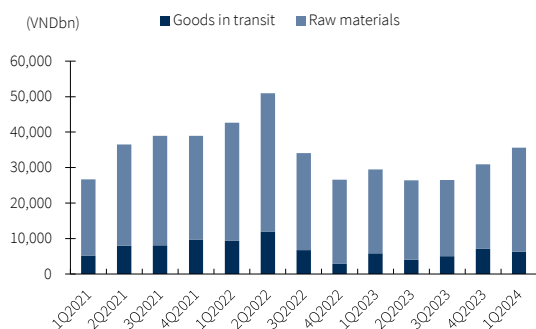
- GPM of the entire industry kept rising thanks to (1) production capacity recovery and (2) high-priced inventory being completely processed in 1H23.
- For businesses in the steel selling group, 1Q GPM hit 2.8% (+76bps QoQ), showing that business conditions have improved significantly. We believe that this will bode well for the industry's consumption prospects in the coming time.

Business outlook for 2H24

It is expected that consumption output in 2H24 will continue to increase, driven by domestic demand

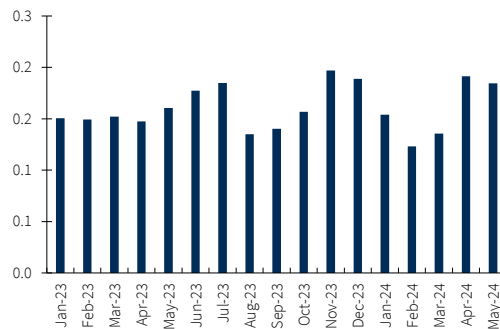
By the end of 1Q24, the total value of raw materials in the entire industry was VND36 trillion (+15% QoQ, +21% YoY after a period of focusing on handling high-priced inventory), showing the confidence of businesses in the bright prospect of consumer demand in 2024. We maintain our view that domestic consumption will begin to recover from 2H24 thanks to the gradual recovery of the residential real estate sector with more projects being granted for construction license. In the medium and long term, the amended real estate law effective from August 1, 2024 (Figure 7) is expected to indirectly stimulate domestic steel consumption. Up to now, the domestic market has witnessed a recovery as steel pipe consumption in April–May 2024 reached 191/184 thousand tons, an increase of 26%/14% YoY (90% of steel pipe output is consumed by the domestic market). KBSV expects that the consumption output of the steel sector in 2024/2025 will increase by 15%/8% YoY.

Fig 5. Vietnam – Goods in transit & raw material of the steel sector (VNDbn)



Source: FiiProX, KB Securities Vietnam

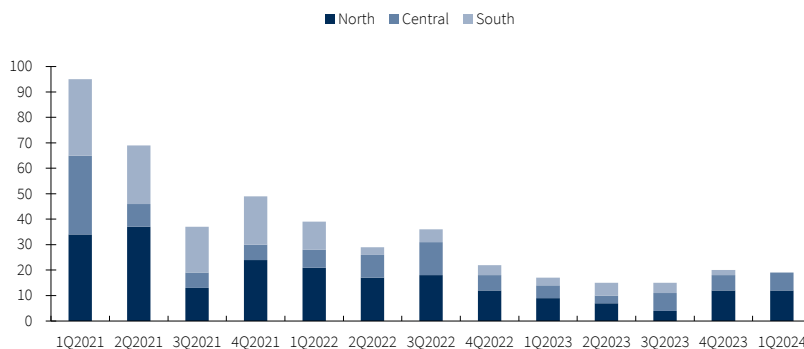
Fig 6. Vietnam – Steel pipe consumption (million tons)



Source: FiiProX, KB Securities Vietnam

The Real Estate Law taking effect from August 1, 2024 has main changes including (1) removing the land price frame, (2) identifying four land valuation methods, and (3) allocating land, land use rights through auction and bidding methods. Applying the revised Land Law will help update land prices closer to the market, speed up the site clearance process and increase transparency and publicity, avoiding land waste due to weak contractors and failure to implement projects.

Fig 7. Vietnam – Number of newly licensed construction projects (unit)

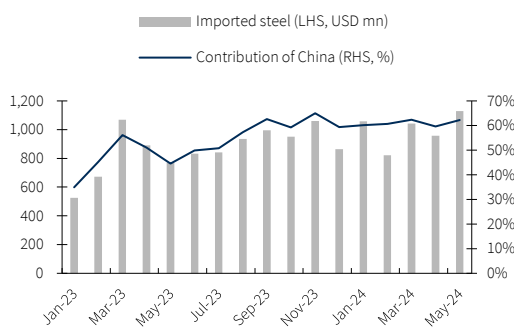


Source: Ministry of Construction, KB Securities Vietnam

Domestic manufacturers have room to compete with imported steel

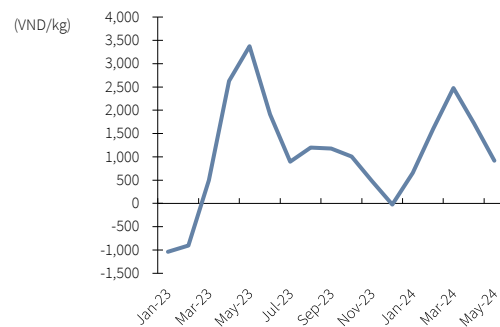
By the end of May 2024, the import turnover of iron and steel of all kinds from China reached more than USD3 billion (+62% YoY). However, we believe that the competitiveness of domestic steel manufacturers will improve over the same period as (1) the difference in selling price of domestic construction steel compared to imported steel has decreased significantly compared to 5M23, and the downward trend continues. In addition, (2) the decline in input costs in 1H24 will give more room for manufacturers to adjust selling prices to ensure consumption output.

Fig 8. Vietnam – Import turnover of iron and steel of all kinds (USDmn)



Source: General Statistics Office, KB Securities Vietnam

Fig 9. Vietnam, China – Construction steel price difference (VND/kg)

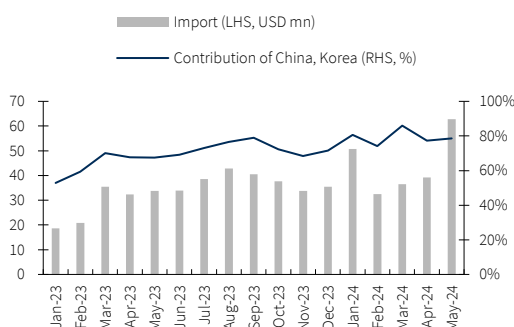


Source: Bloomberg, KB Securities Vietnam

HSG, GDA, NKG will benefit in case anti-dumping tax on galvanized steel sheets (AD19) is applied

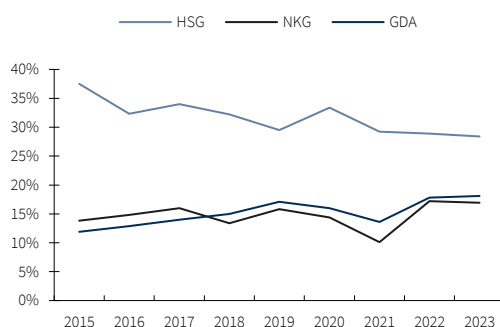
On June 14, 2024, the Ministry of Industry and Trade issued a decision to investigate and apply anti-dumping measures on a number of galvanized steel products imported from China and Korea (AD19). Based on the collected data, we see that the proportion of galvanized steel (according to AD19's HSCode list) imported into Vietnam has spiked since 2023 (by the end of May 2024, the contribution proportion of China and Korea accounted for 80% of total output, compared to only 53% in January 2023). KBSV believes that, in case AD19 is passed, HSG, GDA, and NKG will be the businesses that benefit from a large market share of galvanized steel, reaching 28%/18%/17% by the end of 2023.

Fig 10. Vietnam – Galvanized steel import value according to AD19's HSCode list (USDmn)



Source: KB Securities Vietnam

Fig 11. HSG, NKG, GDA – Market share of galvanized steel (%)

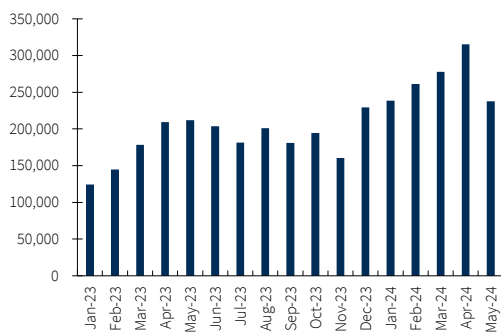


Source: Vietnam Steel Association, KB Securities Vietnam

Galvanized steel export output should maintain growth thanks to the price differences

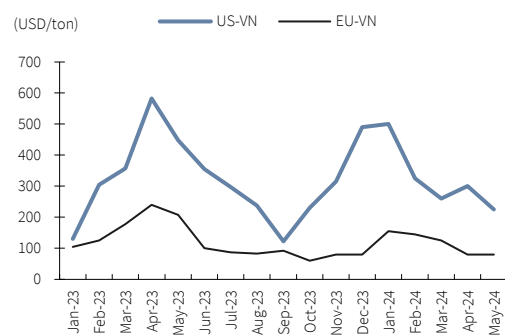
5M24 galvanized steel export output reached 1.3 million tons (+53% YoY), of which, output in May alone gained 12% YoY but decreased by 25% MoM. Despite facing competition with galvanized steel products from China, Vietnam's coated steel export output should maintain growth in 2024 thanks to the price difference between foreign markets and Vietnam. Furthermore, on June 24, 2024, the European Commission passed a decision to extend the validity of trade defense measures on some steel products until the end of June 2026. Accordingly, some countries will be subject to 15% ceiling for HRC output imported into the EU. We think that this will help raise domestic HRC consumption and prices in this market. At that time, the price difference between the EU and Vietnam will remain stable, and galvanized steel exporters (HSG, NKG, and GDA) will benefit.

Fig 12. Vietnam – Export volume of galvanized steel (ton)



Source: Bloomberg, KB Securities Vietnam

Fig 13. Vietnam – HRC price difference with the US & EU (USD/ton)

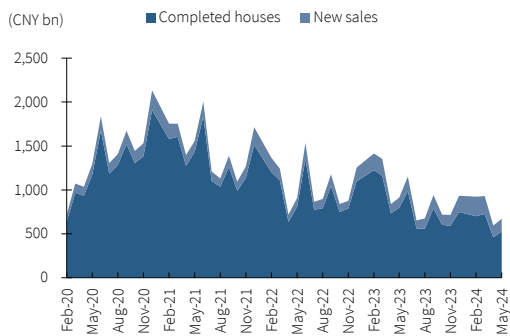


Source: Bloomberg, KB Securities Vietnam

China's real estate market is gloomy, expected to recover from 2025

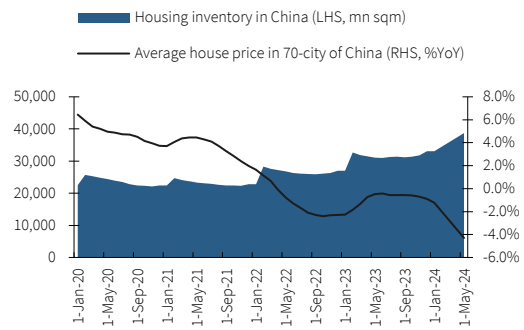
Cumulative home sales in China in the first five months of the year dropped 31% YoY. Sales in May alone decreased by 26% YoY. The average house price continues its downtrend while the residential real estate market in this country is still gloomy. Home inventory at the end of May 2024 reached 38 billion m², an increase of 44%/17% compared to the beginning of 2023/2024. Currently, a number of options to support the recovery of the real estate sector in China are being researched, including (1) lowering home loan interest rates, lowering home purchase deposit rates and (2) launching a CNY300 billion supportive package to finance the acquisition of apartments in inventory and conversion into social housing. However, according to Goldman Sachs research, the total value of property inventory in China is currently at CNY30 trillion, showing that the impact of the relief package on the market is quite limited. We believe that the Chinese real estate market still has many difficulties which need more time to overcome. Compared to the most recent report, KBSV has changed its opinion and expects that the residential real estate sector in China will have a slight improvement from the end of 2024 and will only begin to recover slowly from 2025.

Fig 14. China – Home sales (CNYbn)



Source: NBS, Bloomberg, KB Securities Vietnam

Fig 15. China – Home inventory and prices (million m², %YoY)

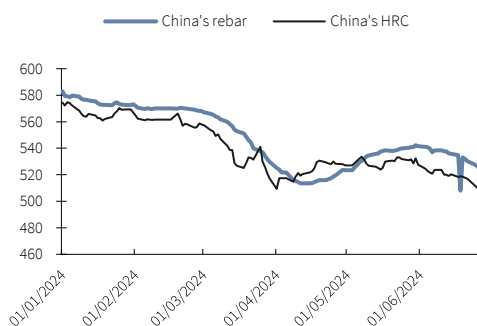


Source: NBS, Bloomberg, KB Securities Vietnam

Domestic steel prices should improve slightly in 2H24

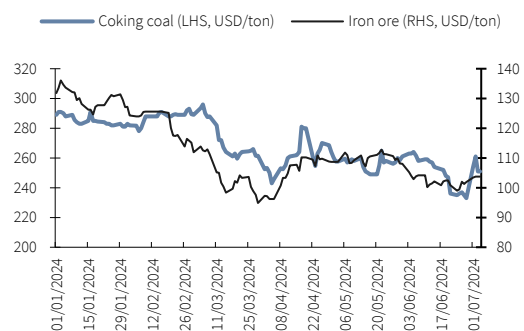
Being affected by the subdued real estate market, Chinese steel prices have been falling since the beginning of the year due to low consumption prospects. We believe that Chinese steel prices will continue to be under downward pressure in 2H22, based on (1) the inventory up to May 2024 increased by 27% YTD; (2) industry-wide capacity tends to improve; and (3) Chinese real estate is gloomy and will recover at slow speed. However, for the domestic market, KBSV believes that steel prices will be supported thanks to increased domestic demand and reduced adjustment pressure and competition with Chinese steel prices. In addition, input raw material costs may decrease from the beginning of next year, which will help the GPM of steel manufacturing enterprises improve in the coming quarters.

Fig 16. China – Steel prices (USD/ton)



Source: Bloomberg, KB Securities Vietnam

Fig 17. Global – Coke and iron ore prices (USD/ton)

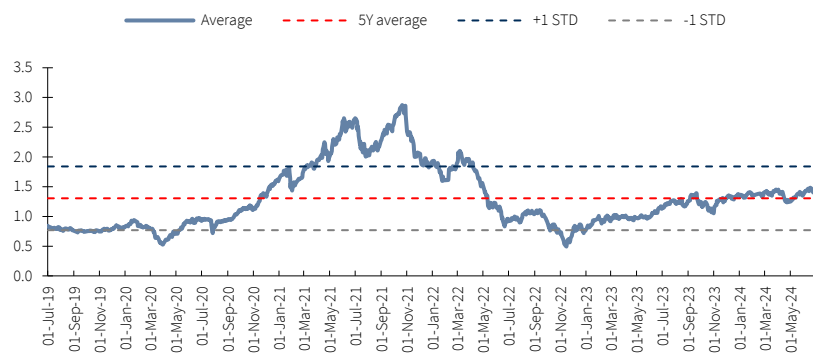


Source: Bloomberg, KB Securities Vietnam

The steel industry has a **POSITIVE** growth prospect with P/B valuation in a reasonable range

The three steel businesses that we cover are trading with an average P/B close to the 5-year average P/B. We believe that the current valuation has reflected the industry's recovery prospects in 2024, and the growth prospects of the industry in the period 2025–2027 will be **POSITIVE**, based on (1) domestic demand recovering from 2H24, (2) new steel mills coming into operation, and (3) the start of a new steel price cycle when the Chinese real estate market slowly recovers from 2025. Our top picks include HPG, HSG, and NKG.

Fig 168. HPG, HSG, NKG – Average P/B (x)



Source: FiinProX, KB Securities Vietnam

Hoa Phat Group (HPG)

Maintained stable growth

June 11, 2024

Analyst Nguyen Duong Nguyen
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1Q24 NPAT was beyond expectations thanks to high GPM

In 1Q24, Hoa Phat Group (HPG) recorded VND2,869 billion in NPAT (-3% QoQ, +622% YoY) thanks to (1) sales volume gaining 29% YoY, underpinned by exports and (2) GPM increasing 716bps from the low base of 1Q23 with the company's effective inventory management. The inventory turnover in the quarter was 120 days (compared to 134 days in 1Q last year).

Domestic demand should rebound stronger from 2H24

April data shows that domestic demand is recovering as consumption of construction steel and steel pipes increased by 51%/78% MoM respectively. We expect this to be the main driver of HPG's profit growth when the residential real estate sector gradually rebounds from 2H24. Steel sales volume of HPG should gain 18%/12% in 2024/2025.

Steel prices are expected to return to an uptrend in 2H24

KBSV believes that the steel industry is in the early stages of a new cycle and steel prices will increase from 2H24, based on (1) domestic demand recovering and (2) Chinese real estate surpassing the most difficult period with rising steel demand.

Dung Quat 2 should come into operation from 1Q25

The current construction progress of Dung Quat 2 (DQ2) is still on schedule, and the complex should start operating from 1Q25. The first blast furnace should come into operation with a designed capacity of 2.3 million tons/year.

Valuation: BUY rating – Target price VND34,300

We maintain our BUY rating for HPG, the target price is VND34,300, and 2025 P/B forward is 1.6x (lower than the five-year average). With solid medium and long-term growth prospects, 2024 -2026 NPAT CAGR may reach 21%/year.

Buy change

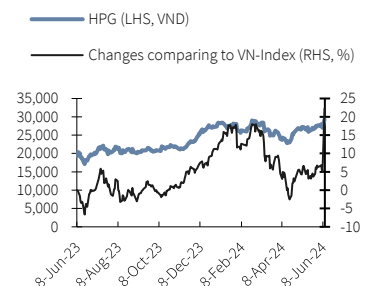
Target price	VND34,300
Upside	17%
Current price (Jun 11, 2024)	VND29,300
Consensus target price	VND34,700
Market cap (VNDtn/USDbn)	525.6/206.8

Trading data	
Free float	55%
3M avg trading value (VNDbn/USDmn)	20.3/0.8
Foreign ownership	25.2%
Major shareholder	Chairman Tran Dinh Long (25.8%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	5.8	6.4	16.4	40.7
Relative	2.2	2.9	1.6	24.2

Forecast earnings & valuation

FY-end	FY2022	FY2023	FY2024	FY2025
Net revenue (VNDbn)	141,409	118,953	133,374	153,377
Operating income/loss (VNDbn)	9,794	7,651	11,618	16,358
NPAT-MI (VNDbn)	8,484	6,835	10,218	13,904
EPS (VND)	1,459	1,175	1,598	2,174
EPS growth (%)	-81%	-19%	36%	36%
P/E (x)	12.3	25.7	18.3	15.5
P/B (x)	1.1	1.7	1.7	1.6
ROE (%)	9%	7%	10%	12%
Dividend yield (%)	3.9%	0.0%	9.1%	0.0%



Source: Bloomberg, KB Securities Vietnam

Hoa Sen Group (HSG)

Benefits from stockpiling low-cost inventory

June 4, 2024

Analyst Nguyen Duong Nguyen
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Business results continued the recovery trend in 2Q FY24

Hoa Sen Group (HSG) posted VND319 billion in 2Q NPAT (+209% QoQ, +27% YoY) on revenue of VND9,248 billion (+2% QoQ, +32% YoY) thanks to (1) sales volume rising 52% YoY and (2) recording VND124 billion in exchange gain (+126% YoY).

HSG's stockpiling while the prices of raw materials are low will benefit GPM in the next quarters

In 2Q FY24, the inventory of HSG gained 49% QoQ, of which raw materials spiked 79%. The steel producer has been very active in stockpiling when HRC prices have remained low (USD530–550/ton) for many months. KBSV estimates HSG's GPM to reach 11.6%/12.5% in FY24/FY25.

Domestic consumption started to rebound

Domestic sales volume is showing signs of recovery when consumption of galvanized steel and steel pipes in April gained 29% and 28% MoM respectively. We expect domestic consumption to rebound stronger in 2H24, supported by the recovery in residential real estate sector and newly implemented projects.

HSG benefits in case AD02 is applied

We think that HSG will benefit the most in case anti-dumping measures on galvanized steel imported from China and Korea (AD02) are applied thanks to its biggest and second biggest market shares in galvanized steel and steel pipes (28.4% and 12.4% respectively).

Valuation: BUY rating – price target VND27,400

We gave a BUY recommendation for HSG. The target price is VND27,400/share, corresponding to an expected profit margin of 23% compared to the closing price on June 3, 2024.

Buy maintain

Target price	VND27,400
Upside	23%
Current price (Jun 3, 2024)	VND22,350
Consensus target price	VND24,200
Market cap (VNDtn/USDbn)	1.37/0.54

Forecast earnings & valuation

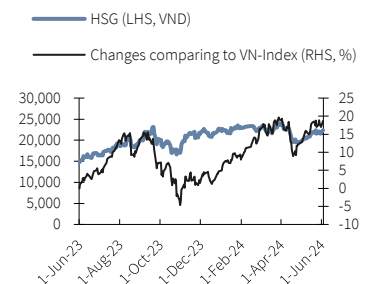
FY-end	FY2022	FY2023	FY2024	FY2025
Net revenue (VNDbn)	49,711	31,651	38,917	40,435
Operating income/loss (VNDbn)	331	74	832	1,216
NPAT-MI (VNDbn)	251	25	786	1,034
EPS (VND)	419	40	1,275	1,679
EPS growth (%)	-95%	-90%	3099%	32%
P/E (x)	27.6	571.9	17.5	13.3
P/B (x)	0.6	1.3	1.2	1.1
ROE (%)	2%	0%	7%	9%
Dividend yield (%)	0.0%	0.0%	0.0%	0.0%

Trading data

Free float	82%
3M avg trading value (VNDbn/USDmn)	237.07/9.46
Foreign ownership	43.2%
Major shareholder	Daiwa Securities Group (15.46%)

Share price performance

(%)	1M	3M	6M	12M
Absolute	12.9	-3.0	2.8	48.5
Relative	7.6	-4.8	-13.4	31.2



Source: Bloomberg, KB Securities Vietnam

Nam Kim Steel (NKG)

Nam Kim Phu My is a long-term driver

May 28, 2024

Analyst Nguyen Duong Nguyen
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1Q24 profit completed 45% of the full-year target

Nam Kim Steel JSC (NKG) recorded VND150 billion in 1Q NPAT (vs a loss worth VND40 billion in 1Q last year) as (1) its steel consumption gained 31% YoY, and exported volume rose 65% YoY and (2) GPM increased 757bps from the low base after selling high-priced inventory out in 2023.

Consumption is boosted by export channels and rebounding domestic demand

2Q steel consumption output of NKG may gain 10% QoQ to 280,000 tons. KBSV estimated the steel consumption for the whole year 2024 at 1.03 million tons (equal to 103% of the plan set by NKG), driven by higher export sales and recovering domestic consumption from 2H24.

Steel prices are about to enter a new increasing cycle

We expect steel prices to enter a new increasing cycle from 2H24 with the following arguments (1) HRC prices have formed a medium-term bottom around USD530-550/ton; (2) Chinese real estate market is recovering thanks to the government's supportive policies; (3) domestic demand will rise more strongly in 2H24 thanks to higher demand for construction and machinery production.

Nam Kim Phu My steel mill should start manufacturing from 1Q26

The construction of Nam Kim Phu My Steel Mill (VND4,500 billion in investment capital) should start from April this year and make products from 1Q26. The management expected the steelworks to operate at 100% capacity and reach a total capacity of 2 million tons/year by 2027.

BUY rating with target price VND31,000/share

KBSV gave a BUY rating to NKG shares with a target price of VND31,000 apiece, 24% higher than the closing price on May 28, 2024.

Buy change

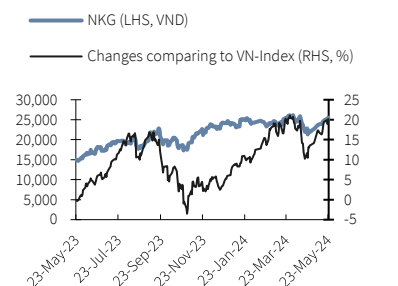
Target price	VND31,000
Upside	24%
Current price (May 28, 2024)	VND25,050
Consensus target price	VND24,700
Market cap (VNDtn/USDbn)	0.67/0.26

Trading data	
Free float	76%
3M avg trading value (VNDbn/USDmn)	213.63/8.55
Foreign ownership	14.8%
Major shareholder	Chairman Ho Minh Quang (14.2%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	20	6	13	73
Relative	11	2	-2	52

Forecast earnings & valuation

FY-end	2022A	2023A	2024F	2025F
Net revenue (VNDbn)	23,071	18,596	22,340	24,200
Operating income/loss (VNDbn)	-46	177	496	547
NPAT-MI (VNDbn)	-67	117	413	465
EPS (VND)	-253	446	917	1,034
EPS growth (%)	-102%	-276%	106%	13%
P/E (x)	-48.3	56.2	27.3	24.2
P/B (x)	0.6	1.3	1.7	1.6
ROE (%)	-1%	2%	7%	7%
Dividend yield (%)	8.4%	0.0%	5.8%	0.0%



Source: Bloomberg, KB Securities Vietnam

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Investment ratings & definitions

Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Neutral:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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