Shinhan Securities

Investment Outlook 2024

KICKSTART ECONOMIC GROWTH



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Investment Outlook 2024

Macroeconomic outlook

Global economic recovery remains slow and divergent due to cyclical effects of monetary tightening policy to curb inflation, escalating war and also extreme weather events.

In Vietnam, thanks to well control of inflation, policy priorities of growth are expected to promote the economic recovery at a faster rate, estimated by 5% in 2023 and increase to 6% in 2024 driven by investment, consumption and export.

Stock market outlook

Along with steady recovery of the economy, Vietnam stock market is getting ready to accelerate in 2024. VNIndex is forecasted to increase by 15% – 25% in 2024 backed by earning growth of listed companies that showed signs of bottoming out in 2022Q4 and estimated to increase by 4%/15% in 2023/2024, respectively. KRX system into operation, MSCI emerging market upgrade bring even greater expectations.

Technical view – Market scenario

From technical perspective, VNIndex is expected to return "markup phase" with target of 1350 – 1450 points (70% probability) and 1550 points (15% probability), in line with the recovery of global and Vietnam economy. In the negative scenario (15% probability), VNIndex will fluctuate in the range of 1050 – 1250 points when policy priorities of growth could not be effective.

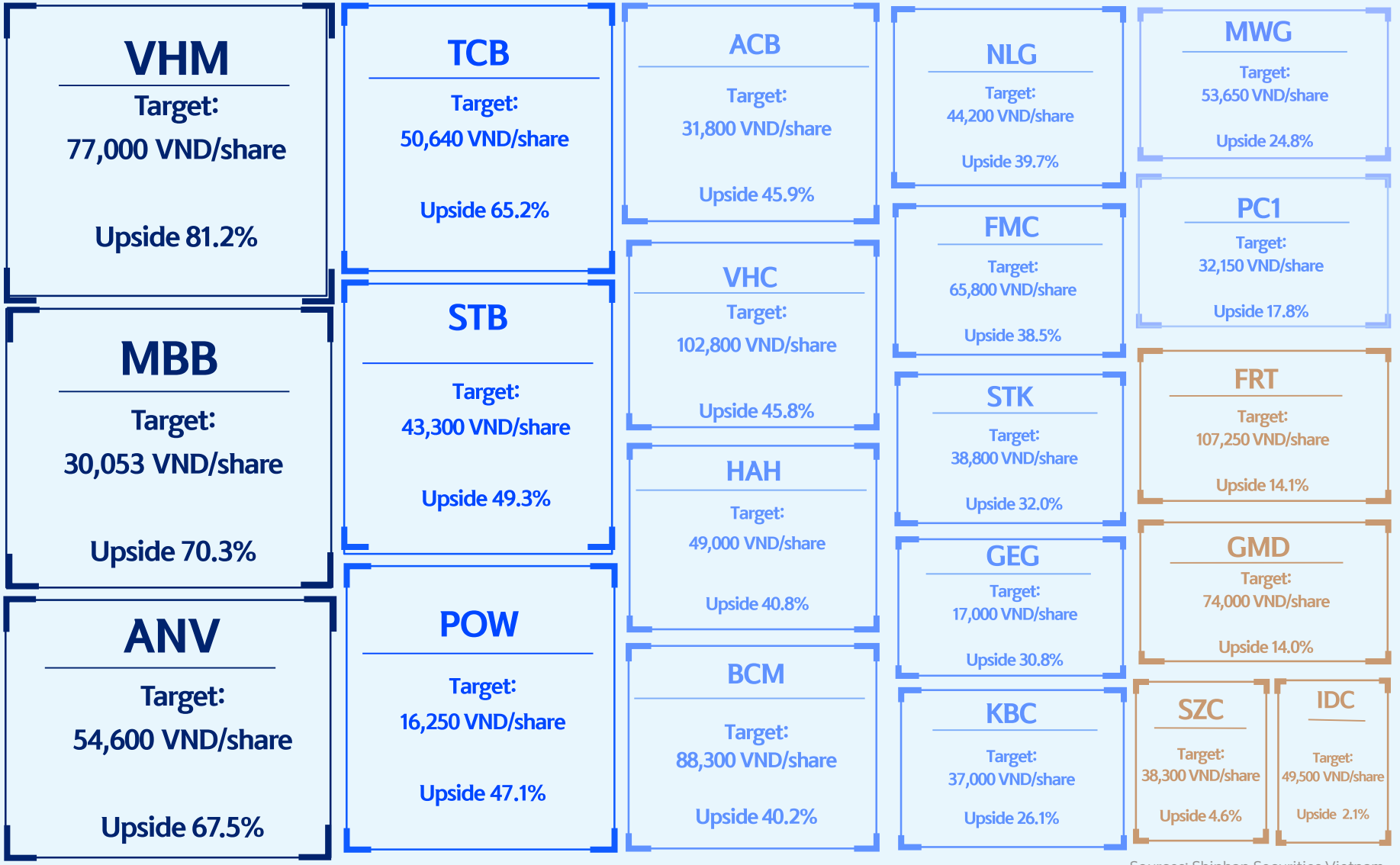
Investment themes

In an economic expansion cycle, most of industries will return positive growth. Of which, we focus on benefiting sectors from promoting investment and consumption (such as retails, industrial parks); manufacturing and export prosper again (fishery, textile, logistic, power); and especially, real estate sector starts a new cycle and prospect of banking sector becomes clearer.

Key risks

Key issues that need to pay attention in 2024: Divergent monetary policies put pressure on exchange rates; bad debts swell and damage banking system; remained high inflation requires central banks to maintain high interest rates longer; global economic recession; escalating war; and surprises from the elections in US and some other countries.

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Sources: Shinhan Securities Vietnam, upside calculated based on closing price on 19/10/2023

Stock pitch

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Macroeconomic Outlook 2024

Steady resilience



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Macroeconomics outlook 2024 – Steady resilience

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- Domestic consumption maintains growth momentum
- Inflation under control
- Harmony between interest rate and exchange rate

3. Macro risks

- Divergent monetary policy could create pressure on exchange rate
- Unsolved real estate problems, bad debts swell and damage the banking system
- Recession risk, political risk and other surprises

01

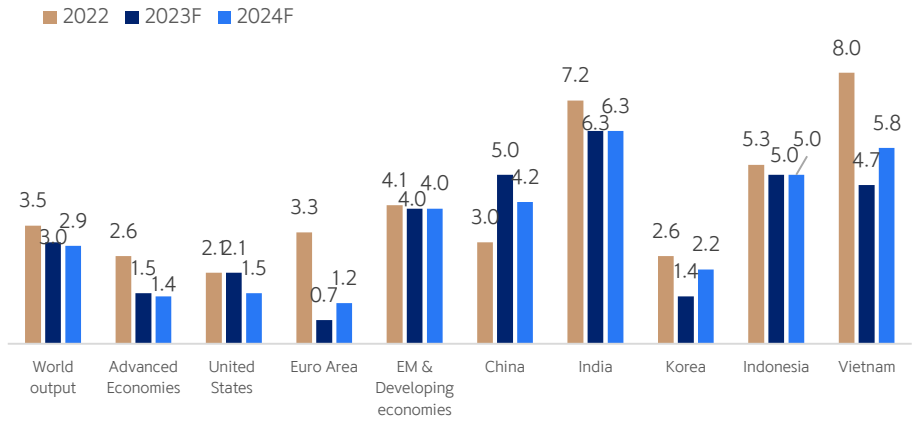
Global economy outlook

Global economic recovery remains slow and divergent due to cyclical effects of monetary tightening policy to curb inflation, escalating war and also extreme weather events.

1. Global economic outlook

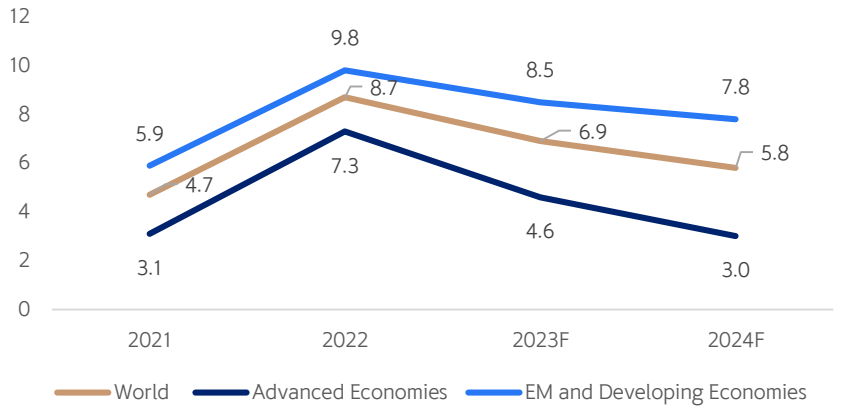
"Slow recovery and divergence"

World Economic Growth (%YoY)



Source: IMF_World Economic Outlook Oct 2023, Shinhan Securities Vietnam

Consumer Price Index (%YoY)



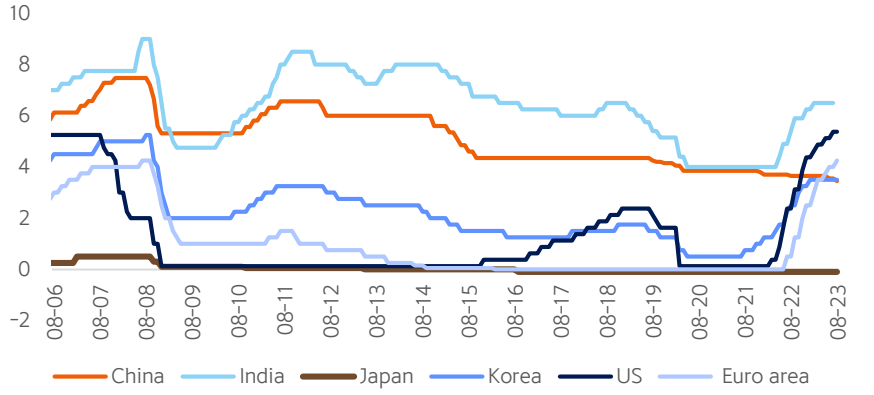
Sources: IMF_World Economic Outlook Oct 2023, Shinhan Securities Vietnam

- According to IMF Update on Oct 2023, global growth is projected to slow at 3% in 2023 and 2.9% in 2024 with growing regional divergence. The projections remain below the historical (2000–19) average of 3.8% , due to cyclical effect of monetary tightening and withdrawal of fiscal support, extreme weather events and escalating wars in Ukraine and maybe in Israel.

- IMF also forecasts that global inflation will decline steadily from 8.7% in 2022 to 6.9% in 2023 and 5.8% in 2024 and is not expected to return to the target until 2025 in most countries.

- Remained high Inflation requires higher policy rates, financial sector turbulence, and property crisis in China could be the most challenges.

Central Bank Policy rates* (%p.a)



Source: BIS, Shinhan Securities Vietnam – *Monthly data, end of period

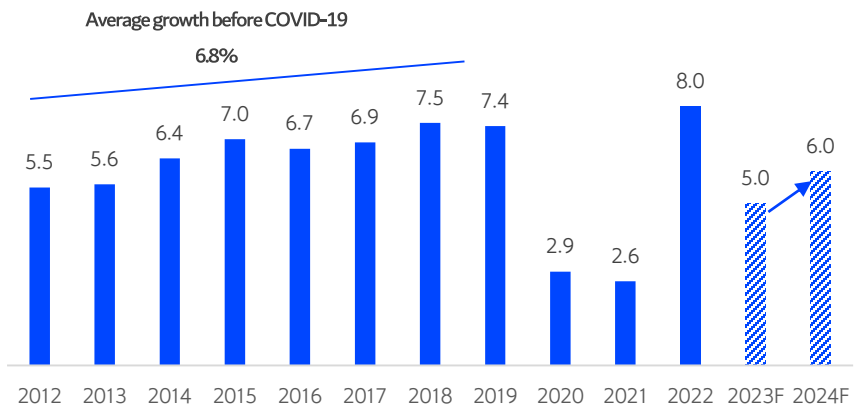
02

Vietnam economy outlook

In Vietnam, with policy priorities of growth thanks to well control of inflation, we expect the economy will recover at a faster rate to reach 5% in 2023 and increase to 6% in 2024.

2. Vietnam economic outlook

Vietnam GDP Growth (%YoY)

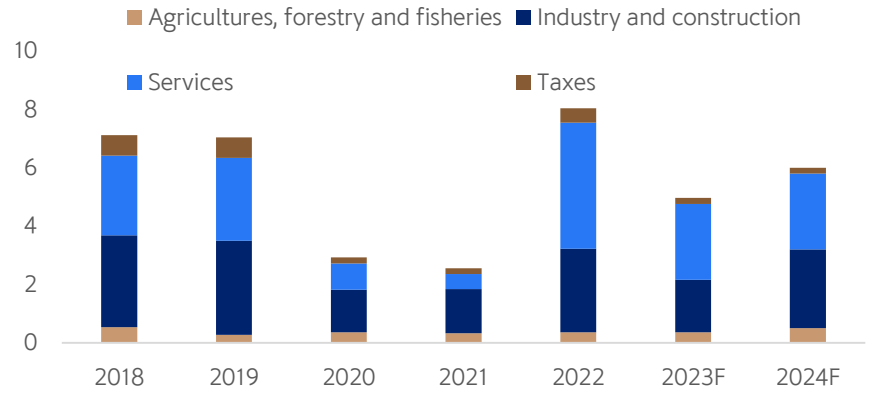


Source: GSO, Shinhan Securities Vietnam

"Sustained growth priorities"

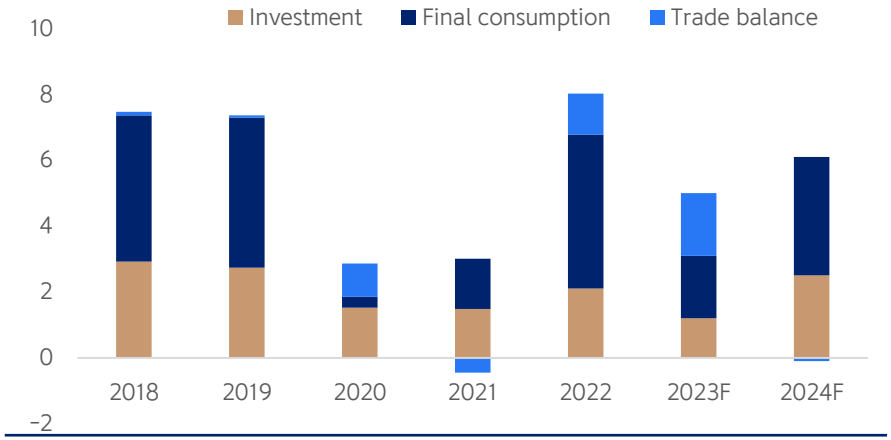
- Vietnam GDP growth is projected to fall to 5% in 2023 and recover by 6% in 2024 while inflation under target of 4.5%.
- In 2023, the economic slowdown was capped by weak global/domestic demand which impacted negatively on manufacturing and private sector investment despite of positive FDI and public investment disbursement. Trade surplus (thanks to import decreased at faster space than export) contributed mostly to GDP growth (46.35%) in 9M2023..
- In 2024, we expect Vietnam will continue thriving the economy by promoting both aggregate supply and demand, and the three growth drivers are investment, export and consumption.

Contribution to GDP growth by sectors (%YoY)



Source: GSO, Shinhan Securities Vietnam

Contribution to GDP growth by expenditure (%YoY)



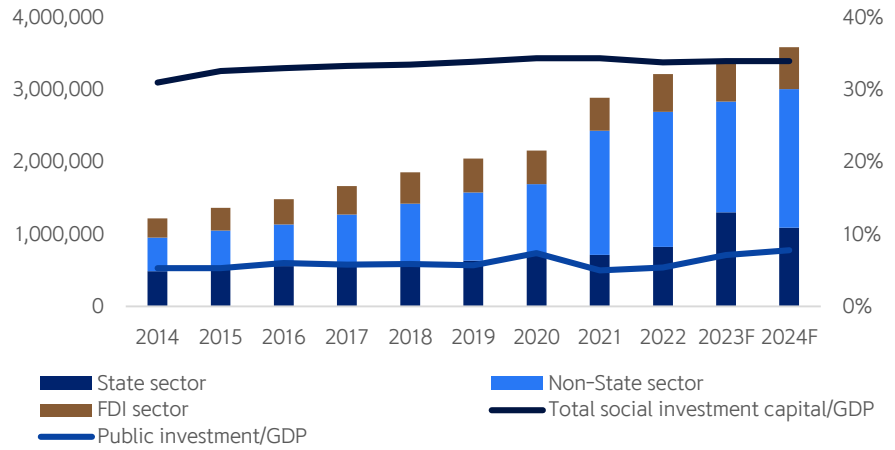
Sources GSO, Shinhan Securities Vietnam

2. Vietnam economic outlook

"Robust public investment driving growth"

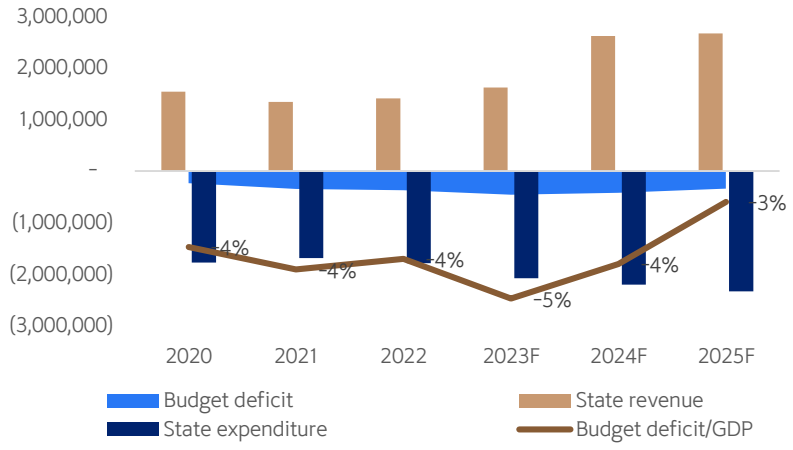
- The government has planned to increase public investment by 38% YoY including 2022-2023 Social-economic recovery program. Fully disbursement of budget will bring public investment to 7.1% GDP in 2023 from 5.4% GDP in 2022. According MoF, disbursement of public investment just achieved 39.6% of the year target after 8M2023, thereby, the remaining for disbursement in last 4 month is very large.
- Public investment will drag on the disbursement of investment from foreign and private sectors to increase the total social investment capital over GDP to reach the target of 33-35% GDP until 2030. According to GSO, each 1% increase over last year of public investment will push GDP to grow by 0.06%.
- Room for public investment growth is still abundant when public debt is quite low under target of 60% GDP. Public debt in 2023 is projected to stabilize around 36% GDP while budget deficit may expand to 5% GDP in 2023 and will gradually reduce to target of 3% GDP in 2025.

Total social investment capital (VNDbn)



Source: GSO, FiinPro, Shinhan Securities Vietnam

State Budget (VNDbn)



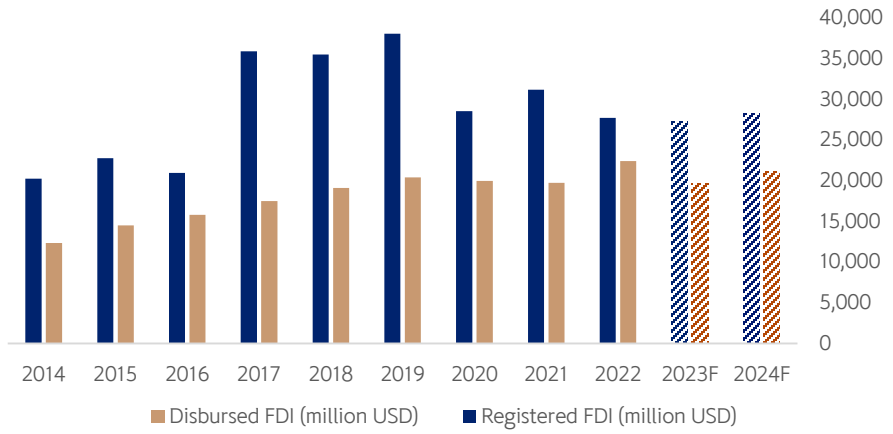
Source: GSO, FiinPro, Shinhan Securities Vietnam

2. Vietnam economic outlook

"New wave of FDI in technology sector"

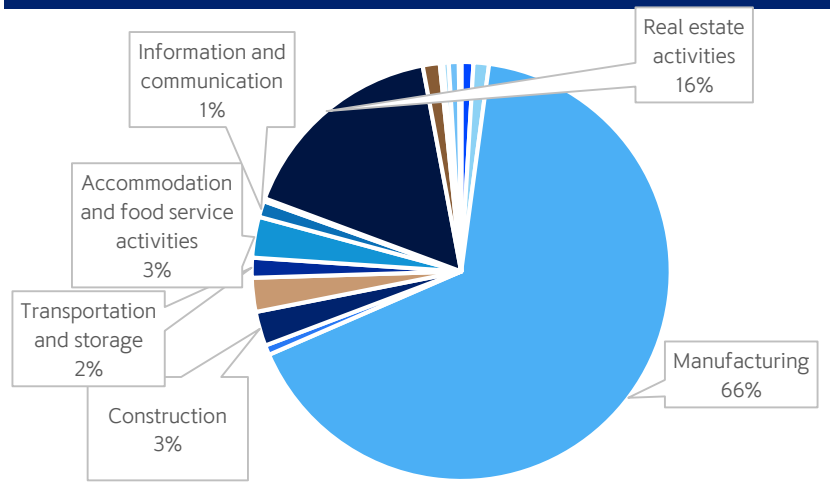
- Until Sept 20, 2023, total registered FDI was USD 20.21 billion (+7.7% YoY) and disbursed FDI was USD 15.91 billion (+2.2% YoY), highest disbursement of 9M in period 2019-2023. FDI attraction is expected to accelerate in coming time and maintain the disbursement over USD 20 billion per year.
- FDI flow in the last 30 years have been focused on manufacturing and real estates which acquired 66% and16% of accumulated registered FDI, respectively. In the next period, Vietnam aim to strongly attract FDI in high technology sector, environmental friendliness, high added value and localization rate to participate in global value chain and promote restructuring of the economy.
- Notably, since September 10, 2023, Vietnam and US have upgraded to Comprehensive Strategic Partnership across a wide range of areas, notably technology. Vietnam will have a chance to welcome giant semiconductors producers (Intel, Amkor, Marvell), AI developers (NVIDIA, Microsoft) and other eagles in the coming time.

Foreign Direct Investment (FDI, USDmn)



Source: GSO, FiinPro, Shinhan Securities Vietnam

Accumulated registered FDI by sectors



Source: GSO, FiinPro, Shinhan Securities Vietnam – Data as of August 20, 2023

2. Vietnam economic outlook

"Restoring demand, manufacture and export prosper"

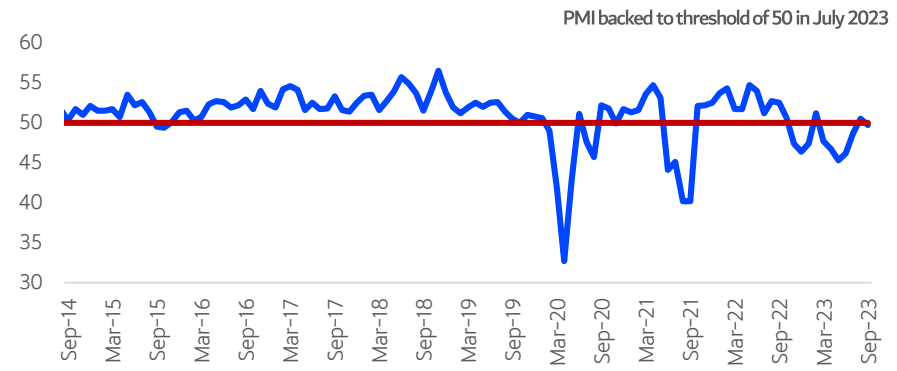
- Due to weak global demand, import-export turnover in 2023 is estimated to decrease by 10% YoY and will return to grow by 12%YoY, equal to last 10- year average growth rate with expectation of global demand restored.
- Import-Export turnover over GDP will recover 174% in 2024 from 161% in 2023 and gradually reach 200% of pre-COVID 19 level.
- Until Sept 2023, Vietnam has signed 16 free trade agreements (FTAs) and upgraded to Comprehensive Strategic Partnership with 5 countries, including US, China, Russia, India and Korea which open up its trade market widely.

Monthly Export Turnover (USD million)



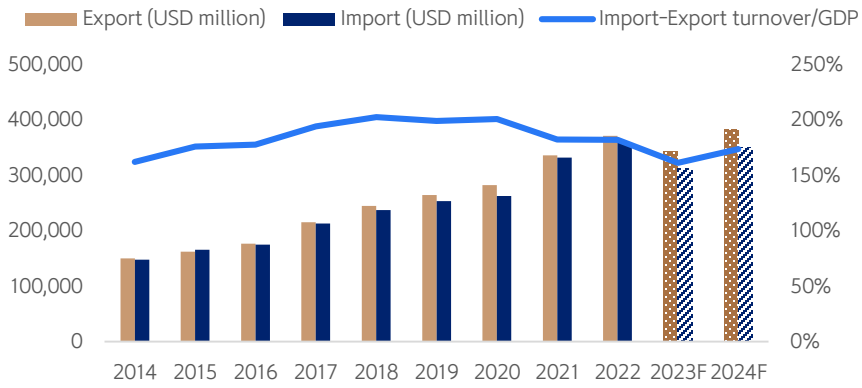
Source: GSO, FiinPro, Shinhan Securities Vietnam

Purchasing Manager Index (PMI)



Source: GSO, FiinPro, Shinhan Securities Vietnam

Import-Export Turnover/GDP



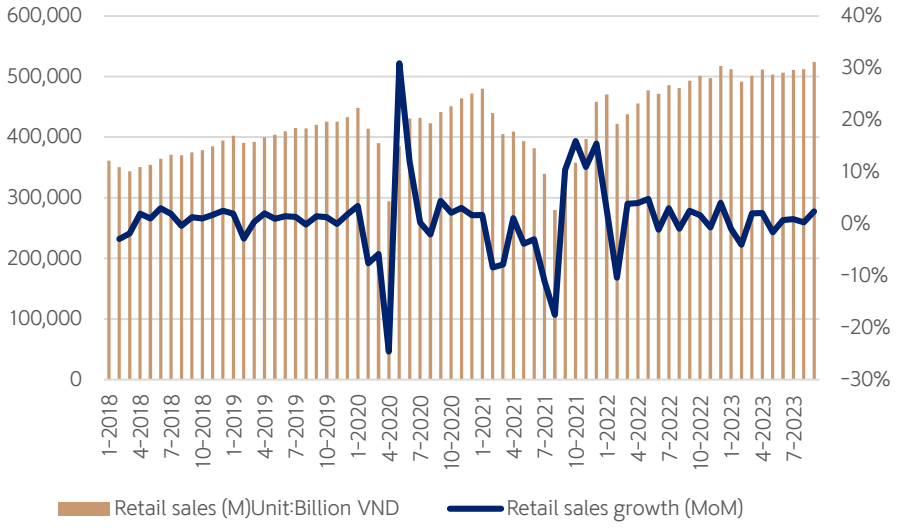
Source: GSO, FiinPro, Shinhan Securities Vietnam

2. Vietnam economic outlook

“Domestic consumption maintains growth momentum”

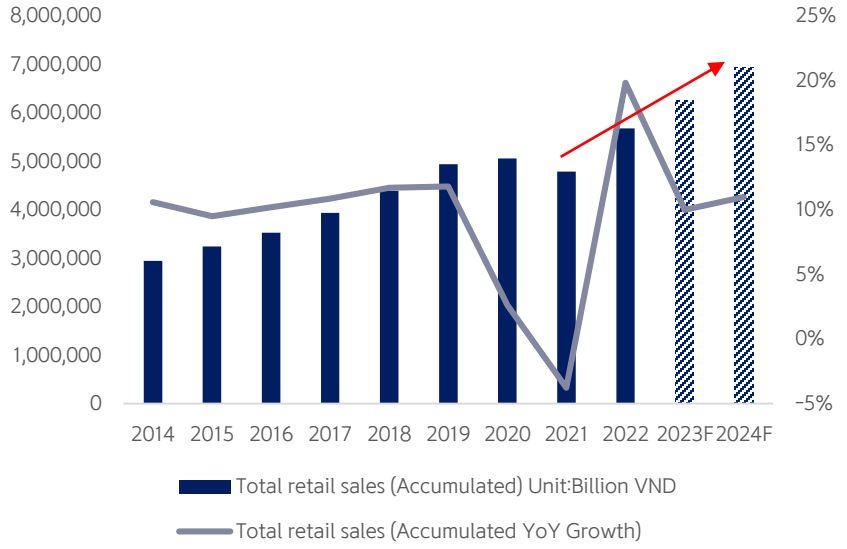
- Retail sales have been gradually recovered after COVID-19 thanks to effort of tourism promotion . Accumulated for 9M2023, total retail sales reached VND4,568 trillion (+9.7%YoY). The growth momentum is expected to continue and reach 10%YoY /11%YoY in 2023/2024, respectively.
- Number of foreign tourists to Vietnam reached 8.9 million in 9M2023, equal to 69% pre-pandemic level and expect to fully recover in 2024. Vietnam visa exemption/simplicity since March 15, 2022 has brought positive result on tourism.
- Supporting policies such as VAT cut and interest rate cut have pushed up domestic consumption. The policy of 2% VAT reduction will end on Dec 31, 2023 and being proposed to continue in 1H2024.

Monthly retail sales



Source: GSO, FiinPro, Shinhan Securities Vietnam

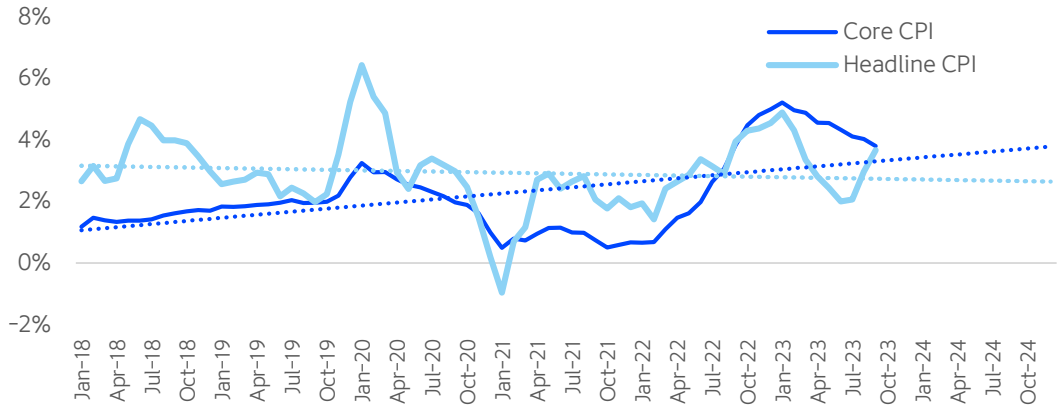
Accumulated retail sales



Source: GSO, FiinPro, Shinhan Securities Vietnam – Data as of August 20, 2023

2. Vietnam economic outlook

Vietnam headline and core CPI (%YoY)

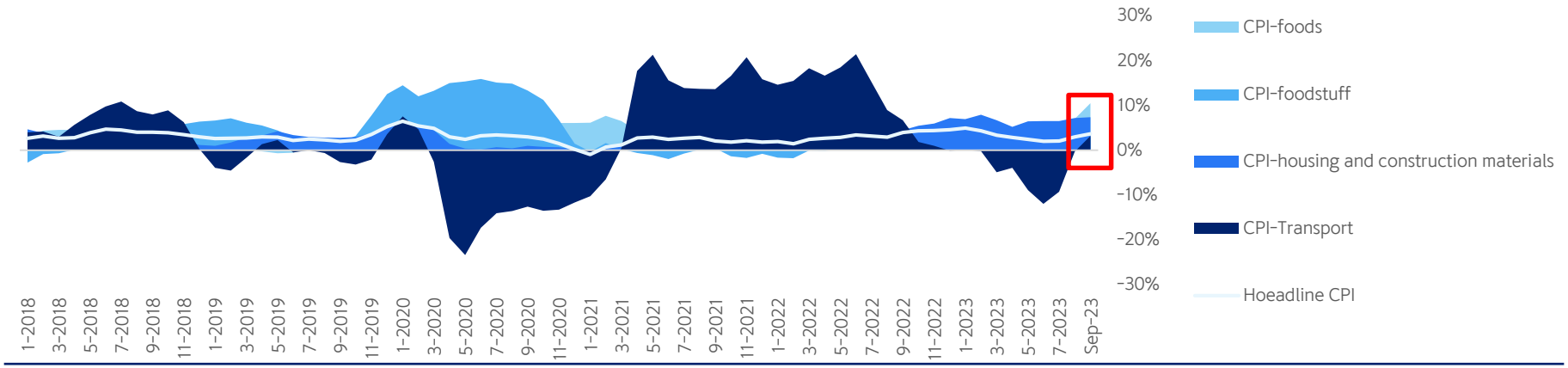


Source: GSO, Shinhan Securities Vietnam

"Inflation under control"

- Headline CPI of 9M2023 increased 3.16%YoY while core inflation rose 4.49%YoY. The decrease of oil price was the key factor to hold inflation back.
- Headline CPI will maintain at a high level, around 3.5% in 2023 & 2024 with the assumption that average prices of food and oil are stabilized around current levels. The forecast is under target of 4.5% set by the government.
- El Nino and political tension could be a great challenge. Food prices have surged in Aug & Sept 2023 while oil price reversed from June 2023 (after enjoyed a decline of 40% in previous 12 months).

CPI by groups (%YoY)



Source: GSO, Shinhan Securities Vietnam

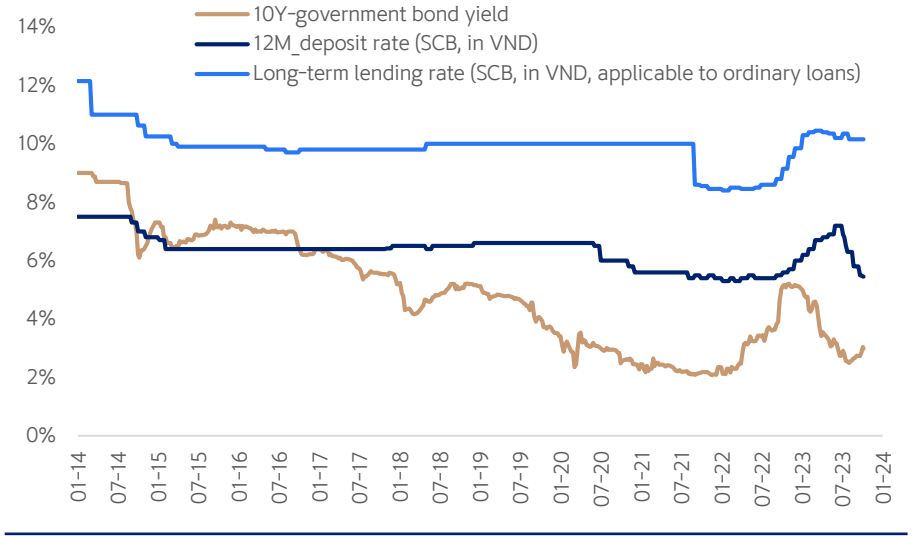
2. Vietnam economic outlook

“Harmony between interest rate and exchange rate”

- Interest rates on the market have been cooled down in accordance with 4 times of policy rate cuts by 2% in 2023. At the end of Sep 2023, deposit rate and lending rate at State commercial banks (SCB) have been recorded around 5.5% and 9.1%–11.2%p.a, respectively. In contrast, VND/USD exchange rate has surged 3.6%YTD (as of Oct 4, 2023).

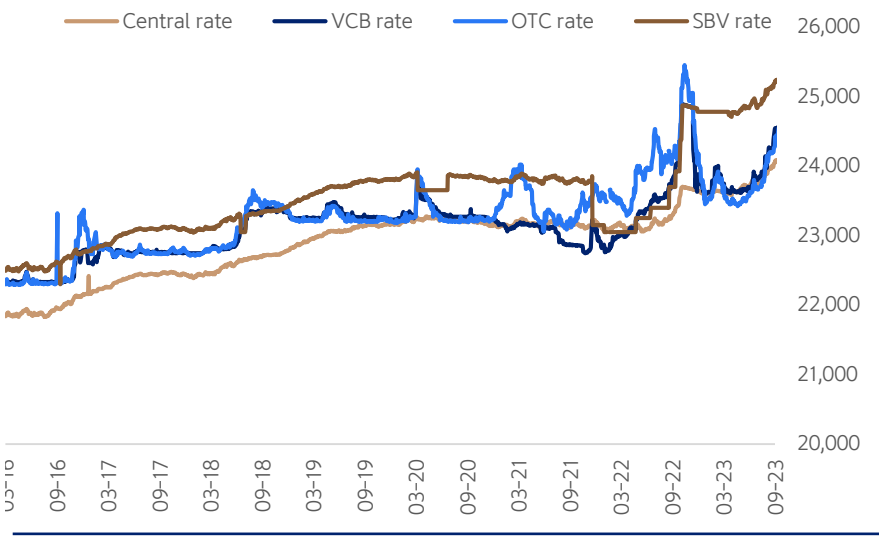
- The government aims to prioritize growth in the condition of ensuring macroeconomic stability and balance between interest rate and exchange rate. With this direction, we think that deposit interest rate could be stabilized at current level (5%–5.5% p.a) while lending rate may continue reducing around 1% more to encourage credit demand in the context of low credit growth. Besides, VND devaluation will be below 2% in 2024 (target of 25,000 VND/USD). This target will be achieved if FED pause the interest rate hike cycle and turn to rate cut in 2024.

Interest rate (%p.a)



Source: SBV, FiinPro, Shinhan Securities Vietnam

VND/USD exchange rate

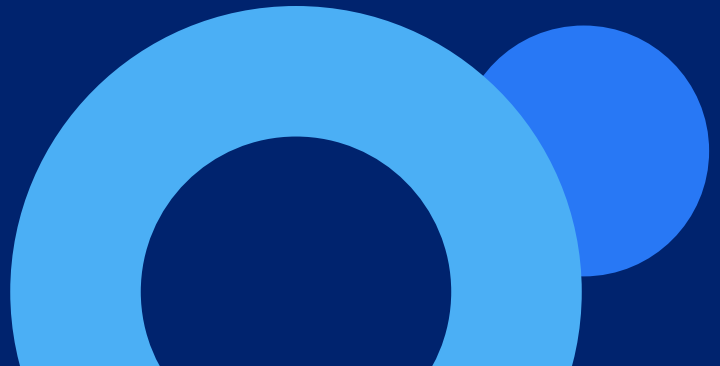


Source:: SBV, FiinPro, Shinhan Securities Vietnam

03

Macro risks

Key issues that need to pay attention in 2024: Divergent monetary policies put pressure on exchange rates; bad debts swell and damage banking system; remained high inflation requires central banks to maintain high interest rates longer; global economic recession; escalating war; and surprises from the elections in US and some other countries.



3. Macro risks

“Divergent monetary policy could create pressure on exchange rate”

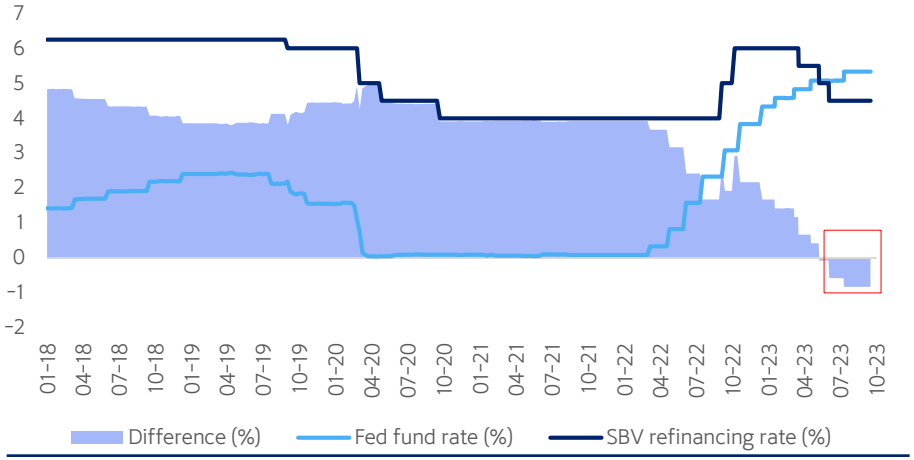
Limited room for interest rate cut

- The SBV has decreased the discount rate and refinancing rate by 150-200 percentage points in 4 consecutive times from March to June 2023 to 3% and 4.5%, respectively.
- Continuing rate cuts will create significant gap with global interest rates and this could pressure on the exchange rate. Therefore, we expect no more policy rate cut in the remaining of 2023 and 2024, and the gap will be gradually filled in 2024.

Solution from open market (OMO) injection/withdrawal

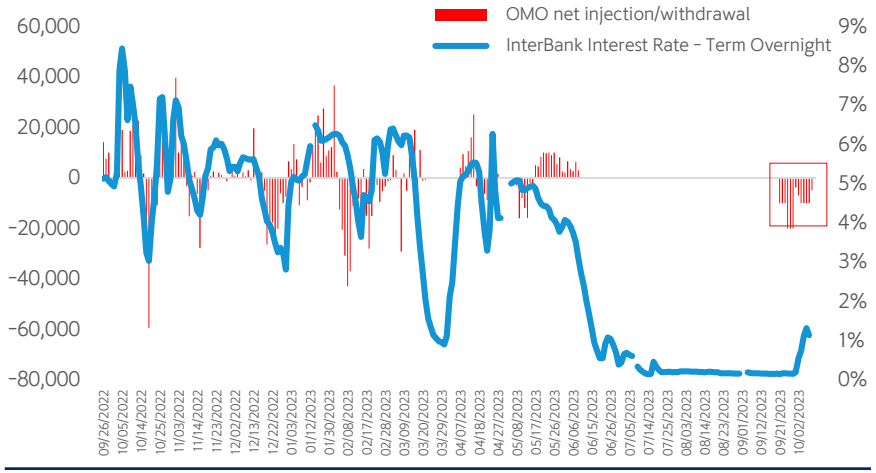
- Since Sep 21, 2023, the SBV has continuously withdrawn huge money (nearly VND146 trillion as of Oct 9, 2023) out of the system through OMO after no operation in 6 months before to reduce liquidity for calming down inflation and exchange rate.
- In versus, this caused interest rate to rise. Interbank interest rate has fallen to lowest level of 0.15-0.2% in July- Sept 2023 but quickly recovered to around 1% in early Oct 2023.

Policy rates (%p.a)



Source: Fred, SBV, FiinPro, Shinhan Securities Vietnam

OMO net injection/withdrawal (VNDbn)



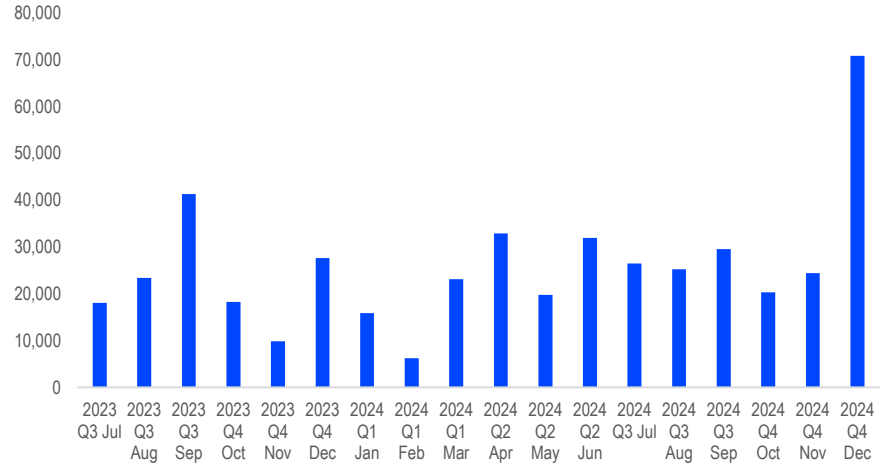
Source: SBV, FiinPro, Shinhan Securities Vietnam

3. Macro risks

“Unsolved real estate problems, bad debts swell and damage the banking system”

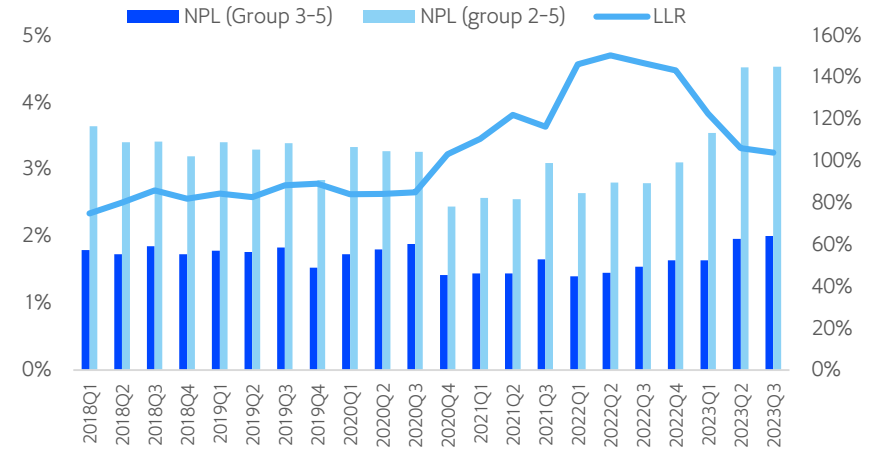
- Decree 08/2023/ND-CP has been considered as “soft landing” solution for corporate bonds when allow to extend the due date for 2 years. Accordingly, total value of corporate bonds due in 2H2023 and 2024 are estimated at VND138.2 trillion and VND 326.3 trillion, respectively and crowded in Dec 2024. However, legal reforms to untie for real estates sectors should be key solution to help real estate developers to generate cash flows for debt repayment.
- Along with weak real estate market, the credit demand in other sectors is also weak even though the interest rates on the market have been lower. Accumulated credit growth of the banking system was only 4.54%YTD in 7M2023 and asset quality has been worse with bad debt rising, especially in debt group 2 after effectiveness of Circular 02/2023/TT-NHNN which allow banks to restructure debts for borrowers facing difficulties. LLR is reducing significantly but still maintain above 100%.

Corporate bond outstanding due in 2H2023 & 2024 (VNDbn)



Source: HNX, Shinhan Securities Vietnam – Data as of June 30, 2023

Assets quality of listed banks



Source:: FiinPro, Shinhan Securities Vietnam_Data as of June 30, 2023

3. Macro risks

“Recession risk, political risk and other surprises”









- Escalating tensions between Russia and Ukraine and latterly, war in Israel could threaten regional stability and global oil market.
- Foods and oil prices accelerate under impacts of war and extreme weather events could make inflation surge again and require central banks to keep high interest rate longer.
- US “mild” recession might come in Summer 2024 , property sector crisis in China ...that cause challenge for “soft-landing” of global economy.
- US Presidential election and other major elections in 2024, including Taiwan, India, Mexico, UK.
- “Hidden” risks and other surprises from both domestic and global market.

Shinhan Securities

Stock Market Outlook 2024

Getting ready for acceleration



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Content

Stock market outlook 2024

1. **Stock market outlook - Getting ready for acceleration**

- Stock market is still an attractive investment channel
- The market is currently trading at P/E of 13.6x, which is lower than the 10-year average P/E of 15x
- Earnings growth of listed companies bottoming out in 2022Q4, expected 15% growth in 2024
- VNIndex sensitivity by market P/E and earning growth of listed companies
- Emerging market upgrade opportunity ahead

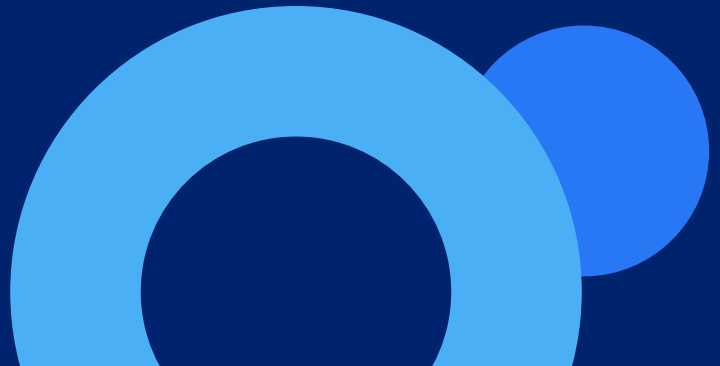
2. **Technical view – Markup phase**

- Major events of stock market in 2023
- Supporting and risk factors of stock market in 2024
- Market scenario

01

Stock market outlook

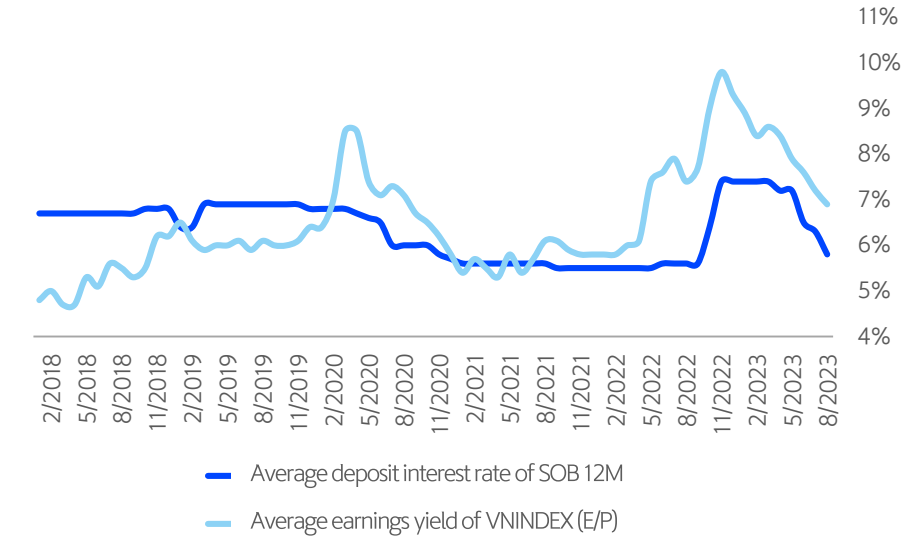
Along with steady recovery of the economy, Vietnam stock market is getting ready to accelerate in 2024. VNIndex is forecasted to increase by 15% - 25% in 2024 backed by earning growth of listed companies that showed signs of bottoming out in 2022Q4 and estimated to increase by 4%/15% in 2023/2024, respectively. KRX system into operation, MSCI emerging market upgrade bring even greater expectations.



Stock market outlook

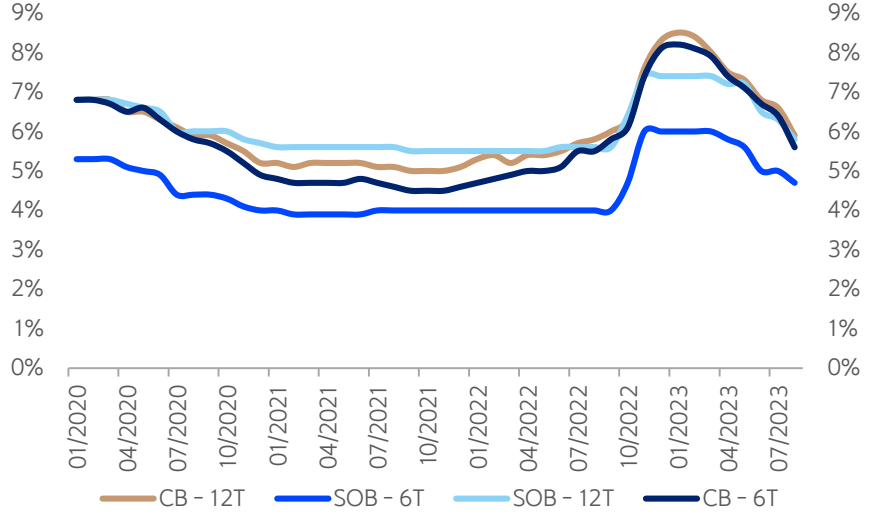
Stock market is still an attractive investment channel

Earning yield of VNINDEX (E/P) is still higher than 12M deposit rate



Source: Fiinpro, Shinhan Securities Vietnam

Deposit interest rates decreased significantly from YE2022



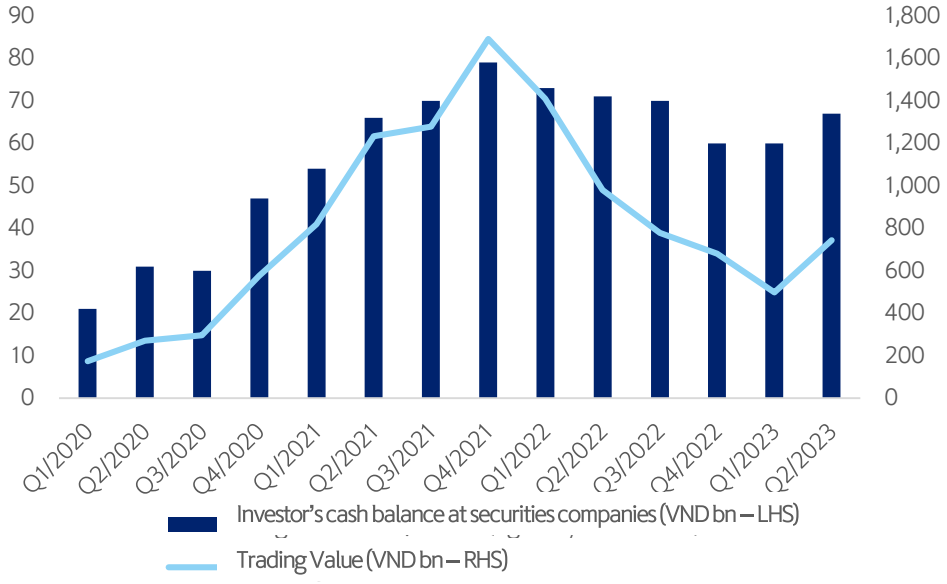
Source: Fiinpro, Shinhan Securities Vietnam
Note: Data taken from deposit interest rates of the 5 largest commercial banks
CB: Commercial Bank ; SOB: State-owned Bank

- Deposit interest rates decreased significantly from the end of 2022 and is expected to remain at a low level in the period 2023-2024. Therefore, stocks will become more attractive when cash flows from bank savings channels to stock investment channels.
- Specifically, the return rate of VNINDEX (E/P) is still higher than the return rate of 12 month term deposits, showing that the attractiveness of investing in stocks is still maintained.

Stock market outlook

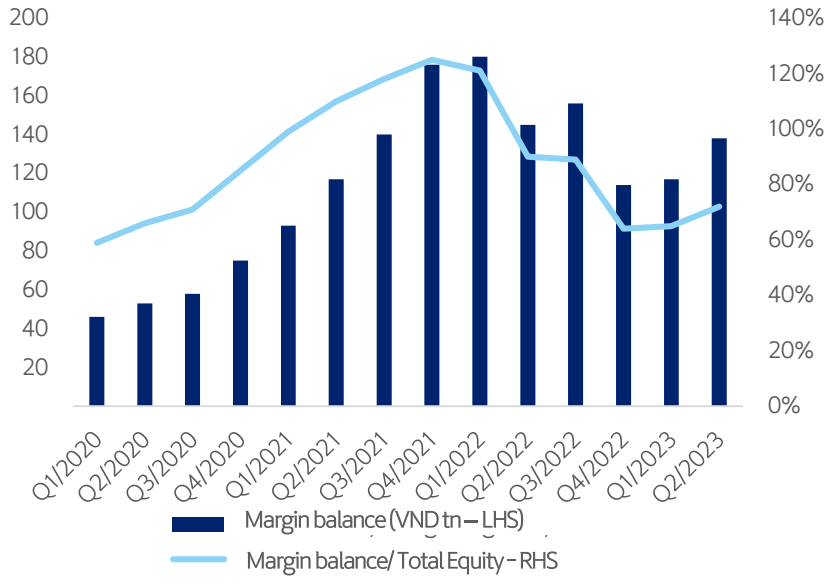
Stock market is still an attractive investment channel

The investor's cash balance at securities companies and trading value tend to recover



Source: Fiinpro, Shinhan Securities Vietnam

Margin loan balance tends to increase in Q2/2023



Source:: Fiinpro, Shinhan Securities Vietnam

- The low interest rate environment is supporting the trend of shifting capital flows into the stock market. Customer deposits at securities companies in Q2/2023 increased by 14% compared to Q1/2023 and were 30% lower than the peak at the end of 2021.
- Margin loan balance reached VND138 trillion, +17.9% compared to Q1/2023, but is still VND40 trillion lower than the peak at the end of 2021. The ratio of margin outstanding/equity in Q2/2023 reached 72%, lower than the level at the end of 2021 of 125%, showing that the market is still at safe level and securities companies still have room to lend margin more, thereby, supporting stock market growth in 2024.

Stock market outlook

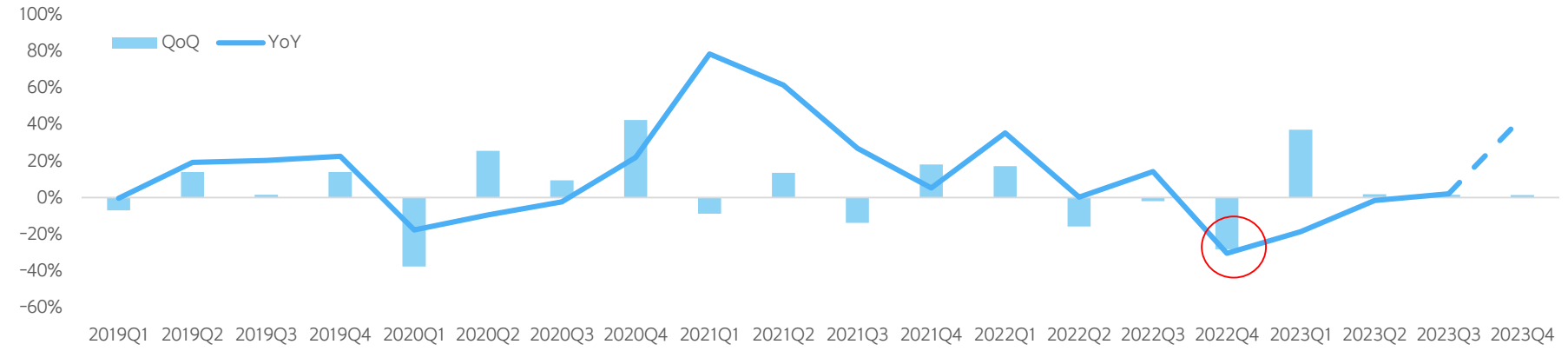
The market is currently trading at P/E of 13.6x, which is lower than the 10-year average P/E of 15x



Source:: Fiinpro, Shinhan Securities Vietnan – Data as of 03/10/2023

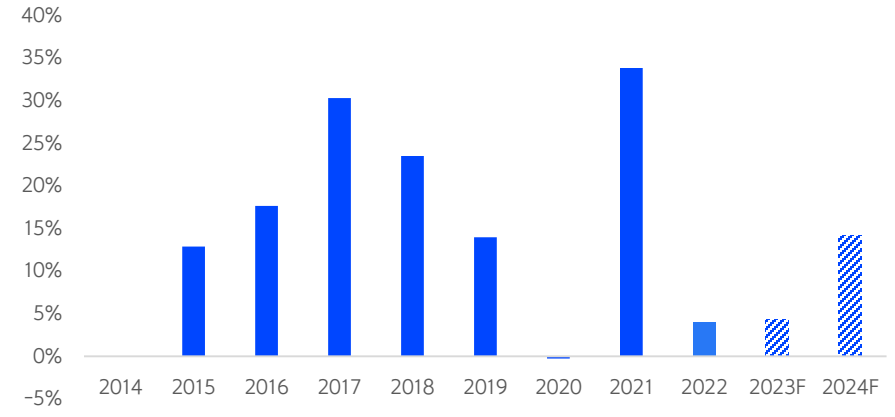
Earnings growth of listed companies bottoming out in 2022Q4, expected 15% growth in 2024

Quarterly earning growth of listed companies on HSX



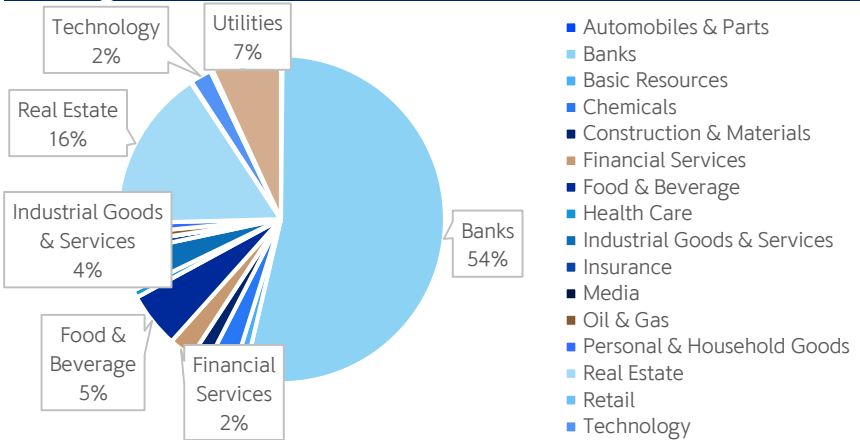
Source: FiinPro, Shinhan Securities Vietnam

Yearly earning growth of listed companies on HSX



Source: FiinPro, Shinhan Securities Vietnam

Earning structure of listed companies on HSX (6M2023)



Source:: FiinPro, Shinhan Securities Vietnam

Stock market outlook

VNIndex sensitivity by market P/E and earning growth of listed companies

		2024 Earnings growth				
Earnings yield (E/P)	P/E	5%	10%	15%	20%	25%
8.0%	12.5	1103	1156	1208	1261	1313
7.7%	13	1147	1202	1256	1311	1366
7.4%	13.5	1191	1248	1305	1361	1418
7.1%	14	1235	1294	1353	1412	1471
6.7%	15	1324	1387	1450	1513	1576
6.5%	15.5	1368	1433	1498	1563	1628
6.3%	16	1412	1479	1546	1613	1681
6.1%	16.5	1456	1525	1595	1664	1733
5.9%	17	1500	1571	1643	1714	1786
5.7%	17.5	1544	1618	1691	1765	1838

Source: Fiinpro, Bloomberg, Shinhan Securities Vietnam

- With forecasted earning growth of listed companies at 15% and P/E target 15x (10-year average), we expect the base level of VNIndex in 2024 will be 1450 points. By a prudent view, we think that the market P/E will fluctuate in the range of 13.5x – 16x, equal to an earning yield of 6.3% - 7.4% and still higher than deposit rate of 12M term.

Stock market outlook

Emerging market upgrade opportunity ahead

6/2023

Improvements needed

X Foreign ownership limit level

X Foreign room level

X Equal rights to foreign investors

X Foreign exchange market liberalization level

X Information flow

X Clearing and Settlement (no overdraft facilities/pre-funding of trades required)

X Transferability

X Stock lending

X Short-selling

6/2024

MSCI Emerging Market watchlist

- ✓ Solve problems of foreign ownership limit/foreign room level; or/and
- ✓ Improve foreign exchange market liberalization level; or/and
- ✓ Not required pre-funding or VSDC implements CCP mechanism; and/or
- ✓ Launch KRX to improve market infrastructure

6/2025

MSCI Emerging Market upgrade

- ✓ Upgrade would trigger initial cash inflows of USD 5 billion
- ✓ Some stock markets have been booming in 2 years prior upgrading
- ✓ Vietnam acquired for largest proportion of MSCI Frontier Market Index basket with 28.65% (July 31, 2023) and may exceed 30% if Nigeria move to Standalone Markets Status.

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Technical view – Market scenario

Markup phase

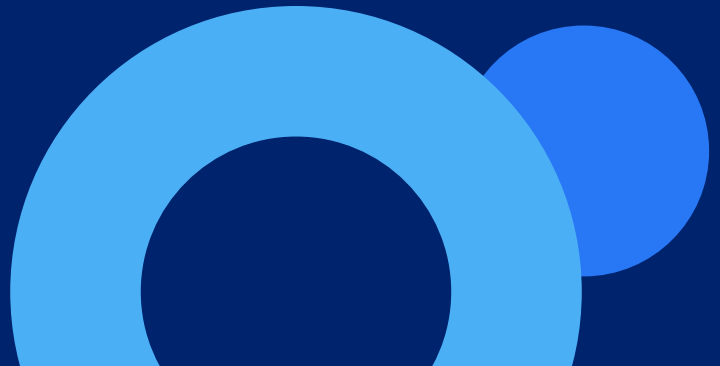


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02

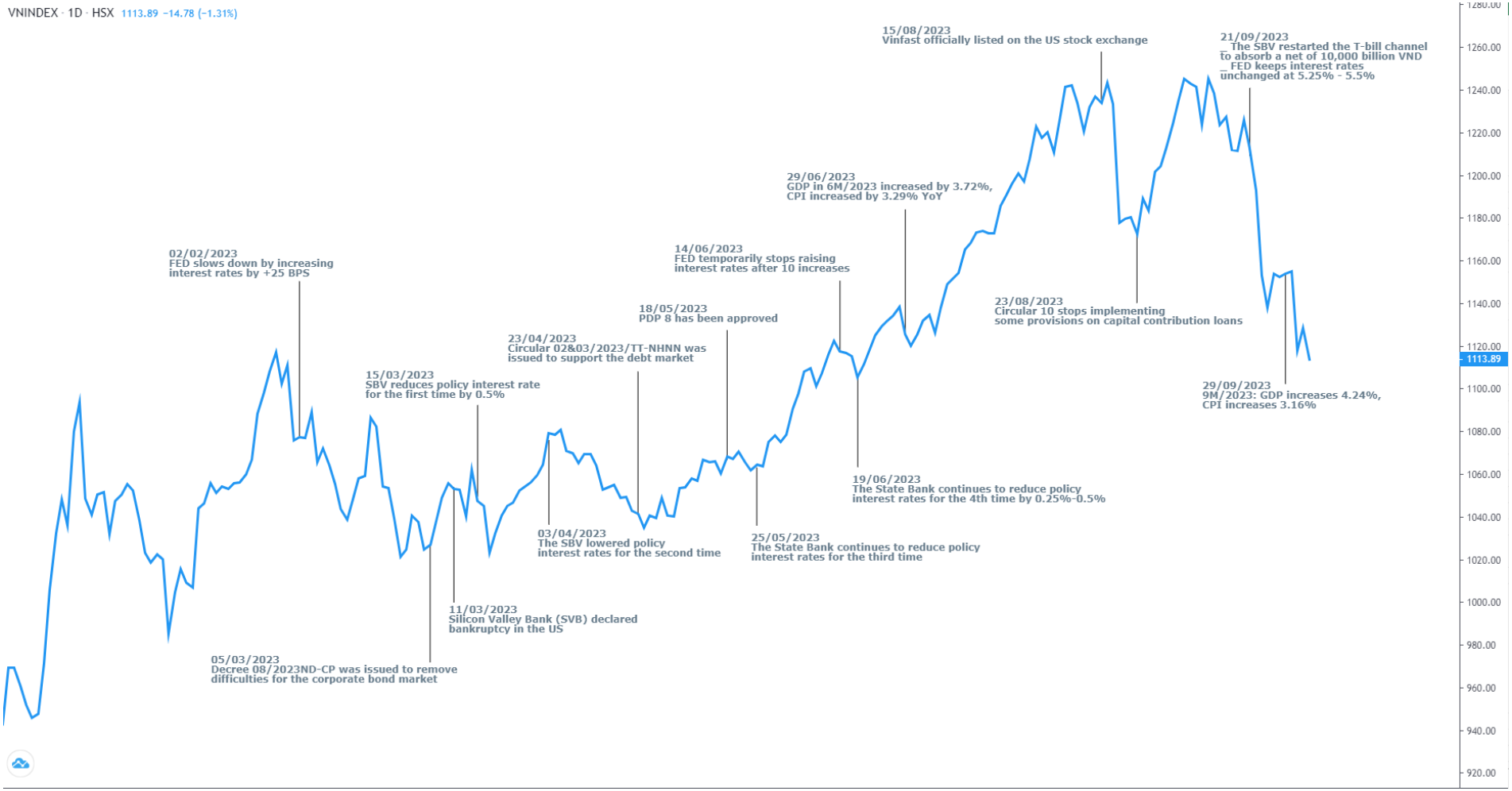
Technical view – Market scenario

From technical perspective, VNIndex is expected to return “markup phase” with target of 1350 - 1450 points (70% probability) and 1550 points (15% probability), in line with the recovery of global and Vietnam economy. In the negative scenario (15% probability), VNIndex will fluctuate in the range of 1050-1250 points when policy priorities of growth could not be effective.



Technical view

Major events of stock market in 2023



Supporting and risk factors of stock market in 2024



Supporting factors

- Interest rates maintain at low levels to support economic growth and stimulate cash flowing into the stock market.
- Market valuation is still cheaper than the 5-year median.
- Scale of margin lending is still at safe level.
- Investors' deposits at securities companies and transaction value have recovered since Q2/2023.

Risk factors

- Exchange rate and inflation pressures increase stronger than expected.
- The room to lower operating interest rates is almost gone.
- The Vietnam real estate and corporate bond markets are still difficult.
- The economic recovery of developed countries may be weaker than expected.
- Geopolitical tensions (Russia and Ukraine, etc.)

Market scenario

We propose 3 scenario for 2024

Scenario 1: Negative (15%) – VNINDEX: 1050 - 1250 points



Industry Recommendations:

- Defensive sectors (Utilities, Pharmaceuticals, Consumer Staples)
- Stocks with high dividend yields

The market falls to the area of 1050 - 1250 points – Policy priorities of growth are not really effective

After a relatively strong growth since the beginning of 2023, the market fluctuates in the range of 1050 - 1250 when policies for economic growth are not effective, real economic data and business results are not as good as expected.

Risk variables that may govern:

- The exchange rate is under pressure in the context that Vietnam is maintaining a loose monetary policy while developed countries are still keeping high interest rates to fight inflation.
- Risks from Vietnam's corporate bond and real estate markets
- Risks from China's weak economy that has not yet recovered (weak demand, frozen real estate market,...)
- Political tensions (Russia - Ukraine,...)

Market scenario

We propose 3 scenario for 2024

Scenario 2: Base (70%) – VNINDEX: 1350 – 1450 points



Industry Recommendations:

- Financial services
- Banks
- Real estates
- Industrial parks
- Technology
- Textile, Fisheries
- Retails

The market continues to maintain its upward momentum towards the 1350 – 1450 points area – Global economic demand recovers.

With this scenario, the market continues to maintain its upward momentum, growth motivation comes from:

- The SBV continues to maintain an expansionary monetary policy and promote strong public investment
- Countries around the world are gradually lowering operating interest rates, supporting economic growth
- Market valuation is still relatively cheap
- Inflation and exchange rates are still well controlled
- Real estate and corporate bonds have more signs of improvement

Market scenario

We propose 3 scenarios for 2024

Scenario 3: Positive (15%) – VNINDEX: ~1550 points



Industry Recommendations:

- Financial services
- Banks
- Real estates
- Industrial parks
- Technology
- Textile, Fisheries
- Retails
- Basic materials
- Construction
- Oil & gas

The market continues to maintain its upward momentum towards the 1550 points mark – Strong economic growth occurs globally.

With this scenario, the market grows strongly with many supporting motivations both domestically and internationally:

- The SBV continues to maintain an expansionary monetary policy and promote strong public investment
- Strong economic growth takes place in developed countries, supporting Vietnam's import-export activities and foreign exchange accumulation.
- Real estate and corporate bonds are cleared
- Strong participation of individual investors, and strong net buying by foreign investors.

Investment themes 2024



Banking

The recovery is gradually becoming clearer

Import- Export flourished

Fisheries back to the race

Textile and Garment revival signals

Logistic vibrant again

Retail

Prospect from new industries

Real estate

Entering a new cycle

Industrial real estate

Prepare to welcome the eagle

Power

Manufacturing recovery driving growth

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Banking Industry

The recovery is gradually becoming clearer



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Content

Banking – The recovery is gradually becoming clearer

1. The economy shows signs of reversal to support banking sector

   Economic growth in 9M2023 faces many difficulties when world and domestic demand declines. However, some signs of recovery have gradually become clearer in recent months.

2. Updated business result of listed banks

   Business results in the first 6 months of 2023 are in line with investors' expectations, credit growth is slow, NIM is narrowed, non-performing loan increases sharply and non-interest income is not positive, causing bank profits in the first 6 months to drop slightly.

3. Many positive trends await for Banks in 2024

   GDP growth in 2024 returns to 6% growth, credit growth reaches 13-14%. Pre-tax profits of banks listed on HOSE are expected to grow by 17%. The bank's valuation continues to be attractive in the long term

4. Potential bank stocks

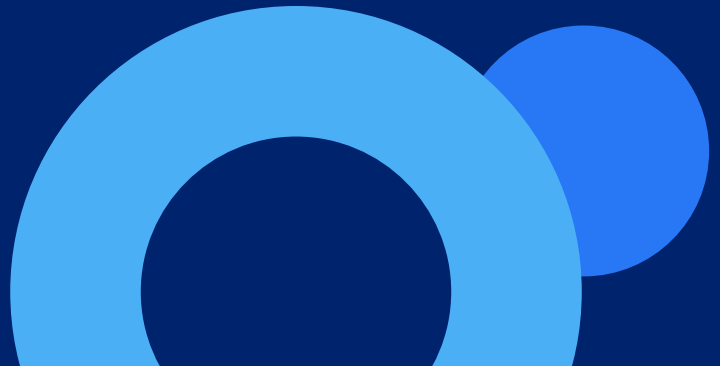
   ACB, STB, TCB, MBB - The recovery is gradually becoming clearer

Appendix – Notable legal policies

01

The economy shows signs of reversal to support banking sector

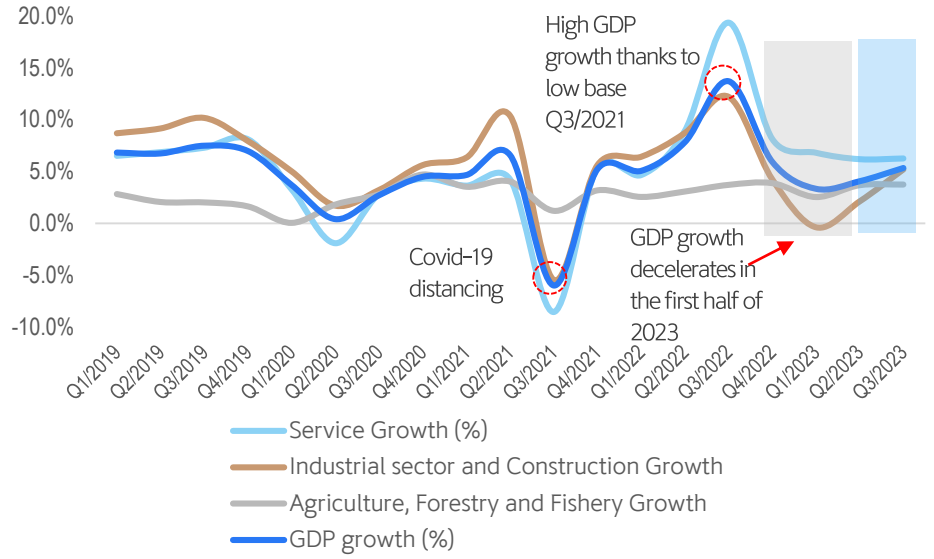
Economic growth in 9M2023 faces many difficulties when world and domestic demand declines. However, some signs of recovery have gradually become clearer in recent months.



Part 1 – The economy shows signs of reversal to support banking sector

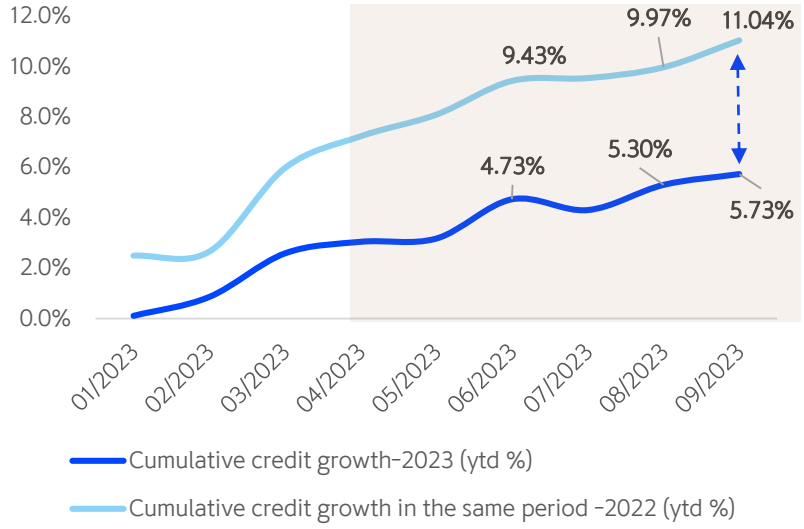
GDP growth in 9M2023 was dominated with gray color but in a positive trend

GDP growth by quarter for the period 2019-Q3/2023 (YoY)



Source: GSO, Fiinpro , Shinhan Securities Vietnam

Cumulative credit growth as of July 2023 (%)



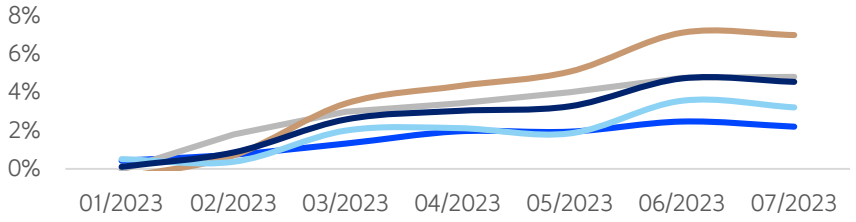
Source: SBV, Fiinpro, Shinhan Securities Vietnam

- Vietnam's economy in 9M2023 has grown less positively compared to the same period in 2022. However, GDP has been improved gradually on quarterly basis. Accumulated growth of GDP in 6M/2023 only reached 3.72% and in 9M/2023 the GDP growth improved to 4.24% yoy.
- While the service segment has recovered thanks to the economic opening and tourism activities have improved compared to the low base right after the epidemic; overall, the Agriculture, Forestry and Fisheries segment still maintains stable growth; the industrial and construction segment showed slower growth than total GDP growth, cumulative growth in 9M/2023 was only 2.41% yoy.
- With a large contribution to GDP, the industry and construction sectors are negatively affected by the general difficulties of the real estate market. The economy's credit growth as of September 2023 only reached a modest level of 5.73%. This growth rate makes the 14-15% target passed by the Vietnamese National Assembly in the beginning of the year even more difficult to achieve. However, upward momentum has been slightly improved in Q3 2023.

Part 1 – The economy shows signs of reversal to support banking sector

The service segment has the most positive growth in the first 9 months of 2023

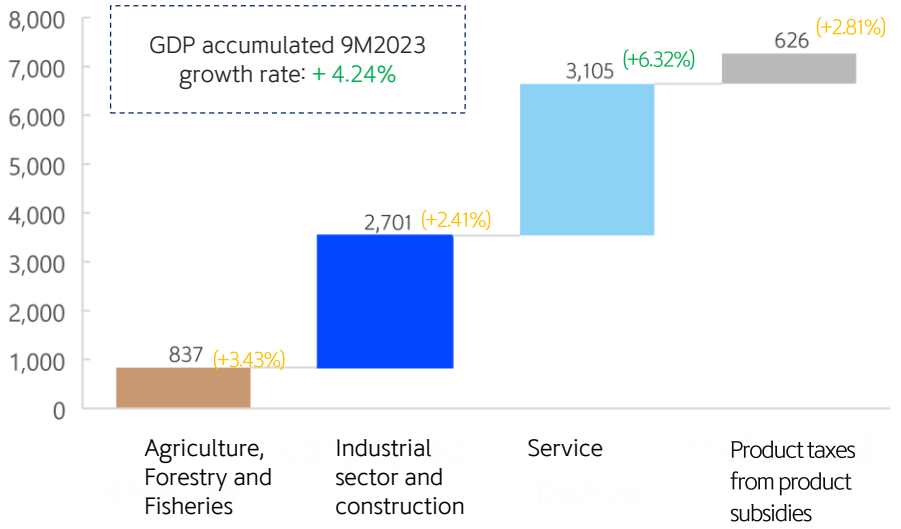
Credit growth breakdown in 7M2023 (%)



Sector	Credit growth 07/2023 (% Ytd)	Credit growth 07/2022 (% Ytd)	Credit growth 07/2021 (% Ytd)	Credit growth 07/2020 (% Ytd)
Agriculture, Forestry and Fisheries	2.20%	7.31%	2.06%	3.05%
Industrial sector and construction	4.81%	7.42%	6.92%	4.00%
Commercial, Transportation, Telecommunications	6.99%	9.17%	8.23%	3.81%
Other services	3.20%	11.79%	7.12%	4.49%
Total credit	**4.54%**	**9.54%**	**6.92%**	**4.05%**

Source: GSO, Fiinpro , Shinhan Securities Vietnam

GDP growth by industry group in 9M2023



Source: GSO, Fiinpro, Shinhan Securities Vietnam

- With the majority allocated to two industries: Industry, construction and service industry. The growth of this industry group will have an important decision on the growth of the entire economy. Cumulatively, the service industry's recovery increased by more than 6.3%, higher than the cumulative increase in GDP at 4.24% yoy. The remaining two industry groups, Industry, Construction and Agriculture, Forestry and Fishery, both grew slower than the overall growth rate of the economy.
- As for the service segment, accommodation and entertainment services had double-digit growth thanks to the return of international tourists after a long absence. Contrary to the positivity of whole industry, the real estate business segment showed a negative growth rate of -0.95% due to the gloom of the real estate market. The agriculture, forestry, fishery, and aquatic products group in 9M2023 grew about 3.43% due to the impact of the export situation to large markets, especially the US and European markets. The decline in orders, production contraction, and difficult business conditions have made the industrial, processing, and manufacturing segments relatively stand still in 9M2023.
- Compared to the high base level of the first months of 2022 due to pent-up demand after the epidemic, credit in 7M2023 of all 4 main industry groups according to SBV data showed less positive growth.

Services grew strongly, real estate business did not perform well

GDP by service industry in 9M2023

Sector	Total value (VND bn)	Contribution (%)	Growth in 9M2023 (% yoy)
Service	**3,104,755**	**100%**	**6.32%**
Wholesale and retail; Repair cars, motorbikes, motorbikes and other motor vehicles	738,452	**24%**	8.04%
Transportation, warehousing	368,060	**12%**	8.66%
Accommodation and food services	185,630	**6%**	13.17%
Information and communication	260,556	**8%**	2.67%
Financial, banking and insurance activities	343,532	**10%**	6.91%
Real estate business	251,821	**8%**	-0.95%
Professional, scientific and technological activities	159,081	**5%**	6.28%
Administrative operations and support services	93,618	**3%**	12.40%
Activities of the Communist Party and socio-political organizations; State management, national security and defense; mandatory social guarantees	138,960	**4%**	5.55%
Education and training	274,192	**10%**	4.34%
Health and social assistance activities	186,772	**6%**	1.32%
Arts, entertainment and recreation	45,719	**1%**	11.35%
Other service activities	48,742	**2%**	10.56%
Activities of hiring for work in households, producing physical products and services for self-consumption by households	9,620	**0%**	4.81%
Total GDP	**7,268,043**		**4.24%**

Source: GSO, Shinhan Securities Vietnam

Fisheries and construction industry decelerated

GDP of Agriculture, forestry and fisheries sector in 9M2023

Sector	Value (VNDbn)	Contribution (%)	Growth in 9M2023 (% yoy)
Agriculture, forestry and fisheries	**836,618**	**100%**	**3.43%**
Agriculture	597,112	71%	3.42%
Forestry	38,121	5%	3.13%
Seafood	201,385	24%	3.56%
Total GDP	**7,268,043**		**4.24%**

Source: GSO, Shinhan Securities Vietnam

GDP of Industrial sector and construction in 9M2023

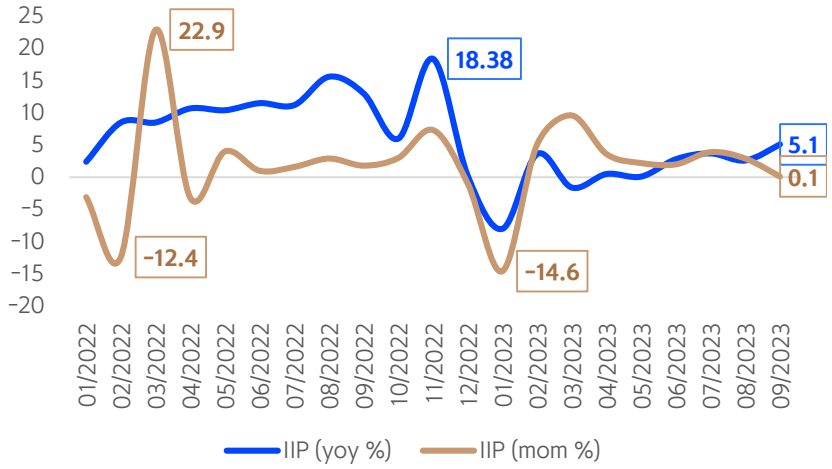
Sector	Value (VNDbn)	Contribution (%)	Growth in 9M2023 (% yoy)
Industrial sector and construction	**2,700,557**	**100%**	**2.41%**
Industrial sector	2,263,942	84%	1.65%
Mining	183,789	7%	-3.01%
Manufacturing and processing industry	1,732,161	64%	1.98%
Production and distribution of electricity, gas, hot water, steam and air conditioning	312,035	12%	2.90%
Water supply; waste and wastewater management and treatment activities	35,957	1%	4.69%
Construction	436,615	16%	6.17%
Total GDP	**7,268,043**		**4.24%**

Source: GSO, Shinhan Securities Vietnam

Part 1 – The economy shows signs of reversal to support banking sector

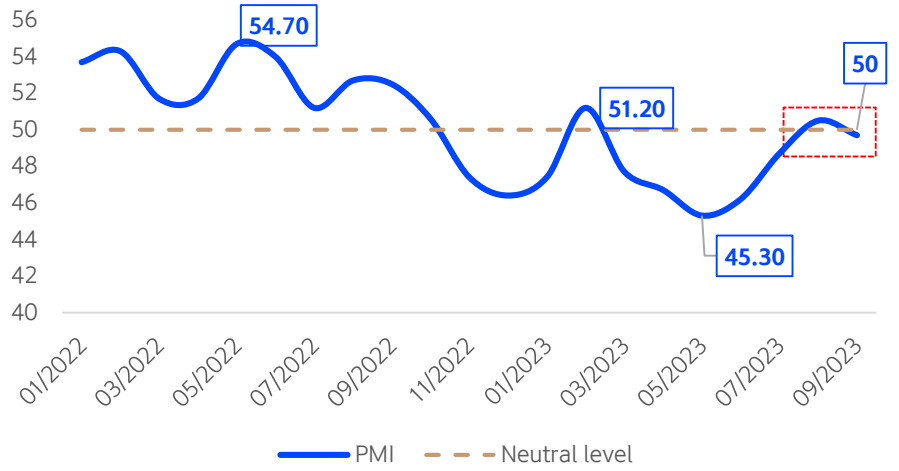
IIP and PMI show many positive signals

Industrial production index – IIP for the period 2022-2023



Source: GSO,, Shinhan Securities Vietnam

S&P Global PMI Vietnam index for the period 2022-2023

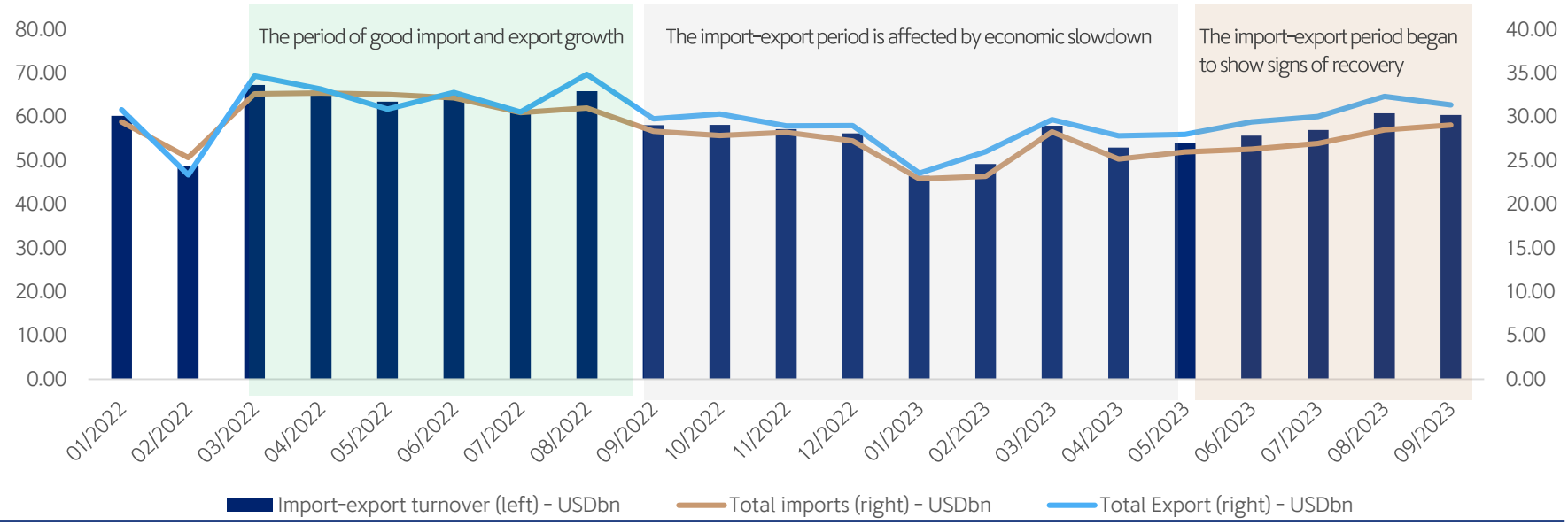


Source: PMI, Shinhan Securities Vietnam

- According to PMI's August report on Vietnam's manufacturing industry, signs of recovery have begun to appear more clearly. The number of new orders increased for the first time since February this year. Demand recovery helped both the number of new orders and output increase again, accordingly domestic companies increased purchasing activities to meet the above positive change. The PMI index in August showed a result of 50.5, meaning that business conditions in the manufacturing industry are expanding again after a series of contractions for 5 consecutive months (March-July 2023).
- In September, the PMI index dropped slightly back below 50. Orders this month continued to increase and purchasing activities were boosted by manufacturers for two consecutive months to meet new orders. However, companies are still relatively hesitant to hire more employees. We believe that companies will need a clearer trend before they can assertively expand recruitment and new investment.
- The General Statistics Office's industrial production index also shows a bottoming trend from the end of March 2023, from a growth rate of -1.6% yoy to a positive growth rate of 2.6% yoy in August 2023 and increased to 5.1% yoy in September 2023.

Import and export are on track to return to their peak in 2022

Import-export activities show signs of improvement for many consecutive months (USDbn)



Source: GSO, Fiinpro , Shinhan Securities Vietnam

- Import-export activities in recent months have improved a lot compared to January-April 2023 period. However, compared to the year 2022, some main Vietnamese products such as wood, shoes, seafood, fibers, electronic products and components possessed negative growth. On a more positive note, vegetables, fruits and rice increased sharply yoy.
- Export value in August 2023 according to the General Department of Customs reached more than USD 62 bn. This is the 4th consecutive month that Vietnam's economy witnessed export growth compared to the previous month. In September 2023, import and export value will decrease slightly due to the seasonal nature of the economy. With the trend of reducing inventories in main markets such as the US and Europe, we expect import and export activities to maintain a recovery trend for the rest of 2023 before returning to growth momentum in 2024.

02

Updated business result of listed banks

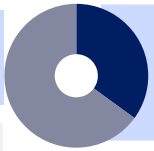
Business results in the first 6 months of 2023 are in line with investors' expectations, credit growth is slow, NIM is narrowed, bad debt increases sharply and non-interest income grows negatively, causing bank profits in the first 6 months to decrease slightly.

Part 2 – Updated business result of listed banks

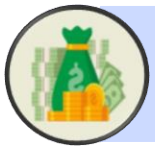
Overview of banks listed on HOSE

17 banks listed on HOSE exchange

Vietcombank, BIDV, VietinBank, TECHCOMBANK, VPBank, MB, ACB, HDBank (Cam kết lợi ích cao nhất), Sacombank, TPBank, SHB (Đối tác tin cậy, giải pháp phù hợp), VIB (Ngân hàng Quốc Tế), SeABank, EXIMBANK, MSB, OCB (Ngân Hàng Phương Đông), LienVietPostBank (NGÂN HÀNG BƯU ĐIỆN LIÊN VIỆT)



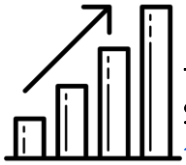
Industry market capitalization
~37% of market capitalization



Transaction value
~ 25% of total market transaction value



Trading volume
~ 22% of the market's trading volume

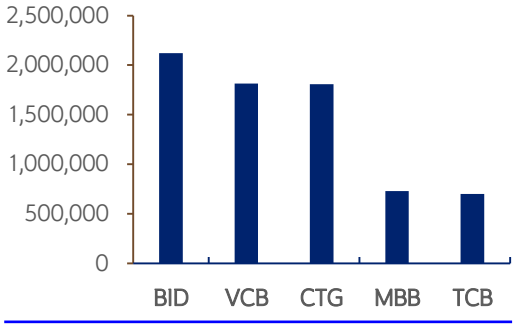


Total assets as of September 25, 2023
~VND12 quadrillion



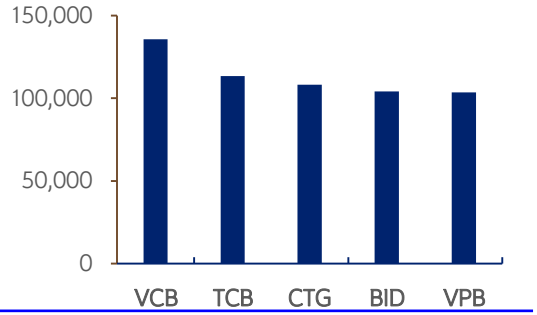
Total equity as of September 25, 2023
~VND1 quadrillion

Top 5 banks with the largest assets (VNDbn)



Source: Company data, Fiiinpro, Shinhan Securities Vietnam

Top 5 banks with the largest equity capital (VNDbn)



Source: Company data, Fiiinpro, Shinhan Securities Vietnam

Source: Fiinpro, Shinhan Securities Vietnam

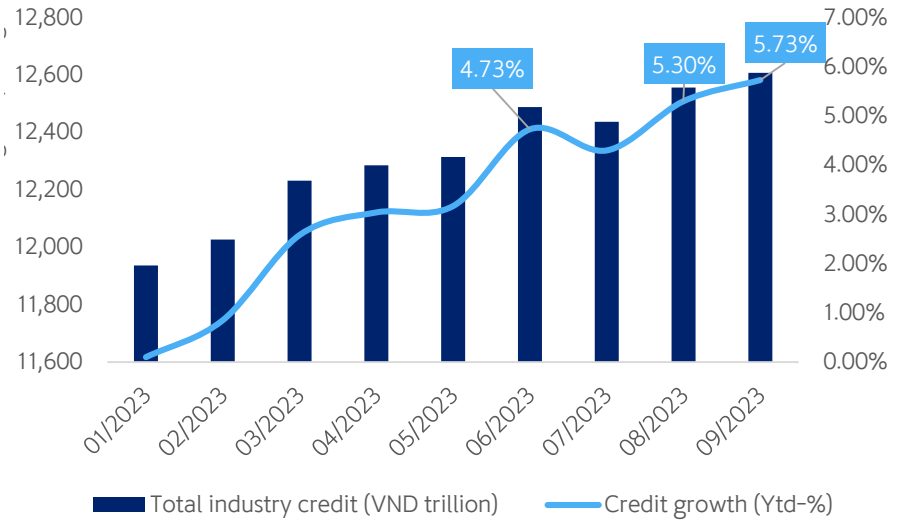
Data extracted at 25/09/2023

2.1 The bank's main business segment slowed down

Part 2.1 – The bank's main business segment slowed down

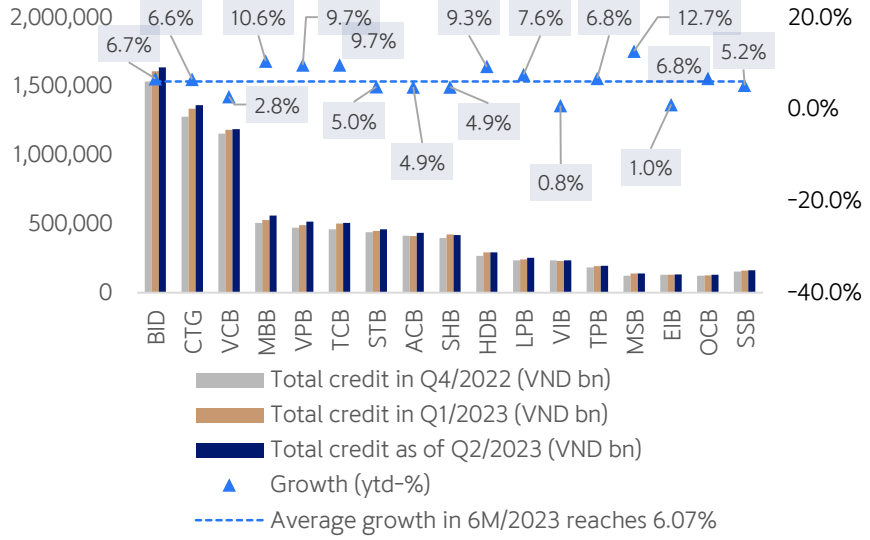
The banking industry's credit portfolio increased slightly

Credit throughout the banking system as of August 2023



Source: SBV, Shinhan Securities Vietnam

Credit growth of banks on HOSE in 6M2023



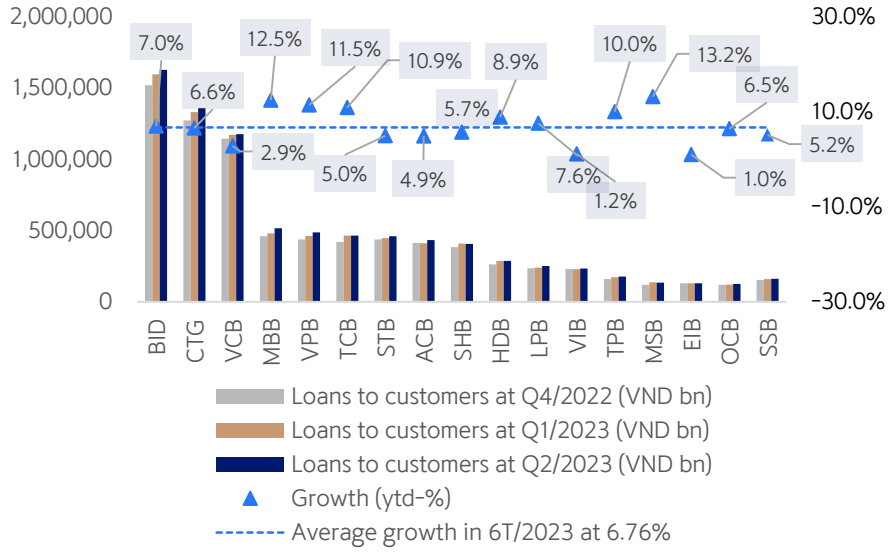
Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam

- Credit growth of the entire Vietnamese banking system, according to data from The State Bank of Vietnam, reached 5.30% in the 8 months of 2023. Based on financial statements in the 6M/2023, the group of banks listed on HOSE, as usual, has a better average growth rate than the entire system, reaching about 6.07% (higher than the 4.73% ytd growth rate in 6T/2023 of the entire system).
- The group of State-owned joint stock commercial banks achieved growth at 5.53%. CTG, BIDV (6.7%, 6.6% respectively) had better growth than VCB (about 2.8%).
- The group of private commercial banks achieved an average of 7.15%. Business results for the first 6 months of 2023 show a strong differentiation among banks, some banks have modest growth rates such as VIB, EIB (around 1%), while banks such as MBB, VPB (parent bank), TCB, HDB, etc. have a significantly higher growth rate than the industry average.

Part 2.1 – The bank's main business segment slowed down

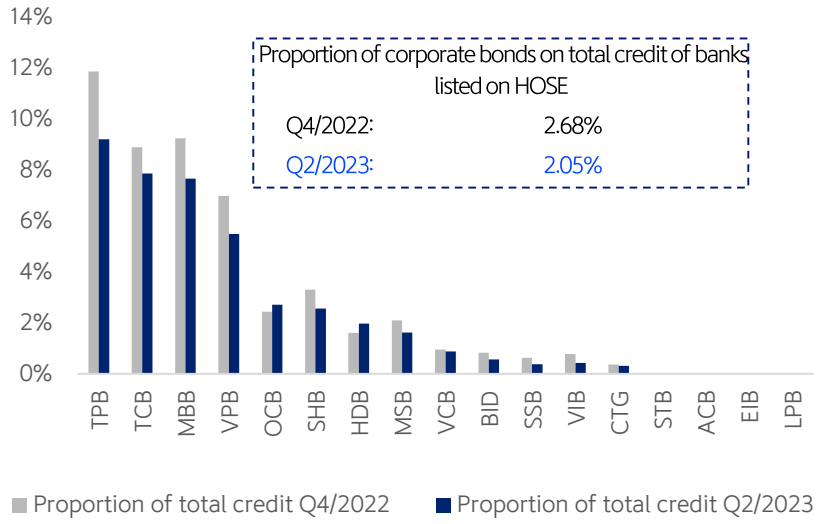
The bank's corporate bond portfolio proactively decreased sharply

Loans to customers of banks at the end of Q2/2023 (VNDbn)



Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam

Banks reduce the proportion of corporate bonds (%)



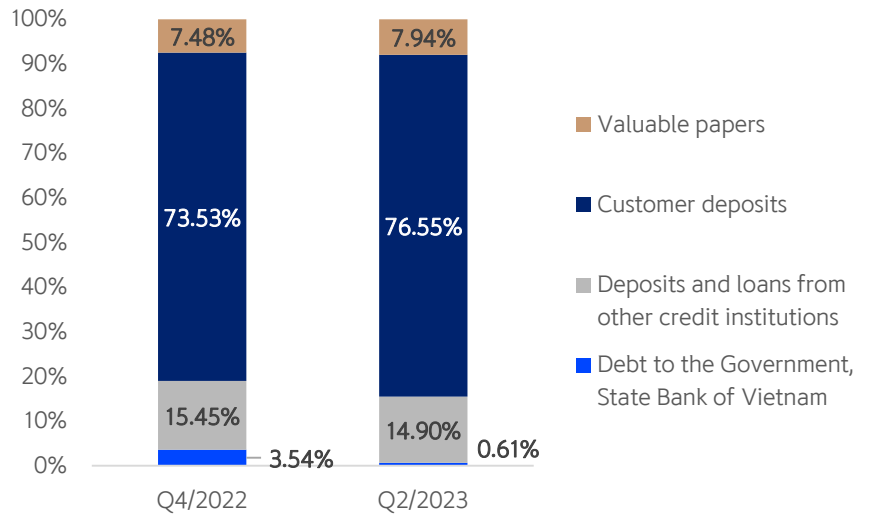
Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam

- With rising risks to corporate bonds, commercial banks have simultaneously reduced the proportion of corporate bonds in their credit portfolio. Accordingly, at the end of Q4/2022, corporate bonds accounted for 2.68%, but by the end of Q2/2023 this number was only 2.05%. In terms of absolute value, the total value of corporate bonds of banks listed on HOSE in 6M/2023 decreased by 19% compared to the end of Q4/2022. The banking group with the largest proportion of corporate bonds includes TPB, TCB, MBB and VPB (reaching between 5-10%).
- On the contrary, STB, ACB, EIB or LPB do not own any corporate bonds in their credit portfolio. The remaining banks have a relatively small proportion of corporate bonds, accounting for around 1-2% of their total credit portfolio at the end of Q2/2023.
- In contrary, customer loans of this banking group have an average growth rate of 6.76% in 6M2023 (compared to the end of Q4/2022).

Part 2.1 – The bank's main business segment slowed down

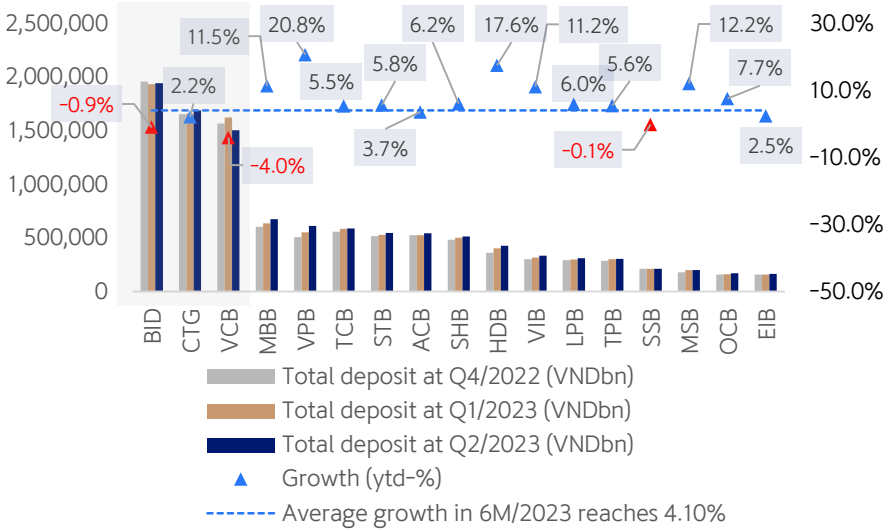
Customer deposits increases the proportion in the mobilization structure

Total deposit structure at the end of Q2/2023



Source: Fiinpro, Financial reports of banks, Shinhan Securities Vietnam

Total deposit growth in 6M2023 (%)



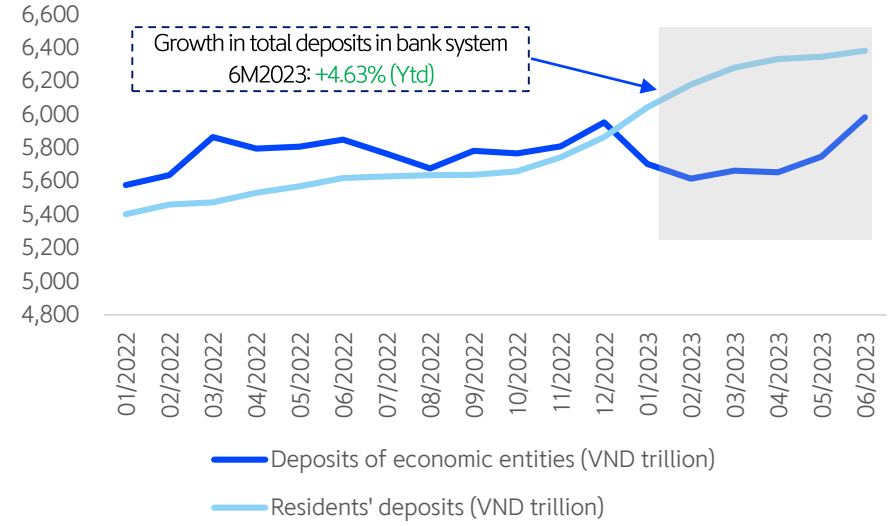
Source: Fiinpro, Financial reports of banks, Shinhan Securities Vietnam

- There are some notable changes in the mobilization structure of banks listed on HOSE: The proportion of customer deposits increased sharply from 73.53% to 76.55%; The proportion of government debt, the State Bank of Vietnam and deposits and loans from other credit institutions all showed a decline in proportion. The high deposit interest rates in Q4.2022-Q1.2023 helped commercial banks attract much better customer deposit yoy and combined with weak credit demand in first half of 2023, which helps commercial banks in general have no significant need to mobilize money from the interbank channel and The State Bank channel.
- Interbank interest rates, from 4-6% at the beginning of 2023, have dropped deeply to trading at around 0-1%, 10-year government bond yields also show the same trend as above. (from 4-5% to trading around 2-3%).

Part 2.1 – The bank's main business segment slowed down

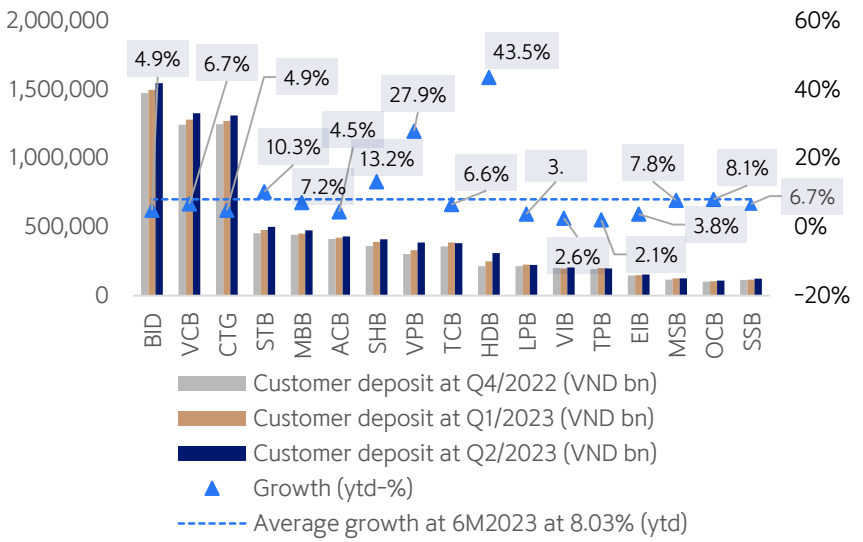
High interest rates help customer deposits increase well at banks

Customer deposits grow well in 6M2023 (VND billion)



Source: SBV, Shinhan Securities Vietnam

Growth of customer deposits at banks on HOSE (%)



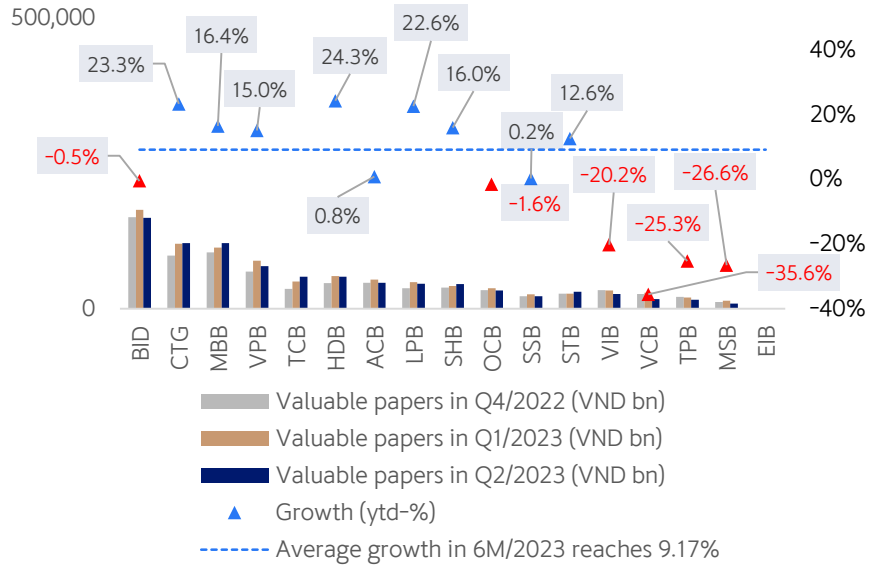
Source: Fiinpro, Financial reports of banks, Shinhan Securities Vietnam

- Based on the data from SBV, the entire banking system deposit growth in 6M/2023 reached 4.63% Ytd. A notable trend is that deposits from economic entities have accelerated sharply in recent months, which is consistent with the recovery of many industry groups in Vietnam.
- Thanks to high deposit interest rates in the first months of the year and unfavor business conditions for expansion, banks were able to speed up attracting customer deposits. In 6M/2023, customer mobilization growth of banks listed on HOSE achieved positive growth (+8.03% Ytd), a growth rate that superior to the same period 6M/2022 (+4.94% Ytd). VPB and HDB banks have the best customer deposit growth rates in the industry in the first half of 2023, reaching growth of 27.9% and 43.5% Ytd, respectively.

Part 2.1 – The bank's main business segment slowed down

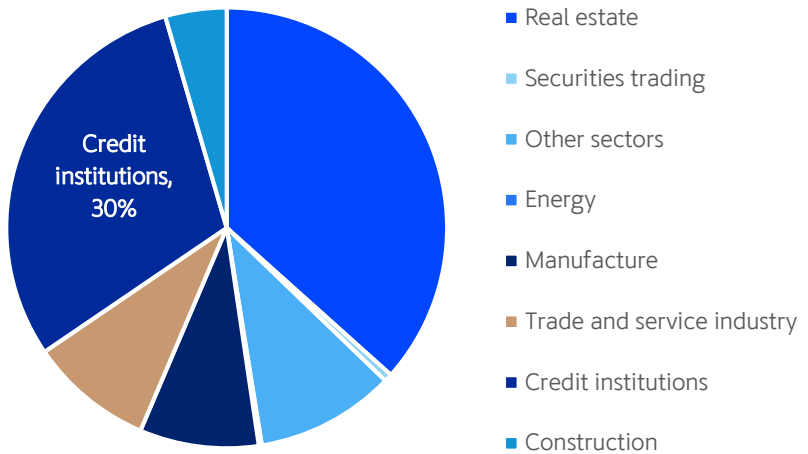
Valuable papers continue to be the bank's preferred mobilization channel

Valuable papers at banks on HOSE at the end of Q2/2023



Source: Fiinpro, Financial reports of banks, Shinhan Securities Vietnam

Proportion of bonds issued by credit institutions updated to June 30, 2023 (%)



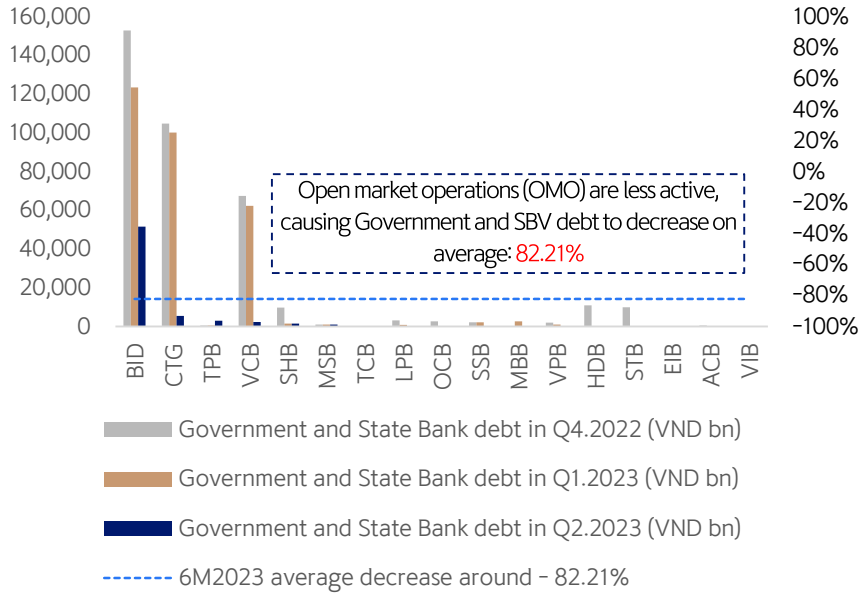
Source: HNX CBonds, Shinhan Securities Vietnam

- Bond issuance activities of banks listed on HOSE achieved an average growth of +9.17% compared to the end of Q4/2022. By the end of June/2023, the group of credit institutions accounted for 30% of the value of corporate bonds circulating on the market.
- Banks such as CTG, MBB, VPB, HDB or STB,... are active in capital mobilization activities through the issuance of valuable papers. On the contrary, VCB, VIB, TPB or MSB have significantly reduced capital mobilization activities through the bond channel, partly thanks to good growth in customer deposit mobilization in the first half of 2023.

Part 2.1 – The bank's main business segment slowed down

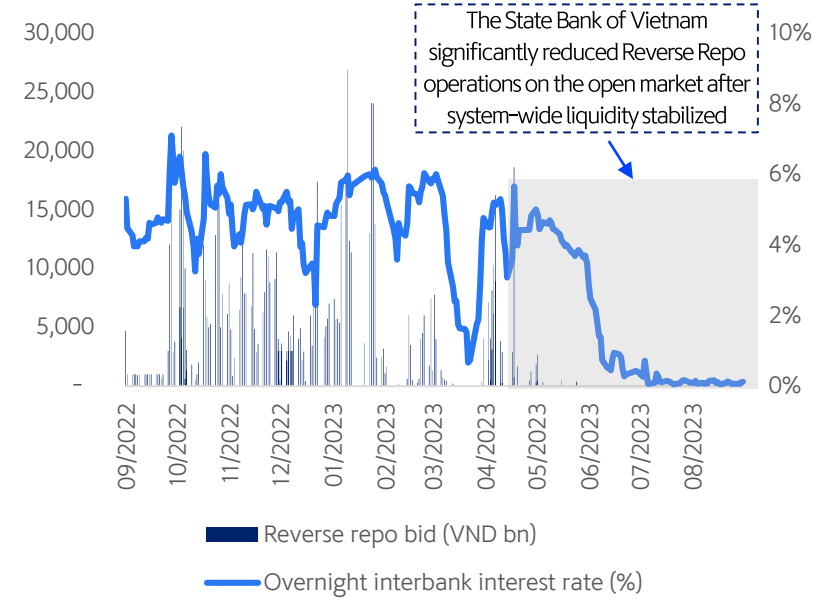
Mobilization through interbank and open market is less active

Government and SBV debt at banks on HOSE as of Q2.2023



Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam

Reverse Repo operation of the State Bank from early 2023



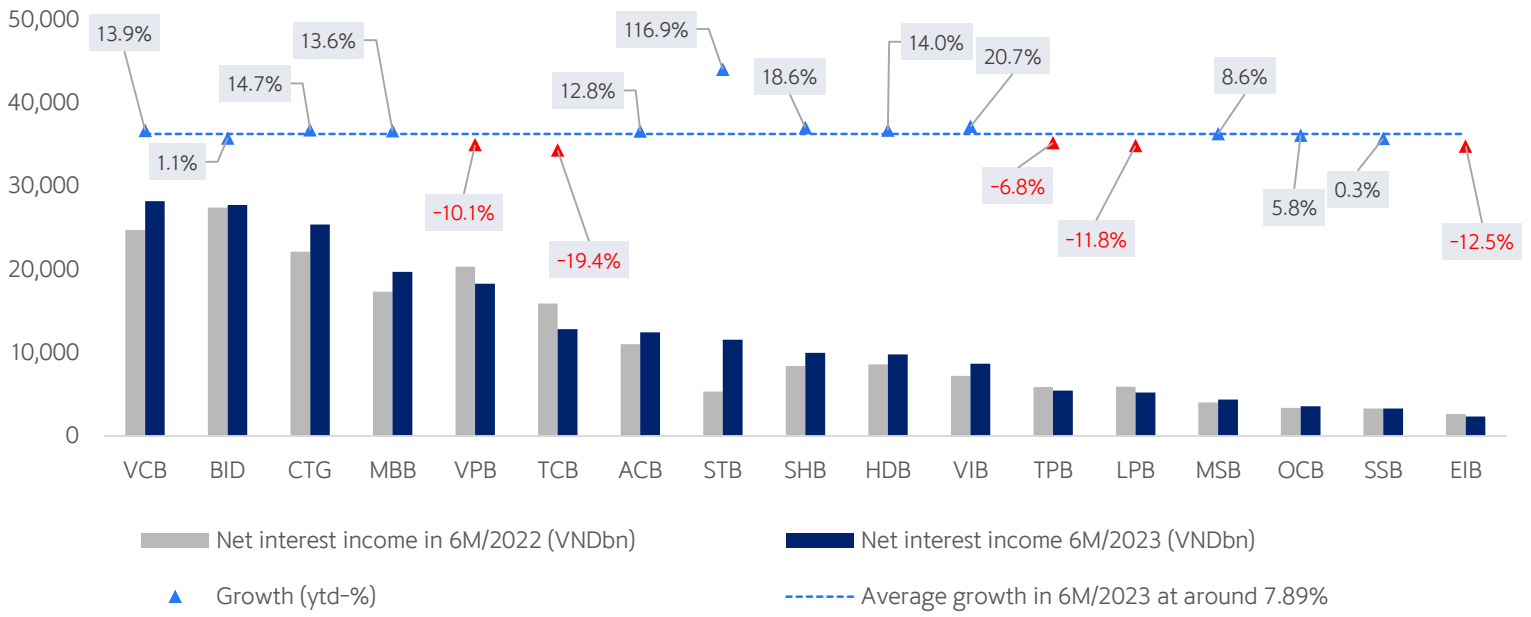
Source: SBV, Fiinpro, Shinhan Securities Vietnam

- After a period of active operations on the open market, the bank's system liquidity has returned to normal. With the short term typical of OMO operations, the Government and State Bank debt balances of commercial banks listed on HOSE have simultaneously decreased deeply (on average at -82.21% compared to the end of Q4.2022).
- In September, the State Bank conducted many treasury bill auctions to temporarily absorb money from the commercial banking system. In our opinion, reduce excess system liquidity and the desire to control exchange rates in the last couple months of the year when imports begin to increase again are the main reasons leading to this decision.

Part 2.1 – The bank's main business segment slowed down

Net interest income of banks increased more slowly than the same period

Net interest income of banks listed on HOSE in 6M2023



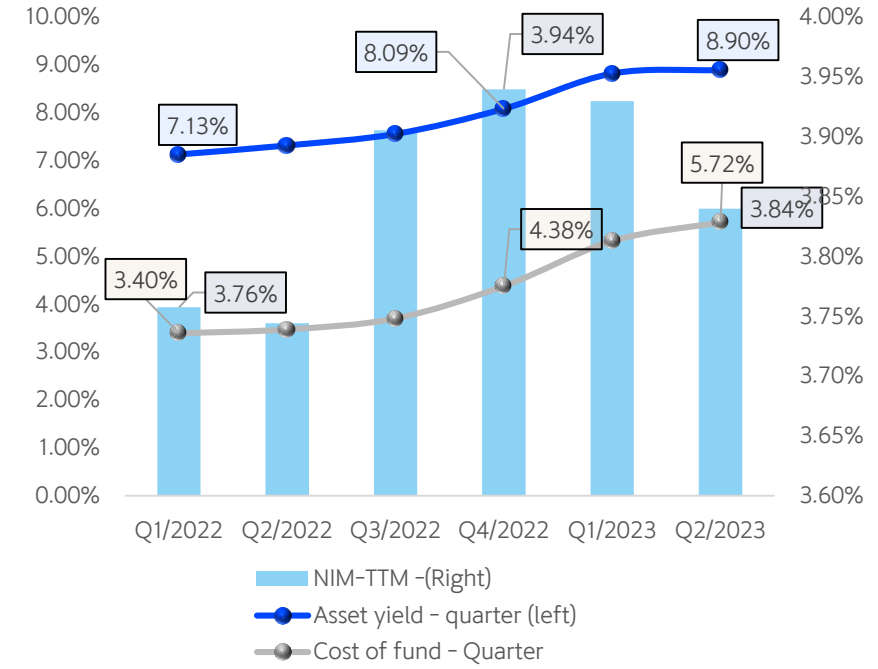
Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam

- Net interest income in 6M/2023 of the banking group listed on HOSE grew at a much slower rate compared to the same period in 2022. More specifically, net interest income in 6M/2023 reached an average increase of about 7.89% (compared to 17.46% of 6M/2022). This low growth comes from low credit growth and shrinking NIM.
- TCB has the largest decrease in net interest income in 6M/2023 due to the sharp decline in demand deposits (CASA). In addition to TCB, VPB, TPB, LPB and EIB are also banks with negative net interest income growth in 6M/2023. The increase in deposit interest rates and the decrease in CASA caused the bank's average capital cost to increase, affecting the bank's main operations.

Part 2.1 – The bank's main business segment slowed down

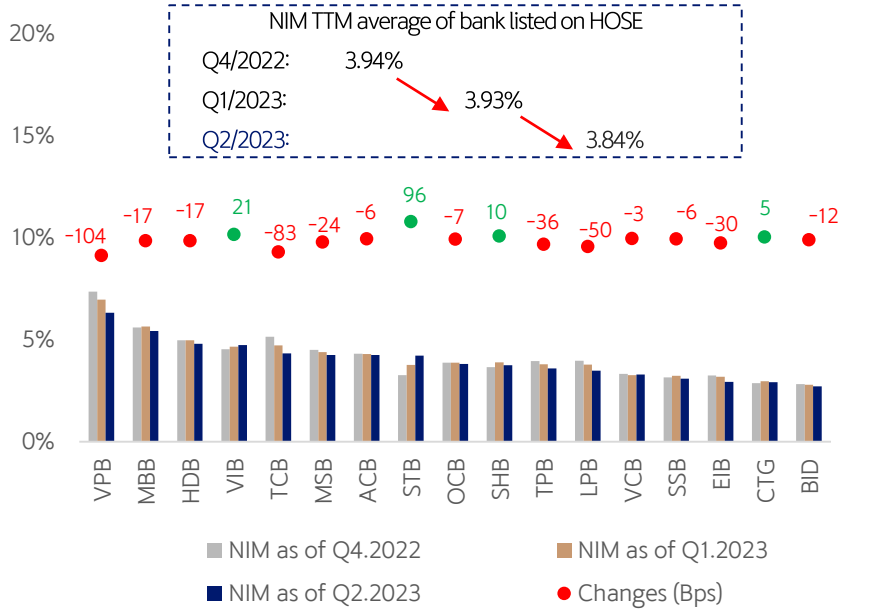
Cost of capital rose and NIM narrowed

Asset yield (IAE), Cost of capital (COF), Net interest margin (NIM) of banks on HOSE in end of Q2.2023



Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam

Net profit margin (NIM) – TTM



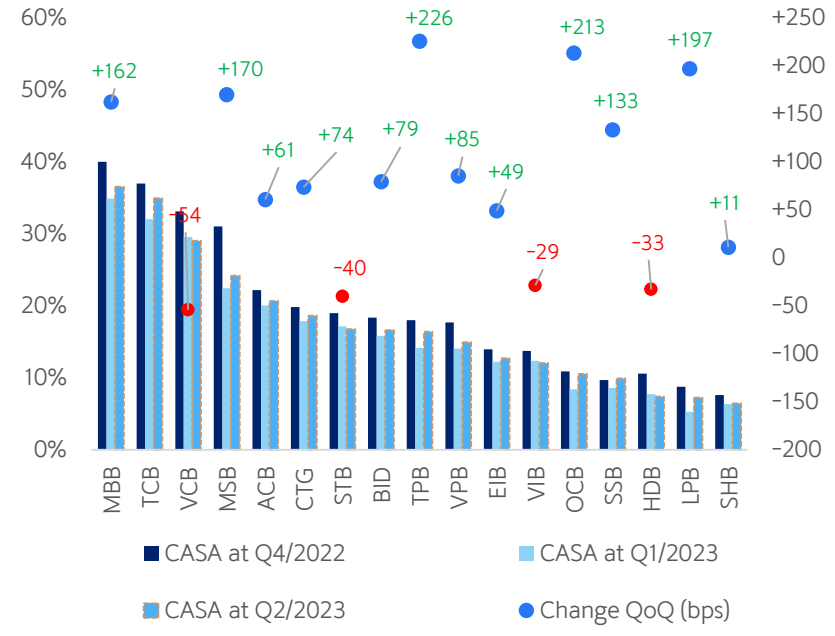
Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam

- COF of the banking group listed on HOSE increased from 4.38% at the end of Q4/2022 to 5.72% at the end of Q2/2023 and IAE meanwhile increased lower from 8.09% at the end of Q4/2022 to 8.90% at the end of Q2/2023. With the increase in lending interest rates slower than capital mobilization costs, the NIM of most banks has been narrowed substantially.
- The average NIM of this banking group decreased from 3.94% at the end of Q4/2022 to 3.84% at the end of Q2/2023. Most banks recorded a decrease in NIM in business results in the first 6 months of 2023 except VIB, STB, SHB and CTG.

Part 2.1 – The bank's main business segment slowed down

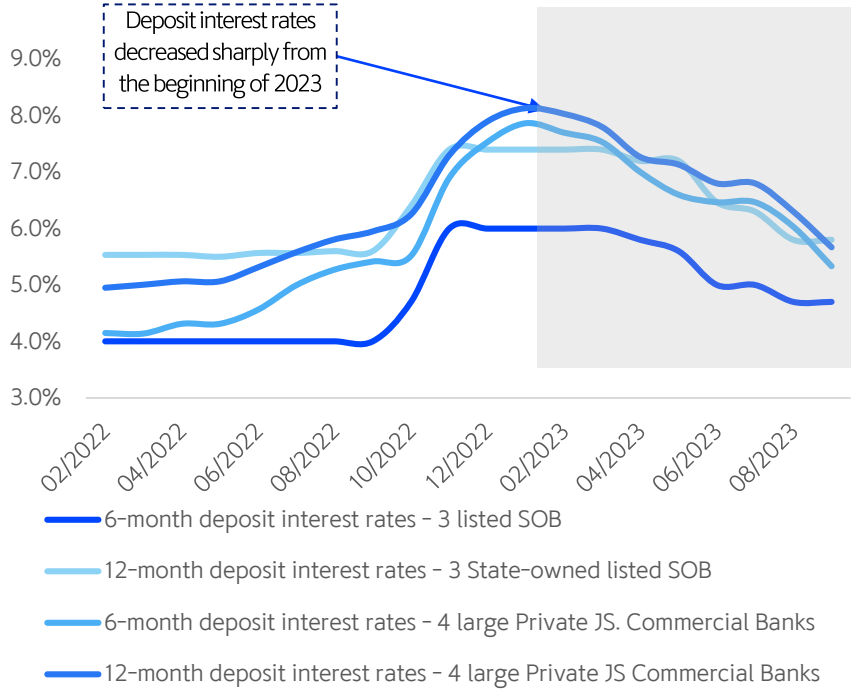
CASA has recovered slightly, although it is still worse than at the end of 2022

CASA of banks by the end of Q2/2023



Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam

Deposit rates of banks trending down (%)



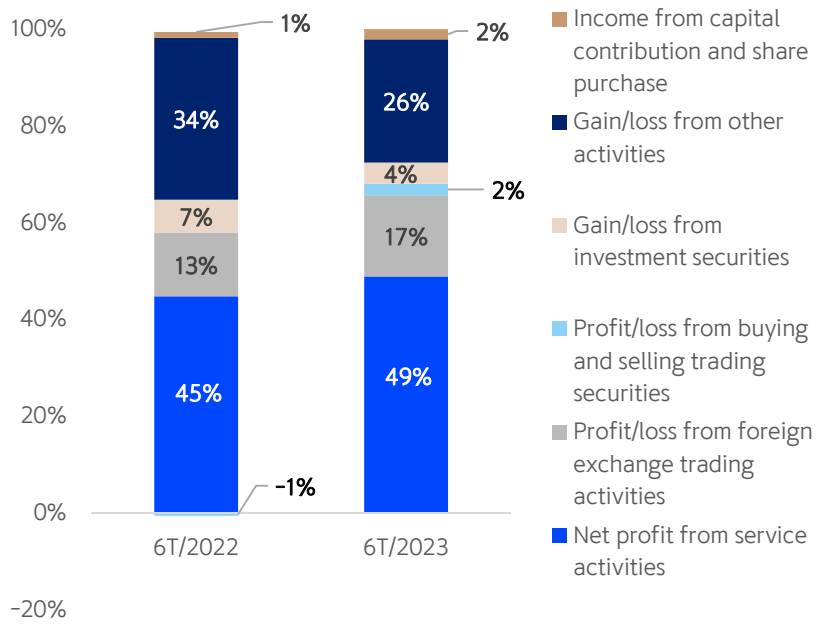
Source: Website các ngân hàng, Shinhan Securities Vietnam

- Deposit interest rates, after many cut decisions, have gradually returned to the base interest rate of the first half of 2022. Deposit interest rates for 6–12 month terms dropped to around 4.7–5.7%/year (large decrease compared to the peak rate of around 6.0–8.3%)
- With deposit interest rates falling sharply and no longer as attractive as at the beginning of the year, the CASA ratio of this banking group has shown signs of recovery. On average, the CASA rate at the end of Q2/2023 increased by 53bps compared to the average rate at the end of Q1/2023 (although still down 240bps compared to the end of 2022).

Part 2.1 – The bank's main business segment slowed down

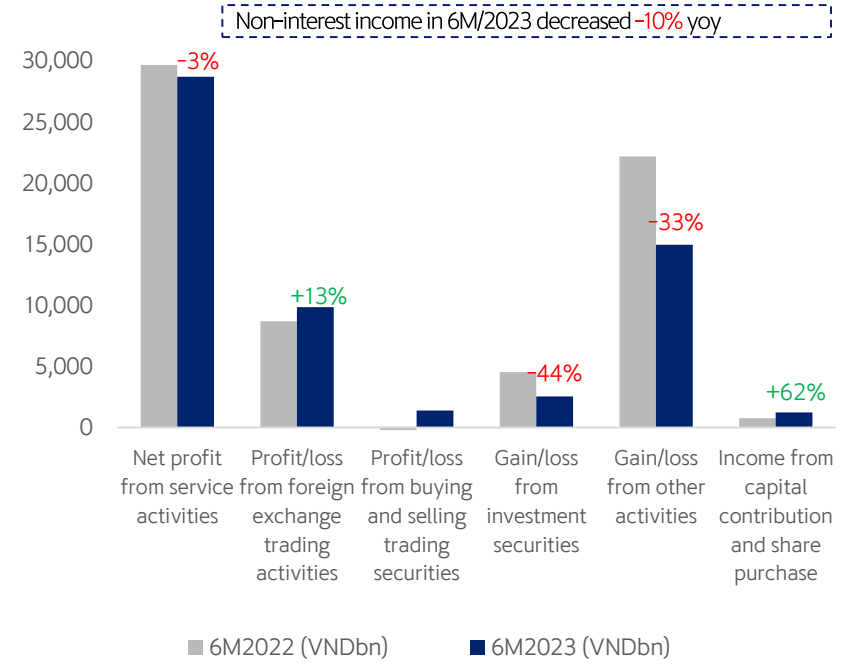
The bank's non-interest income decreased slightly

Structure of the bank's non-interest income on HOSE at the end of Q2/2023



Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam

Divergence among non-interest incomes segments in 6M2023



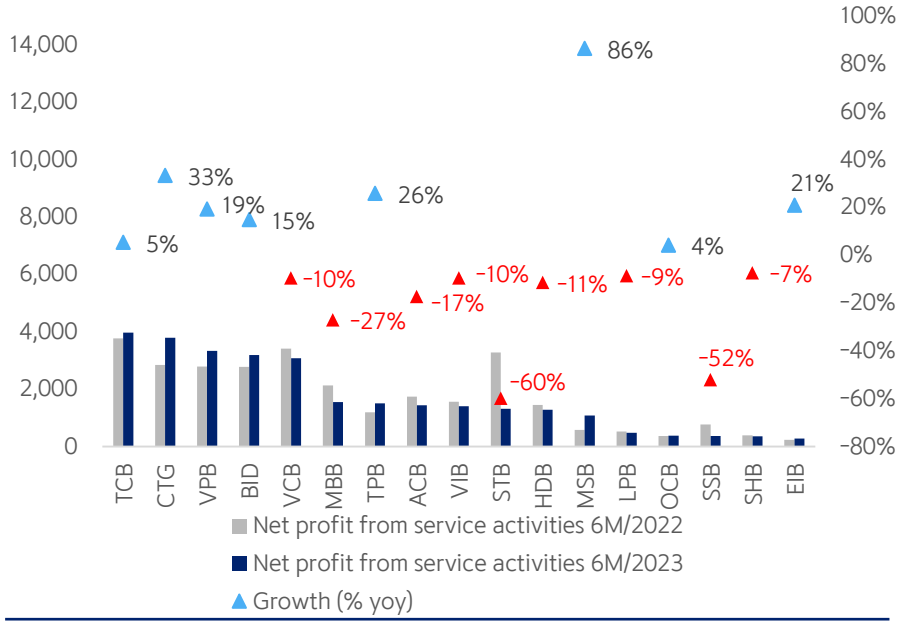
Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam

- Non-interest structure of banking stocks listed on HOSE 6M/2023 with nearly 50% contribution from service activities and fee income. In the first 6 months of 2023, service income, other income and investment securities income witnessed negative growth compared to the same period in 2022. Meanwhile, the stock market rebounded from the bottom, helping the trading income of banks. Trading securities of the banking group from loss to profit in 6M/2023. Foreign exchange business also had good growth, about 13% over the same period last year.

Part 2.1 – The bank's main business segment slowed down

The bank's fee income faces many obstacles

Bank fee income in 6M/2023 (VNDbn)



Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam

The insurance industry was negatively affected in 6M/2023

6M2023	Fee revenue (VNDbn)	Growth (%)
Insurance premium revenue	**112,741**	**-5.0%**
Non-life insurance premium revenue	34,910	1.3%
Life insurance premium revenue	77,831	-7.9%
Life insurance	**Proportion**	**Growth (%)**
New contracts	**100%**	**-31.3%**
Investment-linked insurance products	61.20%	-34.4%
Unit-linked insurance products	16.20%	-52.5%
Term insurance products	30.70%	-17.6%
Mixed insurance products	0.70%	-48.9%
Remaining products	7.40%	-44.9%

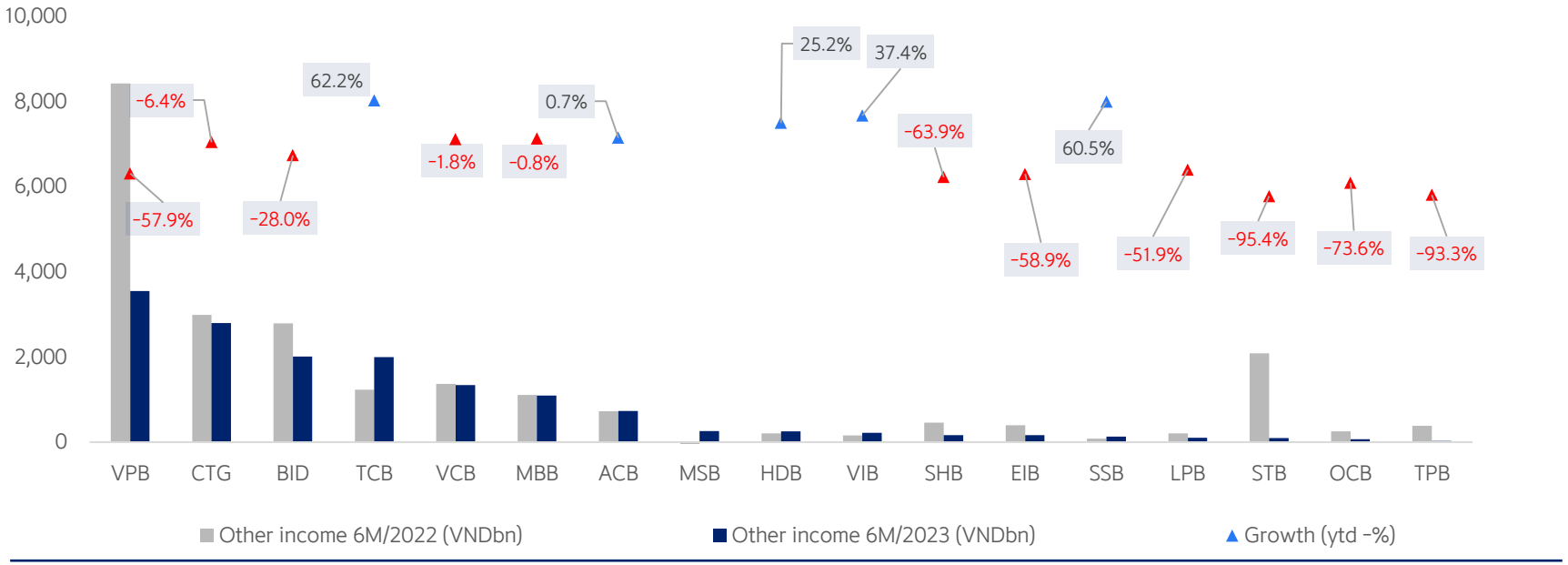
Source: AVI, Shinhan Securities Vietnam

- Fee income of banks listed on HOSE in 6M/2023 decreased slightly -3.3% over the same period (in 6M/2022 increased at 11.02%). The slowdown in fee income has a significant contribution from insurance-related fee income. At the beginning of 2023, many problems related to life insurance and investment-linked products have negatively affected market sentiment, causing this service segment to have negative growth in banks.
- The bright side of the service segment comes from card and payment services. The banks in our research all grew well. According to SBV, non-cash payments increased by more than 51% in volume in the first 7 months of 2023. Domestic credit cards increased by 42.5% over the same period.

Part 2.1 – The bank's main business segment slowed down

Other income lacks many one-off incomes

Other income of banks decreased sharply in 6M/2023



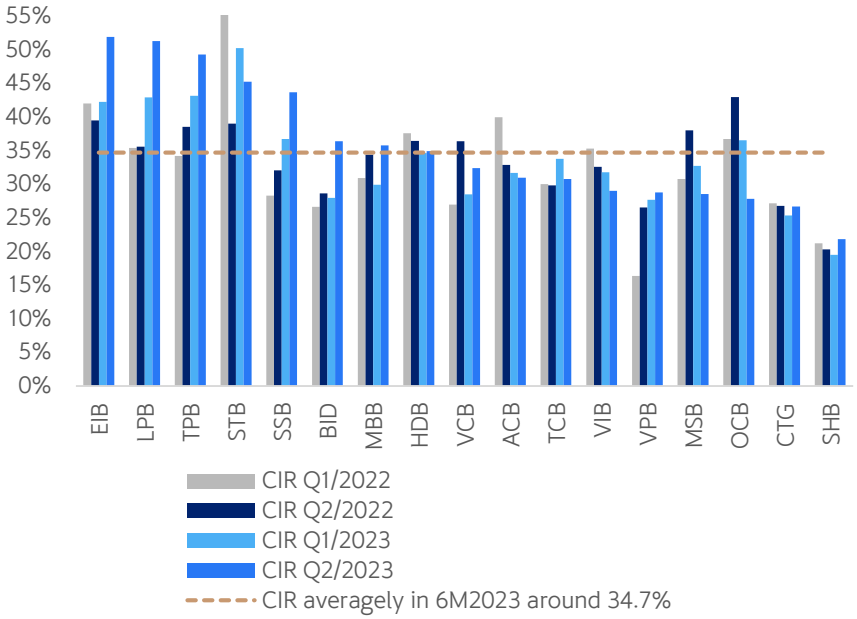
Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam

- The bank's other income decreased on average by more than -32.5% in 6M/2023 compared to the same period. Most notable is VPB. Compared to the same period, this bank recorded a Bancasurance prepayment fee of more than VND 5,000 billion in Q1/2022 and caused 6M/2023 income to drop deeper than 57.9%. STB in the same period had other income of nearly VND 1,500 billion from liquidation of fixed assets. On a more positive note, TCB sold its old headquarters building in Hanoi, helping bring this bank VND 1,700 billion, other income increased by more than 62% yoy.
- The decline in other income comes from a number of factors such as while compared to the same period in 2022 there were exclusive Bancasurance deals such as VPBank with AIA Vietnam or CTG with Manulife Vietnam, the first half of 2023 with difficulties from the life insurance market has had no significant exclusive deals signed. In addition, difficult business conditions also contribute to make it more challenging for banks to resolve debt, handle risks, and liquidate assets.

Part 2.1 – The bank's main business segment slowed down

The bank controls operating costs in the context of slow income growth

CIR is strictly controlled by the bank in 6M/2023



Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam

The operating efficiency of banks decreased slightly in 6M/2023

MCK	ROE TTM in Q4/2022 (%)	ROE TTM in Q2/2023 (%)	Change (bps)
ACB	26.49%	25.16%	-133
BID	19.09%	19.57%	+48
CTG	16.74%	15.95%	-79
EIB	15.40%	12.57%	-283
HDB	22.21%	21.09%	-112
LPB	22.08%	15.94%	-614
MBB	24.61%	23.23%	-138
MSB	18.96%	17.78%	-118
OCB	14.91%	16.53%	+162
SHB	19.65%	18.27%	-138
SSB	16.32%	13.14%	-318
STB	13.83%	17.50%	+367
TCB	19.52%	15.68%	-384
TPB	21.50%	19.79%	-171
VCB	23.99%	23.57%	-42
VIB	29.75%	28.84%	-91
VPB	19.14%	11.25%	-789
Average	**20.25%**	**18.58%**	**-167**

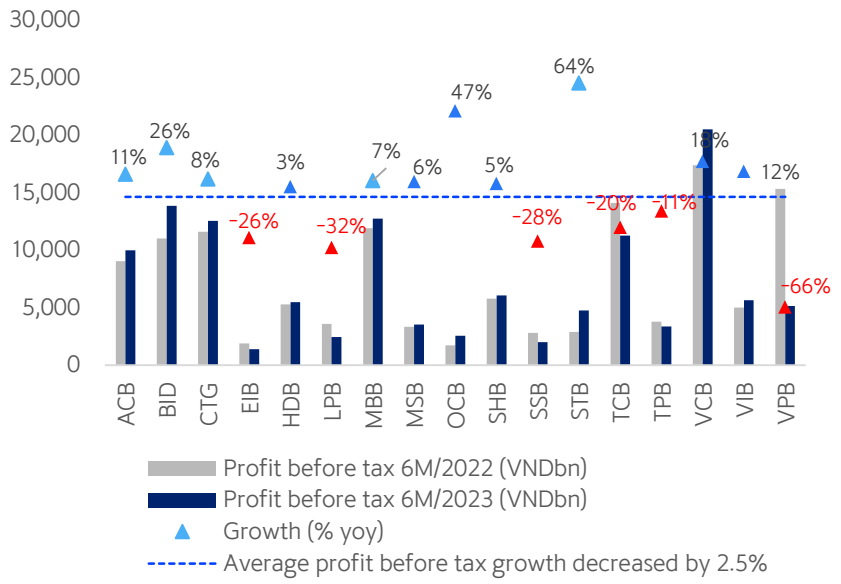
Source: Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam

- We estimate the average CIR of banks in 6M/2023 at 34.7%. In the context of slowing industry growth, the banks in our research all showed efforts to control operating costs to maintain the CIR ratio at a reasonable level.
- Bank performance ROE of the entire industry decreased from 20.25% in Q4/2022 to 18.58% in Q2/2023, a decrease of 167 bps. BID, OCB and STB are the few banks that improved their ROE in 6M/2023. The remaining banks all recorded a decrease in operating efficiency.

Part 2.1 – The bank's main business segment slowed down

Pre-tax profit decreased slightly but in line with the bank's forecast

The bank's profit before tax in 6M/2023



Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam

Profit before tax compared to banks' target plans for 2023

Stock	PBT 6T/2023 (VNDbn)	PBT plan for 2023 (VNDbn)	% target
ACB	9,989	20,058	50%
BID	13,862	26,461 *	52%
CTG	12,531	24,088 *	52%
EIB	1,405	5,000	28%
HDB	5,484	13,197	42%
LPB	2,446	6,000	41%
MBB	12,735	26,100	49%
MSB	3,548	6,300	56%
OCB	2,560	6,000	43%
SHB	6,073	10,600	57%
SSB	2,016	5,600	36%
STB	4,755	9,500	50%
TCB	11,272	22,000	51%
TPB	3,383	8,700	39%
VCB	20,499	42,973 *	48%
VIB	5,642	12,200	46%
VPB	5,162	24,003	22%
Total	**123,364**	**268,780**	**46%**

Source: The banks' resolutions, Shinhan Securities Vietnam

* BID, CTG set PBT growth target around 10-15%, VCB's target from 15%. These numbers are calculated by 15% growth.

- In terms of PBT, the banking group listed on HOSE recorded a negative growth of -2.5% yoy in 6M/2023 (compared to an increase of 34.5% yoy as of 6M/2022). PBT of 6M2023 decreased slightly due to many factors including: weak credit growth, narrowing NIM, weak growth in non-interest income, lack of one-time upfront payment income from bancassurance contracts, provisioning costs increased due to non-performing loan pressure.
- However, leaders of banks have also anticipated the difficult situation of 2023, the target plan approved at the AGM from the beginning of the year is more cautious than the previous year. Overall, this group of listed banks after 6 months reached 46% of the yearly plan. With the economic situation showing many signs of improvement, the ability to achieve the yearly target plan is possible for most banks.

2.2

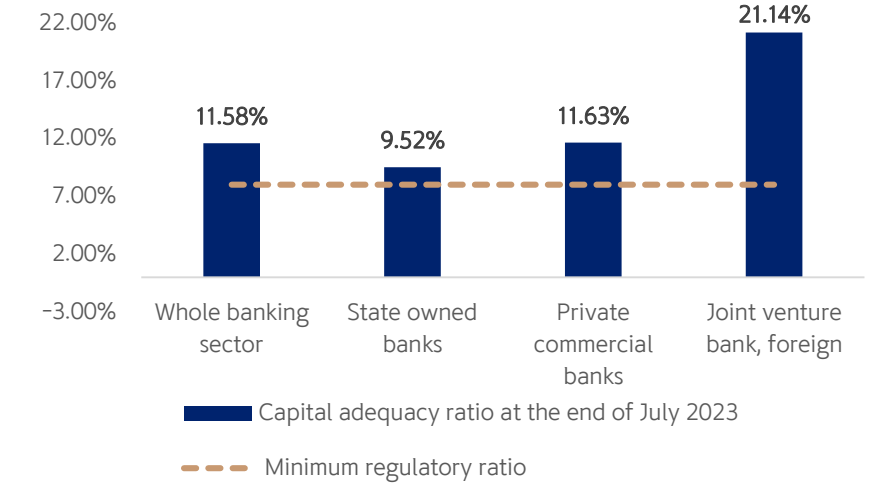
Bank asset quality declined

The banking group on HOSE simultaneously showed a decline in asset quality. The Non-performing loan ratio increased in all banks in this group, and the provision buffer has also become much thinner compared to the end of 2022.

Part 2.2 – Bank asset quality declined

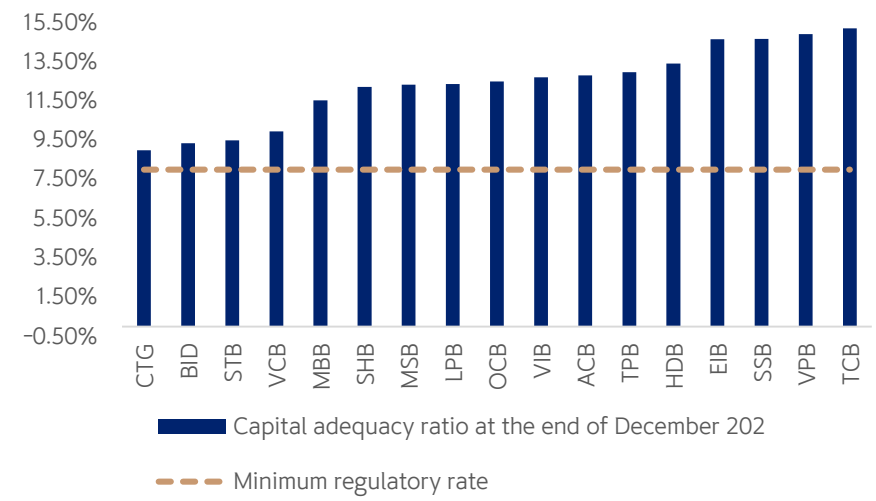
Capital adequacy ratio improved in large banking group

Capital adequacy ratio (CAR) of the entire banking system at the end of July 2023



Source: SBV, Shinhan Securities Vietnam

The bank's capital adequacy ratio on HOSE at the end of December 2022



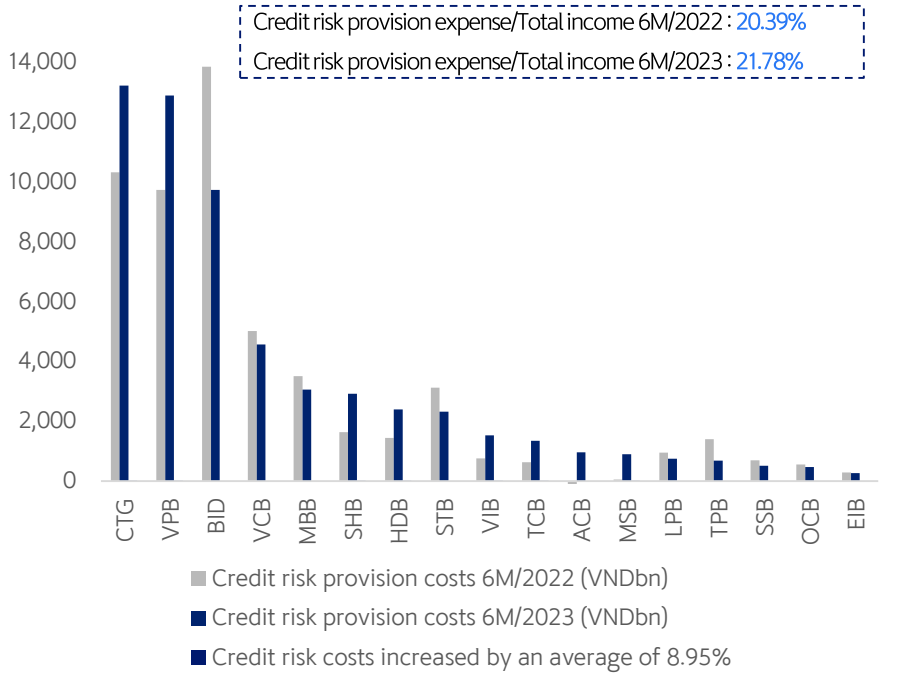
Source: SBV, Shinhan Securities Vietnam

- The capital adequacy ratio in general does not change much compared to the end of 2022. Considering the whole system, the capital adequacy ratio reaches 11.58%, higher than the 8% requirement of the State Bank of Vietnam.
- In which, the group of State-owned banking group has the lowest capital adequacy ratio, reaching about 9.52% (a slight increase from 9.04% from the end of 2022). The group of private commercial banks decreased slightly from 12.29% to 11.63%.
- Beside the state-owned banking group, STB is also a bank with a low capital adequacy ratio compared to the industry average. It is expected that after successfully completing the restructuring project (expected by the end of 2023), this bank will increase charter capital to improve this ratio.

Part 2.2 – Bank asset quality declined

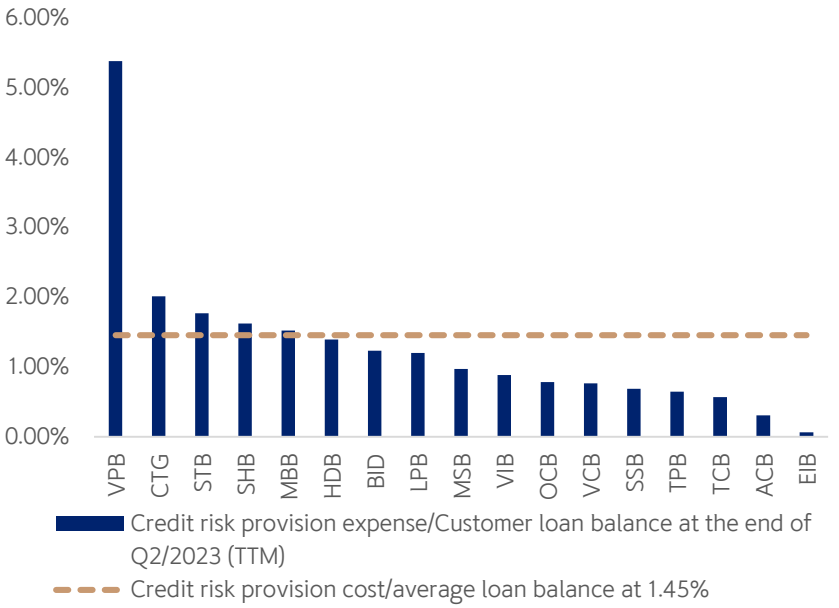
Provision costs continue to increase due to Non-performing loan pressure

The bank's provisioning costs in 6M/2023



Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam

Provision expenses TTM/customer loan balance in Q2/2023



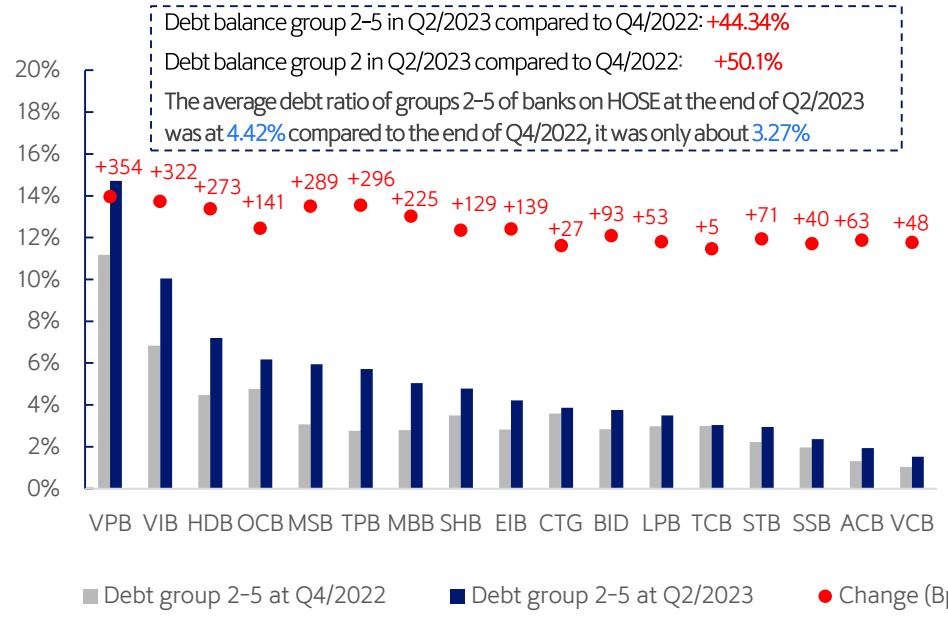
Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam

- With the bank's total operating income growing less positively in 6M/2023, along with increasing pressure from non-performing loan, credit risk provision costs/Total operating income increased from 20.39% to 21.78%. In absolute terms, credit risk expense increased by an average of 8.95% in the first 6 months of the year. The credit expense increase is lower than the increase in NPL group. Banks, especially banks with good provision buffers, have taken advantage of this to limit recording provision costs during the period.
- Provisioning costs/average loan balance have no change compared to the end of 2022, remaining at 1.45%. VPB with its consumer credit subsidiary Fe Credit is the bank with the highest ratio of provisioning expenses/consolidated loan balance among the group of 17 banks listed on HOSE.

Part 2.2 – Bank asset quality declined

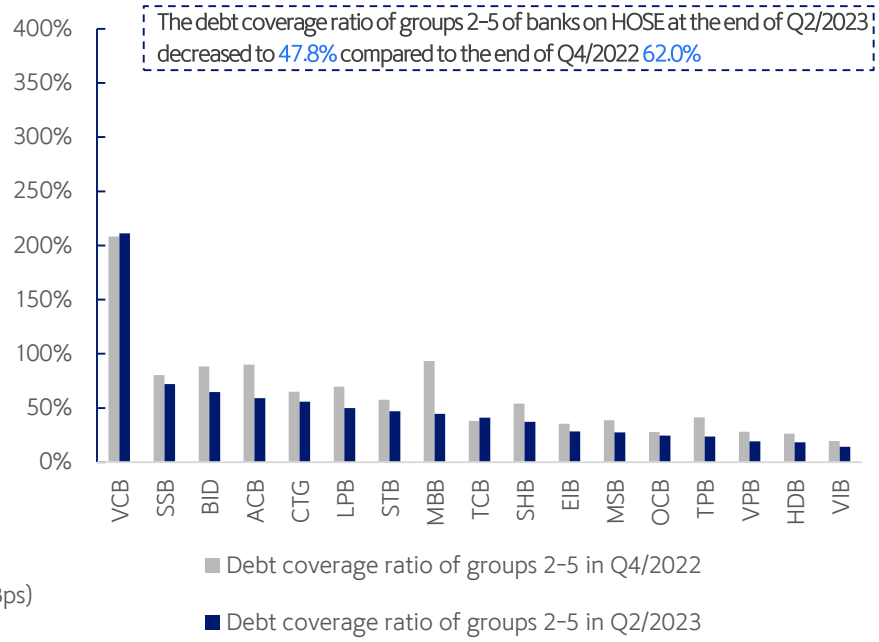
Group 2 debt increased rapidly, banks' NPL ratio was still under pressure in short term

Outstanding debt in group 2-5 at banks on HOSE at the end of Q2/2023



Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam

Debt coverage ratio of group 2-5 of banks on HOSE at the end of Q2/2023



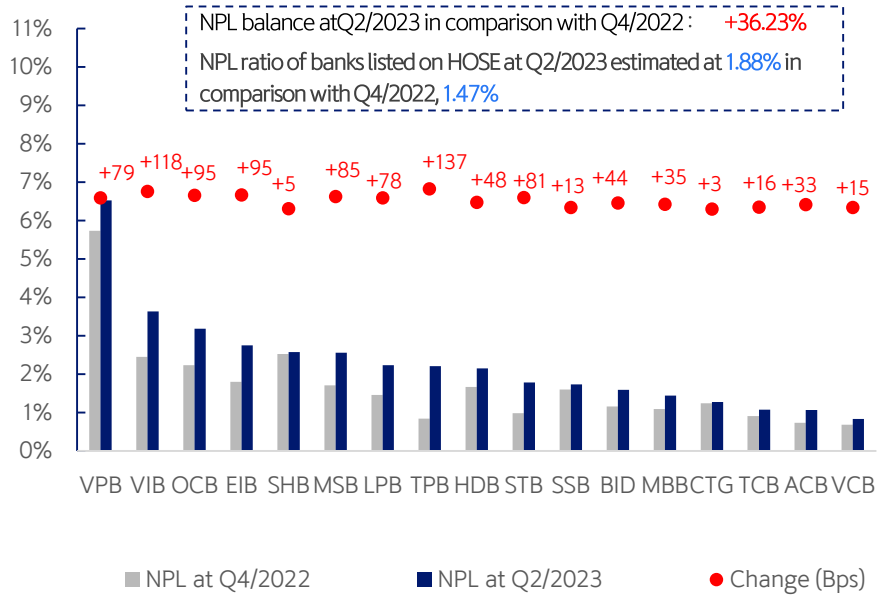
Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam

- In the debt structure of banks, group 2 outstanding debt at the end of Q2/2023 increased sharply by about 50.1% compared to the end of 2022. We forecast this upward trend to continue to put pressure on NPL of the bank in the following quarters before showing signs of recovering in 2024.
- The coverage ratio of debt groups 2-5 at the end of Q2/2023 is only at 47.8% compared to 62.0% at the end of 2022. VCB stands out the most with the debt coverage ratio of groups 2-5 reaching more than 208%, this is the only bank with a ratio of over 100% among the group of banks on HOSE.

Part 2.2 – Bank asset quality declined

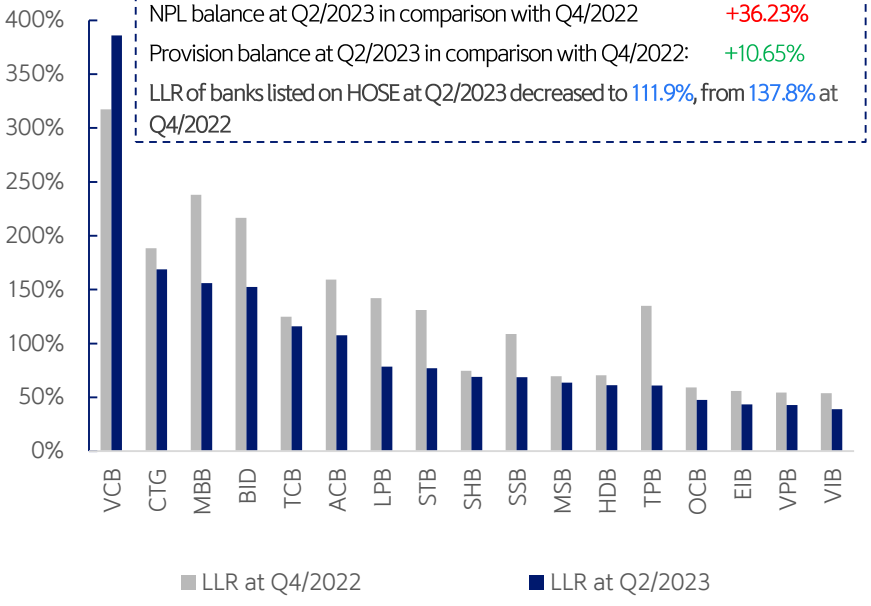
Group 2 debt increased rapidly, banks' non-performing loan ratio was under increasing pressure

Non-performing loan (NPL) of banks on HOSE at the end of Q2/2023



Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam

Loan loss coverage ratio (LLR) of banks on HOSE at the end of Q2/2023



Source: Fiinpro, Financial statement of banks, Shinhan Securities Vietnam

- With decreasing consumer demand, affected export orders, lack of positivity in the real estate market along with rising interest costs, NPL ratio of banks listed on HOSE increased from 1.47%. by the end of 2022 to 1.89% by the end of Q2/2023. NPL of all 17 banks at the end of the second quarter of 2023 all increased simultaneously.
- The loan loss coverage ratio (LLR) of banks has also thinned substantially, from an average of 137.8% at the end of Q4/2022 to about 111.9% at the end of Q2/2023. However, overall, the LLR buffer currently remains well above 100%. The group of banks with low provision buffers such as VIB, VPB, EIB, OCB,... face pressure to record large provision expenses during their business period.

2.3

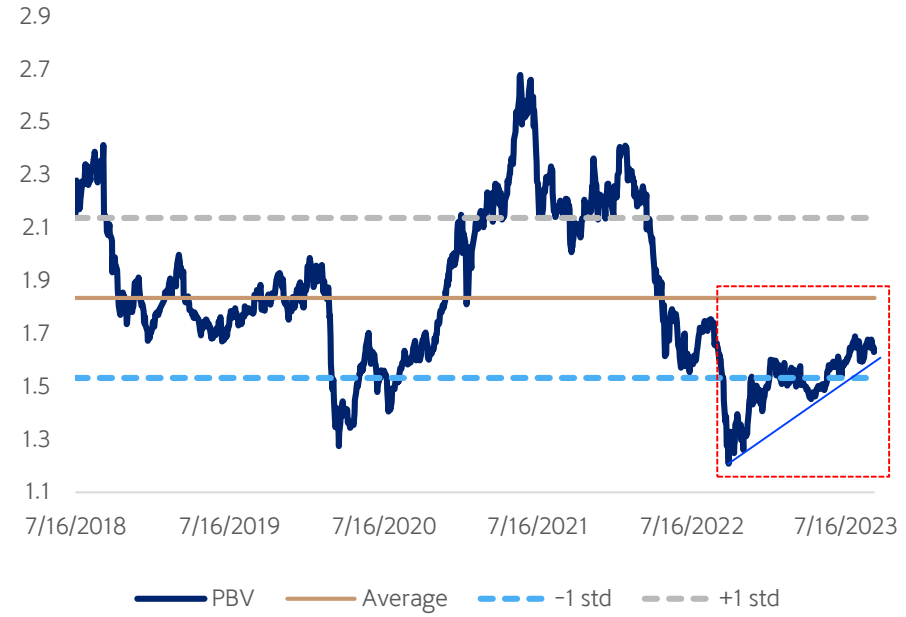
Banks' valuation is still in attractive territory

Although the current P/B valuation of banks listed on HOSE has increased to some extent compared to the end of 2022, it is still lower than the average valuation of the most recent 5 years.

Part 2.3 –Banks' valuation is still in attractive territory

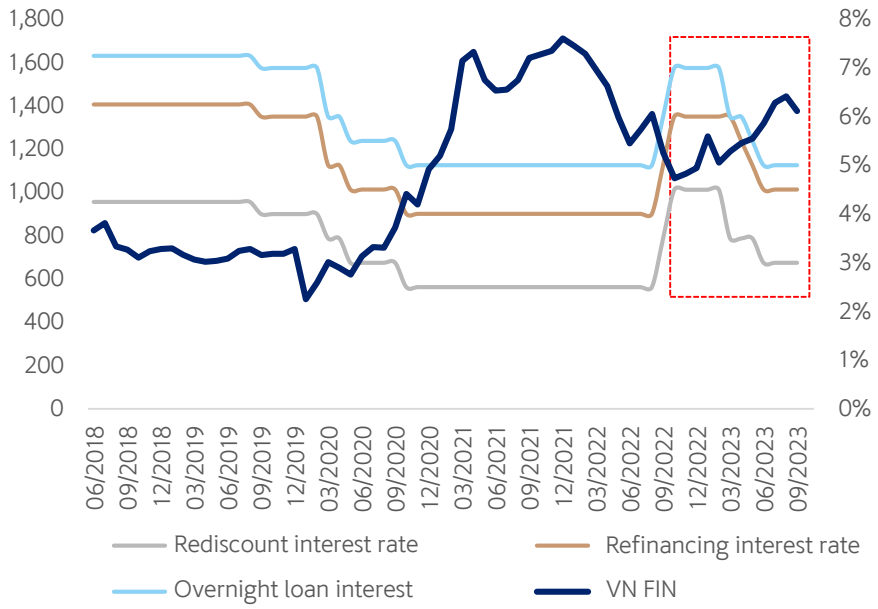
Banks' valuations are still lower than the average of the last 5 years

Valuation of banks on HOSE (P/B)



Source: Bloomberg, Shinhan Securities Vietnam

Policy interest rate and VN FIN index



Source: SBV,Fiinpro , Shinhan Securities Vietnam

- Based on Bloomberg data, the banking group's valuation has improved and currently traded at Price-to-Book around 1.65x, up from 1.5x at the end of Q1/2023. However, the valuation of the entire banking industry is still around -1 standard deviation below the 5-year-average (1.83x).
- The reduction of policy interest rates and the reduction of deposit interest rate ceilings for many months have helped the valuation level improve, but cautious sentiment is still present when pressure on non-performing loans, slow credit growth and the economy in general still faces many obstacles in short term.

2.4

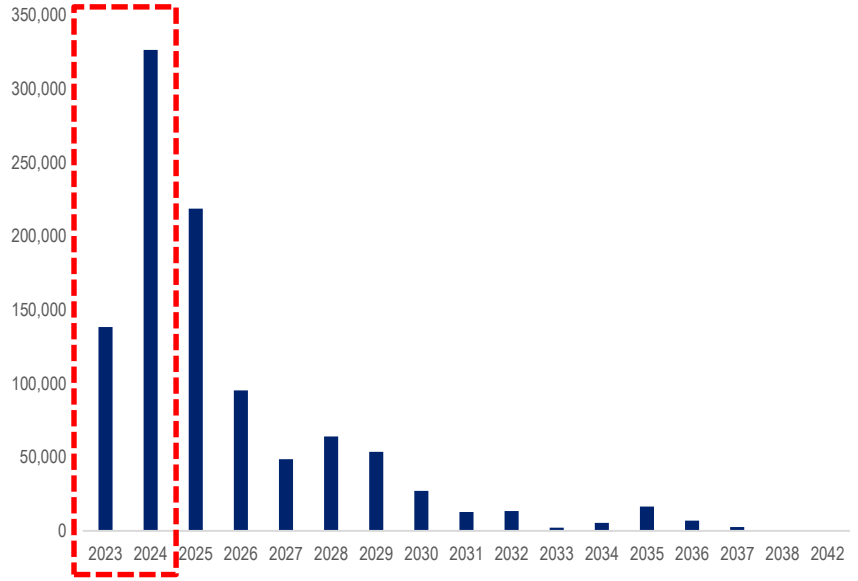
Risks from the corporate bond market still exist

Decree 08/2023/ND-CP allows issuers to negotiate with bondholders to postpone debt repayment periods and change some bond terms, helping a large number of corporate bonds to be extended by 12 months - 24 months. With bond value largely concentrated in 2024, this will continue to be an issue that needs attention in the near future.

Part 2.4 – Risks from the corporate bond market still exist

Corporate bond risks are concentrated at the end of 2024

Corporate bonds by maturity date updated at the end of June 30, 2023 (VNDbn)



Source: HNX, Shinhan Securities Vietnam

Value of corporate bonds maturing in 2023-2024 (VNDbn)



Source: HNX, Shinhan Securities Vietnam

- According to updated data at the end of June 30, 2023, the value of outstanding bonds is estimated by us to be about 1,043 trillion VND. This number has been additionally adjusted for bonds that have delayed bond interest payments or successfully extended their maturity date.
- The value of outstanding bonds maturing is largely concentrated in the period 2023-2024, with our estimate at about 481 trillion VND (accounting for about 46.1% of the total bond value of the entire market). With the value of corporate bonds largely focused on maturing in the next 1-2 years, we believe that pressure will remain high even though many businesses have successfully negotiated to extend debt repayment time – usually around 12-24 months compared to the original term.
- Corporate bonds, especially real estate businesses, have been extended until the end of 2024, but if the real estate market does not recover and bring positive operating cash flow, the NPL of the banks could be affected negatively.

03

Many positive trends await in 2024

GDP growth in 2024 returns to 6% growth, credit growth reaches 13-14%. Pre-tax profits of banks listed on HOSE are expected to grow by 17%. The bank's valuation continues to be attractive in the long term.

Part 3 – Many positive trends await in 2024

Vietnam's economy is forecast by many parties to recover in 2024

Consensus projections of some economies around the world for the period 2023-2025

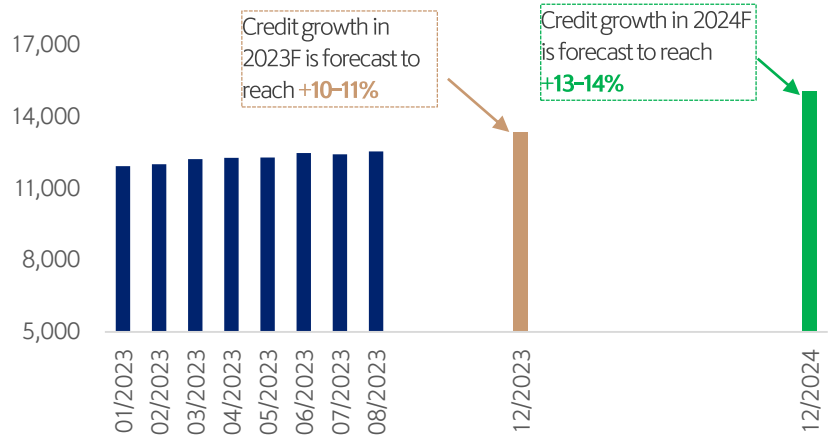
Index	Real GDP			CPI			Unemployment rate		
Country/year	**2023**	**2024**	**2025**	**2023**	**2024**	**2025**	**2023**	**2024**	**2025**
Vietnam	**5.0 %**	**6.4 %**	**6.7 %**	**3.0 %**	**3.0 %**	**3.5 %**	**2.4 %**	**2.4 %**	**2.8 %**
China	5.1 %	4.5 %	4.5 %	0.6 %	1.9 %	2.0 %	5.3 %	5.0 %	5.0 %
Hong Kong	4.0 %	3.0 %	2.9 %	2.0 %	2.2 %	2.3 %	3.1 %	3.0 %	3.0 %
India	7.0 %	6.1 %	6.3 %	6.6 %	5.4 %	4.6 %			
Indonesia	5.0 %	5.0 %	5.2 %	3.7 %	3.0 %	3.0 %	5.5 %	5.4 %	5.2 %
South Korea	1.2 %	2.2 %	2.5 %	3.4 %	2.2 %	2.0 %	2.9 %	3.2 %	3.3 %
Malaysia	4.0 %	4.5 %	4.5 %	2.9 %	2.5 %	2.2 %	3.5 %	3.3 %	3.3 %
Phillipines	5.2 %	5.8 %	6.1 %	5.6 %	3.2 %	3.1 %	5.0 %	5.0 %	5.0 %
Singapore	1.1 %	2.5 %	3.0 %	4.9 %	3.0 %	1.9 %	2.0 %	2.1 %	2.0 %
Taiwan	0.9 %	2.9 %	2.6 %	2.1 %	1.5 %	1.8 %	3.6 %	3.5 %	3.6 %
Thailand	3.0 %	3.6 %	3.1 %	1.8 %	2.0 %	1.6 %	1.1 %	1.1 %	1.1 %
USA	2.0 %	0.9 %	1.9 %	4.1 %	2.6 %	2.3 %	3.7 %	4.3 %	4.3 %
Japan	1.8 %	1.0 %	1.0 %	3.1 %	1.9 %	1.4 %	2.6 %	2.5 %	2.3 %
Euro	0.6 %	0.9 %	1.5 %	5.6 %	2.7 %	2.1 %	6.5 %	6.7 %	6.7 %
United Kingdom	0.3 %	0.5 %	1.5 %	7.5 %	3.0 %	2.0 %	4.1 %	4.5 %	4.2 %
Canada	1.4 %	0.8 %	2.0 %	3.8 %	2.4 %	2.0 %	5.4 %	6.1 %	6.2 %
Australia	1.5 %	1.5 %	2.2 %	5.5 %	3.2 %	2.6 %	3.7 %	4.5 %	4.6 %
Sweden	-0.5 %	0.6 %	2.0 %	8.4 %	2.8 %	2.0 %	7.6 %	7.9 %	7.7 %
New Zealand	0.7 %	1.0 %	2.3 %	5.4 %	2.7 %	2.1 %	3.8 %	4.9 %	5.0 %
Switzerland	0.8 %	1.3 %	1.6 %	2.3 %	1.5 %	1.4 %	2.1 %	2.2 %	2.1 %
Denmark	1.1 %	1.3 %	1.5 %	4.0 %	2.8 %	2.1 %	5.1 %	5.3 %	
Norway	1.2 %	0.9 %	1.4 %	5.7 %	3.0 %	2.3 %	3.6 %	3.7 %	3.4 %
Germany	-0.3 %	0.8 %	1.5 %	6.1 %	2.9 %	2.1 %	5.6 %	5.6 %	5.3 %
France	0.7 %	1.0 %	1.4 %	5.7 %	2.7 %	2.1 %	7.2 %	7.3 %	7.1 %
Italy	0.9 %	0.7 %	1.2 %	6.2 %	2.2 %	1.9 %	7.9 %	8.0 %	8.0 %

Source: Bloomberg Consensus, Shinhan Securities Vietnam

- We forecast that Vietnam's economy will witness recovery from many industry groups in the rest of the year, however we believe that Vietnam may only achieve growth of about **+5.0%** for the entire year 2023.
- The economy will rebound in 2024 and we forecast a return to growth **+6.0%,** similar to market consensus. CPI is controlled at a level **3%-3.5%** in 2024 in the context that many central banks in the world have reached the end of the cycle of increasing interest rates in the near future.

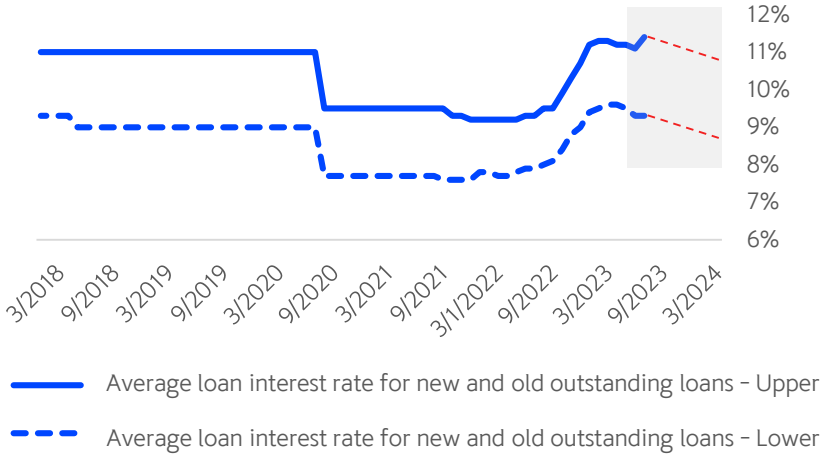
Credit growth in 2024 returns to 13–14%, lending interest rates continue to decrease

Credit of Vietnam's economy 2023–2024 (VND trillion)



Source: S&P Global PMI, Shinhan Securities Vietnam

Lending interest rates are expected to decrease in the near future

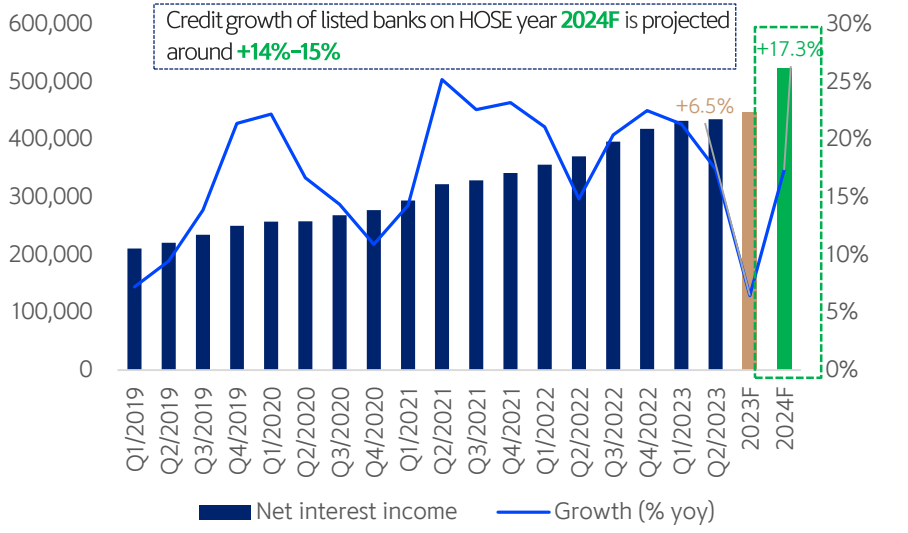


Source: GSO, Shinhan Securities Vietnam

- Based on our 2024 GDP growth forecast of about +6% YoY, the expected credit growth of the entire Vietnamese economy can reach about +13–14% YoY.
- The average lending interest rate until July 2023 remains high at 9.3–11.4%. Normally, there will be a certain delay in lending interest rate on the market because banks need to lower their capital costs before being able to adjust output interest rates to maintain NIM. We expect banks' capital costs will continue their downward trend and thereby create opportunities for banks to reduce lending interest rate by another 50–100 bps in the near future.

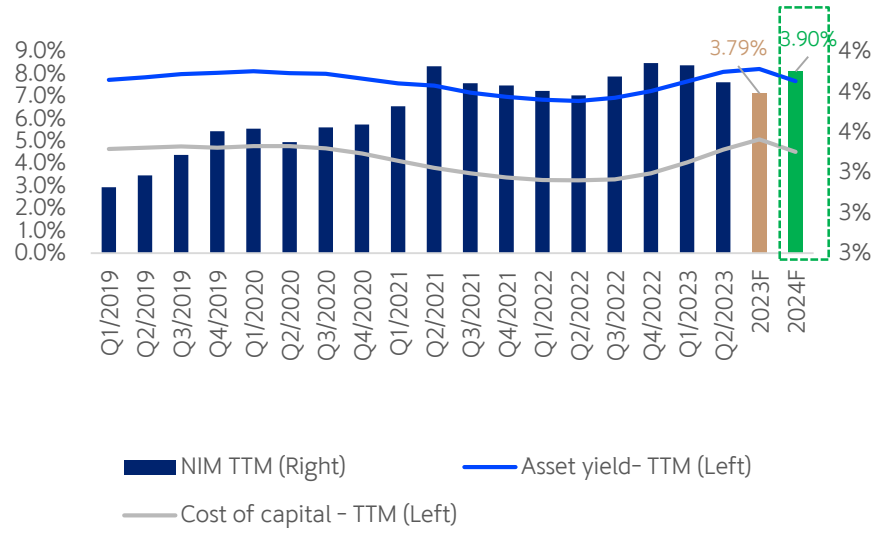
Slight improvement in NIM helps net interest income in 2024 grow by more than 17%

Net interest margin (NIM) for the period 2023F–2024F (%)



Source: Shinhan Securities Vietnam

Net interest income of the bank on HOSE (VNDbn)

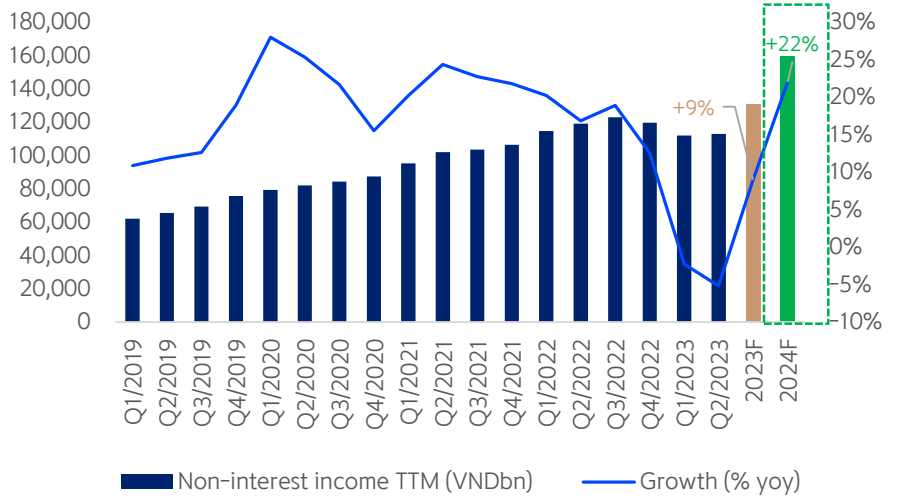


Source: Shinhan Securities Vietnam

- Commercial banks listed on HOSE usually have credit growth rates about 1.5% higher than the banking system average. With that assumption, we forecast that this banking group will have credit growth of about 14–15% in 2024.
- We expect NIM for the whole year 2023 to reach 3.75% before improving slightly to 3.90% in 2024. Along with the assumption of 14–15% credit growth, the bank's net interest income growth for 2 years 2023 and 2024 can reach 6.5% and 17.3% respectively.

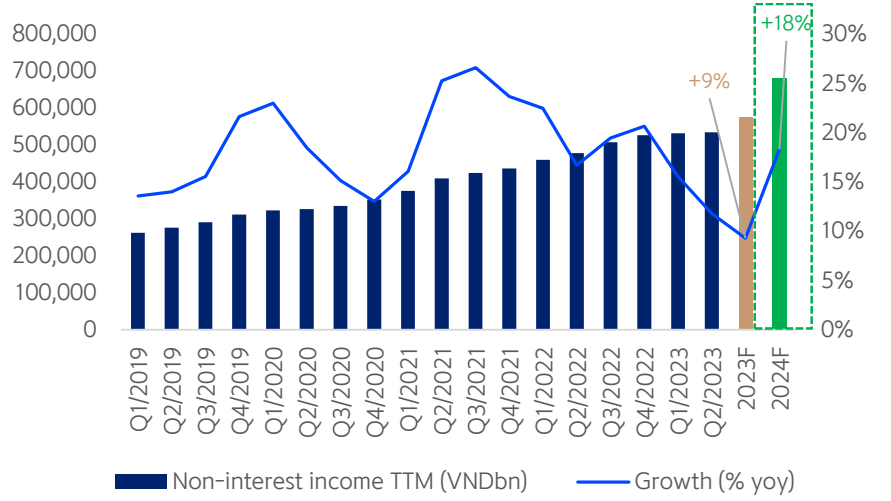
Non-interest income returned to growth after a year of slowdown

Non-interest income of the bank (VNDbn)



Source: Shinhan Securities Vietnam

Total operating income of the bank (VNDbn)

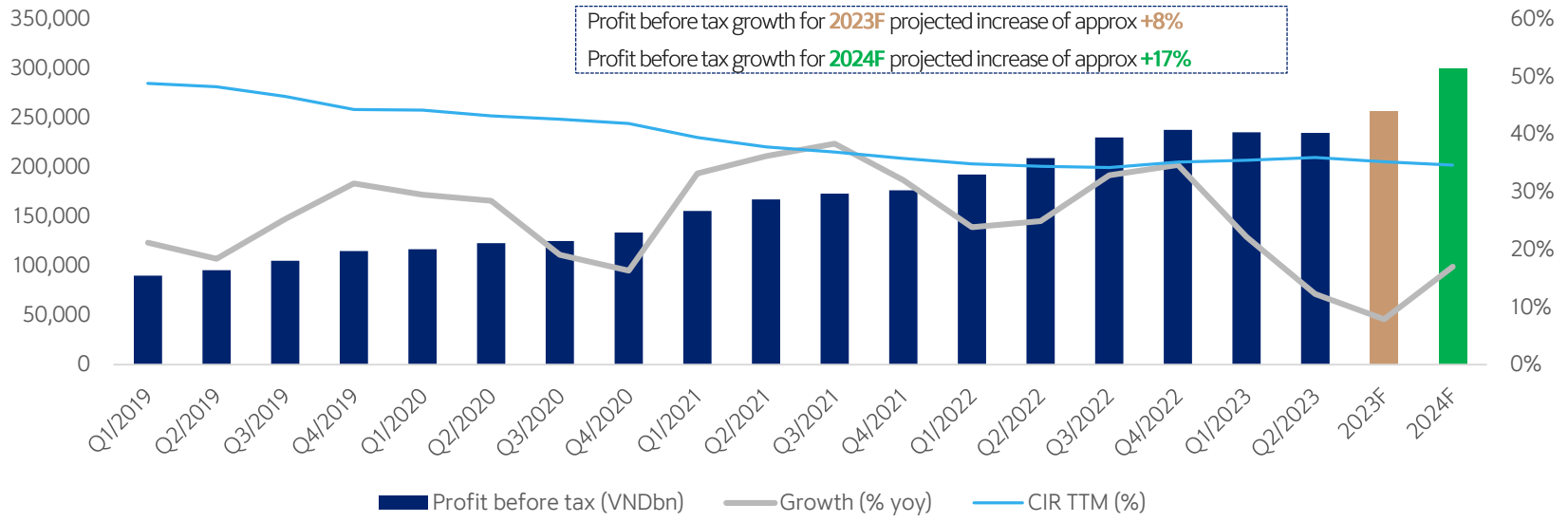


Source: Shinhan Securities Vietnam

- In 2023, with many difficulties from insurance, issuance consulting and asset handling and liquidation activities, we forecast that non-interest income may only increase by 9% over the same period. With low base of 2023, along with expectations of recovery from affected business segments, non-interest income of banks listed on HOSE in 2024 could grow by 22% yoy.
- The total operating income of this group of listed banks can achieve growth for 2023 and 2024 respectively at +9% and +18% yoy.

Pre-tax profit recovered thanks to many favorable factors

Profit before tax of banks (VNDbn)



Source: Shinhan Securities Vietnam

- With the assumption that the CIR of this banking group will remain at 35% for the whole year 2023 and decrease slightly to 34.5% in 2024 thanks to the return to growth of the banks' main business segment. Credit cost on average customer loan balance for 2024 is assumed to be 1.5%.
- Pre-tax profits of this banking group will increase +8% for 2023 and up +17% for 2024. The group of banking stocks with capitalization accounts for more than 36% of the entire market capitalization, with a forecast profit growth rate of nearly 20% in 2024, the valuation of not only the banking stocks group but also the whole VN-INDEX could positively elevated.
- Based on the above profit growth assumption, we forecast P/B Forward at the end of 2023 at 1.32x and 2024 at 1.07x. We consider banking stocks are in low valuation level and suitable for long-term investment strategies.

04 Potential bank stocks

ACB, STB, TCB, MBB – The recovery is gradually becoming clearer

Part 4 – Potential bank stocks

Ticker	Market cap (VNDbn)	Current price (VND)	Target price for 2024** (VND)	Upside (%)	Growth of NII 6T2023 (% YoY)	Growth of TOI 6M2023 (% YoY)	Growth of EBT 6M2023 (% YoY)	Asset/ Equity (x)	NIM (TTM)	NPL (TTM)	LLR (%)	CIR (TTM)	ROE (TTM)	P/B (TTM)
VCB	477,308	85,400	107,534**	25.9%	14%	10%	18%	13.4	3.3%	0.8%	385.8%	30.6%	23.6%	3.14
BID	213,470	42,200	58,310**	38.2%	1%	1%	26%	20.4	2.7%	1.6%	152.6%	34.6%	19.6%	1.95
VPB	137,925	20,950	27,670**	32.7%	-10%	-20%	-66%	6.1	6.3%	6.5%	43.0%	28.6%	11.3%	1.37
CTG	141,275	28,700	39,390**	37.2%	15%	16%	8%	16.7	2.9%	1.3%	168.9%	29.2%	15.9%	1.18
TCB	112,727	32,050	50,640**	58.0%	-19%	-11%	-20%	6.2	4.3%	1.1%	115.8%	33.9%	15.7%	0.93
MBB	94,636	18,150	30,053**	65.6%	14%	3%	7%	9.2	5.4%	1.4%	156.1%	32.6%	23.2%	1.15
ACB	84,672	21,800	31,800**	45.8%	13%	16%	11%	10.4	4.3%	1.1%	107.6%	37.4%	25.2%	1.35
SSB	60,116	24,500	N/A		0%	-16%	-28%	8.8	3.2%	2.2%	98.7%	40.3%	13.1%	2.17
STB	58,347	30,950	43,300**	39.9%	117%	20%	64%	15.3	4.2%	1.8%	77.1%	42.9%	17.5%	1.40
HDB	49,463	17,100	24,740**	44.7%	14%	13%	3%	10.7	4.8%	2.2%	61.3%	38.0%	21.1%	1.28
VIB	47,438	18,700	25,100**	34.2%	21%	18%	12%	10.5	4.7%	3.6%	39.1%	32.4%	28.8%	1.40
SHB	38,722	10,700	21,193*		19%	21%	5%	12.8	3.8%	2.6%	68.9%	22.3%	18.3%	0.81
TPB	36,987	16,800	20,967*		-7%	-7%	-11%	10.2	3.6%	2.2%	60.9%	43.0%	19.8%	1.19
LPB	35,167	13,750	13,724*		-12%	-14%	-32%	13.6	3.5%	2.2%	78.5%	42.8%	15.9%	1.20
EIB	29,682	17,050	20,251*		-12%	-15%	-26%	9.0	2.9%	2.7%	43.6%	50.7%	12.6%	1.39
MSB	27,226	13,850	22,800*		9%	23%	6%	8.0	4.3%	2.6%	63.8%	38.4%	17.8%	0.94
OCB	27,700	13,250	16,300*		6%	17%	47%	7.7	3.8%	3.2%	47.5%	32.5%	16.5%	1.00

Source: Bloomberg updated on October 06, 2023, Shinhan Securities Vietnam

* Based on Bloomberg Consensus data on 12-month target prices of many forecasters;

** The target price in this report is forecast by SSV based on business results in 2024.

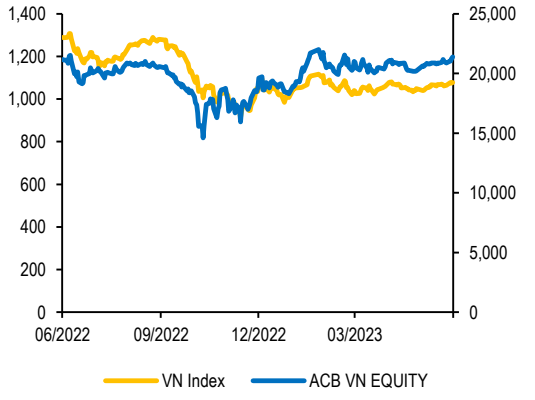
Asia Commercial Joint Stock Bank (HOSE:ACB)

ACB

Target price (year 2024)	**VND 31,800**
Current price (06/10/23)	VND 21,800
Upside (%)	45.8%

VNINDEX	1,129
PE market (23F)	12.3
Market cap (VNDbn)	87,197
Outstanding shares (shares mn)	3,884
Free Float (shares mn)	2,948
52-week high/low(VND)	24,400/ 15,174
Average trading volume 90 days (shares mn)	9.39
Average trading value of 90 days (VNDbn)	200
Beta	1.0
Major shareholder(%) DFHL	6.9
Major shareholder(%) Sather Gate	5

Performance	3T	6T	12M
Absolute (%)	-1.8	4.7	-2.9
Relative to VN-Index (%)	-5.7	4.9	13.4



Shinhan Securities

Bank maintains the top position in terms of asset quality

Asia Commercial Joint Stock Bank (ACB) has a strategic orientation as the leading retail bank in Vietnam. This is also a bank with a cautious development strategy, not investing in corporate bonds. In terms of asset quality, this bank is one of the pioneer banks to complete BASEL III standards. ACB has good credit growth and is increasingly perfecting its business model. We update ACB's valuation to increase compared to the most recent report due to the decrease of risk-free interest rate and the adjusted down risk premium along with a comparison base based on the business results of the whole year 2024, the target price of ACB for 2024 is at 31,800 VND.

Business results 6M/2023

ACB's credit growth improved positively compared to the negative growth result of 0.7% at the end of Q1/2023. Accumulated 6M2023, ACB's credit growth reached a rate of 4.91% ytd, higher than that of the industry. NIM TTM moved along with the industry downward trend, from 4.32% at YE2022 to 4.26% at the end of Q2/2023. According to ACB, the bank adjusted lending interest rates faster than the reduction in costs of fund, causing NIM to continue to shrink. ACB's net interest income in 6M/2023 reached VND 12,461 billion (+12.8% yoy).

ACB's non-interest income in 6M/2023 continues to show double-digit growth, 27.8% yoy. Although the fee income segment decreased by 17.7% yoy, the positive growth from trading securities, investment securities and FX trading activities helped non-interest income reach VND 3,483 billion. The bank's non-performing loan increased from 0.97% at the end of Q1/2023 to 1.06% at the end of Q2/2023, the bank's loan loss coverage ratio is currently at 108%. ACB's EBT in 6M/2023 reached VND 9,988 billion (+10.64% yoy) and reaching 50% of the whole year plan.

Investment thesis

- Being a conservative bank, ACB does not invest in corporate bonds and limit lending to real estate businesses. With nearly 95% being retail and small and medium enterprise loans, and 98% being secured loans, we highly appreciate ACB's asset quality. This is also a few in the banking industry with a non-performing loan ratio around 1%.
- Non-interest income maintains growth of more than 20%, supporting ACB's income growth when credit demand slows significantly in 2023. We expect profit growth in 2024 to recover thanks to increase of credit growth, NIM is expected to stop shrinking and the bank's fee income showed more positive growing sign from low base of 2023.

Forecast for 2023-24

- We forecast ACB to grow credit at 12% in 2023 and improve to 14% in 2024. The bank's NIM remains at 4.26% for 2024. ACB's profit before tax may increase slightly by about 8.9% in 2023 and 21% for 2024, reaching VND 18,627 billion and VND 22,553 billion, respectively.
- Risks: (1) Risk of economic recovery being slower than expected; (2) Non-performing loan risk increases; (3) Exchange rates put pressure on interest rates to increase again.

Year	2020	2021	2022	2023F	2024F
Net interest income (VND bn)	14,582	18,945	23,534	26,022	29,386
Net non-interest income (VND bn)	3,579	4,619	5,257	6,758	7,995
TOI (VND bn)	18,161	23,564	28,790	32,780	37,381
Profit before tax (VND bn)	9,596	11,998	17,114	18,627	22,553
Growth of PBT (%)	27.7	25.0	42.6	8.9	21
P/E (x)	6.9	6.9	6.0	5.1	4.3
P/B (x)	1.5	1.5	1.4	1.1	1.0
ROE (%)	24.3	23.9	26.5	23.8	24.8

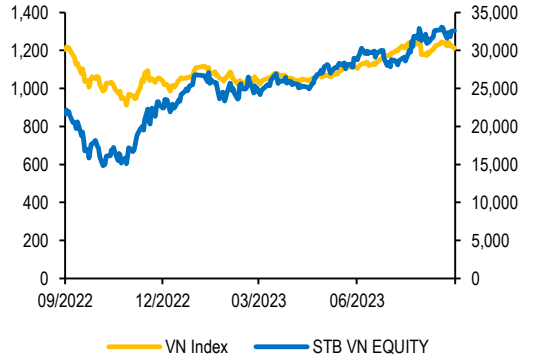
Source: Bloomberg, Shinhan Securities Vietnam

Saigon Thuong Tin Commercial Joint Stock Bank (HOSE: STB)

Sacombank

Target price (year 2024)	**VND 43,300**
Current price (06/10/23)	VND 30,950
Upside (%)	39.9%
VNINDEX	1,129
PE market (23F)	12.3
Market cap (VNDbn)	61,458
Outstanding shares (shares mn)	1,885
Free Float (shares mn)	1,758
52-week high/low(VND)	33,250/ 14,050
Average trading volume 90 days (shares mn)	21.05
Average trading value of 90 days (VNDbn)	691
Beta	1.2
Major shareholder(%) Mr. Dương Công Minh	3.3
Major shareholder(%) CTBC Vietnam Equity fund.	2.2

Performance	**3T**	**6T**	**12M**
Absolute (%)	12.4	30.1	45.2
Relative to VN-Index (%)	3.8	14.2	47.0



Shinhan Securities

Growth expectations after restructuring

Saigon Thuong Tin Commercial Joint Stock Bank (STB) is in the group of private joint stock commercial banks with a large credit market share. STB participates in the restructuring project after the merger of Phuong Nam Commercial Joint Stock Bank. VAMC bonds from the merger has significantly affected STB's business results in the period 2016-2022. However, 2023 may be the final year of the restructuring project and this will help the bank grow strongly in the 2023-2024 period. With the residual income valuation method and P/B ratio, we value STB's 2024 price at VND 43,300.

Business results 6M/2023

Sacombank's credit growth reached nearly 5%, interest income in 6M/2023 reached 11,588 billion VND (+117% yoy). However, STB's non-interest income dropped sharply by nearly 67%. due to the decline in trust and agency services and this year did not record good amount related to liquidation of fixed assets. Overall, total operating income grew by more than 20% after 6 months of operation. The bank shares that it is still on schedule in making provisions related to VAMC, the cost of making provisions for credit risks after 6M/2023 is more than 2,300 billion VND and we expect STB to make a total provision of nearly VND 7,000 billion for 2023. STB's EBT after 6M reached a total of 4,755 billion VND, up 63.52% yoy and completing 50% of the whole year 2023 plan.

Investment thesis

- STB expects to auction and complete the disposal of shares of Mr. Tram Be's group and Phong Phu Industrial Park in 2023. Successful disposal of outstanding assets can bring extraordinary profits to STB, in addition to NIM of STB in 2024 can also be improved thanks to this capital source.
- STB will also make full provision for VAMC bonds, about VND 8,000 billion in 2023. With full provision for VAMC bonds, STB will no longer be under pressure to make large provisions in 2024.
- After the restructuring project, STB has shared that it will pay dividends, increase charter capital and seek strategic partners in the near future.

Forecast for 2023-2024

- We forecast that STB's credit growth in 2023 will reach 9% over the same period, the Non-performing loan ratio maintains at 1.2%. STB's NIM continued to improve to 3.8%. STB's pre-tax profit grew at a high rate of more than 45% thanks to the completion of provision for uncollectible interest related to the restructuring project. With the completion of VAMC bond provisioning, credit growth reached 14%, NIM continues to expand, provisioning costs will decrease sharply, helping STB achieve +109% EBT growth for 2024.
- Risks: (1) Risk of economic recovery being slower than expected; (2) Non-performing loan risk increases; (3) Exchange rates put pressure on interest rates to increase again

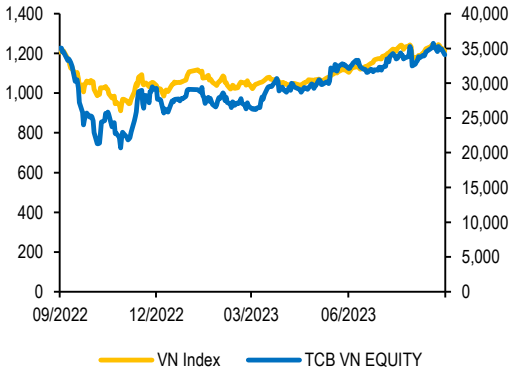
Year	2020	2021	2022	2023F	2024F
Net interest income (VND bn)	11,527	11,964	17,147	22,045	27,642
Net non-interest income (VND bn)	5,744	5,740	8,994	6,679	8,139
TOI (VND bn)	17,271	17,704	26,141	28,724	35,781
Profit before tax (VND bn)	3,339	4,400	6,339	9,147	19,150
Growth of PBT (%)	3.8	31.8	44.1	45.2	109
P/E (x)	17.6	13.8	9.3	8.7	4.3
P/B (x)	2.1	1.8	1.6	1.4	1.1
ROE (%)	9.6	10.8	13.8	17.2	28.9

Source: Bloomberg, Shinhan Securities Vietnam

Vietnam Technological and Commercial Joint Stock Bank (HOSE:TCB)

Target price (year 2024)	**VND 50,640**
Current price (06/10/23)	VND 32,050
Upside (%)	58.0%
VNINDEX	1,129
PE market (23F)	12.3
Market cap (VNDbn)	119,938
Outstanding shares (shares mn)	3,517
Free Float (shares mn)	2,714
52-week high/low(VND)	36,150/ 19,300
Average trading volume 90 days (shares mn)	5.33
Average trading value of 90 days (VNDbn)	187
Beta	1.3
Major shareholder(%) Masan	14.9

Performance	3T	6T	12M
Absolute (%)	4.8	28.0	-5.3
Relative to VN-Index (%)	-3.9	12.0	-3.5



Cost of capital is expected to improve sharply in the near future

Vietnam Technological and Commercial Joint Stock Bank construction, real estate and home loans will continue to be Techcombank's pillar areas in the future. This is also one of the banks that continuously invests heavily in digital banking services, thereby attracting many new customers to its platform. TCB Bank is currently one of the leading banks in the system with many important such as non-performing loan ratio, CASA or ROE. We update TCB's valuation in 2024 at VND 50,640 based on good business growth next year.

Updated business results 6M/2023

TCB's credit balance in 6M2023 increased by 9.7% compared to the end of 2022, customer deposit balance increased by 6.6%. Non-performing loan tends to increase but is still low compared to the whole industry, reaching only 1.07% at the end of Q2/2023. Accumulated 6M2023, TCB's net interest income was recorded at VND 12,822 billion (-19.4% yoy). TTM NIM continued to narrow to 4.33%. Meanwhile, non-interest income grew well at more than 15% (yoy) thanks to growth in card fees, payments and other income from selling investment real estate. CIR ratio has had positive developments, returning to 30.8%, from 41.9% at the end of 2022. Shrinking NIM and increased credit costs have caused TCB's EBT to reach VND 11,272 billion (-20.1% yoy), completing 51% of the profit plan for the whole year 2023.

Invesment thesis

- Savings deposit interest rates have decreased from the peak at the end of Q4 2022, and the proportion of banks' demand deposits has begun to increase. Accordingly, the bank's NIM will likely be stable for the rest of 2023 and progress to a slight recovery in 2024.
- Circular 03/2023/TT-NHNN and Decree 08/2023/ND-CP can help TCB's IB fee income segment to be less gloomy in the second half of 2023 and recover in 2024.
- With a heavy focus on real estate, the revised land law, housing law and real estate business law passed could mark a market recovery in the second half of 2024.

Forecast for 2023-2024

- We forecast that TCB's credit growth for the whole year 2023 will reach 14% and accelerate to 18% for 2024. The Non-performing loan ratio will be around 1-1.1%, NIM may reach 4.5% for the whole year 2023 and increase to 4.66% for 2024. EBT at the end of 2023-24 will reach VND 24,963 billion (-2.3% yoy) and VND 31,079 billion (+24.5% yoy) respectively.
- Risks: (1) Risk of slow economic growth/recession; (2) Non-performing loan risk increases; (3) The real estate market is slower to recover than expected

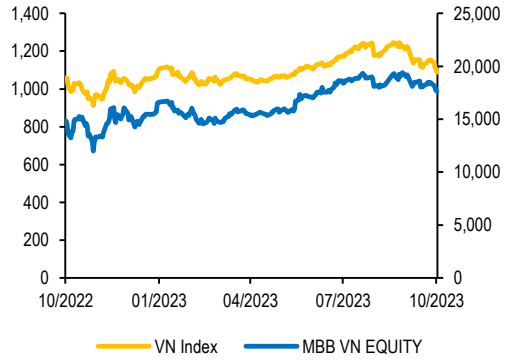
Year	2020	2021	2022	2023F	2024F
Net interest income (VND bn)	18,751	26,699	30,290	30,024	35,329
Net non-interest income (VND bn)	8,627	10,378	10,612	12,421	15,034
TOI (VND bn)	27,379	37,076	40,902	42,445	50,363
Profit before tax (VND bn)	15,800	23,238	25,568	24,963	31,079
Growth of PBT (%)	23.1	47.1	10.0	-2.3	25
P/E (x)	8.1	5.5	5.0	6.0	4.8
P/B (x)	1.4	1.1	0.9	0.9	0.8
ROE (%)	18.1	21.7	19.7	16.0	16.9

Source: Bloomberg, Shinhan Securities Vietnam

Military Commercial Joint Stock Bank (HOSE:MBB)

Target price (year 2024)	**VND 30,053**
Current price (06/10/23)	VND 18,150
Upside (%)	65.6%
VNINDEX	1,129
PE market (23F)	12.3
Market cap (VNDbn)	94,636
Outstanding shares (shares mn)	5,214
Free Float (shares mn)	3,050
52-week high/low(VND)	23,950/ 13,200
Average trading volume 90 days (shares mn)	11.1
Average trading value of 90 days (VNDbn)	188
Beta	1.3
Major shareholder(%) VIETTEL Group	14.1
Major shareholder(%) SCIC	9.4

Performance	**3T**	**6T**	**12M**
Absolute (%)	-4.1	12.1	16.0
Relative to VN-Index (%)	3.2	8.4	13.4



Good credit growth despite general market difficulties

Military Commercial Joint Stock Bank (MBB) has had many outstanding achievements in recent years, reflected in its asset quality, outstanding profitability, and high credit rating by rating agencies. international. MBB has a close relationship with military enterprises such as Viettel, Vinacomin, Vietnam Helicopter, etc., helping the bank's demand deposit ratio at the highest level in the whole system, thereby helping MBB control control capital costs more effectively. We update MBB's stock valuation this time at 30,053 VND, to reflect positive business results in 2023 and continued growth momentum into 2024.

Updated business results 6M/2023

MBB's 6M23 total credit grew (+10.6% YTD, net interest income and TOI increased by 13.5% and 2.8%YoY, respectively, recording at VND19,708.5 billion and VND23,490.5 billion. MBB's credit growth was led from customer loan increase, reached VND 518,071 billion at the end of Q2.23 (+12.5% YTD; 24.7% YoY). With a good growth rate, in July 2023, the bank was granted an additional credit room from SBV, with a new credit room limit of 24.5%. Net interest income in Q2/2023 reached VND9,481.4 billion (+5.7% YoY)., MBB's NIM TTM approximately at 4.94%. In contrast to the core business, non-interest income decreased by 7.7% YoY (mainly coming from the insurance fee, down 22.5% YoY), leading to total operating income only slightly increasing by +3% YoY, reaching VND 11,560.8 billion. In addition to good credit growth, profit MBB's 1H2023 profit was supported by a 12.8% YoY reduction in risk provision expenses (equivalent to a decrease of VND448 billion). MBB's accumulated 6M2023 PBT recorded VND12,735 billion (+7% YoY), on schedule of year target

Invesment thesis

- NPL ratio is expected to continue under control after Circular 02/2023/TT-NHNN was approved in April this year
- Receiving mandatory transfers and lending interest rates gradually cooling down support credit growth
- CASA leads the industry, keeping the cost of capital less volatile in the recent period, the bank's NIM remains at the top of the industry (only after VPB)

Forecast for 2023-2024

- We forecast that MBB's credit growth for the whole year 2023 will reach 18-20% and maintain this growth rate for 2024. The bad debt ratio is around 1.5%, NIM could reach 5.48% for the whole year 2023 and increase slightly to 4.51% for 2024. EBT for the period 2023-24 will reach VND 25,463 billion (+12.20% yoy) and VND 29,594 billion (+16.2% yoy) respectively.

Risks: (1) Risks of slow economic growth/recession; (2) Risk of NPL increases faster than expected; (3) the real estate market recovered more slowly than expected

Year	2020	2021	2022	2023F	2024F
Net interest income (VND bn)	20,278	26,200	36,023	40,964	47,537
Net non-interest income (VND bn)	7,084	10,735	9,570	7,433	10,829
TOI (VND bn)	27,362	36,934	45,593	48,397	58,366
Profit before tax (VND bn)	10,688	16,527	22,729	25,463	29,594
Growth of PBT (%)	6.5	54.6	37.5	12.03	16.22
P/E (x)	5.5	6.1	5.4	4.3	3.7
P/B (x)	1.0	1.1	1.1	0.9	0.7
ROE (%)	18.4	22.6	24.6	22.2	20.96

Source: Bloomberg, Shinhan Securities Vietnam

Appendix – Legal policy

Notable legal policies

Policy	Main content	Impact
Circular 22/2019/TT-NHNN	- According to regulations, the maximum ratio of short-term capital used for medium and long-term loans according to the roadmap will be from 34% to 30% on October 1, 2023.	Groups of private commercial banks with high ratio will need to restructure to meet the regulations of the circular.
Circular 06/2023/TT-NHNN and Circular 10/2023TT-NHNN	- Circular 06 tightens four additional capital requirements that cannot be loaned - Add capital usage plan in loan documents with home loan - Allows banks to lend to customers to repay loans at other banks - Circular 10/2023/TT-NHNN postpones the implementation of Clauses 8,9,10 in Article 8 of Circular 06/2023 to support the real estate market in the short term	- Tighter bank lending activities towards sustainable development - Allowing debt rollovers at banks helps banks be more competitive on loan interest rates - Postponement of implementation helps the real estate loan market to be able to carry out transactions as usual
Law on credit institutions (amended)	- Legalize non-performing loan handling policy - Tighter lending and share ownership - Additional regulations related to credit growth limits - Along with a number of other contents that are still in the process of getting feedback	Increase the safety of the credit institution system, helping management agencies manage more effectively
Amending Circular 41/2016/TT-NHNN	- Adjust credit risk coefficient for some loans - Reduce the risk coefficient to buy social housing and housing under state support programs and projects. Supplement regulations on security ratio and debt repayment ability ratio for social housing loans - Clarifying regulations to re-determine the security ratio (LTV) in real estate, adding regulations on exchange rates due to equity revaluation. The draft is still in the comment process	Encourage loan demand for real estate development projects, industrial park real estate, and social housing
Land law (amended) Real estate business law (amended) Housing law (amended)	- Synchronize planning and land use plans - Complete regulations on land allocation, land lease, and change of land use purpose - More specific regulations on compensation, resettlement support, and land recovery - Complete the mechanism for determining land prices according to market principles - Regulating higher tax rates for people with large areas of land, many houses, land speculation, slow use, and abandonment of landImprove legal regulations related to the real estate market	Helps remove overlapping bottlenecks, clears the source of land, helps stabilize social life, and adds motivation to the real estate market

Shinhan Securities

Real estate Industry

Entering a new cycle



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Content

Real estate Industry – Entering a new cycle

1. Overview and Update of The Real Estate Industry

   The Real Estate industry plays an important role in Vietnam's economy and has always been a field that strongly attracts foreign direct investment. The Real Estate industry contributes a large proportion to total credit and corporate bond debt. Real Estate market was negative in the first half of 2023 mainly due to the legal and capital issues.

2. Prospects of The Real Estate Industry in 2024

   Expect a recovery when (1) young population and income improving over the years, (2) infrastructure invested synchronously and widely, (3) economic growth in 2024 and (4) completed legal system are expected to promote Real Estate. However, risks still exist when some companies with large total payable cash flow in 2024.

3. Real Estate Stock Pick

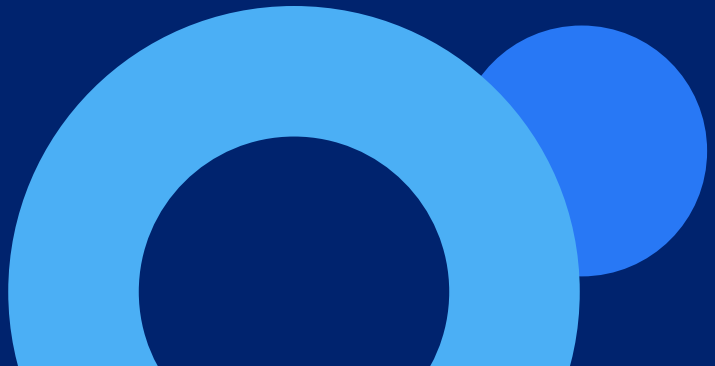
   VHM & NLG - New supply is the driving force for growth

4. Appendix

01

Overview and update on real estate industry

The Real Estate industry plays an important role in Vietnam's economy and has always been a field that strongly attracts foreign direct investment. The Real Estate industry contributes a large proportion to total credit and corporate bond debt. Real Estate market was negative in the first half of 2023 mainly due to the legal and capital issues.

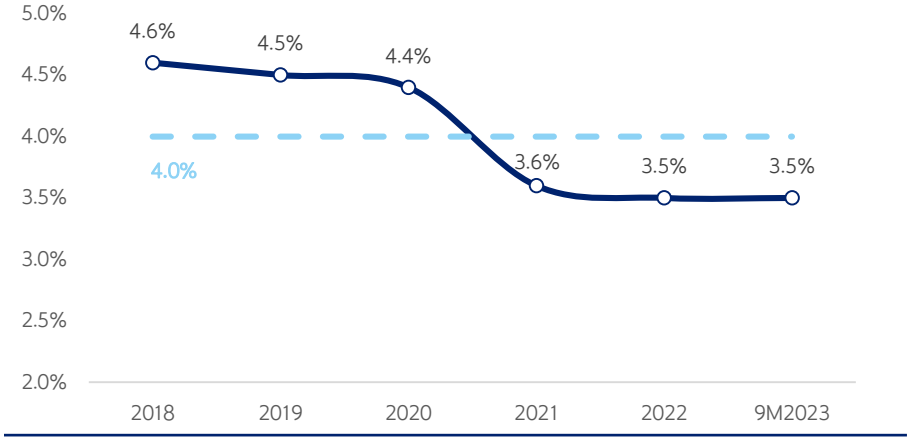


The Real Estate industry plays an important role in Vietnam's economy and stock market

– Real Estate industry accounts for an average of **4.0%** of Vietnam's total GDP in the period 2018–9M2023. Although the proportion is not large, the industry still plays an important role in Vietnam's economy due to the close connection and impact on the output of other industries in the value chain such as Construction (5.7% of GDP) or Banking and Finance (4.5% of GDP).

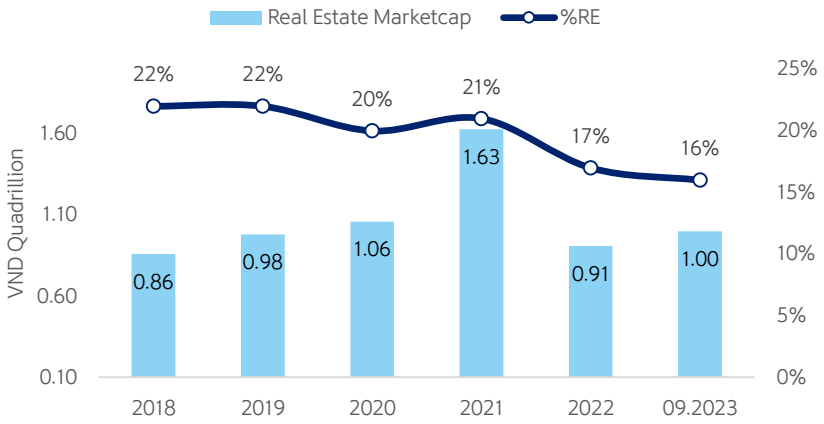
– In terms of scale in the stock market, Real Estate is currently the 2nd largest industry in terms of market capitalization, reaching more than **VND 1.0 quadrillion** as of September 2023, equivalent to **16%** of the total market capitalization of HOSE, HNX and UPCoM, ranked only behind the Banking industry (29% of total market capitalization).

Real Estate accounts for an average of 4.0% of Vietnam's GDP



Source: General Statistics Office, Shinhan Securities Vietnam

Contribution of Real Estate in total stock market capitalization



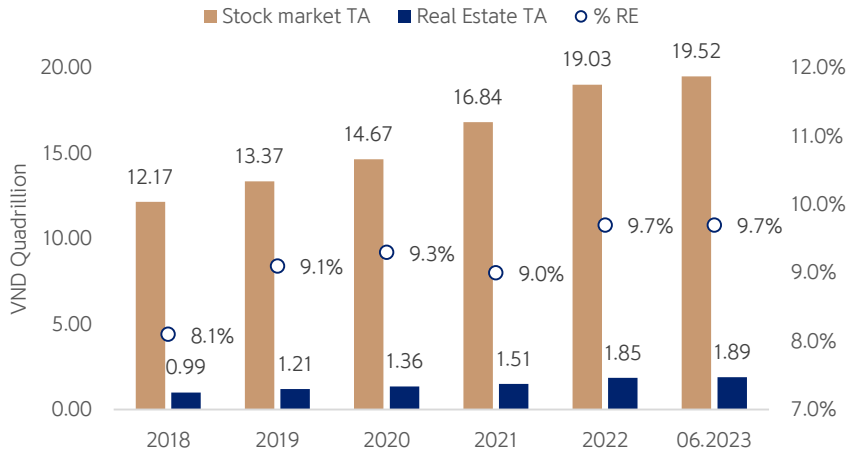
Source: FiinPro, Shinhan Securities Vietnam

The Real Estate industry plays an important role in Vietnam's economy and stock market

Total assets of the Real Estate industry as of June 2023 reached VND **1.89 quadrillion**, accounting for **9.7%** of the total assets of the entire Vietnam stock market.

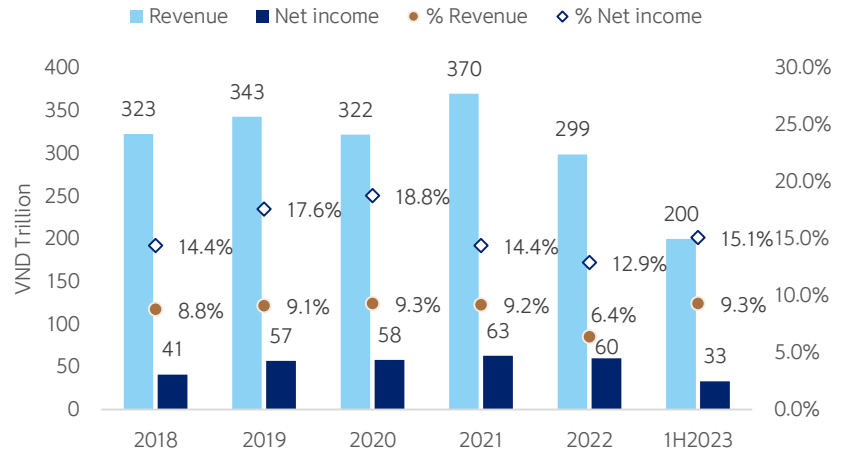
Regarding business activities, Real Estate industry accounts for an average of **8.7%** and **15.5%** of the total net revenue and net profit of the entire stock market, respectively, in the period 2018-1H2023.

The Real Estate industry accounts for an average of 9.2% of stock market total assets in the period 2018-06.2023



Source: FiinPro, Shinhan Securities Vietnam

Contribution of Real Estate to total revenue and net profit of the stock market

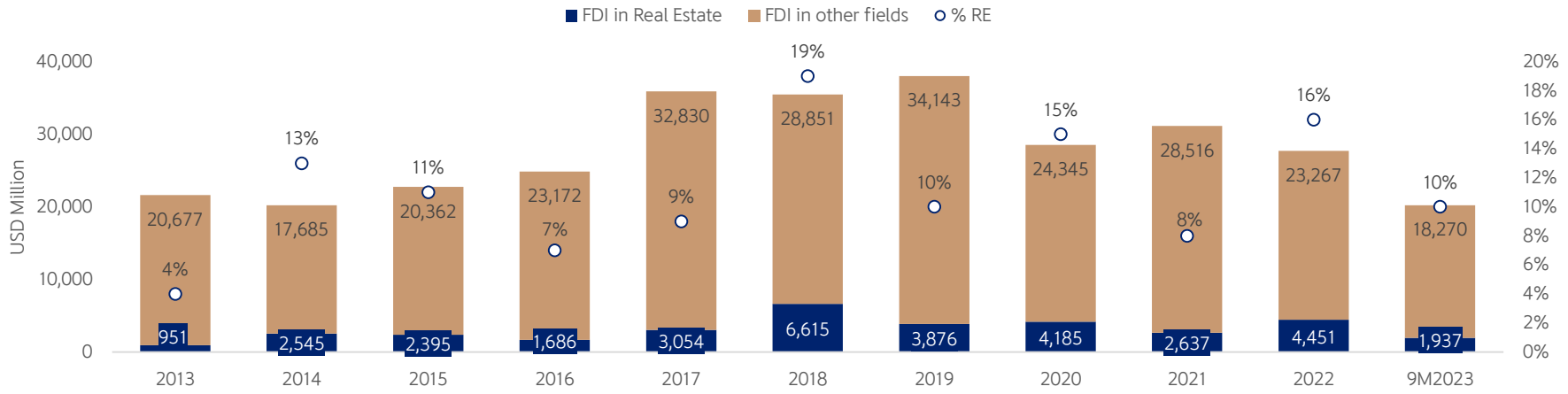


Source: FiinPro, Shinhan Securities Vietnam

The Real Estate industry has always been a field that strongly attracts foreign direct investment

Because of its strong potential growth, Real Estate has always been in the top 3 fields attracting registered foreign direct investment (FDI) in the 10-year period 2013-2022. Considering the first 9 months of 2023, Real Estate's FDI registered capital reached **USD 1,937 million**, equivalent to **10%** of total FDI registered capital, ranking 2nd, only behind Manufacturing-Processing industry which accounts for 69%.

Real Estate has always been in the top 3 fields having the highest registered FDI capital

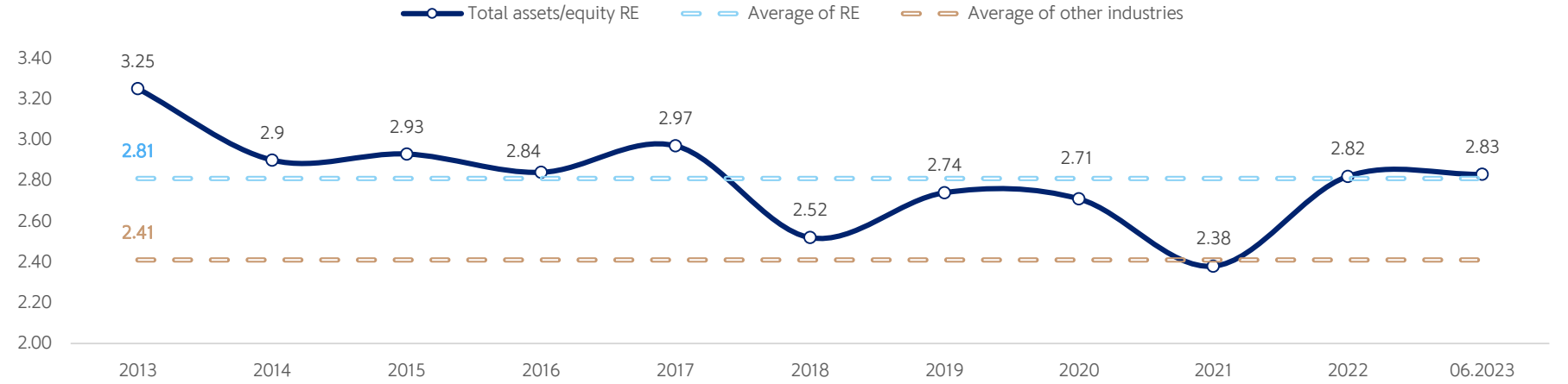


Source: FiinPro, Shinhan Securities Vietnam

The Real Estate industry contributes a large proportion to total credit and corporate bond debt

The Real Estate industry often requires very large project investment capital. Companies that are unable to take out loans will be limited to investing in small-scale projects and only in a small number of projects at a time. Therefore, in order to invest in large-scale projects and potential projects at a time, the industry's financial leverage is relatively high compared to other industries. During the period 2013-06.2023, total assets/equity of Real Estate industry reached **2.81x**, higher than **2.41x** - the average of other industries (excluding Finance - Banking group).

Financial leverage in the Real Estate industry is often relatively high compared to other industries

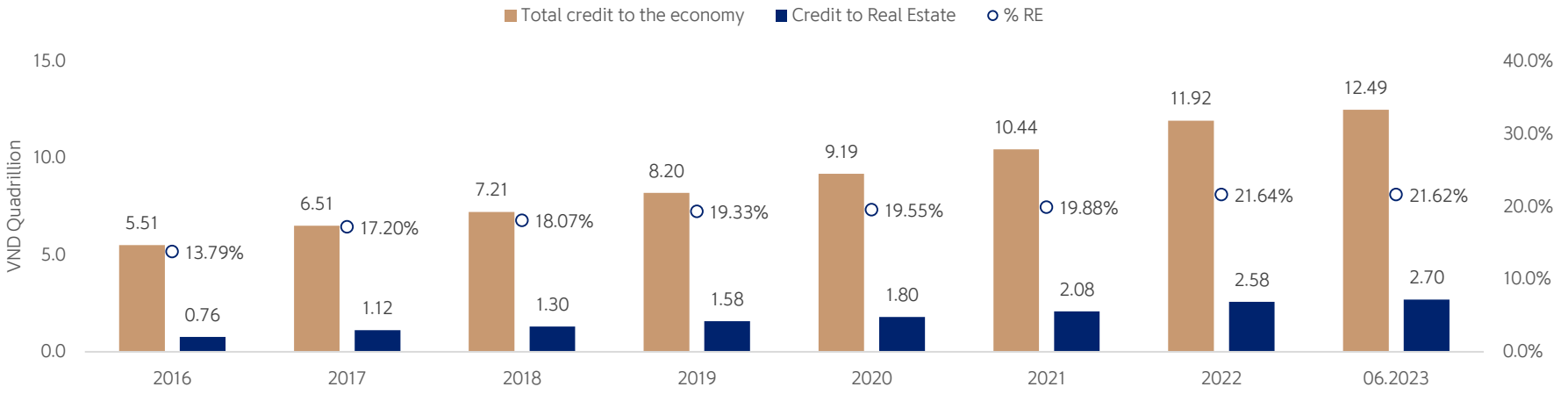


Source: FiinPro, Shinhan Securities Vietnam

The Real Estate industry contributes a large proportion to total credit and corporate bond debt

Because of the large demand for loan capital, the Real Estate industry has been one of the main contributors to the total credit to the economy, accounting for **18.49%** in the period 2016-2022. In the first 6 months of 2023 alone, the total credit to the economy grew by **4.73%** compared to the end of 2022, reaching VND **12.49 quadrillion**, of which Real Estate contributed VND 2.70 quadrillion (+4.65% YTD), accounting for **21.62%** of total credit to the economy and **21.33%** of the credit growth.

In the 2016-2022 period, an average of 18.49% of total credit to the economy comes from Real Estate



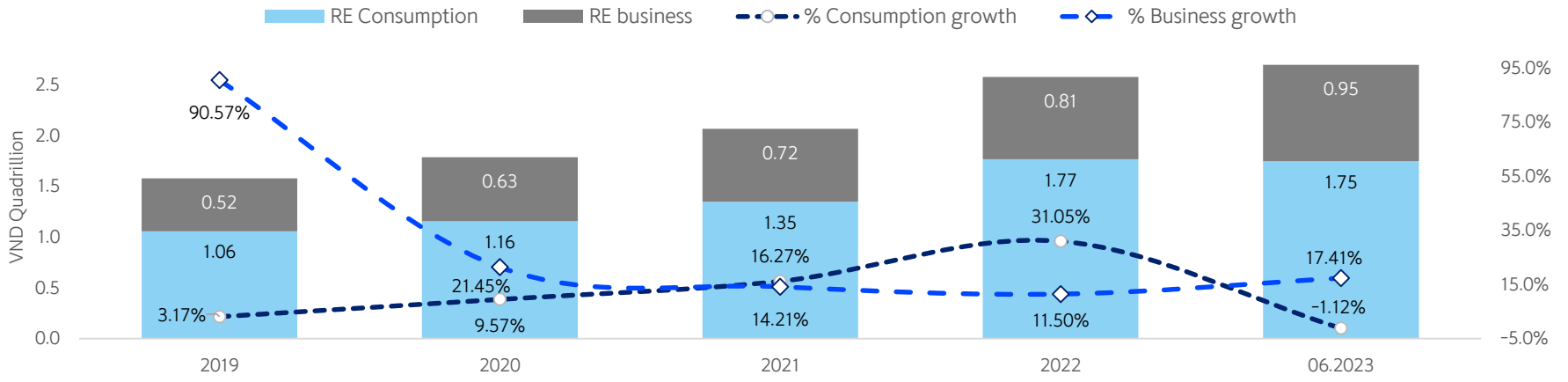
Source: State Bank of Vietnam, FiinPro, Shinhan Securities Vietnam

The Real Estate industry contributes a large proportion to total credit and corporate bond debt

Specifically, in the first 6 months of 2023, credit for Real Estate business reached **VND 0.95 quadrillion**, an increase of **17.41%** compared to the end of 2022, equivalent to **35.1%** of outstanding credit in the Real Estate sector; meanwhile, credit for Real Estate consumption only reached **VND 1.75 quadrillion (-1.12% YTD),** accounting for **64.9%** - this is the first time that the credit for Real Estate consumption has declined after many consecutive years having positive growth.

The decline in credit for Real Estate consumption shows that demand for properties has been weak due to many unfavorable factors: (1) The gloomy economy has impacted market's expectation and demand negatively, and (2) The high-end and mid-end segments have been the dominant supply sources, whereas, real housing demand is in the affordable segment.

Credit for Real Estate consumption declined after many years of positive growth



Source: Ministry of Construction, State Bank of Vietnam, Shinhan Securities Vietnam

The Real Estate industry contributes a large proportion to total credit and corporate bond debt

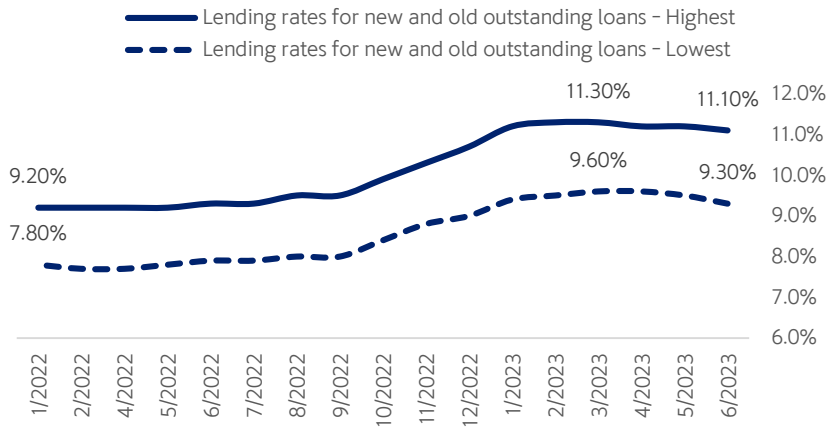
Since the beginning of 2023, the State Bank of Vietnam (SBV) has adjusted regulatory interest rates **4 times** and reduced the deposit interest rate ceiling **3 times.** This has created opportunity for commercial banks to reduce lending interest rates. However, as banks' lending conditions have not been significantly eased, many Real Estate companies are still in a state of capital shortage because of not meeting loan conditions.

Information on interest rate adjustments of the State Bank

Interest rate	Adjustment
Deposit interest rate ceiling (no term and less than 1 month)	1.0% -> 0.5%
Deposit interest rate ceiling (1 month to less than 6 months)	6.00% -> 4.75%
Refinancing rate	6.0% -> 4.5%
Discount rate	4.5% -> 3.0%
Inter-bank overnight interest rate	7.0% -> 5.0%

Source: SBV, Shinhan Securities Vietnam

Average lending rate has gradually decreased



Source: SBV, Shinhan Securities Vietnam

The Real Estate industry contributes a large proportion to total credit and corporate bond debt

According to Batdongsan.com.vn, as of September 2023, preferential interest rates for home loans have also shown a decrease of about **1.0%-2.0%** compared to the beginning of the year.

Currently, home loans are commonly structured in the form of a combination of two interest rates: (1) preferential loan interest rate and (2) post-preferential interest rate, the adjustment margin between the two interest rates is in the range of **2.0%-3.8%.** Specifically, preferential interest rates when borrowing to buy commercial housing at banks range from **7.5%-11.8%/year**. At the end of the preferential period, the interest rate falls around **10.5%-15.5%/year.**

Changes in commercial home loan interest rates at some major banks

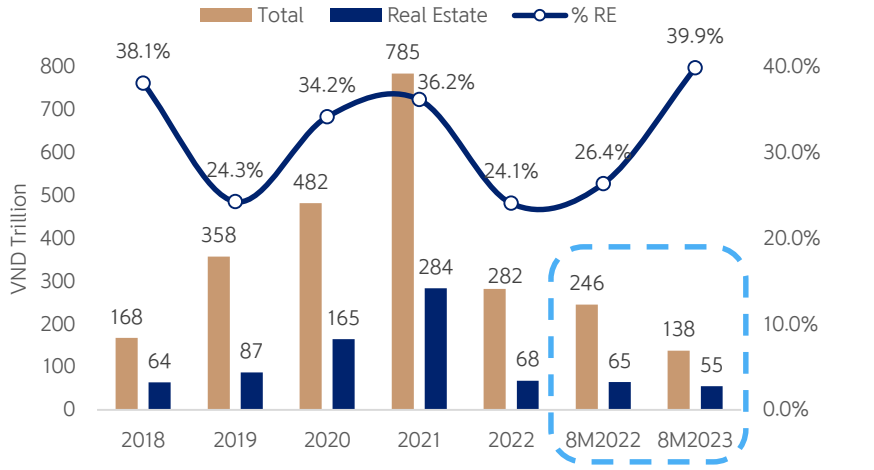
Bank	01/2023			09/2023		
	Preferential rate (%/year)	Maximum loan rate (%)	Maximum tenor (year)	Preferential IR (%/year)	Maximum loan rate (%)	Maximum tenor (year)
Vietcombank	11.0-12.0	70	15	8.0	70	20
Shinhan bank	10.9	70	30	8.0	70	30
Techcombank	10.6	70	35	8.5	70	35

Source: Batdongsan.com.vn, Shinhan Securities Vietnam

The Real Estate industry contributes a large proportion to total credit and corporate bond debt

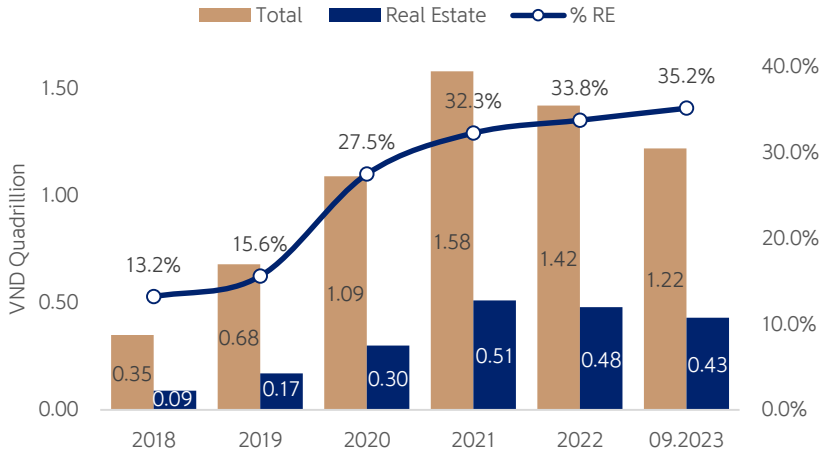
Besides traditional commercial bank credit channel, Real Estate companies also actively raise capital through the corporate bond channel, and the Real Estate industry is one of the two largest issuing industries in the market along with Banks. On average, in the period 2018-2022, Real Estate accounts for **31.4%** and **24.5%** of the total value of corporate bonds issued and the total value of corporate bonds outstanding, respectively. In the first 8 months of 2023, the industry has issued **VND 55 trillion** worth of bonds **(-15.4% YoY),** accounting for **39.9%** of the total value of bonds issued in the entire market.

Real Estate accounts for an average of 31.4% of issued corporate bonds over the period 2018-2022



Source: FiinPro, Shinhan Securities Vietnam

Real Estate accounts for an average of 24.5% of outstanding corporate bonds over the period 2018-2022



Source: FiinPro, Shinhan Securities Vietnam

The Real Estate industry contributes a large proportion to total credit and corporate bond debt

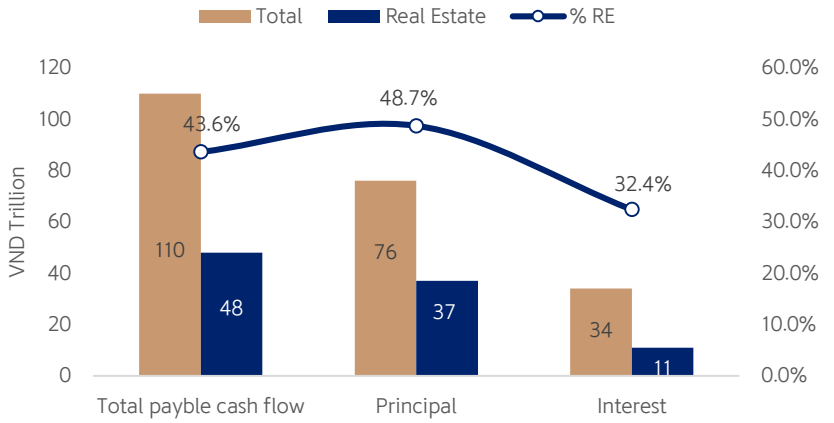
One of the popular indicators used to measure the financial pressure of the corporate bond market is the payble cash flow by bond issuers during the year, including: principal and interest.

In 2023, the corporate bond market has to face a lot of financial pressure because (1) the payable cash flow in the year is large: about **VND 110 trillion** and (2) the gloomy economy impacts the liquidity of businesses – issuers.

The difficult situation is similar to the Real Estate industry, when: (1) many projects are delayed in different stages of the legal process, causing increased costs for businesses, (2) limited access to capital from both commercial banks and corporate bond market and (3) weak market sentiment and low demand.

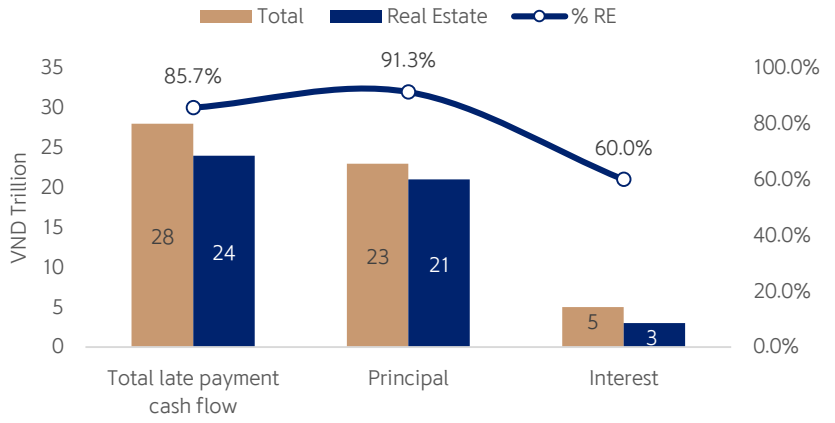
Therefore, high payable cash flow at **VND 48 trillion**, accounting for **43.6%** of the entire corporate bond market, it has brought a lot of short-term financial pressure to Real Estate businesses. Accumulated 8M2023, Real Estate industry has delayed payment of cash flow up to **VND 24 trillion**, equivalent to **85.7%** of the total market.

Payable cash flow of the corporate bond market in 2023



Source: FiinPro, Shinhan Securities Vietnam

85.7% of late payment cash flow came from Real Estate



Source: FiinPro, Shinhan Securities Vietnam

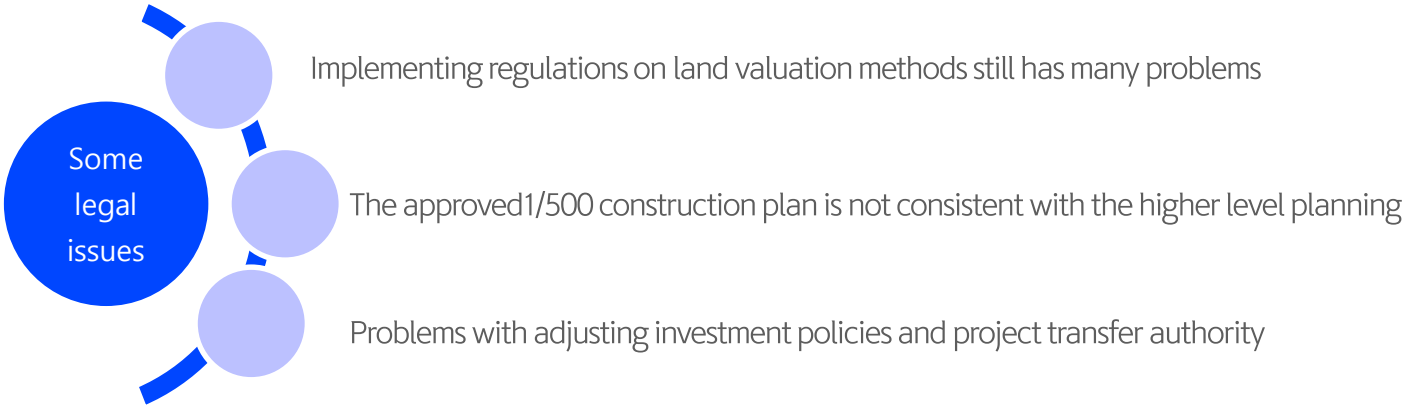
Real Estate industry is affected by many legal documents

a. Overlapping between the Land Laws and relevant legal documents causes congestion in Real Estate management and business

Real Estate has a profound impact on the economy and social settlement. Therefore, many legal documents were issued to control the activities of this industry. A process for implementing a commercial Real Estate investment project has more than 30 steps and is influenced by about 12 related laws. However, the Land Law and related legal documents remain congested, inadequate, in an overlapping situation and incoherent, causing adverse impacts on the efficiency in land administration.

Legal issues cause projects to prolong completion time and increase costs, resulting in house prices being upward. In Decision No. 338/QD-TTg dated April 2023, about 80-90% of projects and constructions in HCMC and 50% of construction projects in Hanoi encountered difficulties or stopped implementation. Therefore, we expect the legal settlement of the project to help increase new supply to the market.

Some legal issues between Land Law and relevant legal documents



Source: Ministry of Construction, Shinhan Securities Vietnam

Real Estate industry is affected by many legal documents

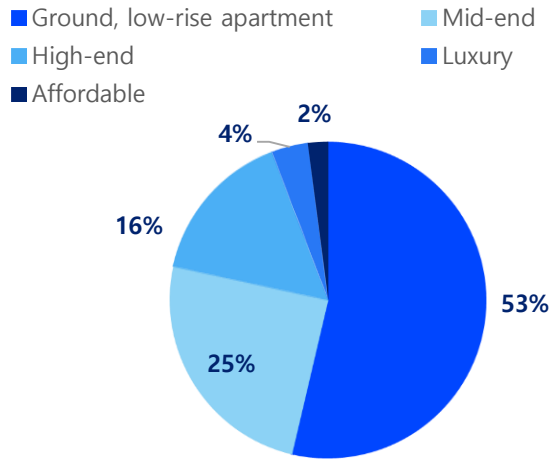
b. The social housing project has not yet been strongly implemented

The surplus in the middle and high-end segments and a lack of supply in the affordable segment with high demand worsen the imbalance of real estate in Vietnam. Decision No. 338/QD-TTg dated April 2023 reports that the demand for social housing for low-income people and industrial park workers is at 2.4 million condos for the period 2021-2030.

However, up to date, the number of condos meeting this demand is 155,792 units (about 6.5%). The cause of this shortage mainly comes from (1) lack of land fund for housing property development, (2) limited concessional loans, and (3) unattractive preferential policies for businesses.

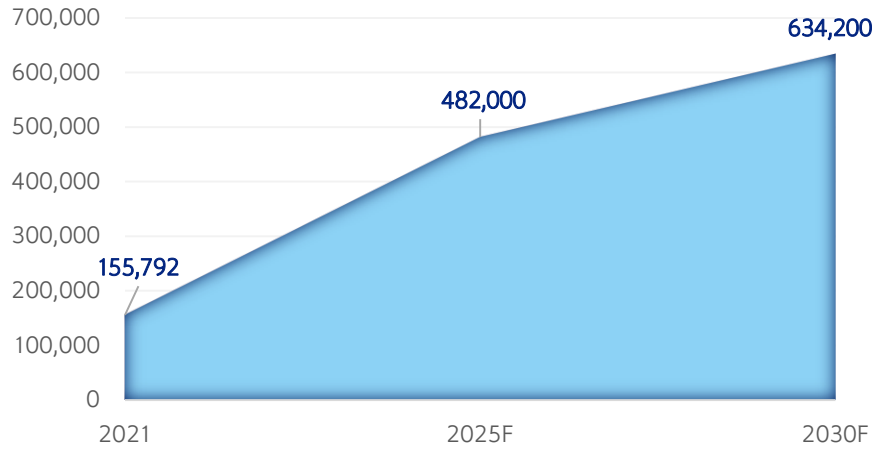
Decision No. 338/QD-TTg approved a project of 1 million social condos for the period 2021-2030 with a credit support package of VND 120,000 billion. As of the second quarter of 2023, about 108 projects have been licensed for construction.

Supply structure by segment



Source: VARS, Shinhan Securities Vietnam

Social housing condos and worker housing from 2018 to 2030F



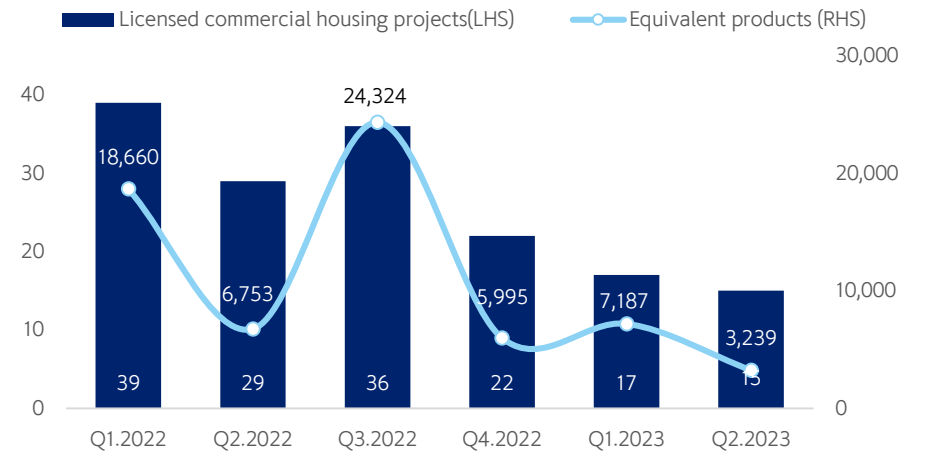
Source: Decision No. 338/QĐ-TTg, Shinhan Securities Vietnam

Real Estate market was negative in the first half of 2023

The Real Estate market status in 1H2023 have been shown through many negative data. According to the Ministry of Construction, the number of licensed commercial housing projects in 6M2023 is only **32 projects (-53% YoY),** including **10,426 products (-59% YoY),** showing the difficulty of businesses in implementing the project investment legal process.

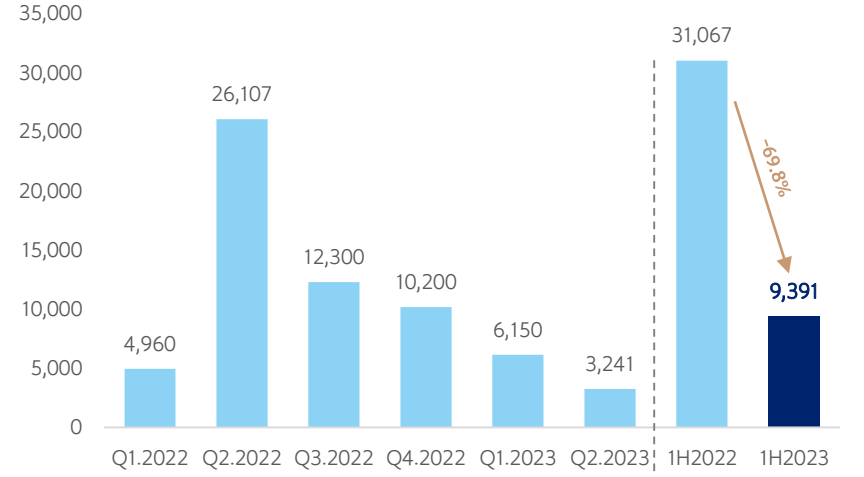
In addition, because of the low absorption rate, many Real Estate businesses postponed sales launches or launched sales in just small scales, leading to a sharp decrease in residential property supply: Total new supply of residential property products in Hanoi and HCMC (including condo and landed property) in 1H2023 was only **9,391 products,** corresponding to a sharp decrease of **-69.8% YoY** compared to **31,067 products** in the same period.

Number of licensed commercial housing projects 1H2023 -53% YoY



Source: Ministry of Construction, Shinhan Securities Vietnam

Residential property supply in Hanoi and HCMC decreased by 69.8% YoY

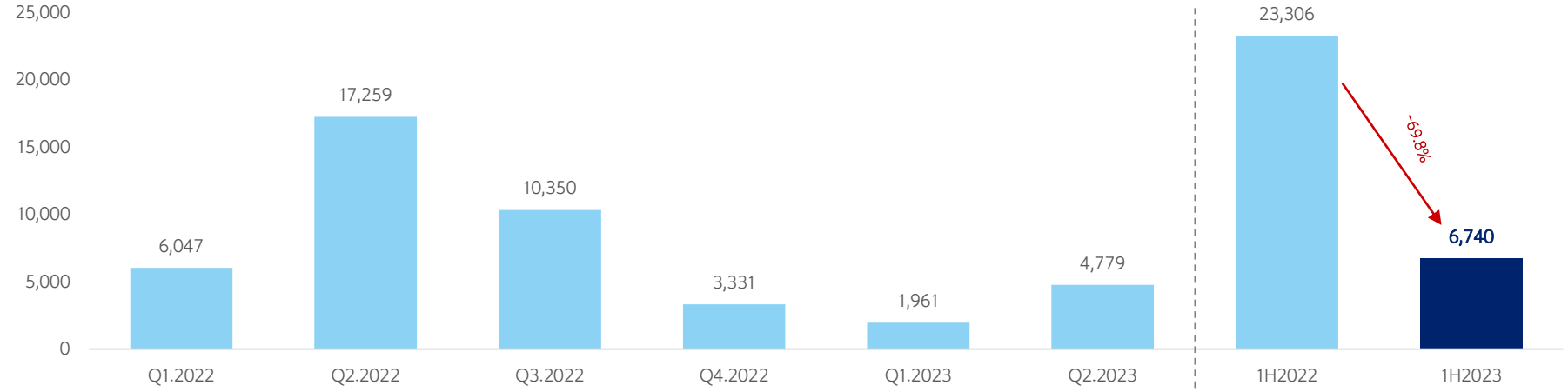


Source: CBRE, Shinhan Securities Vietnam

Real Estate market was negative in the first half of 2023

Because of (1) negative sentiment towards the Real Estate market with the tendency to wait and expect selling prices to be lower, more reasonable and (2) the supply does not have affordable products – the segment that has great demand for real housing. In fact, the number of condo sold in Hanoi and Ho Chi Minh City in 1H2023 was only **6,700 products,** corresponding to a decrease of **71.1% YoY** compared to the same period of **23,306 products**.

Number of condo sold in Hanoi and Ho Chi Minh City

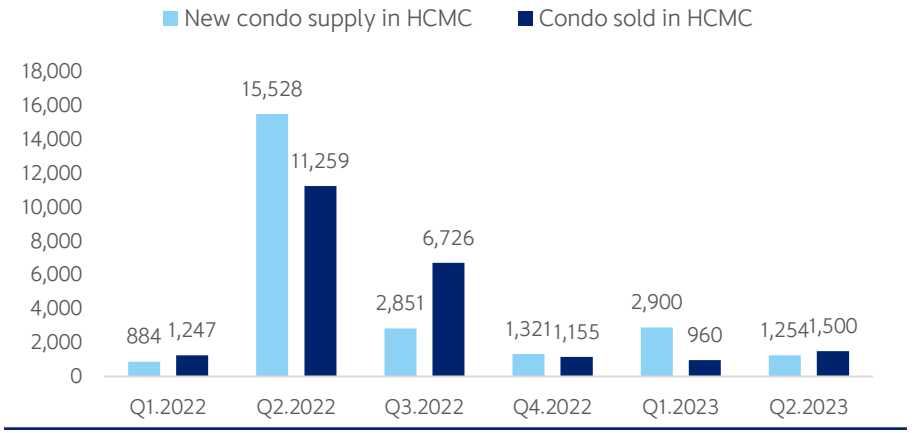


Source: CBRE, Shinhan Securities Vietnam

Real Estate market was negative in the first half of 2023

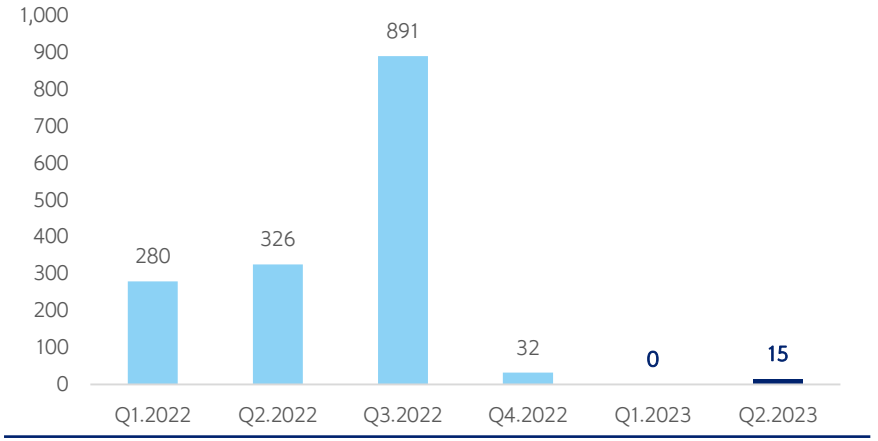
Specifically, in Ho Chi Minh City, total condo sold in 1H2023 reached **2,460 products, down 80.3%** over the same period. Of which, the majority of products came from the high-end segment, the remaining small proportion was mid-end, with absolutely **zero supply** of affordable products since the first quarter of 2019. For landed property (including: villas, townhouses and shophouses), the situation was even worse when the total supply was only **15 products** from a single project, The Soli Binh Tan which was opened for sale in Q2/2023; moreover Q1/2023 is the first quarter in the last 10 years that Ho Chi Minh City recorded **zero** new landed property for sale.

Condos sold in Ho Chi Minh City decreased sharply in 1H2023



Source: CBRE, Shinhan Securities Vietnam

Supply of landed property in HCMC was 15 products in 1H2023

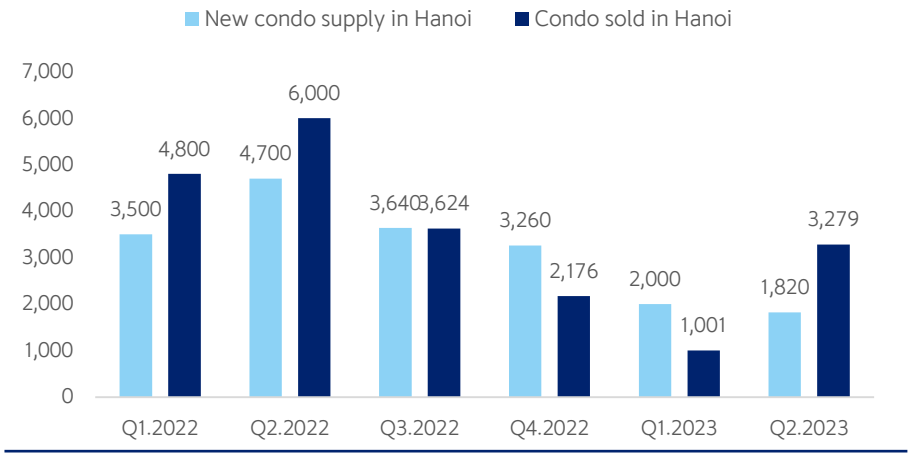


Source: CBRE, Shinhan Securities Vietnam

Real Estate market was negative in the first half of 2023

Hanoi also recorded a sharp decline in the number of condo sold in 1H2023, however the decline rate was lower than in Ho Chi Minh City because the supply structure has a higher proportion of mid-end segment products. Specifically, sales volume reached **4,280 products (-60.4% YoY).** Besides, Hanoi also recorded **no products** for sale in the affordable segment since Q3/2021. Regarding landed property, Hanoi recorded **1,671 products** sold during the period **(-73% YoY).**

Condos sold in Hanoi decreased sharply in 1H2023



Source: CBRE, Shinhan Securities Vietnam

Hanoi's sold landed property decreased by 73% YoY in 1H2023



Source: CBRE, Shinhan Securities Vietnam

02

Prospects of the real estate industry in 2024

Expect a recovery when (1) young population and income improving over the years, (2) infrastructure invested synchronously and widely, (3) economic growth in 2024 and (4) completed legal system are expected to promote Real Estate. However, risks still exist when some companies with large total payable cash flow in 2024.

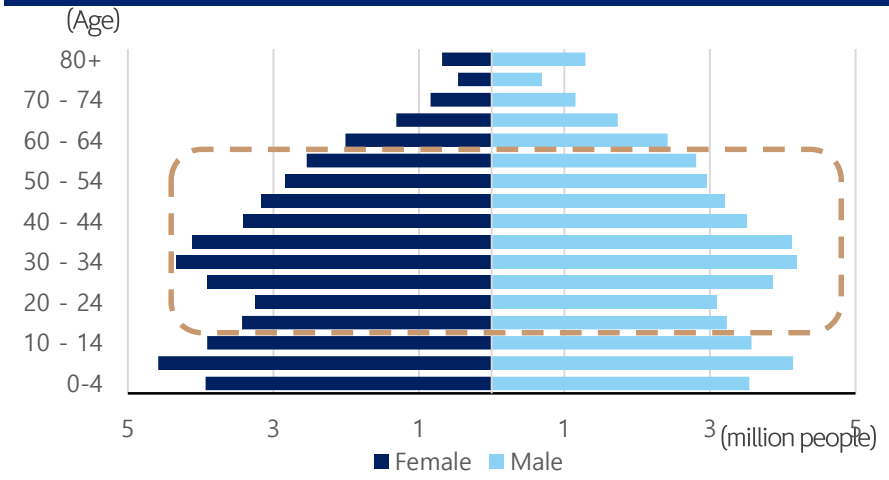
Young population and income improving over the years are driving the demand for Real Estate

According to the General Statistics Office (GSO), Vietnam is in the golden population period with **70%** of people of working age. This population structure is forecast to maintain until 2038. In particular, the average age of Vietnamese people is currently about **34** years old. This is the age when Vietnamese people have a high need for housing to settle down.

With a large working population and the tendency to migrate to big cities to work, the Vietnamese family structure is broken with the scale becoming smaller and more flexible (nuclear family). According to GSO, Vietnamese family size decreased from **3.9 people/household** in 2010 to **3.6 people/household**.

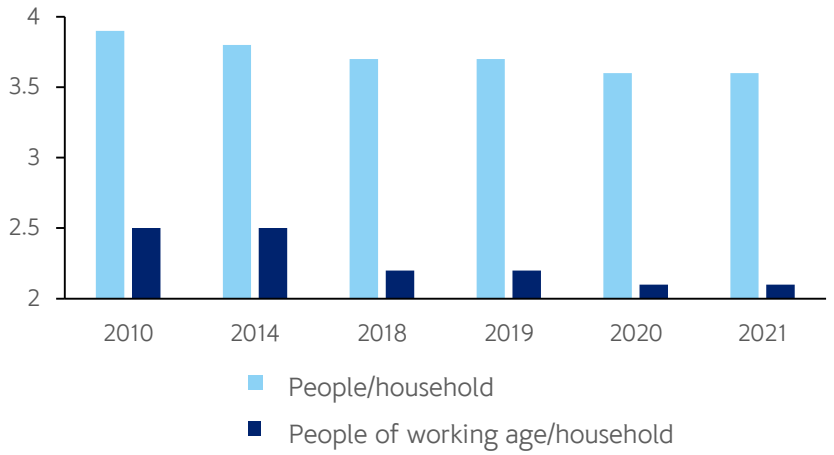
We expect that, with a high young population and a fragmented family structure, the demand for residential Real Estate will continue to increase in the near future.

Vietnam population pyramid in 2021



Source: VARS, Shinhan Securities Vietnam

Size and number of people of working age in a household



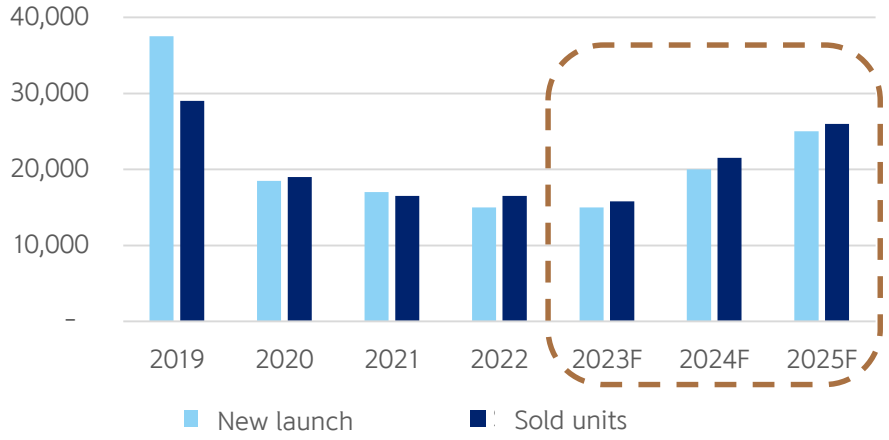
Source: General Statistics Office of Vietnam , Shinhan Securities Vietnam

Young population and income improving over the years are driving the demand for Real Estate

Besides, income per capita has grown over the years. In 2022, the average income per capita in 2022 will reach **USD 4,164 (+10.84% YoY)**, ranking **6th** in Southeast Asia. Euromonitor forecasts that by 2040, the average income per capita will be about **USD 6,300**.

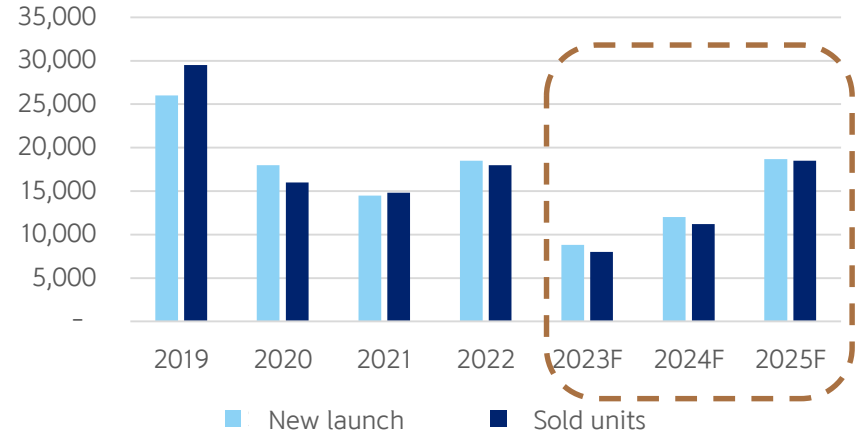
Increased income contributes to increased purchasing and also increases expenditure on housing. According to a report by Batdongsan.com, the proportion of people willing to spend **40%** of their income to pay for a house in installments increases from **25%** at an income of less than **VND 40 million/month** to **41%** when the income is over **VND 100 million/month.**

Forecasting the number of new and sold condos in Hanoi



Source: CBRE, Shinhan Securities Vietnam

Forecasting the number of new and sold units in HCM



Source: CBRE, Shinhan Securities Vietnam

Infrastructure has been invested synchronously and widely to promote the development of Real Estate

Infrastructure has been continuously invested with public investment capital increasing over the years. Specifically, disbursement of public investment capital in 2022 reached **VND 593 trillion (+ 20.3% YoY)** and planned public investment capital in 2023 is about over **VND 700 trillion (+ 25% YoY).**

Many key projects are being implemented: Hanoi's Ring Road No. 4, HCMC's Ring Road No.3, North – South Expressway, Bien Hoa – Vung Tau Expressway, Khanh Hoa – Buon Me Thuot Expressway, Long Thanh Airport. We expect investment in synchronous and widespread transportation infrastructure projects to contribute to increasing supply and value for Real Estate projects because:

(1) Land funds developed outside the center but connected to transportation infrastructure will become more attractive, attracting developers;

(2) Full infrastructure contributes to increasing the value of projects at more competitive prices.

Large infrastructure project to be built in 9 months of 2023



North – South Expressway P2

Commencement date: N/A

Handover year: 2025

Investment cost: VND 114.6 trillion

Status: Constructing 12 expressway projects



Long Thanh Airport

Commencement date: 31/08/2023

Handover year: 2025

Investment cost: VND 337 trillion

Status: Commencement of package 5.10 for passenger terminal construction

Source: Ministry of Transport, Airports Corporation Of VietNam, Shinhan Securities Vietnam

Infrastructure has been invested synchronously and widely to promote the development of Real Estate

a. Southern infrastructure



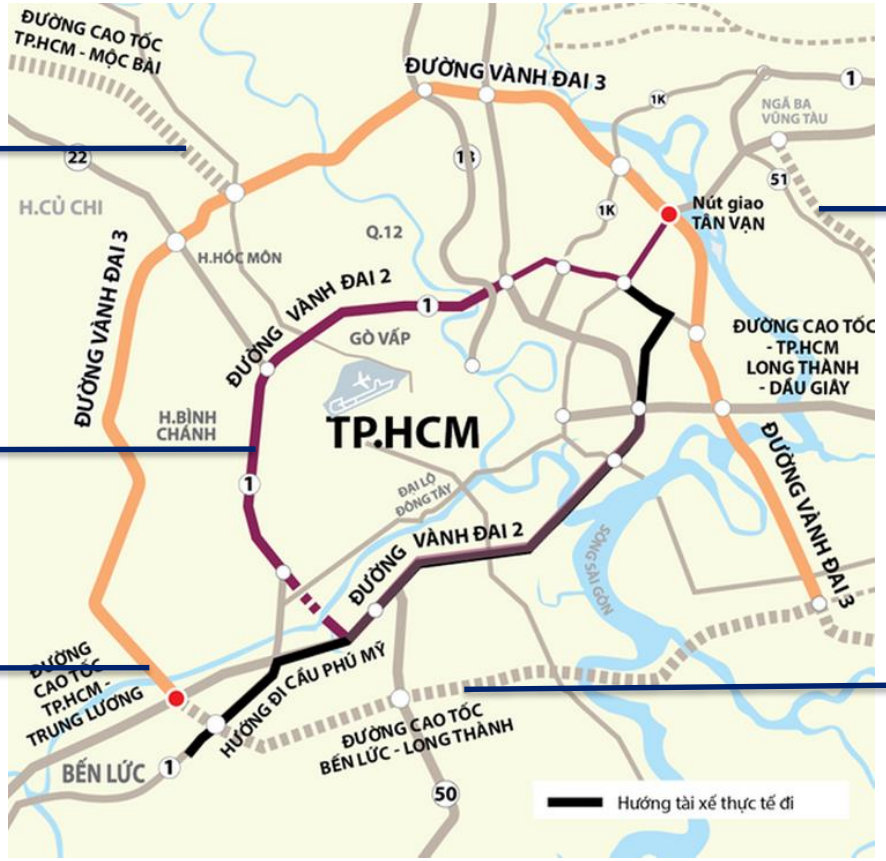
HCM - Moc Bai Expressway (Construction starts in 2024)



Ring Road No.2 (Completed in 2026)



Ring Road No.3 (2022-2025)





Bien Hoa – Vung Tau Expressway (Completed in 2026)



Ben Luc - Long Thanh (Completed in 2025)

Source: Batdongsan.com.vn, Shinhan Securities Vietnam

Infrastructure has been invested synchronously and widely to promote the development of Real Estate

a. Southern infrastructure

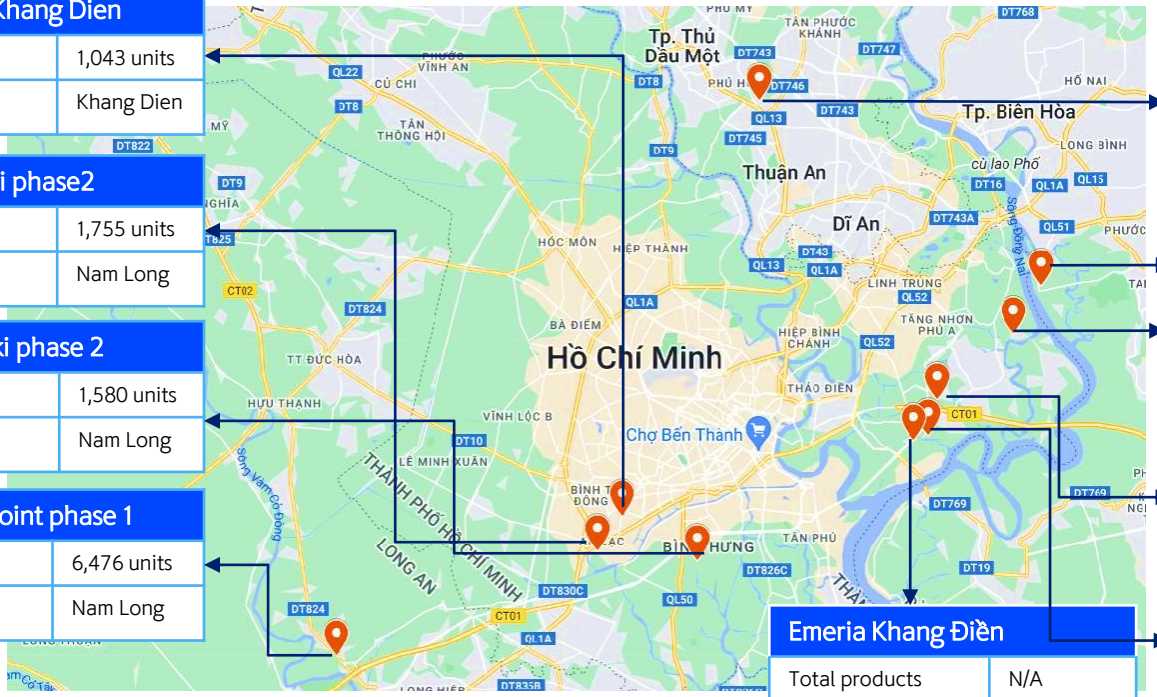
Synchronous infrastructure contributes to helping Real Estate projects be distributed more evenly. Due to its favorable geographical location, most previous projects were concentrated in the East (Thu Duc City). Currently, some projects are being constructed to the West such as NLG's Waterpoint in the Ben Luc area or KDH's The Privia in Binh Tan.

Privia Khang Dien	
Total products	1,043 units
Developer	Khang Dien

Akari phase2	
Total products	1,755 units
Developer	Nam Long

Mizuki phase 2	
Total products	1,580 units
Developer	Nam Long

Waterpoint phase 1	
Total products	6,476 units
Developer	Nam Long



NTMK	
Total products	6,600 units
Developer	Phat Dat

Izumi Nam Long	
Total products	2,940 units
Developer	Nam Long

Vinhomes Grand Park	
Total products	44,000 units
Developer	Vinhomes

Classia Khang Dien	
Total products	176 units
Developer	Khang Dien

Melosa Khang Dien	
Total products	567 units
Developer	Khang Dien

Emeria Khang Điền	
Total products	N/A
Developer	Khang Dien

Source: Shinhan Securities Vietnam

Infrastructure has been invested synchronously and widely to promote the development of Real Estate

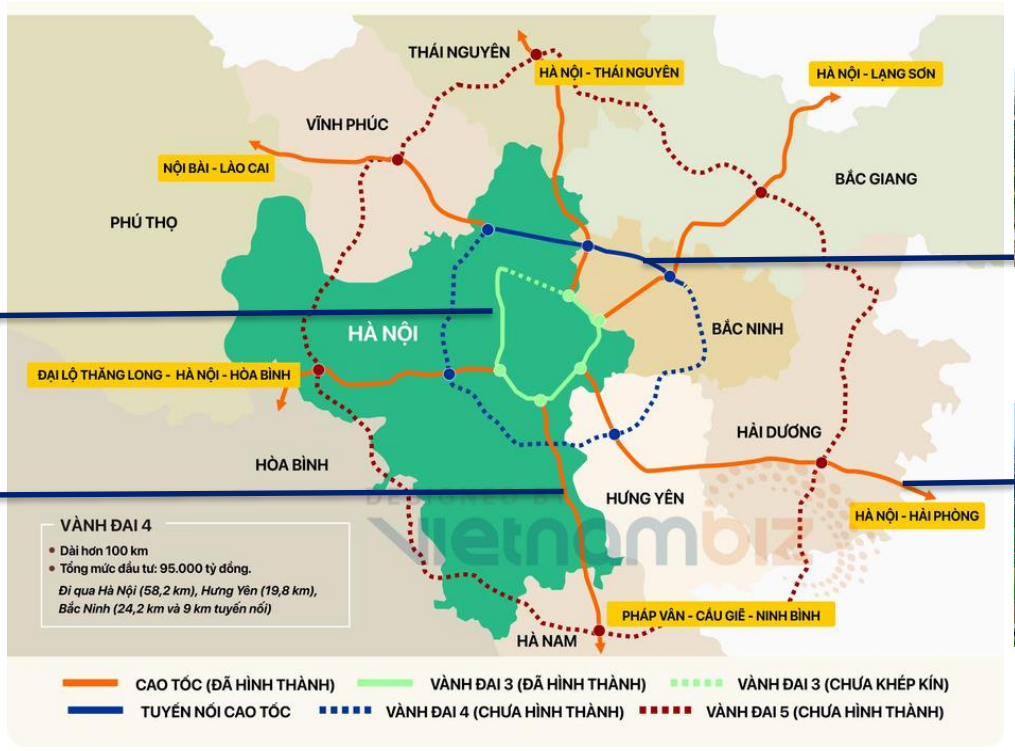
b. Northern infrastructure



Ring Road No.3 (Under Construction)



Phap Van-Cau Gie Expressway (Under Construction)





Ring Road No.4 (Under Construction)



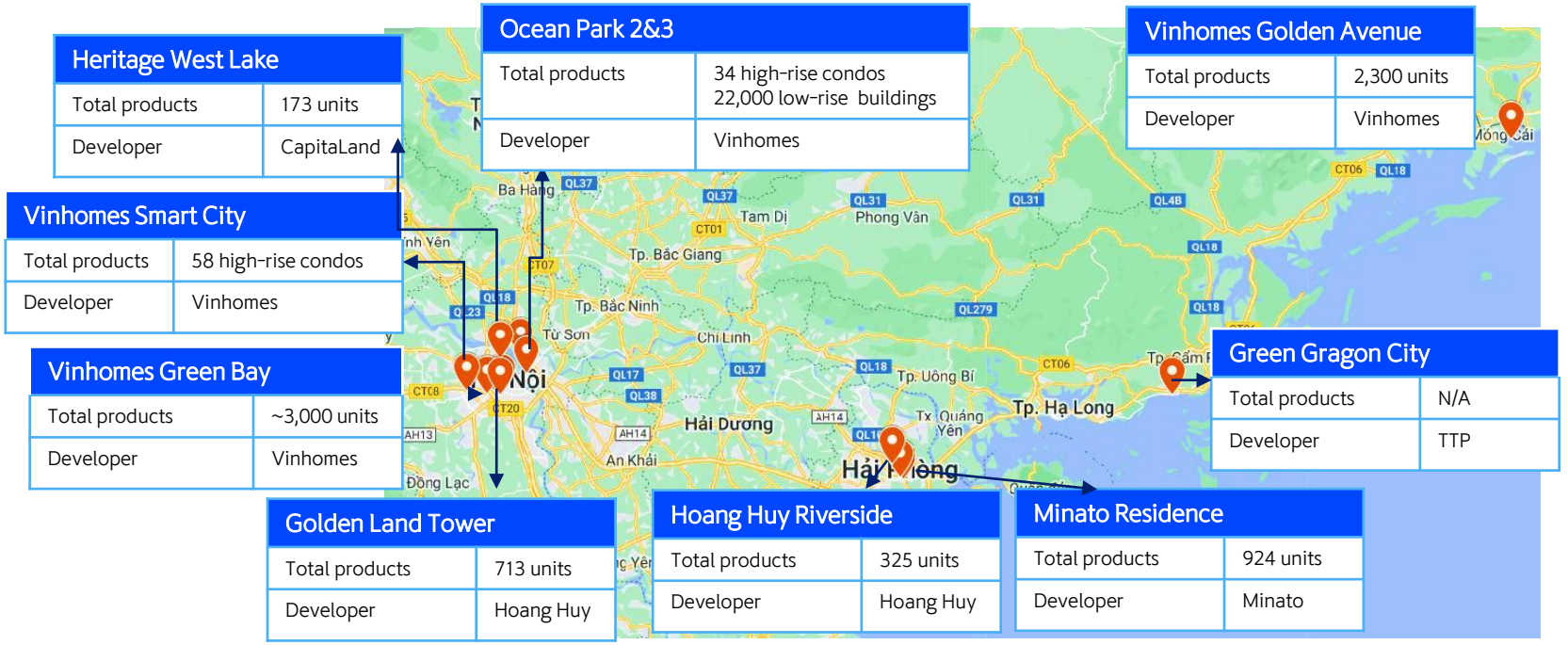
Hanoi - Hai Phong Expressway (Completed)

Source: VietnamBiz, Shinhan Securities Vietnam

Infrastructure has been invested synchronously and widely to promote the development of Real Estate

b. Northern infrastructure

A strong and widespread transportation infrastructure system contributes to creating many opportunities for projects with large land funds outside Hanoi. Many businesses choose to build projects in areas with expressway projects such as Vinhomes Mong Cai and Green Dragon City. In the Hanoi, projects are mainly formed around the Ring Road such as Vinhomes' Ocean Park 3 project located at Ring Road No.3.5 and Hanoi – Hai Phong highway.

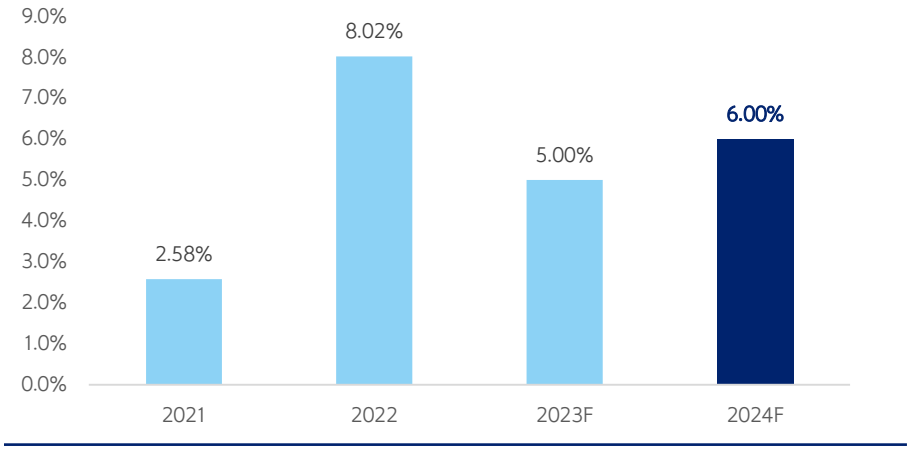


Source: Shinhan Securities Vietnam

Economic growth in 2024 will be a major “nudge" for the Real Estate market

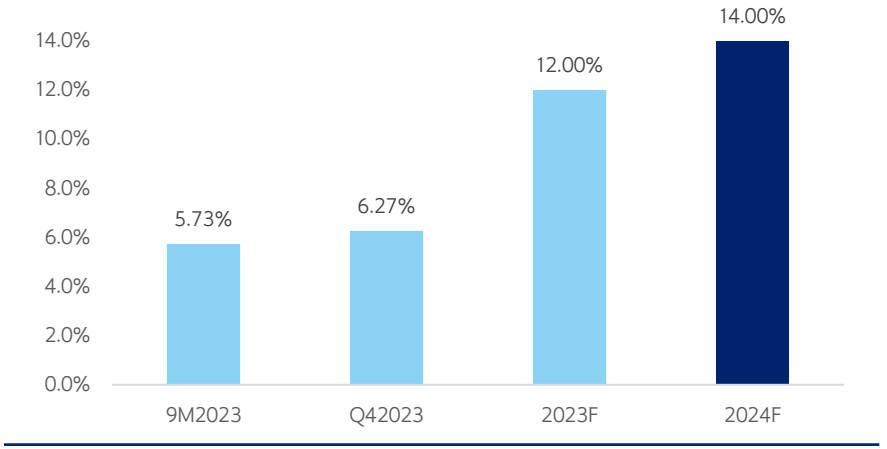
In 2024, we forecast Vietnam’s GDP growth to be at **6.0%,** mainly thanks to (1) interest rate maintains at a low level helping credit growth to reach **13%-14%;** (2) demand in Vietnam’s exporting markets recovers, then pushing export turnover grow.
Real Estate is an industry playing an important role in the economy. It is directly and significantly affected by economic fluctuations due to specific characteristics such as large demand for credit capital, highly regulated regarding business activities, highly elastic regarding income towards end customer demand, etc.
Therefore, the high growth prospects of the economy in 2024 will be an essential and positive “nudge" for the Real Estate market. People's income improves leading to positive sentiment – expectation about the future of the economy/income, spending needs increase combined with preferential and attractive interest rates leading to the need to buy and invest in Real Estate becoming more active again. The wide spreading effect helps increase the supply of new property products on the market as many businesses postponed sales in 2023 due to low absorption rate.

Vietnam's GDP growth in 2024F will be 6.0%



Source: GSO, Shinhan Securities Vietnam

Low interest rates will support credit growth of 14% by 2024F



Source: SBV, Shinhan Securities Vietnam

The completed legal system is expected to promote Real Estate supply

At the 6th session taking place in October 2023, the National Assembly plans to enact 6 Laws, of which 3 Laws directly affect the real estate market including: Land Law, Law on real estate trading and Law on housing. The draft revised Laws show many amendments and additions compared to the previously issued Laws.

According to VARS, about 70% of construction projects have legal issues. Therefore, we expect that the completion of legal mechanisms along with the improved credit flows will contribute to supporting the construction projects and promoting the supply. At the same time, it brings positive psychology to investors, and sets the stage for Real Estate prosperity around mid-2024.

Main issues of the Draft Amendment Laws 2023

1. Completing the land pricing mechanism based on market principles
2. Imposing higher tax rates for users of the large amount of land, the great number of houses, land speculation, deferred land use, and abandoned land.
3. Supplementing regulations related to social housing: expanding beneficiaries of support policies, more specific regulations and additional preferential policies for investors,...

Source: thuvienphapluat.com, Shinhan Securities Vietnam

We expect Real Estate to enter the recovery phase in mid-2024

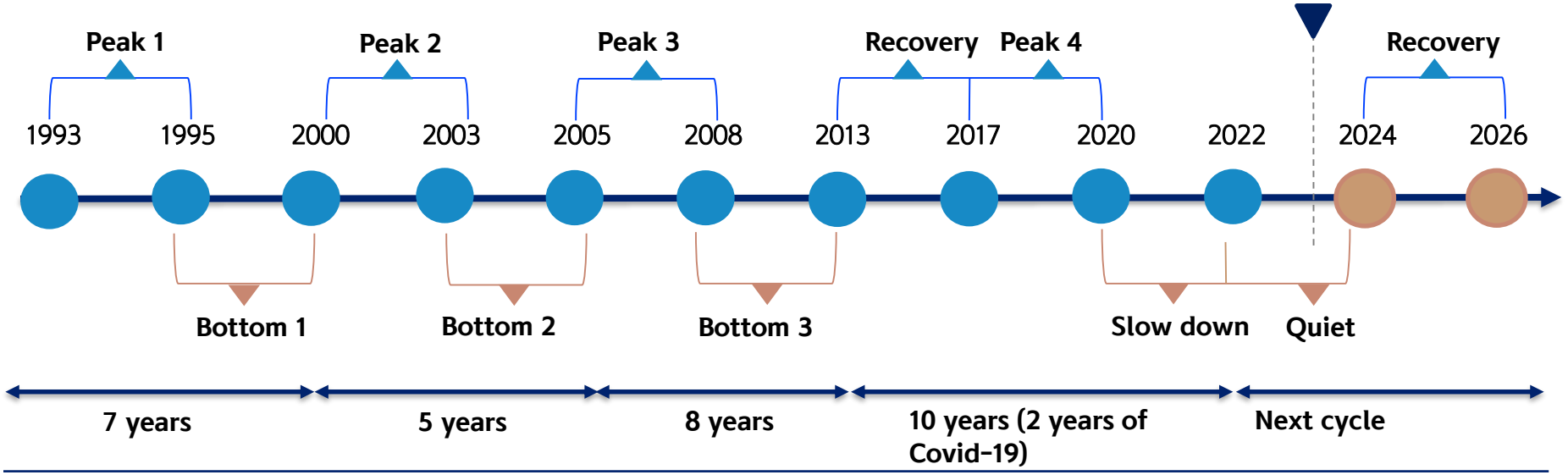
We believe that the darkest time of Real Estate has passed when:

(1) Credit policies are gradually being loosened, lending interest rates are decreasing (although the interest rate cut is insignificant);

(2) Many solutions and policies have been proposed to address the legal issues of the construction project (Appendix 1b);

(3) Bonds have their payment term extended.

We expect that after the Draft Law is enacted and the macro situation remains positive, it will take about 6 months to 1 year for the market to recover. This comes from (1) policy lag, the legal corridor needs time to be completed (about 6 months) and (2) it takes time for projects to be implemented and sold. Therefore, we expect the real estate market to enter a recovery phase from mid-2024.

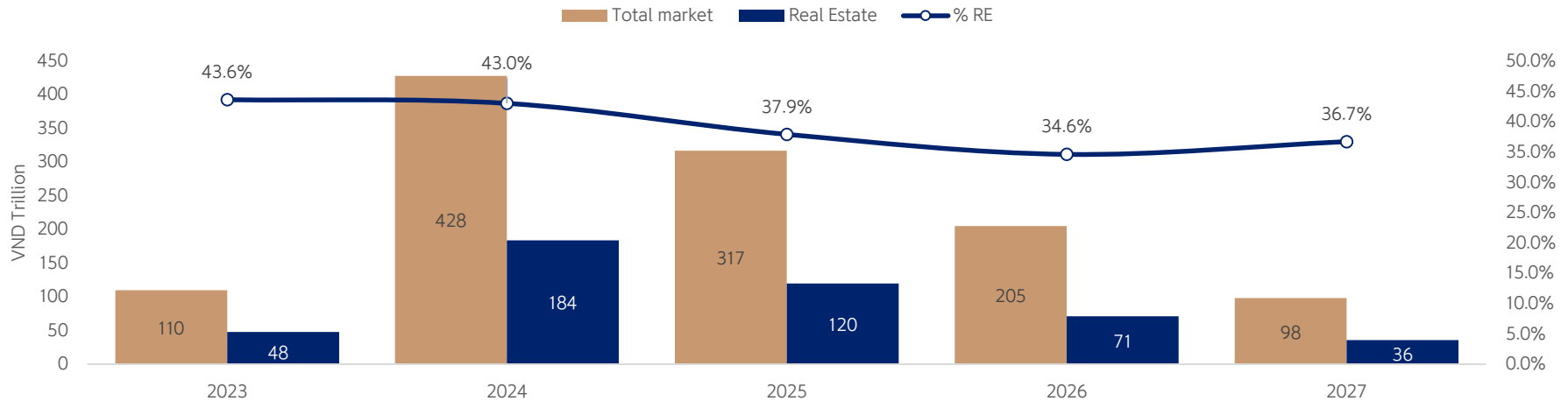


Source: Cushman &Wakefield, Shinhan Securities Vietnam

Risks still exist

The payable cash flow in the entire corporate bond market (including principal and interest) will be very large in the next 3 years, especially highest in 2024, with the value of **VND 428 trillion** (**3.89 times** higher than in 2023), in which the Real Estate industry alone will have to pay **VND 184 trillion** (**3.83 times** more than in 2023) and account for **43.0%** of the entire market. This shows that the financial burden of the Real Estate industry has not yet reached its peak and companies in the industry are still likely to face liquidity risks if the market does not develop positively in 2024.

Payble cash flow on corporate bonds will be highest in 2024



Source: FiinPro, Shinhan Securities Vietnam

Risks still exist

Specifically, some companies with large total payable cash flow (including principal and interest) in the 4-year-period 2023-2026 include:

- No Va Land Investment Group Corporation (NVL): VND 20,149 billion.
- Vinhomes Joint Stock Company (VHM): VND 7,557 billion.
- Hai Phat Investment Joint Stock Company (HPX): VND 2,689 billion.
- Nam Long Investment Corporation (NLG): VND 2,161 billion.

Payable Cash Flow for corporate bonds (VND Billion)	2023	2024	2025	2026	Total
NVL	564	9,402	2,348	7,835	**20,149**
VHM	144	4,957	183	2,273	**7,557**
HPX	789	1,359	541	0	**2,689**
NLG	88	1,169	793	111	**2,161**
VPI	34	1,451	263	0	**1,748**
KDH	18	132	1,214	0	**1,364**
PDR	1,078	154	0	0	**1,232**
DIG	52	995	0	0	**1,047**
DXG	17	216	221	0	**454**

Source: FiinPro, Shinhan Securities Vietnam

03

Real Estate Stock Pick

VHM & NLG - New supply is the driving force for growth

Part 3 – Real Estate Stock Pick

Top-pick Real Estate Stocks

General information					Financial ratios							Valuation					
Stock	Market cap (VND Bn.)	Target Price* (VND)	Market Price (VND)	Upside (%)	Land Fund (ha)	Rev. Growth (% YoY)		Net Income Growth (% YoY)		ROE		P/E			P/B		
						2023F	2024F	2023F	2024F	2023F	2024F	Trailing	5y Average	2024F	Trailing	5y Average	2024F
VHM	198,124	77,000	46,050	67.2%	16,000	35.4%	13.0%	15.7%	10.3%	18.5%	16.9%	4.40	7.59	9.10	1.19	2.37	1.60
VRE	59,307	36,700	27,450	33.7%	N/A	28.5%	4.5%	39.7%	9.5%	9.8%	10.8%	16.43	31.06	19.60	1.67	2.28	1.60
NLG	13,443	44,200	32,200	37.3%	684	-5.6%	77.2%	-12.5%	55.2%	3.6%	5.3%	23.48	15.01	20.30	1.49	1.75	1.20
KDH	23,405	36,860	29,500	24.9%	600	-5.5%	74.6%	12.1%	9.8%	8.2%	8.2%	25.50	19.93	18.60	1.92	2.27	1.90

(*) Target price (fair value) within 12 months

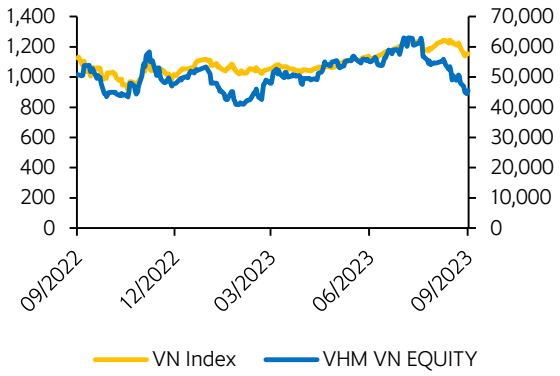
Souce: Fiinpro, Shinhan Securities Vietnam

Data as of 06/10/2023

Vinhomes JSC (HOSE: VHM)

Target price (12 months)	VND 77,000
Current price (06/10/23)	VND 46,050
Return (%)	67.2%
VNINDEX	1,129
Market P/E (x)	11.1
Market cap (billion VND)	200,519
Outstanding shares (mil shares)	4,354
Free-float (mil shares)	1,034
52-week high/low (VND)	66,200/39,400
90-day avg. trading volume (mil shares)	4.2
90-day avg. turnover (bn VND)	281
Major SHDs (%) VIC	69.30%
Major SHDs (%) Government of Singapore	4.99%

Performance	3M	6M	12M
Absolute (%)	-15.5	-10.1	-14.1
Rel.to VN-Index (%)	-15.7	-15.4	-19.1



The Top Tier

Vinhomes's predecessor was Urban BIDV-PP JSC, established in 2008. Following VinGroup's restructuring goal, in 2018, Vinhomes was merged with two other companies to focus on taking charge of VinGroup's real estate investment and business activities.

Since 2010, Vinhomes has been cumulatively selling 212.5 thousand condos/villas/townhouses; put 28 urban areas into operation, recorded the number of Vinhomes residents reached 425,000 people. Based on the RNAV valuation method, we issue a BUY rating for VHM, at a target price of VND 77,000 – equivalent to an expected return of 67.2% (compared to the closing price on October 06, 2023).

Investment thesis

- **A large, clean and continuously expanding land fund is the strong foundation for long-term growth potential.** Currently, VHM owns an estimated land fund of more than 16,000 hectares which are mainly approved for project investment policies; In 1H2023 alone, VHM successfully bid and expanded its land fund in many key areas such as: 1,254 hectares in Khanh Hoa, 241 hectares in Hai Phong and 197 hectares in Long An.
- **The Empire and The Crown will be handed over in 2023-2024,** helping VHM net profit increase by 15.7% and 10.3% in 2023 and 2024..

Outlook for 2023 and 2024

- We forecast that converted revenue in 2023 and 2024 will reach VND 110,245 bn (+35.4% YoY) and VND124,555 bn (+13% YoY), respectively, thanks to:
  + 2023: Record VND 100,000 bn in revenue from handing over products at The Empire and The Crown..
  + 2024: Handover of low-rise products at The Crown and wholesale of high-rise products at The Crown, The Empire.
- Net profit accordingly reaches: VND 33,345 bn (+15.7% YoY) in 2023 and VND 36,779 bn (+10.3% YoY) in 2024.

Risk: (1) Legal congestion, (2) Credit scarcity, (3) Low absorption rate.

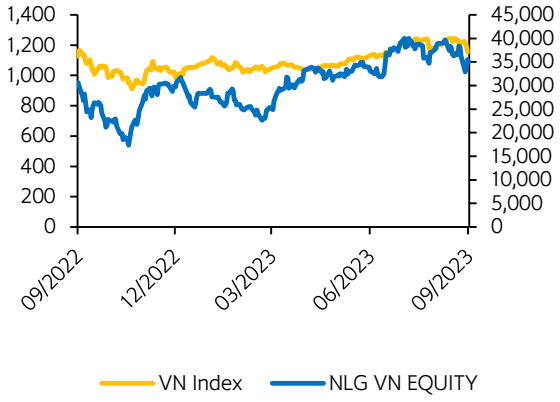
Year	2020	2021	2022	2023F	2024F
Revenue (bil VND)	71,547	84,986	62,393	110,245	124,555
GP (bil VND)	25,936	48,460	30,696	58,215	62,777
NP (bil VND)	27,351	38,825	28,831	33,345	36,779
EPS (VND)	6,396	9,015	6,621	7,658	8,446
GPM	39.2	57.2	49.2	52.8	50.4
NPM	38.2	45.7	46.2	30.2	29.5
ROE (%)	38.6	36.9	21.4	18.5	16.9
P/E (x)	10.8	9.1	7.2	10.1	9.1
P/B (x)	3.4	2.9	1.4	1.9	1.6

Source: Company data, Shinhan Securities Vietnam

Nam Long Investment Corporation (HOSE: NLG)

Target price (12 months)	**VND 44,200**
Current price (06/10/23)	VND 32,200
Return (%)	**37.3%**
VNINDEX	1,129
Market P/E (x)	11.1
Market cap (billion VND)	12,367
Outstanding shares (mil shares)	384
Free-float (mil shares)	218
52-week high/low (VND)	40,750/16,450
90-day avg. trading volume (mil shares)	3.1
90-day avg. turnover (bn VND)	119
Major SHDs (%) Nguyen Xuan Quang	11.57%
Major SHDs (%) Ibeworth Pte	8.19%

Performance	3M	6M	12M
Absolute (%)	-0.9	10.3	20.8
Rel.to VN-Index (%)	-1.1	4.9	15.8



Recovery Through Proper Segmentation

Nam Long Investment Corporation is one of the leading real estate developers in the mid and affordable segment. NLG's main products are Valora (townhouses, villas), Flora (detached condos) and Ehome/EhomeS (Affordable condos) with revenue structures of 56%, 36% and 8% respectively. .

Investment thesis

- **NLG owns a large land fund of 684 hectares**, mainly concentrated in the East (Bien Hoa, Dong Nai) and the Southwest (Ben Luc, Long An). The land fund in these two areas is located in a favorable location, adjacent to major highways and ring roads such as Ho Chi Minh City - Trung Luong, Ring Road No.3,... This helps add value to the projects and allows businesses to continuously carry out projects to maintain cash flow.

- **Affordable products help with good absorption in a quiet market period**. In particular, Akari phase 2 continues to be a key project to help businesses maintain cash flow.

- **Healthy financial position with low leverage thanks to association with Japanese investors.** Specifically, in the first 6 months of 2023, total assets/equity was 2.05x, lower than the industry average of 2.84x.

Business results update and forecast

- In the first 6 months of 2023, the business's revenue reached VND 1,188 billion (-35% YoY). Revenue mainly comes from handing over 88 villas and townhouses at the Waterpoint project (Southgate). Pre-sales value reached VND 867 billion, of which 43% came from the Akari project. We expect that NLG's 2023 revenue will reach VND 4,097 billion (-5% YoY) thanks to (1) handing over of the Izumi phase 1A1 project in October 2023, (2) the delivery of the project's Flora apartment of Akari and Ehome Southgate in phase 2, (3) handing over of the Rivera and The Aqua 1.

- In 2024, revenue is expected to reach VND 7,261 billion (+77% YoY). Of which, about 50% comes from the Akari phase 2 project, and nearly 30% comes from the handover of Waterpoint Southgate's Valora apartment. NPAT reached VND 836 billion (71.68% YoY).

Risk: (1) Legal delay, (2) Absorption rate is lower than expected.

Year	2020	2021	2022	2023F	2024F
Revenue (bil VND)	2,217	5,206	4,339	4,097	7,261
OP (bil VND)	236	781	829	755	1,201
NP (bil VND)	835	1,071	556	487	756
EPS (VND)	2,689	3,099	1,339	1,268	2,178
OPM	10.7	15.0	19.1	18.4	16.5
NPM	37.7	20.6	12.8	11.9	10.4
ROE (%)	14.7	14.0	5.7	3.6	5.3
P/E (x)	9.9	20.7	23.2	34.9	20.3
P/B (x)	1.4	2.8	1.3	1.3	1.2

Source: Company data, Shinhan Securities Vietnam

04

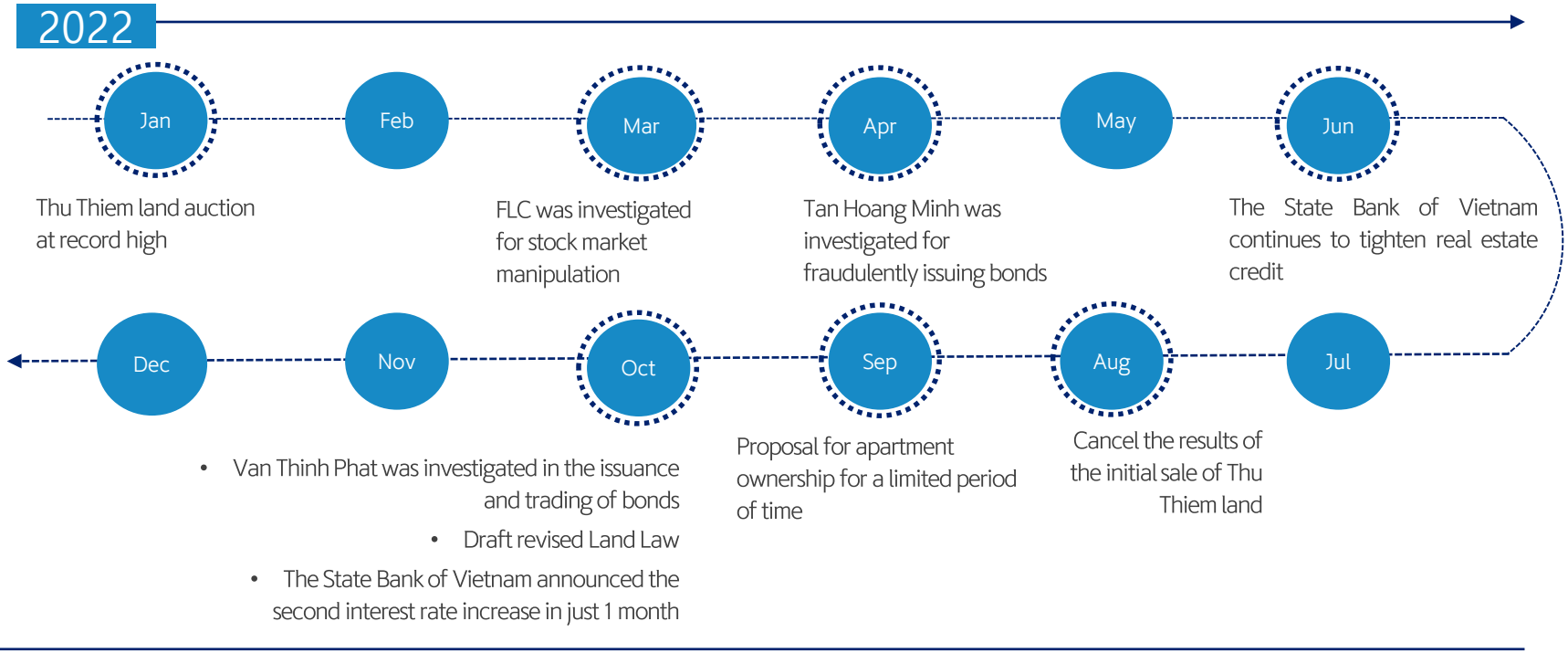
APPENDIX

Legal, policy and real estate cycle

Legal and policy

a. Summary of land fever and freezing period in 2018-2022

In 2018, virtual land fevers were formed and extinguished. By 2019, the Government issued many policies to tighten credit flow into this channel, while also reviewing project legalities, causing the real estate market to stagnate. 2022 was a year with many changes in the real estate sector related to legal issues over the past 5 years.



Source: CBRE, Shinhan Securities Vietnam

Legal and policy

b. Legal documents are issued in 2023

Policy	Date issued	Content
Decree No. 08/2023/ND-CP	05/03/2023	Allowing the extension of the bond term but at a maximum period of no more than 2 years versus the initial term in the bond issuance plan announced to investors and the principal can be paid. Bond interest is equal to other assets. This reduces pressure on bond payments in the short term.
Decision No. 33/NQ-CP	11/03/2023	- Assigning the State Bank to implement a credit program of about 120,000 billion VND to complete at least 1 million social housing apartments. This credit is for investors and home buyers of social housing projects and workers' houses to borrow at an interest rate 1.5-2% lower than the average medium and long-term lending interest rate of state-owned commercial banks. - Assigning the State Bank to consider adjusting risk coefficients for different real estate segments.
Decree No. 10/2023/NĐ-CP	03/04/2023	Amending and supplementing a number of articles of decrees implementing the Land Law: - Adding additional conditions to allow conversion of rice land use purpose to implement investment projects - Modifying the authority to issue land use right certificates - From May 20, 2023, if a tourist apartment (condotel) meets the conditions prescribed by law, it will be issued a Certificate (red book).
Decision No. 388/QĐ-TTg	03/04/2023	- Approving the Project "Investment and construction of at least 01 million social housing apartments for low-income people and industrial park workers in the period 2021 - 2030". - By 2030, the total number of apartments completed in localities is about 1,062,200 units. Of which, in the period 2021 - 2025, about 428,000 units will be completed; In the period 2025 - 2030, about 634,200 units will be completed. - Amending the regulation that social housing projects must reserve at least 20% of the social housing area in the project for rent and the investor can only sell after 5 years of putting into use according to the direction and business plan (sale, lease, lease purchase) decided by the Investor.
Circulars No. 02/2023/TT-NHNN Circulars No. 03/2023/TT-NHNN	23/04/2023	Regulations on credit institutions and foreign bank branches restructuring debt repayment terms and maintaining the same debt group to support customers in difficulty.

Source Thư viện Pháp luật, Shinhan Securities Vietnam

Legal and policy

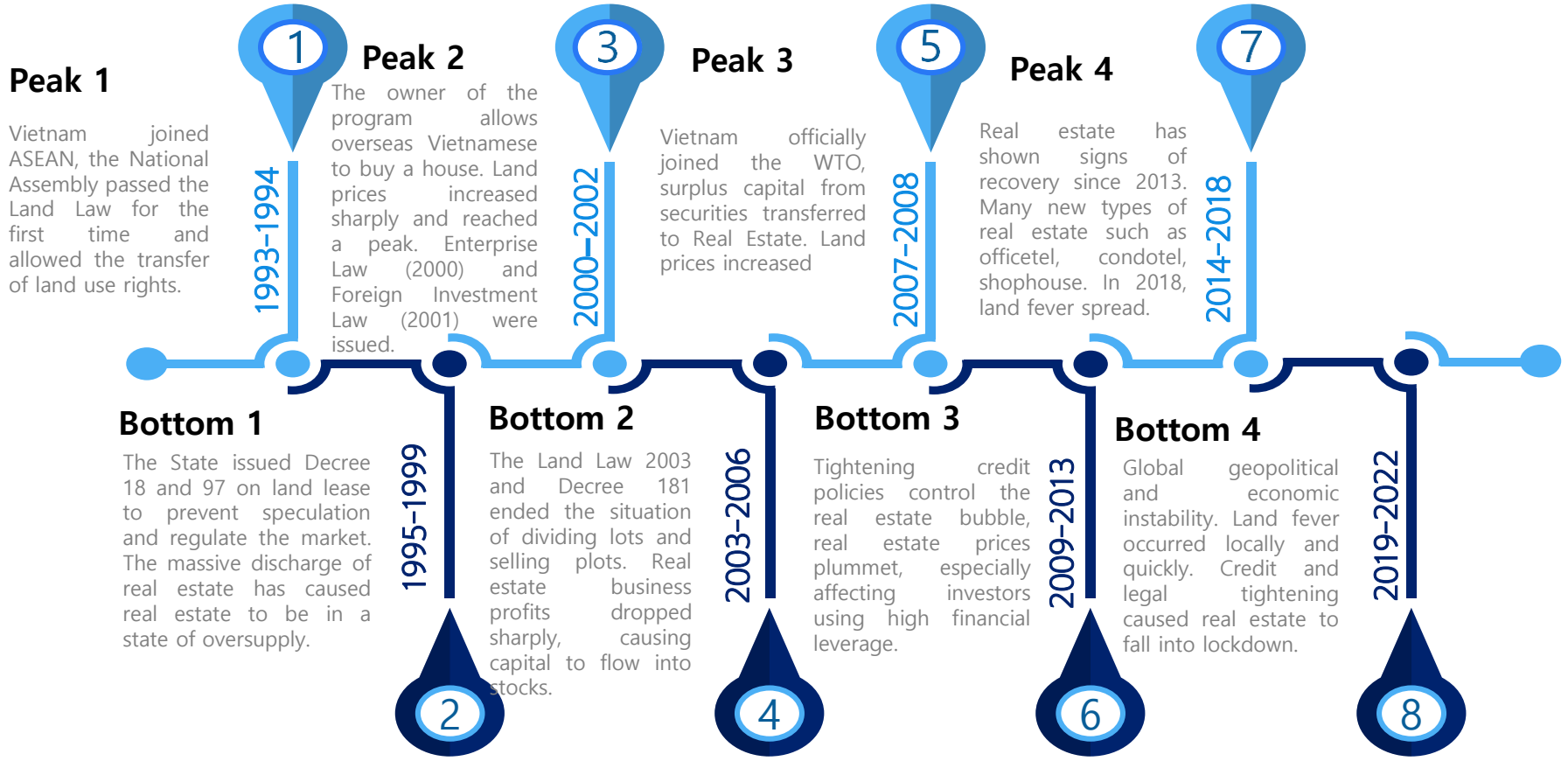
c. Appendix points for major amendments and supplements to the draft Law

Legislation	Content
Draft revised Land Law	❑ Completing the mechanism for determining land prices according to market principles ❑ Regulating higher tax rates for people with large areas of land, many houses, land speculation, slow use, and abandonment of land ❑ Completing regulations on land allocation, land lease, and change of land use purpose
Draft revised Housing Law	❑ Supplementing subjects and conditions to enjoy social housing policies ❑ Specifying incentives for project investors: - In the case of building social housing for rent, the value-added tax and corporate income tax will be reduced by 70% of the tax payable compared to the case of building social housing for lease, purchase, or sale; - Investors of social housing construction projects in the form specified in Points dd and e, Clause 1, Article 42 of this Law are entitled to reserve 20% of the total residential land area within the project scope for investment in housing construction for business ❑ Supplementing and amending proposals on renovating and rebuilding apartment buildings
Draft revised Law on Real Estate Business	❑ Supplementing regulations on publicizing information about real estate put into business, including mortgages of houses, construction works, real estate projects put into business, type of real estate, real estate location, … ❑ In cases where an investor is selected, recognized, and assigned to be the investor of a real estate project according to the provisions of law, it must have equity of not less than 20% of the total investment capital for the project with land use scale of less than 20 hectares, not less than 15% of total investment capital for projects with land use scale of 20 hectares or more. ❑ Additional regulations on conditions for houses and construction works formed in the future to be put into business.

Source: Thư viện Pháp luật, Shinhan Securities Vietnam

Real estate cycle

A real estate cycle from land fever to closure takes about 6–8 years.



Source: CBRE, Shinhan Securities Vietnam

Shinhan Securities

Import – Export

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Fisheries

Back to the race



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Content

Fisheries – Back to the race

1. Overview of fisheries sector 2023

   Pangasius and Shrimp exporting are facing difficulties in the first half of 2023

2. Outlook for 2024 of fisheries sector

   Expect a recovery when (1) inventories of importers decrease and (2) soybean prices decrease which helps improve the gross profit margin

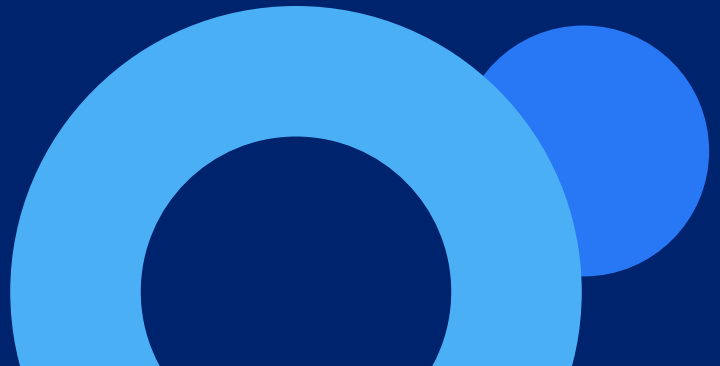
3. Fisheries Stock pick

   VHC, ANV, FMC – The recovery of export

01

Overview of Fisheries Sector in 2023

During 8M/2023, fisheries exports reached USD 5.8 billion (-25% YoY). Shrimp and pangasius exports achieved USD 2.2 billion (-28% YoY) and USD 1.2 billion (-34% YoY), respectively. However, pangasius exports have narrowed their decline compared to previous months



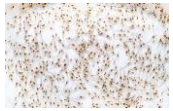
Part 1– Overview of Vietnam's fisheries industry 8M/2023

Farming — Accounting for 58% of total fisheries production, with the volume of 485.8 thousand tons in August (+3.8% YoY)

Fishing — Accounting for 42% of total fisheries production, with the volume of 351.5 thousand tons in August (-0.5% YoY)

→ **Processing factories**

Fingerling



Farming area



- Autonomy in raw materials: 40%.
- • 80% is raised in
- Mekong Delta
- USD 2.2 billion (-28% YoY)
- 38% total export value





- Autonomy in raw materials: 80%.
- 70% is raised in Mekong Delta.
- USD 1.2 billion (-34% YoY)
- 21% total export value

Medicine



Feed



Almost companies are selfsufficient in feed production but not in medicine



- USD 0.42 billion (-15% YoY)
- 7% total export value



- USD 0.55 billion (-25% YoY)
- 9% total export value



- USD 0.09 billion (-11%YoY)
- 2% total export value



- USD 0.11 billion (-20%YoY)
- 2% total export value

Almost the products are caught in North Central and Central Coast





- 847 fisheries processing factories
- 692 factories were granted EU Code export codes
- Total export's capacity is 4.5-5 mil tons of raw materials/year

Export

Total export value 8M/2023: USD 5.8 billion (-25% YoY)



USD 1.02 bil (-38% YoY)
In which:
- Pangasius: USD 0.18 bil (-56% Yoy)
- Shrimp: USD 0.45 bil (-27% YoY)



USD 0.97 bil (-14% YoY)
In which:
- Shrimp: USD 0.33 bil (-30% YoY)



USD 0.98 bil (-18% YoY)
In which:
- Pangasius: USD 0.38 bil (-30% Yoy)
- Shrimp: USD 0.39 bil (-5% YoY)



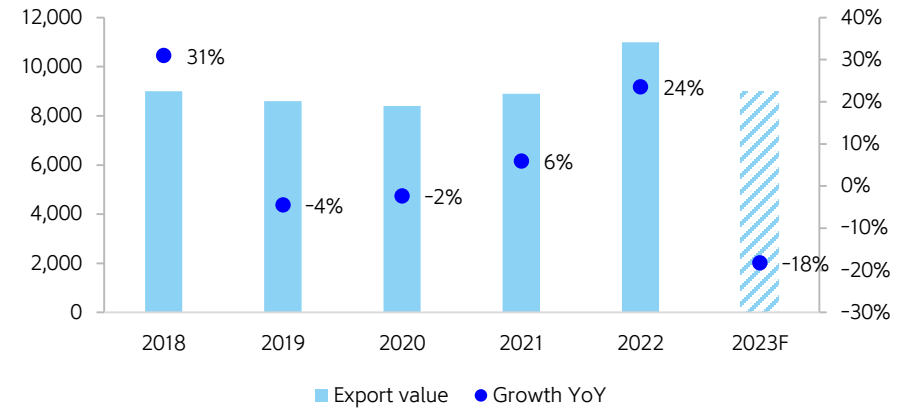
USD 0.5 bil (-23% YoY)
In which:
- Shrimp: USD 0.23 bil (-31% YoY)



USD 0.2 bil (-6% YoY)
In which:
- Pangasius: USD 0.05 billion (+0.2% YoY)

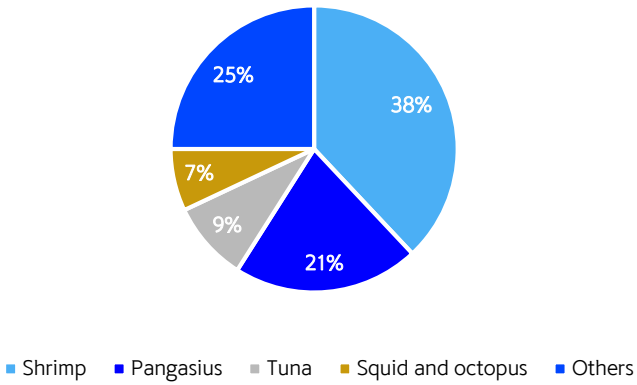
High inflation and inventory decreased the consumption of fisheries products

Export value of fisheries from 2018 – 2023F (USD million)



Source: VASEP, Shinhan Securities Vietnam

Fisheries export by type in 8M/2023



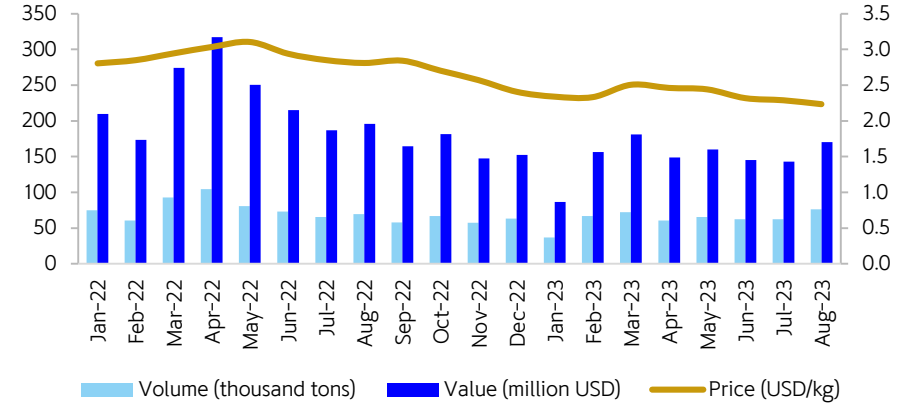
Source: VASEP, Shinhan Securities Vietnam

- **In 2023, inflation occurred globally, making commodity prices more expensive** and people reducing spending, leading to a decline in seafood consumption (because seafood is not an essential food for many countries, such as the US and EU). The average total seafood consumption per capita in the US is 14.6kg/person/year.
- **Exports of pangasius and shrimp in the first half of 2023 will continuously decrease due to the high inventory of the US, the top import market, weak demand**, and Vietnamese shrimp prices that are also not competitive with cheap shrimp from Ecuador and India. Also, the comparison with last year's high base is also a reason for the large decrease in numbers. Exports of other types of fisheries also decreased by double digits, but their contribution to the revenue proportion was not high.
- We forecast that **this year's fisheries exports will reach 9 billion USD** (-18% YoY), lower than the target of USD 10 billion, with the expectation that exports will improve in the second half of the year when the holiday season is approaching.

Part 1.1 – Vietnam's pangasius industry

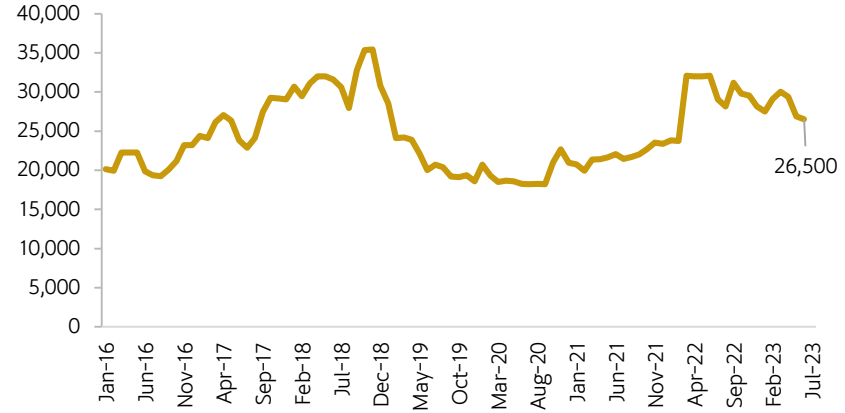
In August 2023, pangasius exports narrowed the decline compared to previous months. Expect a recovery in raw material price

Volume and price of pangasius export 2022-8/2023



Source: Agromonitor, Shinhan Securities Vietnam

Pangasius's raw material price size 850g-1kg 2016-2023 (VND)



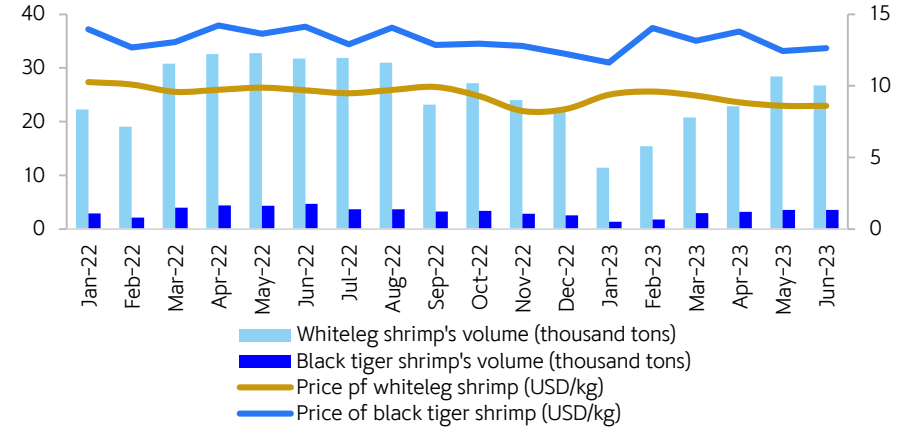
Source: Agromonitor, Shinhan Securities Vietnam

- Vietnam's pangasius revenue structure includes **82% frozen fillets and 16% butterfly-cut pangasius** (mainly for exporting to the Chinese market).
- Due to weak demand and high inventory, in 7M/2023, pangasius export prices and output continuously decreased compared to the same period last year. However, **in August 2023, the situation showed more positive signs when pangasius exports improved in quantity and value compared to the previous month**, even though pangasius export prices were still on the bottom line. **We expect pangasius exports for 2023 to reach 1.7 USD (-28% YoY).**
- The poor export situation causes the price of raw material pangasius to decrease, making people have no motivation to raise fish and are still waiting for higher prices to sell. The price of raw material size 850g-1kg is currently at 26,500 VND, the lowest since 2022. Normally, raw material pangasius prices will decrease sharply in May and increase again in October, so **we expect prices to recover next quarter.**

Part 1.2 – World's shrimp industry

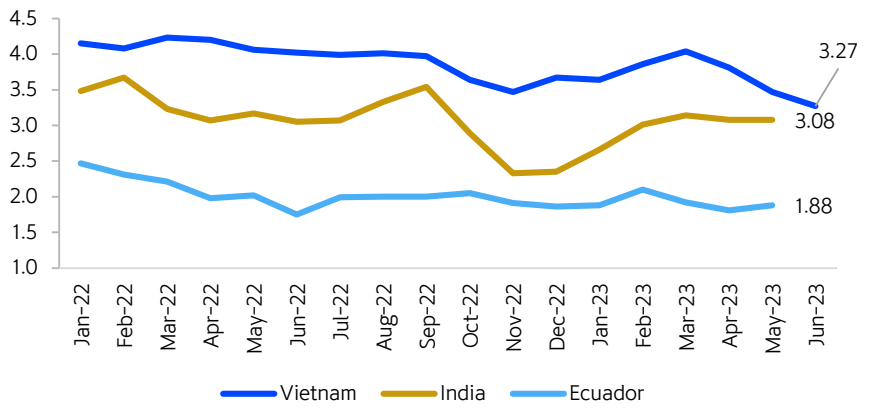
Vietnam's shrimp exports in 8M/2023 still decreased but there was a recovery from main import markets. Expect for orders in 2H2023

Volume and export price of whiteleg and black tiger shrimp in VN 2022-7T/2023



Source: Agromonitor , Shinhan Securities Vietnam

Cost of producing whiteleg shrimp of VN, India and Ecuador (USD/kg)



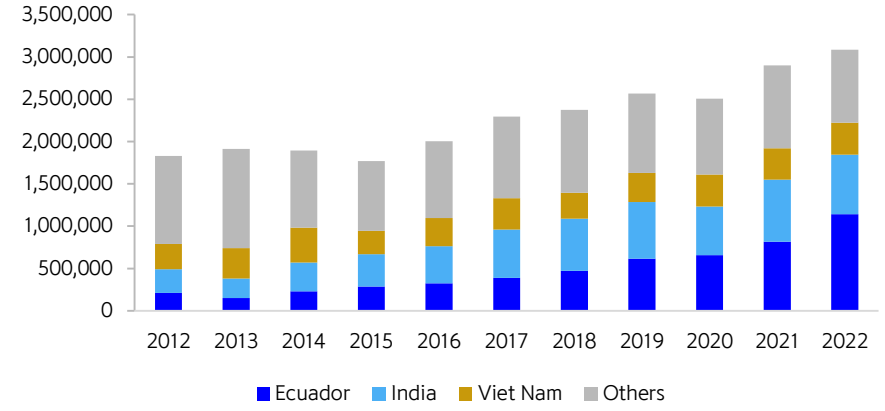
Source: Agromonitor, Shinhan Securities Vietnam

- Vietnam exports mainly **whiteleg shrimp, which account for ~75% of revenue.** In 8M/2023, shrimp exports reached USD 2.2 billion. Our country's shrimp have a higher export price because production costs are much higher than in other countries due to the low shrimp survival rate (India: 60–70%, Ecuador: 90%). **The shrimp industry is expected to have a higher export value in 2H2023** when signals of orders have returned, especially when the China&Hong Kong markets have shown signs of growth in orders.
- Shrimp exports in 1H2023 decreased in value compared to previous years due to a sharp drop in prices, though export output increased month by month. Vietnam's main shrimp import markets are the US, China & Hong Kong, Japan, etc., all of which have decreased in price due to inflation, so people have shifted to consuming cheaper products. **We forecast that shrimp exports this year will reach USD 3.4 billion (-21% YoY)**, 29% lower than VASEP's plan at the beginning of the year.

Part 1.2 – Vietnam's shrimp industry

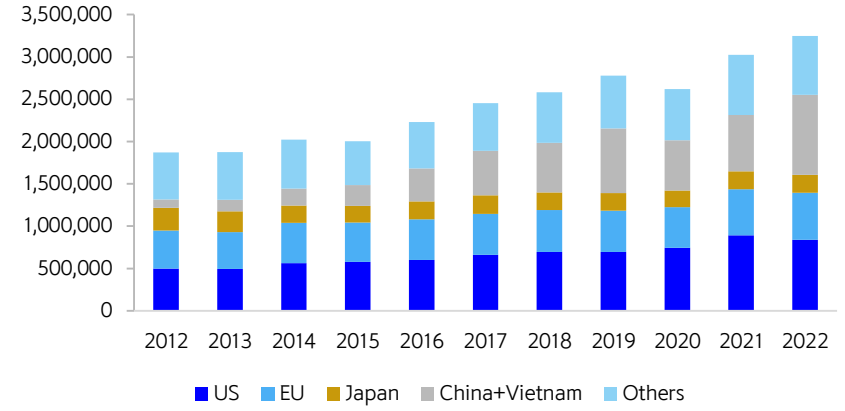
Shrimp exports from the world's two largest shrimp exporters, India and Ecuador, will slow down in the second half of the year

Shrimp's export volume of major exporters 2012-2022 (tons)



Source: Shrimp Insights, Shinhan Securities Vietnam

Shrimp's import volume of major importers 2012-2022 (tons)



Source: Shrimp Insights, Shinhan Securities Vietnam

- In the first half of the year, **India and Ecuador still grew in output but will slow down in the second half of the year** because of slow demand, high production costs, and the unexpected situation of El Nino. According to Shrimp Insights, India may reduce output to -15% YoY, and Ecuador has no output growth in the second half.
- **India's shrimp exports in 1H2023 were -1% YoY due to selling off inventory** and production at the end of the 2022 season. Since 2021, India's shrimp exports have continuously decreased in both price and output.
- **Ecuador's shrimp exports in the first half of this year are still growing well** but are being affected by slowing growth from the beginning of 2022 until now. Ecuador's shrimp is cheap and promoted with the national shrimp brand, so it will have many advantages over other exporting countries.

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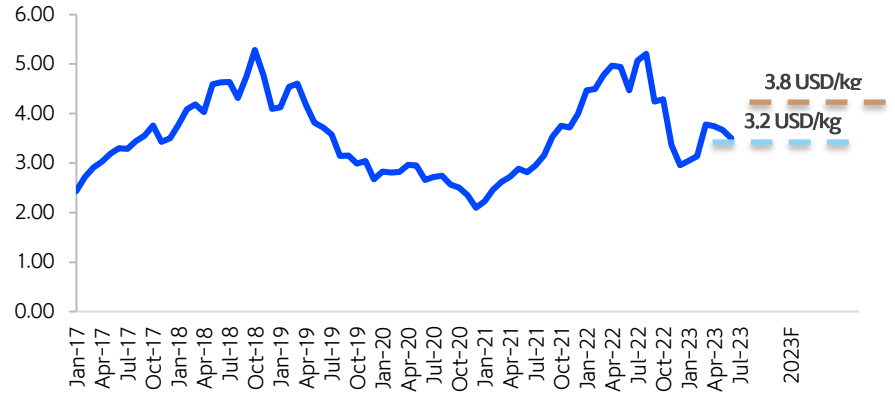
Potentials of Fisheries Sector in 2024

The seafood industry will recover in 2024 as market inventories decrease next year and lower soybean meal prices help improve profit margins

Part 2 – Potentials of fisheries industry 2024 – Pangasius

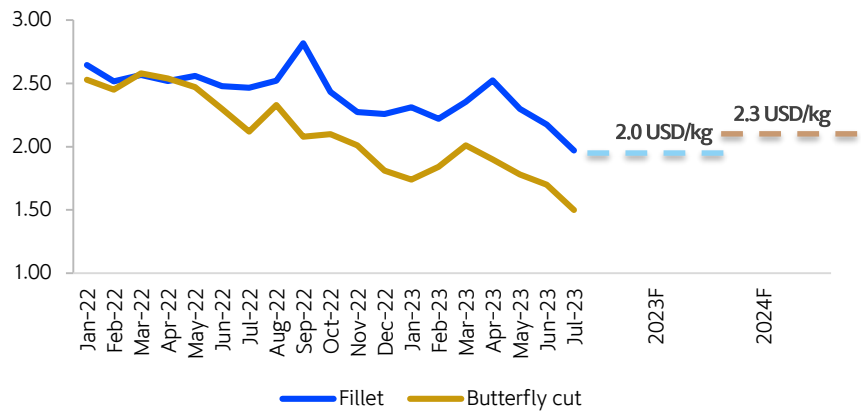
Pangasius exports will grow again as countries handle inventories and take advantage of cheap products

Pangasius' s selling price to US 2016-2024F (USD/kg)



Source: Agromonitor, VASEP, Shinhan Securities Vietnam

Pangasius' s selling price to China 2022-2024F (USD/kg)



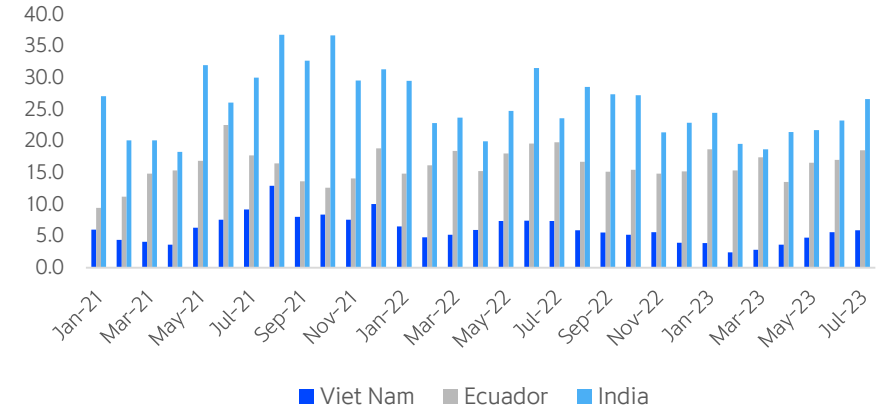
Source: Agromonitor, Shinhan Securities Vietnam

- The price of pangasius exported to the US has dropped sharply since October 2022, extending the decline into the second quarter of 2023. Currently, inventory in the US market is still high, leading to exports to the US still being stagnant in the third quarter. The 7-month average price of pangasius exported to the US is 3.3 USD/kg. **We forecast that the average price of pangasius exports to the US in 2023 will be 3.2 USD/kg and in 2024 will be 3.8 USD/kg based on expectations of recovery in output as well as value when inventory in the US market decreases and demand returns.**
- The Chinese market is Vietnam's second-largest pangasius import market and mainly imports butterfly-cut pangasius. The Chinese market has recovered slowly because it has not recovered in the post-COVID-19 period, the unemployment rate is high, and this market also has a smaller price size requirement than other markets. However, since the beginning of the year until now, exports to the Chinese market have remained quite stable because pangasius products are still cheap. **We forecast that the fillet selling price to the Chinese market in 2023 will be at 2.0 USD/kg and in 2024 will reach 2.3 USD/kg.**

Part 2 – Potentials of fisheries industry 2024 – Shrimp

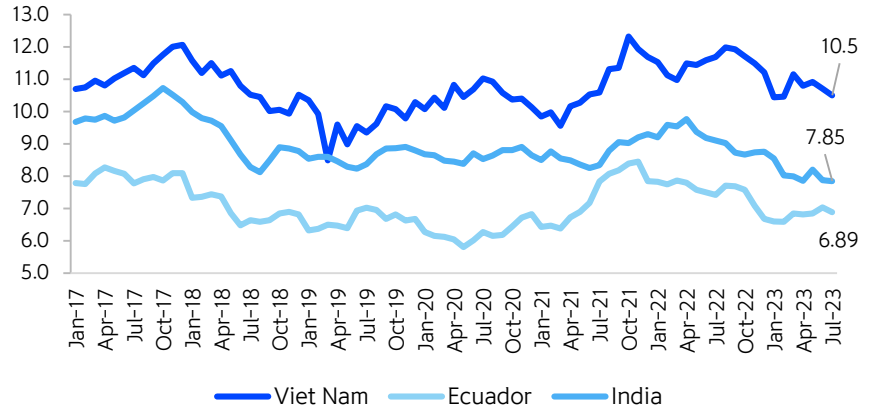
Expect the recovery of the US, the largest import market, will return to import growth in 2H2023

Export volume of shrimp to the US 2021-7M/2023 (thousand tons)



Source: NOAA, Shinhan Securities Vietnam

Selling price of shrimp to the US 2017-7T2023 (USD/kg)

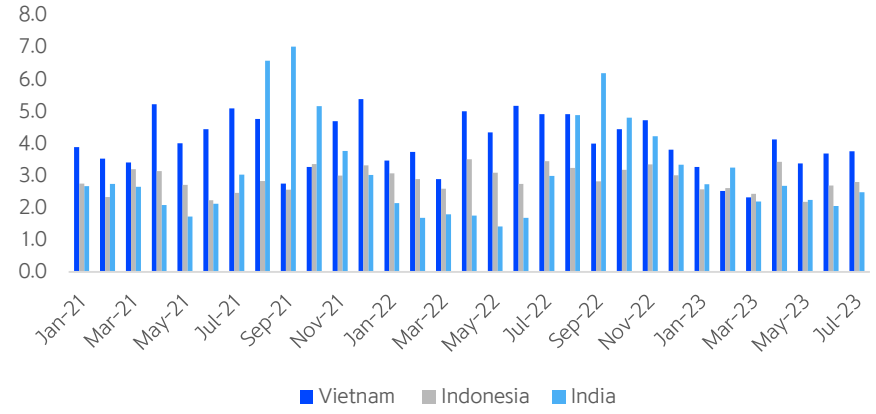


Source: NOAA, Shinhan Securities Vietnam

- The US market accounted for about 20% of Vietnam's total shrimp exports in 7M/2023. Currently, Vietnam accounts for ~6%, India accounts for 39%, and Ecuador accounts for ~25% of the market share in the US. Since the beginning of the year, US import demand has decreased due to high inflation, so people have turned to canned products and high inventory levels due to high imports at the end of last year.
- Since the Q2/2023, our country's production costs have decreased significantly due to a deep decrease in food prices (accounting for more than 60%). Along with that, Vietnamese products exported to the US are mainly deep-processed shrimp and account for a market share of about 25% (1% lower than India).
- We expect the US market to return to **import growth in 2H2023 with deeply processed shrimp products as the holiday season approaches and inventories decrease.**

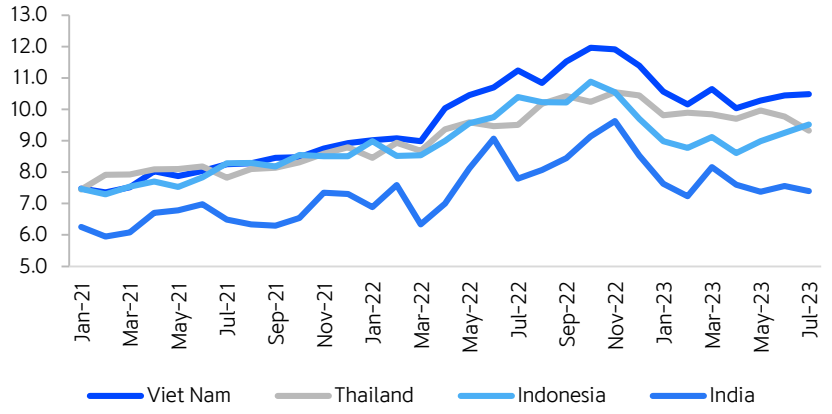
Maintaining the market share of deeply processed shrimp in the Japanese market

Export volume of shrimp to Japan 2021-2023 (thousand tons)



Source: Trade Statistics of Japan, Shinhan Securities Vietnam

Selling price of shrimp to Japan 2021-2023 (USD/kg)



Source: Trade Statistics of Japan, Shinhan Securities Vietnam

- The Japanese market ranks 3rd among Vietnam's shrimp importers, but **Vietnam is Japan's leading shrimp supplier.** From the beginning of the year, Vietnam has always been the country that exports the most to Japan in terms of both output and value because Vietnam has deeply processed products that Japan likes, such as kariage, tempura,...
- In our opinion, the **Japan market will bring a huge source of revenue to Vietnam** when the second largest shrimp exporter to Japan, India, is gradually decreasing from 2021. Along with **maintaining the advantage of deep-processed shrimp to expand market share** and thereby get better selling prices than competitors in the industry.

Part 2 – Potentials of fisheries industry 2024 – Supporting signals

Soybean meal prices are on the decline. The pangasius industry enjoys favorable tax rates after POR19

Price of soybean meal imported from the US 2017-2023 (VND)



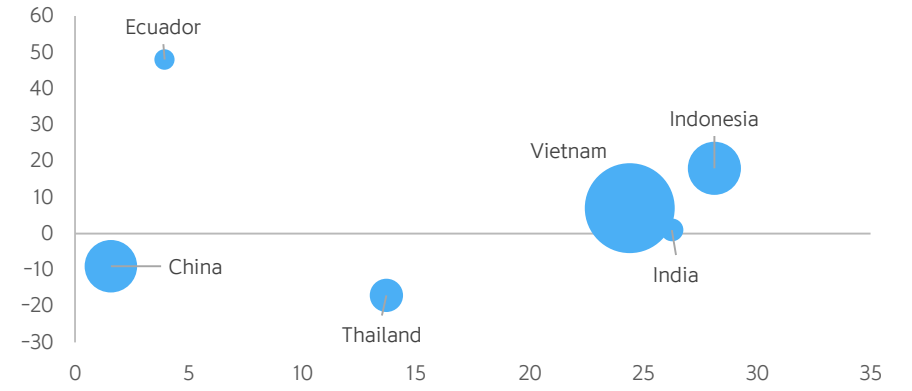
Source: Trade Economics, Shinhan Securities Vietnam

- Recently, **consuming white fish has been more popular thanks to the preference of having healthy diet**. The main types of white fish consumed are Alaska pollock, cod, tilapia, and pangasius. Vietnamese pangasius will have the most advantage based on the following factors: (1) Vietnamese pangasius enjoys an import tax rate of 0% while China's tilapia is taxed at 25%, so Vietnamese pangasius will have a better price advantage; (2) The US and EU favor wild-caught fish such as cod and Alaska pollock, but in the long term, this trend will gradually decrease because these two types of fish have been overexploited and will soon no longer be available for fishing.
- The US Department of Commerce (DOC) has just officially issued preliminary results of POR19 for Vietnamese frozen pangasius fillets exported to the US. Accordingly, there are two defendant enterprises that are required to have the DOC preliminary determine the anti-dumping tax rate: VHC 0.00 USD/kg and CCA 0.14 USD/kg. The remaining businesses receive a national tax rate of 0.14 USD/kg.
- Along with that, **the price of soybean meal is trending down**, which will benefit pangasius farming businesses because feed costs account for a large part of the cost of production.

Part 2 – Potentials of fisheries industry 2024 – Supporting signals

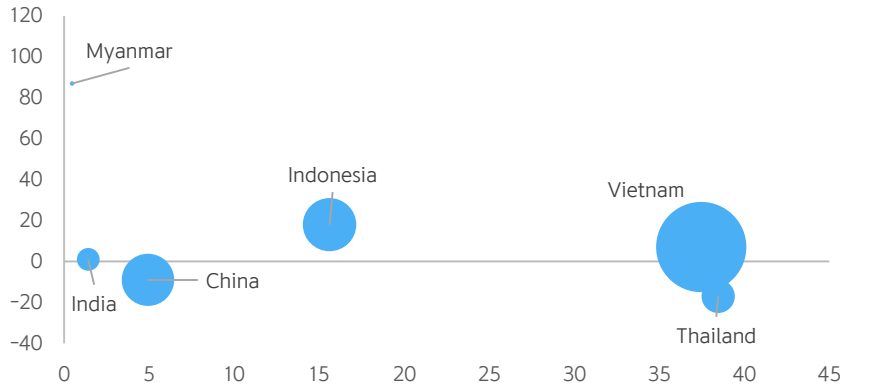
Vietnam focuses on deep-processed shrimp and takes advantage of tax exemption from agreements

Mkt share of countries export deeply processed shrimp to the US



Source: ITC, Shinhan Securities Vietnam

Mkt share of countries export deeply processed shrimp to Japan



Source: ITC, Shinhan Securities Vietnam

- Though Vietnamese shrimp have difficulty competing in the frozen shrimp segment, they have quite an advantage in the deep-processed shrimp segment. **Vietnam's market share of deeply processed shrimp is the highest in the world**, with ~41% of which:
  - In the Japan market, we account for more than 37% of the market share, just behind Thailand with 38.5%, but the annual growth rate is 7% while Thailand is -17%.
  - In the US market, our country accounts for ~25% of the market share, behind India (26%) and Indonesia (28%).
- It can be seen that Vietnam's market share in developed countries is quite high and is only about 1-2% lower than that of major exporting countries. However, the selling price is 10–25% higher. If our country can maintain its market share of deep-processed shrimp, improve its skills, and take advantage of tax exemption and reduction agreements from EVFTA, CPTPP, and anti-dumping tax, then its market share will have the opportunity to expand in the coming years. Especially when the **import tax into the EU for deep-processed shrimp will be 5% in 2025 and 0% in 2027.**

03

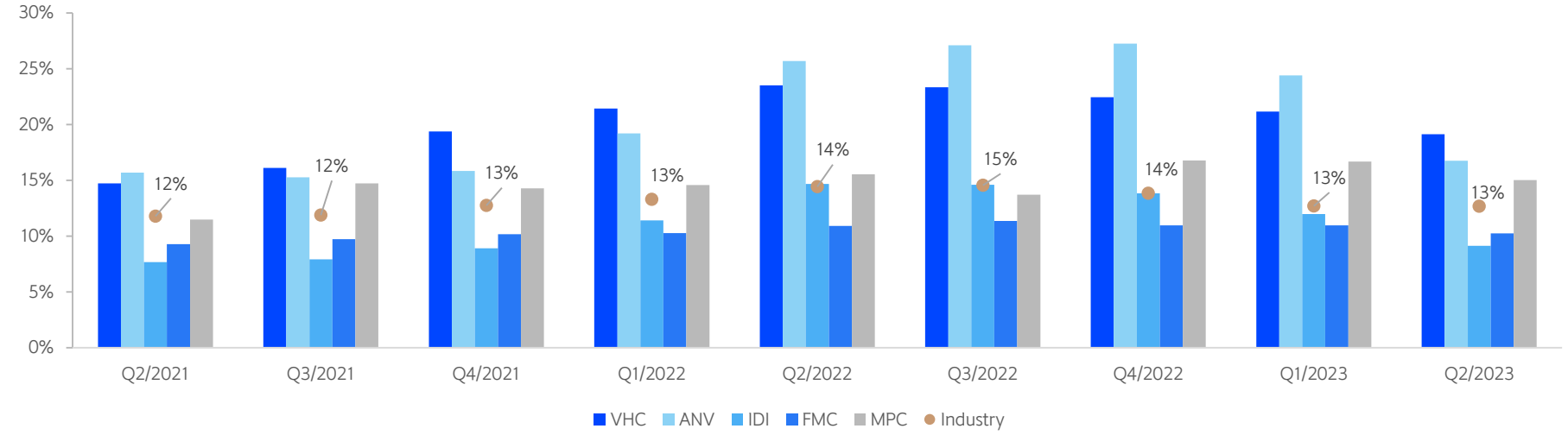
Fisheries Stock Pick

VHC, ANV, FMC – The recovery of export

Part 3 – Fisheries stock pick

Business results of listed fisheries companies have continuously decreased from Q3/2022 to the present but a recovery expected from Q4 2023

Gross profit margin of the entire industry and prominent listed companies Q2/2021-Q2/2023 (%)



Source: Trade Economics, Shinhan Securities Vietnam

Business results of fisheries companies in Q2/2023:

- **Pangasius:** 2022 is a booming year for the pangasius industry when revenue and profits reach records. However, in 2023, the export situation gradually slows down due to inflation and increased inventories in importing countries and lasts until Q2/2023, causing selling prices to decrease and food costs to increase, reducing industry-wide profits.
- **Shrimp:** Our country's shrimp industry is inherently competitive in selling price compared to other countries, along with weak demand in 2023 due to inflation, causing selling prices and export output to decrease. Along with that, unfavorable weather conditions make shrimp farming difficult.

Part 3 – Fisheries Stock Pick

Top listed fisheries companies

Ticker	Main products	Mkt Cap (bn VND)	Revenue Q2/2023 (bn VND)	Rev growth Q2/2023 (QoQ)	GPM Q2/2023	ROA (TTM)	ROE (TTM)	EPS 2024F	P/E 2024F	P/B 2024F	Target price* (VND)
VHC	Pangasius	14,817	2,731	22.6%	21.3%	10.9%	16.8%	11,037	9.5	1.9	102,800
ANV	Pangasius	4,992	1,091	-5.8%	4.4%	4.8%	9.1%	6,288	5.9	1.4	54,600
MPC**	Shrimp	7,768	2,350	10.7%	14.1%	4.8%	9.0%	1.009	19.3	1.4	16,900
FMC	Shrimp	3,269	1,033	2.2%	8.6%	8.8%	14.1%	5,117	9.8	1.3	65,800

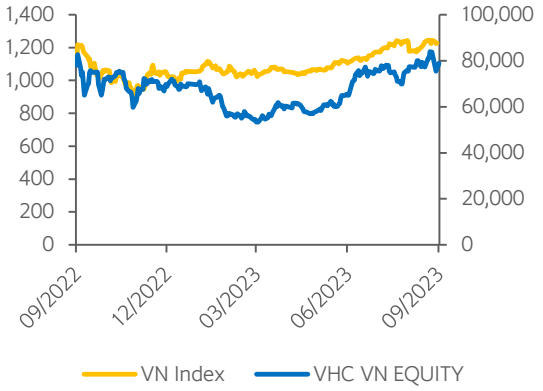
Souce: Bloomberg, Fiinpro, Shinhan Securities Vietnam
Data as of 06/10/2023
(*) Target price (fair value) within 12 months
(**) Data from Bloomberg

Vinh Hoan Corporation (HOSE: VHC)

VINH HOAN

Target price (12 months)	VND 102,800
Current price (06/10/23)	VND 81,400
Return (%)	26%
VNINDEX	1,112
Market P/E (x)	15.3
Market cap (billion VND)	14,927
Outstanding shares (mil shares)	183
Free-float (mil shares)	91
52-week high/low (VND)	86,300/53,300
90-day avg. trading volume (mil shares)	0.96
90-day avg. turnover (bn VND)	76
Major SHDs (%) Truong Thi Le Khanh	43.16
Major SHDs (%) Dragon Capital	6.93

Performance	3M	6M	12M
Absolute (%)	21.4	47.8	-1.4
Rel.to VN-Index (%)	18.8	38.5	-3.9



Expected to recover from the end of Q3/2023

Vinh Hoan Corporation is the leading pangasius enterprise in Vietnam, with an export proportion of more than 15%. The year 2023 is forecast to be a difficult year for the pangasius industry in general and Vinh Hoan in particular. However, we estimate that the company's pangasius export segment will recover from late Q3/2023 to early Q4/2023 thanks to the improvement in demand from the US market.

Investment catalysts & theses

- **Pangasius segment:** We evaluate that this segment will be affected by concerns about price and output decline. However, the situation in the second half of the year will become more optimistic thanks to the recovery of order quantity, and supermarkets in the US market are reducing prices to boost customers' purchases.
- Along with that, expanding farming areas and investing in fish breeding centers will help the company increase the proportion of self-sufficient raw materials to 75% and increase the survival rate in pangasius farming. In 2024, the company's main business segment will recover when US imports grow.
- **Collagen & Gelatin and Sa Giang:**: In these two areas, the company will focus on developing more markets. The gelatin factory will be invested to expand its capacity, and the company will focus on developing new products with foreign partners by participating in seafood trade fairs.
- **Processing dried fruit:** Thanh Ngoc Company is expected to officially go into operation in June 2023 after a trial period. The company's management expects the gross margin of this segment to be 15% and contribute revenue of VND 350 billion.

Risk:

(1) Risk of export; (2) Shortage of supply

Year	2020	2021	2022	2023F	2024F
Revenue (bil VND)	7,037	9,054	13,231	10,676	15,426
OP (bil VND)	695	1,199	2,254	1,410	2,511
NP (bil VND)	719	1,107	2,013	1,238	2,214
EPS (VND)	3,923	5,993	10,771	6,172	11,037
BPS (VND)	28,225	32,087	41,959	43,518	54,766
OPM	9.9	13.2	17.0	13.2	16.3
NPM	10.2	12.2	15.2	11.6	14.4
ROE (%)	14.3	20.0	29.6	15.2	22.9
P/E (x)	10.24	10.5	6.5	17.0	9.5
P/B (x)	1.42	2.0	1.7	2.4	1.9
EV/EBITDA (x)	8.1	8.1	5.1	9.2	5.8

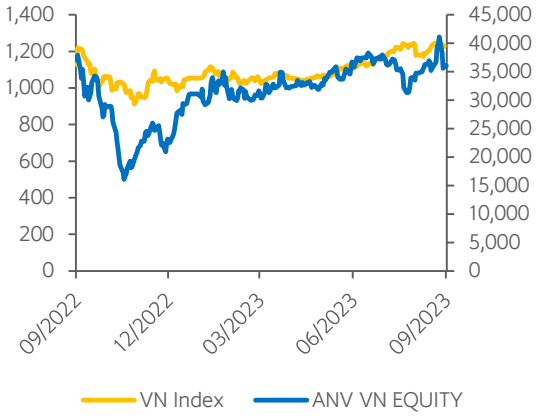
Source: Company data, Shinhan Securities Vietnam

Nam Viet Corporation (HoSE: ANV)

NAVICO
NAM VIET CORPORATION

Target price (12 months)	**VND 54,600**
Current price (6/10/23)	VND 38,200
Return (%)	**43%**
VNINDEX	1,112
Market P/E (x)	15.3
Market cap (billion VND)	5,085
Outstanding shares (mil shares)	133
Free-float (mil shares)	41
52-week high/low (VND)	41,950/15,000
90-day avg. trading volume (mil shares)	2.30
90-day avg. turnover (bn VND)	85
Major SHDs (%) Doan Toi	53.77
Major SHDs (%) Doan Chi Thanh	12.85

Performance	3M	6M	12M
Absolute (%)	3.5	121.3	12.0
Rel.to VN-Index (%)	4.5	17.4	8.5



Reaching out to the new sea

Nam Viet Corporation (HoSE: ANV) is one of the leading enterprises in Vietnam's pangasius export industry, with 100% autonomy from farming areas and fingerlings to feed.

Investment catalysts & theses

- **Expectation of export growth from main export markets and new market:** Revenue from the China market accounted for nearly 20% of the company's total revenue. After stopping cooperation with partner Shanghai Fenglei, the market share in China's market will increase significantly. In the beginning of August 2022, Nam Viet started exporting the first pangasius containers to the US after nearly 10 years. In the last 5 months of 2022, the US market brought in 1.9 million USD, equivalent to 1.4% of the company's export revenue. It is expected that revenue from the US market this year will contribute significantly to ANV's revenue after the company enjoys 0% tax antidumping duties.
- **The advantage of autonomy in farming areas helps control costs:** Nam Viet is a leading company in the industry with 100% autonomy from the farming area, fingerlings, raw materials, and feed factory to the processing factory. This will help the company have an advantage in input costs, helping it improve its gross profit margin compared to competitors. The company is also building a Binh Phu farming area with 600ha to help supply enough for all customer orders.

Outlook for 2023 and 2024

- 2023 will not be a very positive year for the pangasius industry when inventories from other countries are still high, leading to an oversupply that reduces the export prices of pangasius. Along with that, inflation is still anchored at a high level on a global scale, which may affect ANV's business results in 2023; however, we expect the company's revenue to recover in 2024 and growth to return to normal in 2025.

Risk: (1) Risk of investigating in new market; (2) Risk of investing in new segments

Year	2020	2021	2022	2023F	2024F
Revenue (bil VND)	3,439	3,494	4,897	3,953	5,584
OP (bil VND)	244	216	863	212	1,004
NP (bil VND)	203	129	674	115	840
EPS (VND)	1,590	1,013	5,300	898	6,288
BPS (VND)	18,300	18,313	22,598	22,923	27,181
OPM	7.1	6.2	17.6	5.4	18.0
NPM	5.9	3.7	13.8	2.9	15.0
ROE (%)	8.6	5.5	25.8	3.9	25.6
P/E (x)	4.37	32.9	4.3	41.0	5.9
P/B (x)	1.30	1.8	1.0	1.6	1.4
EV/EBITDA (x)	14.0	16.5	4.5	33.7	7.2

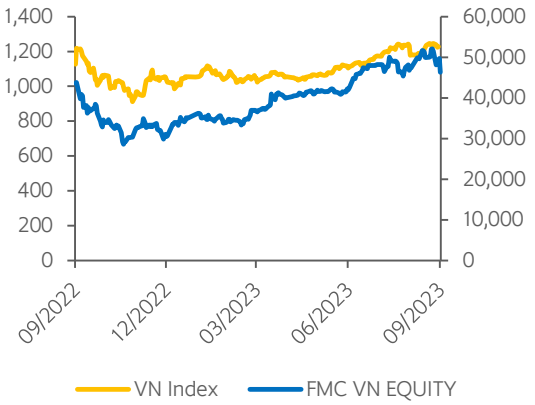
Source: Company data, Shinhan Securities Vietnam

Sao Ta Foods JSC (HOSE: FMC)

FIMEX VN
A MEMBER OF THE PAN GROUP
THE PAN GROUP

Target price (12 months)	VND 65,800
Current price (6/10/23)	VND 50,200
Return (%)	31.1%
VNINDEX	1,112
Market P/E (x)	15.3
Market cap (billion VND)	3,283
Outstanding shares (mil shares)	65
Free-float (mil shares)	23
52-week high/low (VND)	53,500/28,600
90-day avg. trading volume (mil shares)	0.07
90-day avg. turnover (bn VND)	3
Major SHDs (%) The PAN Group	37.75
Major SHDs (%) C.P. Vietnam Livestock Co., Ltd	24.90

Performance	3T	6T	12M
Absolute (%)	10.2	20.3	1.1
Rel.to VN-Index (%)	7.7	11.0	-1.4



Shinhan Securities

Sustainable growth

Sao Ta Foods JSC (HOSE: FMC) is one of the leading shrimp exporters in Vietnam while always maintaining its position in the top 5 largest shrimp exporters in Vietnam. FMC is now self-sufficient in 30% of raw materials in a farming area of 505ha.

Investment catalysts & theses

- **Shifting the revenue structure to the Japanese market and maintaining the US market:** Since 2022, the company has advocated increasing exports to Japan and South Korea because of its location advantage. The geographical proximity to Vietnam helps reduce selling costs, along with the company's product lines that are also suitable for the Japanese market. The two sides have a long-term cooperation relationship. We think this is the right step for the company in the situation where the shrimp industry is facing difficulties when exporting to the US because the price is higher than in other exporting countries. In the first half of 2023, the proportion of revenue in the following markets was: Japan (40%), the US (18%), Western Europe (24%), Korea (6%), and Australia (6%).
- **Healthy financial structure:** The company has a healthy financial structure with the lowest debt ratio in the industry (debt/equity ratio: 0.24, debt/total assets: 0.17). We consider this to be a bright spot for the company in the context of the shrimp industry, which has a rather precarious business model.
- **Good cost management helps the company to have the highest net profit margin in the industry:** Though the company has the lowest gross profit margin in the industry, it is quite stable thanks to good management of expenses, such as good inventory management with the lowest inventory days in the industry, along with the restructuring of revenue through the Asian market to help reduce selling costs and improving gross margin thanks to food support from C.P. Group.

Outlook for 2023 and 2024

- 2023 will not be a positive year for the shrimp industry when the weather is unfavorable, with the selling price of Vietnam's shrimp, especially FMC, which is still high compared to other countries. Along with that, inflation is still anchored at a high level on a global scale, which may affect FMC's business results in 2023. However, we expect the company's growth to return in the coming years as the company expands its farming area (~255ha) and increases its factory capacity to prepare for the coming years

Risk: (1) Risk of unfavorable weather and macroeconomic conditions

Year	2020	2021	2022	2023F	2024F
Revenue (bil VND)	4,415	5,199	5,702	5,037	5,409
OP (bil VND)	225	265	307	294	341
NP (bil VND)	226	287	321	298	348
EPS (VND)	4,607	4,677	4,605	4,387	5,117
BPS (VND)	22,044	30,231	32,361	34,686	37,770
OPM	5.1	5.1	5.4	5.8	6.3
NPM	5.1	5.5	5.6	5.9	6.4
ROE (%)	18.8	22.4	15.7	13.6	14.7
P/E (x)	6.8	10.8	7.0	11.4	9.8
P/B (x)	1.4	1.7	1.0	1.4	1.3
EV/EBITDA (x)	6.4	9.2	5.6	8.8	7.9

Source: Company data, Shinhan Securities Vietnam

Shinhan Securities

Textile and Garment

Revival signals



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Content

Textile and Garment – Revival signals

1. Textile and garments industry overview

   Top 3 global footprint of Vietnam textile and garments exports

   Benefits from US demands and FTAs

   Less competitive advantages as high labor costs

2. 8M2023 updates of textile and garments sector

   15.3% YoY decreases of textile and garments exports in 8M2023

   73% YoY tumbles of listed textile and garments companies' earning

3. Textile and garments industry outlook 2024

   Lower retail inventory and recovered demands in markets

   Expected revival imports of raw materials and yarns in Q4/2023

   Positive YoY growth of textile IIP since Q2/2023

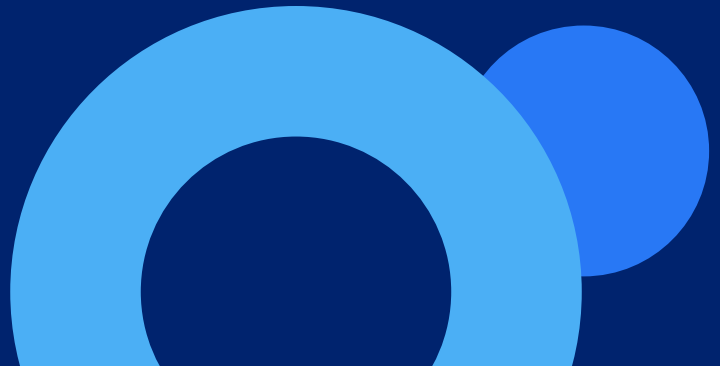
4. Textile and Garment Stock pick

   STK – Expanded capacity from the new Unitex 1 factory and new orders moving from China

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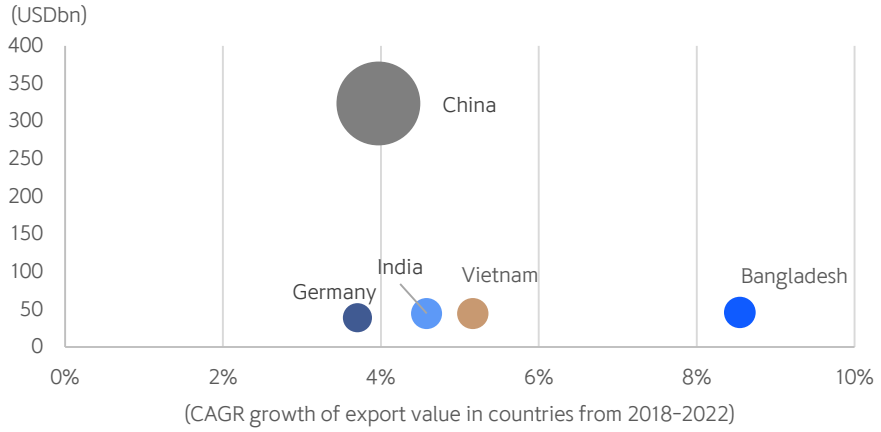
Textile and garments industry overview

Textile and garment is a key industry of Vietnam, ranking in the Top 3 largest textile exporting countries in the world. In 2022, the textile industry will reach USD 44.5bn in 2022, +5% CAGR of export value in 2018-2022



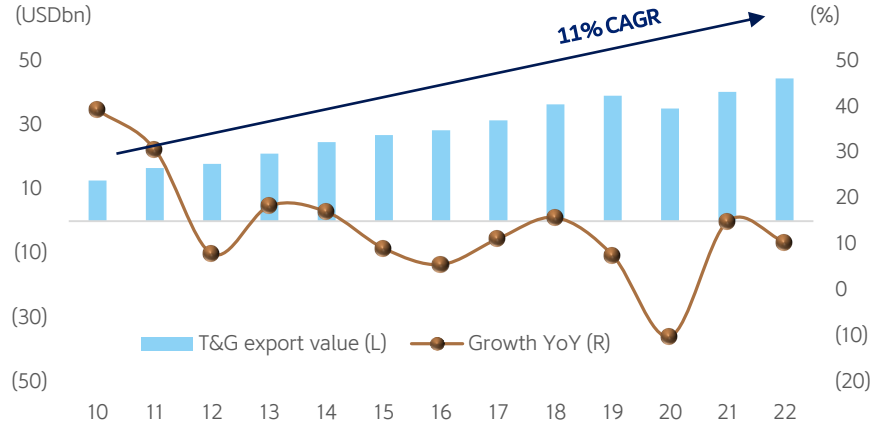
Export value of Vietnam textile and garments set Top 3 globally

T&G export contributed 3rd largest shares in the world



Source: Shinhan Securities Vietnam

T&G export value increased by 11% CAGR from 2010-2022

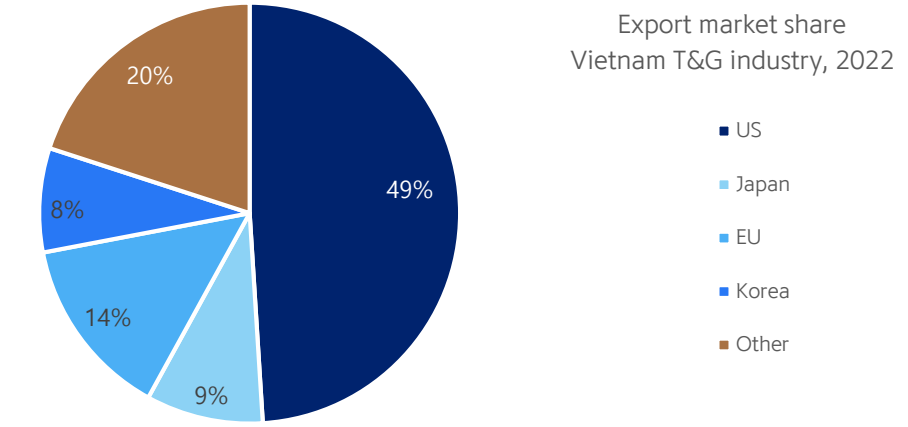


Source: Vietnam Custom, Shinhan Securities Vietnam

- Vietnam's textile and garments (T&G) exports reached USD 44.5bn in 2022, which is 3rd largest export shares globally, after China (USD 323bn), and Bangladesh (USD 45.7bn) .
- The export value of the T&G industry has been positive growth consecutively, reaching 5% CAGR from 2018-2022.
- Of which, garments exports accounted for 86.4%, while fiber and yarn exports made up for 10.8% of T&C export value in 2022.
- US contributed largest market shares with more than 40%, following by EU (11%), Korea (11%), Japan (10%).

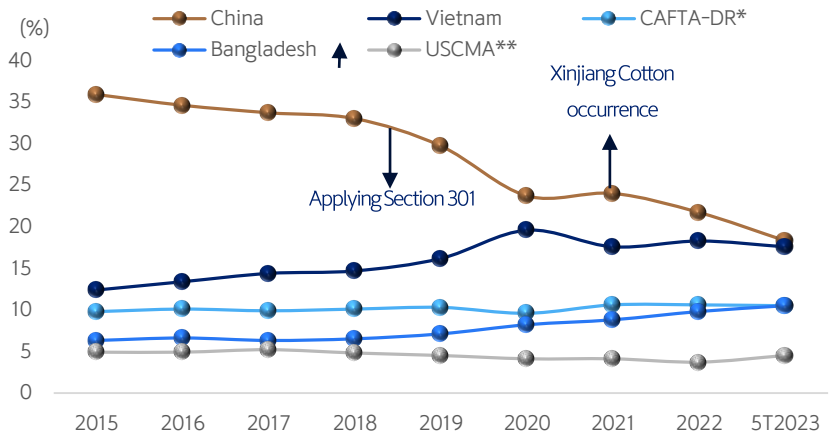
Benefit from the US-China trade war

The US is the largest export market of Vietnam T&G industry



Source: Vietnam Custom, Shinhan Securities Vietnam

Vietnam T&G has strongly expanded the US market since 2019

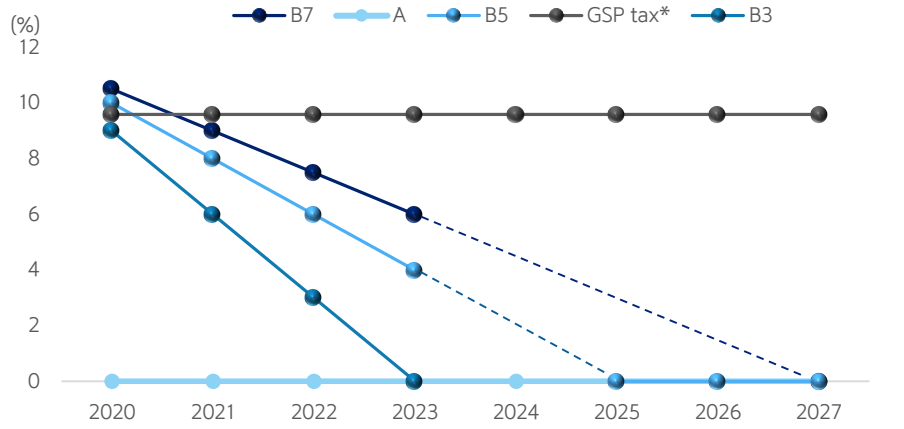


Source: USFIA, Shinhan Securities Vietnam
*CAFTA-DR: CAFTA free trade agreement includes the US - Dominican Republic - Central America
**USCMA: NAFTA trade agreement includes US-Mexico-Canada

- As the largest export market for Vietnamese textiles and garments, US is the key driver of the Vietnamese textile and garment industry, reaching 11% CAGR of export value to US from 2018-2022. In the US market, Vietnam is the 2nd largest textile supplier after China.
- The US-China trade war affects the Chinese textile and garment industry by (1) the US has applied Section 301 import tax from September 2018 to present, thereby imposing an additional 10% tax on textile and garment products, (2)) allegations related to "using forced labor" in the Xinjiang Cotton => The occurrences put pressure on fashion brands to work with T&G processing, especially with Chinese T&G manufacturers.
- As orders tend to shifted to other countries, and Vietnam took advantage to sharply increase its market share in the US market, from 12.4% in 2015 to 17.9% in 5M2023. Meanwhile, China's market share was 18.3% in 5M2023 (a sharp decrease from 35.9% in 2015).

Market expansion opportunities come from FTAs

Tax reduction roadmaps of EVFTA on T&G products



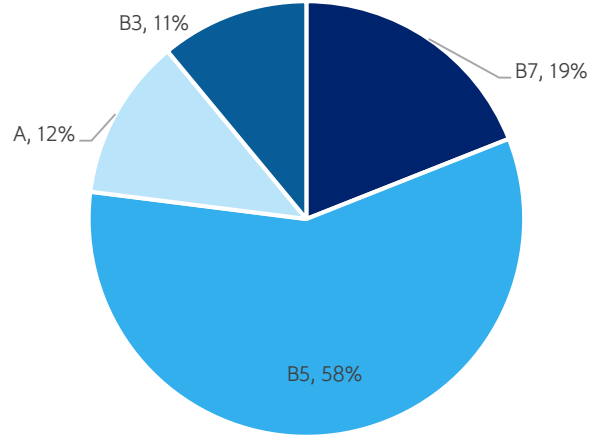
Source: GSO, Shinhan Securities Vietnam

*Note: **A**: Tariffs will be eliminated on the effective date of the agreement*

***B3/5/7:** Tariffs will be eliminated in four/six/eight equal stages starting from the date of agreement.*

***GSP Tax:** Generalized System of Preferences for developing countries (beneficiary countries) to enjoy tax exemptions or reductions.*

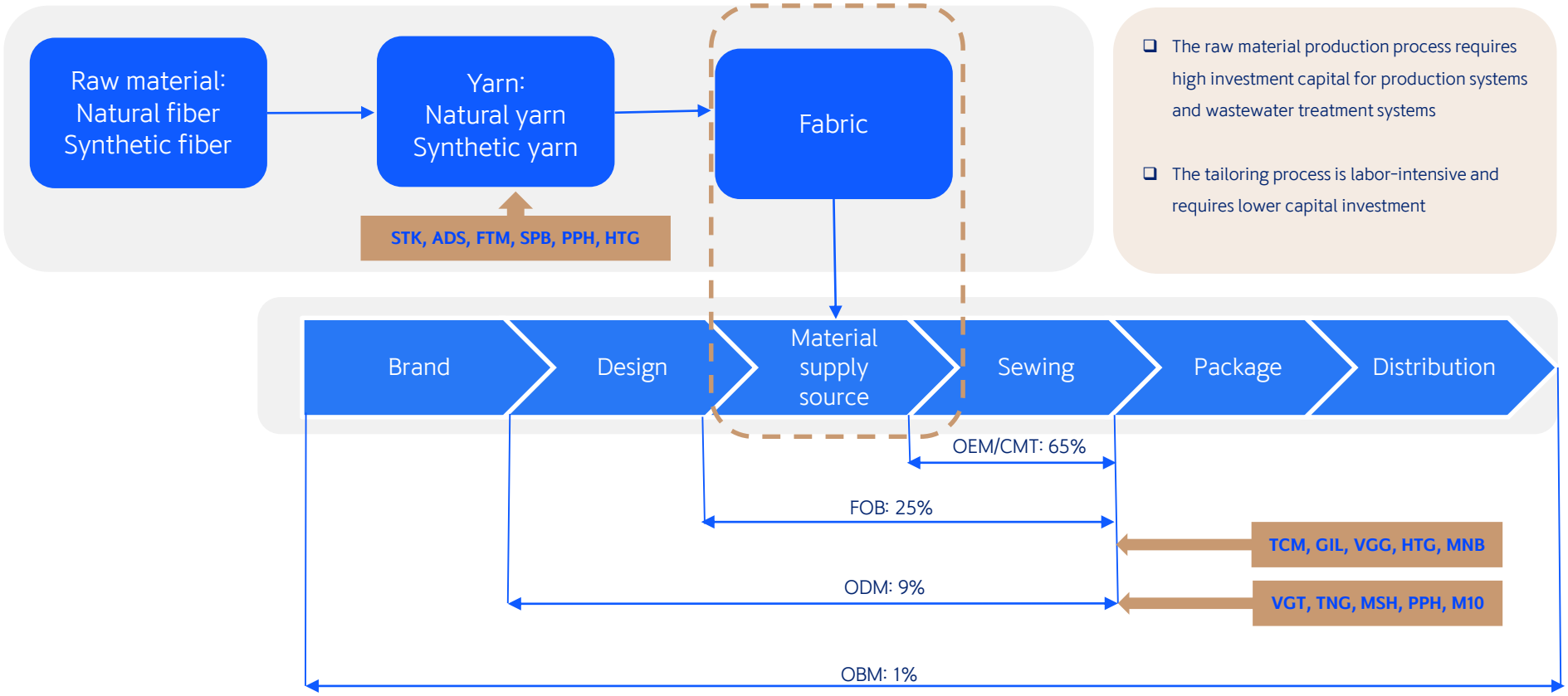
58% T&G will reduce tariffs to zero by 2025 to EU exports



Source: GSO, Shinhan Securities Vietnam,

- Thanks to preferential tariff advantages, Vietnam benefits from the wave of outsourcing production shifts, especially in the T&G industry. According to the MoIT, T&G is one of the industries that maximize advantages of preferential tariffs the most from 14 FTAs, reaching 66.9% (2019), 59% (2020), and 59.9% (2021) of C/ O incentives
- As many preferential tariff from EVFTA, the EU is a potential market, currently contributing 10% of Vietnam's textile and garment export value. T&G exports have been increased 19.4% CAGR since EVFTA took effect (August 2020).
- According to GSO, by 2025, about 58% of textile and garment products will be eligible for tax reduction to zero when exported to the EU market.

Exploiting the value chain is the key engine of Vietnam's T&G industry development



- The raw material production process requires high investment capital for production systems and wastewater treatment systems
- The tailoring process is labor-intensive and requires lower capital investment

Sources: VITAS, Shinhan Securities Vietnam

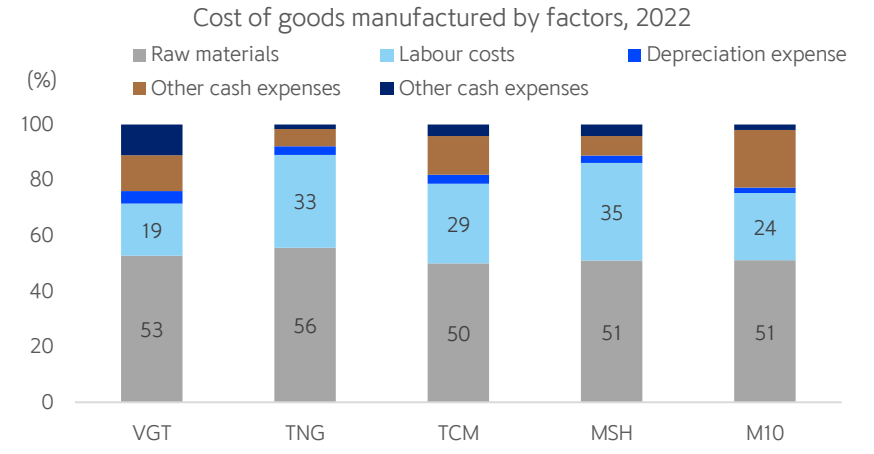
Market expansion opportunities come from FTAs

Strengths and weaknesses of sourcing bases in 2023 of US

Sourcing	Speed to market	Sourcing cost	Flexibility and agility	Risk of labor and social compliance	Risk of environmental compliance
US	4.5	2.0	3.0	4.0	4.0
Mexico	4.0	2.5	3.5	3.0	3.0
CAFTA-DR	4.0	3.5	3.5	3.5	3.5
China	3.5	3.5	4.0	1.5	2.5
Vietnam	3.0	3.5	4.0	2.5	2.5
Bangladesh	2.0	4.5	3.5	2.5	2.5
Indonesia	2.5	4.0	3.5	3.0	3.0
India	2.5	3.5	3.5	3.0	2.5
Sri Lanka	2.5	3.5	3.5	3.5	3.0
Cambodia	2.5	3.5	3.0	2.5	3.0
EU	3.0	2.0	3.0	3.5	4.0
Turkey	3.0	3.0	3.5	3.0	3.0
AGOA*	2.0	4.0	3.0	3.0	2.5
Egypt	3.0	3.5	3.0	3.0	3.0

Source: USFIA, Shinhan Securities Vietnam
*AGOA: African Growth and Opportunity Act

Raw materials and labor costs account more than 70%



Source: Company, Shinhan Securities Vietnam

- High labor costs: due to the labor-intensive textile manufacturing, labor costs account for about 25-30% of the input costs. However, Vietnam's labor costs are increasingly high (reaching 300 USD/month/person) compared to Bangladesh (95 USD/month/person), reducing the price competitiveness advantage for Vietnamese businesses.
- Dependence on raw materials: 50% of raw materials and accessories supplies for the T&G industry is imported => (1) under pressure and risks from regulations on raw materials and accessories traceability in the supply chain, reducing competitive advantage from FTAs (2) high manufactured costs.

02

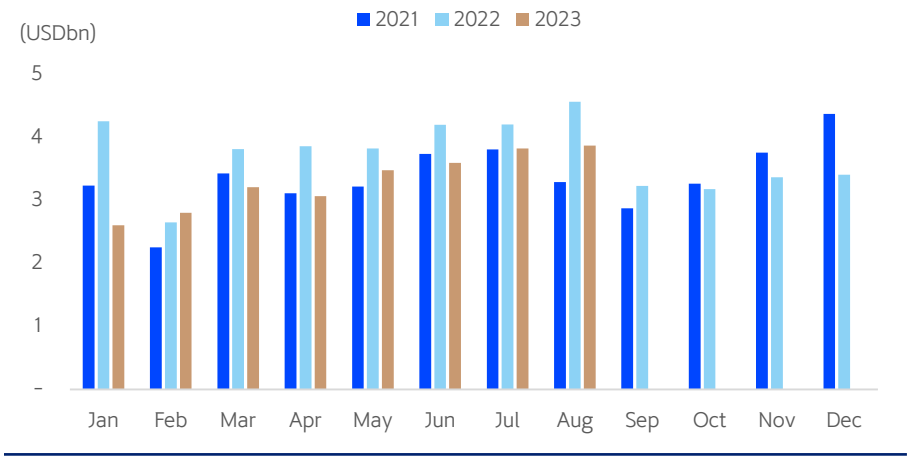
8M2023 updates of textile and garments industry

In 8M2023, textile and garment export value decreased by 15.7% YoY to reach USD 26.4bn since slow consumption and high inventory in main markets dragged textile and garment orders tumbled.

Part 2 – 8M2023 updates of textile and garments industry

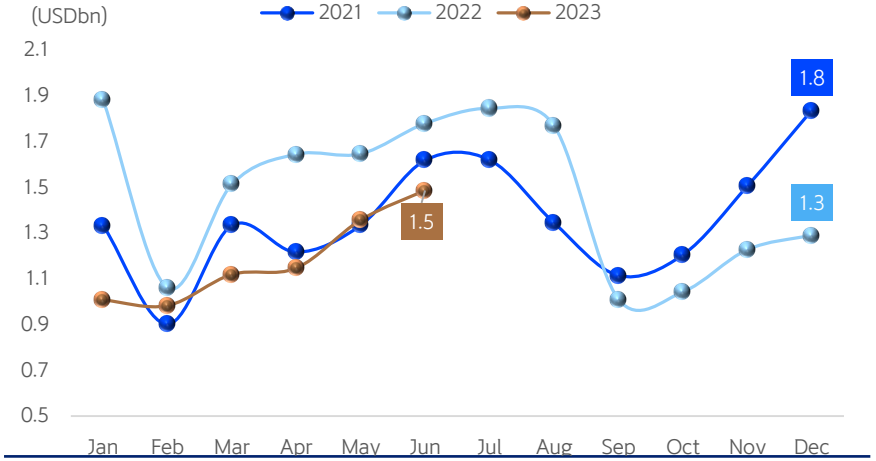
Gloomy fashion retail industry in the US slowed down Vietnam T&G exports in 8M2023

T&G exports in 8M2023 decreased YoY compared to high base



Source: Vietnam Custom, Shinhan Securities Vietnam

T&G export value to the US decreased by 25% YoY in 1H2023



Source: Vietnam Custom, Shinhan Securities Vietnam

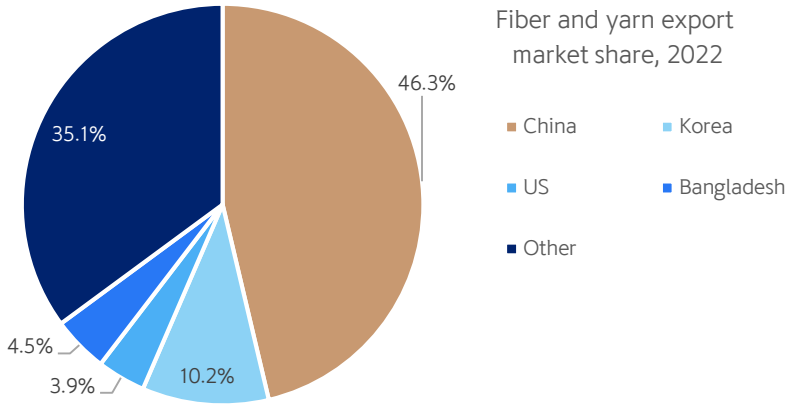
In 8M2023, T&G export value decreased by 15.7% YoY to reach USD 26.4 billion due to:

- ❑ Export value to the US, the largest consumer market of Vietnam T&G industry, sharply decreased by 25.4% YoY accumulated in 1H2023.
- ❑ As T&G exports increased sharply in 2022 to meet pent-up demand after the pandemic, pushing high base in 2022
- ❑ Yet, rising inflation causes consumers to tighten spending, slowing down consumption in 2023.

Part 2 – 8M2023 updates of textile and garments industry

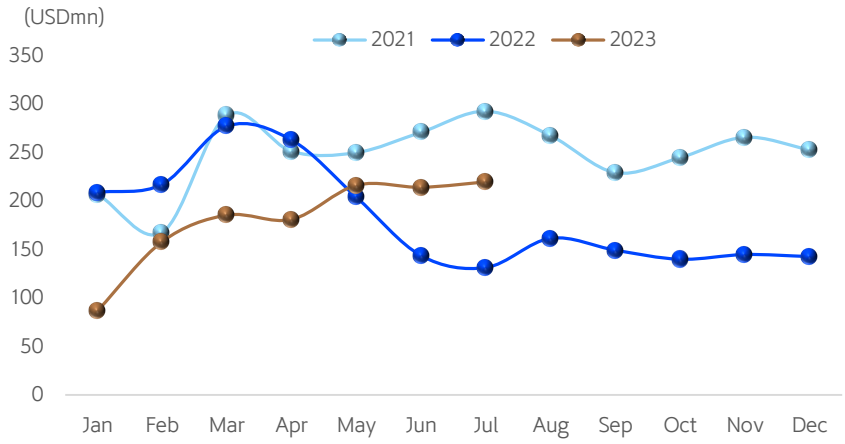
Fiber and yarn export value decreased in 8M2023 but recovered signal of volume export

China is the largest market for exporting fiber and yarn



Source: Vietnam Custom, Shinhan Securities Vietnam

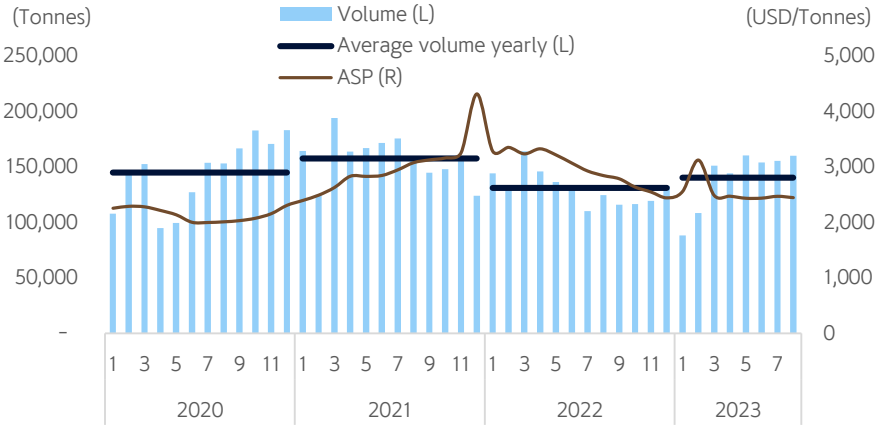
Fiber and yarn exports to China increased YoY in Q2/2023



Source: Vietnam Custom, Shinhan Securities Vietnam

- In 8M2023, fiber and yarn export value decreased by 18% YoY to reach USD 2.8bn , mainly due to the average selling price adjusted – 20.2% YoY, reaching 2,531 USD/Ton.
- However, the demand for fiber and yarn improved from Q2/2023, mainly thanks to the recovery demand of Chinese market, itching export volume of industry to +3% YoY in 8M2023.

Fiber export volume might improve

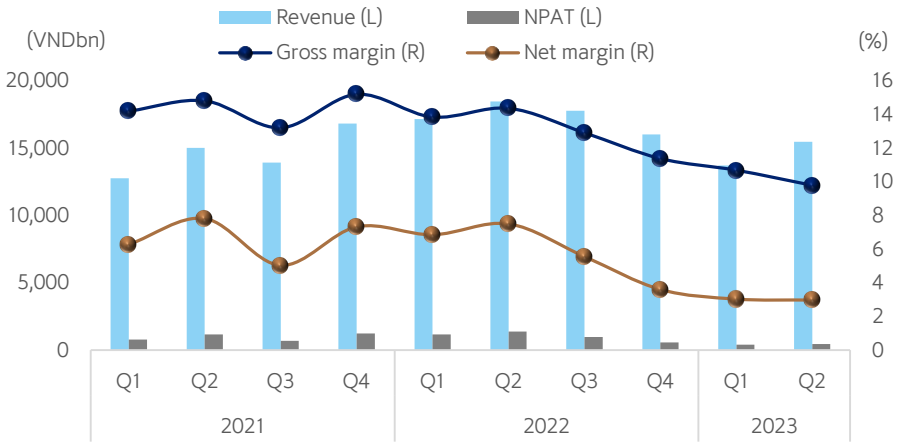


Source: Vietnam Custom, VCOSA, Shinhan Securities Vietnam

Part 2 – 8M2023 updates of textile and garments industry

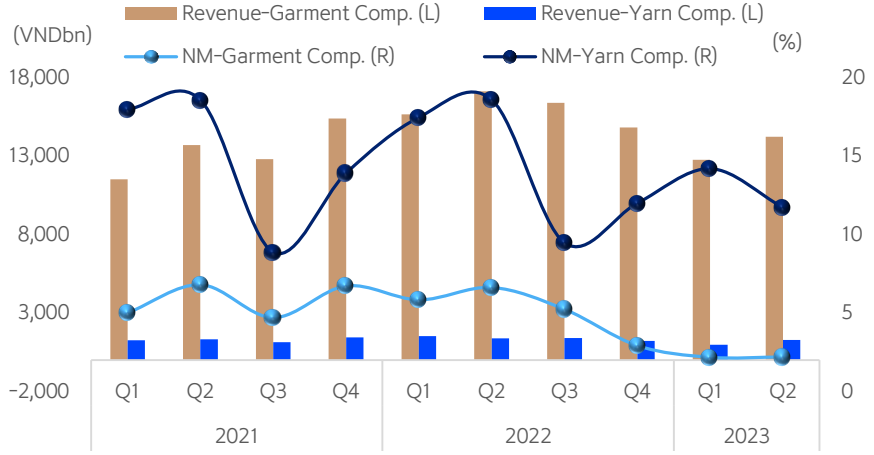
8M23 business results: Revenue and net profit of listed T&G company decreased

NM decreased due to narrow GPM in 1H2023



Source: Vietnam Custom, Shinhan Securities Vietnam

1H23 revenue of top 10 T&G companies decreased YoY



Source: Vietnam Custom, Shinhan Securities Vietnam

- Revenue of listed T&G companies decreased by 17.5% YoY in 6M2023 due to weak consumption of garments in many markets, stagnant new orders from fashion brands.
- Net profit of listed T&G companies decreased sharply by 73% YoY since (1) gross profit margin decreased as reduced selling prices and (2) heftier interest expenses +42.5% YoY.

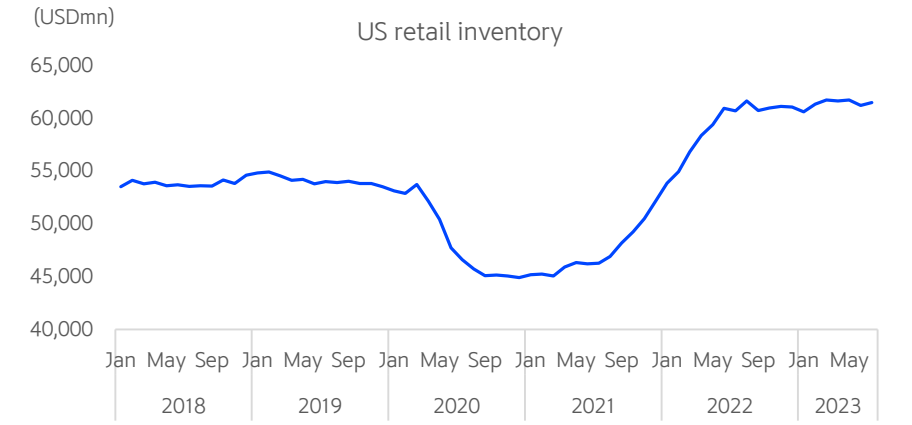
03

Textile and garments industry outlook 2024

We expect the textile and garment industry in 2024 to recover 8.6% YoY from a low base as garment consumption in main markets will improve.

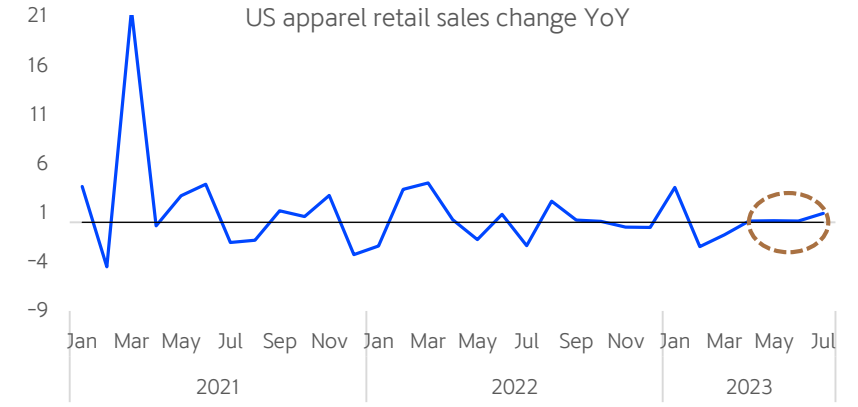
Retail stockpile decreased while consumption gradually recovered in key markets

US retail inventories stablize



Source: FRED, Shinhan Securities Vietnam

US apparel retail sales improved slightly YOY



Source: FRED, Shinhan Securities Vietnam

The US, Vietnam's main T&G consumer market, is expected to recover from a low base in 2024 since:

- Apparel retail stockpile have remained at a high level. It is expected that the stockpile would decrease in the end of Q4/2023 due to increased consumption during the holiday season. Therefore, gradually reducing inventory will add storage for new orders in 2024.
- The FOMC forecasts inflation gradually decreasing in 2024, which make less spending tighten. It could boost consumption of non-essential items, including apparel products. In 3Q/2023, the US recorded positive growth of apparel retail revenue MoM.

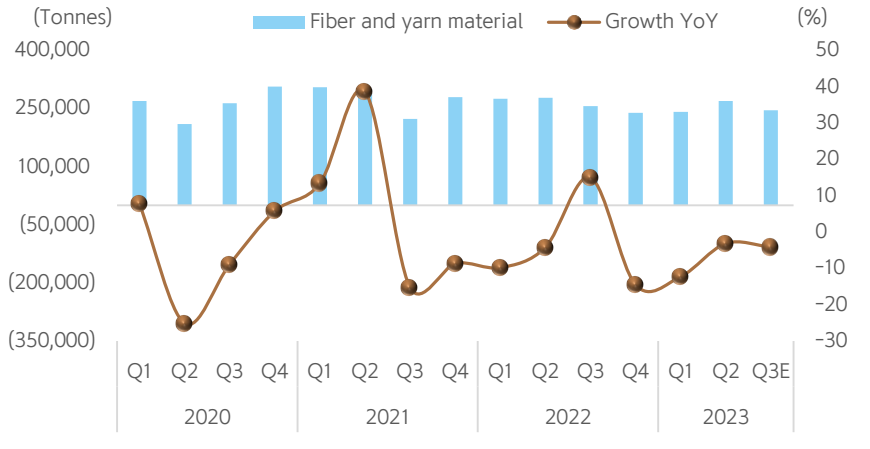
Positive growth of the raw materials import could lead to the potential recovery for garment

Import of raw cotton increased sharply from Q2/2023



Source: Vietnam Custom, Shinhan Securities Vietnam

Import of fiber and yarn maintain low in 8M2023



Source: Vietnam Custom, Shinhan Securities Vietnam

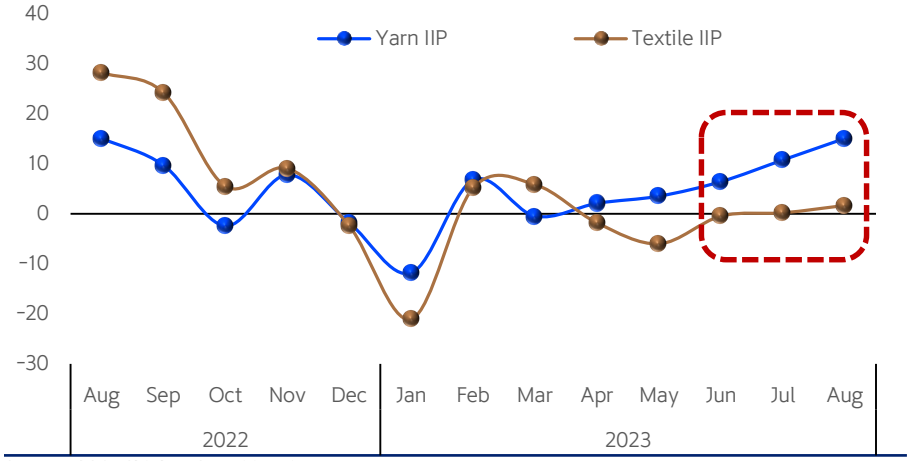
- ❑ According to GSO, imported cotton volume grew positively in Q2/2023, +24.5% YoY after tumbled volume import in 2022.
- ❑ Meanwhile, we estimated that the import volume of raw fibers and yarns is maintain at low level till Q3/2023 and would recovery from Q4/2023.

Positive signals of the raw materials segment in 2H2023 might be potential of textile industry recovery in 2024.

Part 3 – Textile and garments industry outlook 2024

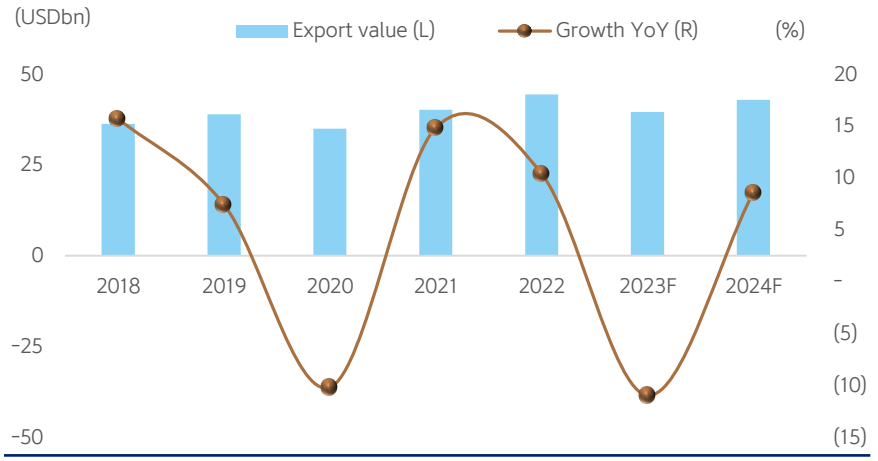
The textile export industry is expected to increase 8.6% YoY in 2024:

Textile industry IIP improves YoY in Q2/2023



Source: GSO, Shinhan Securities Vietnam

Expect the T&G industry to grow 8.6% YoY in 2024



Source: GSO, Shinhan Securities Vietnam

- ❑ Recovery from low base in 2023
- ❑ Reduced retail stockpile while recovered consumption in major markets will boost new orders for Vietnam T&G manufacturers.
- ❑ Positive signals of the raw materials segment in 2H2023 make clearer T&G industry growth potential in 2024.
- ❑ The IIP (industrial production index) growth YoY of the T&G industry have pounced back consecutively in Q2/2023 , showing growth potential of T&G production activities.

04

Textile and Garment Stock Pitch

STK – Expanded capacity from the new Unitex 1 factory and new orders moving from China

Listed T&G companies

General information				Stock price			Ratio			Performance		Valuation 24F		
No.	Ticker	Sector	Mkt. Cap (VNDbn)	CIP (VND)	TP (*) (VND)	Upside (%)	GPM (%)	ROA (%)	ROE (%)	Revenue Q2.2023 (VND bn)	Revenue chng. Q2.2023 (% YoY)	P/E (x)	EV/ Sales(x)	EV/ EBITDA (x)
1	VGT	T&G	6,450	12,900	12,100	-6.2	4.9	2.9	8.2	3,889	-17.4	11.4	793	8.5
2	TCM	T&G	3,892	47,500	48,400	1.9	13.3	5.8	9.4	715	-31.9	22.0	1,114	11.5
3	STK	T&G	3,011	32,000	38,800	21.3	14.8	6.1	9.3	407	-23.1	22.5	1,883	9.9
4	MSH	T&G	3,331	44,400	44,267	-0.3	12.9	8.2	18.0	1,542	6.7	11.2	636	6.0
5	TNG	T&G	2,361	20,800	21,850	5.0	12.1	4.9	17.3	1,999	0.9	8.8	720	-
6	PPH	T&G	1,964	26,300	-	-	24.5	13.7	26.1	376	-16.9	4.4	1,611	9.0
7	VGG	T&G	1,645	37,300	-	-	9.8	3.4	7.5	2,270	-4.4	12.0	130	4.2
8	ADS	T&G	806	13,800	-	-	11.6	2.6	8.8	494	21.9	13.7	799	8.5

(*) Target price in next 12 months

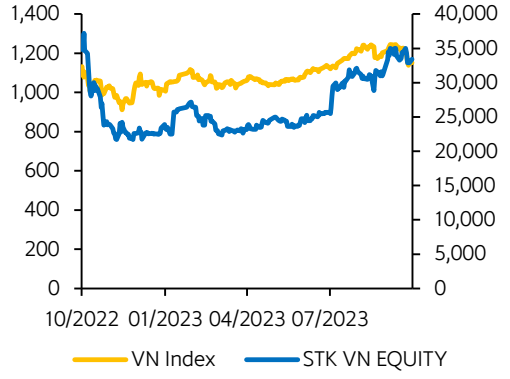
Source: Fiinpro, Bloomberg consensus, Shinhan Securities Vietnam

Data as of Oct 6th,2023

Century Synthetic Fiber (HOSE: STK)

Target price (12M)	**VND 38,800**
Current price (06/10/2023)	VND 32,000
Return (%)	21.3%
VNINDEX	1,129
Market P/E (x)	15
Market Cap. (bn VND)	3,011
Outstanding Shares (mn)	94
Free Floating Shares (mn)	55
52-Wk High/Low (VND)	37,261/20,478
3M Avg. Trading Vol. (mn)	0.1
3M Avg. T/O (bn VND)	2.2
Foreigner ownership	
Shareholders (%) Dang My Linh	14.9
Dang Trieu Hoa	14.3

	3M	6M	12M
Absolute(%)	8.5	37.3	-7.9
Rel. to VNINDEX(%)	8.3	31.9	-12.9



Consumption trends boost short and long-term prospects

Century Synthetic Fiber produces polyester yarn including virgin and recycled yarn. In 2024, STK will launch Unitex 1 factory, increasing total capacity by 50% to 96,000 tons/year, becoming the 2nd largest yarn manufacturing company in Vietnam.

Investment thesis: The company focuses on increasing recycled fiber shares from 45% to 80% in 2026. To catch up the trend of recycled polyester fiber consumption increases by the world's largest brands, STK planned to increase total capacity with 3 factories including Unitex 1 (+36,000 tonnes), Unitex 2 (+24,000 tonnes), and the Alliance Fiber-Weaving-Dyeing project (+15,000 tonnes) in the next 5 years.

2024 outlook: Low base and improving consumption drive revenue growth of 33.8% YoY in 2024

We forecast that STK's low base and improved yarn consumption will drive revenue growth of 33.8% YoY in 2024. Volume sales is expected to grew 24% YoY due to (1) recovery in garment industry consumption in 2024 will lead to increased demand for fiber industry production orders in 1H2024; (2) new orders will be transferred from China to STK starting from 2024 as expected schedule; (3) factory capacity increased by 30,000 tones in 2H2024, helping to increase STK's total average capacity to 65,000 tones/year to anticipate the growing demand of recycled and virgin yarn.

Gross profit margin improves by 3.2ppt in 2024 to offset lofty interest expenses. We expect STK to increase recycled fiber production with higher profit margins in 2024, increasing gross profit margin from 14% in 2023 to 17.2% in 2024. However, because the Unitex 1 factory is funded by USD 57 million is estimated to pay interest expenses from 2H23, make interest expenses increased by 57.6% YoY. Accordingly, profit margin increases by 1.7ppt to 10.7%, as such 2024 NPAT hike 60% YoY

Risks: (1)Consumer demand lessening than expectation, making lower yarn orders; (2) Input cost which is PET chips price increased as the impact of oil prices, reducing gross profit margin.

FY	2020	2021	2022	2023F	2024F
Revenue (VNDbn)	1,766	2,042	2,115	1,582	2,116
OP (VNDbn)	175	275	291	160	284
NPAT (VNDbn)	144	278	242	142	227
EPS (VND)	2,091	4,084	3,341	2,008	3,211
BPS (VND)	15,318	17,808	18,258	17,459	19,813
OPM	9.9	13.5	13.8	10.1	13.4
NPM	8.2	13.6	11.4	9.0	10.7
ROE (%)	8.5	14.1	11.4	4.6	6.0
P/E (x)	16.0	8.2	10.0	16.6	10.4
P/B (x)	2.2	1.9	1.8	1.9	1.7
EV/EBITDA (x)	10.3	8.0	8.4	10.9	6.0

Shinhan Securities

Logistics

Vibrant again



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Content

Logistics – Vibrant again

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   Vietnam's export shows signs of improvement

   The push from increasing service fees from January 1, 2024

3. Logistics stock pick

   GMD & HAH - Demand recovery & freight rate on the rise again

01 Global logistics market

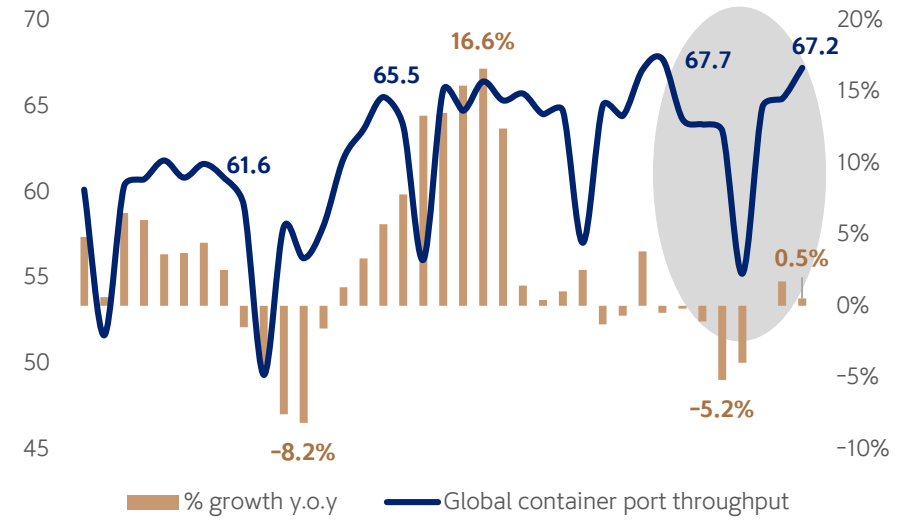
A less exciting year

Find the balance in 2024

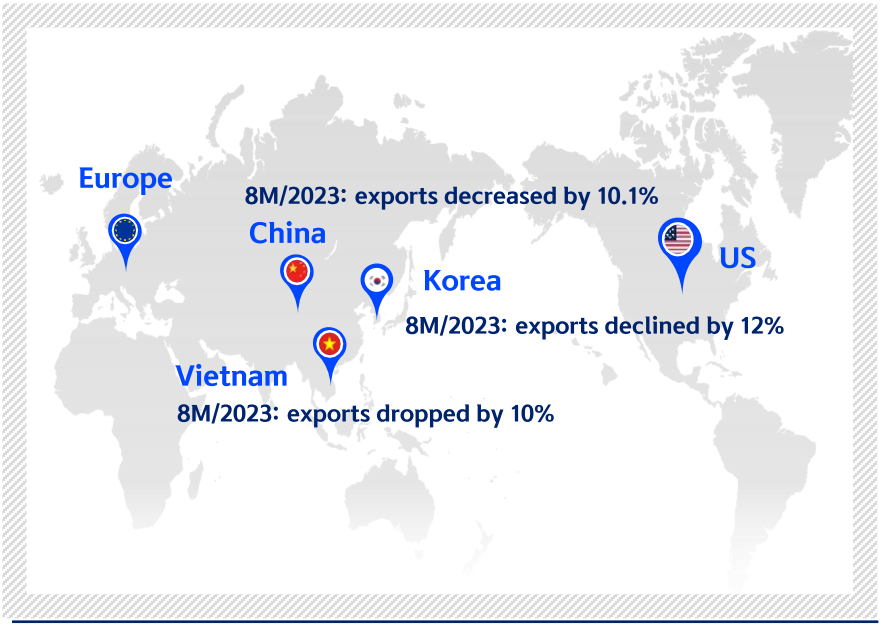
A warming trend in 2024

2023 witnessed a less exciting year

Global container port throughput (million TEUs)



Source: WTO, Shinhan Securities Vietnam



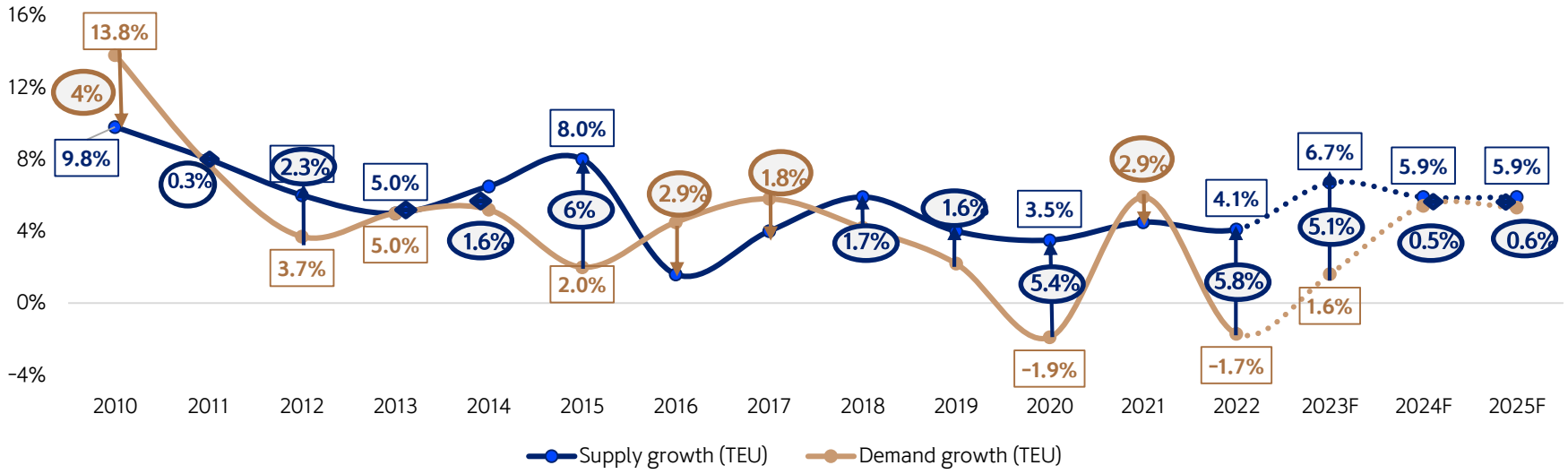
Source: Bloomberg, Shinhan Securities Vietnam

- After surging during the pandemic, container trade suffered a setback in 2023 due to high inventories alongside the economic downturn. Merchandise trade growth has slowed in most regions, causing activity related to logistics services such as ports and shipping to decline. Global container throughput rebounded in the second quarter, but the increase remained modest.

- China, the world's largest exporter, recorded a decline in exports of 10.1% in 8M/2023. The slowdown in exports is not limited to China. Exports from South Korea fell 12.3% in eight months from a year earlier, led by sharp declines in exports of semiconductors, computers and other electronic products.

The logistics industry will find the balance in 2024

Supply – demand of world containers



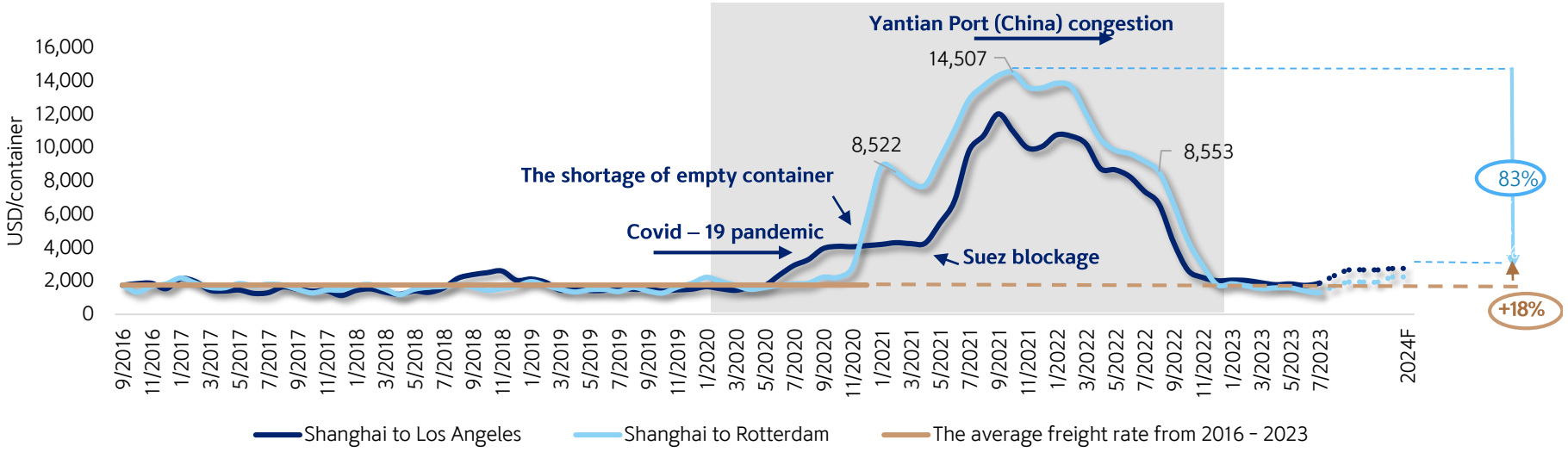
Source: Bimco, Shinhan Securities Vietnam

- **Demand:** Global container volume fell 1.7% in 2022, implying a weakening global economy and high inflation took their toll on demand for containerized goods. In 2023, demand has continued to weaken due to weak retail sales and high inventories in the US and European regions, with the global seaborne Container trade indicator hitting a 5-year low. In 2024, we expect demand to return when (1) global inflation pressures are gradually easing and (2) inventories are reduced to low levels.

- **Supply:** After oversupply in 2023, we expect supply growth to slow in 2024. Supply is expected to increase 6.7% in 2023 and 5.9% in 2024.

The logistics industry sees a warming trend in 2024

Container freight rate



Source: Drewry, Shinhan Securities Vietnam

- The container market has gone through a rough time in the past three years. Freight rates reached all-time highs before tumbling 70-80%, while the orderbook has continued to surge. Freight prices returning to the low level of the 2011 – 2019 period have affected the profits of logistics businesses.

- From July 2023 until now, the global market has witnessed a recovery in freight rates. Global container shipping rates in the second half of August 2023 saw the strongest increase in 2 years, signing that the shipping industry is on a warming trend. Specifically, Shanghai to Los Angeles rates have increased nearly 12%, the largest weekly increase since June 2021 and the fourth consecutive week of increase. The reason is that the peak season of the shipping industry starts in August.

02

Vietnam's logistics market

The short term challenges

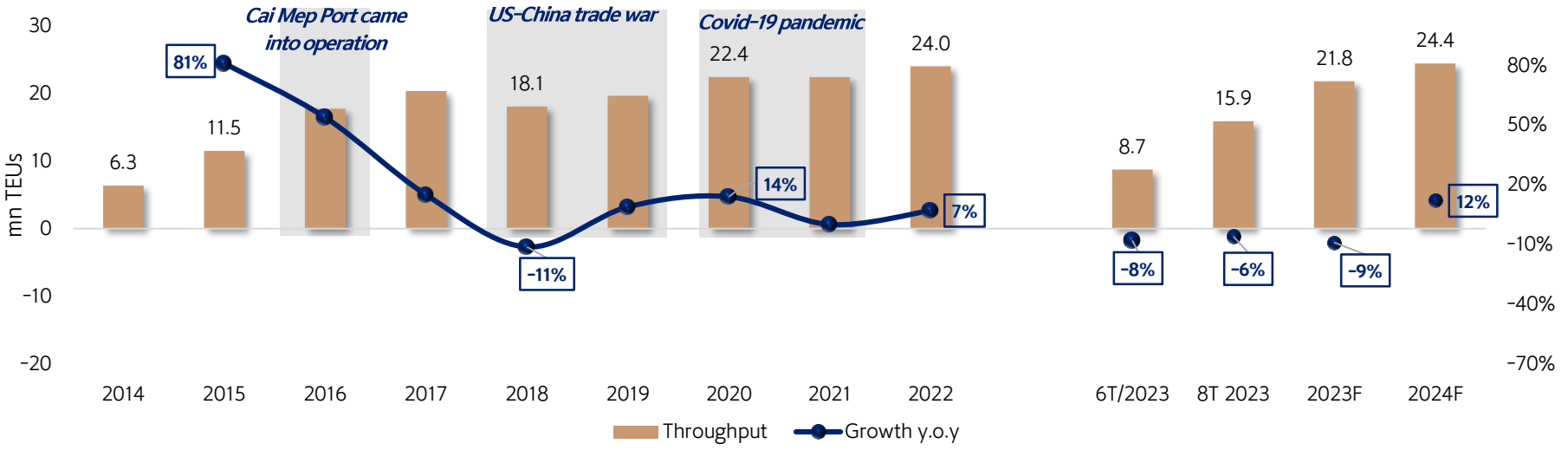
The gloomy business picture in the first half of 2023

Vietnam's export shows signs of improvement

The push from increasing service fees from January 1, 2024

The short term challenges

Vietnam's container port throughput



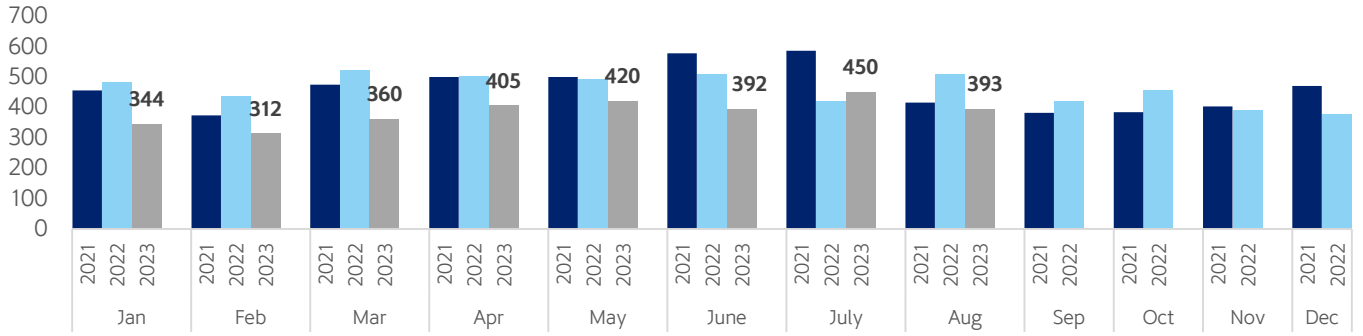
Source: GSO, Shinhan Securities Vietnam

- According to data from the Vietnam Maritime Administration, the volume of container cargo through Vietnam's seaports has grown strongly in the period 2015-2022. The output of goods through the seaport has nearly doubled, with an average growth rate of 11.9%. However, the growth rate has been slowing down in the last 2 years.

- In the first 8 months of 2023, container cargo output is estimated to reach 15.9 million TEUs, down 6% over the same period last year. Seaport areas with a high volume of goods throughput such as Vung Tau down 12%, Hai Phong decreased by 7% and Ho Chi Minh City decreased by 5%. The main reason is that the production, import and export activities of domestic enterprises have not fully recovered in recent times.

The short term challenges

Vung Tau's container port throughput (thousand TEUs)



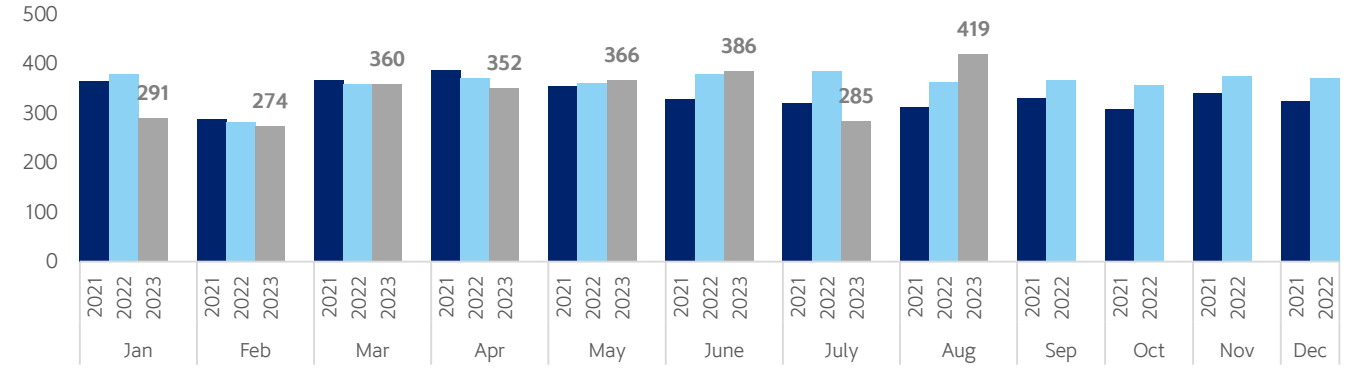
Source: VPA, Shinhan Securities Vietnam

Throughput in 8M/2023 decreased by 12% over the same period. In which, the throughput of Gemalink port decreased by 14%, the throughput of Tan Cang port (TCIT) decreased by 13%,…

In August 2023, Vung Tau 's throughput was still weak (-22% y.o.y, -13% m.o.m).

This shows that consumer demand in Europe and the US is still weak due to the impact of inflation.

Hai Phong's container port throughput (thousand TEUs)



Source: VPA, Shinhan Securities Vietnam

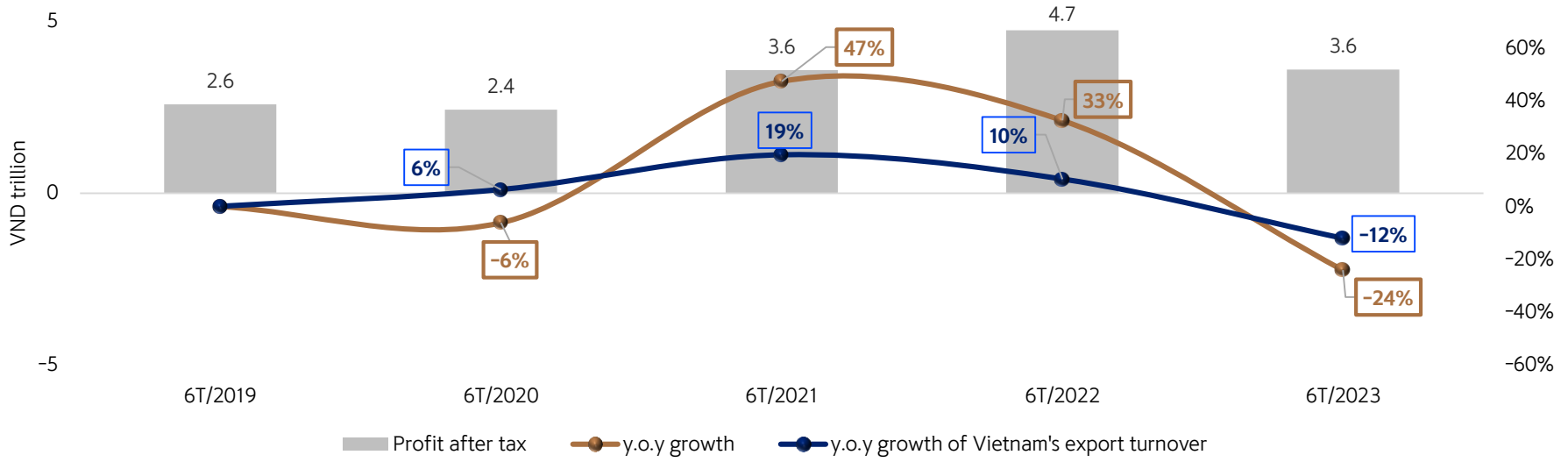
Throughput in 8M/2023 decreased by 7% over the same period. In which, the throughput Lach Huyen port (HICT) decreased by 7%, the throughput Mipec port increased by 7% …

In August 2023, Hai Phong's throughput grew positively (+15% y.o.y, +47% m.o.m).

This shows a partial recovery in the Inner Asian market, of which the Chinese market is a major contributor.

The gloomy business picture in the first half of 2023

Business results of Vietnamese logistics enterprises



Source: Fiinpro, Shinhan Securities Vietnam

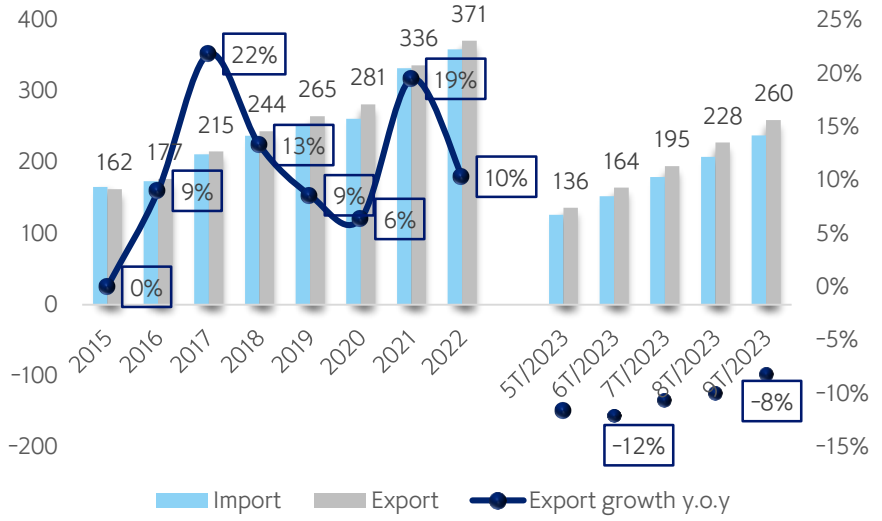
❑ According to data of 48 logistics businesses (transportation and port operators) listed on the stock exchange, the after-tax profit of these 48 companies reached 3,690 billion VND, down 24% y.o.y. The sharp decrease in throughput of goods and high input costs are one of the reasons why many logistics businesses have declining results. In which:

❖ **Transportation:** profit after tax reached 2,527 billion VND, down 27.6% y.o.y.

❖ **Port and warehouse services:** profit after tax 1,164 billion VND, down 17.4% y.o.y.

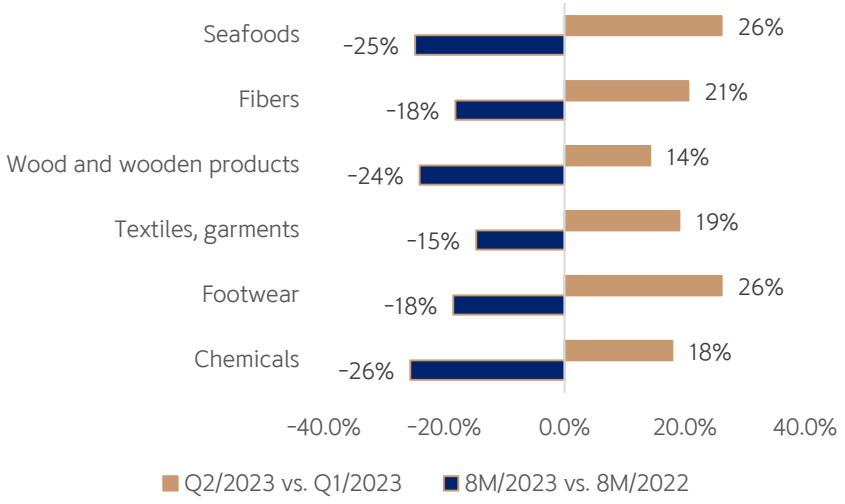
Vietnam's export shows signs of improvement

Vietnam's import and export growth



Source: GSO, Shinhan Securities Vietnam

The exported groups in 8 months of 2023



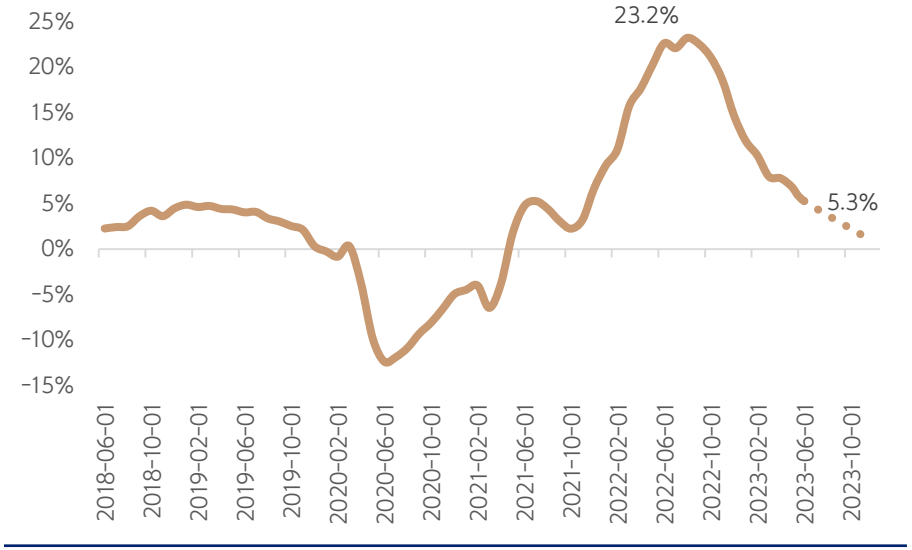
Source: GSO, Shinhan Securities Vietnam

- In the first 9 months of 2023, the total import and export turnover of goods reached 497.6 billion USD, down 11% over the same period last year, of which exports decreased by 8.2%; Imports decreased by 13.8%. In the second quarter of 2023, some key product groups such as electronics, components, machinery, garments, fabrics, seafood,... have improved compared to the first quarter of 2023.

- The momentum of decline in exports slowed down month by month. Specifically, in September 2023, exports reached 31.41 billion USD, down 4.1% compared to August and up 4.6% over the same period last year.

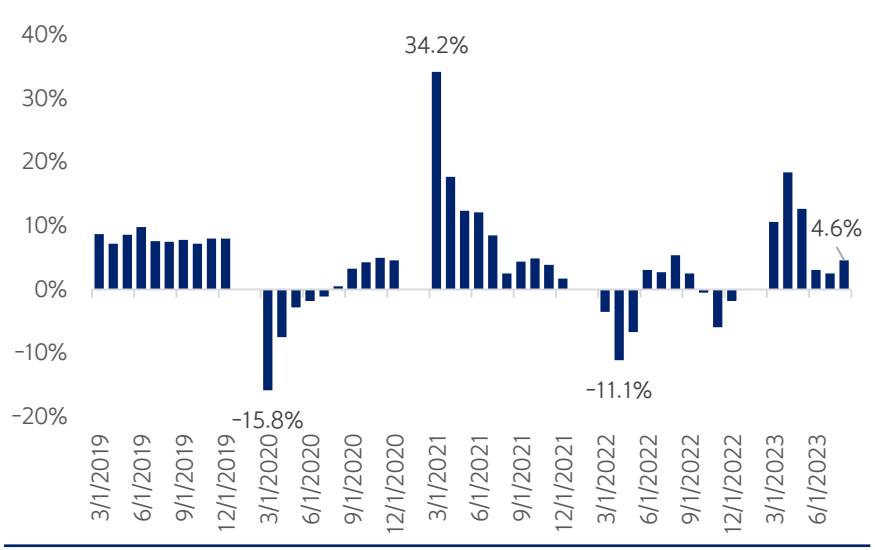
Vietnam's export shows signs of improvement

US retail inventory growth y.o.y



Source: FRED, Shinhan Securities Vietnam

China retail sales growth y.o.y



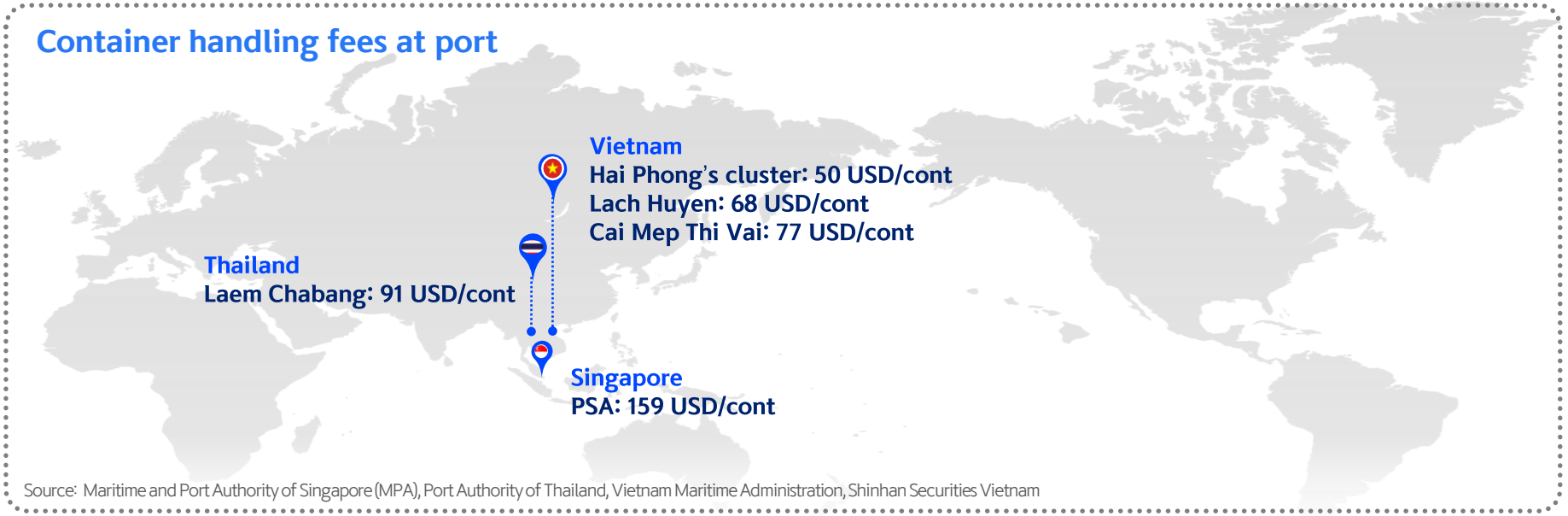
Source: China National Bureau of Statistics, Shinhan Securities Vietnam

Import-export activities are forecasted to continue to improve thanks to the following factors: (1) goods demand usually rises during year-end festivals, (2) inventories from major export markets of Vietnam are gradually decreasing,…

- US: In the first 6 months of the year, inventory was at 23%, but by August it had decreased to 5% and it is forecast that by the end of 2023 it will approach 0%. This is an opportunity for Vietnam's export goods, when the United States is Vietnam's largest export market.
- China, Vietnam's second largest commodity export market, has lowered interest rates to revive the economy, helping the country's consumption and production demand improve more positively in the near future. According to data from China's National Bureau of Statistics released on September 15, retail sales in August increased 4.6% over the same period, higher than the forecast of a 3% increase from a Reuters poll.

The push from increasing service fees from January 1, 2024

Container handling fees at port



Source: Maritime and Port Authority of Singapore (MPA), Port Authority of Thailand, Vietnam Maritime Administration, Shinhan Securities Vietnam

Circular 54/2018/TT-BGTVT → **Draft** — Applicable from January 1, 2024

1
- Container handling fees : 10% increase
- Area: Hai Phong, Ho Chi Minh, Cai Mep – Thi Vai

2
- Container handling fees : 10% increase
- Area: accommodate container ships of 160,000 DWT

Container handling fees : 20% increase
(satisfy the above 2 conditions)

03 Logistics stock pick

GMD & HAH - Demand recovery & freight rate on the rise again

Business results of logistics enterprises

General Info				Price			Key financial ratio			Business result		Valuation 24F		
No.	Ticker	Sector	Mkt.Cap (VND bn)	CP (VND)	TP (**) (VND)	Upside (%)	GPM (%)	ROA TTM (%)	ROE TTM (%)	Revenue Q2.2023 (tỷ VND)	Revenue growth Q2.2023 (% YoY)	P/E (x)	EV/Sale (x)	EV/EBIT DA (x)
1	GMD	Port services	19,669	64,300	74,000	15.0	45.01	17.51	30.61	912.17	-6.72	17.0	2.0	9.2
2	HAH	Port services	3,999	37,900	49,000	29.2	34.16	12.28	25.68	611.42	-34.20	5.3	1.1	1.7
3	VSC	Port services	3,481	26,100	36,000	37.9	29.79	4.18	6.58	534.60	4.50	18.5	0.8	7.2
4	ILB	Warehousing services	738	30,150	-	-	36.58	5.93	19.66	138.43	4.38	-	-	-
5	TMS	Warehousing services	7,279	46,000	-	-	21.77	6.04	9.40	525.45	-21.85	-	-	-
6	VOS	Inland transport	1,799	12,850	-	-	16.62	9.09	15.90	1,042.57	51.05	-	-	-
7	VIP	Inland transport	760	11,100	-	-	32.36	24.82	28.18	134.05	-47.15	-	-	-
8	VTO	Inland transport	732	9,170	-	-	18.08	5.9	8.75	260.12	-3.14	-	-	-

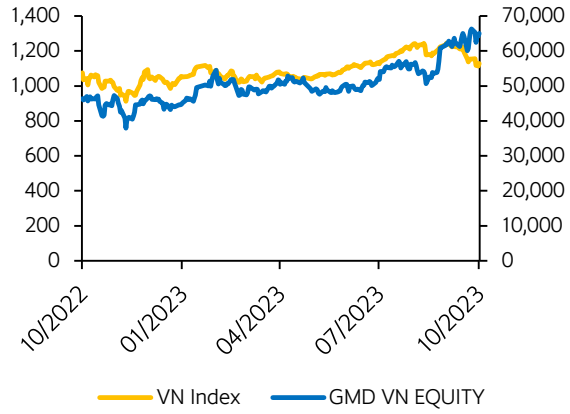
(*) Target price (fair value) for the next 12 months
Source: Fiinpro, Shinhan Securities Vietnam
Data as of 06/10/2023

Gemadept Corporation (HOSE: GMD)

GEMADEPT CORPORATION

Target price (12 months)	74,000 VND
Curren price (06/10/23)	64,300VND
Return (%)	15.0%
VN-INDEX	1,128
HNX-INDEX	230
Market Cap (bn VND)	19,669
Outstanding shares (mn)	306
Free-Floating (mn)	294
52-Wk High/Low (VND)	68,000/36,400
90-day avg. trading volume (mn)	1.28
90-day avg. turnover (bn VND)	88
Shareholders (%) SSJ Consulting VN	9.9

Performance	3M	6M	12M
Absolute (%)	21.5	25.0	32.7
Relative to VNIndex(%)	21.3	19.6	27.6



Restoring the growth momentum

GMD is one of the leading logistic companies in Vietnam, having modern and large-scale ports system, being located at critical economic positions. The main operating businesses: Port operation; logistic activities. GMD owns a total of 7 seaports, with an annual capacity of up to 5 million TEUs and 5 million tons of bulk cargo.

Investment thesis & Catalyst

- The economy is tending to recover. We expect import and export activities to be positive in the second half of 2023 when export orders recover as well as consumer demand from major export markets of Việt Nam such as the US, EU, and China return.
- Core profit expected to improve. In the first 7 months of 2023, the Gemalink port's throughput is estimated to reach 782 thousand TEUs (-15% y.o.y), the Hai Phong cluster's throughput is estimated to reach 620 thousand TEUs (+18% y.o.y). In 2024, we expect Gemalink port's throughput to grow again after a difficult economic year and phase 2 of Nam Dinh Vu port will optimize its capacity.
- The approved draft service fee increase from January 1, 2024 will support GMD's profits. The Seaport and Transport Association has proposed a 10% increase in fees in the Cai Mep - Thi Vai port cluster area, Hai Phong and Lach Huyen to approach the region's average.

Outlook for 2024

- We forecast that GMD's core profit will grow in 2024 thanks to (1) service fees increasing from 5% - 8%, while the volume of goods through the port will increase % due to phase 2 of Nam Port. Dinh Vu will run at maximum capacity and Gemalink output will grow again.

Downside risks: (1) World economic risk and (2) Slow down in demand.

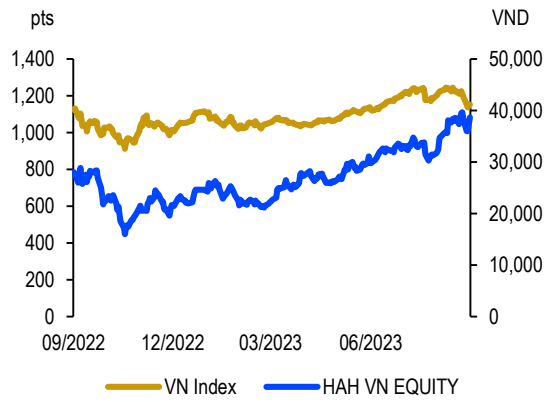
Year to Dec	2020	2021	2022	2023F (*)	2024F
Core revenue (VND bn)	2,606	3,206	3,916	3,358	3,852
OP (VND bn)	471	693	1,104	881	1,081
Core NP (VND bn)	440	721	1,157	1,132	1,458
EPS (VND)	1,132	1,869	3,054	2,976	3,713
BPS (VND)	20,472	21,920	24,030	28,813	31,627
OPM	18.1%	21.6%	28.2%	26.2%	28.1%
NPM	14.2%	19.1%	25.4%	28.9%	31.4%
ROE (%)	6.3%	10.0%	15.0%	12.4%	13.3%
P/E (x)	55.6	33.7	20.6	21.2	17.0
P/B (x)	3.1	2.9	2.6	2.2	2.0
EV/EBITDA (x)	20.4	16.2	11.2	11.2	9.2

(*) We exclude profits from divestment of Nam Hai Dinh Vu port in 2023.

Hai An Transport & Stevedoring JSC (HOSE: HAH)

Target price (12 months)	49,000VND
Curren price (06/10/23)	37,900 VND
Return (%)	29.2%
VN-INDEX	1,128
HNX-INDEX	230
Market Cap (bn VND)	3,999
Outstanding shares (mn)	106
Free-Floating (mn)	14
52-Wk High/Low (VND)	40,650/14,933
90-day avg. trading volume (mn)	2.87
90-day avg. turnover (bn VND)	96
Shareholders (%) Hai Ha Investment and Transport JSC	14.53
Shareholders (%) Sao A D.C Investment JSC	10.58

Performance	3M	6M	12M
Absolute (%)	24.0	57.9	45.5
Relative to VNIndex(%)	23.8	52.5	40.5



A brighter picture

Hai An Transport and Handling Joint Stock Company (HAH) is one of the leading shipping enterprises in Vietnam. Hai An is one of the few companies with a complete value chain in the shipping industry. Hai An provides a full range of shipping services including freight services (for North-South routes and international maritime routes), shipping agency, port operation services through Hai An port (such as receiving ships, loading, and unloading goods), warehousing services (withdrawing and storing goods) and logistics services. The complete value chain helps Hai An operate efficiently and optimize costs.

Investment thesis & Catalyst

- The economy is tending to recover. We expect import and export activities to be positive in the second half of 2023 when export orders recover as well as consumer demand from major export markets of Vietnam such as the US, EU, and China return.
- Business operations are expected to improve from 2024. We forecast that freight rates may recover and increase by about 15% in 2024 due to (1) economic recovery and (2) increased freight rate.
- Fleet expansion helps increase capacity: We expect HAH to receive 4 new container ships of 1,800 TEU, increasing the total fleet capacity to more than 23,000 TEU by the end of 2024 (+23% y.o.y).

Outlook for 2024

- We forecast that HAH's core profit will grow in 2024 thanks to (1) freight rates increasing by 10% - 15%, while cargo output will increase by 5% - 7% thanks to (1) an increase in ship capacity and (2) economic recovery.

Downside risks: (1) World economic risk and (2) Slow down in demand.

Year to Dec	2020	2021	2022	2023F	2024F
Revenue (VND bn)	1,192	1,955	3,206	2,750	2,849
OP (VND bn)	171	629	1,308	852	1,036
NP (VND bn)	147	551	1,041	585	727
EPS (VND)	2,835	9,133	11,699	5,222	9,302
BPS (VND)	21,908	31,809	32,852	32,852	43,187
OPM	14.4%	32.2%	40.8%	31.0%	36.3%
NPM	12.3%	28.2%	32.5%	21.3%	25.5%
ROE (%)	11.0%	28.9%	36.1%	20.3%	19.7%
P/E (x)	17.5	5.4	4.2	9.5	5.3
P/B (x)	2.3	1.6	1.5	1.5	1.1
EV/EBITDA (x)	7.4	2.9	1.4	2.0	1.7

Shinhan Securities

Retail Sector

The rise of modern trade model



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Contents

Retail – The rise of modern trade model

1. Retail Sector Overview

   Retail is the business of selling consumer goods or providing services to customers through multiple distribution channels. Retailing contributes nearly 50% to the country's GDP.

2. The Vietnam Retail Market

   Accumulated in 8M2023, revenue from retail goods and services reached VND 4,044 trillion (+10% YoY). The recovery momentum remains after the COVID-19 period.

3. Outlook of Retail sector

   Retail growth is expected to reach 12-14% YoY in the coming years thanks to (1) the economic recovery, (2) people's income improvement, and (3) potential growth of new retail industries.

4. Retail Stock Pick

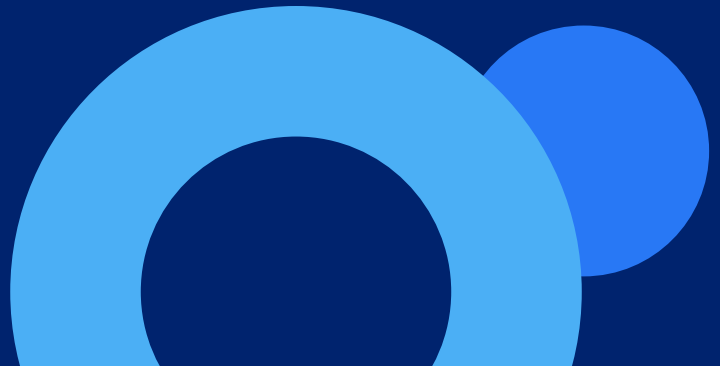
   FRT & MWG – Prospects from new segments

01

Retail Sector Overview

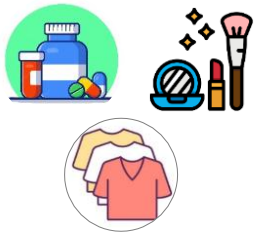
Retail is the business of selling consumer goods or providing services to customers through multiple distribution channels.

Retail is one of Vietnam's critical sectors; with a market size of nearly USD 200 billion in 2022, contributing nearly 50% to the country's GDP.



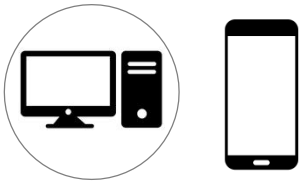
Part 1 – Retail Sector Overview

Sector Overview



Softline goods

(e.g., apparel, bedding, bags, carpets, medicines, costumes, etc.)



Hardline goods

(e.g., housewares, furniture, tools, electronics, jewelry, sporting goods, etc.)



Grocery and convenience

(e.g., fresh produces, meat, staple food, non-food household goods, etc.)



Accommodation services

(providing ST lodging & other hospitality services e.g., hotels, campsites, apartments for rent, private accommodation facilities, etc.)



Food and beverage

(F&B businesses e.g., restaurants, lounges, coffee shops, bars, etc.)



Tourism and traveling

(providing types of tourism services e.g., rural, mountain, urban, sports tourism, etc.)

- The retail sector includes businesses of selling consumer goods or providing services to customers through multiple channels of distribution to earn a profit; across a wide range of industries, such as F&B, motor vehicles, apparel, and electronics.
- Some kinds of goods and services are provided by retailers: Soft-line, hardline (ICT products), grocery and convenience (consumer goods), accommodation and tourism services, F&B, and other special goods.
- Some retailing distribution channels: traditional/modern outlets (shops & stores), catalog retail, and e-tailor (online sales).

General overview of the retail purchasing process



General steps involved for order fulfillment in a typical retail supply chain:

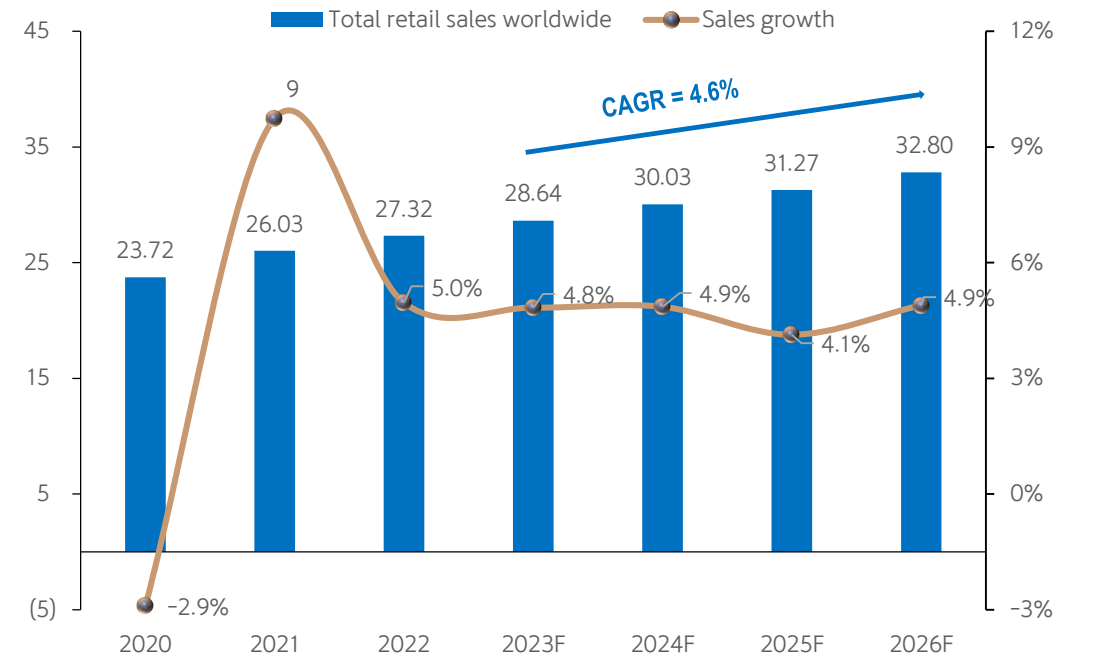
1. Wholesalers and distributors determine the quantity and type of goods and then import them.
2. Contact the supplier/manufacturer and place orders.
3. The supplier fulfills the order based on the purchasing organization's requirements.
4. The logistics unit transports the product to the purchasing unit's warehouse, then continues delivering to retailers or directly to other customer groups.

- ✓ The processes all involve the use of many laborers to operate and monitor each stage in the retail supply chain.
- ✓ To ensure operational progress, each trading partner in charge must continuously track and update the latest status of the goods transportation process.

=> A tighter retail network enables trading partners to connect and coordinate more effectively in a close-knit supply chain.

Update the world retail sector

Total retail sales worldwide from 2020-2026 (USD trillion)



Source: eMarketer, Statista, Shinhan Securities Vietnam

- While physical or in-store retail is the dominant channel in this market, other forms of non-store retailing are becoming increasingly popular worldwide.
- The growth of the retail industry contributes greatly to the overall recovery of the economy after the COVID-19 pandemic.
- In 2022, the global retail market revenue was estimated to reach USD 27.3 trillion (+5% YoY). This number is forecast to reach about USD 32.8 trillion by 2026, corresponding to a CAGR of 4.6%/year over the 2023-2026 period.
- Retail is one of Vietnam's critical industries; the market size reached nearly USD 200 billion in 2022; expected to reach USD 350 billion by 2025 - contributing ~59% of Vietnam's GDP.

Distribution channels

Retail market in Vietnam

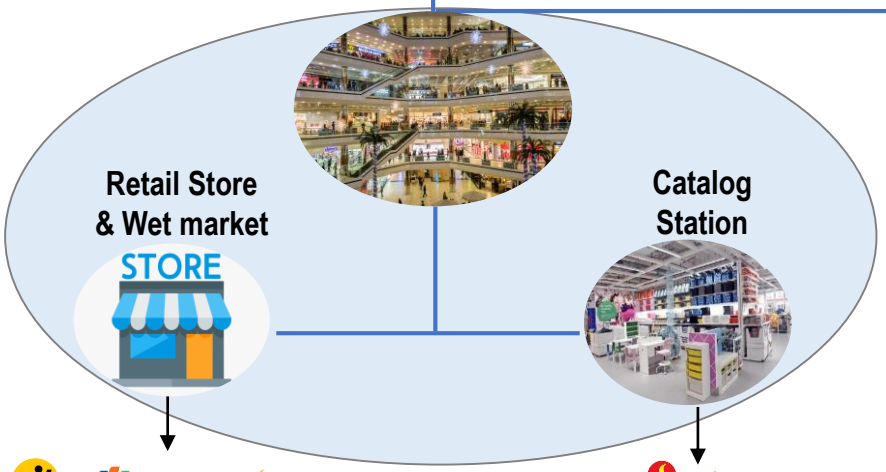
Familiar distributing, selling points channels

Emerging channels in recent years

Physical Channel (Single channel)

Virtual Channel

Multi-channels (Omni channel)



Retail Store & Wet market

STORE

Catalog Station

E - commerce

TV Home shopping



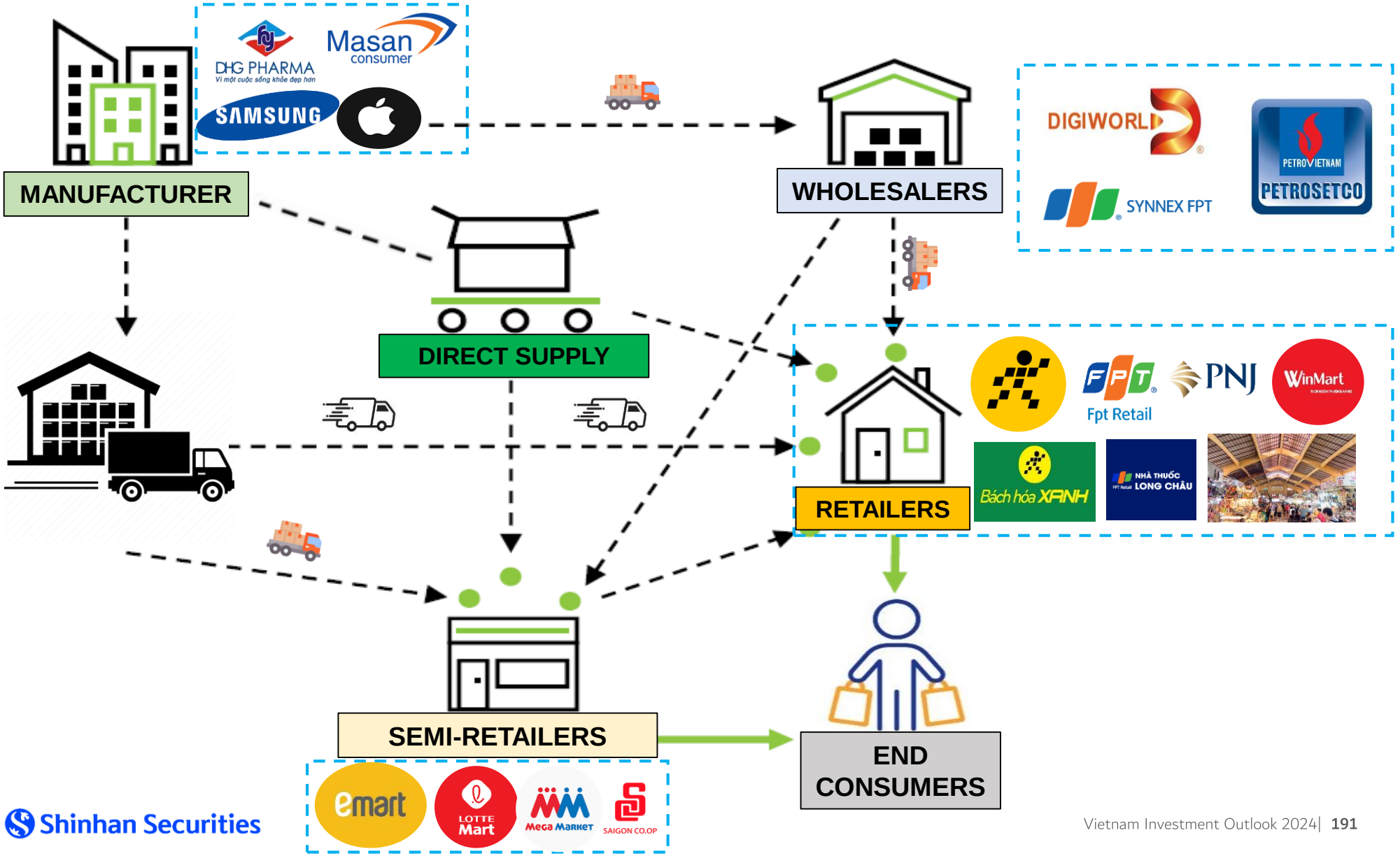
MWG, FRT, PNJ, VRE, MSN, Lotte Mart, Saigon Co.op

VIC, PNJ, FRT, MWG

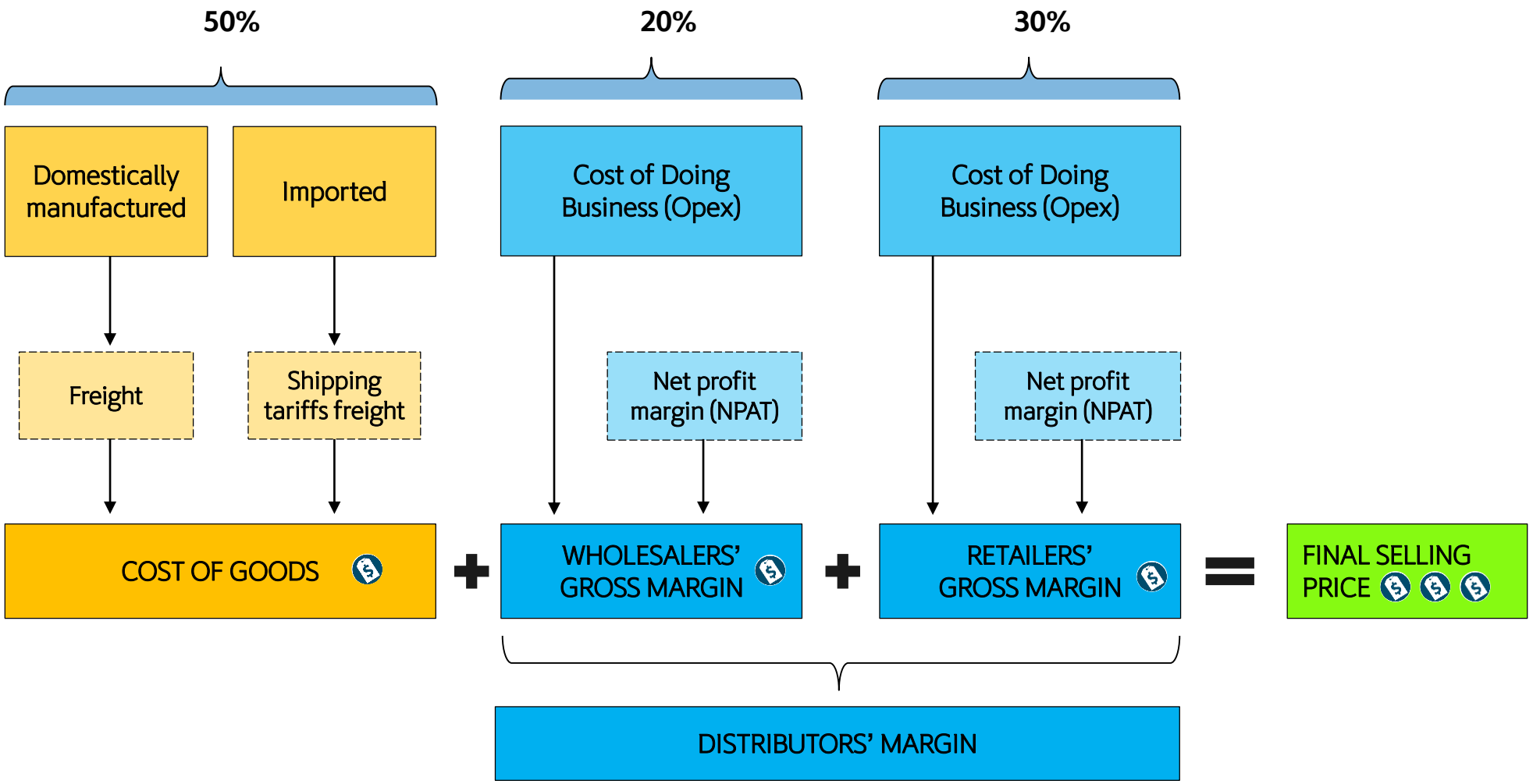
HTV Co.op, VTV Hyundai, HTVC Shopping, etc.

- Retail transactions take place through many different distribution channels, across many different industries and products.
- The in-store retail channel is the most popular channel in today's market. Other forms of non-store retail are also becoming more common. Specifically, online retail and e-commerce channels are increasingly popular; deeply penetrating to the retail sector in many global markets.
- Many retailers apply the multi-channel sales model to integrate and optimize sales capabilities from traditional and online channels.

Typical key players in Vietnam retail market



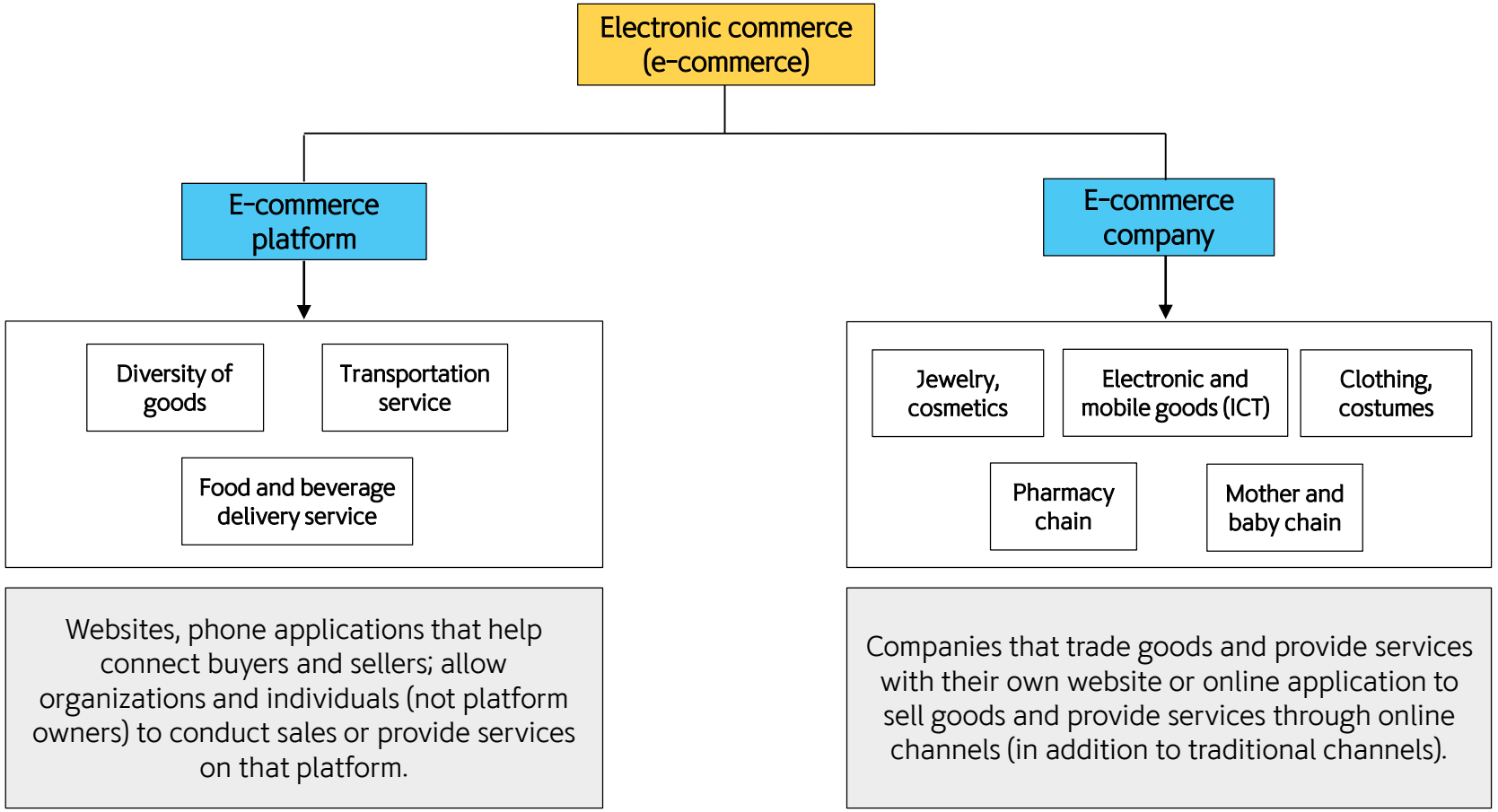
Average cost structure of selling price in retail sector



Source: RBA, Shinhan Securities Vietnam

Retailing goods through e-commerce channels

- E-commerce is the activity of buying and selling products and providing services on electronic media systems such as the Internet, computer networks.
- Online retail can exist in a model that integrates physical stores or only focuses on online stores (websites, e-commerce platforms).
- In Vietnam, activities related to e-commerce include two groups: E-commerce platforms and e-commerce companies.



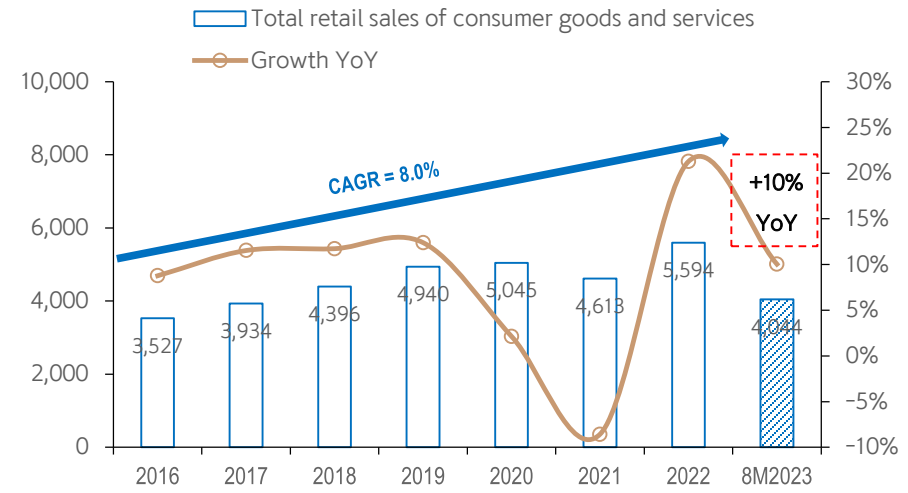
02

The Vietnam Retail Market

Accumulated in 8M2023, revenue from retail goods and services reached VND 4,044 trillion (+10% YoY). The recovery momentum remains after the COVID-19 period.

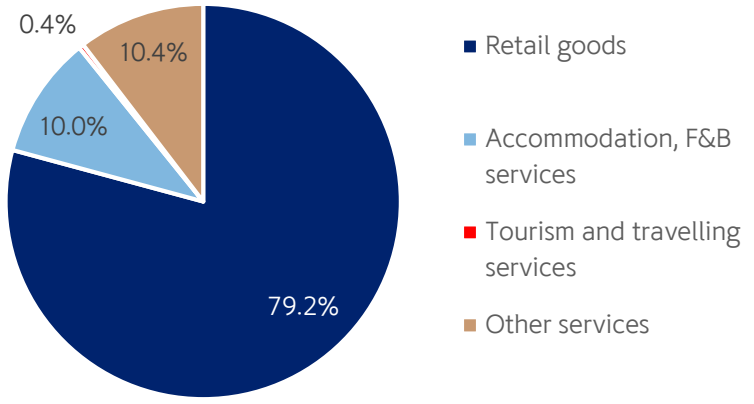
Vietnam retail market showing signs of recovery after COVID-19

Total retail sales of goods and services in Vietnam (VND trillion)



Source: GSO, Shinhan Securities Vietnam

Contribution of retailing sales in 2022



Source: GSO, Shinhan Securities Vietnam

- In 2022, retail recovered strongly after the impact of COVID-19 (+21.3% YoY); CAGR reaching 8.0% over period 2016-2022.
- Updated 8M2023, total revenue of retail goods and services reached VND 4,044 trillion (+10% YoY). In 2023, the recovery momentum still maintains but tends to slow down due to the fluctuation of economic situation.
- The retailing activities in Vietnam include 4 main groups: (i) Retail goods; (ii) Accommodation and F&B services; (iii) Tourism and traveling; (iv) Other services. Before and after the Covid epidemic year (2021), revenue of the retail goods group grew steadily, showing the sustainability and growth potential of the Vietnamese retail industry. Accommodation, F&B, and tourism groups also showed recovery and growth to pre-Covid levels.

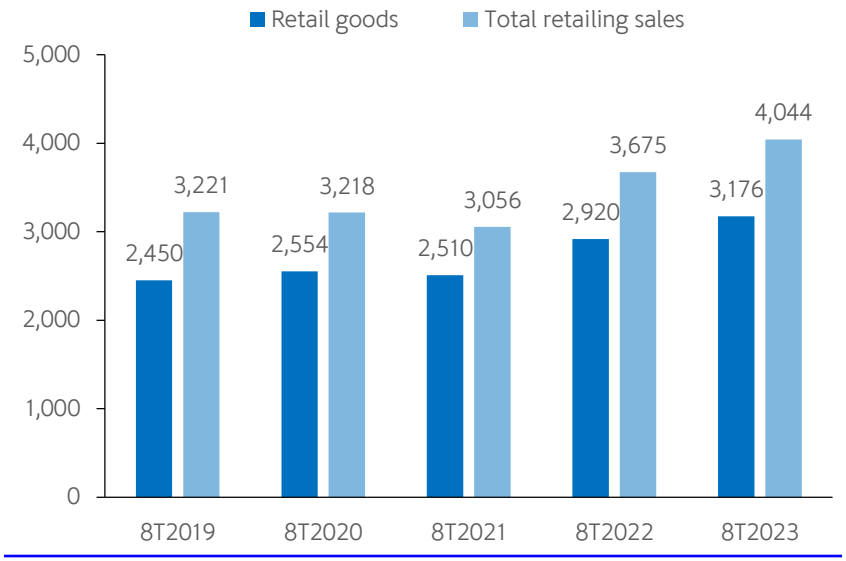
Retailing goods and services in Vietnam

Revenue of retail market by industries (VND trillion)



Source: GSO, Shinhan Securities Vietnam

8TM2023 revenue of retail goods (VND trillion)

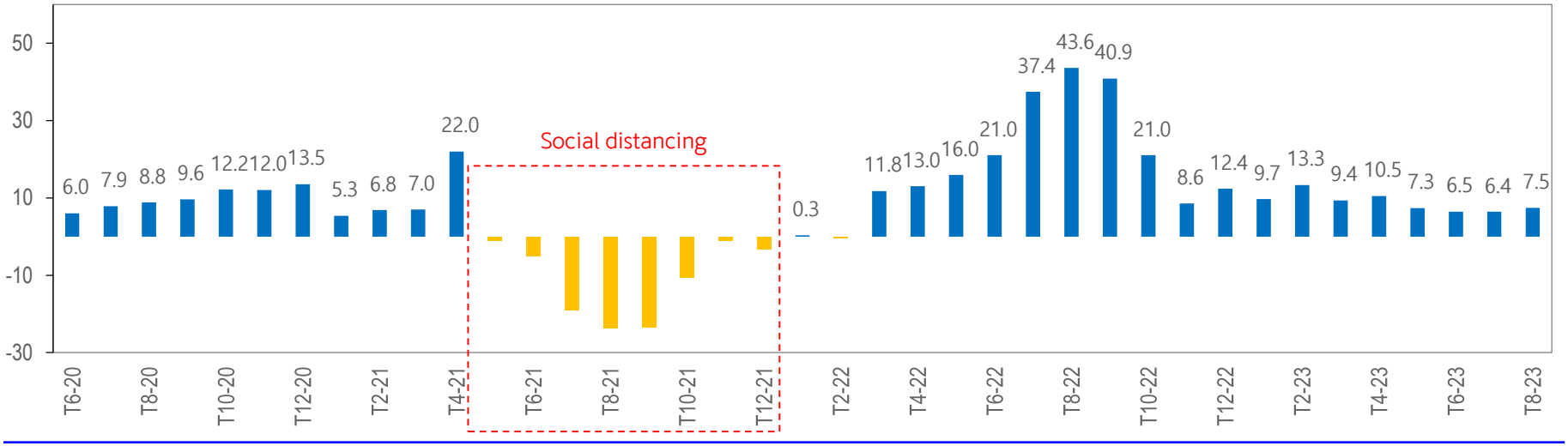


Source: GSO, Shinhan Securities Vietnam

- In 8M2023, retail revenue of goods slightly went up, reaching VND 3,175.5 trillion (+8.8% YoY), accounting for 78.5% of total retail goods and service revenue (8T2022: 79.4%). Contribution from retail goods and service industries improved, reaching ~VND 868.5 trillion (+15% YoY); accounting for 21.5% of total revenue (8M2022: 20.6%).
- We estimate Vietnam's total revenue of retail goods and services in 2023 to reach VND 6,188 trillion (+9.1% YoY); of which revenue from retail goods will contribute about 78.2%, estimated at VND 4,841 trillion (+8.2% YoY).

Part 2 – The Vietnam Retail Market

Monthly revenue growth of Vietnam retailing market (% YoY)

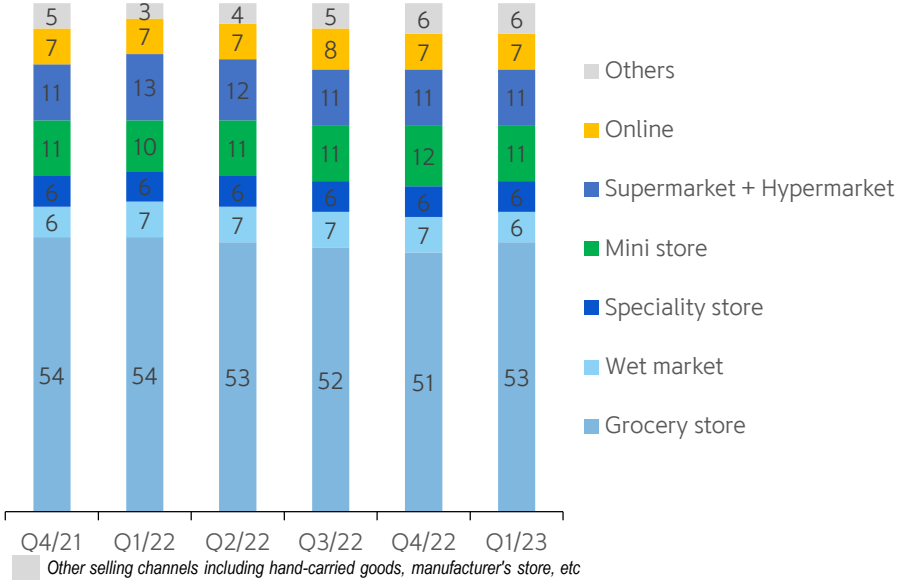


Source: GSO, Shinhan Securities Vietnam

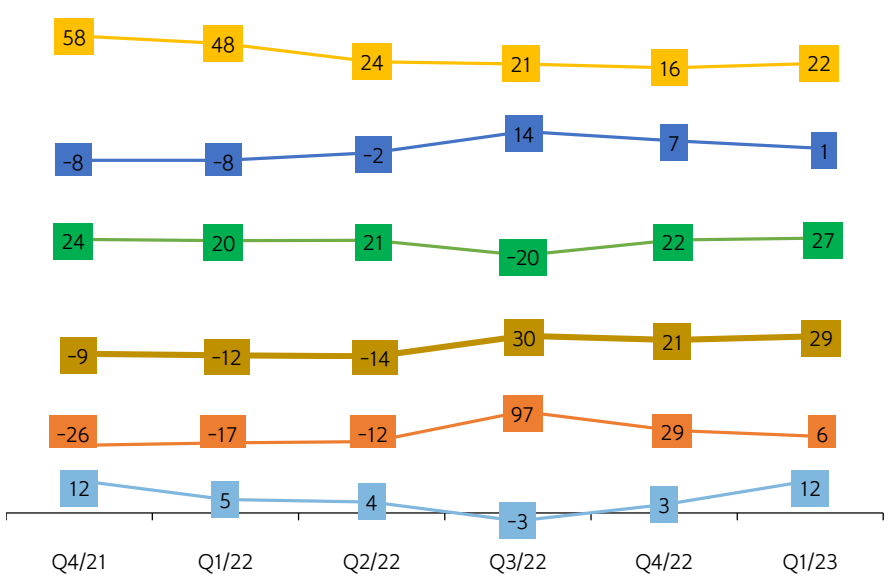
- After a period when the economy was heavily affected by the COVID-19 pandemic, timely support from the Government (incentive loans, credit extension, public investment, VAT reduction, etc.) helped the industry gradually recover from Q4.2021 (retail revenue in Q4.21 +38.4% QoQ).
- The growth rate of the retail sector shows positive signs in 2022 and remains stable in 2023. Retail goods still account for a large proportion of the total retail and service market.
- Sales of retail goods in 8M2023 increased by 7.5% YoY, improving compared to the previous 2 months. The August 2023 figures marked the 18th consecutive month having positive YoY growth as consumption remained high after the impact of the pandemic.
- However, growth gradually cooled down in Q2 and Q3.2023 (reaching the lowest growth rate since March 2022) due to the fluctuating economic situation, causing revenue growth from this segment to slow down. People tend to prioritize spending on essential items.

Part 2 – The Vietnam Retail Market

Contribution of each retail channels in Vietnam (%)



Growth rate of each retail channels YoY (%)

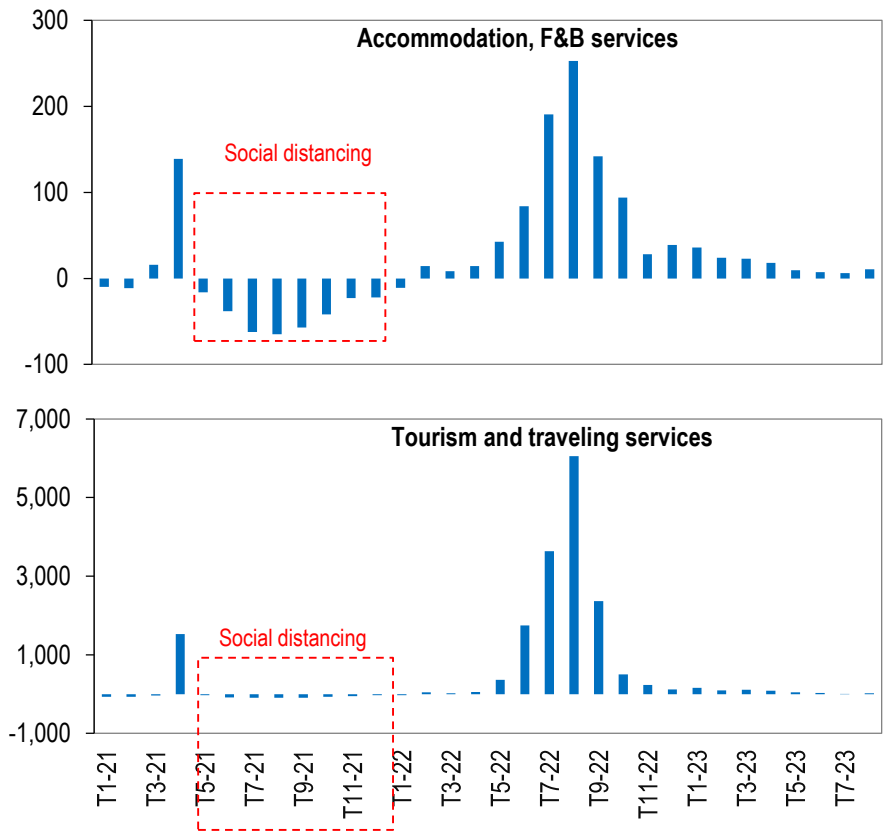


Source: Kantar Worldpanel, Shinhan Securities Vietnam

- Large retailers in Vietnam are divided into groups: (1) Hypermarkets/distribution centers; (2) Shopping centers; (3) Supermarkets; (4) Mini supermarkets/specialized stores; (5) Electronics supermarkets; (6) Online retail. The trend of food and FMCG shopping shifting from traditional market channels to modern retail channels is more clearly.
- According to Euromonitor, the market share of traditional food retail and FMCG in 2022 accounted for 88.5%. The total number of modern retail points (supermarkets, convenience stores, minimarts, etc.) is more than 7,000 points of sale, only equaling 1% of the traditional ones (stores, individual business households, markets, street vendors, etc.).
- According to Euromonitor, Vietnam's grocery store retail market size is more than USD 50 billion, with a growth rate of about 10%/year. The market is highly fragmented since 90% market share includes more than 9,000 traditional markets and 2.2 million grocery stores. This is a potential market, an opportunity for MWG and BHX if the problem of cost optimization, efficient operation besides chain expansion are solved.

Part 2 – The Vietnam Retail Market

Monthly revenue growth of Vietnam retail market by industry (% YoY)



Source: GSO, Vietnam National Tourism Administration, Shinhan Securities Vietnam

- After a period of social distancing, entertainment, accommodation, and dining activities quickly recovered. Strong tourism demand has supported this recovery, despite inflation and rising costs of living in most countries.
- **International tourism:** Vietnam welcomed about 7.8 million international visitors (+540% YoY) in 8M2023, recovering 92.3% of 2019 international visitor level; completing 98% of the 2023 target.
- Specifically, Korea is the highest tourist group to Vietnam, reaching 2.27 million visitors (+515% YoY; accounting for nearly 1/3 of visitors to Vietnam).
- The number of international visitors to HCMC and Hanoi respectively reached ~2.71 million (+92.3% YoY) and ~2.79 million (+460% YoY) international visitors, accounting for more than 70% of total international visitors to Vietnam in 8M2023.
- Estimated 8M2023 **total tourism revenue** (domestic and international visitors) in HCMC and Hanoi reach VND 106 trillion (+42.3%) and VND 61.6 trillion (+63.1% YoY), respectively.
- **Domestic tourism:** Reach about 86 million tourists in 8M2023. The heat of domestic tourism demand still shows no signs of slowing down.
- Vietnam's tourism industry is paying more attention to new tourism trends in the world, expecting strong growth in both international and domestic visitors in the near future.

03

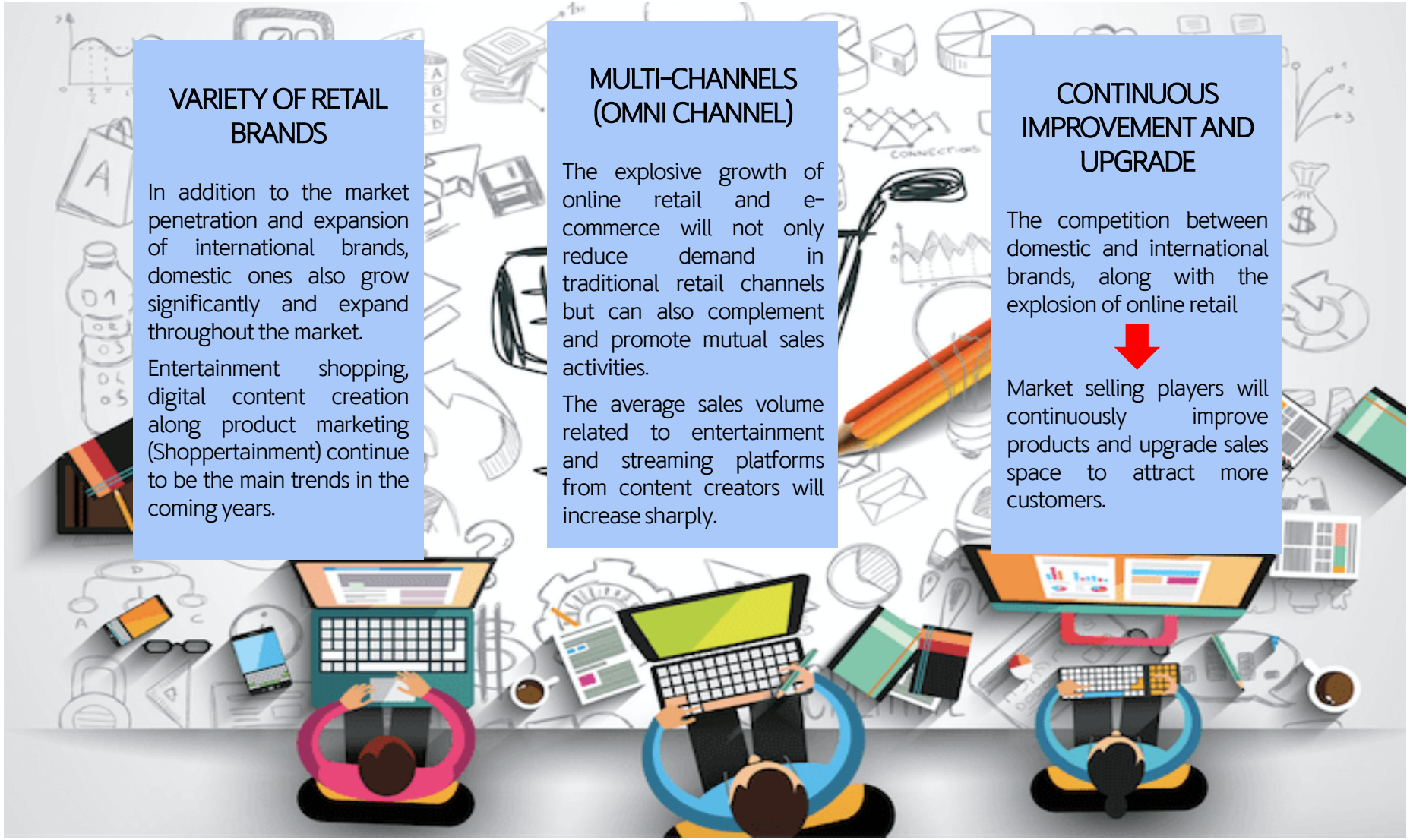
Outlook of Retail sector

Retail industry revenue growth is expected to reach 12-14% YoY in the coming years.

Key driving elements for the retail industry:

+ The economy recovers and stabilizes;
+ People's income improves with increasing urbanization rate;
+ Growth potential of new retail industries.

Retail Market Trends



VARIETY OF RETAIL BRANDS

In addition to the market penetration and expansion of international brands, domestic ones also grow significantly and expand throughout the market.

Entertainment shopping, digital content creation along product marketing (Shoppertainment) continue to be the main trends in the coming years.

MULTI-CHANNELS (OMNI CHANNEL)

The explosive growth of online retail and e-commerce will not only reduce demand in traditional retail channels but can also complement and promote mutual sales activities.

The average sales volume related to entertainment and streaming platforms from content creators will increase sharply.

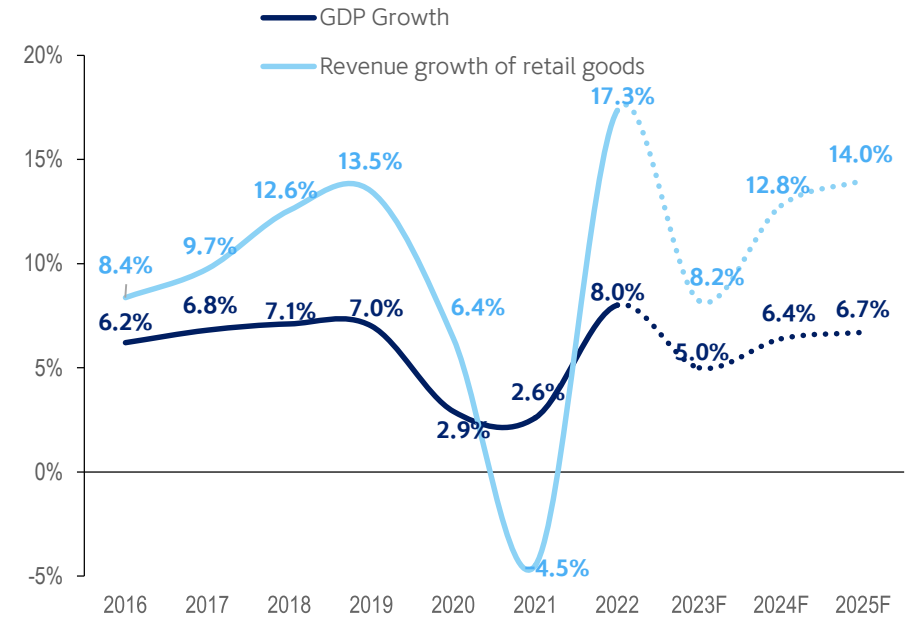
CONTINUOUS IMPROVEMENT AND UPGRADE

The competition between domestic and international brands, along with the explosion of online retail

Market selling players will continuously improve products and upgrade sales space to attract more customers.

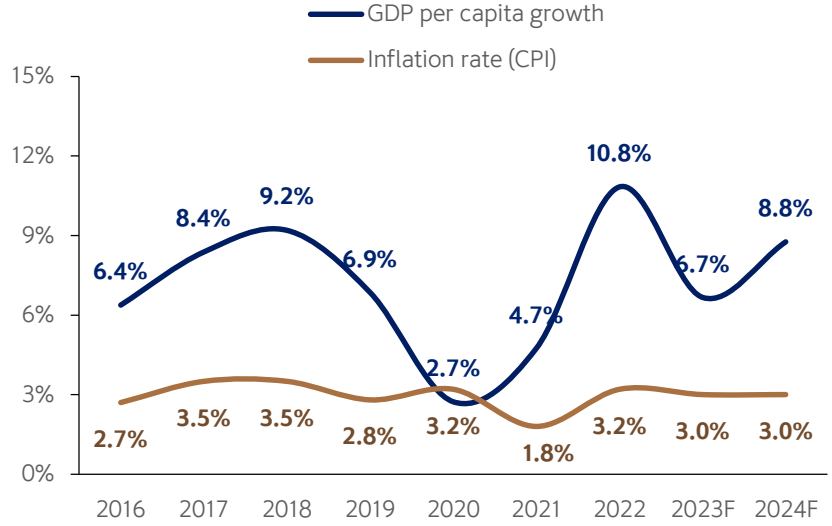
Impact of the economy on Vietnam's retail sector

Growth of Vietnam GDP and Revenue of retail goods (% YoY)



Source: World Bank, GSO, Shinhan Securities Vietnam

Vietnam GDP per capita growth and inflation rate



Source: World Bank, GSO, Shinhan Securities Vietnam

- Based on historical data, the revenue growth of retail goods is often 2 times higher than that of Vietnam's GDP. Hence, the positive expectation of GDP growth from 2024 may boost the retail industry growth to reach at 12-14% YoY in the upcoming years.
- Furthermore, the improvement in per capita income growth and the inflation rate maintained at a stable level by the Government (~3%) will be a catalyst to help the retail sector and the Vietnamese economy continue to grow sustainablly after the recovery period.

Part 3 – Outlook of Retail sector

Vietnam's GDP growth rate estimates		
	2023	**2024**
The Government	**Initial target: 6.5%** (9M2023: 4.24%)	6-6.5%
Shinhan Securities Vietnam	5%	6%
World Bank (WB)	4.7%	5.5%
International Monetary Fund (IMF)	4.7%	5.8%
Asian Development Bank (ADB)	5.8%	6.0%
Moody's	5.2%	6.4%
OECD	4.9%	5.9%
Fitch Ratings	5.7%	6.5%
HSBC Global Research	5.0%	6.3%
Standard Chartered Bank	5.4%	6.7%

Source: Shinhan Securities Vietnam summarized

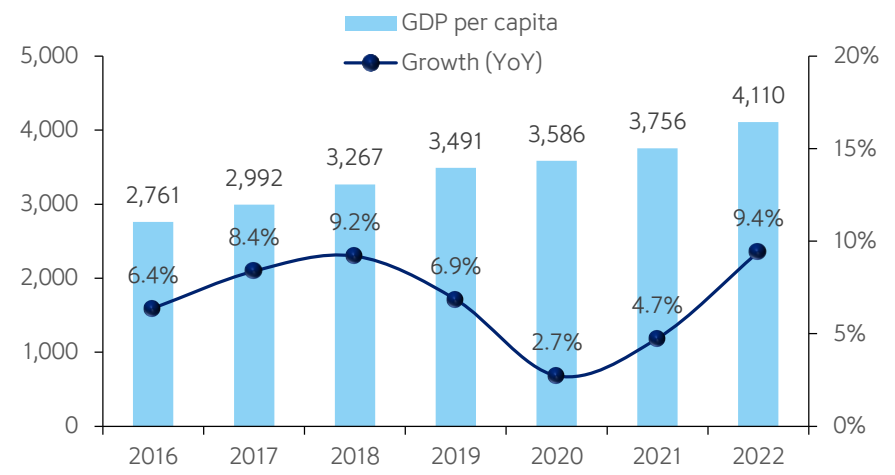
Recent change of Vietnam's sovereign credit rating		
	Nearest rating score	**Revised date**
Moody's	Ba2 (stable outlook)	July 13th, 2023
S&P Global Ratings	BB+ (stable outlook)	June 15th, 2023
Fitch Ratings	BB (positive outlook)	June 13th, 2023

Source: Shinhan Securities Vietnam summarized

- After the 2022's 8% growth (the highest level since 1997), Vietnam becomes the fastest growing economy in Southeast Asia.
- The 9M2023 GDP growth was at 4.24% (9M2022: 8.85%). To complete the initial target of 6.5%, Vietnam needs to achieve a tough record of ~13% growth in the last 3 months.
- The main reason is that Vietnam faces many difficulties from external and domestic factors affecting the economy.
- Income improved, urbanization rate increased, and timely support policies from the Government. The ICT industry is expected to recover after the period of price wars among retailers. In addition, prospects from new retail industries are also the driving elements for retailing activities in the near future.
- In terms of the country outlook, many financial institutions evaluate that Vietnam still has a stable economy, forecasting to achieve a 5% GDP growth in 2023 and 6% in 2024.

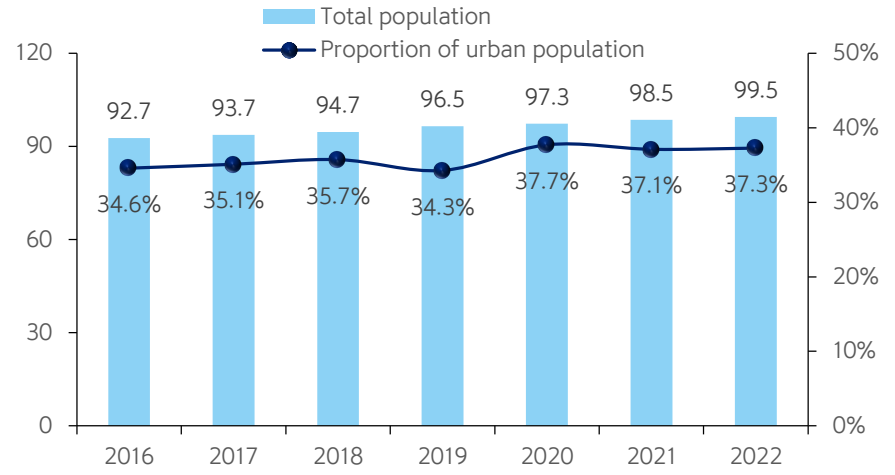
Part 3 – Outlook for ICT retail

Annual Vietnam GDP per capita (USD)



Source: GSO, Shinhan Securities Vietnam

Vietnam population demographics over years (mil. people)

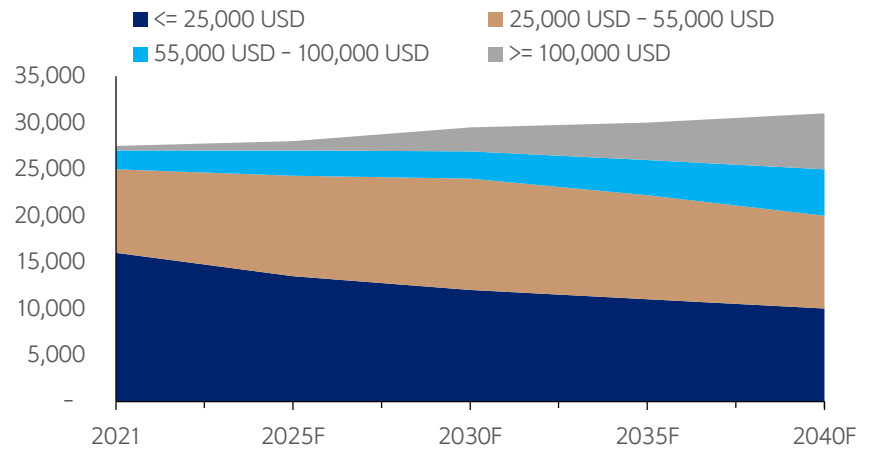


Source: GSO, Shinhan Securities Vietnam

- The electronics retail industry tends to be saturated and has grown slowly in recent years. However, the cycle of replacing ICT equipment (since the social distancing period in 2020-2021 - making many individuals study and work from home) is expected to return at the end of 2023 and be quicker in 2024.
- Price competition among retailers (MWG, FRT) is predicted to only affect the short-term towards the mid-range product segment and below, not having much impact on customer groups that favor the near high-end, high-end products (Apple, Samsung).
- During the period 2016 - 2020, the average income per capita grew by more than 7%/year, decreased to 4.7% in 2021 due to the impact of the COVID-19 epidemic, and then rebounded to 9.4% in 2022. The urbanization rate is forecast to increase in the coming years, and improved income will be a catalyst to increase the value of the retail market in Vietnam, especially the mid to high-end segments - which generate higher profit margins than mid-range products (priced under VND 15 million/product).

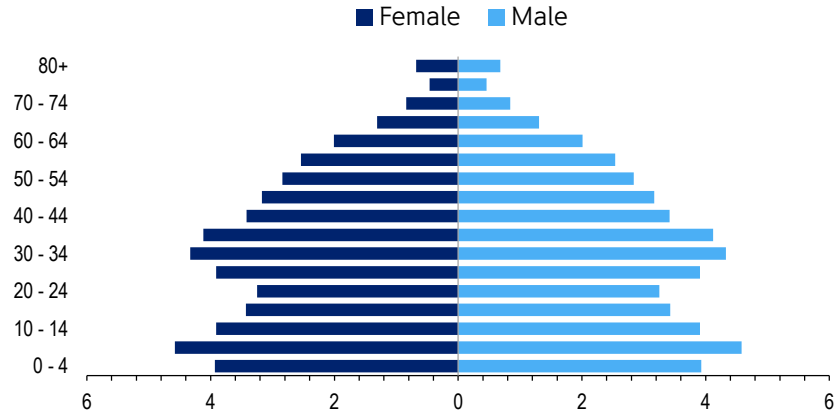
Part 3 – Outlook for pharma retail

Projected average household income in Vietnam (thousand)



Source: Euromonitor, Shinhan Securities Vietnam

Vietnam population pyramid in 2022 (million people)



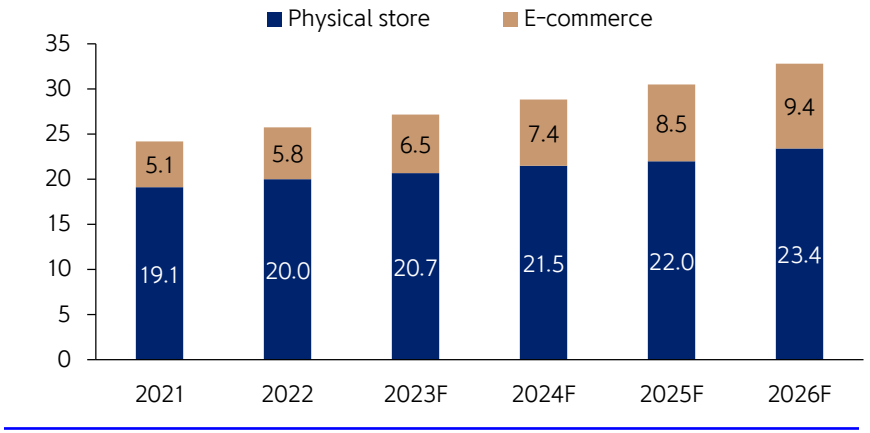
Source: GSO, Shinhan Securities Vietnam

- According to BMI, Vietnam's pharma market in 2022 reached ~USD 6 billion (+10% YoY) and is forecast to touch USD 8 billion in 2025 thanks to the population growth, young structure (~50% in the age 18-50), and rapid urbanization. IQVIA Organization assesses Vietnam to be a pharmaceutical emerging market.
- Thanks to the improvement of income level, besides drug treatments, people would care more about healthcare products, leading to extra spending on pharmaceutical products.
- In 2023, Vietnam's population is projected to exceed 100 million, of which the elderly dependents (over 60 years old) making up 13%. Increased life expectancy (73.6 years old in 2022) leads to an increasing aging rate, boosting demand for functional foods and spending on health care services.
- The Vietnamese pharmacy market is highly fragmented. With a network of about 60,000 points of sale (mainly small traditional pharmacies), the modern pharma retail chains (Long Chau, An Khang, Pharmacity, Phano, etc.) started to scale up but still constitute a small slice of the entire cake (accounting for only 4-5%).
- Therefore, with stable service quality and diversified products, it is expected that the pharmaceutical retail market still has room to grow. It is forecast the modern drugstore chains in Vietnam would account for 15-16% of the pharmaceutical retail market share by 2025.

Part 3 – Outlook for retail through e-commerce channels

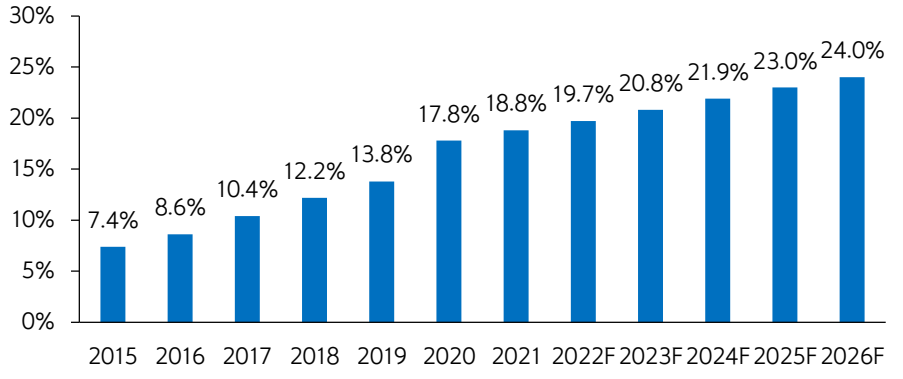
The world e-commerce market

Revenue of In-store retail and E-commerce channel (USD trillion)



Source: Digital Commerce 360, eMarketer, Statista, Shinhan Securities Vietnam

E-commerce retail market share compared to total global retail revenue



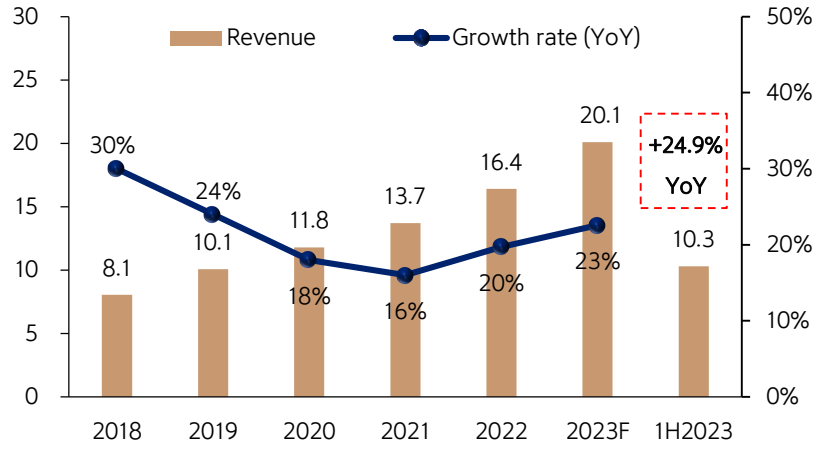
Source: eMarketer, Shinhan Securities Vietnam

- Besides traditional retailing forms, retail groups through e-commerce channels are increasingly popular thanks to the convenience and connection between sellers and many customers.
- After the COVID period, Vietnamese people have formed many new habits such as working, studying at home, ordering food online, shopping online, etc. The Government has encouraged the use of non-cash payments since 2020, helping Vietnam's leading e-wallets and e-commerce platforms to benefit strongly from changes in shopping and payment habits and the increase in users over the years.
- E-commerce has become a potential retail channel and been applied by many retailers for integrating into their Omni-channel sales strategy.
- In 2022, the estimated global e-commerce revenue reached USD 5.8 trillion (+13.7% YoY). Of which more than 70% of revenue transactions were made via smartphones.

Part 3 – Outlook for retail through e-commerce channels

Vietnam e-commerce market

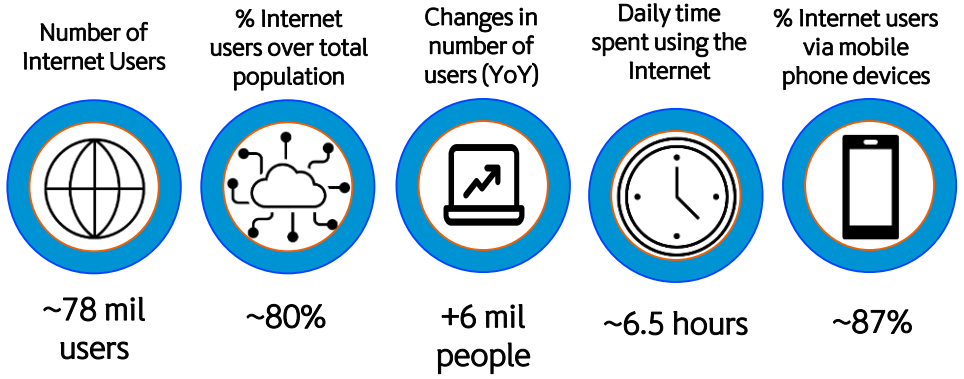
Vietnam E-commerce revenue (USD billion)



Vietnam's e-commerce revenue includes revenue from all goods and services sold through e-commerce channels (excluding transactions related to the fields of finance, banking, credit, insurance, and online games).

Source: Ministry of Industry and Trade, Shinhan Securities Vietnam

Level of Internet access and use in Vietnam (Q1.2023)



Source: We Are Social - Vietnam Digital Report 2023, Shinhan Securities Vietnam

- E-commerce activities in Vietnam continue to grow and become an important distribution channel. According to Vietnam E-commerce White Paper 2022, up to 74.8% of Internet users participate in online shopping. The most commonly purchased items online instead of offline are clothes, shoes, cosmetics (69%), appliances, household appliances (64%), technology and electronics (51%).
- In 6M2023, the retail e-commerce market in Vietnam reached USD 10.3 billion (+24.9% YoY), accounting for 7.7% of total retail sales. At an average growth of ~20%/year, Vietnam is ranked second regarding the number of consumers shopping online in the Southeast Asia region; was ranked among the top 5 global countries having the highest e-commerce growth rate by eMarketer. Google estimates Vietnam's e-commerce market will continue to boom in the coming years, expected to reach USD 39 billion by 2025, ranking second after Indonesia.

SWOT Analysis – Vietnam Consumer & Retail Market



STRENGTHS (S)

- A large, young, and dynamic population brings high growth opportunities for retailers.
- The open retail market, ideal investment, and business environment help attract foreign retailers; Vietnam is one of the fastest-growing consumer markets in emerging Asia.
- The retail market in Vietnam (shopping malls, supermarkets, convenience stores) is well-invested and located in big cities, reflecting the quality of infrastructure and logistics.



WEAKNESSES (W)

- Consumers care about price and tend to prefer cheap, economical products; essential goods will usually be given priority. The majority of the population falls into the low-income segment, with less spending on luxury and non-essential items.
- The population group living in rural areas is large, leading to reduced opportunities to access modern retail store models due to limited infrastructure.
- High rental costs for retail activities in urban centers. According to market research by Cushman & Wakefield Vietnam, the average rental price at commercial centers for retail purposes in Ho Chi Minh City (Q2.2023) is about 51.1 USD/m2/month (+1.2% QoQ; +5.9% YoY).

SWOT Analysis – Vietnam Consumer & Retail Market



OPPORTUNITIES (O)

- The COVID-19 pandemic has led to an increasing demand for e-commerce services, creating a habit of shopping online more frequent.
- The increasing rate of smartphone and Internet users helps the e-commerce market (which has high competition among large e-commerce corporations) to progressively develop and prevail in Vietnam.
- The signing of Vietnam with the Free Trade Agreement (CPTPP) greatly promotes the import of more consumer goods.
- The improvement of household income and the growth of middle class will boost disposable income levels, increasing opportunities for retailers.
- Consumers tend to favor Western-style shopping, entertainment, and shopping center models. Investment in infrastructure will attract more domestic and international retailers.
- Low labor costs push manufacturers to move factories from China to Vietnam.



THREATS (T)

- The retailing of some high-value items is tending to be saturated.
- Corruption and complicated procedures are still barriers for businesses who want to penetrate and join the game.
- The tendency of low-priced goods preference with many promotions may lead to a drop in sales for luxury foreign retail items.
- Despite the enhancement of disposable income, it is still low compared to other countries in the region, and the instability of macroeconomic factors leads to reductions in spending on non-essential items.

Part 3 – Outlook of Retail sector

Risks



Risk of inflation affecting selling price

- Economic instability causes inflation to remain high, affecting the input costs of businesses and increasing the selling price of goods. Households have to prioritize and increase their spending allocation on essentials.
- Demand for non-essential items will also be significantly reduced.



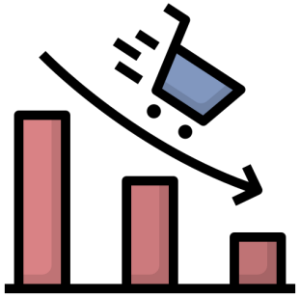
Risk of interest rate fluctuation

- Many retail businesses have high short-term debt to finance its import of inventory.
- Economic instability affects the Government's monetary policy decisions, making interest costs unstable, influencing business expansion plans of retail companies.



Risk of fierce competition

- The retail sector has the participation of many players, from conventional to modern retail chains.
- Price wars between retailers continuously take place to compete and gain market share.
- Business results of non-essential retailers (ICT goods, fashion, automobiles, etc.) will be severely affected in 2023.



Risk from weak retail consumption

- Negative impacts from macroeconomic fluctuations, interest rates, inflation, etc. directly affect people's income and employment, reducing consumer demand towards the retail sector.
- Vietnamese consumption will be strongly affected in 1H2023 due to the trend of tightening spending.
- Demand is expected to gradually recover from Q3.2023.

04 Retail Stock Pick

FRT & MWG – Prospects from new segments

Outstanding listed retail enterprises

General information				Share price					Key financial (**)					Valuation (24F)	
No.	Ticker	Retail sector	Mkt. Cap. (VND bn)	CP (VND)	TP* (VND)	Upside (%)	1M (%)	YTD (%)	NPAT margin (%)	Dividend yield (%)	Debt to Equity	ROA (%)	ROE (%)	P/B (x)	P/E (x)
1	MWG	ICT	70,642	48,300	53,650	11.1	-12.2	13.7	1.3	0.0	0.9	2.7	6.6	2.9	18.7
2	FRT	ICT, pharmacy	13,284	97,500	107,250	10.0	15.0	63.7	-0.1	0.7	2.4	-0.3	-1.6	3.8	11.3
3	DGW	ICT distribution	9,690	57,000	57,820	1.4	-3.2	53.6	2.7	1.2	0.8	7.9	20.8	2.9	16.1
4	PET	ICT distribution	2,764	25,900	32,720	26.3	-12.2	66.8	0.7	1.4	2.0	1.2	5.7	2.4	11.0
5	PNJ	Jewelry	25,584	78,000	93,450	19.8	-3.8	-11.9	5.6	2.2	0.2	13.9	20.5	2.6	13.0
6	HAX	Automobiles	1,355	14,500	18,550	27.9	-10.8	14.2	2.1	2.6	0.3	5.3	10.7	1.1	11.6

* Target price (fair value) for the next 12 months by Bloomberg consensus (except for FRT, MWG)

** Data for 12 months up to Q2/2023

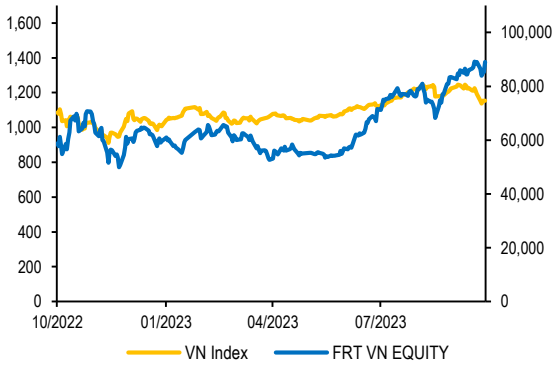
Source: SSV Research, Bloomberg - Data as of October 6th, 2023

FPT Digital Retail JSC (HOSE: FRT)

FPT Retail

TARGET PRICE (12 months)	**VND 107,250**
Current price (06/10/23)	VND 97,500
Return (%)	11.1%
VNINDEX	1,129
P/E 1Y Forward (x)	11.1
Market Cap. (bn VND)	13,284
Outstanding Shares (mn)	136
Free Floating Shares (mn)	67
52-Wk High/Low (VND)	99,000/48,435
3M Avg. Trading Vol. (triệu CP)	1.17
3M Avg. T/O (tỷ VND)	94
Foreign ownership (%)	49
Major shareholders (%)	FPT Corporation 46.54
	Dragon Capital Fund 9.01

Performance	3M	6M	12M
Absolute (%)	23.7	66.4	38.1
Relative to VN-Index (%)	20.3	58.4	36.7



Key growth driver from Long Chau Pharmacy

Investment points

FPT Digital Retail JSC (FRT Retail, HoSE: FRT) is one of the leading mobile digital products retailers in Vietnam, with revenue of over USD 1.2 billion in 2022. FRT owns two F. Shop retail chains, equivalent to over 1,000 stores retailing consumer electronics (ICT). The pharma retail segment of FRT – Long Chau pharmacy chain, quickly becoming a familiar brand, leading the market with more than 1,200 drugstores spread across the country. Long Chau is the growth driver of FRT when the consumption demand for non-essential goods like ICT products falls.

Update business result: FRT's consolidated 6M2023 revenue reached VND 1 4,924 bn (+6.6% YoY), completing 44% of the entire year plan. However, its promotional campaigns to stimulate the consumption of ICT demand caused SG&A costs to be upward by 23.1% YoY, critically affecting FRT's profit. After 6M2023, FRT recorded a net loss of VND 213 bn.

Pharmaceutical retail segment: Long Chau's competitors slowed down their expansion (Pharmacity: closing inefficient stores and being under internal restructuring; An Khang: MWG has ceased the pharma chain expansion and been only paying attention to the growth of Bach Hoa Xanh chain). In Q2, FRT opened 187 new Long Chau pharmacies (Q1: +119 new pharmacies); recording a total of 1,243 pharmacies, continuing to gain market share. FRT targets to reach 1,400-1,500 Long Chau pharmacies by the end of 2023.

In 2024, we forecast that NPAT will be revived (+257% YoY) thanks to the recovery of FPT Shop, along with the consistently improving profits of Long Chau pharmacy chain (VND 197 bn; +55% YoY).

Risks: (1) High leverage exposure; (2) Competitive risk; (3) Risk from weak retail consumption; (4) Risk from impairment of inventory.

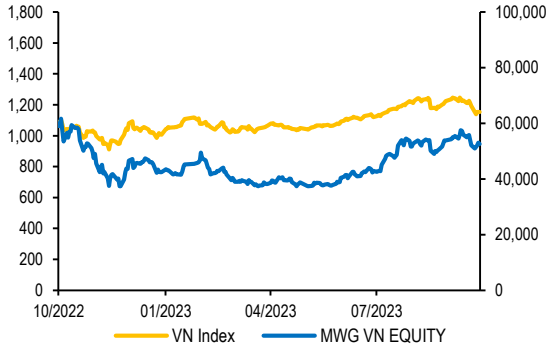
FY	2020	2021	2022	2023F	2024F
Revenue (bn VND)	**14,661**	**22,495**	**30,166**	**34,689**	**48,369**
OP (bn VND)	14	546	474	400	1,450
NP (bn VND)	**10**	**444**	**398**	**326**	**1,165**
EPS (VND)	154	3,745	3,295	2,299	7,310
BPS (VND)	7,809	9,736	10,696	16,909	21,774
OPM (%)	0.1	2.4	1.6	1.2	3.0
NPM (%)	0.1	2.5	1.6	0.9	2.4
ROE (%)	**0.8**	**26.4**	**19.4**	**14.1**	**34.0**
PER (x)	68.9	15.3	18.1	45.2	14.7
PBR (x)	2.3	5.9	5.6	6.1	4.9
EV/EBITDA (x)	17.0	10.1	12.7	17.2	8.9

Mobile World Investment Corporation (HOSE: MWG)

MWG

TARGET PRICE (12 months)	**Vnd 53,560**
Current price (06/10/23)	Vnd 48,300
Return (%)	10.0%
VNINDEX	1,129
P/E 1Y Forward (x)	11.1
Market Cap. (bn VND)	70,642
Outstanding Shares (mn)	1,463
Free Floating Shares (mn)	1,101
52-Wk High/Low (VND)	62,300/35,250
3M Avg. Trading Vol. (triệu CP)	6.14
3M Avg. T/O (tỷ VND)	368
Foreign ownership (%)	49
Major shareholders (%)	Retail World Investment Consulting Co., Ltd 10.5
	Arisaig Partners 4.99

Performance	3M	6M	12M
Absolute (%)	11.8	23.5	-16.7
Relative to VN-Index (%)	12.6	18.0	-25.7



A clear improvement of Bach hoa Xanh

Investment points

Mobile World Investment Corporation (Mobile World, HoSE: MWG) is a leading retail enterprise in Vietnam, having an ecosystem to meet the diverse needs of customers. We assess MWG as an investment that can be held as (i) The economy recovers, improving retail purchasing power from Q4/2023, boosting MWG's business results in 2024; (ii) Business results of Bach hoa Xanh chain grow positively.

Update business result

ICT chains: Q2.23 revenue of ICT segment was critically affected due to the competition in selling price among ICT retailers. This helps MWG greatly gain more retail market share during the saturation of the ICT industry. The DMX chain contributed more than 50% of MWG's total revenue, reaching VND 14,866 billion (-18.5% YoY). Revenue of TGDD chain recorded VND 6,683 billion (-23.7% YoY).

Bach hoa Xanh chain: In Q2.23, revenue positively reached VND 7,271 billion (+7.6% YoY). The average monthly revenue per store keeps improving, recording VND 1.41 billion in Q2.2023 and expecting to reach VND 2 billion by YE2023 to help BHX break even. The growth was mainly driven from: attracting new customers, increasing the purchase frequency and the shopping cart value of existing customers.

Accumulated 6M2023: MWG's consolidated revenue and NPAT reached VND 56,571 billion (-20% YoY) and VND 38.7 billion (-98.5% YoY), respectively, completing 42% and 1% of the target goal. In 2H23, MWG continues to apply competitive price strategy to its ICT chains; exploits more household goods and accessories to improve profit margin; optimize opex and suspend expansion plan towards all retail chains.

We forecast MWG's revenue and NPAT in 2023 to reach VND 113,838 billion (-14.7% YoY) and VND 822 billion (-80% YoY), respectively, with the expectation that consumer purchasing power will improve from Q4/2023 and recover clearly in 2024.

Risks: (1) Competitive risk; (2) Risk from weak retail consumption; (3) Risk from having many diversified retail chains; (4) Risk from impairment of inventory.

FY	2020	2021	2022	2023F	2024F
Revenue (bn VND)	**108,546**	**122,958**	**133,405**	**113,838**	**134,887**
OP (bn VND)	5,413	6,466	6,575	1,180	4,564
NP (bn VND)	**3,920**	**4,901**	**4,102**	**822**	**3,316**
EPS (VND)	4,584	3,340	3,499	562	2,266
BPS (VND)	10,584	13,925	16,363	16,426	17,695
OPM (%)	5.0	5.3	4.9	1.0	3.4
NPM (%)	3.6	4.0	3.1	0.7	2.5
ROE (%)	**25.3**	**24.1**	**17.1**	**3.4**	**12.8**
PER (x)	9.1	19.7	11.9	89.5	23.7
PBR (x)	4.0	4.7	2.5	3.1	3.0
EV/EBITDA (x)	2.5	5.3	5.7	9.4	6.7

Shinhan Securities

Industrial real estate

Prepare to welcome the eagle



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Content

Industrial real estate – Prepare to welcome the eagle

1. Overview of industrial real estate

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   The prospect of infrastructure development and the shift of foreign capital flows will contribute to the strong development of industrial real estate.

3. Industrial real estate outlook

   Industrial real estate is expected to continue to develop with the increase in rental prices and high absorption rates.

4. Stock pick

   BCM, KBC, IDC, SZC – Benefiting from FDI recovers and strong infrastructure investment

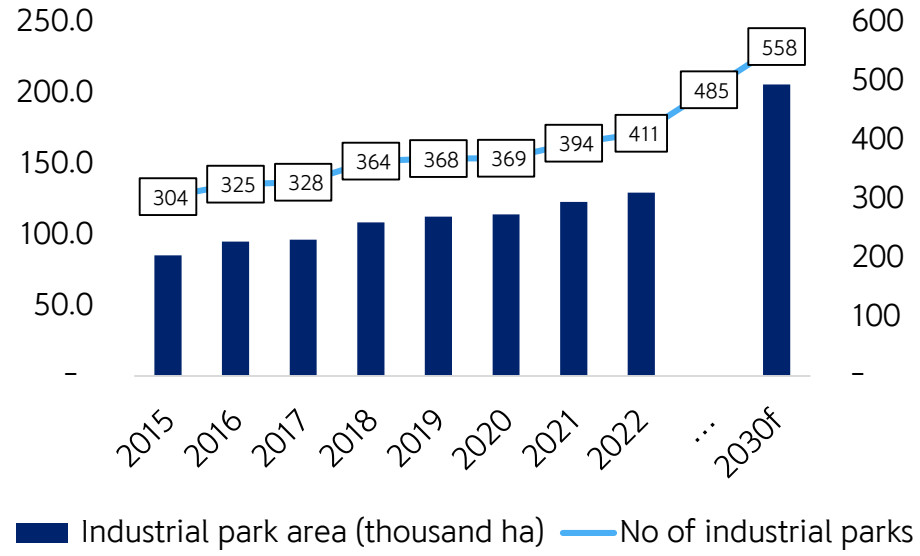
01

Overview of industrial real estate

Industrial real estate has had stable development over the years. FDI capital flows into Vietnam continue to grow, creating a foundation for industrial real estate development.

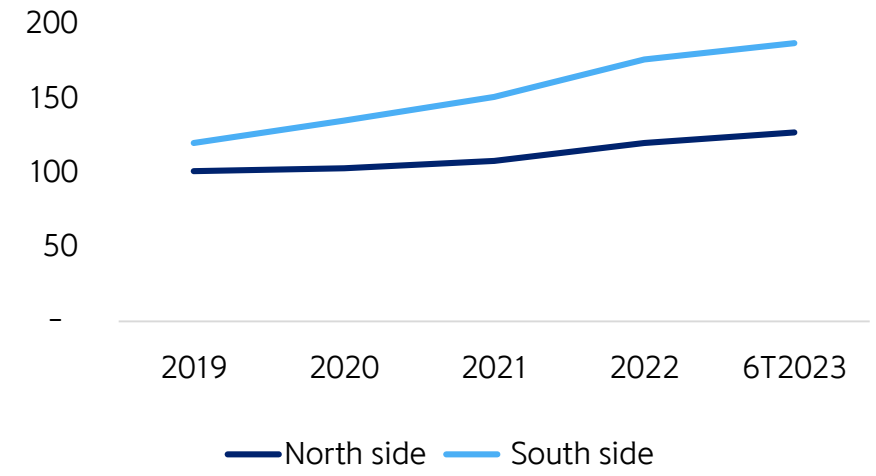
Industrial real estate continues to develop with the increase in price and land area

Number and area of industrial parks 2015 – 2030



Source: Ministry of Planning and Investment, Shinhan Securities Vietnam

Industrial park land price from 2019 - 6M/2023 (USD/m2/cycle)

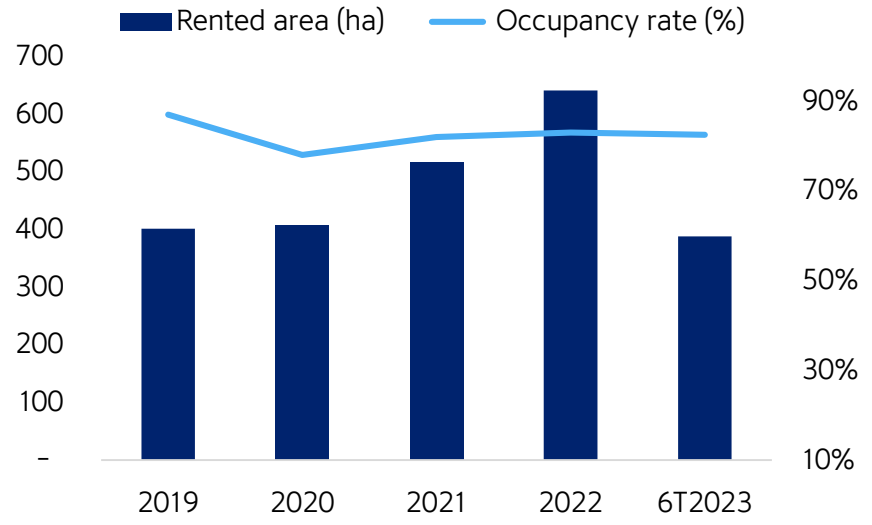


Source: CBRE, Shinhan Securities Vietnam

- By the end of 2022, the country had 411 industrial parks established with a total area of about 129.3 thousand hectares, the average occupancy rate in industrial parks was 80%. Industrial parks are concentrated mainly in the South (mainly in: Ho Chi Minh, Binh Duong, Long An, Dong Nai, Ba Ria Vung Tau) and the North (mainly in: Hanoi, Hai Phong, Bac Ninh, Hai Duong, and Hung Yen). According to the government's plan, by 2030, the country will have about 558 industrial parks with a total area of more than 200 thousand hectares.
- Industrial real estate continues to show its appeal with industrial land prices increasing by about 10% annually. The average land price of an industrial park in the South is about USD 187/m2/cycle, and the average land price in the North is about USD 127/m2/cycle.

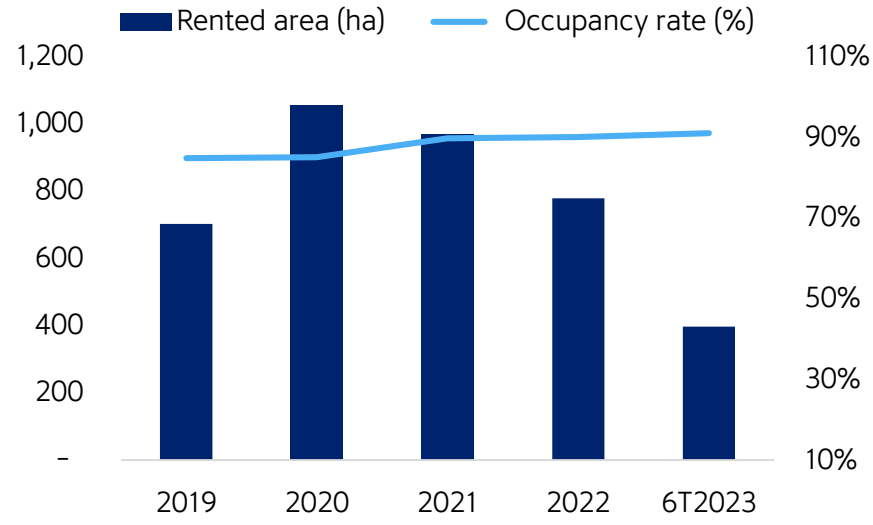
The absorption rate of industrial park land continues to remain high for both North and South regions

Rented area and occupancy rate of Industrial Park from 2019 – 6M/2023 in the North



Source: CBRE, Shinhan Securities Vietnam

Rented area and occupancy rate of Industrial Park from 2019 – 6M/2023 in the South

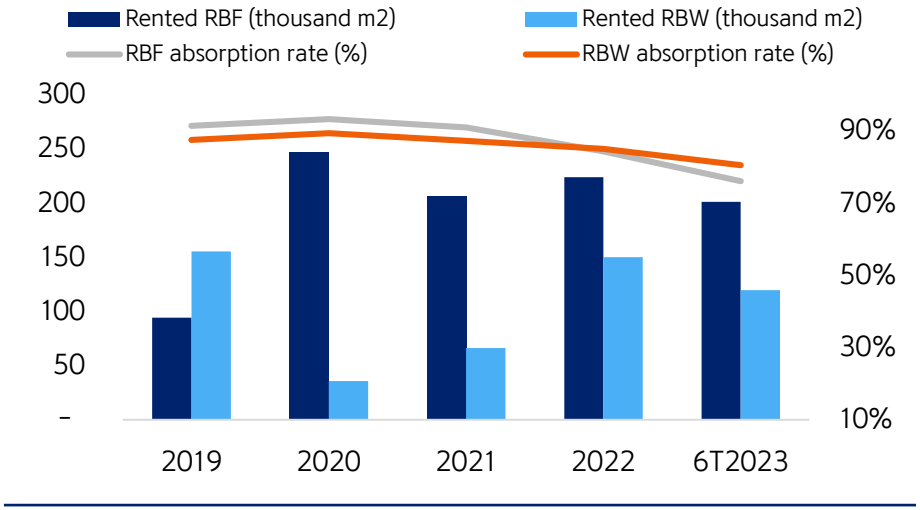


Source: CBRE, Shinhan Securities Vietnam

- Compared to 6M/2022, the rented land in the South increased by 20%, while in the North it increased by 60%. The average occupancy rate in the North and South continues to remain high, with the North reaching about 80% and the South reaching about 90%. In provinces such as Hanoi, Dong Nai, Hai Phong, Bac Ninh, and Ho Chi Minh City, many industrial parks are fully filled.
- The high absorption of new industrial land and high occupancy rate shows the potential for development in industrial parks despite the weak economic situation and freezing real estate market.

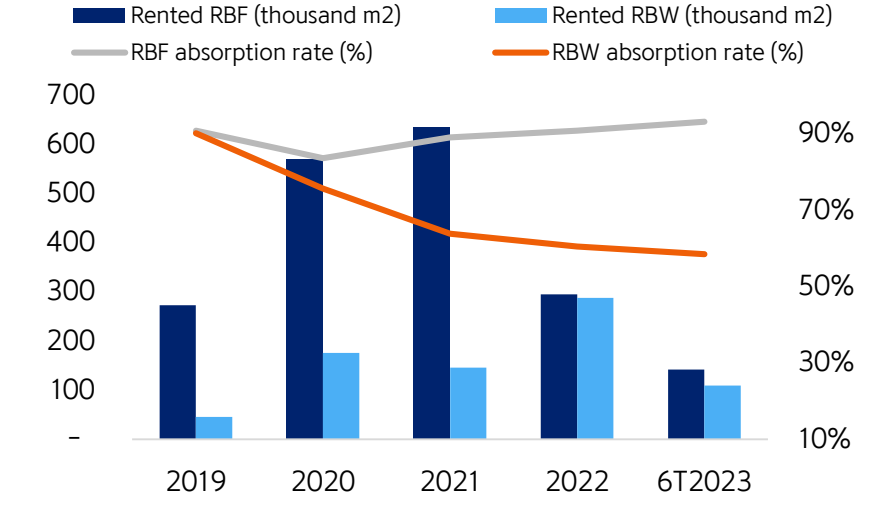
Demand for warehouses/Ready-built factories remains high, with good absorption rate

Absorption area and occupancy rate of RBW/RBF from 2019 - 6M/2023 in the North



Source: CBRE, Shinhan Securities Vietnam

Absorption area and occupancy rate of RBW/RBF from 2019 - 6M/2023 in the South

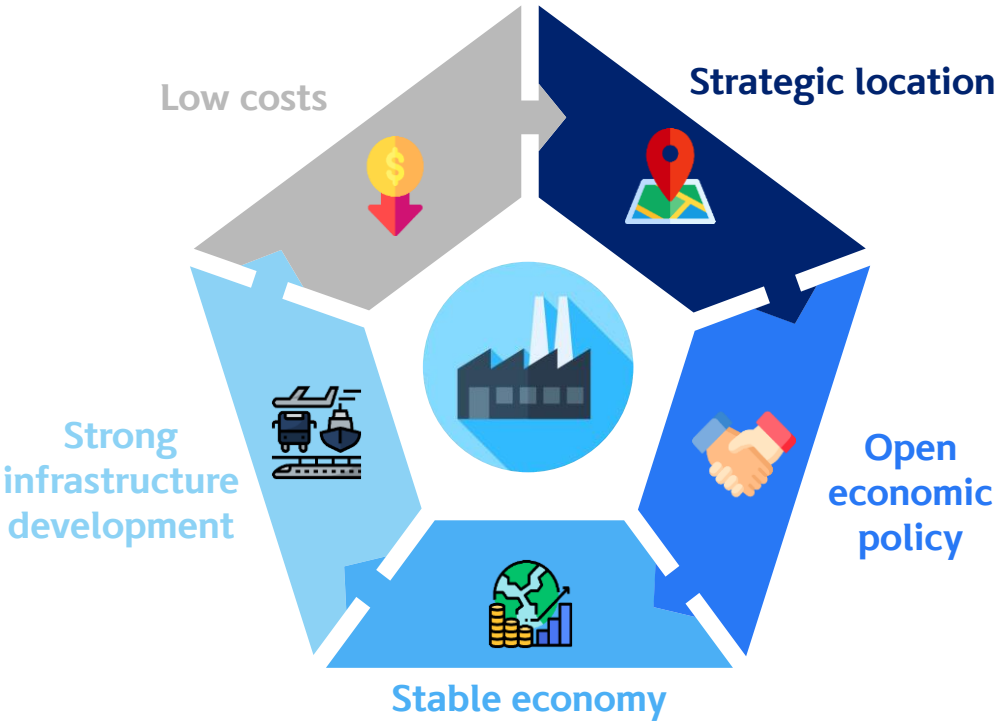


Source: CBRE, Shinhan Securities Vietnam

- The boom in e-commerce has fueled strong demand growth in ready-built warehouses (RBW) and ready-built factories (RBF). The average growth rates of RBF and RBW were about 23% and 22% respectively in the period 2019 - Q2/2023.
- In the North, the absorption rate of RBF and RBW reached about 80%. Meanwhile, in the South, the absorption rate of RBW and RBF is different, with the absorption rate of RBF reaching over 90%, while the occupancy rate of RBW reaches over 60% in the South.
- The modern, integrated design of RBF and RBW, which makes it appropriate for light industries and supporting industries, is expected to lead to an increase in consumption demand. At the same time, there will be a high need for warehouses due to the potential growth of e-commerce.

Advantages of industrial park real estate

- ✓ **Strategic location**: Vietnam has an important strategic position on the international freight route in transporting goods from Asia to all over the world.
- ✓ **Open economic policy**: Vietnam has signed many FTA agreements with countries around the world to facilitate import and export. Open economic policy allows countries that set up factories in Vietnam to easily export to all over the world.
- ✓ **Stable economy**: The developing economic situation and stable politics contribute to attracting countries to invest in Vietnam
- ✓ **Strong infrastructure development**: The government's promotion of public investment and upgrading infrastructure will contribute to the effectiveness economy, reducing transportation costs and saving time. This creates favorable conditions for attracting FDI enterprises.
- ✓ **Low costs**: Land rental prices, labor prices and electricity prices in Vietnam are among the lowest in Southeast Asia. Thereby creating a special competitive advantage to attract countries around the world to invest in Vietnam.



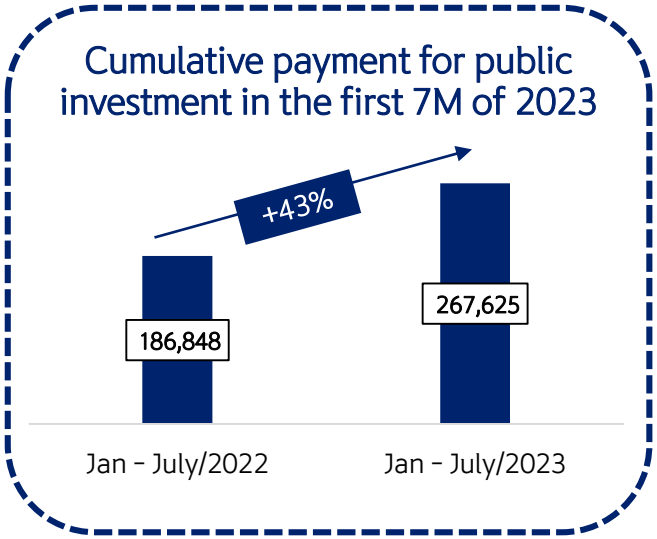
02

Potential of industrial real estate

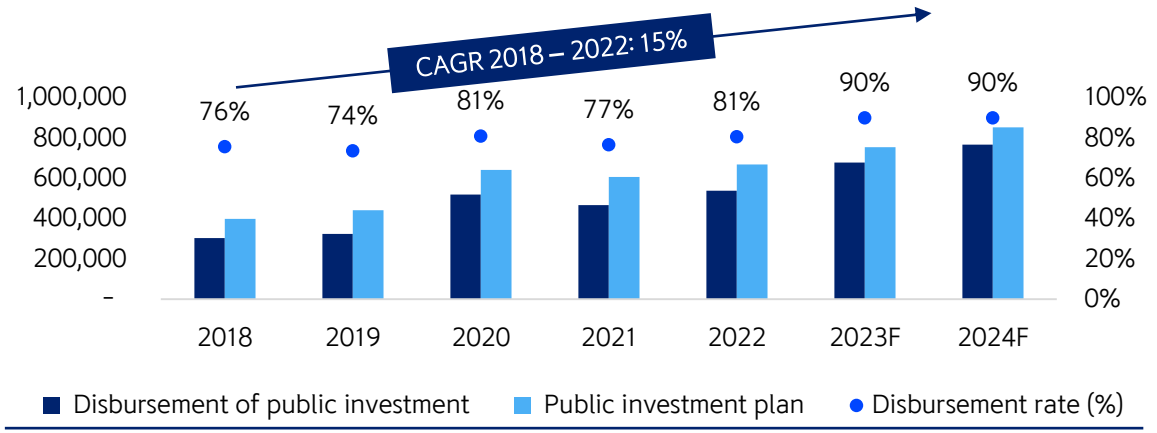
The prospect of infrastructure development and the shift of foreign capital flows, especially the US market, contributing to the strong development of industrial real estate.

Potential of industrial real estate

Strong public investment contributes promoting infrastructure development



Disbursement of public investment in the period 2018 - 2023 (billion VND)



Source: Ministry of Finance, Shinhan Securities Vietnam

- The Ministry of Finance's report showed that the estimated disbursement of public investment from January to July of 2023 was VND 267,625 billion (+43% YoY). The disbursement rate reached 35.49% compared to the plan, higher than 31.61% in the first 7 months of 2022.
- Based on Resolution No. 29/2021/QH15, with a total plan for the period 2021 - 2025 of VND 2.87 quadrillion, we estimate that the disbursement plan in 2024 will reach more than VND 800 trillion, an increase of approximately 13% compared to 2023, the disbursement rate is expected to be maintained at 90% according to the government's target.
- The year 2024 is considered to be an important year in developing infrastructure when important infrastructure projects such as North-South Expressway Phase 2, Ring Road 3, Ring Road 4, and Long Thanh Airport Phase 1 completed bidding and began construction in 2023.

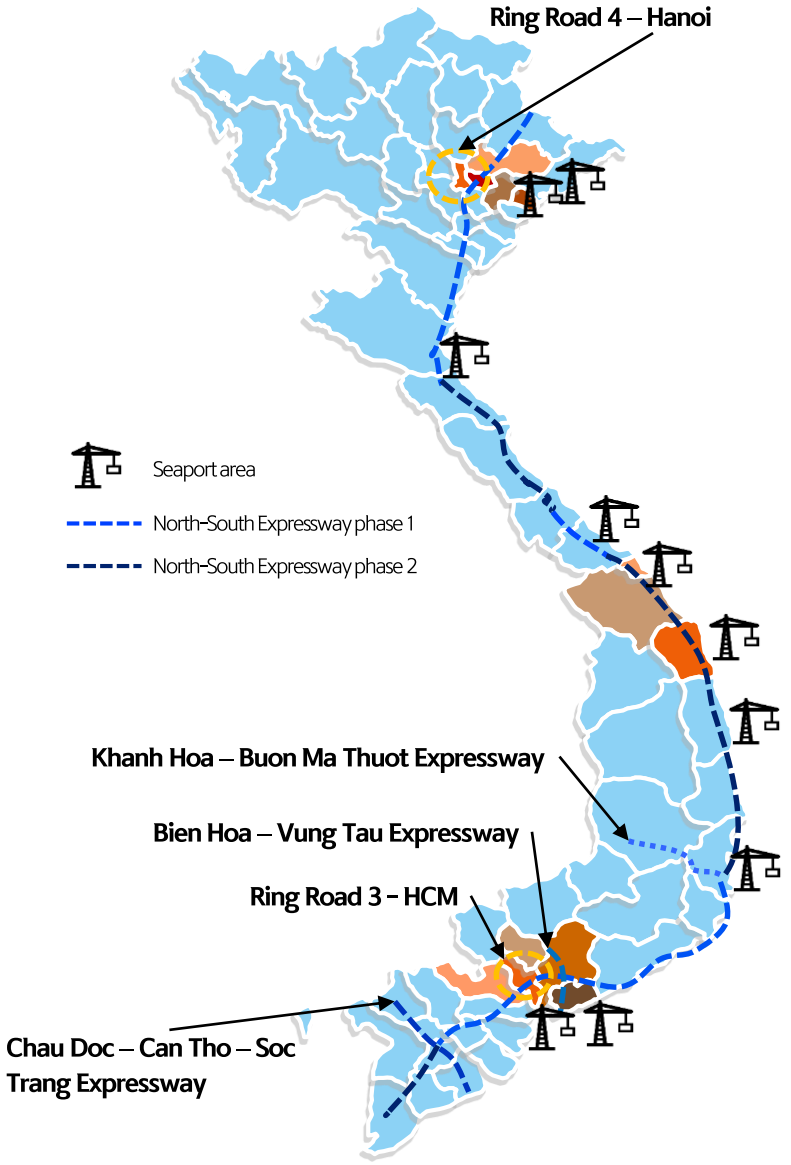
Potential of industrial real estate

The main projects in the period 2022 – 2025 have completed bidding and will be under construction in 2023.

Name of project	Period	Total investment (billion VND)	Investment status of projects
North - South Expressway phase 1	2017 – 2024	118,716	9/11 highway projects were completed. The Dien Chau-Bai Vot and Cam Lam-Vinh Hao projects will be completed in 2024.
North - South Expressway phase 2	2023 – 2025	146,990	All 12 projects of phase 2 have completed bidding and begun construction in 2023.
Ring Road 3 (Ho Chi Minh)	2022 – 2026	75,378	The project has cleared 92% of the site area, 4/14 bidding packages have begun construction from June 2023, the remaining bidding packages will complete contractor selection procedures in 2023.
Ring Road 4 (Hanoi)	2022 – 2026	85,813	The project has cleared 86.68% of the site area. On June 25, the governments of Hanoi, Bac Ninh, and Hung Yen jointly started construction on Ring Road 4.
Long Thanh Airport phase 1	2020 – 2025	114,451	The project has selected a contractor for package 5.10 on the construction and installation of passenger terminal equipment. A number of other important packages have also signed contracts and will be constructed in 2023.

Source: Ministry of Transport, Shinhan Securities Vietnam

Potential of industrial real estate



Northern Industrial Park

Ha Noi	
Hai Phong	
Bac Ninh	
Hai Duong	
Hung Yen	

- Land area (ha): 10,930
- Average price (m2/rental period): USD 85 - 175
- Absorption rate: ~79.3%

- RBF area (m2): 2,458,543
- Average price (m2/ tháng): USD 3.7 – 7.0
- Absorption rate: ~90.9%

- RBF area (m2): 1,738,103
- Average price (m2/ tháng): USD 2.8 – 7.2
- Absorption rate: ~80.3%

Central Industrial Park

Da Nang	
Quang Nam	
Quang Ngai	

- Land area (ha): 7,748
- Average price (m2/rental period): USD 33.5 - 97
- Absorption rate : ~64.1%

- RBF area (m2): 90,568
- Average price (m2/ tháng): USD 2.5 – 4.0
- Absorption rate: ~53%

- RBF area (m2): 242,390
- Average price (m2/ tháng): USD 1.5 – 3.3
- Absorption rate: ~82.1%

Southern Industrial Park

Ho Chi Minh	
Binh Duong	
Dong Nai	
Vung Tau	
Long An	

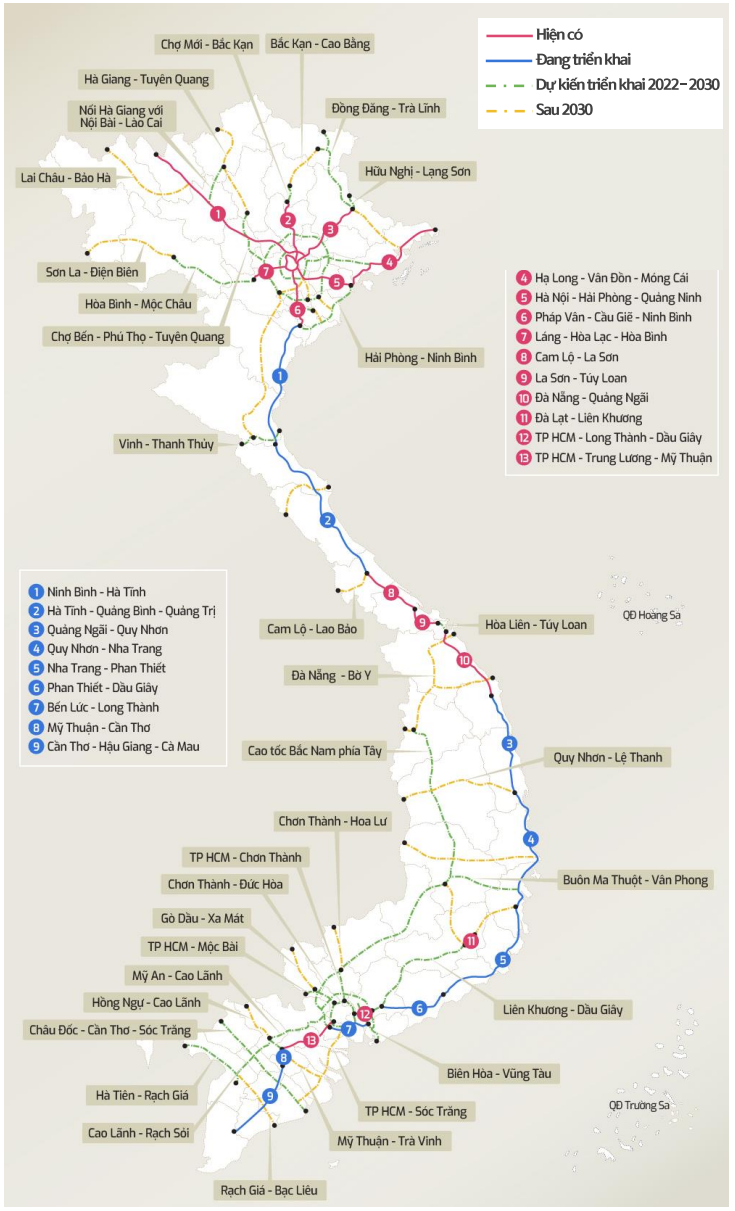
- Land area (ha): 28,251
- Average price price (m2/rental period): USD 95 - 286
- Absorption rate : ~86.7%

- RBF area (m2): 4,568,393
- Average price (m2/ tháng): USD 3.0 – 7.5
- Absorption rate: ~74.7%

- RBF area (m2): 1,738,103
- Average price (m2/ tháng): USD 2.8 – 7.2
- Absorption rate: ~82.5%

Source: JLL, Ministry of Transport, Shinhan Securities Vietnam

Potential of industrial real estate



Infrastructure projects contribute to the development of industrial parks

Investment prospects for infrastructure projects are promising in for the period 2020 - 2030

- Between 2021 and 2030, 1,874 trillion VND will be allocated to infrastructure projects all around the nation. It includes 48% of the state budget for road infrastructure.
- Statistics show that 1,163 km of roadways were built and placed into use nationwide between 2000 and 2021. By 2025, the entire nation will have around 3,000 km of highways, more than doubling the existing total. By 2030, the government plans to achieve 5,000 km of highways.

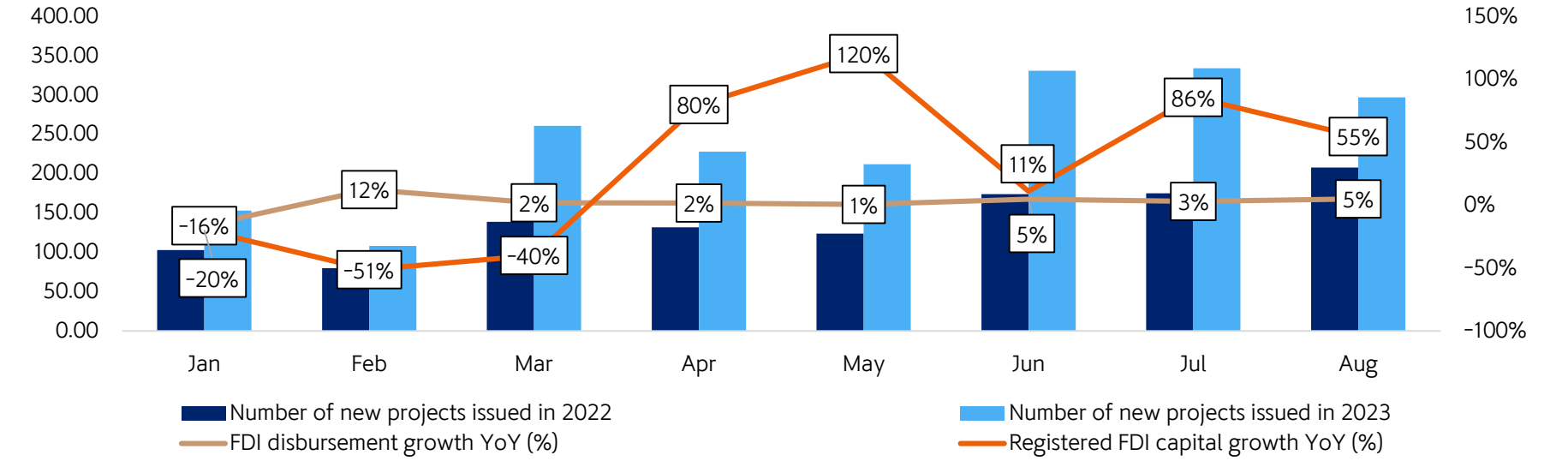
Infrastructure projects help the economy connect effectively, contributing to attracting FDI capital

- Infrastructure projects play an important role in attracting foreign companies to invest in facilities in Vietnam. Promoting infrastructure investment will help connect the economy better. Thereby, increasing efficiency in transporting goods and raw materials domestically, promoting production efficiency, and minimizing costs. In addition, developed infrastructure will support connections with important seaports and airports, helping to boost imports and exports.

Source: Ministry of Transport, Shinhan Securities Vietnam

Registered FDI inflows have grown again since April 2023

FDI registration and disbursement in the first 8 months of 2022 and 2023

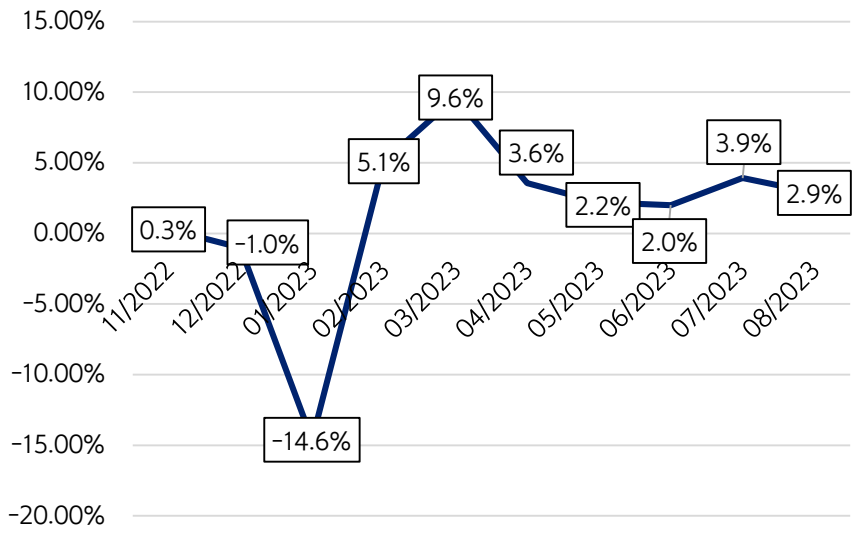


Source: Fiinpro, Shinhan Securities Vietnam

- The registered FDI capital grew again after a decline in 6M/2023, the amount of registered FDI capital has increased again and recorded outstanding growth in the second and third quarters with an increase grew more than 50% YoY. Cumulatively for the first 8 months of the year, the amount of disbursed FDI capital reached USD 13,100 million (+1% YoY), and the amount of registered FDI capital reached USD 18,146 million (+8% YoY).
- The number of new FDI projects in 2023 is also much higher than the previous year, cumulatively in the first 8 months of the year, the country recorded 1,924 projects, an increase of 69.5% YoY in the number of projects.
- Provincial authorities have been active in organizing investment promotion seminars, inviting investors and large businesses from abroad. Thereby contributing to promoting FDI capital to continue flowing into Vietnam.

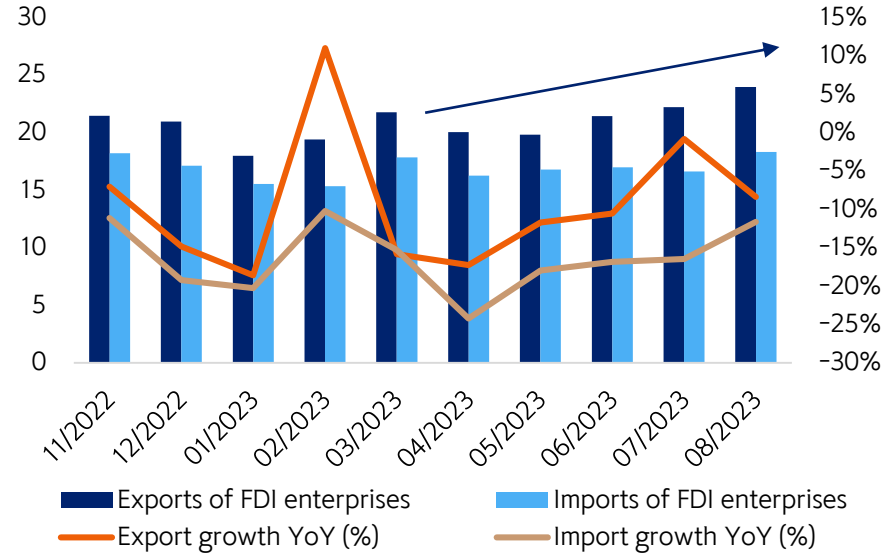
Production situation of FDI enterprises in Vietnam

Industrial production index - IIP (%)



Source: Fiinpro, Shinhan Securities Vietnam

Import-export FDI enterprises 11/2022 – 08/2023 (USD billion)

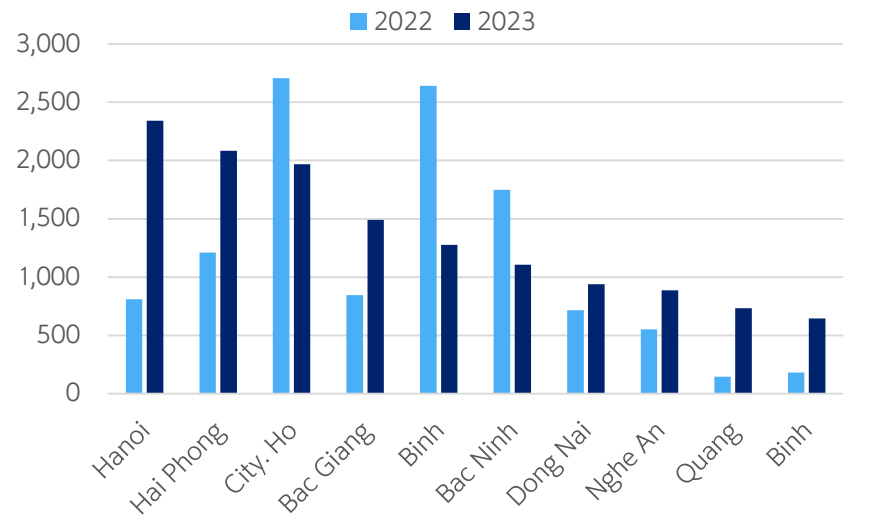


Source: Fiinpro, Shinhan Securities Vietnam

- The industrial production index returned to positive since February 2023, which shows that the production situation improved compared to the previous year. This shows that the production activities of enterprises in general and FDI in particular are gradually recovering after the decline.
- Cumulative exports of FDI enterprises reached USD 167 billion, down 10% compared to 2022. Although the export situation is lower than last year, the export value of FDI enterprises improved gradually from May 2023
- The recovering business situation of FDI enterprises in Vietnam continues to be the premise for new capital flows to continue flowing into Vietnam.

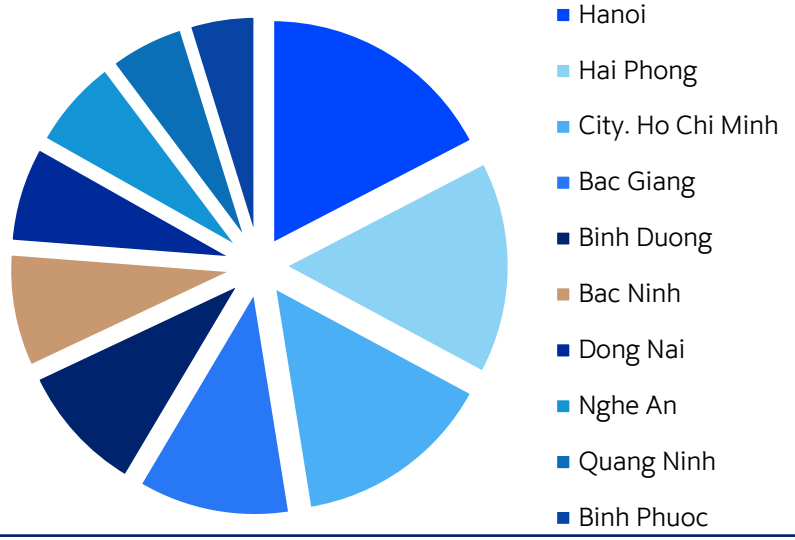
Top provinces and cities receiving investment from FDI capital

Top 10 localities receiving FDI capital accumulated for 8 months (million USD)



Source: Fiinpro, Shinhan Securities Vietnam

Top 10 localities receiving FDI capital accumulated for 8M2023

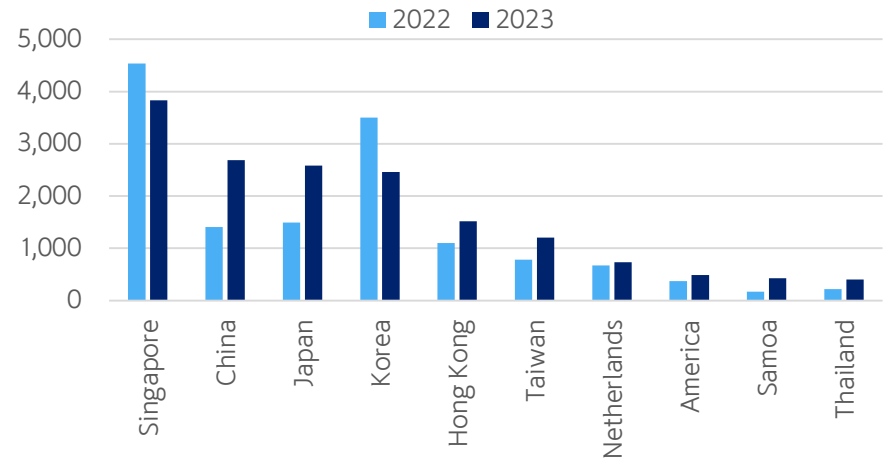


Source: Fiinpro, Shinhan Securities Vietnam

- Provinces such as Hanoi, Hai Phong, Ho Chi Minh, Bac Giang, and Binh Duong continue to be destinations for FDI capital flows into Vietnam. With open economic policies, a stable macroeconomic situation, and good policies to support foreign investors, Vietnam continues to be trusted by international investors and large businesses around the world.
- Northern provinces will continue to receive the majority of FDI capital in 2023, according to Fitch Solutions data showing that 65% of FDI electronic businesses are currently located in Northern industrial parks (Hai Phong, Bac Ninh, Bac Giang, Thai Nguyen and Ha Nam), 30% in the South (Binh Duong, Ho Chi Minh City and Dong Nai), and the remaining in the Central region.

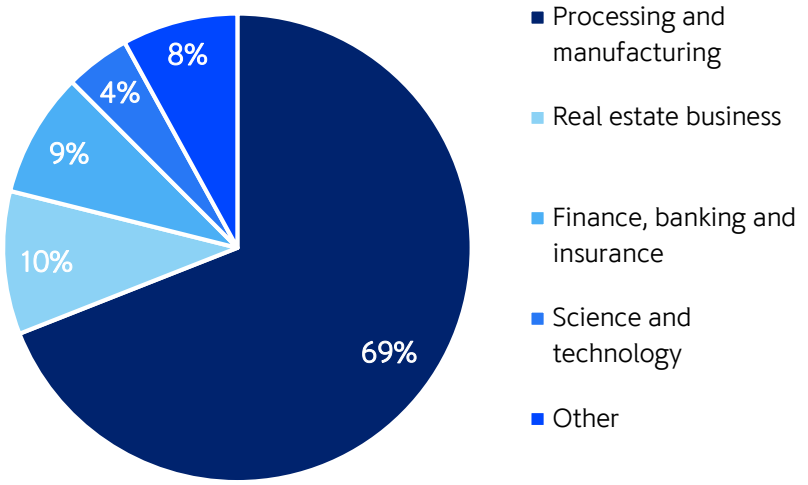
Asian countries play an important role in the structure of FDI capital

Top 10 countries investing in Vietnam accumulated in 8 months (million USD)



Source: Fiinpro, Shinhan Securities Vietnam

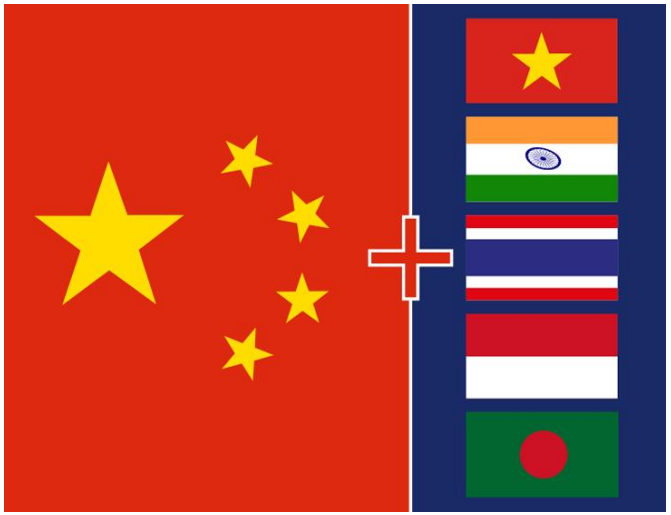
Structure of sectors receiving FDI capital (%)

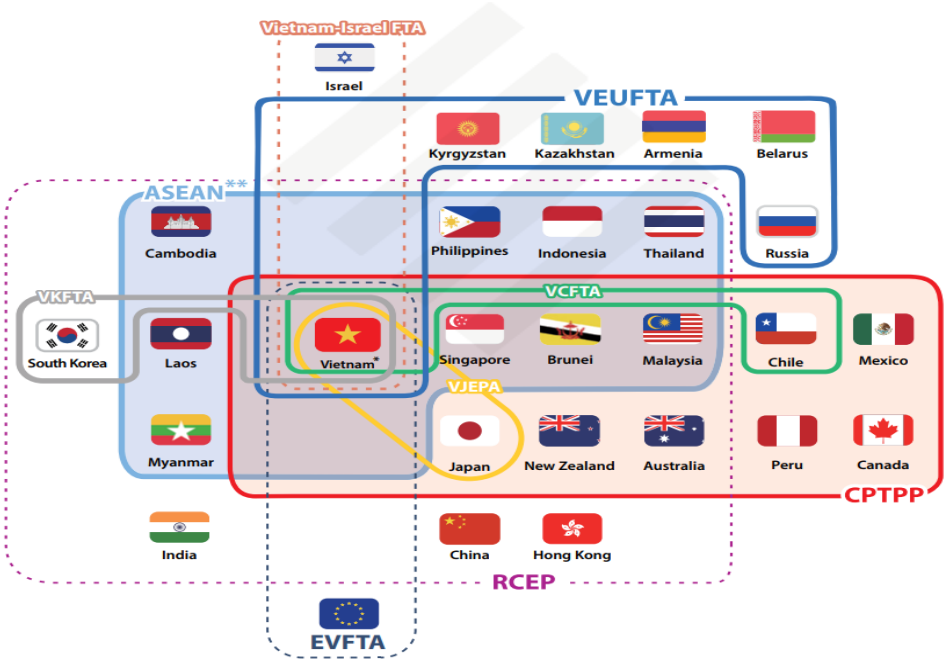


Source: Fiinpro, Shinhan Securities Vietnam

- Investors from Asia and traditional investment partners still account for a large proportion (Singapore, Japan, China, Korea, Hong Kong, Taiwan). These 6 partners alone account for 79% of the country's total registered FDI capital in the first 8 months of 2023.
- Vietnam is positioned as one of the most potential locations to expand production and is emerging as a bright spot for supply chain and logistics shifts in the Asia-Pacific region. In recent years, the state has actively invested heavily in infrastructure, thereby contributing to attracting FDI capital to flow into Vietnam.
- The processing and manufacturing industry is the main investment field of foreign enterprises in Vietnam, accounting for 69% of FDI capital invested in Vietnam.

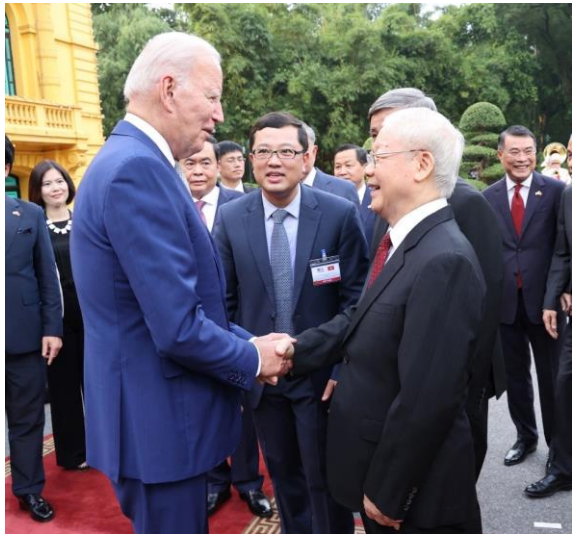
Open economic policy brings great potential when foreign businesses apply the China +1 strategy





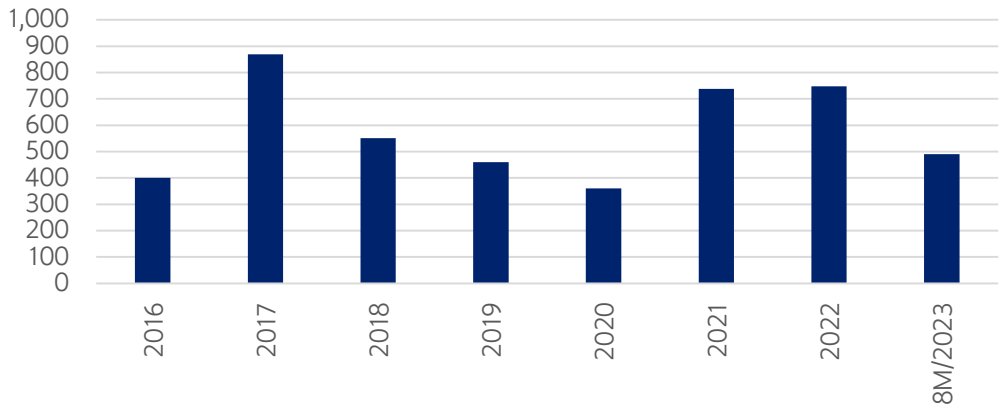
- Since the Russia-Ukraine war, the global economy has increasingly fragmented into opposing poles. In the race related to semiconductor chips and renewable energy, countries such as the US and EU are competing with China more and more fiercely as tax and retaliation measures are applied respectively. Faced with the above situation, the China +1 strategy is a business strategy that international corporations apply to avoid investing only in China and diversify production business activities to other countries.
- With an open economic policy and participation in many important economic agreements, Vietnam has created a unique advantage that helps attract international investors to Vietnam. Vietnam is considered an important bridge to help international businesses conveniently export and import goods around the world.

Vietnam – US become comprehensive strategic partners, contributing to promoting capital flows from US FDI into Vietnam



The US President and General Secretary raised the level of relations between the two countries

US FDI (USDmn) flow into Vietnam



Source: Fiinpro, Shinhan Securities Vietnam

- During the visit of US President Joe Biden to Vietnam on the afternoon of September 10, On the occasion, a Joint Leaders' Statement on elevating the ties to a comprehensive strategic partnership was issued. President Biden called on both sides' enterprises to prioritize investment in science-technology and innovation, especially digital transformation, the semiconductor industry, green growth, renewable energy, the climate change fight, and the circular economy.
- FDI capital flows from the US have also recorded positive growth in recent years. Accumulated in 8M/2023, the US has invested about 490 million USD in Vietnam, an increase of 32% over the same period last year, and ranked 8th among countries investing in Vietnam. With the prospect of upgrading the relationship between the two countries into a comprehensive strategic partnership, FDI capital flows from the US to Vietnam are expected to explode.

Prime Minister Pham Minh Chinh encourages American businesses to invest in Vietnam



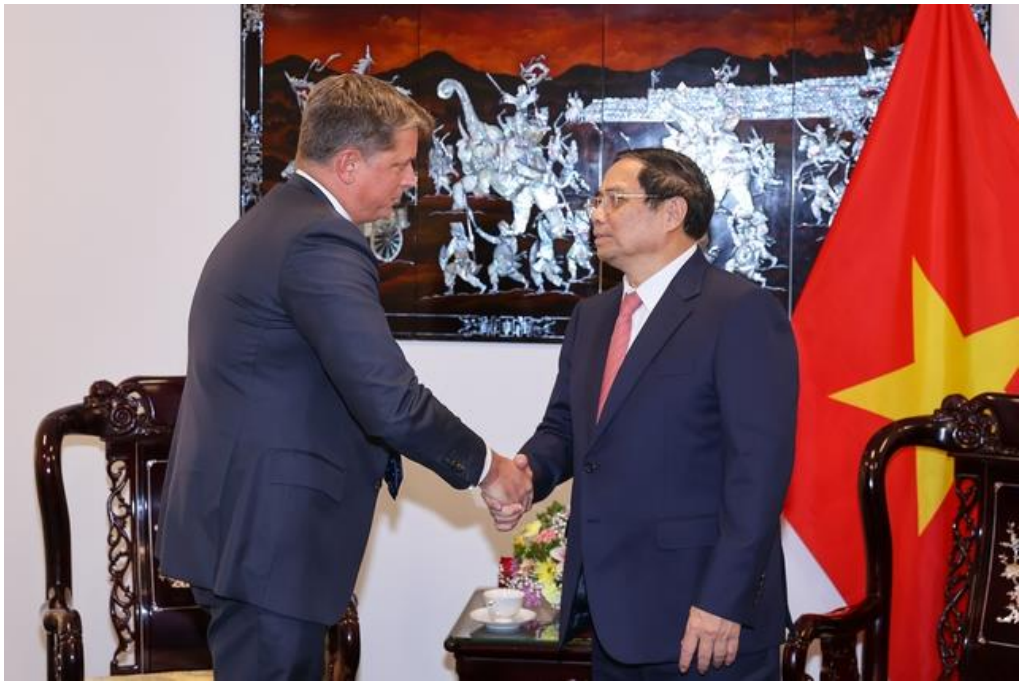
Prime Minister Pham Minh Chinh rang the bell to open the NYSE trading session



Prime Minister Pham Minh Chinh rang the bell to open the NASDAQ trading session

- After the US President's business trip to Vietnam, Prime Minister Pham Minh Chinh made a business trip from September 17 to September 26 in the United States. During the above business trip, Prime Minister Pham Minh Chinh rang the bell to open the trading session at the NYSE and NASDAQ exchanges. Through the above events, the Prime Minister informed investors in the US about the favorable business and investment environment in Vietnam and encouraged businesses to invest in Vietnam.
- The Prime Minister affirmed that Vietnam will create the most favorable conditions for investors through the implementation of three strategic breakthroughs: perfecting institutions, mechanisms, and policies; developing modern and synchronous infrastructure; and training high-quality human resources. At the same time, Vietnam will also promote administrative reform, protect the rights and interests of investors, always listen, understand, and collaborate to remove difficulties, overcome challenges, and help businesses and investors reduce costs, increase competitiveness, and operate effectively and sustainably.

Prime Minister Pham Minh Chinh encourages American businesses to invest in Vietnam



Prime Minister Pham Minh Chinh received Tim Hughes, Senior Vice President of SpaceX Group



Prime Minister Pham Minh Chinh meets billionaire Bill Gates in New York, USA

- Also during his business trip to the United States, the Prime Minister met leaders of some of the world's leading economic corporations in technology, including SpaceX, Coca-Cola, Pacifico Energy, Apple, Boeing, Google, and Siemens Healthineers. Thereby the Prime Minister encouraged large corporations to invest and expand factories in Vietnam.
- The Prime Minister also had a meeting with billionaire Bill Gates. Thereby, Bill Gates said that Vietnam is very important in the development policy of Microsoft and its foundations. At the same time, he will continue promoting cooperation and support activities for Vietnam, focusing on the fields of sanitation, clean water, environment; medicine; AI field, and advanced educational models.

Some typical projects of FDI enterprises from the United States

Company's name	Total investment	Country	Invesment area
Coca-Cola	136 million USD	America	Construction of a beverage factory with a total area of 19 hectares
Suntory PepsiCo	185 million USD	America	Construction of a beverage factory with a total area of 20 hectares
P&G	100 million USD	America	Expanding the production line of Ben Cat factory
AES Corporation	13 billion USD	America	Offshore wind power project in Binh Thuan province
Apple Corporation	4 billion USD	America	Moving 11 factories producing audio-visual equipment to Vietnam
SpaceX	500 million USD	America	Providing Starlink services
Intel	1 billion USD	America	Expanding factory in Vietnam

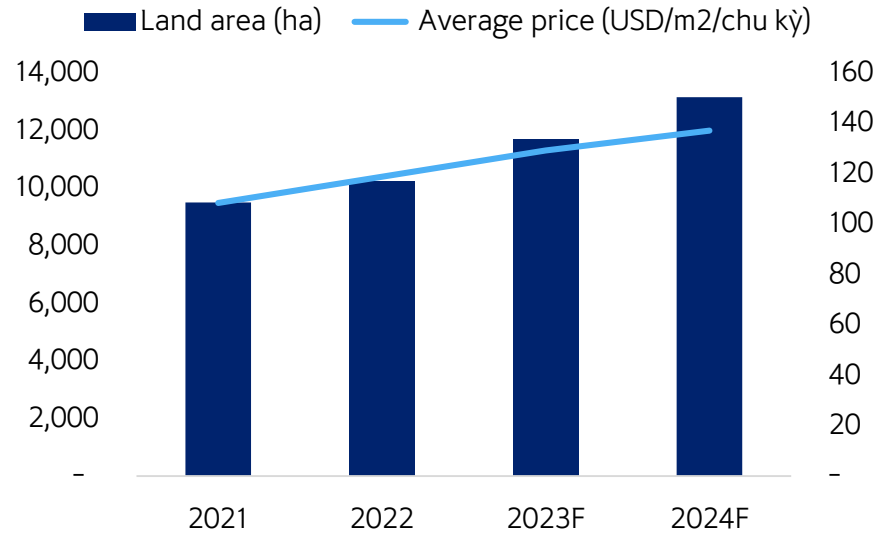
03

Industrial real estate outlook

Industrial real estate is expected to continue to grow with rental price growth and high absorption rates.

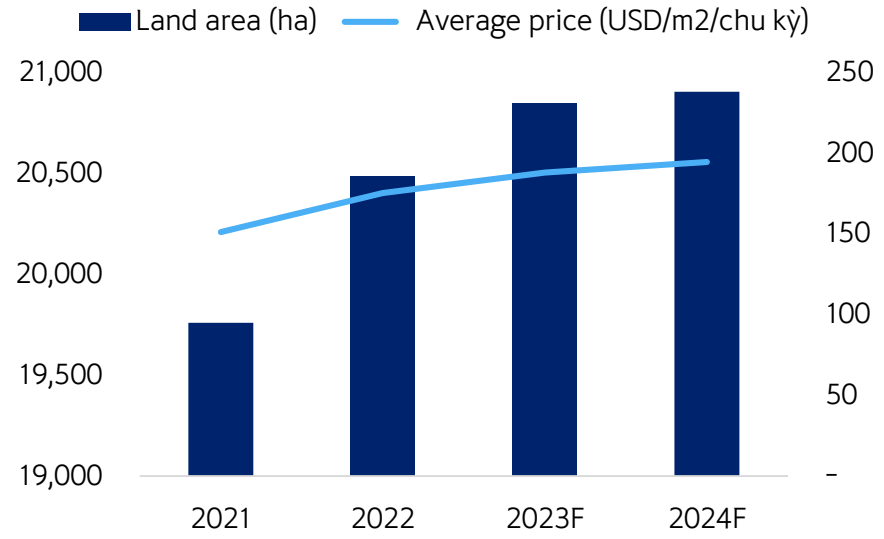
Future prospects for industrial parks remain positive and stable.

Projected cumulative area and industrial park land rental price from 2021 – 2024F in the North



Source: CBRE, Shinhan Securities Vietnam

Projected cumulative area and industrial park land rental price from 2021 – 2024F in the South

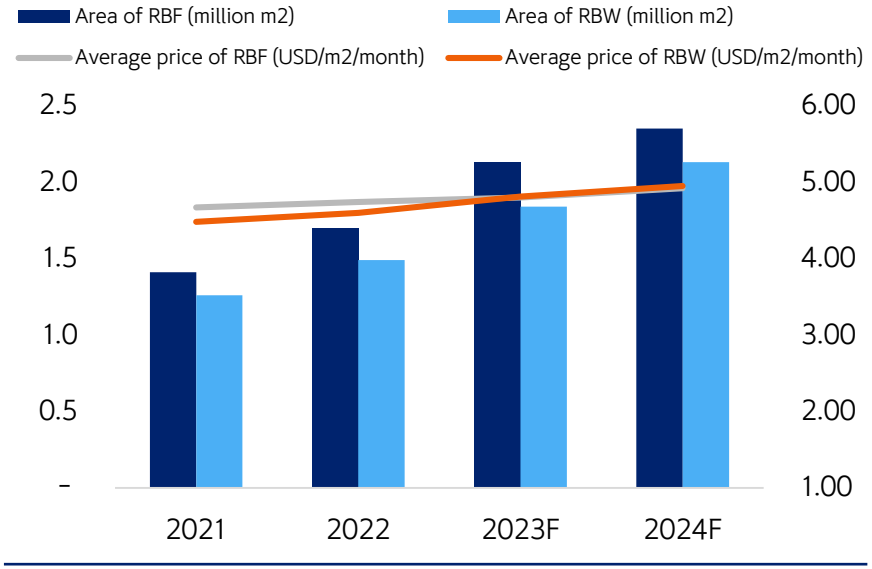


Source: CBRE, Shinhan Securities Vietnam

- With the advantage of an open economy and the government's special policies to develop industrial parks, the outlook for industrial park real estate will continue to remain positive in the future. According to CBRE's report, the area of industrial park land in the North and South is expected to increase by 3,700 hectares and 9,800 hectares, respectively.
- Industrial park land prices are forecast to continue to grow steadily at 5% – 10%/year in the future thanks to stable rental demand, continued high occupancy rates, and continued FDI capital inflow into Vietnam.

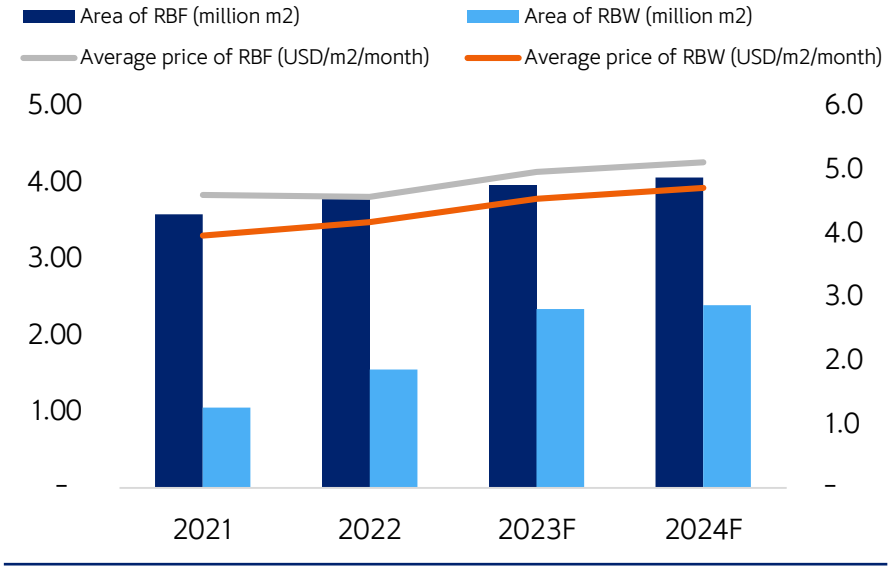
The supply of RBF and RBW continues to grow according to market demand

Accumulated area and average price of RBF/ RBW 2019 – 6M/2023 in the North



Source: CBRE, Shinhan Securities Vietnam

Accumulated area and average price of RBF/ RBW 2019 – 6M/2023 in the South



Source: CBRE, Shinhan Securities Vietnam

- With the trend of shifting production from China to Vietnam along with the boom of e-commerce, we forecast that RBF and RBW will continue to grow in the future thanks to modern design, saving costs, and capital for leasing businesses. In addition, completed infrastructure will contribute to connecting big cities more effectively, thereby creating conditions for RBW and RBF to develop in neighboring provinces around big cities.
- We expect the RBW and RBF rental area to maintain stable growth from 15% to 20% in 2023 - 2024. The absorption rate will maintain from 85% - 95% in major cities. RBW and RBF rents are forecast to increase slightly by about 5%.

Industrial real estate outlook

Prospects of benefiting from the wave of technology investment

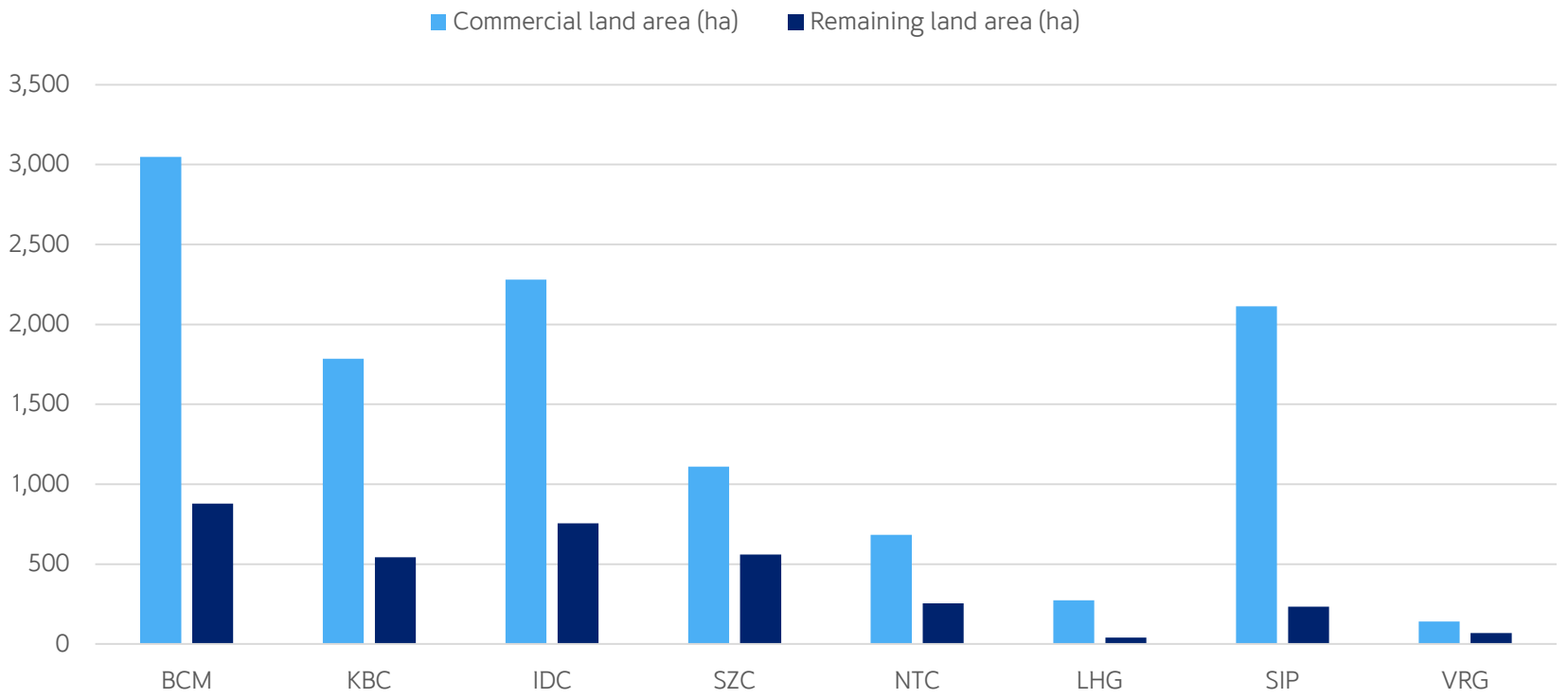
	The North	The Central	The South
Oriented development	Current: Advanced electronics, automobiles, electrical appliances. Orientation: Convert to higher value chain.	Currently: Traditional heavy industry and light industry. Orientation: Developing into a new industrial center.	Currently: The largest technology center focuses on traditional industries such as plastic, rubber, textiles, and fast-moving consumer goods. Orientation: Developing the field of IOT and high technology.
Allocation of technological human resources	8% (concentrated in Hanoi)	7% (concentrated in Da Nang)	85% (concentrated in Ho Chi Minh)
Technology brands	HCL, Qualcomm, TOSHIBA	SYNOPSYS, Uniquify engineer ai, SYNAPSE design QUEST BORN TO ENGINEER, SYNAPSE is now a QuEST Global company	REALTEK, MICROCHIP, intel, SAVARTI
Typical industrial park real estate enterprise	KBC, VRG, IDV,	SGT	BCM, SZC, IDC, TID, SIP, NTC, ITA, LHG

Source: Vietnam IC community, JLL, Shinhan Securities Vietnam

➔ **Industrial parks near big cities like Ho Chi Minh and Hanoi are expected to benefit from the foreign technology investment trend in Vietnam, thanks to their availability of highly qualified human resources.**

Enterprises that own land funds ready for exploitation have an advantage in catching the wave

Land area of some industrial park real estate businesses at the end of 2022



Source: Corporate report, Shinhan Securities Vietnam

04

Industrial park Stock Pick

BCM, KBC, IDC, SZC – Benefiting from FDI recovers and strong infrastructure investment

Some outstanding industrial parks listed

General information						Financial data								Valuation	
Ticker	Rating	Mkt price (VND)	Target price (VND)	Upside (%)	Mkt cap (Billion VND)	6M/2023 revenue (Billion VND)	Revenue growth in 6M/2023 (% YoY)	Profit in 6M/2023 (Billion VND)	6M/2023 profit growth (% YoY)	ROA - TTM (%)	ROE - TTM (%)	GPM - TTM (%)	D/E	P/E - TTM	P/B - TTM
BCM	Buy	68,900	88,300	28%	71,311	1,885	-44%	49	-97%	2.54%	0.89%	39.34%	0.9	171.81	4.39
KBC	Buy	30,800	37,000	20%	23,642	4,551	319%	2068	933%	19.92%	9.79%	67.91%	0.21	8	1.49
IDC	Hold	47,000	49,500	5%	15,510	3,554	-29%	838	-52%	25.59%	7.79%	36.66%	0.59	12.29	3.27
SZC	Hold	35,600	38,300	8%	4,272	351	-35%	108	-21%	10.87%	2.70%	42.81%	1.48	28.15	2.92
NTC	N/A	185,100	N/A	N/A	4,442	118	-13%	155	1%	32.48%	6.32%	69.55%	0.2	17.24	5.16
LHG	N/A	33,000	N/A	N/A	1,652	182	-48%	75	-16%	12.32%	6.25%	49.81%	0.11	7.89	1
SIP	N/A	59,500	N/A	N/A	16,398	3,057	-1%	460	-9%	26.33%	4.42%	14.55%	0.37	10.58	3.8
VRG	N/A	24,300	N/A	N/A	629	19	109%	1	-188%	19.76%	8.61%	66.25%	-	12.11	2.52

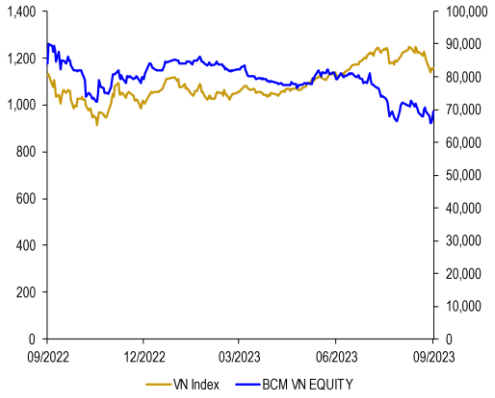
* Target price (fair value) for the next 12 months
** Data for 12 months up to Q2/2023

Source: SSV Research, Bloomberg
Data as of October 06, 2023

Investment And Industrial Development Corporation (HOSE: BCM)

Target price (12 months)	VND 88,300
Current price (06/10/23)	VND 68,900
Return (%)	28%
VNINDEX	1,128
Market P/E (x)	11.4
Market cap (billion VND)	71,311
Outstanding shares (mil shares)	1,035
Free-float (mil shares)	34
52-week high/low (VND)	92,800/64,000
90-day avg. trading volume (mil shares)	0.27
90-day avg. turnover (bn VND)	21
Major SHDs (%) People's Committee of Binh Duong province	95.44
Major SHDs (%) Nguyen Van Hung	0.58

Performance	3M	6M	12M
Absolute (%)	-12.2	-15.5	-17.9
Rel.to VN-Index (%)	-14.8	-24.7	-20.4



Shinhan Securities

Recovery prospects for Cay Truong Industrial Park and revenue from project transfer

- Became IDC Investment and Industrial Development Corporation (HoSE: BCM), established in 1976, is one of the leading industrial park development enterprises in Vietnam. Becamex is a reputable brand with experience in developing industrial parks in Binh Duong province. During its operation, Becamex has attracted more than 500 businesses from 30 different countries. Becamex currently owns 6 industrial parks with an area of more than 4,000 hectares. In addition, BCM also participates in a joint venture with Singaporean businesses to develop the VSIP industrial parks (BCM owns 49%). VSIP is the leading integrated industrial park developer in Vietnam, with 12 projects across the country and a total area of more than 10,000 hectares.
- BCM reached 1,885 billion VND in 6M/2023 (-44% YoY), profit after tax reached 106 billion VND (-92% YoY). The decline in BCM's business results mainly came from the real estate market freezing in the first months of the year and the decline in FDI inflows in 6M/2023. This causes weak demand and greatly affects profits from BCM's joint venture companies.

Investment catalysts & theses

- With the prospect of strong growth in FDI capital from Q2/2023 and the real estate market recovering, we expect Becamex's business situation to improve significantly in the third and fourth quarters of 2023. With a commercial land area of up to 490 hectares, BCM's Cay Truong industrial park is expected to contribute greatly to BCM's business future revenue. In addition, BCM also expects to record a revenue of about 5,000 billion from selling part of the "New City" project to Capital Land this year, contributing to a sudden increase in revenue this year.
- We estimate revenue in 2023 and 2024 to reach VND 3,610 billion (+32% YoY) and VND 4,272 billion (+18% YoY), profit after tax to reach VND 240 billion (+55% YoY) and 407 billion VND (+69% YoY) with main contribution from the industrial real estate segment.

Risk:

(1) Declining demand for industrial park real estate;

(2) Debt/equity ratio is high;

(3) Progress of industrial park project implementation is slow.

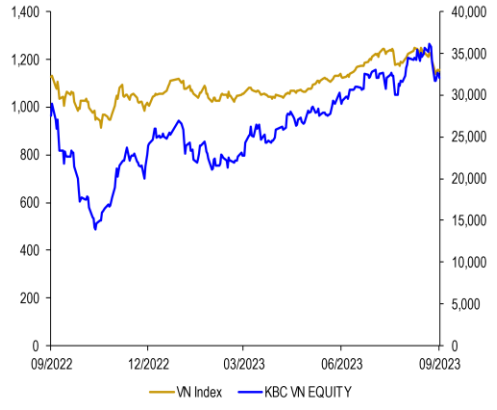
Year	2020	2021	2022	2023F	2024F
Revenue (bn VND)	6,507	6,982	6,506	8,458	9,019
OP (bn VND)	1,910	2,002	1,437	1,945	2,345
OP margin (%)	29.3	28.7	22.1	23.0	26.0
NPATMI (bn VND)	2,098	1,451	1,685	1,972	2,401
NP margin (%)	32.2	20.8	25.9	23.3	26.6
EPS (VND)	1,840	1,232	1,482	1,905	2,320
ROE (%)	12.7	8.1	9.3	10.2	11.3
P/E (x)	22.4	51.9	54.4	36.2	29.7
P/B (x)	2.8	4.1	4.9	3.7	3.4

Source: Bloomberg, Shinhan Securities, Data as of October 06, 2023

Kinh Bac City Development Holding Corporation (HOSE: KBC)

Target price (12 months)	VND 37,000
Current price (06/10/23)	VND 30,800
Return (%)	20%
VNINDEX	1,128
Market P/E (x)	11.4
Market cap (billion VND)	23,642
Outstanding shares (mil shares)	768
Free-float (mil shares)	384
52-week high/low (VND)	36,600/13,250
90-day avg. trading volume (mil shares)	9.63
90-day avg. turnover (bn VND)	308
Major SHDs (%) Dang Thanh Tam	18.06
Major SHDs (%) Kinh Bac Consulting and Investment JSC	8.11

Performance	3M	6M	12M
Absolute (%)	10.7	41.4	16.5
Rel.to VN-Index (%)	8.1	32.1	14.0



Development potential with Trang Due 3 Industrial Park

- Kinh Bac City Development Holding Corporation (HoSE: KBC), established in 2002, is one of the leading industrial park real estate development enterprises in Vietnam. KBC has experience working with and attracting leading FDI corporations to Vietnam. More than 90% of customers at KBC's industrial park are foreign corporations, from countries such as Japan, Taiwan, Korea, and China with big names such as Canon, Foxconn, LG... By the end of 2022, KBC owned a land fund of up to 6,386 hectares of industrial park land from North to South.
- Revenue in 6M/2023 reached 4,550 billion VND (+319% YoY), profit after tax reached 2,608 billion VND (+933% YoY). KBC achieved impressive business results in the first 6 months of the year thanks to leasing activities from the expanded Quang Chau Industrial Park and Nam Son Hap Linh Industrial Park. In the first 6 months of the year, KBC successfully handed over about 130 hectares of industrial park land to FDI customers. In addition, land rental prices in Nam Son Hap Linh Industrial Park also fluctuated around 130 - 140 USD/m2, much higher than the previous period, thereby significantly improving KBC's gross profit margin.

Investment catalysts & theses

- Regarding future prospects, Trang Due 3 Industrial Park is expected to be a major contributor to KBC's business results in the future. Trang Due 3 Industrial Park with an area of 687 hectares (of which 200 hectares of land have been cleared and ready for lease). Trang Due 3 Industrial Park is expected to be approved for investment at the end of 2023 and will be deployed in 2024. Trang Due Industrial Park 3 is expected to bring in revenue of about 11,500 billion VND for KBC in the period 2024 – 2027.
- Thereby, we estimate that KBC's revenue in 2023 and 2024 is expected to reach VND 6,633 billion (+598% YoY) and VND 8,980 billion (+35% YoY), respectively, and profit after tax will reach VND 2,695 billion, respectively. (+71% YoY) and VND 3,428 billion (+27% YoY).

Risk:

(1) Declining demand for industrial park real estate;

(2) Debt/equity ratio is high;

(3) Progress of industrial park project implementation is slow.

Year	2020	2021	2022	2023F	2024F
Revenue (bn VND)	2,151	4,246	950	6,633	8,980
OP (bn VND)	366	1,849	-245	3,535	4,018
OP margin (%)	17.0	43.5	-25.7	53.3	44.7
NPATMI (bn VND)	224	1,095	1,526	2,609	3,319
NP margin (%)	10.4	25.8	160.6	39.3	37.0
EPS (VND)	358	1,441	1,993	3399	4324
ROE (%)	2.4	9.2	10.1	12.8	14.0
P/E (x)	51.2	31.6	12.1	10.5	8.2
P/B (x)	1.2	2.4	1.2	1.3	1.2

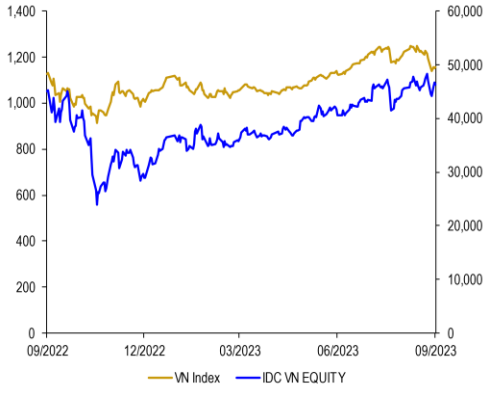
Source: Bloomberg, Shinhan Securities, Data as of October 06, 2023

IDICO Corporation (HOSE: IDC)

IDICO

Target price (12 months)	VND 49,500
Current price (06/10/23)	VND 47,000
Return (%)	5%
VNINDEX	1,128
Market P/E (x)	11.4
Market cap (billion VND)	15,510
Outstanding shares (mil shares)	330
Free-float (mil shares)	209
52-week high/low (VND)	51,400/23,600
90-day avg. trading volume (mil shares)	3.74
90-day avg. turnover (bn VND)	154
Major SHDs (%) SSG Group Joint Stock Company	22.5
Major SHDs (%) Bach Viet Production and Trading Company Limited	11.93

Performance	3M	6M	12M
Absolute (%)	9.2	16.9	-6.5
Rel.to VN-Index (%)	6.6	7.7	-9.0



Shinhan Securities

The large area of land available for lease creates a great advantage for IDC

- IDICO Corporation (HoSE: IDC) was established in 2000, formerly known as Vietnam Urban and Industrial Park Development Investment Corporation. IDC operates mainly in the industrial park sector (accounting for 44%), the electricity business sector (accounting for 38%), and the BOT segment (accounting for 5%). IDC is investing and managing 10 industrial parks in Vietnam with a total area of nearly 3,267 hectares. Among them, there are 7 industrial parks in the South, and 3 industrial parks in the North located in the provinces of Dong Nai, Ba Ria-Vung Tau, Long An, Vinh Phuc, Bac Ninh, and Thai Binh. For the electricity segment, IDC owns 2 hydroelectric plants with a total capacity of up to 114 MW, and a system of 2 transformer stations that contribute over 80% of the total revenue of the electricity segment at IDC.
- Accumulated in 6M2023, IDC revenue reached 3,554 billion VND (-29% YoY), profit after tax reached 838 billion VND (-52% YoY), and the total land area sold is about 77 hectares. The reason for IDC's decline is mainly due to the fact that in 6M/2022, IDC recorded an unusual revenue of about VND 1,500 billion coming from changing the revenue recognition method of Nhon Trach V Industrial Park.

Investment catalysts & theses

- IDC's available land area for lease reaches 677 hectares, mainly concentrated in Ba Ria - Vung Tau province (236 hectares in Phu My II Industrial Park and expanded of current Industrial Park) and Long An province (294 hectares in Huu Thanh Industrial Park). Besides, IDC also plans to invest in Tan Phuoc 1 Industrial Park and is expected to lease it in 2024.
- With a high level of land funds available for lease, we estimate IDC revenue will have growth potential in 2023 and 2024. We expect 2023 and 2024 revenue to reach VND 7,744 billion (+3.4 % YoY) and 987 billion VND (+13% YoY), profit after tax reached 1,864 billion VND (+5.4% YoY) and 2,210 billion VND (+18% YoY), respectively.

Risk:

(1) Declining demand for industrial park real estate;

(2) Weakened FDI capital flows;

(3) Progress of industrial park project implementation is slow.

Year	2020	2021	2022	2023F	2024F
Revenue (bn VND)	5,356	4,301	7,485	7,744	8,803
OP (bn VND)	1,236	477	2,726	2,516	2,984
OP margin (%)	23.1	11.1	36.4	32.5	33.9
NPATMI (bn VND)	873	454	1,768	1,864	2,210
NP margin (%)	16.3	10.6	23.6	24.1	25.1
EPS (VND)	2,630	1,376	5,356	5,298	6,218
ROE (%)	22.8	11.2	40.0	33.0	68.3
P/E (x)	12.3	48.0	5.9	9.1	7.8
P/B (x)	2.5	5.6	2.1	2.5	2.3

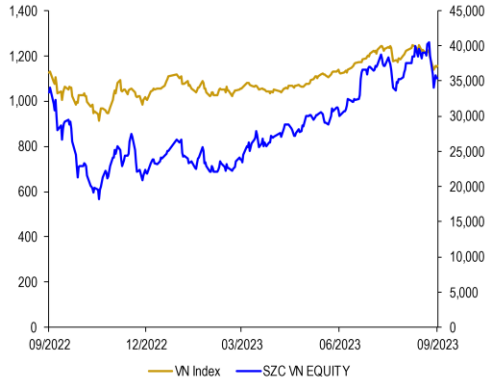
Source: Bloomberg, Shinhan Securities, Data as of October 06, 2023

SONADEZI Chau Duc Shareholding Company (HOSE: SZC)

SONADEZI CHAU DUC
MEMBER OF SONADEZI

Target price (12 months)	VND 38,300
Current price (17/09/23)	VND 35,600
Return (%)	8%
VNINDEX	1,128
Market P/E (x)	11.4
Market cap (billion VND)	4,272
Outstanding shares (mil shares)	120
Free-float (mil shares)	51
52-week high/low (VND)	41,500/17,042
90-day avg. trading volume (mil shares)	1.29
90-day avg. turnover (bn VND)	44
Major SHDs (%) Industrial Park Development JSC	46.84
Major SHDs (%) Sonadezi Long Thanh JSC	10.08

Performance	3M	6M	12M
Absolute (%)	17.8	47.8	5.8
Rel.to VN-Index (%)	15.3	38.5	3.3



Shinhan Securities

Possessing potential advantages with Chau Duc industrial park

- Sonadezi Chau Duc Joint Stock Company (HoSE: SZC) was established on June 26, 2007, formerly known as Sonadezi Infrastructure Development Joint Stock Company, SZC operates mainly in the field of industrial park land leasing, real estate business and invests in BOT projects. In which, SZC's industrial park real estate segment accounts for more than 80% of the total revenue structure. SZC owns a large land area of up to 2,287 hectares in Chau Duc district, Ba Ria Vung Tau province, of which industrial park land accounts for 1,556 hectares, the rest is mainly for urban areas and golf courses.
- In the first 6 months of 2023, SZC revenue reached 351 billion VND (-35% YoY), profit after tax reached 108 billion VND (-21% YoY), total land area handed over is about 15 hectares. The reason for SZC's decline is mainly due to the weak economic situation in the first 6 months of the year and the frozen domestic real estate market.

Investment catalysts & theses

- In the long term, SZC has a land fund of up to 300 hectares ready for lease (out of a total of 560 hectares of remaining industrial park land) in Chau Duc industrial park, contributing to creating a long-term growth foundation for SZC. In general, Chau Duc Industrial Park is strategically located near Cai Mep International Port. Besides, the rental price of Chau Duc Industrial Park ranges from USD 70 - USD 75, cheaper than large provinces such as Binh Duong and Ho Chi Minh, which creates potential conditions to attract foreign investors.
- Thereby, we estimate that SZC's revenue in 2023 and 2024 is expected to reach VND 872 billion (+2% YoY) and VND 987 billion (+13% YoY), respectively, and profit after tax will reach VND 235 billion (+19% YoY) in 2023 and VND 273 billion (+16% YoY) in 2024.

Risk:

(1) Declining demand for industrial park real estate;

(2) Weakened FDI capital flows;

(3) Legal issues and compensation costs for Chau Duc Industrial Park;

(4) Progress of industrial park project implementation is slow.

Year	2020	2021	2022	2023F	2024F
Revenue (bn VND)	433	713	859	872	987
OP (bn VND)	199	386	260	314	365
OP margin (%)	46.0	54.2	30.2	36.0	37.0
NPATMI (bn VND)	186	324	197	235	273
NP margin (%)	43.0	45.4	23.0	26.9	27.7
EPS (VND)	1,401	2,395	1,458	1,958	2,275
ROE (%)	13.7	21.1	11.7	14.2	15.1
P/E (x)	19.0	23.7	15.0	19.5	16.8
P/B (x)	2.5	4.6	1.7	2.8	2.5

Source: Bloomberg, Shinhan Securities, Data as of October 06, 2023

Shinhan Securities

Power

Manufacturing recovery driving growth



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Content

Manufacturing recovery driving growth

1. Update power industry 2023 and outlook in 2024

   Thermal power mobilization increased significantly at the beginning of 2023 but gradually cooled down towards the end of the year. The outlook for the power industry in 2024 is expected to recover strongly thanks to positive economic growth.

2. Renewable energy development orientation

   Gas power will be prioritized for strong development until 2030. While wind power and solar power will be focused on developing more strongly in the long term when investment costs are expected to decrease.

3. Investment opportunities

   POW, PC1, GEG – Orientation for renewable electricity development

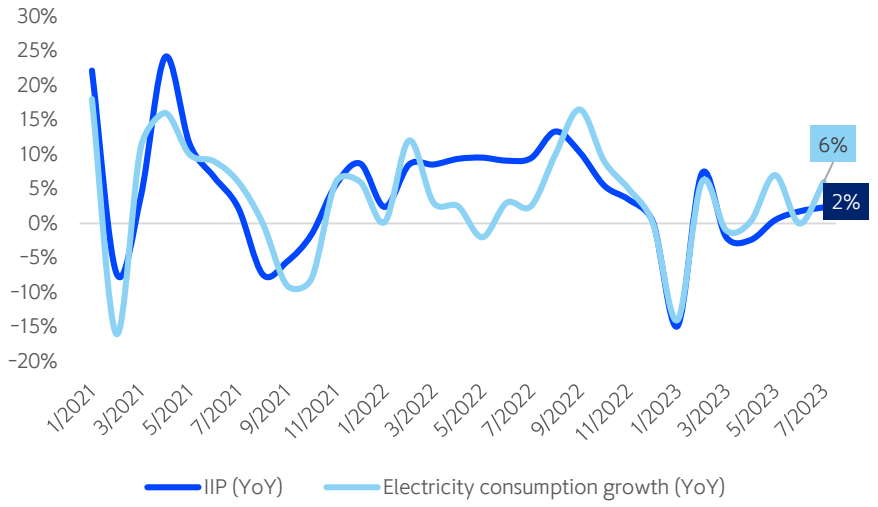
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Power Sector Update 2023 and Outlook 2024

Thermal power mobilization increased significantly at the beginning of 2023 but gradually cooled down towards the end of the year. The outlook for the power industry in 2024 is expected to recover strongly thanks to positive economic growth.

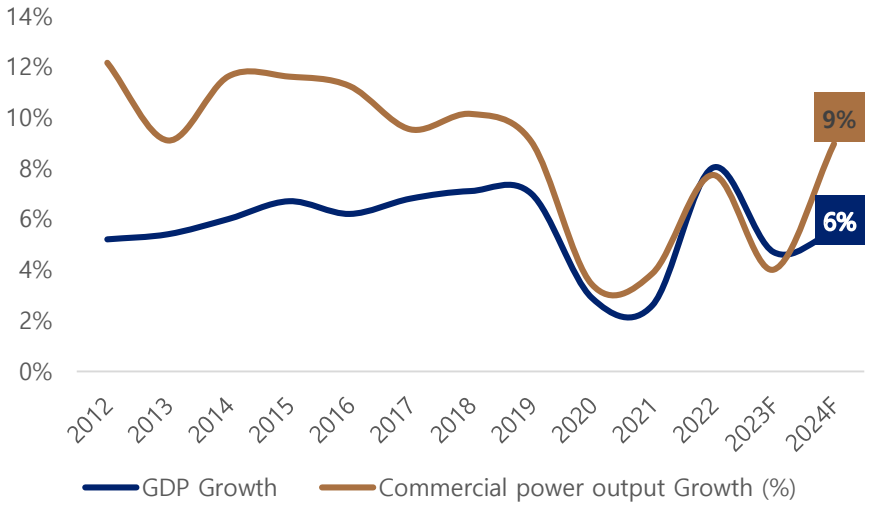
Electricity consumption growth recovers stronger in 2024

Electricity consumption growth and index of industrial production (IIP)



Source: Fiinpro, Shinhan Securities Vietnam

Growth in electricity output and GDP

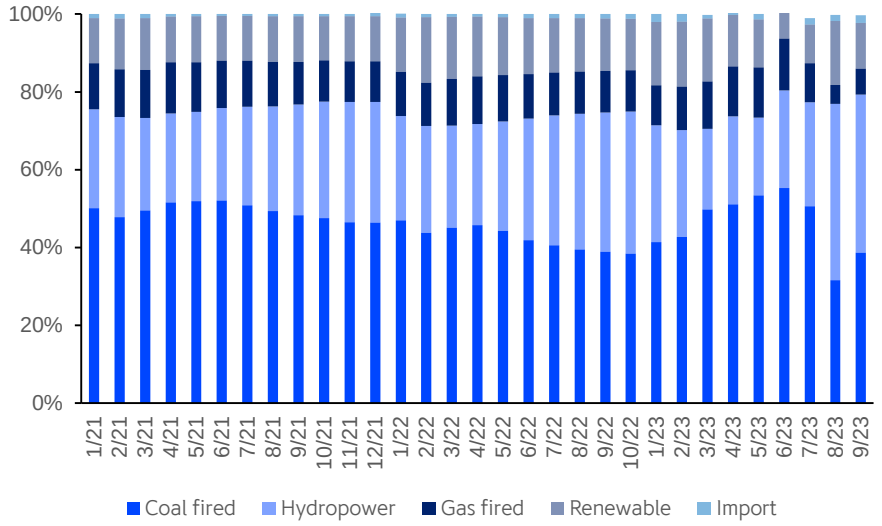


Source: Worldbank, EVN, Shinhan Securities Vietnam

- Accumulated in 7M/2023, commercial electricity output reached 160.5 billion kWh, growing 1.9% YoY in the context of weak industrial production and construction activities. Specifically, the IIP index of June and July increased by 1.7% YoY and 2.3% YoY respectively, quite low compared to the growth rate in 2022.
- We expect that electricity output growth will be low in 2023 but will improve in 2024. Specifically, according to EVN, commercial electricity output growth in 2023 and 2024 is expected to be 4% and 8.9%, respectively, as the economy strengthens. In addition, according to Power Plan VIII, the government's commercial electricity output target for 2025 and 2030 is 335 billion kWh and 505.2 billion kWh, corresponding to CAGR growth of 11%/year in the period 2022–2025, and 9%/year in the period 2025–2030.

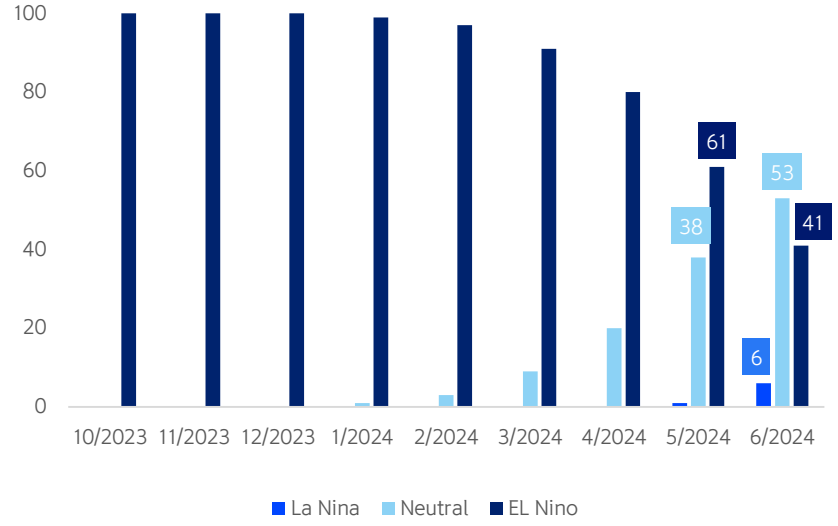
Thermal power is expected to peak in September 2023 and gradually shift to a neutral phase

The proportion of hydropower mobilization has shown signs of improvement since July



Source: EVN, Shinhan Securities Vietnam

NOAA's EL Nino probability forecast (%)

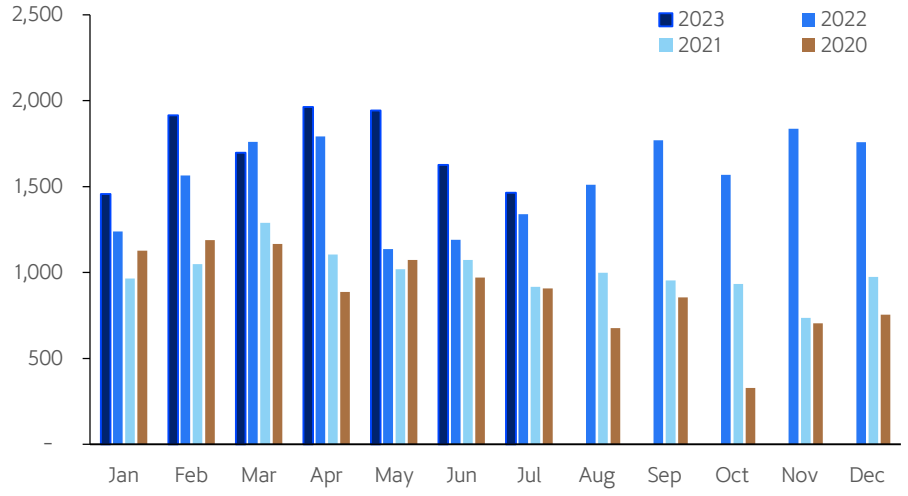


Source: IRI, Shinhan Securities Vietnam

- Hydropower output in 9M/2023 decreased by 20.3% YoY, due to El Nino appearing from the beginning of 2023; thereby creating opportunities for other power groups, especially coal thermal power to be mobilized more strongly. However, the hydrological conditions have improved significantly thanks to the flood conditions at the end of the year. Specifically, the proportion of hydropower mobilization reached 20%-25% in February-July 2023, suddenly skyrocketing to 41% in September.
- According to IRI, the El Nino phenomenon is forecasted to last and peak in September 2023, then gradually weaken and is likely to enter a neutral phase from the second half of 2024. We expect hydropower to improve in 2024, with a projected mobilization rate of 31%, a slight increase compared to the 30% rate in 2023.

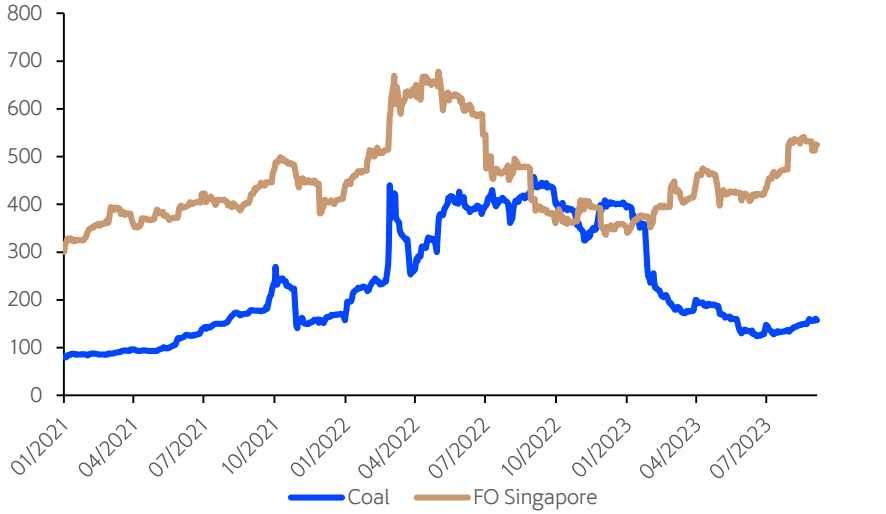
FMP's total electricity selling price is anchored at a high level but is showing signs of cooling off

FMP total electricity selling price on the CGM market (VND/kWh)



Source: EVN, Shinhan Securities Vietnam

Gas and coal input prices have cooled down from their peak (USD/ton)



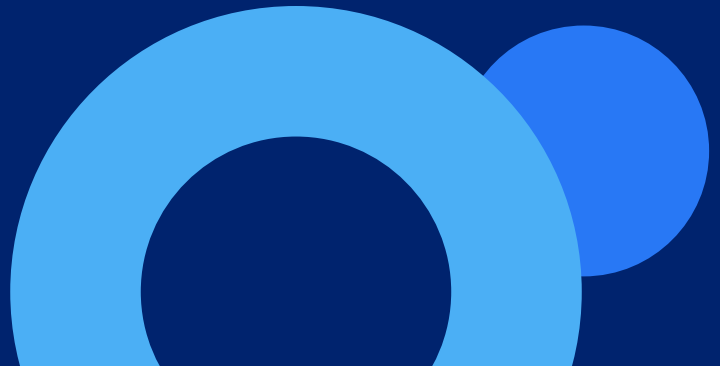
Source: Bloomberg, Shinhan Securities Vietnam

- In the first 8 months of 2023, the average FMP price was at 1,606 VND/kWh (+11% YoY) in the context of high input material prices, even though they have cooled down from the peak in mid-2022. Specifically, coal prices are showing signs of increasing again, while the price of FO oil in Singapore (used as a reference for gas pricing) has increased by 49% YTD and 33% YoY. Meanwhile, thermal power mobilization is more positive in the competitive electricity market as hydropower has passed its favorable phase, contributing to an increase in the average selling price in the electricity market compared to the same period. However, with a strong increase in hydropower output in August (+67% MoM), it has significantly reduced the selling price on CGM to only 783 VND/kWh (-46.5% MoM).
- With the opposing impacts of the weakening of thermal power mobilization from September 2023 and the high input fuel prices, we predict that the average FMP price in 2024 will ease and reach around 1,400 VND/kWh (-2% YoY).

02

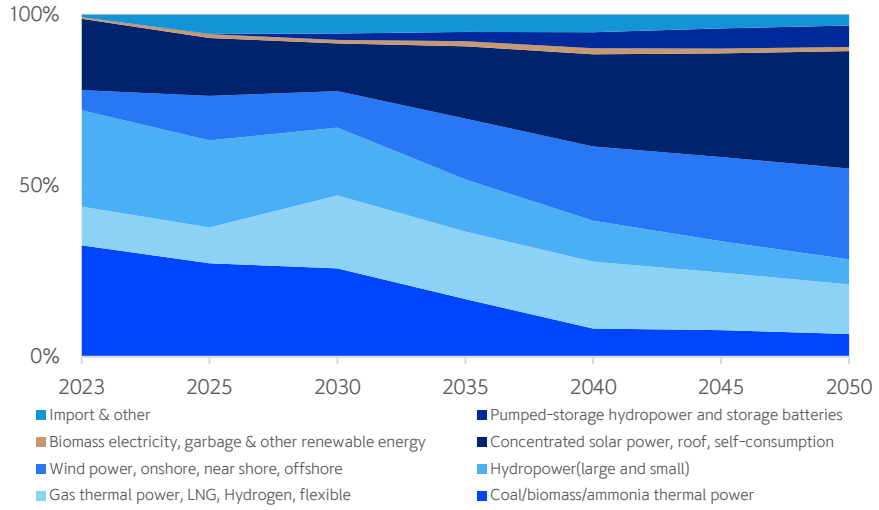
Renewable electricity development orientation

Gas power will be prioritized for strong development until 2030. While wind power and solar power will be focused on developing more strongly in the long term when investment costs are expected to decrease.



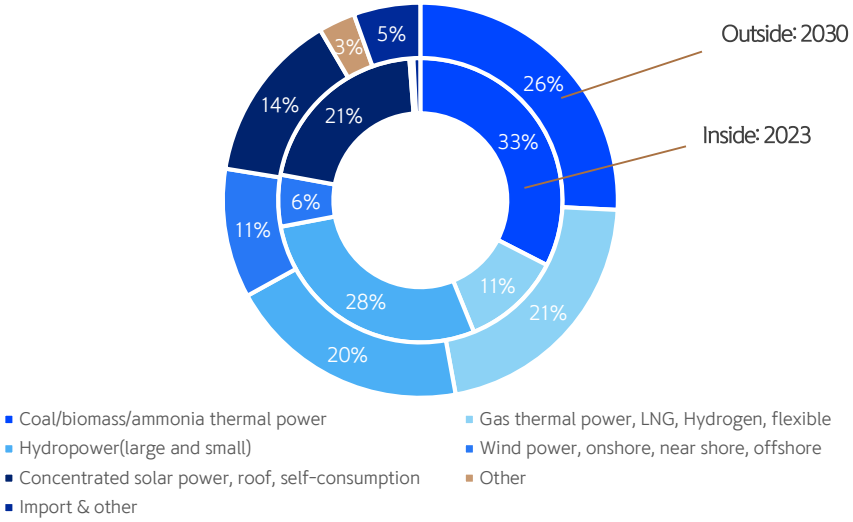
Power Development Plan VIII focuses on the development of wind and gas-fired power.

Proportion of power source capacity structure according to Power Plan VIII (base scenario)



Source: PDP VIII, Shinhan Securities Vietnam

Estimated installed capacity of power sources in 2023 and 2030

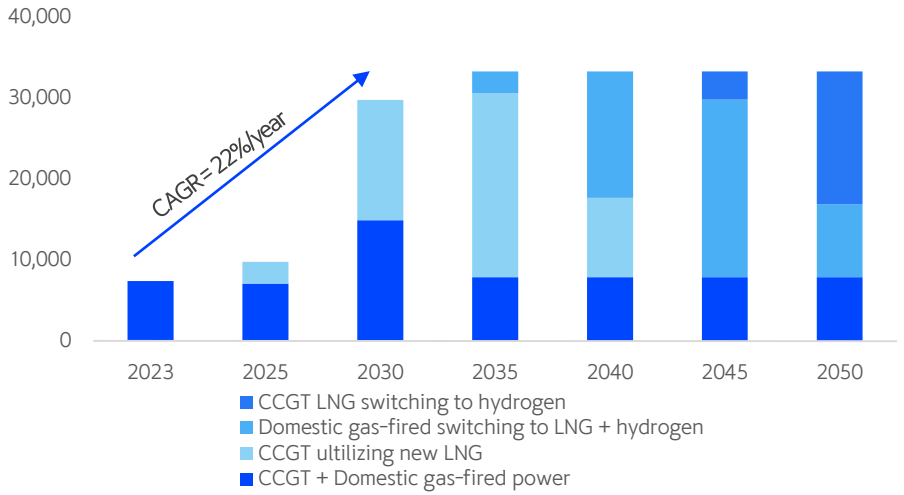


Source: PDP VIII, Shinhan Securities Vietnam

- Power Development Plan VIII focuses on developing wind power and gas power for the period of 2023-2030. The proportion of power source structure of wind power and gas power in 2030 is 11% and 21% (compared to the power source structure proportion of 6% and 11% in 2023).
- Coal-thermal power: Only implement projects included in the revised PDP VII under construction until 2030. From 2035, coal thermal power will gradually decrease and switch to burning with biomass/ammonia. By 2050, the capacity of this coal-fired power source will completely switch to biomass/ammonia.
- Solar power: Development will slow down from now until 2030 and priority will be given to develop in the period 2030-2050
- Hydropower: Low growth due to running out of exploitation potential.
- In conclusion, in the medium and long term, the renewable energy group (except hydropower) has a very positive outlook, with an expected growth in electricity consumption of 7-9%/year.

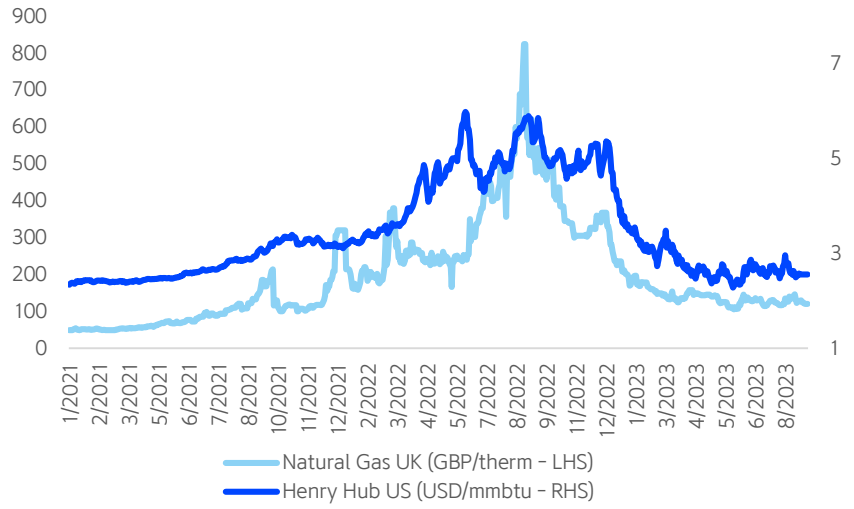
Focus on strongly developing gas-fired power until 2030

Gas power using LNG will increase sharply from 2025-2030 (MW)



Source: PDP VIII, Shinhan Securities Vietnam
*CCGT: Combined Cycle Gas Turbine

Gas prices on the international market tend to decrease



Source: Bloomberg, Shinhan Securities Vietnam

- In the period 2023-2030, gas-fired power is focused on developing with a compound growth rate of 22%/year in the base scenario, accounting for 21% of the total power generation capacity in 2030 (an increase from 11% of 2023). This is the second highest proportion in the electricity source structure in 2030, only behind coal power at 26%. From 2030 onwards, gas-fired power development is maintained but there is a gradual shift from LNG to Hydrogen fuel. In 2050, the proportion of gas-fired power will decrease to 15% in the electricity source structure.
- Falling gas prices in the international market support the unification of LNG gas trading for upcoming LNG power plants in Vietnam.
- Some listed company invest in power sources benefiting from gas power projects include POW – investor of LNG Nhon Trach 3&4 Gas-fired Power, TV2 – investor of Long Son LNG Gas-fired Power.

Enterprises that own renewable energy projects have operated at transition prices

Update renewable project COD with price for transitional projects

	Type of renewable energy	Capacity (MW)	Company
Phu My 1	Solar	64.8	BCG
Phu My 3	Solar	23.8	BCG
VPL Ben Tre	Wind power	4.2	GEG
Tan Phu Dong 1	Wind power	100	GEG
Others		978.9	
Total		1,171.7	

Source: EVN, Shinhan Securities Vietnam
Data as of 08/09/2023

FIT Price and Price for transitional projects (VND/kWh)

	Price for transitional projects	FIT * price	Change (%)
Ground Solar power	1,184.9	1,704.9	-30%
Floating Solar power	1,508.3	1,849.1	-18%
Wind power on-shore	1,587.1	2,043.9	-22%
Wind power off-shore	1,816.0	2,356.5	-23%

Source: Ministry of Industry and Trade

FIT*: The Feed-in Tariff (FiT) electricity pricing is calculated based on the central exchange rate of the State Bank of Vietnam as of September 18, 2023.

- As of September 8, 2023, EVN and investors of transitional power projects have completed price negotiations and initialed power purchase agreements (PPA) with 62/67 projects. The Ministry of Industry and Trade has approved temporary prices for 58 projects with a total capacity of 3,181.41 MW.
- The number of transitional projects that have completed COD procedures and officially generated commercial electricity to the grid is 20 wind and solar power projects/parts with a total capacity of 1,171.7 MW.
- These projects will apply a temporary price equal to 50% of the ceiling price of the transitional price frame. The transitional electricity price is 20% – 30% lower than the FIT price. In addition, this price frame is regulated in VND instead of USD, so there will be some disadvantages for businesses such as exchange rate risks and other factors VND depreciation.

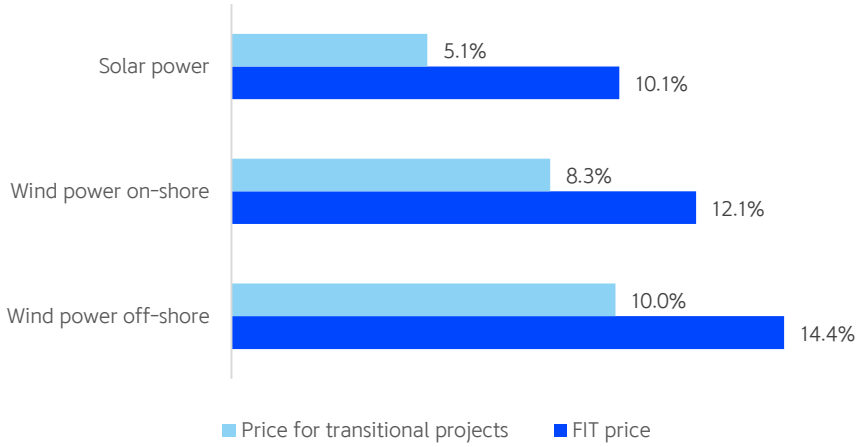
Price for transitional projects make new investments in renewable energy less attractive at the current time.

The estimated IRR figures are assumed by SSV.

	Solar power	Wind power off-shore	Wind power on-shore
Life cycle (years)	20	20	20
Investment rate (billions/MW)	19	45	41
Working hours (hours/year)	1800	3500	3000
Interest rate	10%	10%	10%
Loan ratio	60%	60%	60%
Corporate Tax	8.30%	8.30%	8.30%

Source: PDP VIII, Shinhan Securities Vietnam

The IRR for renewable energy projects with FIT (Feed-in Tariff) and transition prices.

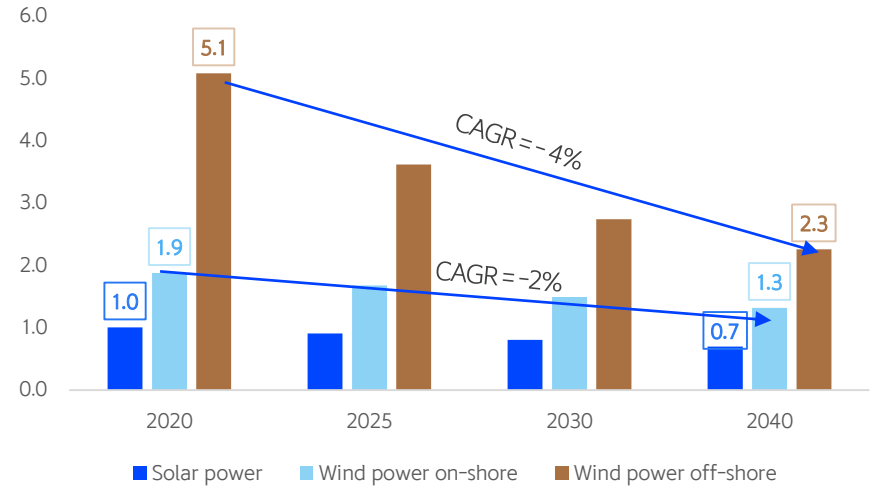


Source: Shinhan Securities Vietnam estimated, Company report

- Renewable energy projects applying transitional electricity prices have caused the internal rate of return (IRR) seriously decline. With this transition price, new investment in renewable energy projects at the present time will be very difficult. Specifically, with the FIT price mechanism, the IRR of onshore and offshore wind power projects are 12.1% and 14.4% respectively; With the transition price mechanism, IRR decreased to 8.3% and 10%, respectively.
- Therefore, we believe that renewable electricity development is not for all business but only for some that are truly capable of investing in renewable energy as shown by factors such as: ability to mobilize cheap capital sources, ability to deploy projects with reasonable investment rates, project operational efficiency, reasonable operating costs.

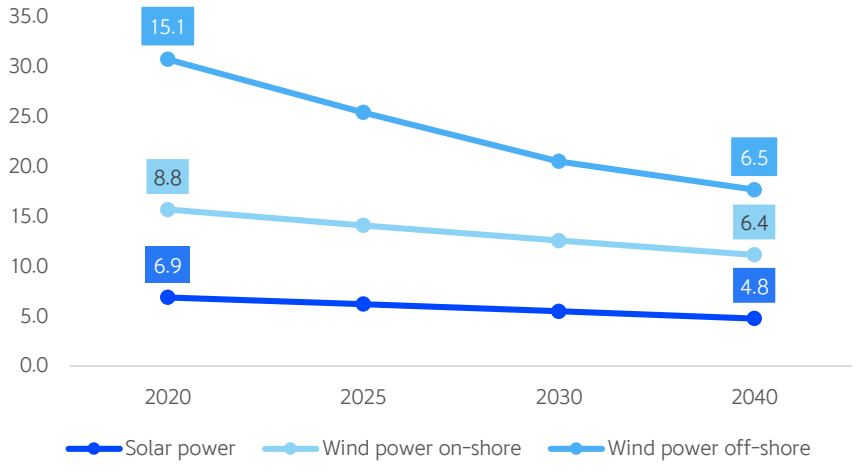
The investment costs for renewable energy are decreasing gradually in the future

The installation costs for renewable energy projects (mill USD/MW)



Source: PDP VIII, Shinhan Securities Vietnam

The levelized cost of electricity (LCOE) for wind power still has significant room for reduction (US cents/kWh)



Source: PDP VIII, Shinhan Securities Vietnam

- According to the estimates in the PDP VIII, offshore wind project investment costs are expected to decrease at a CAGR of -4%, while solar and onshore wind projects will see a decrease at a CAGR of -2%. Lower investment costs will enhance the profit potential of new projects even when the current feed-in tariff (FIT) mechanism is applied. However, for sustainable renewable energy development, there is also a need for synchronized investment in the transmission network, which depends on EVN's investment process.
- In conclusion, we believe that the Price for transitional projects in general, remains an opportunity for projects that have not yet started operating to have the chance to timely capture revenue, calculate capital recovery plans quickly. Furthermore, this serves as a foundation for the Ministry of Industry and Trade to calculate and implement official pricing policies aimed at promoting the development of clean energy sources and reducing emissions, as Vietnam has committed to in the COP 26 meeting and the scenarios outlined in the PDP VIII.

03

Power Stock Pick

POW, PC1, GEG – Orientation for renewable electricity development

Part 3– UPDATED BUSINESS RESULTS OF SOME LISTED COMPANIES

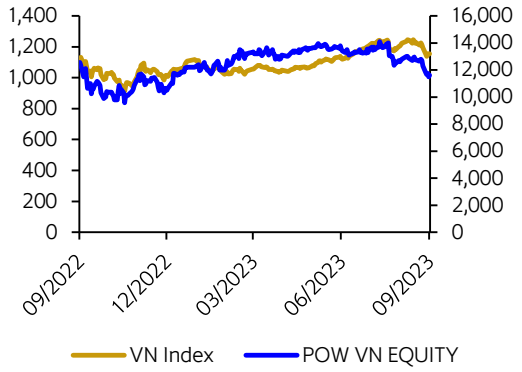
General Information					Stock Price			Key financials 3				Growth 1H/2023		Valuation 24F	
No.	Ticker	Industry	Capacity (MW)	Market Cap (billionVND)	CP (VND)	TP * (VND)	Upside (%)	GPM (%)	D/E (x)	ROA (%)	ROE (%)	Revenue (% YoY)	EPS (% YoY)	P/B (x)	P/E (x)
1	VSH	Hyropower	356	10,371	43,900	47,650	8.5	66.3	0.9	13.6	26.5	5.4	11.7	1.6	9.3
2	REE	Diversified	978	25,422	62,200	72,100	15.9	44.7	0.7	7.7	16.9	11.7	(4.3)	1.2	8.4
3	HDG	Renewable	444	8,469	27,700	31,000	11.9	56.5	1.0	5.5	15.2	(5.7)	(45.6)	1.1	9.1
4	POW	Gas-fired Power	4,208	26,229	11,200	16,250	45.1	10.0	0.8	2.4	4.6	9.2	(42.3)	0.7	10.2
5	NT2	Gas-fired Power	750	6,967	24,200	27,800	14.8	10.6	0.9	9.1	16.1	(7.0)	(27.9)	1.6	8.5
6	QTP	Coal-fired Power	1200	6,975	15,500	N/A	N/A	6.6	0.4	6.9	9.5	177.5	(34.4)	1.0	7.2
7	PPC	Coal-fired Power	1040	4,424	13,800	16,600	20.3	3.6	0.1	7.4	8.3	14.8	42.2	0.9	9.1
8	PC1	Power construction	313	8,343	30,850	32,150	4.2	18	1.8	1.2	5.0	(0.4)	(98.9)	1.3	12.2
9	GEG	Renewable	503	5,050	14,800	17,000	14.8	49.6	1.9	1.3	5.2	(4.4)	(57.5)	1.2	19.7
10	PGV	Diversified	5983	26,963	24,000	29,400	22.5	11.4	2.4	3.9	14.9	17.6	21.0	1.3	10.9

* Target Price (fair value) for the next 12 months
Source: Bloomberg, Fiinpro, Shinhan Securities Vietnam
Data as of 06/10/2023

PETROVIETNAM POWER CORPORATION– (POW)

Target price (12 months)	16,250 VND
Current price (06/10/23)	11,200VND
Return (%)	45.1%
VNINDEX	1,154
Market P/E (x)	236
Market cap (billion VND)	27,166
Outstanding shares (mil shares)	2,342
Free-float (mil shares)	470
52-week high/low (VND)	14,200/8,910
90-day avg. trading volume (mil shares)	8.67
90-day avg. turnover (bn VND)	123
Major SHDs (%) PVN	24.9
	1,154

Performance	3T	6T	12M
Absolute (%)	-14.4	-13.1	-7.6
Rel.to VN-Index (%)	-.16.9	-22.4	-10.1



Highly mobilized thermal power promotes growth

Investment points:

_ POW is a power generation company with a total designed capacity of 4,208 MW, the second largest in Vietnam after EVN. Notably, POW's most prominent power plants are the Cà Mau & Nhơn Trạch 1&2 gas-fired power plants, with a combined capacity of 2,700 MW. Additionally, hydroelectric plants like Hủa Na and ĐakĐrinh contribute around 8% to POW's electricity output. POW is one of the enterprises best aligned with the Power development plan VIII during the period of 2022-2030, especially in the field of LNG gas-fired power.

_ Gas-fired power sector: The expectation is for gas-fired electricity output to increase due to the nationwide electricity demand growth of 7% during the period of 2023-2030, coupled with hydroelectric disadvantages, creating higher opportunities for gas-fired power generation. The average selling price will be around 2,032 VND/kWh, only slightly decreasing by 2% due to the continued high trend in F0 oil prices and increasing mining costs. Overall, revenue from the gas-fired power segment will increase.

_ Coal-fired power sector: Vũng Áng 1 (600 MW) will be the main driving force for coal-fired power growth in 2023-2024.

_In the future, the long-term growth momentum of POW will come from the NT3 and NT4 power plants that use LNG with a combined designed capacity of 1,500 MW, expected to be commercialized from 2024 and 2025. Update on progress: POW has handed over the main EPC contractor for sand filling and piling, but the negotiations for PPA* and GSA* agreements have not yet been finalized. Additionally, POW has signed a consulting contract with PSI to increase its charter capital from VND 23,500 billion to VND 30,000 billion, and the company has already secured sufficient capital. In addition, on August 31, 2023, Vietcombank signed a credit contract worth 4,000 billion to sponsor NT3 and NT4 projects.

_ Risks: (1) Shortage of input gas supply and high prices of gas and coal; (2) Difficulties with EVN, affecting POW's ability to receive payment for electricity sales; (3) Slow progress in NT3&4 implementation due to pending negotiations for PPA and GSA agreements.

*PPA: Power Purchase Agreement signed between EVN/EPTC and power plants. *GSA: Gas Sales Agreement between gas seller and gas field owner for supplying gas to the buyer. Specifically, in this case, POW and GAS are negotiating.

Year	2020	2021	2022	2023F	2024F
Revenue (bil VND)	29,732	24,561	28,224	31,633	36,571
OP (bil VND)	3,371	2,400	2,859	2,902	3,246
NP (bil VND)	2,365	1,799	2061	1793	2588
EPS (VND)	999	757	871	809	1095
BPS (VND)	12,185.7	12,228.6	13,099.6	13,908	15,003
OPM	11.3	9.8	10.1	9.2	8.9
NPM	8.0	7.3	7.3	5.7	7
ROE (%)	8.4	6.2	6.9	7	7.8
P/E (x)	13.6	23.1	12.2	13.8	10.2
P/B (x)	1.1	1.4	0.8	0.8	0.7
EV/EBITDA (x)	6.3	8.3	4.7	6.6	4.7

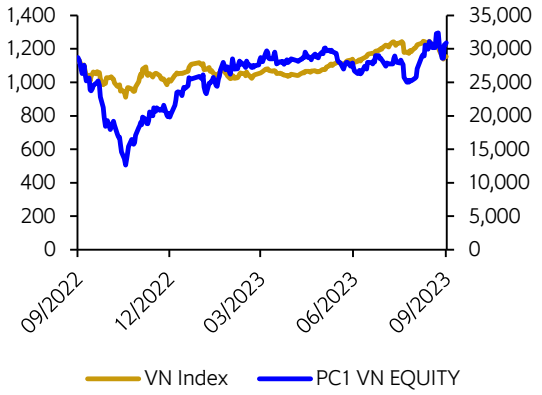
Source: Company data, Bloomberg, Shinhan Securities Vietnam
Data as of 06/10/2023

Shinhan Securities

POWER CONSTRUCTION JSC GROUP (PC1)

Target price (12 months)	32,150 VND
Current price (06/10/23)	30,850VND
Return (%)	4.2%
VNINDEX	1,154
Market P/E (x)	236
Market cap (billion VND)	8,356
Outstanding shares (mil shares)	270
Free-float (mil shares)	149
52-week high/low (VND)	32,900/11,800
90-day avg. trading volume (mil shares)	2.9
90-day avg. turnover (bn VND)	87
Trịnh Văn Tuấn	21.4
Major SHDs (%)	

Performance	3T	6T	12M
Absolute (%)	13.6	7.7	7.7
Rel.to VN-Index (%)	11	-1.6	5.2



Power construction benefiting from PDP 8 in mid and long term

Investment points:

_PC1 is one of the well-established construction companies in the power sector in Vietnam. Currently, renewable energy is one of the three main pillars of the company, along with construction, real estate, and mining.

_Update business results of Q2/2023: PC1 reported a revenue of VND 1,472 billion (-2.5% YoY) and a net loss of VND 26 billion (compared to a net profit of VND 64 billion of Q2/2022). The reasons for this decline were a significant decrease in hydroelectric production and a high interest expense of VND 219 billion (+36% YoY). In the first half of 2023, revenue reached VND 2,977 billion (-0.4% YoY), and the net loss was VND 11 billion compared to a net profit of VND 197 billion in 1H2022.

_Construction Segment: Benefiting in the medium term from Power Development Plan 8 (PDP8), due to the demand for high voltage transmission line construction and renewable power plant construction. PC1 indicated that the value of contracts transferred to the EPC block this year is around VND 4,000 billion, with plans to sign new contracts worth about VND 5,000 billion. Estimated EPC segment revenue for 2023 is over VND 4,600 billion.

_Power Generation Segment: Hydroelectric output is expected to decrease in 2023 due to the El Nino phase, with an increase projected for 2025 as the El Nino phase ends and the Bảo Lạc A hydropower plant is expected to start operating. Meanwhile, the wind power segment is expected to remain stable.

_Mining Segment: Approximately 38,000 tons are expected to be exported in 2023, with the first batch in Q3/2023. Estimated revenue for 2023 is around VND 1,000 billion, with a net profit of VND 160 billion.

_Industrial Real Estate: The Yên Phong IIA project in Bắc Ninh is expected to be fully occupied within 4 years, with leasing starting in the second half of 2023. The Yên Lệnh Port Cluster in Hà Nam has been approved for detailed planning at a 1/500 scale and is preparing for site clearance. Additionally, PC1 aims to achieve an annual revenue of VND 650 billion and a net profit of VND 110-120 billion from the Nomura Industrial Park in 2023.

_Residential Real Estate: PC1 currently has 4 ongoing projects with incomplete legal procedures, and an estimated revenue of VND 2,500 billion and a net profit of VND 400 billion are expected to be recognized according to the schedule from 2023 to 2027. Among them, the Gia Lâm project is expected to receive investment approval in June 2023.

_Risks: (1) Legal risks of projects; (2) Diversification risks; (3) Slowdown in the construction segment due to the stagnation of renewable energy projects; (4) Higher-than-expected financial costs; (5) Nickel mining risk subject to fluctuations in LME nickel prices.

Year	2020	2021	2022	2023F	2024F
Revenue (bil VND)	6,679	9,828	8,358	9,601	10,626
OP (bil VND)	823	859	1,318	1,403	1,623
NP (bil VND)	513	695	460	471	623
EPS (VND)	1,943	2,121	1,519	1,960	2,530
BPS (VND)	15,113.1	17,384.1	18,903.1	20,863	23,393.1
OPM	12.3	8.7	15.8	14.6	15.3
NPM	7.7	7.1	5.5	4.9	5.9
ROE (%)	13.8	14.9	8.4	8.4	11.4
P/E (x)	8.3	16.1	13.3	15.7	12.2
P/B (x)	1.1	2.0	1.1	1.5	1.3
EV/EBITDA (x)	6.6	14.3	8.2	10	8

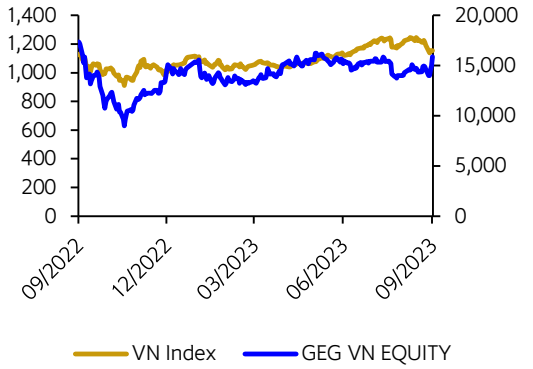
Source: Company data, Bloomberg, Shinhan Securities Vietnam
Data as of 06/10/2023

Shinhan Securities

GIA LAI ELECTRICITY JOINT STOCK COMPANY (GEG)

Target price (12 months)	17,000 VND
Current price (06/10/23)	14,800VND
Return (%)	14.8%
VNINDEX	1,154
Market P/E (x)	236
Market cap (billion VND)	5,426
Outstanding shares (mil shares)	341
Free-float (mil shares)	23
52-week high/low (VND)	17,830/8,377
90-day avg. trading volume (mil shares)	1.5
90-day avg. turnover (bn VND)	19
Major SHDs (%) AVH Pte..Ltd	35.1
	1,154

Performance	3T	6T	12M
Absolute (%)	10.2	20.3	1.1
Rel.to VN-Index (%)	7.7	11.0	-1.4



New projects driving growth

Investment points

_GEG began as a hydropower company and has gradually transformed into one of the largest companies in the electricity sector with the total capacity in renewable energy of 503 MW. This includes 81 MW from hydropower, 292 MW from solar farms and rooftop solar, and 130 MW from wind power. GEG's power plants are strategically located, well-suited for various types of renewable energy. The company benefits significantly from its focus on developing the renewable energy sector, particularly wind power, as outlined in Power Development Plan VIII.

_In 2023, GEG plans to achieve a revenue of VND 2,918 billion (+39% YoY) and a net profit of VND 155 billion (-58% YoY). Additionally, GEG forecasts financial expenses and other costs to reach VND 1,107 billion, a substantial increase compared to the VND 657 billion in financial expenses in 2022.

_Update business results of Q2/2023: GEG reported a near VND 480 billion revenue (-5% YoY), of which electricity sales accounted for VND 475 billion (99%, +7% YoY) due to the Tân Phú Đông 1 power plant officially starting operations in June 2023, compensating for the decrease in hydropower production. Net profit was VND 8.7 billion (-71% YoY) due to increased financial expenses (mainly interest expenses), reaching over VND 213 billion (+38% YoY) with the operation of the new power plant. For the first half of 2023, revenue reached VND 1,027 billion (-4% YoY), and net profit was VND 111 billion (-48% YoY), achieving 35% of the revenue plan and 72% of the profit plan for 2023.

_The Tan Phu Dong 1 wind power plant (120 MW) and the Đức Huệ 2 solar power project (50 MW) are expected to drive strong growth for GEG in late 2023 - 2024. The Tân Phú Đông 1 wind power plant is projected to have an average output of around 293 kWh/year. The Đức Huệ 2 project (49 MW) is expected to start operating in early 2024 with an anticipated output of 73 kWh/year. GEG has almost completed important legal steps for this project.

_With a merger and acquisition strategy, GEG is actively seeking completed legal projects.

_Risks: (1) El Nino-related risks leading to reduced hydropower production; (2) Legal risks for incomplete projects; (3) Interest rate fluctuations that could lead to higher-than-expected financial costs. Due to the large capital requirements of initial renewable energy projects, GEG relies heavily on borrowing, with a debt-to-equity ratio of 1.84x; (4) Pricing mechanisms for renewable energy projects can be difficult to predict.

Year	2020	2021	2022	2023F	2024F
Revenue (bil VND)	1,493	1,381	2,093	2,164	2,477
OP (bil VND)	645	653	851	780	830
NP (bil VND)	257	283	316	171	288
EPS (VND)	858	807	830	491	826
BPS (VND)	9,404.4	9,897.5	10,727.7	11,218.5	12,044.5
OPM	43.2	47.3	40.6	41.6	41.5
NPM	17.2	20.5	15.1	9.9	8.5
ROE (%)	9.6	8.2	5.6	3.6	5.2
P/E (x)	19.2	25.9	18.2	21.8	19.7
P/B (x)	1.8	2.1	1.4	1.3	1.2
EV/EBITDA (x)	9.5	13.4	10.8	11.9	10.3

Source: Company data, Bloomberg, Shinhan Securities Vietnam
Data as of 06/10/2023

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- **BUY:** Expected 12-month gain of 15% or more
- **HOLD:** Expected 12-month loss of 15% to gain of 15%
- **SELL:** Expected 12-month loss of 15% or more

Sector

- **OVERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated BUY
- **NEUTRAL:** Based on market cap, largest share of sector stocks under coverage is rated HOLD
- **UNDERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated SELL



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