Investment Outlook 2H 2024

“FUEL UP”



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Foreword

Keeping up the previous theme of "Kickstart economic growth", in the second half of 2024, we adopt the theme **"Fuel up"** for this strategic report.

The Vietnamese economy maintained its recovery momentum in the first half of 2024, but numerous challenges and obstacles persist. Domestic consumption remains sluggish, the manufacturing sector's health has not yet to show significant improvement, public investment disbursement in several provinces and cities falls short of plans, the real estate sector exhibits limited progress, and credit growth remains subdued despite favorable interest rates, etc.

Therefore, the growth drivers of the economy need to be "fuel up" to recover synchronously, creating a solid foundation for the recovery and development of the stock market!

Research Team
Shinhan Securities Vietnam
June 25th, 2024

Shinhan Securities

Investment Outlook 2H 2024

Macroeconomic outlook

The economy will continue its recovery in the second half of the year and able to achieve the growth target of 6-6.5% for 2024 backed by synchronized solutions to continue expanding manufacturing sector, promoting disbursement of public investment, stimulating domestic consumption, reducing lending interest rates, flexibly regulating exchange rate and well control of inflation to ease pressure on maintaining a loose monetary policy.

Further devaluation of VND and hotter-than-expected inflation would continue the key risks for 2H 2024 and bring more pressure for operating policy to stabilize macroeconomics and achieve growth target. Besides, geopolitical tensions and surprises from national elections may cause volatilities.

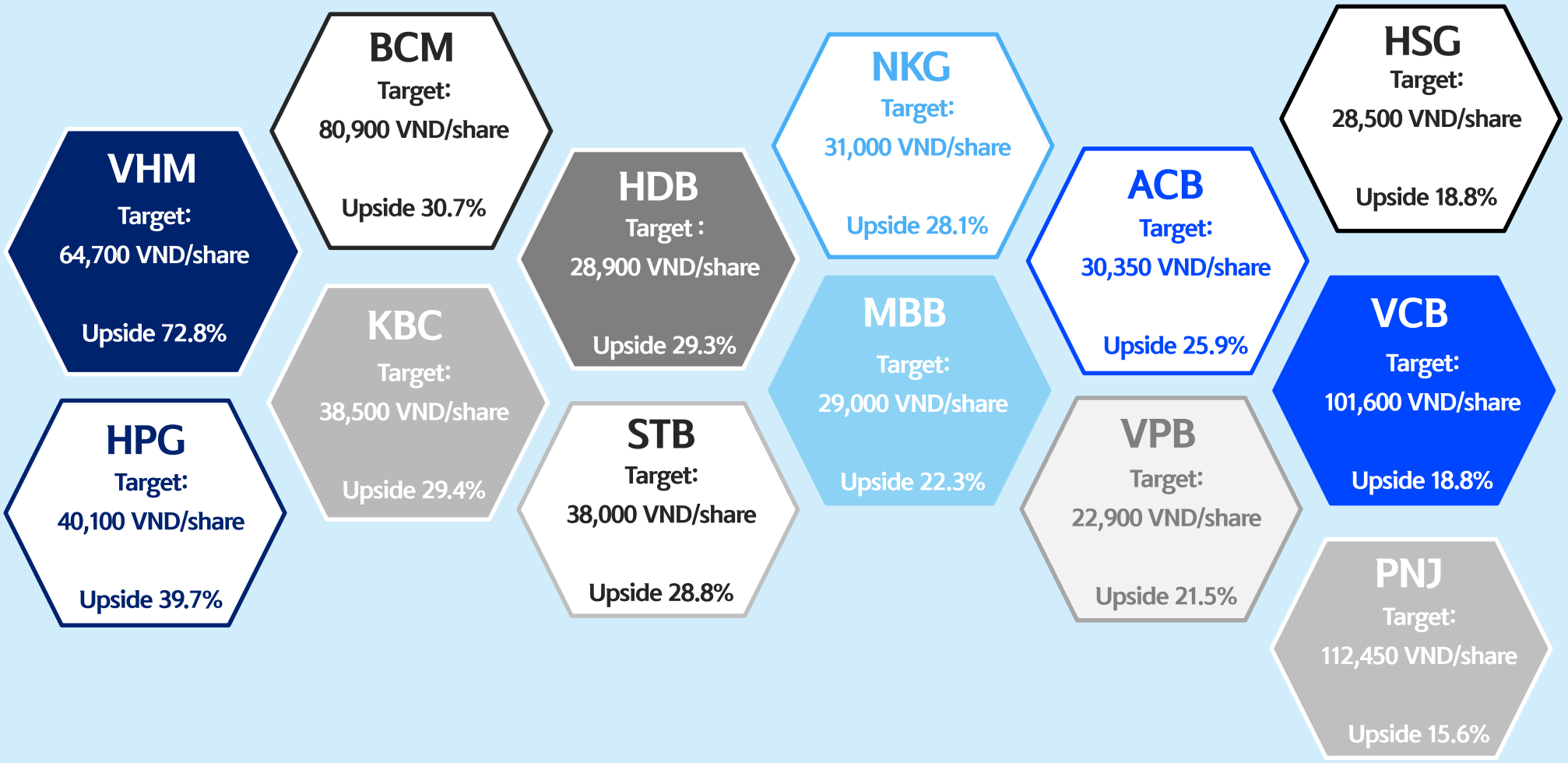
Stock market outlook

Building on the economic recovery momentum, the Vietnamese stock market is expected to continue to "fly" higher in the second half of 2024. The VNIndex is expected to reach the 1,340 – 1,390 range by the end of the year, driven by strong corporate earnings growth in Q1/2024 (+11.5% YoY) and are estimated to grow 15% by 2024. The implementation of the new trading system and Vietnam's upgrade to MSCI emerging market status are also expected to boost investor sentiment.

Potential Stocks

The Second Half of 2024 Strategic Report covers the Banking, Real Estate, Logistics, Retail, Steel, and Industrial Real Estate sectors. We focus on benefiting sectors from promoting investment and consumption; manufacturing and export prosper again; and especially, real estate sector starts a new cycle and prospect of banking sector becomes clearer.

Stock pick recommendation



Source: Shinhan Securities Vietnam, upside estimated based on closing price on June 24th, 2024

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| Table of Content|

“FUEL UP”

01 Macroeconomic Outlook 2H 2024: **Steady resilience**

02 Stock Market Outlook 2H 2024: **Slow but steady**

03 Banking: **Strive to achieve goal**

04 Real estates: **Entering the recovery phase**

05 Logistics: **An early peak season**

06 Retail: **Profit acceleration**

07 Steel: **Go through “winter”**

08 Industrial real estate: **FDI drives growth**

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Vietnam Macroeconomics 2024

Steady Resilience



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Content

Vietnam Macroeconomics 2024 – Steady Resilience

1. Bright spots of Vietnam macroeconomics in 1H 2024
   - Import and export recovered strongly despite of the world economy facing challenges
   - Vietnam has maintained its solid position in attracting FDI
   - SBV has maintained stable operating interest rates, flexibly controlled inflation and regulated exchange rates
2. Vietnam macroeconomics outlook in 2H 2024
   - Manufacturing continues expanding
   - Robust disbursement of public investment
   - Stronger retails thanks to stimulating domestic consumption
   - Fed's interest rate cuts will ease pressure on exchange rates
   - Strive to reduce lending interest rates to promote credit growth
   - The economy continues recovering at estimated growth rate of 6% in 2024
3. Risks
   - Further devaluation of VND, hotter- than –expected inflation
   - Geopolitical tensions and other surprises

Bright spots of Vietnam macroeconomics in H1 2024

01

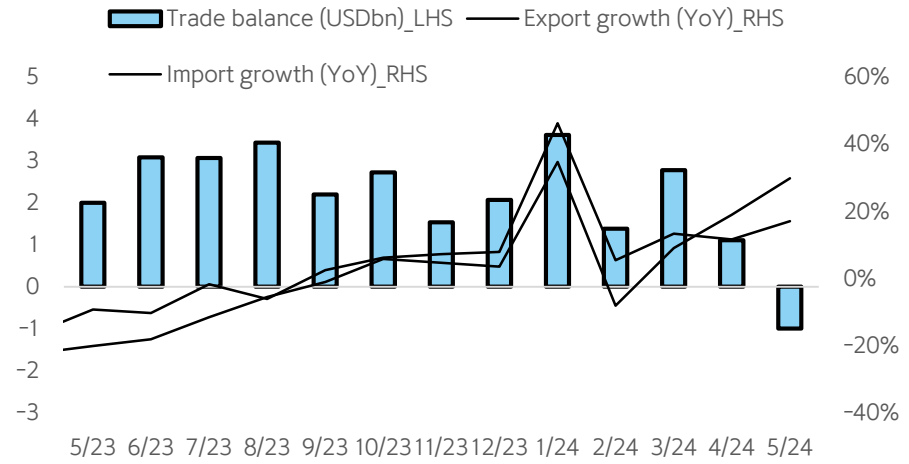
Vietnam economy has maintained stability and recovered quite well in the first half of 2024 with some bright spots from (1) strong import-export; (2) solid position in FDI attraction and (3) flexibly control of inflation and exchange rate.

1. Bright spots of Vietnam macroeconomics in 1H 2024

Import- export recovered strongly despite of the world economy facing challenges

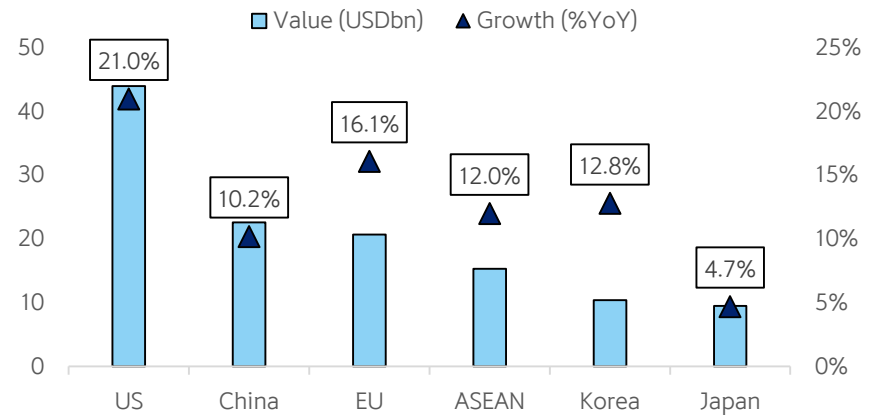
- Escalating geopolitical tension such as the war between Russia-Ukraine, Middle East conflict has caused higher risks in international trade and supply chain disruption potential. However, Vietnam's import-export turnover recorded a strong growth.
- Total import-export turnover in 5M2024 reached USD 305.5 billion (+16.6% YoY), of which, export increased 15.2% and import increased with higher space at 18.2%. Import has increased sharply in the last two months to serve the expansion of domestic production, signaling that export growth may continue in the next quarters. Trade balance maintains a surplus of USD 8 billion although it returned deficit of about USD 1 billion in May 2024.
- The recovery of main markets such as the US, China, EU, ASEAN... and the development of new markets have helped export recover strongly.

Import-Export turnover increased strongly



Source: GSO, Shinhan Securities Vietnam

Main export markets have recovered in 5M2024



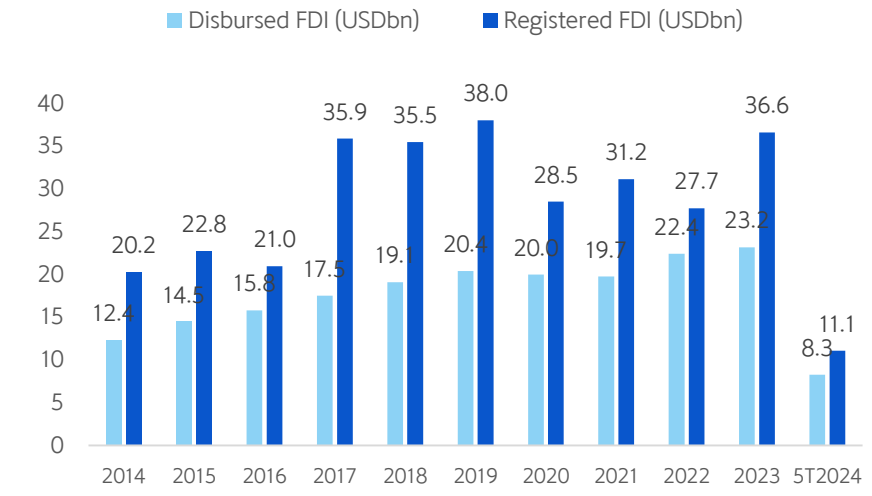
Source: GSO, Shinhan Securities Vietnam

1. Bright spots of Vietnam macroeconomics in 1H 2024

Vietnam has maintained its solid position in attracting FDI

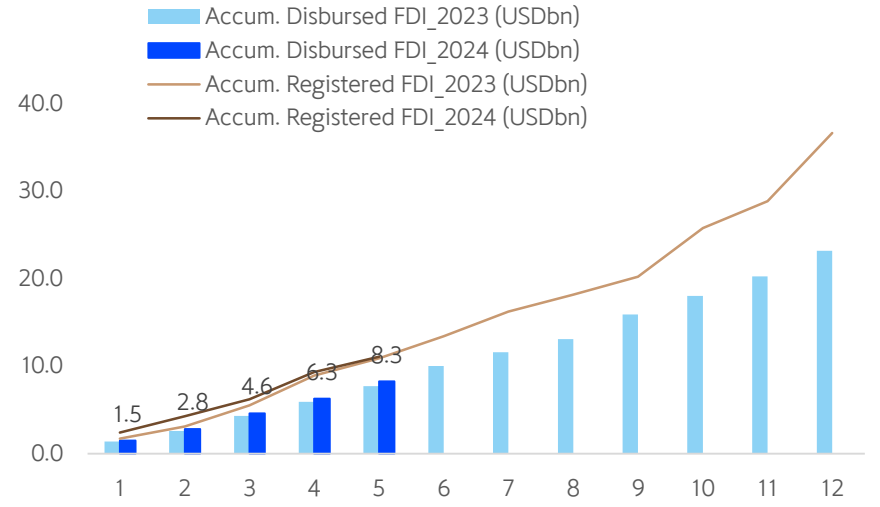
- In 2023, disbursed FDI set record at USD 23.2 billion while registered FDI also skyrocketed to USD 36.6 billion, the highest since 2020. FDI attraction has remained positive in 5M2024 when total registered capital reached USD 11.07 billion (+2.0% YoY) and the disbursement of USD 8.25 billion (+7.8% YoY), showing the confidence of foreign investors in Vietnam stable politics despite of the country's top leaders change in recent times.
- Notably, newly registered FDI reached USD 7.94 billion (+50.8% YoY). In which, processing and manufacturing sector has the largest newly registered capital of USD 5.37 billion (accounting for 67.7% of the total newly registered capital); real estate business activities reached USD 1.83 billion (accounting for 23.1%); the remaining sectors reached USD 730.5 million (accounting for 9.2%).

Both registered and disbursed FDI set records in 2023



Source: GSO, Shinhan Securities Vietnam

FDI attraction has maintained positively in 5M2024



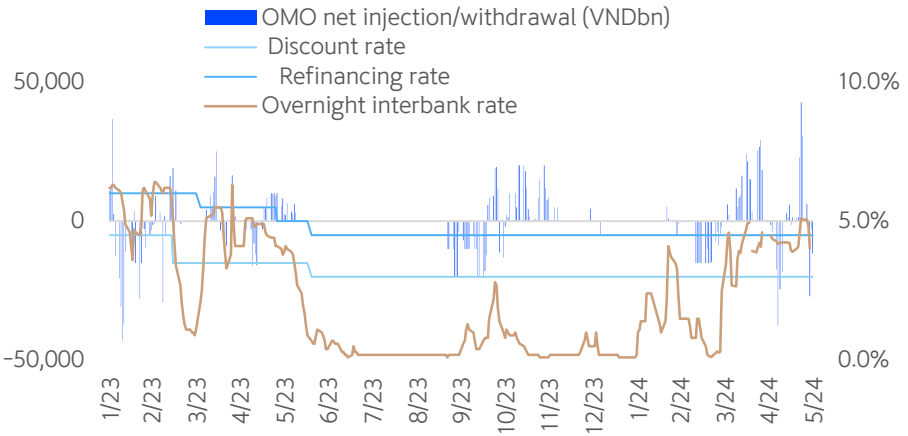
Source: GSO, Shinhan Securities Vietnam

1. Bright spots of Vietnam macroeconomics in 1H 2024

SBV has maintained stable interest rates, flexibly controlled inflation and regulated exchange rates

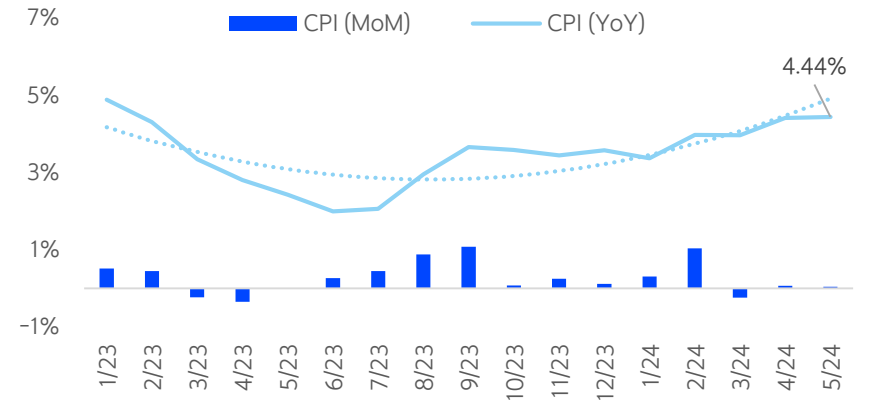
- SBV has maintained the discount rate and refinancing rate unchanged at 3% and 4.5% since June 2023 despite of VND devaluation pressure due to FED keeps interest rates at a highest level of 22 years for a long time to cope with persistent inflation.
- After a series of intervention measures in the open market, selling foreign currency reserves, and controlling the gold market, the exchange rate has shown signs of stabilization since mid-April 2024. By the end of May 2024, VND on the free market depreciated by 4.4%YTD against USD.
- CPI almost unchanged in May and average CPI of 5M2024 increased 4.03% YoY, still within the target range of 4-4.5%.

SBV pumping through the open market to stabilize VND



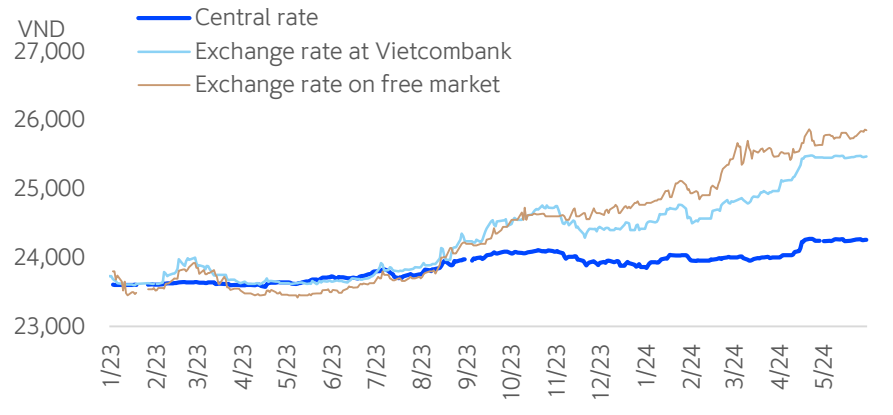
Sources SBV, FiinPro, Shinhan Securities Vietnam

CPI shows signs of slowing increase



Source: GSO, FiinPro Shinhan Securities Vietnam

USD/VND seems stabilized from mid-April 2024

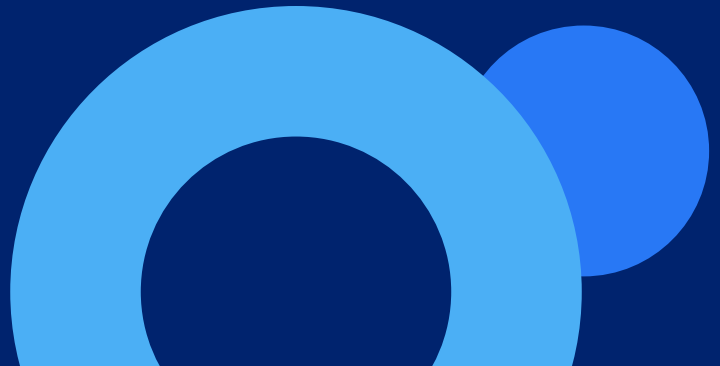


Source: SBV, FiinPro, Shinhan Securities Vietnam

02

Vietnam macroeconomics outlook in 2H 2024

The economy will continue its recovery in the second half of the year and able to achieve the growth target of 6-6.5% for 2024 backed by synchronized solutions to continue expanding manufacturing sector, promoting disbursement of public investment, stimulating domestic consumption, reducing lending interest rates, flexibly regulating exchange rate and well control of inflation to ease pressure on maintaining a loose monetary policy.

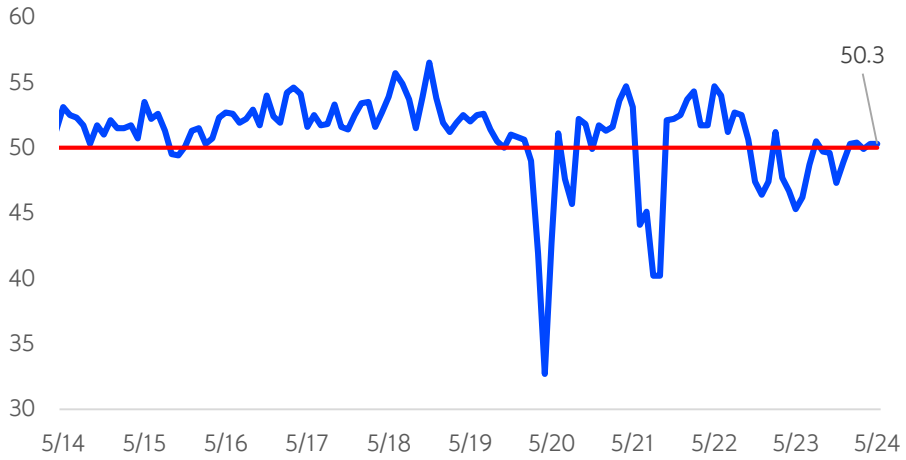


2. Vietnam macroeconomic outlook in 2H 2024

Manufacturing continues expanding

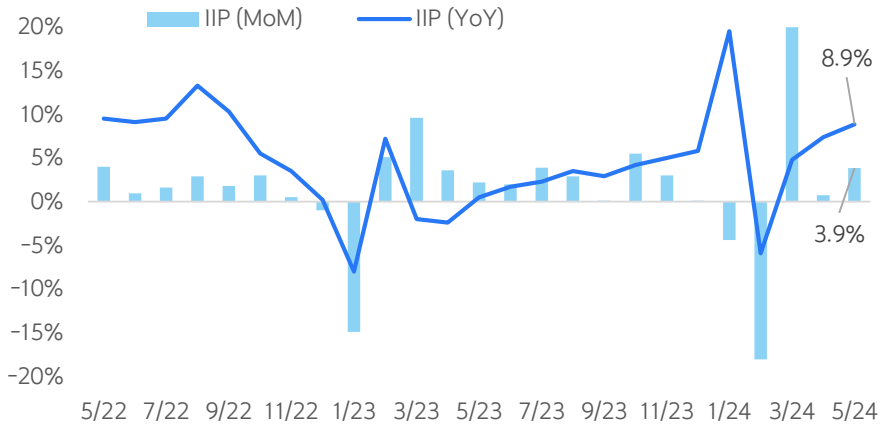
- The manufacturing continues to recover from a low base in 2023. Index of industrial production (IIP) in 5M2024 increased by 6.8% YoY while it decreased by 2% in the same period in 2023. Manufacturing purchasing managers' index (PMI) maintaining around threshold of 50 in the H1 2024, mean that the health of manufacturing sector has not changed significantly but there are mixed signs. New orders increased, helping output and purchasing activities to rise, but employment continued to decline and input costs were higher.
- The manufacturing sector is expected to improve further in H2 2024 as imports increased sharply in the last two months to serve the expansion of domestic production, meeting higher number of new orders.

PMI maintaining around threshold of 50



Source: S&P Global PMI, Shinhan Securities Vietnam

Index of industrial production (IIP) recovering positively



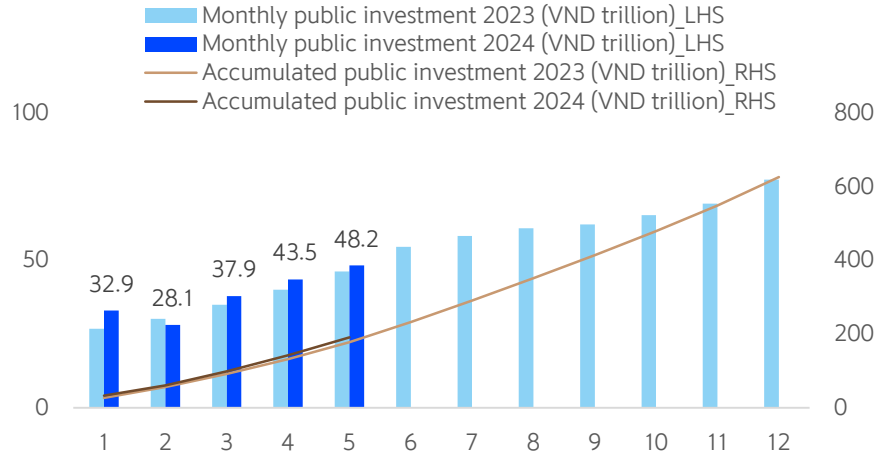
Source: GSO, Shinhan Securities Vietnam

2. Vietnam macroeconomic outlook in 2H 2024

Robust disbursement of public investment

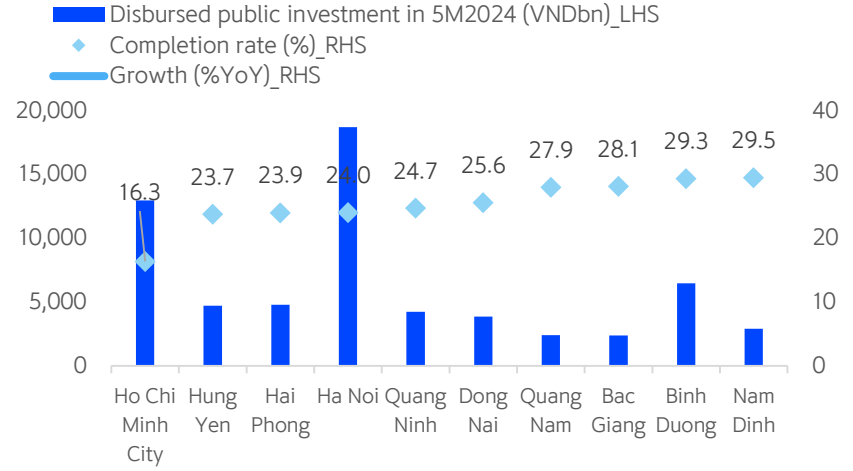
- Disbursement of public investment capital in 5M2024 reached VND 190.6 trillion, completing 26.6% of the year plan and increased by 5% YoY (completing 24.8% target and up 21.5% in the same period in 2023)
- Disbursement of public investment was generally still slow, due to some objective reasons including investors' weak capacity, legal obstacles in site clearance, increased raw material prices... Some cities which achieved low rate of disbursement is urgently rectifying units behind schedules, solving problems for projects... to speed up disbursement in the last months of the year.
- In general, the disbursement pressure in H2 2024 is heavy because in order to complete 95% of the year plan, about VND 70 trillion must be disbursed each month. Once promoting the public investment disbursement will help to attract investment throughout society and thereby contribute strongly to economic growth.

Disbursement of public investment grew slightly y-o-y



Source: GSO, Shinhan Securities Vietnam

Cities with lowest disbursement rates compared to the plan



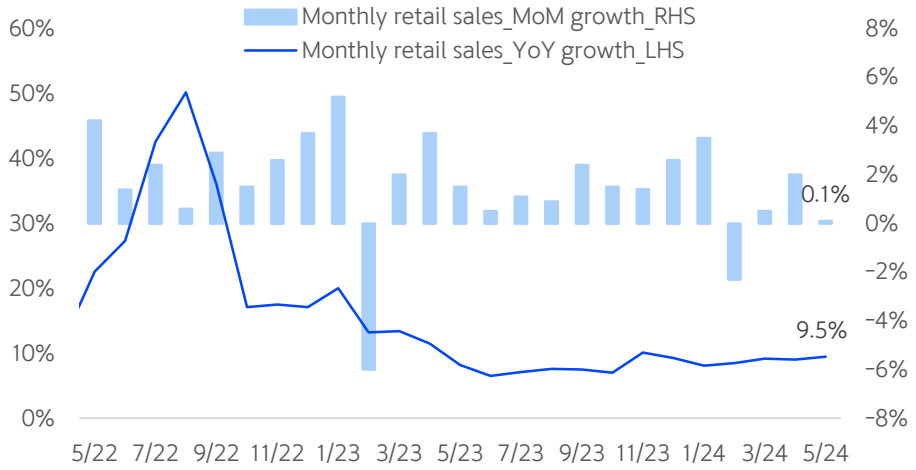
Source: GSO, Shinhan Securities Vietnam

2. Vietnam macroeconomic outlook in 2H 2024

Stronger retails thanks to stimulating domestic consumption

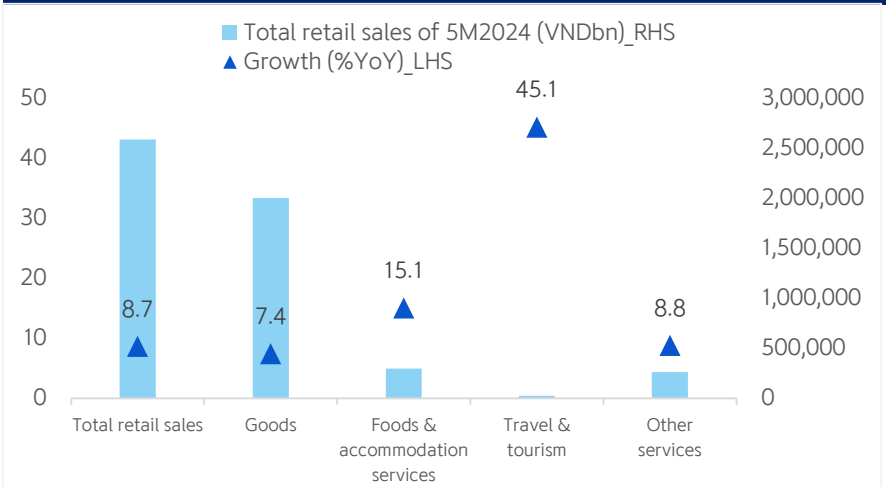
- Total retail sales of goods and consumer services at current prices in 5M2024 were estimated to reach VND 2.6 quadrillion, up 8.7% YoY (+12.3% in same period in 2023). Excluding the price factor, it would increase by 5.2% (+9.3% the same period in 2023). Travel & tourism revenues had a strong growth, estimated at VND 24.2 trillion (+45.1%YoY), accounting for 0.9% of total retail sales. Meanwhile, retail sales of goods were estimated at nearly VND 2 quadrillion, accounting for 77.5% of total retail sales and increasing 7.4% YoY (excluding the price factor, which increased by 4.5%).
- In general, domestic consumption recovered slowly and there is still potential to be exploited, creating a sustainable growth momentum for GDP in the second half of 2024. Reducing taxes, fees and increasing promotions to stimulate consumption are necessary in the coming time. According to the Government, total value of taxes, fees and charges exemption and reduction policies in the last 6 months of 2024 is estimated about VND 98 trillon (of which, 2% VAT cut is equivalent to VND 24 trillion).

Retail sales of goods and services grew moderately



Source: GSO, Shinhan Securities Vietnam

Stimulate domestic consumption demand to promote retails



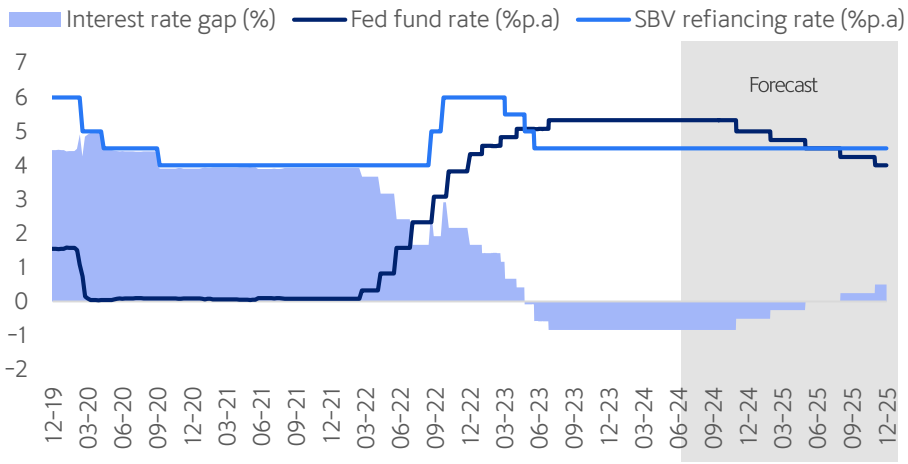
Source: GSO, Shinhan Securities Vietnam

2. Vietnam macroeconomic outlook in 2H 2024

Fed's interest rate cuts will ease pressure on exchange rates

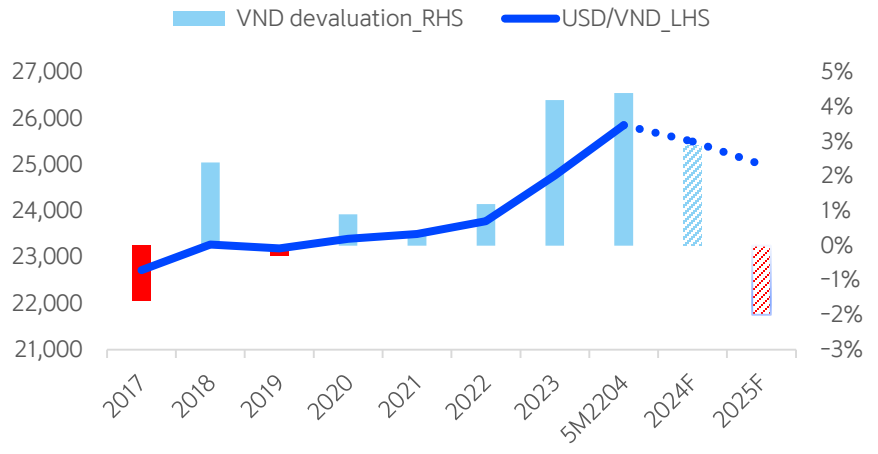
- As a result of June 2024 FOMC meeting, FED will likely cut interest rates once in 2024 and four times in 2025 with a total reduction forecasted at 1.25%. Meanwhile, State Bank of Vietnam will likely maintain a stable interest rate policy, thereby narrowing the interest rate gap. Depending on the timing and margin of FED's interest rate cut, the pressure on USD/VND exchange rate is expected to ease accordingly.
- By the end of May 2024, VND on free market devaluated significantly 4.4%YTD against USD and was traded at 25,855 VND per USD. Following the FED's interest rate cut roadmap, the USD/VND exchange rate is likely to cool down in the second half of the year towards the target threshold of 25,500 VND per USD (+3%YTD) by the end of 2024 and will continue to decrease in 2025.

Fed will cut interest rate once in 2024 and four times in 2025



Source: Fred, SBV, FiinPro, Shinhan Securities Vietnam

USD/VND cooling down following Fed's rate cut roadmap



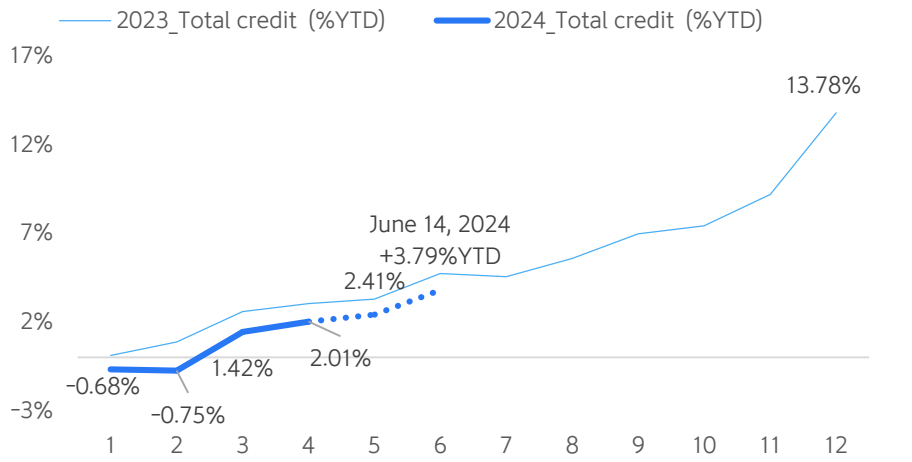
Source: GSO, Shinhan Securities Vietnam

2. Vietnam macroeconomic outlook in 2H 2024

Strive to reduce lending interest rates to promote credit growth

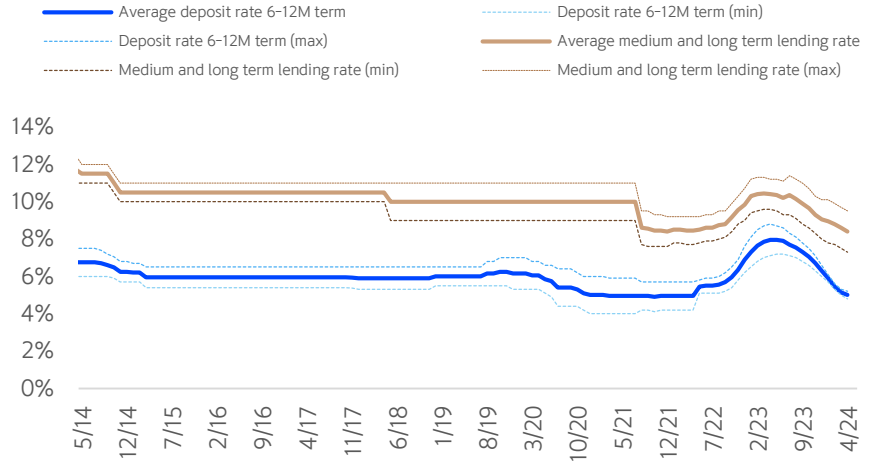
- In the context of credit growth was slow in 5M2024, estimated to reach 2.41% YTD, far from the target of 15% for the whole year 2024. Therefore, State Bank of Vietnam (SBV) has issued document No. 4662/NHNN-CSTT requesting credit institutions, foreign bank branches to strive for reducing lending interest rates by 1-2% p.a and increasing the system's credit growth at 5-6% by the end of Q2 2024. Latest update from SBV, credit growth as of June 14 was estimated to reach 3.79%YTD.
- In addition, Circular No. 02/2023/TT-NHNN dated April 23, 2023 regulating credit institutions to restructure debt repayment periods and maintain the same debt group to support customers in difficulty has just been approved to extend until December 31, 2024, helping customers reduce debt repayment pressure, facilitate capital turnover and access new loans.
- In May 2024, commercial banks also launched many preferential loan packages with the average lending interest rate slightly decreasing by about 0.2% compared to the previous month and down nearly 1% compared to the end of 2023. Through promoting digital transformation, simplifying lending procedures, reducing costs, banks may further reduce lending interest rates by 0.5-1% from now until the end of the year to support businesses and promote credit and economic growth.

Slow credit growth in 5M2024



Source: SBV, Shinhan Securities Vietnam

Lending interest rates might continue to decrease slightly



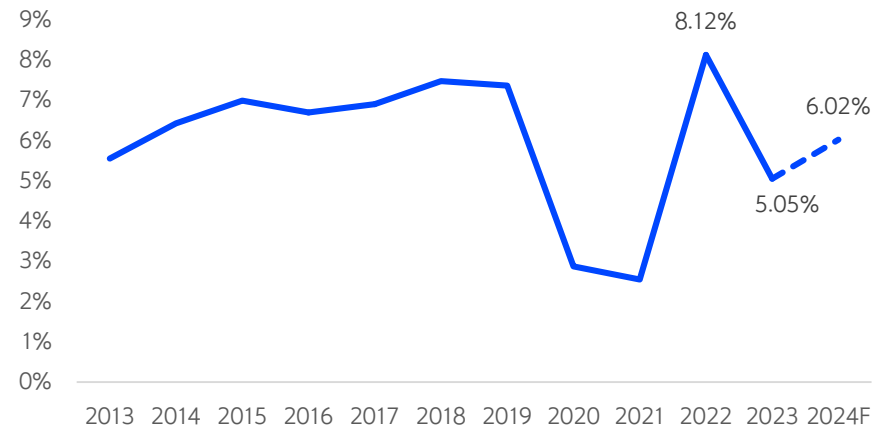
Source: SBV, FiinPro, Shinhan Securities Vietnam
Average rate is average of min rate and max rate.

2. Vietnam macroeconomic outlook in 2H 2024

The economy continues recovering at estimated growth rate of 6% in 2024

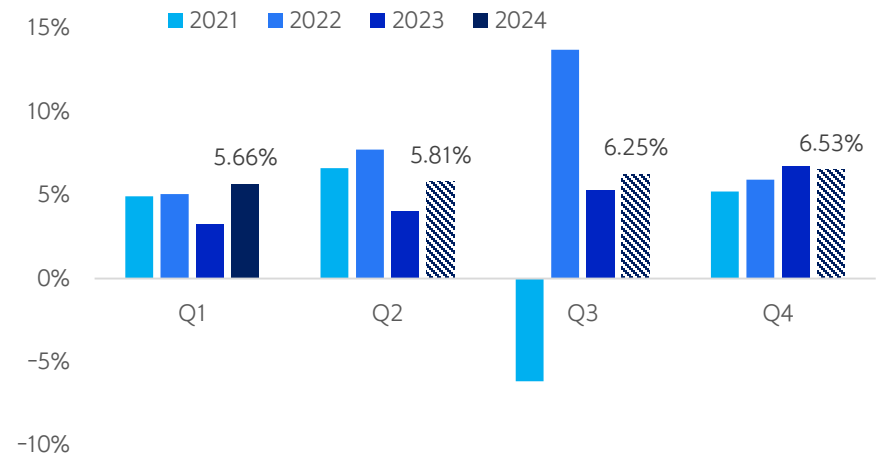
- In short, the economy is on the road to recovery and will continue in the second half of 2024 backed by stable agriculture and brighter prospect of industrials and service sectors.
- Vietnam may keep operating interest rates stably while continuing to implement expansionary fiscal policy. Tax and fee reduction policies; domestic demand stimulation; public investment acceleration are expected to be deployed more effectively in the second half of the year.
- Deposit interest rates increased again in the context of high inflation, but lending interest rates may continue to adjust down slightly to promote credit growth to achieve the year target of 14-15%.
- Legal issues are resolved, the real estate sector is also expected to enter a recovery phase, relieving bad debt pressure on banks.

GDP, YoY growth



Source: GSO, Shinhan Securities Vietnam

Quarterly GDP, YoY growth



Source: GSO, Shinhan Securities Vietnam

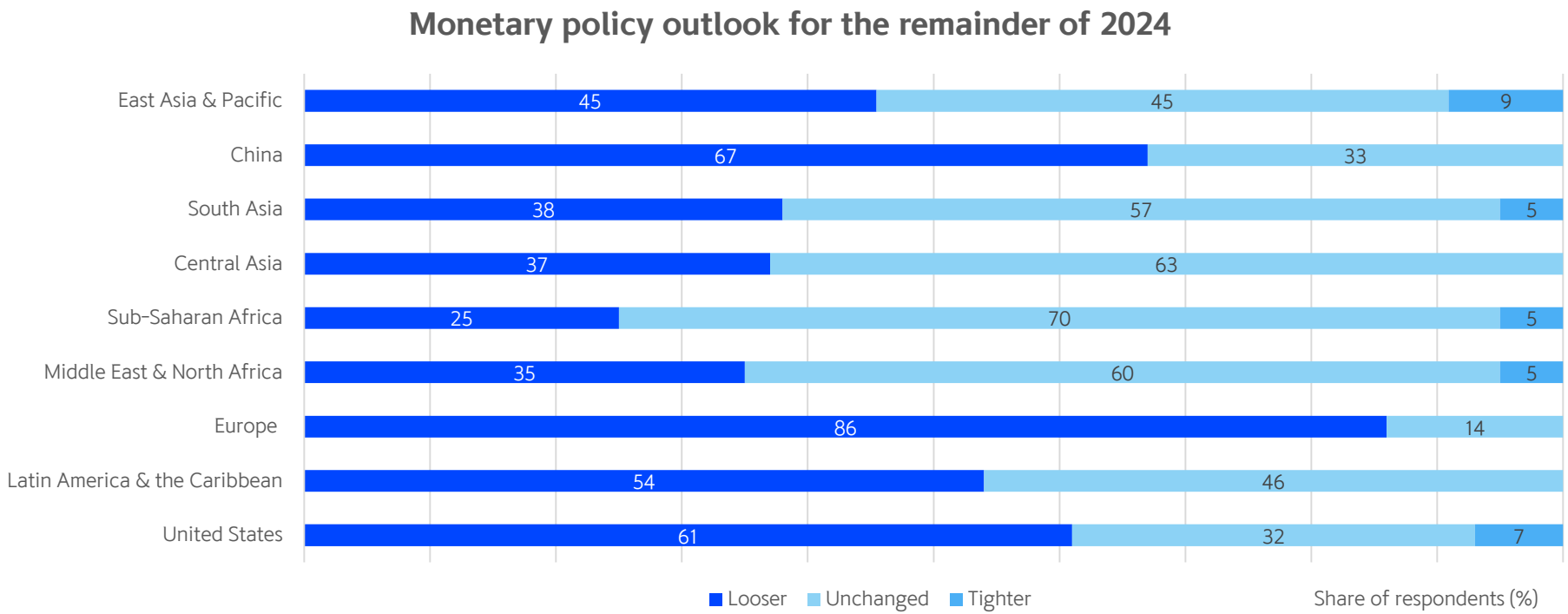
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Macroeconomic risks

Further devaluation of VND and hotter-than-expected inflation would continue the key risks for 2H 2024 and bring more pressure for operating policy to stabilize macroeconomics and achieve growth target. Besides, geopolitical tensions and surprises from national elections may cause volatilities.

Further devaluation of VND, hotter- than –expected inflation

- FED may continue to delay interest rates cut or do it at a slower space than other central banks around the world, as a result, US Dollar will be still stronger than other currencies for longer. It is also supported by a solid US economic growth.
- With rising exchange rates, imported goods become more expensive and push up inflation. In addition, inflation is also under pressure from the increases of domestic electricity price and basic salary.

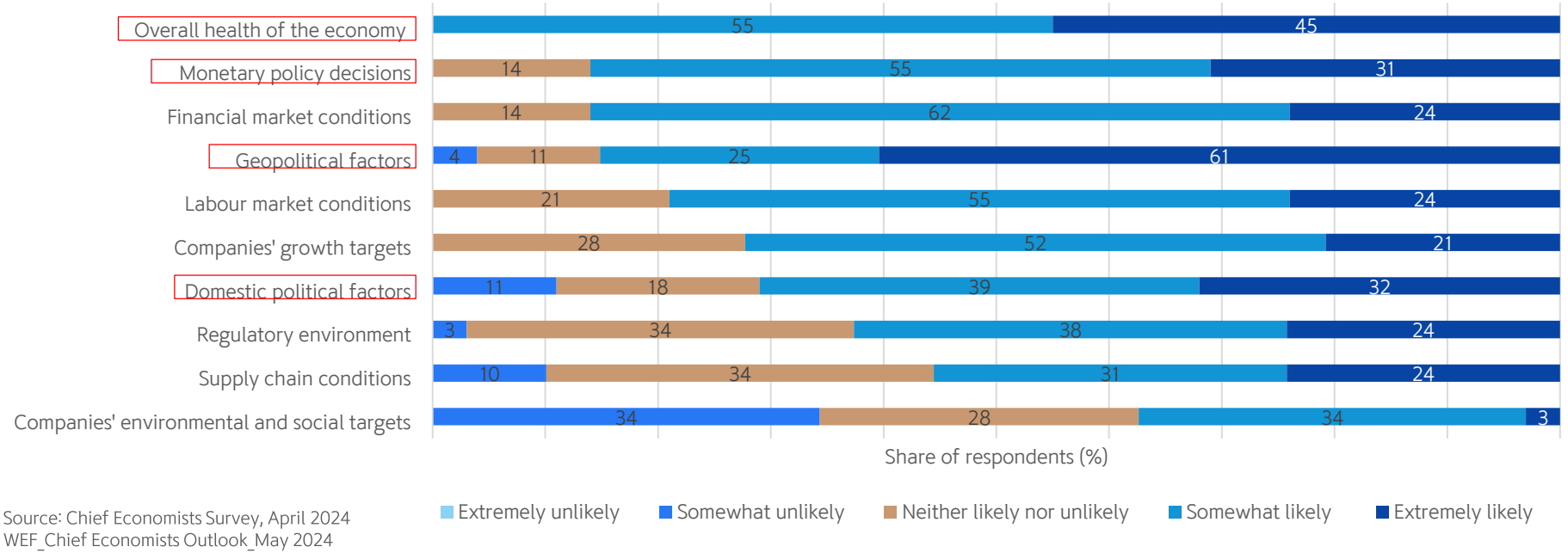


Source: Chief Economists Survey, April 2024
WEF_Chief Economists Outlook_May 2024

Geopolitical tensions and other surprises

- The war in Ukraine and Israel-Hamas conflict in the Middle East have been escalated and showed that geopolitical risk is one of the main factors affecting global economic growth in 2024. Geopolitical events affect trade and commodity prices, and also financial markets or investment capital flows by direct or indirect ways.
- Elections around the world could also have a significant impact on the direction of the global economy, through potential changes in trade and investment policy coupled with increased political instability and polarization. According to Wikipedia, up to 100 countries, included US, will participate in elections in 2024 and there may be surprises that affect global economics and politics.

Factors driving corporate decision-making in the remainder of 2024



Source: Chief Economists Survey, April 2024
WEF_Chief Economists Outlook_May 2024

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Stock Market Outlook 2H 2024

Slow but steady



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Content

Stock Market Outlook 2024

1. Stock Market Outlook 2024 – Slow but steady

- Stock market is still an attractive investment channel
- Margin loan remains at safe balance
- Market trends are driven by individual money flow
- Market profits have recovered significantly - aiming for 15% profit growth target in 2024F
- The market is currently trading at P/E of 14.1x, which is lower than the 10-year average P/E of 15x
- Emerging market upgrade opportunity ahead

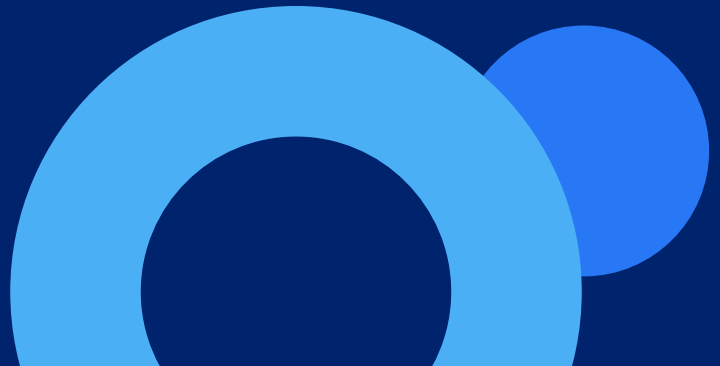
2. Technical view – Maintain the upward trend

- Major events of stock market in 2023 to 5M2024
- Supporting and risk factors of stock market in 2024
- Technical view – Market scenario – Trading strategy

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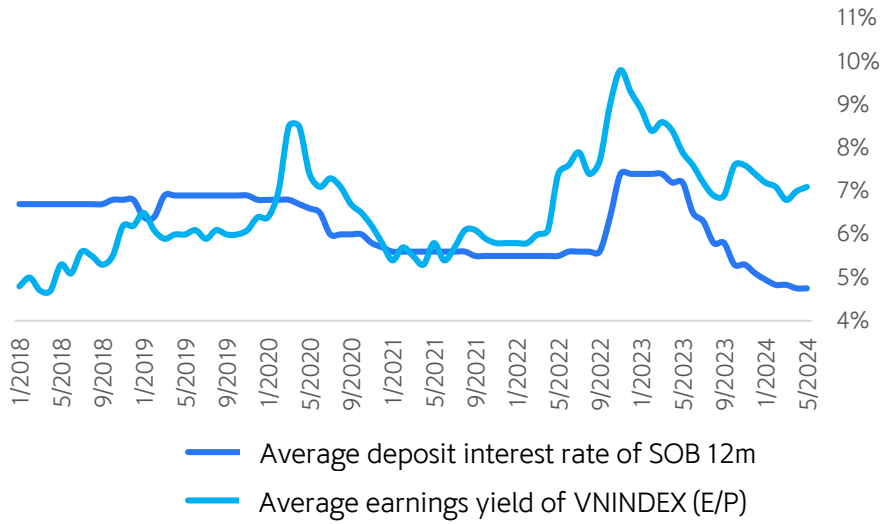
Stock market outlook

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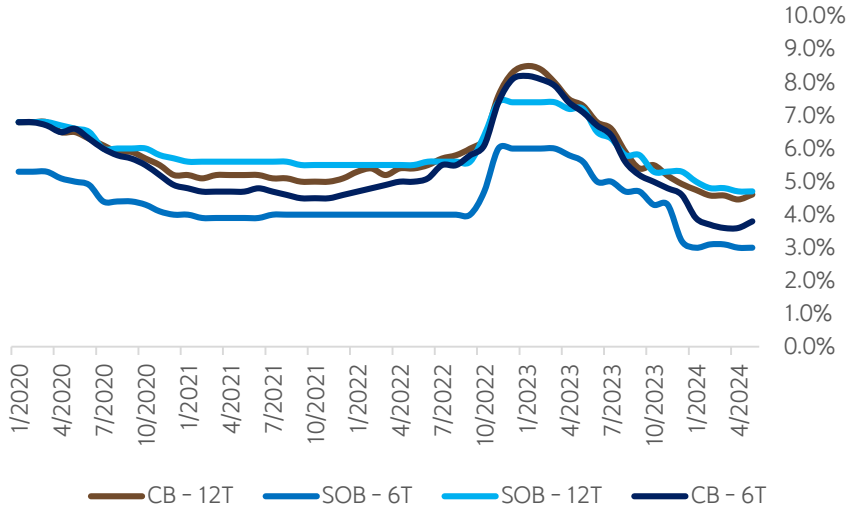
Stock market is still an attractive investment channel

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



Source: FiinPro, Shinhan Securities Vietnam

Deposit interest rate decreased significantly from YE 2022

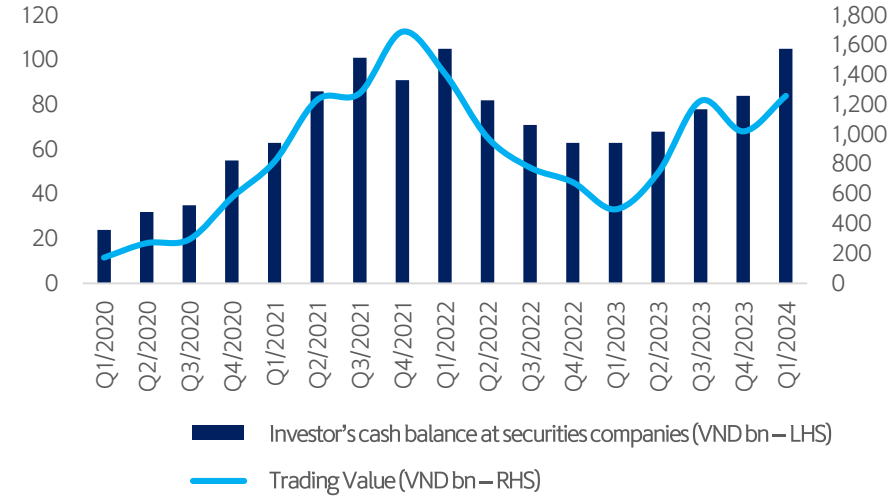


Source: FiinPro, Shinhan Securities Vietnam
Note: Data taken from deposit interest rates of the 5 largest commercial banks

- Deposit interest rates continue to decline from late 2023, creating opportunities for capital flow into the stock market. Updated to the end of May 2024, the average deposit interest rate of state-owned banks for a term of 12 months is 4.7%.
- The earnings yield of the VNINDEX (E/P) is still higher than the 12-month deposit interest rate, showing that the attractiveness of investing in stocks is still being maintained.

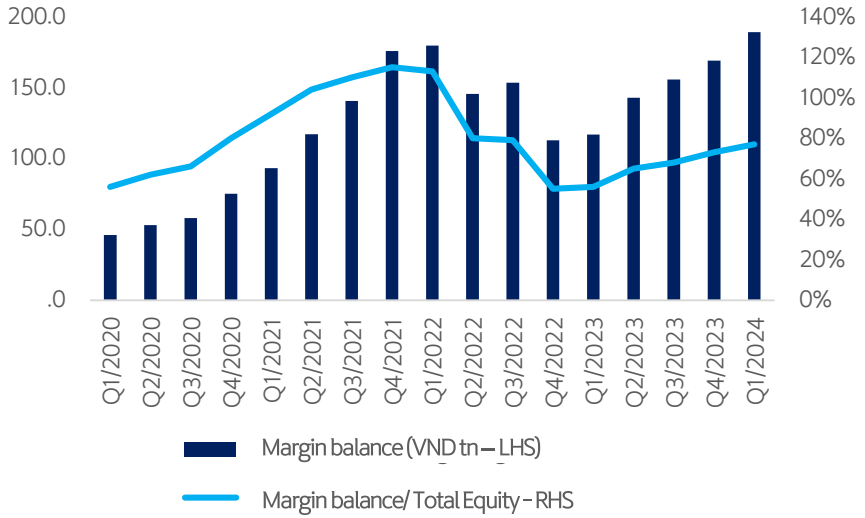
Margin loan balance remains safe – There is still room for growth

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



Source: FiinPro, Shinhan Securities Vietnam

Margin loan balance continues its growth

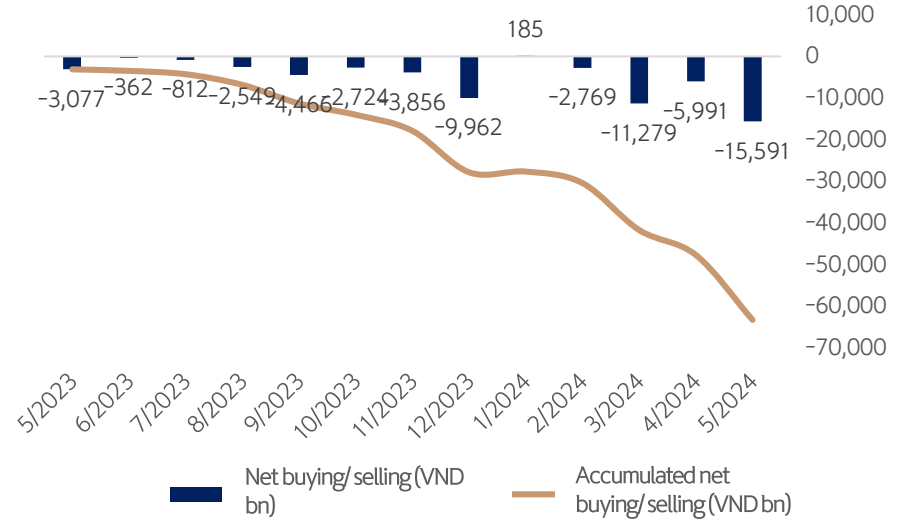


Source: FiinPro, Shinhan Securities Vietnam

- The low interest rate environment is supporting the trend of capital flow into the stock market. Customer deposits at securities companies have continuously increased over quarter, reaching over VND 100 trillion in Q1/2024 (+167% YoY, 25% QoQ).
- Margin lending outstanding reached nearly VND 190 trillion in Q1/2024 (+63% YoY, +11.97% QoQ) and officially surpassed the Q1/2022 peak. However, the scale of securities companies (owner's equity) increased sharply in 2022, causing the Margin loan balance/Equity ratio to increase only slightly from 73% to 77% compared to the previous quarter (much lower than the peak of nearly 120% in Q1/2022).

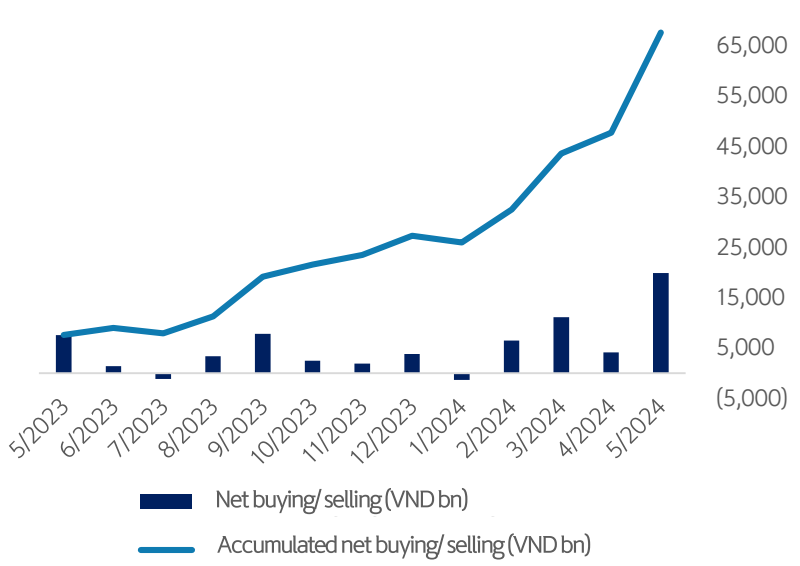
Market trends are driven by individual money flow

Foreign net buying/selling activity over the past 12M



Source: FiinPro, Shinhan Securities Vietnam

Individual net buying/selling activity over the past 12M

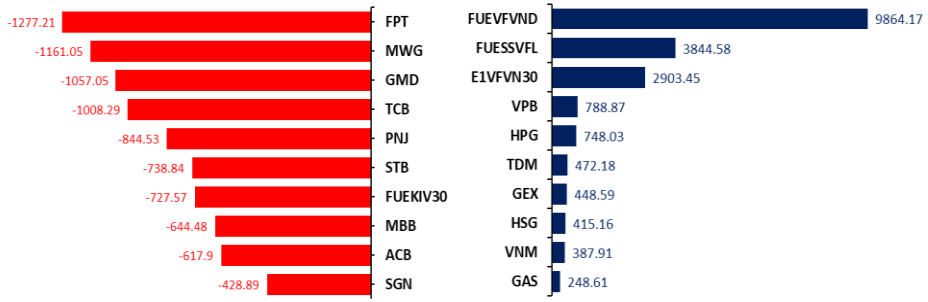


Source: FiinPro, Shinhan Securities Vietnam

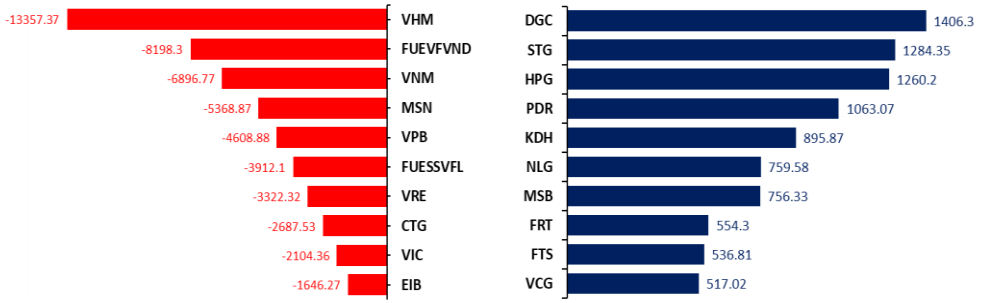
- Foreign investors have been net selling continuously throughout the past period, and there is no sign of stopping. From March to May, the total net selling value of foreign investors reached nearly VND 33 trillion, accounting for more than half of the net selling value over the past 12M. However, the VNINDEX has still maintained a good upward trend during the above period thanks to the strong absorption from the buying power of individual investors.

Market trends are driven by individual money flow

Top net buying & selling of proprietary trading for the past 12M (VND billion)



Top net buying & selling foreign investors for the past 12M (VND billion)



Source: FiinPro, Shinhan Securities Vietnam
Data as of May 31st, 2024

Net buying and selling by industry and investor type over the past 12 months (VND billion)

ICB Industry Level 2	Proprietary trading (VND bn)	Foreign (VND bn)	Local Individual (VND bn)	Local Institutions (VND bn)
Real Estate	-711	-17,216	18,014	-798
Basic Resources	1,095	2,071	-4,282	2,211
Media	0	-45	69	-24
Industrial Goods & Services	-1,186	960	3,210	-4,170
Health care	52	80	20	-100
Chemicals	28	580	-898	318
Financial Services	15,355	-15,000	2,319	12,681
Travel & Leisure	47	-148	963	-815
Banks	-4,214	-15,996	23,854	-7,858
Construction & Materials	-29	197	1,985	-2,183
Food and Beverage	307	-14,135	13,512	623
Retail	-1,076	515	662	-1,177
Utilities	831	-3,524	3,639	-115
Personal & Household Goods	-852	261	-365	104
Technology	-1,217	-556	4,088	-3,533
Automobiles & Parts	-23	527	-668	140
Insurance	14	-433	665	-232
Oil & Gas	6	-984	810	173
Total	8,425	-62,844	67,600	-4,756

Source: Fiinpro, Shinhan Securities Vietnam
The put-through transaction value is not included

Equity inflows are trending towards developed markets

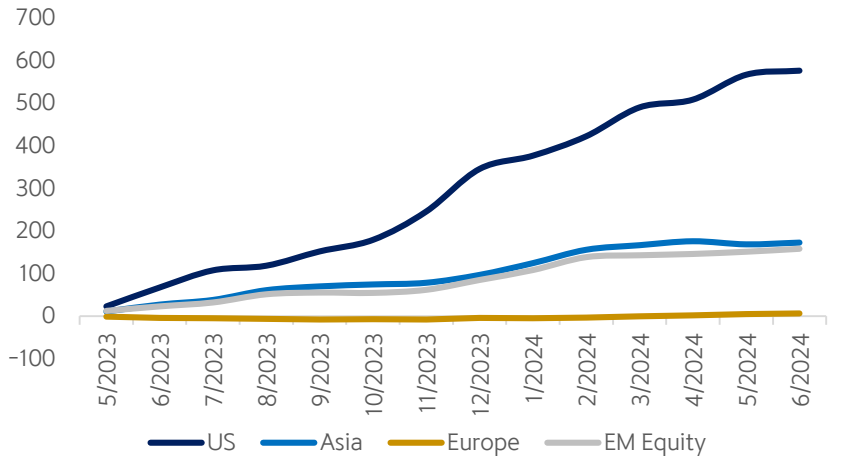
Foreign net equity flow by countries (mn USD)

	WTD	MTD	QTD	YTD
China*	n.a	4,960	-3,356	-3,356
India	189	-48	-4,168	-2,810
Indonesia	-43	-113	-2,134	-448
Japan*	508	-1,703	28,014	38,419
Maylaysia	-43	114	141	-46
Philippines	-15	-72	-658	-495
S.Korea	773	3,464	4,582	16,771
Sri Lanka	-2	-5	-5	-31
Taiwan	1,995	3,381	1,261	5,990
Thailand	-194	-615	-963	-2,896
Vietnam	-112	-381	-1,093	-1,494

*China: Data lagged for 1 quarter, Japan: Data lagged for 1 week

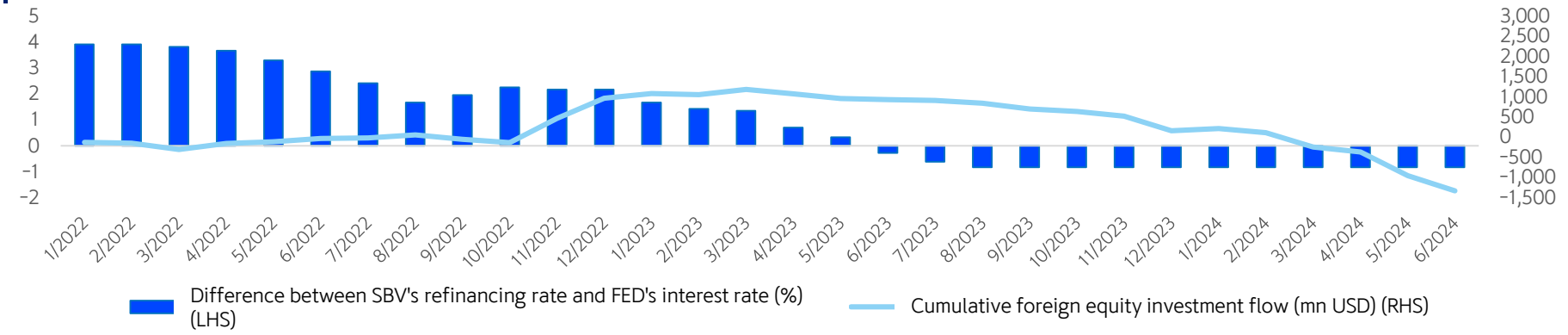
Source: Bloomberg, Shinhan Securities Vietnam
Data updated to 20/06/2024

Cumulative equity ETF flow across regions (bn USD)



Source: Bloomberg, Shinhan Securities Vietnam

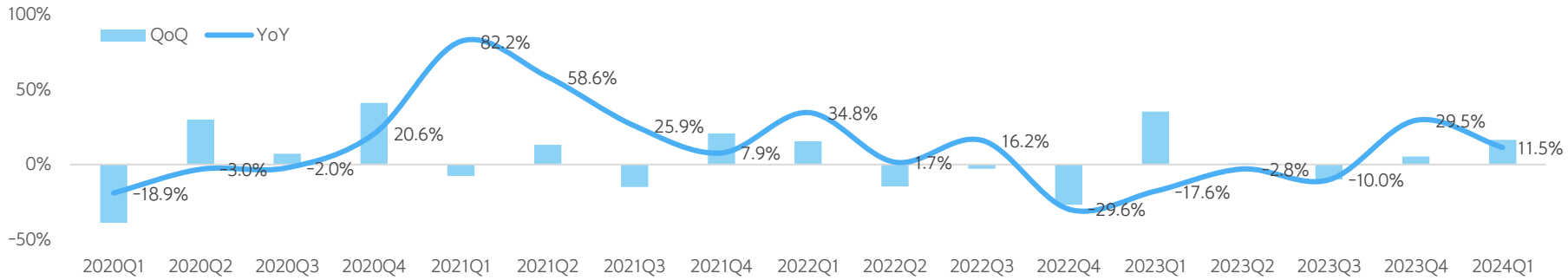
VND and USD interest rates in negative territory contributing to a stronger equity outflow of Vietnam



Source: FiinPro, Bloomberg, Shinhan Securities Vietnam

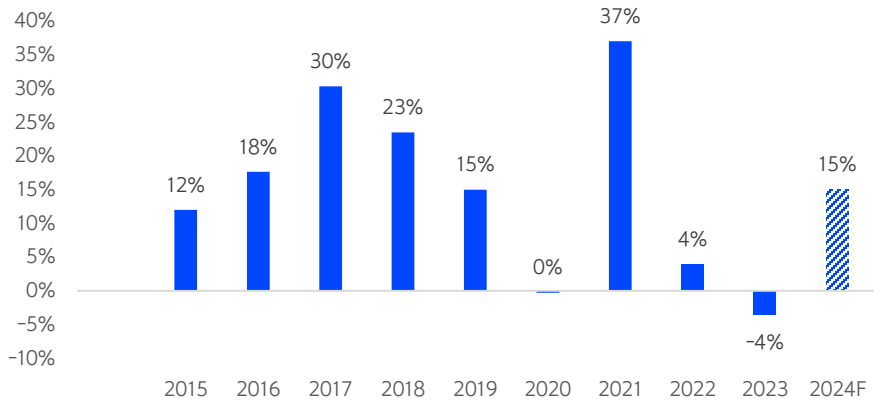
Market profits have recovered significantly – aiming for 15% profit growth target in 2024F

Quarterly earning growth of listed companies on HSX



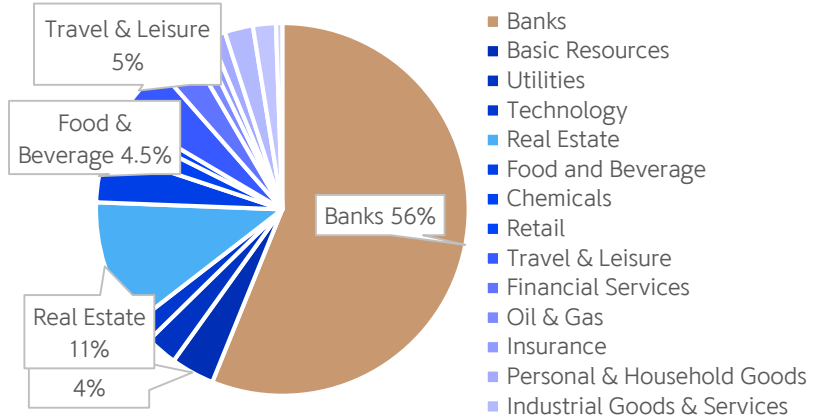
Source: FiinPro, Shinhan Securities Vietnam

Yearly earning growth of listed companies on HSX



Source: FiinPro, Shinhan Securities Vietnam

Earning structure in HSX by industries level 2 (2024Q1)



Source: FiinPro, Shinhan Securities Vietnam

Many industries experienced significant recovery in Q1/2024

Profit growth by industries (YoY)

	Q1/2023	Q2/2023	Q3/2023	Q4/2023	Q1/2024
Banks	-2%	2%	-1%	24%	10%
Real Estate	34%	51%	-39%	-24%	-31%
Food and Beverage	-53%	-19%	-21%	133%	32%
Utilities	-3%	-24%	-49%	-30%	-58%
Chemicals	-66%	-71%	-60%	-32%	-2%
Basic Resources	-91%	-69%	-195%	-171%	347%
Financial Services	-57%	98%	155%	1042%	89%
Technology	1%	9%	18%	33%	23%
Industrial Goods & Services	-26%	37%	-20%	-17%	19%
Travel & Leisure	-114%	-49%	-16%	-63%	1577%
Construction & Materials	-83%	-27%	3%	1536%	266%
Retail	-91%	-104%	-82%	-81%	554%
Oil & Gas	266%	-1226%	1263%	-32%	80%
Personal & Household Goods	-23%	-37%	-38%	19%	8%
Insurance	7%	41%	23%	15%	13%
Health Care	32%	11%	-19%	-5%	-24%
Automobiles & Parts	-59%	-64%	-46%	4%	110%
Media	-5%	-38%	-72%	38%	152%
VNINDEX	-17%	-3%	-10%	30%	11%

Source: Fiinpro, Shinhan Securities Vietnam

Profit growth by industries (QoQ)

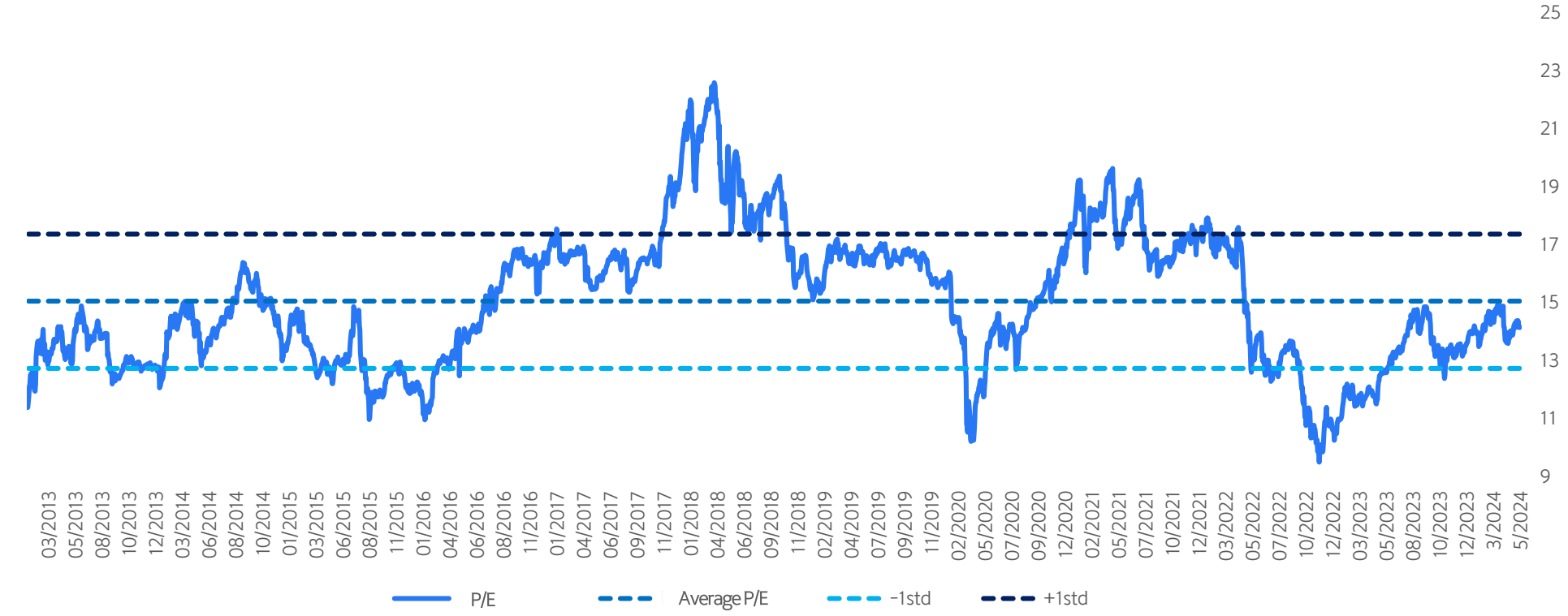
	Q1/2023	Q2/2023	Q3/2023	Q4/2023	Q1/2024
Banks	21%	-4%	-5%	12%	7%
Real Estate	45%	-8%	-11%	-35%	31%
Food and Beverage	96%	73%	-17%	-17%	11%
Utilities	-4%	-11%	-49%	60%	-42%
Chemicals	-49%	-29%	7%	76%	-26%
Basic Resources	-121%	81%	74%	9%	30%
Financial Services	690%	62%	0%	-11%	31%
Technology	7%	7%	13%	3%	-1%
Industrial Goods & Services	-14%	92%	-44%	-11%	24%
Travel & Leisure	-106%	-496%	63%	-8%	-383%
Construction & Materials	355%	172%	-3%	37%	2%
Retail	-81%	-133%	-503%	-26%	560%
Oil & Gas	-44%	42%	-9%	-6%	47%
Personal & Household Goods	18%	-29%	-23%	85%	7%
Insurance	31%	-6%	-4%	-3%	29%
Health Care	6%	-5%	-23%	23%	-15%
Automobiles & Parts	-64%	16%	26%	97%	-27%
Media	-73%	185%	-64%	392%	-50%
VNINDEX	36%	1%	-10%	5%	17%

Source: Fiinpro, Shinhan Securities Vietnam

- Many industries saw improved business results in Q1/2024, notably: Food and beverage, basic resources, retail, oil and gas, and insurance showed a clear recovery as they began to record profit growth compared to QoQ and YoY. We expect these industries to continue to grow in 2H2024. Besides, the real estate is still an enigma as it has recorded negative growth for two consecutive quarters compared to the same period last year. However, we expect VHM (which has the largest weight in the real estate industry) to record positive growth by the end of this year, resulting in overall growth for this group of around 16% YoY.
- Overall, we expect earnings growth of around 15% for 2024 based on (1) expectations for continued stable growth in the banking sector and other industries, and (2) a more strong recovery in the real estate sector.

Stock market outlook

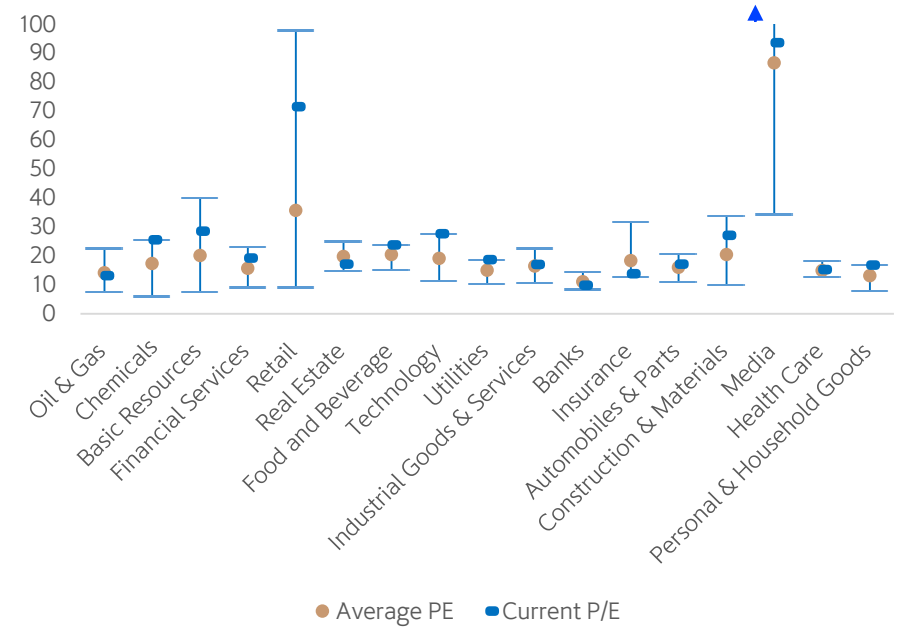
The market is currently trading at P/E of 14.1x, which is lower than the 10-year average P/E of 15x



Source: FiinPro, Shinhan Securities Vietnam
Updated as of May 31st, 2024

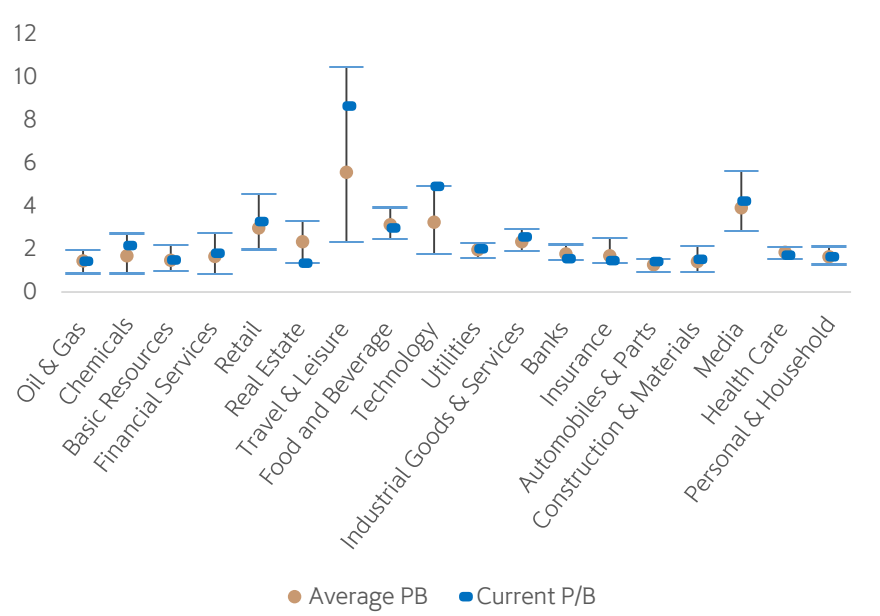
P/E and P/B valuation of industries level 2 from 2018 – 2023

P/E valuation of industries level 2 from 2018 – 2023



Source: FiinPro, Shinhan Securities Vietnam;

P/B valuation of industries level 2 from 2018 – 2023



Source: FiinPro, Shinhan Securities Vietnam

Stock market outlook

The prospects for an upgrade to Emerging Market status are becoming clearer as the solutions are being implemented

2023 | 2024 | 2025 | 2026

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

Solutions

- ✓ Approve the draft circular amending the circulars related to the foreign investor margin solutions and disclose information in English
- ✓ Address issues regarding foreign ownership limits, foreign investor room; and/or
- ✓ Improve the level of liberalization of the foreign exchange market; and/or
- ✓ Implement the new system to enhance the securities infrastructure, serving as a foundation for the CCP mechanism

Upgrade to FTSE Emerging Market

- ✓ If the draft amendment circular is approved, FTSE needs at least 6 months to consult investors on margin solutions. Therefore, March 2025 is the most feasible scenario for the expectation of FTSE upgrading Vietnam's market to a Secondary Emerging Market
- ✓ If there are simultaneous positive developments in the solutions: new trading system being put into operation, CCP being implemented, and the removal of issues regarding foreign ownership, it is highly likely that Vietnam will be included in MSCI's watchlist for an upgrade to Emerging Market status in the June 2025 review

Upgrade to MSCI Emerging Market

- ✓ The smooth implementation of the solutions and positive evaluation by market participants will help Vietnam's market be upgraded to Emerging Market status
- ✓ Upon being upgraded, Vietnam's market is expected to have a weight of approximately 0.7% - 1.2% in the Emerging Market Index, attracting 4 to 7 billion USD from passive investment funds (ETFs, index-tracking mutual funds, etc.) and active funds focusing on emerging markets
- ✓ Historical data shows that stock markets typically experience a boom in the two years preceding an official upgrade

Vietnam Market Weight & Attracted Investment Capital

- The weight of each market in the Emerging Markets Index is typically determined by the ratio of each market's free-float-adjusted market capitalization to the total capitalization of the index. As per the latest update on May 31, 2024, from MSCI, the Emerging Markets Index has a total capitalization of USD 7,238 billion, while Vietnam's free-float-adjusted market capitalization stands at USD 32.04 billion, equivalent to 0.44% of the total capitalization after being added.
- For an upgrade by MSCI, Vietnam will need to implement several measures to reduce foreign ownership limits, thereby increasing free-float market capitalization, such as Non-Voting Depository Receipts (NVDRs) and reducing foreign ownership restrictions in many sectors.
- Consequently, we estimate that Vietnam, once upgraded, will account for 0.7% – 1.2% of the Emerging Markets Index. According to data published by MSCI, FTSE Russell, and Bloomberg, SSV estimates that investment inflows into Vietnam will reach approximately USD 4 – 7 billion from passive investment funds (ETFs, index-tracking mutual funds, etc.) and active funds focusing on emerging markets.

Market Index	Free-float-adjusted MarketCap (bil. USD)	Weight in Emerging Markets Index
MSCI China Index	1,966	27.16%
MSCI India Index	1,312	18.12%
MSCI Taiwan Index	1,306	18.05%
MSCI Korea Index	837	11.57%
MSCI Brazil Index	337	4.66%
MSCI Vietnam Index	32	*0.44%
MSCI Emerging Markets Index	**7,238**	**100.0%**

Source: MSCI, Shinhan Securities Vietnam

**SSV estimates*

Stocks Benefiting from Market Upgrade

According to event statistics, when a market is upgraded, its general market index increases by an average of 23.2% from the time of announcement to the effective date. However, the impact on individual stocks will be unclear. According to our analysis, there are two main categories of stocks that will benefit from the market upgrade:

1. Stocks that meet the criteria to be included in the emerging market index, thereby attracting significant foreign investment.
2. Stocks in the securities sector, particularly companies with a strong institutional brokerage, as they will be the primary beneficiaries of increased trading fees from new capital entering the market.

For category (1), companies may include: Hoa Phat Group JSC (HPG), VINHOMES JSC (VHM), Vingroup JSC (VIC), MaSan Group JSC (MSN), and Joint Stock Commercial Bank for Foreign Trade of Vietnam (VCB). For category (2), currently, three securities companies dominate the institutional brokerage market share: SSI Securities Corporation (SSI), Ho Chi Minh City Securities Corporation (HCM), and VIETCAP Securities JSC (VCI).

Company (Stock ticker)	Free-float-adjusted MarketCap (bil. USD)	Weight in MSCI Vietnam Index*
Hoa Phat Group JSC (HPG)	3.52	10.99%
VINHOMES JSC (VHM)	2.33	7.26%
Vingroup JSC (VIC)	1.96	6.13%
MaSan Group JSC (MSN)	1.94	6.05%
JS Commercial Bank for Foreign Trade of Vietnam (VCB)	1.92	5.98%
Vietnam Dairy Products JSC (VNM)	1.88	5.87%
SSI Securities Corporation (SSI)	1.43	4.47%
Duc Giang Chemicals Group JSC (DGC)	0.92	2.88%
VNDIRECT Securities Corporation (VND)	0.8	2.49%
Vincom Retail JSC (VRE)	0.8	2.48%
Total	**17.5**	**54.59%**

Source: MSCI 05/2024, Shinhan Securities Vietnam

*MSCI Vietnam Index is a market index of Vietnam, consisting of 59 constituents (focusing on mid and large-cap), covering 85% of the total market cap. The index is classified as a Frontier Market.

Technical view – Market scenario – Trading strategy

Maintain the upward trend



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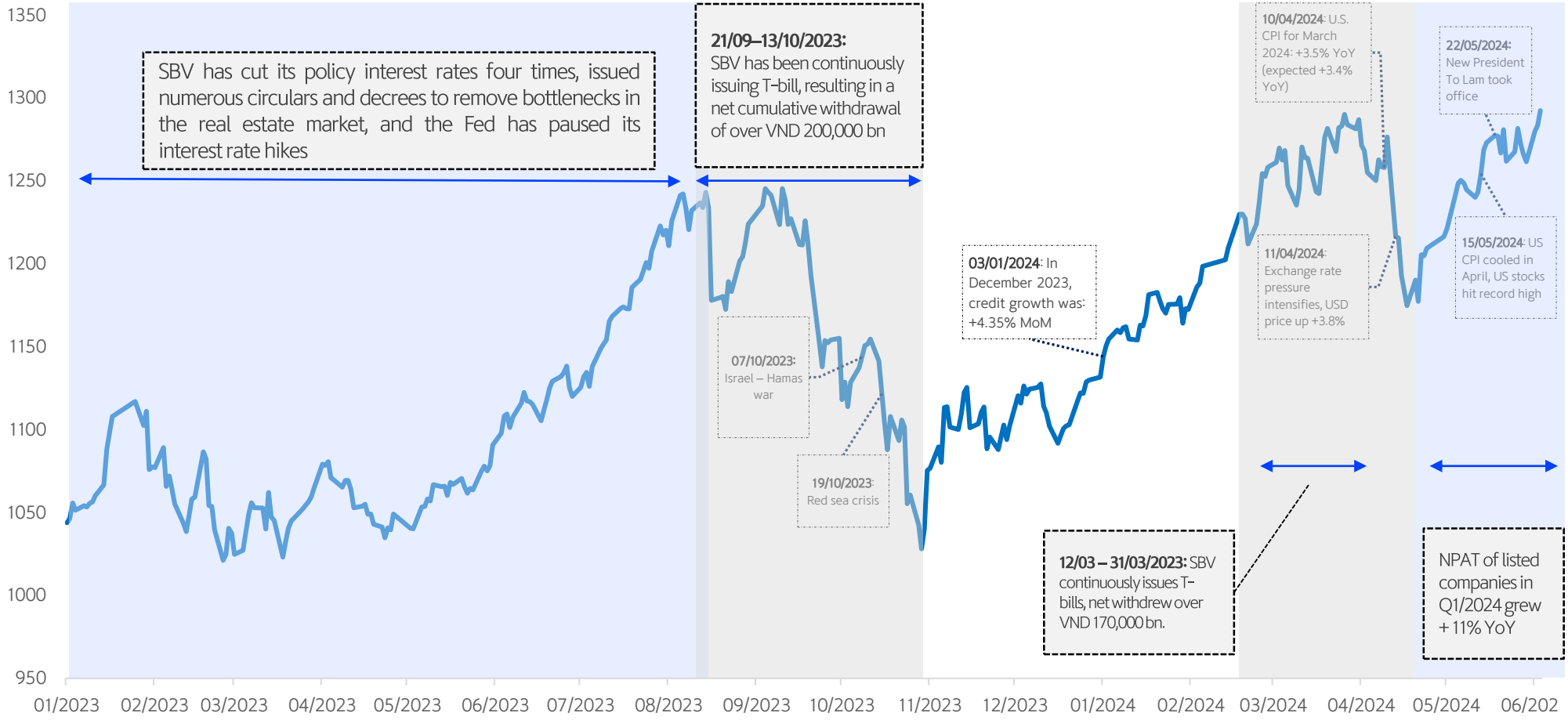
02

Technical view – Market scenario – Trading strategy

- VNIndex is expected to continue its recovery journey with a target of the 1,340-1,390 point range – corresponding to the base scenario, in line with the recovery of the global and Vietnamese economies. In the negative scenario, VNIndex will fluctuate around 1,100-1,250 points when economic development support policies have not been effective.
- The buying strategy in 2024 will be more optimal when the market has corrections to support zones such as the 1,250 or 1,200 zone, rather than buying breakouts at resistance zones. Short-term and medium- to long-term support is 1,250 and 1,200, respectively. Resistance: 1,280-1,300.

Technical view – Market scenario – Trading strategy

Major events of stock market in 2023 to 5M2024



Supporting and risk factors of stock market in 2024

Supporting factors

- Low interest rates support economic growth and stimulate inflow capital to the stock market.
- Expectations for the first FED rate cut in the second half of 2024
- The domestic market trend is driven by retail cash flow.
- Market valuation is still cheaper than the 10-year average
- The market margin scale is still in a safe state.
- Investor deposits at securities companies and transaction value increase sharply

Risk factors

- Exchange rate pressure and inflation are rising more sharply than expected.
- The room for further cuts to the policy interest rate has almost disappeared.
- The real estate and corporate bond markets are still facing difficulties.
- Unexpected domestic political events could have an impact.
- Foreign investors are continuously net selling
- The economic recovery in developed countries may be weaker than expected.
- Geopolitical tensions (Russia and Ukraine, Israel and Hamas, etc.).
- The FED is delaying the interest rate cut.

Technical view – Market scenario – Trading strategy

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

		2024F Earnings Growth Forecast				
Earnings Yield (E/P)	P/E	9%	12%	15%	18%	21%
8.7%	11.6x	1,084	1,114	1,144	1,173	1,203
8.0%	12.6x	1,178	1,211	1,243	1,275	1,308
7.4%	13.5x	1,272	1,307	1,342	1,377	1,412
7.1%	14x	1,320	1,356	1,392	1,428	1,465
6.7%	15x	1,414	1,453	1,492	1,531	1,569
5.9%	17x	1,602	1,646	1,690	1,735	1,779
5.7%	17.5x	1,649	1,695	1,740	1,786	1,831

Source: FiinPro, Bloomberg, Shinhan Securities Vietnam

Technical view – Market scenario – Trading strategy

We propose 2 scenarios for 2H2024

Since the release of our 2024 outlook report in October 2023, the market has gained about 13% and is currently trading around the 1,250 – 1,280 area, in line with our base-case scenario. Most of the growth drivers supporting the VNINDEX recovery that we mentioned have materialized. However, there have also been a few unforeseen variables that have slowed down the VNINDEX's upward trajectory.

Therefore, for the end of 2024, we present two scenarios:

Base scenario: VNINDEX reaches 1,340 – 1,390	P/E = 13x-14x	- Using market P/E of 14.0 as the target P/E (lower than the 10-year average P/E) reflects the market's cautious stance in light of recent unexpected negative news, such as geopolitical conflicts and high-level personnel changes within the Vietnamese government.
	EPS growth ~ 15%	- The projected profit growth for 2024 is driven by three main factors: (1) Strong earnings growth in Q1/2024, (2) Anticipated positive profit growth in the real estate sector by year-end, (3) Sustained profit growth in the banking sector and other industries.
Negative scenario: VNINDEX falls to 1,100 – 1,250	P/E = 11x – 12x	- VNINDEX is trading at a P/E ratio one standard deviation below the mean, reflecting the scenario that the market is facing unpredictably negative news.
	EPS growth 12-15%	- Profit growth of listed companies are below the expectations.

Technical view – Market scenario – Trading strategy

Base Scenario – VNINDEX: 1,340 – 1,390 points

Market continues to rally towards 1,340–1,390 points - Economic recovery continue

- SBV maintains expansionary monetary policy and strongly promotes public investment
- Expectations for the FED to cut the policy rate in the second half of 2024
- Market valuations are still relatively cheap
- Inflation and exchange rates are still well controlled
- Real estate and corporate bonds are showing more positive signs
- New system officially launched

Sector recommendations:

- Bank
- Real Estate
- Industrial real estate
- Retail
- Basic materials

Negative Scenario – VNINDEX: 1,100 - 1,250 points

Market trading within the range of 1,100 - 1250 - Economic stimulus policies have not been truly effective, many unpredictable variables emerge

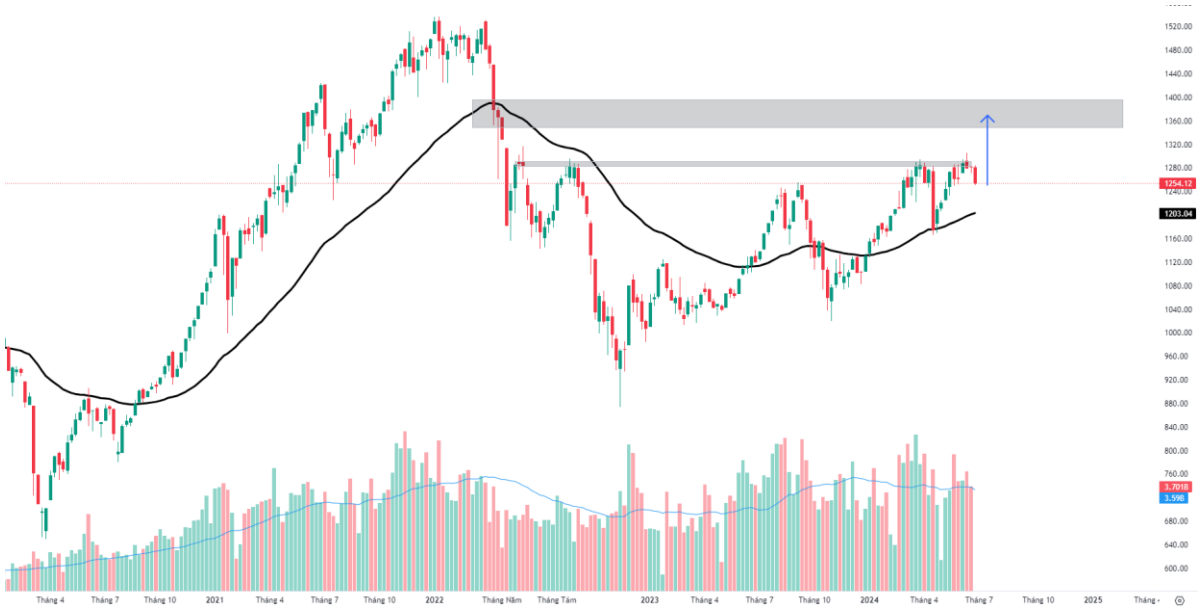
Risk factors that may dominate:

- The exchange rate is under pressure as Vietnam maintains a loose monetary policy while developed countries are still keeping interest rates high to combat 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,...)
- Unpredictable escalation of geopolitical tensions (Russia-Ukraine, Israel,...)
- Foreign investors continue to maintain strong net selling
- Unexpected impacts of domestic political information

Industries Recommendations :

- Defensive (Utilities, Pharmaceuticals, Consumer Staples)
- High dividend yield stocks

Technical view – Market scenario – Trading strategy



Market scenario:

- **Base Scenario – VNINDEX reaches 1,340 – 1,390:** A break above the 1,280 – 1,300 resistance will confirm the VNINDEX's ability to reach the higher target zone of 1,340 – 1,390.
- **Negative Scenario – VNINDEX reaches 1,100 – 1,250:** If the market breaks below the 1,250 – EMA 50 support zone, it will retest the 1,200 – EMA 200 zone.

Technical view:

- In the medium term, the market is trading in an uptrend with a higher subsequent bottom than the previous bottom. However, selling pressure in the old peak zone of 1,280 – 1,300 has continuously appeared, causing the market to try to break out many times but unsuccessfully. In the short term, the market is trading in a narrow range of 1,250 – 1,280, indicating that supply and demand are quite balanced, as buyers only place buy orders at low prices.
- Short-term and medium- to long-term support are 1,250 and 1,200, respectively. Resistance: 1,280-1,300.

General trading strategy:

- We believe that the VNINDEX's upward trend in 2H2024 is mainly expected to come from the synchronization of monetary policy between Vietnam and developed countries (the US). The FED's decision to lower interest rates may take longer than expected, causing the market to take longer to reach the base scenario target. However, in general, expectations for a recovery in the domestic economy and corporate earnings are still ongoing, leading to the market's upward trend.
- Therefore, the buying strategy in 2024 will be more optimal when the market has adjustments to the support zones such as the 1,250 or 1,200 zone, rather than buying breakouts at the resistance zones like in 2017 or 2020-2021 (the context of these periods is better).

Banking industry

Strive to achieve goal



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Content

Banking outlook – Strive to achieve goal

1. Updated business result of listed banks

Banking financial results did not see much improvement in Q1/2024. Negative credit growth rate was observed in certain banks. Profit before tax in Q1/2024 increased modestly at 10.75% YoY, averagely completed 24% of target year profit.

2. Banking outlook for 2024

We forecast that overall economic credit growth will be around +13-14%, lower than the National Assembly's target of +15%. We have observed a slight upward trend in deposit interest rates at many banks in Q2/2024. Compared to the beginning of the year, 6-12 month term deposit rates have increased by an average of around 50 bps.

We assess that deposit interest rates may continue to rise slightly in the rest of 2024. We believe that lending rates have returned to historical lows and there is not much room for further reduction. Profit before tax of listed banks on HOSE is forecast to grow by 15% in 2024, while non-performing loans (NPLs) are expected to increase slightly to 1.91%.

3. Bank Valuation

As investors remained concerns about bank asset quality, banks listed on HOSE traded below average Price-to-Book ratio in 5 years. We expect the valuation would gradually move closer to the average level in 2024-2025 period, as asset quality improved along with the recovery of the economy.

4. Stock pick

VCB, ACB, STB, MBB, HDB, VPB

01

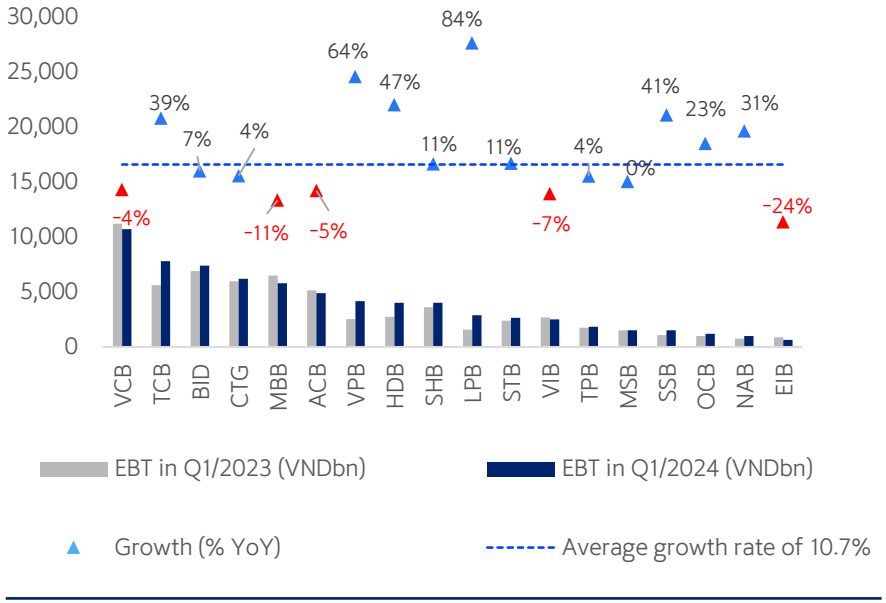
Updated business result of listed banks

- Banking financial results did not see much improvement in Q1/2024. Negative credit growth rate was observed in certain banks. Retail demand lagging in Q1/2024, credit growth mainly from enterprise segment (short-term loan) and lower loan interest rate to stimulate credit demand were the main reasons for flat NIM despite noticeable reduction in COF.
- Non-performing loan ratio increased slightly as compared to the end of 2023, Loan loss coverage ratio continued to shrink in the first 3M2024.
- Profit before tax in Q1/2024 increased modestly at 10.75% YoY, averagely completed 24% of target year profit.

Earning before tax for Q1/2024

Profitability differed among banks

Earning before tax in Q1/2024



Source: FiinPro, Financial reports of 18 banks listed on HOSE, Shinhan Securities Vietnam

Earning before tax in comparison with 2024 target

Ticker	EBT Q1/2024 (VNDbn)	Target EBT in 2024 (VNDbn)	% growth compared to 2023	Completed (%)
ACB	4,892	22,000	+10%	22%
BID	7,390	30,348	+10%	24%
CTG	6,210	27,909*	+12%	22%
EIB	661	5,180	+90%	13%
HDB	4,028	16,000	+23%	25%
LPB	2,886	10,500	+49%	27%
MBB	5,795	28,410	+8%	20%
MSB	1,530	6,800	+17%	23%
NAB	1,000	4,000	+21%	25%
OCB	1,214	6,885	+66%	18%
SHB	4,017	11,286	+22%	36%
SSB	1,506	5,888	+28%	26%
STB	2,654	10,000	+4%	27%
TCB	7,802	27,100	+18%	29%
TPB	1,829	7,500	+34%	24%
VCB	10,718	42,000	+2%	26%
VIB	2,502	12,045	+13%	21%
VPB	4,182	23,165	+114%	18%
Total	**70,817**	**297,016**	**19%**	**24%**

Source: Information from resolutions of the General Meeting of Shareholders, Shinhan Securities Vietnam
* CTG is based on SSV's estimate, VCB is based on VND 42,000 billion approved by the State Bank of Vietnam, MBB is based on the 8% growth rate set out in the General Meeting of Shareholders

- In general, listed banks' pre-tax earnings closely tracked the 2024 target plan. Bank management anticipated market challenges and remained confident in achieving positive results in the second half of 2024. However, factors such as low demand growth, declining loan interest rates, and rising deposit and interbank rate could potentially impact the recovery of banks, particularly those with high loan-to-deposit ratios (LDRs) and the ones rely heavily on interbank deposits in 2023.
- EIB, VPB, and OCB underperformed relative to their annual targets in Q1 2024.
- EIB's results were impacted by a modest recovery in net interest income, negative growth in fee income, and rising provisioning expenses.
- VPB's consumer finance subsidiary, FE Credit, underwent a comprehensive restructuring process under its new shareholder, SMBC, beginning in Q1 2023. This restructuring resulted in a contraction of FE Credit's total assets and negative profits in 2023. The Board of Directors anticipates a return to growth for FE Credit in 2024.
- OCB's 2023 audited profit was downwardly adjusted by approximately VND 900 billion due to the reclassification of assets, leading to increased provisioning expenses. The bank expects to reverse this accounting treatment in 2024.

Business result summary of banking stocks listed on HOSE

PBT grew modestly, slow credit expansion, NIM stayed flat and NPL slightly increased

Business results of banks in Q1/2024

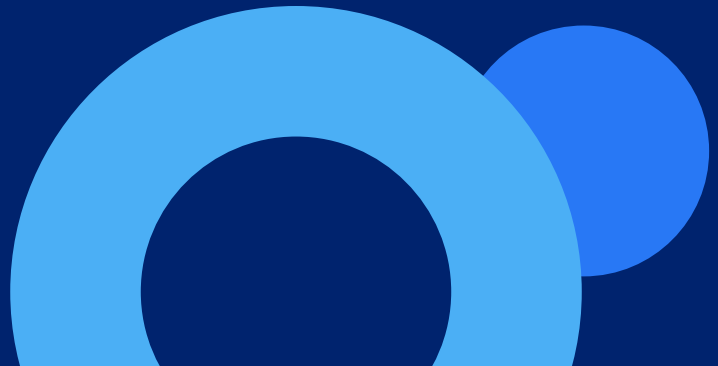
Main indicators	Formula	Q1/2024	Q1/2023	%YoY	%QoQ	Note
Credit growth (% Ytd)		2.24%	4.17%			- Overall credit growth in Q1/2024 was slower than in the same period last year. The driving force behind overall credit growth was the large corporate customer segment (The real estate and construction business segment continued to receive strong credit disbursement in Q1/2024). Meanwhile, outstanding loans to the retail customer segment remained under pressure and contracted in late Q1/2024.
Deposit growth (% Ytd)		0.81%	3.76%			- The low level of deposit interest rates in the first three months of 2024 (around 5% for 12-month deposits) has dampened people's demand for deposits. While we believe that deposit interest rates may increase slightly in the remaining months of the year, the overall interest rate level is likely to remain at low level.
NPL (%)		1.98% (Q4/2023: 1.76%)	1.77% (Q4/2022:1.47%)			- NPL ratio after decreased in Q4/2023 had inched up in Q1/2024. Further downgrade loan classification from group 1-2 to NPL and NPL write off usually took place at the end of the year were the two main reason for the increase in Q1/2024. Furthermore, the CIC effect had adversely affected the performance of large banks listed on the Ho Chi Minh Stock Exchange (HOSE).
NIM (% - TTM)		3.51% (Q4/2023: 3.5%)	3.87% (Q4/2022: 3.9%)			- In Q1/2024, low lending interest rates, implemented to stimulate loan demand in the context of sluggish retail sector credit growth, resulted in the banks' net interest margin (NIM) remaining relatively flat compared to expectations of expansion. Nonetheless, it is noteworthy that despite a subdued credit growth rate and a focus on larger clients, the NIM of banks listed on the Ho Chi Minh Stock Exchange (HOSE) has exhibited stability over the past two quarters.
COF (% - TTM)		4.26% (Q4/2023: 4.5%)	3.64% (Q4/2022: 3.15%)			- Capital costs have decreased clearly in the last 2 quarters and decreased to an average of 4.26%.
I. Net interest income (VNDbn)		116,952	108,140	+7.89%	+1.61%	- Net interest income only increased slightly by nearly 8% YoY. Some banks with a decline in net interest income over the same period include BID, VCB, MBB, VIB and SHB.
II. Fee income (VNDbn)		14,580	13,790	+5.73%	-20.32%	- The bank's service fee income did not have many positive developments in the first 3 months of 2024. The bancasurance segment is expected to recover marginally and is unlikely to grow strongly this year.
III. Other non interest income (VNDbn)		14,452	13,732	+8.07%	-6.11%	
IV. Total operating income (VNDbn)	(I)+(II)+(III)	**145,984**	**135,302**	**+7.89%**	**-1.89%**	
V. Operating Expenses (VNDbn)		44,608	42,095	+5.97%	-14.43%	- Operating costs are controlled relatively closely with the bank's total income growth.
VI. Pre-provision operating profit (VNDbn)	(IV)-(V)	**101,376**	**93,207**	**+8.76%**	**+4.88%**	
VII. Provision expenses (VNDbn)		30,559	29,260	+4.44%	-1.80%	- Credit risk provision costs stayed relatively flat in Q1/2024, with expectation to increase for the rest of 2024
VIII. Earning before tax (VNDbn)	(VI)-(VII)	**70,817**	**63,946**	**+10.74%**	**+8.05%**	

Source: Information from 18 banks listed on HOSE, compiled and calculated by Shinhan Securities Vietnam based on consolidated financial statements data

02

Banking outlook for 2024

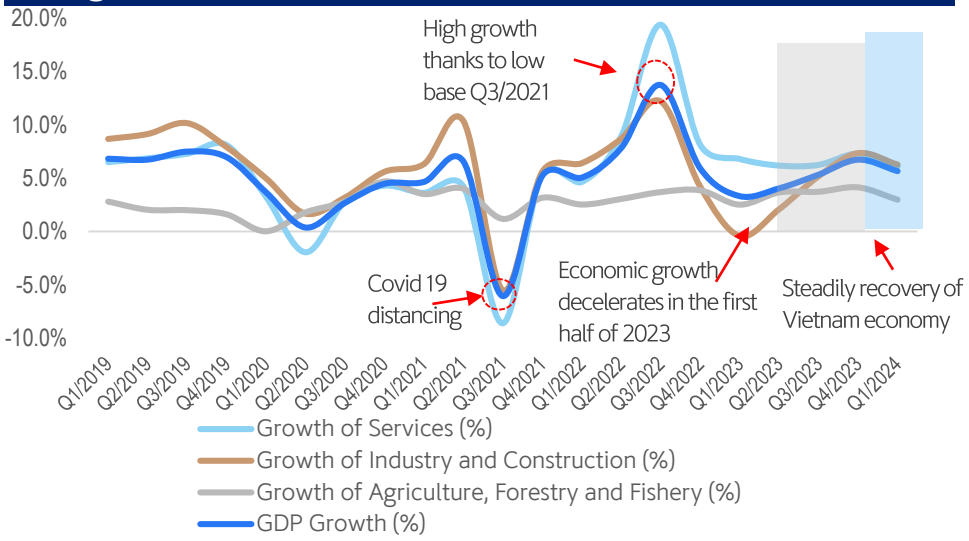
- We forecast that the overall economic credit growth will be around 13 - 14%, lower than the National Assembly's target of +15%.
- We have observed a slight upward trend in deposit interest rates at many banks in Q2/2024. Compared to the beginning of the year, 6-12 month term deposit rates have increased by an average of around 50 bps. We believe that deposit interest rates may continue to rise slightly in the rest of 2024. We believe that lending rates have returned to historical lows and there is not much room for further reduction.
- Profit before tax of listed banks on HOSE is forecast to grow by 15% in 2024, while non-performing loans (NPLs) are expected to increase slightly to 1.91%.



Banking outlook for 2024

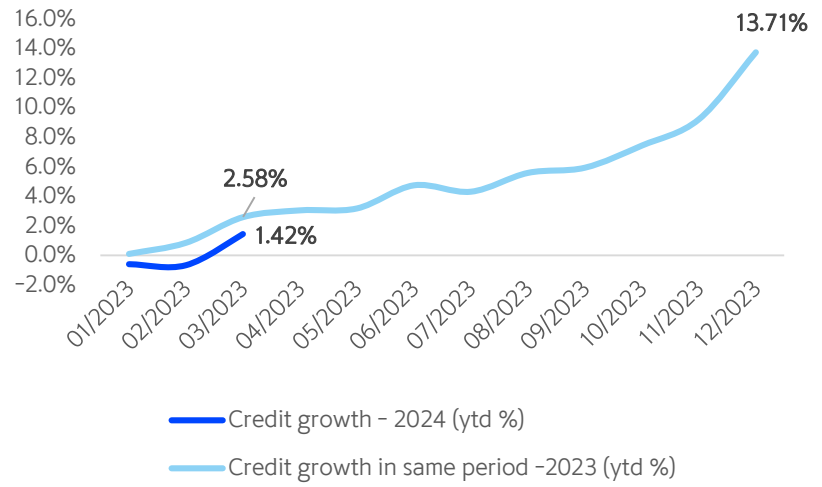
GDP growth is in line with expectations, while credit growth remains sluggish

GDP growth in 2019-2024



Source: GSO, Fiinpro , Shinhan Securities Vietnam

Accumulative credit growth in 2024 (Ytd %)



Source: SBV, Fiinpro, Shinhan Securities Vietnam

Main points of the economy in 2024

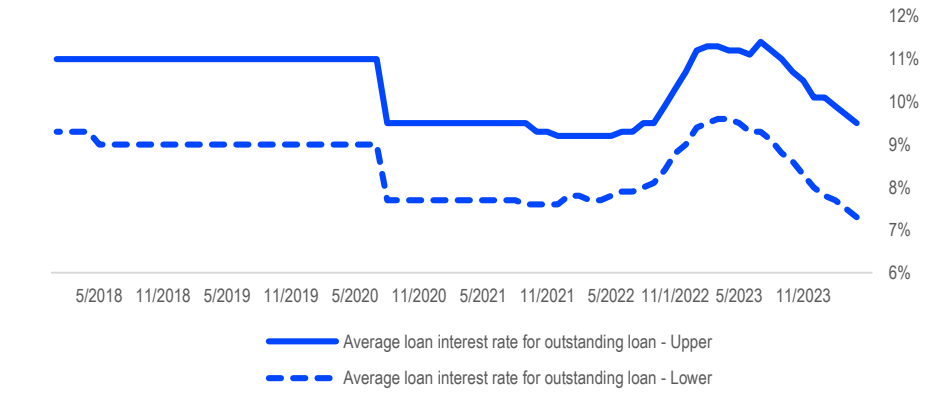
- GDP Q1/2024 healthy growth at **+5.66% YoY**, IIP 4M/2024 **+11.58% YoY**, Export growth 5M/2024 **+16.0% YoY**, Import growth 5M/2024 **+17.5% YoY**, PMI in May maintained above **50 level**, Realized FDI capital 5M/2024 **+7.8% YoY**.
- Credit growth lagging in Q1/2024 **+1.42% Ytd** (06/14/2024 at **+3.79%** Ytd), due to low credit demand (especially slow recovery in retail bank book) in 1H2024. Interbank rate back to around **4-5%**, OMO rate rose to **4.5%** territory, Bill rate **4.25%**, Exchange rate under pressure and depreciate **4-5%**, SBV intervene by selling USD to better manage the interest rate. However, we expect the pressure on exchange rate would reduce for the rest of 2024 as export activity picks up in Q3/2024.

Outlook for the rest of 2024

- GDP growth rate for 2024 to be around **+6%,** Based on this economic growth, we believe that credit growth across the economy is expected to be at **+13-14%**, lower than the target of **+15%** approved by the National Assembly.
- Interest rate could increase slightly from low level

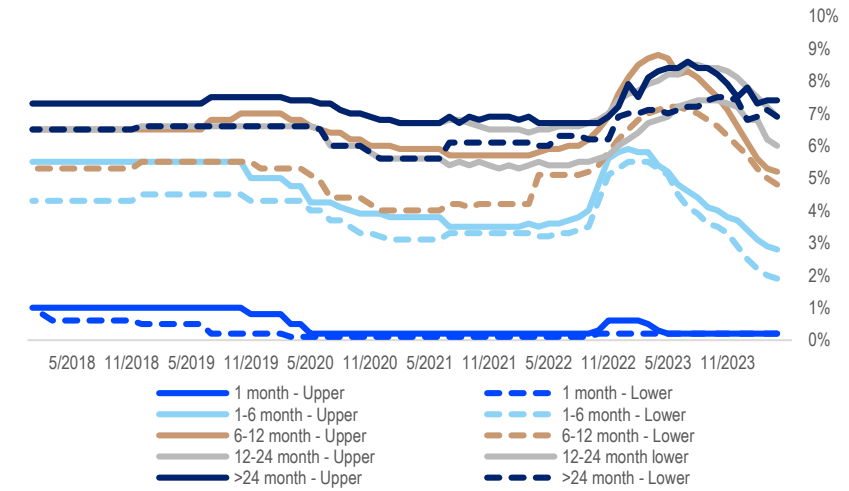
Lending interest rates have reflected the decline in capital costs

Average loan interest rate (%)



Source: SBV, Fiinpro , Shinhan Securities Vietnam

Average deposit interest rate (%)



Source: SBV, Fiinpro, Shinhan Securities Vietnam

Deposit interest rates edged up

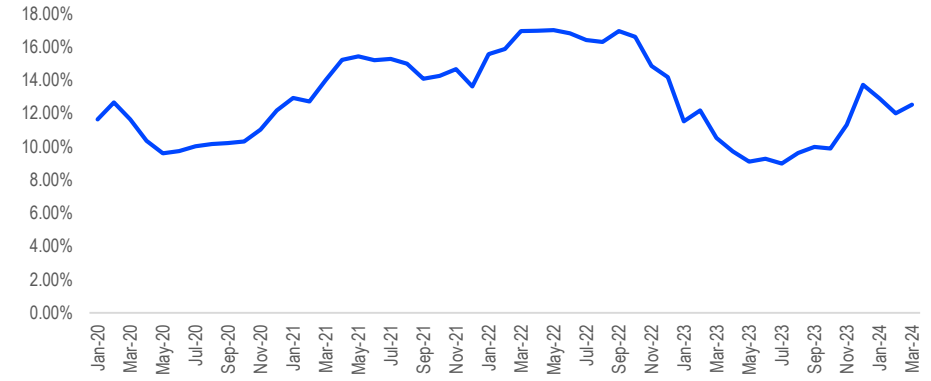
- After nearly a year of efforts to reduce deposit interest rates, Deposit interest rates returned to historically low levels, with an average 12 month term under 5%. However, we see a slight upward trend in deposit interest rates took place in many commercial banks in Q2/2024. Compared to the beginning of the year, 12 month term deposit interest rates increased on average around 50 bps in some commercial banks. We believe that deposit interest rates may continue to increase slightly in the rest of 2024.

Lending rates have decreased significantly

- Compared to the peak in Q3/2023, the average lending rate for both existing and new loans has decreased by 150–210 bps, from around **9.6–11.2%** to only around **7.3–9.5%**. We believe that lending rates have returned to historical lows and there is not much room for further reduction. If banks continue to reduce lending rates to stimulate borrowing demand, they will have to accept a narrower NIM and lower profit margins.

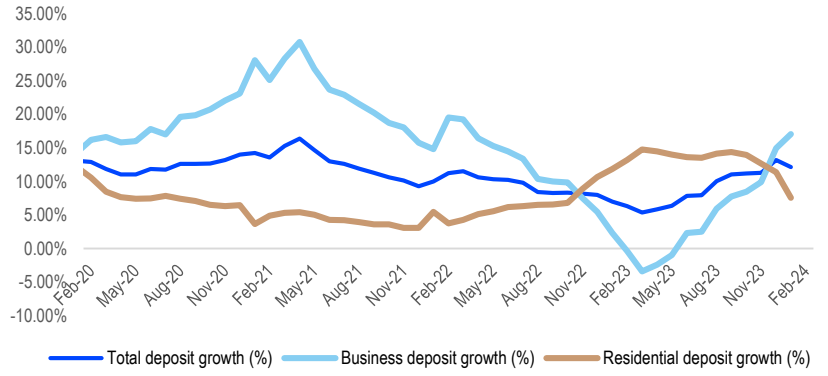
Mobilization from customer deposits is unlikely to grow as strongly as in 2023

Credit Growth (YoY)



Source: GSO, Fiinpro , Shinhan Securities Vietnam

Deposit growth rate (%)



Source: SBV, Fiinpro, Shinhan Securities Vietnam

Credit growth continued to face difficulties in the first half of 2024

- Credit growth YoY of the banking industry in the first couple months of 2024 was still below the target of 15% set by the National Assembly.

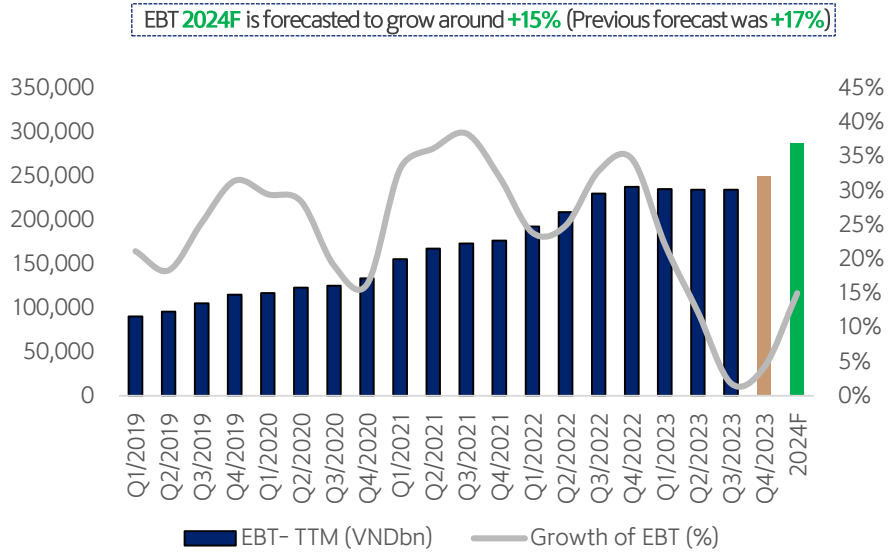
Deposit growth was differentiated between residential and economic sectors

- During the period of high deposit interest rates, deposit growth from the retail sector showed a positive trend and made it easier for banks to mobilize funds through this channel. Meanwhile, the contraction of economic activities caused deposits from the corporate sector to grow at a slower pace than the growth of total deposits.
- However, the trend has clearly reversed since the end of Q3/2023 to Q1/2024, as deposit interest rates have returned to low levels, making this channel less attractive to investors. On the other hand, the return of orders and the gradual recovery of production activities have led to a resurgence in deposits from the corporate sector.
- With this trend change, in 2024, banks will need increase its capital mobilization through valuable papers channel in the conext that mobilizing from customer deposits is not as easy as it was in 2023. The issuance of bonds by banks has been relatively active in the first half of 2024, notably MBB, TCB, BID, and MSB. In addition to improving capital mobilization, repurchasing bonds before maturity and issuing bonds with long maturities also help banks improve the ratio of short-term capital to medium- and long-term lending.

Banking outlook for 2024

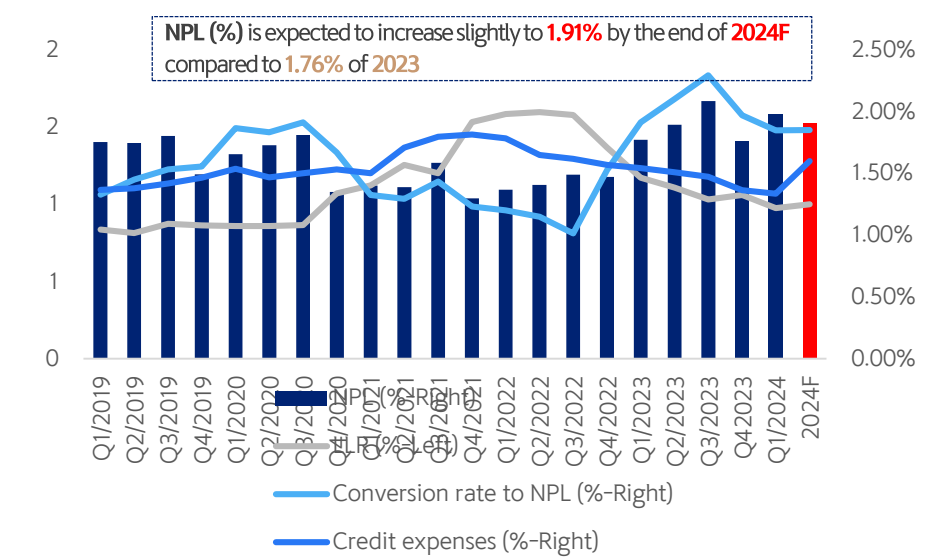
Pre-tax profits of banks listed on HOSE in 2024 are forecast to grow in 2 digits

Earning before tax (VNDbn)



Source: FiinPro, Shinhan Securities Vietnam

Non-performing loan (NPL) forecast



Source: FiinPro, Shinhan Securities Vietnam

- **Earning before tax of 18 banks listed on HOSE in 2024 with assumptions below:**

- Credit growth at **+15.5% YoY**; NIM conservatively stays flat at **3.6%** (compared to 3.6% of 2023)
- Non-interest income grows at **+15.0% YoY**,
- Operating expenses increase slightly at **+6.5% YoY,**
- NPL increases modestly to **1.91%** (compared to 1.76% of 2023); Maintain LLR (%) back to **100%;** Credit cost at around **1.60%**
- P/B TTM currently at **1.52x** (Average 5 years at **1.8x**), P/B forward 2024 at **1.24x**, PB forward 2025 at **1.0x**

- We also run the sensitivity analysis with NPL ratio from **1.6%-2.1%**, EBT growth rate would be in the range from **+10%** to **+20%**. We believe that NPL ratio would decrease slightly if credit demand improves significantly and debt collection activities recover gradually in the second half of 2024. In a more pessimistic scenario, NPL ratio of listed banks on HOSE in 2024 could be higher than 2%.

03

Bank Valuation

As investors remained concerns about bank asset quality, bank stocks listed on HOSE traded below average Price-to-Book ratio in 5 years. We expect the valuation would gradually move closer to the average level in 2024-2025 period, as asset quality improved along with the recovery of the economy.

Bank Valuation

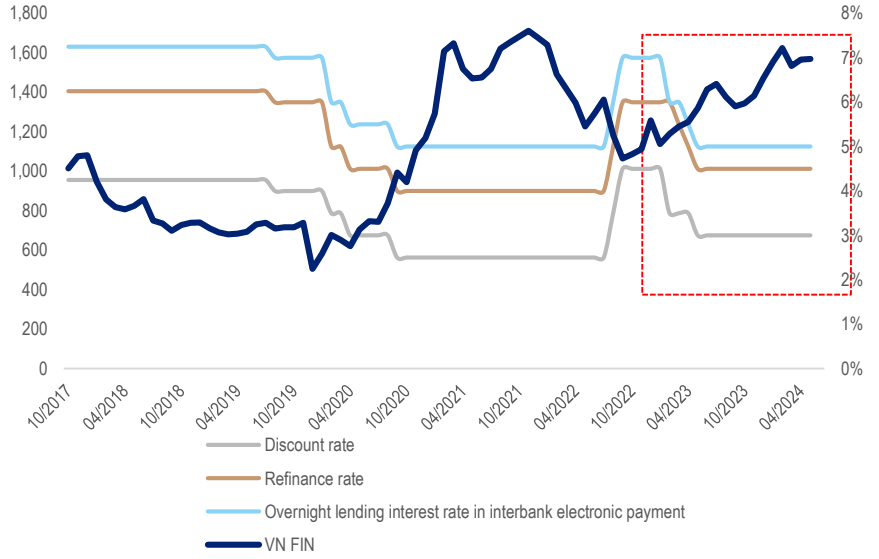
Discount banking valuation reflects the general negative sentiment

Average P/B of listed bank on HOSE in 5 year



Source: Bloomberg 06/24/2024, Shinhan Securities Vietnam

Policy interest rate and VN-Fin Index



Source: SBV, Fiinpro, Shinhan Securities Vietnam

- Price to book value are currently trading at discount, around 1.52x (below -1 Standard deviations of P/B in the last 5 years), due to the concerns related to weak credit demand, unfavorable interest rate movements and worsen asset quality. P/B forward for 2024 currently around 1.24x, considerably lower than the industry average of 1.80x.

04

Stock pick

VCB, ACB, STB, MBB, HDB, VPB

Listed bank stocks on HOSE

Stock	Market cap (VNDbn)	Current price (VND)	Target price for 2024 * (VND)	Upside (%)	NII growth Q1/2024 (% YoY)	TOI growth Q1/2024 (% YoY)	EBT growth Q1/2024 (% YoY)	Asset/equity (x)	NIM (TTM)	NPL (%)	LLR (%)	CIR (TTM)	ROE (TTM)	P/B (TTM)	PB Forward 2024	PB Forward 2025
VCB	477,867	85,500	101,600	**18.8%**	-1%	-7%	-4%	11.15	3.0%	1.2%	320.8%	32.6%	20.5%	2.75	2.33	1.91
BID	256,520	45,000	53,000	**17.8%**	-3%	-1%	7%	18.73	2.6%	1.5%	171.3%	35.2%	18.3%	2.07	1.69	1.46
CTG	169,960	31,650	39,000	**23.2%**	20%	12%	4%	16.15	2.9%	1.3%	173.0%	28.8%	16.5%	1.31	1.14	0.94
TCB	168,728	23,950	25,050	**4.6%**	30%	32%	39%	6.45	4.2%	1.1%	133.8%	31.1%	15.4%	1.24	1.11	0.96
VPB	149,554	18,850	22,900	**21.5%**	19%	9%	64%	5.85	5.5%	4.8%	46.0%	27.5%	8.9%	1.08	1.02	0.93
MBB	120,188	22,650	29,000	**28.0%**	-11%	1%	-11%	9.77	4.6%	2.5%	138.3%	31.4%	21.7%	1.21	1.04	0.87
ACB	107,646	24,100	30,350	**25.9%**	8%	3%	-5%	10.13	3.9%	1.5%	116.6%	33.7%	23.0%	1.44	1.28	1.05
HDB	65,096	22,350	28,900	**29.8%**	48%	37%	47%	12.98	5.1%	2.2%	61.8%	33.8%	24.5%	1.36	1.18	0.95
LPB	72,253	28,250			25%	43%	84%	11.22	3.3%	1.4%	111.1%	34.1%	21.5%	1.98		
VIB	54,034	21,300	25,010	**17.4%**	-6%	8%	-7%	10.80	4.5%	3.6%	38.0%	30.7%	23.7%	1.41	1.20	0.97
STB	55,614	29,500	38,000	**28.8%**	2%	1%	11%	14.75	3.7%	2.3%	103.8%	49.6%	17.9%	1.16	1.02	0.87
SSB	56,403	22,600			11%	20%	41%	8.78	3.0%	2.0%	105.1%	37.4%	13.7%	1.79		
SHB	41,385	11,300			-12%	-6%	11%	12.59	3.3%	3.0%	72.7%	23.6%	15.5%	0.77		
TPB	38,308	17,400			25%	28%	4%	10.89	4.1%	2.2%	83.9%	39.4%	13.3%	1.12		
EIB	31,684	18,200			10%	-5%	-24%	8.97	2.5%	2.9%	46.0%	47.5%	9.0%	1.38		
OCB	29,384	14,300			9%	9%	23%	8.41	3.3%	2.9%	46.8%	35.9%	12.5%	1.00		
MSB	28,300	14,150			10%	9%	0%	8.53	4.0%	3.2%	65.2%	39.3%	15.3%	0.88		
NAB	16,770	15,850			10%	16%	31%	13.77	3.4%	2.7%	53.8%	45.9%	19.3%	1.05		

Source: Bloomberg updated on June 24th, 2024, Shinhan Securities Vietnam

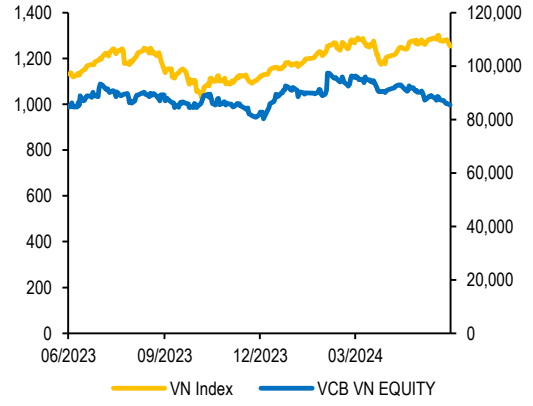
* The target price in this report is forecast by SSV based on business results in 2024.

Bank for Foreign Trade of Vietnam (HOSE:VCB)

Vietcombank

Target price (year 2024)	**VND 101,607**
Current price (06/24/24)	VND 85,500
Return (%)	18.8%
VNINDEX	1,254
PE market (24F)	11.1
Market cap (VNDbn)	5,589
Outstanding shares (shares mn)	1,408
Free Float (shares mn)	25.2
52-week high/low(VND)	100,500/ 80,100
Average trading volume 90 days (shares mn)	1.39
Average trading value of 90 days (VNDbn)	132
Foreign ownership (%)	23.48
Major shareholder(%) SBV	74.80
Major shareholder(%) Mizuho	15.0

Performance	**3M**	**6M**	**12M**
Absolute (%)	-9.1	-8.0	-10.0
Relative to VN-Index (%)	-11.3	5.7	1.1



Shinhan Securities

Brand of stability

Joint Stock Commercial Bank for Foreign Trade of Vietnam (HoSE: VCB) is one of the "Big 4" state-owned banks with the largest market capitalization in the banking industry. VCB has always maintained the advantage of being the most efficient bank, with asset quality improving over the years, and constantly making efforts in digital transformation. With the residual income (RI) method and comparison method based on the P/B index, we update the target price for VCB for 2024 at 101,607 VND.

Business results in Q1/2024

- At the 2024 Annual General Meeting of Shareholders, VCB's management announced the bank's strategic plan for the 2025-2030 period will focus on four pillars: retail, services, corporate banking, and investment banking. In 2024, VCB temporarily focuses to grow credit on the corporate customer segment due to still relatively low demand from individual customers, especially for home loan products. VCB expects to disburse a credit package to finance Long Thanh airport (about USD 1 billion), in addition to other major projects such as oil and gas, exploitation, transmission, and electricity in 2024. In the long term, VCB will also increase the proportion of medium- and long-term loan to improve its profitability, the retail segment playing an important role in this strategy.
- VCB 2024 business goals: asset growth reaches 8% YoY, mobilization growth 8% YoY, Non-performing loan ratio (NPL) controlled below 1.5%. Regarding pre-tax profit in 2024, the management shared that SBV approved VCB PBT at VND 42,000 billion (+4.8% YoY). VCB said it is working on 6.5% private placement deal, expects to completed in 2024. VCB maintains the policy of share dividend in 2024 at a rate of 38.79%.
- Business results for Q1/2024: total credit shrank at the rate of -0.3% Ytd, NIM remains stable at 3.04%. Non-interest income decreased by 25.8% YoY, largely due to a decline in foreign exchange trading segment and other income segment. Total operating income in Q1/2024 reached VND 17,280 billion (-6.7% YoY). Despite good effort to control operating costs, VCB's credit risk provisioning expenses in Q1/2024, on the other hand, increased by more than +55.2% YoY. VCB's Q1/2024 pre-tax profit reached VND 10,718 billion (-4.5% YoY), achieving 25.5% of the 2024 plan (the goal approved by the SBV)

Investment thesis

- Good asset quality, NPL ratio maintained below 1.5%, highest loan loss coverage ratio in the industry.
- Diversified capital sources and capital costs maintained at a relatively low level help the bank's NIM fluctuate less. In 2024, when capital costs have returned to a low level as expected, we forecast that VCB's NIM may increase slightly to 3.1%.
- VCB is still in the process of finding investors for a private placement. This deal will help improve the bank's capital adequacy ratio by about 150-200bps

Outlook for 2024

- Key assumptions for VCB's 2024 business results: Credit growth reaches 11.9% YoY, NIM around 3.1%, non-interest income increases 13.7% YoY, NPL ratio at 1.2%, CIR at 32%, Credit risk cost/total credit is at 0.5%, EBT is 45,451 billion VND (+10.2% YoY).

Risk: (1) Lending interest rates continue to decrease and low credit growth, causing NIM to continue to shrink. (2) Rapidly increasing NPL puts pressure on risk provision costs.

Year	2020	2021	2022	2023	2024F
Net interest income (VND bn)	36,285	42,273	53,246	53,621	60,606
Net non-interest income (VND bn)	12,778	14,357	14,836	14,103	16,034
TOI (VND bn)	49,063	56,630	68,083	67,723	76,640
Profit before tax (VND bn)	23,050	27,486	37,359	41,244	45,451
Growth of PBT (%)	-0.70	19.25	35.92	10.50	10.20
P/E (x)	21.9	18.9	13.7	14.7	13.68
P/B (x)	3.9	3.4	2.8	2.7	2.42
ROE (%)	21.08%	21.64%	24.19%	21.57%	19.42%

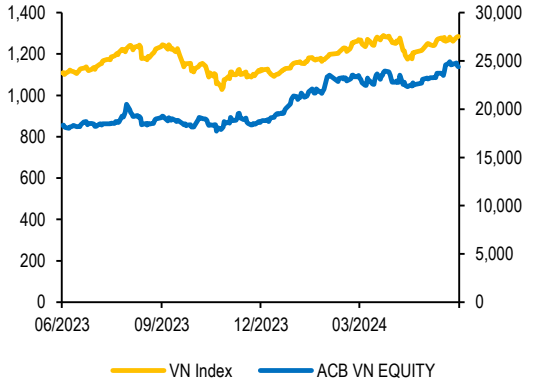
Source: Bloomberg, Shinhan Securities Vietnam

Asia Commercial Joint Stock Bank (HOSE:ACB)

ACB

Target price (year 2024)	**VND 30,350**
Current price (06/24/24)	VND 24,100
Return (%)	25.9%
VNINDEX	1,254
PE market (24F)	11.1
Market cap (VNDbn)	107,646
Outstanding shares (shares mn)	4,467
Free Float (shares mn)	3,580
52-week high/low(VND)	26,261/ 18,217
Average trading volume 90 days (shares mn)	12.03
Average trading value of 90 days (VNDbn)	282
Foreign ownership (%)	30
Major shareholder(%) Sather Gate	4.34
Major shareholder(%) Tran Hung Huy	3.43

Performance	**3M**	**6M**	**12M**
Absolute (%)	-1.5	19.5	26.6
Relative to VN-Index (%)	0.6	5.8	15.5



Retail bank with a conservative development strategy

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. With the assumption that the average profit growth rate for the period 2024-2028 is over 15% YoY and stable business results in 2024. ACB's target for 2024 is 30,350 VND.

Business results in Q1/2024 and AGM 2024

-Q1/2024 business results update: ACB reports positive credit growth of approximately 3.7% ytd (growth in both retail and corporate segments) and customer deposit grew at 2.1% ytd. ACB's NIM continued to improve slightly compared to the end of 2023, CASA rose to 23%. ACB's Q1/2024 pre-tax profit is estimated at VND4,900 billion (-5% yoy) due to increased provision expenses and no extraordinary income as in Q1/2023.

-At the AGM meeting, ACB approved its annual plan with some key growth targets: total assets (+12% YoY), deposits (+11% YoY), customer loans (+14% YoY), NPL ratio below 2% and PBT of VND 22,000 billion (+10% YoY). ACB will pay a cash dividend of 10% and a stock dividend of 15%.

-ACB said its 3-year development plan will continue to focus on the retail and SME segments, while also strengthening the large corporate segment. The bank will continue to maintain its policy of not investing in corporate bonds in the near future. The bank's target ROE is around 20-25% in the next 3-5 years. In terms of interest rates, ACB's management believes that interest rates will remain stable at low levels before rising slightly in the second half of 2024. The current average lending rate for businesses is around 4-6% and for individuals is around 6-8%.

Investment thesis

- ACB Bank is prudent, not investing in corporate bonds and limiting lending to real estate businesses. With nearly 95% of loans to retail and small and medium-sized enterprises, 98% of which are secured loans, we highly appreciate ACB's asset quality. This is also one of the few banks in the industry with a NPL ratio of around 1% in 2024.
- For the period 2023-2027, we expect ACB's asset và profit could grow sustainably at positive CAGR rate more than 15%.

Outlook for 2024

- We forecast that ACB's credit growth in 2024 could reach a healthy 15% level. The NPL ratio is expected to be controlled at 1.3%, while NIM will edge up slightly to 4.04% (from 3.93% at the end of Q4/2023). Net fee and commission income could decline slightly by -6.94% YoY. This is due to the expectation that the bancassurance segment will recover slowly, while the low yield environment for bonds will make it difficult for ACB to recognize profits from government bond trading in 2024. We forecast ACB's PBT to reach VND 22,096 billion (+10.1% YoY).

Risk: (1) Retail credit growth slowly recovers; (2) Interest rates may increase again in the second half of 2024, putting pressure on NIM

Year	2020	2021	2022	2023	2024F
Net interest income (VND bn)	14,582	18,945	23,534	24,960	29,741
Net non-interest income (VND bn)	3,579	4,619	5,257	7,787	7,249
TOI (VND bn)	18,161	23,564	28,790	32,747	36,990
Profit before tax (VND bn)	9,596	11,998	17,114	20,068	22,096
Growth of PBT (%)	27.7	25.0	42.6	17.3	10.1
P/E (x)	6.9	6.9	6.0	5.8	5.4
P/B (x)	1.5	1.5	1.4	1.3	1.1
ROE (%)	24.3	23.9	26.5	24.8	22.65

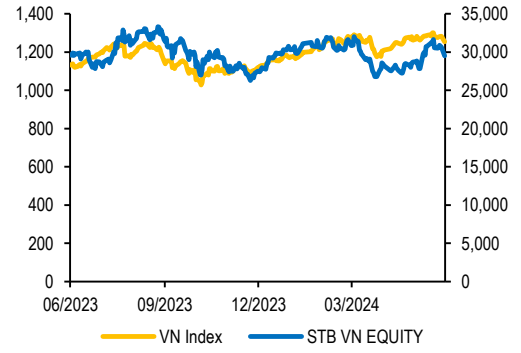
Source: Bloomberg, Shinhan Securities Vietnam

Sai Gon Thuong Tin Commercial Joint Stock Bank (HOSE: STB)

Sacombank

Target price (year 2024)	**VND 38,000**
Current price (06/24/24)	VND 29,500
Return (%)	28.8%
VNINDEX	1,254
PE market (24F)	11.1
Market cap (VNDbn)	55,614
Outstanding shares (shares mn)	1,885
Free Float (shares mn)	1,781
52-week high/low(VND)	33,700/ 25,850
Average trading volume 90 days (shares mn)	18.43
Average trading value of 90 days (VNDbn)	532
Foreign ownership (%)	23.4
Major shareholder(%) Mr. Dương Công Minh	3.3
Major shareholder(%) PYN	6.0

Performance	3M	6M	12M
Absolute (%)	-6.8	8.5	-2.6
Relative to VN-Index (%)	-4.6	-5.2	-13.7



New chapter around the corner

Sacombank (STB) is one of the largest private commercial banks in terms of credit market share. STB participated in the restructuring plan after merging with Phuong Nam Commercial Bank. Bad debts from the merger have significantly affected STB's business results in the period 2016-2023. However, 2023 could be the last year of the restructuring plan and this will help the bank grow strongly in the next period. Using the residual income valuation method and the P/B ratio, we value STB's fair value for 2024 at VND 38,000.

Business results in Q1/2024 and AGM 2024

In the AGM 2024, management of STB had given the update on the auction of 18 loans related to Phong Phu Industrial Park (134ha). The auction has been conducted successfully, the party buying this 18 loans will pay 20% in 2024 and the rest will be paid within the following 2 years (as the property had not fully completed clearance process and received a 1/2000 master plan, thus the counter party would need time to finalize the legal documents before able to bring its to commercial usage). In 2024 business plan, STB expects total assets to increase by 10% to VND 724,000 billion. Total mobilized capital increases by about 10% to VND 636,600 billion. Total outstanding credit increases by 11% to VND 535,800 billion. The bank also sets a pre-tax profit target of VND 10,600 billion in 2024. NPL ratio controlled below 2%.

Q1/2024 results: Credit growth by the end of Q1/2024 around 3.7% Ytd - relatively better than the industry. NPL ratio at 2.28%, LLR ratio at improved modestly to 53.44%. Circular 02 debt outstanding at around VND 5,000 billion (approximately 0.9% total customer loan). NIM stayed flat at 3.7%. Profit before tax in Q1/2024 reached around VND 2,654 billion (+11.4 YoY), completed around 27% annual profit target.

Investment thesis

- In 2024, STB expects to auction 32.5% shares of Mr. Tram Be's group. According to the management of STB, this is the final step of restructuring as VAMC had been successfully made provision.
- After the restructuring, STB has shared that it will pay dividends to its shareholders, increase charter capital and seek strategic partners in the near future.
- Currently, STB deposit structure relied mostly from retail customer deposit. After restructuring, STB could diversify its deposit and bring down its COF.

Outlook for 2024

- We forecast STB's credit growth in 2024 to reach 12%, with the NPL ratio maintained at 2%. Non-interest income could see good growth thanks to market recovery and the successful auction of bad debts related to Phong Phu Industrial Park. NIM would recovered slightly to 3.9%. We also increased the provision expenses, as management aims to increase its LLR ratio to over 100%. We expect STB's pre-tax profit to reach VND 12,566 billion (+31% YoY).

Risk: (1) The restructuring plan may be completed slower than expected; (2) The economic recovery is slower than forecast

Year	2020	2021	2022	2023	2024F
Net interest income (VND bn)	11,527	11,964	17,147	22,072	26,166
Net non-interest income (VND bn)	5,744	5,740	8,994	4,101	5,338
TOI (VND bn)	17,271	17,704	26,141	26,173	31,505
Profit before tax (VND bn)	3,339	4,400	6,339	9,595	12,820
Growth of PBT (%)	3.8	31.8	44.1	51.3	33.6
P/E (x)	17.6	13.8	9.3	6.8	5.14
P/B (x)	2.1	1.8	1.6	1.2	0.94
ROE (%)	9.6	10.8	13.8	18.3	20.8

Source: Bloomberg, Shinhan Securities Vietnam

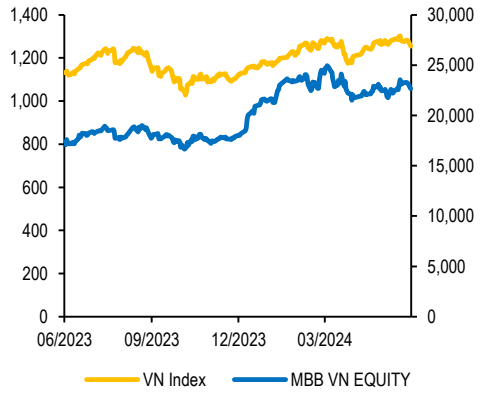
Military Commercial Joint Stock Bank (HOSE: MBB)

MB

Target price (year 2024)	**VND 29,000**
Current price (06/24/24)	VND 22,650
Return (%)	28.0%

VNINDEX	1,254
PE market (24F)	11.1
Market cap (VNDbn)	120,188
Outstanding shares (shares mn)	5,306
Free Float (shares mn)	3,585
52-week high/low(VND)	25,700/ 14,957
Average trading volume 90 days (shares mn)	20.94
Average trading value of 90 days (VNDbn)	496
Foreign ownership (%)	23.2
Major shareholder(%) VIETTEL Group	14.7
Major shareholder(%) SCIC	9.8

Performance	3M	6M	12M
Absolute (%)	-9.6	23.8	28.9
Relative to VN-Index (%)	-7.4	10.1	17.9



Conservative outlook for 2024

Joint Stock Military Commercial Bank (MBB) has had many outstanding achievements in recent years, reflected in its asset quality, superior profits and high credit ratings by international rating agencies. MBB has close relationships with military enterprises such as Viettel, Vinacomin, Vietnam Helicopter, etc., which helps the bank's non-term deposit ratio to be the highest in the system, thereby helping MBB control its cost of capital more effectively. We update MBB's stock price valuation this time at VND 29,000.

Business result Q1/2024 and AGM 2024

At the AGM on April 19, 2024, MBB announced its business goals for 2024, including PBT growth rate around 6-8%, credit growth of 15-16%, total asset growth of 13%, and non-performing loan (NPL) ratio below 2%. MBB aims for an average profit growth of 14%/year for the period of 2024-2029. For the Q1/2024 results, MBB achieved a credit growth of around 0.40% Ytd. Total operating income reached approximately VND 12,017 billion, (+0.73% YoY). However, PBT for Q1/2024 was around VND 5,795 billion (-11.01% YoY). The parent bank's net profit reached VND 5,258 billion (-9.78 YoY). NPL ratio increased to 2.5%, contributed from CIC system was 0.8%.

Management acknowledges the conservative 2024 business goals. They reason that credit demand has yet to fully recover, putting pressure on Net Interest Margin (NIM). Additionally, provisioning expenses are expected to rise throughout the year. Regarding the Novaland client, MBB informed that legal issues surrounding Novaland's key projects (Aqua City and NovaWorld Phan Thiet) are being addressed. MBB has already recovered VND 2,400 billion of Novaland's outstanding debt, and currently classifies this debt under group 1.

On the dividend payout policy, MBB approved a plan to distribute 5% in cash and 15% in stock. The bank also intends to maintain a dividend policy of around 15-20% for the next five years.

MBB's subsidiary, M-credit, faced challenges in the consumer lending market in 2023, resulting in a profit of only around VND 300 billion. M-credit anticipates doubling its profit in 2024 due to the ongoing shift away from cash lending, a practice considered riskier by the company.

Investment thesis

- MBB leads the market in digital transformation, the number of customers according to MBB's announcement has increased 39 times in just the past 5 years.
- CASA leads the industry, helping capital costs to be less volatile in the recent period, the bank's NIM remains one of the top of the industry

Outlook for 2024

- We expect MBB's credit growth in 2024 to be around 15.6%. The average cost of capital is projected to decrease to 3.5% (from 4.37% in 2023). The bank's NIM is likely to remain stable at around 4.86% in 2024. With an LLR target of over 100% and active efforts to write-off NPL, we forecast MBB to significantly increase its risk provisioning expenses in 2024. The NPL ratio for 2024 is projected to be controlled around 2%. MBB's net profit for 2024 is expected to reach VND 28,607 billion (+8.75% YoY). Regarding CIC debt that caused MBB's NPL ratio to increase sharply in Q1/2024, the management is confident that it could move this CIC-linked debt group to a better debt group classification, thereby improving the NPL ratio and recording expense reversals. provisioning fees in Q2/2024.

Risk: (1) Credit growth is slower than expected ; (2) NPL from large client continue to increase; (3) The real estate market recovery is slower than expected

Year	2020	2021	2022	2023	2024F
Net interest income (VND bn)	20,278	26,200	36,023	38,684	47,030
Net non-interest income (VND bn)	7,084	10,735	9,570	8,622	10,454
TOI (VND bn)	27,362	36,934	45,593	47,306	57,483
Profit before tax (VND bn)	10,688	16,527	22,729	26,306	28,607
Growth of PBT (%)	6.5	54.6	37.5	15.7	8.7
P/E (x)	7.7	8.6	4.4	4.7	5.2
P/B (x)	1.3	1.8	1.0	1.0	1.0
ROE (%)	18.4	22.6	24.6	23.8	21.4

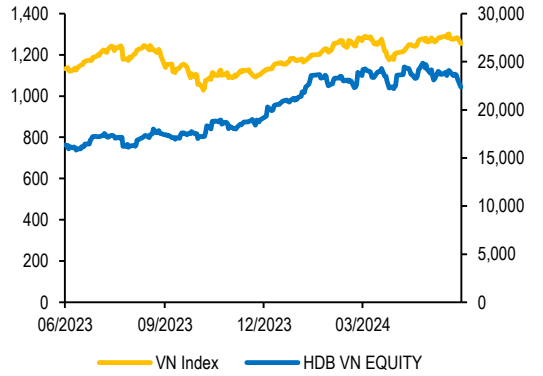
Source: Bloomberg, Shinhan Securities Vietnam

Ho Chi Minh City Development JSB (HOSE: HDB)

HDBank

Target price (year 2024)	**VND 28,900**
Current price (06/24/24)	VND 22,350
Return (%)	29.8%
VNINDEX	1,254
PE market (24F)	11.1
Market cap (VNDbn)	65,096
Outstanding shares (shares mn)	2,913
Free Float (shares mn)	2,049
52-week high/low(VND)	25,150/ 15,739
Average trading volume 90 days (shares mn)	6.94
Average trading value of 90 days (VNDbn)	165
Foreign ownership (%)	18.5
Major shareholder(%) Sovico	14.34

Performance	3M	6M	12M
Absolute (%)	-6.1	17.9	37.8
Relative to VN-Index (%)	-3.9	4.2	26.8



Decent growth target for 2024-2025

HDBank is strategically positioned to become a leading retail, small business, and consumer bank. They are targeting the underserved market in smaller cities and rural areas by developing specialized financial products and services tailored to their needs. In tandem, they are strengthening their digital banking platform to enhance accessibility. To expand their reach, HDBank is extending its branch network beyond major cities, focusing on high-growth regions with limited existing banking options. This targeted approach is reflected in their impressive historical performance, with asset and profit growth exceeding 25% annually between 2019 and 2023. Underpinning their confidence for continued success, HDBank's 2024 stock price valuation is projected at VND 28,900, based on a P/B target of 1.5x.

Business results in Q1/2024 and AGM 2024

AGM 2024: HDB expects total assets to exceed VND700,000 billion this year, up 16% compared to 2023; Total mobilized capital reaches over VND 624,000 billion, an increase of 16% compared to 2023; Total outstanding debt is expected to exceed VND 438,000 billion, in accordance with the credit growth target assigned by the State Bank. HDB PBT target for the year is around VND 15,850 bn. The bank plans to pay a 30% dividend, of which a maximum of 15% is in cash and the rest in shares.

HDB total credit by the end of Q1/2024 reached over VND 375 trillion, grew around 6.2% Ytd. Agricultural segment have positive growth such as rice and coffee. Export, consumption, tourism and freight segments showed good improvement in the first couple months of the year. Customer deposit approximately VND 379 trillion (+2.2% Ytd). LDR ratio was maintained at low level, only 73.4% (lower than the maximum level at 85%), CAR ratio followed Basel II was 13.8% by the end of Q1/2024. Net interest income increased at approximately 47.9% YoY thanks to positive credit growth and lower COF. NPL ratio consolidated at 2.24% in Q1/2024 and LLR ratio reduced to 56.6%. Profit before tax of HDB in Q1/2024 at VND 4,028 bn, completed 25% year target. Regarding its subsidiary, HDsaison was able to grow it credit around 8% Ytd, BOD expect HDsaison could reach PBT at VND 1,000 bn (+50% YoY)

Investment thesis

- HDB participated in restructuring a weak bank, as a results, HDB received better credit room compared to industry average.
- HDB has LDR ratio under 75%, much lower than the regulated limit of 85%. Low LDR when combined with positive credit growth could expand HDB NIM in 2024.
- The recovery of HDsaison operated in consumer finance in the second half of 2024 is expected to bring VND 1,000 billion of PBT to HDbank

Outlook for 2024

- We project HDB consolidated credit growth in 2024 to reach nearly 24%. NPL ratio under 2%, NIM could reach 4.95% in 2024 (from 4.83% of 2023). Pre-tax profit for 2024 is estimated to reach VND 16,170 billion (+21.4% YoY).
- **Risk**: (1) Credit growth is slower than expected ; (2) NPL risks continue to increase; (3) HDsaison did not recovered as fast as expected

Year	2020	2021	2022	2023	2024F
Net interest income (VND bn)	12,898	13,891	18,012	22,184	28,938
Net non-interest income (VND bn)	1,882	2,867	3,956	4,230	4,808
TOI (VND bn)	14,779	16,758	21,967	26,414	33,746
Profit before tax (VND bn)	5,818	8,070	10,268	13,017	16,170
Growth of PBT (%)	15.6	38.87%	27.21%	25.90%	25.16%
P/E (x)	20.6	23.3	23.5	24.7	25.2
P/B (x)	8.9	10.2	5.2	5.8	5.3
ROE (%)	1.6	2.1	1.1	1.3	1.2

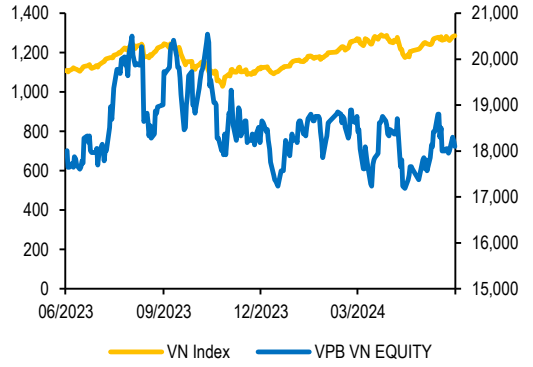
Source: Bloomberg, Shinhan Securities Vietnam

Vietnam Prosperity Joint Stock Commercial Bank(HOSE: VPB)

VPBank

Target price (year 2024)	**VND 22,900**
Current price (06/24/24)	VND 18,850
Return (%)	21.5%
VNINDEX	1,254
PE market (24F)	11.1
Market cap (VNDbn)	149,554
Outstanding shares (shares mn)	7,934
Free Float (shares mn)	7,091
52-week high/low(VND)	23,150/ 17,200
Average trading volume 90 days (shares mn)	14.09
Average trading value of 90 days (VNDbn)	272
Foreign ownership (%)	27.46
Major shareholder(%) Sumitomo Mitsui	15.1

Performance	3M	6M	12M
Absolute (%)	0.3	3.9	-6.7
Relative to VN-Index (%)	2.4	-9.8	-17.7



Profits recovered along with capital advantages

VPBank was founded in 1993 and is a bank that pursues a modern retail strategy. VPB has grown strongly thanks to its ability to expand its network of branches and transaction points nationwide, along with the development of diverse products. FE credit of VPB, although no longer booming as in the early stages, still holds the number one market share in consumer finance. In early 2023, VPB reached an agreement to sell 15% of its charter capital to SMBC bank through a private share issuance. VPB's standalone capital adequacy ratio increased to 17% after this deal, the highest in Vietnamese banks. With the additional capital potential, we highly appreciate VPB and value it with a target P/B of 1.3x for the next 12 months. VPB's target price is VND 22,900.

Business results in Q1/2024

- VPB's consolidated total credit in Q1/2024 grew by 2.2% Ytd. While large enterprise segment was the main driver for this credit growth in Q1/2024, mortgage segment could only grew modestly at 0.6% ytd. Customer deposit at the end of Q1/2024 increased positively at 3.04% ytd, CASA ratio reduced back to 14.41%. NIM stayed relatively flat in Q1/2024 at 5.5%. Thanks to high credit growth in Q4/2023 and maintained to Q1/2024, net interest income of VPB reached VND 11,323 bn (+18.8% YoY). Non-interest income grew negatively in Q1/2024 around 26% YoY due to decrease from fee income and other income.

- NPL consolidated ratio of VPB at the end of Q1/2024 was 4.85% (compared to 5.02% at Q4/2023). Downward trend of NPL ratio came from its subsdiaries, parent NPL ratio meanwhile increased marginally from 3.2% at Q4/2023 to 3.31% at Q1/2024. Loan loss coverage ratio improved to 53.4% from 51.7% end of 2023. VPB recorded lower level of provision expenses at around VND 5,762 billion (-9.77% YoY) and keep the CIR at around 25% level.

- Profit before tax of VPB showed positive improvement and reached VND 4,182 bn (+64.02% YoY), completed around 18% annual profit target.

Investment thesis

- VPB possessed the highest CAR ratio, at around 17% by the end of Q1/2024. With high CAR ratio, VPB has large room to growth its assets in the future.
- Fe Credit is expected to recovered strongly in 2H2024 and aims to reach VND 1,200 billion in 2024 (compared the loss of VND 3,000 bn in 2023). VPBankS PBT targets to be VND 1,902 billion and OPES to be VND 873 billion/

Outlook for 2024

- We forecast that VPB will have consolidated credit growth of 24% in 2024. Interest income increased by 45.3% thanks to improved NIM from the recovery of Fe Credit and stable deposit interest rates at a low level. We assume the NPL ratio could decrease to 4.5%. EBT in 2024 recovers to VND 20,106 billion (+82.9% YoY), slightly lower than VPB plan target as the retail segment recovered slower than expected.

Risk: (1) Consumer credit growth recovers slowly; (2) NIM did not recover as expected (3) Bad debt risk increased.

Year	2020	2021	2022	2023	2024F
Net interest income (VND bn)	20,278	26,200	36,023	38,175	55,477
Net non-interest income (VND bn)	7,084	10,735	9,570	11,569	12,660
TOI (VND bn)	27,362	36,934	45,593	49,743	68,137
Profit before tax (VND bn)	10,688	16,527	22,729	10,987	20,106
Growth of PBT (%)	6.5	54.6	37.5	-48.9	86.2
P/E (x)	11.6	15.4	7.1	13.4	8.8
P/B (x)	1.3	1.8	1.0	1.1	0.96
ROE (%)	18.4	22.6	24.6	8.6	10.26

Source: Bloomberg, Shinhan Securities Vietnam

Shinhan Securities

Shinhan Securities

Real Estate

Entering the recovery phase



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Content

Real estate outlook – Entering the recovery phase

1. Update of The Real Estate Industry

   The real estate industry is still facing a number of challenges, including (1) legal issues that are continuing to cause a shortage of supply, (2) a lack of positive developments in real estate credit, even though interest rates are favorable, (3) continued high financial pressure in the corporate bonds.

   However, we are also seeing some positive signs in the market, such as (1) an increase in the number of projects being granted permits, (2) an improvement in the overall absorption rate for real estate, (3) continued strong foreign direct investment (FDI) in the real estate sector.

2. Prospects of The Real Estate Industry in 2024

   We maintain our view that the real estate industry will enter a recovery phase in mid-2024 based on the expectation that (1) Real Estate-related laws are expected to be implemented in a coordinated manner in August 2024 and (2) interest rates remain attractive, supporting the market once legal issues are resolved. However, there are still risks associated with the large corporate bond payment flow in 2024

3. Real Estate Stock Pick

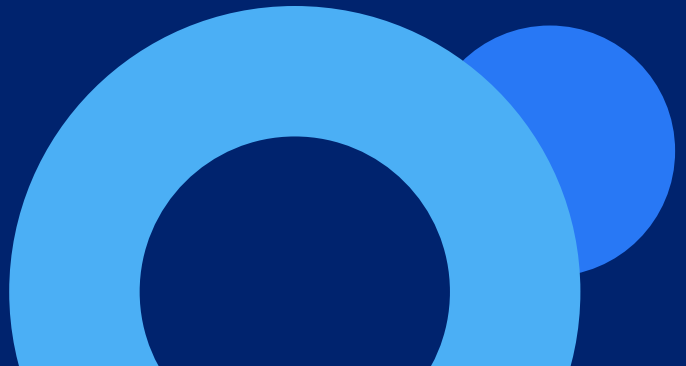
   VHM – New supply is the driving force for growth

4. Appendix

01

Update on real estate industry

The real estate industry continues to face challenges due to (1) legal issues that are causing a shortage of supply, (2) a lack of positive developments in real estate credit despite favorable interest rates, and (3) continued high financial pressure in the corporate bonds, although there are some signs of improvement. However, we are also seeing some positive signs in the market, such as an increase in the number of projects being granted permits, an improvement in the overall absorption rate for real estate, and continued strong FDI in the real estate sector.



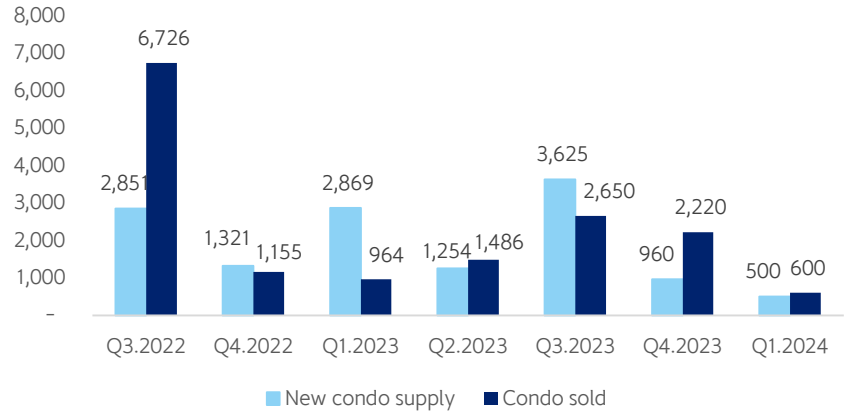
1. Update on real estate industry – Supply and Demand

The supply of new homes in the market remained scarce in Q1.2024

The supply of new condos remained generally bleak in the first quarter. In Ho Chi Minh City, only about **500 condos** were offered for sale **(the lowest in the past 15 years)**, mainly from the next phase of existing projects. The Hanoi market was more active with **2,340 condos** offered for sale **(+19.2% YoY)**.

At the end Q1.2024, the new supply of condos in Hanoi and Ho Chi Minh City reached **2,840 units (-41% YoY)**. The shortage of supply stems from the decline mainly in the southern market due to (1) delays in project approval procedures and (2) localities have not yet found an organization to perform land valuation work to determine the financial obligations of businesses. According to statistics from the Department of Natural Resources and Environment, Ho Chi Minh City currently has nearly 200 project dossiers that have not yet determined land use prices.

Condos launched in Ho Chi Minh City



Source: CBRE, Shinhan Securities Vietnam

Condos launched in Hanoi



Source: CBRE, Shinhan Securities Vietnam

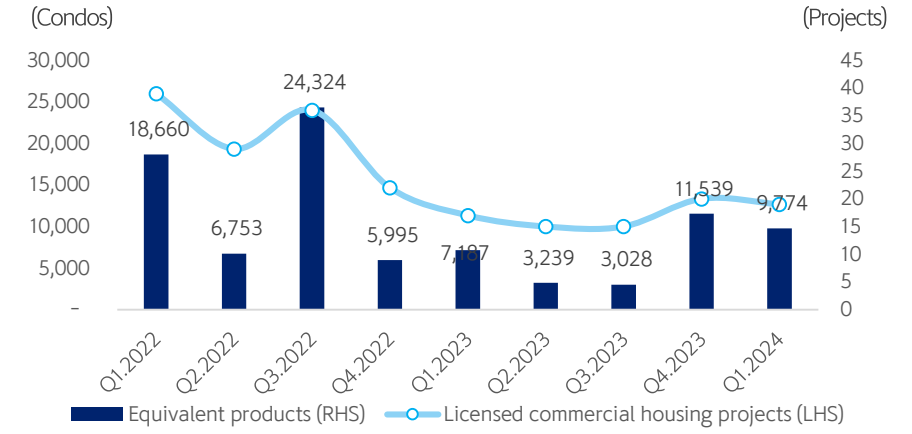
1. Update on real estate industry – Supply and Demand

However, the market has begun to show some positive signs

Despite the continued shortage of new supply, the real estate market has shown many signs of positive change in the sentiment of both developers and homebuyers. Specifically, the market has witnessed a revival with a series of projects being kicked off and ground broken (Appendix 1).

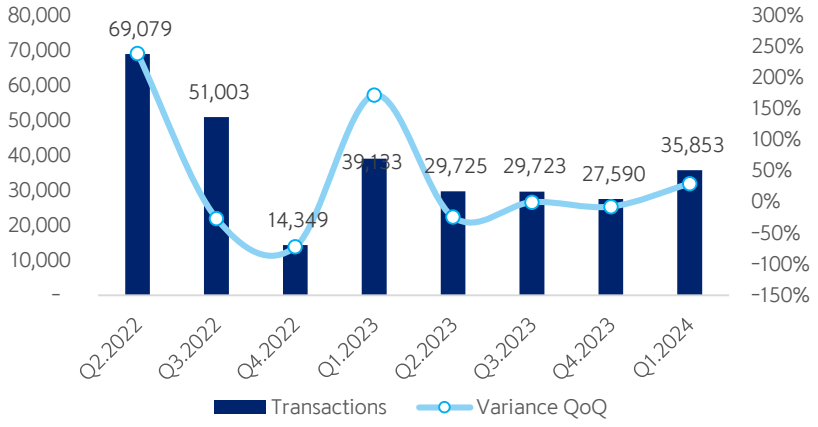
For projects that have been opened for sale, the absorption rate has improved. According to DXS - FERI, the overall market absorption rate in the first quarter reached **25-35%**, although still lower than in 2022, it was higher than the 5-10% rate of Q1/2023. In addition, according to the Ministry of Construction, the number of projects granted licenses reached **19 projects (+12% YoY)**, equivalent to **9,774 products (+36% YoY)**. At the same time, the number of successful transactions increased by **30% QoQ**.

Number of licensed commercial housing projects



Source: Ministry of Construction, Shinhan Securities Vietnam

Number of condo and landed property transactions



Source: Ministry of Construction, Shinhan Securities Vietnam

1. Update on real estate industry – Supply and Demand

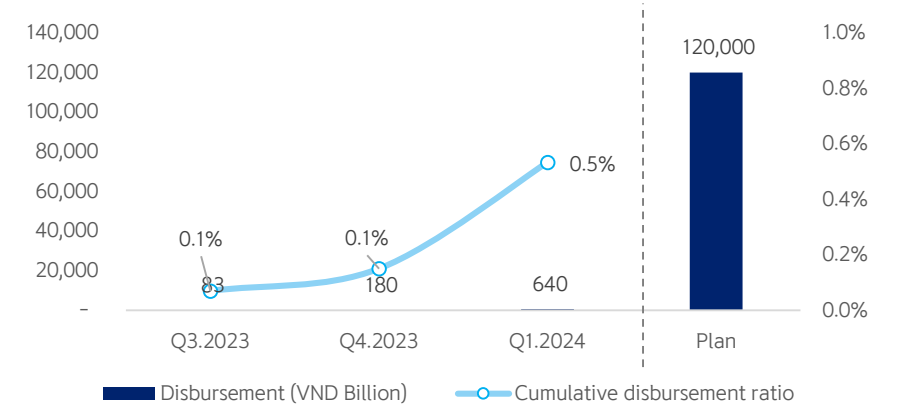
The implementation of the One Million Social Housing Apartments Project for the 2021-2030

Social housing is expected to be one of the driving forces for market recovery with the government's **VND 120,000 billion** credit support package. However, by the end of Q1/2024, banks had only disbursed about **VND 640 billion (0.5% of the plan)** for 8 projects. Some bottlenecks in the implementation of the credit support package include:

- ❖ Interest rates for loans are still not attractive for both developers and homebuyers (around 7.5-8%/year for the first 3-5 years).
- ❖ Restrictions on income requirements for social housing buyers mean that those who qualify to purchase may not be able to afford the loan repayments, while those who can afford the repayments exceed the income requirements.

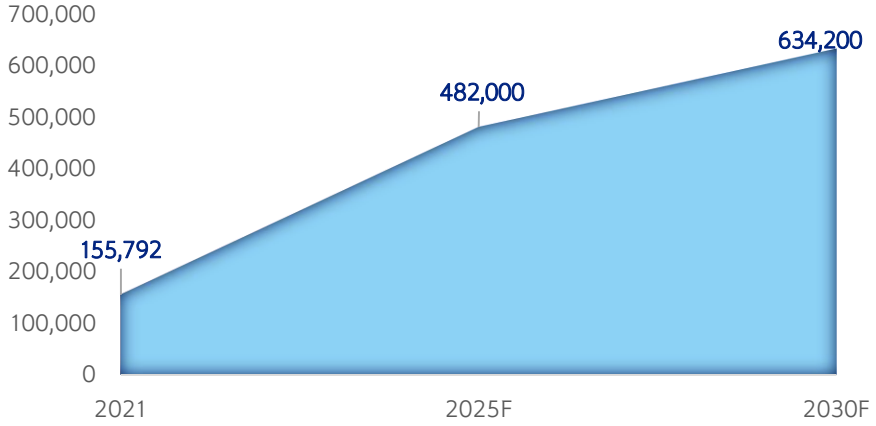
We expect that (1) the early implementation of real estate-related laws, the completion of the decree on the development and management of social housing, (2) the consideration of a proposal to reduce preferential lending rates, and (3) the expansion of the scope of borrowers will attract developers and homebuyers. This will increase the supply of housing on the market and help curb the sharp rise in housing prices when supply is still scarce.

Cumulative disbursement up to the first quarter of 2024



Source: Ministry of Construction, Shinhan Securities Vietnam

Number of affordable housing units and workers' housing in the period 2018-2030F

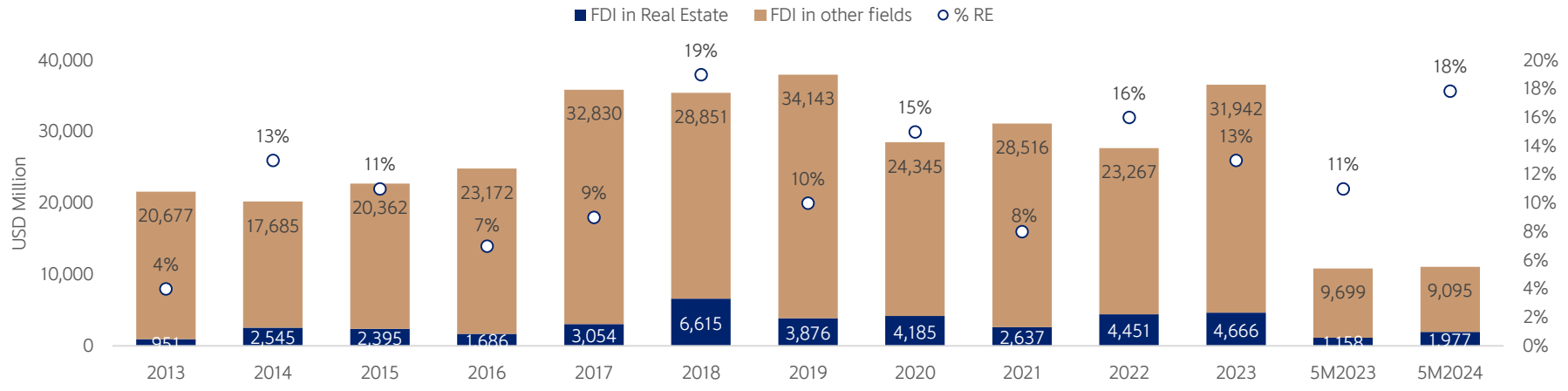


Source: Decision No. 338/QĐ-TTg , Shinhan Securities Vietnam

The real estate sector continues to strongly attract foreign direct investment (FDI)

The real estate business sector continues to maintain its position as the second most attractive field for foreign direct investment (FDI). In the first five months of 2024, the total investment in real estate reached **USD 1,977 million (+70.8% YoY)**, accounting for **17.9%** of the total registered investment capital, second only to the processing and manufacturing industry, which reached **USD 7,434 million**, accounting for **67.1%**.

Real estate continues to maintain its position as the second most attractive sector for foreign direct investment



Source: FiinPro, Shinhan Securities Vietnam

1. Update on real estate industry – Interest Rate

Mortgage loan interest rates remain attractive

According to Batdongsan.com.vn, as of June 2024, preferential mortgage loan interest rates remain low and attractive. Currently, home loans are commonly structured with two interest rate levels: (1) preferential interest rates and (2) post-preferential interest rates, with the adjustment margin between the two rates ranging from **2.0% to 4.5%.**

Specifically, the preferential interest rates for commercial housing loans at banks range from **5.0% to 9.75%** per year. After the preferential period ends, the interest rates range from **7.0% to 12.9%** per year.

Changes in commercial home loan interest rates at some major banks

Bank	01/2024			06/2024		
	Preferential rate (%/year)	Maximum loan rate (%)	Maximum tenor (year)	Preferential IR (%/year)	Maximum loan rate (%)	Maximum tenor (year)
Vietcombank	6.7	70	20	6.3	70	20
Shinhan bank	6.6	70	30	6.8-7.5	70	30
Techcombank	10.5	70	35	5.0-7.5	70	35

Source: Batdongsan.com.vn, Shinhan Securities Vietnam

1. Update on real estate industry – Credit

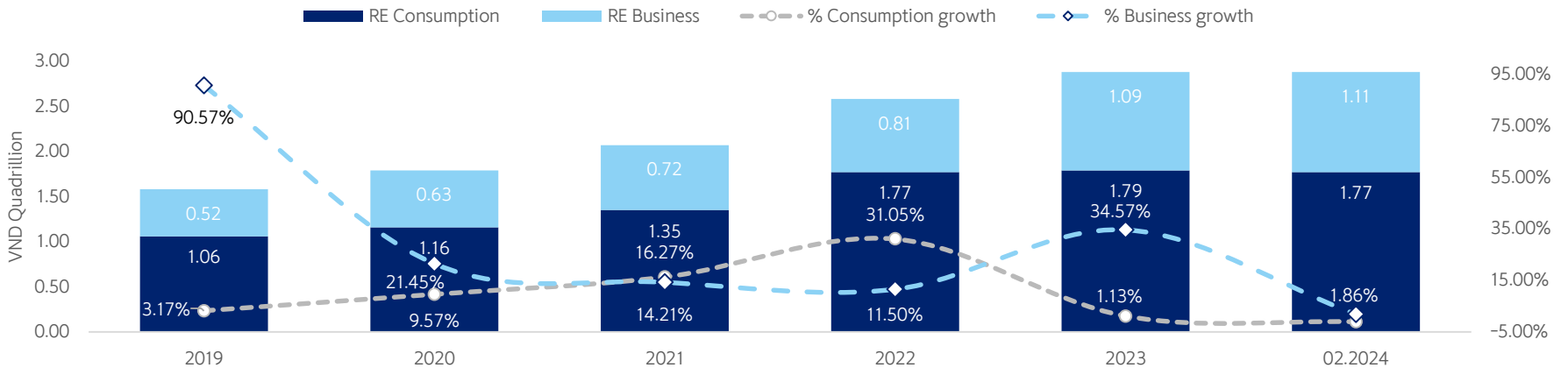
Credit for the real estate sector has not shown positive changes despite favorable interest rates

Credit for the real estate sector in early 2024 has not shown positive changes, aligning with the general trend of credit across the entire economy. As of February 29, 2024, total credit for the economy reached **VND 13.47 quadrillion (-0.75% YTD)**, while real estate credit slightly increased by **0.23% YTD to VND 2.89 quadrillion**.

Specifically, by purpose of use, credit for real estate business reached **VND 1.11 quadrillion (+1.86% YTD)**, while credit for real estate consumption continued to decline, similar to the beginning of 2023, reaching **VND 1.77 quadrillion (-1.12% YTD).**

The decrease in credit for real estate consumption indicates that the demand for real estate purchases remains weak due to several unfavorable factors: (1) the sluggish economy impacting market sentiment and demand, and (2) the supply of products mainly in the high and mid-end segments, while the actual purchasing demand lies in the affordable segment.

Credit for the real estate sector continues to remain sluggish



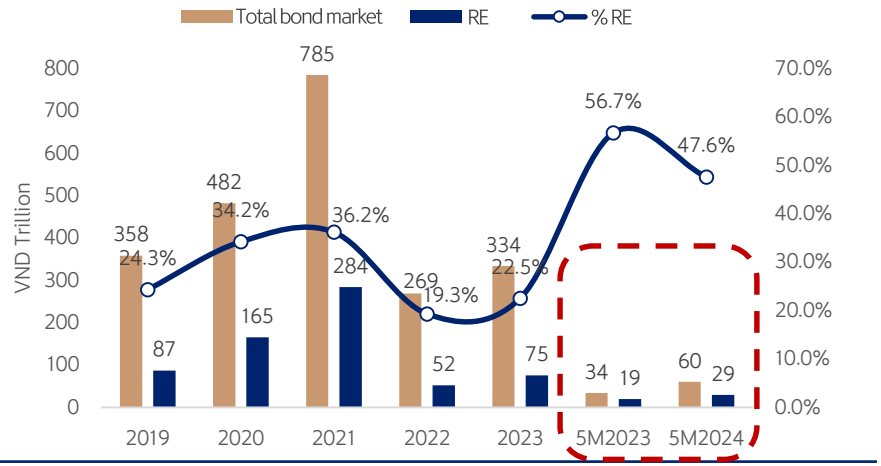
Source: Ministry of Construction, State Bank of Vietnam, Shinhan Securities Vietnam

1. Update on real estate industry – Bonds

The corporate bond market is experiencing sluggish activity

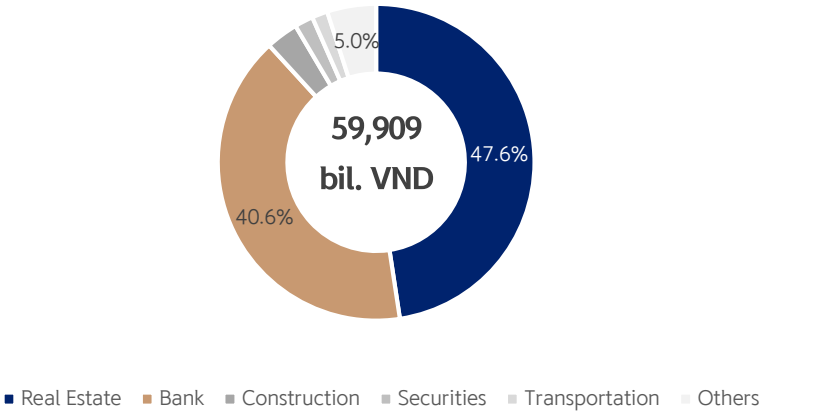
Similar to the bank credit channel, the corporate bond market has experienced relatively sluggish activity in the first five months of 2024. The total cumulative value of corporate bonds issued in these five months reached **VND 59,909 billion**, with the real estate sector leading the way, accounting for **47.6%**, equivalent to **VND 28,517 billion**.

The value of corporate bonds issued



Source: FiinPro, VBMA, Shinhan Securities Vietnam

The real estate sector leads in bond issuance value in 5M2024



Source: FiinPro, VBMA, Shinhan Securities Vietnam

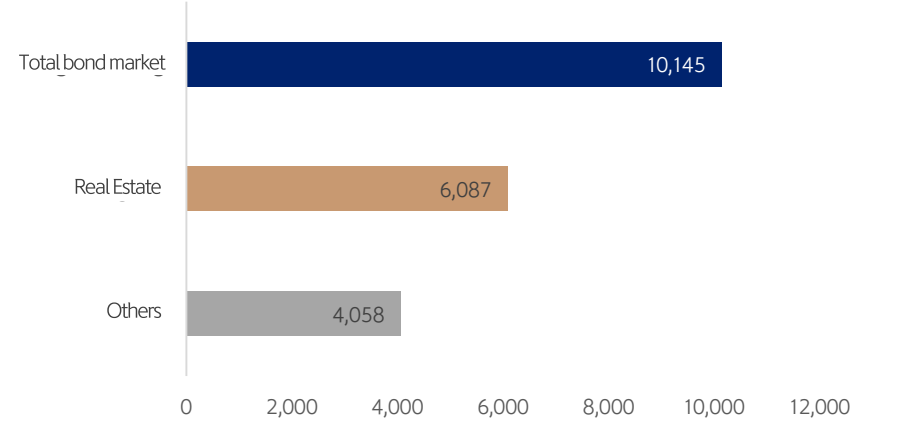
1. Update on real estate industry – Bonds

Although there are signs of improvement, financial pressure in the bond market remains high

Financial pressure in the corporate bond market has shown signs of improvement, as evidenced by the decreasing number of delayed interest and principal payments. Some companies have fully or partially paid their overdue bonds to investors. Additionally, the value of overdue corporate bonds in Q1 2024 was only **VND 10,145 billion**, compared to **VND 33,326 billion** in Q3 2023, which is three times higher.

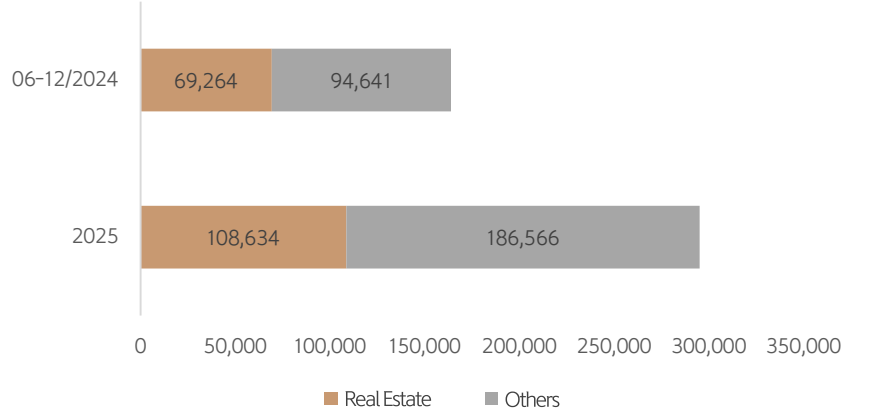
However, financial pressure on the corporate bond market, particularly in the real estate sector, remains high and tense. In the last seven months of 2024, the estimated value of maturing corporate bonds is **VND 163,905 billion**, with the real estate sector accounting for **42.5% (VND 69,627 billion)**.

The value of corporate bonds with delayed interest and principal payments in Q1.2024 (VND billion)



Source: FiinPro, VBMA, Shinhan Securities Vietnam

Financial pressure in the corporate bond market remains high (VND billion)



Source: FiinPro, VBMA, Shinhan Securities Vietnam

1. Update on real estate industry – Bonds

Although there are signs of improvement, financial pressure in the bond market remains high

Details of the value of corporate bonds maturing in the next 12 months for major listed real estate companies are as follows:

- No Va Land Investment Group Corporation (NVL): **VND 22,473 billion**.
- Vinhomes JSC (VHM): **VND 4,427 billion**.
- Nam Long Investment Corporation (NLG): **VND 946 billion**.
- Dat Xanh Group JSC (DXG): **VND 300 billion**.

Value of maturing corporate bonds (VND billion)	Short-term (next 12 months)	Long-term(>12 months)	Total
NVL	22,473	16,075	38,548
VHM	4,427	14,963	19,390
NLG	946	2,136	3,082
DXG	300	1,152	1,452
KDH	0	1,100	1,100
PDR	0	0	0
Total	28,146	35,426	63,572

Source: FiinPro, Shinhan Securities Vietnam

02

Prospects of real estate industry in 2H2024

We maintain our view that the market will enter a recovery phase from mid-to-late 2024, driven by (1) the early implementation of real estate-related laws from August 2024 and (2) the continuation of attractive interest rates to support supply.

2. Prospects of real estate industry in 2024

The completed legal system is expected to promote Real Estate supply

According to a report by the Ministry of Construction, as of mid-June 2023, there were about **1,200 projects** stuck, mainly due to legal issues. To date, hundreds of projects are still waiting to be resolved.

On June 9, 2024, the Government issued Resolution No. 84/NQ-CP to submit to the National Assembly for approval amending to the effective implementation of the Real Estate Law (*) from August 1, 2024. We expect that if the above Resolution is approved and the above laws are implemented early and simultaneously, it will contribute to (1) resolving the overlaps of the previous legal documents on projects, (2) creating transparency and clarity for localities to be able to understand and enforce the law, (3) thereby creating a positive mentality for both officials, developers and homebuyers, helping to unlock and promote supply for the real estate market from the end of 2024. (Details of the impact of the above laws on the real estate market)

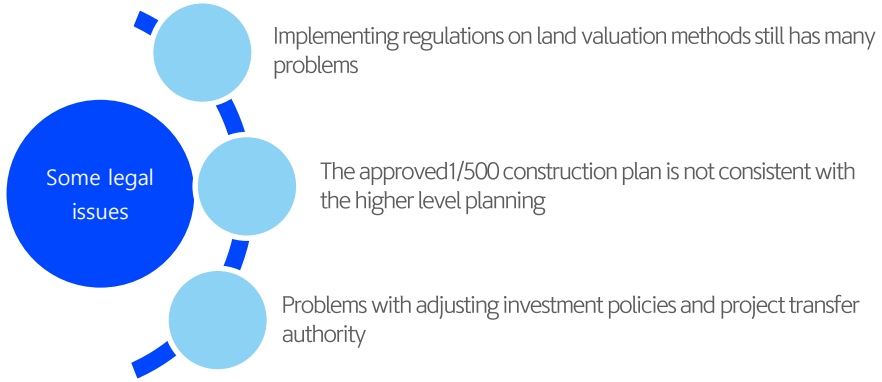
However, we also note that the impact of the Law on the real estate market may be slower than we assess due to the delay in implementing the Law.

Hundreds of projects are waiting to be resolved

Province	The project has been resolved	The project has not been resolved
Hanoi	158	246
HCMC	77	143
Binh Dinh	26	16
Can Tho	17	34
Hai Phong	11	4

Source: Ministry of Construction reported (11/3), Shinhan Securities Vietnam

Main project bottlenecks



Source: Ministry of Construction, Shinhan Securities Vietnam

(*) Land Law (amended), Real Estate Business Law (amended) and Housing Law (amended)

2. Prospects of real estate industry in 2024

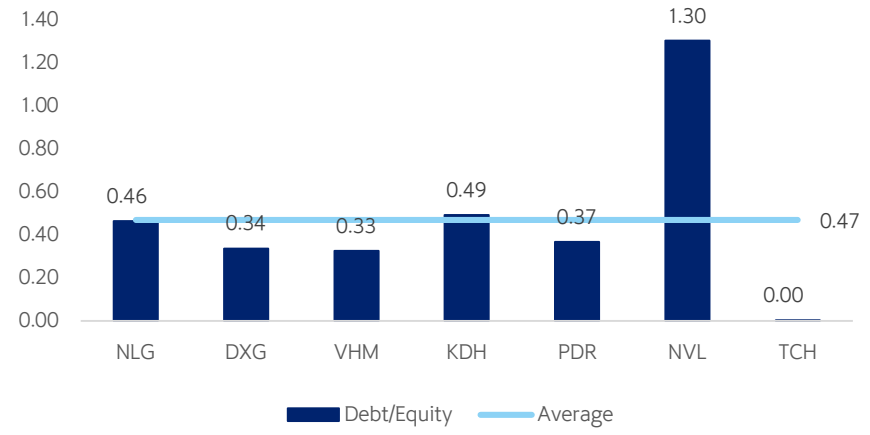
The completed legal system is expected to promote Real Estate supply

We assess some of the newly passed points that have a great impact on the real estate market such as:

- ❖ Replacing the 5-year land price framework with an annual land price table that approximates market prices. We believe that this regulation will increase compensation costs, thereby raising project development costs for investors.
- ❖ Detailed regulations on land valuation methods contribute to overcoming difficulties in the valuation process.
- ❖ Publicize real estate information put into business, contributing to market transparency and protecting home buyers.

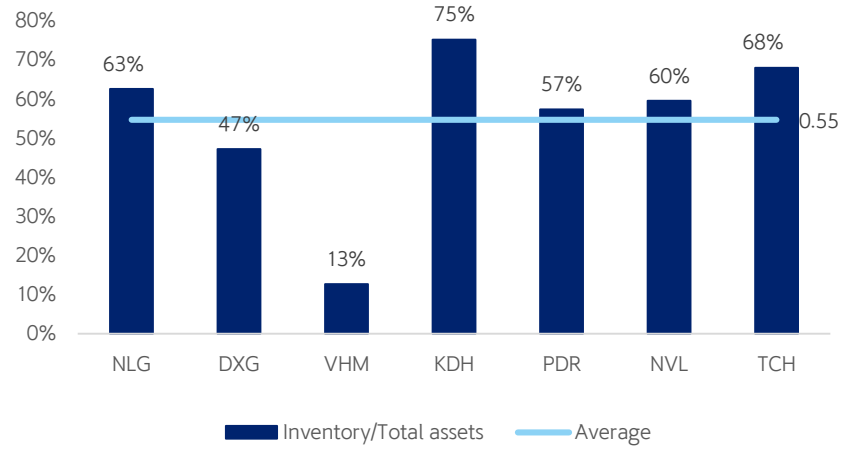
Overall, we believe that real estate companies with strong capital, large land banks, and clear legal ownership of projects are likely to benefit in the future as project development costs are expected to increase, land is becoming scarce, and the market is expected to be more transparent.

D/E ratios of large listed real estate companies (Q1/2024)



Source: FiinPro, Shinhan Securities Vietnam

Inventory/Total assets ratio of large listed real estate companies



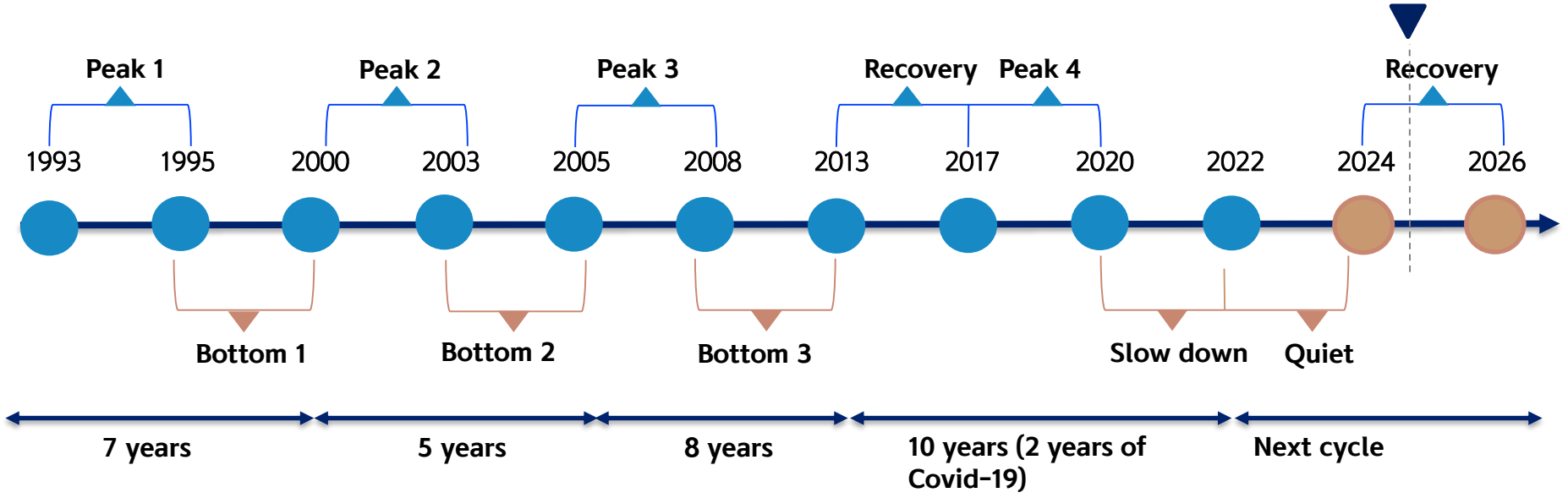
Source: FiinPro, Shinhan Securities Vietnam

2. Prospects of real estate industry in 2024

We maintain our view that the real estate industry will enter a recovery phase in the 2H2024

In short, we maintain the view expressed in the 2024 Real Estate Industry Outlook Report that the most challenging period for the real estate industry has passed and that a recovery phase will begin in the second half of 2024, with expectations that:

- Interest rates will remain attractive;
- Legal completions will drive up the supply of real estate.



Source: Cushman &Wakefield, Shinhan Securities Vietnam

03

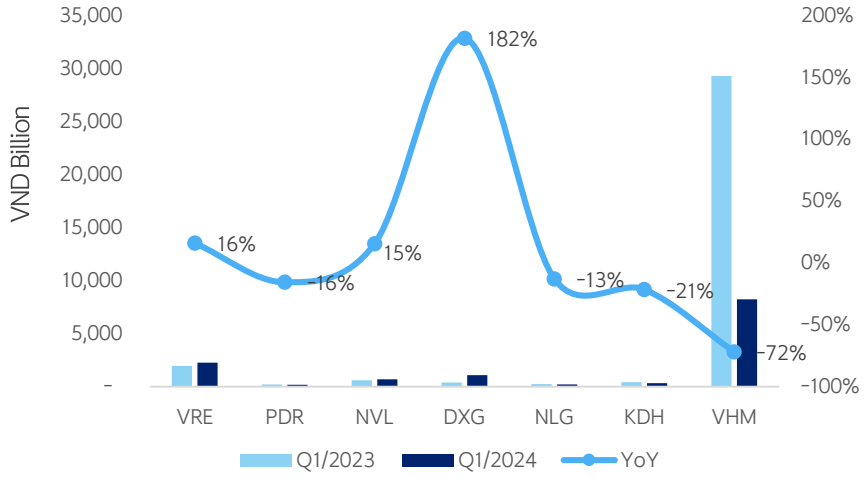
Real estate stock pick

VHM – New supply is the driving force for growth

Profit differentiation among large listed real estate enterprises

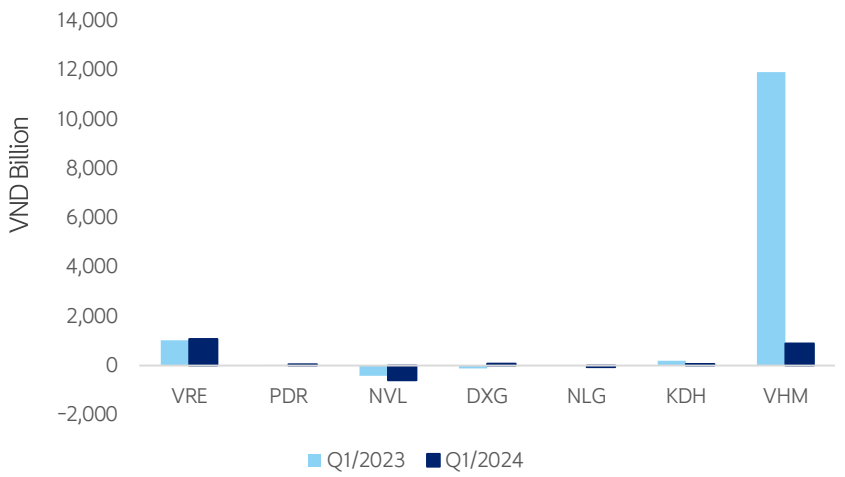
- Overall profitability of residential real estate businesses declined significantly in Q1 compared to the same period last year. Overall industry revenue decreased by 51.5% YoY and NPAT decreased by 87.6% YoY. Excluding the impact of VHM, industry-wide revenue decreased by 15% YoY and NPAT decreased by 42.7% YoY. The Q1/2024 NPAT plunge was mainly due to (1) handover of real estate enterprises mainly in Q3 and Q4; (2) high financial costs.
- For large listed enterprises, there is a clear differentiation in revenue and profit. In addition to the group of enterprises with profit recovery such as VRE, PDR, DXG, many enterprises witnessed a sharp decline in profit such as VHM, KDH, NLG and NVL.
- However, we expect the revenue and profit of real estate enterprises to recover in the following quarters as enterprises have plans to hand over projects and expand their business in the following quarters.

Diversified revenue of large listed enterprises in Q1/2024



Source: FiinPro, Shinhan Securities Vietnam

Profits of large listed companies go in opposite directions



Source: FiinPro, Shinhan Securities Vietnam

Real estate companies have planned to hand over the project from the 2H2024

Stock	2024 Revenue Plan (VND bn)	Revenue in Q1/2024 (VND bn)	% Plan (%)	Business Plan and Handover in 2024 (*)
VHM	120,000	8,211	7%	- In Q1/2024, VHM completed the handover of Vinhomes Ocean Park 1-2-3 and Vinhomes Grand Park. - The handover of The Crown and The Empire is expected to be a driver of revenue and profit growth in the coming quarters.
KDH	3,900	334	9%	- Privia Khang Dien condos are expected to be handed over in the fourth quarter of 2024. - KDH continues to cooperate with Keppel to implement the project in Binh Trung Dong, scheduled for business in the fourth quarter of 2024.
NLG	6,657	205	3%	- Phase 2 of Akari project (1,000 apartments) and Southgate project (VND 2,000 billion) are scheduled for handover. - This year, the company plans to continue selling the remaining products of Akari, Mizuki (including CC5 subdivision) and The Pearl subdivision (Southgate).
DXG	3,900	1,065	27%	- DXG handed over Opal Skyline in the first quarter of 2024. DXG continues to complete and hand over Gem Sky World (GSW) from the second quarter of 2024. - Datxanhhomes Riverside is expected to go on sale from the end of 2024.
NVL	32,587	697	2%	- NVL plans to hand over more than 10 projects in 2024, including Grand Manhattan, AquaCity, NovaWorld Ho Tram, and NovaWorld Phan Thiet.
PDR	2,982	162	5%	- PDR focuses on completing the Bac Ha Thanh project, scheduled for sale from the end of Q2/2024 and wholesales the project to partner Realty. - In 2024, it is planned to wholesale Bac Ha Thanh and Thuan An 1&2.
VRE	9,500	2,255	24%	- In 2024, Vincom plans to open 6 new shopping malls, including 2 Vincom Mega Malls and 4 Vincom Plazas, with a total retail floor area of approximately 171,000 square meters.

(*) Shareholders' Meeting Resolution
Source: FiinPro, Shinhan Securities Vietnam
Data as of June 10th, 2024

Real estate listed companies

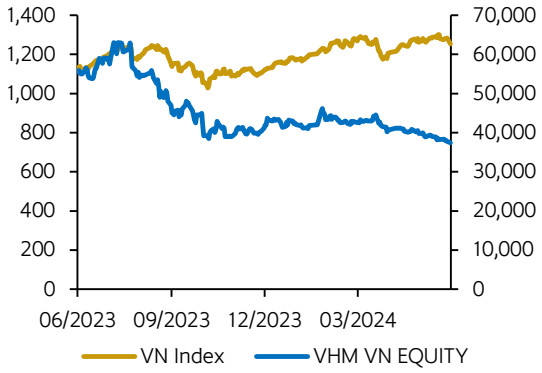
Stock	Mkt.Cap (VND bn)	Current price (VND)	Targer price* (VND)	Upside (%)	Forecasted revenue in 2024 (VND bn)	% YoY (%)	Forecasted NPAT in 2024 (VND bn)	% YoY (%)	Debt/Equity	Inventory/ Total assets	P/B (TTM)	P/E (TTM)
VHM	163,071	37,450	64,700	72.8%	139,090	34%	38,622	16%	0.33	13%	0.89	7.38
NLG	15,680	40,750	44,200	8.5%	6,453	103%	629	30%	0.46	63%	1.68	39.15
KDH	29,295	36,650	N/A	N/A	3,921	88%	838	17%	0.49	75%	2.17	50.15
DXG	11,531	16,000	N/A	N/A	4,261	14%	184	7%	0.34	47%	1.09	33.34
NVL	25,936	13,300	N/A	N/A	4,415	-7%	(1,426)	N/A	1.30	60%	0.69	42.16
PDR	21,130	24,200	N/A	N/A	2,293	271%	599	-12%	0.37	57%	2.21	23.77
VRE	45,333	19,950	N/A	N/A	8,955	-9%	4,260	-3%	0.10	1.04%	1.17	10.15
	Total				**169,388**	**33%**	**43,707**	**8%**				

(*) Target price (fair value) for the next 12 months
Source: FiinPro, Shinhan Securities Vietnam
Data as of June 24, 2024

Vinhomes JSC (HOSE: VHM)

Target price (12 months)	**VND 64,700**
Current price (24/06/24)	VND 37,450
Return (%)	**72.8%**
VNINDEX	1,254
Market P/E (x)	11.1
Market cap (billion VND)	163,071
Outstanding shares (mil shares)	4,354
Free-float (mil shares)	1,118
52-week high/ low (VND)	66,200/36,750
90-day avg. trading volume (mil shares)	8.9
90-day avg. turnover (bn VND)	373
Major SHDs (%) VIC	69.30%
Major SHDs (%) Government of Singapore	4.99%

Performance	3M	6M	12M
Absolute (%)	-12.5	-7.1	-33.1
Rel.to VN-Index (%)	-10.3	-20.8	-44.2



An inch of soil is an inch of gold

Vinhomes is a leading real estate company in Vietnam. Vinhomes possesses several overwhelming advantages, including: (1) a large and high-quality land bank of up to 18,692 hectares, (2) an outstanding track record with many effective investment projects, and (3) a high-value, reputable brand in the market. Based on the RNAV valuation method, we recommend BUY for VHM, with a target price of **VND 64,700**, corresponding to a potential return of **72.8%** (compared to the closing price on June 24, 2024).

Investment Thesis

- **A large, clean, and continuously expanding land bank is the foundation for long-term growth potential.** VHM currently owns an estimated land bank of over 18,692 hectares, with many land areas approved for investment projects. In the near future, several major Vinhomes projects are expected to be approved, including: Phuoc Vinh Tay Urban Area – Long An (1,090 hectares), Tan My New Urban Area (931 hectares), Vinhomes Vung Ang Industrial Park – Ha Tinh (964 hectares).

- **The handover of The Empire and The Crown** will contribute to VHM's high net profit growth in 2024, reaching **VND 38,622 billion.**

Update

- **Q1 Business Performance**: New sales reached **VND 16.2 trillion (+3% YoY)** with over 2,700 new contracts signed (compared to 2,300 in the same period), mainly due to the launch of the Vinhomes Vu Yen project (accounting for 86% of sales) from March 15, 2024. Undelivered revenue increased to **VND 111.8 trillion**, with Vinhomes Vu Yen holding the largest share at **23%.**

- **Valuation:** Due to adjustments based on (1) Q1.2024 financial data and (2) increasing the enterprise value discount rate to 20% to reflect the risk of a slow industry recovery, we have set a new target price for VHM shares at **VND 64,700 per share.**

Outlook for 2024

- We project VHM's converted revenue for 2024 to reach **VND 139,090 billion (+14.6% YoY),** driven by: (1) the handover of low-rise products at The Crown launched in 2023, and (2) the wholesale of high-rise products at The Crown and The Empire.
- Consequently, net profit is expected to reach **VND 38,622 billion (+16.6% YoY).**

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

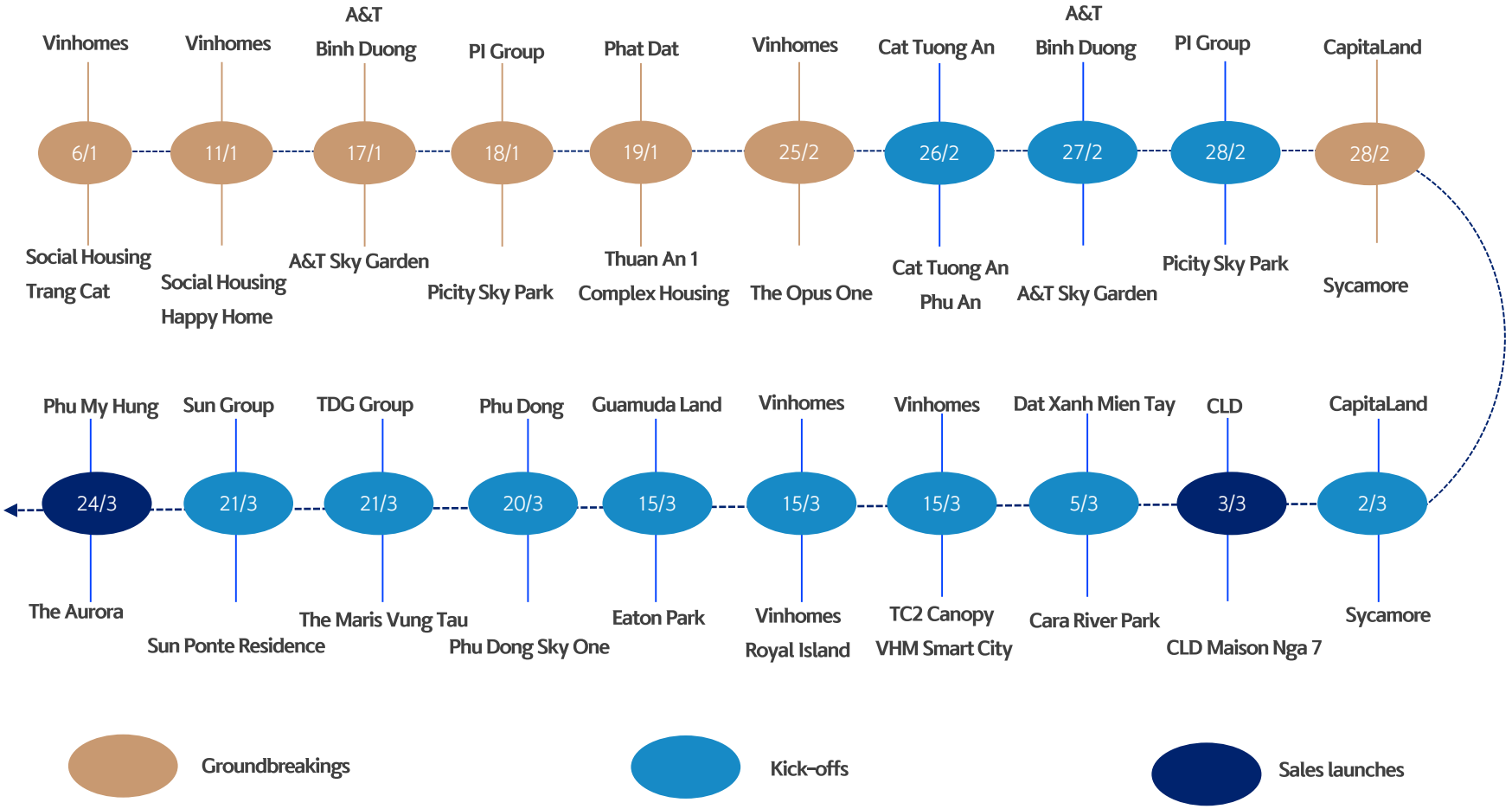
Year	2020	2021	2022	2023	2024F
Revenue (bil VND)	71,547	84,986	62,393	103,334	139,090
Operating Income (bil VND)	21,062	42,402	25,621	27,933	52,031
NP (bil VND)	27,351	38,825	28,831	33,125	38,622
EPS (VND)	8,153	8,904	6,611	7,597	8,781
OPM	29.4	49.9	41.1	27.0	37.4
NPM	39.6	45.8	46.7	32.2	27.8
ROE (%)	31.6%	29.6%	19.6%	18.3%	17.6%
P/E (x)	5.1	4.6	6.2	5.4	4.4
P/B (x)	2.9	1.4	1.3	1.0	0.8

Source: Company data, Bloomberg, Shinhan Securities Vietnam

04 Appendix

APPENDIX– PROJECT UPDATES

A wave of project groundbreakings, kickoffs, and sales launches in the first quarter of 2024



Source: DXS – Feri, Shinhan Securities Vietnam

Shinhan Securities

Logistics

An early peak season



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Content

Logistics – An early peak season

1. Global logistics market

   Demand for goods recovered sharply in the first 4 months of 2024

   The emergence of many obstacles is affecting the flow of trade

   Shipping rates skyrocket amid multiple fluctuations

2. Vietnam's logistics market

   Double-digit throughput growth

   Vietnam's export shows signs of improvement

   Circular 39/2023/TT-BGTVT increases port service framework prices, effective from February 15, 2024

3. Logistics stock pick

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

01

Global logistics market

Demand for goods recovered sharply in the first 4 months of 2024

The emergence of many obstacles is affecting the flow of trade

Shipping rates skyrocket amid multiple fluctuations

Demand for goods recovered sharply in the first 4 months of 2024

Port throughput index

Index	Mar 23	Feb 24	Mar 24	Apr 24	Mar 24 vs Mar 23 (%)
Global	106.1	109.0	111.8	106.8	5.3%
China	109.4	104.0	114.5		4.7%
Asia (excl. China)	107.4	112.5	112.6		4.8%
Europe	99.1	103.7	102.5		3.5%
North America	90.9	109.5	104.6		15.1%
Latin America	115.3	126.9	126.1		9.3%
Africa	105.3	117.2	114.4		8.6%

The Drewry Container Port Throughput Indices are a series of calendar adjusted volume growth/decline indices based on monthly throughput data for a sample of over 340 ports worldwide, representing over 80% of global volumes. The base point for the indices is January 2019 = 100

Source: Drewry, Shinhan Securities Vietnam

Main trade routes in the region

		T1	T2	T3	T4	T5
Asia	→ Intra-regional	R	R	A	R	R
	→ Europe	R	R	R	A	R
	→ South America	G	G	G	G	R
	→ North America	R	R	A	A	A
Europe	→ North America	G	G	G	G	G
	→ Asia	A	G	G	G	G
North America	→ Asia	A	A	G	G	G
South America	→ North America	G	G	G	G	G

G Supply = Demand R Supply < Demand A Supply > Demand

Source: DHL, Shinhan Securities Vietnam

- The total throughput of containerized cargo through global ports has grown strongly in the first four months of the year. Most regions achieved double-digit growth in the first quarter of 2024, except for Europe and the Middle East and South Asia.
- Peak shipping season typically runs from June to September each year, catering to the traditional summer and fall. This explains the resurgence in shipments originating from Asia (particularly China). Increased buying demand since May suggests that shippers may need an additional two weeks of transit storage or avoid higher freight rates.

The emergence of many obstacles is affecting the flow of trade

The cause



Demand: China's export demand has increased recently

Retailers predict imports to the US will continue to increase until the traditional shopping season in the fall



Supply: According to BIMCO's estimates, the diversion of ships has increased global container shipping demand by around 10%. Currently, the actual capacity of departures from Asia to Northern Europe has decreased by 5.1% compared to the same period last year due to the longer route for most ships passing through the Cape of Good Hope, although ship capacity on the Asia-Northern Europe route has increased by 17.8%, according to a report by Linerlytica.



Weather: Since late April 2024, severe weather has occurred at several major ports around the world, including Jebel Ali (UAE), Singapore, and southern China.

The consequence



Shortage of empty containers: Longer container turnaround time leads to a shortage of empty containers available at ports for loading.



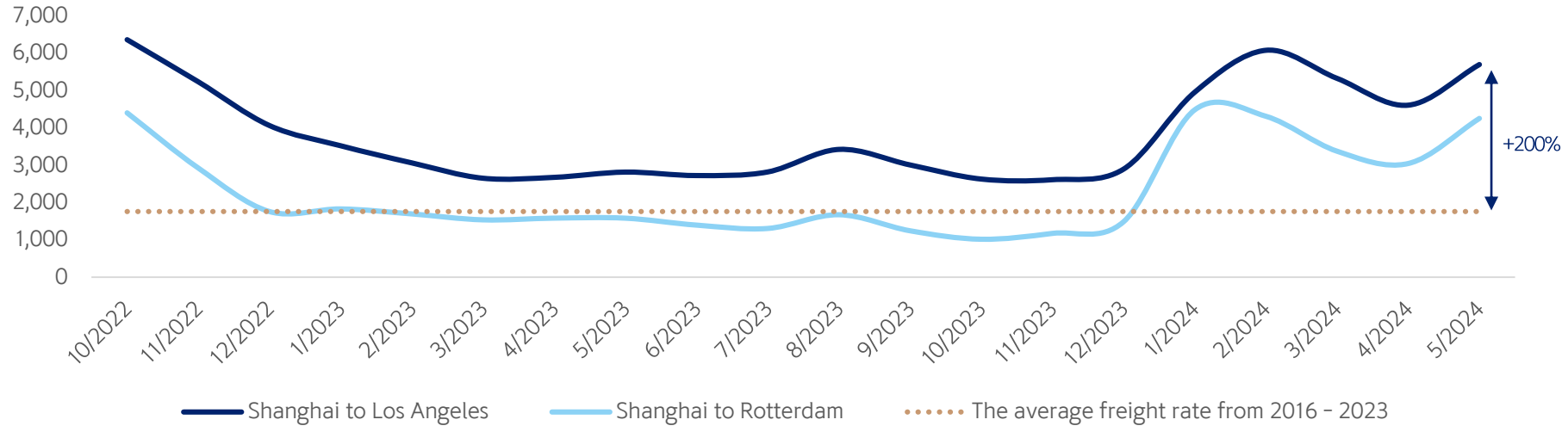
Port congestion: Global port congestion index hits 2 million TEUs, accounting for 7% of the global fleet, with Singapore becoming a congestion hotspot. In addition, major Asian ports continue to be severely congested, with port waiting times getting worse at hubs in China and Southeast Asia.

Port congestion will force shipping companies to abandon plans to call at Singapore, exacerbating problems at downstream ports.

The average number of days that export containers stay at Shanghai Port has reached 41 days, hitting a record high in three years.

Shipping rates skyrocket amid multiple fluctuations

Container freight rate (USD/container)



Source: Drewry, Shinhan Securities Vietnam

- In early February 2024, tensions in the Red Sea raised concerns about disruptions to the global supply chain. Shipping rates soared due to a temporary shortage of container ships as many ships were unexpectedly forced to detour around the Cape of Good Hope.
- Since late April, shipping rates have skyrocketed on most trade routes, surpassing the peak of the Red Sea crisis earlier this year. The peak shipping season in the US and Europe, combined with longer transit times to avoid the Red Sea and severe weather in Asia, has impacted trade flows on the world's major shipping routes. Additionally, concerns about disruptions and higher tariffs on Chinese-made goods are also driving up freight rates. Therefore, freight rates are likely to remain high in 2H2024.

02

Vietnam's logistics market

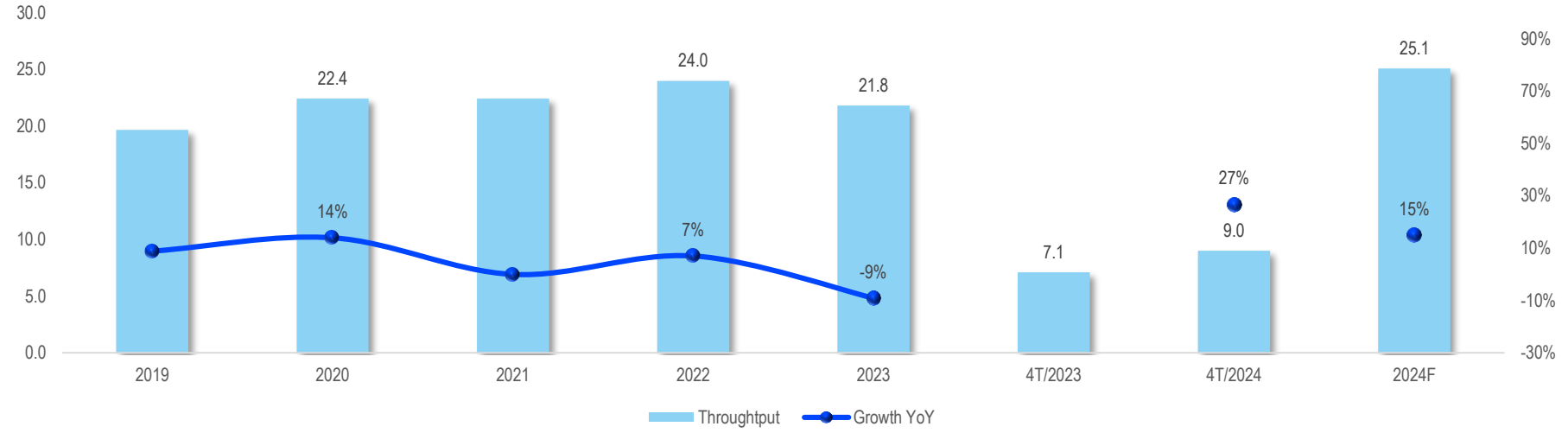
Double-digit throughput growth

Vietnam's export shows signs of improvement

Circular 39/2023/TT-BGTVT increases port service framework prices, effective from February 15, 2024

Double-digit throughput growth

Vietnam's container port throughput



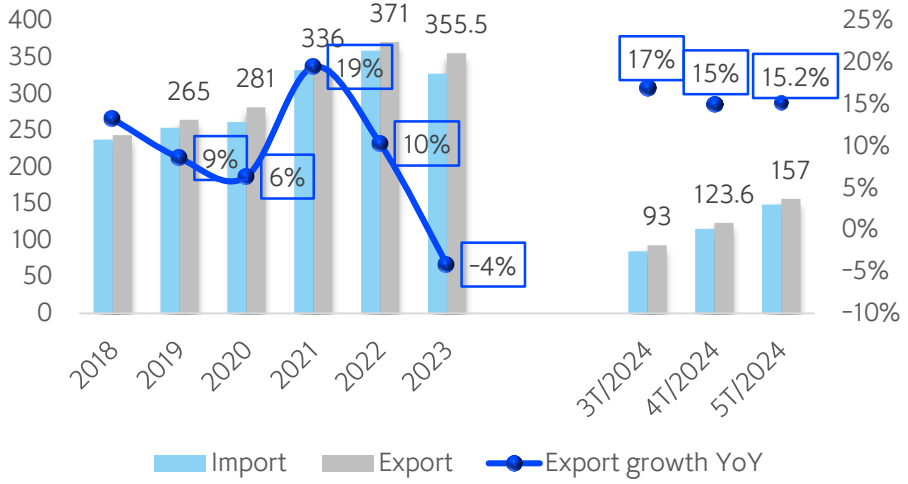
Source: GSO, Shinhan Securities Vietnam

- In the first four months of 2024, container cargo throughput is estimated to reach 7 million TEUs, an increase of 25% YoY. Major port areas such as Vung Tau, Hai Phong and Ho Chi Minh City saw cargo throughput increase by 42%, 27% and 13% YoY, respectively. The main reason is that the production and import-export activities of domestic enterprises have been booming in the recent past.

- 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.

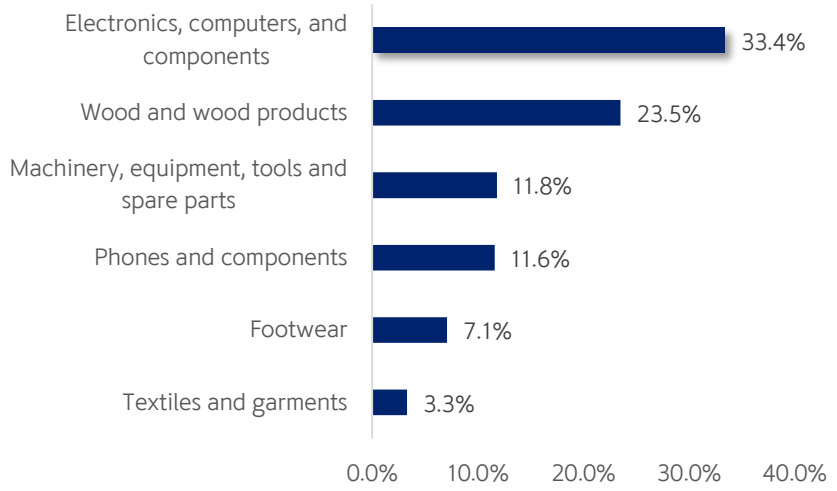
Vietnam's export shows signs of improvement

Vietnam's import and export growth



Source: GSO, Shinhan Securities Vietnam

The exported groups in 5 months of 2024

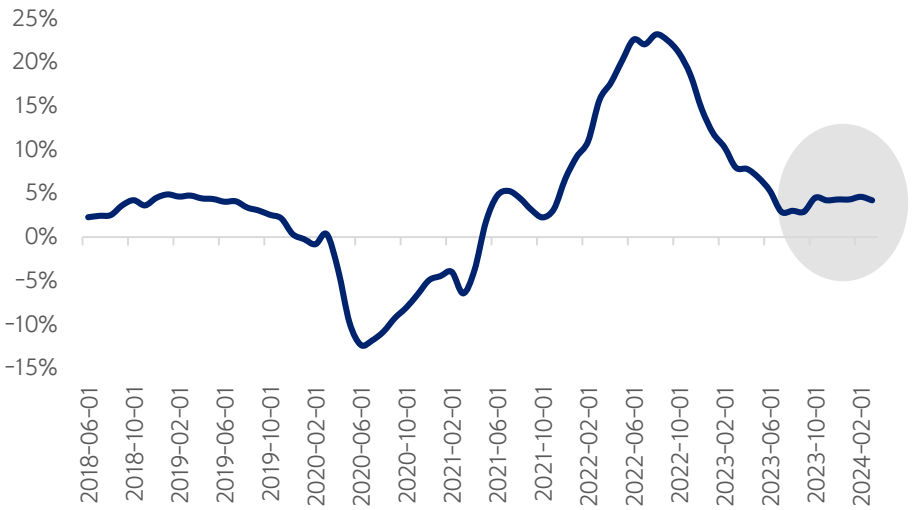


Source: GSO, Shinhan Securities Vietnam

- In the first 5 months of 2024, the total import and export turnover of goods reached USD 305 bn, an increase of 16.6% YoY, of which exports increased by 15.2%; and imports increased by 18.2%. Specifically, in May 2024, exports reached US$32.81 billion, up 5.7% compared to the previous month and up 4.6% YoY.
- Key industrial export items continue to recover well: Wood and wooden products reached USD 4.9 bn, an increase of 25%; textiles and garments reached USD 10.4 bn, an increase of 6.7%. The export turnover of computers, electronic products and components after 4 months of 2024 reached USD 21.5 bn, a strong increase of 33.9% compared to the same period last yea

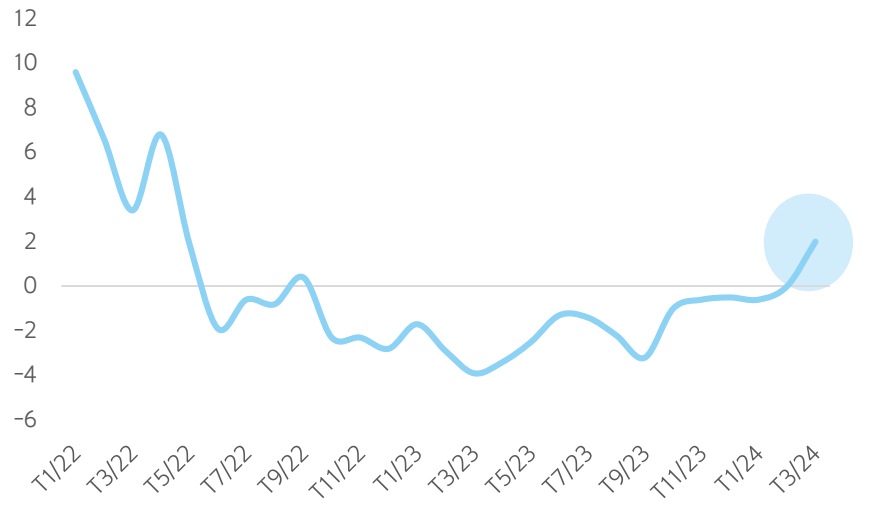
Vietnam's export shows signs of improvement

US retail inventory growth YoY



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) high demand for goods in the summer and autumn seasons, (2) low inventories in the main export markets of Vietnam.

- **US:** Inventory levels were at 4% in the first three months of the year, which is a low average during normal times for the US economy. In the first five months of 2024, the US imported USD 44 billion of Vietnamese goods, an increase of more than 20% over the same period last year.
- **EU:** Retail sales in the European region surged in March 2024, marking the highest increase since September 2022. Vietnam's exports to the EU also witnessed a strong improvement, reaching 20.7 billion USD, up 16.1% YoY.

Circular 39/2023/TT-BGTVT increases port service framework prices, effective from February 15, 2024

Some changes of Circular 39/2023/TT-BGTVT compared to Circular 54/2018/TT-BGTVT:

The prices of container stevedoring services at seaports according to Circular 39 have been increased compared to Circular 54 in some areas, especially deep-water ports.

The price of container loading and unloading services for import and export in region I, III is adjusted to increase by about 10% compared to the current level

Container Handling Fee for Zone III						
	Circular 54/2018/TT-BGTVT		Circular 39/2023/TT-BGTVT		Change (%)	
	Floor price	Ceiling price	Floor price	Ceiling price	Floor price	Ceiling price
Domestic container (VND/container)						
Container 20 feet	260,000	427,000	260,000	427,000	+0%	+0%
Container 40 feet	439,000	627,000	439,000	627,000	+0%	+0%
Container > 40 feet	658,000	940,000	658,000	940,000	+0%	+0%
Container loading and unloading services for import, export, temporary import, and re-export (USD/container)						
Container 20 feet	41	53	45	53	+10%	+0%
Container 40 feet	62	81	68	81	+10%	+0%
Container > 40 feet	75	98	83	98	+10%	+0%
Transshipment and transit container handling service (USD/container)						
Container 20 feet	28	40	31	40	+10%	+0%
Container 40 feet	42	60	46	60	+10%	+0%
Container > 40 feet	51	73	56	73	+10%	+0%

Source: MoT, Shinhan Securities Vietnam

Circular 39/2023/TT-BGTVT increases port service framework prices, effective from February 15, 2024

Some changes of Circular 39/2023/TT-BGTVT compared to Circular 54/2018/TT-BGTVT:

The prices of container stevedoring services at seaports according to Circular 39 have been increased compared to Circular 54 in some areas, especially deep-water ports.

Container handling fee for Lach Huyen and Cai Mep - Thi Vai ports						
	TT 54/2018/TT-BGTVT		TT 39/2023/TT-BGTVT		Thay đổi (%)	
	Floor price	Ceiling price	Floor price	Ceiling price	Floor price	Ceiling price
Container loading and unloading services for import, export, temporary import, and re-export (USD/container)						
Container 20 feet	52	60	57	66	+10%	+10%
Container 40 feet	77	88	85	97	+10%	+10%
Container > 40 feet	85	98	94	108	+10%	+10%
Transhipment and transit container handling service (USD/container)						
Container 20 feet	31	36	34	40	+13%	+11%
Container 40 feet	46	53	51	58	+11%	+9%
Container > 40 feet	51	59	56	65	+10%	+10%
Barge service (USD/container)						
Container 20 feet	6	15	8	15	+33%	+0%
Container 40 feet	10	23	13	23	+30%	+0%
Container > 40 feet	10	23	13	23	+30%	+0%

Source: MoT, Shinhan Securities Vietnam

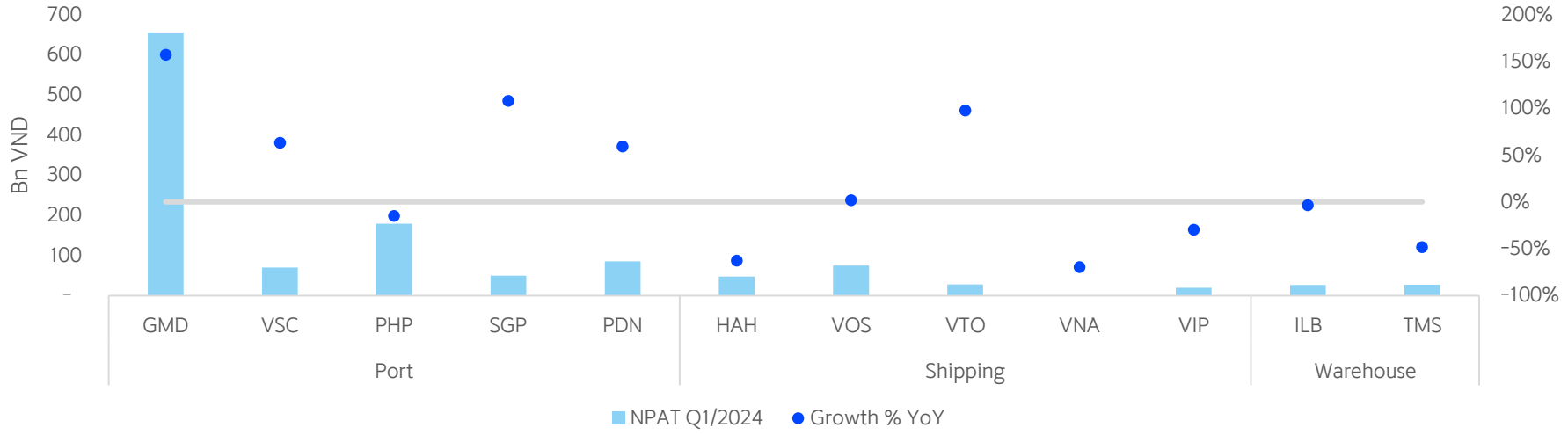
03

Logistics stock pick

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

Profit growth differentiation among logistics companies

Business results of logistics enterprises



Source: FiinPro, Shinhan Securities Vietnam

- Port companies: Most companies have recorded positive growth results thanks to the recovery of import-export activities, thereby supporting improved port operations. We expect this group of businesses to continue to grow well in 2H 2024 thanks to positive signals from import-export.
- Shipping companies: The majority of businesses have recorded a decline in their business results due to contracts being locked in at a time of low freight rates. We expect this group of businesses to start to improve from Q3 as freight rates have been increasing since the end of 2023 and are significantly higher than the same period last year.
- Warehouse companies: Divergence among firms due to own story. TMS records 49% YoY revenue growth, but net profit falls 28% under pressure from multiple cost increases.

3. Listed logistics enterprises

General Information				Stock Price			Key financial ratios			Business results forecast		Valuation 24F		
No.	Ticker	Sector	Mkt.Cap (VND bn)	CP (VND)	TP (**) (VND)	Upside (%)	GPM TTM (%)	ROA TTM (%)	ROE TTM (%)	NPAT 2024 (VND bn) (**)	NPAT growth 2024 (% YoY)	P/E (x)	EV/ Sales (x)	EV/ EBITDA (x)
1	GMD	Port services	25,459	82,000	84,000	2.4	45.3	18.7	29.6	1,226	16.0	17.0	2.0	9.2
2	HAH	Port services	5,017	41,350	44,500	7.6	19.7	6.1	12.4	520	45.3	5.3	1.1	1.7
3	VSC	Port services	5,615	21,050	30,000	42.5	31.3	2.7	4.9	350	180	18.5	0.8	7.2
4	ILB	Warehousing services	830	33,900	-	-	39.8	6.3	20.7	-	-	-	-	-
5	TMS	Warehousing services	7,992	50,500	-	-	16.7	3.2	5.7	-	-	-	-	-
6	VOS	Inland transport	2,590	18,500	-	-	4.8	5.7	9.5	-	-	-	-	-
7	VIP	Inland transport	985	14,400	-	-	21.1	5.5	6.1	-	-	-	-	-
8	VTO	Inland transport	1,026	12,850	-	-	20.9	5.5	7.9	-	-	-	-	-

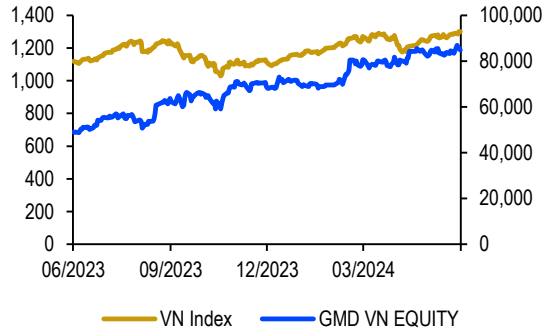
(*) Target price (fair value) for the next 12 months
(**) We exclude abnormal profit from asset disposals
Source: FiinPro, Shinhan Securities Vietnam
Data as of June 24th, 2024

Gemadept Corporation (HOSE: GMD)

GEMADEPT CORPORATION

Target price (12 months)	**84,000 VND**
Curren price (24/06/24)	82,000VND
Return (%)	2.4%
VN-INDEX	1,254
HNX-INDEX	240
Market Cap (bn VND)	25,459
Outstanding shares (mn)	310
Free-Floating (mn)	303
52-Wk High/ Low (VND)	87,800/50,100
90-day avg. trading volume (mn)	1.72
90-day avg. turnover (bn VND)	1.46
Shareholders (%) SSJ Consulting VN	9.9

Performance	3M	6M	12M
Absolute (%)	5.2	23.1	66.3
Relative to VNIndex (%)	2.9	6.4	50.5



The beneficiary of rising freight rates and demand

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 2024 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 2024, we expect cargo throughput at Gemalink port to resume growth thanks to the support of 2 new shipping routes and the recovery of existing routes, and phase 2 of Nam Dinh Vu port will optimize capacity.
- Circular 39/2023/TT-BGTVT increases port service fee to support GMD's profit, effective from February 15, 2024. In which, the container loading and unloading service price for import and export in Hai Phong and Cai Mep Thi Vai area is adjusted to increase by at least 10% compared to before.

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	2023	2024F
Core revenue (VND bn)	2,606	3,206	3,916	3,846	3,852
OP (VND bn)	471	693	1,104	1,116	1,081
Core NP (VND bn)	440	721	1,157	2,861	1,458
EPS (VND)	1,132	1,869	3,054	7,825	3,713
BPS (VND)	20,472	21,920	24,030	28,395	31,627
OPM	18.1%	21.6%	28.2%	29.0%	28.1%
NPM	14.2%	19.1%	25.4%	74.4%	31.4%
ROE (%)	6.3%	10.0%	15.0%	33.3%	13.3%
P/E (x)	55.6	33.7	20.6	8.1	17.0
P/B (x)	3.1	2.9	2.6	2.2	2.0
EV/EBITDA (x)	20.4	16.2	11.2	12.0	9.2

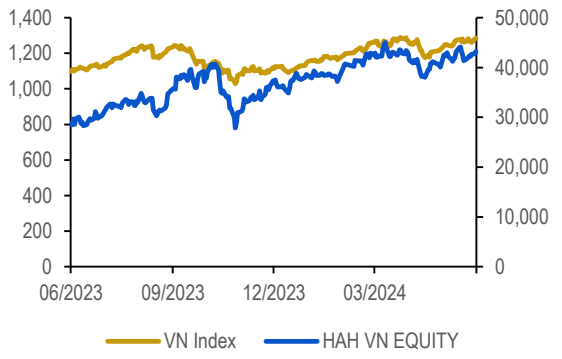
Source: Company data, Bloomberg, Shinhan Securities Vietnam

Hai An Transport & Stevedoring JSC (HOSE: HAH)

Target price (12 months)	**44,500 VND**
Curren price (24/06/24)	41,350 VND
Return (%)	7.6%

VN-INDEX		1,254
HNX-INDEX		240
Market Cap (bn VND)		5,017
Outstanding shares (mn)		121.9
Free-Floating (mn)		14
52-Wk High/ Low (VND)		43,600/24,300
90-day avg. trading volume (mn)		2.92
90-day avg. turnover (bn VND)		127
Shareholders (%)	Hai Ha Investment and Transport JSC	15.2
	Sao A D.C Investment JSC	6.05

Performance	3M	6M	12M
Absolute (%)	1.8	15.8	62.0
Relative to VNIndex (%)	-0.2	1.0	44.0



Riding the wave of maritime transport

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 2024 when the US and EU enter the peak buying season and there is a demand for stocking goods before fluctuations in freight rates.
- Business operations are expected to improve from 2H/2024. We forecast that freight rates will continue to increase significantly compared to 2023 due to (1) the prolonged tension in the Red Sea and (2) the recovery in cargo demand.
- Fleet expansion helps increase capacity. As of now, 2 vessels have been delivered in early 2024 and the remaining 1 vessel will be delivered in Q3/2024, bringing the total fleet capacity to over 23,000 TEU by the end of 2024 (+23% y.o.y).

- Outlook for 2024

- In Q1/2024, HAH recorded net revenue of VND 704.1 billion (+7.5% YoY) and COGS of VND 597.8 billion (+29% YoY). HAH reported profit after tax of VND 47.3 billion (-63% YoY) due to the still unoptimistic domestic transportation demand and some time-chartered vessels still under contracts at old freight rates. We forecast that HAH's core profit will grow in 2H/2024 thanks to (1) two new vessels received in 2024 with good freight rates, (2) some time-chartered vessels being re-contracted from Q2/2024, and (3) recovery in cargo demand.

Downside risks: (1) World economic risk , (2) Slow down in demand and (3) Rising fuel costs

Year to Dec	2020	2021	2022	2023	2024F
Revenue (VND bn)	1,192	1,955	3,206	2,613	2,872
OP (VND bn)	171	629	1,308	447	660
NP (VND bn)	147	551	1,041	358	520
EPS (VND)	2,835	9,133	11,699	3,648	4,436
BPS (VND)	21,908	31,809	32,852	25,240	30,169
OPM	14.4%	32.2%	40.8%	17.1%	23.0%
NPM	12.3%	28.2%	32.5%	13.7%	18.1%
ROE (%)	11.0%	28.9%	36.1%	11.2%	13.8%
P/E (x)	17.5	5.4	4.2	13.6	11.2
P/B (x)	2.3	1.6	1.5	2.0	1.6
EV/EBITDA (x)	7.4	2.9	1.4	3.8	2.9

Source: Company data, Bloomberg, Shinhan Securities Vietnam

Shinhan Securities

Retail Sector

Profit acceleration



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Contents

Retail Sector – Profit acceleration

1. Global retail industry update

   In 2023, the global retail sales was estimated to reach USD29.6 trillion (+5% YoY), forecast to be maintained at stable growth of 3-4% during the 2025-2027 period.

2. Retail sector of Vietnam market

   The CAGR of retail goods and services sales was at 7.8% over the 2017-2023 period, contributing nearly 60% of the country's GDP. Cumulatively in 5M2024, the sales of retail goods and services reached VND2,580 trillion (+8.7% YoY).

3. Outlook of retail sector 2H2024

   The retail sector is expected to grow 8.0-9.0% YoY in 2H2024 and 7.5-8.5% YoY in 2024 driven by (1) positive economic growth expectations, (2) improved consumer income, and (3) continued growth momentum of new retail business models.

4. Typical stocks in the retail sector

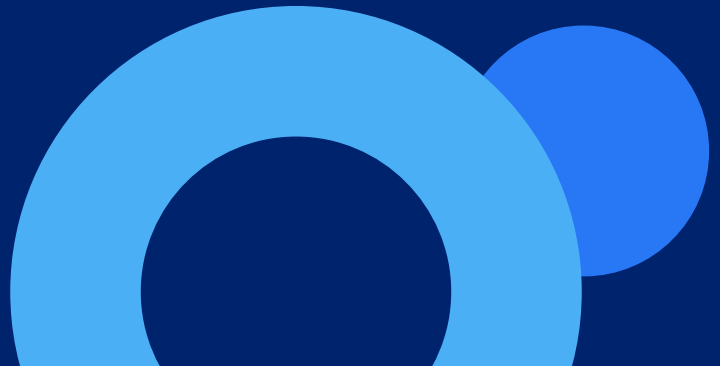
   MWG, FRT, DGW, PNJ

01

Global retail industry update

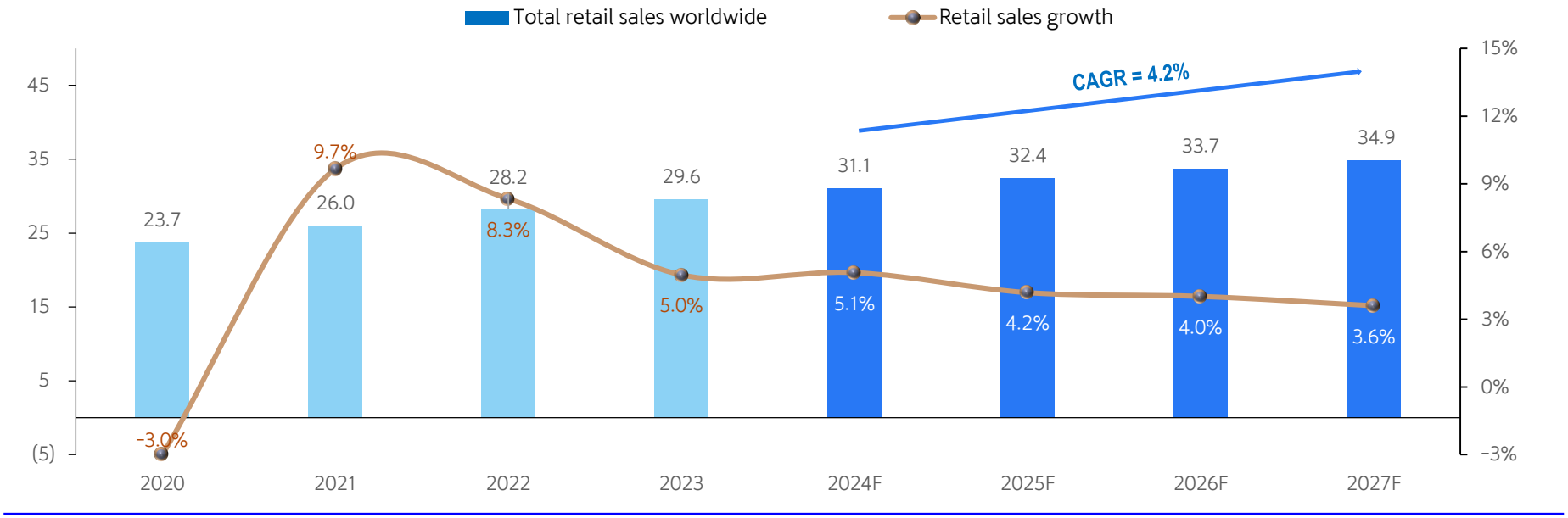
The retail industry's growth plays a significant role in the overall economic recovery following disruptive events occurred.

In 2023, the global retail market revenue is estimated to reach USD 29.6 trillion, expanding by 5% compared to the same period in 2022. The growth rate is forecast to maintain a steady pace of 3-4% during the 2025-2027 period.



1. Global retail industry update

Global retail sales and forecast (USD trillion)

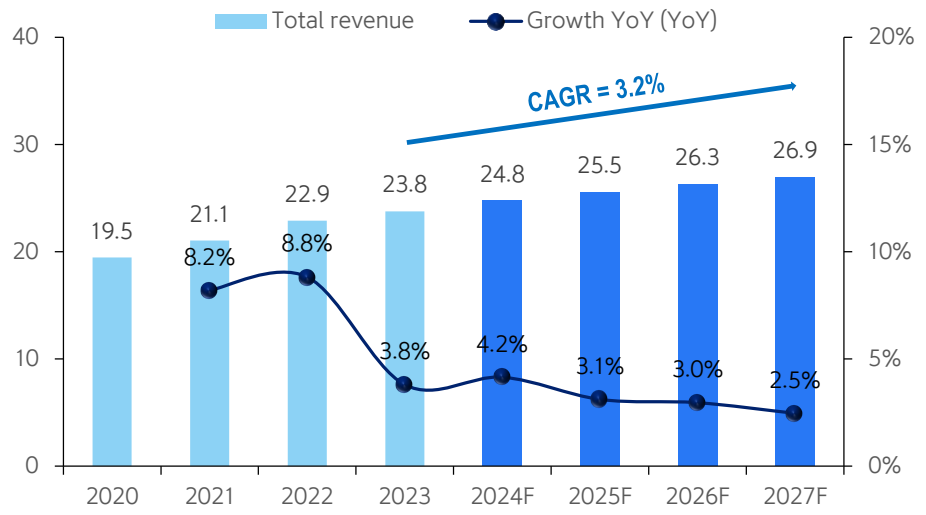


Source: eMarketer, Statista, Shinhan Securities Vietnam

- The growth of the retail industry has played a significant role in the overall economic recovery following each disruptive event. In 2023, the global retail market revenue was estimated to have reached USD 29.6 trillion (+5% YoY).
- In 2024, eMarketer forecasts that this figure will continue to grow steadily, reaching around USD 31.1 trillion (+5.1% YoY), and projects a gradual slowdown in growth, remaining stable at 3-4% per year during the period 2025-2027.
- Retail is one of Vietnam's important pieces of economy; with a market size of nearly USD 250 billion in 2023; expected to reach USD 350 billion by 2025 – maintaining a contribution of over 60% to the country's GDP.

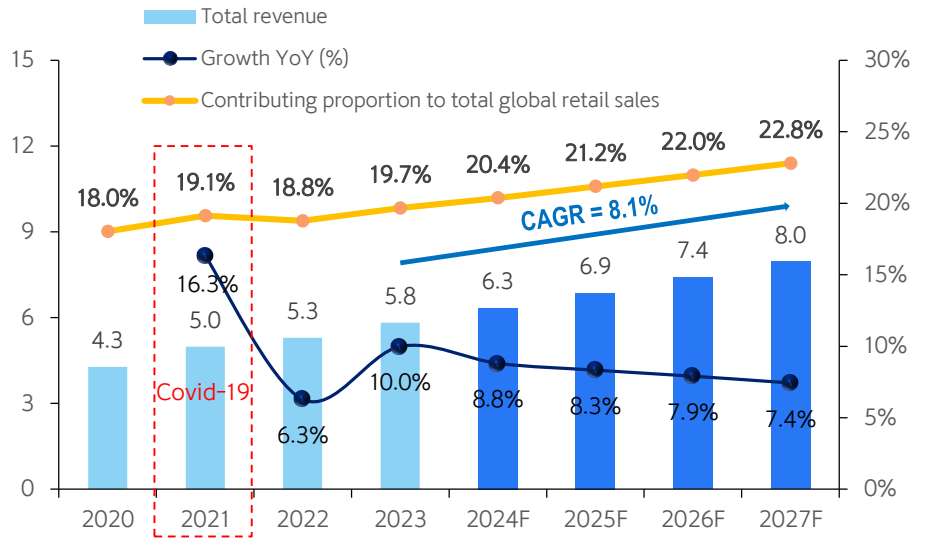
1. Global retail industry update

Revenue from offline, physical retail store channel (USD trillion)



Source: eMarketer (2024), Statista, Shinhan Securities Vietnam

Revenue from online store, e-commerce channel (USD trillion)



Source: eMarketer (2024), Statista,, Shinhan Securities Vietnam

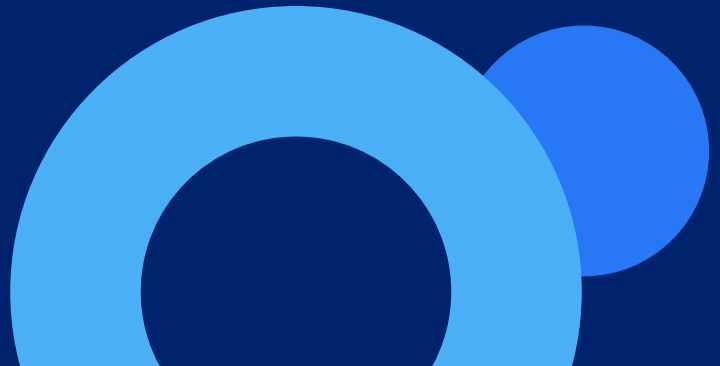
- Besides the traditional and familiar direct-to-store retail format, e-commerce is also becoming increasingly popular around the world, especially after the Covid-19 pandemic.
- In 2023, physical store retail sales was estimated to reach USD 23.8 trillion (+3.8% YoY), accounting for 80.3% of total global retail revenue. The revenue of this channel group is forecast to remain stable, corresponding to a CAGR of 3.2% during the period 2023-2027.
- E-commerce retail has witnessed impressive growth since the social distancing due to the Covid-19. Its contribution to global retail sales has also improved significantly, projected to maintain a share of 20-23%, corresponding to a CAGR of 8.1% during the period 2023-2027.

02

Retail sector of Vietnam market

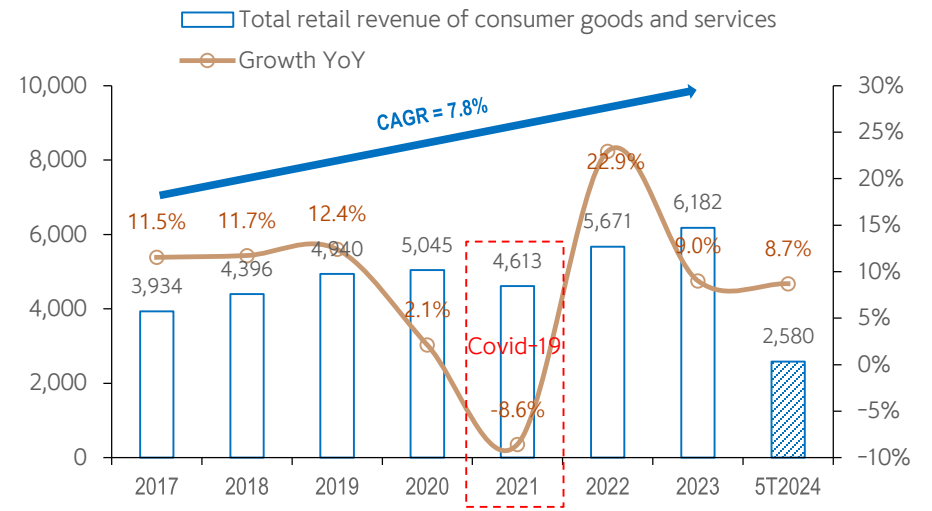
In 2023, Vietnam's sales of retail goods and services reached VND 6,182 trillion, corresponding to a CAGR of 7.8% for the period 2017-2023, with a market size of approximately USD 250 billion, contributing nearly 60% to the country's GDP.

Cumulatively in 5M2024, sales of retail goods and services reached VND 2,580 trillion (+8.7% YoY). While the domestic and global economies have not yet fully stabilized, the retail industry is still expected to maintain its stable growth rate compared to 2023.



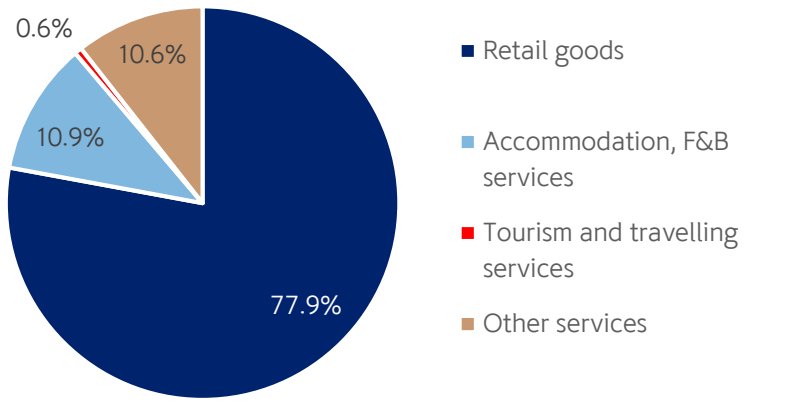
2. Retail sector of Vietnam market

Sales of retail goods and services in Vietnam (trillion VND)



Source: GSO, Shinhan Securities Vietnam

Sales contributing segment of retail sector in 5M2024



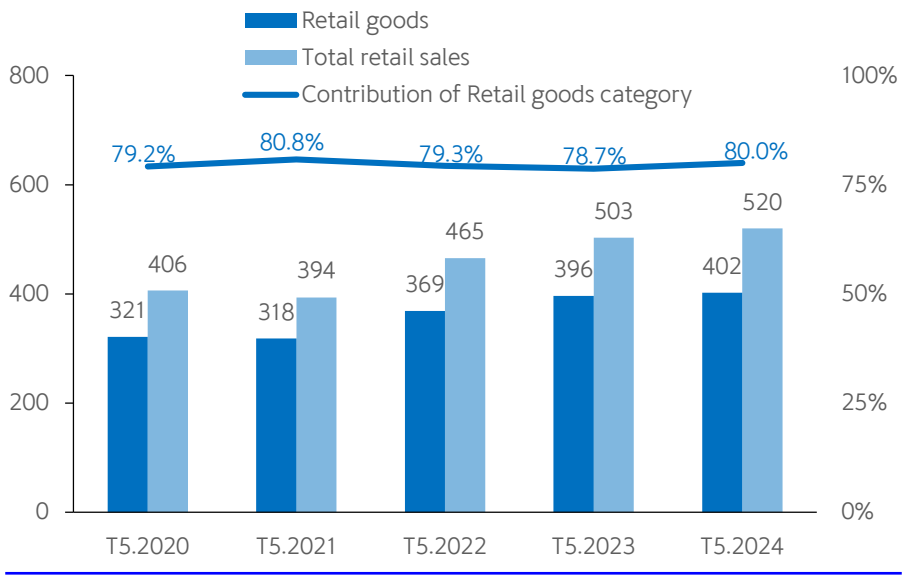
Source: GSO, Shinhan Securities Vietnam

- 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. Particularly, the "Retail goods" group always contributes over 70% of the entire retail industry's revenue. After the recovery period due to the impact of the COVID-19 epidemic, revenue from the "Retail goods" segment still grew steadily, showing the sustainability of Vietnam's retail industry.
- In 2023, revenue is estimated to reach 6,182 trillion VND (+9.0% YoY), corresponding to a CAGR of 7.8% for the period 2017-2023.
- Cumulatively in 5M2024, the total sales of retail goods and services reached VND 2,580 trillion (+8.7% YoY). In 2024, despite the global and domestic economy fluctuations, the growth momentum of the retail sector will still be maintained at a stable level compared to 2023.

2. Retail sector of Vietnam market

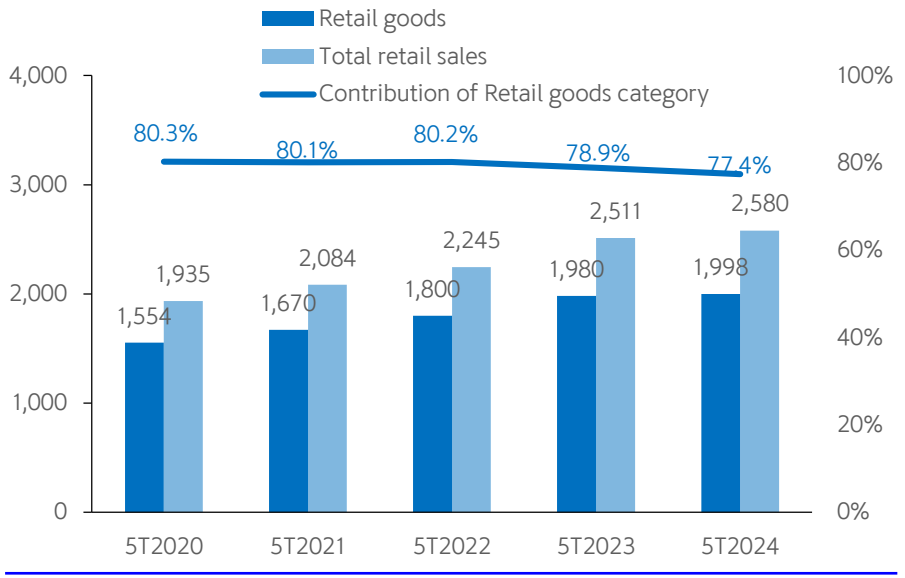
Update on Retail goods category

Sales of retail goods in May 2024 (trillion VND)



Source: GSO, Shinhan Securities Vietnam

Accumulated 5M2024 retail goods sales (trillion VND)

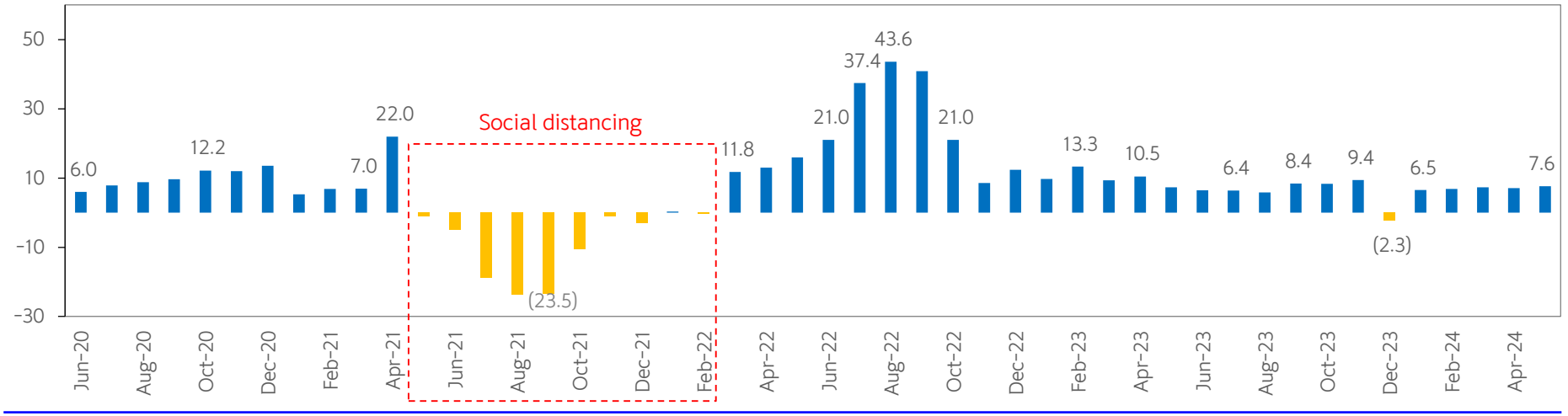


Source: GSO, Shinhan Securities Vietnam

- Sales of "Retail goods" in May 2024 is estimated to reach VND 402.4 trillion (+1.6% YoY). Cumulatively in 5M2024, this segment recorded VND 1,998.2 trillion (+7.4% YoY), accounting for 77.4% of total sales of retail goods and services (5M2023: 78.9%).
- We forecast the total sales of retail goods and services in 2024 to be VND 6,478 trillion (+8.4% YoY); of which revenue from "Retail goods" continues to contribute the largest portion of about 76%, estimated at VND 4,912 trillion (+8.0% YoY).

2. Retail sector of Vietnam market

Monthly revenue growth of Retail goods sales (% YoY)



Source: GSO, Shinhan Securities Vietnam

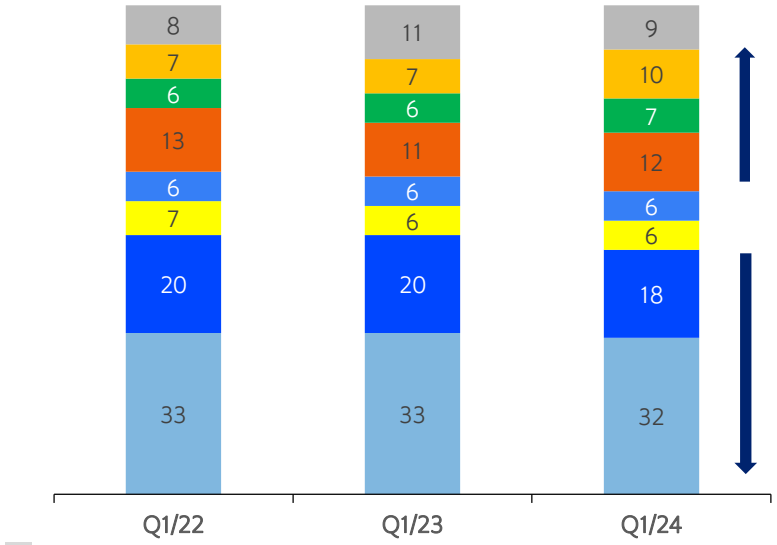
- After a period of severe economic impact due to the COVID-19 pandemic, timely support from government stimulus policies has helped the retail industry gradually recover and maintain stability.
- Retail growth showed positive signs in 2022 and remained stable in 2023 and 2024. While the boom and improvement cooled down gradually from the end of 2022 due to economic fluctuations and people's tendency to prioritize spending on essential items, the "Retail goods" sales maintained stable growth compared to previous years.
- Sales growth of "Retail goods" is estimated to reach VND 1,192 trillion in Q1/2024 (+7.1% YoY). With monthly growth in the first half of 2024 reaching 6.5-7.5% YoY, it is expected that the growth rate for the remaining months of 2H2024 can improve and reach 8-9% YoY.

2. Retail sector of Vietnam market

Contribution of retail goods value by channel (%)

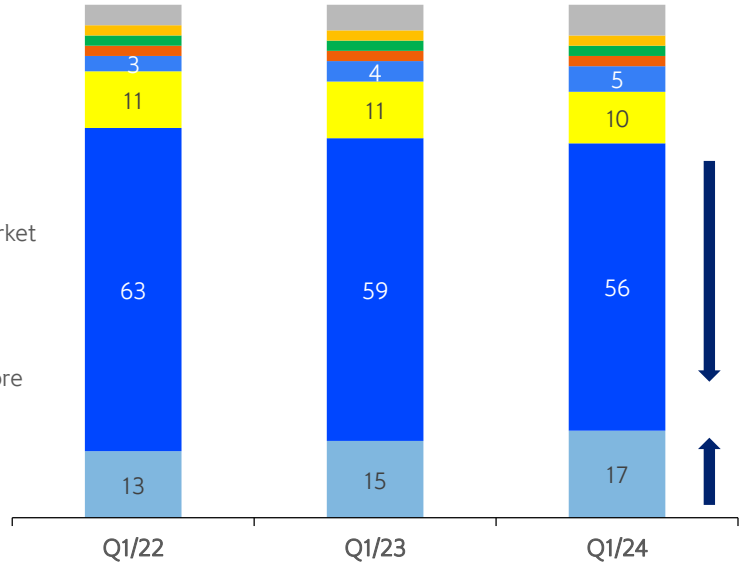
Urban Vietnam (*)

(*) including 4 Large cities: Ho Chi Minh, Hanoi, Đa Nang, and Can Tho.



Other selling channels including hand-carried goods, manufacturer's store, etc.

Rural Vietnam



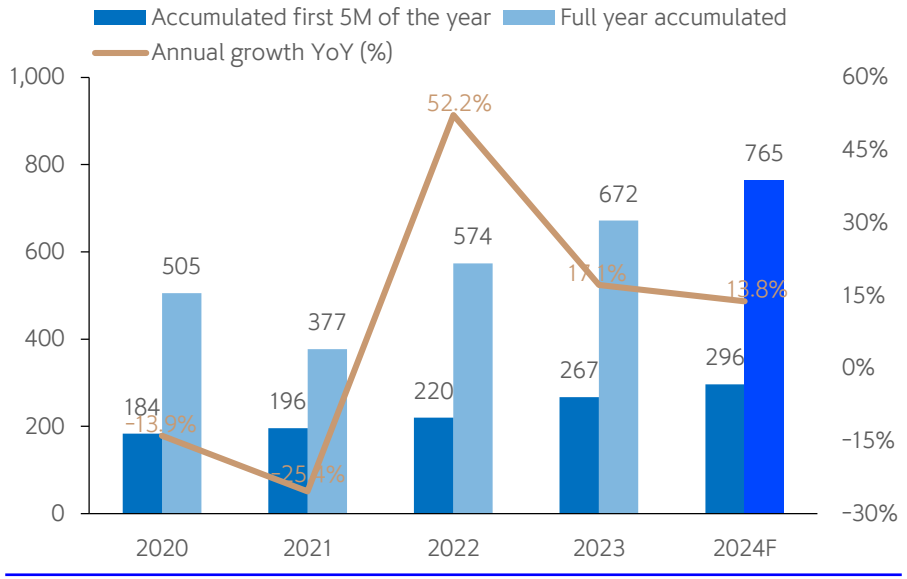
Source: Kantar Worldpanel, Shinhan Securities Vietnam

- In terms of the proportion of retail channels, grocery stores still hold the largest market share. However, this group tends to gradually shrink in value contribution due to the strong expansion of modern retail and business chain models.
- Retail brands tend to increase their presence across multiple distribution channels, taking advantage of the potential of online sales platforms, helping to bring a seamless and convenient shopping experience to consumers. Modern sales channels are also shifting to consumers in rural areas.
- n the context of buyers also diversifying their shopping channel choices, leading to the growth in contribution from online channels in both Urban and Rural areas. This opens up opportunities for small and medium-sized brands to attract and diversify their loyal customer base.

2. Retail sector of Vietnam market

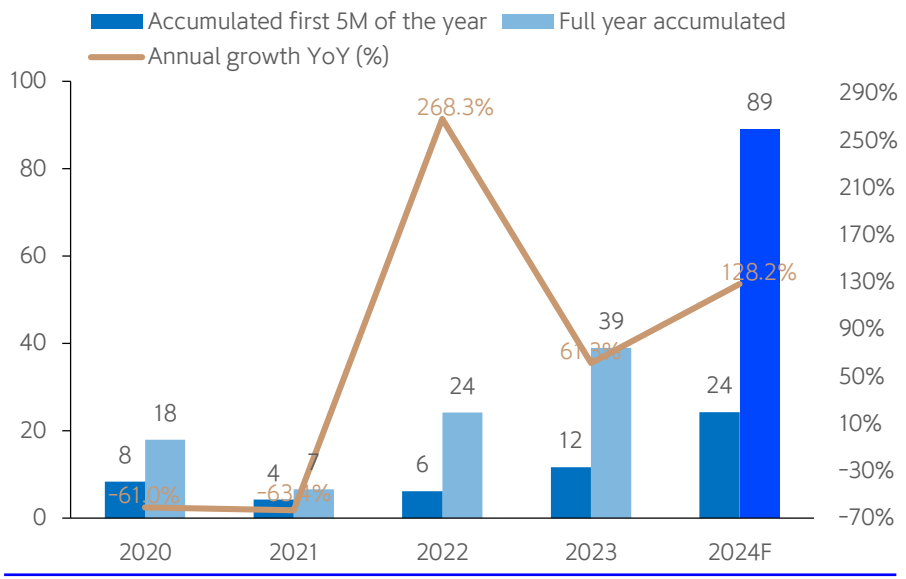
Update on Accommodation, F&B, and Tourism services

Revenue of Accommodation and F&B services (trillion VND)



Source: GSO, Shinhan Securities Vietnam

Revenue of Tourism (trillion VND)



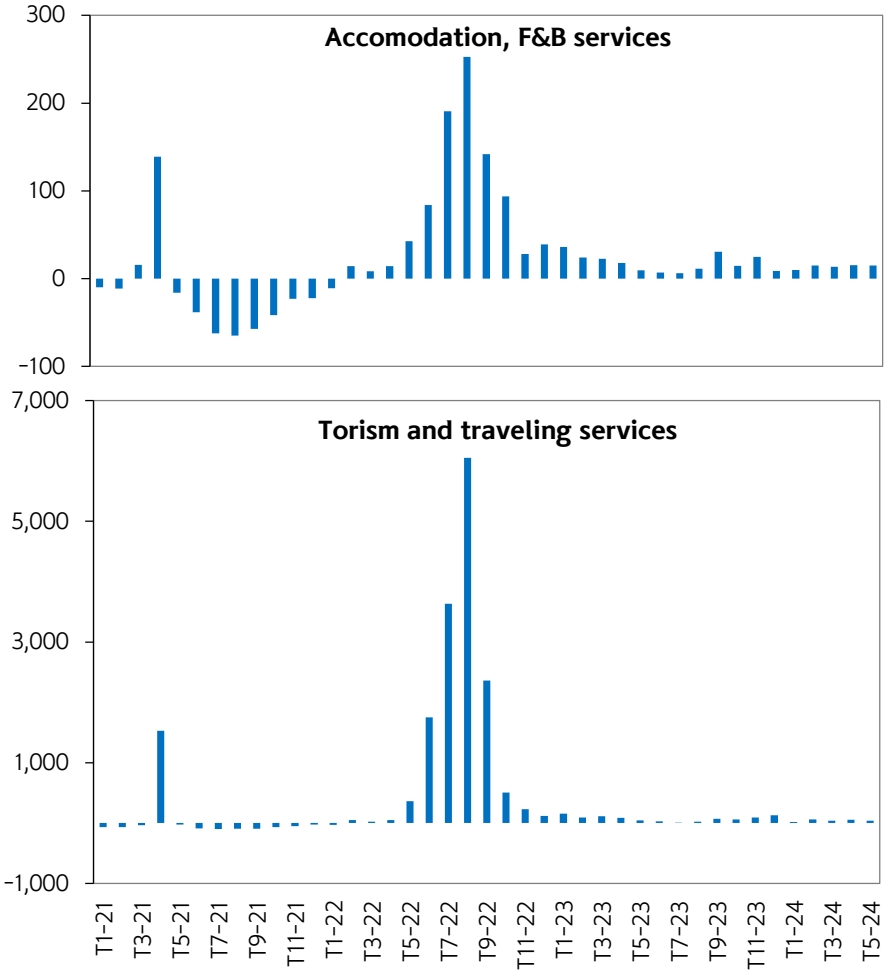
Source: GSO, Shinhan Securities Vietnam

- After being affected by the Covid-19, tourism demand has been strongly recovering. In 2023, revenue from accommodation and F&B reached VND 672 trillion (+17.1% YoY); Travel tourism revenue recorded VND 39 trillion (+61.3% YoY).
- **Inbound tourism:** In 2023, Vietnam welcomed 12.6 million inbound visitors (an increase of 3.4x YoY); exceeding 57% of the inception plan (8 million), and completing the adjusted target (12-13 million). However, this number is only equal to 70% of 2019 - the golden year of Vietnamese tourism.
- **Domestic tourism:** Serving 108.2 million tourists in 2023 (+7.4% YoY). The heat of domestic tourism demand still shows no signs of slowing down. This is an important segment helping to recover Vietnam's tourism industry after the pandemic, with many entertainment activities to promote domestic tourism.
- **2024 target:** Attract 17-18 million inbound visitors; 110 million domestic tourists. Total revenue reaches VND 850 trillion from all tourists (+20% YoY). This target aims to build on the momentum achieved in 2023 and boost Vietnam's tourism industry.

2. Retail sector of Vietnam market

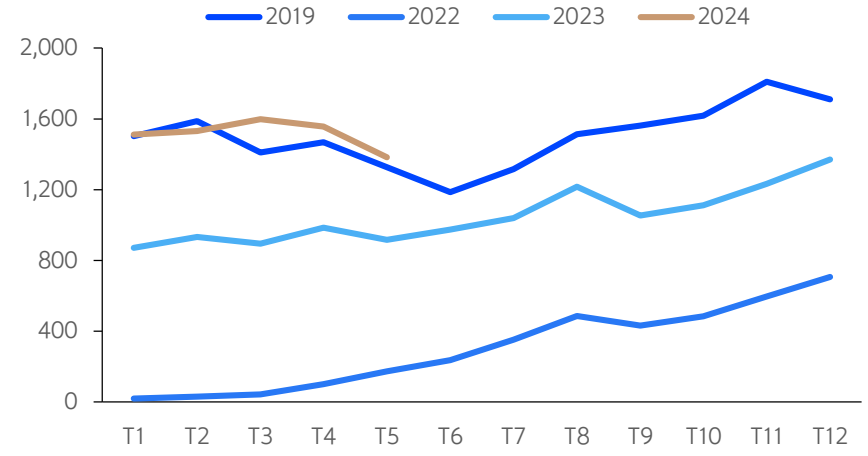
Update on Accommodation, F&B, and Tourism services

Monthly growth of retail service industries in Vietnam (% YoY)



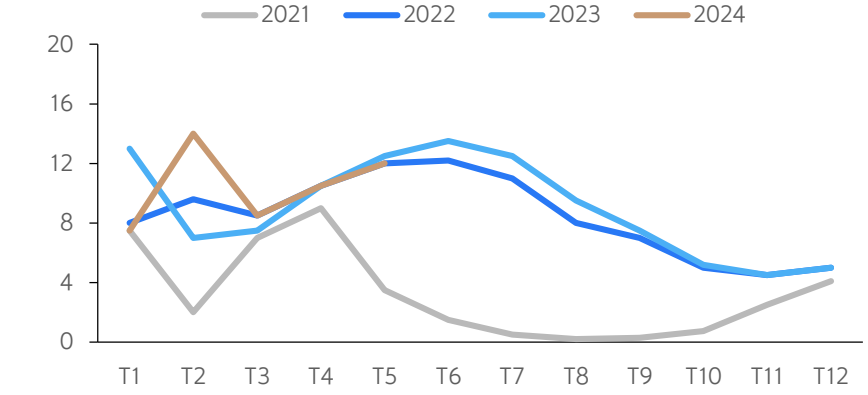
Source: GSO, Vietnam National Tourism Administration, Shinhan Securities Vietnam

Inbound visitors to Vietnam (thousand)



Source: GSO, Shinhan Securities Vietnam

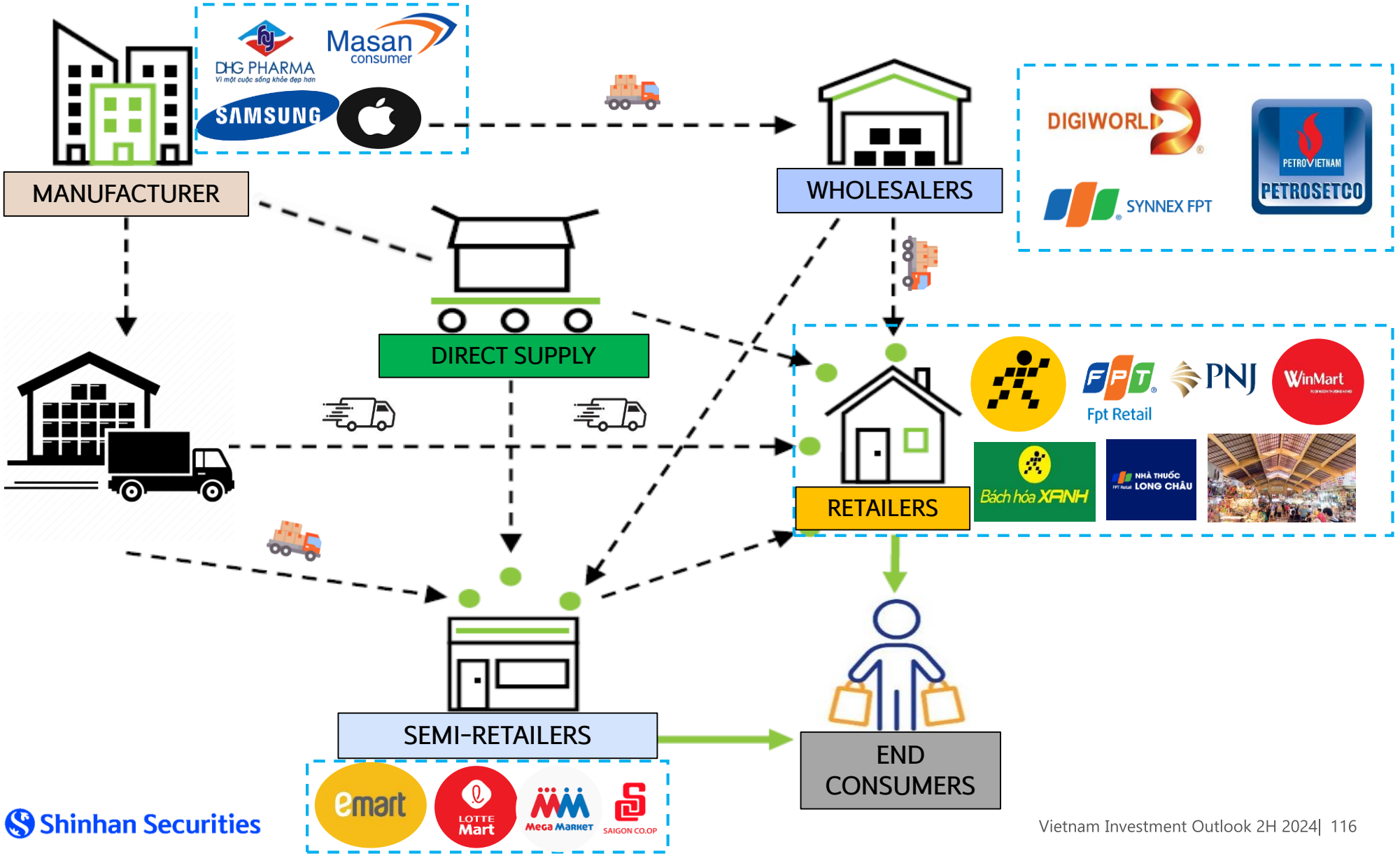
Domestic tourists (thousand)



Source: Vietnam National Tourism Administration, Shinhan Securities Vietnam

2. Retail sector of Vietnam market

Typical key players in Vietnam retail market



2. Retail sector of Vietnam market

Distribution channels in Vietnam retail market

Familiar distributing, selling points channels

Other emerging channels in recent years

Physical Channel (Single channel)



Small retail store; Wet market



MWG, FRT, MCH
Lotte Mart, Saigon Co.op

Catalog Station



VRE , FRT, PNJ, MWG, Concung

Department stores, convenience stores

Virtual Channel



E – commerce

Shopee, Lazada, TIKI, Sendo, Fpt Retail

TV Home shopping

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

Multi-channels (Omni channel)



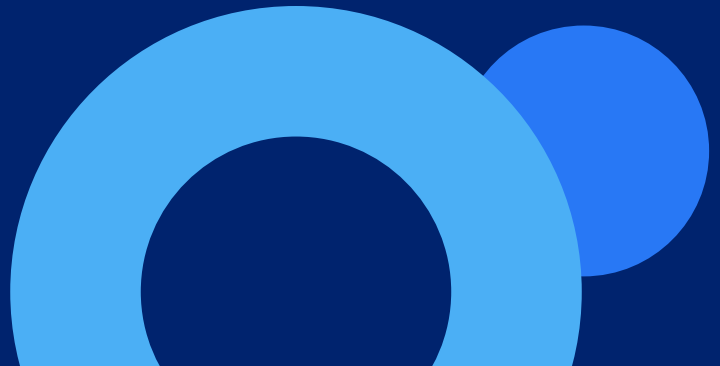
- Physical stores remain the most popular channel in the retail market today. Additionally, in the Vietnamese retail market, online retail forms are also becoming increasingly popular. Specifically, online retail channels and e-commerce are becoming more favored and are increasing their market share in the retail sector in many global markets.
- Many retailers are adopting an omni-channel sales model to optimize sales capabilities from both traditional and online channels.

03

Outlook of retail sector 2H2024

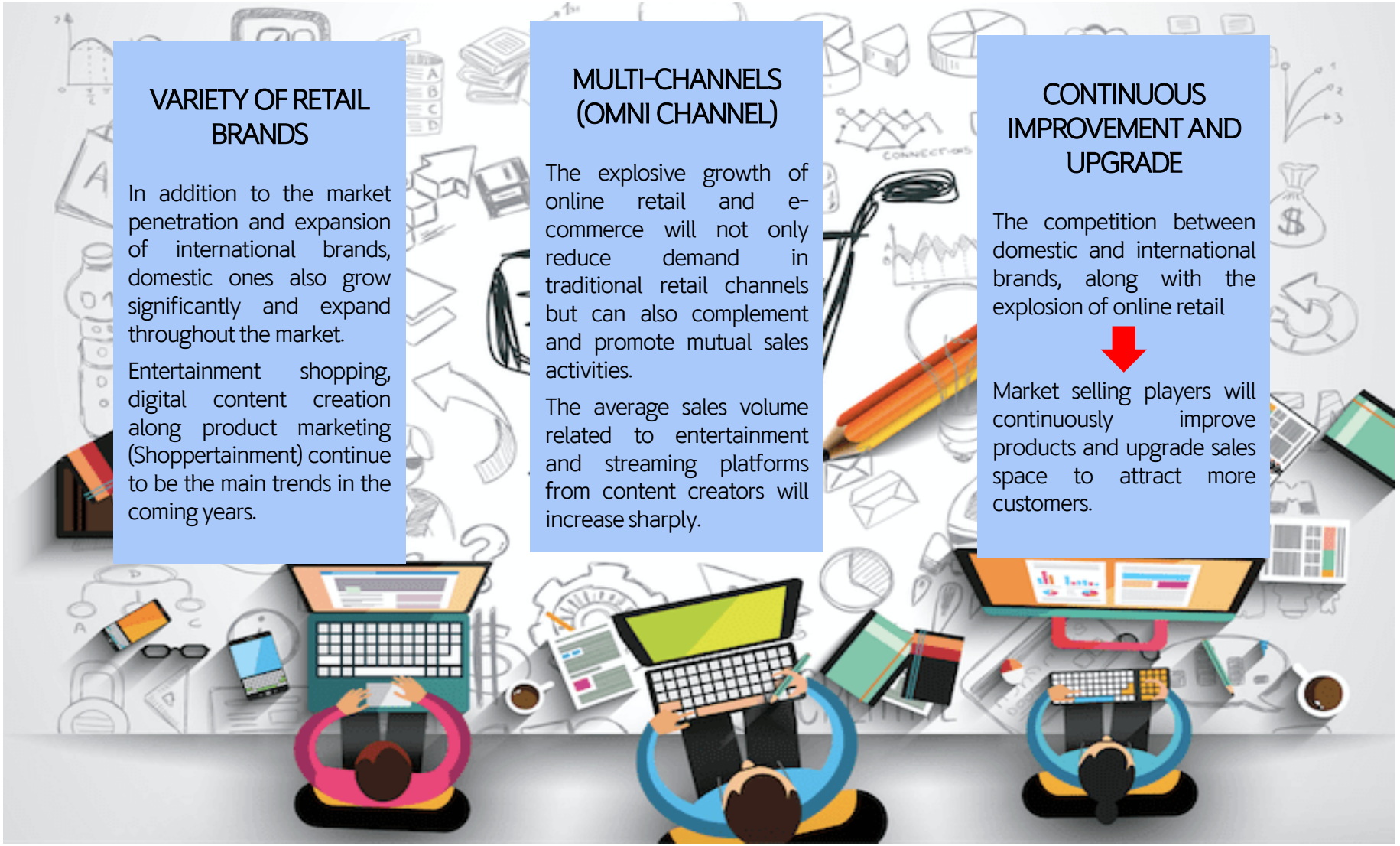
The retail sector is expected to grow 8.0-9.0% YoY in 2H2024 and 7.5-8.5% YoY in 2024 driven by:

+ Positive economic growth expectations;
+ Improved consumer income; high urbanization rate;
+ Continued growth momentum of new retail business models.



3. Outlook of retail sector 2H2024

Retail Market Trend



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

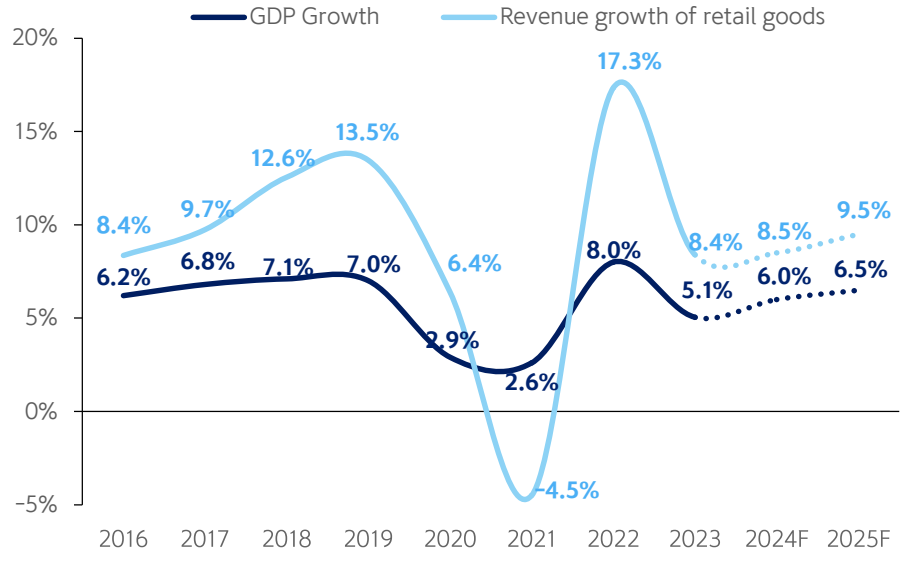
The competition between domestic and international brands, along with the explosion of online retail

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

3. Outlook of retail sector 2H2024

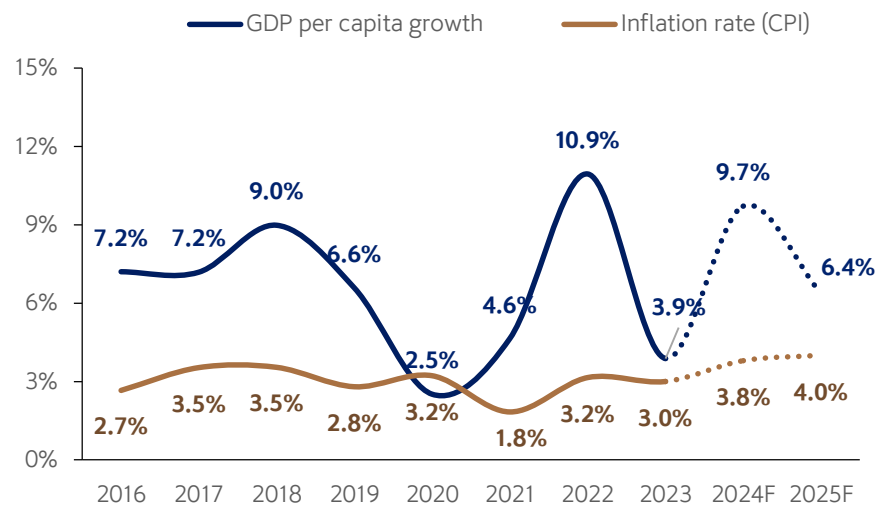
Impact of the economy on Vietnam's retail sector

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 (CPI)



Source: World Bank, IMF, GSO, Shinhan Securities Vietnam

- Aiming for a robust GDP growth of 6.0-6.5% in 2024, along with an estimated 1H2024 retail goods sales growth of ~8.0% YoY, 2H2024 and full-year 2024 retail goods growth are projected to reach 8.0-9.0% YoY and 7.5-8.5% YoY, respectively.
- In addition, Vietnam's GDP per capita income has continuously enhanced, reaching USD 4,284 in 2023 (+3.9% YoY). IMF expects this figure to surpass USD 5,000 by 2025. Moreover, the inflation rate maintained by the government at a stable level of 4-4.5% will act as a catalyst for the retail industry and the Vietnamese economy to continue growing sustainably following the recovery period.
- Total retail goods and services revenue in 2024 is forecast to reach nearly VND 7,000 trillion (+8.0% YoY), of which sales of retail goods will still account for the majority, estimated to contribute 77-78% of total revenue.

3. Outlook of retail sector 2H2024

Vietnam's GDP growth rate estimates		
	2024F	**2025F**
The Government	**Initial target: 6.0-6.5%** (3M2024: 5.66%)	6.0-6.5%
Shinhan Securities Vietnam	6.0%	6.0-6.5%
World Bank (WB)	5.5%	6.0%
International Monetary Fund (IMF)	5.8%	6.5%
Asian Development Bank (ADB)	6.0%	6.2%
Moody's	6.0%	6.5%
OECD	5.9%	6.2%
Fitch Ratings	6.3%	7.0%
S&P Global Ratings	5.8%	6.7%
HSBC Global Research	6.0%	n.a

Source: Shinhan Securities Vietnam summarized

Recent change of Vietnam's sovereign credit rating		
	Nearest rating score	**Revised date**
Moody's	Ba2 (stable outlook)	March 07th, 2024
S&P Global Ratings	BB+ (stable outlook)	June 20th, 2024
Fitch Ratings	BB+ (stable outlook)	December 08th, 2023

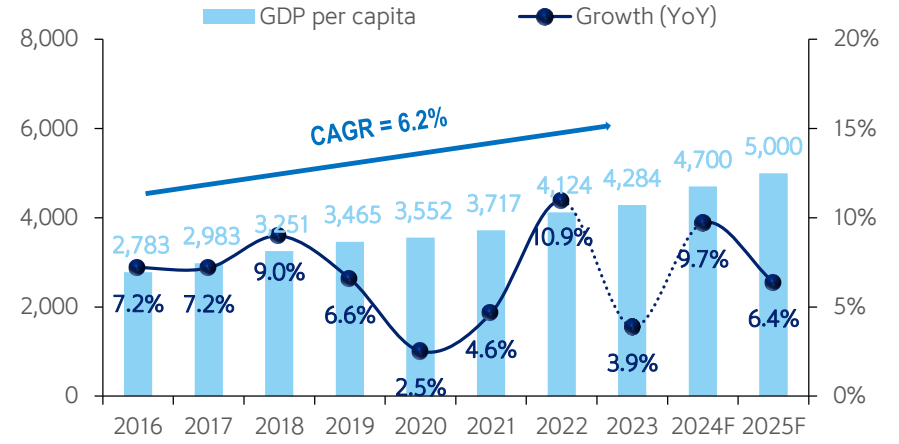
Source: Shinhan Securities Vietnam summarized

- GDP growth in 2023 and Q1.2024 achieved positive results of 5.05% and 5.66%, respectively. In 2024, the IMF forecasts that Vietnam will rank 5th in terms of average GDP value in Southeast Asia and 124th in the world.
- In terms of GDP size, Vietnam surpassed USD 430 billion in 2023, ranking 5th in Southeast Asia (after Indonesia, Thailand, Singapore, and the Philippines), to be the 35th largest economy in the world.
- Improved income, increasing urbanization rate, and timely government support policies. The ICT retail group has been also recovering after the price war among retailers in 2023. In addition, the potential from new retail segments is also the motivation for retail activities in the coming period.
- In terms of economy outlook, many financial institutions evaluate Vietnam as a country with a stable economy and forecast its GDP growth will remain at 6-6.5% in 2024 and 2025.

3. Outlook of retail sector 2H2024

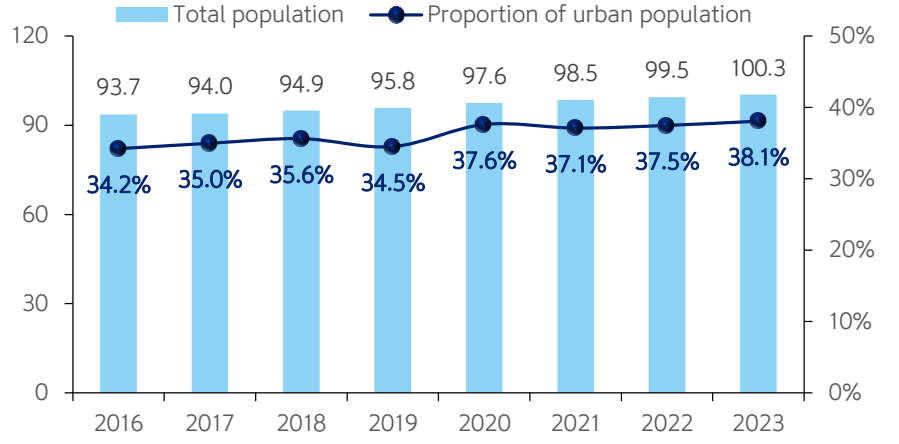
Outlook of ICT retail

Average annual income per capita in Vietnam (USD)



Source: GSO, Shinhan Securities Vietnam

Vietnam population over the years (million people)



Source: GSO, Shinhan Securities Vietnam

Factors that are driving up the value of the retail market in Vietnam:

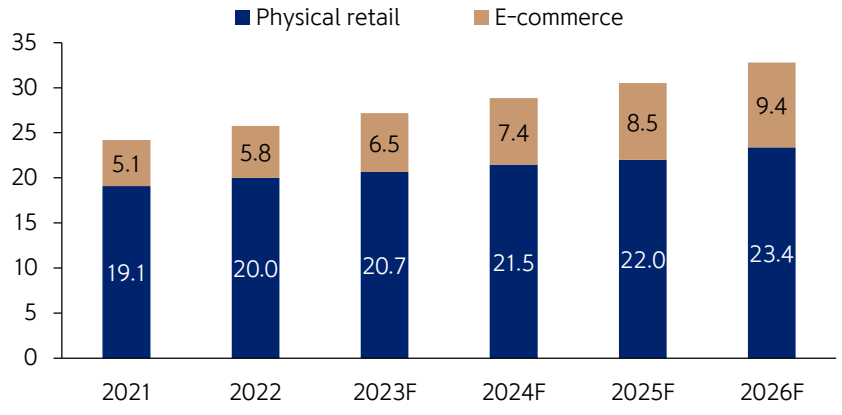
- Expected continued increase in the urbanization rate;
- Improved income: Over the period 2017-2023, Vietnam's GDP per capita growth remains stable at a CAGR of ~6.2%/year;
- Replacement cycle for ICT devices: The COVID-19 pandemic led to many people working and studying from home, which accelerated the replacement cycle for ICT devices. This is expected to resume in late 2023 and be even stronger in 2024.

The ICT electronics retail industry has been tending towards saturation and slowing growth in recent years. However, after the fierce price war between ICT retailers in 2023 subsided, the profit results of retailers such as Mobile World (MWG) and FPT Retail (FRT) improved significantly in Q1.2024. It is expected that the business results of retailers in 2024 will grow significantly compared to the low base in 2023.

3. Outlook of retail sector 2H2024

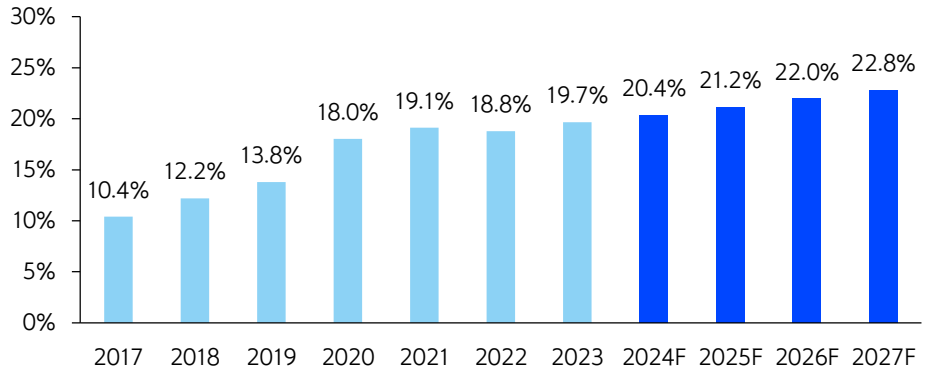
Retail prospects through e-commerce channel

Sales of in-store retail and e-commerce channel (trillion USD)



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

Proportion of e-commerce retail sales in global retail sales (%)



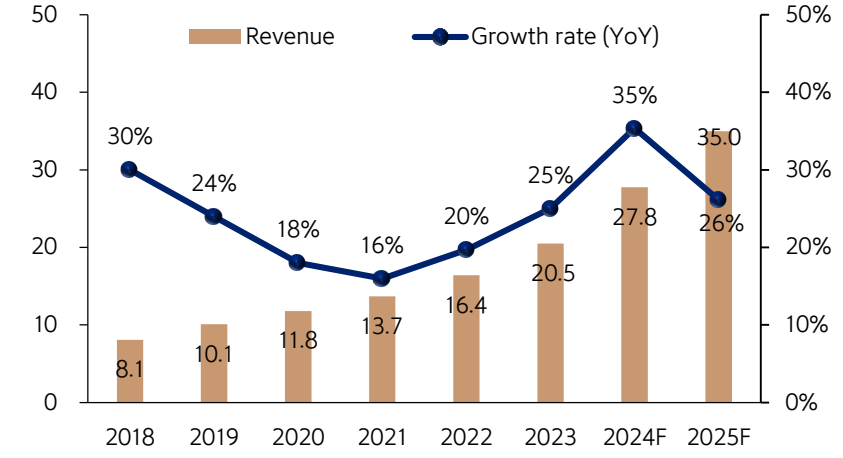
Source: eMarketer, Shinhan Securities Vietnam

- In 2023, global e-commerce revenue is estimated to reach USD 5.8 trillion (+10.0% YoY). Of this, over 70% of revenue is generated through transactions on smartphones. E-commerce has become a potential retail channel and is receiving attention from many retailers, integrated into the Omni-channel sales strategy.
- The COVID-19 pandemic has spurred a rapid shift towards internet-based activities, leading to the adoption of new habits among Vietnamese people, such as working and studying from home, ordering food online, and shopping online, etc. Vietnam is one of the fastest-growing e-commerce markets in the world, with a young and tech-savvy population that is increasingly embracing online shopping.
- The government also encouraged the use of cashless payments in 2020, helping leading e-wallets and e-commerce platforms in Vietnam benefit strongly from the change in shopping and payment habits and the increasing number of users in recent years.

3. Outlook of retail sector 2H2024

Update on Vietnam e-commerce market

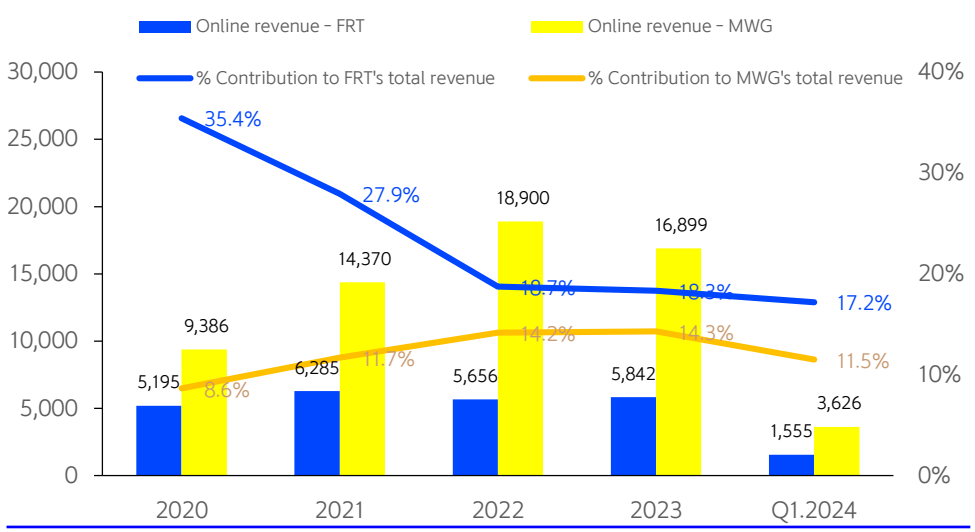
Vietnam e-commerce revenue (USD billion)



Vietnam's e-commerce revenue includes all goods sold and services rendered 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

Online revenue of typical retail firms in Vietnam (billion VND)



Source: Company data, Shinhan Securities Vietnam

- In 2023, the Vietnam's retail e-commerce market size reached USD 20.5 billion (+25% YoY), with a CAGR of 19% during the 2019-2023 period. Vietnam also ranked 3rd in terms of online retail value in Southeast Asia; to be among top 5 countries with the fastest growing e-commerce in the world. The Ministry of Industry and Trade has set a target for Vietnam's e-commerce revenue to continue to explode in the coming years, expected to reach USD 35 billion by 2025, ranking 2nd just after Indonesia.
- Many retail players such as MWG (including subsidiaries such as Dien May Xanh, The Gioi Di Dong, Bach Hoa Xanh) and FRT (with chains FPT Shop, Long Chau pharmacy) are also focusing on investing in online retail channels with quick home delivery services. E-commerce has become a potential retail channel and is receiving attention from many retailers, integrated into the Omni-channel sales strategy. Even AvaKids of MWG (the mother and baby store chain) has stopped expanding physical stores but focus on online sales strategy recently.

04

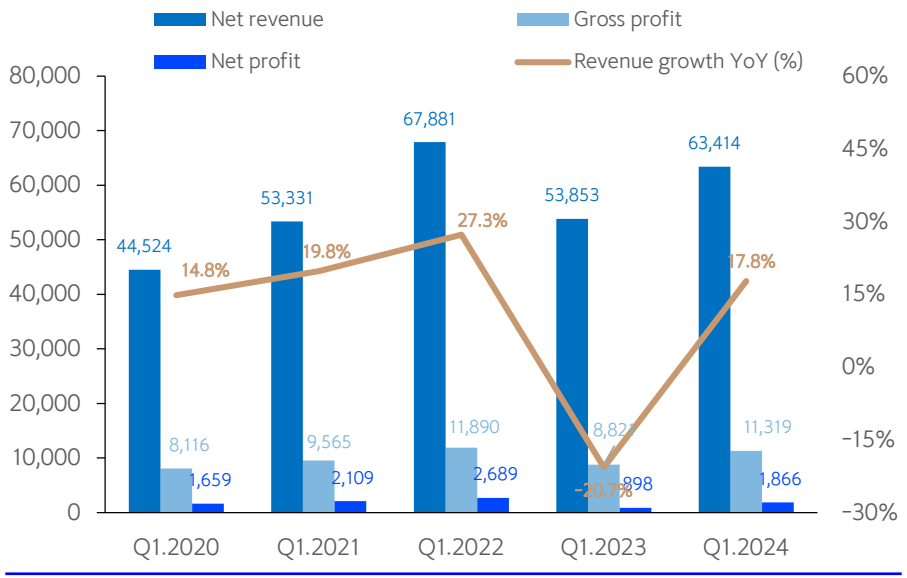
Typical stocks in the retail sector

MWG, FRT, DGW, PNJ

4. Typical stocks in the retail sector

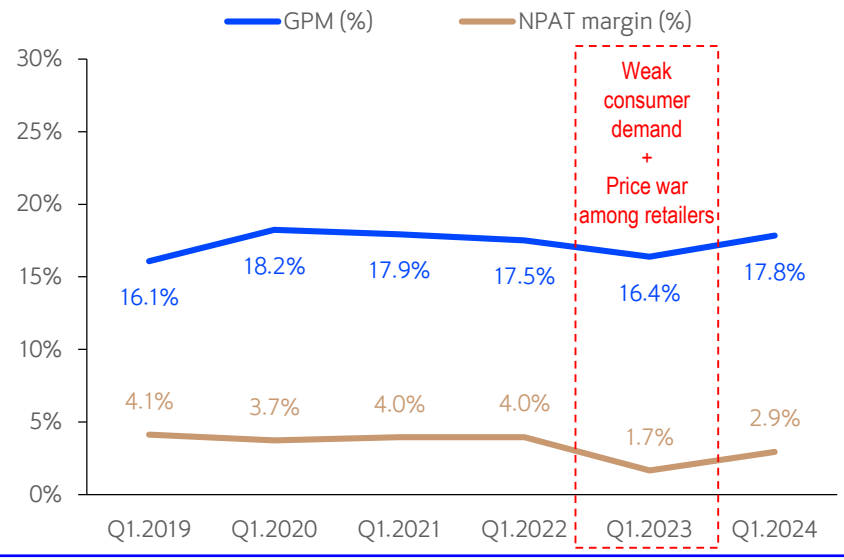
Update business results of retail firms

Business results in Q1 of typical listed retail firms (trillion VND)



Source: FiinPro, Shinhan Securities Vietnam

Quarter 1 profit margin of typical listed retail firms



Source: FiinPro, Shinhan Securities Vietnam

- In 2023, many retail firms reported unsatisfactory business results, even bottoming out or recording loss due to difficult economic context, causing weak consumer purchasing power. Many retail firms have to strengthen internal restructuring, cut staff, and engage in price war competition to maintain market share.
- In Q1.2024, the business results of retail businesses improved significantly compared to the 2023 bottom. The cooling down price war, positive economic growth prospects, and keeping up the 8%-VAT level agreed by the State are optimistic points that help to boost the overall purchasing power of consumers.

4. Typical stocks in the retail sector

Typical listed retail firms

General information				Share price					Key financial (**)					Valuation (24F)	
No.	Ticker	Retail industries	Mkt. Cap. (VND bn)	CP (VND)	TP* (VND)	Upside (%)	1M (%)	YTD (%)	GPM Q1.2023	GPM Q1.2024	Debt to Equity	ROA	ROE	P/B (x)	P/E (x)
1	MWG	ICT	90,659	62,000	65,000	4.8	2.5	44.9	19.2%	21.3%	0.91	1.7%	4.4%	3.4	26.6
2	FRT	ICT, Pharmacy	23,979	176,000	190,000	8.0	9.3	64.5	15.3%	20.0%	4.05	-2.6%	-18.1%	13.6	121.4
3	DGW	ICT distribution	10,157	60,800	67,500	11.0	-3.5	16.3	6.6%	7.8%	0.88	5.3%	14.1%	2.9	16.3
4	PET	ICT distribution	2,876	26,950	30,000	11.3	-3.2	-2.4	4.3%	3.9%	2.35	1.1%	5.2%	n.a.	n.a.
5	PNJ	Jewelry	32,553	97,300	112,450	15.6	2.5	13.8	19.4%	17.1%	0.03	14.5%	20.2%	2.9	15.3
6	HAX	Automobiles	1,622	15,100	16,500	9.3	1.3	27.2	7.7%	9.2%	0.57	2.8%	4.8%	1.2	13.1

* Target price (fair value) for the next 12 months
** Data for 12 months up to Q1/2024

Source: SSV Research, Bloomberg
Data as of June 24th, 2024

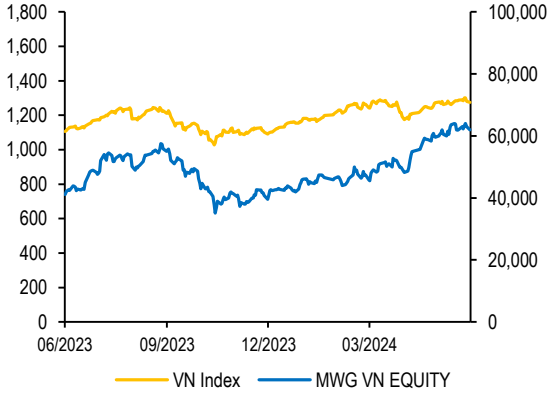
Mobile World Investment Corporation (HOSE: MWG)

MWG

TARGET PRICE (12 months)	**VND 65,000**
Current price (June 24th, 2024)	VND 62,000
Return (%)	4.8%
VNINDEX	1,254
P/E 1Y Forward (24F, x)	11.1
Market Cap. (bn VND)	90,659
Outstanding Shares (mn)	1,462
Free Floating Shares (mn)	1,128
52-Wk High/ Low (VND)	64,700/33,600
3M Avg. Trading Vol. (mn)	10.99
3M Avg. T/O (bn VND)	581
Beta (12M)	1.4

Major shareholders (%)	Retail World Investment Consulting	10.5
	Arisaig Partners	4.99

Performance	3M	6M	12M
Absolute (%)	26.3	46.4	44.5
Relative to VN-Index (%)	27.4	34.2	33.5



Shinhan Securities

Prepare to reap the rewards from Bach hoa Xanh

Investment points

Mobile World Investment Corporation (Mobile World, HSX: MWG) is a leading retail enterprise in Vietnam, offering an ecosystem that meets the diverse needs of customers. MWG is a top-tier stock worth holding due to: (i) Expected strong recovery in 2024 business results from the low base of 2023 (impacted by price wars and weak demand); (ii) Positive growth in the Bach Hoa Xanh chain, aiming for profitability.

2024 business plan: Net revenue and NPAT are targeted to reach VND 125,000 billion (+5% YoY) and VND 2,400 billion (+1,329% YoY), respectively. Proposing of 5% cash dividend rate.

Q1.24 results: Consolidated revenue and NPAT reached VND 31,487 billion (+16.2% YoY) and VND 903 billion (increase by 41 times YoY), corresponding to an NPAT margin of 2.9% (Q1.23: 0.1%), completing 25% and 38% of the year plan.

ICT chains: MWG remains cautious in the ICT retail segment, with no expansion plan in 2024. MWG believes it will take time for the discretionary retail segment to recover, with potential bouncing back in 2H2024 and early 2025.

Bach hoa Xanh chain: BHX expects to record net profit in 2024 (corresponding to monthly sales of ~VND 1.9 billion/store); open up to 100 new stores in the South only this year. In the long term, BHX aims to become a familiar shopping place, increasing the frequency of being the consumer's choice among modern grocery retailers. MWG has ambitions to IPO the BHX chain once it reaches its target profitability threshold.

An Khang and AvaKids chains: An Khang has no expansion plan until it reaches breakeven, with a target monthly revenue of VND 550 million/store (currently at VND 450 million). Besides, AvaKids also aims to break even in 2024, with no expansion plans and focusing on increasing online sales.

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	2023	2024F
Revenue (bn VND)	**108,546**	**122,958**	**133,405**	**118,280**	**130,114**
OP (bn VND)	5,413	6,466	6,575	1,047	2,904
NP (bn VND)	**3,920**	**4,901**	**4,102**	**168**	**3,129**
EPS (VND)	4,584	3,340	2,810	115	2,332
BPS (VND)	10,584	13,925	16,363	15,758	17,869
OPM (%)	5.0	5.3	4.9	0.9	2.2
NPM (%)	3.6	4.0	3.1	0.1	2.4
ROE (%)	**25.3**	**24.1**	**17.1**	**0.7**	**13.7**
PER (x)	9.1	19.7	11.9	372.2	26.6
PBR (x)	4.0	4.7	2.5	2.7	3.4
EV/EBITDA (x)	2.5	5.3	5.7	15.7	11.2

Source: Company data, Bloomberg, Shinhan Securities Vietnam

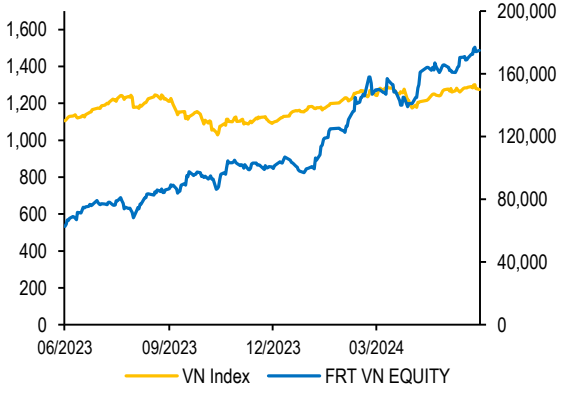
FPT Digital Retail JSC (HOSE: FRT)

FPT Retail

TARGET PRICE (12 months)	**VND 190,000**
Current price (June 24th, 2024)	VND 176,000
Return (%)	8.0%
VNINDEX	1,254
P/E 1Y Forward (24F, x)	11.1
Market Cap. (bn VND)	23,979
Outstanding Shares (mn)	136
Free Floating Shares (mn)	64
52-Wk High/ Low (VND)	182,800/66,000
3M Avg. Trading Vol. (mn)	0.76
3M Avg. T/O (bn VND)	122
Beta (12M)	1.2

Major shareholders (%)	FPT Corporation	46.54
	Dragon Capital Fund	10.0

Performance	3M	6M	12M
Absolute (%)	17.6	71.7	159.6
Relative to VN-Index (%)	18.7	59.5	148.5



Shinhan Securities

Long-term developing strategy with Long Chau chain

Investment points

FPT Digital Retail JSC (FRT Retail, HSX: FRT) is one of the leading retailers of ICT equipment and products in Vietnam. FRT owns two ICT retail chains, FPT Shop and F. Studio, with a total of 743 stores. Additionally, FRT's Long Chau pharmacy chain has become a familiar brand, leading the market with 1,587 pharmacies nationwide.

2024 business plan: Net revenue and NPAT are targeted to reach VND 37,300 billion (+17% YoY) and VND 125 billion, respectively (FY2023 recorded a net loss of VND 346 billion).

Q1.23 results: Revenue and NPAT reached VND 9,042 billion (+16.6% YoY) and VND 61 billion (+28.3% YoY), respectively, completing 24.2% and 48.5% of the year plan. GPM also improved from 15.3% in Q1.23 to 20% in Q1.24.

ICT chain: Despite a 21% YoY decrease in Q1.24 revenue to VND 3,583 billion, gross profit still increased by 3% YoY thanks to a shift towards higher-margin products sales. In 2024, FPT Shop tries to focus more on: (i) Enhancing online sales; (ii) Increasing the contribution of consumer electronics and home appliances from the current 5% to 10% of total ICT revenue; and (iii) Continuing to close underperforming ICT stores.

Long Chau pharmacy chain: Revenue reached VND 5,534 billion (+68% YoY), contributing 61% of FRT's total revenue in Q1.24. The average monthly sales per store improved to VND 1.2 billion, aiming to reach 1,900 pharmacies by YE2024.

Vaccine centers: FRT is gradually standardizing the operational model and successfully expanding, currently operating 51 centers (having opened 41 new centers in Q1.24, aiming for 100 centers by YE2024).

Long-term strategy for Long Chau: (i) Expanding the healthcare platform with new business activities in diagnostics and treatment (e.g., clinics); (ii) Continuing to expand current business activities and services (pharmaceuticals, vaccinations, home health monitoring, and insurance-backed medication).

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

FY	2020	2021	2022	2023	2024F
Revenue (bn VND)	**14,661**	**22,495**	**30,166**	**31,850**	**39,349**
OP (bn VND)	14	546	474	-297	259
NP (bn VND)	**10**	**444**	**398**	**-329**	**156**
EPS (VND)	154	3,745	2,865	-2,537	1,427
BPS (VND)	7,809	9,736	10,696	10,944	12,800
OPM (%)	0.1	2.4	1.6	-0..9	0.7
NPM (%)	0.1	2.5	1.6	-1.0	0.4
ROE (%)	**0.8**	**26.4**	**19.4**	**-19.2**	**9.9**
PER (x)	68.9	15.3	18.1	n.a	121.4
PBR (x)	2.3	5.9	5.6	9.1	13.6
EV/EBITDA (x)	17.0	10.1	12.7	135.0	30.1

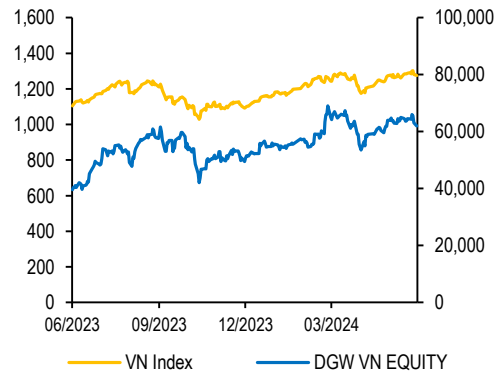
Source: Company data, Bloomberg, Shinhan Securities Vietnam

DIGIWORLD Corporation (HOSE: DGW)

TARGET PRICE (12 months)	**VND 67,500**
Current price (June 24th, 2024)	VND 60,800
Return (%)	11.0%
VNINDEX	1,254
P/E 1Y Forward (24F, x)	11.1
Market Cap. (bn VND)	10,157
Outstanding Shares (mn)	167
Free Floating Shares (mn)	98
52-Wk High/ Low (VND)	69,900/40,100
3M Avg. Trading Vol. (mn)	2.35
3M Avg. T/O (bn VND)	126
Beta (12M)	1.7

Major shareholders (%)	Created Future Co., Ltd	32.02
	DKP Co., Ltd	5.08

Performance	3M	6M	12M
Absolute (%)	-9.3	18.3	48.3
Relative to VN-Index (%)	-8.2	6.1	37.2



Shinhan Securities

Potential growing driven post-M&A

Investment points

Digital World Corporation (Digiworld, HSX: DGW) is a leading provider of market research, market entry services, and distribution of international brands' products in the Vietnamese market. Additionally, DGW is expanding its distribution to home appliances and consumer goods and pursuing M&A with potential companies that align with DGW's value chain. This represents a new growth driver, which is expected to improve Digiworld's profit margins in the near future.

2024 business plan: Net revenue and net profit after tax (NPAT) are projected to reach VND 23,000 billion (+22% YoY) and VND 490 billion (+38% YoY), respectively. Additionally, DGW targets net revenue of VND 1,000 billion and NPAT of VND 50 billion for Achison in 2024.

M&A progress update: After increasing its ownership stake in the Vietmoney pawnshop chain to 72.8%, Digiworld raised its ownership from 49.1% to 90% in B2X Vietnam Group JSC. B2X provides customer service, specializing in smartphones and IoT devices. This integration, along with Digiworld's DCare warranty system, will enhance after-sales service quality, supporting DGW's brands and partners. Currently, DGW has 18 professional warranty centers nationwide.

Q1.24 results: Revenue and NPAT reached VND 4,985 billion (+25.9% YoY) and VND 93 billion (+13.8% YoY), achieving 21.7% and 19% of the annual plan. DGW saw strong growth in several business segments in Q1.24. Specifically:

+ Mobile phones: Sales increased by 29% YoY (contributing 49% of total sales) thanks to positive consumption of new Xiaomi models.

+ Office equipment: Sales grew by 48% YoY (contributing 20% of total sales) thanks to the increasing sales contribution from Achison.

+ Consumer goods: This segment (accounting for 4% of total revenue) grew by 53% YoY thanks to the increasing contribution from existing brands (Nestlé, Lion, Abinbev) and new brands like Lotte Chilsung and several pharmaceutical products.

Risks: (1) Weak consumer demand; (2) Underperformance of new business segments and distributed brands.

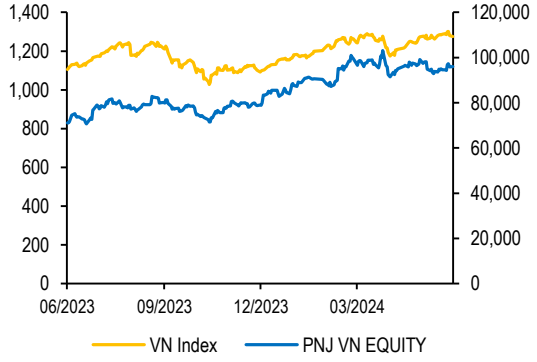
FY	2020	2021	2022	2023	2024F
Revenue (bn VND)	**12,536**	**20,923**	**22,028**	**18,817**	**22,489**
OP (bn VND)	332	821	868	469	642
NP (bn VND)	**267**	**654**	**684**	**354**	**492**
EPS (VND)	3,129	4,157	4,219	2,161	2,946
BPS (VND)	25,439	19,431	12,772	13,059	15,518
OPM (%)	2.6	3.9	3.9	2.5	2.8
NPM (%)	2.1	3.1	3.1	1.9	2.2
ROE (%)	**25.7**	**44.6**	**32.8**	**14.2**	**17.4**
PER (x)	13.8	16.6	8.9	24.2	16.3
PBR (x)	3.2	6.2	2.6	3.4	2.9
EV/EBITDA (x)	12.1	15.3	9.0	21.0	18.9

Source: Company data, Bloomberg, Shinhan Securities Vietnam

Phu Nhuan Jewelry Joint Stock Company (HOSE: PNJ)

TARGET PRICE (12 months)	**VND 112,450**
Current price (June 24th, 2024)	VND 97,300
Return (%)	**15.6%**
VNINDEX	1,254
P/E 1Y Forward (24F, x)	11.1
Market Cap. (bn VND)	32,553
Outstanding Shares (mn)	335
Free Floating Shares (mn)	291
52-Wk High/ Low (VND)	104,000/71,100
3M Avg. Trading Vol. (mn)	1.49
3M Avg. T/O (bn VND)	137
Beta (12M)	0.9
Major shareholders (%)	Truong Ngoc Phuong 7.27
	Sprucegrove Investment Management 5.05

Performance	3M	6M	12M
Absolute (%)	-1.2	16.1	28.4
Relative to VN-Index (%)	-0.1	3.9	17.3



Building up internal strength, poised for a breakthrough

Investment points

Phu Nhuan Jewelry JSC (HSX: PNJ) is the leading gold and jewelry retailer in Vietnam, with a network of over 400 stores nationwide. PNJ's long-term strategy through 2030 is to become a lifestyle retailer, enhancing consumer lifestyles, experiences, travel, and fashion.

Furthermore, clear and systematic annual business strategies and a reliable management team make PNJ a stock worth considering for any portfolio.

2024 business plan: Net revenue and NPAT are targeted to reach VND 37,147 billion (+12% YoY) and VND 2,089 billion (+6% YoY), respectively. Proposing of maintaining a 20% cash dividend rate for 2024. PNJ continues to focus on ESG factors, maintaining greenhouse gas inventory at HCM and Long An factories and expanding the greenhouse gas inventory to 100% of its units (headquarters, branches, stores). In the medium term, PNJ has no plans to open physical stores abroad.

4M2024 cumulative results: Revenue and NPAT reached VND 16,049 billion (+33.1% YoY) and VND 915 billion (+6.5% YoY), achieving 43% and 44% of the annual plan, respectively.

The GPM was 17%, down from 19% in the same period last year due to fluctuations in raw material prices. Additionally, product sales structure changed, with the contribution of net revenue from 24K gold increasing from 31.6% (4M.2023) to 41% in 4M.2024, while retail jewelry gold decreased (from 57.7% in 4M 2023 to 50.5% in 4M 2024).

As of the end of April 2024, PNJ had 403 stores (394 PNJ stores, 5 Style by PNJ stores, 3 CAO Fine Jewellery stores, and 1 wholesale business center).

Risks: (1) Fluctuations in raw gold prices and inventory markdowns; (2) Decreased consumer demand; (3) Competition risks in the gold bar segment due to government efforts to stabilize the domestic gold market.

FY	2020	2021	2022	2023	2024F
Revenue (bn VND)	**17,511**	**19,547**	**33,876**	**33,137**	**39,442**
OP (bn VND)	1,349	1,307	2,337	2,484	2,714
NP (bn VND)	**1,069**	**1,029**	**1,811**	**1,971**	**2,181**
EPS (VND)	4,308	4,197	5,223	5,436	6,268
BPS (VND)	20,186	23,572	31,711	27,987	30,400
OPM (%)	7.7	6.7	6.9	7.5	6.9
NPM (%)	6.1	5.3	5.3	5.9	5.5
ROE (%)	**20.0**	**17.0**	**23.1**	**19.5**	**21.1**
PER (x)	18.8	22.9	17.0	15.8	15.3
PBR (x)	3.5	3.6	3.5	2.9	2.9
EV/EBITDA (x)	12.6	16.3	12.4	11.1	10.6

Source: Company data, Bloomberg, Shinhan Securities Vietnam

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Shinhan Securities

Steel Industry

Go through “winter”



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Content

Steel Industry – Go through “winter”

1. World Steel Market

   The Steel industry was "bleak" at the beginning of the year - a sign of recovery from some countries.

   World Steel demand is forecast to be positive in 2H2024.

2. Vietnam Steel Market

   Output grew compared to a low base level

   The highlight is export outputs

   The business picture is flourishing

3. Steel industry outlook 2024

   Real Estate market rebounds due to legal hurdles removal

   The government is prioritizing significant infrastructure investment.

   Benefit from the downward trend in raw material prices

   Export: driving force comes from North America and Europe

4. Steel stock pick

   HPG, HSG, NKG

01

World Steel Market

The Steel industry was "bleak" at the beginning of the year – a sign of recovery in some countries.

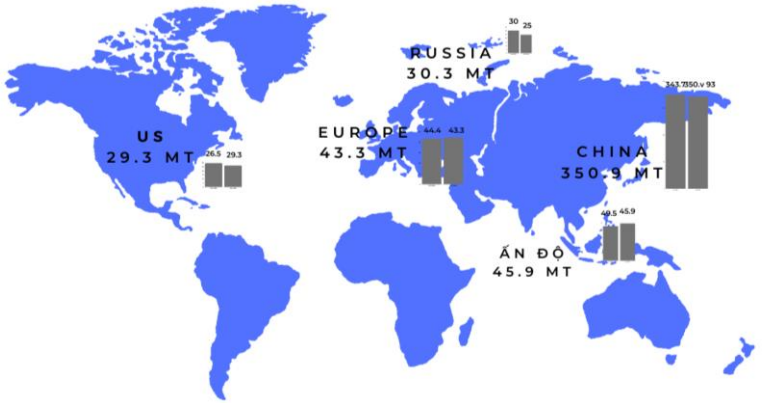
World Steel demand is estimated to be positive in 2H2024.

Crude steel output in key markets in 4M2024

China is the largest steel producer and consumer in the world, accounting for 50% of total global production. In Q1.2024, the overall condition of China's real estate industry was still weak, causing crude steel output to continue to decline. In the 4M2024, world crude steel output of 71 countries reached 625.4 million tons (-0.9% YoY). Some countries recorded increased output over the same period such as India (49.5 million tons, +8.5% YoY), Germany (13.1 million tons, +6.1%),...

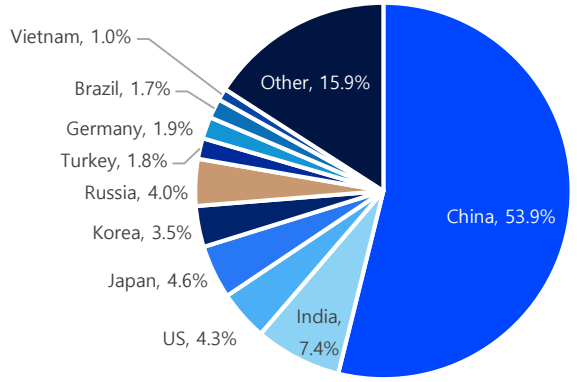
Vietnam currently ranks 13th in the world regarding steel production output. Vietnam's steel production growth rate is among the highest in Asia.

Steel output in key countries 4M2024 – 4M2023



Source: World Steel Associate Shinhan Securities Vietnam

Steel production by region 4M2024



Source: World Steel Associate, Shinhan Securities Vietnam

1. World Steel Market

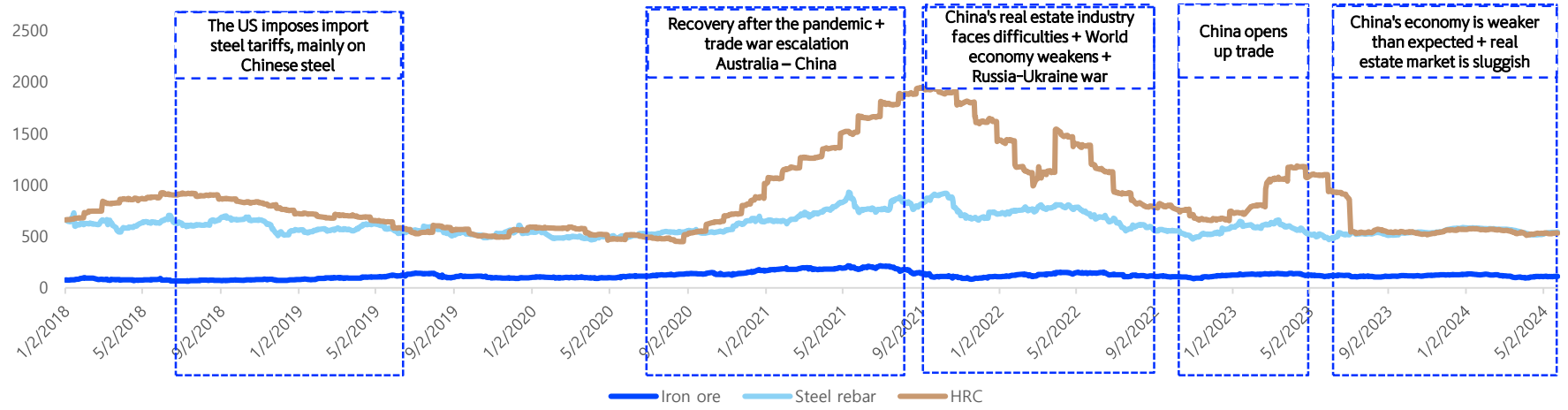
World steel prices moved sideways due to weak demand

The Chinese real estate market faces many difficulties. HRC steel and iron ore prices maintain a low price level in Q1/2024 (530-550 USD). The main reason is due to:

(1) The real estate market situation (accounting for about 33% of steel demand in China) continues to be "dismal", causing demand for construction materials such as steel to decline.

(2) Chinese steel production activities will recover strongly from mid-2023 in the context of manufacturers increasing output after input prices (iron ore, coking coal,...) decreased. However, Chinese demand continues to be "sluggish", causing oversupply of steel products, pulling steel prices down recently. This led to an increase in China's cheap steel exports, creating a global backlash.

World Steel price (USD/ton)



Source: Bloomberg, Shinhan Securities Vietnam

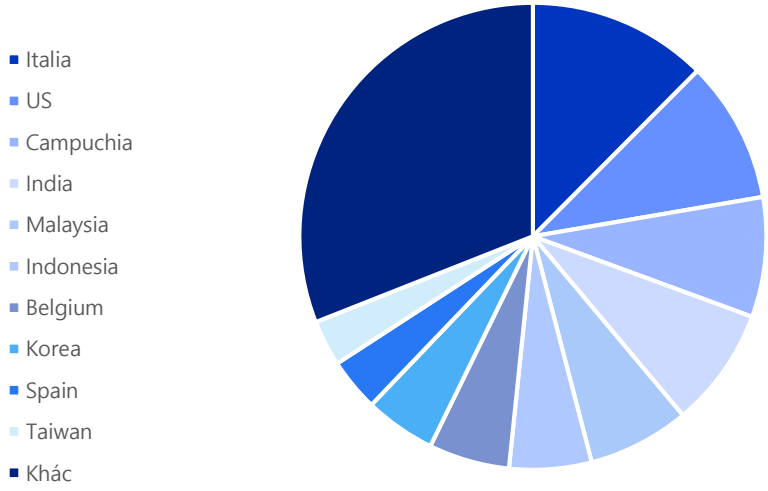
1. World Steel Market

World steel demand is forecast to be positive in many key markets

According to World Steel Associate (WSA), **global steel consumption is forecast to increase by around 1.7% to 1,793 billion tons in 2024, and by 1.2% to 1,815 billion tons in 2025.**

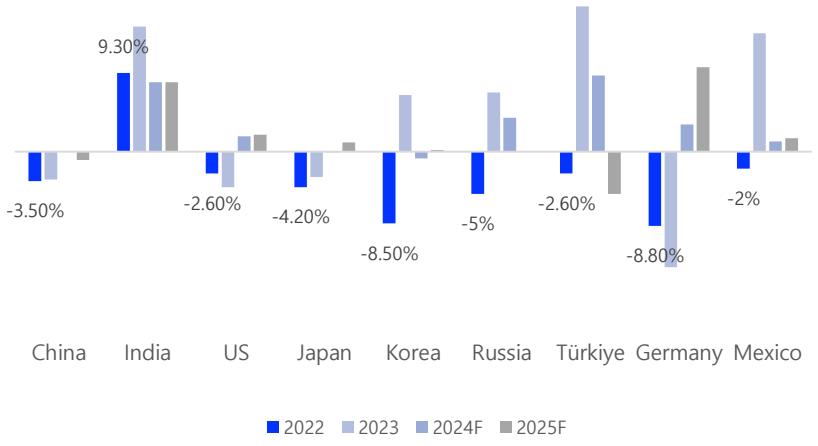
Specifically, WSA estimates that steel usage in China, the world's leading steel producer and consumer (-3% in 2023), is expected to stabilize in 2024 in the context of the decrease in output from real estate investment was offset by increased investment in infrastructure. Additionally, India has recently emerged as a strong driver of steel demand growth. Accordingly, India's steel demand will increase by about 8% between 2024 and 2025; is expected to play a major role in demand growth as demand in China continues to remain weak.

Countries importing Vietnam Steel 4M2024



Source: WSA, Shinhan Securities Vietnam

Growth of steel demand by country (Forecast)



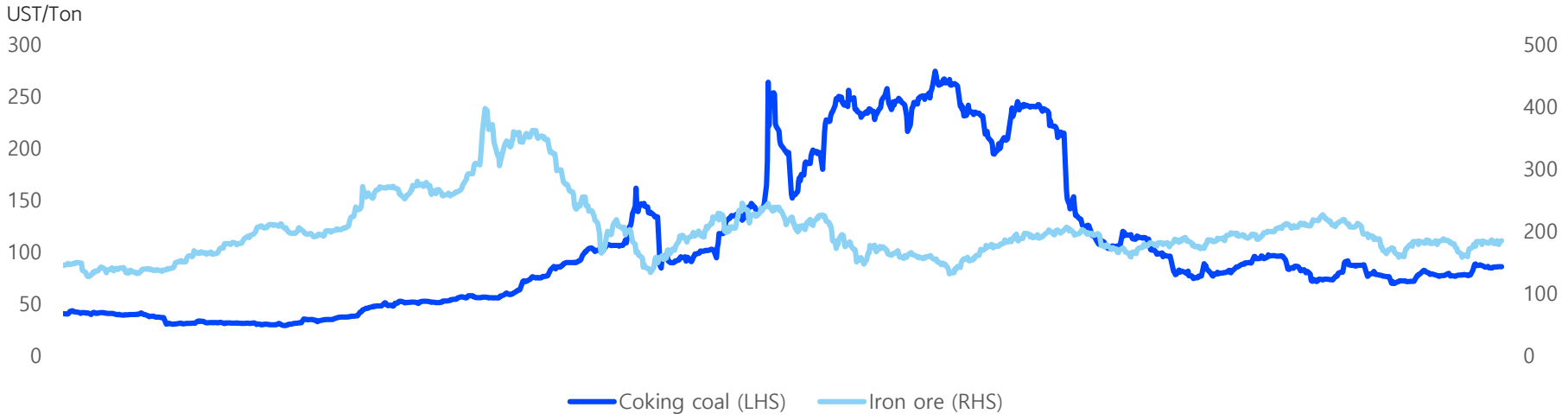
Source: WSA, Shinhan Securities Vietnam

Falling input material prices help increase profit margins for the steel industry

Prices of key input materials fell to low levels in Q1/2024; This is a golden time for steel businesses to stockpile cheap raw materials to prepare for a new cycle for the entire industry. Specifically:

- **Coking coal prices have decreased by 20% compared to Q4/2023, recorded 152 USD/ton** due to **(1)** increased coal supply in Australia, **(2)** China's coal price regulation policy and **(3)** emission reduction policies in some countries. With the decline in coking coal prices, steel industry enterprises will benefit from lower input costs. In 2H2024, coking coal prices are expected to stabilize as in the pre-Covid-19 period due to increased in supply.
- **Iron ore prices also extended their decline in Q1/2024**, down to 108 USD/ton as large iron ore miners such as Vale (Brazil) and Rio Tinto (Australia) increased production when steel demand remained weak.

World price of iron ore and coking coal in the period 2018 – 2023 (USD/Ton)



Source: FiinPro, Shinhan Securities Vietnam

02

Vietnam Steel Market

Output grew compared to a low base level

The highlight is export ouputs

The business picture is flourishing

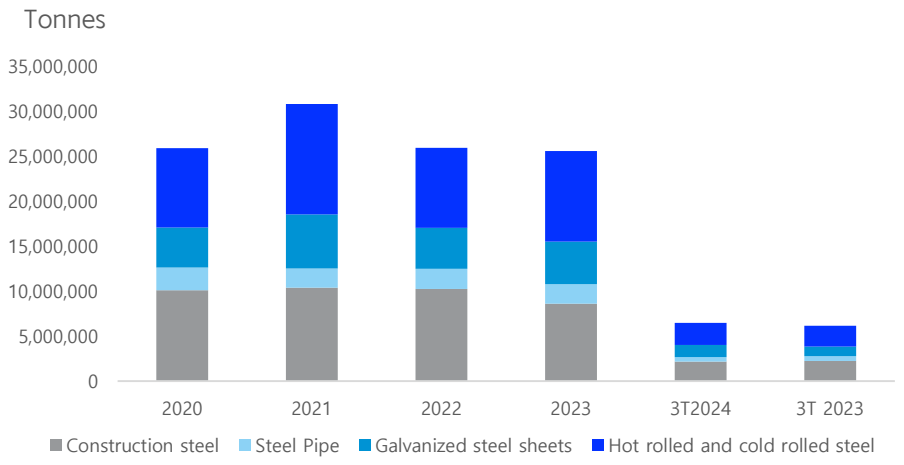
2. Vietnam Steel Market

Domestic steel output increased slightly compared to the low base level of the same period

Steel production output in Q1/2024 reached 6.4 million tons (+5.2% YoY), consumption reached 6.1 million tons (+11.7% YoY), generally maintaining increase over the same period thanks to the low base of the year 2023. The largest contribution to growth comes mainly from items with high export proportion such as HRC (1.7 million tons, +21% YoY), galvanized steel sheets (1.3 million tons, +29.5% YoY), while construction steel and steel pipe production levels continue to decline.

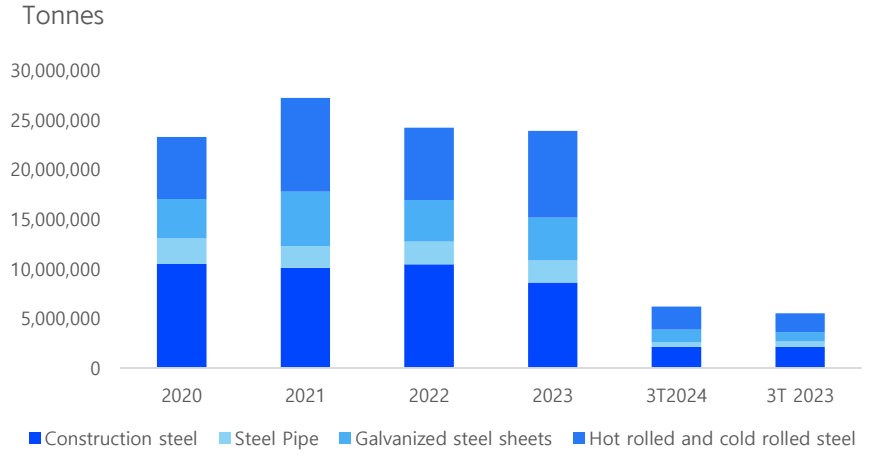
Assessment: The current production situation has achieved a state of balance between supply and demand, the main driving force for growth in Q1/2024 comes from exports. **Overall, the Steel industry has gone through the most difficult period and is on the road to recovery**. We expect domestic steel production to continue to grow thanks to last year's low base, but the new cycle of the steel industry will return in the period 2025-2026.

Steel production output from 2020 - 3M2024



Source: FiinPro, Shinhan Securities Vietnam

Steel consumption output from 2020 - 3M2034



Source: FiinPro, Shinhan Securities Vietnam

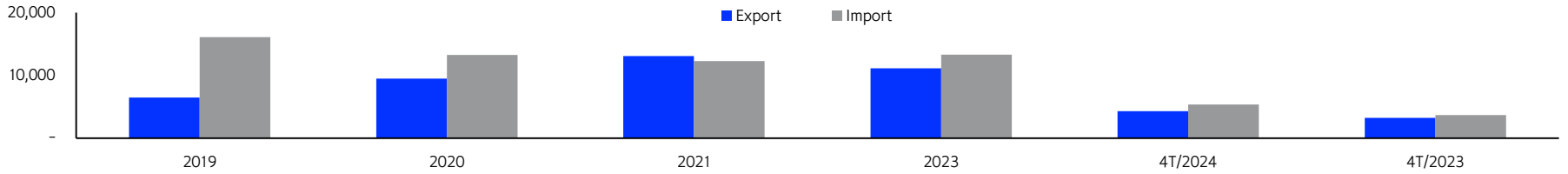
2. Vietnam Steel Market

Export and Import of Steel in 4M2024

In the first 4 months of 2024, Vietnam's steel exports increased slightly (4.34 million tons, +33.3% YoY). Vietnam's steel imports reached about 5.37 million tons (+42.5% YoY).

In terms of turnover proportion in 4M2024, the US is the market consuming the most Vietnamese iron and steel, accounting for 15.4% of total turnover. Ranked second is the Italian market, accounting for 11.7% of total turnover. Next are the Belgian and Cambodian markets. In general, iron and steel exports to major markets recorded YoY growth. The motivation comes from the factor of benefiting from the steel price difference between Vietnam and the region, especially the Americas and Europe.

Vietnam steel import and export 2019 – 4M2023 (thousand tons)



Source: FiinPro, Shinhan Securities Vietnam

Export market 4M2024



Country	%
EU	27.5%
ASEAN	26.3%
US	13.0%
Taiwan	3.6%
Other	29.5%

Main products: Steel billets and galvanized steel sheets

Source: Customs General Department, Shinhan Securities Vietnam

Import market 4M2024



Country	%
China	68%
Japan	10%
Korea	7%
Indonesia	4%
Other	11%

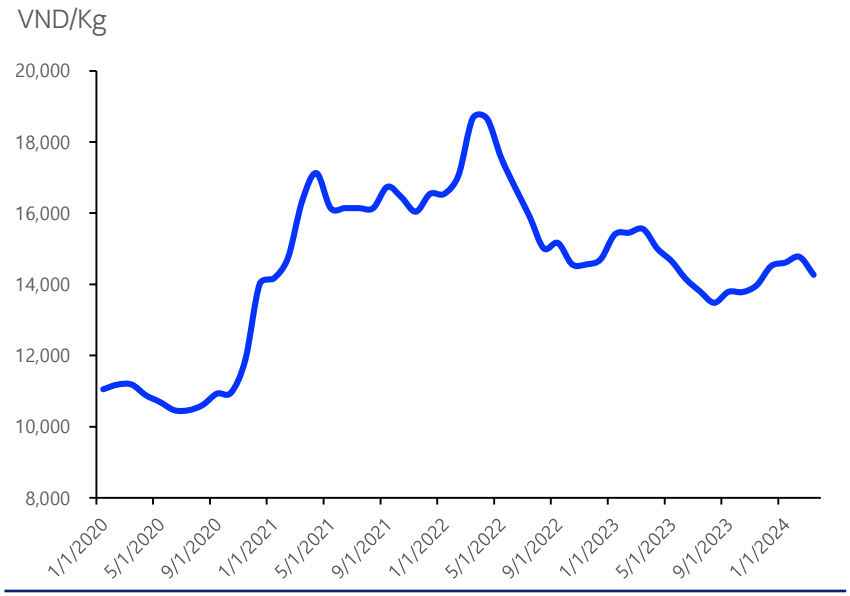
Main products: HRC and other consumer steel products

Source: Customs General Department, Shinhan Securities Vietnam

2. Vietnam Steel Market

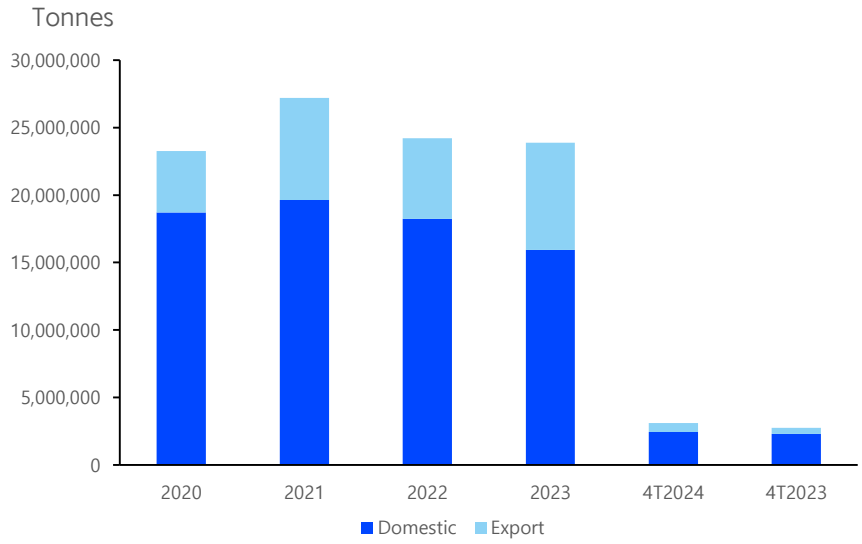
Domestic steel prices are stable in the low price range

Domestic steel price



Source: FiinPro, Shinhan Securities Vietnam

Domestic and export volume by year



Source: FiinPro, Shinhan Securities Vietnam

Domestic steel prices cooled down and stabilized compared to the period of strong fluctuations in 2021-2022

Domestic steel prices cooled down, anchoring around 13,000 – 14,000 VND/kg, this is the lowest price range in the past 4 years. The reason for this decline are (1) weak domestic steel consumption demand, when Vietnam's steel consumption mostly comes from domestic (~80% in Q1/2024), (2) Pressure to reduce prices according to world steel prices and (3) Input material price decline. We evaluate the level of 13,000 VND/kg as the bottom of domestic steel prices because this is the point which most steel enterprises achieve breakeven.

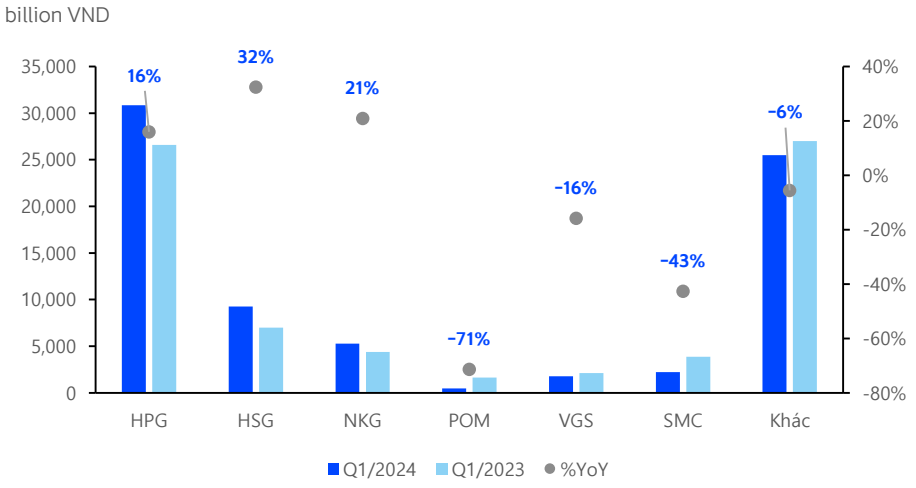
2. Vietnam Steel Market

Business picture: Revenue is strongly differentiated, profit margin continues to improve

The business picture of the steel industry recorded recovery over the same period in the group of leading enterprises (HPG, HSG, NKG). However, if excluding the 3 leading stocks in the industry, the revenue of the remaining enterprises in the steel industry recorded a decrease of 15.2% in Q1/2024. The reasons are: **(1)** The main consumer market, residential Real Estate, is still gloomy; **(2)** Although the government promotes the disbursement of public investment, the focus projects on highways have low steel content, or require high quality steel, so small steel enterprises find it difficult to meet.

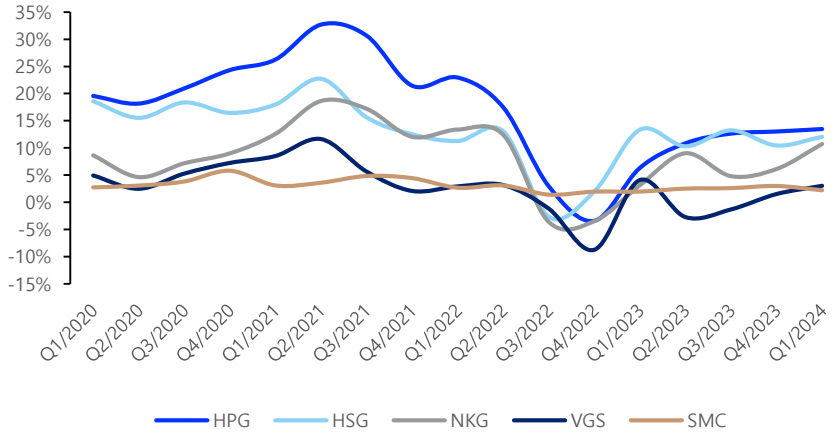
GPM of the entire industry has bottomed out since the end of 2022 and has been on the road to recovery. Many steel firms have escaped negative profit, which is the driving force for the recovery of the entire industry.

Revenue of typical steel enterprises Q1/2024



Source: FiinPro, Shinhan Securities Vietnam

Profit margins of steel industry enterprises



Source: FiinPro, Shinhan Securities Vietnam

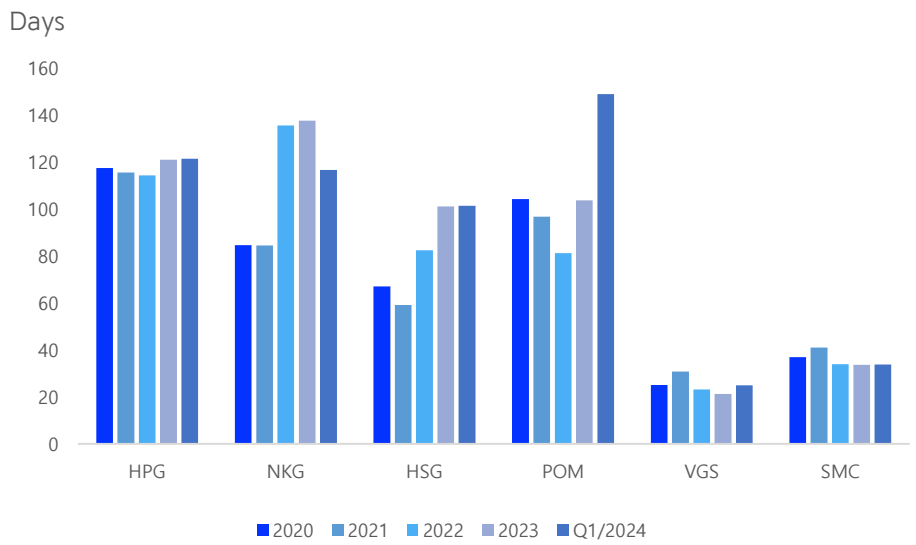
2. Vietnam Steel Market

Time to push inventory and collect debt increased slightly

The days sale in inventory and debt collection days tends to increase slightly in Q1/2024, reflecting the possibility of slower inventory sales and more capital being taken up by customers.

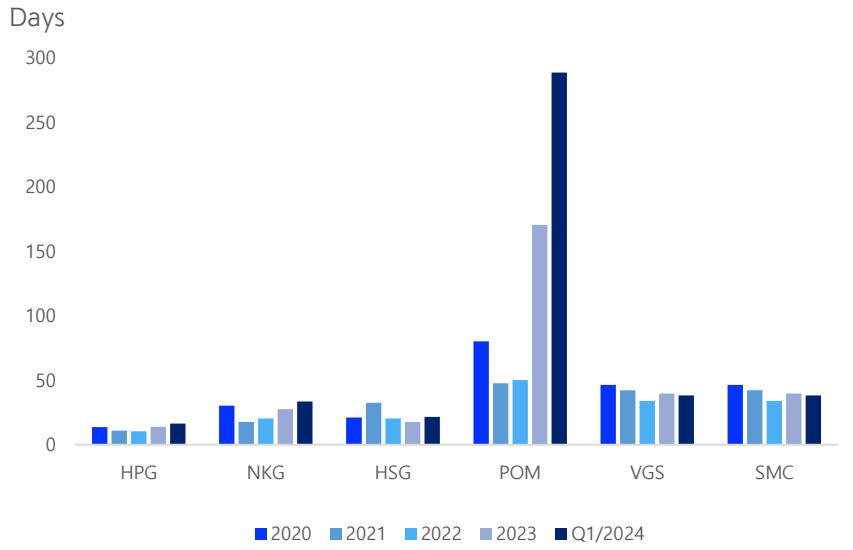
The average days sale in inventory of typical enterprises in the steel industry is 120 days, which means that input price fluctuations are often reflected in output prices within 4 months. In the context of low steel demand, steel businesses with high bargaining power and flexible inventory management strategies will improve profit margins in 2024.

Days sale in inventory



Source: FiinPro, Shinhan Securities Vietnam

Debt collection days



Source: FiinPro, Shinhan Securities Vietnam

03

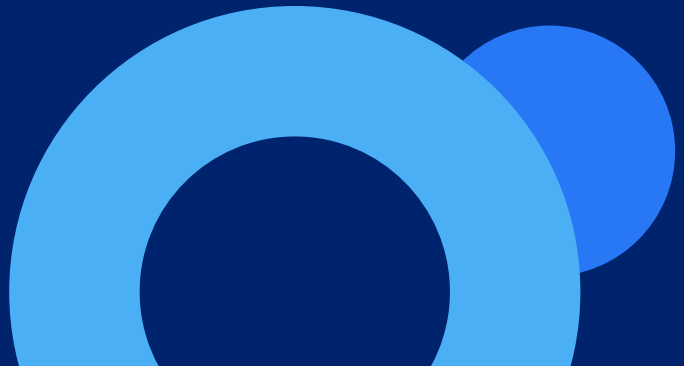
Steel industry outlook 2H2024

Real Estate recovered thanks to the law taking effect sooner

The Government promotes infrastructure construction

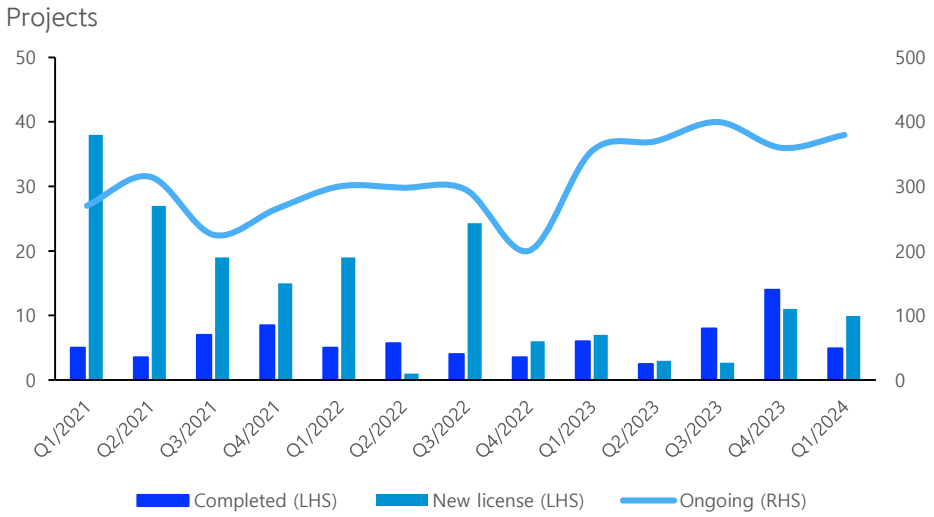
Benefit from the downward trend of raw material prices

Export: driving force comes from North America and Europe



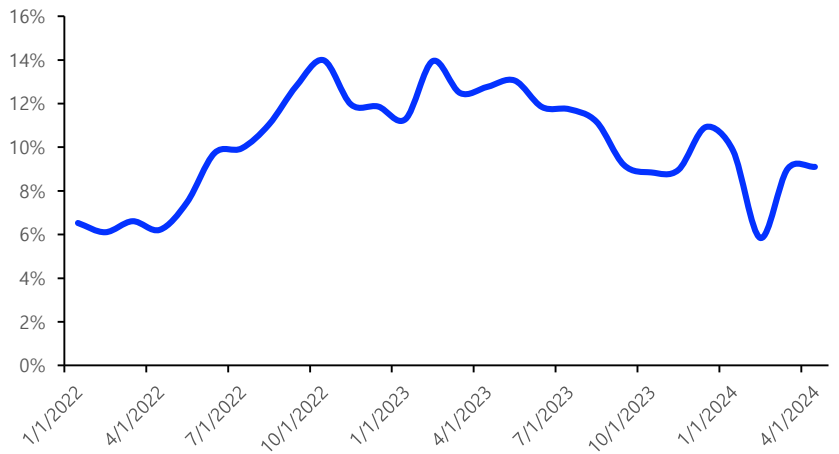
Prospects for domestic steel consumption: Real estate recovers thanks to resolving legal problems

Number of commercial residential projects



Source: Ministry of Construction, Shinhan Securities Vietnam

Credit growth in the Construction and Real estate sectors (YoY)



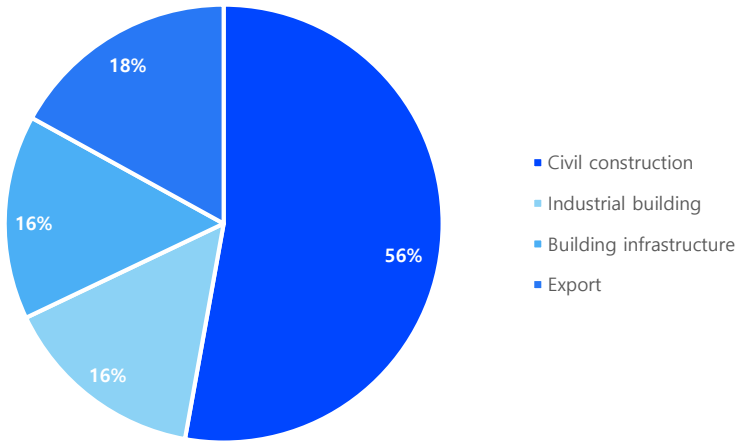
Source: FiinPro, Shinhan Securities Vietnam

Civil real estate – the main domestic consumption market of the Steel industry is gradually recording signs of recovery. The number of new and ongoing licensing projects tends to improve by quarter. However, the level is quite low compared to the average for the 2020-2022 period, showing that the Real Estate wave has not returned yet. In addition, an early signal is that credit growth for Construction and Real Estate increased in the first quarter, on low interest rate ground. The two most important expected factors are **(1)** the possibility of the Land Law (amended), the Real Estate Business Law (amended)... taking effect sooner; **(2)** The Government boosts public investment; will be the hinge supporting the recovery of the Steel industry in 2024.

3. Steel industry outlook 2H2024

Prospects for domestic steel consumption: Promote infrastructure construction

Disbursement of public investment over the years



Source: Ministry of Finance, Shinhan Securities Vietnam

Key infrastructure projects in 2024

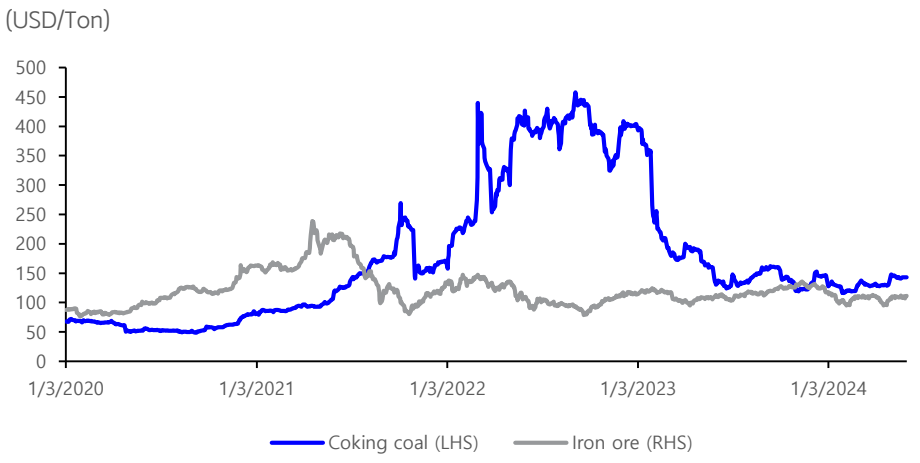
Project	Plan 2024	Disbursement by Mar.2024	Progress
Eastern North-South Expressway 2017 - 2020	6,533.7	1,141.0	17.5%
Eastern North-South Expressway 2021-2025	30,098.8	5,191.5	17.2%
Khanh Hoa – Buon Ma Thuot Expresswa y	4,917.2	622.6	12.7%
Ring Road No.4 – Hanoi Capital	9,765.0	759.8	7.8%
Ring Road No.3 – HCM City	21,490.2	718.0	3.3%

Source: Ministry of Finance, Shinhan Securities Vietnam

Growth in the infrastructure sector accounts for 14% of total steel demand in the country. With major projects having completed the bidding stage and entering construction, the mobilization of large amounts of construction materials for 2024; is an important driving force for the Steel industry. Key projects such as the North - South expressway and Long Thanh airport are expected to be completed ahead of schedule in the period 2025 - 2028.

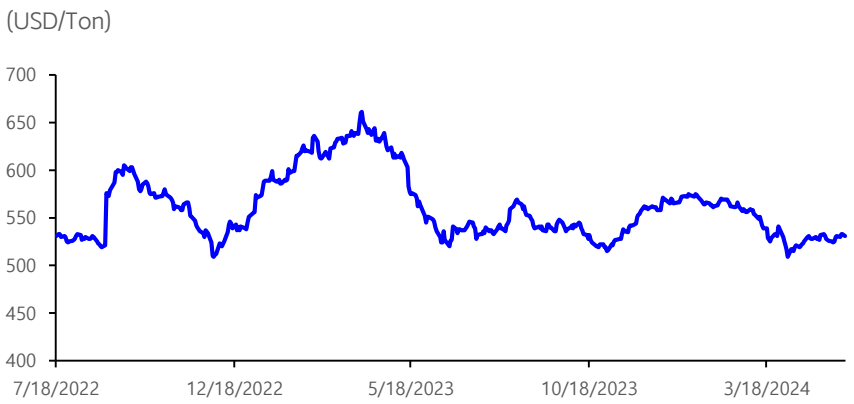
Prospect for Profit margin: Benefiting from the downward trend of raw material prices

Prices of coal and iron ore



Source: Bloomberg, Shinhan Securities Vietnam

HRC price



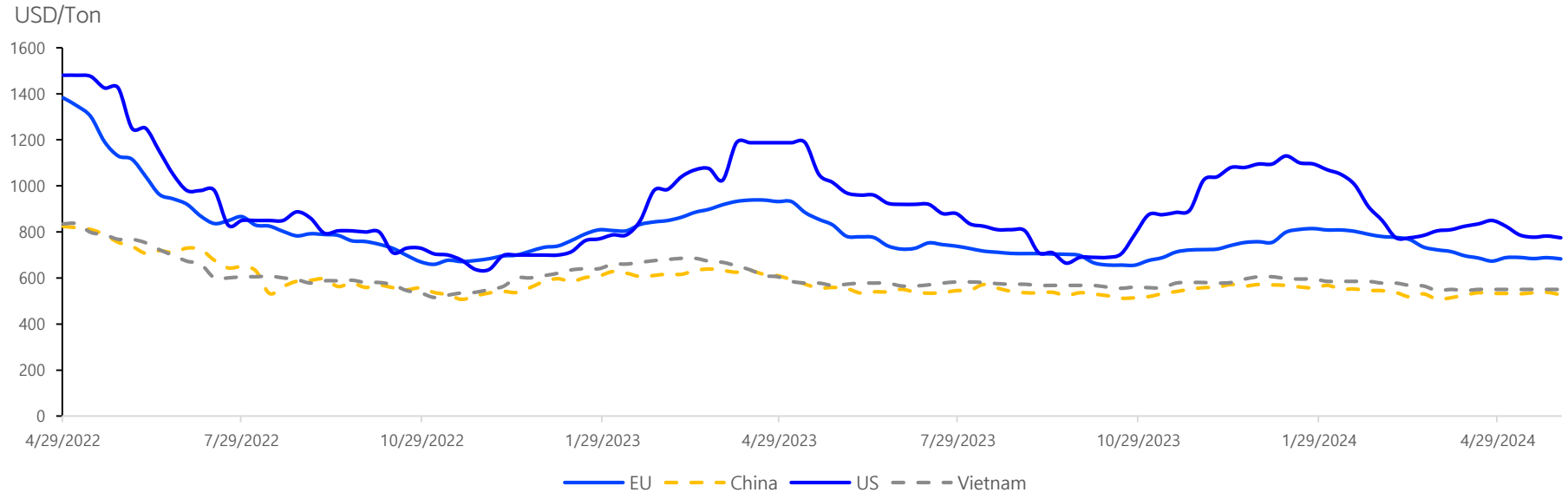
Source: Ministry of Finance, Shinhan Securities Vietnam

Prices of input materials (iron ore, coking coal) are forecast to gradually decrease in 2024 and 2025 by large institutions (IAE, Worldbank, Citybank,...) due to oversupply and policies to limit emissions of many country.

Meanwhile, HRC prices are forecast to increase slightly in 2024 due to more stable supply and recovery in construction demand, especially in India, North America and the EU. Domestically, steel prices have a certain correlation with world steel prices; and demand is improving thanks to motivation from **(1)** supportive policies that can recover the Real Estate market from mid-2024, apartment supply can increase by 20% (according to CBRE), **(2)** infrastructure investment continues to be promoted; will have a positive impact on Steel prices. To conclude, selling prices recovering and raw material prices cooling down will help steel industry enterprises improve profit margins in 2024.

Prospects for export steel consumption: export motivation comes from North America and Europe

HRC price in different countries



Source Bloomberg, Shinhan Securities Vietnam

Export turnover is expected to continue its positive inertia in the following quarters thanks to steel prices in Europe and US being higher than steel prices in Vietnam and China. In addition, according to the World Steel Association (WSA), global steel consumption demand will increase 1.7% to 1,793 billion tons in 2024, and increase 1.2% to 1,815 billion tons in 2025. This will support Vietnam's export steel output, expected to be a bright spot for the entire industry in 2024.

04

Stock picks

HPG - Hoa Phat Group Joint Stock Company

HSG - Hoa Sen Group

NKG - Nam Kim Steel Joint Stock Company

4. Stock picks

General information		Stock price			Business results						Financial indicators (**)				
Ticker	Market cap. (bn VND)	Market price (VND)	TP (*) (VND)	Upside (%)	Revenue Q1/2024 (bn VND)	Revenue growth Q1/2024 (YoY)	Forecast revenue (2024F)	NPAT Q1/2024 (bn VND)	NPAT growth Q1/2024 (YoY)	Forecast NPAT (2024F)	ROA - TTM (%)	ROE - TTM (%)	D/E	P/B	P/E
HPG	183,572	28,700	40,100	39.7%	31,092	16.04%	131,736	2,869	333%	20,975	5.04%	9.17%	0.91	1.78	20.13
HSG	14,784	24,000	28,500	18.8%	9,423	32.48%	40,843	319	165%	1,678	4.7%	8.13%	0.97	1.30	16.51
NKG	6,766	24,200	31,000	28.1%	5,316	20.95%	21,811	150	123%	1,222	2.6%	5.9%	1.33	1.21	21.04
TVN	4,714	8,200	N/A	N/A	7,566	-9.94%	N/A	45	83%	N/A	-1.94%	-5.66%	1.73	0.58	-10.22
DTL	806	14,700	N/A	N/A	369	-31.97%	N/A	(24)	70	N/A	-6.33%	-16.6%	1.62	1.10	-6.28
POM	853	3,100	N/A	N/A	471	-71.34%	N/A	(225)	52	N/A	-9.22%	-56.41%	7.62	0.73	-0.88

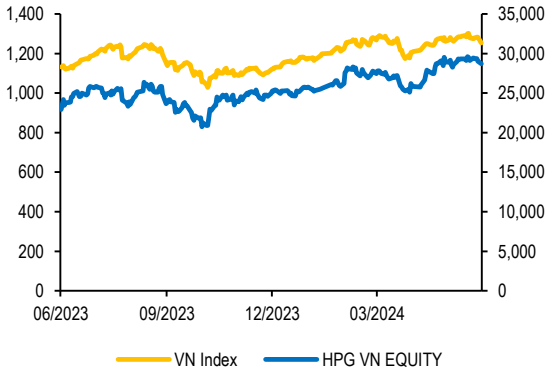
* Target price (fair value) for the next 12 months
** Data for 12 months up to Q1/2024

Source: SSV Research, Bloomberg
Data as of June 24th, 2024

Hoa Phat Group Joint Stock Company (HOSE: HPG)

Target price (12 months)	**40,100 VND**
Current price (24/06/24)	28,700 VND
Return (%)	39.7%
VNINDEX	1,254
Capitalization (billion VND)	183,572
Outstanding shares (million	6,396
Free Float share (million)	3,578
52-week high/low (VND)	29,995 /20,545
Average trading volume (million)	27.09
Average trading value (VND billion)	667
Beta coefficient (12M)	1.5

Price volatility	3M	6M	12M
Absolute (%)	3.3	16.7	24.3
Relative to VN-Index (%)	5.5	3.0	13.2



Recovery thanks to the return of the residential Real Estate market

Hoa Phat Group Joint Stock Company (HoSE: HPG) was established in August 1992, starting as a construction machinery trading company and then gradually expanding into other fields such as steel pipes, construction steel., furniture, real estate and agriculture. Hoa Phat's core business is Steel, contributing over 90% of the group's revenue and profit. Hoa Phat's main steel products include: construction steel, hot rolled steel coil - HRC, steel billets, steel pipes and galvanized steel sheets, of which construction steel currently contributes 59% of the total proportion of steel consumption in the world. Hoa Phat holds the largest market share in the construction steel segment (35%) and steel pipes (29%).

Business results: Revenue in Q1/2024 reached 30,852 billion (+16% YoY), NPAT reached 2,869 billion (+649% YoY), completing 22% and 29% of the yearly plan, respectively.

Outlook for 2024: We assume that **(1)** construction steel output recovers following the Real Estate market, especially projects that were waiting last year to be legally confirmed, when new amended laws of real estate market adjustments effective from mid-2024; **(2)** The Government promotes disbursement of public investment with large key projects; **(3)** Benefit from steel price gap with the US and EU; **(4)** downward trend in raw material prices. Hence, revenue 2024F 131,736 billion (+10.7% YoY), NPAT 2024F is 20,975 (+174% YoY). **In the long term,** the key project Dung Quat 2 phase 1, capacity of 2.8 million tons of HRC/year is gradually being completed, expected to contribute output from 2025, and fill 100% of phase 1 capacity from year 2027.

Monitoring factor: (1) Interest rate in the period 2024-2026, when HPG increases debt to construct the Dung Quat 2 project; **(2)** Decision of the Ministry of Industry and Trade on imposing anti-dumping tariff on Chinese HRC steel.

Risks: (1) Economic recession risk affects steel demand and pulls steel prices down; **(2)** Competition risks with Chinese and Indian hot rolled steel products.

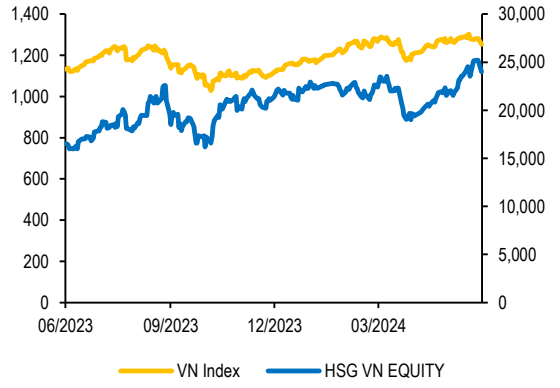
FY	2020	2021	2022	2023	2024F
Revenue (billion VND)	90,119	149,680	141,409	118,953	131,736
Operating profit (VND billion)	15,292	37,008	9,794	7,650	20,975
Operating profit margin (%)	17.0	24.7	6.9	6.4	15.9
Parent company's PAT (VND billion)	13,450	34,520	9,444	6,800	15,955
LNR margin (%)	14.9	23.1	6.7	5.7	12
EPS (VND)	2,191	5,512	1,452	1,170	2,744
ROE (%)	22.7	38	9.8	6.5	13.5
P/E (x)	10.8	6.5	12.4	15.4	12.6
P/B (x)	2.3	2.3	1.3	1.5	1.6

Source: Company data, Bloomberg, Shinhan Securities Vietnam

Hoa Sen Group Joint Stock Company (HOSE: HSG)

Target price (12 months)	**28,500**
Current price (24/06/24)	24,000
Return (%)	18.8%
VNINDEX	1,254
Capitalization (billion VND)	14,784
Outstanding shares (million	616
Free Float share (million)	427
52-week high/low (VND)	25,750/16,100
Average trading volume (million)	11.74
Average trading value (VND billion)	269
Beta coefficient (12M)	1.7

Price volatility	3M	6M	12M
Absolute (%)	3.2	11.1	42.5
Relative to VN-Index (%)	5.4	-2.6	31.4



Improve profit margins by increasing low-priced inventory

Hoa Sen Group Joint Stock Company (HoSE: HSG) is a leading enterprise in the field of galvanized steel in Vietnam. Hoa Sen Group mainly produces galvanized steel, steel pipes, plastic pipes and retails construction materials. Hoa Sen currently holds the largest market share in the galvanized steel segment with 29%. In addition, the business also owns a construction materials distribution chain including more than 100 Hoa Sen Home stores.

Business results: HSG recorded net revenue of 9,348 billion VND (+2% QoQ, +32% YoY) and profit after tax of 319.23 billion VND (+209% QoQ, +27% YoY) for Q1/2024 .

Outlook for 2024: HSG has actively accumulated inventory (+49% QoQ), when HRC raw material prices are low (530-550 USD/ton); can help HSG improve profit margin by 1-2 percentage points in 2024. In addition, we believe that: **(1)** Civil real estate recovers, implemented projects stimulate demand for galvanized steel in countries, **(2)** export trends to EU countries and North America thanks to price competition, **(3)** Cases where anti-dumping measures for galvanized steel imported from China and Korea (AD02) are applied. Hence, 2024 revenue is estimated to reach 40,843 billion VND (+29% YoY), 2024 PAT is estimated to reach 1,678 billion (16 times YoY). **In the long term,** the goal of opening 600 Hoa Sen Home construction materials supermarkets will be the company's next strategic step when it possesses the ability to apply technology in the retail segment. As of December 2023, Hoa Sen Home supermarket owns 114 Hoa Sen Home stores across the country.

Monitoring factor: (1) Price developments of input HRC and output galvanized steel, (2) Decision of the Ministry of Industry and Trade on anti-dumping investigation of galvanized steel from China and Korea (AD02).

Risks: (1) Economic recession risk affects steel consumption demand; (2) Risk of steel prices going down

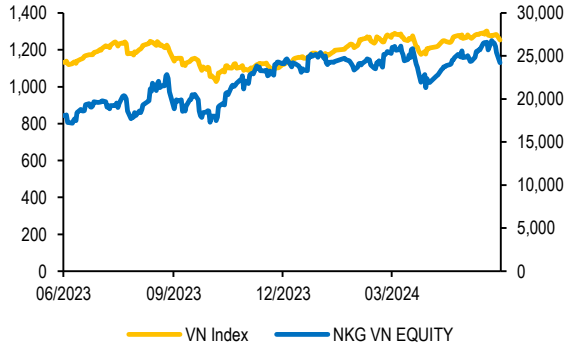
FY	2020	2021	2022	2023	2024F
Revenue (billion VND)	27,531	48,727	49,711	31,650	40,843
Operating profit (VND billion)	1,946	5,103	584	96.1	1,678
Operating profit margin (%)	7.1	10.5	1.2	0.3	4.1
Parent company's PAT (VND billion)	1,153	4,314	251	30	1,512
LNR margin (%)	4.2	8.9	0.5	0.1	3.7
EPS (VND)	1,833	6,849	393	49	2,528
ROE (%)	18.4	47.6	2.2	0.28	12.1
P/E (x)	6.3	5.5	36.5	461.4	7.42
P/B (x)	1.1	2.1	0.8	1	0.90

Source: Company data, Bloomberg, Shinhan Securities Vietnam

Nam Kim Steel Joint Stock Company (HOSE: NKG)

Target price (12 months)	31,000
Current price (24/06/24)	24,200
Return (%)	28.1%
VNINDEX	1,254
Capitalization (billion VND)	6,371
Outstanding shares (million	263
Free Float share (million)	173
52-week high/low (VND)	27,200/16,900
Average trading volume (million)	8.35
Average trading value (VND billion)	196
Beta coefficient (12M)	1.8

Price volatility	3M	6M	12M
Absolute (%)	-5.1	-0.4	33.0
Relative to VN-Index (%)	—2.9	-14.1	21.9



Export segment is driving force

Nam Kim Steel Joint Stock Company (HoSE: NKG) is an enterprise in the top 3 galvanized steel manufacturing enterprises in Vietnam. The company is always a pioneer in providing products that meet quality standards for domestic and international customers. Nam Kim's products are trusted nationwide and exported to more than 50 countries globally. Nam Kim's main products include galvanized steel sheets and steel pipes. In particular, galvanized steel accounts for more than 80% of Nam Kim's product structure.

Business results: in Q1/2024, NKG recorded revenue of 5,291 billion VND (+18.6% YoY) and NPAT 150 billion VND (compared to -40 billion in the same period last year). Notably, consumption output from export channels increased by 65% YoY, accounting for ~70% in Q1/2024.

Outlook for 2024: The recovery of the export market will be the driving force for Nam Kim's business results in 2024. **(1)** Consumption growth prospects in the US and European markets; **(2)** Expect Steel prices to enter a new increasing cycle from the third quarter of 2024 with motivation from **(3)** HRC prices creating a medium-term bottom in the region of 500-550 USD/ton, **(4)** domestic demand increased more strongly thanks to the recovery of the residential real estate market and increased infrastructure construction. **In the long term,** the Nam Kim Phu My project is expected to double Nam Kim's current capacity to 2.2 million tons per year in 2027. The project is divided into 3 phases 2024, 2025 and 2027, each phase increasing capacity up to 400,000 tons.

Monitoring factors: **(1)** Price movements of input HRC and output galvanized steel sheets; **(2)** Decision of the Ministry of Industry and Trade on anti-dumping investigation of galvanized steel from China and Korea (AD02).

Risks: **(1)** Economic recession risk affects steel consumption demand; **(2)** Risk of steel prices going down.

FY	2020	2021	2022	2023	2024F
Revenue (billion VND)	11,560	28,173	28,173	18,596	23,071
Operating profit (VND billion)	509	2,749	2,749	177	93
Operating profit margin (%)	4.4	9.8	9.8	0.9	0.4
Parent company's PAT (VND billion)	295	2,225	2,225	117	-125
LNR margin (%)	2.6	7.9	7.9	0.6	-0.5
EPS (VND)	1,161	8,683	8,683	446	-474
ROE (%)	9.5	50.0	50.0	3%	-2.3
P/E (x)	9.0	3.7	3.7	56.2	N/A
P/B (x)	0.8	1.5	1.5	1.3	0.6

Source: Company data, Bloomberg, Shinhan Securities Vietnam

Shinhan Securities

Industrial real estate

FDI drives growth



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Content

1. Update the industrial real estate situation

The absorption rate is high and rental prices continue to grow steadily in Q1/2024. Industrial real estate supply is mainly concentrated in the Northern region

2. Potential of industrial real estate

Strong infrastructure investment, a recovering manufacturing situation, and continued growth of FDI capital flows are the foundations for industrial real estate growth

3. Update on industrial real estate stocks

Industrial real estate businesses have a clear differentiation. Businesses with land funds available for lease have recorded impressive business results

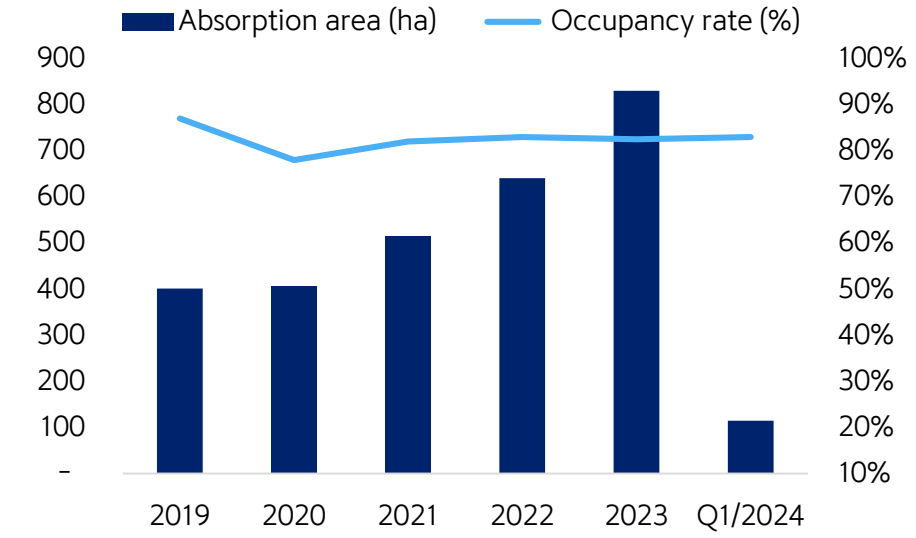
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Update the industrial real estate situation

The absorption rate is high and rental prices continue to grow steadily in Q1/2024. Industrial real estate supply is mainly concentrated in the Northern region

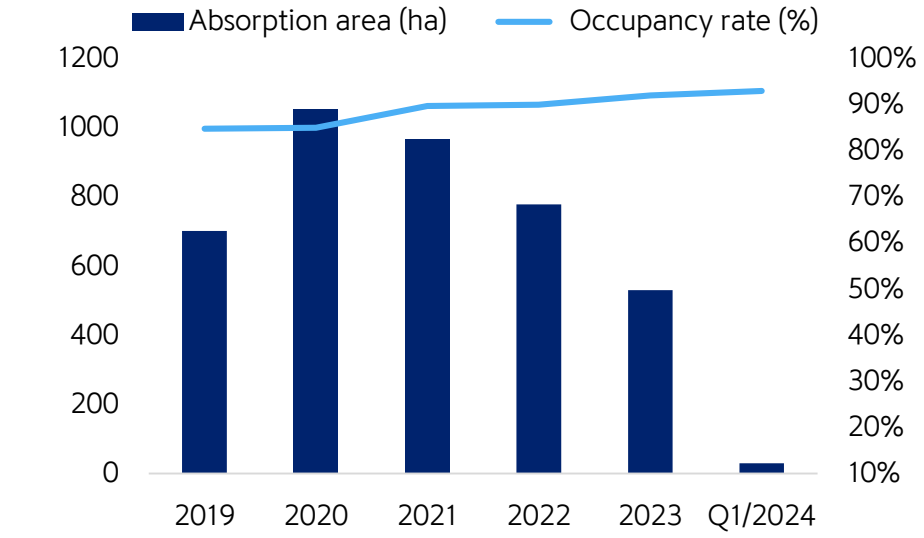
Occupancy rates remain high with rental prices showing a slight increase

Industrial park absorption and occupancy rate from 2019 – Q1/24 in the North



Source: CBRE, Shinhan Securities Vietnam

Industrial park absorption and occupancy rate from 2019 – Q1/24 in the South

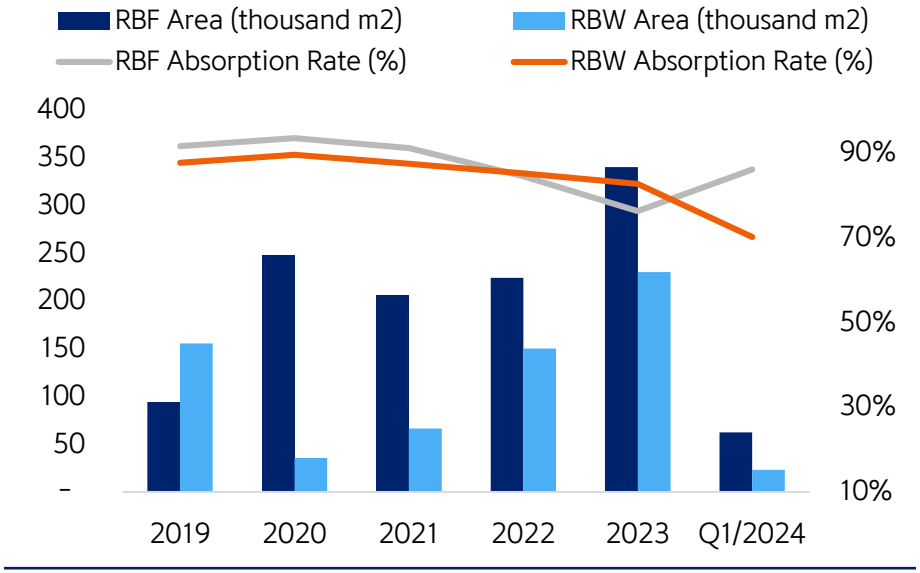


Source: CBRE, Shinhan Securities Vietnam

- In Q1/2024, the Northern region recorded an absorption area of 110 hectares with an occupancy rate of 83%. The Southern region recorded a low absorption area with a total absorption area of more than 20 hectares, and an occupancy rate of 92%.
- The average rental price in the Northern region reached USD 133/m2/cycle (+7.8% YoY), and the average rental price in the Southern region reached USD 189/m2/cycle (+2.4% YoY).
- In general, the Northern region has a more abundant supply, concentrated in major cities such as Bac Ninh, Hai Phong, Hung Yen, and Hai Duong. Meanwhile, the supply in the Southern region is more limited, mainly concentrated in Ba Ria - Vung Tau province.

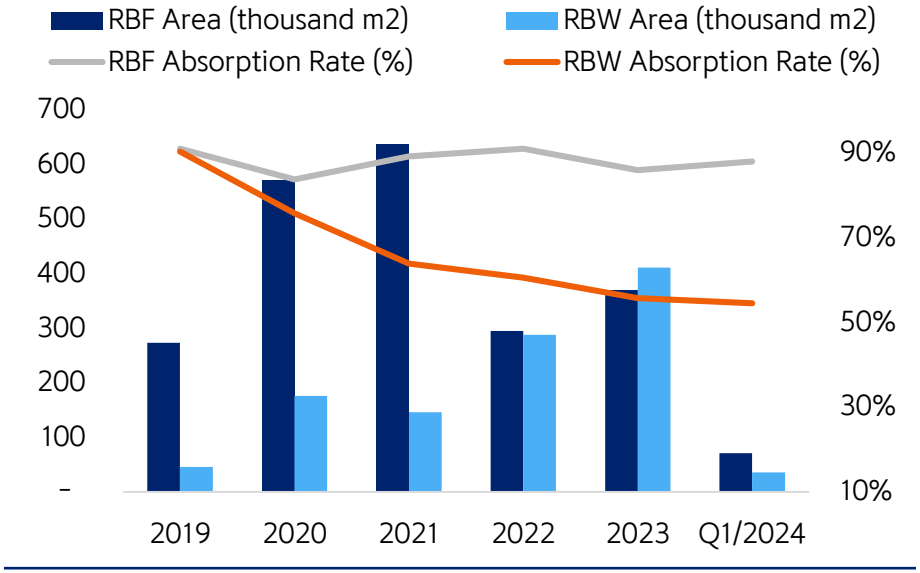
Rental demand for RBW/RBF remains high, and the absorption rate is prospered

Absorption area and occupancy rate of RBW/RBF from 2019 – Q1/2024 in the North



Source: CBRE, Shinhan Securities Vietnam

Absorption area and occupancy rate of RBW/RBF from 2019 – Q1/2024 in the South



Source: CBRE, Shinhan Securities Vietnam

- The Northern region recorded an improvement in absorption area in Q1/2024 with an absorption rate of 87% for ready-built factories (RBF) and 70% for ready-built warehouses (RBW). Meanwhile, the Southern region recorded a slight increase in absorption area in Q1/2024 compared to Q1/2023 with an absorption rate of 87% for RBF and 57% for RBW.
- RBF and RBW rental prices increased compared to the same period, for the Northern region, RBF and RBW prices reached USD 4.9/m2 and USD 4.7/m2 respectively, while the Southern region recorded RBF and RBW prices reached USD 4.9/m2, and USD 4.6/m2 respectively.

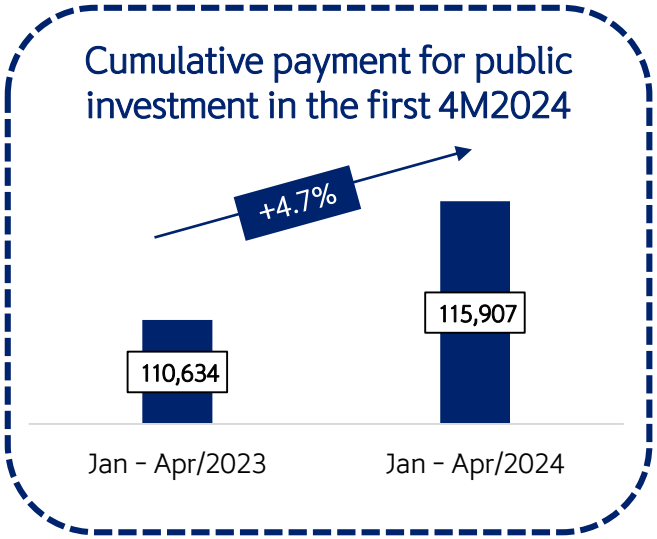
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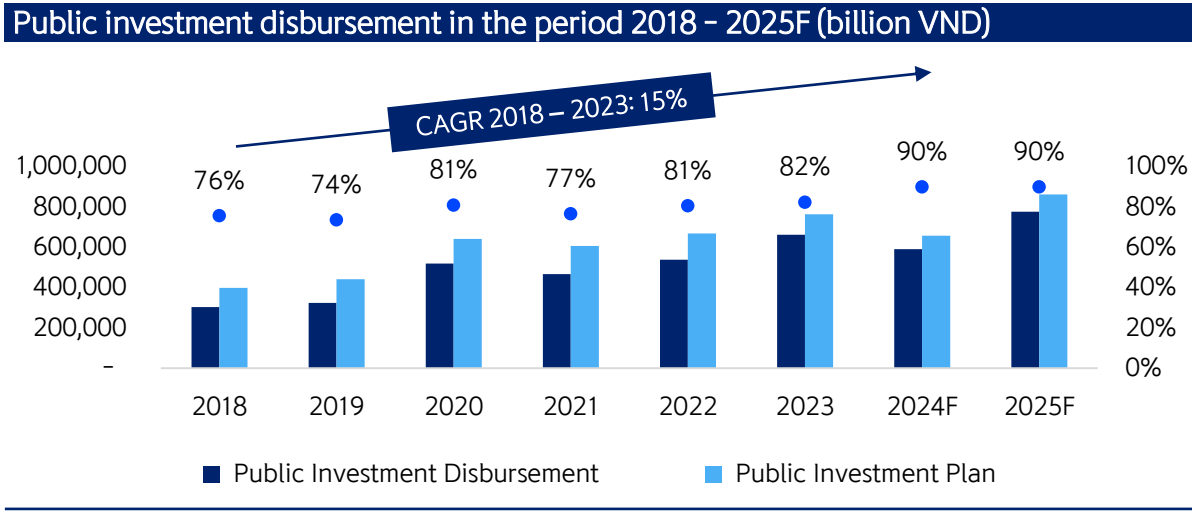
Potential of industrial real estate

Strong infrastructure investment, a recovering manufacturing situation, and continued growth of FDI capital flows are the foundations for industrial real estate growth

Potential of industrial real estate

Strong public investment contributes to promoting infrastructure development





Source: Ministry of Finance, Shinhan Securities Vietnam

- According to the Ministry of Finance, the estimated disbursement of public investment from the beginning of the year to April 30, 2023, was VND 115,907 billion (+4.7% YoY), completing 16.41% of the plan. The disbursement rate in the first 4M2024 improved compared to 4M2023, increasing from 14.66% to 16.41%.
- According to Decision No. 1603/QD-TTg, the public investment plan for 2024 is VND 657,349 billion, down -14% compared to the capital plan for 2023, the disbursement rate in 2024 according to the plan is expected to reach 95%. Based on Resolution No. 29/2021/QH15, with a total plan for the 2021-2025 period of VND 2,870 trillion, we estimate that the disbursement plan in 2025 will be at the same level as in 2024.
- 2024 is considered the year to implement infrastructure construction projects when important infrastructure projects such as the North-South Expressway Phase 2, Ring Road 3, Ring Road 4, and Long Thanh Airport Phase 1 have completed bidding and started construction in 2023.

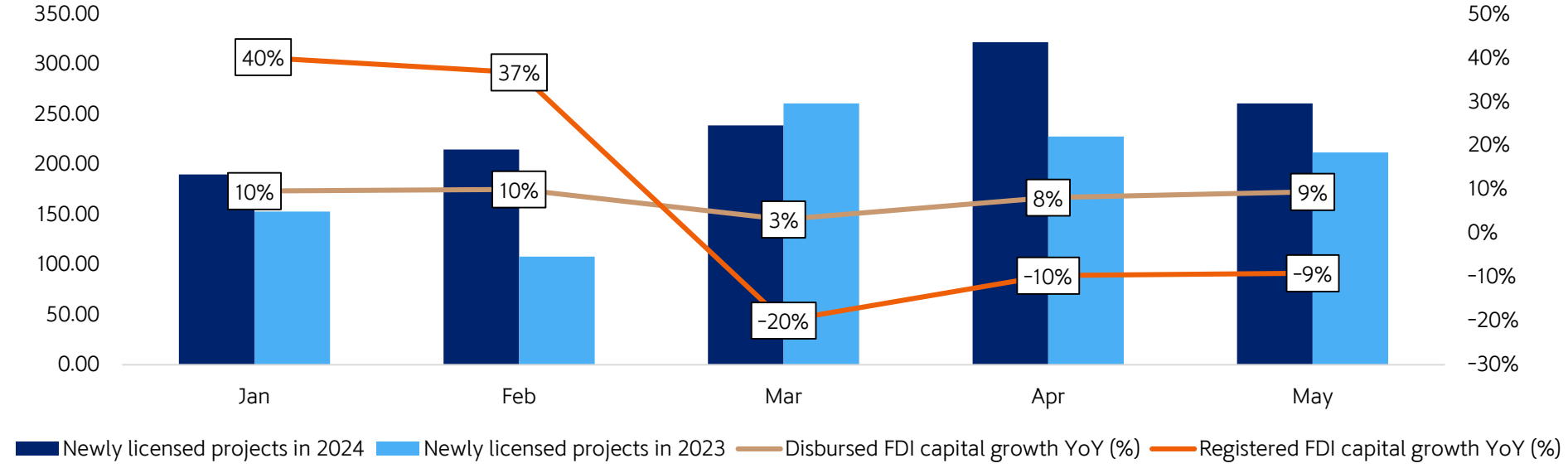
Major projects in the 2022-2025 period have completed bidding and will be under construction in 2023

Name of project	Period	Total investment (billion VND)	Investment progress
North - South Expressway phase 1	2017 – 2024	118,716	Completed.
North - South Expressway phase 2	2023 – 2025	146,990	All 12 component projects of phase 2 have completed bidding and started construction in 2023.
Ring Road 3 (Ho Chi Minh)	2022 – 2026	75,378	The project has started construction since June 2023 and is expected to be completed in June 2026. However, due to issues related to site clearance in Binh Duong, the progress is still behind schedule.
Ring Road 4 (Hanoi)	2022 – 2026	85,813	The project has started construction since June 2023 and is expected to be completed in June 2026. As of April 2024, the total investment capital for the project is about VND 12,600 billion, the construction progress has reached 8.9%.
Long Thanh Airport phase 1	2020 – 2025	114,451	According to a representative of Vietnam Airports Corporation (ACV), the progress of implementing the items of the Long Thanh International Airport construction project is following the plan.

Source: Ministry of Transport, Shinhan Securities Vietnam

FDI capital flows continue to maintain stable growth over the months.

Monthly FDI growth and number of new projects in the first 5 months of 2023 and 2024



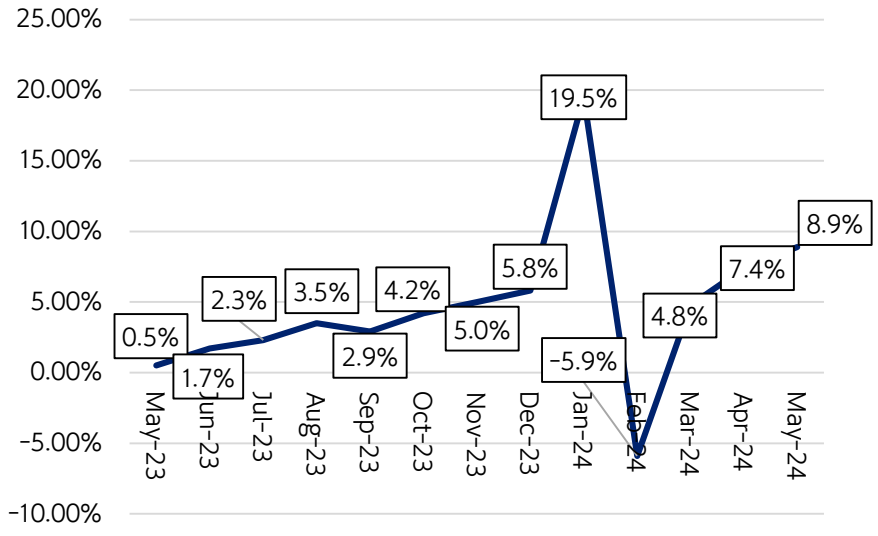
Source: FiinPro, Shinhan Securities Vietnam

- The situation of disbursed FDI capital has shown stable growth in the first 5 months of 2024, the accumulated disbursed FDI capital in the first 5 months of 2024 reached USD 8.25 billion (+7.8% YoY). On the other hand, the growth rate of registered FDI capital increased in the first 2 months of the year and then decreased since March 2024. In the first 5 months of 2024, accumulated registered FDI capital reached USD 11.07 billion (+2.0% YoY)
- The number of licensed FDI projects in 2024 is also much higher than the previous year, in the first 5 months of the year, the whole country recorded 1,227 projects, an increase of 27.5% YoY in the number of projects.

Potential of industrial real estate

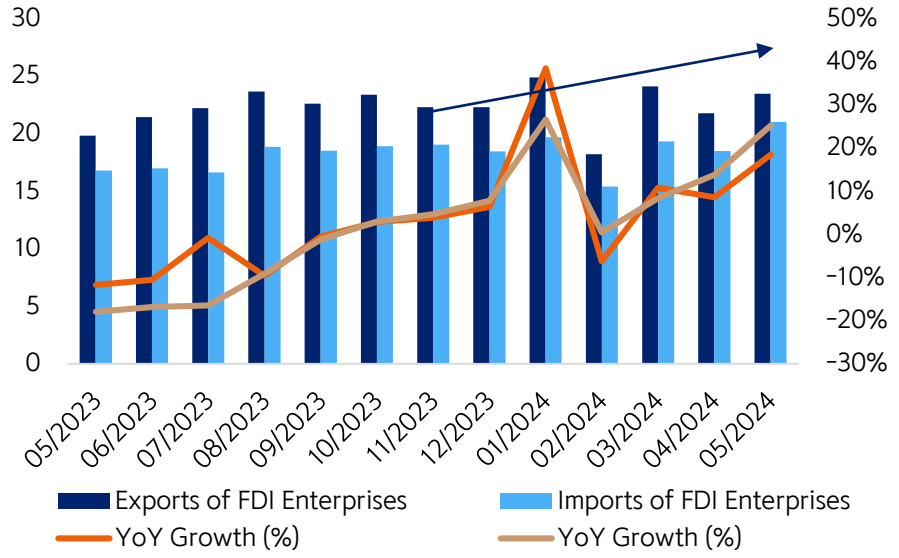
Production situation of FDI enterprises in Vietnam

Industrial production index - IIP (%)



Source: FiinPro, Shinhan Securities Vietnam

Import-export FDI enterprises 05/2023 – 05/2024 (billion VND)

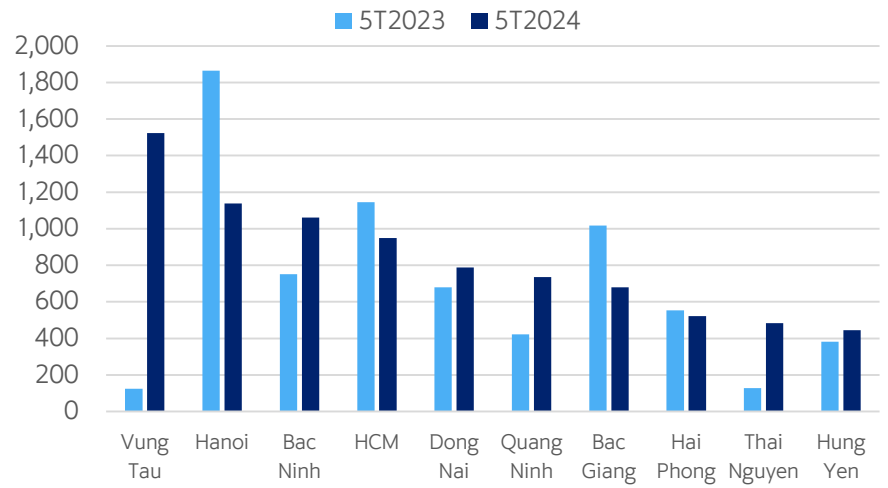


Source: FiinPro, Shinhan Securities Vietnam

- The industrial production index has shown good growth since February 2024, and overall production activities have improved significantly as the world economy is recovering.
- Cumulative exports of FDI enterprises in the first 5 months of the year reached VND 112.31 billion, up 14% compared to 2023. The import and export situation of FDI enterprises has improved significantly. This shows that the activities of FDI enterprises in Vietnam continue to be positive, thereby creating a basis for the prospect of continued growth of FDI capital in the future.

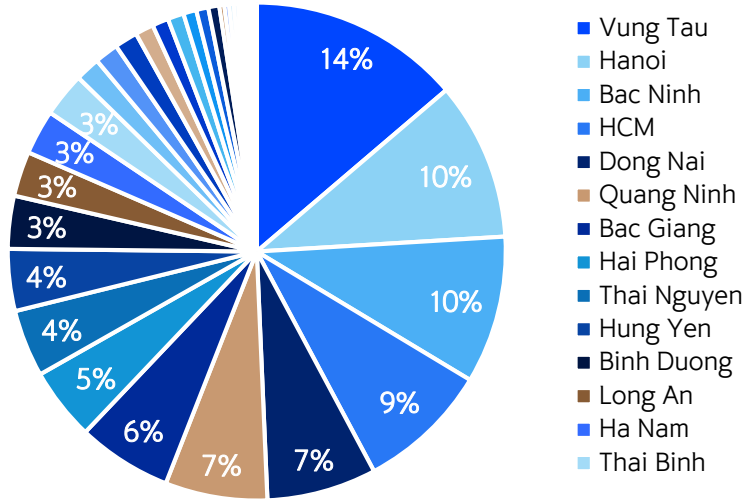
Northern and Southern provinces continue to receive the majority of FDI capital.

Top 10 localities receiving cumulative FDI capital in 5M/2024 (million USD)



Source: FiinPro, Shinhan Securities Vietnam

Top 10 localities receiving cumulative FDI capital in the first 5M2024 (%)

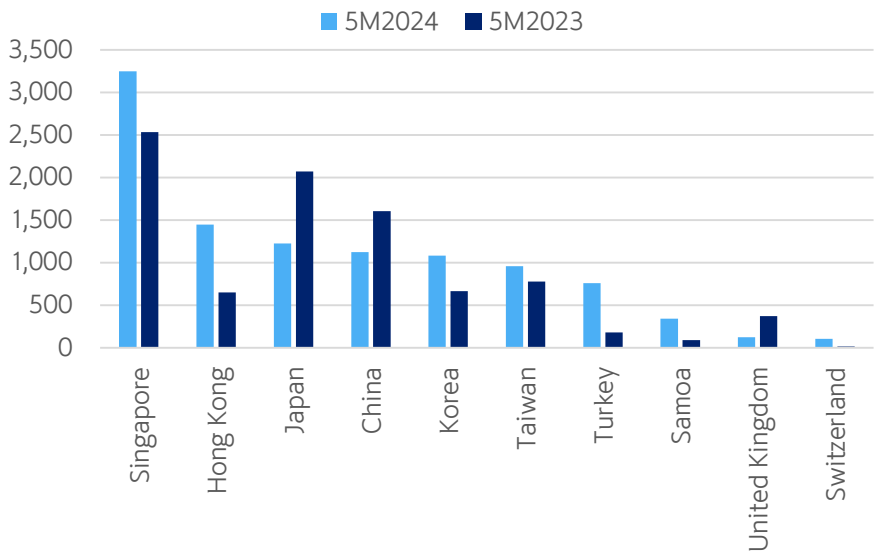


Source: FiinPro, Shinhan Securities Vietnam

- Provinces and cities such as Ba Ria - Vung Tau, Hanoi, Bac Ninh, Ho Chi Minh City, and Dong Nai are the main destinations for FDI capital flows into Vietnam. Notably, Ba Ria - Vung Tau province saw FDI capital increase 12 times compared to the same period last year. This comes from the operation of international seaports in the Cai Mep area, thereby boosting the demand for investment in factory expansion in Ba Ria - Vung Tau province.
- The northern provinces continue to be the favorite destinations for FDI capital flows as the supply of industrial real estate is still abundant and the rental costs are cheaper than in the southern provinces.

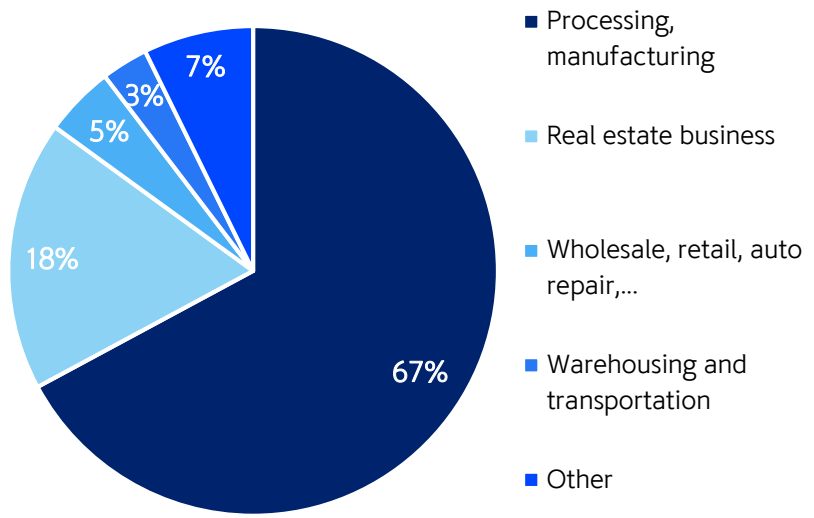
Asian countries play an important role in the structure of FDI capital sources.

Top 10 countries investing in Vietnam in 5 months (million USD)



Source: Fiinpro, Shinhan Securities Vietnam

Sector structure receiving registered FDI capital in 5M/2024 (%)

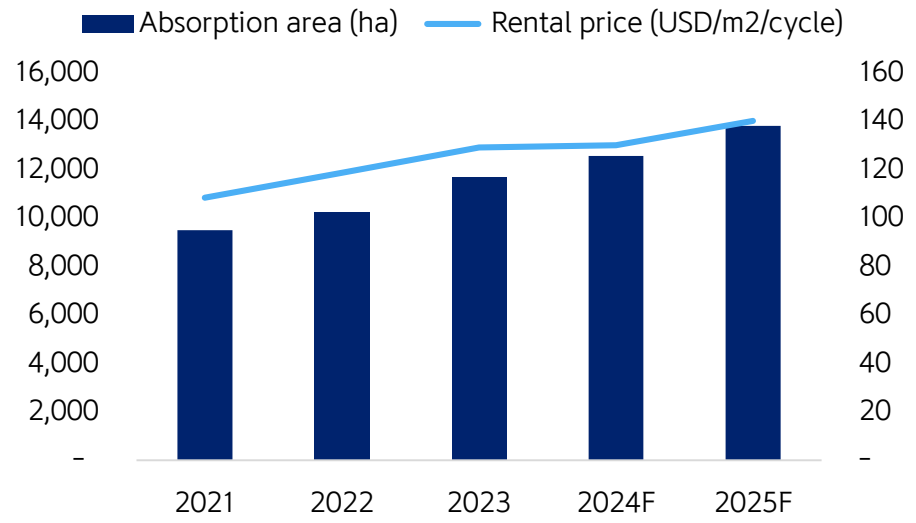


Source: Fiinpro, Shinhan Securities Vietnam

- Investors from Asia, traditional investment partners, still owned a large proportion (Singapore, Japan, China, South Korea, Hong Kong, Taiwan). These 6 partners alone accounted for 82% of the total registered FDI capital of the country in the first 5 months of 2024.
- The processing and manufacturing industry was the main investment sector of foreign enterprises in Vietnam, accounting for 67% of registered FDI capital invested in Vietnam.

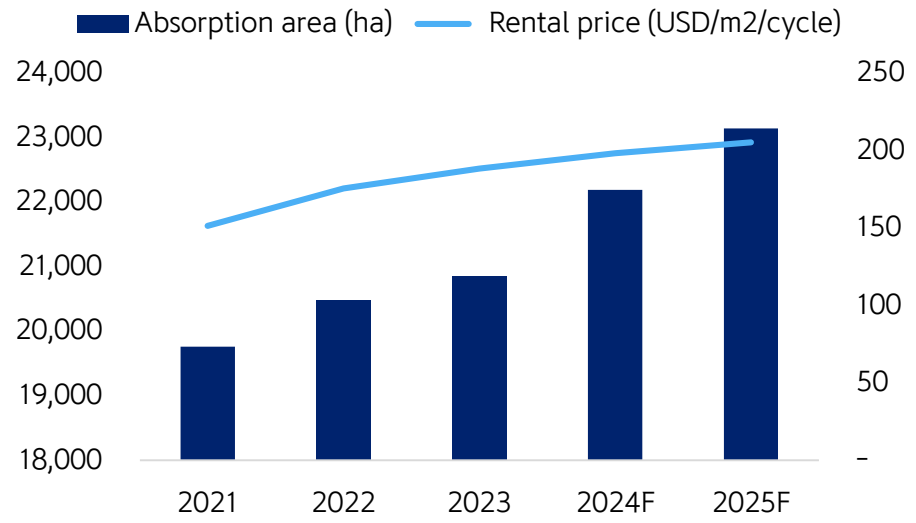
Industrial real estate prospects continue to maintain stable growth in the future

Projected cumulative area and industrial park land rental price from 2021 – 2025F in the North



Source: CBRE, Shinhan Securities Vietnam

Projected cumulative area and industrial park land rental price from 2021 – 2025F in the South

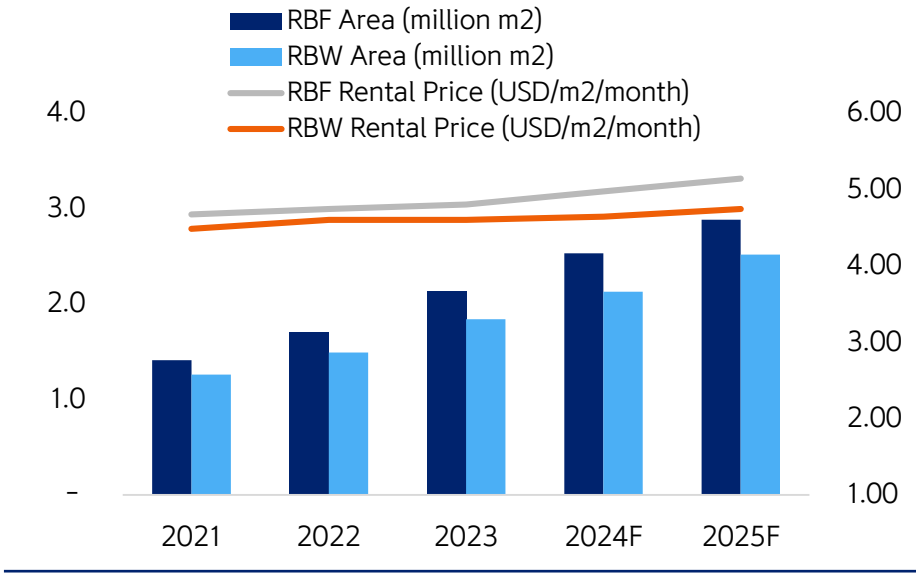


Source: CBRE, Shinhan Securities Vietnam

- We estimate that the supply of industrial real estate in 2024 in the two regions of the North and the South will grow by 7% and 6.4% respectively. In particular, the supply in the North will mainly be concentrated in provinces such as Bac Ninh, Hai Phong, Hung Yen. For the South, the supply will mainly be in the provinces of Binh Duong, Dong Nai, Long An and Ba Ria Vung Tau.
- Industrial land prices are forecasted to continue to grow steadily by 5% - 10%/year in 2024 and 2025 in the future thanks to stable rental demand, and continued growth of FDI capital in Vietnam. The occupancy rate is expected to continue to remain high at 84% in the North and 93% in the South.

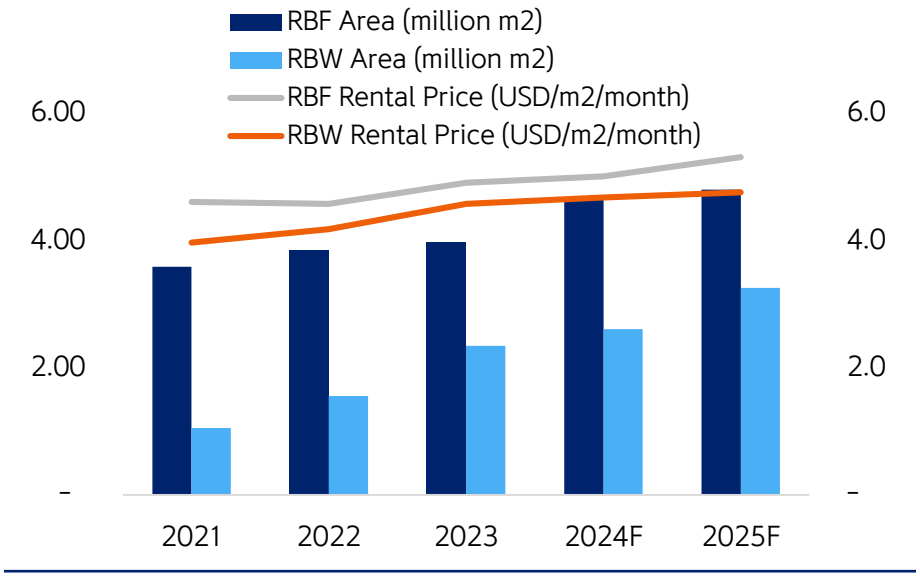
Supply of RBF and RBW continues to grow according to market demand

Projected absorption area and RBF/RBW price 2021 – 2025F in the North



Source: CBRE, Shinhan Securities Vietnam

Projected absorption area and RBF/RBW price 2021 – 2025F in the South



Source: CBRE, Shinhan Securities Vietnam

- According to CBRE's forecast, the supply of RBF and RBW is expected to grow by 15% - 20% annually in the North and 8% - 16% in the South.
- Rent and absorption rates are expected to grow steadily thanks to the expansion of technology companies and e-commerce companies in Vietnam. We expect RBF and RBW rents to grow steadily at around 3% annually.

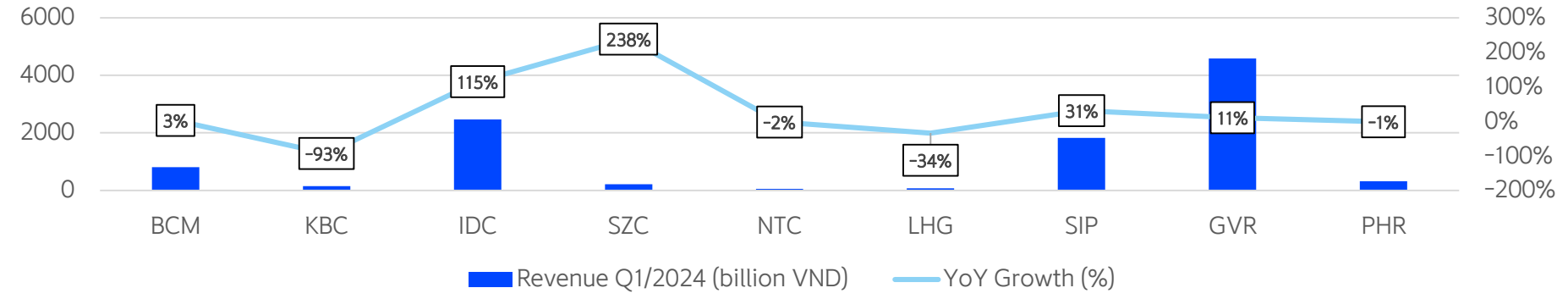
03

Update on industrial real estate stocks

Industrial real estate firms have a clear differentiation. Firms with land funds available for lease have recorded impressive business results

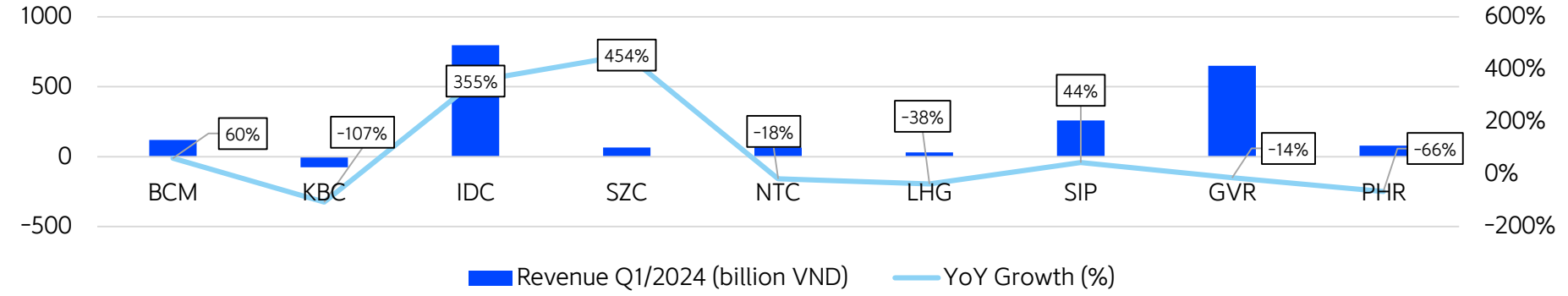
Update on the business situation of some prominent stocks

Revenue of industrial real estate enterprises in Q1/2024



Source: FiinPro, Shinhan Securities Vietnam

Net profit of industrial real estate enterprises in Q1/2024



Source: FiinPro, Shinhan Securities Vietnam

- The business results in Q1/2024 of the industrial real estate group are differentiated, in which enterprises with available land for lease take advantage of the abundant FDI capital flow and record large growth in revenue and profit. In particular, the industrial real estate group improved its gross profit margin compared to the same period as industrial park land prices continued to grow positively in some major cities and provinces.

Update on industrial real estate stocks

Ticker	Mkt price (VND)	Target price* (VND)	Upside (%)	Mkt cap (Billion VND)	Revenue forecast in 2024** (Billion VND)	Revenue growth (% YoY)	Net profit forecast in 2024 (Billion VND)	Profit growth (% YoY)	ROA – TTM (%)	ROE – TTM (%)	GPM – TTM (%)	D/E	P/E – TTM	P/B – TTM
BCM	61,900	80,900	31%	64,067	8,119	3%	2,464	2%	5%	14%	55%	1.08	26.42	3.5
KBC	29,750	38,500	29%	22,836	7,850	40%	2,794	29%	3%	5%	62%	0.2	25.35	1.37
IDC	61,400	64,800	6%	20,262	8,803	22%	2,210	47%	11%	40%	38%	0.47	10.63	3.99
SZC	40,000	43,500	9%	7,199	904	11%	233	6%	4%	14%	43%	0.9	19.18	2.59
NTC	214,500	245,000	14%	5,148	542	130%	298	-1%	6%	30%	71%	0.22	18.28	5.08
LHG	35,800	40,450	13%	1,790	628	59%	170	23%	5%	10%	52%	0.11	11.98	1.1
SIP	89,300	101,400	14%	16,235	7,150	7%	1,088	8%	5%	29%	14%	0.48	15.7	4.27
GVR	33,000	32,800	-1%	132,000	25,511	16%	4,241	26%	3%	5%	21%	0.11	55.76	2.76
PHR	59,000	65,400	11%	7,994	1,529	13%	634	-4%	8%	13%	26%	0.08	18.3	2.29

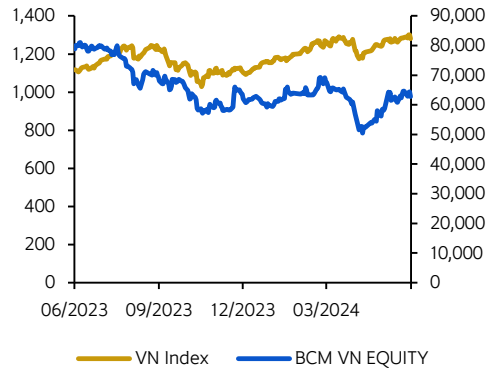
* Target price (fair value) for the next 12 months
** 12-month figures as of Q1/2024

Source: SSV Research, Bloomberg, Fiipro
Data as of 24/06/2024

Investment And Industrial Development Corporation (HOSE: BCM)

Target price (12 months)	80,900 VND
Current price (24/06/24)	64,000 VND
Return (%)	26%
VNINDEX	1,254
HNXINDEX	239
Market cap (billion VND)	64,067
Outstanding shares (mil shares)	1,035
Free-float (mil shares)	34
52-week high/low (VND)	83,000/50,400
90-day avg. trading volume (mil shares)	0.92
90-day avg. turnover (bn VND)	52
Major SHDs (%) People's Committee of Binh Duong province	95.00
Major SHDs (%) Nguyen Van Hung	0.58

Performance	3M	6M	12M
Absolute (%)	-7.5	-1.4	-22.3
Rel.to VN-Index (%)	-8.7	-16.7	-36.8



Growth prospects with Cay Truong Industrial Park

- Investment and Industrial Development Corporation (Becamex, HoSE: BCM) was established in 1976 and is one of the leading industrial park developers in Vietnam. Becamex is a prestigious brand with experience in developing industrial parks in Binh Duong province. Becamex has attracted more than 500 enterprises from 30 different countries. Becamex currently owns 6 industrial parks with an area of over 4,000 hectares. In addition, BCM also participates in a joint venture with a Singaporean enterprise to develop the VSIP industrial park (BCM owns 49%). VSIP is the leading developer of industrial parks and urban areas in Vietnam, including 12 projects nationwide with a total area of over 10,000 hectares.
- At the end of Q1/2024, BCM recorded revenue of VND 812 billion (+2.65% YoY), and profit after tax of VND 119 billion (+60.8% YoY). Gross profit margin has grown strongly, increasing from 51.35% in Q1/2023 to 70.75% in Q1/2024.

Investment catalysts & theses

- With the prospect of FDI capital inflows maintaining positive growth and the real estate market recovering in 2024, we expect the situation to continue to remain stable. BCM currently owns 942 hectares of land available for lease. BCM's Cay Truong Industrial Park project (with a total commercial land area of 490 hectares) has been approved by Binh Duong province for a 1/2,000 scale construction zoning plan. The project is expected to start recording revenue in 2024.

Forecast 2024

- We estimate 2024 net revenue to reach VND 8,119 billion (+3% YoY), and profit after tax to reach VND 2,464 billion (+2% YoY), with the main contribution from the industrial park 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.

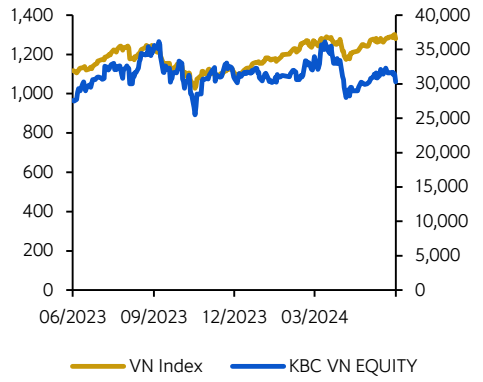
Year	2020	2021	2022	2023	2024F
Revenue (bn VND)	6,507	6,982	6,506	7,883	8,119
OP (bn VND)	1,910	2,002	1,437	2,783	2,842
OP margin (%)	29.3	28.7	22.1	35.3	35.0
NPATMI (bn VND)	2,098	1,451	1,685	2,423	2,464
NP margin (%)	32.2	20.8	25.9	30.7	30.3
EPS (VND)	1,840	1,232	1,482	2,341	2,381
ROE (%)	12.7	8.1	9.3	12.2	11.3
P/E (x)	22.4	51.9	54.4	29.5	29.0
P/B (x)	2.8	4.1	4.9	3.6	3.3

Source: Bloomberg, Shinhan Securities Vietnam

Kinh Bac City Development Corporation (HOSE: KBC)

Target price (12 months)	38,500 VND
Current price (24/06/24)	29,350 VND
Return (%)	31%
VNINDEX	1,254
HNXINDEX	239
Market cap (billion VND)	22,836
Outstanding shares (mil shares)	768
Free-float (mil shares)	424
52-week high/low (VND)	36,600/25,200
90-day avg. trading volume (mil shares)	8.34
90-day avg. turnover (bn VND)	262
Major SHDs (%) Dang Thanh Tam	18.06
Major SHDs (%) Kinh Bac Consulting and Investment JSC	8.11

Performance	3M	6M	12M
Absolute (%)	-10.8	-2.3	9.4
Rel.to VN-Index (%)	-12.0	-17.6	-5.2



Prospects for Trang Due 3 project and growth potential with expanded land fund

- Kinh Bac City Development Corporation (HoSE: KBC) was established in 2002 and is one of the leading industrial park real estate developers in Vietnam. KBC has experience working and attracting leading FDI corporations in Vietnam. More than 90% of customers in KBC's industrial parks are foreign corporations from countries such as Japan, Taiwan, Korea, China with big names such as Canon, Foxconn, LG... By the end of 2023, KBC owned a land fund of up to 6,610 hectares of industrial park land from North to South.
- At the end of Q1/2024, KBC achieved revenue of VND 152 billion (-93% YoY), and net profit recorded a loss of VND -77 billion. KBC's business results decreased sharply in Q1/2024 because the enterprise did not record revenue from land and infrastructure rental.

Investment catalysts & theses

- KBC's business results are expected to improve in the following quarters as KBC records signed industrial park projects. KBC expects to record 150 hectares of industrial park land in 2024, mainly thanks to leasing in industrial parks: Nam Son Hap Linh, Quang Chau, Tan Phu Trung, Trang Due 3, industrial park clusters in Hung Yen and Long An (of which 30 hectares have been signed and are ready to record revenue).
- Regarding long-term prospects, KBC currently has about 1,500 hectares of commercial industrial park land and Trang Cat urban area with approximately 282 hectares of commercial land that can be handed over in the future. In addition, KBC is also active in carrying out the necessary legal procedures to continue to be approved for new projects in Bac Ninh, Thai Nguyen, Hau Giang, Can Tho, Vung Tau.

Forecast 2024

- We estimate 2024 net revenue to reach VND 7,850 billion (+40% YoY) and net profit to reach VND 2,794 billion (+38% YoY).

Risk:

(1) Demand for industrial park real estate rentals has decreased;

(2) Debt/equity ratio is high;

(3) FDI inflows have weakened;

(4) Slow progress in industrial park project implementation.

Year	2020	2021	2022	2023	2024F
Revenue (bn VND)	2,151	4,246	950	5,618	7,850
OP (bn VND)	366	1,849	-245	2,883	3,101
OP margin (%)	17	43.5	-25.7	51.3	39.5
NPATMI (bn VND)	224	1,095	1,526	2,174	2,794
NP margin (%)	10.4	25.8	160.6	38.7	35.6
EPS (VND)	358	1,441	1,993	2645	3,639
ROE (%)	2.4	9.2	10.1	10.7	13.6
P/E (x)	51.2	31.6	12.1	12.0	8.70
P/B (x)	1.2	2.4	1.2	1.2	1.18

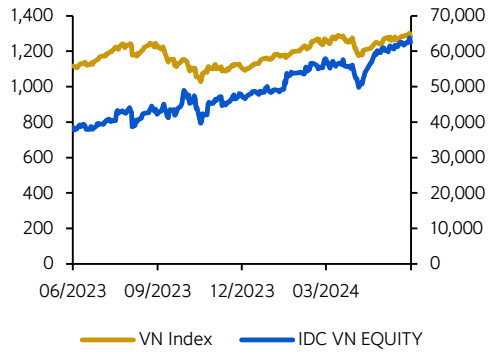
Source: Bloomberg, Shinhan Securities Vietnam

IDICO Corporation JSC (HOSE: IDC)

IDICO

Target price (12 months)	64,800 VND
Current price (24/06/24)	61,900 VND
Return (%)	5%
VNINDEX	1,254
HNXINDEX	239
Market cap (billion VND)	20,262
Outstanding shares (mil shares)	330
Free-float (mil shares)	210
52-week high/low (VND)	65,500/39,000
90-day avg. trading volume (mil shares)	2.41
90-day avg. turnover (bn VND)	135
Major SHDs (%) SSG Group Joint Stock Company	22.50
Major SHDs (%) Bach Viet Production and Trading Company Limited	11.93

Performance	3M	6M	12M
Absolute (%)	3.6	22.1	46.7
Rel.to VN-Index (%)	2.4	6.8	32.2



Growth potential with industrial park land area in Ba Ria – Vung Tau and Long An

- IDICO Corporation (HoSE: IDC) was established in 2000, formerly known as Vietnam Urban and Industrial Zone Development Investment Corporation. IDC operates mainly in the industrial park sector (accounting for 44% of revenue) , electricity business sector (accounting for 38% of revenue) and BOT toll collection sector (accounting for 5% of revenue). IDC is investing and managing 10 industrial parks in Vietnam with a total area of nearly 3,267 hectares. Of which, there are 7 industrial parks in the South, 3 industrial parks in the North locating in the provinces of Dong Nai, Ba Ria - Vung Tau, Long An, Vinh Phuc, Bac Ninh, Thai Binh. Regarding the electricity sector, IDC owns 2 hydropower plants with a total capacity of up to 114 MW, and a system of 2 transformer stations contributing over 80% of total electricity revenue at IDC. These sectors create a stable source of revenue for IDC.
- At the end of Q1/2024, IDC achieved net revenue of VND 2,467 billion (+115 YoY). Of which, industrial revenue reached VND 1,308 billion, 6.3 times higher than the same period. The company's after-tax profit reached VND 797 billion (+355 YoY).

Investment catalysts & theses

- With the prospect of boosting public investment, Vietnam is expected to continue to attract FDI capital and enterprises investing in factories in Vietnam. IDC currently owns 677 hectares of land available for lease, mainly concentrated in Ba Ria - Vung Tau province (236 hectares in Phu My II Industrial Park and expanded Industrial Park) and Long An province (294 hectares in Huu Thanh Industrial Park). In addition, IDC also plans to invest in Tan Phuoc 1 Industrial Park (470 hectares) and is expected to lease in 2024.

Forecast 2024

- We estimate that IDC will lease about 150 hectares of industrial park land in 2024 and at the same time expect the power segment to increase slightly by about 10% thanks to the weather gradually shifting to La Nina (favorable for hydropower). We estimate that net revenue in 2024 is expected to reach VND 8,803 billion (+21.6% YoY), and profit after tax is expected to reach VND 2,210 billion (+58.6% YoY).

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	2023	2024F
Revenue (bn VND)	5,356	4,301	7,485	7,237	8,803
OP (bn VND)	1,236	477	2,726	2,060	2,984
OP margin (%)	23.1	11.1	36.4	28.5	33.9
NPATMI (bn VND)	873	454	1,768	1,393	2,210
NP margin (%)	16.3	10.6	23.6	19.2	25.1
EPS (VND)	2,630	1,376	5,356	4,221	6,218
ROE (%)	22.8	11.2	40.0	28.1	68.3
P/E (x)	12.3	48.0	5.9	12.3	7.8
P/B (x)	2.5	5.6	2.1	3.5	2.3

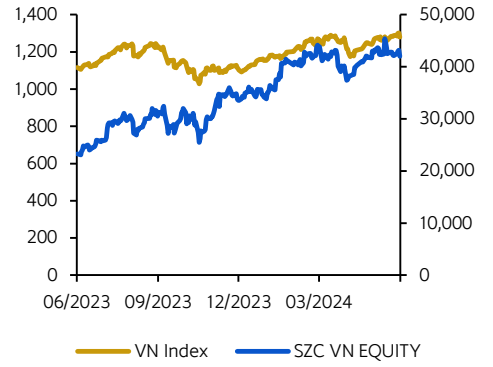
Source: Bloomberg, Shinhan Securities Vietnam

Shinhan Securities

SONADEZI Chau Duc Joint Stock Company (HOSE: SZC)

Target price (12 months)	43,500 VND
Current price (24/06/24)	42,900 VND
Return (%)	1%
VNINDEX	1,254
HNXINDEX	239
Market cap (billion VND)	7,199
Outstanding shares (mil shares)	180
Free-float (mil shares)	111
52-week high/low (VND)	46,500/23,672
90-day avg. trading volume (mil shares)	1.93
90-day avg. turnover (bn VND)	80
Major SHDs (%) Industrial Park Development JSC	22.50
Major SHDs (%) Sonadezi Long Thanh JSC	11.93

Performance	3M	6M	12M
Absolute (%)	-6.7	21.9	72.4
Rel.to VN-Index (%)	-7.9	6.7	57.9



Possessing potential advantages with Chau Duc Industrial Park

- Sonadezi Chau Duc Joint Stock Company (HoSE: SZC) was established on June 26, 2007, formerly Sonadezi Infrastructure Development Joint Stock Company, SZC operates mainly in the field of industrial park land leasing, real estate business and investment 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.
- SZC's Q1/2024 revenue results reached VND 214 billion, an increase of 3.39 times over the same period, and after-tax profit reached VND 65 billion, an increase of 5.41 times over the same period. In which, revenue from the industrial park segment accounted for 91%, an increase of 7.4 times over the same period.

Investment catalysts & theses

- In the long term, SZC has a land fund of up to 300 hectares available for lease (out of the remaining 560 hectares of industrial park land) in Chau Duc Industrial Park, contributing to creating a foundation for long-term growth for SZC. In general, Chau Duc Industrial Park is strategically located near Cai Mep International Port. In addition, the rental price of Chau Duc Industrial Park ranges from USD 70 - USD 75, cheaper than major cities such as Binh Duong and Ho Chi Minh City, contributing to creating potential conditions to attract foreign investors.

Forecast 2024

- SZC is expected to hand over 125 hectares in 2024 (of which the industrial park land area is 100 hectares contributed by Chau Duc Industrial Park, the urban area land area is 25 hectares contributed by Huu Phuoc Residential Area). We expect SZC's net revenue in 2024 to reach VND 904 billion (+10.5% YoY), and profit after tax is expected to reach VND 233 billion (+6.3% YoY).

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	2023	2024F
Revenue (bn VND)	433	713	859	818	904
OP (bn VND)	199	386	260	295	314
OP margin (%)	46.0	54.2	30.2	36.1	34.7
NPATMI (bn VND)	186	324	197	219	233
NP margin (%)	43.0	45.4	23.0	26.8	25.8
EPS (VND)	1,401	2,395	1,458	1,331	1,943
ROE (%)	13.7	21.1	11.7	11.9	13.8
P/E (x)	19.0	23.7	15.0	27.5	22.1
P/B (x)	2.5	4.6	1.7	3.1	2.8

Source: Bloomberg, Shinhan Securities Vietnam

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Important Disclosure

Stock

- **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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