SHINHAN SECURITIES VIETNAM

Vietnam Investment Outlook 2023

"LIGHT AT THE END OF THE TUNNEL"

December 2022

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Vietnam Investment Outlook 2023 – "Light at the end of the tunnel"

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Summary

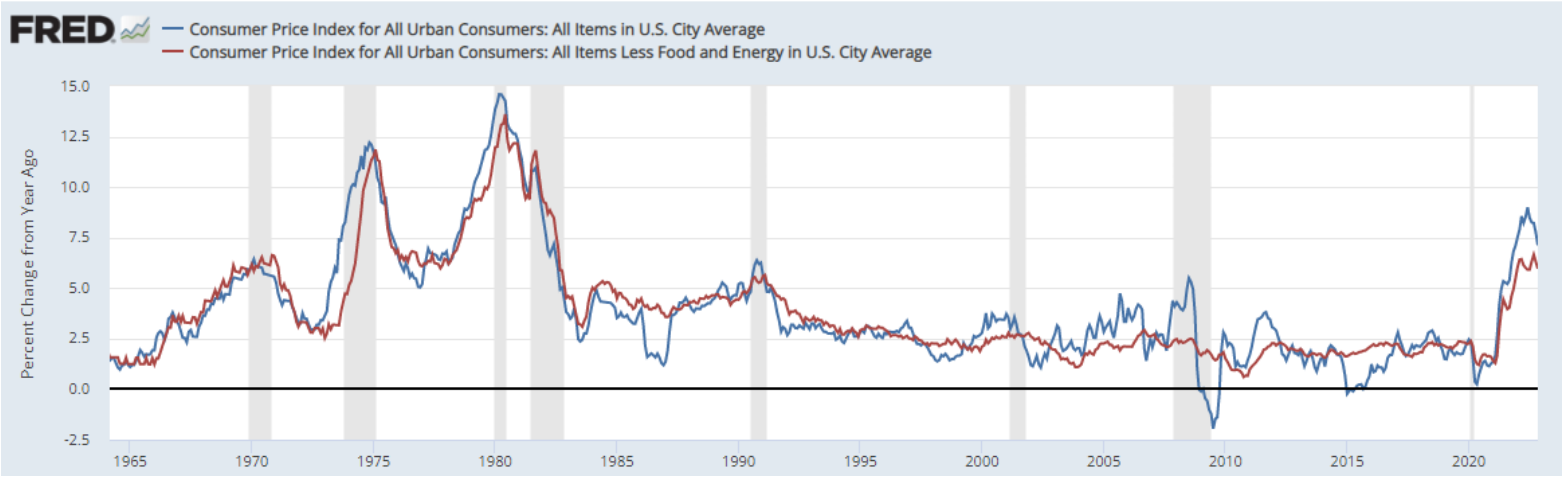
- Despite of facing uncertainty, Vietnam achieved impressive GDP growth of 8.02% in 2022, highest level in 12 years. However, with slowing sign of economic growth in 2022Q4, especially in industrial production, along with higher possibility of global recession, we forecast Vietnam GDP growth in 2023 will be lower at 6%. The government will priority the target of macroeconomic stability and inflation control.
- The stock market, in contrast, plunged 33% in 2022 which is the worst performance since global financial crisis in 2008, would be more stable in 2023. VNIndex is expected to find a balance around 1,000-1,100 points, corresponding to P/E 9x-11x and forecasted earning growth of listed companies at modest rate of 5%. The interested investment themes during this period may be high dividend yield stocks, defensive bear market sectors. Besides, stocks that benefit from robust public investment will be also attractive when this is defined as key driver of Vietnam economic growth in 2023.
- There is a lower chance for the market to rebound strongly, possibly happening in the late 2023 when inflation drop faster than expectation and loosening monetary policy begins to be mentioned by central banks over the world to support economic growth. If so, VNIndex may recover to 1,200-1,250 points and open a new uptrend cycle. Banking sector, as the biggest component of VNIndex, will have chance to lead this recovery.

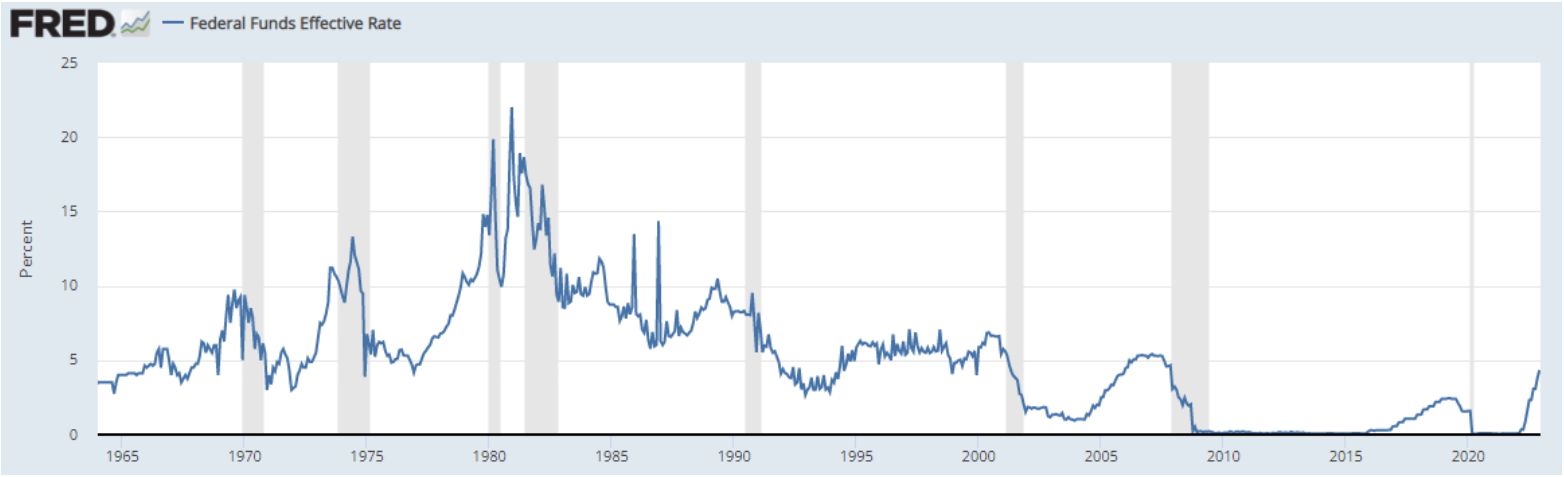
Macroeconomic Outlook 2023

"Overcoming the headwinds"

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Fed will be less "hawkist", but not "pause" until inflation is really on a sustained downward path



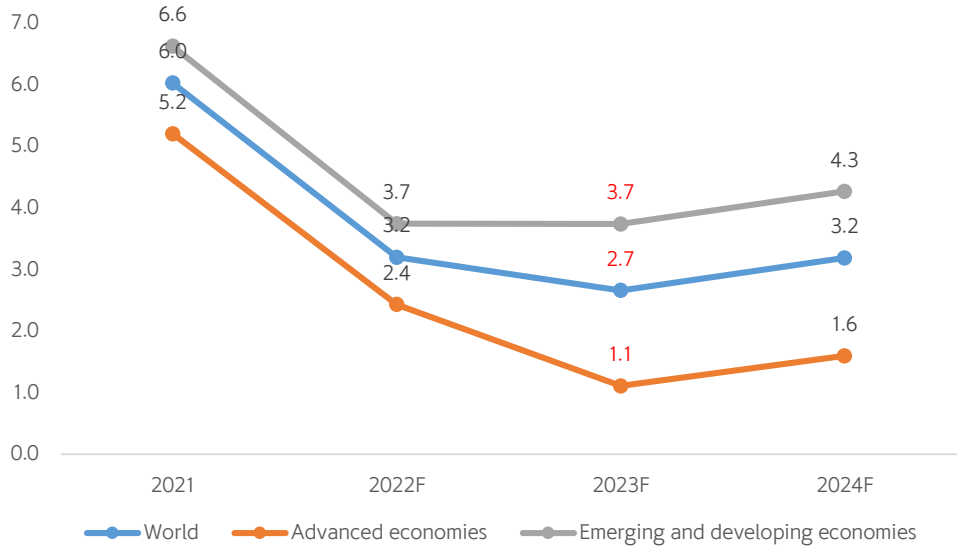


- Fed raised U.S. policy interest rate by ½ percentage point for the 7th time on December 14, 2022 to target range of 4.25-4.5% despite of 12-month CPI in Nov 2022 slowed to 7.1%YoY from its peak of 9.06% in June 2022.
- Fed has had a rapid tighten monetary policy since March 2022 and continues this policy that is sufficiently restrictive to return inflation to 2 percent over time. In addition, they are continuing the process of significantly reducing the size of balance sheet.
- Fed fund rate is projected at 5.1% at the end of 2023 and lower to 4.1% and 3.1% at the end of 2024 and 2025, respectively.

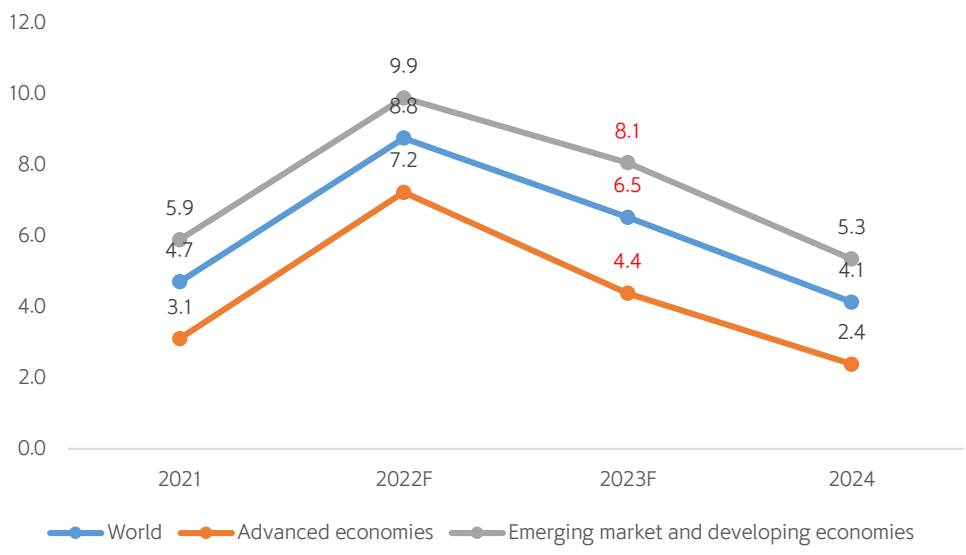
Sources: https://fred.stlouisfed.org/series/DFF

Global economic slowdown amid simultaneous rate hikes

Global GDP growth forecast (%)



Global inflation forecast (%)

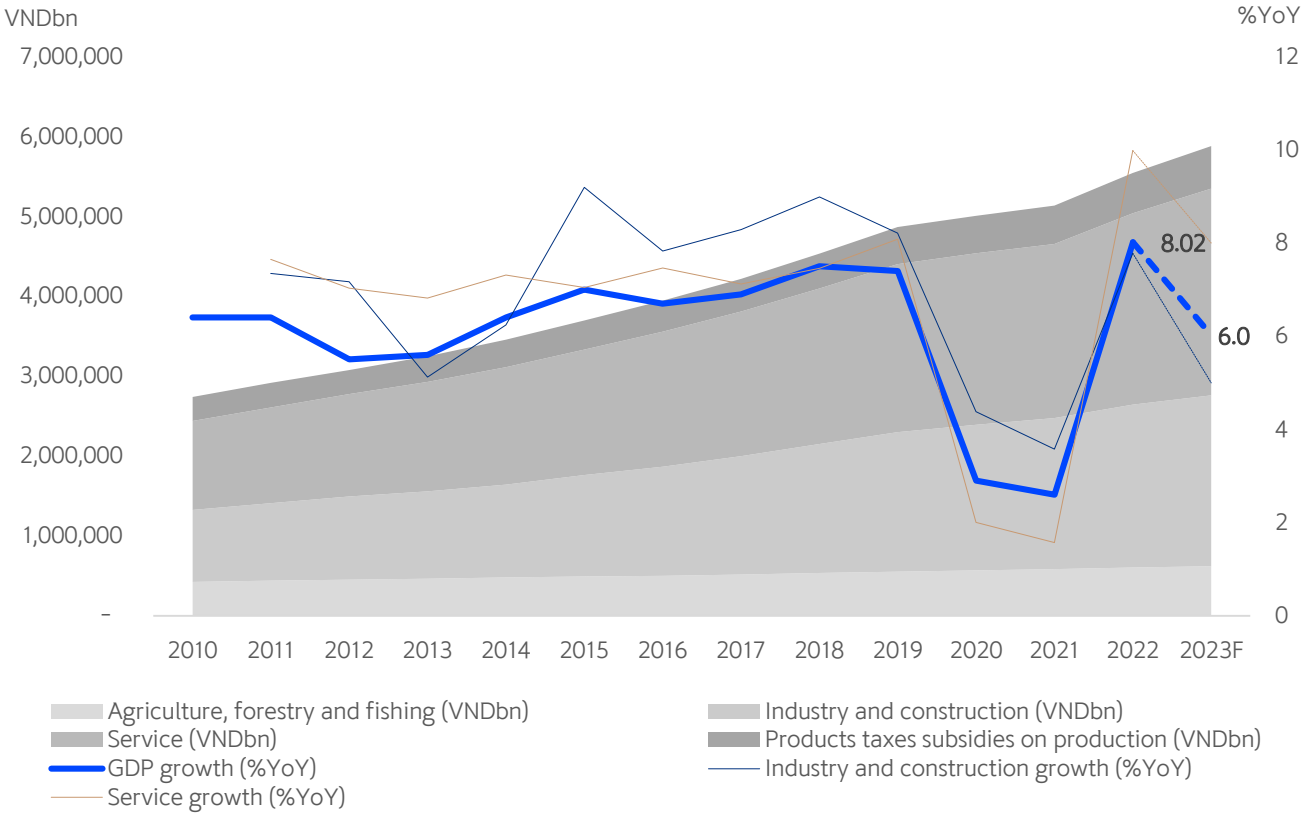


Source: IMF, October 2022 World Economic Outlook

- ❑ According to IMF (World Economic Outlook, Oct 2022), global economic growth will slow to 3.2% in 2022 and 2.7% in 2023 while inflation will rise to 8.8% in 2022 and reduce to 6.5% in 2023, as a result of recent tighten policy. This is the weakest growth profile since 2001 except for period of financial crisis and COVID-19 pandemic.
- ❑ Global recession is higher with 43% of economies, amounting more than 1/3 of world GDP will seen a 'technical recession" (a contraction in real GDP lasting for at least two consecutive quarters) at some points during 2022-2023.according to quarterly data forecast of IMF.

Vietnam GDP growth also slow in 2023 due to weaker global demand

Vietnam GDP by economic sectors

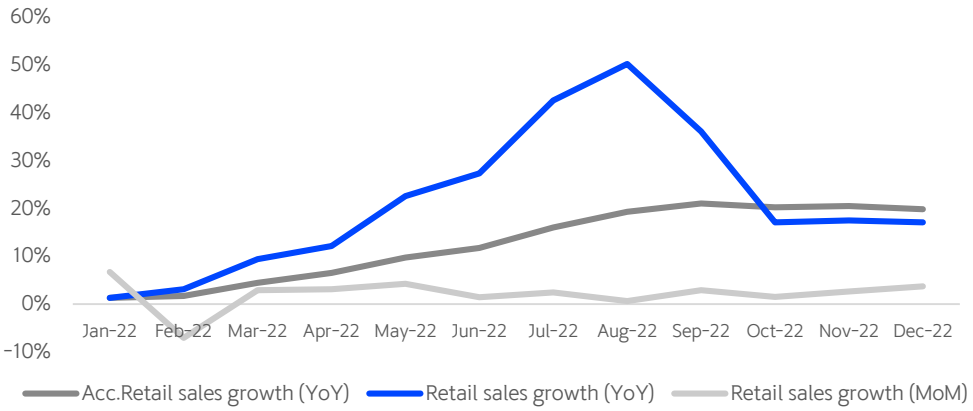


Source: GSO – At constant 2010 prices, Shinhan Securities Vietnam

- As an open economy, Vietnam should be impacted by lower global demand, drag on lower manufacturing and export while domestic consumption is also weaker due to higher inflation.
- Suitable fiscal support, infrastructure investment and FDI attraction would be great driver for economic growth while recent problems of real estates sector including legal issues and capital mobilization, may need more time to "fix".
- We estimate Vietnam GDP will grow by 6%YoY in 2023 from 8.02% of 2022 due to service sector grows at slower pace of 8%YoY and industry and construction sector will only grow by 5%YoY.
- Instead, we expect the government will keep all balances, prices and exchange rates stabilized.

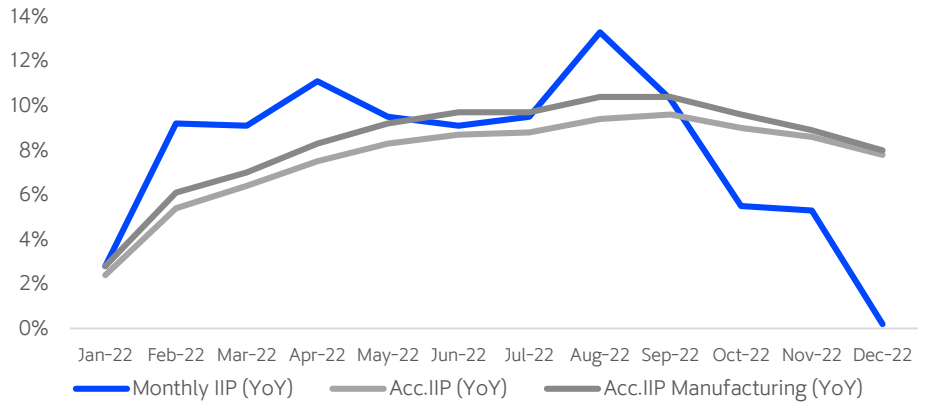
Both manufacturing and retail sales have showed signs of weakening since 2022Q3

Retail sales of goods and services



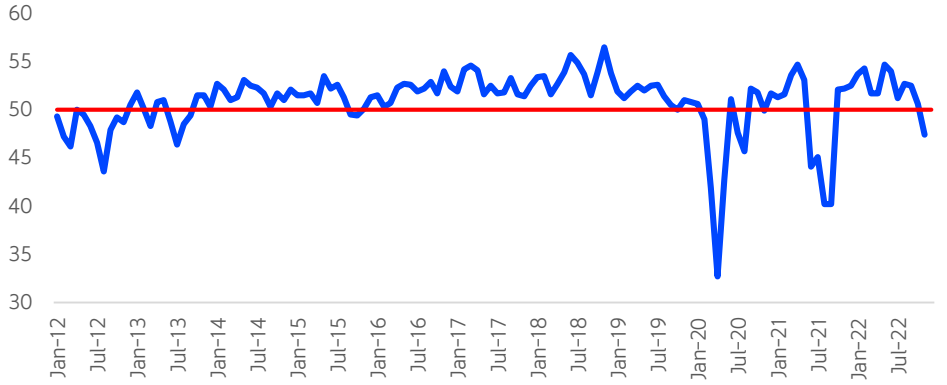
Source: GSO, Shinhan Securities Vietnam

Index of industrial production (IIP)



- Retail sales growth and IIP have peaked in Aug 2022 and reversed in the following months of the years, reflecting weak demand of both global and domestic market.
- PMI fell to below 50 for the first time in seven years in November 2022 without lockdown reason, signaling a severe deterioration in business conditions. New orders also fell for the first time in 14 months along with the decrease in the number of employees that reflects efforts to cut costs at some companies.

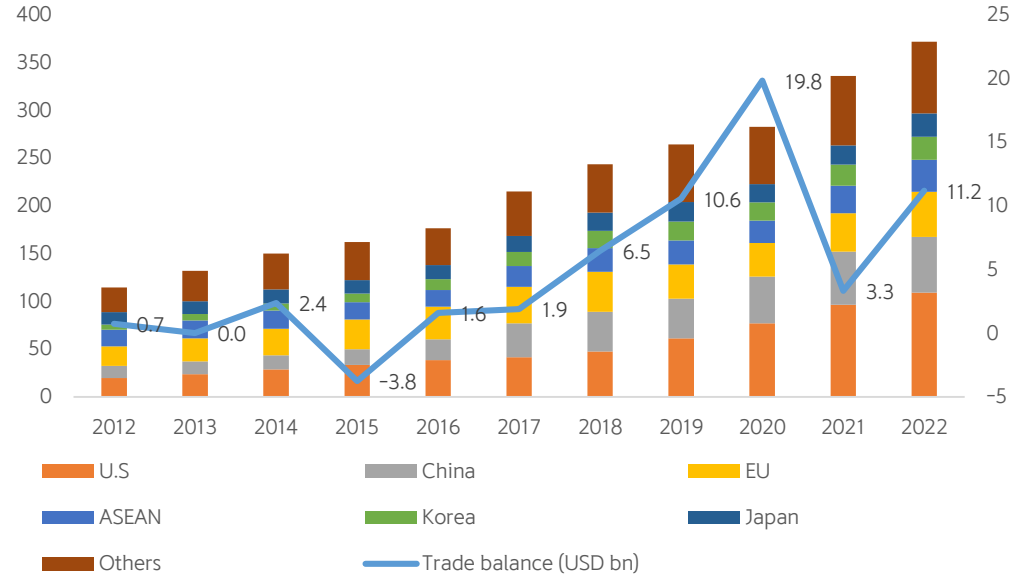
Purchasing Managers' Index (PMI)



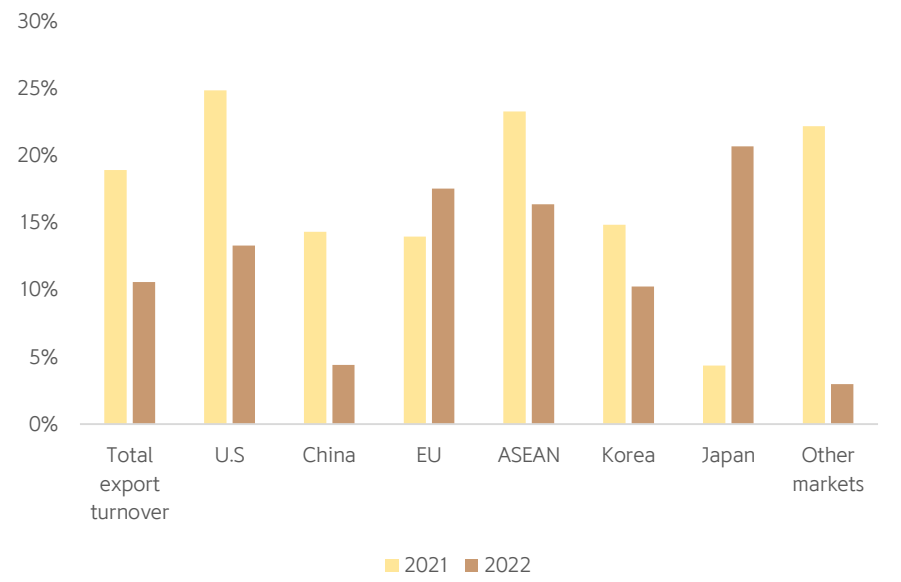
Source: S&P Global PMI, Shinhan Securities Vietnam

Keep export positively will be a challenge when key partners' economic growth slow

Export by destinations (USDbn)



Export growth at key markets (%YoY)

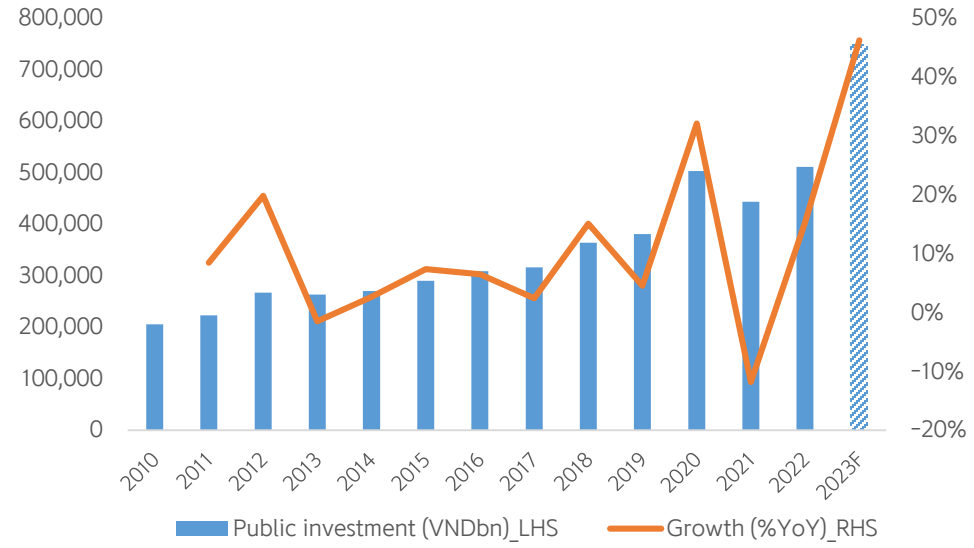


Source: GSO, Shinhan Securities Vietnam

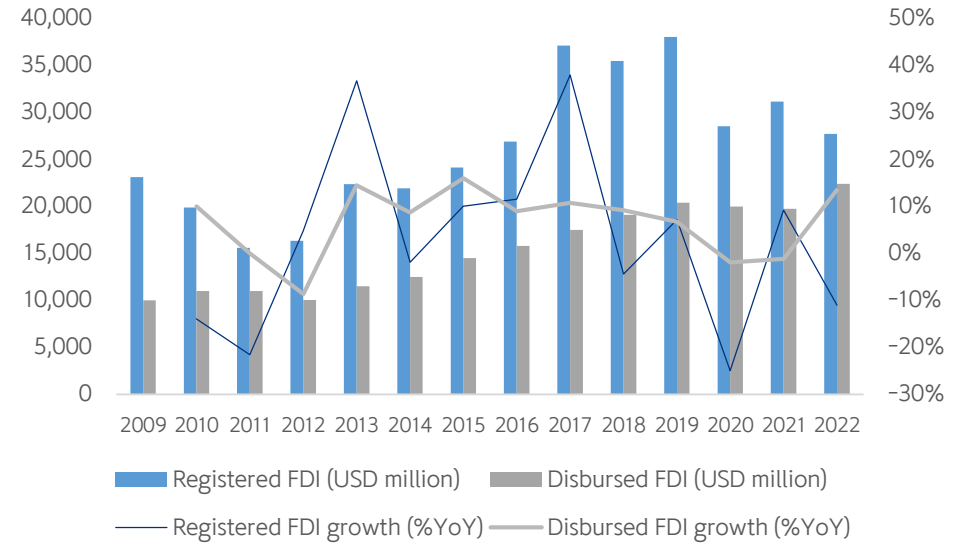
- Export turnover of 2022 reached USD 371.85 bn (+10.6%YoY), in which, manufacturing products acquired for 89%, agricultural and forestry products accounted for 6.7%, and fishery products accounted for 2.9%. Trade balance is estimated still surplus of USD 11.2 bn, much higher than USD 3.3 bn of 2021.
- In 2023, U.S and E.U, main export markets of Vietnam, are expected to slow significantly, drag on lower demand, especially for major goods of Vietnam such as phones, electronic goods and machinery. The government continues its effort in expanding FTA partners and potential markets to maintain high growth of exporting.

Robust public investment and FDI attraction to drive economic growth in 2023

Public investment



Foreign direct investment (FDI)

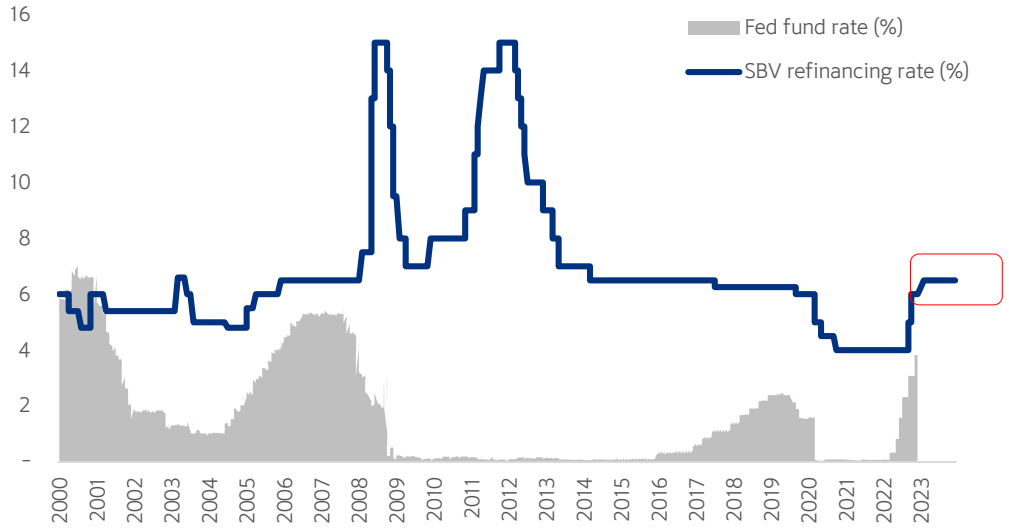


Source: GSO, Shinhan Securities Vietnam

- Total public investment disbursed in 2022 reached VND 511.6 trillion, achieved 85.2% of the year plan and increased 18.8%YoY. For 2023, the National Assembly has approved a public investment plan of VND700 trillion, 25% higher than 2022's plan. Therefore, total capital available for disbursement that including the remaining of 2022 is estimated at VND 748 trillion, 46% higher than disbursed amount of 2022. If the disbursement of public investment increases 1% compared to previous year, it will help GDP advance 0.06% and being great driver for economic growth in 2023.
- Disbursed FDI in 2022 reached USD 22.4 bn (+13.5%YoY), highest level of 5 years. However, due to the uncertainty of global market, registered FDI has decreased 11%YoY and this may affect the disbursed FDI in 2023. Therefore, the Government has aggressively in attraction of new FDI flows, especially in technology and green energy sectors, for the future development of Vietnam.

State Bank of Vietnam (SBV) will continue its tighten monetary policy to stabilize macroeconomic and control rising inflation

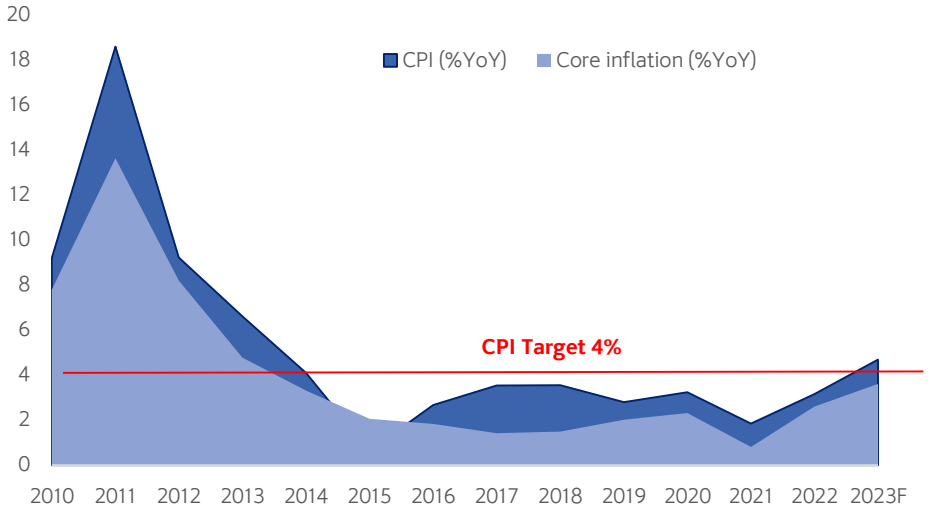
Policy interest rates (%)



Source: SBV, Bloomberg, Shinhan Securities Vietnam

- Until Fed and other central banks have significant rate cut, we believe that SBV will maintain its tighten monetary policy, bring policy interest rate to pre-COVID level of around 6.5%, mean that another interest rate hike of 0.5% will be made in 2023 to stabilize macroeconomic and control inflation.

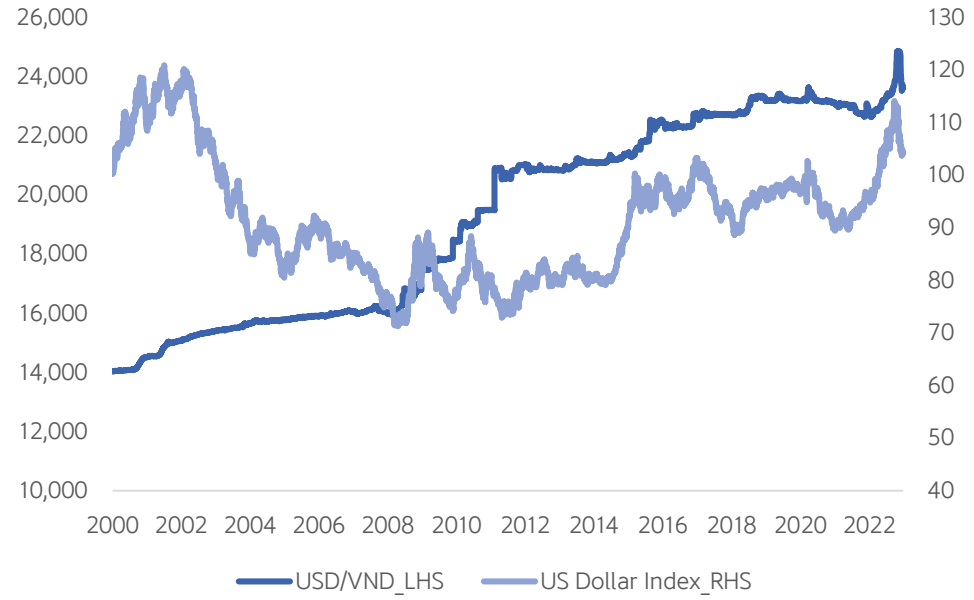
Vietnam inflation (%)



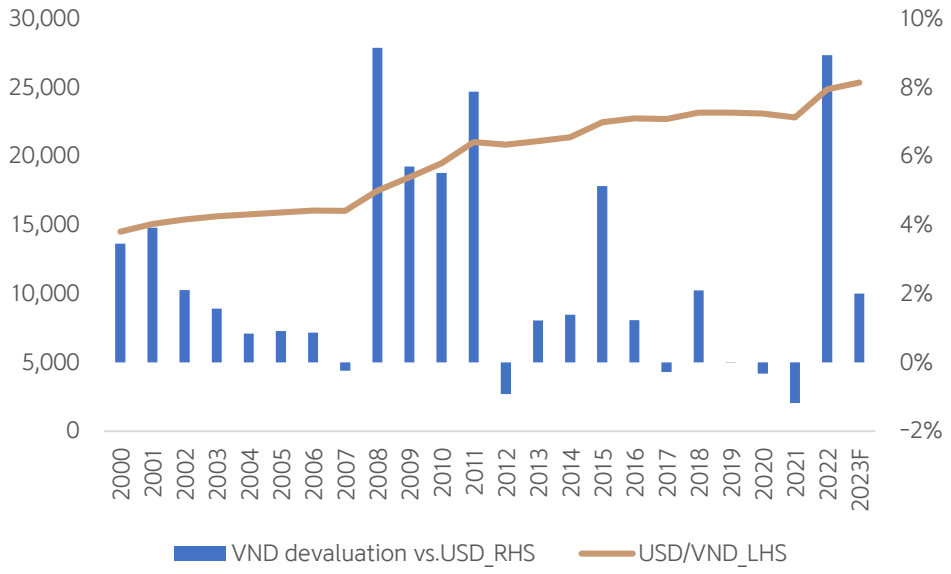
- Core inflation of Dec 2022 has skyrocketed by 4.99%YoY, reflecting the pass-through of energy prices, imported input materials and higher labor cost. For the whole year 2022, core inflation increased 2.59%YoY, highest level since 2015 and may continue accelerating in 2023, pushing more pressure on overall CPI.
- Average CPI of 2022 increased by 3.15%YoY, still under target of 4% but it would be a challenge for next year.

Exchange rate will be more stable in 2023

US Dollar Index vs USD/VND



VND devaluation vs. USD



Source: Bloomberg, Shinhan Securities Vietnam – Data as of December 29, 2022

- Exchange rate almost hit 25,000 VND per USD in Oct 2022. SBV has widen the spot exchange rate band from ±3% to ±5%, takes effect from October 17, 2022 to stabilize the exchange rate and inflation control.
- US Dollar Index has showed sign of reverse in the last month of 2022 when US economy is expected to slow significantly in 2023. Therefore, we expect VND will be more stable and devaluate less than 2% in 2023 after big loss of nearly 9% in 2022.

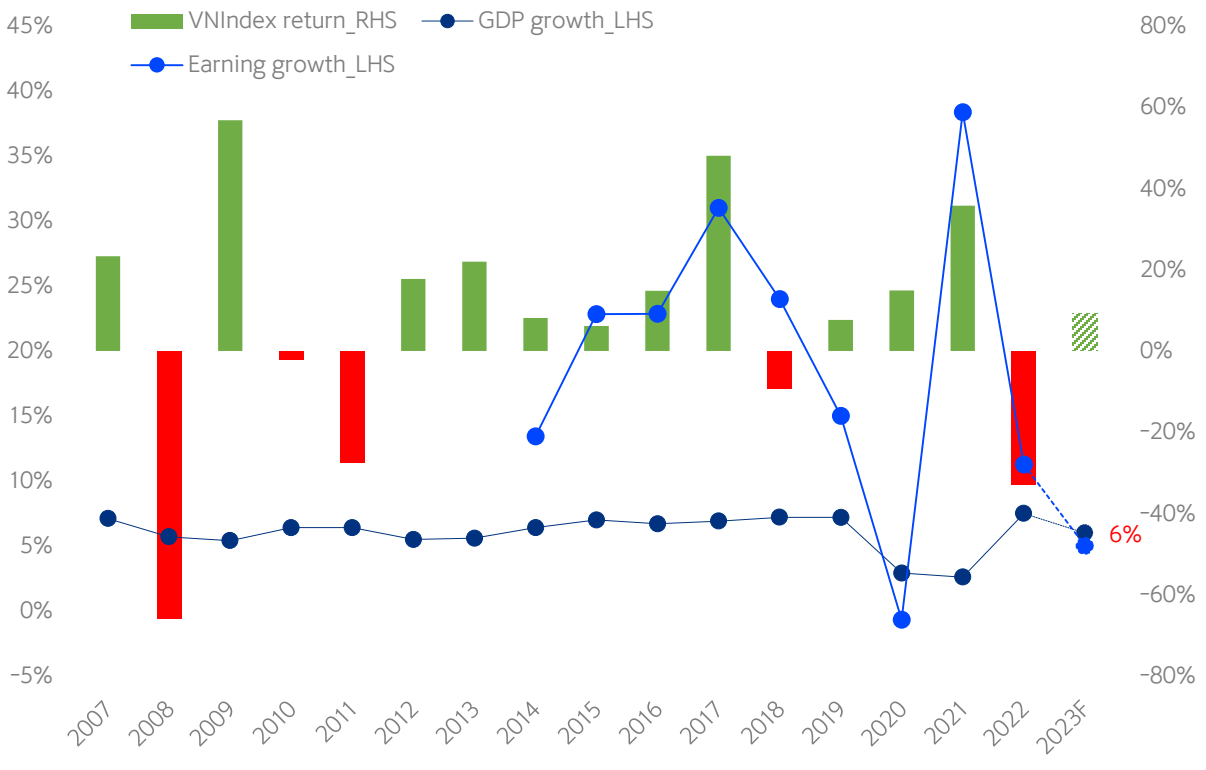
Stock Market Outlook 2023

"Light at the end of the tunnel"

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VNIndex has seen a worst year over a decade in 2022, but will better in 2023

VNIDEX – Yearly performance since financial crisis 2008

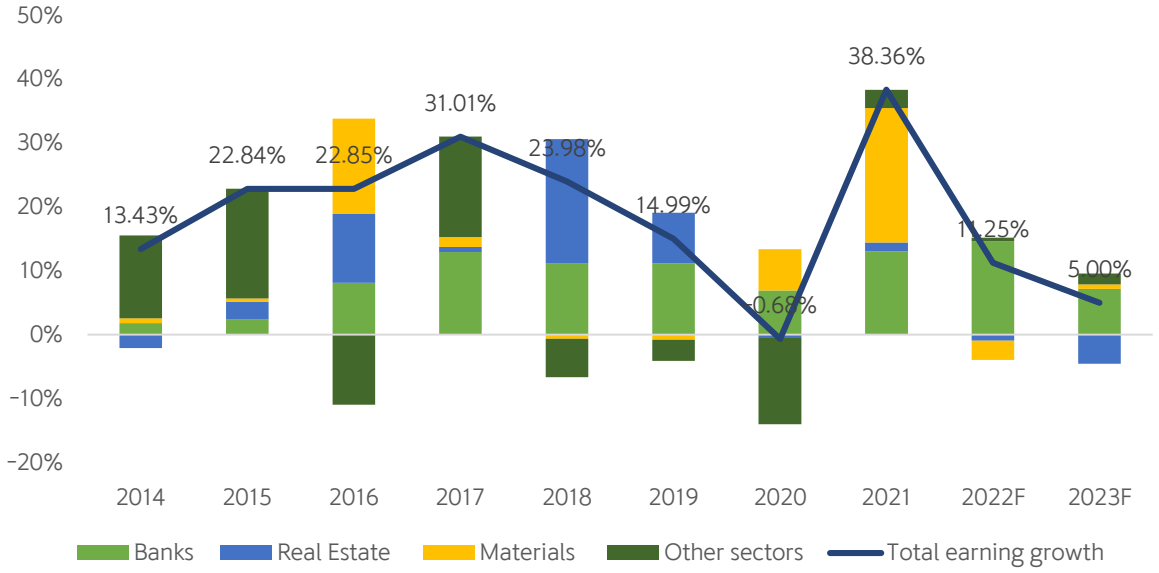


Source: Bloomberg, WB, Shinhan Securities Vietnam

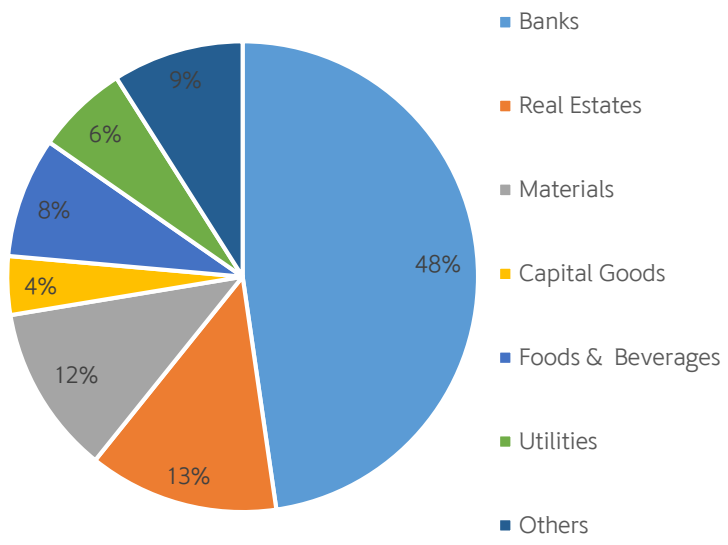
- In 2022, VNIndex closed at 1,007 points, plunged 33% with many stocks crashed due to the uncertainty of both domestic and global market, including (1) Policy interest rate hiking to over a decade high everywhere to fight inflation; (2) War between Russia and Ukraine disrupt global trade; (3) Zero-Covid policy and real estate sector default in China; (4) Suing for violation in real estate sector, corporate bond issuance and stock price manipulation at domestic market. The market also early reflect the slowdown of Vietnam and global economic slowdown in 2023.
- We expect earning of listed companies will grow at modest rate of 5% in 2023 while PE target maintains at current level of 9x-11x to reflect a higher concern of global recession. VNIndex, therefore, will be difficult to soar and just find a balance around 1,000-1,100 points.
- The index may have chance to rise to 1,200-1,250 points (PE 13x) if inflation decrease faster than expectation and a loosening monetary policy started to be discussed for economic support, maybe in the late 2023.

Banking and real estates sectors would drag down earning growth of the whole market

Contribution to total earning growth of VNIndex components



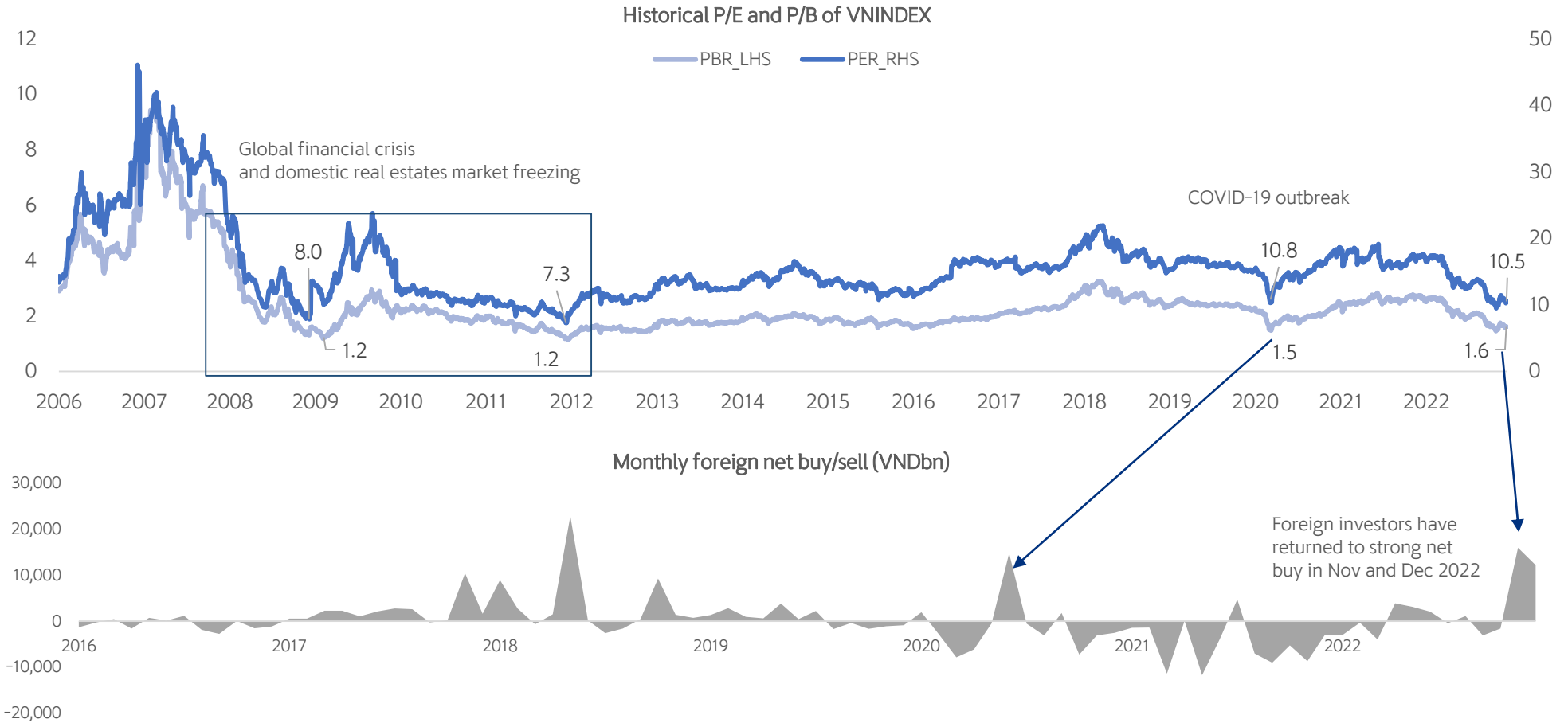
Earning weight (TTM 2022Q3)



Source: Bloomberg, Shinhan Securities Vietnam

- Banking sector has become the main driver of total earnings of VNIndex in recent years with the highest weight of 48% in TTM 2022Q3 from 25% in 2015, followed by real estates (13%) and materials (12%) while the remain sectors acquire for 28%.
- We estimate earning growth of listed companies will increase by only 5% in 2023 under the negative impact of real estates and banking sectors. The real estates business may not return to normal operation soon after "liquidity shock" and "legal risks" which require more time to "fix". And, banking sector is in a challenge time of credit tightening and bad debt increasing, especially from real estate sector and corporate bond investment.

VNIndex back to 10-year low of valuation territory, trigger strong net buy of foreign investors



Source:: FiinPro, Bloomberg, Shinhan Securities Vietnam – Data as of December 29, 2022

Technical view – Market scenario

"Fire proves gold" – VNIndex is looking for the balance zone

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Key events in 1H2022

VNIndex (High 1,531 points – Low 874 points)



Key events in 2H2022

VNIndex (High 1,531 points – Low 874 points)



Market scenario

We draw 3 scenarios for year 2023

Scenario 1: Negative (35%)



❑ Promising sectors

- Defensive sectors (Pharmaceutical, Utilities, Consumer staples)
- High dividend yield stocks

The index falls to the threshold of 750 points – The worst is yet to come

After the recovery process at the end of 2022, it will be more difficult for the market to continue rising, as weak economic data begins to dominate. The index will still move in the medium-term downtrend channel and find lower levels, in the worst direction, it will fall to the threshold of 750 points, near to the bottom created during the Covid-19 outbreak in early 2020.

❑ Dominant factors

- Interest rates and inflation remain high. Exports will probably slow down and GDP growth will be weak. Besides, production activities may continue to shrink and profits announced by enterprises are less positive.
- Hide numbers from the corporate bond market. The pressure to mature bonds in 2023 remains if no solution is found.
- The global economic downturn will affect the entire industry along with the Fed's tightening cycle that has not stopped.
- Geopolitical tensions are not over (Russia – Ukraine, US – North Korea …).

Market scenario

Scenario 2: Balance (40%)



❑ Promising sectors

- Sectors benefiting from robust public investment
- Utilities
- Stocks with their own story

The index is moving sideways in the 900 – 1,200 zone - Looking for the balance zone

In this scenario, less positive information was reflected by the market and investor sentiment gradually stabilized. The index will have alternating drops and recoveries on the basis of finding the balance zone. The range we expect in the area of 900 – 1200 points. We assess this scenario to occur with a higher probability during the year.

❑ Motivation

- Economic stimulus packages have begun to be deployed but the market needs time to evaluate.
- The market's P/E and stock valuation fell to an attractive level, stimulating large money flow. Businesses that still maintain stable profits or do not drop sharply in the general context will be interested by the market.
- The Fed will pause its tightening monetary policy when inflation falls to the target level.
- We expect China to move towards full opening by the end of Q2, creating momentum for the market.

Market scenario

Scenario 3: Positive (25%)



❑ Promising sectors

- Banking
- Financials
- Real estates
- Retails

The index recovers after the correction pace and towards the target of 1,300 points – Optimism is back

At this stage, investors expect the economy will soon grow again and create a basis for the market to recover. However, the extent of the impact depends on the actual results of the economic data at that time. Therefore, the context may take place at the end of the year, but if the cash flow is weak, the index will need more time to accumulate. We expect the index to move towards the target of 1,300 points and create a stepping stone to continue gaining momentum for the next period.

❑ Motivation

- Macro factors are still under control along with packages of stimulus, recovery and socio-economic development are promoted.
- China fully reopened its economy. Fed stops tightening monetary policy and cuts interest rates.
- The corporate bond market stabilized and found a solution.
- Foreign investors continued to be net buyers.

Investment themes 2023



In the context of high interest rate, inflation and uncertainty, we think that companies with strong cash position, less debt and **high dividend yield** should be a good choice for individual investors.



If global economy really enter recession, the market may need longer time to recover and **defensive bear market sectors** like utilities, consumer staples, healthcare would be preferred.



Due to low demand of both global and domestic market, public investment is expected to be main driver of the economy. **Beneficiaries of robust public investment** will have chance to outperform.



When economic bottom and recovery again, we think that **banking sector** should lead the early bull of stock market thanks to its dominated index weight.

High dividend yield stocks

Strong cash, less debt

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High dividend yield stocks – Strong cash, less debt

High-dividend yield stocks can be a great selection for long-term investors looking for a safe haven. Besides, the portfolio will stand to benefit from rising interest rates while being less exposed to other macro risks.

- ❑ Stable dividend yield and above 5% (clear and consistent dividend policy).
- ❑ A financially healthy (current ratio > 1.5, debt/equity < 1), strong cash flow and stable business that is committed to pay dividends in the upcoming time.
- ❑ Market cap is higher than VND 2,000 bn and average daily trading volume is above 100,000 shares.
- ❑ Competitive advantage and solid growth outlook.

	General Information			Key financials			Valuation		Risk & Return		Dividend yield			
	Ticker	Industry	Mkt Cap (VND bn)	GPM	ROA	ROE	P/E trailing (x)	P/B trailing (x)	Annualized return(%)	Standard deviation (%)	Dividend yield 2020	Dividend yield 2021	Dividend yield 2022	Dividend yield 2023F
1	VEA	Automobile	52,221	12.9%	25.4%	28.5%	7.6	2.4	19.1	32.3	26.2%	15.4%	11.5%	10%
2	DPM	Chemical	16,905	38.3%	38%	49.8%	2.8	1.3	24.3	42.8	12.2%	8.8%	8.7%	16%
3	DCM	Chemical	14,717	30.4%	34%	48.1%	3.5	1.6	26.3	43	10.7%	6.3%	6.3%	7%
4	QNS	F&B	12,921	31.9%	12.2%	17.5%	10.4	1.8	4	27.7	14%	7.1%	5.6%	7%
5	PVS	Oil & Gas	10,658	5.7%	2%	4.2%	22	0.9	8	52.8	7.1%	6.6%	6%	4.3%
6	NT2	Utility	8,262	19.4%	11.7%	19.3%	9.5	1.8	7.1	32.67	15.1%	9.4%	6.5%	7%
7	PHR	Real Estate	5,474	30.7%	11.6%	21.6%	9	1.8	19.8	41.79	8.8%	7.8%	1%	7.5%
8	DPR	Real Estate	2,322	35.7%	12.2%	21.7%	4.9	1.01	20.3	32.12	15.33%	10.4%	3%	4%
9	TLG	Stationery	3,850	44.9%	19.4%	25.7%	7.9	1.9	-1.3	35.68	5.8%	7.04%	4.6%	5%

High dividend yield stocks – Strong cash, less debt

Ticker	Industry	Outlook 2023	Investment thesis
VEA	Agricultural machinery	Neutral	Core business (agricultural machinery) profit is about VND 80 bn/year. Most of VEA 's profits are derived from its associate stakes in leading motorbike and car producers in Vietnam, including Honda Vietnam (30%), Toyota Vietnam (20%), and Ford Vietnam (25%), which contribute about VND 5,000 - 6,000 bn to profit. According to VAMA, Honda and Toyota Viet Nam reported its 11T/2022 sales volume surged 68% y.o.y and 50% y.o.y, respectively. VEA has a stable dividend policy (almost a 100% payout based on annual earnings at the parent company's level).
DPM	Chemical	Neutral	Because of impressive earnings in 2020 and 2021, we expect fertilizer industry will intensify cash dividend plan in 2023. In 2023, we forecast the performance of fertilizer industry will drop after hitting a record high last year, but still remain higher than historical standards.
DCM	Chemical	Neutral	
QNS	F&B	Neutral	QNS can take advantage of the sugar price upward trend and expand the sugar segment This company provides a stable dividend yield of 6% each year. Moreover, the M&A deal will be a plus catalyst for the stock price.
PVS	Oil & Gas	Positive	PVS has a strong financial position. We expect the leading position in Vietnam's O&G technical services sector to gain benefits from the elevated oil price. Additionally, the Block B – O Mon project will be a strong motivation for the core business.
NT2	Utility	Positive	NT2 has a healthy balance sheet and prudent dividend policy. With a debt-free balance sheet, we expect NT2 to pay a more cash dividend of at least 17%/each year.
PHR	Industrial park	Positive	Despite facing many difficulties in 2023, the industrial property sector still has ample room for growth (1) Vietnam is seen as a manufacturing hub for global brands; (2) The e-commerce has been booming in Viet Nam; (3) Vietnam will complete policies to develop infrastructure to meet the national socio-economic development needs.
DPR	Industrial park	Neutral	
TLG	Stationery	Positive	TLG has a solid growth outlook (1) TLG has inaugurated factory in Dong Nai in Oct 2022, which will add 25% to its existing capacity; (2) the structural growth in demand for stationery from Vietnam's high-growth education and office sectors. The company has no long-term debt and strong liquidity ratio, which will help to maintain cash dividend payout to shareholders.

Power – Sustainable growth

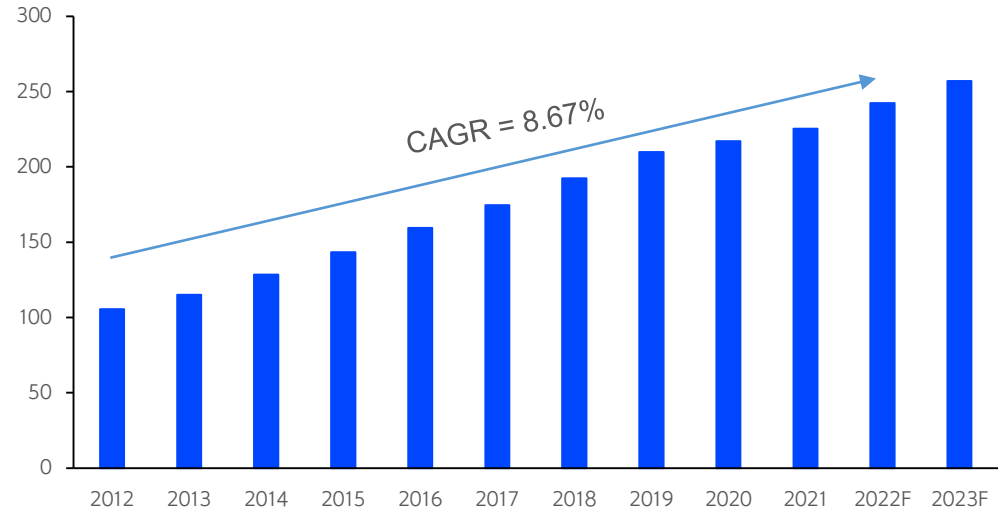
Defensive sector choice

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Forecast electricity output of Vietnam in 2023

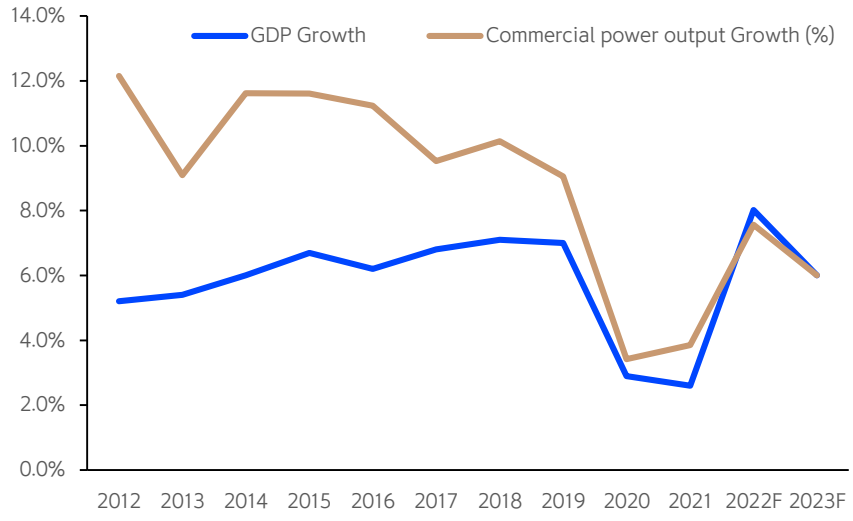
Electricity output will steadily grow by 6% in 2023

Electricity output of Vietnam (billion kWh)



Source: EVN, Shinhan Securities Vietnam

Electricity output growth & GDP growth (%)



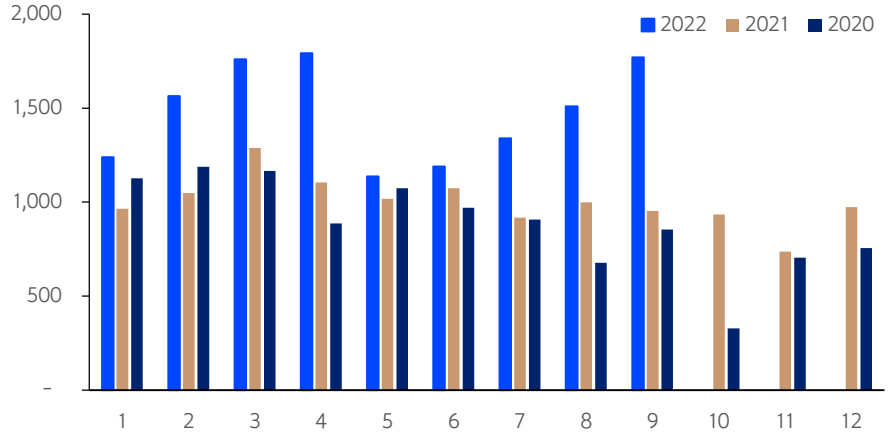
Source: EVN, GSO, Shinhan Securities Vietnam

- In the period 2012-2022, the electricity output of Vietnam has had a compound growth rate (CAGR) of 8.67%, indicating a sustainable growth trend.
- However, in the situation that the global economy is probably falling into recession, electricity demand will slow down. We forecast that the electricity output of Vietnam in 2023 will continue to grow by about 6% in line with the country's GDP growth of 6%.

Electricity price in CGM* market

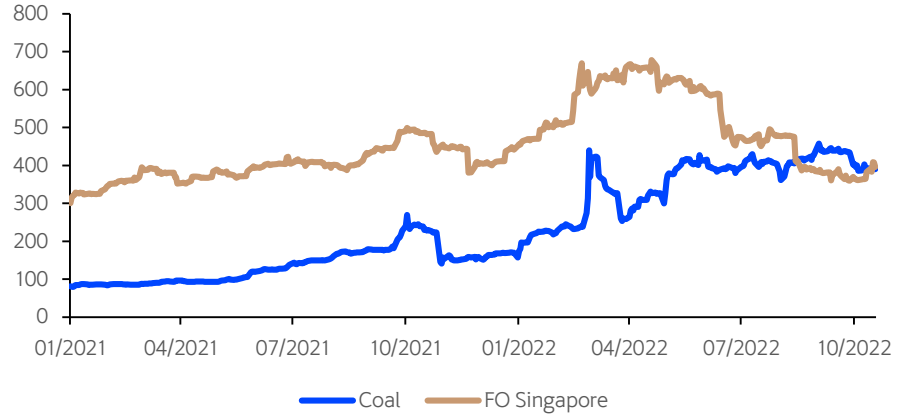
Electricity price is expected to continue to stay high because materials have not cooled down

Electricity price in CGM market (VND)



Source: PGV, Shinhan Securities Vietnam

Newcastle coal price and Singapore FO oil price (USD)



Source: Bloomberg, Shinhan Securities Vietnam

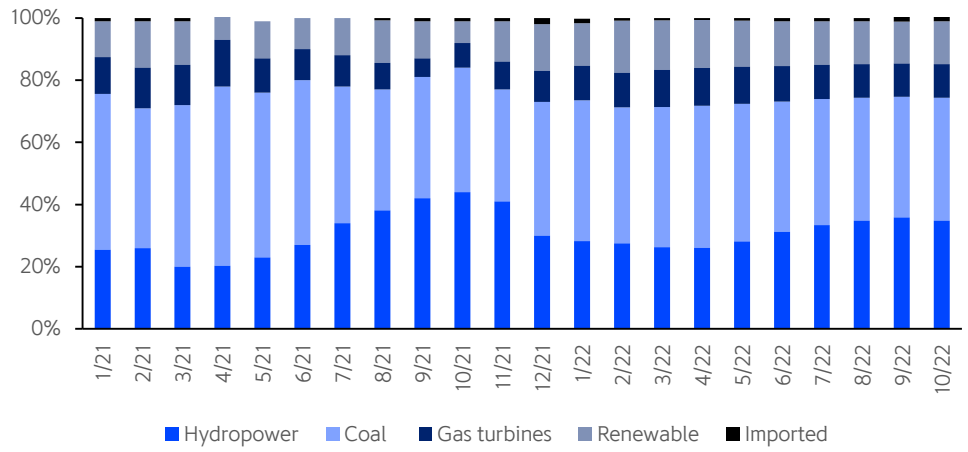
- The price of Singapore coal and FO oil (used as a reference to calculate gas prices) has skyrocketed in the past two years, from January 2021 to December 2022. Particularly, coal and FO oil prices have been 380% and 32% higher, respectively. This pulled up the cost of thermal power companies, causing the electricity selling price in the CGM market to increase by more than 37% in the period January 2021 to September 2022.
- In 2023, EIA forecasts Brent oil price will be at 95 USD/barrel, Fitch Solutions forecast coal price will fluctuate in the range of 280-320 USD/ton in 2023. Therefore, we expect electricity prices in the CGM market CGM market will continue to anchor in this price range (1,600-1,800 VND/kWh).

*CGM: Competitive Generation Market

Mobilization rate of power sources

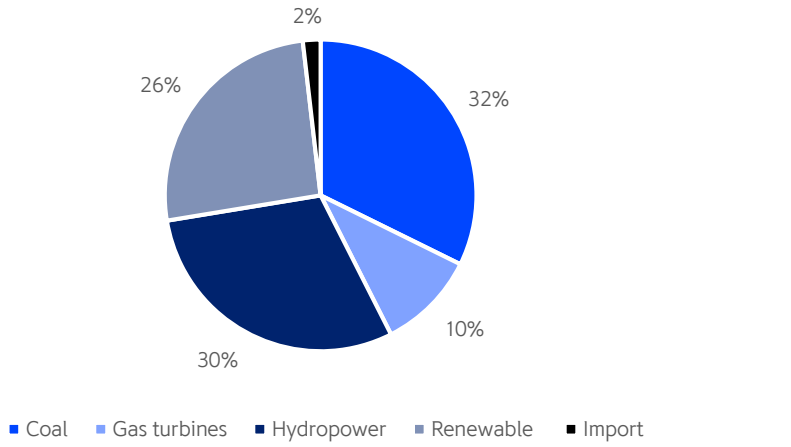
Thermal power will be mobilized higher in 2023, to offset the drop of hydropower

Mobilization rate of power sources from January 2021 to October 2022 (%)



Source: EVN, Shinhan Securities Vietnam – Statistic of 38 listed power companies on HSX, HNX, UPCoM

Total installed capacity of power sources of Vietnam in 2020 (%)



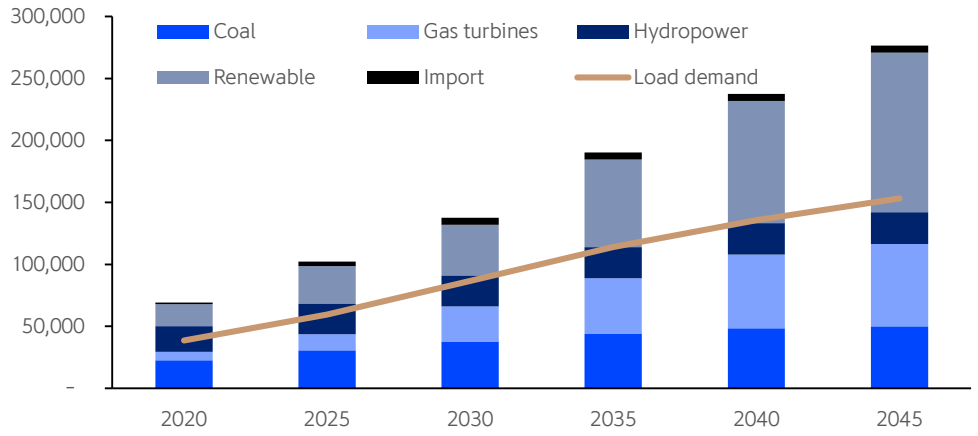
Source: EVN, Shinhan Securities Vietnam

- The hydropower segment has been given high priority to mobilize in 2021 and 2022 thanks to a favorable hydrological situation. However, IRI forecasted the La Nina phenomenon will pass. So, the hydropower segment will be mobilized less and the thermal power segment will increase to replace the hydropower segment. Besides, the renewable energy field after a boom has started to enter a new phase waiting for orientation from power planning VIII. This is the reason for us to forecast the contribution from this group will remain at the same level in 2022.
- For the above reasons, we believe that thermal power will be mobilized with a higher proportion in 2023 when it has stable performance and the highest total installed capacity (32%) is ready to play the main role in the system.

Long-term power industry development plan

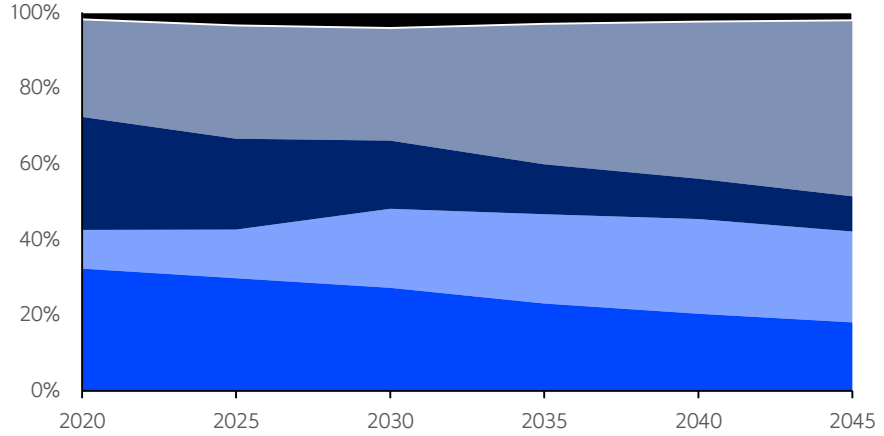
Green power transformation

Installed capacity according to electricity planning VIII (MW)



Source: Draft power VIII, Shinhan Securities Vietnam

Installed capacity according to electricity planning VIII (%)



Source: Draft power VIII, Shinhan Securities Vietnam

- At COP26, Vietnam committed to "net zero" emissions by 2050. Based on that goal, draft power VIII boosts the capacity of more environmentally friendly power sources such as gas and renewable energy. Specifically, from 2020 to 2030, power from onshore and near-shore wind power and gas power using LNG will be promoted. After 2030, electricity from solar power will be prioritized for development.
- For hydropower and coal-fired power, these two sources will not be prioritized for further development because 90% of the hydropower potential (over 30MW) has been exploited and coal power has large carbon emissions. Therefore, gas and renewable energy enterprises are expected to develop more projects in the future.

Risks to the power industry in Vietnam

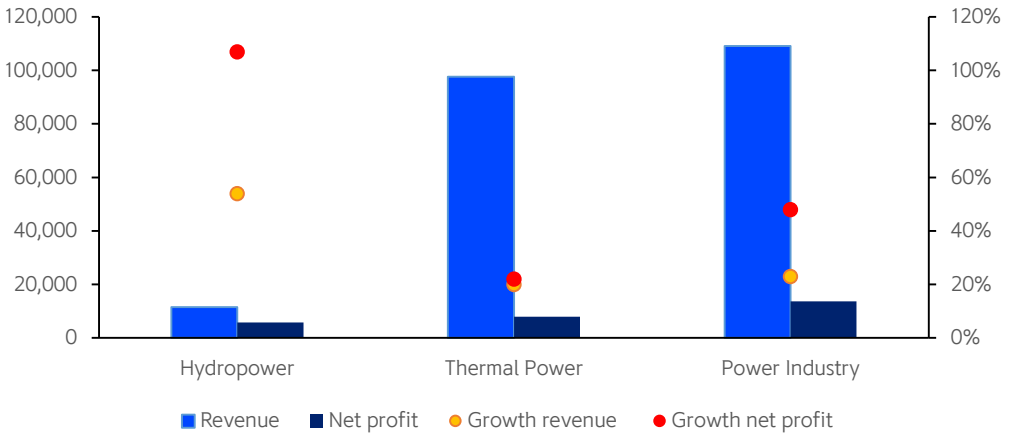
- ❑ Power consumption recovered lower than expected.
- ❑ Prices of input materials continued to rise.
- ❑ Weather changes with extremes.
- ❑ Shortage of input materials.
- ❑ Rising interest rates make interest expenses higher than expected.
- ❑ The process of approving power plan VIII took longer than expected.





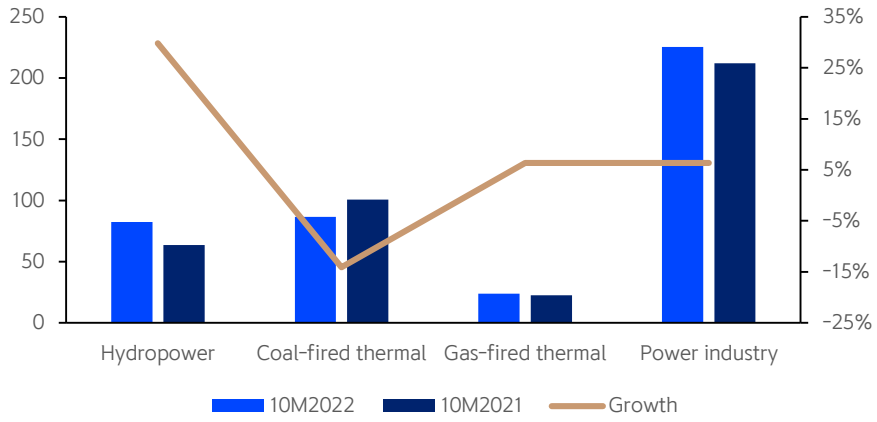
Hydropower is expected to outperform in 2022 thanks to favorable weather

Revenue and profit of the electricity industry 9M2022 (VND billion)



Source: Fiinpro, Shinhan Securities Vietnam

Mobilized output from power sources (billion kWh)



Source: Fiinpro, Shinhan Securities Vietnam

- In 9M2022, the revenue and NPAT of the whole power industry grew by 23% YoY and 48% YoY, respectively. The hydropower segment recorded strong growth when NPAT jumped by over 100% thanks to high selling prices and favorable weather, which led to a 30% YoY breakthrough in output. Meanwhile, the thermal power segment's output decreased by 14% due to a rapid increase in the cost of goods sold, but improved selling prices helped the thermal power group's profit to increase by 22% YoY.
- In 2023, when the La Nina phenomenon is gradually over, we expect that the thermal power segment will be back to the average level, in which, the gas thermal power will be given priority when it has fewer carbon emissions than coal power. Enterprises with high leverage continue facing pressure when interest rates still maintain at high level. In recent time, profit of such companies has been eroded by interest expense and exchange rate loss (with US- denoted debt) due to USD soared.

Business results of power enterprises

General info					Price			Key financial ratios(**)				Growth 3Q2022		Valuation 23F	
No.	Ticker	Sub-sector	Capacity (MW)	Mkt Cap (bn VND)	CP (VND)	TP* (VND)	Upside (%)	GPM (%)	D/E (x)	ROA (%)	ROE (%)	Revenue (% YoY)	EPS (% YoY)	P/B (x)	P/E (x)
1	VSH	Hydropower	356	7,572	32,050	47,500	48.2	64.7	0.9	12.1	25.3	117.2	345.9	1.4	7.3
2	REE	Diversified	978	27,473	77,300	85,702	10.9	23.0	0.6	10.3	18.6	61	85.4	1.6	10.9
3	HDG	Renewable	444	8,353	34,150	42,900	25.6	64.7	1.0	10.8	21.4	2.1	14.6	1.3	7.6
4	POW	Gas-fired thermal	4,208	26,697	11,400	14,500	27.2	14.0	0.3	3.8	6.5	-1.9	-34.2	0.9	12.6
5	NT2	Gas-fired thermal	750	8,075	28,050	32,950	17.5	14.8	0.1	13.1	21.6	52.0	80.6	1.3	8.5
6	PC1	Renewable	343	5,733	21,200	30,697	44.8	18.2	1.7	1.6	5.1	-21.8	-56	1.1	8.9
7	GEG	Renewable	471	4,314	13,400	22,967	71.4	34.3	1.6	2.9	9.5	70.1	48.5	1.0	13.1
8	PPC	Coal-fired power	1,040	4,168	13,000	18,200	40.0	4.1	0.0	6.6	8.1	5.8	32.3	0.9	7.3
9	PGV	Diversified	6,559	20,110	17,900	40,800	127.9	12.0	2.4	3.3	13.3	23.0	-32.4	1.0	6.9
10	QTP	Coal-fired power	1,200	5,940	13,200	19,100	44.7	12.2	0.3	11.2	16.1	30.7	89.0	0.9	7.0

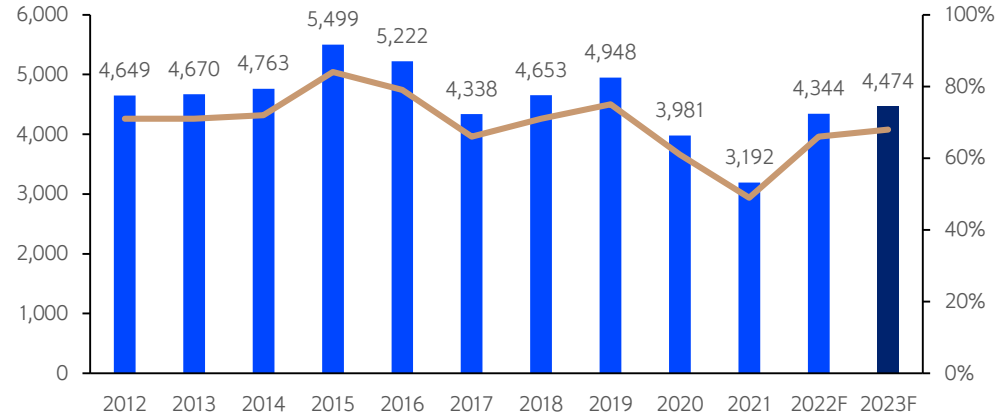
*Target price (fair value) for the next 12 months
** Data for 12 months up to Q3/2022

Source: SSV Research, Bloomberg
Data as of Dec 19, 2022

PetroVietnam Power Nhon Trach 2 JSC (NT2)

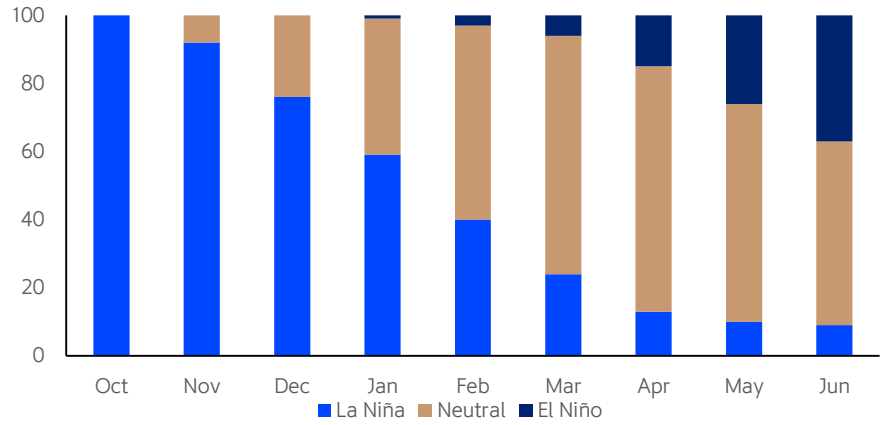
Initiation report NT2

NT2's commercial power output (million Kwh)



Source: Company data, Shinhan Securities Vietnam

Probability La Nina, Neutral and El Nino from 10/2022 – 6/2023



Source: IRI, Shinhan Securities Vietnam

NT2 output is expected to recover thanks to the passing of adverse weather

- NT2 is one of the companies operating in the field of gas-fired thermal power with a large scale (750 MW) and applying the latest technologies in Vietnam. The power plant of NT2 is located in Nhon Trach, Dong Nai directly supplies energy to the southern key economic region with stable demand. One of the most outstanding features of NT2 is its healthy finances with attractive cash dividends that the company maintains for many years.
- In addition, NT2 has fulfilled its obligations for long-term loans from the second quarter of 2021. As a result, NT2's business results improved when interest expenses decreased significantly. It is expected that in the coming years when the pressure of long-term debt is gone, NT2 will actively pay cash dividends to support parent company POW to finance two big projects NT3 & NT4.

Risks: (1) High gas prices erode profits; (2) La Nina lasts longer than expected; (3) Output is competed by other generators.

Pharmaceuticals – Sustainable growth

Defensive sector choice

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Analyst
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Pharmaceutical industry value chain

Shinhan Securities

1. Input materials | 2.Manufacturing | 3.Distribution

Generic and oriental medicine

API



Excipients and others

9M2022 ~USD 325 mn
4.0% YoY

Importing

Manufacturer (Domestic/Joint venture)



Expanding with about 250 manufacturing plans, 200 import-export facilities

Drug Administration (registration)

Wholesaler

Direct bidding

Hospital (ETC)

75%

Direct distribution

Expanding with about 4,300 wholesale agents, 62,000 retail agents

Wholesale market

Direct distributing

25%

Pharmacies (OTC)

Imported drug

Foreign manufacturer

9M2022 ~USD 2.43 bn
-1.3% YoY

Importing

Domestic Wholesaler

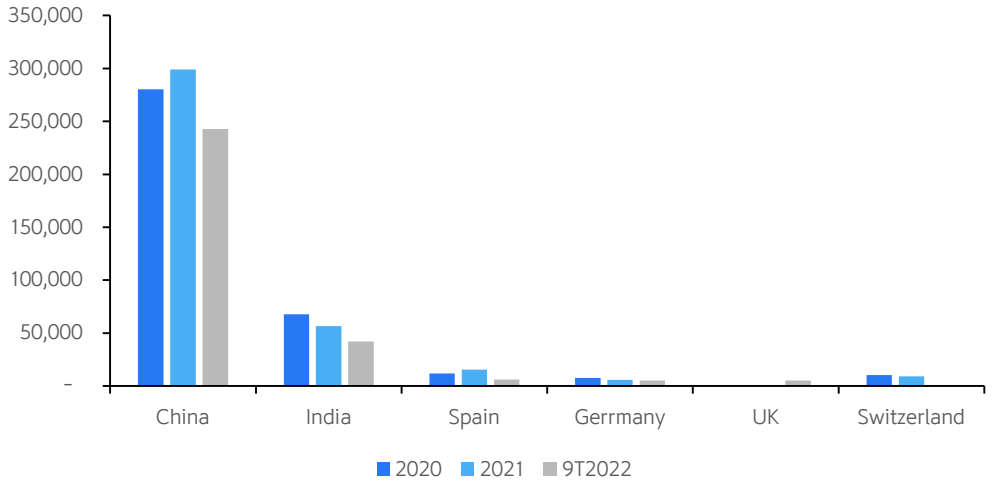
Market size is expected to reach USD 16.1 bn by 2026 according to Fitch Solutions

Source: GSO of Vietnam, Shinhan Secutities Vietnam

Pharmaceutical industry value chain

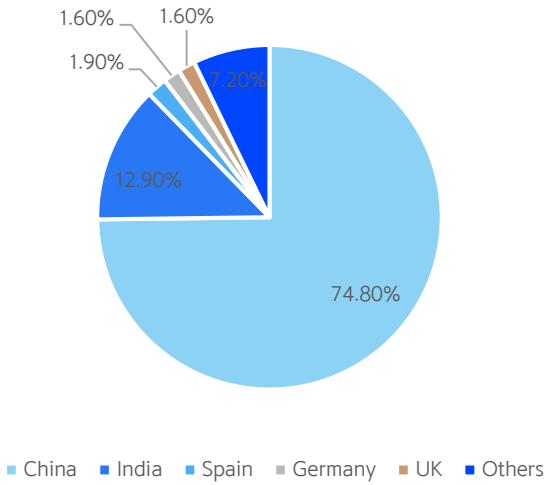
80-90% of pharmaceutical ingredients in Vietnam are imported, especially from China and India

Imported pharmaceutical ingredient value by countries (billion VND)



Source: GSO, Shinhan Securities Vietnam

Imported pharmaceutical ingredient value in Vietnam 9M2022



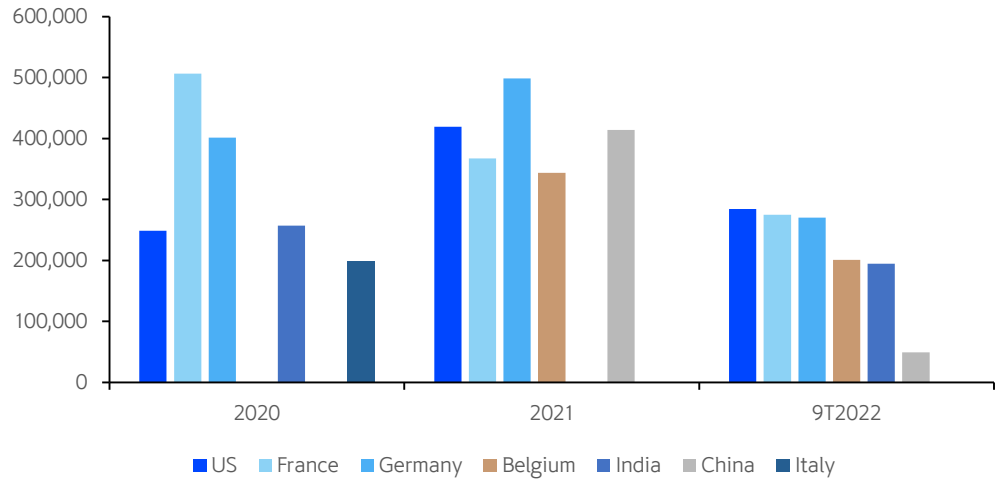
Source: GSO, Shinhan Securities Vietnam

- Vietnam needs to import the majority of input materials (API and other excipients) for pharmaceutical production. Total value of pharmaceutical ingredients imported was nearly USD 325 million in 9M2022 (+3.8% YoY).
- China and India are the two largest pharmaceutical ingredient suppliers for Vietnam, accounting for 74.8% and 12.9% of pharmaceutical ingredient import value in 9M2022, respectively.
- With European countries (Spain, German…), imported material will be used by higher-level factories (EU/PICs-GMP or equivalent) and have long-term purchase commitment, so that the price of materials from these countries are more stable than from China and India

Pharmaceutical industry value chain

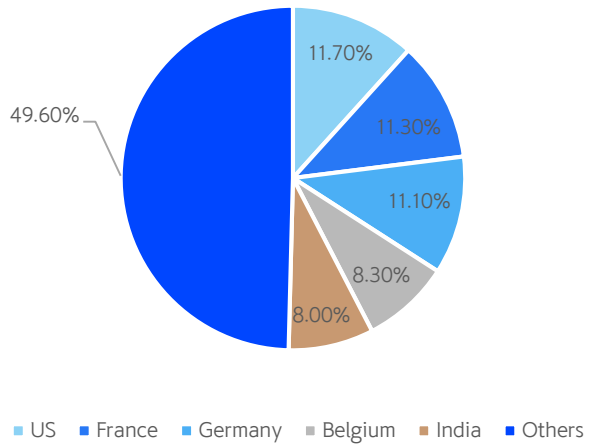
Imported medicines are currently dominating the ETC channel's revenue

Imported pharmaceutical value in Vietnam by countries (thousand USD)



Source: GSO, Shinhan Securities Vietnam

Imported pharmaceutical value in Vietnam 9M2022



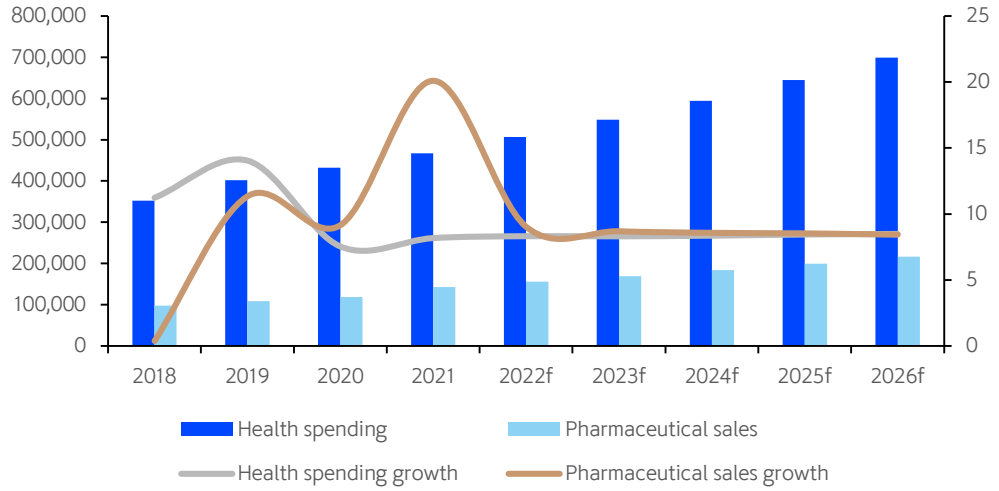
Source: GSO, Shinhan Securities Vietnam

- Overall, pharmaceutical imported markets of Vietnam are diversified, mostly from US, Europe and Asia. Total value of imported drugs in 9M2022 was USD 2.43 billion (-1.3% YoY), especially imported drugs from US increased significantly, gaining USD 284 million in 9M2022 (+58.2% YoY).
- Other supply markets with a turnover over USD 100 mn include France, Germany, Belgium, India, Korea.
- Implementation of the EVFTA will remove tariffs for pharmaceutical products from the EU, and allow foreign companies to import and sell pharmaceuticals to Vietnamese distributors and wholesalers.

Pharmaceutical industry outlook

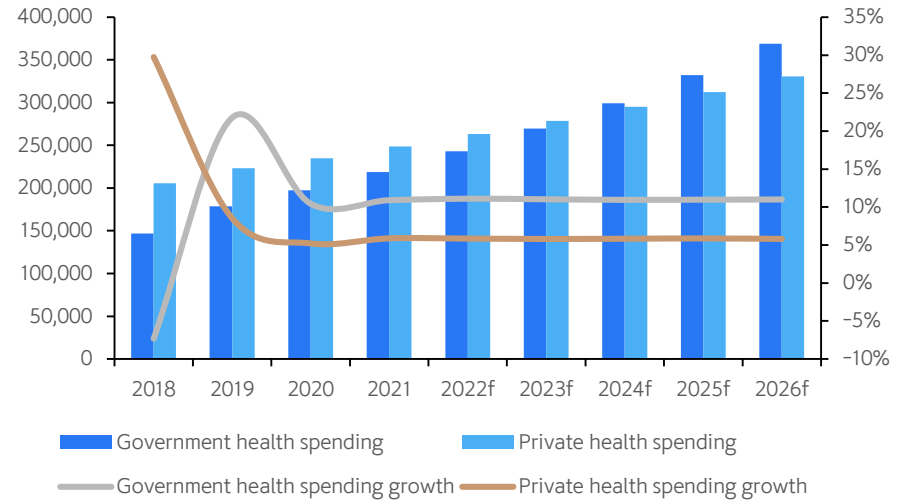
Positive outlook for both pharmaceutical manufacturing and retails

Health spending and pharmaceutical sales of Vietnam (billion VND)



Source: Fitch Solutions, Shinhan Securities Vietnam

Health spending and pharmaceutical sales per capita of Vietnam (VND)



Source: Fitch Solutions, Shinhan Securities Vietnam

- According to Fitch Solutions, the Vietnam healthcare market had a value of VND 468 trn in 2021, which was 5.6% of the country's GDP. Healthcare spending is forecasted to reach VND 699trn in 2026 and VND 939 trn in 2031, posting a CARG (2021-2031) of 8.7% in local currency. Meanwhile, pharmaceutical sales reached VND 142 trn in 2021 and is expected to have a CARG (2021-2031) of 8.4% in local currency.
- Although private health spending is forecasted to be the main growth driver of the industry, government health spending is forecast to increase more strongly soon as Vietnam has attracted multinational drug maker investment. The government has increased healthcare quality and a growing population with a target that 95% of the population will be covered by the Social Health Insurance Scheme (SHI) by 2025.

Pharmaceutical industry outlook

Growth driver of healthcare spending

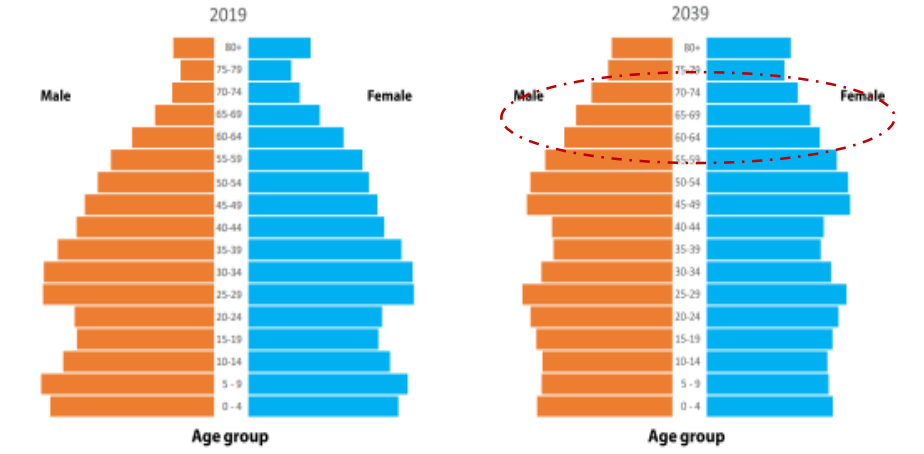
- **The rapid "aging" population** will push the healthcare spending in Vietnam. The population aged 65 and over will have grown from 7.4 million people in 2019 to 16.8 million people in 2039, the proportion will reach about 14.2%. Government issued Decision 1579/QD-TTg emphasizing 10-year healthcare program for elderly with the goal that the rate of 70% of the elderly receiving a periodical health check once a year and 95% of the elderly receiving a health check by 2025 and increase to 100% by 2030.

- **Commitment to increase the access to healthcare in Vietnam** when the government targets to 95% of the population will be covered with health insurance by 2025.

- **Government makes effort to make healthcare more accessible and affordable.** The medical expenses in Vietnam are still high with 43% of total spending despite being covered by health insurance. This level is much higher than WHO recommendation of 20% and 2-2.5 times higher than in developed countries with 14-20%. Government target to reduce the proportion of out-of-pocket healthcare costs to 35% by 2025 and 30% in 2030.

- **Government's goal is to increase the average lifespan** expectancy to about 75 years old and the number of years of healthy life is at least 68 years old by 2023.

Vietnam population in 2019 and 2039



Sources: GSO, Shinhan Securities Vietnam

Pharmaceutical industry outlook

ETC channel has many opportunities to recover

- The Covid-19 situation is under control nationwide, **encouraging people to come for medical examination and treatment at hospitals/clinics**. Thereby, increasing the demand for medical examination and treatment at medical facilities.
- Domestic pharmaceutical companies has increased their competitiveness in bidding generic drugs by building facilities that meet EU-GMP standards. **The tender circular 15/2019/TT-BYT introduced a system of price negotiations**, in which Proprietary drugs will be added to the list for procurement through price negotiation. Local generics' manufacturers who achieve EU-GMP standards in tenders will benefit from this policy.
- Government announced regulations creating competitive advantages for domestic manufactures. **Circular 03/2019/TT-BYT of the Ministry of Health promulgating the list of domestically produced drugs** that meet the requirements for treatment, drug prices and supply capacity; in which, increase the number of active ingredients prioritized for bidding for domestic enterprises from 146 to 640 active ingredients.

Demand in OTC channel continues to grow

- The growth driver of the OTC channel will come from products such as vitamins and resistance-boosting products. Some product groups such as multivitamins, vitamin C and some herbal products are expected to continue to grow.

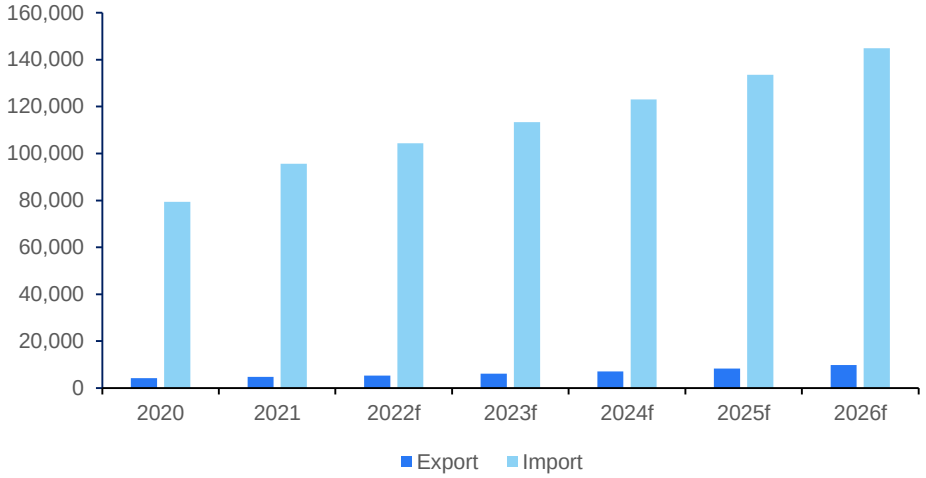


Pharmaceutical industry outlook

Positive outlook for pharmaceutical exports

- **Vietnamese pharmaceutical export value is expected to rise** over the next five years thanks to the country's high manufacturing standards and the development of the domestic pharmaceutical industry.
- **Vietnamese government will continue to assist the domestic pharmaceutical industry,** aiming to boost the percentage of domestically manufactured pharmaceuticals to 80%; currently, an estimated 55% of medications in Vietnam are imported each year

Vietnam pharmaceutical import – export (VNDbn)



Sources: Fitch Solutions, Shinhan Securities Vietnam

Challenges for pharmaceutical industry

- Pharmaceutical companies in Vietnam are still vulnerable to competition from either joint ventures or foreign manufacturers.
- Vietnam pharmaceutical industry is still heavily dependent on raw materials imported from China and India, so the industry is easily affected by global uncertainties.
- Most domestic companies lack research and development capabilities to meet European Union Good Manufacturing Practice (EU-GMP) required to manufacture high-quality generic drugs. Clinical trials require factories with good facilities and high-quality workers.
- Unequal distribution of healthcare services, inadequate infrastructure, and a lack of high-quality workers will continue to hold back the pharmaceutical and healthcare industries.

Prominent listed pharmaceutical companies

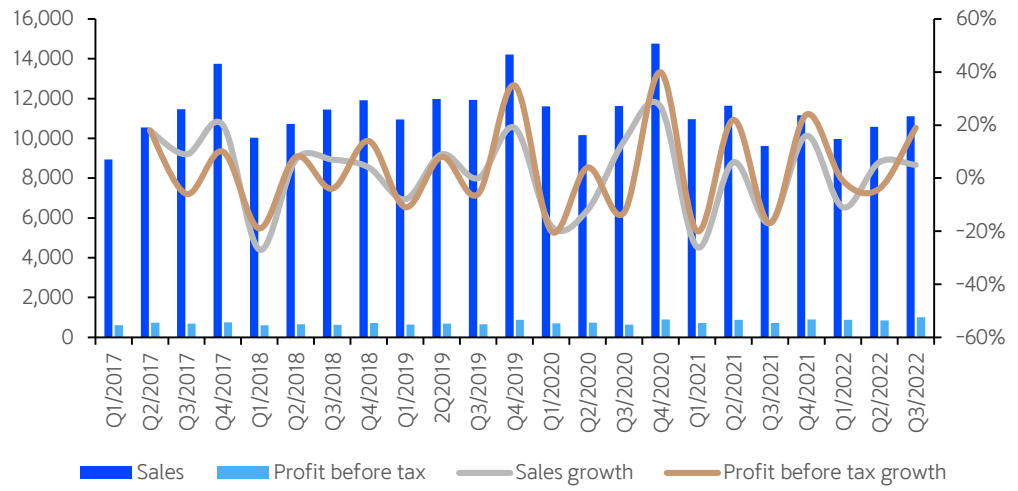
	DHG PHARMA	Bidiphar	Traphaco
MAIN PRODUCTS	• Antibiotic • Analgesic – antipyretic	• Antibiotic • Oncology	• Traditional medicine • Supplement
POSITION	•Hau Giang Pharmaceutical (DHG VN) is one of the largest listed companies (in term of sales and capital) •They was also considered an enterprise with the most widespread and largest distribution network (35 branches in Vietnam) •Currently, they are operating two pharmaceutical plants which satisfy WHO - GMP standards. They also have product line that met PIC/S-GMP standard granted by Malaysia – country not considered as SRA	•Binh Dinh Pharmaceutical (DBD VN) is considered a pioneer in the pharmaceutical industry, as the first domestic company to manufacture oncology products •Currently, they are focusing on ETC channel, as one of the largest manufacturing companies in category 3 •They own a pharmaceutical plant that satisfies WHO - GMP standards	•Traphaco (TRA VN) is the traditional medicine manufacturer with highest market share in Vietnam. They own the raw material source and do not need to import from China •They own 3 traditional-medicine plants and 1 generic plant meeting the WHO – GMP standards. In which, the generic plant have been put into operation since 2017 with the main drug-line is Eye/nose drops
DEVELOPMENT STRATEGY	•Cooperate with Taisho – strategic investor – for technology transfer and upgrade their current plants to satisfy EU-GMP requirements or equivalent in order to win high-value generics contracts in category 1&2 on ETC channel. •They also expect that by cooperating with Taisho, they can export products to Japanese market	•Upgrading new product lines of Oncology drugs in order to satisfy EU-GMP standards and win high-value generics contracts in category 1&2 on ETC channel. However, Q3/2022 has passed, and the company still has not got the certification.	•Upgrading new product lines of Eye/nose drops in order to satisfy EU-GMP standards and win high-value generics contracts in category 1&2 on ETC channel.

Prominent listed pharmaceutical companies

	PMP	IMEXPHARM
MAIN PRODUCTS	• Antibiotic	• Antibiotic
POSITION	• Pymepharco (PME VN – delisted) is the only company that can win contracts in category 1 – category with highest bidding price for generics drug • They also have a large distribution network (20 branches in Vietnam) • Currently, they are operating a pharmaceutical plants, with beta-lactam production lines that satisfy EU-GMP standard. They also have an non-betalactam plant waiting for being granted EU-GMP Qualification	• Imexpharm (IMP VN), together with PME, is one of the few companies having EU-GMP plants; they are taking the advantage of being a low-cost producer and having high-tech factories to gain market share from foreigner manufacturers • Currently, they are operating a WHO-GMP pharmaceutical plant and 2 EU-GMP pharmaceutical plant. They also have a non-betalactam plant waiting for being granted EU-GMP Qualification
DEVELOPMENT STRATEGY	• After being granted EU-GMP Qualification, they will put the Hoang Van Thu manufacturer into operation and take market share in category 1 generic contract • Stada Service Holding B.V will completely buy all stakes of PME, which will make it easier for them to transfer technology to the company	• After being granted EU-GMP Qualification, they will put the Binh Duong High-tech manufacturer (IMP4) into operation • For the cooperation between IMP and SK Investment Vina III Pte., they have not decided their cooperation strategy yet, until the Covid-19 pandemic has been controlled and they can discuss directly.

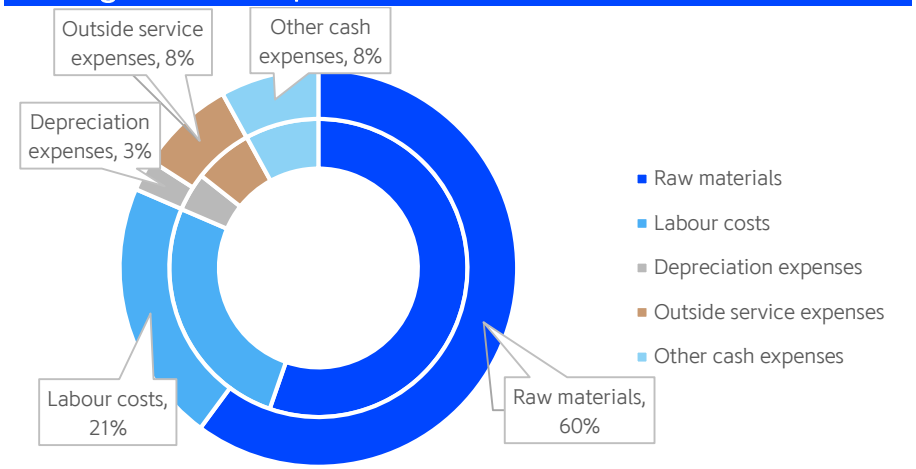
Pharmaceutical industry has recovered in revenue and profit after the COVID-19 pandemic

Revenue and PBT of pharmaceutical industry (billion VND)



Source: Fiinpro, Shinhan Securities Vietnam

Cost of goods sold components (%)



Source: Fiinpro, Shinhan Securities Vietnam

- Both sales and profit before tax (PBT) of the industry dropped sharply in 3Q2020 and 3Q2021 due to the severe COVID outbreak in Vietnam, causing national lockdown and people limit their visits to hospitals resulting in the ETC channel's revenue to decline. Besides, the fell of PBT also came from the increase of input materials (API) imported from other countries, whereas pharmaceutical companies have to cover other expenses.
- However, pharmaceutical revenues have recovered quickly after the pandemic. The industry is expected to continue recovering as (1) input material price has been cooling down after India reopend their manufactures; (2) medicine demand (vitamins, cough, etc.) had increased; and (3) other potential growth.
- Besides, with a healthy financial structure, low debt over equity ratio of around 20-30%, the pharmaceutical companies have less impact of interest rate hike than other high leverage industries, helping to maintain stable profitability.

Business result of listed pharmaceutical companies

Tickers	Market cap (bn VND)	Revenue 9M2022	Net sale growth 9M2022 (YoY)	GPM (%)	EPS growth (TTM)	ROA (TTM)	ROE (TTM)	EV/Sales	EV/EBITDA	P/E	P/B
DHG	11,218	3,346	23%	49%	7.09%	19%	24%	2.52	10.27	12.16	2.77
DVN	3,982	3,904	33%	10%	-42.95%	2%	3%	0.99	34.98	40.25	1.55
TRA	3,731	1,818	6%	56%	4.19%	17%	22%	1.46	7.48	12.69	2.81
IMP	4,160	1,087	63%	40%	12.47%	10%	12%	2.85	12.36	18.77	2.28
DBD	2,818	1,090	-29%	47%	-21.64%	13%	17%	1.91	11.03	13.19	2.14
DCL	1,698	671	63%	29%	7.82%	5%	7%	2.57	14.88	16.55	1.22
PBC	1,717	750	43%	19%	100.94%	1%	3%	2.7	24.46	46.24	1.39
DMC	1,452	1,158	3%	28%	5.96%	11%	13%	0.83	5.51	7.91	1.05
OPC	1,649	873	-7%	40%	-55.07%	12%	18%	1.33	7.86	11.50	2.13
PMC	623	345	164%	40%	25.59%	18%	21%	1.25	5.61	7.35	1.52

Source: Fiinpro, Shinhan Securities Vietnam
Data as of 16/12/2022

Business result of listed pharmaceutical companies

Tickers	Market cap (bn VND)	Revenue 9M2022	Net sale growth 9M2022 (YoY)	GPM (%)	EPS growth (TTM)	ROA (TTM)	ROE (TTM)	EV/Sales	EV/EBITDA	P/E	P/B
DP3	851	360	34%	71%	-1.38%	21%	27%	1.8	6.28	8.49	2.26
DTP	1,263	518	82%	54%	-8.47%	16%	23%	1.98	7.97	10.30	2.28
MKP	658	868	-18%	28%	7.73%	2%	2%	0.57	7.52	22.18	0.53
VDP	635	730	47%	27%	11.21%	6%	11%	0.84	8.84	9.01	1.02
DVM	478	856	0%	0%	39.23%	0%	0%	0.9	9.68	7.07	1.08
DP1	449	1,527	5%	12%	0.07%	4%	17%	0.35	7.40	9.90	1.75
AGP	395	477	32%	36%	23.28%	6%	16%	1.2	7.42	8.16	1.29
MED	285	284	37%	18%	0.00%	0%	0%	0.78	18.55	-197.87	0.90
VMD	315	5,460	-19%	8%	-16.87%	0%	2%	0.02	2.45	35.29	0.91
CDP	217	2,102	54%	7%	-8.41%	1%	11%	0.28	18.97	9.32	1.04

Source: Fiinpro, Shinhan Securities Vietnam
Data as of 16/12/2022

Beneficiaries of robust public investment

Key theme for 2023

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Beneficiaries of robust public investment

About public investment

Source for public investment

- State budget funds
- Legitimate revenues of state agencies and public service units



Public investment objects

- Investment in socio-economic infrastructure construction
- Investment in giving support to activities of state regulatory authorities, public service units,…
- Investment and support given to investments in provision of public utility and social welfare products and services
- Investment in the public-private partnership form.
- Investment in providing support for formulation, evaluation of decision or approval, public disclosure and modification of schemes ,…
- Investment in granting subsidies to offset preferential lending interest rates; making equity contribution,…

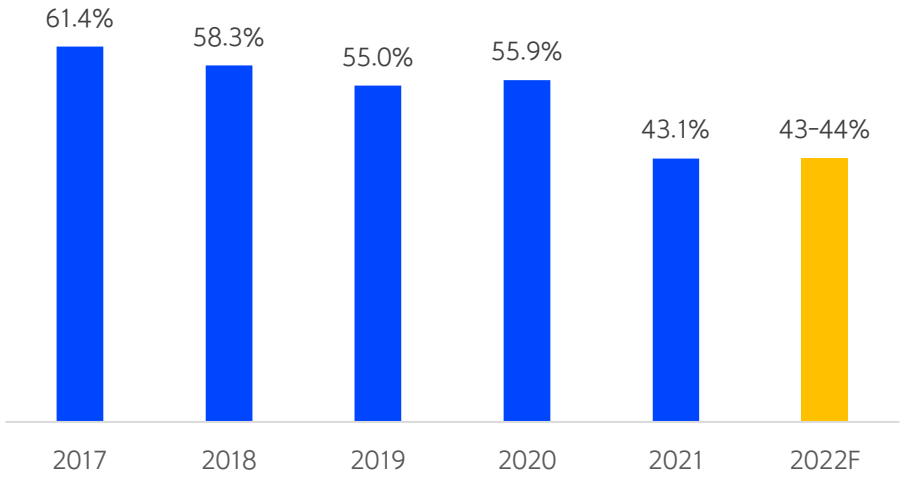
Public investment is crucial for the development of the country

- Public investment refers to the State's investment in programs, projects, and others classified as subjects of public investment.
- Public investment stocks are a group of stocks that benefit from the State's investment activities. Public investment stocks mainly include stocks of the construction industry, construction material, real estate.... industries that directly or indirectly benefit from the State's infrastructure investment projects.

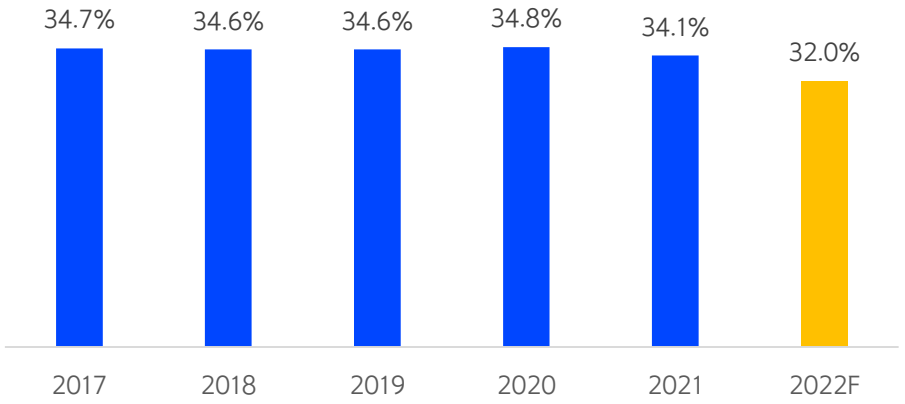
Beneficiaries of robust public investment

The public investment trend is supported by macro factors

Public debt/GDP ratio from 2017 to 2022 (%)



Total social investment/GDP (%)



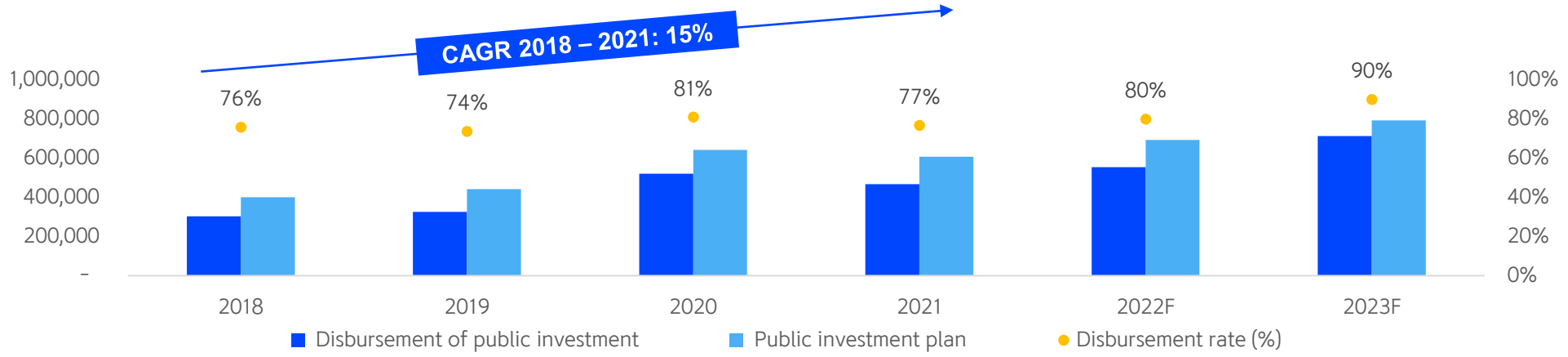
Source: GSO, Shinhan Securities Vietnam

The ratio of total social investment/GDP has remained high while the ratio of public debt/ GDP has dropped recently, supporting the growth of the public investment.

- Compared to 2017, Vietnam's public debt/GDP ratio has dropped sharply from 61.4% to 43.1% in 2021. It is estimated that in 2022, the public debt/GDP ratio will remain at 43-44%. The low public debt ratio creates a basis for the government to accelerate the implementation of investment projects in the future.
- The total social investment / GDP over the years has always been stable at a high level, showing that the Government is maintaining a high level of investment throughout the years. Resolution No. 29/2021/QH15 also clearly states the government's plan for the period of 2021-2025 with a target of total social investment/GDP of 32-34%, and the average proportion of public investment capital is about 16-17. % of total social investment. A strong investment plan creates a driving force for socioeconomic development, especially for enterprises benefiting from public investment.

Disbursement of public investment over the years

Disbursement of public investment 2018 – 2023F (billion VND)



Source: MOF, Shinhan Securities Vietnam

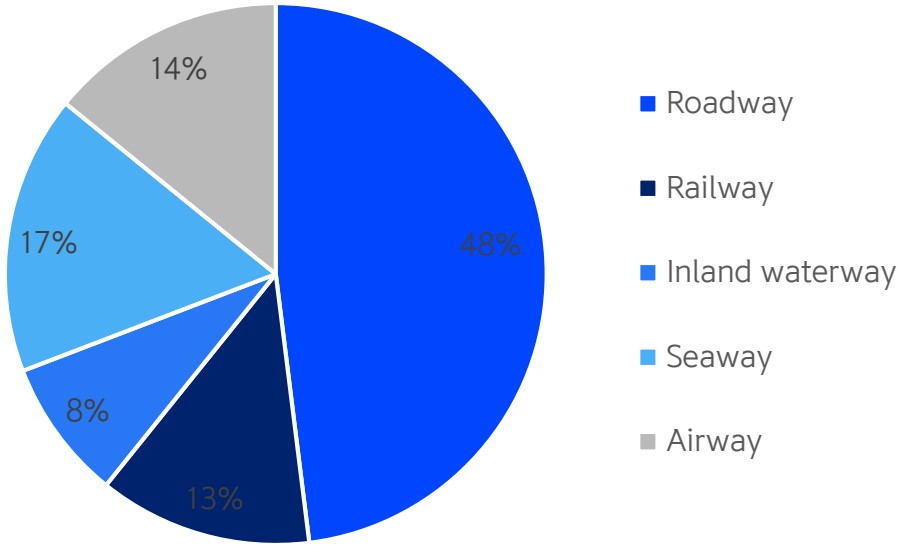
Over time, the State has fostered public investment.

- Public investment has grown over the years, the CAGR is about 15% for the period from 2018 to 2021. According to Resolution No. 29/2021/QH15, about the public investment plan for the period of 2021 - 2025, the total investment capital is about VND 2,870 trillion. The State also strives to achieve the disbursement rate at an average of 90% of the planned capital. For 2023, the National Assembly approved the 2023 public investment plan with a total capital of over VND 700,000 billion, an increase of about 25% (about VND 140,000 billion) compared to the 2022 plan.
- According to MOF, the estimated disbursement rate of public investment capital of the whole country in the first 11 months of 2022 will reach 52.43% of the plan. Compared to the plan assigned by the Prime Minister (in which the disbursement rate reached 58.33%), the disbursement rate was lower than last year, which was 63.86%. This creates a great pressure to promote public investment in 2023. The Director of Investment (MOF) said that the amount of money to be disbursed in 2023 could double in the year 2022 if included the transferred source from 2022.

Beneficiaries of robust public investment

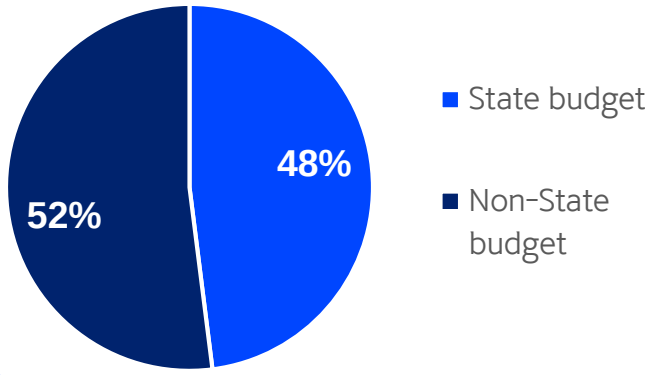
Demand for investment capital in transportation infrastructure to 2030

Investment capital structure by infrastructure (%)



Source: MOT, Shinhan Securities Vietnam

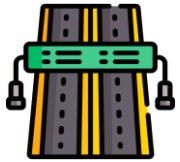
Total investment capital
VND 1.87 quadrillion



Beneficiaries of robust public investment

Key public investment projects in the period 2022 – 2030

Current infrastructure in 2021



National highway: Total length 25,079 km/ 125 routes
Highway length: 1,163 km



Total design capacity: 543.7 million tons/year



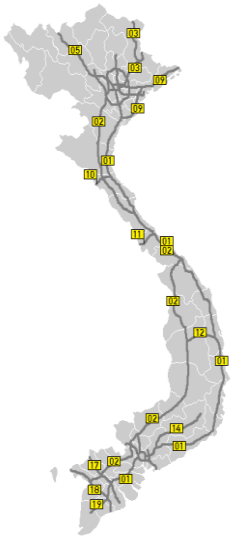
Railway systems: 7 routes passing through 34 provinces
Total length of 3,143 km



Airport systems: Have 22 airports including 9 international airports and 13 domestic airports.

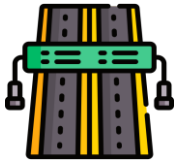


Inland waterway systems: 298 Inland waterway ports, 20 routes
Total tonnage: 19.6 million tons/year



Government's master plan 2020 – 2030

Government's plan to 2030



National highway: Total length reach 32,000 km/174 routes
Highway length: 5,000 km



The seaport capacity: Able to handle goods from 1,140 to 1,423 million tons



Railway systems: Build 9 new railway lines with a total length of 2,362 km



Airport systems: Have 28 airports including 14 international airports and 14 domestic airports.



Inland waterway systems: Invest and upgrade 19 routes

Beneficiaries of robust public investment

Key projects in the period of 2022 – 2025

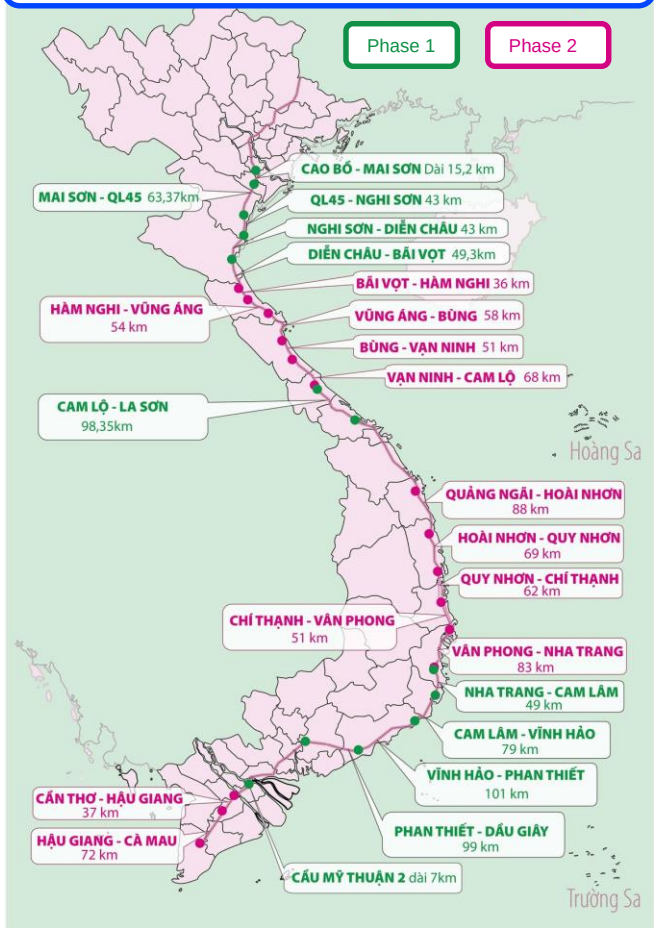
Name of project	Construction time	Total investment (billion VND)
North - South Expressway Phase 1	2017 – 2020 (can be extended to 2023)	88,530
North - South Expressway Phase 2	2023 – 2025	114,612
North - South Expressway Phase 3	After 2025	69,123
Long Thanh airport phase 1	2020 – 2025	109,111
Ring Road 3 (Ho Chi Minh)	2022 – 2026	75,378
Ring Road 4 (Hanoi)	2023 – 2026	85,813

Source: MOT, Shinhan Securities Vietnam

Beneficiaries of robust public investment

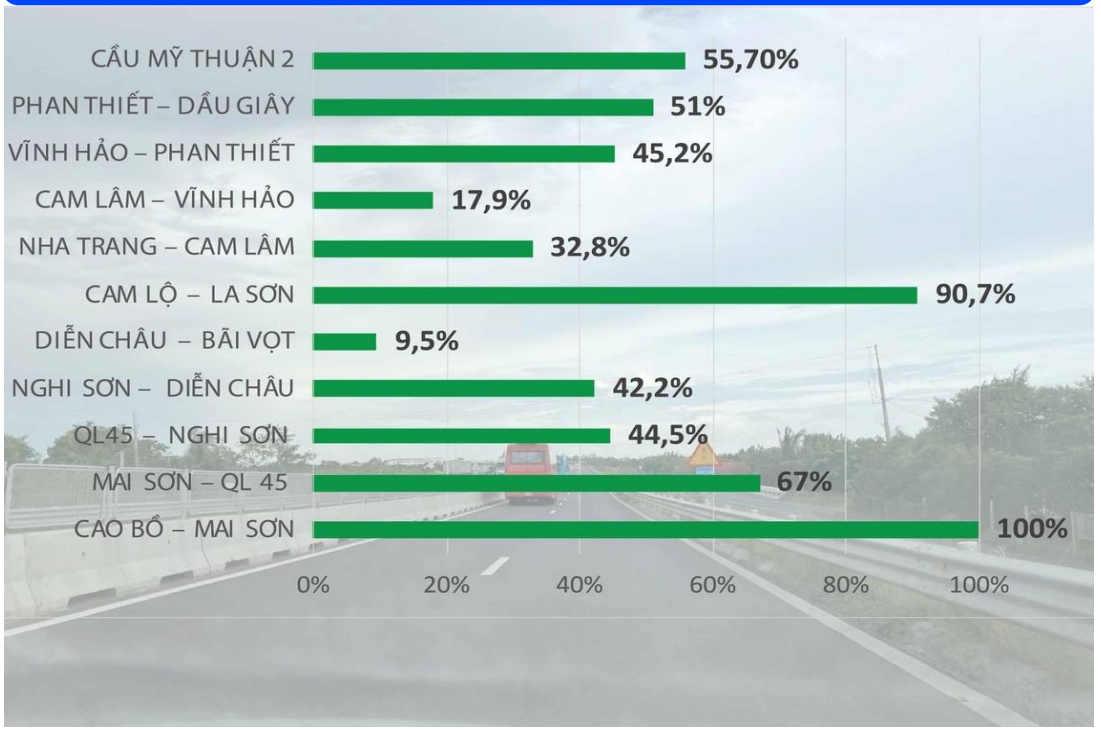
Update the status of North-South Expressway

Map for North-South Expressway Phase 1 + Phase 2



The North - South expressway project phase 1 is behind schedule due to factors such as unfavorable weather and complicated price movements of construction materials. Therefore, low price of construction materials will accelerate disbursement in 2023.

Progress of 11 North-South expressway projects phase 1



Source: MOT, Shinhan Securities Vietnam

Outlook for public investment in 2023

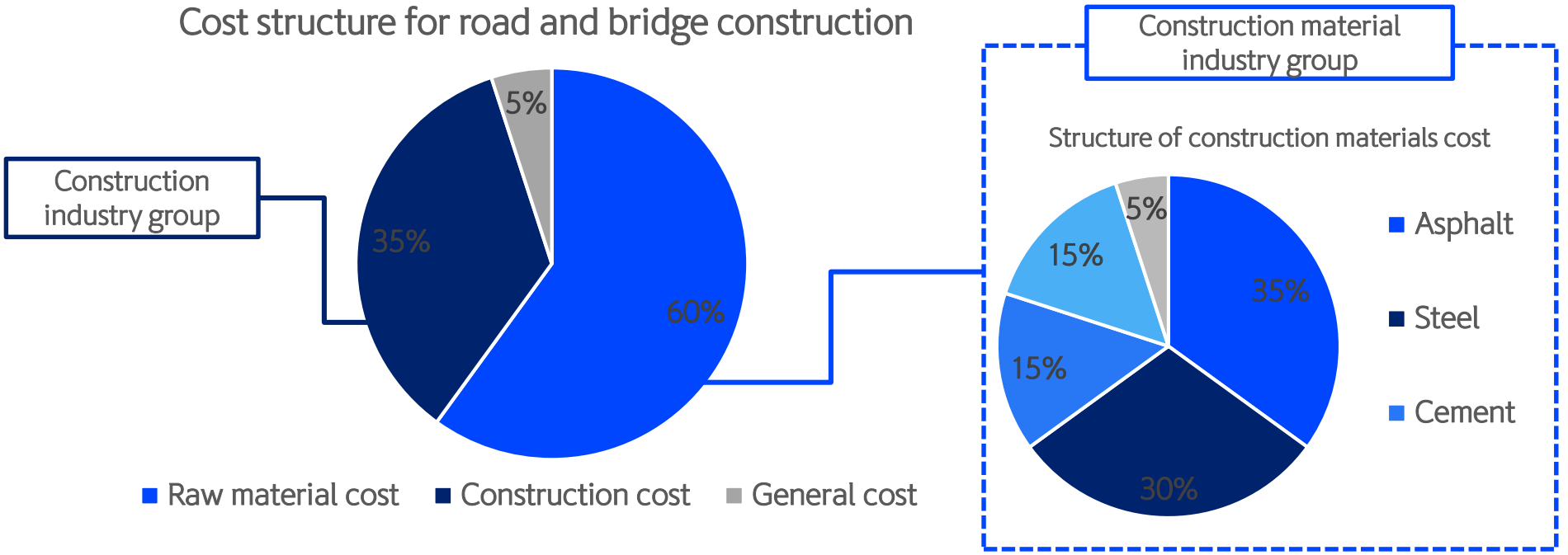
Factors supporting disbursement of public investment in 2023

- High capital demand: The needs of ministries, central and local agencies for public investment capital in 2023 is VND 792,487 billion
- The capital plan increases sharply: The National Assembly approved the public investment plan in 2023 with a total capital of over VND 700,000 billion, an increase of about 25% (about VND 140,000 billion) compared to the plan in 2022.
- Extended capital in 2022: According to MOF, the cumulative disbursement in 11 months of 2022 reached 52.43% of the plan, so there will be a large amount of capital that will be transferred to 2023.
- Economic recovery package in 2022 - 2023: It is estimated that the economic recovery package in 2022 - 2023 will reach nearly VND 350,000 billion. However, accumulated in the first 8 months of 2022, only 55,500 billion VND has been disbursed.
- The low price of construction materials contributes to promoting the implementation of construction infrastructure investment projects, thereby accelerating the disbursement of public investment.
- Pressure from a 90% disbursement rate, according to the newly issued regulations: localities that do not meet the target are considered to have not completed their tasks. Local officials will be considered for dismissal if they do not complete their tasks for 2 consecutive years as prescribed in Decision No. 41-QD/TW dated November 3, 2021.



Beneficiaries of robust public investment

Industry groups directly benefiting from public investment



Source: Shinhan Securities Vietnam

Industry groups directly benefiting from public investment:

- This is a group of industries that directly benefit from the investment and construction of infrastructure projects, mainly including companies providing construction materials, companies directly executing construction infrastructure projects.

Beneficiaries of robust public investment

Industry groups directly benefiting from public investment

Ticker	Sector	Mkt cap (bn VND)	Rev 9M/2021 (bn VND)	Rev 9M/2022 (bn VND)	Growth rate (%)	GPM - TTM (%)	EPS growth - TTM (%)	ROA - TTM (%)	ROE – TTM (%)	D/E	P/E - TTM	P/B - TTM	EV/EBITDA-TTM
KSB	Building stone	1,385	649	702	8%	40.79%	-1.75%	5.28%	11.60%	0.59	6.31	0.72	5.48
DHA		483	234	272	16%	25.31%	5.47%	15.13%	16.88%	0.00	6.52	1.12	5.31
CTI		704	478	711	49%	42.70%	306.31%	0.91%	3.30%	2.04	16.55	0.63	7.80
PLC	Asphalt	1,737	4,870	5,994	23%	12.82%	0.23%	2.40%	8.93%	1.55	14.45	1.32	9.12
HPG	Steel	116,296	104,969	115,584	10%	16.99%	-54.14%	9.48%	18.47%	0.67	6.50	1.19	5.66
HT1	Cement	4,236	5,040	6,603	31%	9.57%	27.89%	2.86%	4.97%	0.34	16.47	0.84	5.05
BCC		1,097	3,126	3,299	6%	11.08%	-26.19%	2.05%	3.87%	0.31	13.04	0.50	3.68

Source: Fiinpro, Shinhan Securities Vietnam
Data as of 20/12/2022

Beneficiaries of robust public investment

Industry groups directly benefiting from public investment

Ticker	Sector	Mkt cap (bn VND)	Rev 9M/2021 (bn VND)	Rev 9M/2022 (bn VND)	Growth rate (%)	GPM - TTM (%)	EPS growth - TTM (%)	ROA - TTM (%)	ROE – TTM (%)	D/E	P/E - TTM	P/B - TTM	EV/EBITDA- TTM
VCG	Construction	8,649	3,610	6,700	86%	11.25%	5.28%	3.15%	10.70%	1.29	8.86	1.25	23.55
DPG	Construction	1,795	1,535	2,225	45%	30.26%	-0.65%	6.58%	20.08%	1.36	4.58	1.14	4.84
HHV	Construction	2,893	1,245	1,478	19%	48.69%	-5.92%	0.81%	3.58%	2.63	9.24	0.41	20.40
C4G	Construction	2,250	1,498	2,047	37%	15.49%	34.99%	1.35%	5.21%	1.46	17.13	0.92	15.92
FCN	Construction	1,598	2,209	2,205	0%	13.82%	-17.46%	0.70%	1.66%	0.79	29.35	0.61	11.97
HBC	Construction	2,851	7,536	10,905	45%	6.45%	-14.25%	0.50%	2.24%	1.74	30.83	0.73	16.47
CTD	Construction	2,748	6,189	8,307	34%	2.78%	0.00%	-0.38%	-0.75%	0.18	-44.68	0.34	-11.89

Source: Fiinpro, Shinhan Securities Vietnam
Data as of 20/12/2022

Industry groups benefiting indirectly from public investment

Industry groups that benefit indirectly from public investment:

- This is a group of industries that benefit indirectly after the infrastructure are completed. New infrastructures will help the country develop better by operating the transportation system more efficiently, thereby attracting FDI from abroad. The infrastructures also help the value of real estate around being exploited more effectively, thereby helping to increase the selling price and attract more investors.

Seaport industry

Impact factors: Benefiting from the development of road and seaport infrastructures, thereby helping to increase the volume of goods through the seaport, besides, the investment also attracts more FDI enterprises, which will promote import and export exports.

Beneficiary tickers: GMD, VSC, HAH

Industrial real estate industry

Impact factors: Benefiting from the development of road infrastructures, thereby attracting FDI enterprises to Vietnam, which will contribute to an increase in occupancy rate and rental rates of industrial real estate enterprises.

Beneficiary tickers : KBC, BCM, GVR, IDC

Residential real estate industry

Impact factors: The development of road infrastructures helps real estate located on roads such as the North-South highway, Ring road 3 (HCM), and Ring road 4 (HN) exploit more effectively, contributing to the increase land prices in the area.

Beneficiary tickers : VHM, KDH, PDR, NVL, DXG, NLG

Information technology industry

Impact factors: Benefit from the application of information technology in road management and construction of telecommunications infrastructure.

Beneficiary tickers : Management system (ITD, ELC), telecommunications infrastructure (FPT, CMG)

Banking – Rainbow after rain

Lead the recovery

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Overview of banking industry

Vietnam Banking Model

Marketing
- Attracting and retaining customers
- Defining segmentation
- Digital banking
- Data analysis

Sales
- Banking products
- Engagement and retention

Products & Services

Corporates, retails, other institutions, etc. Mortgage/ car loans, credit cards, etc. *Interest earning assets*	Saving/ Current accounts Valuable papers, CDs, etc. *Interest bearing liabilities*	Service charges and fees Bancasurrance Gold and foreign exchange, etc. *Non-interest income*	Investment banking

Transactions
- Payments
- Trading
- Online/ Offline

Risk management
Capital Adequacy Ratio (CAR); Credit risk: NPL, LLR; Liquidity: LDR, Mid-term long-term lending by short-term deposit; Interest rate risks, Operation risks

Technology development
Digital banking, online/mobile banking, data analytics, etc.

Human resources
Internal and external

Bank infrastructure
From physical to technology, data center, multi level security framework, etc.

Overview of banking industry

Interest incomes and interest expenses



Deposits from customers are the main source of funds
~ VND 7,793 trillion

Mobilize loans or deposits from SBV/ Government



Mobilize loans or deposits from other credit institutions



Banks also issue valuable papers to raise funds





Lending to customers is the main activity
~ VND 8,257 trillion



Another component in credit portfolio is corporate bond
~ VND 304 trillion



Loans to other credit institutions

Total net interest income accumulated 9M2022
~ VND 315 trillion
(~77% of TOI)

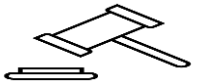


Income from commission fees (services, bancassurance,…)

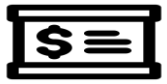
Income from trading gold and foreign currency



Income from trading securities



Income from investment securities



Other net incomes

Net non interest income 9M2022
~ VND 95 trillion (~23% of TOI)

Overview of banking industry

27 listed banks: 17 banks on HOSE,
2 banks on HNX and 8 banks on UPCOPM

Vietcombank, BIDV, VietinBank, TECHCOMBANK, VPBank, ACB, MB, SeABank, HDBank, VIB, EXIMBANK, TPBank, Sacombank, SHB, MSB, OCB, LienVietPostBank, BAC A BANK, NCB, ABBANK, NAM A BANK, KienlongBank, PG BANK, Viet Capital Bank, SAIGON BANK, Ngân hàng Bản Việt, VIET A BANK, VIETBANK

Source: Fiinpro, Shinhan Securities Vietnam

Market cap. of the industry
~ 27% total market cap.

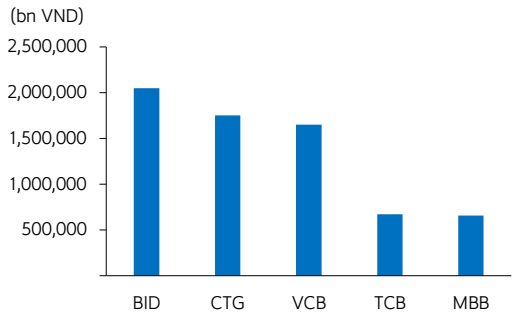
Trading value
~ 32% trading value of the market

Trading volume
~ 29% trading volume of the market

Total assets 9M2022
~ VND 12 quadrillion

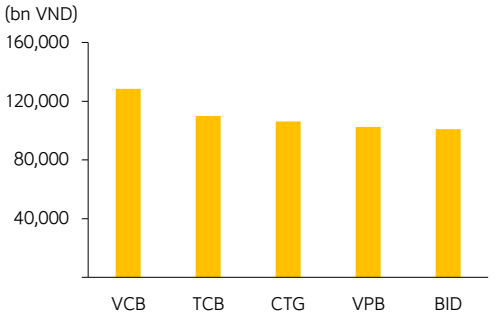
Total equity 9M2022
~ VND 1 quadrillion

Top 5 banks have largest assets



Source: Company data, Fiinpro, Shinhan Securities Vietnam

Top 5 banks have largest equity



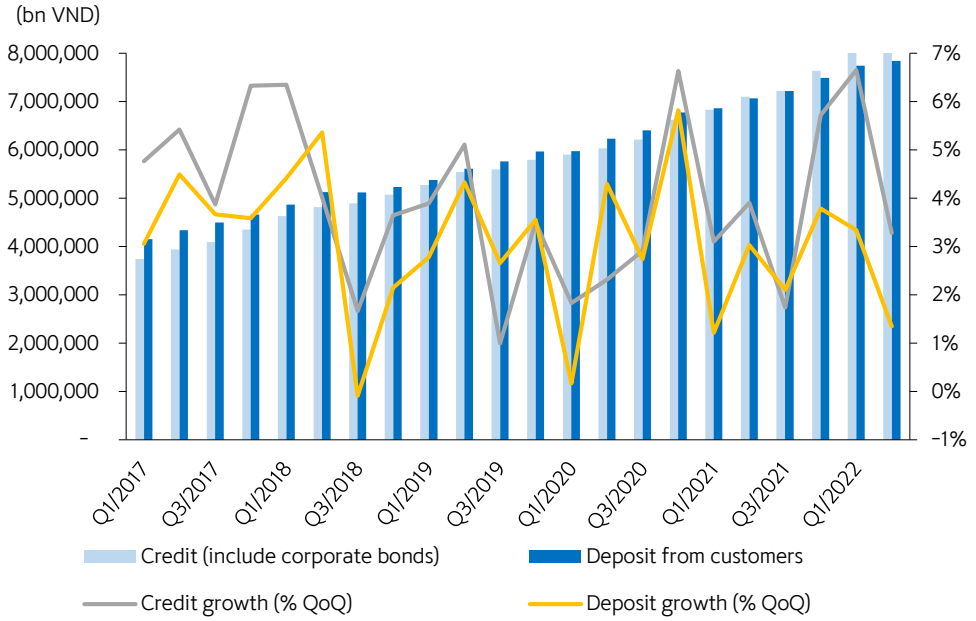
Source: Company data, Fiinpro, Shinhan Securities Vietnam

As of 15/11/2022

Banking industry – 9M2022 update

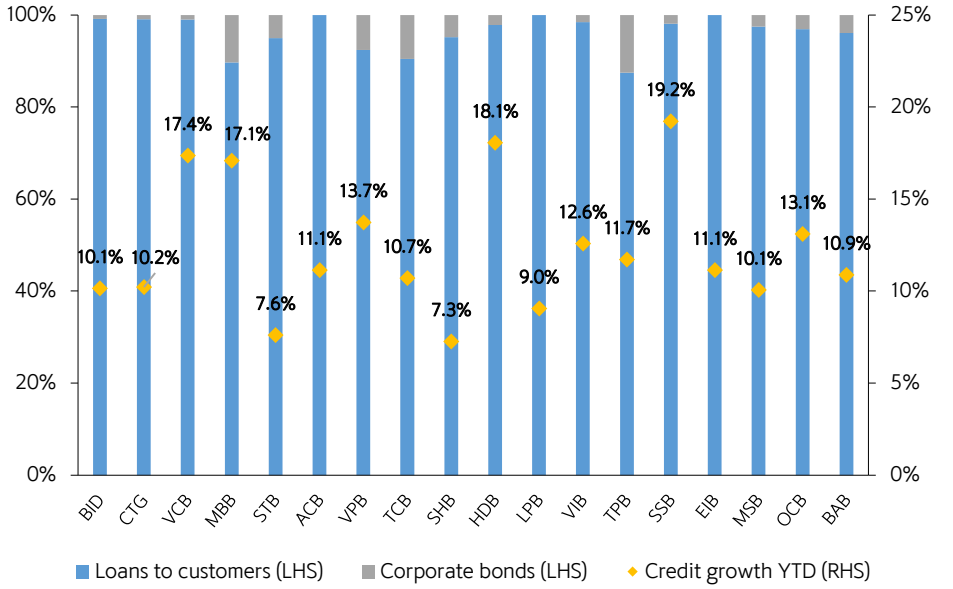
Credit growth in the early months of 2022 was much higher than that over the same period in the last few years. Many banks reached their credit limit with an increase in both customer loans and corporate bonds.

Credit and Deposit growth of the industry



Source: Company data, Fiinpro, Shinhan Securities Vietnam

Credit components of banks in the industry



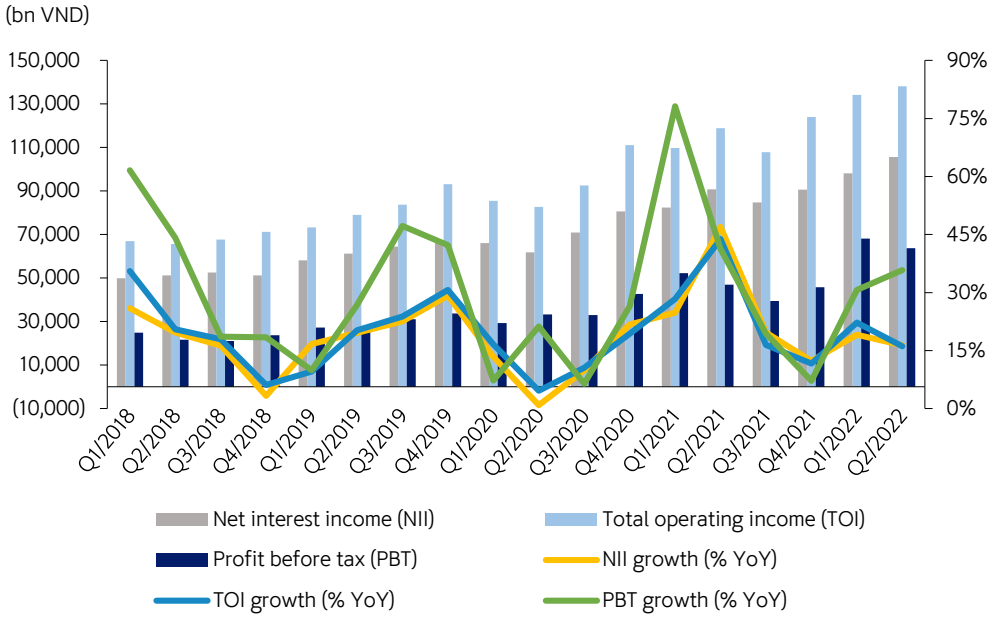
Source: Company data, Fiinpro, Shinhan Securities Vietnam

- As of November 2022, the credit growth of banking industry reached 12.2% compared to that in the end of 2021, forecasted to complete the target 14%.
- Furthermore, the SBV decided to increase this growth by 1.5% - 2%. Therefore, the total remaining room for credit growth is 3.8%, approximately ~VND 400 trillion on limit in December 2022. This showed a strong increase in credit demand for the sake of economic recovery activities, and also reflected the liquidity stress.
- Statistically in 9M2022, deposits increased by 4.06% year-to-date, slower than credit growth, even though banks are constantly racing to increase deposit interest rates in the first 9M2022 to attract customer deposits.

Banking industry – 9M2022 update

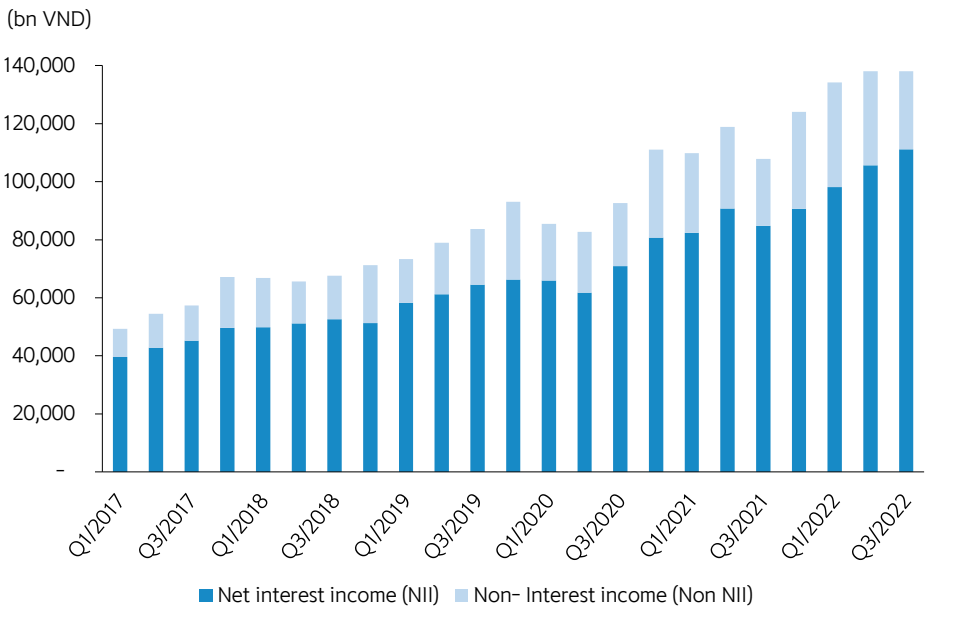
Net interest income increased considerably in 9M2022 thanks to the growth of credit, and the rise of net non-interest income compared to the same period.

Incomce performance of the industry



Source: Company data, Fiinpro, Shinhan Securities Vietnam

Net interest income and Net non-interest income of industry



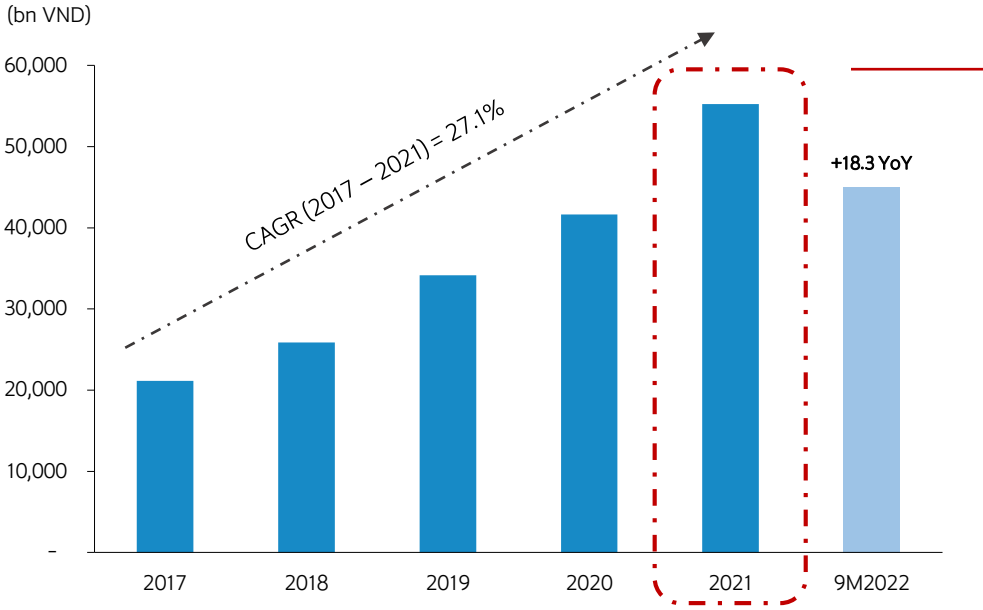
Source: Company data, Fiinpro, Shinhan Securities Vietnam

- Net interest income of 27 listed banks in has increased over years, gaining VND 314,852 billion (+22.1% YoY) in 9M2022, thanks to the considerable growth of banks' credit.
- Net non-interest income continuously increased compared to the same period, reaching VND 95,351 trillion (+21.5% YoY), and contributed importantly to TOI. Therefore, TOI reached VND 410,203 billion (+21.9% YoY) in 9M2022.

Banking industry – 9M2022 update

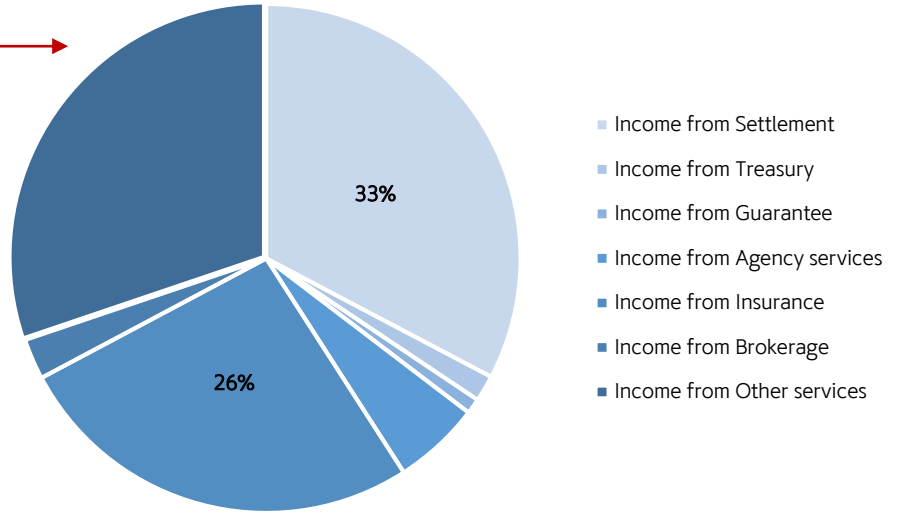
Bancassurance has contributed significantly to the fee & commission income.

Net fee & commission income



Source: Company data, Fiinpro, Shinhan Securities Vietnam

Components of fee & commission income



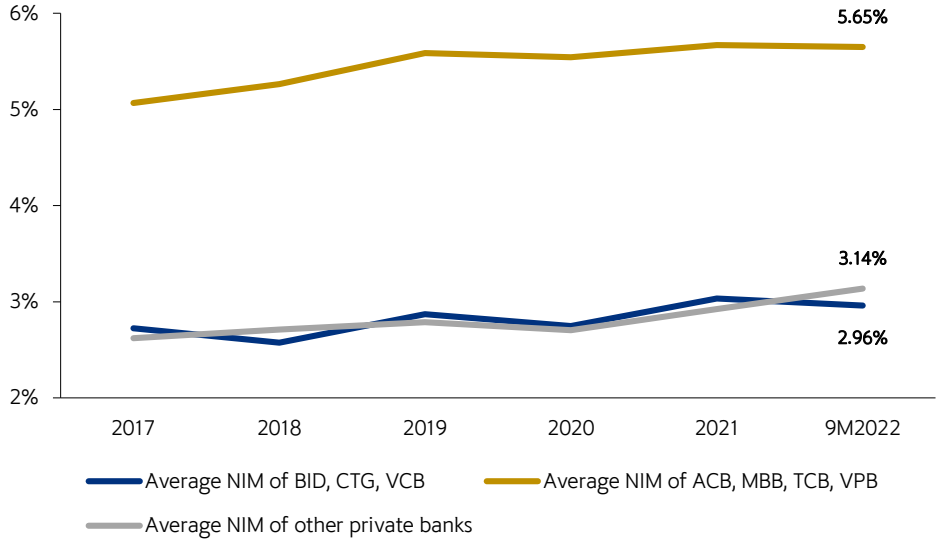
Source: Company data, Fiinpro, Shinhan Securities Vietnam

- Net fee & commission income accounts for nearly 11% of total operating income, and has showed a strong growth rate over few years with a significant contribution of income from settlement services and bancassuarance.
- The coorperation between banks and insurance companies has brought huge income to banks when banks are stepping up insurance cross-selling contracts. Bancassuarance is expected to continue to contribute a large proportion to profit in 2022.
- As the many banks promote investment in technology and new products with a digital platform, it is expected that income from fee and commission will increase in 2022.

Banking industry – 9M2022 update

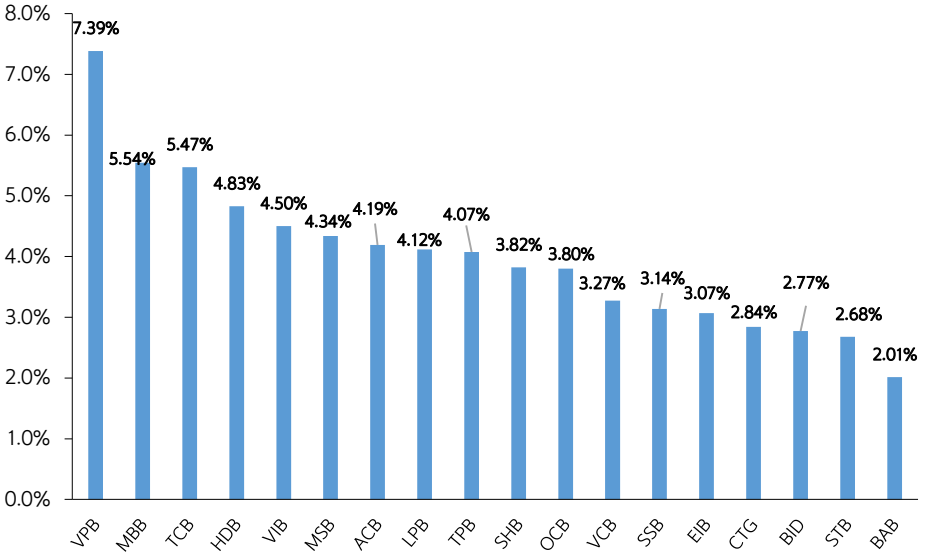
NIM at the private banks remained the growth nearly as same as 2021, while NIM the stat-owned banks have been adjusted slightly in 9M2022.

Average NIM by bank groups



Source: Bloomberg, Shinhan Securities Vietnam

NIM (TTM) as of September 20222 of banks



Source: Company data, Fiinpro, Shinhan Securities Vietnam

- The group of private banks including ACB, MBB, TCB and VPB currently have the highest NIM, as the deposit interest rate of this group of banks increased in the race to mobilize deposits, still lower than that of other private banks, and the loan interest rate remained relatively high.
- Banks with high CASA ratio have an advantage in terms of NIM such as VPB, MBB, and TCB.
- In contrast, NIM at the stated-owned banks decreased slightly when the growth rate of deposit interest rates at those banks were higher than others, while the lending rates were remained relatively low.

Banking industry – 2023 outlook

Outlook for 2023:

- In terms of credit growth, **we maintain the growth of 14% in 2022, and the increase was lower to reach 12.4% in 2023,** in the context of monetary tightening to control inflation and stabilize the global economy.
- **NIM may remain unchanged or adjust slightly in Q4/2022 and early 2023** due to the increase in deposit interest rates, while the lending rates have a time lag.
- **However, NIM has potential to expand** when banks increase lending interest rates to boost net interest income and high demand of credit in 2H2023.
- **Bad debt from restructured debt** can recover better than expected, thanks to the economy's recovery. Besides, **most banks had reserved 100% earlier than SBV's regulation.**
- **Several domestic banks in Vietnam have 90% of their transactions on digital platforms.** Half of the banking services are expected to be digitalized, and 70% of transactions will be online by 2025. The contribution of technology in banking will help to attract a massive amount of customers and improve efficiency.



Banking industry – 2023 outlook

Risks:

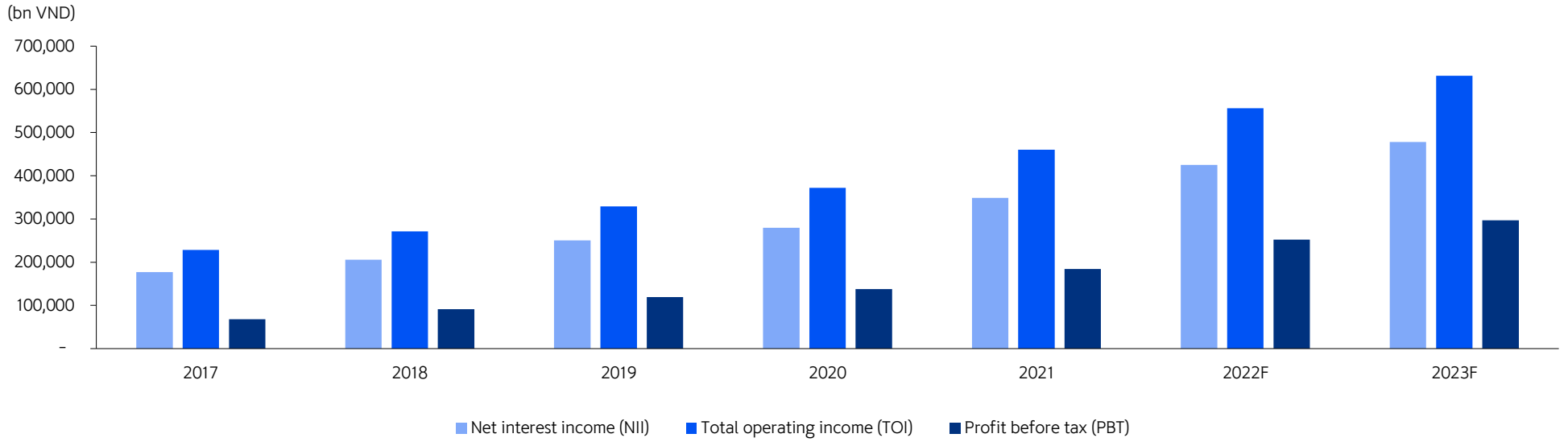
- Slow growth of the economy/ recession may result in the continuous increase of interest rates. SBV would keep up conducting the restrictive monetary policy, putting more pressure on the banking liquidity despite the availability of credit room limit;
- NPL ratio increase because of the expiration of Circular 14/2021 of SBV on June 30, 2022 for loans restructured during the COVID-19 pandemic;
- Real estate credit risk when the real estate market is volatile, affecting loans secured by real estate and corporate bonds issued by this industry.



Banking industry – 2023 outlook

Profit growth in 2023 remains positive thanks to (1) Credit growth reaching 12.4%; (2) Increased lending interest rate helps to preserve NIM value; (3) Real estate credit stabilizes again.

Forecast income of 27 listed banks



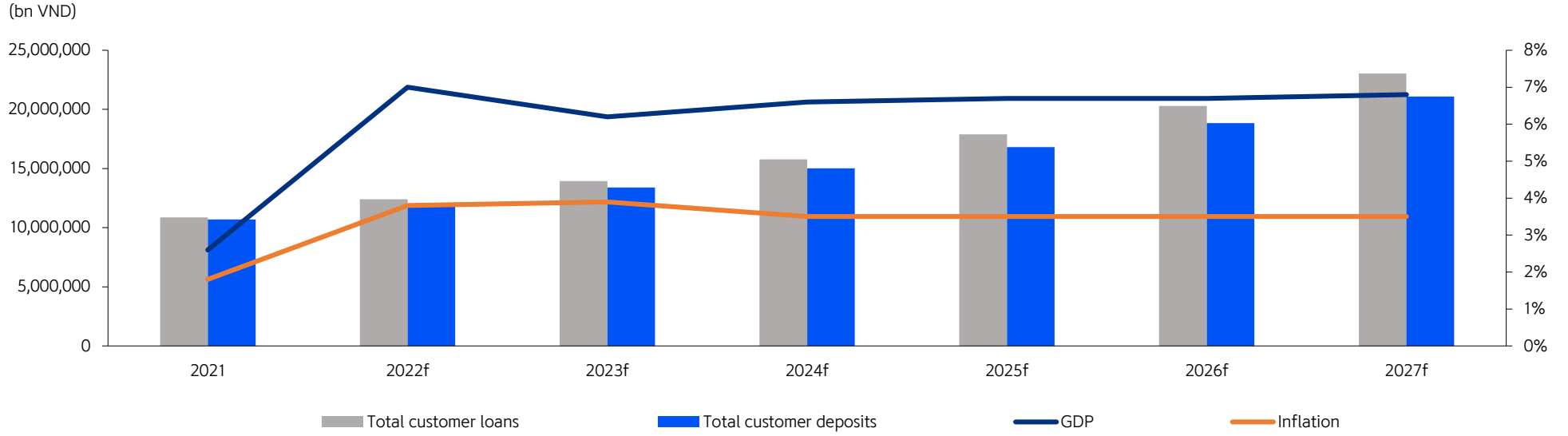
Source: Shinhan Securities Vietnam

- We forecast that the NII in next year will be around 12.4%.
- While the net non-interest income is expected to rise about 17% in 2023 thanks to the contribution of service fees and bancassurance.
- Leading to the growth of TOI and PBT are 13.5% and 17%, respectively, in 2023.

Banking industry – 2023 outlook

The growth prospect is positive in the long term thanks to the economy maintaining a high growth rate.

Forecast loans and deposits along with GDP, inflation



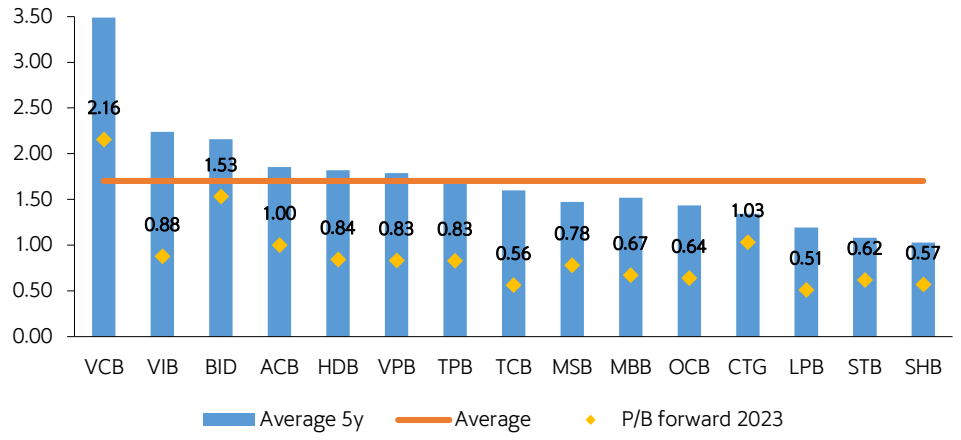
Source: IMF, Fitch Solutions, Shinhan Securities Vietnam

- We forecast the growth rate of customer loans and customer deposits maintaining at 12-14%, based on the forecast GDP remains at 6-7% in the next few years.

Banking industry – 2023 outlook

Most banks are at attractive prices after the deep correcting period .

Average 5-year P/B and projected P/B in 2022



Source: Bloomberg, Bloomberg Consensus, Shinhan Securities Vietnam
As of 15/11/2022

- ❑ According to the P/B valuation method, **most of the banks in the industry are at attractive prices.**
- ❑ Most banks are trading around 1x forward P/B and discounted about 30-60% of the 5-year average.
- ❑ Nearly 50% of banks are trading at P/B below 1x.

Banks raised capital through bond issuance and international syndication in 2022.

Ticker	Total value of bond issuance (bn VND)	International sysdication (mn USD)
BID	21,872	
MBB	13,820	
TPB	6,399	
TCB	13,050	800
OCB	12,300	
ACB	10,950	
VIB	6,948	150
HDB	6,600	
LPB	6,000	
CTG	5,610	
STB	4,300	
BAB	3,500	
MSB	3,400	
VCB	3,340	
VPB	2,200	1,100
SSB	1,749	200
BVB	1,110	
ABB	800	
NAB	300	

Source: HNX, company data, Shinhan Securities Vietnam consolidates
Data is consolidated in 2022 unitil 17/11/2022

Banking industry – 2023 outlook

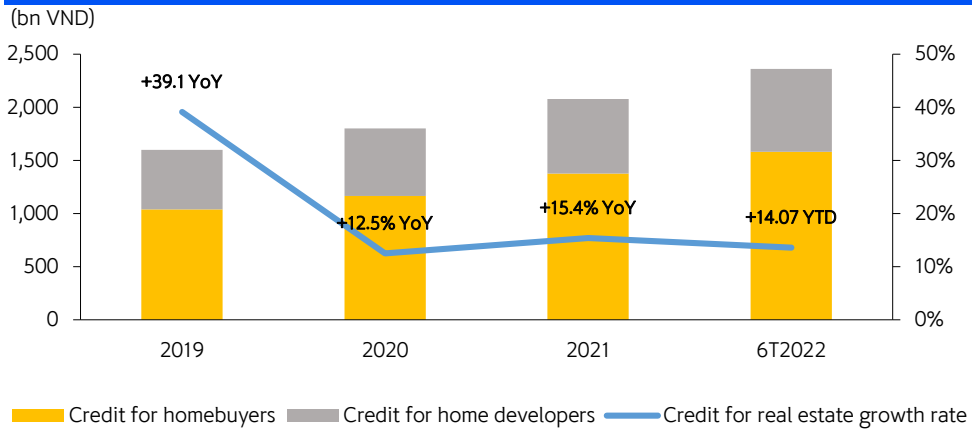
Tickers	Market cap (bn VND)	Target price (VND)	Net interest income growth 9M2022 (% YoY)	TOI growth 9M2022 (% YoY)	Net profit after tax growth 9M2022 (% YoY)	Asset/Equity (x)	NIM (TTM)	NPL (TTM)	ROA (TTM)	ROE (TTM)	P/E (TTM)	P/B (TTM)
VCB	378,601	87,200	21.61	18.11	29.13	12.8	3.27	0.80	1.72	22.03	10.6	2.2
BID	211,952	36,700	15.48	10.12	65.34	20.3	2.77	1.35	0.85	17.49	10.4	1.7
VPB	121,845	27,800	19.02	35.50	68.28	5.8	7.39	5.02	3.17	19.18	7.1	1.0
CTG	130,476	30,100	11.75	20.56	13.04	16.5	2.84	1.42	0.94	15.54	7.5	1.1
TCB	91,976	43,700	20.65	16.93	22.96	6.1	5.47	0.65	3.42	20.88	4.2	0.7
MBB	79,118	33,200	38.70	26.19	52.91	8.7	5.54	1.04	2.73	25.44	3.9	0.8
ACB	74,304	30,300	20.70	18.59	50.78	10.1	4.19	1.01	2.45	26.37	5.1	1.0
SSB	65,902	N/A	31.91	41.44	59.58	9.3	3.14	1.59	1.69	17.03	15.41	2.44
EIB	34,301	35,200	63.66	63.01	228.33	9.1	3.07	1.90	1.57	14.49	15.74	2.14
VIB	40,046	26,700	31.31	28.71	46.34	11.2	4.50	2.35	2.52	30.78	4.4	1.0
HDB	40,747	28,500	29.02	32.73	31.77	10.7	4.83	1.54	1.95	22.10	4.7	0.9
TPB	33,850	26,600	20.62	20.67	34.89	10.4	4.07	0.91	1.98	21.44	5.7	0.9
STB	43,171	28,800	17.26	39.87	28.82	15.3	2.68	0.90	0.76	11.64	7.84	1.0

Source: Fiinpro, Bloomberg Consensus, Shinhan Securities
As of 28/12/2022

Banking industry – 2023 outlook

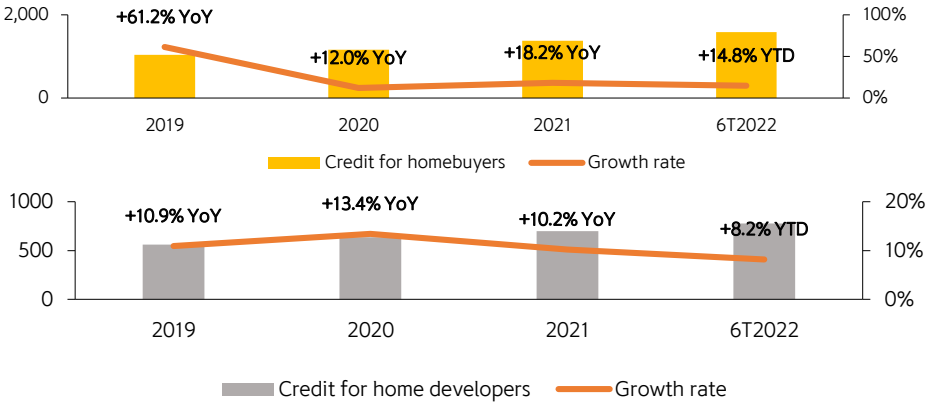
Uncertainty from credit risks of real estate.

Total credit for real estate



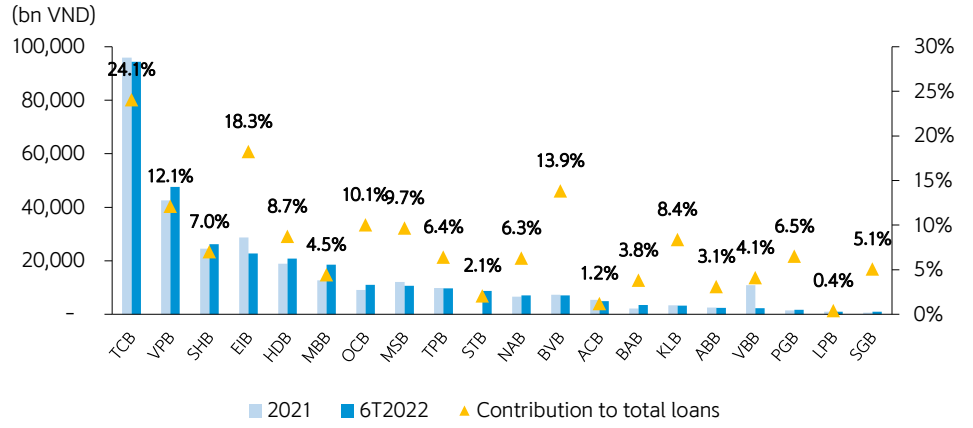
Source: FiinResearch, Shinhan Securities Vietnam

Credit for homebuyers and credit for home developers



Source: FiinResearch, Shinhan Securities Vietnam

Loans to real estate activities at many banks



Source: Fiinpro, Shinhan Securities Vietnam

- According to SBV, credit outstanding fro real estate as of June 2022 reached VND 2.36 quadrillion (+14.07% compared to the end of 2021). Credit for homebuyers still accounts for large contribution in credit for real estate.
- Real estate loans at banks are classified in different forms. In terms of lending to real estate activities, this industry accounts for a relatively high proportion of outstanding loans at some banks.

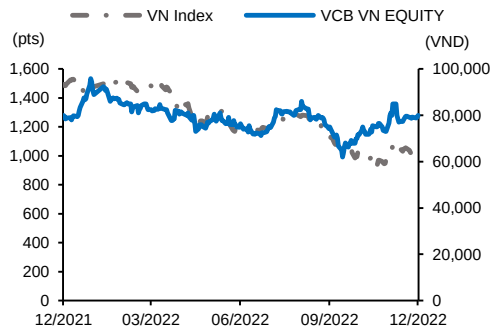
VCB – Leading bank

HOLD

	(Update Report)
Target price (12 months)	VND 87,200
Curren price (28/12/22)	VND 80,000
Return (%)	9.0%

VN-INDEX	1,016
HNX-INDEX	206
Market Cap (bn VND)	378,601
Outstanding shares (mn)	4,733
Free-Floating (mn)	1,192
52-Wk High/Low (VND)	96,000/62,000
90-day avg. trading volume (mn)	1.27
90-day avg. turnover (bn VND)	98
Foreign ownership (%)	23.6
Shareholders (%) SBV	74.8
Shareholders (%) Mizuho Bank, Ltd.	15

Performance	3M	6M	12M
Absolute (%)	6.7	4.8	0.0
Relative to VNIndex(%)	17.9	21.5	32.0



Bank for Foreign Trade of Vietnam (VCB)

Bank for Foreign Trade (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 in business, improved asset quality over the years, and constantly made efforts in digital transformation. In addition, VCB always aims at international standards throughout its operation, continuously being trusted by prestigious organizations worldwide.

Investment thesis & Catalyst

- Good asset quality, low NPL ratio, and highest loan-loss reserves ratio in the industry. NPL ratio remained low when it reached 0.64% at the end of 2021, increasing to 0.80% as of Q3/2022. VCB's bad debt coverage ratio has been leading the industry for years, with 424% at the end of 2021, continuing to remain high LLR with 402% as of Q3/2022.
- VCB has diversified funding sources, and a relatively low cost of capital, create many potentials to improve NIM. Thanks to its reputation, business characteristics, and extensive branch network, VCB has mobilized abundant capital from the State Bank (SBV), other credit institutions, and large enterprises.
- VCB has outstanding business results with industry-leading profits. VCB leads the system in terms of EBT, reaching VND 27,385 billion (+18.82% YoY) at the end of 2021. After being surpassed in Q1/2022, VCB returned to the throne in Q2/2022 and temporarily leading in Q3/2022, with accumulated EBT results in 9M2022 reached VND 24,940 billion (+29.15% YoY). Thanks to the positive contribution from foreign exchange trading and service activities, besides effective cost management, CIR remained around 33.78%.

Outlook for 2023

- We forecast VCB will continue to grow in 2023 with credit growth of 17%, and interest income will increase 18.5%. PBT is expected to grow 21.5% with earnings forecast to grow with stable control of cost.
- Risks: (1) Risk of economic slow growth/recession; (2) Exchange rate risk; (3) Bad debt increasing.

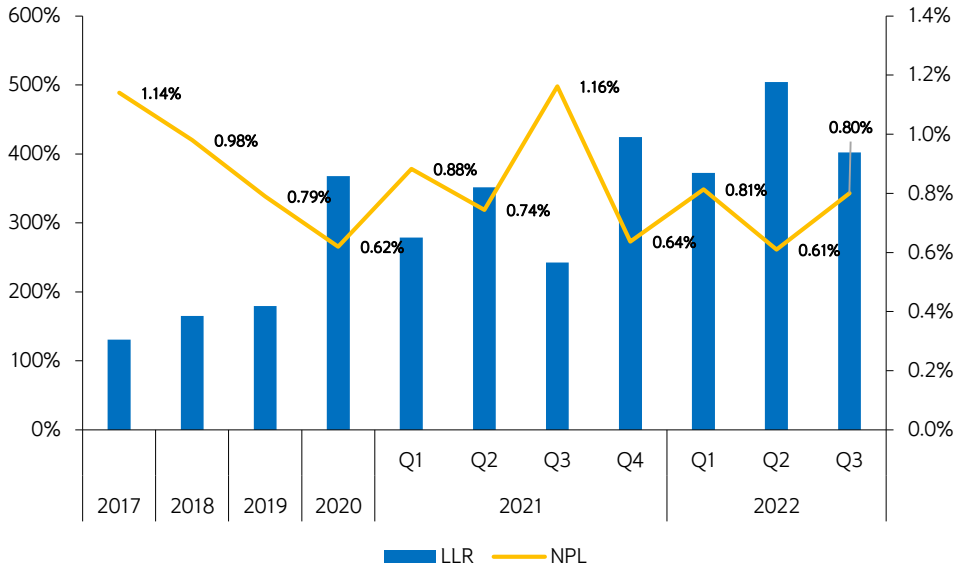
Year to Dec.	2021	2022F	2023F	2024F	2025F
Net interest income (bn VND)	42,273	48,888	57,912	69,794	83,745
Net non-interest income (bn VND)	14,357	17,743	21,172	25,609	30,831
TOI (bn VND)	56,630	66,631	79,084	95,403	114,576
Profit before provision (bn VND)	38,964	46,701	56,301	69,143	84,047
NPAT (bn VND)	22,017	29,049	35,293	43,144	54,269
EPS (VND)	5,936	6,138	7,458	9,117	11,467
EPS growth rate (%)	19.2	3.4	21.5	22.2	25.8
P/E (x)	12.6	12.9	10.6	8.7	6.9
P/B (x)	3.4	2.6	2.2	1.9	1.5
ROA (%)	1.6	1.9	1.9	2.0	2.1
ROE (%).	21.6	23.8	23.9	24.5	25.5

Source: Company data, Shinhan Securities Vietnam

VCB – Leading bank

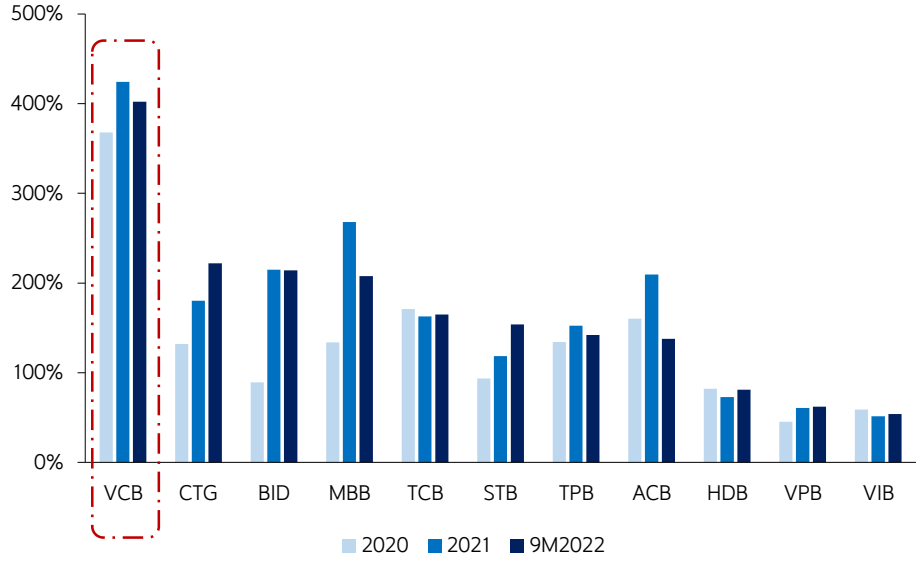
VCB has good asset quality, controls NPL ratio at low level , and maintains the highest loan-loss reserves ratio in the industry supporting the Bank to maintain its position in the context of the following volatile economic conditions.

Non-performing loan (NPL) ratio and Loan-loss provisions (LLR) ratio



Source: Company data, Shinhan Securities Vietnam

LLR of banks in the industry



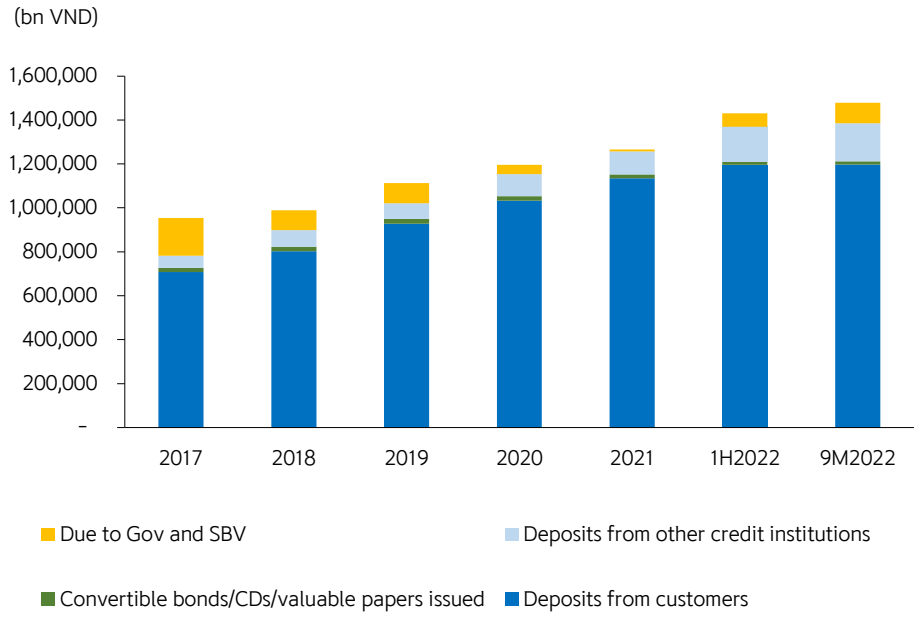
Source: Company data, Shinhan Securities Vietnam

- VCB's NPL improved significantly reaching 0.61% as of 2Q2022, but increasing again to 0.80% as of Q3/2022. However, VCB still belongs to the group of banks with low NPL ratio, showing that the Bank is well controlling the quality of loans, as well as evaluating quality of customer files.
- VCB's business and lending orientation has always been in a cautious direction as the bad debt coverage ratio (LLR) continued to increase and reached the highest level in the system.

VCB – Leading bank

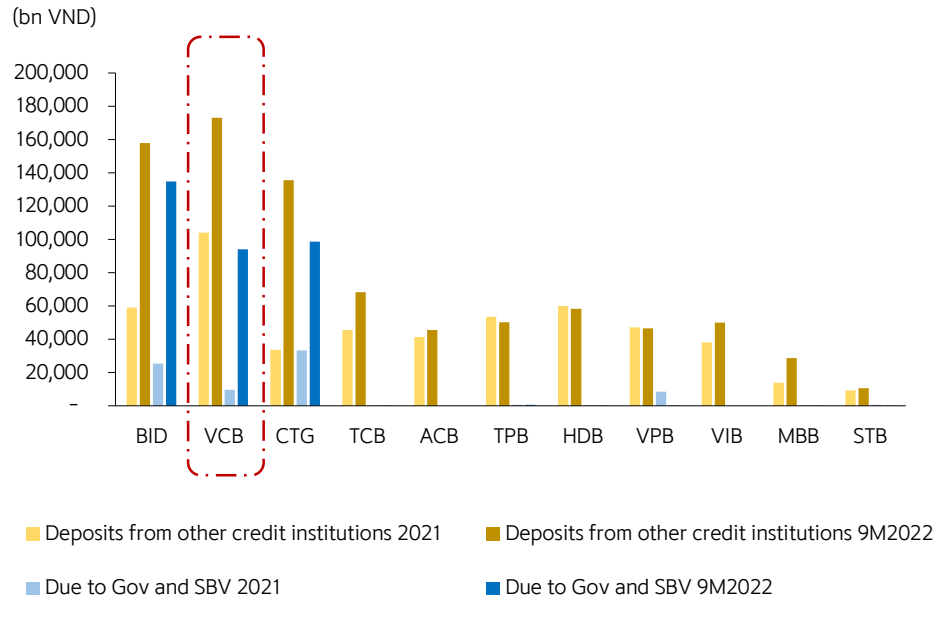
Mobilized capital of VCB is abundant and sustainable thanks to deposits from SBV/ Government, other credit institutions and large enterprises

Mobilized capital components of VCB



Source: Company data, Shinhan Securities Vietnam

Deposits from credit institutions- Due to Gov & loans from SBV of banks



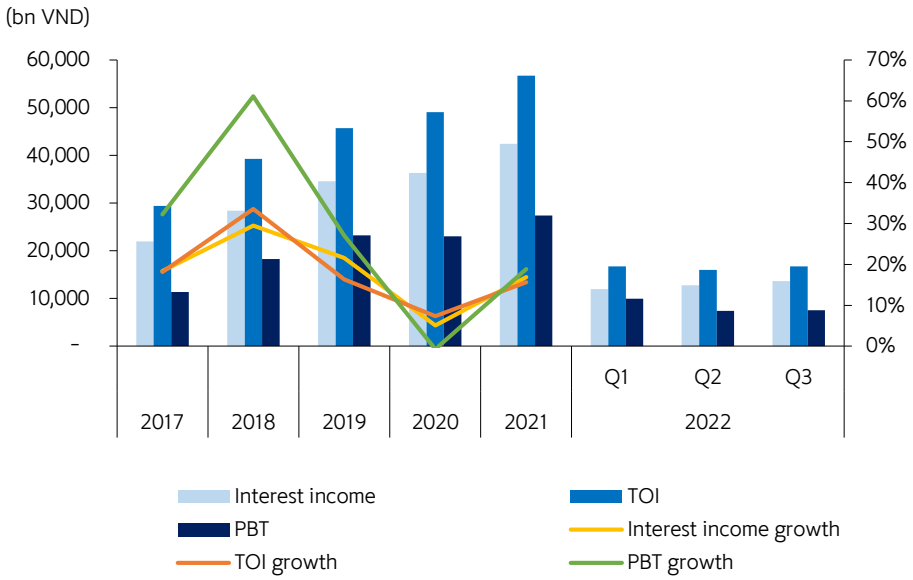
Source: Company data, Fiinpro, Shinhan Securities Vietnam

- State-owned commercial banks, in general, have an advantage in the race of raising money thanks to their reputation, operational characteristics, and nationwide network of branches and transaction offices.
- VCB is not under too much pressure on raising deposit rates during this period and can limit the increase in capital costs.

VCB – Leading bank

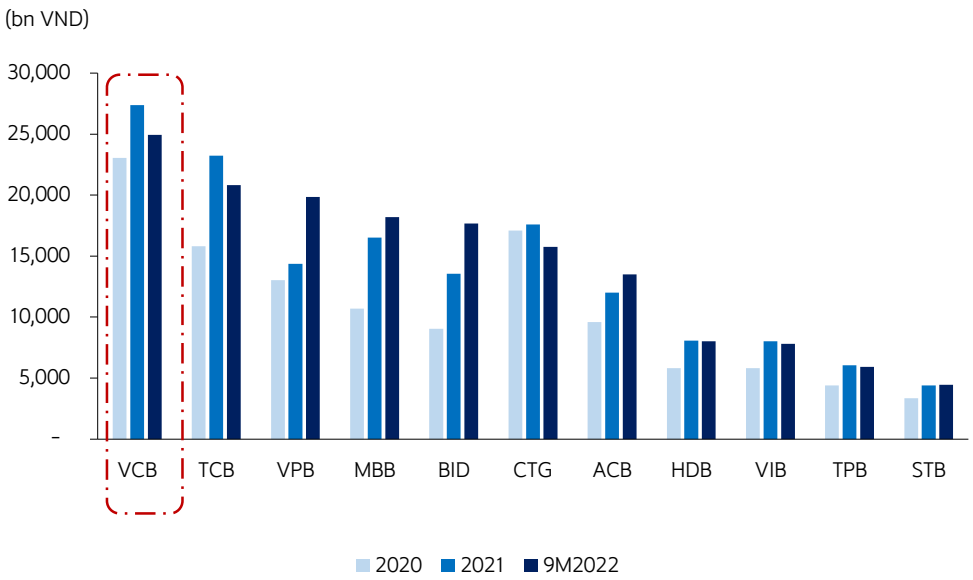
VCB has outstanding business results and has led the industry in profits for many years.

Net interest income - TOI and profit before tax off VCB



Source: Company data, Shinhan Securities Vietnam

Profit before tax of banks in the industry



Source: Company data, Shinhan Securities Vietnam

- VCB's profit before tax (PBT) has increased rapidly over the years, reaching VND 27,385 billion (+18.82% YoY) in 2021, leading the industry thanks to the positive results of its business segments.
- With the ownership of more than 600 branches and transaction offices (by the end of 2021), the free policy will be a catalyst to help VCB attract a significant number of customers in the future.
- VCB has focused on digital transformation, improving customer experience, and increasing competition for retail market share with large private banks that have been digitally transformed for many years.

VCB – Leading bank

VCB is valuated at attractive price

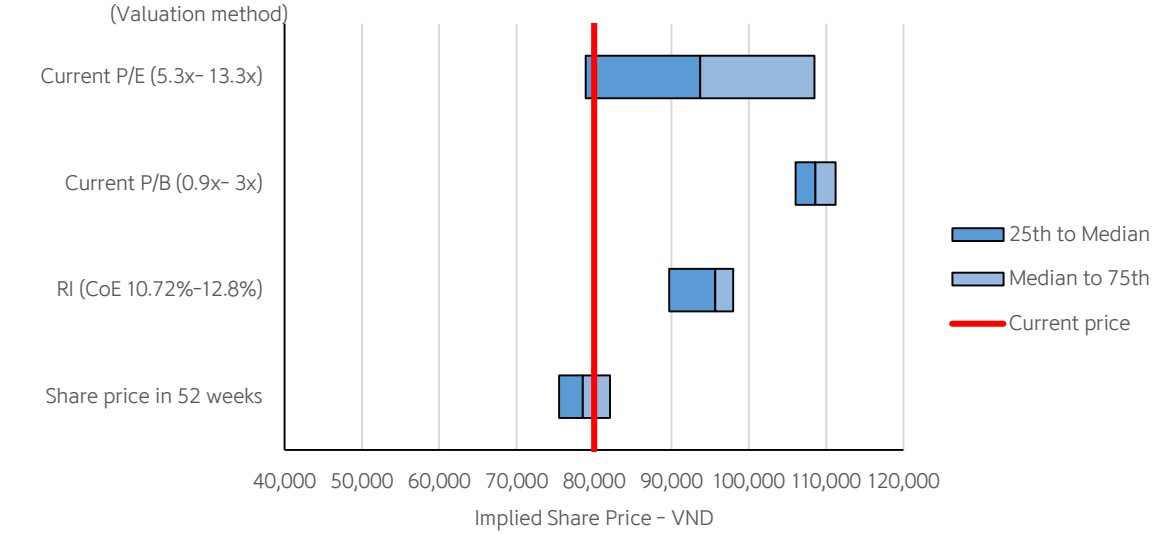
RI valuation method	Q4/2022F	2023F	2024F	2025F	2026F
(bn VND)					
Cost of equity	11.47%	11.47%	11.47%	11.47%	11.47%
Cost of equity after 2026					11.47%
Net income	9,070	35,293	43,144	54,269	64,486
Residual income (RI)	5,938	19,851	24,813	32,262	37,685
PV of RI	**5,760**	**17,270**	**19,354**	**22,583**	**23,742**

Valuation		
Method	Proportion	Target price (VND)
Residual income	60%	93,973
P/B average (3x)	40%	77,034
Target price (VND)	**87,197**	

Terminal value of RI (bn VND)	**401,217**
Terminal growth (%)	1.00%
PV of RI (bn VND)	88,709
PV of terminal value (bn VND)	252,767
Beginning equity (bn VND)	128,390
Total value (bn VND)	469,866
Total outstanding shares (*) (mn)	4.732
Target price (VND)	**93,973**
Cost of Equity (%)	**11.47%**
Beta (x)	0.75
Adjusted beta (x)	0.83
Risk-free rate (%)	5.00%
Equity risk premium (%)	7.80%

Source: Shinhan Securities Vietnam

Football field valuation



Source: Shinhan Securities Vietnam

(*) If VCB increases its charter capital by issuing shares to pay dividends from the remaining profit in 2019 and 2020, the number of shares expected to be issued is about 856 million shares at the price of 10,000 dong/ share. The target price is adjusted to 77,000.

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