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,…

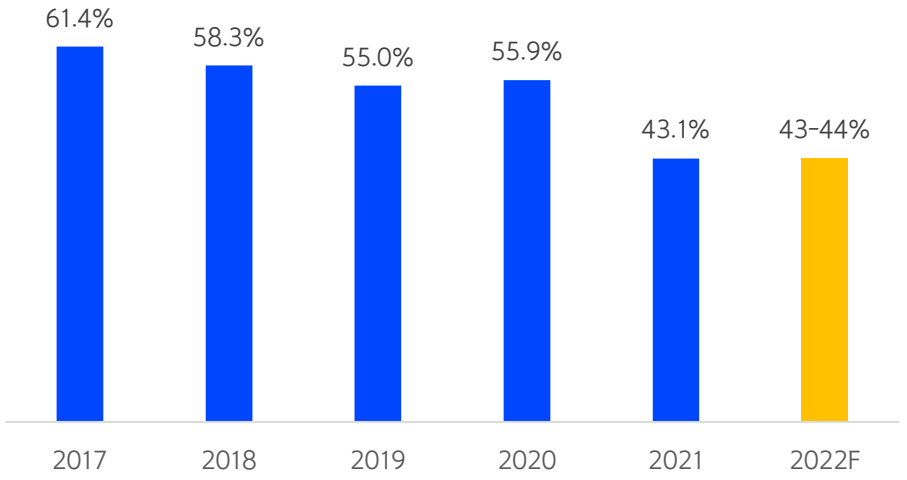
Public investment is crucial for the development of the country

- 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.

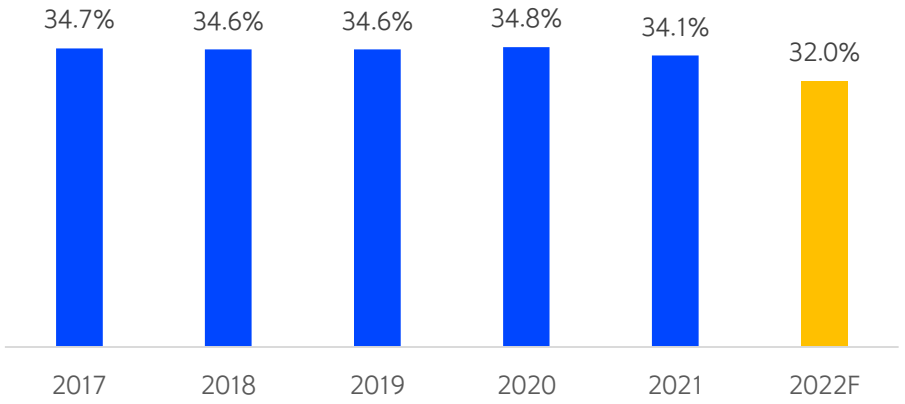
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The public investment trend is supported by macro factors

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



Total social investment/GDP (%)



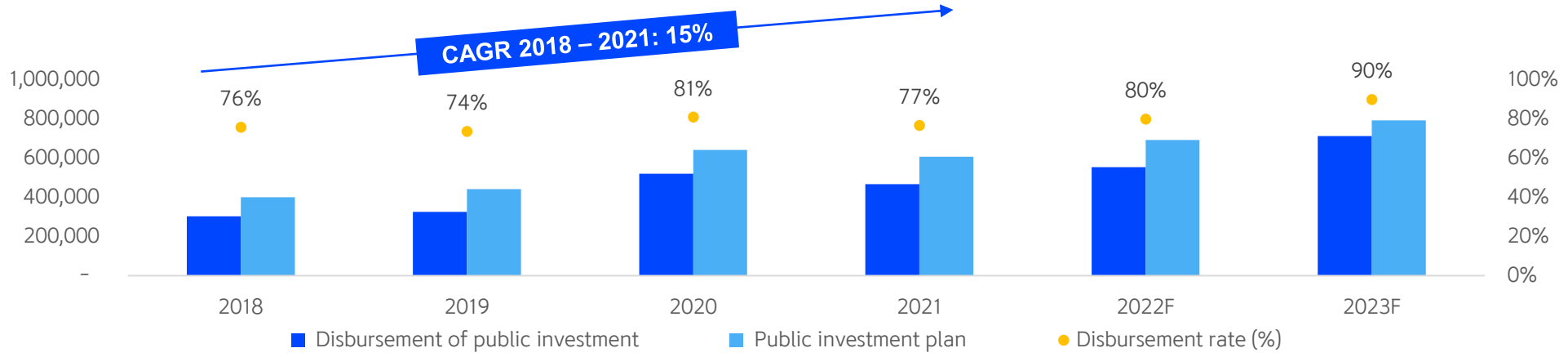
Source: GSO, Shinhan Securities Vietnam

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

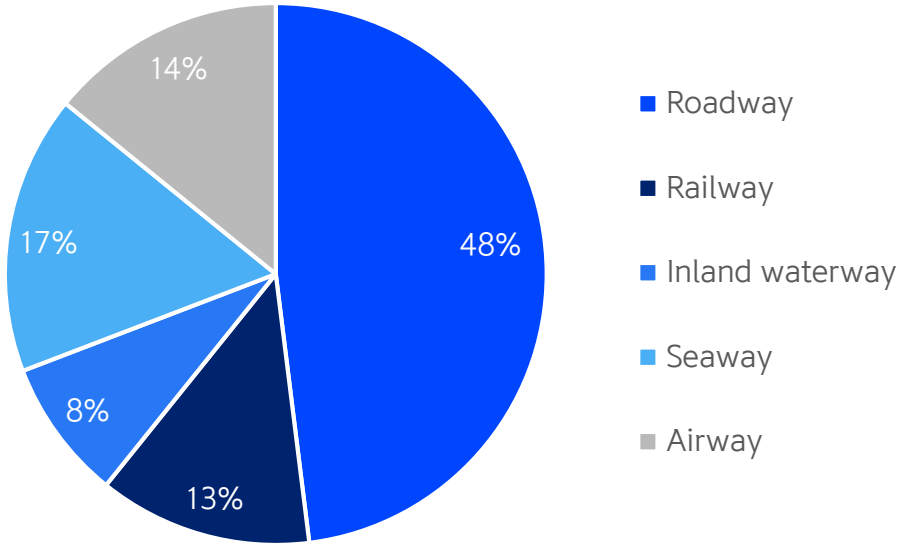
Over time, the State has fostered public investment.

- 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

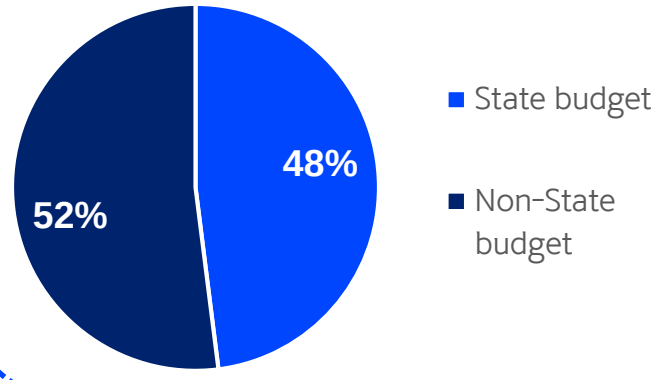
Demand for investment capital in transportation infrastructure to 2030

Investment capital structure by infrastructure (%)



Source: MOT, Shinhan Securities Vietnam

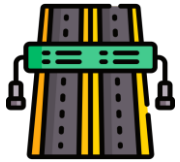
Total investment capital
VND 1.87 quadrillion



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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



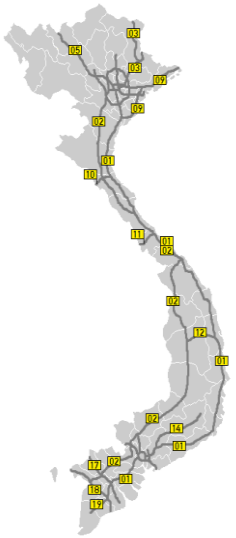
Railway systems: 7 routes passing through 34 provinces
Total length of 3,143 km



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

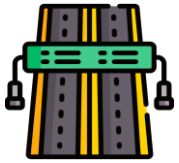


Inland waterway systems: 298 Inland waterway ports, 20 routes
Total tonnage: 19.6 million tons/year



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

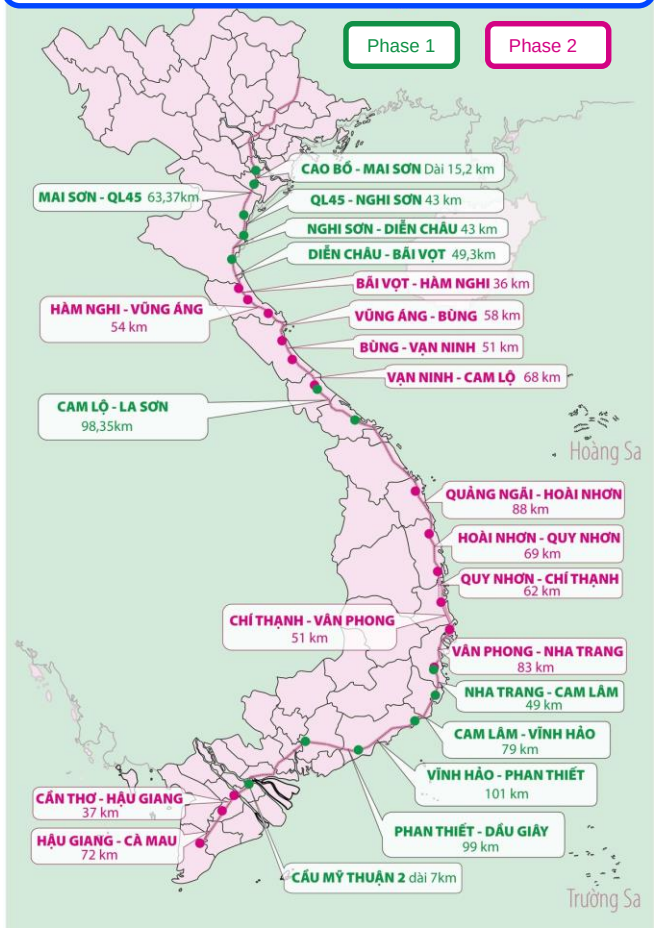
Name of project	Construction time	Total investment (billion VND)
North - South Expressway Phase 1	2017 – 2020 (can be extended to 2023)	88,530
North - South Expressway Phase 2	2023 – 2025	114,612
North - South Expressway Phase 3	After 2025	69,123
Long Thanh airport phase 1	2020 – 2025	109,111
Ring Road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

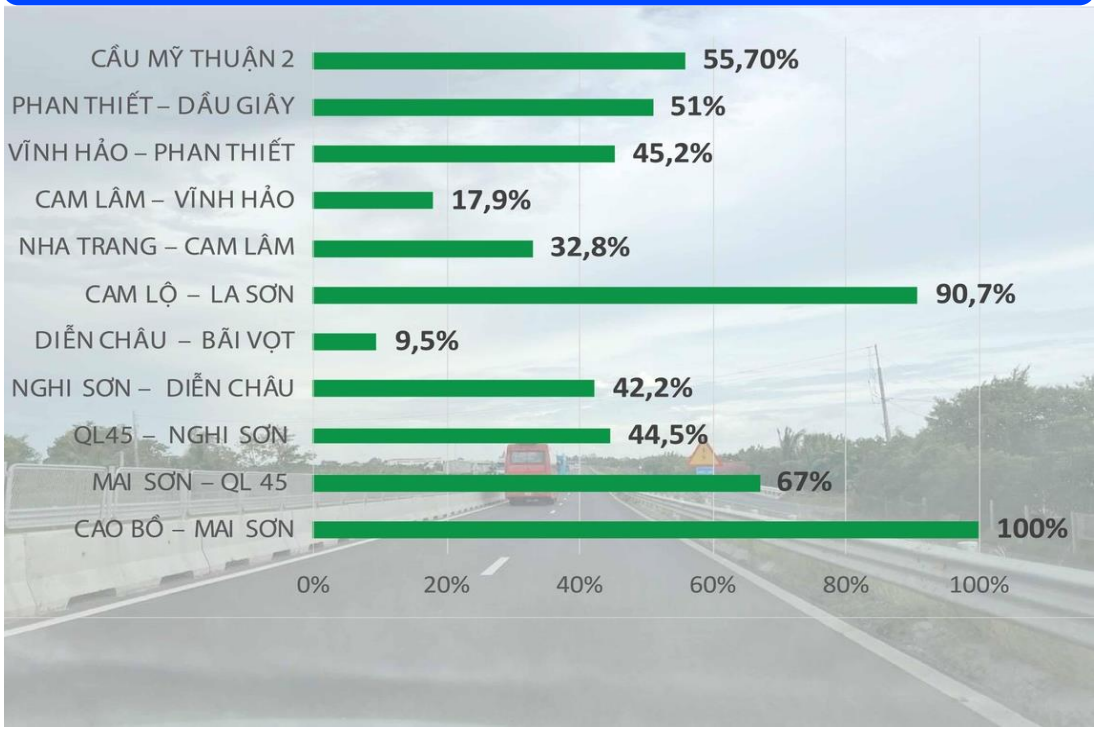
Update the status of North-South Expressway

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

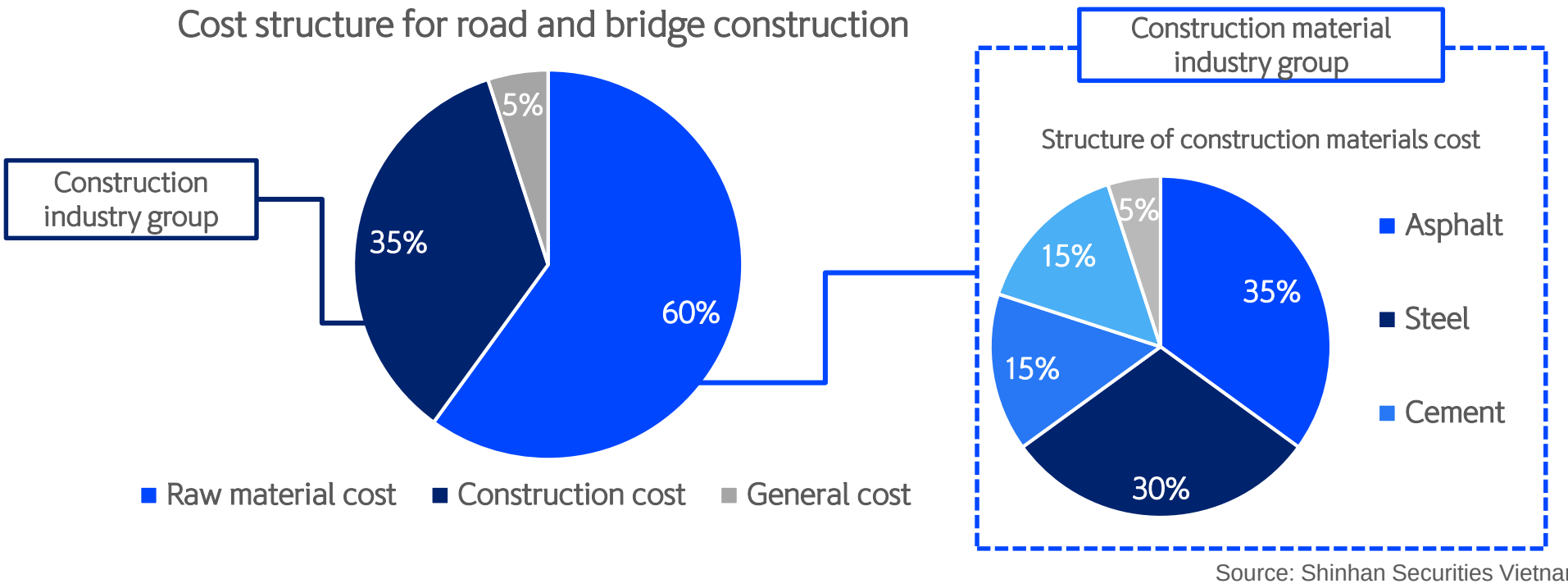
Factors supporting disbursement of public investment in 2023

- 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

Beneficiaries of robust public investment

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)

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